LASSILA & TIKANOJA

# LASSILA & TIKANOJA PLC
# INTERIM REPORT 1 JANUARY – 30 JUNE 2011

- **Net sales for the second quarter EUR 162.2 million (EUR 149.0 million); operating profit EUR 8.9 million (EUR 8.8 million); operating profit excluding non-recurring items EUR 9.7 million (EUR 11.8 million); earnings per share EUR 0.19 (EUR 0.14)**
- **Net sales for January–June EUR 321.7 million (EUR 302.9 million); operating profit EUR 15.3 million (EUR 15.4 million); operating profit excluding non-recurring items EUR 16.5 million (EUR 19.6 million); earnings per share EUR 0.29 (EUR 0.25)**
- **Full-year net sales will grow slightly from 2010 and operating profit excluding non-recurring items is expected to remain at the 2010 level.**

## GROUP NET SALES AND FINANCIAL PERFORMANCE

### Second quarter
Lassila & Tikanoja's net sales for the second quarter increased by 8.8% to EUR 162.2 million (EUR 149.0 million). Operating profit was EUR 8.9 million (EUR 8.8 million), representing 5.5% (5.9%) of net sales, and operating profit excluding non-recurring items was EUR 9.7 million (EUR 11.8 million). Earnings per share were EUR 0.19 (EUR 0.14).

With the exception of Renewable Energy Sources, all divisions reported net sales growth, half of this growth being organic. Demand for Environmental Services increased and the work load of Property Maintenance remained healthy.

Profitability weakened from the comparison period due to a temporary rise in waste disposal costs and an increase in traffic fuel prices. A non-scheduled maintenance shutdown at L&T Recoil's plant eroded profitability. Three significant business acquisitions were concluded in the second quarter, which involved integration costs. In addition, non-recurring restructuring costs of EUR 0.8 million were recorded for the quarter.

The income tax rate for the quarter decreased following the Administrative Court's decision on the tax deductibility of dissolution loss write-off; as a result, EUR 1.6 million of deferred tax liabilities were recognised as income. Consequently, earnings per share improved by EUR 0.04 per share.

### January–June
Lassila & Tikanoja's net sales for January–June amounted to EUR 321.7 million (EUR 302.9 million); an increase of 6.2%. Operating profit was EUR 15.3 million (EUR 15.4 million), representing 4.8% (5.1%) of net sales, and operating profit excluding non-recurring items was EUR 16.5 million (EUR 19.6 million). Earnings per share were EUR 0.29 (EUR 0.25).

Net sales growth could be attributed to the higher demand for Environmental Services, the healthy work load of Property Maintenance, and the acquisitions made in the second quarter. In the first half of the year, more than half of the growth was organic. Meanwhile, the sale of wood-based fuels failed to reach the comparison period's level due to a suspension in the payment of electricity production subsidy in the first quarter and the tough competition.

Higher salary, subcontracting and diesel oil costs eroded profitability in the first half, while in the second quarter, performance was also affected by the temporary rise in waste disposal costs as well as the integration of business acquisitions.

In the comparison period, non-recurring costs of EUR 3.0 million were recorded for the discontinuation of the wood pellet business.

**Financial summary**

| | 4-6/ 2011 | 4-6/ 2010 | Change % | 1-6/ 2011 | 1-6/ 2010 | Change % | 1-12/ 2010 |
|---|---|---|---|---|---|---|---|
| Net sales, EUR million | **162.2** | 149.0 | 8.8 | **321.7** | 302.9 | 6.2 | 598.2 |
| Operating profit excluding non-recurring items, EUR million* | **9.7** | 11.8 | -17.5 | **16.5** | 19.6 | -15.9 | 45.5 |
| Operating profit, EUR million | **8.9** | 8.8 | 1.2 | **15.3** | 15.4 | -0.4 | 40.2 |
| Operating margin, % | **5.5** | 5.9 | | **4.8** | 5.1 | | 6.7 |
| Profit before tax, EUR million | **7.7** | 7.8 | -1.8 | **13.1** | 13.4 | -2.4 | 36.0 |
| Earnings per share, EUR | **0.19** | 0.14 | 35.7 | **0.29** | 0.25 | 16.0 | 0.68 |
| EVA, EUR million | **1.9** | 1.2 | 58.3 | **1.7** | 0.1 | | 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

**Second quarter**

The division’s net sales for the second quarter increased by 10.5% to EUR 83.5 million (EUR 75.6 million). Operating profit totalled EUR 9.2 million (EUR 10.1 million) and operating profit excluding non-recurring items was EUR 9.2 million (EUR 10.1 million).

The division's growth was primarily organic. Net sales grew particularly in waste management and process cleaning thanks to larger waste volumes and maintenance shutdown-related work. Similarly, the volumes of secondary raw materials grew from the comparison period and prices remained at a healthy level. The acquisition of Papros Oy, which was completed during the quarter, strengthened the division's position in the recycled fibre markets.

The rising costs of waste transport and final disposal as well as the non-scheduled maintenance shutdown at the L&T Recoil plant undermined the division's profitability. The catalyst change in June required a prolonged shutdown and kept production at a standstill for almost a month, which is why the joint venture's result was clearly negative. The technical reliability of the plant will be improved in connection with another maintenance-related shutdown in September.

Net sales generated by the division’s international operations remained unchanged but profitability declined slightly from the comparison period.

During the quarter, several comprehensive service agreements were concluded in the retail trade sector. The quarter also saw the successful market launch of a new Managreen service model, which offers customers the ability to manage their environmental management agreements and the related network partners.

**January–June**

The Environmental Services division’s net sales for January-June amounted to EUR 156.0 million (EUR 140.2 million), showing an increase of 11.2%. Operating profit totalled EUR 13.4 million (EUR 14.5 million) and operating profit excluding non-recurring items was EUR 13.4 million (EUR 14.9 million).

