LASSILA & TIKANOJA

28 October 2008

LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2008

- **Net sales for the third quarter EUR 151.2 million (EUR 138.6 million); operating profit EUR 17.6 million (EUR 15.5 million); operating profit excluding non-recurring and imputed items EUR 16.3 million (EUR 16.9 million); earnings per share EUR 0.31 (EUR 0.28)**
- **Net sales for January–September EUR 452.9 million (EUR 406.4 million); operating profit EUR 50.6 million (EUR 36.7 million); operating profit excluding non-recurring and imputed items EUR 36.4 million (EUR 41.0 million); earnings per share EUR 0.99 (EUR 0.63)**
- **Full-year net sales are expected to increase by approximately 10%. Operating profit is expected to be somewhat lower than in the previous year. Due to the capital gain from Ekokem shares, earnings will exceed those for the previous year.**
- **The equity ratio is expected to remain healthy and the financing for 2009 has been secured.**

GROUP NET SALES AND FINANCIAL PERFORMANCE

Third quarter
Lassila & Tikanoja's net sales for the third quarter totalled EUR 151.2 million (EUR 138.6 million), showing an increase of 9.1%. The growth was entirely organic. The operating profit was EUR 17.6 million (EUR 15.5 million), representing 11.6% (11.2%) of net sales. The operating profit excluding non-recurring and imputed items was EUR 16.3 million (EUR 16.9 million). Earnings per share were EUR 0.31 (EUR 0.28).

Strong organic growth continued. However, the general increase in costs and the reduction in recycling volumes hampered financial performance in the third quarter. Measures to boost production efficiency continued in order to adapt to increased production costs, and prices were revised. Changes in the fair values of oil derivatives raised operating profit by EUR 1.3 million (EUR -0.5 million).

January–September
The nine-month net sales increased by 11.4% to EUR 452.9 million (EUR 406.4 million), with corporate acquisitions accounting for 2.0 percentage points of this growth. Operating profit amounted to EUR 50.6 million (EUR 36.7 million), representing 11.2% (9.0%) of net sales. The operating profit excluding non-recurring and imputed items was EUR 36.4 million (EUR 41.0 million). Earnings per share were EUR 0.99 (EUR 0.63).

Organic growth outperformed market growth, and new service products were introduced to the market. Operating profit fell due to a rise in the general cost level, particularly in the prices of transport fuels. Similarly, the reduction in recycling volumes and the decreased demand for recovered fuels and biofuels attributable to the mild winter burdened financial performance. Changes in the fair values of oil derivatives decreased operating profit by EUR 0.1 million (EUR 2.1 million).

A capital gain of EUR 14.3 million from the sale of Ekokem shares in January increased the operating profit.

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Financial summary

	7-9/ 2008	7-9/ 2007	Change %	1-9/ 2008	1-9/ 2007	Change %	1-12/ 2007
Net sales, EUR million	**151.2**	138.6	9.1	**452.9**	406.4	11.4	554.6
Operating profit excluding non-recurring and imputed items, EUR million*	**16.3**	16.9	-3.6	**36.4**	41.0	-11.2	54.3
Operating profit, EUR million	**17.6**	15.5	13.6	**50.6**	36.7	38.0	48.8
Operating margin, %	**11.6**	11.2		**11.2**	9.0		8.8
Profit before tax, EUR million	**16.2**	14.2	14.5	**47.2**	33.6	40.4	44.5
Earnings per share, EUR	**0.31**	0.28	10.7	**0.99**	0.63	57.1	0.83
EVA, EUR million	**9.7**	8.8	10.2	**28.3**	18.5	53.0	23.0

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

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

July–September
The net sales of Environmental Services (waste management, recycling services, L&T Biowatti, environmental products) rose by 8.6% to EUR 73.7 million (EUR 67.9 million). The operating profit was EUR 9.7 million (EUR 9.7 million), and the operating profit excluding non-recurring and imputed items was EUR 9.7 million (EUR 9.9 million).

Strong organic growth continued. Prices were revised and measures to boost production efficiency continued. The profitability of recycling services weakened due to smaller transport and processing volumes resulting from the slowdown in construction and to the decrease in the sales prices of recycled raw materials.

Construction of added capacity at the Kerava recycling plant proceeded in schedule, and the first stage (recycled timber unit) is expected to be on line early next year. Construction of the second stage (construction waste recycling plant) is about to begin, and the plant is expected to be completed in about a year.

L&T Biowatti reached its targets thanks to an increase in the demand for biofuels during the period. However, the rising costs affected its operations, and production limitations in the mechanical forest industry hampered the procurement of byproducts for raw material. The wood pellet plant in Luumäki with an annual capacity of about 20,000 tonnes was introduced at the beginning of October.

International operations within Environmental Services expanded, and performance developed favourably. Profitability development was particularly good in Latvia thanks to production efficiency measures and decreased costs.

Net sales for environmental products increased considerably and financial performance improved.

January–September
Environmental Services' net sales for January–September totalled EUR 225.9 million (EUR 205.1 million); an increase of 10.1%. The operating profit was EUR 26.3 million (EUR 26.6 million), and the operating profit excluding non-recurring and imputed items was EUR 26.3 million (EUR 27.8 million).

