LASSILA & TIKANOJA

LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 31 MARCH 2011

- **Net sales for the first quarter EUR 159.5 million (EUR 153.9 million)**
- **Operating profit EUR 6.5 million (EUR 6.6 million)**
- **Operating profit excluding non-recurring items EUR 6.8 million (EUR 7.8 million)**
- **Earnings per share EUR 0.10 (EUR 0.11)**
- **Full-year net sales will grow slightly from 2010 and operating profit excluding non-recurring items is expected to remain at the 2010 level. Previous estimate: Net sales and operating profit excluding non-recurring items in 2011 are expected to remain at the 2010 level.**

GROUP NET SALES AND FINANCIAL PERFORMANCE

Lassila & Tikanoja's net sales for the first quarter increased by 3.6% to EUR 159.5 million (EUR 153.9 million). Operating profit was EUR 6.5 million (EUR 6.6 million), representing 4.1% (4.3%) of net sales, and operating profit excluding non-recurring items was EUR 6.8 million (EUR 7.8 million). Earnings per share were EUR 0.10 (EUR 0.11).

Environmental Services and Property Maintenance saw their net sales grow from the comparison period. Meanwhile lower volumes of wood-based fuels were supplied than a year earlier due to a suspension in the payment of power plants' electricity production subsidy.

High salary, subcontracting and repair costs as well as the increase in the price of diesel oil and price competition eroded profitability. The joint venture L&T Recoil's operating profit improved significantly from the comparison period.

Financial summary

	1-3/ 2011	1-3/ 2010	Change %	1-12/ 2010
Net sales, EUR million	**159.5**	153.9	3.6	598.2
Operating profit excluding non-recurring items, EUR million*	**6.8**	7.8	-13.3	45.5
Operating profit, EUR million	**6.5**	6.6	-2.6	40.2
Operating margin, %	**4.1**	4.3		6.7
Profit before tax, EUR million	**5.4**	5.6	-3.3	36.0
Earnings per share, EUR	**0.10**	0.11	-9.1	0.68
EVA, EUR million	**-0.2**	-1.1		10.1

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

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

The division's net sales for the first quarter were up by 12.1% to EUR 72.4 million (EUR 64.6 million). Operating profit totalled EUR 4.2 million (EUR 4.4 million) and operating profit excluding non-recurring items was EUR 4.2 million (EUR 4.8 million).

Waste management services and the joint venture L&T Recoil boosted the Environmental Services division's net sales growth. In addition, the prices of secondary raw materials (fibres, plastics, metals) rose significantly.

Lower-than-expected operating rates of recycling plants, the steep increase in the price of diesel oil and the higher salary, subcontracting and repair costs undermined profitability. The division was unable to adapt the process cleaning and waste water services operations to fluctuations in demand. Special attention will be paid to project work planning.

Although the operating rate of the joint venture L&T Recoil's re-refinery improved, production reliability and base oil supply still haven't reached a satisfactory level. Action will be taken in connection with the maintenance-related shutdown in August to improve technical reliability. The joint venture's operating result for the quarter saw a major improvement from the comparison period and showed a slight profit.

The net sales and profitability of the Environmental Services division's international operations declined from the comparison period, largely due to the competitive situation in Latvia.

Cleaning and Office Support Services

The division's net sales for the first quarter totalled EUR 34.9 million (EUR 34.7 million), showing an increase of 0.5%. Operating profit totalled EUR 1.5 million (EUR 1.0 million) and operating profit excluding non-recurring items was EUR 1.5 million (EUR 1.2 million).

Net sales in domestic operations remained at the previous year's level. In Sweden, sales to new customers were successful.

The EUR 0.7 million credit loss recorded for Russian operations taxed the operating profit for the comparison period. The start-up costs of new projects in Finland burdened the operating profit more than a year earlier.

Property Maintenance

The division's net sales for the first quarter were up by 5.6% to EUR 38.9 million (EUR 36.9 million). Operating profit totalled EUR 1.9 million (EUR 2.8 million) and operating profit excluding non-recurring items was EUR 1.9 million (EUR 2.9 million).

The healthy work load for damage repair services and the stronger demand for maintenance services for technical systems boosted the division's net sales.

The decrease in operating profit could be attributed to the demanding winter weather conditions, which raised the division's subcontracting and overtime costs. Due to the price competition, the profitability of snow-related commissioned assignments was weaker than a year earlier.

