

2009

ANNUAL REPORT 2009



LASSILA & TIKANOJA

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Lassila & Tikanoja 2009

Lassila & Tikanoja specialises in environmental management and property and plant support services and is a leading supplier of wood-based biofuels, recovered fuels and secondary raw materials. L&T is operative in Finland, Sweden, Latvia and Russia. L&T is listed on NASDAQ OMX Helsinki.

Environmental management promotes sustainable development

L&T collects waste materials and industrial by-products and processes them for recovery as secondary raw materials or energy. L&T makes continued efforts to process waste in a way that allows as many materials as possible to be recycled or reused in order to reduce the amount delivered to landfills. The secondary raw materials L&T supplies to the industry include paper, board, plastics, glass and various metals, as well as wood-based raw materials for the board and sawmill industry and the paper and pulp industry.

L&T offers its customers sustainable solutions to help them meet their waste management and environmental obligations and pursue their environmental goals. For properties and companies, L&T provides waste collection services that include the appropriate collection equipment, as well as hazardous waste and wastewater services. For industrial plants, L&T develops integrated environmental management and material efficiency solutions for industrial by-product and contaminated soil treatment. Services are customised to meet the individual needs of each customer.

The joint venture L&T Recoil processes used lubricating oil into base oil in its waste oil re-refinery to serve as raw material for new lubricants. Used lubricating oil is collected from several countries in the Baltic Sea region.

Renewable energy from biofuels and recovered fuels

L&T is Finland's leading supplier of wood-based biofuels and recovered fuels and offers related comprehensive fuel supply solutions and services. The fuels supplied by L&T replace fossil fuels in energy production.

L&T's comprehensive fuel supply solutions comprise deliveries of wood-based biofuels such as chips, crush and pellets, as well as any chipping and terminal services required. It procures raw material directly from forest owners through its forestry service organisation and from the by-product flows of the wood processing industry.

L&T's recycling plants produce solid recovered fuels from those waste materials that cannot be reused. This recovered fuel is 60–80 per cent renewable biomass. L&T also makes recovered fuel from hazardous waste containing oil.

More focused support services improve cost-efficiency

Outsourcing support services to one service provider delivering a full range of services helps improve cost-efficiency. L&T offers the full spectrum of property maintenance services: indoor and outdoor services, cleaning of public areas, and maintenance of technical systems. For industrial plants, L&T also offers services such as process equipment cleaning. The damage repair services L&T provides include fire renovation and drying services. Services for office premises may include a range of services besides cleaning, such as reception and

telephone switchboard services and other office support services.

L&T's service solutions are based on the individual needs of customers. For specific customer groups such as food industry, shopping centres or harbours, L&T has created highly cost-efficient and customised service concepts.

As a pioneer in its line of business, L&T is continuously developing new solutions for property and plant management. Since environmental considerations are a key priority, L&T has developed two new ecological concepts: L&T® EcoMaintenance to improve energy efficiency in customer properties and sustainable L&T® EcoCleaning.

Three divisions

As of 1 June 2009 L&T's business is divided into the following three divisions:

Environmental Services

Property and Office Support Services Renewable Energy Sources (L&T Biowatti)

The Industrial Services division was combined with the Environmental Services division.

Financial reporting in 2009 is based on the former divisions:

Environmental Services: waste management, recycling services, L&T Biowatti and environmental products

Property and Office Support Services: property maintenance and cleaning services

Industrial Services: hazardous waste services, industrial solutions, wastewater services and L&T Recoil

A more detailed presentation of the reported divisions is on pages 10–17.

A description of L&T's services is also available on the company website at www.lassila-tikanoja.com.

2009 in brief

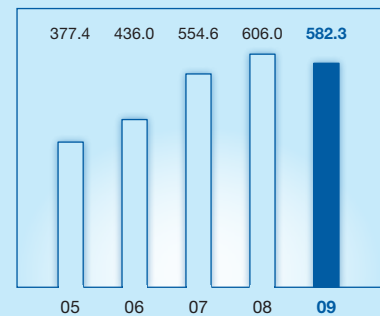
Lassila & Tikanoja's net sales for the year 2009 amounted to EUR 582.3 million, a decrease of 3.9%. The decrease could be primarily attributed to the weak demand for L&T Biowatti's wood-based fuels and the lower waste and transport volumes. The prices of secondary raw materials and their demand remained low in the first half, but showed slight improvement towards the year-end. The net sales of Property and Office Support Services and Industrial Services almost reached their previous year's level even though the sustained economic uncertainty hampered the sales of additional services. Operating profit excluding non-recurring and imputed items saw a marked improvement thanks to efficiency enhancement measures.