Due to the steep rise in the general cost level and transport fuel prices, prices were revised. Financial uncertainty and particularly the slowdown in construction lowered the amount of intake volumes at recycling plants. Measures to enhance production efficiency were launched to adjust to higher production costs.

Construction of substantial added capacity began at the Kerava recycling plant, which will double the plant's capacity to almost 400,000 tonnes by 2010. At the same time, the recovery rate will increase significantly. Due to the reduced capacity of the landfill at the Kerava plant for technical reasons, the costs of disposal of plant reject will increase. The industrial landfill site constructed in Kotka will be opened before the end of the year.

The demand for L&T Biowatti's biofuels fell clearly short of the expected level due to the exceptionally mild winter. The mild winter also hampered the collection of forest processed chips and raised subcontracting costs. L&T Biowatti will revise its organisation, expand its service offerings, and invest in its own collecting, processing and transport equipment. The production of wood pellets was launched at the beginning of the final quarter.

Business in Russia and Latvia developed as planned. Resources were increased to expand international operations.

All units of Lassila & Tikanoja plc's Environmental Services received certificates for quality, environmental management, occupational health and safety. The objective of certification is to improve service and reinforce shared operating procedures.

Net sales for environmental products increased and performance development was positive.

Property and Office Support Services

July–September
The net sales of Property and Office Support Services (property maintenance and cleaning services) grew by 8.4% to EUR 56.3 million (EUR 52.0 million). The operating profit was EUR 4.8 million (EUR 4.2 million), and the operating profit excluding non-recurring and imputed items was EUR 4.8 million (EUR 4.6 million).

The division's strong organic growth continued, particularly in property maintenance, and additional services sold well in both product lines. Prices were revised. Net sales from international operations increased in Russia and Latvia.

The division's performance improved as a result of profit improvement in property maintenance and smaller losses from international operations. Production efficiency improvement measures continued to respond to rising production costs, and the action programme to improve profitability in Sweden proceeded according to plans.

January–September
The January–September net sales of Property and Office Support Services increased by 13.2% to EUR 169.0 million (EUR 149.3 million). The operating profit was EUR 7.6 million (EUR 7.0 million), and the operating profit excluding non-recurring and imputed items was EUR 7.6 million (EUR 7.4 million).

Contract revenue increased, and the sales of additional services in both product lines were successful. Production costs rose and price competition remained intense. Operations were adapted to increased production costs, and prices were revised.

New service products were introduced to the market. New products in cleaning services included the L&T® EcoCleaning concept, which received the Nordic Ecolabel, also known as the Swan label, as the first product of the industry in Finland. The concept provides customers the opportunity to carry out concrete environment-friendly actions.

The holding in Blue Service Partners was sold to the joint venture partner in the beginning of February.

Loss from international operations declined, and operations in Russia and Latvia developed as planned. In Sweden an extensive action programme has been launched to improve profitability.

Industrial Services

July–September
The net sales of Industrial Services (hazardous waste management, industrial solutions, damage repair services and wastewater services) went up by 15.2% to EUR 22.9 million (EUR 19.9 million). The operating profit was EUR 3.7 million (EUR 2.1 million), and the operating profit excluding non-recurring and imputed items EUR 2.4 million (EUR 3.0 million).

Net sales increased in all product lines, and prices were revised. Fluctuation in demand continued, which was challenging from the production adjustment perspective. Demand for damage repair service was low in the third quarter.

There were several coinciding shutdowns in the industry, which resulted in increased subcontracting. Furthermore, costs associated with the storage of raw materials for the L&T Recoil re-refinery and the starting of operations burdened the financial performance. The completion of the facility will be delayed until next spring because of a design flaw in the piping. Changes in the fair value of oil derivatives raised operating profit by EUR 1.3 million (EUR -0.5 million).

New partner agreements were signed in the industrial solutions business.

Key priorities in operations included profitability improvement and production adjustment to the forthcoming slower winter season.

January–September
The January–September net sales of Industrial Services totalled EUR 62.3 million (EUR 55.6 million); an increase of 12.1%. The operating profit was EUR 4.0 million (EUR 4.6 million), and the operating profit excluding non-recurring and imputed items EUR 4.1 million (EUR 7.3 million).

Production could not be adapted quickly enough to the rapid fluctuations in the demand for Industrial Services. Earnings were also adversely affected by recycled fuel delivery difficulties early this year. Changes in the fair values of oil derivatives amounted to EUR -0.1 million (EUR -2.1 million).

New partner agreements were made in damage repair services, and the service network was expanded.

Prices were revised, and profitability improvement measures were initiated in all product lines.

FINANCING

At the end of the period, interest-bearing liabilities amounted to EUR 10.9 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 117.6 million, increased by EUR 6.5 million from the comparison period and by EUR 31.3 million from the beginning of the year. Net finance costs exceeded those for the comparison period by EUR 0.1 million in the third quarter and by EUR 0.4 million in January–September. Interest expenses increased by EUR 0.2 million in the third quarter and by EUR 0.6 million in January–September as a result of the growth in interest-bearing liabilities and a rise in the interest rate level.