Renewable Energy Sources

First quarter net sales of Renewable Energy Sources (L&T Biowatti) were down by 20.4% to EUR 16.0 million (EUR 20.1 million). The division recorded an operating loss of EUR 0.7 million (a loss of EUR 0.9 million), and an operating loss excluding non-recurring items of EUR 0.4 million (a loss of EUR 0.9 million).

The suspension in the payment of the electricity production subsidy weakened the demand for wood-based fuels from the comparison period. As a result, several power plant customers used fossil fuels for energy production instead of renewable energy sources. Payment of the subsidy re-commenced at the end of the period.

The division's competitiveness will be improved by a reorganisation programme involving fixed cost cuts and operational efficiency enhancement, and by sales price hikes.

BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS

EUR million	**1-3/ 2011**	**1-3/ 2010**	**1-12/ 2010**
Operating profit	**6.5**	6.6	40.2
Non-recurring items:			
Discontinuation of wood pellet production of L&T Biowatti	**0.1**		3.4
Discontinuation of cleaning business in Moscow			0.4
Restructuring costs	**0.2**	1.2	1.5
Operating profit excluding non-recurring items	**6.8**	7.8	45.5

FINANCING

Cash flows from operating activities amounted to EUR 10.5 million (EUR 13.9 million). EUR 1.9 million was tied up in the working capital (EUR 0.4 million).

At the end of the period, interest-bearing liabilities amounted to EUR 141.8 million (EUR 139.1 million). Net interest-bearing liabilities amounted to EUR 132.0 million, showing an increase of EUR 25.8 million from the comparison period.

Net finance costs in January–March amounted to EUR 1.1 million which is on a par with the amount of the comparison period. Net finance costs were 0.7% (0.7%) of net sales. Long-term loans totalling EUR 17.3 million will mature during the rest of the year. The average interest rate of loans (with interest rate hedging) was 3.2% (3.3%).

The equity ratio was 42.4% (40.3%) and the gearing rate 63.9 (52.9). Liquid assets at the end of the period amounted to EUR 9.8 million (EUR 32.9 million). The dividend, totalling EUR 21.3 million, was paid at the end of the period. In the comparison period the dividend was paid in the second quarter.

Of the EUR 50 million commercial paper programme, EUR 25.0 million (EUR 0.0 million) was in use. The EUR 15.0 million committed limit was not in use, as was the case in the comparison period.

DIVIDEND

The Annual General Meeting held on 17 March 2011 resolved on a dividend of EUR 0.55 per share. The dividend, totalling EUR 21.3 million, was paid to the shareholders on 29 March 2011.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 12.9 million (EUR 5.5 million), approximately half of it consisting of acquisitions.

In the first quarter, Pentti Laurila Ky and businesses of Matti Hossi Ky and PPT Luttinen Oy were acquired into Environmental Services. The business of Kestosiivous Oy was acquired into Cleaning and Office Support Services and the business of KH-Kiinteistöhuolto Oy was acquired into Property Maintenance.

PERSONNEL

In January–March, the average number of employees converted into full-time equivalents was 7,520 (7,668). The total number of full-time and part-time employees at the end of the period was 8,725 (8,599). Of them 6,989 (6,723) people worked in Finland and 1,736 (1,876) people in other countries.

SHARE AND SHARE CAPITAL

Traded volume and price

The volume of trading excluding the shares held by the company in Lassila & Tikanoja plc shares on NASDAQ OMX Helsinki in January–March was 3,301,780 which is 8.5% (3.7%) of the average number of outstanding shares. The value of trading was EUR 44.1 million (EUR 22.3 million). The trading price varied between EUR 12.40 and EUR 15.18. The closing price was EUR 12.70. At the end of the period, the company held 60,758 of its own shares. The market capitalisation excluding the shares held by the company was EUR 492.0 million (EUR 598.9 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 38,738,116 shares. The average number of shares excluding the shares held by the company totalled 38,738,116.

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, 37 key persons held 200,000 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 30,000 2005C options and these options will not be exercised. The exercise period for the 2005A has ended on 29 May 2009 and for the 2005B options on 31 May 2010.

