



## LASSILA & TIKANOJA PLC FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2007

- Net sales for the fourth quarter EUR 148.2 million (EUR 115.4 million); operating profit EUR 12.1 million (EUR 10.3 million); earnings per share EUR 0.20 (EUR 0.18)
- Net sales for the year 2007 EUR 554.6 million (EUR 436.0 million); operating profit EUR 48.8 million (EUR 50.2 million); earnings per share EUR 0.83 (EUR 0.90); operating profit excluding non-recurring and imputed items EUR 54.3 million (EUR 47.3 million)
- A dividend of EUR 0.55 per share is proposed.
- Net sales for the year 2008 are expected to increase in line with the long-term target, which is more than 10%, and earnings are expected to improve clearly. Also the operating profit excluding non-recurring and imputed items is expected to improve.

### GROUP NET SALES AND FINANCIAL PERFORMANCE

#### Fourth quarter net sales and financial performance

Net sales for the final quarter stood at EUR 148.2 million (EUR 115.4 million). This represented an increase of 28.4%, 17.9 percentage points of which came from corporate acquisitions. The operating profit was EUR 12.1 million (EUR 10.3 million), which is 8.2% (8.9%) of net sales. The operating profit excluding non-recurring and imputed items was EUR 13.3 million (EUR 9.3 million).

The fourth-quarter result was improved by strong organic growth, successful management of production and lower than expected social security costs. The operating profit was burdened by non-recurring expenses arising from the integration of Salvor's business (EUR 0.5 million), as well as imputed changes in the fair values of oil derivatives purchased for hedging the oil re-refinery business to be started in 2008 (EUR -0.7 million). In the comparison period, non-recurring income of EUR 1.0 million was recognised.

#### Net sales and financial performance for 2007

The full-year net sales increased by 27.2% and stood at EUR 554.6 million (EUR 436.0 million), 18.3 percentage points of this growth coming from corporate acquisitions. Earnings per share were EUR 0.83 (EUR 0.90). The operating profit totalled EUR 48.8 million (EUR 50.2 million). The operating profit excluding non-recurring and imputed items was EUR 54.3 million (EUR 47.3 million).

Organic growth exceeded market growth, and the company's market position strengthened. This was primarily attributable to well-functioning product development, marketing and sales operations, as well as improved customer satisfaction. Several new service products were introduced to the market, and new outsourcing deals were signed particularly in the forest industry. The operating profit was burdened by losses in Salvor (EUR 2.3 million), as well as imputed changes in the fair values of oil derivatives (EUR -2.8 million). In the previous year, non-recurring income of EUR 2.9 million was recognised.

| Financial summary   | 10-12<br>/2007 | 10-12<br>/2006 | Change<br>% | 1-12<br>/2007 | 1-12<br>/2006 | Change<br>% |
|---|----------------|----------------|-------------|---------------|---------------|-------------|
| Net sales, EUR million  | <b>148.2</b>   | 115.4          | 28.4        | <b>554.6</b>  | 436.0         | 27.2        |
| Operating profit excl. non-recurring and imputed items EUR million* | <b>13.3</b>    | 9.3            | 43.0        | <b>54.3</b>   | 47.3          | 14.8        |
| Operating profit, EUR million                                       | <b>12.1</b>    | 10.3           | 17.3        | <b>48.8</b>   | 50.2          | -2.8        |
| Operating margin, %   | <b>8.2</b>     | 8.9            |             | <b>8.8</b>    | 11.5          |             |
| Profit before tax, EUR million                                      | <b>10.9</b>    | 10.0           | 8.9         | <b>44.5</b>   | 48.5          | -8.3        |
| Earnings per share, EUR   | <b>0.20</b>    | 0.18           | 11.1        | <b>0.83</b>   | 0.90          | -7.8        |
| Dividend/share  |                |                |             | <b>0.55**</b> | 0.55          |             |
| EVA, EUR million  | <b>4.6</b>     | 4.6            |             | <b>23.0</b>   | 28.6          | -19.6       |

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

\*\* Proposal by the Board of Directors

## NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

### Environmental Services

#### October to December

The net sales of Environmental Services (waste management, recycling services, L&T Biowatti, environmental products) in the fourth quarter amounted to EUR 74.8 million (EUR 53.8 million), an increase of 39.1%. The operating profit was EUR 8.4 million (EUR 7.1 million).

Organic growth in waste management and recycling services was strong both in Finland and in other countries. The financial performance of waste management improved clearly, due to increased net sales and improved productivity. Recycling services exceeded its target even though the mild start to the winter held down the level of recovered fuel deliveries.

At the Joensuu recycling plant and the extension to the Turku plant, which were introduced into production early in the autumn, degrees of utilisation quickly rose to the planned levels. The planning of an extension to the Kerava plant is underway. The completion of the Dubna plant in Russia has been postponed to the latter half of 2008 due to slow permitting processes. A landfill for industrial waste will be constructed in Kotka and completed in the latter half of 2008.

The net sales and earnings of L&T Biowatti were burdened by the mild start to the winter and production restrictions in the mechanical forest industry. The delivery ability was further improved through the construction of new terminals and improvements to resources used for acquiring forest processed chips. L&T Biowatti will build a wood pellet plant at Suonenjoki, with expected completion in late 2008.

International business developed favourably. Operations in Russia expanded according to plan. Price increases substantially improved the profitability of operations in Latvia but the high Latvian inflation rate will impose challenges on profitability.

Environmental products' financial performance improved as a result of strong growth in net sales.

#### Year 2007

Environmental Services' net sales for 2007 amounted to EUR 279.8 million (EUR 204.8 million), an increase of 36.6%. The operating profit was EUR 35.0 million (EUR 32.8 million).

Organic growth was strong and customer loyalty was good. The profitability of waste management was burdened by proportional growth in the number of municipal contracts. The volume of recycling services increased thanks to new sales and added plant capacity. The Bajamaja rental service clearly increased its net sales and improved profitability. Losses on Salvor's landfill construction operations substantially weakened the earnings of recycling services. A part of Salvor's business was sold to the joint venture partner, joint holding was dissolved, and Salvor transferred to L&T's sole ownership on 1 September 2007. Salvor's remaining business was integrated into Industrial Services.

During the year, additional capacity for the recycling of waste material and by-products was built and introduced at Turku, Tampere and Valkeakoski, and a completely new recycling plant was built in Joensuu. The situation with environmental permits developed favourably even though appeals against environmental permits are slowing down plant and processing site projects to some extent. The planning and implementation of new plants and processing sites will continue in Finland as well as in Russia. The largest project is related to expanding the capacity of the Kerava plant. The first stage is expected to be completed in the latter half of 2009.

A majority holding in Biowatti Oy was acquired on 1 February 2007. L&T Biowatti is the leading bioenergy company utilising renewable sources of energy in Finland. It engages in the procurement, processing, marketing and delivery of wood-based fuels for customers. L&T Biowatti's net sales and earnings developed almost as planned. It has improved its procurement and delivery capacity through constructing new terminals and strengthening its procurement organisation. In late 2007, a decision was made to expand L&T Biowatti's operations to the production of wood pellets.

Waste management operations in the Moscow region expanded to a new town in May with the commencement of a gradual transfer of waste management in the town of Sergiev Posad to L&T's responsibility. L&T currently has waste management operations at two locations in Russia: Dubna and Sergiev Posad. However, the operations are going to be expanded to larger cities in a controlled manner.

The net sales and earnings of environmental products improved clearly. Net sales increased in Finland as well as in other countries. Particular effort abroad was put into expanding the Russian operations.

