LASSILA & TIKANOJA

LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 31 MARCH 2010

- **Net sales EUR 153.9 million (EUR 146.4 million)**
- **Operating profit EUR 6.6 million (EUR 10.0 million)**
- **Operating profit excluding non-recurring items EUR 7.8 million (EUR 11.2 million)**
- **Earnings per share EUR 0.11 (EUR 0.16)**
- **Full-year net sales and operating profit excluding non-recurring items are expected to remain at the 2009 level.**

GROUP NET SALES AND FINANCIAL PERFORMANCE

Lassila & Tikanoja's net sales for the first quarter increased by 5.1% to EUR 153.9 million (EUR 146.4 million). Operating profit was EUR 6.6 million (EUR 10.0 million), representing 4.3% (6.8%) of net sales. Operating profit excluding non-recurring items was EUR 7.8 million (EUR 11.2 million). Earnings per share were EUR 0.11 (EUR 0.16).

Net sales increased thanks to a larger number of commissioned assignments in Property and Office Support Services due to heavy snowfalls. Meanwhile, profitability declined mainly as a result of the losses sustained by L&T Recoil, a joint venture, as well as the weak profitability of L&T Biowatti and the credit loss provision recognised for the Russian cleaning business.

Fixed costs were decreased to improve operational efficiency, leading to non-recurring restructuring costs of EUR 1.2 million.

Events after the review period

Lassila & Tikanoja plc and EcoStream Oy have signed a preliminary agreement on a business arrangement based on which Lassila & Tikanoja will sell its 50 percent holding in the joint venture L&T Recoil Oy to EcoStream, a co-owner. The preliminary selling price totals EUR 2.5 million paid in cash and a potential additional selling price of a maximum of EUR 1.0 million, plus slightly under 20% of EcoStream's share capital.

Lassila & Tikanoja currently estimates that it will recognise a gain on sale of around EUR 25 million on the arrangement, once it is finalised. The arrangement's cash flow effect is estimated to be some EUR 20 million positive, involving the repayment of capital loans and the cash portion of the share transaction price. The transaction related to the preliminary agreement is intended to be completed by the end of June 2010, on condition that the financing and the share issue needed for the transaction by EcoStream will be completed.

Financial summary

	1-3/ 2010	**1-3/ 2009**	**Change %**	**1-12/ 2009**
Net sales, EUR million	**153.9**	146.4	5.1	582.3
Operating profit excluding non-recurring items, EUR million*	**7.8**	11.2	-30.7	51.3
Operating profit, EUR million	**6.6**	10.0	-33.5	50.3
Operating margin, %	**4.3**	6.8		8.6
Profit before tax, EUR million	**5.6**	8.3	-32.7	45.0
Earnings per share, EUR	**0.11**	0.16		0.85
EVA, EUR million	**-1.1**	2.0		16.5

* Breakdown of operating profit excluding non-recurring items is presented below the division reviews.

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

Net sales of Environmental Services fell by 3.4% to EUR 64.6 million in the first quarter (EUR 66.9 million). Operating profit was EUR 4.4 million (EUR 6.4 million), and operating profit excluding non-recurring items was EUR 4.8 million (EUR 7.4 million).

Net sales from the waste management business shrank slightly from the previous year, due to the reduction in waste volumes. Heavy snowfalls during the winter had an adverse impact on production conditions, thereby weakening production efficiency. By contrast, net sales grew in the recycling business. A few major material recovery assignments were performed during the period. Demand for, and the prices of, secondary raw materials showed a moderate improvement but volumes remained low.

Although the weather conditions weakened demand for industrial process cleaning and hazardous waste services, the recovery of operating rates within the industry began to feed through into demand, particularly towards the end of the period. Fluctuations in demand continued to present a challenge to production adjustment. During the comparison period, net sales were boosted by major project-based assignments.

Net sales and profitability of the Environmental Services division’s international operations improved.

Technical problems were experienced in the re-refinery of the joint venture, L&T Recoil, the production start-up being delayed until the end of the period. This had a considerable negative effect on the division’s profitability. After these initial problems, the plant has been operating as planned and the quality of the end-product has been high.

The second stage of the Kerava recycling plant’s investment programme proceeded as planned. A new combined recycling plant for construction waste and trade and industrial waste will be completed in the second half of the year, resulting in a marked increase in the recovery rate of the waste processed at the Kerava plant.

Property and Office Support Services

The net sales of Property and Office Support Services (property maintenance and cleaning services) grew by 16.9% to EUR 71.5 million (EUR 61.1 million) in the first quarter. Operating profit was EUR 3.8 million (EUR 3.4 million) and operating profit excluding non-recurring items was EUR 4.1 million (EUR 3.6 million).