Key figures	2009	2008	Change %
Net sales, EUR million	582.3	606.0	-3.9
Operating profit, EUR million	50.3	55.5	-9.4
Operating profit excluding non-recurring and imputed items, EUR million	51.3	45.0	14.0
Profit before tax, EUR million	45.0	50.7	-11.2
Return on equity, % (ROE)	15.7	19.6	
Return on invested capital, % (ROI)	14.5	17.1	
Gearing, %	53.5	58.8	
Equity ratio, %	44.1	43.2	
Capital expenditure, EUR million	44.9	84.2	-46.7
Total number of full-time and part-time employees at year end	8 743	9 490	-7.9
EVA, EUR million	16.5	25.0	-34.0
Earnings per share, EUR (EPS)	0.85	1.03	-17.5
Cash flows from operating activities/share, EUR	1.71	1.82	-6.0
Dividend per share, EUR	0.55*	0.55	

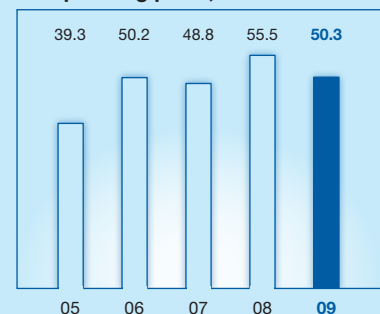
* Proposal by the Board of Directors

Calculation of the key figures is presented on page 46.

Net sales, EUR million

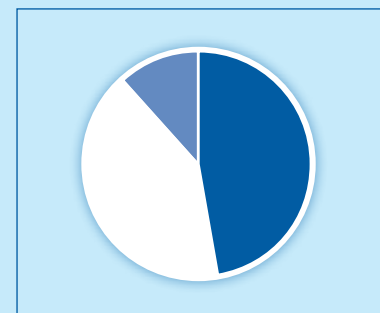


Operating profit, EUR million



Net sales by division

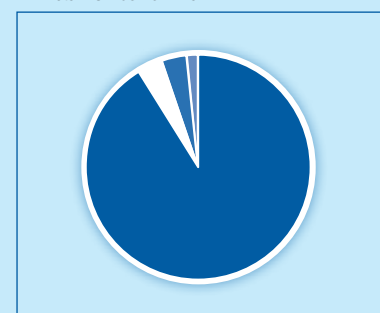
Total EUR 582.3 million



- Environmental Services
- Property and Office Support Services
- Industrial Services

Net sales by country

Total EUR 582.3 million



- Finland
- Latvia
- Sweden
- Russia

Review by the President and CEO

“Key reasons for our profitability improvement include a strict cost control and a genuine improvement in operational efficiency.”



Year 2009 – challenges on several fronts

In 2009, Lassila & Tikanoja’s operational focus was on profitability improvement. Comparable EVA (Economic Value Added) excluding non-recurring items was EUR 17.5 million (EUR 14.5 million), and operating profit excluding non-recurring and imputed items showed a 14.0 per cent increase despite the 3.9 per cent decline in net sales. This means our profitability improvement efforts were successful. Cash flow remained strong.

Key reasons for our profitability improvement include a strict cost control and a genuine improvement in operational efficiency. All spending has been precisely planned. Fixed costs fell in the

Property and Office Support Services division, and the same can be expected of the new Environmental Services division formed in early June as a result of the combining of Environmental Services and Industrial Services. Sales margins saw an overall improvement.

Profit performance was particularly positive in the Property and Office Support services division, with both product lines – cleaning services and property maintenance – performing well. This positive development is the result of determined work carried out with professional expertise. The high-volume services offered by Environmental Services and Industrial Services sold well, despite the challenging market conditions. L&T Biowatti performed better than expected in its own forest energy procurement, but this performance was undermined

by the weak demand due to the market situation. The result was negative. The delays in the completion of the joint venture L&T Recoil's used lubricating oil re-refinery and the long start-up phase had a significant negative impact on the financial results. The plant was finally ready for production and brought on line at the turn of the year.