The division's net sales growth was primarily organic and could be attributed to the growth of waste volumes and high demand for industrial cleaning services. There was a significant rise in the demand for and volume and prices of secondary raw materials (fibres, plastics, metals) compared to the same period last year.

Operating rates of recycling plants were lower than planned and there was a temporary increase in waste disposal related costs, which taxed profitability. A steep increase in the price of diesel oil and higher production costs also weakened the financial performance. The division had some problems adapting process cleaning services to fluctuations in demand in the first half, but extensive maintenance shutdown-related assignments in May-June were completed as planned.

Although the net sales and the operating rate of the joint venture L&T Recoil’s re-refinery improved in the first half, production reliability and base oil supply have still not reached a satisfactory level. A non-scheduled maintenance shutdown in the second quarter resulted in a clearly negative result in the first half.

The division’s net sales and operating profit from international operations declined slightly from the comparison period.

**Cleaning and Office Support Services**

**Second quarter**
The division’s net sales for the second quarter totalled EUR 40.8 million (EUR 35.7 million); an increase of 14.2%. Operating profit totalled EUR 1.0 million (EUR 2.2 million) and operating profit excluding non-recurring items was EUR 1.2 million (EUR 2.2 million).

Net sales in domestic operations grew from the comparison period, thanks largely to business acquisitions (Hansalaiset). Sales of commissioned assignments met expectations. Profitability declined from the comparison period due to a rise in the general cost level and the integration costs associated with the acquisitions. Due to the increased cost level, the division will implement price hikes in the second half.

Net sales generated by international operations grew as a result of the acquisition (Östgöta Städ) made in Sweden. Non-recurring restructuring costs of EUR 0.2 million were recorded for Swedish operations, which limited the operating profit.

**January–June**
The January-June net sales of Cleaning and Office Support Services increased by 7.5% to EUR 75.6 million (EUR 70.4 million). Operating profit totalled EUR 2.5 million (EUR 3.3 million) and operating profit excluding non-recurring items was EUR 2.7 million (EUR 3.4 million).

Net sales growth in the first half could be primarily attributed to the acquisitions made in the second quarter. In Sweden, sales to new customers were successful. Sales of commissioned assignments reached the set targets.

The start-up costs of new projects and higher than expected integration costs associated with acquisitions eroded the division's profitability. In the comparison period, the EUR 0.7 million credit loss recorded for Russian operations restricted the operating profit.

**Property Maintenance**

**Second quarter**
The division’s net sales for the second quarter increased by 9.9% to EUR 30.9 million (EUR 28.1 million). Operating profit totalled EUR 0.8 million (EUR 1.1 million) and operating profit excluding non-recurring items was EUR 0.8 million (EUR 1.1 million).

All services, damage repair services in particular, were able to grow their net sales from the previous year. The work load of maintenance services for technical systems also remained healthy. Nonetheless, the division’s operating profit weakened from the comparison period due to higher production costs. Due to the increase in cost level, the division will implement price hikes in the second half.

**January–June**
The division’s net sales for January–June were up by 7.5% to EUR 69.8 million (EUR 64.9 million). Operating profit totalled EUR 2.7 million (EUR 3.9 million) and operating profit excluding non-recurring items was EUR 2.7 million (EUR 4.0 million).

The division’s net sales grew thanks to higher demand for maintenance services for technical systems and a stronger work load of damage repair services.

The decrease in the division’s operating profit could be attributed to the rise in production costs and higher subcontracting and overtime costs. The profitability of commissioned assignments was weaker than a year earlier.

**Renewable Energy Sources**

**Second quarter**
Second quarter net sales of Renewable Energy Sources (L&T Biowatti) were down by 20.6% to EUR 9.6 million (EUR 12.1 million). Operating loss amounted to EUR 1.3 million (a loss of EUR 3.9 million), and operating loss excluding non-recurring items was EUR 1.3 million (a loss of EUR 0.9 million).

Net sales generated by wood-based fuels declined from the comparison period due to intense competition. Higher collection and logistics costs also eroded profitability.

During the quarter, several new delivery agreements were signed for future heating seasons, and reorganisational measures were taken to cut fixed costs.

In the comparison period, the non-recurring costs of EUR 3.0 million related to the discontinuation of the wood pellet business reduced the operating profit.

**January–June**
January–June net sales of Renewable Energy Sources (L&T Biowatti) were down by 20.5% to EUR 25.6 million (EUR 32.2 million). Operating loss amounted to EUR 2.0 million (a loss of EUR 4.8 million), and operating loss excluding non-recurring items was EUR 1.6 million (a loss of EUR 1.7 million).

In the first half of the year, power plant customers did not receive any subsidy for electricity generation from forest processed chips. As a result of the suspension in the payment of this subsidy, several power plants replaced forest processed chips with fossil fuels.

A reorganisation programme was launched in the first half to improve the division's competitiveness. The programme involves fixed cost cuts and operational efficiency enhancement measures.

## BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS

| EUR million | **4-6/ 2011** | **4-6/ 2010** | **1-6/ 2011** | **1-6/ 2010** | **1-12/ 2010** |
|---|---|---|---|---|---|
| Operating profit | **8.9** | 8.8 | **15.3** | 15.4 | 40.2 |
| Non-recurring items: | | | | | |
| Discontinuation of wood pellet production of L&T Biowatti | | 3.0 | **0.1** | 3.0 | 3.4 |
| Discontinuation of cleaning business in Moscow | | | | | 0.4 |
| Restructuring costs | **0.8** | | **1.1** | 1.2 | 1.5 |
| Operating profit excluding non-recurring items | **9.7** | 11.8 | **16.5** | 19.6 | 45.5 |

## FINANCING

Cash flows from operating activities amounted to EUR 31.5 million (EUR 30.4 million). EUR 3.2 million was released from the working capital (EUR 2.1 million).