The division’s net sales growth can almost entirely be attributed to the large number of commissioned property maintenance assignments, due to the exceptionally cold and snowy winter. Net sales from cleaning services in Finland remained at the previous year’s level. Both product lines were able to renew their contracts, and new partnerships with insurance companies were signed. In domestic operations, operating profit improved from the previous year thanks to the larger number of commissioned assignments, although due to the costs associated with snow-clearing work the growth of operating profit was clearly slower than net sales growth.

Net sales from international operations remained at the previous year’s level. New sales were successful in the Swedish operations. On the whole, the result from international operations was mainly negative due to the EUR 0.9 million credit loss provision recognised in Russian operations.

Renewable Energy Sources

First quarter net sales of Renewable Energy Sources (L&T Biowatti) were down by 4.4% to EUR 20.1 million (EUR 21.1 million). The division recorded an operating loss of EUR 0.9 million (a profit of EUR 0.7 million), and an operating loss excluding non-recurring items of EUR 0.9 million (a profit of EUR 0.7 million).

The division’s net sales and profitability declined from the previous year, because of decreased demand for wood-based fuels. Factors restricting demand included sustained low operating rates in the industry and the weakened competitiveness of wood-based fuels, compared to fossil fuels such as coal, peat and oil. In addition, the prices of emission rights were low. Costs associated with discontinuing the procurement of raw materials from abroad also eroded the division’s profitability.

BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS

EUR million	1-3/ 2010	1-3/ 2009	1-12/ 2009
Operating profit	**6.6**	10.0	50.3
Non-recurring items:			
Discontinuation of soil washing services			-0.4
Restructuring costs	**1.2**	1.2	1.6
Discontinuation of wood pellet production in Luumäki			0.3
Refund of supplementary insurance fund of former Lassila & Tikanoja			-0.5
Operating profit excluding non-recurring items	**7.8**	11.2	51.3

FINANCING

Cash flows from operating activities amounted to EUR 13.9 million (EUR 15.7 million). EUR 0.4 million were tied up in the working capital (EUR 2.6 million), which resulted from the increase in account receivables.

Interest-bearing liabilities amounted to EUR 139.1 million (EUR 172.6 million). Net interest-bearing liabilities amounted to EUR 106.2 million, showing a decrease of EUR 10.0 million from comparison period as well as from the turn of the year. The average interest rate of loans (with interest rate hedging) was 3.3%. Long-term loans totalling EUR 15.5 million will mature by the end of the year.

Net finance costs in the first quarter amounted to EUR 1.1 million which is EUR 0.6 million below the amount of the comparison period. Net finance costs were 0.7% (1.2%) of net sales. The decrease resulted from the decline in the interest rate level and the decrease in the interest-bearing liabilities. In January–March, a total of EUR -0.2 million (EUR -0.4 million) arising from the changes in the fair values of interest rate swaps to which hedge accounting under IAS 39 is applied was recognised in other comprehensive income, after tax.

The equity ratio was 40.3% (37.1%) and the gearing rate 52.9 (61.4). Liquid assets at the end of the period amounted to EUR 32.9 million (EUR 56.3 million). After the end of the period on 14 April 2010, the dividend totalling EUR 21.3 million (EUR 21.3 million) was paid.

DIVIDEND

The Annual General Meeting held on 31 March 2010 resolved on a dividend of EUR 0.55 per share. The dividend, totalling EUR 21.3 million, was paid to the shareholders on 14 April 2010.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 5.5 million (EUR 12.3 million). The largest construction project was the extension of the Kerava recycling plant.

PERSONNEL

In January–March, the average number of employees converted into full-time equivalents was 7,668 (8,069). The total number of full-time and part-time employees at the end of the period was 8,599 (9,112). Of them 6,723 (7,001) people worked in Finland and 1,876 (2,111) people in other countries.

NEW DIVISIONS

The company's internal reporting, as well as the segments reported externally, were changed to reflect the new divisions at the beginning of 2010. The financial reporting segments are Environmental Services, Property and Office Support Services and Renewable Energy Sources (L&T Biowatti).

As of 1 July 2010, Property and Office Support Services of Lassila & Tikanoja are to be divided into two divisions: Property Maintenance, and Cleaning and Office Support Services. The company's financial reporting segments will be changed to reflect the new divisions as of 1 July 2010.