The exercise price for the 2005C options is EUR 26.80 as of 22 March 2011. The exercise period for 2005C options is 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 200,000 new shares, which is 0.5% of the current number of shares. The 2005C options have been listed on NASDAQ OMX Helsinki 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. 33 key persons hold 168,000 options and L&T Advance Oy 62,000 options.

The exercise price is EUR 16.20. It was reduced by EUR 0.07 as of 22 March 2011. 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 is 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 168,000 new shares, which is 0.4% of the current number of shares. The 2008 options have been listed on NASDAQ OMX Helsinki since 1 November 2010.

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 2011 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 23 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 9,665 (7,668) shareholders. Nominee-registered holdings accounted for 11.2% (9.3%) 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, the company held 60,758 of its own shares, representing 0.2% of all shares and votes.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 17 March 2011, adopted the financial statements for the financial year 2010 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 per share, a total of EUR 21.3 million, as proposed by the Board of Directors, be paid for the financial year 2010. The dividend payment date was resolved to be 29 March 2011.

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 Miikka Maijala. Sakari Lassila was elected as a new member for the same term.

PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected auditor.

The Annual General Meeting resolved on decreasing the share premium reserve by EUR 50,672,564.52 by transferring all the funds in the share premium reserve to the unrestricted equity reserve. The resolution was not registered at the appointed time and therefore the arrangement cannot be implemented.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 17 March 2011.

BOARD OF DIRECTORS

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

From among its members, the Board elected Eero Hautaniemi as Chairman and Sakari Lassila and Miikka Maijala as members of the audit committee. Heikki Bergholm was elected as Chairman of the remuneration committee and Matti Kavetvuo and Hille Korhonen as members of the committee.

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

In a release published on 22 March 2011, the company announced that M.Sc. (Econ.) Ville Rantala has been appointed as Managing Director of L&T Biowatti Oy and Vice President, Renewable Energy Sources division, as of 22 March 2011. Rantala will also continue as CFO of Lassila & Tikanoja plc. He will report to Jari Sarjo, President and CEO. Tomi Salo, Managing Director of L&T Biowatti, will not continue in the company.

In a release published on 5 April 2011, the company announced that a total of 2,547 shares of Lassila & Tikanoja plc have been returned to the company free of consideration, by virtue of the terms of the share-based incentive programme of 2009. The current total number of own shares held by Lassila & Tikanoja plc is 63,305, the returned shares included.

NEAR-TERM UNCERTAINTIES

L&T Recoil’s production has not yet fully stabilised, and any further disturbances in the plant’s production could have a negative effect on the Environmental Services division’s performance. End-product and raw material price fluctuations would have a major effect on L&T Recoil’s performance.

The government support for renewable fuels will have a positive effect on the demand for wood-based fuels in the future, but with some delay. Changes in the prices of emission rights will affect the competitiveness of L&T Biowatti's wood-based fuels.

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

PROSPECTS FOR THE REST OF THE YEAR

Higher operating rates in the industry will increase waste volumes and the demand for process cleaning and polluted soil and materials utilisation. Higher prices of secondary raw materials and a rise in waste tax improve the outlook for the recycling business.

The production reliability of L&T Recoil's facility will affect the Environmental Services division’s profitability. Raising the operating rate of the facility and improving the supply of base oil continue to be the key priorities.

The markets for Cleaning and Office Support Services and for Property Maintenance are expected to remain challenging, and the fierce price competition is expected to continue.

The demand for L&T Biowatti's wood-based fuels is expected to strengthen. The government support measures targeting renewable fuels will have a positive effect on the demand for wood-based fuels and on their price level in the second half.

The net sales will grow more than estimated previously due to the acquisitions.

Full-year net sales will grow slightly from 2010 and operating profit excluding non-recurring items is expected to remain at the 2010 level. Previous estimate: Net sales and operating profit excluding non-recurring items in 2011 are expected to remain at the 2010 level.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY–31 MARCH 2011

