

# Lassila & Tikanoja plc

**28 October 2008**

**Jari Sarjo, President and CEO**

# Highlights of Q308

- Net sales EUR 151.2m (EUR 138.6m) +9.1% (yoy)
  - Increase in net sales was fully organic.
  - Prices were revised.
- Operating profit EUR 17.6m (EUR 15.5m); operating profit excluding non-recurring and imputed items EUR 16.3m (EUR 16.9m)
  - Changes in fair values of oil derivatives improved the result by EUR 1.3m (EUR -0.5m)

# Highlights of Q308

**Environmental Services;**
**Operating profit EUR 9.7m (EUR 9.7m)**

- Good organic growth
- Slowdown in new construction lowered the intake volumes of Recycling services. In addition, sales prices of secondary raw materials decreased.
- Prices were revised.
- L&T Biowatti reached its target thanks to higher demand in biofuels.
- Operations abroad developed positively particularly in Latvia.

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# Highlights of Q308

**Property and Office Support Services;**
**operating profit EUR 4.8m (EUR 4.2m)**

- Good organic growth continued in both business lines.
- Profitability was boosted by improved performance in Property maintenance. Also losses from operations abroad declined.
- Prices were revised.
- Extensive action programme in Sweden continues.

**Industrial Services;**
**operating profit EUR 3.7m (EUR 2.1m)**

- All business lines increased their net sales.
- Rapid fluctuation in demand continued and adapting production to the changes remained difficult.
- Changes in fair values of oil derivatives improved the result by EUR 1.3m (EUR -0.5m).

# Current issues

- Soil washing services will be discontinued. Non-recurring expense of EUR 2.6m to be recognised in Q408.
- Wood pellet production was started in October.
- Main emphasis on improving profitability
- The equity ratio is expected to remain healthy and financing for the year 2009 has been secured.
- Strong net cash from operating activities
- Completion of L&T Recoil’s re-refinery postponed until spring

# Financial summary

| | Q308 | Q307 | Change % | Q1-Q4/ 2007 |
|---|---|---|---|---|
| Net sales, EUR million | 151.2 | 138.6 | 9.1 | 554.6 |
| Operating profit excluding non-recurring and imputed items, EUR million | 16.3 | 16.9 | -3.6 | 54.3 |
| Operating profit, EUR million | 17.6 | 15.5 | 13.6 | 48.8 |
| Operating margin, % | 11.6 | 11.2 | | 8.8 |
| Profit before taxes, EUR million | 16.2 | 14.2 | 14.5 | 44.5 |
| Earnings per share, EUR | 0.31 | 0.28 | 10.7 | 0.83 |
| EVA, EUR million | 9.7 | 8.8 | 10.2 | 23.0 |

# Net sales by division

| EUR million | Q1-Q308 | Q1-Q307 | Change % |
|---|---|---|---|
| Environmental Services | 225.9 | 205.1 | 10.1 |
| Property and Office Support Services | 169.0 | 149.3 | 13.2 |
| Industrial Services | 62.3 | 55.6 | 12.1 |
| Group administration and other | 0 | 9 | |
| Inter-division net sales | -4.3 | -3.6 | |
| L&T total | 452.9 | 406.4 | 11.4 |