## **Property and Office Support Services**

### **October to December**

The net sales of Property and Office Support Services (property maintenance and cleaning services) in the fourth quarter totalled EUR 54.8 million (EUR 44.6 million), an increase of 22.9%. The operating profit was EUR 4.0 million (EUR 1.2 million).

Net sales in Finland increased thanks to acquisitions in the beginning of June and good organic growth particularly in property maintenance. Day-to-day operations went well in both product lines, with a clear improvement in earnings. Cleaning services were particularly successful in Finland. Earnings were improved by low social security costs. Sales of additional services were successful. The profitability of maintenance of technical systems improved clearly on the comparison period. During the period, new outsourcing contracts were signed particularly with the forest industry.

Net sales from international operations increased and the loss was smaller than in the previous year. The winning of new customers in Russia, which had developed in a promising fashion, continued further. The challenge in Latvia is high cost inflation, the impact of which could not be fully transferred to sales prices.

### **Year 2007**

The full-year net sales of Property and Office Support Services totalled EUR 204.1 million (EUR 168.4 million), an increase of 21.2%. The operating profit was EUR 11.0 million (EUR 8.8 million).

Organic growth continued in Finland, with net sales growing particularly in property maintenance. Additional sales to existing customers were successfully increased. Both product lines improved their profitability thanks to good management of day-to-day operations.

Kiinteistöhuolto Jauhainen Oy and Siivouspalvelu Ta-Bu Oy were acquired in the beginning of June. Kiinteistöhuolto Jauhainen Oy is a property maintenance company operating in the Helsinki region that posted net sales of EUR 6.5 million in 2006. Siivouspalvelu Ta-Bu Oy operates in the Helsinki and Varkaus regions. Its net sales in 2006 amounted to EUR 5.3 million. The operations of the acquired companies have been integrated into L&T's business. Skånsk All Service AB, which operates in Sweden and Norway and specialises in food hygiene services, was acquired in the beginning of the year. Its net sales in 2006 amounted to EUR 10.8 million.

Net sales from international operations increased substantially, in Sweden as a consequence of the acquisition in January, and in Latvia and Russia through organic growth. The operations in Latvia and Russia were reorganised, including recalculations of customer sites and price increases. Sales performance has been good and an earnings improvement is expected. The focus in Sweden is still on integrating the acquired companies into one and building a sales organisation. The division's operations abroad were still running at a loss.

## Industrial Services

### October to December

The fourth-quarter net sales of Industrial Services (hazardous waste management, industrial solutions, damage repair services and wastewater services) amounted to EUR 19.9 million (EUR 18.3 million), an increase of 8.8%. The operating profit was EUR 0.2 million (EUR 3.0 million). The division's operating profit was burdened by imputed changes in the fair values of oil derivatives (EUR -0.7 million), compared to an earnings improvement of EUR 0.7 million from corresponding changes in the comparison period. Earnings were also burdened by the integration of Salvor's operations (EUR 0.5 million).

Weather was warm for the time of the year, and together with the repairs of major flood damage, this upheld strong demand. Net sales increased in all product lines except hazardous waste management. The growth was entirely organic. Contracts with all major industrial customers were successfully renewed for periods of several years.

The division's fourth-quarter profitability was weakened by the fact that the general rise in costs could generally not be transferred to customer prices before the beginning of 2008. The proportion of expensive rented labour was successfully reduced, with increases in in-house staff according to plan, but this caused some overlapping costs during the transition stage. Raw material procurement by the joint venture L&T Recoil clearly outperformed the expectations, which increased storage costs.

As Salvor became fully owned by L&T, its operations were integrated into hazardous waste management and industrial cleaning. The industrial cleaning product line was renamed industrial solutions.

### Year 2007

Full-year net sales for Industrial Services stood at EUR 75.5 million (EUR 66.8 million), an increase of 12.9%. The operating profit was EUR 4.8 million (EUR 9.3 million). The division's operating profit was burdened by imputed changes in the fair values of oil derivatives (EUR -2.8 million), compared to an earnings improvement of EUR 0.7 million from corresponding changes in the previous year.

All product lines were successful in increasing their net sales and improving market share, with particular success in damage repair services. Sales of recycled fuels declined as oil suitable for re-refining was put into storage in expectation of the plant to be completed in 2008. Re-refining will substantially improve the value added for waste oil. A new alternative liquid fuel (ALF) was introduced to the market in the spring to replace waste oil that is routed to re-refining.

The division's growth and earnings were somewhat burdened by the lack of human and equipment resources. Insufficient number of staff increased the costs of overtime and rented labour, and not even rented resources were sufficient to fully satisfy the demand during the season. The division's operating result was in line with the targets. Wastewater services were the only product line to fall short of its targets, with production difficulties particularly in the first half of the year. Profitability for damage repair services improved.

In hazardous waste management, the construction of a plant for the joint venture L&T Recoil progressed. The general increase in construction costs and stricter safety requirements have increased the costs of construction. The construction schedule has, to some extent, proved to be too tight. The procurement of raw material exceeded the expectations, which resulted in an increase in storage costs that burden the earnings. Supply agreements have practically eliminated the raw material risk. A production interruption of more than three months due to a fire at the Tuusula production plant also increased the costs of logistics and waste disposal.

## FINANCING

At the end of the period, interest-bearing liabilities amounted to EUR 39.9 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 86.4 million, increased by EUR 33.9 million. Increase in net liabilities was reduced when the shares of Ekokem Oy Ab which were sold in January 2008 were transferred from available-for-sale non-current investments into current investments and were recognised at fair value.

Net finance costs exceeded those for the comparison period by EUR 0.9 million for the fourth quarter, and by EUR 2.6 million for the whole year. In the fourth quarter, interest expenses increased by EUR 0.8 million as a result of the growth in interest-bearing liabilities and a rise in the interest rate level. The increase in liabilities was due to net cash used in investment activities, which exceeded those for the previous year by EUR 49.6 million.

Due to changes in the fair values of interest rate swaps, EUR 0.2 million was recognised in finance costs in October-December, while EUR 0.1 million was recognised in finance income in the comparison period. With regard to changes in the fair value of interest rate swaps in January-December, EUR 0.3 million was recognised in finance costs, compared to EUR 0.5 million recognised in finance income for the comparison year. Net finance costs were 0.8% (0.4%) of net sales and 8.9% (3.4%) of operating profit.

A total of EUR 0.1 million arising from the change in the fair value of interest rate swaps to which hedge accounting under IAS 39 is applied, was recognised in equity.

The equity ratio was 46.6% (50.4%) and the gearing rate 42.7 (29.7). Net cash from operating activities amounted to EUR 55.4 million (EUR 69.9 million), and EUR 13.2 million were tied up in the working capital (EUR 2.5 million were released). A significant part of the increase in the working capital was generated by increasing the stocks of L&T Biowatti and L&T Recoil.

## CAPITAL EXPENDITURE

Capital expenditure for the year 2007 totalled EUR 93.2 million (EUR 47.2 million). EUR 46.6 million were spent on business acquisitions. The combined annual net sales of the acquired companies totalled EUR 90.6 million. In addition, production plants were built, machinery and equipment were purchased and information systems were replaced.

The following acquisitions were made in the first quarter:

In December 2006 an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company for Environmental Services. The acquisition became effective on 1 February 2007 after the approval of the competition authority. L&T Biowatti is the leading Finnish bio energy supplier utilising renewable energy sources, operating in the procurement, processing, marketing and delivery of wood-based fuels. The main products are by-products of forest and wood processing industries and logging chips. The net sales of Biowatti for the year 2006 amounted to EUR 64.2 million. Bio fuel sales account for two thirds and industrial raw materials sales for one third of the net sales.