At the end of the period, interest-bearing liabilities amounted to EUR 154.5 million (EUR 112.6 million). In the comparison period, the assets and liabilities of the joint venture L&T Recoil are presented as held-for-sale assets and related liabilities, which is why the interest-bearing liabilities associated with L&T Recoil, EUR 20.9 million, are not included in the interest-bearing liabilities in the comparison period. Net interest-bearing liabilities amounted to EUR 144.0 million, showing an increase of EUR 31.7 million from the beginning of the year.

Net finance costs in January–June amounted to EUR 2.2 million (EUR 2.0 million). Net finance costs were 0.7% (0.7%) of net sales. Long-term loans totalling EUR 13.1 million will mature during the rest of the year. The average interest rate on long-term loans (with interest-rate hedging) fell to 3.1% (3.3%) despite the rise in general interest rate level.

The equity ratio was 42.0% (43.8%) and the gearing rate 67.6 (47.5). Liquid assets at the end of the period amounted to EUR 10.5 million (EUR 14.4 million).

Of the EUR 50 million commercial paper programme, EUR 23.5 million (EUR 4.0 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 45.1 million (EUR 16.1 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.

In the second quarter, the Environmental Services division acquired Papros Oy and Full House Oy. The Cleaning and Office Support Services division acquired Savon Kiinteistöhuolto- ja Siivouspalvelu Oy, Varkauden Kiinteistönhoito ja Siivouspalvelu Oy, Jo-Pe Huolto Oy, Östgöta Städ Ab and WTS-Palvelut Oy. The Cleaning and Office Support Services and Property Maintenance divisions acquired the Hansalaiset Oy group including its subsidiaries.

## PERSONNEL

In January–June, the average number of employees converted into full-time equivalents was 8,228 (7,522). The total number of full-time and part-time employees at the end of the period was 10,389 (9,420). Of them 8,198 (7,496) people worked in Finland and 2,191 (1,924) 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–June was 5,205,262 which is 13.4% (8.8%) of the average number of outstanding shares. The value of trading was EUR 68.2 million (EUR 50.8 million). The trading price varied between EUR 11.75 and EUR 15.18. The closing price was EUR 12.08. At the end of the period, the company held 63,305 of its own shares. The market capitalisation excluding the shares held by the company was EUR 467.9 million (EUR 511.3 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 38,735,569 shares. The average number of shares excluding the shares held by the company totalled 38,736,835.

**Share option scheme 2005**
In 2005, 600,000 share option rights were issued. The exercise period for the 2005A options ended on 29 May 2009, for the 2005B options on 31 May 2010 and for the 2005C options on 31 May 2011.

**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 9,498 (8,439) shareholders. Nominee-registered holdings accounted for 12.2% (10.3%) 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**
On 5 April 2011, a total of 2,547 shares of Lassila & Tikanoja plc were returned to the company free of consideration, by virtue of the terms of the share-based incentive programme of 2009. At the end of the period, the company held 63,305 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.

## CHANGES IN THE MANAGEMENT OF THE COMPANY

The Board of Directors of Lassila & Tikanoja plc has appointed Pekka Ojanpää as President and CEO of the company. Mr Ojanpää will assume his position as Lassila & Tikanoja’s President and CEO on 13 December 2011 at the latest. Ville Rantala, CFO of Lassila & Tikanoja, has been appointed as acting President and CEO as of 13 June.

## 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.

In a release published on 13 June 2011, the company announced that the Board of Directors of Lassila & Tikanoja plc has appointed Pekka Ojanpää as President and CEO. Pekka Ojanpää acts as President of Kemira’s Municipal & Industrial segment. He previously worked as President of the Kemira Performance Chemicals business area, and has held various executive positions at Nokia Corporation. Mr Ojanpää will assume his position as Lassila & Tikanoja’s President and CEO on 13 December 2011 at the latest.

The Board of Directors and Jari Sarjo, former President and CEO, have jointly agreed that Sarjo will leave his position as President and CEO immediately. Ville Rantala, CFO of Lassila & Tikanoja, has been appointed as acting President and CEO as of 13 June.

## NEAR-TERM UNCERTAINTIES

General economic uncertainty may cause radical price changes in the secondary raw material markets of the Environmental Services division.

Succeeding in the integration of the acquisitions concluded in the second quarter will affect the performance in the second half.

L&T Recoil’s production has not 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**

In the Environmental Services division, the outlook for the remainder of the year is largely stable. The secondary raw material price development and the operational reliability of L&T Recoil’s plant after the maintenance shutdown in September will affect the division’s profitability. In response to the rise in costs, the division will implement price increases.

The markets for Cleaning and Office Support Services and for Property Maintenance are expected to grow slowly. In response to the rise in costs, the divisions will implement price increases.

The demand for L&T Biowatti's wood-based fuels is expected to strengthen. A dynamic electricity generation subsidy for wood-based fuels was introduced at the beginning of July.

Full-year net sales will grow slightly from 2010 and operating profit excluding non-recurring items is expected to remain at the 2010 level.