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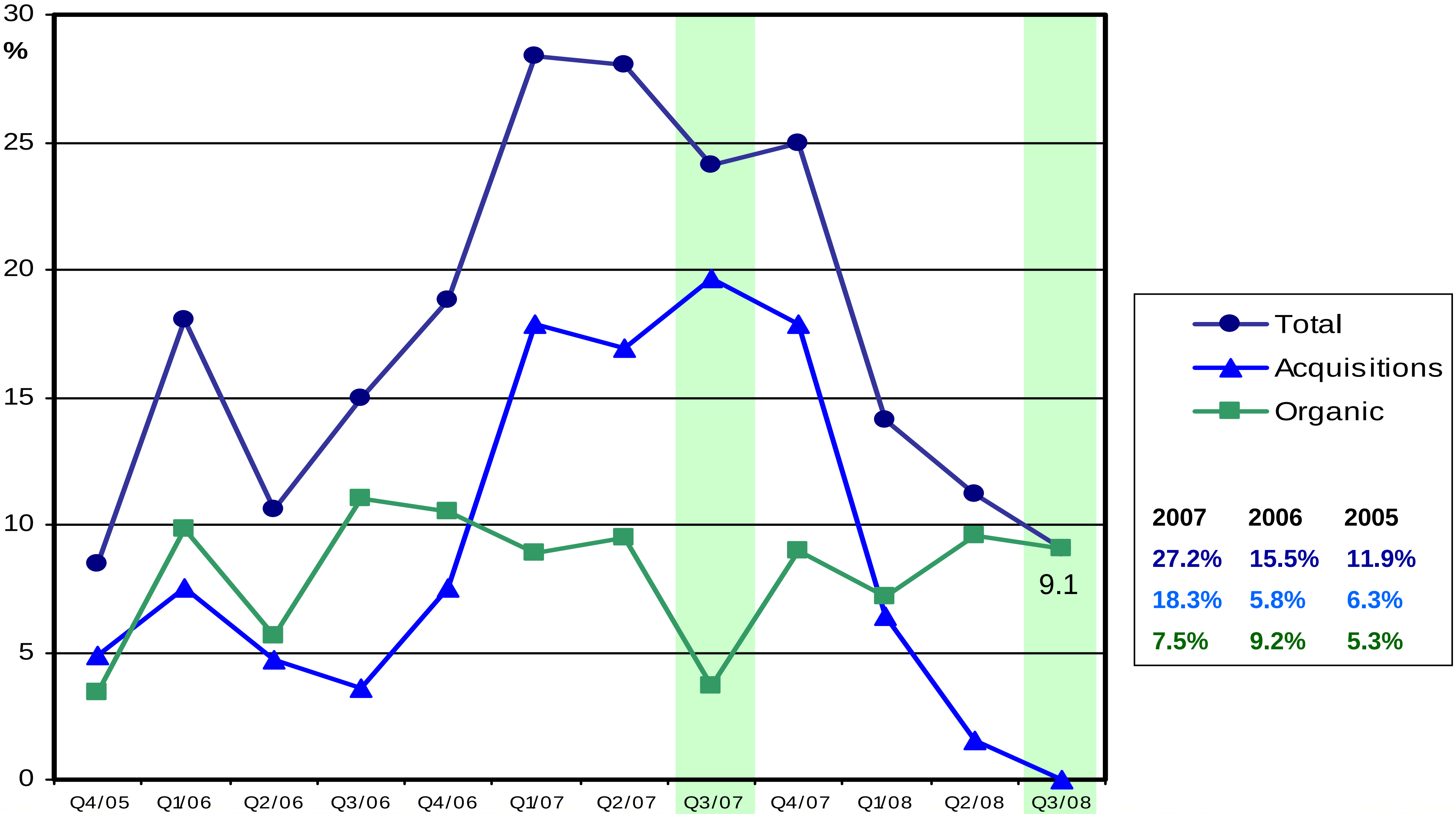
# Growth in net sales 2005 - 2008




| 2007 | 2006 | 2005 |
|---|---|---|
| 27.2% | 15.5% | 11.9% |
| 18.3% | 5.8% | 6.3% |
| 7.5% | 9.2% | 5.3% |

# Earnings by division

| EUR million | Q1-Q308 | Q1-Q307 | Change % |
|---|---|---|---|
| Environmental Services | 26.3 | 26.6 | -1.2 |
| Property and Office Support Services | 7.6 | 7.0 | 8.3 |
| Industrial Services | 4.0 | 4.6 | -13.0 |
| Group administration and other | 12.8 | -1.5 | |
| Total operating profit | 50.6 | 36.7 | 38.0 |
| Operating margin | 11.2 | 9.0 | |

