



**Lassila & Tikanoja plc**

**28 July 2009**

**Jari Sarjo, President and CEO**

## Highlights of Q209 and prospects for the rest of the year

## Highlights of Q209

- Net sales EUR 147.1m (EUR 154.4m) -4.7% (yoy)
- Operating profit EUR 14.9m (EUR 10.2m); operating profit excluding non-recurring and imputed items EUR 14.8m (EUR 11.3m)
  - Effective production efficiency improvement measures boosted profitability.
  - Weak demand of biofuels and shrinking volumes of recyclable waste materials decreased the net sales.

## Highlights of Q209

### **Environmental Services; operating profit EUR 8.9m (EUR 8.2m)**

- Net sales decreased due to shrinking volumes of recyclable waste and lower demand for secondary raw materials.
- Effective measures to enhance production efficiency boosted the performance.
- L&T Biowatti fell short of its targets due to lower than expected demand of biofuels. The wood pellet factory in Luumäki was closed.
- Profitability of Latvian operations remained good thanks to measures to improve efficiency.

## Highlights of Q209

### **Property and Office Support Services; operating profit EUR 4.3m (EUR 1.2m)**

- Net sales increased in domestic operations.
- Profitability was boosted remarkably by success in cost cuts and production efficiency improvement measures.
- Net sales of international operations declined mainly due to weakening of SEK and RUB. Profitability improved but was still slightly negative.

## Highlights of Q209

### **Industrial Services; operating profit EUR 1.7m (EUR 1.1m)**

- Net sales decreased due to lower operating rates of industrial sector.
- Ramp-up and storage costs of L&T Recoil's re-refinery burdened the profitability. However, performance of other business lines remained at the previous year's level thanks to production efficiency improvement measures.
- Decrease in hazardous waste volumes continued.

## Current issues

- New wood shredding unit in Kerava was completed.
- Ramp-up of L&T Recoil's re-refinery is in progress.
- L&T's business operations were regrouped into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Resources (L&T Biowatti).
- External reporting will be changed at the beginning of 2010.

## Financial summary

	Q209	Q208	Change %	Q1-Q4/ 2008
<b>Net sales, EUR million</b>	<b>147.1</b>	<b>154.4</b>	<b>-4.7</b>	<b>606.0</b>
<b>Operating profit excluding non-recurring and imputed items, EUR million</b>	<b>14.8</b>	<b>11.3</b>	<b>31.0</b>	<b>45.0</b>
<b>Operating profit, EUR million</b>	<b>14.9</b>	<b>10.2</b>	<b>45.8</b>	<b>55.5</b>
<b>Operating margin, %</b>	<b>10.1</b>	<b>6.6</b>		<b>9.2</b>
<b>Profit before tax, EUR million</b>	<b>13.6</b>	<b>9.2</b>	<b>48.1</b>	<b>50.7</b>
<b>Earnings per share, EUR</b>	<b>0.26</b>	<b>0.17</b>	<b>52.9</b>	<b>1.03</b>
<b>EVA, EUR million</b>	<b>6.4</b>	<b>2.8</b>		<b>25.0</b>



## Net sales by division

EUR million	Q209	Q208	Change %
Environmental Services	71.0	76.6	-7.3
Property and Office Support Services	60.5	61.0	-0.7
Industrial Services	17.6	18.2	-3.4
Inter-division net sales	-2.0	-1.4	
<b>L&amp;T total</b>	<b>147.1</b>	<b>154.4</b>	<b>-4.7</b>

As of 2009, damage repair services was transferred from Industrial Services into Property and Office Support Services. Comparative figures have been restated accordingly.

## Earnings by division

EUR million	Q209	Q208	Change %
Environmental Services	8.9	8.2	9.6
Property and Office Support Services	4.3	1.2	
Industrial Services	1.7	1.1	52.0
Group administration and other	-0.1	-0.3	
Total operating profit	14.9	10.2	45.8
Operating margin, %	10.1	6.6	

## Key figures

	Q209	Q208	H109	H108	2008
Earnings per share, EUR	0.26	0.17	0.42	0.68	1.03
EVA, EUR million	6.4	2.8	8.4	18.6	25.0
Capital expenditure, EUR million	12.2	17.3	24.5	31.4	84.2
Depreciation, amortisation and impairment, EUR million	9.9	9.4	19.8	18.6	41.0
Return on equity, % (ROE)			15.9	26.8	19.6
Return on invested capital, % (ROI)			14.6	21.4	17.1
Equity ratio, %			41.6	44.5	43.2
Gearing, %			64.9	57.7	58.8
Total number of full-time and part-time employees at end of period			9,524	10,087	9,490