CONSOLIDATED INCOME STATEMENT

EUR 1000	**1-3/ 2011**	**1-3/ 2010**	**Change %**	**1-12/ 2010**
Net sales	**159 474**	153 902	3.6	598 193
Cost of sales	**-146 658**	-139 945	4.8	-531 066
Gross profit	**12 816**	13 957	-8.2	67 127
Other operating income	**680**	318	113.8	2 708
Selling and marketing costs	**-3 796**	-3 469	9.4	-13 779
Administrative expenses	**-2 966**	-3 055	-2.9	-10 519
Other operating expenses	**-270**	-1 115	-75.8	-2 686
Impairment				-2 632
Operating profit	**6 464**	6 636	-2.6	40 219
Finance income	**299**	338	-11.5	1 053
Finance costs	**-1 363**	-1 391	-2.0	-5 282
Profit before tax	**5 400**	5 583	-3.3	35 990
Income tax expense	**-1 404**	-1 452	-3.3	-9 786
Profit for the period	**3 996**	4 131	-3.3	26 204
Attributable to:				
Equity holders of the company	**3 994**	4 127		26 188
Non-controlling interest	**2**	4		16
Earnings per share for profit attributable to the equity holders of the company:				
Basic earnings per share, EUR	**0.10**	0.11		0.68
Diluted earnings per share, EUR	**0.10**	0.11		0.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1000	**1-3/ 2011**	**1-3/ 2010**	**1-12/ 2010**
Profit for the period	**3 996**	4 131	26 204
Other comprehensive income, after tax			
Hedging reserve, change in fair value	**921**	-195	223
Current available-for-sale investments			
Gains in the period	**-2**		-58
Current available-for-sale investments	**-2**		-58
Currency translation differences	**32**	807	792
Other comprehensive income, after tax	**951**	612	957
Total comprehensive income, after tax	**4 947**	4 743	27 161
Attributable to:			
Equity holders of the company	**4 943**	4 717	27 130
Non-controlling interest	**4**	26	31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1000	**3/2011**	**3/2010**	**12/2010**
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**114 670**	113 371	113 467
Customer contracts arising from acquisitions	**5 753**	5 800	4 736
Agreements on prohibition of competition	**10 711**	11 122	10 023
Other intangible assets arising from business acquisitions	**743**	2 704	1 229
Other intangible assets	**13 271**	13 608	13 226
	145 148	146 605	142 681
Property, plant and equipment			
Land	**4 655**	4 075	4 671
Buildings and constructions	**78 617**	71 399	78 908
Machinery and equipment	**112 244**	107 612	111 733
Other	**85**	82	85
Prepayments and construction in progress	**5 021**	15 174	5 303
	200 622	198 342	200 700
Other non-current assets			
Available-for-sale investments	**589**	525	598
Finance lease receivables	**3 549**	4 159	3 547
Deferred tax assets	**4 116**	2 477	3 924
Other receivables	**3 318**	644	3 401
	11 572	7 805	11 470
Total non-current assets	**357 342**	352 752	354 851
Current assets			
Inventories	**24 146**	28 214	27 957
Trade and other receivables	**95 829**	87 645	85 662
Derivative receivables	**1 413**		407
Prepayments	**6 334**	3 302	317
Available-for-sale investments	**2 497**	24 479	9 895
Cash and cash equivalents	**7 277**	8 440	4 653
Total current assets	**137 496**	152 080	128 891
TOTAL ASSETS	**494 838**	504 832	483 742

EUR 1000	**3/2011**	**3/2010**	**12/2010**
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	**-1 138**	-2 494	-2 141
Unrestricted equity reserve	**-52**		
Retained earnings	**133 559**	128 852	128 597
Profit for the period	**3 994**	4 127	26 188
	206 435	200 557	222 716
Non-controlling interest	**282**	273	278
Total equity	**206 717**	200 830	222 994
Liabilities			
Non-current liabilities			
Deferred tax liabilities	**33 829**	32 918	33 718
Retirement benefit obligations	**630**	613	615
Provisions	**2 755**	2 486	2 748
Borrowings	**90 969**	116 231	95 563
Other liabilities	**478**	1 496	364
	128 661	153 744	133 008
Current liabilities			
Borrowings	**50 819**	22 915	31 261
Trade and other payables	**107 768**	123 794	94 891
Derivative liabilities	**665**	1 336	1 173
Tax liabilities	**18**	1 667	15
Provisions	**190**	546	400
	159 460	150 258	127 740
Total liabilities	**288 121**	304 002	260 748
TOTAL EQUITY AND LIABILITIES	**494 838**	504 832	483 742