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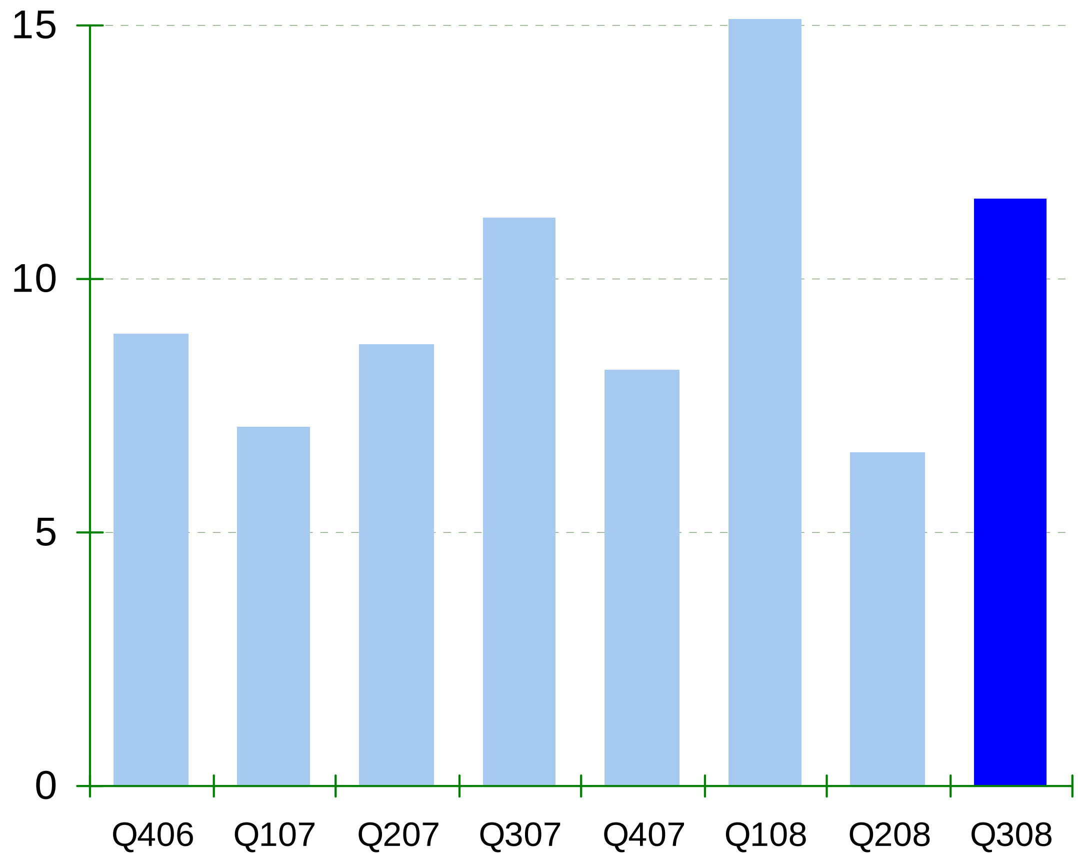
# Key figures

| | Q308 | Q307 | Q1-Q3 08 | Q1-Q3 07 | 2007 |
|---|---|---|---|---|---|
| Earnings per share, EUR | 0.31 | 0.28 | 0.99 | 0.63 | 0.83 |
| EVA, EUR million | 9.7 | 8.8 | 28.3 | 18.5 | 23.0 |
| Capital expenditure, EUR million | 20.8 | 12.9 | 52.2 | 77.6 | 93.2 |
| Depreciation and amortisation, EUR million | 9.4 | 8.7 | 28.1 | 24.5 | 33.4 |
| Return on equity, % (ROE) | | | 25.1 | 18.3 | 17.0 |
| Return on invested capital, % (ROI) | | | 21.0 | 18.1 | 17.6 |
| Equity ratio, % | | | 44.9 | 42.6 | 46.6 |
| Gearing, % | | | 57.3 | 61.7 | 42.7 |
| Total number of full-time and part-time employees at end of period | | | 9,625 | 9,226 | 9,387 |