SHARE AND SHARE CAPITAL

Traded volume and price

The volume of trading in Lassila & Tikanoja plc shares on NASDAQ OMX Helsinki from January through March 2010 was 1,433,298, which is 3.7% (3.7%) of the average number of outstanding shares. The value of trading was EUR 22.3 million (EUR 15.3 million). The trading price varied between EUR 14.87 and EUR 16.20. The closing price was EUR 15.46. The company holds 30,000 own shares. The market capitalisation excluding the shares held by the company was EUR 598.9 million (EUR 365.5 million) at the end of the period.

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437, and the number of outstanding shares to 38,768,874 shares. In January–March, the average number of shares excluding the shares held by the company totalled 38,768,874.

Share option scheme 2005

In 2005, 600,000 share option rights were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. In the beginning of the exercise period, 32 key persons held 176,000 2005B options and 37 key persons held 200,000 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 24,000 2005B options and 30,000 2005C options and these options will not be exercised.

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

As a result of the exercise of the outstanding 2005 share options, the number of shares may increase by a maximum of 376,000 new shares, which is 1.0% of the current number of shares. The 2005B options have been listed on NASDAQ OMX Helsinki since 2 January 2009 and 2005C options since 2 November 2009.

Share option scheme 2008

In 2008, 230,000 share option rights were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. 36 key persons hold 193,000 options and L&T Advance Oy 37,000 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 193,000 new shares, which is 0.5% of the current number of shares.

Share-based incentive programme

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme. The programme includes three earnings periods one year each, of which the first one began on 1 January 2009 and the last one ends on 31 December 2011. The basis for the determination of the reward is decided annually. Rewards to be paid for the year 2010 will be based on the EVA result of Lassila & Tikanoja group. They will be paid partly as shares and partly in cash. The proportion paid in cash will cover taxes arising from the reward. The programme covers 25 persons.

A maximum total of 180,000 Lassila & Tikanoja plc shares may be paid out on the basis of the programme. The shares will be obtained in public trading, and therefore the incentive programme will have no diluting effect on the share value.

Shareholders
At the end of the financial period, the company had 8,336 (6,476) shareholders. Nominee-registered holdings accounted for 9.3% (8.7%) of the total number of shares.

Authorisation for the Board of Directors
The Annual General Meeting held on 31 March 2010 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity and on the issuance of these shares. Shares will be repurchased otherwise than in proportion to the existing shareholdings of the company's shareholders in public trading on the NASDAQ OMX Helsinki Ltd at the market price quoted at the time of the repurchase.

The Board of Directors is authorised to repurchase and transfer a maximum of 500,000 company shares, which is 1.3% of the total number of shares. The repurchase authorisation will be effective for 18 months and the share issue authorisation for four years. These authorisations revoke the authorisation for the repurchase of the company's own shares and the authorisation to issue shares issued by the Annual General Meeting 2009.

The Board of Directors is not authorised to launch a convertible bond or share option rights.

Own shares
At the end of the period Lassila & Tikanoja plc held 30,000 of its own shares which represent 0.1% of shares and votes.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 31 March 2010, adopted the financial statements for the financial year 2009 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 2009. The dividend payment date was resolved to be 14 April 2010.

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: Heikki Bergholm, Eero Hautaniemi, Matti Kavetvuo, Hille Korhonen and Juhani Lassila. Miikka Maijala was elected as a new member for the same term.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors.

The Annual General Meeting approved the Board's proposals to amend article 11 of the Articles of Association and to authorise the Board of Directors to repurchase the company's own shares and to issue shares.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 31 March 2010.

BOARD OF DIRECTORS

The members of the Board of Directors are Heikki Bergholm, Eero Hautaniemi, Matti Kavetvuo, Hille Korhonen, Juhani Lassila and Miikka Maijala. In its constitutive meeting the Board elected Matti Kavetvuo as Chairman of the Board and Juhani Lassila as Vice Chairman.

From among its members, the Board elected Juhani Lassila as Chairman and Eero Hautaniemi and Miikka Maijala as members of the audit committee.

The Board decided to establish a remuneration committee. From among its members, the Board elected Matti Kavetvuo as Chairman and Heikki Bergholm and Hille Korhonen as members of the remuneration committee.

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

In a release published on 25 January 2010, the company announced that it has concluded statutory employer-employee negotiations which began on 8 December 2009. As a result of these negotiations, L&T will reduce 110 salaried employee positions in Finland. The reductions will be realised partly through natural attrition. The reductions form part of the measures currently undertaken in order to reduce fixed costs and to adapt business activities to meet current and future market situation.

In a release published on 1 April 2010, the company announced that, as of 1 July 2010, Property and Office Support Services are to be divided into two divisions: Property Maintenance, and Cleaning and Office Support Services. The company's financial reporting segments will be changed to reflect the new divisions as of 1 July 2010.