L&T mainly operates in low-cyclical markets

A year ago I said in my review that L&T operates primarily in low-cyclical markets. I believe that the developments we have seen in the past year confirm this, even though the year was exceptionally challenging. Although demand fell in some operations, it remained unchanged in most. The change was clearly less dramatic than in most other industries. The decline in net sales could be attributed primarily to two things: weak demand for L&T Biowatti's wood-based fuels, and the low raw material volumes in the recycling business. Net sales from other business operations almost reached the previous year's level. No major acquisitions were conducted last year, and acquisitions have often generated half or sometimes more of our annual growth.

The weak demand for wood-based fuels was a result of several simultaneous and, to an extent, non-related factors: the low operating rates in the forest industry, the difficulties in the wood trade, weak demand for electricity and the low prices of fossil fuels. The decline in volumes of recyclable raw materials was a direct result of the weak economic conditions. Since these are things largely beyond L&T's control, we have concentrated on improving the efficiency of our own operations.

Year 2010

As I write this review, it is not much easier to predict or assess market developments than a year earlier. It is, however, very likely that 2010 will be a challenging year for service industries in Finland and Sweden. As long as the price of energy remains low, demand for wood-based fuels and their price development will remain moderate. The Latvian economy is unstable and economic development in Russia is tied to energy prices.

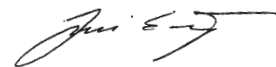
Renewable Energy Sources, in other words L&T Biowatti, will be reported as a separate segment as of the beginning of 2010. Although market conditions are unlikely to change in the short term, the long-term growth drivers are strong. Increasing the use of forest energy presents the best way of increasing the use of renewable energy sources and fulfilling the climate targets set for Finland by the EU. Over the next few years, there will be a marked increase in energy production capacity running on forest energy. There will be great need for L&T Biowatti's fuel procurement organisation, serving both forest owners and energy producers flexibly and without any conflicts of interest.

Good customer care and customer consultation will be key priorities in 2010. L&T can offer an exceptionally large

contribution to current environmental issues such as the reduction of the carbon footprint and energy savings in properties. This is something we want to communicate clearly to our customers. Another thing we will invest in is productivity improvement and particularly fixed cost cuts, which was one of the objectives of our statutory employer-employee negotiations with salaried employees concluded in January.

Despite the challenges we faced, we were able to improve our operating profit excluding non-recurring and imputed items last year. No external factors contributed to this improvement; instead, it was all thanks to our professional personnel.

In February 2010



Jari Sarjo

Goals

Lassila & Tikanoja aims to be

- a profitable and competitive investment
- a challenging and secure place to work
- a reliable partner
- a good corporate citizen.

We will achieve our goals

- by producing added value for our customers
- by sharing power and responsibility in our organisation
- by ensuring profitability.

Profitable and competitive investment

L&T's objective is to make the company's shares a sound and competitive investment in the long term by ensuring profitability.

Our personnel

The management of L&T is based on trust at every level of the organisation. In practice, this means genuinely sharing responsibility extensively throughout the company, which increases job satisfaction and makes work more challenging. Personnel always have sufficient authority to carry out their responsibilities. L&T aims to be a safe place to work, encouraging self-development and boldness.

When we select staff, we take account of professional skills, the ability to assume responsibility, the desire for self-development and to develop our operations. We support the transfer of current employees to new jobs within our company. We expect the agreed operating methods to be observed. A supervisor's main objective is to guarantee the best possible conditions enabling members of staff to succeed in their work.

Our customers' needs

Our aim is cooperation partnership. We want to be an integral part of our customers' business processes, which requires the ability to understand our customers' actual needs and expertise in integrating our services with their operations and goals. We will endeavour to develop our operations so that our services are competitive both in terms of quality and price.

Good corporate citizenship

L&T is the biggest company in the environmental management sector in Finland, so it carries a particularly heavy responsibility in terms of environmental issues. Environmental considerations are firmly linked with our everyday activities, which are based on a high degree of environmental awareness. L&T makes its environmental expertise available to its customers and develops its operations so as to place its customers in the best possible position to meet their environmental targets. We also endeavour to predict changes in environmental standards and values and to influence their formation by developing our procedures and technology.