## CONDENSED FINANCIAL STATEMENTS 1 JANUARY–30 JUNE 2011

### CONSOLIDATED INCOME STATEMENT

| EUR 1000 | **4-6/ 2011** | **4-6/ 2010** | **1-6/ 2011** | **1-6/ 2010** | **1-12/ 2010** |
|---|---|---|---|---|---|
| **Net sales** | **162 186** | 149 014 | **321 660** | 302 916 | 598 193 |
| Cost of sales | **-146 068** | -131 123 | **-292 726** | -271 068 | -531 066 |
| **Gross profit** | **16 118** | 17 891 | **28 934** | 31 848 | 67 127 |
| Other operating income | **890** | 703 | **1 570** | 1 021 | 2 708 |
| Selling and marketing costs | **-4 219** | -3 470 | **-8 015** | -6 939 | -13 779 |
| Administrative expenses | **-3 372** | -2 888 | **-6 338** | -5 943 | -10 519 |
| Other operating expenses | **-557** | -849 | **-827** | -1 964 | -2 686 |
| Impairment | | -2 632 | | -2 632 | -2 632 |
| **Operating profit** | **8 860** | 8 755 | **15 324** | 15 391 | 40 219 |
| Finance income | **341** | 310 | **640** | 648 | 1 053 |
| Finance costs | **-1 504** | -1 227 | **-2 867** | -2 618 | -5 282 |
| **Profit before tax** | **7 697** | 7 838 | **13 097** | 13 421 | 35 990 |
| Income tax expense | **-421** | -2 105 | **-1 825** | -3 557 | -9 786 |
| **Profit for the period** | **7 276** | 5 733 | **11 272** | 9 864 | 26 204 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the company | **7 276** | 5 726 | **11 270** | 9 853 | 26 188 |
| Non-controlling interest | | 7 | **2** | 11 | 16 |
| | | | | | |
| **Earnings per share for profit attributable to the equity holders of the company:** | | | | | |
| Basic earnings per share, EUR | **0.19** | 0.14 | **0.29** | 0.25 | 0.68 |
| Diluted earnings per share, EUR | **0.19** | 0.14 | **0.29** | 0.25 | 0.68 |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR 1000 | **4-6/ 2011** | **4-6/ 2010** | **1-6/ 2011** | **1-6/ 2010** | **1-12/ 2010** |
|---|---|---|---|---|---|
| **Profit for the period** | **7 276** | 5 733 | **11 272** | 9 864 | 26 204 |
| **Other comprehensive income, after tax** | | | | | |
| Hedging reserve, change in fair value | **-1 145** | -31 | **-224** | -226 | 223 |
| Current available-for-sale investments | | | | | |
| Gains in the period | **-2** | -56 | **-4** | -56 | -58 |
| Current available-for-sale investments | **-2** | -56 | **-4** | -56 | -58 |
| Currency translation differences | **11** | 345 | **43** | 1 152 | 792 |
| **Other comprehensive income, after tax** | **-1 136** | 258 | **-185** | 870 | 957 |
| **Total comprehensive income, after tax** | **6 140** | 5 991 | **11 087** | 10 734 | 27 161 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the company | **6 141** | 5 974 | **11 084** | 10 691 | 27 130 |
| Non-controlling interest | **-1** | 17 | **3** | 43 | 31 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR 1000 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | | |
| Goodwill | **123 293** | 112 768 | 113 467 |
| Customer contracts arising from acquisitions | **12 087** | 5 499 | 4 736 |
| Agreements on prohibition of competition | **12 077** | 10 766 | 10 023 |
| Other intangible assets arising from business acquisitions | **258** | 2 212 | 1 229 |
| Other intangible assets | **13 031** | 11 694 | 13 226 |
| | **160 746** | 142 939 | 142 681 |
| Property, plant and equipment | | | |
| Land | **4 634** | 4 356 | 4 671 |
| Buildings and constructions | **79 267** | 43 698 | 78 908 |
| Machinery and equipment | **115 980** | 105 882 | 111 733 |
| Other | **84** | 83 | 85 |
| Prepayments and construction in progress | **5 097** | 14 741 | 5 303 |
| | **205 062** | 168 760 | 200 700 |
| Other non-current assets | | | |
| Available-for-sale investments | **613** | 525 | 598 |
| Finance lease receivables | **3 433** | 3 992 | 3 547 |
| Deferred tax assets | **4 566** | 2 663 | 3 924 |
| Other receivables | **3 288** | 527 | 3 401 |
| | **11 900** | 7 707 | 11 470 |
| **Total non-current assets** | **377 708** | 319 406 | 354 851 |
| **Current assets** | | | |
| Inventories | **24 830** | 23 492 | 27 957 |
| Trade and other receivables | **96 740** | 81 623 | 85 662 |
| Derivative receivables | **772** | | 407 |
| Prepayments | **2 646** | 2 050 | 317 |
| Available-for-sale investments | **3 299** | 5 995 | 9 895 |
| Cash and cash equivalents | **7 185** | 8 446 | 4 653 |
| Assets held for sale | | 34 612 | |
| **Total current assets** | **135 472** | 156 218 | 128 891 |
| **TOTAL ASSETS** | **513 180** | 475 624 | 483 742 |