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1000	**3/2011**	**3/2010**	**12/2010**
Cash flows from operating activities			
Profit for the period	**3 996**	4 131	26 204
Adjustments			
Income tax expense	**1 404**	1 452	9 786
Depreciation, amortisation and impairment	**10 568**	10 295	43 937
Finance income and costs	**1 064**	1 053	4 229
Other	**-739**	342	1 570
Net cash generated from operating activities before change in working capital	**16 293**	17 273	85 726
Change in working capital			
Change in trade and other receivables	**-16 343**	-13 041	-6 118
Change in inventories	**3 810**	4 620	4 874
Change in trade and other payables	**10 657**	7 991	-918
Change in working capital	**-1 876**	-430	-2 162
Interest paid	**-1 566**	-266	-5 409
Interest received	**254**	211	914
Income tax paid	**-2 623**	-2 912	-15 259
Net cash from operating activities	**10 482**	13 876	63 810
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	**-5 331**		-1 655
Proceeds from sale of subsidiaries and businesses, net of sold cash			199
Purchases of property, plant and equipment and intangible assets	**-5 860**	-5 004	-36 003
Proceeds from sale of property, plant and equipment and intangible assets	**727**	1 331	3 655
Purchases of available-for-sale investments		-3	-74
Change in other non-current receivables	**91**	85	-2 673
Dividends received			1
Net cash used in investing activities	**-10 373**	-3 591	-36 550
Cash flows from financing activities			
Change in short-term borrowings	**19 558**	26	5 091
Repayments of long-term borrowings	**-4 677**	-5 002	-23 166
Dividends paid	**-19 773**		-21 301
Repurchase of own shares			-1 125
Net cash generated from financing activities	**-4 892**	-4 976	-40 501

EUR 1000	3/2011	3/2010	12/2010
Net change in liquid assets	**-4 783**	5 309	-13 241
Liquid assets at beginning of period	**14 548**	27 583	27 583
Effect of changes in foreign exchange rates	**9**	27	206
Liquid assets at end of period	**9 774**	32 919	14 548

Liquid assets

EUR 1000	3/2011	3/2010	12/2010
Cash and cash equivalents	**7 277**	8 440	4 653
Money market investments	**2 497**	24 479	9 895
Total	**9 774**	32 919	14 548

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1000	Share capital	Share premium reserve	Revaluation and other reserves	Unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Equity at 1.1.2011	**19 399**	**50 673**	**-2 141**	**0**	**154 785**	**222 716**	**278**	**222 994**
Expense recognition of share-based benefits					80	80		80
Dividends paid					-21 306	-21 306		-21 306
Transfer from revaluation reserve			52	-52				
Total comprehensive income			951		3 994	4 945	4	4 949
Equity at 31.3.2011	**19 399**	**50 673**	**-1 138**	**-52**	**137 553**	**206 435**	**282**	**206 717**
Equity at 1.1.2010	**19 399**	**50 673**	**-3 084**	**0**	**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**	**0**	**132 979**	**200 557**	**273**	**200 830**

KEY FIGURES

	1-3/ 2011	**1-3/ 2010**	**1-12/ 2010**
Earnings per share, EUR	**0.10**	0.11	0.68
Earnings per share, diluted, EUR	**0.10**	0.11	0.68
Cash flows from operating activities per share, EUR	**0.27**	0.36	1.65
EVA, EUR million	**-0.2**	-1.1	10.1
Capital expenditure, EUR 1000	**12 868**	5 460	39 321
Depreciation, amortisation and impairment, EUR 1000	**10 568**	10 295	43 937
Equity per share, EUR	**5.33**	5.17	5.75
Return on equity, ROE, %	**7.4**	7.9	11.9
Return on invested capital, ROI, %	**7.7**	8.0	11.6
Equity ratio, %	**42.4**	40.3	46.5
Gearing, %	**63.9**	52.9	50.3
Net interest-bearing liabilities, EUR 1000	**132 015**	106 227	112 277
Average number of employees in full-time equivalents	**7 520**	7 668	7 835
Total number of full-time and part-time employees at end of period	**8 725**	8 599	8 732
Number of outstanding shares adjusted for issues, 1000 shares			
average during the period	**38 738**	38 769	38 749
at end of period	**38 738**	38 769	38 738
average during the period, diluted	**38 769**	38 769	38 773

ACCOUNTING POLICIES

This interim report is in compliance with IAS 34 Interim Financial Reporting standard. The same accounting policies as in the annual financial statements for the year 2010 have been applied. This interim report has 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 2010 have had an impact on the financial statements release:

IFRS 3 (revised) Business Combinations
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

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 report has not been audited.