We observe the legislation and regulations that are binding on us and operate in accordance with good business practices. We are also committed to continuous improvement of our operations.

Strategy

Key points of strategy:

- **profitability**
- **strengthening market position**
- **active customer care**

Lassila & Tikanoja's strategy

L&T's objective is to make the company share a sound and competitive investment in the long-term through healthy profitability.

L&T aims to be the leading player in environmental management and in property and plant maintenance in selected Baltic and Russian markets. It will continue to operate in its present business sectors and pursue controlled expansion. Growth will be primarily organic, complemented by appropriate acquisitions. The objective is to outperform market growth.

To maintain its competitive edge, L&T will take measures to improve efficiency and differentiate itself from the competition. Efficiency improvement measures include the adoption of a business process approach, a re-assessment of operating methods, and a reduction in the proportion of fixed costs. Process evaluation will be based on time and cost evaluations. Differentiation in the eyes of the customer will be achieved through development of existing services and sustained customer relationship management.

Profitability is the primary indicator of success. The most important profitability indicator is EVA (Economic Value Added), which the company aims to improve every year.

Divisional strategies

Environmental Services is the sector's market leader in Finland. It also aims to be a major player abroad in selected environmental management segments.

Environmental Services seeks maximum operational coverage in all sections of the waste management logistics chain. In Finland, L&T pursues national market leadership in an increasing number of materials. Operations are based mainly on the division's own collection operations, the objective being to ensure sufficient volumes for its own processing plants.

Efforts will be made in the recycling business to raise the recovery rate of collected waste material and to further strengthen L&T's position in the final section of the logistics chain. A comprehensive plant network will provide the company with a competitive edge.

In services for industry, L&T is a customer-oriented supplier of integrated comprehensive solutions. Its focus is on constructing operating models that can optimise capacity allocation to correspond to fluctuations in demand.

Outside Finland, Environmental Services strives to exploit its expertise, especially in the Baltic States and in selected regions in Russia, where market development lags considerably behind Finland. Measures will be taken to extend operations to cover the entire chain, from collection to processing.

Property and Office Support Services is the second-biggest operator in its field in Finland. L&T will seek to distinguish itself from competitors through high-quality services, efficient production management systems, and service customisation for selected customer groups.

In the service operations, special attention will be paid to improving the customer's cost and energy efficiency.

L&T provides office support services, such as mailing, reception and catering, either on its own or in cooperation with other leading companies in the field.

To prepare for changes in the work-force structure, action will be taken to develop multicultural leadership skills.

Outside Finland, Property and Office Support Services strives for growth and better profitability in selected countries.

Renewable Energy Sources (L&T Biowatt) is the leading supplier of wood-based biofuels in Finland. Its objective is to be a flexible and reliable long-term business partner.

To achieve business success, the division needs to secure a supply of wood raw material at competitive prices. For this purpose, raw material is procured through L&T's own forestry service organisation and by complementing domestic procurement with international purchases. L&T makes use of its extensive partnership and subcontractor network in procurement operations. An extensive terminal network and the company's own production and transport machinery help secure reliable deliveries.

Smoothly running and efficient logistics and service competence help L&T differentiate itself from competitors. Reliable, easy-to-use and competitively priced service solutions will be developed to address the needs of different types of forest owners. Meanwhile, long-term partnerships are being pursued with power plant customers.

Profitability enhancement measures include overall logistics improvements and maximum utilisation of intra-Group synergies.

Operating environment

In the long term, the markets for environmental management services, property and plant support services, and wood-based and recovered fuels are out-performing general economic growth in all countries in which L&T operates. Although L&T's markets can be deemed mainly low-cyclical, major changes in economic development will affect those markets, too. Practically all products and services L&T provides are needed regardless of economic cycles. Although the slowdown in trade, industry and particularly in construction reduces waste volumes and the number of individual orders, many of the services provided by L&T are necessary in order to comply with environmental legislation and hygiene requirements.

The economic recession has reflected on L&T's operating environment: Transport and recycling volumes have reduced and the market prices of secondary raw materials are volatile and the demand for these materials is weak. The number of commissioned assignments has fallen to some extent and demand for industrial services has declined. Low operating rates in the forest industry hamper L&T Biowatti's procurement of by-products for raw material while the low prices of coal, oil and electricity erode the competitiveness of wood-based fuels.