| EUR 1000 | **6/2011** | **6/2010** | **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 | **-2 274** | -2 246 | -2 141 |
| Unrestricted equity reserve | **-15** | | |
| Retained earnings | **133 548** | 128 545 | 128 597 |
| Profit for the period | **11 270** | 9 853 | 26 188 |
| | **212 601** | 206 224 | 222 716 |
| Non-controlling interest | **281** | 290 | 278 |
| **Total equity** | **212 882** | 206 514 | 222 994 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | **32 157** | 32 723 | 33 718 |
| Retirement benefit obligations | **677** | 610 | 615 |
| Provisions | **2 710** | 2 493 | 2 748 |
| Borrowings | **101 456** | 90 011 | 95 563 |
| Other liabilities | **1 017** | 1 948 | 364 |
| | **138 017** | 127 785 | 133 008 |
| **Current liabilities** | | | |
| Borrowings | **53 012** | 22 610 | 31 261 |
| Trade and other payables | **107 073** | 91 115 | 94 891 |
| Derivative liabilities | **1 696** | 1 204 | 1 173 |
| Tax liabilities | **24** | 22 | 15 |
| Provisions | **476** | 134 | 400 |
| Liabilities related to assets held for sale | | 26 240 | |
| | **162 281** | 141 325 | 127 740 |
| **Total liabilities** | **300 298** | 269 110 | 260 748 |
| **TOTAL EQUITY AND LIABILITIES** | **513 180** | 475 624 | 483 742 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR 1000 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | **11 272** | 9 864 | 26 204 |
| **Adjustments** | | | |
| Income tax expense | **1 825** | 3 557 | 9 786 |
| Depreciation, amortisation and impairment | **21 823** | 23 022 | 43 937 |
| Finance income and costs | **2 227** | 1 970 | 4 229 |
| Other | **-368** | 159 | 1 570 |
| Net cash generated from operating activities before change in working capital | **36 779** | 38 572 | 85 726 |
| Change in working capital | | | |
| Change in trade and other receivables | **-12 309** | -3 101 | -6 118 |
| Change in inventories | **3 127** | 5 735 | 4 874 |
| Change in trade and other payables | **12 380** | -508 | -918 |
| Change in working capital | **3 198** | 2 126 | -2 162 |
| Interest paid | **-3 026** | -1 667 | -5 409 |
| Interest received | **539** | 479 | 914 |
| Income tax paid | **-6 013** | -9 073 | -15 259 |
| **Net cash from operating activities** | **31 477** | 30 437 | 63 810 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries and businesses, net of cash acquired | **-23 574** | -723 | -1 655 |
| Proceeds from sale of subsidiaries and businesses, net of sold cash | | | 199 |
| Purchases of property, plant and equipment and intangible assets | **-20 331** | -13 405 | -36 003 |
| Proceeds from sale of property, plant and equipment and intangible assets | **1 724** | 688 | 3 655 |
| Purchases of available-for-sale investments | | -3 | -74 |
| Change in other non-current receivables | **98** | 202 | -2 673 |
| Dividends received | | | 1 |
| **Net cash used in investing activities** | **-42 083** | -13 241 | -36 550 |
| **Cash flows from financing activities** | | | |
| Change in short-term borrowings | **17 751** | 4 230 | 5 091 |
| Proceeds from long-term borrowings | **20 000** | | |
| Repayments of long-term borrowings | **-9 875** | -12 411 | -23 166 |
| Dividends paid | **-21 284** | -21 301 | -21 301 |
| Repurchase of own shares | | -1 125 | -1 125 |
| **Net cash generated from financing activities** | **6 592** | -30 607 | -40 501 |

| EUR 1000 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| **Net change in liquid assets** | **-4 014** | -13 411 | -13 241 |
| Liquid assets at beginning of period | **14 548** | 27 583 | 27 583 |
| Effect of changes in foreign exchange rates | **-50** | 272 | 206 |
| **Liquid assets at end of period** | **10 484** | 14 444 | 14 548 |

**Liquid assets**

| EUR 1000 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| Cash and cash equivalents | **7 185** | 8 449 | 4 653 |
| Money market investments | **3 299** | 5 995 | 9 895 |
| Total | **10 484** | 14 444 | 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 | | | | | 90 | 90 | | 90 |
| Repurchase of own shares | | | | | -37 | -37 | | -37 |
| Dividends paid | | | | | -21 290 | -21 290 | | -21 290 |
| Transfer from revaluation reserve | | | 52 | -15 | 37 | 37 | | 37 |
| Total comprehensive income | | | -185 | | 11 270 | 11 085 | 3 | 11 088 |
| **Equity at 30.6.2011** | **19 399** | **50 673** | **-2 274** | **-15** | **144 855** | **212 601** | **281** | **212 882** |
| **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 | | | | | 333 | 333 | | 333 |
| Repurchase of own shares | | | | | -489 | -489 | | -489 |
| Dividends paid | | | | | -21 313 | -21 313 | | -21 313 |
| Total comprehensive income | | | 838 | | 9 853 | 10 691 | 43 | 10 734 |
| **Equity at 30.6.2010** | **19 399** | **50 673** | **-2 246** | **0** | **138 398** | **206 224** | **290** | **206 514** |

## KEY FIGURES

| | 4-6/ 2011 | 4-6/ 2010 | 1-6/ 2011 | 1-6/ 2010 | 1-12/ 2010 |
|---|---|---|---|---|---|
| Earnings per share, EUR * | **0.19** | 0.14 | **0.29** | 0.25 | 0.68 |
| Earnings per share, diluted, EUR * | **0.19** | 0.14 | **0.29** | 0.25 | 0.68 |
| Cash flows from operating activities per share, EUR | **0.54** | 0.41 | **0.81** | 0.77 | 1.65 |
| EVA, EUR million | **1.9** | 1.2 | **1.7** | 0.1 | 10.1 |
| Capital expenditure, EUR 1000 | **32 235** | 10 621 | **45 103** | 16 081 | 39 321 |
| Depreciation, amortisation and impairment, EUR 1000 | **11 255** | 12 727 | **21 823** | 23 022 | 43 937 |
| | | | | | |
| Equity per share, EUR | | | **5.49** | 5.32 | 5.75 |
| Return on equity, ROE, % | | | **10.3** | 9.3 | 11.9 |
| Return on invested capital, ROI, % | | | **8.9** | 9.1 | 11.6 |
| Equity ratio, % | | | **42.0** | 43.8 | 46.5 |
| Gearing, % ** | | | **67.6** | 47.5 | 50.3 |
| Net interest-bearing liabilities, EUR 1000 ** | | | **143 984** | 98 180 | 112 277 |
| Average number of employees in full-time equivalents | | | **8 228** | 7 522 | 7 835 |
| Total number of full-time and part-time employees at end of period | | | **10 389** | 9 420 | 8 732 |
| | | | | | |
| Number of outstanding shares adjusted for issues, 1000 shares | | | | | |
| average during the period | | | **38 737** | 38 759 | 38 749 |
| at end of period | | | **38 736** | 38 738 | 38 738 |
| average during the period, diluted | | | **38 768** | 38 759 | 38 773 |

* On 22 March 2011, L&T Hankinta Ky received a favourable decision from the Administrative Court of Helsinki regarding its complaint on the tax deductibility of dissolution loss write-off. As a result, on 30 June 2011 the Group recognised EUR 1.6 million worth of deferred tax liabilities as income. Consequently, earnings per share improved by EUR 0.04 per share.