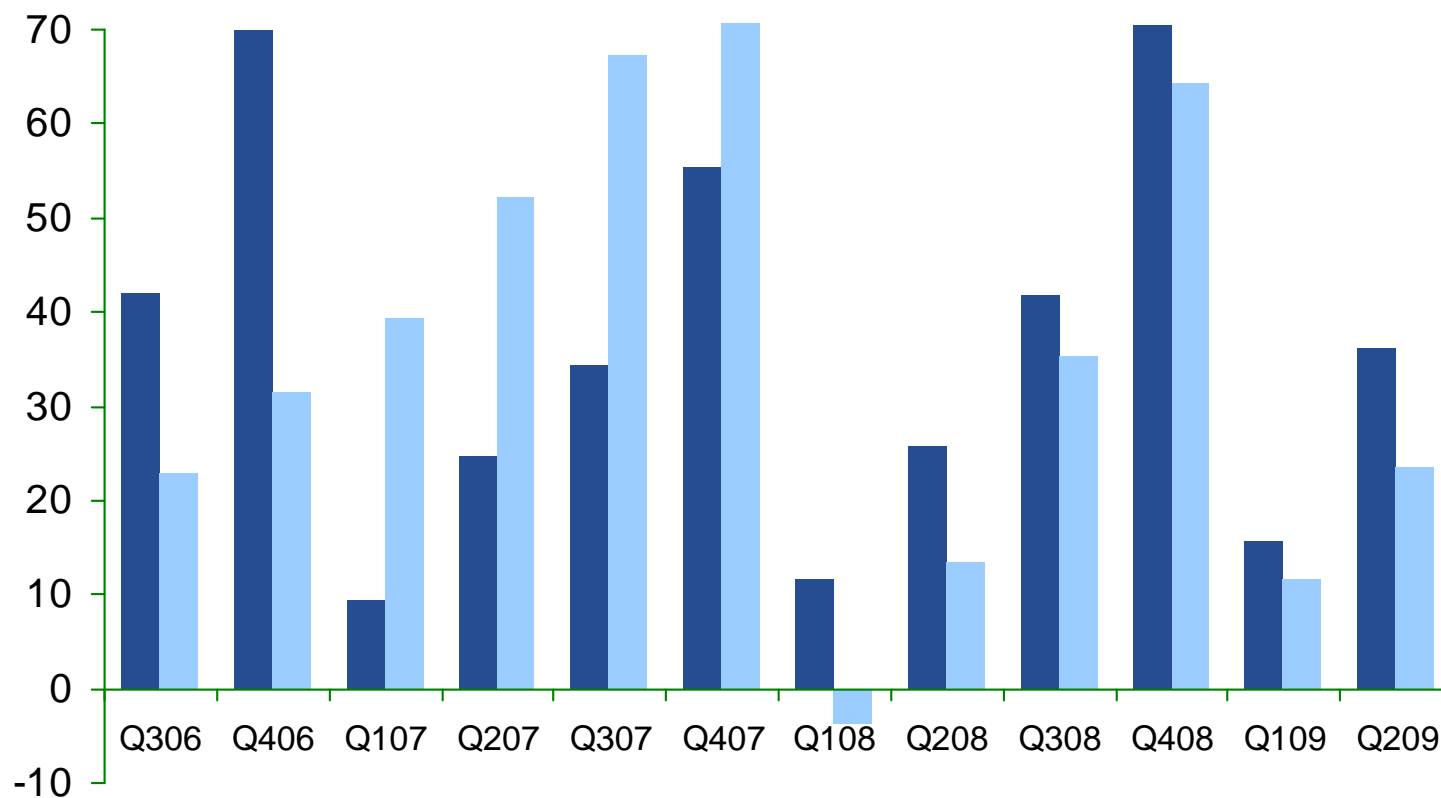
## Operating margin (%) by division

### Quarterly figures

	Q209	Q109	Q1-Q4 08	Q408	Q308	Q208	Q108	Q1-Q4 07	Q407	Q307
<b>Environmental Services</b>	12.6	9.4	10.7	8.0	13.2	10.6	11.2	12.5	11.2	14.3
<b>Property and Office Support Services</b>	7.2	5.5	2.4	-3.1	8.4	1.9	2.7	5.5	7.0	8.4
<b>Industrial Services</b>	9.9	1.9	7.6	8.5	18.1	6.3	-6.5	7.5	0.5	10.4
<b>L&amp;T total</b>	10.1	6.8	9.2	3.2	11.6	6.6	15.5	8.8	8.2	11.2