Growing requirements to fight climate change and improve energy and material efficiency are resulting in stricter environmental regulations, creating a larger market for environmental management business and renewable energy sources. Stricter regulations may have a positive impact on demand for property maintenance services, as owners will need to improve the energy efficiency of their properties. Growing environmental awareness among consumers will prompt customer companies to set higher environmental goals.

The key growth driver in the support services market is outsourcing, which is increasingly popular as customers aim to focus more sharply on their core business. To make support service procurement more efficient, customers buy extensive service packages from one supplier, and in the industry segment customers seek overall solutions for entire plants. Big players hold the strongest positions when bidding for these service packages.

Emphasis on recycling in EU and national regulations

The EU waste directive that came into force in 2008 sets minimum waste recovery objectives for member states, which should be met by 2020. Finland's National Waste Plan specifies the goals and objectives of its waste management operations. According to the plan, the municipal waste recovery rate should be raised by 2016 so that 50 per cent of municipal waste will be recycled and 30 per cent used for energy generation. Only 20 per cent of waste should be delivered to landfills. The recovery rate objective for construction waste is 70 per cent.

A marked increase in the recycling rate over the next few years is required in order to meet the municipal waste recovery objectives. In the trade and industry sector, regulations regarding producer responsibility and packaging material recycling are promoting waste recycling. Environmental management companies are gradually gaining access to the industrial waste and by-product processing markets, as environmental care and materials efficiency requirements grow. In Finland, municipalities have no responsibility for the business sector's waste management.

The reforms of Finland's Waste Act and Waste Tax Act currently underway will affect L&T's operating conditions. Although the revised Waste Act is expected to take effect in 2011, nothing is yet known about its content. It is clear, however, that the principles of the revised EU Waste Framework Directive are included in the Waste Act: the five-

step waste hierarchy emphasising waste prevention, and stricter requirements on municipal and construction waste recovery.

Ambitious targets for increasing the use of renewable fuels

The European Union wants to see renewable energy account for 20 per cent of energy end use by 2020. This will oblige Finland to raise its proportion of renewable energy by ten percentage points, to 38 per cent of end use. In energy production, fossil fuels will be increasingly replaced with wood-based biofuels and recovered fuels.

According to Finland's climate and energy strategy, the use of bioenergy could be considerably increased, particularly in heat and power co-generation and property heating. One of the objectives of the strategy is to almost triple the use of forest processed chips by 2020. All of these factors are contributing to good long-term potential for an increase in forest energy demand.

Sustainable waste management solutions, recycling and the sensible recovery of waste as energy can all help reduce carbon dioxide emissions. The most effective method is to maximise recycling and to replace fossil energy sources with recovered fuel made from non-recyclable waste in heat and power co-generation.

Support service suppliers play a key role

Companies focus more strongly on their core business and outsource property and plant management and maintenance to a specialised service provider. Increasingly often, the support service provider is closely involved in the customer's processes and works with the customer to develop service solutions which enhance productivity and cost-efficiency. The service provider's special expertise can be utilised to improve energy efficiency in properties.

While the commercial market accounts for approximately one half of the overall cleaning services and property

maintenance market in Finland, the proportion is growing as outsourcing gains in popularity. The biggest three players generate more than half of the commercial market's net sales. In addition, the markets are highly fragmented and there are a large number of small operators.

Customers are buying more extensive service packages with the objective of optimising total costs instead of unit prices. Customer relationship management and service development is increasingly important, which is also strengthening the position of large service providers.

In Finnish municipalities, the support service outsourcing rate of less than 20 per cent is lower than in most EU countries. However, outsourcing is expected to grow with the decline in workforce availability and in the face of growing operational efficiency requirements.

In Finland, the service water and wastewater systems as well as the power and data networks are, to a large extent, very old. The repairs, maintenance and renovations they require will boost future demand for wastewater services and technical systems maintenance services. Similarly, the markets for industrial and municipal wastewater treatment services are expected to grow.

Optimising utilisation of workforce and maintaining work ability of vital importance

Following the economic recession, workforce has been more easily available in the service industry over the past year, and the emphasis has shifted

from recruitment to flexible and efficient workforce utilisation. Once the recession subsides, demand for services will pick up and competition for skilled workforce will become tougher. At the same time the number of working-age people will decrease. To secure the long-term availability of skilled personnel, companies in the service industry must invest in effective recruitment, multicultural leadership skills, and in maintaining the work ability of its personnel.