** In the comparison period 6/2010, L&T Recoil's assets are recorded as assets held for sale and related liabilities. The EUR 20.9 million interest-bearing liabilities associated with L&T Recoil are not included in the interest-bearing liabilities.

## 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 interim report:

<u>IFRS 3 (revised) Business Combinations</u>
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 | 4-6/2011 External | 4-6/2011 Inter-division | 4-6/2011 Total | 4-6/2010 External | 4-6/2010 Inter-division | 4-6/2010 Total | Total net sales, change % |
|---|---|---|---|---|---|---|---|
| Environmental Services | **82 644** | **891** | **83 535** | 74 579 | 1 045 | 75 624 | 10.5 |
| Cleaning and Office Support Services | **40 418** | **366** | **40 784** | 35 395 | 315 | 35 710 | 14.2 |
| Property Maintenance | **30 324** | **555** | **30 879** | 27 714 | 376 | 28 090 | 9.9 |
| Renewable Energy Sources | **8 800** | **800** | **9 600** | 11 326 | 771 | 12 097 | -20.6 |
| Eliminations | | **-2 612** | **-2 612** | | -2 507 | -2 507 | |
| L&T total | **162 186** | **0** | **162 186** | 149 014 | 0 | 149 014 | 8.8 |

| EUR 1000 | 1-6/2011 External | 1-6/2011 Inter-division | 1-6/2011 Total | 1-6/2010 External | 1-6/2010 Inter-division | 1-6/2010 Total | Total net sales, change % |
|---|---|---|---|---|---|---|---|
| Environmental Services | **154 164** | **1 800** | **155 964** | 138 099 | 2 134 | 140 233 | 11.2 |
| Cleaning and Office Support Services | **74 967** | **673** | **75 640** | 69 776 | 600 | 70 376 | 7.5 |
| Property Maintenance | **68 536** | **1 282** | **69 818** | 64 255 | 692 | 64 947 | 7.5 |
| Renewable Energy Sources | **23 993** | **1 618** | **25 611** | 30 786 | 1 437 | 32 223 | -20.5 |
| Eliminations | | **-5 373** | **-5 373** | | -4 863 | -4 863 | |
| L&T total | **321 660** | **0** | **321 660** | 302 916 | 0 | 302 916 | 6.2 |

| 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 | 4-6/ 2011 | % | 4-6/ 2010 | % | 1-6/ 2011 | % | 1-6/ 2010 | % | 1-12/ 2010 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Environmental Services | **9 182** | **11.0** | 10 124 | 13.4 | **13 357** | **8.6** | 14 540 | 10.4 | 33 674 | 11.6 |
| Cleaning and Office Support Services | **1 001** | **2.5** | 2 218 | 6.2 | **2 476** | **3.3** | 3 255 | 4.6 | 7 524 | 5.4 |
| Property Maintenance | **769** | **2.5** | 1 075 | 3.8 | **2 671** | **3.8** | 3 868 | 6.0 | 7 764 | 6.3 |
| Renewable Energy Sources | **-1 325** | **-13.8** | -3 900 | -32.2 | **-1 976** | **-7.7** | -4 760 | -14.8 | -6 553 | -11.9 |
| Group admin. and other | **-767** | | -762 | | **-1 204** | | -1 512 | | -2 190 | |
| L&T total | **8 860** | **5.5** | 8 755 | 5.9 | **15 324** | **4.8** | 15 391 | 5.1 | 40 219 | 6.7 |
| Finance costs, net | **-1 163** | | -917 | | **-2 227** | | -1 970 | | -4 229 | |
| Profit before tax | **7 697** | | 7 838 | | **13 097** | | 13 421 | | 35 990 | |

**Other segment information**

| EUR 1000 | **6/2011** | **6/2010** | **12/2010** |
|---|---|---|---|
| **Assets** | | | |
| Environmental Services | **350 779** | 328 831 | 330 963 |
| Cleaning and Office Support Services | **55 471** | 41 114 | 39 007 |
| Property Maintenance | **40 773** | 34 120 | 38 098 |
| Renewable Energy Sources | **41 447** | 46 898 | 49 113 |
| Group admin. and other | **2 065** | 648 | 1 902 |
| Unallocated assets | **22 645** | 24 013 | 24 659 |
| L&T total | **513 180** | 475 624 | 483 742 |
| | | | |
| **Liabilities** | | | |
| Environmental Services | **57 782** | 50 693 | 50 300 |
| Cleaning and Office Support Services | **30 191** | 26 818 | 25 654 |
| Property Maintenance | **16 808** | 13 860 | 15 784 |
| Renewable Energy Sources | **4 284** | 4 673 | 4 835 |
| Group admin. and other | **1 598** | 1 166 | 1 193 |
| Unallocated liabilities | **189 635** | 171 900 | 162 982 |
| L&T total | **300 298** | 269 110 | 260 748 |