NEAR-TERM UNCERTAINTIES

In Property and Office Support Services, the number of commissioned assignments may fall despite the economic recovery. Rapid fluctuations in demand for services purchased by the industry may hamper the planning and implementation of work.

If the operating rate target set for L&T Recoil's production is not reached, this will have a negative impact on the Environmental Services division's performance. Its performance could also be adversely affected by the potential fall in the price of crude oil, since the price of base oil follows crude oil price developments with a slight delay.

Low prices of fossil fuels such as coal, oil and peat may undermine the competitiveness of L&T Biowatti's wood-based fuels. The low wholesale price of electricity and low price of emission rights will weaken demand.

Intensifying competition and changes in legislation in Latvia may prove detrimental to the profitability of the waste management business.

More detailed information on L&T's risks and risk management is available in the Annual Report, in the Board of Directors' Report and in the consolidated financial statements.

PROSPECTS FOR THE REST OF THE YEAR

The outlook for the Environmental Services division's waste management services is stable. In the current economic conditions, waste material transport volumes are expected to remain at the present level while rising operating rates in the industry are expected to boost demand for hazardous waste and process cleaning services. In the recycling business, secondary raw material prices are expected to normalise at a moderate pace. Production operations at L&T Recoil's plant are expected to stabilise at the intended level.

The markets for Property and Office Support Services are expected to remain unchanged. The current economic conditions will presumably increase competitive bidding and reduce orders for additional services.

Demand for wood-based fuels is anticipated to be lower than a year earlier. Furthermore, low prices of emission rights and fossil fuels will undermine the competitiveness of renewable fuels. While planned government support measures to increase the use of renewable fuels will have a positive impact in the long term, it will not affect this year's performance.

Full-year net sales and operating profit excluding non-recurring items are expected to remain at the same level as in 2009.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY–31 MARCH 2010

CONSOLIDATED INCOME STATEMENT

EUR 1000	1-3/2010	1-3/2009	Change %	1-12/ 2009
Net sales	**153 902**	146 432	5.1	582 306
Cost of sales	**-139 945**	-129 230	8.3	-505 699
Gross profit	**13 957**	17 202	-18.9	76 607
Other operating income	**318**	351	-9.4	2 425
Selling and marketing costs	**-3 469**	-4 069	-14.7	-14 636
Administrative expenses	**-3 055**	-2 681	14.0	-11 705
Other operating expenses	**-1 115**	-818	36.3	-2 427
Operating profit	**6 636**	9 985	-33.5	50 264
Finance income	**338**	411	-17.8	1 290
Finance costs	**-1 391**	-2 096	-33.6	-6 528
Profit before tax	**5 583**	8 300	-32.7	45 026
Income tax expense	**-1 452**	-2 200	-34.0	-11 881
Profit for the period	**4 131**	6 100	-32.3	33 145
Attributable to:				
Equity holders of the company	**4 127**	6 104		33 140
Minority interest	**4**	-4		5
Earnings per share for profit attributable to the equity holders of the company:				
Basic earnings per share, EUR	**0.11**	0.16		0.85
Diluted earnings per share, EUR	**0.11**	0.16		0.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Profit for the period	**4 131**	6 100	33 145
Other comprehensive income, after tax			
Hedging reserve, change in fair value	**-195**	-434	-343
Current available-for-sale investments			
Gains in the period		73	-21
Current available-for-sale investments	**0**	73	-21
Currency translation differences	**807**	-309	324
Other comprehensive income, after tax	**612**	-670	-40
Total comprehensive income, after tax	**4 743**	5 430	33 105
Attributable to:			
Equity holders of the company	**4 717**	5 448	33 020
Minority interest	**26**	-18	85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1000	**3/2010**	**3/2009**	**12/2009**
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**113 371**	115 401	113 771
Customer contracts arising from acquisitions	**5 800**	6 869	6 232
Agreements on prohibition of competition	**11 122**	12 667	11 641
Other intangible assets arising from business acquisitions	**2 704**	4 678	3 194
Other intangible assets	**13 608**	11 794	13 579
	146 605	151 409	148 417
Property, plant and equipment			
Land	**4 075**	3 832	4 015
Buildings and constructions	**71 399**	42 599	72 072
Machinery and equipment	**107 612**	113 775	110 817
Other	**82**	79	81
Prepayments and construction in progress	**15 174**	39 368	14 666
	198 342	199 653	201 651
Other non-current assets			
Available-for-sale investments	**525**	502	525
Finance lease receivables	**4 159**	4 893	4 425
Deferred income tax assets	**2 477**	1 223	2 147
Other receivables	**644**	712	726
	7 805	7 330	7 823
Total non-current assets	**352 752**	358 392	357 891
Current assets			
Inventories	**28 214**	17 729	32 842
Trade and other receivables	**87 645**	80 815	77 702
Derivative receivables		29	
Prepayments	**3 302**	4 103	370
Available-for-sale investments	**24 479**	36 958	18 484
Cash and cash equivalents	**8 440**	19 391	9 099
Total current assets	**152 080**	159 025	138 497
TOTAL ASSETS	**504 832**	517 417	496 388