More information on the risks associated with L&T's operating environment and business is available on pages 35–37.

L&T's operating area

Finland

All L&T services

Sweden

Cleaning and office support services

Latvia

Waste management and recycling services
Cleaning and office support services,
maintenance of outdoor areas

Russia

Waste management and recycling services
Cleaning and office support services,
maintenance of outdoor areas



Divisions in brief

Environmental Services

Product lines

- waste management
- recycling services
- L&T Biowatti
- environmental products

Waste management covers the collection and transportation of recyclable material and waste and also supplement services (receptacles cleaning and maintenance included planning and consulting, reporting).

The Bajamaja service provides comprehensive services for event organisers.

Recycling services includes processing of materials into recycled raw materials and fuels, as well as the supply of secondary raw materials for reuse.

L&T Biowatti provides comprehensive wood-based biofuel supply solutions and services to heating and power plants. In addition, the company supplies raw materials for the wood-processing industry and offers forestry services to forest owners.

Environmental products engages in the wholesale trade and export of environmental management products.

Property and Office Support Services

Product lines

- property maintenance
- cleaning services

Property maintenance comprises maintenance, monitoring, maintenance of outdoor areas, on-call services and supplementary services. Maintenance of technical systems engages in the installation, maintenance and repair of the technical systems of properties. Damage repair services include drying services and restoration of premises damaged by fire.

Cleaning services provides daily cleaning as well as various special cleaning jobs. Office support services includes access control, reception, switchboard operator, mailing and copying services, as well as facility management.

The Huomenta Toimitilapalvelut franchising chain provides cleaning services and office support services for SME customers.

Industrial Services

Product lines

- hazardous waste services
- industrial solutions
- wastewater services
- L&T Recoil

Hazardous waste services provides comprehensive collection services. Collected waste materials are processed to be used as material or energy.

Industrial solutions produces and develops solutions such as cleaning of industrial process equipment, as well as maintenance, environmental management and material efficiency solutions for industry.

Wastewater services provides services related to the maintenance and operation of wastewater systems and networks.

L&T Recoil's waste oil re-refinery produces base oil from waste oil.

Customers

- trade
- industry
- properties
- municipalities

Net sales 2009
EUR 279.8 million

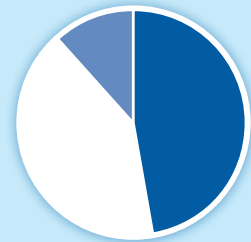
Operating profit 2009
EUR 31.7 million

EVA 2009
EUR 8.8 million

Capital expenditure 2009
EUR 25.9 million

Net sales by division

Total EUR 582.3 million



- Environmental Services 48%
- Property and Office Support Services 41%
- Industrial Services 11%

Customers

- properties
- industry
- customers operating in leaseholds
- insurance companies

Net sales 2009
EUR 243.1 million

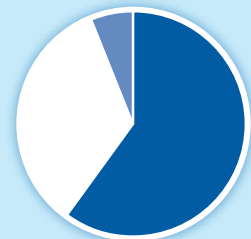
Operating profit 2009
EUR 17.7 million

EVA 2009
EUR 13.9 million

Capital expenditure 2009
EUR 6.3 million

Operating profit by division

Total EUR 50.3 million



- Environmental Services 60%
- Property and Office Support Services 34%
- Industrial Services 6%

Customers

- industry
- municipalities
- properties
- institutions

Net sales 2009
EUR 67.4 million

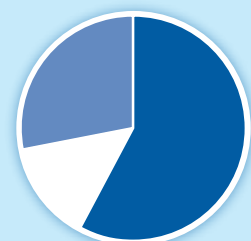
Operating profit 2009
EUR 3.4 million

EVA 2009
EUR -4.5 million

Capital expenditure 2009
EUR 12.7 million

Capital expenditure by division

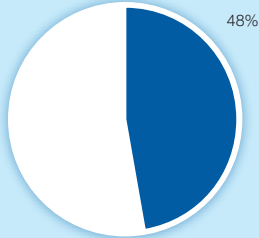
Total EUR 44.9 million



- Environmental Services 58%
- Property and Office Support Services 14%
- Industrial Services 28%

Environmental Services

Percentage of net sales



Services

The Environmental Services division is engaged in the environmental management services market and trade in secondary raw materials. Services provided to customers include the collection and transport of waste materials and by-products to be processed for recovery. Waste materials and by-products are processed into secondary raw materials that replace virgin raw materials. Non-recyclable waste materials are processed into recovered fuels to replace non-renewable energy sources, and unusable materials are directed to safe final disposal.