A Swedish cleaning services company Skånsk All Service AB together with subsidiaries Hygienutveckling AB and Hygienuutvikling A/S operating in Norway were acquired in January for Property and Office Support Services. The consolidated net sales of the group totalled EUR 10.8 million in 2006, most of which came from hygiene services for the food industry. Kiinteistöhuolto Pentti Nissinen Oy was acquired for property maintenance services.

The remaining portion of the shares of Suomen Keräystuote Oy was purchased for recycling services within Environmental Services. Lassila & Tikanoja held already 94.5% of Suomen Keräystuote shares.

The following acquisitions were made in the second quarter:

In early June, Kiinteistöhuolto Jauhainen Oy and Siivouspalvelu Ta-Bu Oy were acquired.

Kiinteistöhuolto Jauhainen Oy specialises in property maintenance services in the Helsinki region, and its net sales for the year 2006 amounted to EUR 6.5 million. It employs 65 people. Siivouspalvelu Ta-Bu Oy is a cleaning services company operating both in the Helsinki region and in Varkaus in Central Finland. Its net sales for the year 2006 amounted to EUR 5.3 million, and it employs some 200 people.

The following acquisitions were made in the third quarter:

In the beginning of June, L&T acquired half of the minority share in L&T Muoviportti (16.5%). The operations of Kuljetus Kummunmäki Oy were acquired for waste management on 1 July. In the beginning of September L&T obtained the full ownership of Salvor Oy when it acquired the remaining 50 percent of the shares.

## PERSONNEL

In 2007, the average number of employees converted into full-time equivalents was 7,819 (6,775). At the end of the year, the total number of full-time and part-time employees was 9,387 (8,328). Of them 2,401 (1,822) people worked outside Finland.

## PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the financial statements, Lassila & Tikanoja plc's distributable assets amount to EUR 44,312,723.09, of which EUR 24,602,737.17 constitutes profit for the financial period. There were no substantial changes in the financial standing of the company after the end of the financial period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable assets. The Board of Directors proposes to the General Meeting of Shareholders that distributable assets be used as follows:

|   |                          |
|---|--------------------------|
| A dividend of EUR 0.55 per share will be paid on each of the 38,796,874 shares, totalling | EUR 21,338,280.70        |
| To be retained and carried forward  | EUR 22,974,442.39        |
| <b>Total</b>  | <b>EUR 44,312,723.09</b> |

In accordance with the resolution of the Board of Directors, the record date is 4 April 2008. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 11 April 2008.

Earnings per share amounted to EUR 0.83. The proposed dividend is 66.7% of the earnings per share.

## SHARES AND SHARE CAPITAL

### Traded volume and price

The volume of trading in Lassila & Tikanoja plc shares on OMX Nordic Exchange in Helsinki in the year 2007 was 19,802,194, which is 51.2% (33.3%) of the average number of shares. The value of trading was EUR 467.2 million. The trading price varied between EUR 20.03 and EUR 27.96. The closing price was EUR 22.70. The market capitalisation was EUR 880.4 million (EUR 834.5 million) at the end of the period.

### Share capital

At the beginning of the year the company's registered share capital amounted to EUR 19,264,087. During the year, 256,200 shares were subscribed for pursuant to 2002C options. After these subscriptions the share capital is EUR 19,392,187, and the number of the shares 38,784,374. The subscription period for the share options issued in 2002 ended on 30 October 2007.

On 4 February 2008, the Board approved the subscriptions of 12,500 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 6,250 to EUR 19,398,437 and the number of the shares will increase to 38,796,874 shares after the increase has been entered in the Trade Register.

## Option plan 2005

In 2005, 600,000 share options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. At the beginning of the exercise period, 25 key persons held 162,000 2005A options. 33 key persons hold 178,000 2005B options and 43 key persons hold 228,500 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 8,000 2005A options, 22,000 2005B options and 1,500 2005C options.

The share subscription price for 2005A options is EUR 14.22, for 2005B options EUR 16.98 and for 2005C options EUR 26.87. 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. 2005A options have been listed on the OMX Nordic Exchange since 2 November 2007.

## Shareholders

At the end of the financial period, the company had 4,985 (4,535) shareholders. Nominee-registered holdings accounted for 13.9% (10.4%) of the total number of shares.

## 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 26 March 2007, adopted the financial statements for the financial year 2006 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 21.2 million, as proposed by the Board of Directors, be paid for the financial year 2006. The dividend payment date was 5 April 2007.

The Annual General Meeting confirmed the number of the members of the Board of Directors five (5). The following Board members were re-elected to the Board until the end of the following AGM: Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Eero Hautaniemi was elected as a new member 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 of Directors' proposal to amend the Articles of Association in order to align them with the new Finnish Companies Act. The provisions on minimum and maximum share capital as well as on minimum and maximum number of shares were also removed.

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

In a release disclosed on 23 July 2007, the company announced that the full-year financial result was estimated to be lower than in the previous year, though the operative result for the final half of the year was expected to remain on the same level as in the previous year. Previously the company had estimated that the full-year financial performance will improve. Full-year net sales were still estimated to increase by clearly more than 20%.

On 14 September 2007, the Board of Directors resolved to apply for listing of 2005A share option rights on the OMX Nordic Exchange in Helsinki starting from 2 November 2007.

## EVENTS AFTER THE BALANCE SHEET DATE

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 will be recognised in the financial statements for the first quarter of the year 2008. The positive effect of the sale on the operating profit and the profit for the period will be EUR 14.2 million.

## NEAR-TERM UNCERTAINTIES

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. The costs of procuring raw material for renewable fuels produced by L&T Biowatti have increased due to reasons such as poor forest felling conditions. The continuing mild winter will further impact the supply of forest processed chips. L&T Biowatti strives to mitigate the impact by strengthening its procurement resources for chips. A planned amendment to Latvian waste legislation may have adverse effects on the competition situation for waste management in Riga towards the end of 2008.

## PROSPECTS FOR THE YEAR 2008

The prospects for Lassila & Tikanoja's markets remain mostly good. Organic growth is expected to remain strong. Full-year net sales are expected to increase in line with the long-term target, which is more than 10%, and earnings are expected to improve clearly. Operating profit excluding non-recurring and imputed items is also expected to improve.

Environmental Services will continue to be in demand. Increased plant capacity and a versatile service offering will probably improve L&T's market position. Increasing the capacity of recycling plants and new landfills will continue along with geographical expansion in Russia.

Actions of EU climate policy will have a positive effect on the demand for L&T's renewable fuels but this will be allocated over several years. The prices for raw material and subcontracted services required by L&T Biowatti have increased strongly. The second mild winter in a row makes forest felling more difficult and increases the costs. L&T Biowatti will invest in strengthening its procurement organisation for wood chips and build one or two pellet plants that will be completed at the end of the year. Operating profit of Environmental Services is expected to increase.

The market outlook for Property and Office Support Services remains unchanged in Finland, and L&T's competitiveness is quite good. The outsourcing of support services will continue in the forest industry but the municipal market will only be opened up at a slow pace. Earnings from international operations are expected to improve but the full-year result is expected to remain slightly negative. Increasing net sales are a focal point for improving the profitability of international operations. The division's operating profit is expected to increase.

The market outlook for Industrial Services is good for the time being. Strong demand seems to continue, and L&T has managed to increase its market shares. Wastewater services and damage repair will increase their capacity and improve their service ability in Finland. The completion of L&T Recoil's re-refinery will be postponed towards the end of the year due to problems with the supply of critical components. The plant construction costs have exceeded the budget but simultaneously its recovery rate has improved in comparison to the original design level.