An expense of EUR 0.1 million arising from changes in the fair values of interest rate swaps was recognised in the finance costs in the third quarter, equalling to the amount for the comparison period. In January–September, an expense of EUR 0.2 million arising from the change in the fair value of interest rate swaps was recognised this year as well as in the comparison period.

Net finance costs were 0.8% (0.8%) of net sales and 6.8% (8.4%) of operating profit. The equity ratio was 44.9% (42.6%) and the gearing rate 57.3 (61.7). Cash flows from operating activities in January–September amounted to EUR 41.8 million (EUR 34.4 million), and EUR 8.5 million (EUR 17.7 million) were tied up in the working capital.

The equity ratio is expected to remain healthy, and financing for 2009 has already been secured.

DIVIDEND

The Annual General Meeting held on 1 April 2008 resolved on a dividend of EUR 0.55 per share. The dividend, totalling EUR 21.3 million, was paid to the shareholders on 11 April 2008.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 52.2 million (EUR 77.6 million). Production plants were built and machinery and equipment were purchased and information systems were replaced.

In the second quarter the property maintenance services business of Rantakylän Talonhuolto Oy and in the first quarter the cleaning services business of Siivouspalvelu Siivoset Oy and the cleaning services business of Siivousliike Lainio Oy were acquired into Property and Office Support Services. The business of Obawater Oy was acquired into waste water services within Industrial Services. The combined annual net sales of the acquired businesses totalled EUR 0.7 million.

PERSONNEL

In January–September, the average number of employees converted into full-time equivalents was 8,177 (7,723). At the end of the period, the total number of full-time and part-time employees was 9,625 (9,226). Of them 7,326 (6,989) people worked in Finland and 2,299 (2,237) people in other countries.

SHARE AND SHARE CAPITAL

Traded volume and price
The volume of trading in Lassila & Tikanoja plc shares on NASDAQ OMX Helsinki from January through September was 15,370,189 which is 39.6% (39.0%) of the average number of shares. The value of trading was EUR 261.4 million. The trading price varied between EUR 12.88 and EUR 23.00. The closing price was EUR 13.80. The market capitalisation was EUR 535.4 million (EUR 876.9 million) at the end of the period.

Share capital
At the beginning of the year the company's registered share capital amounted to EUR 19,392,187. Since the beginning of the year, 14,500 shares have been subscribed for pursuant to 2005A share options. After these subscriptions the share capital is EUR 19,399,437, and the number of the shares 38,798,874 shares.

Share option scheme 2005
In 2005, 600,000 share options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. In the beginning of the exercise period, 25 key persons held 162,000 2005A options. 32 key persons hold 176,000 2005B options and 40 key persons hold 221,500 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 8,000 2005A options, 24,000 2005B options and 8,500 2005C options and these options will not be exercised.

The exercise price for the 2005A options is EUR 14.22, for 2005B options EUR 16.98 and for 2005C options EUR 26,87. The exercise period for 2005A options is 2 November 2007 to 29 May 2009, for 2005B options 3 November 2008 to 31 May 2010, and for 2005C options 2 November 2009 to 31 May 2011.

The outstanding options issued under the share option plan 2005 entitle their holders to subscribe for a maximum of 1.4% of the current number of shares. The 2005A options have been listed on NASDAQ OMX Helsinki since 2 November 2007.

Share option scheme 2008
The Annual General Meeting of the year 2008 resolved to issue 230,000 share option rights, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. 41 key persons hold 220,500 options and L&T Advance Oy 9,500 options.

The exercise price for the 2008 options is EUR 16.27. The exercise price of the share options shall, as per the dividend record date, be reduced by the amount of dividend which exceeds 70% of the profit per share for the financial period to which the dividend applies. However, only such dividends whose distribution has been agreed upon after the option pricing period and which have been distributed prior to the share subscription are deducted from the subscription price. The exercise price shall, however, always amount to at least EUR 0.01. The exercise period will be from 1 November 2010 to 31 May 2012.

As a result of the exercise of the outstanding 2008 share options, the number of shares may increase by a maximum of 220,500 new shares, which is 0.6% of the current number of shares.

Shareholders
At the end of the financial period, the company had 5,978 (5,050) shareholders. Nominee-registered holdings accounted for 10.7% (13.3%) of the total number of shares.

Notifications on major holdings
On 26 March 2008, Varma Mutual Pension Insurance Company announced that its holding of the shares and votes in Lassila & Tikanoja plc had fallen to 4.52%.

On 20 May 2008, Ilmarinen Mutual Pension Insurance Company announced that its holding of the shares and votes in Lassila & Tikanoja plc had exceeded the threshold of 10%.

Authorisation for the Board of Directors
The Board of Directors is not authorised to effect any share issues or to launch a convertible bond or a bond with warrants. Neither is the Board authorised to decide on the repurchase nor disposal of the company's own shares.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 1 April 2008, adopted the financial statements for the financial year 2007 and released the members of the Board of Directors and the President and CEO from liability. The AGM resolved that a dividend of EUR 0.55, a total of EUR 21.3 million, as proposed by the Board of Directors, be paid for the financial year 2007. The dividend payment date was 11 April 2008.