L&T's services are customised to meet the specific needs of a customer or customer group. Ordinarily, these services include, in addition to waste pick-up, needs assessment and the design of a collection and sorting system, collection equipment, and training to the customer's personnel. Customer segments such as trade, industry and producer organisations in particular prefer extensive operator agreements provid-

ing a collection network and advanced recovery solutions. The environmental services business is based on long-term customer relationships with an extensive customer base.

The division's recycling operations feature waste sorting at source and processing plants specialising in different materials. Materials collected separately include paper, board, cardboard, metal, plastic, glass, biowaste, energy waste, packaging waste, wood, waste electrical and electronic equipment (WEEE), confidential material and tyres. L&T's collection network acts as a source for raw material procurement. L&T's own recycling plants are primarily in charge of processing materials collected separately into secondary raw materials and recovered fuels for industry and power plants. Large volumes enable the industrial processing of all materials collected separately, making L&T a significant player in the secondary raw materials market.

L&T Biowatti provides comprehensive wood-based biofuel supply solutions and services to heating and power plants. In addition, the company supplies raw materials for the wood-processing industry, offers forestry services to forest owners,

and sells the recovered fuels manufactured by L&T to energy producers. In 2009, L&T Biowatti was part of the Environmental Services division but, as of the beginning of 2010, it will form the new Renewable Energy Sources division.

L&T is also engaged in the wholesale of environmental management products such as collection equipment, crushers and balers with Europe as its key export area. The Environmental Products unit is also responsible for the product development of collection equipment.

A different role for environmental management services

The Environmental Services division strives to raise the recovery rate of waste materials and industrial by-products and thereby to minimise the amount of waste ending up at landfills and incineration plants. In the 2010s, environmental management service providers are expected to create more solutions to improve material efficiency, in order to reduce carbon dioxide emissions. These expectations will translate into significantly stricter minimum objectives on emissions specified in legislation, but also increasingly often into voluntary efforts by companies and municipalities to eliminate landfill waste,

and to promote "carbon neutral" operations. At the moment, L&T is already able to reduce its own and its customers' CO₂ emissions by more than 2,000,000 tons per year.

L&T builds its competitive edge on versatility, efficient logistics supported by an extensive plant network, and in-depth knowledge and competence in environmental management. The Environmental Services division can provide all environmental management services to customers nationwide and build extensive service packages, including other L&T services in support of customers' core business. L&T has the most extensive and dense collection network in Finland, making its transport route efficiency superior to other service providers.

Thanks to its extensive collection and plant network, L&T's competence extends over the entire logistics chain, from the waste generation location to its processing plants, and further on to recovery. The division's services improve the materials efficiency of its customers and help customers reach their environmental goals.

The Environmental Services division has operations in Finland, Latvia and Russia. In Finland and in Latvia, L&T is the indisputable market leader, while in Russia it has operations in four towns and is responsible for the waste management of approximately 300,000 inhabitants.

L&T operates 23 recycling plants in Finland and one in Latvia, and the first one is under construction in Dubna, Russia. In addition, L&T has EU standard compliant landfills in Kerava and Kotka in Finland.

Year 2009

The full-year net sales of the Environmental Services division shrank by 6.8% to EUR 279.8 million (EUR 300.1 million). Operating profit was EUR 31.7 million (EUR 32.3 million), and operating profit excluding non-recurring and imputed items was EUR 32.9 million (EUR 32.3 million).

Net sales from waste management fell somewhat due to the reduction in waste volumes. The slowdown in new construction reduced construction waste volumes as expected, but the increased activity in renovation operations helped offset the decline.

The market prices of secondary raw materials (plastics, fibres, metals) and their demand were low in the first half, but showed slight improvement in the second half. The first stage of the Kerava recycling plant investment programme ended in June and the new recycled timber unit was brought on line. The second stage of the investment was downsized, and it will involve the construction of a combined plant that will be able to handle both construction waste and trade and industrial waste. The investment will be completed in autumn 2010, which will significantly raise the recovery rate of the waste processed at the Kerava plant.