Operating profit for Industrial Services is expected to increase clearly provided that the world market price of crude oil will not rise substantially. Comparable operating profit excluding the effect of changes in the value of oil derivatives is also expected to increase. Imputed changes in the fair values of oil derivatives weakened the earnings by EUR 2.8 million in 2007.

Investments in 2008 will go into recycling plants, landfills, pellet plants and increases in machinery and transport capacity. Investments are expected to be smaller than in 2007. The focus is on organic growth.

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

| EUR million  | 10-12<br>/2007 | 10-12<br>/2006 | 1-12<br>/2007 | 1-12<br>/2006 |
|--|----------------|----------------|---------------|---------------|
| <b>Operating profit</b>  | <b>12.1</b>    | 10.3           | <b>48.8</b>   | 50.2          |
| Non-recurring items:   |                |                |               |               |
| Loss on sale of landfill operations of Salvor and integration of the rest of Salvor's operations | 0.5            |                | 2.3           |               |
| Reorganisation of Property and office support services operations in Russia                      |                |                | 0.4           |               |
| Gain on sale of a property   |                |                |               | -1.9          |
| Gain on sale of a leasing arrangement  |                | -0.3           |               | -0.3          |
| Oil derivatives  | 0.7            | -0.7           | 2.8           | -0.7          |
| <b>Operating profit excl non-recurring and imputed items</b>                                     | <b>13.3</b>    | 9.3            | <b>54.3</b>   | 47.3          |

**CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2007**  
**ACCOUNTING POLICIES**

This financial statements report is in compliance with IAS 34, Interim Financial Reporting Standard. The same accounting policies as in the annual financial statements of 31 December 2007 have been applied. These financial statements have been prepared in accordance with the IFRS standards and interpretations being effective. The new IFRIC interpretations (7-11) that became effective in 2007 did not affect the consolidated financial statements. IFRS 7 (effective as of 1 January 2007) does not affect these interim financial statements, because they are condensed.

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 financial statement report has not been audited.

| INCOME STATEMENT              | 10-12<br>/2007 | 10-12<br>/2006 | 1-12<br>/2007  | 1-12<br>/2006 |
|-------------------------------|----------------|----------------|----------------|---------------|
| EUR 1000                      |                |                |                |               |
| <b>Net sales</b>              | <b>148 172</b> | 115 362        | <b>554 613</b> | 436 004       |
| Cost of goods sold            | -129 432       | -100 226       | -478 151       | -367 968      |
| <b>Gross profit</b>           | <b>18 740</b>  | 15 136         | <b>76 462</b>  | 68 036        |
| Other operating income        | 1 162          | 1 673          | 3 834          | 4 702         |
| Selling and marketing costs   | -3 750         | -3 739         | -14 616        | -12 844       |
| Administrative expenses       | -2 928         | -2 445         | -11 614        | -8 660        |
| Other operating expenses      | -1 125         | -313           | -5 291         | -1 049        |
| <b>Operating profit</b>       | <b>12 099</b>  | 10 312         | <b>48 775</b>  | 50 185        |
| Finance income                | 624            | 453            | 1 661          | 1 509         |
| Finance costs                 | -1 871         | -819           | -5 978         | -3 208        |
| Share of profit of associates |                | 18             |                | 18            |
| <b>Profit before tax</b>      | <b>10 852</b>  | 9 964          | <b>44 458</b>  | 48 504        |
| Income tax expense            | -3 217         | -2 956         | -12 291        | -13 249       |
| <b>Profit for the period</b>  | <b>7 635</b>   | 7 008          | <b>32 167</b>  | 35 255        |
| <b>Attributable to:</b>       |                |                |                |               |
| Equity holders of the parent  | 7 631          | 6 858          | 31 909         | 34 613        |
| Minority interest             | 4              | 150            | 258            | 642           |

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

|                                   |             |      |             |      |
|-----------------------------------|-------------|------|-------------|------|
| Earnings per share, EUR           | <b>0.20</b> | 0.18 | <b>0.83</b> | 0.90 |
| Earnings per share, EUR - diluted | <b>0.19</b> | 0.18 | <b>0.82</b> | 0.90 |

**BALANCE SHEET**

EUR 1000

12/2007

12/2006

**ASSETS****Non-current assets**

## Intangible assets

|  |                |         |
|--|----------------|---------|
| Goodwill   | <b>119 946</b> | 106 611 |
| Intangible assets arising from business combinations | <b>30 600</b>  | 9 893   |
| Other intangible assets                              | <b>11 571</b>  | 7 903   |
| <b>Total</b>   | <b>162 117</b> | 124 407 |
| Property, plant and equipment                        |                |         |

|   |                |         |
|---|----------------|---------|
| Land  | <b>3 532</b>   | 3 215   |
| Buildings and constructions                   | <b>39 594</b>  | 38 239  |
| Machinery and equipment                       | <b>103 832</b> | 90 397  |
| Other   | <b>82</b>      | 174     |
| Advance payments and construction in progress | <b>4 830</b>   | 2 013   |
| <b>Total</b>                                  | <b>151 870</b> | 134 038 |
| Other non-current assets                      |                |         |

|                                 |                |         |
|---------------------------------|----------------|---------|
| Investments in associates       |                | 3       |
| Available-for-sale investments  | <b>410</b>     | 2 954   |
| Finance lease receivables       | <b>3 823</b>   | 3 174   |
| Deferred income tax assets      | <b>924</b>     | 425     |
| Other receivables               | <b>236</b>     | 229     |
| <b>Total</b>                    | <b>5 393</b>   | 6 785   |
| <b>Total non-current assets</b> | <b>319 380</b> | 265 230 |
| <b>Current assets</b>           |                |         |

|                                |                |        |
|--------------------------------|----------------|--------|
| Inventories                    | <b>14 350</b>  | 4 315  |
| Trade and other receivables    | <b>71 824</b>  | 54 561 |
| Derivative receivables         | <b>1 189</b>   | 3 533  |
| Advance payments               | <b>774</b>     | 155    |
| Available-for-sale investments | <b>21 287</b>  | 13 955 |
| Cash and cash equivalents      | <b>9 521</b>   | 10 835 |
| <b>Total current assets</b>    | <b>118 945</b> | 87 354 |

|                     |                |         |
|---------------------|----------------|---------|
| <b>TOTAL ASSETS</b> | <b>438 325</b> | 352 584 |
|---------------------|----------------|---------|

| EUR 1000  | 12/2007        | 12/2006 |
|---|----------------|---------|
| <b>EQUITY AND LIABILITIES</b>                       |                |         |
| <b>EQUITY</b>                                       |                |         |
| Equity attributable to equity holders of the parent |                |         |
| Share capital                                       | <b>19 392</b>  | 19 264  |
| Share premium reserve                               | <b>50 474</b>  | 47 666  |
| Other reserves                                      | <b>14 055</b>  | 326     |
| Retained earnings                                   | <b>86 327</b>  | 72 291  |
| Profit for the period                               | <b>31 909</b>  | 34 613  |
| <b>Total</b>  | <b>202 157</b> | 174 160 |
| Minority interest                                   | <b>187</b>     | 2 709   |
| <b>TOTAL EQUITY</b>                                 | <b>202 344</b> | 176 869 |
| <b>LIABILITIES</b>                                  |                |         |
| <b>Non-current liabilities</b>                      |                |         |
| Deferred income tax liabilities                     | <b>29 842</b>  | 22 350  |
| Pension obligations                                 | <b>542</b>     | 352     |
| Provisions  | <b>953</b>     | 936     |
| Interest-bearing liabilities                        | <b>81 411</b>  | 59 031  |
| Other liabilities                                   | <b>500</b>     | 431     |
| <b>Total</b>  | <b>113 248</b> | 83 100  |
| <b>Current liabilities</b>                          |                |         |
| Interest-bearing liabilities                        | <b>35 757</b>  | 18 231  |
| Trade and other payables                            | <b>85 183</b>  | 73 174  |
| Derivative liabilities                              | <b>897</b>     | 0       |
| Tax liabilities                                     | <b>794</b>     | 938     |
| Provisions  | <b>102</b>     | 272     |
| <b>Total</b>  | <b>122 733</b> | 92 615  |
| <b>TOTAL LIABILITIES</b>                            | <b>235 981</b> | 175 715 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 | <b>438 325</b> | 352 584 |