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: Eero Hautaniemi, Lasse Kurkilahti, Juhani Lassila and Juhani Maijala. Heikki Bergholm and Matti Kavetvuo were elected as new members for the same term.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors with Heikki Lassila, Authorised Public Accountant, acting as Principal Auditor.

The Annual General Meeting approved the Board's proposal to issue 230,000 share options to key personnel of the Lassila & Tikanoja Group and/or to a wholly-owned subsidiary of Lassila & Tikanoja plc.

At its organising meeting following the Annual General Meeting, the Board of Directors re-elected Juhani Maijala as Chairman of the Board and Juhani Lassila as Vice Chairman.

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

On 22 January 2008, Lassila & Tikanoja sold its holding in the shares of Ekokem Oy Ab to Ilmarinen Mutual Pension Insurance Company. Lassila & Tikanoja had obtained possession of the shares over a period of several years and they no longer had any connection to the business operations of the company and were, consequently, not essential for them. A tax-exempt capital gain arising from the sale was recognised in the financial statements for the first quarter of the year 2008. The positive effect of the sale on the profit for the period will be EUR 14.2 million.

In a release disclosed on 22 July 2008, the company announced that the full-year operating profit excluding non-recurring and imputed items is estimated to be somewhat lower than in the previous year. Previously the company estimated that the full-year financial performance will remain at the same level as in the previous year.

On 3 October 2008, the company announced that the waste oil re-refinery of joint venture L&T Recoil Oy will not be completed until next spring, while earlier it was expected to be completed towards the end of this year. Flaws had been detected in the piping design, which postpone the completion with a few months.

NEAR-TERM UNCERTAINTIES

Although the markets in which L&T primarily operates are not highly cyclical, slowdown in economy may reduce transport and recycling volumes and the number of commissioned assignments. The slowdown in the construction business has already translated into lower volumes of construction waste, and it is highly likely that further slowdown is in the horizon. Planning and implementing work is more difficult because of the rapid fluctuations in the demand for Industrial Services, particularly in forest industry.

A further postponement in the starting of L&T Recoil's operations and changes in the fair values of oil derivatives associated with the business may have a substantial effect on the operating profit of Industrial Services. If the next winter is mild, this will have a negative impact on L&T Biowatti's earnings development. Heavier forest industry production restrictions are very likely, which will hamper L&T Biowatti's supply of by-products for raw material. A planned amendment to Latvian waste legislation may have adverse effects on the competition situation for waste management in Riga.

PROSPECTS FOR THE REST OF THE YEAR

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.

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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.

BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING AND IMPUTED ITEMS

EUR million	**7-9/ 2008**	**7-9/ 2007**	**1-9/ 2008**	**1-9/ 2007**	**1-12/ 2007**
Operating profit	**17.6**	15.5	**50.6**	36.7	48.8
Non-recurring items					
Loss on sale of landfill operations of Salvor and integration of the remaining Salvor's operations		0.5		1.8	2.3
Reorganisation of Property and Office Support Services operations in Russia		0.4		0.4	0.4
Gain on sale of the shares of Ekokem			**-14.3**		
Oil derivatives	**-1.3**	0.5	**0.1**	2.1	2.8
Operating profit excluding non-recurring and imputed items	**16.3**	16.9	**36.4**	41.0	54.3

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CONDENSED FINANCIAL STATEMENTS 1 JANUARY–30 SEPTEMBER 2008

ACCOUNTING POLICIES

This interim financial report is in compliance with IAS 34, Interim Financial Reporting Standard. The same accounting policies as in the annual financial statements for the year 2007 have been applied. These interim financial statements have been prepared in accordance with the IFRS standards and interpretations as adopted by the EU. Forthcoming standards and interpretations are presented in the accounting policies in Annual Report 2007. Income tax expense is based on the estimated average annual income tax rate excluding the tax-exempt gain on sale of Ekokem shares.

The preparation of financial statements in accordance with IFRS require the management to make such estimates and assumptions that affect the carrying amounts at the balance sheet date for the assets and liabilities and the amounts of revenues and expenses. Judgements are also made in applying the accounting policies. Actual results may differ from the estimates and assumptions.

The interim financial statements have not been audited.

INCOME STATEMENT

EUR 1000	**7-9/2008**	**7-9/2007**	**1-9/2008**	**1-9/2007**	**1-12/2007**
Net sales	**151 243**	138 569	**452 938**	406 441	554 613
Cost of goods sold	**-129 016**	-116 792	**-396 756**	-348 719	-478 151
Gross profit	**22 227**	21 777	**56 182**	57 722	76 462
Other operating income	**2 016**	1 044	**17 888**	2 672	3 834
Selling and marketing costs	**-3 491**	-3 156	**-11 711**	-10 866	-14 616
Administrative expenses	**-2 941**	-2 797	**-9 232**	-8 686	-11 614
Other operating expenses	**-228**	-1 393	**-2 510**	-4 166	-5 291
Operating profit	**17 583**	15 475	**50 617**	36 676	48 775
Finance income	**373**	258	**1 189**	1 037	1 661
Finance costs	**-1 719**	-1 552	**-4 625**	-4 107	-5 978
Profit before tax	**16 237**	14 181	**47 181**	33 606	44 458
Income tax expense	**-4 303**	-3 499	**-8 745**	-9 074	-12 291
Profit for the period	**11 934**	10 682	**38 436**	24 532	32 167
Attributable to:					
Equity holders of the company	**11 929**	10 680	**38 432**	24 278	31 909
Minority interest	**5**	2	**4**	254	258
Earnings per share for profit attributable to the equity holders of the company:					
Earnings per share, EUR	**0.31**	0.28	**0.99**	0.63	0.83
Earnings per share, EUR - diluted	**0.31**	0.27	**0.99**	0.63	0.82