SEGMENT INFORMATION

Net sales

EUR 1000	1-3/2011 External	1-3/2011 Inter-division	1-3/2011 Total	1-3/2010 External	1-3/2010 Inter-division	1-3/2010 Total	Total net sales, change %
Environmental Services	**71 520**	**909**	**72 429**	63 520	1 089	64 609	12.1
Cleaning and Office Support Services	**34 549**	**307**	**34 856**	34 381	285	34 666	0.5
Property Maintenance	**38 212**	**727**	**38 939**	36 541	316	36 857	5.6
Renewable Energy Sources	**15 193**	**818**	**16 011**	19 460	666	20 126	-20.4
Eliminations		**-2 761**	**-2 761**		-2 356	-2 356	
L&T total	**159 474**	**0**	**159 474**	153 902	0	153 902	3.6

EUR 1000	1-12/2010 External	1-12/2010 Inter-division	1-12/2010 Total
Environmental Services	286 260	3 771	290 031
Cleaning and Office Support Services	139 399	1 216	140 615
Property Maintenance	121 546	1 923	123 469
Renewable Energy Sources	50 988	4 118	55 106
Eliminations		-11 028	-11 028
L&T total	598 193	0	598 193

Operating profit

EUR 1000	1-3/ 2011	%	1-3/ 2010	%	1-12/ 2010	%
Environmental Services	**4 175**	**5.8**	4 416	6.8	33 674	11.6
Cleaning and Office Support Services	**1 475**	**4.2**	1 037	3.0	7 524	5.4
Property Maintenance	**1 902**	**4.9**	2 793	7.6	7 764	6.3
Renewable Energy Sources	**-651**	**-4.1**	-860	-4.3	-6 553	-11.9
Group admin. and other	**-437**		-750		-2 190	
L&T total	**6 464**	**4.1**	6 636	4.3	40 219	6.7
Finance costs, net	**-1 064**		-1 053		-4 229	
Profit before tax	**5 400**		5 583		35 990	

Other segment information

EUR 1000	3/2011	3/2010	12/2010
Assets			
Environmental Services	**340 318**	329 286	330 963
Cleaning and Office Support Services	**42 643**	40 349	39 007
Property Maintenance	**42 050**	40 576	38 098
Renewable Energy Sources	**46 035**	57 395	49 113
Group admin. and other	**2 107**	333	1 902
Unallocated assets	**21 685**	36 893	24 659
L&T total	**494 838**	504 832	483 742
Liabilities			
Environmental Services	**56 020**	54 359	50 300
Cleaning and Office Support Services	**26 758**	26 561	25 654
Property Maintenance	**18 812**	16 361	15 784
Renewable Energy Sources	**6 529**	8 277	4 835
Group admin. and other	**2 585**	21 955	1 193
Unallocated liabilities	**177 417**	176 489	162 982
L&T total	**288 121**	304 002	260 748

EUR 1000	1-3/2011	1-3/2010	1-12/2010
Capital expenditure			
Environmental Services	**8 814**	4 253	31 409
Cleaning and Office Support Services	**1 222**	466	2 112
Property Maintenance	**2 631**	509	5 074
Renewable Energy Sources	**88**	123	654
Group admin. and other	**113**	109	72
L&T total	**12 868**	5 460	39 321
Depreciation and amortisation			
Environmental Services	**7 379**	7 120	28 558
Cleaning and Office Support Services	**953**	1 021	4 023
Property Maintenance	**1 069**	983	4 017
Renewable Energy Sources	**1 167**	1 168	4 702
Group admin. and other		3	5
L&T total	**10 568**	10 295	41 305
Impairment			
Renewable Energy Sources			2 632
L&T total	**0**	0	2 632