**CASH FLOW STATEMENT**

EUR 1000

12/2007

12/2006

**Cash flows from operating activities**

|   |               |               |
|---|---------------|---------------|
| Profit for the period   | 32 167        | 35 255        |
| <b>Adjustments</b>  |               |               |
| Income tax expense  | 12 291        | 13 249        |
| Depreciation and amortisation and impairment                                  | 33 432        | 28 155        |
| Finance income and costs  | 4 317         | 1 699         |
| Imputed changes in fair values of oil derivatives                             | 2 947         | -726          |
| Other   | -859          | -2 447        |
| Net cash generated from operating activities before change in working capital | 84 295        | 75 185        |
| Change in working capital   |               |               |
| Change in trade and other receivables   | -4 903        | -7 654        |
| Change in inventories   | -6 824        | 541           |
| Change in trade and other payables  | -1 450        | 9 585         |
| Change in working capital   | -13 177       | 2 472         |
| Interest paid   | -5 104        | -2 925        |
| Interest received   | 1 460         | 938           |
| Income tax paid   | -12 041       | -5 776        |
| <b>Net cash from operating activities</b>                                     | <b>55 433</b> | <b>69 894</b> |

**Cash flows from investing activities**

|   |                |                |
|---|----------------|----------------|
| Acquisition of subsidiaries and businesses, net of cash                   | -37 050        | -10 658        |
| Sale of subsidiaries and businesses, net of sold cash                     | 1 878          |                |
| Purchases of property, plant and equipment and intangible assets          | -49 109        | -34 878        |
| Proceeds from sale of property, plant and equipment and intangible assets | 2 261          | 13 727         |
| Purchases of available-for-sale investments                               | -147           |                |
| Change in other long-term receivables                                     | 1              | -7             |
| Proceeds from sale of available-for sale investments                      | 1 098          | 353            |
| Dividends received  | 4              | 9              |
| <b>Net cash used in investment activities</b>                             | <b>-81 064</b> | <b>-31 454</b> |

**Cash flows from financing activities**

|   |               |                |
|---|---------------|----------------|
| Proceeds from share issue                           | 2 936         | 1 018          |
| Change in short-term borrowings                     | 23 011        | -14 525        |
| Proceeds from long-term borrowings                  | 50 302        | 15 000         |
| Repayments of long-term borrowings                  | -39 909       | -7 041         |
| Dividends paid                                      | -21 360       | -15 339        |
| <b>Net cash generated from financing activities</b> | <b>14 980</b> | <b>-20 887</b> |

**Net change in liquid assets**

|   |               |               |
|---|---------------|---------------|
| Liquid assets at beginning of period        | 24 790        | 7 252         |
| Effect of changes of foreign exchange rates | -131          | -15           |
| <b>Liquid assets at end of period</b>       | <b>14 008</b> | <b>24 790</b> |

**Liquid assets**

| EUR 1000                                      | 12/2007       | 12/2006       |
|---|---------------|---------------|
| Cash  | 9 521         | 10 835        |
| Certificates of deposit and commercial papers | 4 487         | 13 955        |
| <b>Total</b>                                  | <b>14 008</b> | <b>24 790</b> |

**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 |
|--|---------------|-----------------------|--------------------------------|-------------------|--|-------------------|--------------|
| <b>Equity at 1.1.2007</b>                                    | 19 264        | 47 666                | 326                            | 106 904           | 174 160  | 2 709             | 176 869      |
| Hedging fund, change in fair value                           |               |                       | 136                            |                   | 136  |                   | 136          |
| Current available for sale investments, change in fair value |               |                       | 14 230                         |                   | 14 230   |                   | 14 230       |
| Translation differences                                      |               |                       | -637                           |                   | -637   | -1                | -638         |
| <b>Items recognised directly in equity</b>                   |               |                       | 13 729                         |                   | 13 729   | -1                | 13 728       |
| Profit for the period  |               |                       |                                | 31 909            | 31 909   | 258               | 32 167       |
| <b>Total recognised income and expenses</b>                  |               |                       | 13 729                         | 31 909            | 45 638   | 257               | 45 895       |
| Share option remuneration                                    |               |                       |                                |                   |  |                   |              |
| Subscriptions pursuant to 2002 options                       | 128           | 2 808                 |                                |                   | 2 936  |                   | 2 936        |
| Remuneration expense of share options                        |               |                       |                                | 613               | 613  |                   | 613          |
| Dividends paid   |               |                       |                                | -21 190           | -21 190  | -180              | -21 370      |
| Purchase of a minority                                       |               |                       |                                |                   |  | -2 599            | -2 599       |
| <b>Equity at 31.12.2007</b>                                  | 19 392        | 50 474                | 14 055                         | 118 236           | 202 157  | 187               | 202 344      |
| <b>Equity at 1.1.2006</b>                                    | 19 189        | 46 606                | -179                           | 87 250            | 152 866  | 2 166             | 155 032      |
| Hedging fund, change in fair value                           |               |                       | 384                            |                   | 384  |                   | 384          |
| Current available for sale investments, change in fair value |               |                       | 10                             |                   | 10   |                   | 10           |
| Currency translation differences                             |               |                       | 111                            |                   | 111  | -1                | 110          |
| <b>Items recognised directly in equity</b>                   |               |                       | 505                            |                   | 505  | -1                | 504          |
| Profit for the period  |               |                       |                                | 34 613            | 34 613   | 642               | 35 255       |
| <b>Total recognised income and expenses</b>                  |               |                       | 505                            | 34 613            | 35 118   | 641               | 35 759       |
| Share option remuneration                                    |               |                       |                                |                   |  |                   |              |
| Subscriptions pursuant to 2002 options                       | 75            | 1 060                 |                                |                   | 1 135  |                   | 1 135        |
| Remuneration expense of share options                        |               |                       |                                | 396               | 396  |                   | 396          |
| Dividends paid   |               |                       |                                | -15 355           | -15 355  | -164              | -15 519      |
| Investment by a minority holder                              |               |                       |                                |                   |  | 66                | 66           |
| <b>Equity at 31.12.2006</b>                                  | 19 264        | 47 666                | 326                            | 106 904           | 174 160  | 2 709             | 176 869      |