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BALANCE SHEET

EUR 1000	**9/2008**	**9/2007**	**12/2007**
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**119 498**	120 167	119 946
Intangible assets arising from business combinations	**26 081**	32 324	30 600
Other intangible assets	**12 270**	9 425	11 571
Total	**157 849**	161 916	162 117
Property, plant and equipment			
Land	**3 690**	3 519	3 532
Buildings and constructions	**38 218**	37 950	39 594
Machinery and equipment	**109 693**	98 168	103 832
Other	**114**	275	82
Advance payments and construction in progress	**26 582**	6 098	4 830
Total	**178 297**	146 010	151 870
Other non-current assets			
Investments in associates		3	
Available-for-sale investments	**502**	2 978	410
Finance lease receivables	**4 827**	3 605	3 823
Deferred income tax assets	**1 373**	596	924
Other receivables	**644**	252	236
Total	**7 346**	7 434	5 393
Total non-current assets	**343 492**	315 360	319 380
Current assets			
Inventories	**17 261**	14 197	14 350
Trade and other receivables	**84 827**	87 259	71 824
Derivative receivables	**1 069**	440	1 189
Advance payments	**2 994**	2 068	774
Available-for-sale investments	**5 988**	1 996	21 287
Cash and cash equivalents	**8 883**	8 495	9 521
Total current assets	**121 022**	114 455	118 945
TOTAL ASSETS	**464 514**	429 815	438 325

EUR 1000	**9/2008**	**9/2007**	**12/2007**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the company			
Share capital	**19 399**	19 376	19 392
Share premium reserve	**50 673**	50 115	50 474
Other reserves	**-757**	-3	14 055
Retained earnings	**97 556**	86 166	86 327
Profit for the period	**38 432**	24 278	31 909
Total	**205 303**	179 932	202 157
Minority interest	**189**	186	187
Total equity	**205 492**	180 118	202 344
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	**29 952**	29 504	29 842
Pension obligations	**632**	510	542
Provisions	**1 128**	928	953
Interest-bearing liabilities	**78 425**	65 276	81 411
Other liabilities	**870**	488	500
Total	**111 007**	96 706	113 248
Current liabilities			
Interest-bearing liabilities	**54 092**	56 335	35 757
Trade and other payables	**92 601**	95 022	85 183
Derivative liabilities	**1 078**	440	897
Tax liabilities	**244**	1 044	794
Provisions		150	102
Total	**148 015**	152 991	122 733
Total liabilities	**259 022**	249 697	235 981
TOTAL EQUITY AND LIABILITIES	**464 514**	429 815	438 325

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CASH FLOW STATEMENT

EUR 1000	9/2008	9/2007	12/2007
Cash flows from operating activities			
Profit for the period	**38 436**	24 532	32 167
Adjustments			
Income tax expense	**8 745**	9 074	12 291
Depreciation and amortisation and impairment	**28 067**	24 540	33 432
Finance income and costs	**3 436**	3 070	4 317
Oil derivatives	**81**	2 215	2 947
Gain on sale of shares	**-14 258**		
Other	**-906**	-583	-859
Net cash generated from operating activities before change in working capital	**63 601**	62 848	84 295
Change in working capital			
Change in trade and other receivables	**-14 113**	-17 965	-4 903
Change in inventories	**-2 925**	-6 135	-6 824
Change in trade and other payables	**8 525**	6 385	-1 450
Change in working capital	**-8 513**	-17 715	-13 177
Interest paid	**-3 554**	-2 424	-5 104
Interest received	**1 093**	747	1 460
Income tax paid	**-10 858**	-9 056	-12 041
Net cash from operating activities	**41 769**	34 400	55 433
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	**-420**	-39 716	-37 050
Proceeds from sale of subsidiaries and businesses, net of sold cash			1 878
Purchases of property, plant and equipment and intangible assets	**-53 285**	-32 157	-49 109
Proceeds from sale of property, plant and equipment and intangible assets	**1 734**	3 777	2 261
Purchases of available-for-sale investments	**-110**	-75	-147
Change in other non-current receivables	**-6**	26	1
Proceeds from sale of available-for-sale investments	**16 813**	942	1 098
Dividends received	**3**	1	4
Net cash used in investment activities	**-35 271**	-67 202	-81 064
Cash flows from financing activities			
Proceeds from share issue	**206**	2 561	2 936
Change in short-term borrowings	**7 365**	24 488	23 011
Proceeds from long-term borrowings	**20 000**	30 000	50 302
Repayments of long-term borrowings	**-11 864**	-17 092	-39 909
Dividends paid	**-21 315**	-21 361	-21 360
Net cash generated from financing activities	**-5 608**	18 596	14 980
Net change in liquid assets	**890**	-14 206	-10 651
Liquid assets at beginning of period	**14 008**	24 790	24 790
Effect of changes in foreign exchange rates	**-35**	-92	-131
Change in fair value of current available-for-sale investments	**8**	-1	
Liquid assets at end of period	**14 871**	10 491	14 008