| EUR 1000 | **4-6/2011** | **4-6/2010** | **1-6/2011** | **1-6/2010** | **1-12/2010** |
|---|---|---|---|---|---|
| **Capital expenditure** | | | | | |
| Environmental Services | **16 846** | 8 287 | **25 660** | 12 540 | 31 409 |
| Cleaning and Office Support Services | **12 138** | 434 | **13 360** | 900 | 2 112 |
| Property Maintenance | **3 033** | 1 740 | **5 664** | 2 249 | 5 074 |
| Renewable Energy Sources | **203** | 105 | **291** | 228 | 654 |
| Group admin. and other | **15** | 55 | **128** | 164 | 72 |
| L&T total | **32 235** | 10 621 | **45 103** | 16 081 | 39 321 |
| | | | | | |
| **Depreciation and amortisation** | | | | | |
| Environmental Services | **7 620** | 6 897 | **14 999** | 14 017 | 28 558 |
| Cleaning and Office Support Services | **1 280** | 1 019 | **2 233** | 2 040 | 4 023 |
| Property Maintenance | **1 188** | 1 001 | **2 257** | 1 984 | 4 017 |
| Renewable Energy Sources | **1 167** | 1 176 | **2 334** | 2 344 | 4 702 |
| Group admin. and other | | 2 | | 5 | 5 |
| L&T total | **11 255** | 10 095 | **21 823** | 20 390 | 41 305 |
| | | | | | |
| **Impairment** | | | | | |
| Renewable Energy Sources | | 2 632 | | 2 632 | 2 632 |
| L&T total | | 2 632 | | 2 632 | 2 632 |

## INCOME STATEMENT BY QUARTER

| EUR 1000 | **4-6/ 2011** | **1-3/ 2011** | **10-12/ 2010** | **7-9/ 2010** | **4-6/ 2010** | **1-3/ 2010** | **10-12/ 2009** | **7-9/ 2009** |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | | | | | | | | |
| Environmental Services | **83 535** | 72 429 | 73 992 | 75 806 | 75 624 | 64 609 | 71 178 | 72 055 |
| Cleaning and Office Support Services | **40 784** | 34 856 | 34 580 | 35 659 | 35 710 | 34 666 | 35 686 | 36 338 |
| Property Maintenance | **30 879** | 38 939 | 31 596 | 26 926 | 28 090 | 36 857 | 25 829 | 23 746 |
| Renewable Energy Sources | **9 600** | 16 011 | 15 266 | 7 617 | 12 097 | 20 126 | 17 702 | 10 669 |
| Inter-division net sales | **-2 612** | -2 761 | -3 927 | -2 238 | -2 507 | -2 356 | -2 354 | -2 069 |
| L&T total | **162 186** | 159 474 | 151 507 | 143 770 | 149 014 | 153 902 | 148 041 | 140 739 |
| **Operating profit** | | | | | | | | |
| Environmental Services | **9 182** | 4 175 | 8 204 | 10 930 | 10 124 | 4 416 | 6 793 | 11 816 |
| Cleaning and Office Support Services | **1 001** | 1 475 | 181 | 4 088 | 2 218 | 1 037 | 1 697 | 4 076 |
| Property Maintenance | **769** | 1 902 | 633 | 3 263 | 1 075 | 2 793 | 1 070 | 3 157 |
| Renewable Energy Sources | **-1 325** | -651 | -361 | -1 432 | -3 900 | -860 | -321 | -1 029 |
| Group admin. and other | **-767** | -437 | -104 | -574 | -762 | -750 | -735 | -1 111 |
| L&T total | **8 860** | 6 464 | 8 553 | 16 275 | 8 755 | 6 636 | 8 504 | 16 909 |
| **Operating margin** | | | | | | | | |
| Environmental Services | **11.0** | 5.8 | 11.1 | 14.4 | 13.4 | 6.8 | 9.5 | 16.4 |
| Cleaning and Office Support Services | **2.5** | 4.2 | 0.5 | 11.5 | 6.2 | 3.0 | 4.8 | 11.2 |
| Property Maintenance | **2.5** | 4.9 | 2.0 | 12.1 | 3.8 | 7.6 | 4.1 | 13.3 |
| Renewable Energy Sources | **-13.8** | -4.1 | -2.4 | -18.8 | -32.2 | -4.3 | -1.8 | -9.6 |
| L&T total | **5.5** | 4.1 | 5.6 | 11.3 | 5.9 | 4.3 | 5.7 | 12.0 |
| Finance costs, net | **-1 163** | -1 064 | -987 | -1 272 | -917 | -1 053 | -1 078 | -1 242 |
| **Profit before tax** | **7 697** | 5 400 | 7 566 | 15 003 | 7 838 | 5 583 | 7 426 | 15 667 |

## BUSINESS ACQUISITIONS

### Business combinations in aggregate

**Consideration**

| EUR 1000 | Fair values used in consolidation |
|---|---|
| Cash | 25 644 |
| Equity instruments | |
| Contingent consideration | 1 100 |
| **Total consideration transferred** | **26 744** |
| Indemnification asset | |
| Fair value of equity interest held before the acquisition | |
| **Total consideration** | **26 744** |
| **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 | 4 019 |
| Customer contracts | 8 707 |
| Agreements on prohibition of competition | 3 313 |
| Other intangible assets | 449 |
| Inventories | 397 |
| Trade and other receivables | 5 393 |
| Cash and cash equivalents | 3 169 |
| Total assets | 25 446 |
| | |
| Deferred tax liabilities | 738 |
| Trade and other payables | 7 889 |
| Total liabilities | 8 627 |
| | |
| **Total identifiable net assets** | **16 819** |
| | |
| Non-controlling interest | |
| Goodwill | 9 953 |
| **Total** | **26 773** |

Acquisitions by Environmental Services
- 4 January 2011, Pentti Laurila Ky, an environmental management business operating in the Keuruu and Multiala region in central Finland
- 1 February 2011, the Ypäjä-based Matti Hossi Ky, a waste management and interchangeable platform business
- 1 March 2011, the PPT Luttinen Oy waste management business
- 1 May 2011, Papros Oy, an environmental management company, and Full House Oy, a company specialising in the provision of environmental management services, both operating in the Helsinki region.