**KEY FIGURES**

|  | <b>10-12<br/>/2007</b> | <b>10-12<br/>/2006</b> | <b>1-12<br/>/2007</b> | <b>1-12<br/>/2006</b> |
|--|------------------------|------------------------|-----------------------|-----------------------|
| Earnings per share, EUR  | <b>0.20</b>            | 0.18                   | <b>0.83</b>           | 0.90                  |
| Earnings per share, EUR - diluted                                  | <b>0.19</b>            | 0.18                   | <b>0.82</b>           | 0.90                  |
| Cash flows from operating activities per share, EUR                | <b>0.54</b>            | 0.72                   | <b>1.43</b>           | 1.82                  |
| EVA, EUR million   | <b>4.6</b>             | 4.6                    | <b>23.0</b>           | 28.6                  |
| Capital expenditure, EUR 1000                                      | <b>15 549</b>          | 15 074                 | <b>93 187</b>         | 47 162                |
| Depreciation and amortisation, EUR 1000                            | <b>8 891</b>           | 7 519                  | <b>33 432</b>         | 28 155                |
| Equity per share, EUR  |                        |                        | <b>5.21</b>           | 4.52                  |
| Dividend per share, EUR  |                        |                        | <b>0.55*</b>          | 0.55                  |
| Dividend/earnings, %   |                        |                        | <b>66.7*</b>          | 61.1                  |
| Dividend yield, %  |                        |                        | <b>2.4*</b>           | 2.5                   |
| P/E ratio  |                        |                        | <b>27.5</b>           | 24.1                  |
| Return on equity, ROE, %   |                        |                        | <b>17.0</b>           | 21.2                  |
| Return on invested capital, ROI, %                                 |                        |                        | <b>17.6</b>           | 21.0                  |
| Equity ratio, %  |                        |                        | <b>46.6</b>           | 50.4                  |
| Gearing, %   |                        |                        | <b>42.7</b>           | 29.7                  |
| Net interest-bearing liabilities, EUR 1000                         |                        |                        | <b>86 360</b>         | 52 471                |
| Average number of employees in full-time equivalents               |                        |                        | <b>7 819</b>          | 6 775                 |
| Total number of full-time and part-time employees at end of period |                        |                        | <b>9 387</b>          | 8 328                 |
| Adjusted number of shares, 1000 shares                             |                        |                        |                       |                       |
| average during the period  |                        |                        | <b>38 670</b>         | 38 445                |
| at end of period   |                        |                        | <b>38 784</b>         | 38 528                |
| average during period, diluted                                     |                        |                        | <b>38 843</b>         | 38 601                |

\* Proposal by the Board of Directors

**SEGMENT REPORTING**

| <b>NET SALES</b><br>EUR 1000         | <b>10-12<br/>/2007</b> | 10-12<br>/2006 | Change<br>%    | <b>1-12<br/>/2007</b> | 1-12<br>/2006 | Change<br>%   |
|--------------------------------------|------------------------|----------------|----------------|-----------------------|---------------|---------------|
| Environmental Services               | <b>74 788</b>          | 53 765         | 39.1           | <b>279 845</b>        | 204 825       |               |
| Property and Office Support Services | <b>54 798</b>          | 44 584         | 22.9           | <b>204 141</b>        | 168 403       | 21.2          |
| Industrial Services                  | <b>19 867</b>          | 18 252         | 8.8            | <b>75 479</b>         | 66 843        | 12.9          |
| Group admin. and other               | <b>1</b>               | 3              |                | <b>10</b>             | 118           |               |
| Inter-division net sales             | <b>-1 282</b>          | -1 242         |                | <b>-4 862</b>         | -4 185        |               |
| Lassila & Tikanoja                   | <b>148 172</b>         | 115 362        | 28.4           | <b>554 613</b>        | 436 004       | 27.2          |
| <b>OPERATING PROFIT</b><br>EUR 1000  | <b>10-12<br/>/2007</b> | %              | 10-12<br>/2006 | <b>1-12<br/>/2007</b> | %             | 1-12<br>/2006 |
| Environmental Services               | <b>8 372</b>           | 11.2           | 7 104          | <b>34 977</b>         | 12.5          | 32 762        |
| Property and Office Support Services | <b>4 015</b>           | 7.3            | 1 154          | <b>11 005</b>         | 5.4           | 8 758         |
| Industrial Services                  | <b>180</b>             | 0.9            | 3 025          | <b>4 769</b>          | 6.3           | 9 337         |
| Group admin. and other               | <b>-468</b>            |                | -971           | <b>-1 976</b>         |               | -672          |
| Lassila & Tikanoja                   | <b>12 099</b>          | 8.2            | 10 312         | <b>48 775</b>         | 8.8           | 50 185        |
|                                      |                        |                |                |                       |               | 11.5          |

**OTHER SEGMENT REPORTING**

| EUR 1000                             | 10-12/2007 | 10-12/2006 | 1-12/2007      | 1-12/2006 |
|--------------------------------------|------------|------------|----------------|-----------|
| <b>Assets</b>                        |            |            |                |           |
| Environmental Services               |            |            | <b>250 980</b> | 196 994   |
| Property and Office Support Services |            |            | <b>75 508</b>  | 59 394    |
| Industrial Services                  |            |            | <b>78 311</b>  | 66 386    |
| Group admin. and other               |            |            | <b>2 814</b>   | 2 804     |
| Non-allocated assets                 |            |            | <b>30 712</b>  | 27 006    |
| Lassila & Tikanoja                   |            |            | <b>438 325</b> | 352 584   |
| <b>Liabilities</b>                   |            |            |                |           |
| Environmental Services               |            |            | <b>36 935</b>  | 33 455    |
| Property and Office Support Services |            |            | <b>32 447</b>  | 29 708    |
| Industrial Services                  |            |            | <b>17 046</b>  | 10 300    |
| Group admin. and other               |            |            | <b>667</b>     | 1 084     |
| Non-allocated liabilities            |            |            | <b>148 886</b> | 101 168   |
| Lassila & Tikanoja                   |            |            | <b>235 981</b> | 175 715   |

| EUR 1000                                       | 10-12/2007  | 10-12/2006 | 1-12/2007 | 1-12/2006 |
|--|-------------|------------|-----------|-----------|
| <b>Capital expenditure</b>                     |             |            |           |           |
| Environmental Services                         | 8 568       | 5 436      | 60 704    | 21 940    |
| Property and Office Support Services           | 3 099       | 7 613      | 20 040    | 19 472    |
| Industrial Services                            | 3 879       | 2 025      | 12 267    | 5 696     |
| Group admin. and other                         | 3           | 0          | 176       | 54        |
| Lassila & Tikanoja                             | 15 549      | 15 074     | 93 187    | 47 162    |
| <b>Depreciation and amortisation</b>           |             |            |           |           |
| Environmental Services                         | 5 393       | 4 108      | 20 330    | 15 671    |
| Property and Office Support Services           | 2 064       | 2 045      | 7 782     | 7 274     |
| Industrial Services                            | 1 433       | 1 357      | 5 315     | 5 127     |
| Group admin. and other                         | 1           | 9          | 5         | 83        |
| Lassila & Tikanoja                             | 8 891       | 7 519      | 33 432    | 28 155    |
| <b>INCOME STATEMENT BY QUARTER</b><br>EUR 1000 | 10-12 /2007 | 7-9 /2007  | 4-6 /2007 | 1-3 /2007 |
|  | 10-12 /2006 | 7-9 /2006  | 4-6 /2006 | 1-3 /2006 |
| <b>Net sales</b>                               |             |            |           |           |
| Environmental Services                         | 74 788      | 67 915     | 71 744    | 65 398    |
| Property and Office Support Services           | 54 798      | 51 963     | 48 660    | 48 720    |
| Industrial Services                            | 19 867      | 19 890     | 19 572    | 16 150    |
| Group admin. and other                         | 1           | 3          | 3         | 3         |
| Inter-division net sales                       | -1 282      | -1 202     | -1 220    | -1 158    |
| Lassila & Tikanoja                             | 148 172     | 138 569    | 138 759   | 129 113   |
|  | 115 362     | 111 648    | 108 430   | 100 564   |
| <b>Operating profit</b>                        |             |            |           |           |
| Environmental Services                         | 8 372       | 9 730      | 8 104     | 8 771     |
| Property and Office Support Services           | 4 015       | 4 213      | 1 690     | 1 087     |
| Industrial Services                            | 180         | 2 133      | 2 595     | -139      |
| Group admin. and other                         | -468        | -601       | -349      | -558      |
| Lassila & Tikanoja                             | 12 099      | 15 475     | 12 040    | 9 161     |
|  | 10 312      | 19 852     | 11 057    | 8 963     |
| <b>Operating margin</b>                        |             |            |           |           |
| Environmental Services                         | 11.2        | 14.3       | 11.3      | 13.4      |
| Property and Office Support Services           | 7.3         | 8.1        | 3.5       | 2.2       |
| Industrial Services                            | 0.9         | 10.7       | 13.3      | -0.9      |
| Lassila & Tikanoja                             | 8.2         | 11.2       | 8.7       | 7.1       |
| Finance costs, net                             | -1 247      | -1 294     | -924      | -852      |
| Share of profits of associates                 |             |            |           | 18        |
| <b>Profit before tax</b>                       | 10 852      | 14 181     | 11 116    | 8 309     |
|  | 9 964       | 19 112     | 10 666    | 8 762     |