Liquid assets

EUR 1000	9/2008	9/2007	12/2007
Cash	8 883	8 495	9 521
Certificates of deposit and commercial papers	5 988	1 996	4 487
Total	14 871	10 491	14 008

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STATEMENT OF CHANGES IN EQUITY

EUR 1000	Share capital	Share premium reserve	Revaluation and other reserves	Retained earnings	Equity attributable to equity holders of the company	Minority interest	Total equity
Equity at 1.1.2008	**19 392**	**50 474**	**14 055**	**118 236**	**202 157**	**187**	**202 344**
Hedging reserve, change in fair value			-46		-46		-46
Current available-for-sale investments, reversal of change in fair value due to sale			-14 233		-14 233		-14 233
Translation differences			-533		-533	-2	-535
Items recognised directly in equity			-14 812		-14 812	-2	-14 814
Profit for the period				38 432	38 432	4	38 436
Total recognised income and expenses			-14 812	38 432	23 620	2	23 622
Share option remuneration							
Subscriptions pursuant to 2005 options	7	199			206		206
Remuneration expense of share options				643	643		643
Dividends paid				-21 323	-21 323		-21 323
Equity at 30.9.2008	**19 399**	**50 673**	**-757**	**135 988**	**205 303**	**189**	**205 492**
Equity at 1.1.2007	**19 264**	**47 666**	**326**	**106 904**	**174 160**	**2 709**	**176 869**
Hedging reserve, change in fair value			92		92		92
Current available-for-sale investments, change in fair value			-9		-9		-9
Translation differences			-412		-412	1	-411
Items recognised directly in equity			-329		-329	1	-328
Profit for the period				24 278	24 278	255	24 533
Total recognised income and expenses			-329	24 278	23 949	256	24 205
Share option remuneration							
Subscriptions pursuant to 2002 options	112	2 449			2 561		2 561
Remuneration expense of share options				452	452		452
Dividends paid				-21 190	-21 190	-180	-21 370
Purchase of a minority						-2 599	-2 599
Equity at 30.9.2007	**19 376**	**50 115**	**-3**	**110 444**	**179 932**	**186**	**180 118**

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KEY FIGURES

	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Earnings per share, EUR	**0.31**	0.28	**0.99**	0.63	0.83
Earnings per share, EUR - diluted	**0.31**	0.27	**0.99**	0.63	0.82
Cash flows from operating activities per share, EUR	**0.41**	0.25	**1.08**	0.89	1.43
EVA, EUR million	**9.7**	8.8	**28.3**	18.5	23.0
Capital expenditure, EUR 1000	**20 817**	12 937	**52 238**	77 638	93 187
Depreciation and amortisation, EUR 1000	**9 448**	8 719	**28 067**	24 540	33 432
Equity per share, EUR			**5.29**	4.64	5.21
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
Net interest-bearing liabilities, EUR 1000			**117 646**	111 121	86 360
Average number of employees in full-time equivalents			**8 177**	7 723	7 819
Total number of full-time and part-time employees at end of period			**9 625**	9 226	9 387
Adjusted number of shares, 1000 shares					
average during the period			**38 795**	38 637	38 670
at end of period			**38 799**	38 752	38 784
average during the period, diluted			**38 825**	38 837	38 843

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SEGMENT REPORTING

NET SALES

EUR 1000	7-9/ 2008	7-9/ 2007	Change %	1-9/ 2008	1-9/ 2007	Change %	1-12/ 2007
Environmental Services	**73 740**	67 915	8.6	**225 859**	205 057	10.1	279 845
Property and Office Support Services	**56 309**	51 963	8.4	**168 997**	149 343	13.2	204 141
Industrial Services	**22 906**	19 890	15.2	**62 333**	55 612	12.1	75 479
Group admin. and other		3			9		10
Inter-division net sales	**-1 712**	-1 202		**-4 251**	-3 580		-4 862
L&T total	**151 243**	138 569	9.1	**452 938**	406 441	11.4	554 613

OPERATING PROFIT

EUR 1000	7-9/ 2008	%	7-9/ 2007	%	1-9/ 2008	%	1-9/ 2007	%	1-12/ 2007	%
Environmental Services	**9 723**	**13.2**	9 730	14.3	**26 298**	**11.6**	26 605	13.0	34 977	12.5
Property and Office Support Services	**4 806**	**8.5**	4 213	8.1	**7 571**	**4.5**	6 990	4.7	11 005	5.4
Industrial Services	**3 707**	**16.2**	2 133	10.7	**3 991**	**6.4**	4 589	8.3	4 769	6.3
Group admin. and other	**-653**		-601		**12 757**		-1 508		-1 976	
L&T total	**17 583**	**11.6**	15 475	11.2	**50 617**	**11.2**	36 676	9.0	48 775	8.8