INCOME STATEMENT BY QUARTER

EUR 1000	**1-3/ 2011**	**10-12/ 2010**	**7-9/ 2010**	**4-6/ 2010**	**1-3/ 2010**	**10-12/ 2009**	**7-9/ 2009**	**4-6/ 2009**
Net sales								
Environmental Services	**72 429**	73 992	75 806	75 624	64 609	71 178	72 055	74 121
Cleaning and Office Support Services	**34 856**	34 580	35 659	35 710	34 666	35 686	36 338	36 108
Property Maintenance	**38 939**	31 596	26 926	28 090	36 857	25 829	23 746	24 541
Renewable Energy Sources	**16 011**	15 266	7 617	12 097	20 126	17 702	10 669	14 691
Inter-division net sales	**-2 761**	-3 927	-2 238	-2 507	-2 356	-2 354	-2 069	-2 367
L&T total	**159 474**	151 507	143 770	149 014	153 902	148 041	140 739	147 094
Operating profit								
Environmental Services	**4 175**	8 204	10 930	10 124	4 416	6 793	11 816	10 937
Cleaning and Office Support Services	**1 475**	181	4 088	2 218	1 037	1 697	4 076	2 597
Property Maintenance	**1 902**	633	3 263	1 075	2 793	1 070	3 157	1 695
Renewable Energy Sources	**-651**	-361	-1 432	-3 900	-860	-321	-1 029	-279
Group admin. and other	**-437**	-104	-574	-762	-750	-735	-1 111	-84
L&T total	**6 464**	8 553	16 275	8 755	6 636	8 504	16 909	14 866
Operating margin								
Environmental Services	**5.8**	11.1	14.4	13.4	6.8	9.5	16.4	14.8
Cleaning and Office Support Services	**4.2**	0.5	11.5	6.2	3.0	4.8	11.2	7.2
Property Maintenance	**4.9**	2.0	12.1	3.8	7.6	4.1	13.3	6.9
Renewable Energy Sources	**-4.1**	-2.4	-18.8	-32.2	-4.3	-1.8	-9.6	-1.9
L&T total	**4.1**	5.6	11.3	5.9	4.3	5.7	12.0	10.1
Finance costs, net	**-1 064**	-987	-1 272	-917	-1 053	-1 078	-1 242	-1 233
Profit before tax	**5 400**	7 566	15 003	7 838	5 583	7 426	15 667	13 633

BUSINESS ACQUISITIONS

Business combinations in aggregate

Consideration

EUR 1000	Fair values used in consolidation
Cash	3 844
Contingent consideration	1 487
Total consideration	5 331
Acquisition-related costs (included in the administrative expenses in the consolidated financial statements)	3

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR 1000	Fair values used in consolidation
Property, plant and equipment	1 693
Customer contracts	1 526
Agreements on prohibition of competition	1 236
Other intangible assets	2
Inventories	17
Trade and other receivables	175
Total assets	4 649
Deferred tax liabilities	258
Trade and other payables	192
Total liabilities	450
Total identifiable net assets	4 199
Goodwill	1 132
Total	5 331

On 4 January 2011, the Environmental Services division acquired Pentti Laurila Ky, an environmental management business operating in the Keuruu and Multiala region in Central Finland. Furthermore, on 1 February 2011 the division acquired the Ypäjä-based Matti Hossi Ky, a waste management and interchangeable platform business, as well as the PPT Luttinen Oy waste management business on 1 March 2011. On 1 January 2011, the Cleaning and Office Support Services division acquired the operations of Kestosiivous Oy, a cleaning company operating in the Helsinki region. On 1 March 2011, the Property Maintenance division acquired the operations of KH-Kiinteistöhuolto Oy operating in the Nurmijärvi region.

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance when considered separately. 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. With share acquisitions, L&T was able to gain 100% of the voting rights. The conditional consideration is tied to the transfer of the customer contracts to Lassila & Tikanoja plc, and the estimates of the fair values of considerations were determined on the basis of probability-weighted final acquisition price. The estimates for the conditional consideration did not change between the time of acquisition and the balance sheet date. Trade and other receivables have been recorded at fair value at the time of acquisition. Individual acquisition prices have not been itemised because none of them is of material importance when considered separately.

By annual net sales, the largest acquisition was KH-Kiinteistöhuolto Oy (EUR 2,372 thousand).

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.

On 1 April 2011, L&T acquired the cleaning and property maintenance businesses of Savon Kiinteistöhuolto- ja Siivouspalvelu Oy, Varkauden Kiinteistönhoito ja Siivouspalvelu Oy and Jo-Pe Huolto Oy, operating in Varkaus region in eastern Finland. On 1 April 2011, L&T acquired Hansalaiset Oy, a cleaning company operating in Helsinki, Turku, Tampere and Oulu, was acquired into Cleaning and Office Support Services. The accounting process for these acquisitions is still in progress.