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

## BUSINESS ACQUISITIONS

In business combinations, all property, plant and equipment acquired is measured at fair value on the basis of the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. Tangible assets will be depreciated over their useful life according to the management's estimate, taking into account the depreciation principles observed within the Group.

Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if the fair value of the asset can be determined reliably. In connection with acquired business operations, the Group mostly has acquired agreements on prohibition of competition and customer relationships. The fair value of customer agreements and customer relationships associated with them has been determined on the basis of estimated duration of customer relationships and discounted net cash flows arising from current customer relationships. The value of agreements on prohibition of competition has been calculated in a similar manner through cash flows over the duration of the agreement. Other intangible assets will be amortised over their useful life according to agreement or the management's estimate.

In addition to the skills of the personnel of the acquired businesses, goodwill arising from business combinations comprises other intangible items that cannot be identified separately in accordance with IAS 38. These unidentified items include the potential for gaining new customers vested in the acquired businesses and the opportunities for developing new products and services, as well as the regionally strong position of an acquired business. These items do not fulfil the IAS 38 identification criteria in any way. The items cannot be separated from each other, they are not based on any agreement or legal right and their value cannot be determined reliably. All business combinations also create synergy benefits that consist primarily of savings in fixed production costs. Negative goodwill generated by the acquisition of Savior Oy will be recognised as revenue. Negative goodwill was generated, because deferred tax liabilities related to confirmed losses for prior periods were taken into account in the equity at the time of acquisition.

Changes in goodwill arising from acquisitions/acquisition costs may arise on the basis of terms and conditions related to the purchase price in the deeds of sale. In many acquisitions a small portion of the acquisition price is contingent on future events (less than 12 months). Acquisition price adjustments, including also attorney's and consultants' fees attributable to a business combination, are recognised in goodwill within 12 months from the acquisition date. Such adjustments related to the businesses acquired in 2007 will probably still be made. Except these portions and the purchase of the minority holding of Biowatti described below, the allocation calculations are final.

The consolidated net sales for the year 2007 would have been EUR 570.2 million and the consolidated profit for the period EUR 32.4 million if all the business acquisitions had been made on 1 January. The realised net sales of the acquired businesses have been added to the consolidated net sales, and their realised profits and losses have been added to the consolidated profit in accordance with interim accounts at the time of acquisition. Profit for the period is stated less the current amortisation on intangible assets and depreciation on property, plant and equipment. Synergy benefits have not been accounted for.

The aggregate net sales of the acquired companies totalled EUR 90.6 million.

**Biowatti Oy**

| EUR 1000   | Fair values used in consolidation | Carrying amounts before consolidation |
|--|-----------------------------------|---------------------------------------|
| Property, plant and equipment                              | 1 107                             | 1 107                                 |
| Customer contracts   | 72                                |                                       |
| Agreements on prohibition of competition                   | 14 593                            |                                       |
| Other intangible assets arising from business combinations | 8 657                             |                                       |
| Other intangible assets                                    | 647                               | 647                                   |
| Inventories  | 3 213                             | 3 213                                 |
| Trade and other receivables                                | 9 768                             | 9 768                                 |
| Cash and cash equivalents                                  | 5 251                             | 5 251                                 |
| <b>Total assets</b>  | <b>43 308</b>                     | <b>19 986</b>                         |
| Deferred tax liabilities                                   | -6 442                            | -40                                   |
| Non-current interest-bearing liabilities                   | -5 806                            |                                       |
| <b>Trade and other payables</b>                            | <b>-7 877</b>                     | <b>-7 877</b>                         |
| <b>Total liabilities</b>                                   | <b>-20 125</b>                    | <b>-7 917</b>                         |
| Net assets   | 23 183                            | 12 069                                |
| <b>Goodwill arising from acquisitions</b>                  | <b>7 762</b>                      |                                       |
| Acquisition cost   | 30 945                            |                                       |
| Acquisition cost   | 30 945                            |                                       |
| <b>Cash and cash equivalents at acquisition date</b>       | <b>-5 251</b>                     |                                       |
| <b>Cash flow effect of acquisitions</b>                    | <b>25 694</b>                     |                                       |

On 18 December 2006, an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company. L&T also made a commitment to redeem the remaining thirty percent of the shares by the beginning of the year 2012. The acquisition price for the seventy percent portion was EUR 30.9 million, and it was paid in cash. No interest-bearing liabilities were transferred in the acquisition. The acquisition became effective on 1 February 2007 after the approval of the competition authority. L&T Biowatti became a cash-generating unit within the Environmental Services division.

In the consolidated financial statements the whole acquisition price (100%) was recognised as acquisition cost. No minority interest was separated from the profit or equity, but the estimated purchase price of the remaining 30 percent, discounted to the value at the acquisition date (EUR 5,806 thousand), was recognised as interest-bearing non-current liability. The final price of the 30 percent portion will be determined based on the future earnings of L&T Biowatti. The estimate is assessed annually as of 31 December, or whenever any indication exists. If the estimate needs to be revised, the cost of the combination will be adjusted accordingly and the amounts of goodwill and interest-bearing liabilities will be changed.

All property, plant and equipment acquired was measured and their values were found to correspond to the fair values based on the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. The property, plant and equipment of Biowatti were already recognised at fair value due to a former company arrangement.

The value of supply contracts recognised in Other intangible assets was determined on the basis of estimated duration of supplier relationships and discounted net cash flows arising from current relationships. Intangible assets will be amortised over their useful life according to agreement or the management's estimate.

The net sales of L&T Biowatti for 2007 amounted to EUR 62,816 thousand, and profit for the period EUR 2,936 thousand.

**Other business combinations in aggregate**

| EUR 1000   | Fair values used in consolidation | Carrying amounts before consolidation |
|--|-----------------------------------|---------------------------------------|
| Property, plant and equipment                              | 4 438                             | 3 878                                 |
| Customer contracts   | 2 555                             |                                       |
| Agreements on prohibition of competition                   | 1 103                             |                                       |
| Other intangible assets arising from business combinations | 97                                |                                       |
| Other intangible assets                                    | 168                               | 168                                   |
| Other non-current assets                                   | 1 098                             | 945                                   |
| Inventories  | 395                               | 395                                   |
| Trade and other receivables                                | 4 430                             | 4 430                                 |
| <u>Cash and cash equivalents</u>                           | <u>4 592</u>                      | <u>4 592</u>                          |
| Total assets   | 18 876                            | 14 408                                |
| Deferred tax liabilities                                   | -647                              | -402                                  |
| Non-current interest-bearing liabilities                   | -104                              | -104                                  |
| Trade and other payables                                   | -7 773                            | -8 070                                |
| Provisions   | -40                               |                                       |
| Total liabilities  | -8 564                            | -8 576                                |
| Net assets   | 10 312                            | 5 832                                 |
| Goodwill arising from acquisitions                         | 6 504                             |                                       |
| <u>Recognition of negative goodwill</u>                    | <u>-868</u>                       |                                       |
| Acquisition cost   | 15 948                            |                                       |
| Acquisition cost   | 15 948                            |                                       |
| <u>Cash and cash equivalents at acquisition date</u>       | <u>-4 592</u>                     |                                       |
| Cash flow effect of acquisitions                           | 11 356                            |                                       |

Acquired business operations denominated in a foreign currency have been converted into euro at the exchange rate valid on the date of acquisition.