OTHER SEGMENT REPORTING

EUR 1000	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Assets					
Environmental Services			**272 673**	264 576	250 980
Property and Office Support Services			**74 500**	74 674	75 508
Industrial Services			**97 478**	74 573	78 311
Group admin. and other			**443**	2 875	2 814
Non-allocated assets			**19 420**	13 117	30 712
L&T total			**464 514**	429 815	438 325
Liabilities					
Environmental Services			**42 747**	51 660	36 935
Property and Office Support Services			**30 647**	29 918	32 447
Industrial Services			**20 337**	13 427	17 046
Group admin. and other			**651**	765	667
Non-allocated liabilities			**164 640**	153 927	148 886
L&T total			**259 022**	249 697	235 981
Capital expenditure					
Environmental Services	**11 003**	8 283	**25 317**	52 136	60 704
Property and Office Support Services	**1 336**	-394	**6 109**	16 941	20 040
Industrial Services	**8 399**	4 918	**20 733**	8 388	12 267
Group admin. and other	**79**	130	**79**	173	176
L&T total	**20 817**	12 937	**52 238**	77 638	93 187
Depreciation and amortisation					
Environmental Services	**5 739**	5 199	**17 068**	14 936	20 330
Property and Office Support Services	**2 139**	2 200	**6 382**	5 718	7 782
Industrial Services	**1 570**	1 318	**4 615**	3 883	5 315
Group admin. and other		2	**2**	3	5
L&T total	**9 448**	8 719	**28 067**	24 540	33 432

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INCOME STATEMENT BY QUARTER

EUR 1000	**7-9/ 2008**	**4-6/ 2008**	**1-3/ 2008**	**10-12/ 2007**	**7-9/ 2007**	**4-6/ 2007**	**1-3/ 2007**	**10-12/ 2006**
Net sales								
Environmental Services	**73 740**	76 639	75 480	74 788	67 915	71 744	65 398	53 765
Property and Office Support Services	**56 309**	57 114	55 574	54 798	51 963	48 660	48 720	44 584
Industrial Services	**22 906**	22 052	17 375	19 867	19 890	19 572	16 150	18 252
Group admin. and other				1	3	3	3	3
Inter-division net sales	**-1 712**	-1 441	-1 098	-1 282	-1 202	-1 220	-1 158	-1 242
L&T total	**151 243**	154 364	147 331	148 172	138 569	138 759	129 113	115 362
Operating profit								
Environmental Services	**9 723**	8 151	8 423	8 372	9 730	8 104	8 771	7 104
Property and Office Support Services	**4 806**	1 156	1 609	4 015	4 213	1 690	1 087	1 154
Industrial Services	**3 707**	1 162	-878	180	2 133	2 595	-139	3 025
Group admin. and other	**-653**	-271	13 681	-468	-601	-349	-558	-971
L&T total	**17 583**	10 198	22 835	12 099	15 475	12 040	9 161	10 312
Operating margin								
Environmental Services	**13.2**	10.6	11.2	11.2	14.3	11.3	13.4	13.2
Property and Office Support Services	**8.5**	2.0	2.9	7.3	8.1	3.5	2.2	2.6
Industrial Services	**16.2**	5.3	-5.1	0.9	10.7	13.3	-0.9	16.6
L&T total	**11.6**	6.6	15.5	8.2	11.2	8.7	7.1	8.9
Finance costs. net	**-1 346**	-990	-1 100	-1 247	-1 294	-924	-852	-366
Share of profits of associates								18
Profit before tax	**16 237**	9 208	21 735	10 852	14 181	11 116	8 309	9 964

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

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BUSINESS ACQUISITIONS

Business combinations in aggregate

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	116	116
Customer contracts	158	
Agreements on prohibition of competition	81	
Trade and other receivables	10	10
Total assets	366	126
Net assets	366	126
Goodwill arising from acquisitions	55	
Acquisition cost	420	
Acquisition cost	420	
Cash flow effect of acquisitions	420	

The cleaning services business of Siivouspalvelu Siivoset Oy was acquired into Property and Office Support Services on 1 January 2008, the cleaning services business of Siivousliike Lainio Oy on 1 March 2008 and the property maintenance services business of Rantakylän Talonhuolto Oy on 1 April 2008. The business of Obawater Oy was acquired into waste water services within Industrial Services on 15 February 2008.

The aggregate net sales of the acquired companies totalled EUR 680 thousand. The aggregate acquisition cost was EUR 420 thousand, of which EUR 55 thousand was recognised in goodwill. All itemisations in accordance with IFRS 3 are not presented because the figures are immaterial.

On 1 October 2008, Jätehuolto Savolainen Oy group was acquired, a company specialising in waste management and recycling services, with annual net sales of EUR 2.5 million. The company also provides waste water, hazardous waste management and industrial cleaning services. Oulun TOP-Huolto Oy, a company specialising in property management, was acquired in October through a purchase entering into force on 1 November 2008. The company's annual net sales for 2007 amounted to EUR 2.5 million.