Acquisitions by Cleaning and Office Support Services
- 1 January 2011, Kestosiivous Oy, a cleaning company operating in the Helsinki region
- 1 April 2011, the cleaning and property maintenance businesses of Varkaus-based Savon Kiinteistöhuolto- ja Siivouspalvelu Oy, Varkauden Kiinteistönhoito ja Siivouspalvelu Oy and Jo-Pe Huolto Oy
- 1 May, Östgöta Städ Ab in Sweden, a cleaning service provider
- 1 June 2011, WTS-Palvelut Oy, a cleaning company operating in the Tampere region.

Acquisitions by Cleaning and Office Support Services and Property Maintenance
- 1 April 2011, the Hansalaiset Oy group, including its subsidiaries, providing cleaning and property maintenance services in the Helsinki, Turku, Tampere and Oulu regions.

Acquisitions by Property Maintenance

- 1 March 2011, 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 have changed by EUR 30 thousand 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 Hansalaiset Oy (EUR 10,973 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.

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 | **1-6/2011** | **1-6/2010** | **1-12/2010** |
|---|---|---|---|
| Carrying amount at beginning of period | **142 681** | 148 417 | 148 417 |
| Business acquisitions | **21 973** | 451 | 1 175 |
| Other capital expenditure | **1 593** | 1 468 | 2 944 |
| Disposals | **0** | -3 472 | -1 760 |
| Amortisation and impairment | **-5 382** | -4 519 | -9 134 |
| Transfers between items | | | -4 |
| Exchange differences | **-119** | 594 | 1 043 |
| Carrying amount at end of period | **160 746** | 142 939 | 142 681 |

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

| EUR 1000 | **1-6/2011** | **1-6/2010** | **1-12/2010** |
|---|---|---|---|
| Carrying amount at beginning of period | **200 700** | 201 651 | 201 651 |
| Business acquisitions | **4 468** | 272 | 500 |
| Other capital expenditure | **17 069** | 13 890 | 34 628 |
| Disposals | **-756** | -29 288 | -1 711 |
| Depreciation and impairment | **-16 441** | -18 503 | -34 803 |
| Transfers between items | | | 4 |
| Exchange differences | **22** | 738 | 431 |
| Carrying amount at end of period | **205 062** | 168 760 | 200 700 |

## CAPITAL COMMITMENTS

| EUR 1000 | **1-6/2011** | **1-6/2010** | **1-12/2010** |
|---|---|---|---|
| Intangible assets | **100** | 180 | |
| Property, plant and equipment | **9 244** | 7 267 | 5 106 |
| Total | **9 344** | 7 447 | 5 106 |
| The Group’s share of capital commitments of joint ventures | **550** | 420 | 0 |

## RELATED-PARTY TRANSACTIONS

(Joint ventures)

| EUR 1000 | **1-6/2011** | **1-6/2010** | **1-12/2010** |
|---|---|---|---|
| Sales | **862** | 1 144 | 2 332 |
| Other operating income | **38** | 37 | 74 |
| Interest income | **466** | 212 | 505 |
| Non-current receivables | | | |
| Capital loan receivable | **22 146** | 17 146 | 20 646 |
| Current receivables | | | |
| Trade receivables | **2 272** | 35 | 2 375 |
| Loan receivables | **1 452** | 750 | 1 034 |

## CONTINGENT LIABILITIES

**Securities for own commitments**

| EUR 1000 | **6/2011** | **6/2010** | **12/2010** |
|---|---|---|---|
| Mortgages on rights of tenancy | **42 179** | 42 179 | 42 179 |
| Company mortgages | **21 460** | 21 460 | 21 460 |
| Other securities | **195** | 222 | 222 |
| Bank guarantees required for environmental permits | **5 331** | 3 856 | 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 | **6/2011** | **6/2010** | **12/2010** |
|---|---|---|---|
| Maturity not later than one year | **8 284** | 7 811 | 8 087 |
| Maturity later than one year and not later than five years | **18 813** | 18 864 | 20 087 |
| Maturity later than five years | **4 375** | 5 304 | 4 509 |
| Total | **31 472** | 31 979 | 32 683 |

### Liabilities associated with derivative agreements

**Interest rate and foreign exchange swaps**

| EUR 1000 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| Nominal values of interest rate and foreign exchange swaps | | | |
| Maturity not later than one year | **18 204** | 4 629 | 11 010 |
| Maturity later than one year and not later than five years | **58 520** | 28 471 | 49 355 |
| Maturity later than five years | | | 267 |
| Total | **76 724** | 33 100 | 60 632 |
| Fair value | **-1 669** | -1 379 | -1 173 |

The interest rate and foreign exchange 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. On the balance sheet date, the value of foreign currency loans was EUR 1.1 million positive. The fair values of the interest rate swaps are based on the market data at the balance sheet date.

**Commodity derivatives**

| metric tons | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| Nominal values of diesel swaps | | | |
| Maturity not later than one year | **5 070** | | 7 596 |
| Maturity later than one year and not later than five years | **1 272** | | 2 544 |
| Total | **6 342** | | 10 140 |
| Fair value, EUR 1000 | **705** | | 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 | 6/2011 | 6/2010 | 12/2010 |
|---|---|---|---|
| Volume of forward contracts | | | |
| Maturity not later than one year | | | 196 |
| Fair value | | | 7 |

Hedge accounting under IAS 39 has not been applied to forward contracts. 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, 25 July 2011

LASSILA & TIKANOJA PLC
Board of Directors

Ville Rantala
President and CEO (acting)

For additional information please contact Ville Rantala, President and CEO (acting), tel. +358 50 385 1442 or Keijo Keränen, Head of Treasury & IR, 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 10,400 persons. Net sales in 2010 amounted to EUR 598 million. L&T is listed on NASDAQ OMX Helsinki.

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