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

CHANGES IN INTANGIBLE ASSETS

EUR 1000	**1-3/2011**	**1-3/2010**	**1-12/2010**
Carrying amount at beginning of period	**142 681**	148 417	148 417
Business acquisitions	**3 894**	-3	1 175
Other capital expenditure	**884**	805	2 944
Disposals	**-1**	-778	-1 760
Amortisation and impairment	**-2 408**	-2 276	-9 134
Transfers between items			-4
Exchange differences	**98**	440	1 043
Carrying amount at end of period	**145 148**	146 605	142 681

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1000	**1-3/2011**	**1-3/2010**	**1-12/2010**
Carrying amount at beginning of period	**200 700**	201 651	201 651
Business acquisitions	**1 693**		500
Other capital expenditure	**6 397**	4 656	34 628
Disposals	**-58**	-465	-1 711
Depreciation and impairment	**-8 160**	-8 019	-34 803
Transfers between items			4
Exchange differences	**50**	519	431
Carrying amount at end of period	**200 622**	198 342	200 700

CAPITAL COMMITMENTS

EUR 1000	**1-3/2011**	**1-3/2010**	**1-12/2010**
Intangible assets	**60**	275	
Property, plant and equipment	**5 489**	11 356	5 106
Total	**5 549**	11 631	5 106
The Group's share of capital commitments of joint ventures	**75**	160	0

RELATED-PARTY TRANSACTIONS
(Joint ventures)

EUR 1000	1-3/2011	1-3/2010	1-12/2010
Sales	**309**	724	2 332
Other operating income	**18**	18	74
Interest income	**219**	103	505
Non-current receivables			
Capital loan receivable	**21 646**	16 896	20 646
Current receivables			
Trade receivables	**2 083**	148	2 375
Loan receivables	**1 232**	641	1 034

CONTINGENT LIABILITIES

Securities for own commitments

EUR 1000	3/2011	3/2010	12/2010
Mortgages on rights of tenancy	**42 179**	42 179	42 179
Company mortgages	**21 460**	21 460	21 460
Other securities	**218**	225	222
Bank guarantees required for environmental permits	**4 399**	3 151	4 634

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

Operating lease liabilities

EUR 1000	3/2011	3/2010	12/2010
Maturity not later than one year	**8 175**	7 318	8 087
Maturity later than one year and not later than five years	**20 089**	16 446	20 087
Maturity later than five years	**4 252**	5 294	4 509
Total	**32 516**	29 058	32 683

Derivative financial instruments

Interest rate swaps

EUR 1000	3/2011	3/2010	12/2010
Nominal values of interest rate swaps			
Maturity not later than one year	**11 716**	4 629	11 010
Maturity later than one year and not later than five years	**47 668**	30 071	49 355
Maturity later than five years			267
Total	**59 384**	34 700	60 632
Fair value	**-665**	-1 336	-1 173

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.

Commodity derivatives

metric tons	3/2011	3/2010	12/2010
Nominal values of diesel swaps			
Maturity not later than one year	**6 333**		7 596
Maturity later than one year and not later than five years	**1 908**		2 544
Total	**8 241**		10 140
Fair value, EUR 1000	**1 322**		400

Commodity derivative contracts were concluded, for hedging of future diesel oil purchases. IAS-39-compliant hedge accounting will be applied to these contracts, and the effective change in fair value will be recognised in the hedging reserve within equity. The fair values of commodity derivatives are based on market prices at the balance sheet date.

Currency derivatives

EUR 1000	3/2011	3/2010	12/2010
Volume of forward contracts			
Maturity not later than one year		161	196
Fair value		1	7

Hedge accounting under IAS 39 has not been applied to 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 2010: 8.7%
WACC 2011: 7.7%

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, 26 April 2011

LASSILA & TIKANOJA PLC
Board of Directors

Jari Sarjo
President and CEO

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Lassila & Tikanoja specialises in environmental management and property and plant support services 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 9,400 persons. Net sales in 2010 amounted to EUR 598 million. L&T is listed on NASDAQ OMX Helsinki.

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