EUR 1000	**3/2010**	**3/2009**	**12/2009**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the company			
Share capital	**19 399**	19 399	19 399
Share premium reserve	**50 673**	50 673	50 673
Other reserves	**-2 494**	-3 620	-3 084
Retained earnings	**128 852**	116 622	116 874
Profit for the period	**4 127**	6 104	33 140
	200 557	189 178	217 002
Minority interest	**273**	144	247
Total equity	**200 830**	189 322	217 249
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	**32 918**	32 539	33 622
Retirement benefit obligations	**613**	687	671
Provisions	**2 486**	1 923	2 100
Borrowings	**116 231**	121 525	120 969
Other liabilities	**1 496**	1 177	1 510
	153 744	157 851	158 872
Current liabilities			
Borrowings	**22 915**	51 040	22 890
Trade and other payables	**123 794**	117 624	94 130
Derivative liabilities	**1 336**	1 196	1 073
Tax liabilities	**1 667**	45	2 119
Provisions	**546**	339	55
	150 258	170 244	120 267
Total liabilities	**304 002**	328 095	279 139
TOTAL EQUITY AND LIABILITIES	**504 832**	517 417	496 388

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1000	**3/2010**	**3/2009**	**12/2009**
Cash flows from operating activities			
Profit for the period	**4 131**	6 100	33 145
Adjustments			
Income tax expense	**1 452**	2 200	11 881
Depreciation, amortisation and impairment	**10 295**	9 952	40 334
Finance income and costs	**1 053**	1 685	5 238
Gain on sale of shares			-70
Other	**342**	31	1 809
Net cash generated from operating activities before change in working capital	**17 273**	19 968	92 337
Change in working capital			
Change in trade and other receivables	**-13 041**	-11 473	-4 654
Change in inventories	**4 620**	1 085	-14 022
Change in trade and other payables	**7 991**	7 822	6 689
Change in working capital	**-430**	-2 566	-11 987
Interest paid	**-266**	-1 459	-7 511
Interest received	**211**	320	1 505
Income tax paid	**-2 912**	-562	-8 156
Net cash from operating activities	**13 876**	15 701	66 188
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired			-1 747
Proceeds from sale of subsidiaries and businesses, net of sold cash			197
Purchases of property, plant and equipment and intangible assets	**-5 004**	-12 236	-42 735
Proceeds from sale of property, plant and equipment and intangible assets	**1 331**	560	4 328
Purchases of available-for-sale investments	**-3**	-1	-54
Change in other non-current receivables	**85**	-18	-13
Proceeds from sale of available-for-sale investments		-4	7
Dividends received			1
Net cash used in investing activities	**-3 591**	-11 699	-40 016
Cash flows from financing activities			
Change in short-term borrowings	**26**	3 211	-12 044
Proceeds from long-term borrowings		24 000	43 000
Repayments of long-term borrowings	**-5 002**	-1 387	-34 388
Dividends paid			-21 318
Repurchase of own shares			-356
Net cash generated from financing activities	**-4 976**	25 824	-25 106

EUR 1000	3/2010	3/2009	12/2009
Net change in liquid assets	**5 309**	29 826	1 066
Liquid assets at beginning of period	**27 583**	26 517	26 517
Effect of changes in foreign exchange rates	**27**	-93	28
Change in fair value of current available-for-sale investments		99	-28
Liquid assets at end of period	**32 919**	56 349	27 583

Liquid assets

EUR 1000	3/2010	3/2009	12/2009
Cash and cash equivalents	**8 440**	19 391	9 099
Certificates of deposit	**24 479**	36 958	18 484
Total	**32 919**	56 349	27 583

CONSOLIDATED 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
Equity at 1.1.2010	**19 399**	**50 673**	**-3 084**	**150 014**	**217 002**	**247**	**217 249**
Expense recognition of share-based benefits				161	161		161
Dividends paid				-21 323	-21 323		-21 323
Total comprehensive income			590	4 127	4 717	26	4 743
Equity at 31.3.2010	**19 399**	**50 673**	**-2 494**	**132 979**	**200 557**	**273**	**200 830**
Equity at 1.1.2009	**19 399**	**50 673**	**-2 964**	**137 768**	**204 876**	**162**	**205 038**
Expense recognition of share-based benefits				193	193		193
Dividends paid				-21 339	-21 339		-21 339
Total comprehensive income			-656	6 104	5 448	-18	5 430
Equity at 31.3.2009	**19 399**	**50 673**	**-3 620**	**122 726**	**189 178**	**144**	**189 322**