# Operating margin by quarter

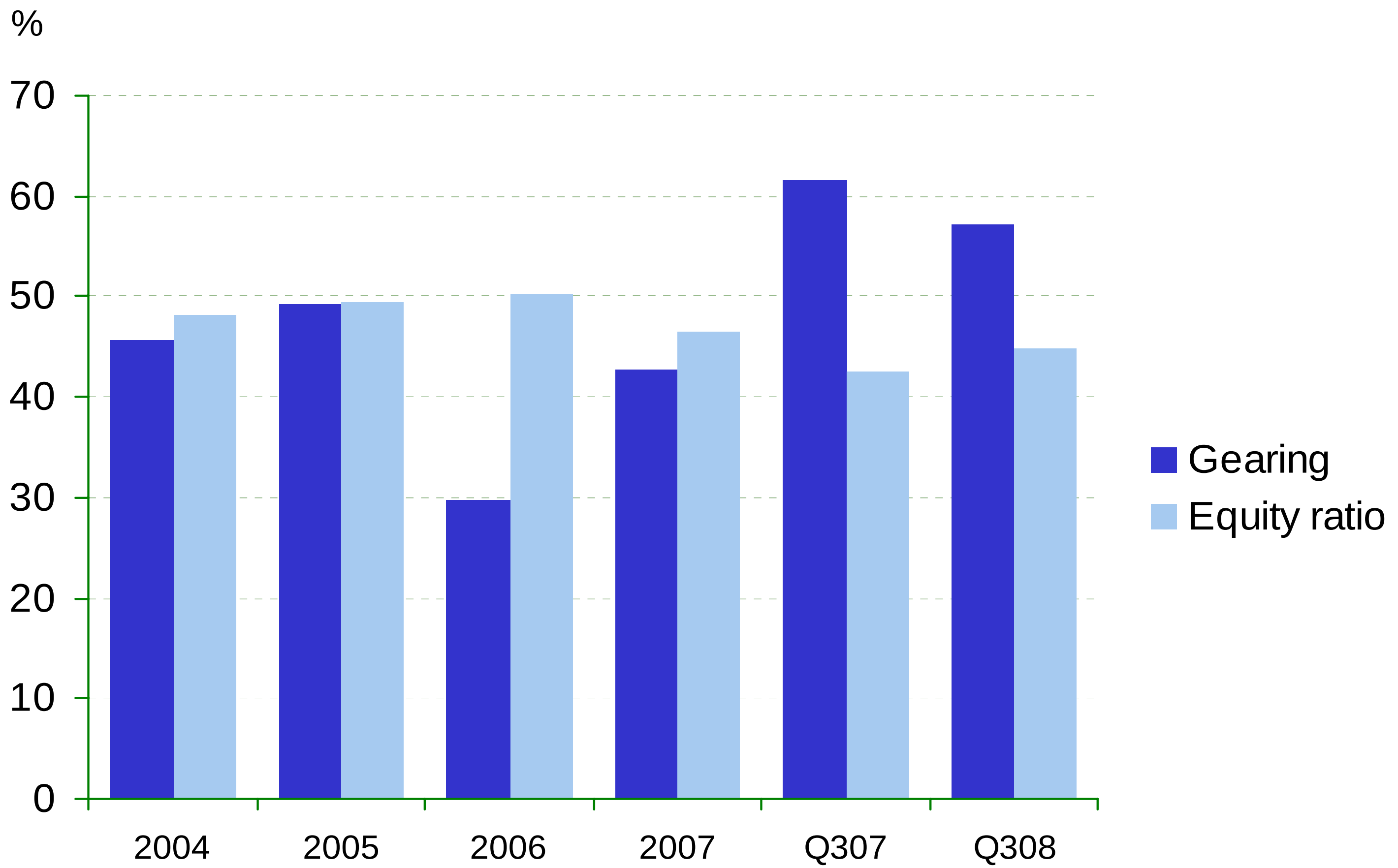


# Operating margin by division
# Quarterly figures

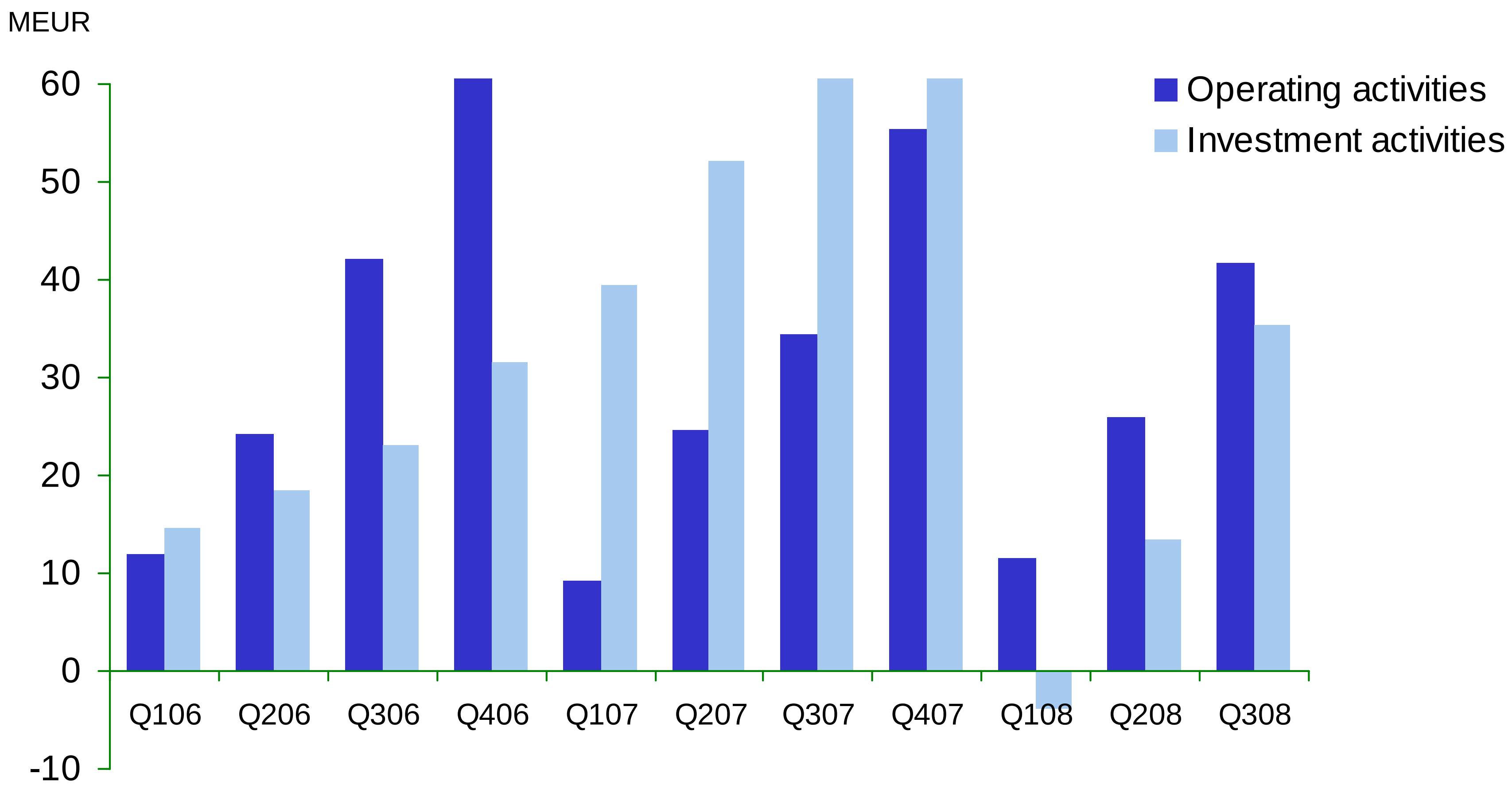
| | Q308 | Q208 | Q108 | Q1-Q4 07 | Q407 | Q307 | Q207 | Q107 | Q1-Q4 06 | Q406 |
|---|---|---|---|---|---|---|---|---|---|---|
| Environmental Services | 13.2 | 10.6 | 11.2 | 12.5 | 11.2 | 14.3 | 11.3 | 13.4 | 16.0 | 13.2 |
| Property and Office Support Services | 8.5 | 2.0 | 2.9 | 5.4 | 7.3 | 8.1 | 3.5 | 2.2 | 5.2 | 2.6 |
| Industrial Services | 16.2 | 5.3 | -5.1 | 6.3 | 0.9 | 10.7 | 13.3 | -0.9 | 14.0 | 16.6 |
| L&T total | 11.6 | 6.6 | 15.5 | 8.8 | 8.2 | 11.2 | 8.7 | 7.1 | 11.5 | 8.9 |

# Gearing and equity ratio



# Operating cash flow, cumulative



# Prospects for the rest of the year 2008 (1)

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

In Environmental Services, the slowdown in the construction and forest industries will affect transport and intake volumes. In other respects, the market outlook for Environmental Services is stable. The full-year operating profit excluding non-recurring and imputed items for Environmental Services is expected to be at a slightly lower level than a year ago.

The market outlook for Property and Office Support Services will remain stable. However, the competitive environment will remain challenging, and the financial uncertainties may reflect in the number of commissioned assignments. The division's international operations are expected to improve their performance but still remain in the red. The full-year operating profit excluding non-recurring and imputed items from Property and Office Support Services is expected to fall somewhat short of the previous year's level due to higher social costs.

This estimate was made in October 2008 and was included in the Q3 Interim Report.

# Prospects for the rest of the year 2008 (2)

Strong fluctuations in the demand for Industrial Services are likely to continue in the final quarter, and production adjustment measures will continue. After the end of the period, a decision has been made to discontinue the division's soil washing services which have been making a loss. As a result, a non-recurring expense amounting to approximately EUR 2.6 million will be recognised for the final quarter. The division's full-year operating profit excluding non-recurring and imputed items will fall short of last year's level.

Operations will focus on profitability improvement. Investments will be lower than in the previous year.

This estimate was made in October 2008 and was included in the Q3 Interim Report.