The operations of Kuljetus Kummunmäki Oy were acquired for waste management within Environmental Services on 1 July 2007. On 1 September 2007, 50.0% of Salvor Oy, in which L&T already had a holding of 50.0%, were acquired to recycling services within Environmental Services. Acquisitions for Property and Office Support Services included the cleaning services group Skånsk All Service AB on 1 February 2007 and Siivouspalvelu Ta-Bu Oy on 31 May 2007, while Kiinteistöhuolto Pentti Nissinen Oy was acquired for property management on 1 February 2007 and Kiinteistöhuolto Jauhainen Oy on 31 May 2007.

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance. Fair values have been determined as of the time the acquisition was realised. No business operations have been divested as a consequence of any acquisition. All acquisitions have been paid for in cash. Individual purchase prices have not been itemised because none of them is of material importance when considered separately. All share acquisitions have resulted in a holding of 100% of voting power.

The largest acquired companies by annual net sales were Skånsk All Service group (EUR 10.8 million), Kiinteistöhuolto Jauhainen Oy (EUR 6.5 million) and Siivouspalvelu Ta-Bu Oy (EUR 5.3 million).

It is not possible to itemise the effects of the acquired businesses on the consolidated net sales and profit for the period, because L&T integrates its acquisitions into the current business operations as quickly as possible to gain synergy benefits.

Furthermore, L&T acquired the remaining 5.5% of Suomen Keräystuote Oy's shares on 31 January, complementing its existing holding of 94.5%. On 1 July 2007, L&T acquired 16.5% of the Muoviportti Group of which it previously held 67%. A share corresponding to 33% was recognised in the consolidated financial statements because L&T has committed to acquiring the remaining shares. An estimate of the sales price for 16.5% has been recognised as non-current interest-bearing liability. These business combinations are not subject to IFRS 3 because they concern entities under common control.

On 1 January 2008, the cleaning services business operations of Siiviset Oy were acquired into Property and Office Support Services (annual net sales EUR 0.1 million).

#### CHANGES IN INTANGIBLE ASSETS

| EUR 1000                               | 1-12/2007 | 1-12/2006 |
|--|-----------|-----------|
| Carrying amount at beginning of period | 124 407   | 114 872   |
| Business acquisitions                  | 41 885    | 9 885     |
| Other capital expenditure              | 5 403     | 3 016     |
| Disposals                              | -1 546    | -161      |
| Amortisation and impairment            | -7 921    | -3 464    |
| Transfers between items                | 228       |           |
| Exchange difference                    | -339      | 259       |
| Carrying amount at end of period       | 162 117   | 124 407   |

#### CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| EUR 1000                               | 1-12/2007 | 1-12/2006 |
|--|-----------|-----------|
| Carrying amount at beginning of period | 134 038   | 135 404   |
| Business acquisitions                  | 5 574     | 3 261     |
| Other capital expenditure              | 40 147    | 30 677    |
| Disposals                              | -2 096    | -10 599   |
| Depreciation and impairment            | -25 511   | -24 691   |
| Transfers between items                | -228      |           |
| Exchange difference                    | -54       | -14       |
| Carrying amount at end of period       | 151 870   | 134 038   |

#### CAPITAL COMMITMENTS

| EUR 1000   | 1-12/2007 | 1-12/2006 |
|--|-----------|-----------|
| Intangible assets  | 70        | 150       |
| Property, plant and equipment                              | 8 646     | 7 199     |
| Total  | 8 716     | 7 349     |
| The Group's share of capital commitments of joint ventures | 8 584     |           |

**RELATED-PARTY TRANSACTIONS**  
(Joint ventures and associates)

| EUR 1000                | 1-12<br>/2007 | 1-12<br>/2006 |
|-------------------------|---------------|---------------|
| Sales                   | 1 851         | 1 591         |
| Purchases               | 247           | 556           |
| Non-current receivables |               |               |
| Capital loan receivable | 2 646         | 3 296         |
| Current receivables     |               |               |
| Trade receivables       | 110           | 28            |
| Current payables        |               |               |
| Trade payables          |               | 84            |

**CONTINGENT LIABILITIES**

| EUR 1000   | 12/2007 | 12/2006 |
|--|---------|---------|
| <b>Securities for own commitments</b>              |         |         |
| Real estate mortgages                              | 10 114  | 10 484  |
| Corporate mortgages                                | 15 000  | 12 778  |
| Other securities                                   | 182     | 197     |
| Bank guarantees required for environmental permits | 4 309   | 2 026   |

Other securities are security deposits.

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

**Operating lease liabilities**

| EUR 1000   | 12/2007 | 12/2006 |
|--|---------|---------|
| Maturity not later than one year                           | 7 424   | 6 107   |
| Maturity later than one year and not later than five years | 15 611  | 12 742  |
| Maturity later than five years                             | 3 905   | 3 614   |
| Total  | 26 940  | 22 463  |

**Derivative financial instruments**

| Interest rate swaps  | 12/2007 | 12/2006 |
|--|---------|---------|
| EUR 1000   |         |         |
| Nominal values of interest rate swaps*                     |         |         |
| Maturity not later than one year                           | 7 500   | 13 500  |
| Maturity later than one year and not later than five years | 15 000  | 30 500  |
| Total  | 22 500  | 44 000  |
| Fair value   | 394     | 726     |
| Nominal value of interest rate swap **                     |         |         |
| Maturity not later than one year                           | 3 029   | 1 429   |
| Maturity later than one year and not later than five years | 18 514  | 5 714   |
| Maturity later than five years                             | 12 028  | 7 857   |
| Total  | 33 571  | 15 000  |
| Fair value   | 703     | 519     |

\* 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 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.

**Currency derivatives**

EUR 1000

**12/2007**

Nominal values of forward contracts \*

|                                  |              |
|----------------------------------|--------------|
| Maturity not later than one year | <b>2 184</b> |
| Fair value                       | <b>7</b>     |

\* 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.

**Oil derivatives**

1000 bbl

**12/2007**

12/2006

Raw oil put options

|   |            |
|---|------------|
| Volume maturing not later than one year                           | <b>182</b> |
| Volume maturing later than one year and not later than five years | <b>226</b> |
| Total   | <b>408</b> |
| Fair value EUR 1000   | <b>83</b>  |
|   | 453        |
|   | 2 288      |

Volume of sold raw oil futures

|                                  |             |
|----------------------------------|-------------|
| Maturity not later than one year | <b>42</b>   |
| Fair value EUR 1000              | <b>-897</b> |

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

Dividend/share:

dividend for the financial year per share / share issue adjustment factor for issues made after the financial period x 100

Dividend/earnings %:

dividend per share / earnings per share x 100

Dividend yield %:

dividend per share / share price at year end x 100

EVA:

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

WACC: 8.75 %

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 4 February 2008

LASSILA & TIKANOJA PLC  
Board of Directors

Jari Sarjo  
President and CEO

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