## Operating cash flow, cumulative

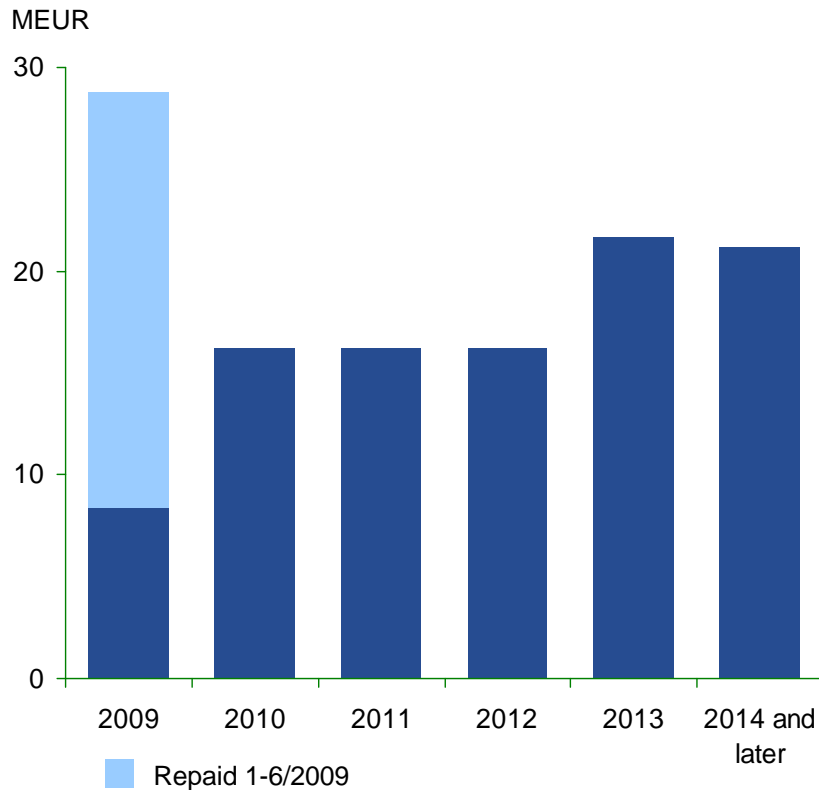
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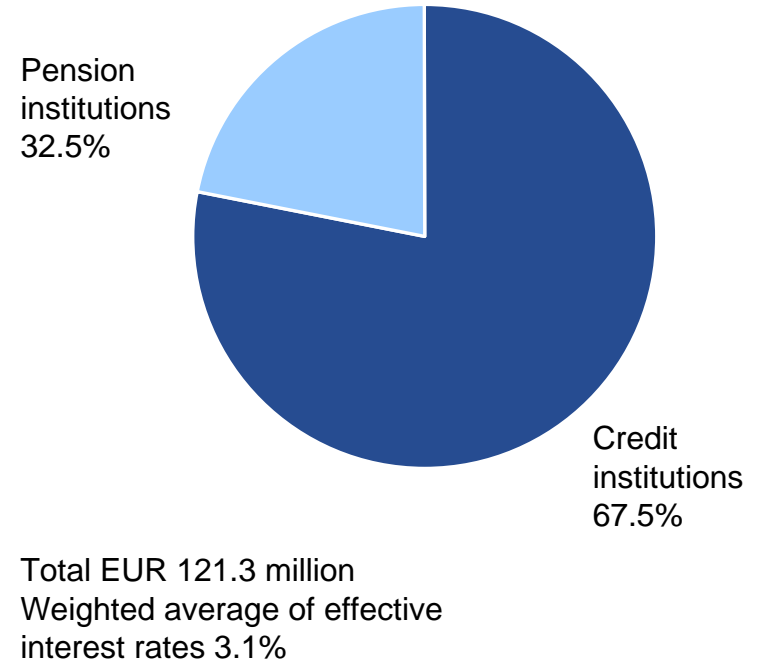
■ Operating activities ■ Investment activities