KEY FIGURES

	1-3/2010	1-3/2009	1-12/2009
Earnings per share, EUR	**0.11**	0.16	0.85
Earnings per share, diluted, EUR	**0.11**	0.16	0.85
Cash flows from operating activities per share, EUR	**0.36**	0.40	1.71
EVA, EUR million	**-1.1**	2.0	16.5
Capital expenditure, EUR 1000	**5 460**	12 287	44 882
Depreciation, amortisation and impairment, EUR 1000	**10 295**	9 952	40 334
Equity per share, EUR	**5.17**	4.88	5.60
Return on equity, ROE, %	**7.9**	12.4	15.7
Return on invested capital, ROI, %	**8.0**	11.6	14.5
Equity ratio, %	**40.3**	37.1	44.1
Gearing, %	**52.9**	61.4	53.5
Net interest-bearing liabilities, EUR 1000	**106 227**	116 216	116 276
Average number of employees in full-time equivalents	**7 668**	8 069	8 113
Total number of full-time and part-time employees at end of period	**8 599**	9 112	8 743
Number of outstanding shares adjusted for issues, 1000 shares			
average during the period	**38 769**	38 799	38 781
at end of period	**38 769**	38 799	38 769
average during the period, diluted	**38 769**	38 799	38 784

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 2009 have been applied. These interim financial statements have been prepared in accordance with the IFRS standards and interpretations as adopted by the EU.

The following amendments to standards that have become effective in 2009 have had an impact on the financial statements in this interim report:

IFRS 3 (Amendment) Business combinations
The standard contains several significant changes to the treatment of business combinations effected after the adoption of the amended standard and they have a material impact on the Group's financial statements. The amendments affect the amount of goodwill to be recognised from acquisitions and items recognised in the income statement both in the period of the acquisition and in the periods where additional payments or additional acquisitions are made. For example, a contingent consideration is recognised at acquisition-date fair value and revaluations, if any, are recognised through profit or loss. Transaction costs such as attorney's and consultant's fees are no longer included in the acquisition cost but they are recognised in profit or loss. A minority interest may be measured either at fair value or at the minority interest's proportionate share of the acquiree's net assets. According to the transitional provisions, business combinations that were effected before the adoption of the standard will not be restated.

IAS 27 (Amendment) Consolidated and separate financial statements
The revised standard requires that the effects of changes in interest in a subsidiary are recognised in equity, when there is no change in control. When control in a subsidiary is lost, any remaining interest is measured at fair value through profit or loss. A similar accounting treatment will be applied to investments in associates (IAS 28) and interests in joint ventures (IAS 31). As a consequence of the amendment, losses of a subsidiary may be attributed to minority interests also when they exceed the minority interest.

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.

SEGMENT INFORMATION

As of 1 June 2009, business operations were regrouped into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Sources (L&T Biowatti). The company's internal reporting, as well as the segments reported externally, were changed to reflect the new divisions at the beginning of 2010. Comparative figures have been restated accordingly.

Net sales

EUR 1000	1-3/2010 External	1-3/2010 Inter-division	1-3/2010 Total	1-3/2009 External	1-3/2009 Inter-division	1-3/2009 Total	Total net sales, change %
Environmental Services	**63 520**	**1 089**	**64 609**	65 846	1 019	66 865	-3.4
Property and Office Support Services	**70 922**	**550**	**71 472**	60 372	771	61 143	16.9
Renewable Energy Sources	**19 460**	**666**	**20 126**	20 214	849	21 063	-4.4
Eliminations		**-2 305**	**-2 305**		-2 639	-2 639	
L&T total	**153 902**	**0**	**153 902**	146 432	0	146 432	5.1

EUR 1000	1-12/2009 External	1-12/2009 Inter-division	1-12/2009 Total
Environmental Services	280 632	3 587	284 219
Property and Office Support Services	240 414	2 725	243 139
Renewable Energy Sources	61 260	2 865	64 125
Eliminations		-9 177	-9 177
L&T total	582 306	0	582 306