The accounting policy concerning business combinations is presented in Annual Report 2007 under Note 2 of the consolidated financial statements and under Summary on significant accounting policies.

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CHANGES IN INTANGIBLE ASSETS

EUR 1000	1-9/2008	1-9/2007	1-12/2007
Carrying amount at beginning of period	**162 117**	124 407	124 407
Business acquisitions	**294**	42 115	41 885
Other capital expenditure	**2 937**	3 243	5 403
Disposals	**-122**	-2 100	-1 546
Amortisation and impairment	**-6 790**	-5 649	-7 921
Transfers between items		121	228
Exchange differences	**-587**	-221	-339
Carrying amount at end of period	**157 849**	161 916	162 117

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1000	1-9/2008	1-9/2007	1-12/2007
Carrying amount at beginning of period	**151 870**	134 038	134 038
Business acquisitions	**116**	5 510	5 574
Other capital expenditure	**48 782**	27 384	40 147
Disposals	**-1 009**	-1 814	-2 096
Depreciation and impairment	**-21 277**	-18 894	-25 511
Transfers between items		-121	-228
Exchange differences	**-185**	-93	-54
Carrying amount at end of period	**178 297**	146 010	151 870

CAPITAL COMMITMENTS

EUR 1000	1-9/2008	1-9/2007	1-12/2007
Intangible assets	**1 122**	165	70
Property, plant and equipment	**16 739**	9 762	8 646
Total	**17 861**	9 927	8 716
The Group’s share of capital commitments of joint ventures	**4 093**	4 396	5 090

RELATED-PARTY TRANSACTIONS
(Joint ventures)

EUR 1000	1-9/2008	1-9/2007	1-12/2007
Sales	**766**	1 520	1 851
Purchases		245	247
Non-current receivables			
Capital loan receivable	**7 646**	1 296	2 646
Current receivables			
Trade receivables	**79**	934	110
Current payables			
Trade payables			

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CONTINGENT LIABILITIES

EUR 1000	**9/2008**	**9/2007**	**12/2007**
Securities for own commitments			
Real estate mortgages	**19 192**	10 514	10 114
Corporate mortgages	**19 000**	15 000	15 000
Other securities	**191**	153	182
Bank guarantees required for environmental permits	**4 163**	3 888	4 309

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

Operating lease liabilities

EUR 1000	**9/2008**	**9/2007**	**12/2007**
Maturity not later than one year	**6 917**	6 521	7 424
Maturity later than one year and not later than five years	**15 316**	13 976	15 611
Maturity later than five years	**7 188**	3 703	3 905
Total	**29 421**	24 200	26 940

Derivative financial instruments

Interest rate swaps

EUR 1000	**9/2008**	**9/2007**	**12/2007**
Nominal values of interest rate swaps*			
Maturity not later than one year	**15 000**	15 500	7 500
Maturity later than one year and not later than five years		15 000	15 000
Total	**15 000**	30 500	22 500
Fair value	**220**	563	394
Nominal values of interest rate swaps**			
Maturity not later than one year	**4 629**	1 429	3 029
Maturity later than one year and not later than five years	**18 514**	5 714	18 514
Maturity later than five years	**9 000**	6 428	12 028
Total	**32 143**	13 571	33 571
Fair value	**641**	644	703

* Hedge accounting under IAS 39 has not been applied to these interest rate swaps. Changes in fair values have been recognised in finance income and costs.
** The interest rate swaps are used to hedge cash flow related to a floating rate loan, and hedge accounting under IAS 39 has been applied to it. The hedges have been effective, and the total change in the fair values has been recognised in the hedging fund under equity.

Currency derivatives

EUR 1000	**9/2008**	**9/2007**	**12/2007**
Nominal values of forward contracts*			
Maturity not later than one year	**2 160**	2 019	2 184
Fair value	**24**	21	7

* Hedge accounting under IAS 39 has not been applied to the currency derivatives. Changes in fair values have been recognised in finance income and costs.

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Oil derivatives

1000 bbl	**9/2008**	**9/2007**	**12/2007**
Volume of crude oil put options			
Maturity not later than one year	**226**	125	182
Maturity later than one year and not later than five years	**57**	283	226
Total	**283**	408	408
Fair value, EUR 1000	**184**	424	83
Volume of sold crude oil futures			
Maturity not later than one year	**42**	42	42
Fair value, EUR 1000	**-1 078**	-506	-897

Hedge accounting under IAS 39 has not been applied to oil derivatives. Changes in fair values have been recognised in other operating expenses.

The fair values of the oil options have been determined on the basis of a generally used valuation model. The fair values of other derivative contracts are based on market prices at the balance sheet date.

CALCULATION OF KEY FIGURES

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

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

EVA:
operating profit - cost calculated on invested capital (average of four quarters) before taxes
WACC 2007: 8.75%
WACC 2008: 9.3%

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

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

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

Equity ratio, %:
shareholders' equity / (balance sheet total - advances received) x 100

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

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

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Helsinki 27 October 2008

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, Russia and Norway, L&T employs 9,500 persons. Net sales in 2007 amounted to EUR 555 million. L&T is listed on NASDAQ OMX Helsinki.

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