## Long-term loans

### Maturity structure of long-term loans 30 June 2009

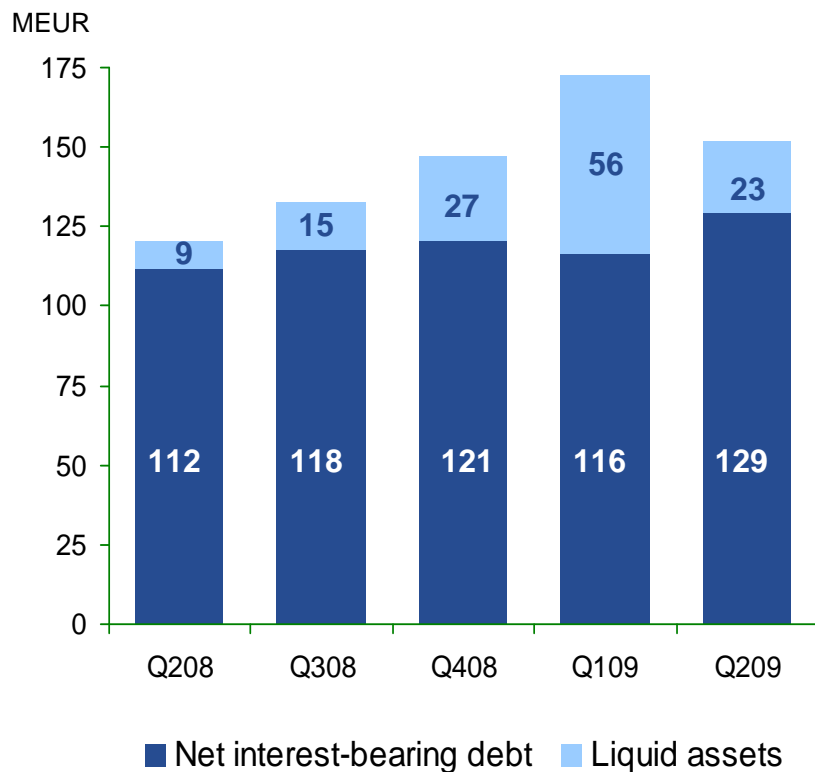


### Long-term loan portfolio 30 June 2009

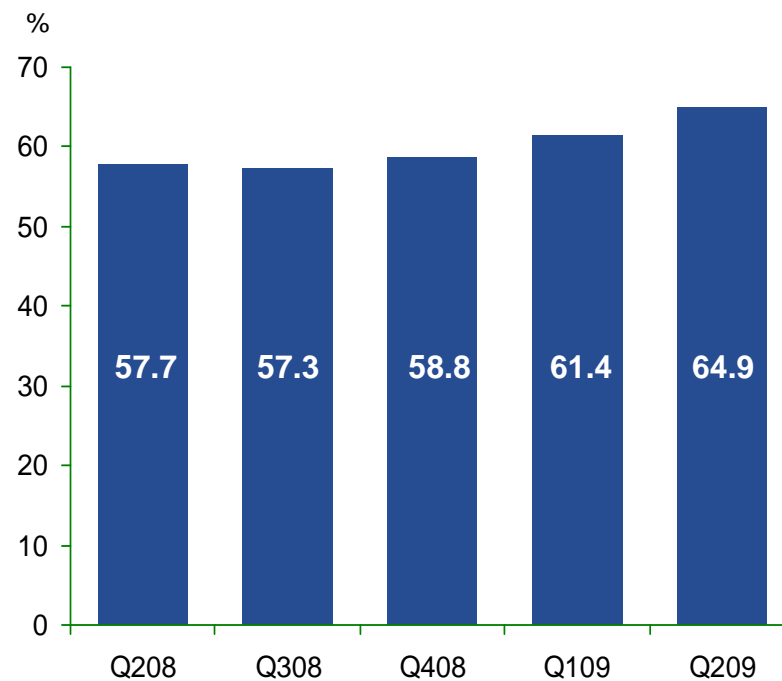


## Financial position

### Interest-bearing debt



### Gearing ratio



## Prospects for the rest of the year

Although the markets in which L&T primarily operates are not highly cyclical, the prolonged economic recession is reflecting on the demand for L&T's services.

In the Environmental Services division, waste material transport and recycling volumes are expected to decline further. Similarly, the market prices of secondary raw materials are expected to remain low and demand to be weak. Operating rates in the forest industry are likely to stay low, which will affect L&T Biowatti's raw material procurement. At the same time, low fossil fuel prices and the reduction in the price of emission rights will restrict demand for wood-based biofuel.

Fierce competition and increased competitive bidding is expected to continue to affect Property and Office Support Services. The economic uncertainty will hold back new and additional sales, and smaller scopes of services are to be expected when contracts are renewed.

The Industrial Services division's market conditions are expected to remain challenging towards the year-end. Industrial order books continue to be exceptionally small, which is likely to translate into further capacity cuts and production restrictions for customers. Lower operating rates will reduce hazardous waste volumes and rapid fluctuations in demand will make production adjustment measures more difficult.

Full-year net sales are expected to reach the previous year's level and full-year operating profit, excluding non-recurring and imputed items, is expected to reach the same level or show slight improvement. This requires that production operations will be launched at the L&T Recoil plant in the early autumn.

Prospects have been revised from the previous interim report, which stated as follows: Full-year net sales and operating profit excluding non-recurring and imputed items are expected to reach the previous year's level. This requires success in the adaptation of operations and costs as well as the start-up of the operation of L&T Recoil according to plan.

This estimate was made in July 2009 and was included in the Q2 Interim Report.