Operating profit

EUR 1000	1-3/ 2010	%	1-3/ 2009	%	1-12/ 2009	%
Environmental Services	**4 416**	**6.8**	6 413	9.6	35 959	12.7
Property and Office Support Services	**3 830**	**5.4**	3 394	5.6	17 686	7.3
Renewable Energy Sources	**-860**	**-4.3**	671	3.2	-958	-1.5
Group admin. and other	**-750**		-493		-2 423	
L&T total	**6 636**	**4.3**	9 985	6.8	50 264	8.6
Finance costs, net	**-1 053**		-1 685		-5 238	
Profit before tax	**5 583**		8 300		45 026	

Other segment information

EUR 1000	3/2010	3/2009	12/2009
Assets			
Environmental Services	**329 286**	326 672	324 918
Property and Office Support Services	**80 925**	76 275	75 553
Renewable Energy Sources	**57 395**	54 885	63 436
Group admin. and other	**333**	270	473
Unallocated assets	**36 893**	59 315	32 008
L&T total	**504 832**	517 417	496 388
Liabilities			
Environmental Services	**54 359**	51 737	51 510
Property and Office Support Services	**42 922**	37 378	37 312
Renewable Energy Sources	**8 277**	8 068	6 310
Group admin. and other	**21 955**	22 461	1 951
Unallocated liabilities	**176 489**	208 451	182 056
L&T total	**304 002**	328 095	279 139

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Capital expenditure			
Environmental Services	**4 253**	9 965	36 346
Property and Office Support Services	**975**	890	6 227
Renewable Energy Sources	**123**	1 430	2 288
Group admin. and other	**109**	2	21
L&T total	**5 460**	12 287	44 882
Depreciation and amortisation			
Environmental Services	**7 120**	6 622	27 029
Property and Office Support Services	**2 004**	2 199	8 621
Renewable Energy Sources	**1 168**	1 105	4 676
Group admin. and other	**3**	26	8
L&T total	**10 295**	9 952	40 334

INCOME STATEMENT BY QUARTER

EUR 1000	1-3/ 2010	10-12/ 2009	7-9/ 2009	4-6/ 2009	1-3/ 2009	10-12/ 2008	7-9/ 2008	4-6/ 2008
Net sales								
Environmental Services	**64 609**	71 178	72 055	74 121	66 865	75 113	76 970	76 400
Property and Office Support Services	**71 472**	61 441	60 024	60 531	61 143	62 861	60 124	60 983
Renewable Energy Sources	**20 126**	17 702	10 669	14 691	21 063	17 160	15 861	18 422
Inter-division net sales	**-2 305**	-2 280	-2 009	-2 249	-2 639	-2 076	-1 712	-1 441
L&T total	**153 902**	148 041	140 739	147 094	146 432	153 058	151 243	154 364
Operating profit								
Environmental Services	**4 416**	6 793	11 816	10 937	6 413	7 693	12 062	8 183
Property and Office Support Services	**3 830**	2 767	7 233	4 292	3 394	-1 945	5 048	1 178
Renewable Energy Sources	**-860**	-321	-1 029	-279	671	-207	1 126	1 108
Group admin. and other	**-750**	-735	-1 111	-84	-493	-660	-653	-271
L&T total	**6 636**	8 504	16 909	14 866	9 985	4 881	17 583	10 198
Operating margin								
Environmental Services	**6.8**	9.5	16.4	14.8	9.6	10.2	15.7	10.7
Property and Office Support Services	**5.4**	4.5	12.1	7.1	5.6	-3.1	8.4	1.9
Renewable Energy Sources	**-4.3**	-1.8	-9.6	-1.9	3.2	-1.2	7.1	6.0
L&T total	**4.3**	5.7	12.0	10.1	6.8	3.2	11.6	6.6
Finance costs, net	**-1 053**	-1 078	-1 242	-1 233	-1 685	-1 370	-1 346	-990
Profit before tax	**5 583**	7 426	15 667	13 633	8 300	3 511	16 237	9 208

BUSINESS ACQUISITIONS

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 30 percent of the shares by the beginning of the year 2012. The acquisition price for the 70 percent portion was EUR 30.9 million, and it was settled in cash. No interest-bearing liabilities were transferred in the acquisition. 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 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. According to the assessment of 31 March 2010, the acquisition price for the remaining 30 percent was reduced by EUR 773 thousand to EUR 2,990 thousand (EUR 3,763 thousand). The adjustment has no impact on the profit or loss, as the adjustment was recognised accordingly under cost of the combination, goodwill and interest-bearing liabilities.

The accounting policy concerning business combinations is presented in Annual Report 2009 under Note 2 of the consolidated financial statements and under Summary on significant accounting policies.

CHANGES IN INTANGIBLE ASSETS

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Carrying amount at beginning of period	**148 417**	152 627	152 627
Business acquisitions	**-3**		1 352
Other capital expenditure	**805**	1 061	4 052
Disposals	**-778**		-2 148
Amortisation and impairment	**-2 276**	-2 212	-8 880
Transfers between items			978
Exchange differences	**440**	-67	436
Carrying amount at end of period	**146 605**	151 409	148 417

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Carrying amount at beginning of period	**201 651**	197 152	197 152
Business acquisitions			395
Other capital expenditure	**4 656**	11 226	39 029
Disposals	**-465**	-633	-2 324
Depreciation and impairment	**-8 019**	-7 740	-31 454
Transfers between items			-978
Exchange differences	**519**	-352	-169
Carrying amount at end of period	**198 342**	199 653	201 651

CAPITAL COMMITMENTS

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Intangible assets	**275**	1 011	160
Property, plant and equipment	**11 356**	6 419	7 390
Total	**11 631**	7 430	7 550
The Group's share of capital commitments of joint ventures	**160**	2 907	

RELATED-PARTY TRANSACTIONS
(Joint ventures)

EUR 1000	1-3/2010	1-3/2009	1-12/2009
Sales	**724**	227	930
Other operating income	**18**	19	75
Interest income	**103**	86	336
Non-current receivables			
Capital loan receivable	**16 896**	8 396	15 896
Current receivables			
Trade receivables	**148**	134	31
Loan receivables	**641**	288	538

CONTINGENT LIABILITIES

Securities for own commitments

EUR 1000	3/2010	3/2009	12/2009
Mortgages on rights of tenancy	**42 179**	19 192	42 179
Company mortgages	**21 460**	19 460	21 460
Other securities	**225**	186	234
Bank guarantees required for environmental permits	**3 151**	4 116	3 591

Other securities are security deposits.
The Group has given no pledges, mortgages or guarantees on behalf of outsiders.

Operating lease liabilities

EUR 1000	3/2010	3/2009	12/2009
Maturity not later than one year	**7 318**	7 542	8 145
Maturity later than one year and not later than five years	**16 446**	16 849	17 470
Maturity later than five years	**5 294**	7 201	6 274
Total	**29 058**	31 592	31 889

Derivative financial instruments

Interest rate swaps

EUR 1000	3/2010	3/2009	12/2009
Nominal values of interest rate swaps *			
Maturity not later than one year		15 000	
Total		15 000	
Fair value		26	
Nominal values of interest rate swaps **			
Maturity not later than one year	**4 629**	4 629	4 629
Maturity later than one year and not later than five years	**30 071**	25 200	30 785
Total	**34 700**	29 829	35 414
Fair value	**-1 336**	-1 196	-1 073

* 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 changes in the fair values are shown in the consolidated statement of comprehensive income for the period. The fair values of the interest rate swaps are based on the market data at the balance sheet date.

Currency derivatives

EUR 1000	3/2010	3/2009	12/2009
Nominal values of forward contracts			
Maturity not later than one year	**161**	129	
Fair value	**1**	3	

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.

CALCULATION OF KEY FIGURES

Earnings per share:
profit attributable to equity holders of the parent company / adjusted average basic number of shares

Earnings per share, diluted:
profit attributable to equity holders of the parent company / adjusted average diluted number of shares

Cash flows from operating activities/share:
cash flow from operating activities as in the statement of cash flows / adjusted average number of shares

EVA:
operating profit - cost calculated on invested capital (average of four quarters)
WACC 2009: 9.4%
WACC 2010: 8.7%

Equity per share:
equity attributable to equity holders of the parent company / adjusted basic number of shares at end of period

Return on equity, % (ROE):
(profit for the period / equity (average)) x 100

Return on investment, % (ROI):
(profit before tax + finance costs) / (total equity and liabilities - non-interest-bearing liabilities (average)) x 100

Equity ratio, %:
equity / (total equity and liabilities - advances received) x 100

Gearing, %:
net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:
interest-bearing liabilities - liquid assets

Operating profit excluding non-recurring items:
Operating profit +/- non-recurring items

Helsinki, 28 April 2010

LASSILA & TIKANOJA PLC
Board of Directors

Jari Sarjo
President and CEO

For additional information please contact Jari Sarjo, President and CEO, tel. +358 10 636 2810 or Ville Rantala, CFO, tel. +358 50 385 1442 or Keijo Keränen, IR Manager, tel. +358 50 385 6957.

Lassila & Tikanoja specialises in environmental management and property and plant support services and is a leading supplier of wood-based biofuels, recovered fuels and recycled raw materials. With operations in Finland, Sweden, Latvia and Russia, L&T employs 8,700 persons. Net sales in 2009 amounted to EUR 582 million. L&T is listed on NASDAQ OMX Helsinki.

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