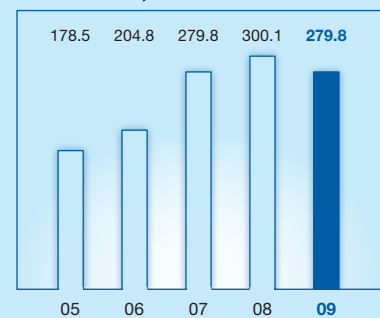
The demand for biofuels supplied by L&T Biowatti decreased sharply as a result of the lower wholesale price of electricity and lower operating rates in the forest industry. The low prices of fossil fuels and emission rights eroded the competitiveness of wood-based fuels against coal, peat and oil. The product line's profitability weakened significantly and the result was negative.

A forestry service organisation focusing on energy wood procurement launched operations in January and was able to exceed its procurement targets, which resulted in a significant increase in raw material stocks. The Luumäki pellet plant was closed in May.

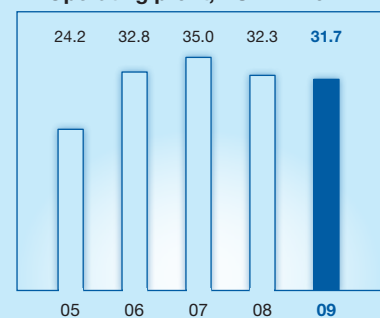
In April, waste management operations in Russia were extended to cover the city of Noginsk. The construction of a recycling plant in Dubna began with completion scheduled for the first half of 2010. In Latvia, the growing uncertainty of the country's economy posed challenges for business development, but at the same time it has improved the availability of labour and lowered labour costs.

Net sales for environmental products declined but profitability remained healthy.

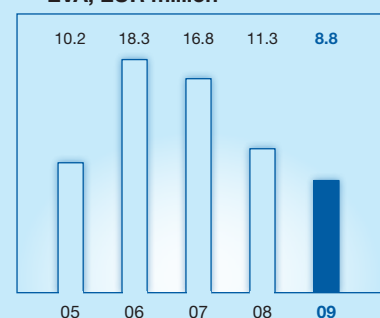
Net sales, EUR million



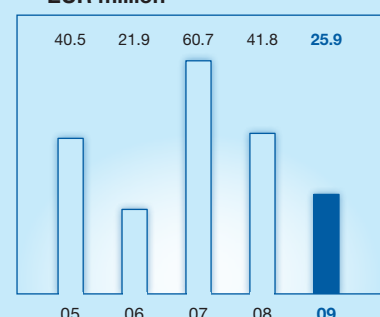
Operating profit, EUR million



EVA, EUR million

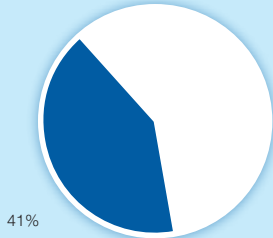


Capital expenditure, EUR million



Property and Office Support Services

Percentage of net sales



Services

Property and Office Support Services consist of the maintenance, servicing and operation of buildings, rooms and equipment.

Property maintenance services comprise property management, the maintenance of technical systems, and damage repair services. Property management comprises the general security, operation and maintenance of technical systems, maintenance of outdoor areas, cleaning of public facilities, facility and resident services and a range of non-recurring special services.

Maintenance of technical systems covers the installation, maintenance and repair of HVAC systems, electrical systems, refrigeration systems, fire protection systems and building automation systems.

Damage repair services covers the prevention of subsequent damage, in other words the protection, cleaning and drying of property and structures and restoration to pre-damage status in the case of various accidents, such as fire or water damage.

Cleaning services provides daily cleaning as well as various special cleaning jobs, such as window and floor cleaning. Cleaning and office support services for small and medium-sized

customers are provided also by the Huomenta Toimitilapalvelut franchising chain.

Office support services include access control, reception, switchboard operator services, mailing, copying, security and catering services, as well as facility management. These extensive service packages are provided either by L&T itself, or by networking with the leading company in each sector.

A wide range of services catering for various customer needs

Support service outsourcing is becoming an increasingly attractive option both in the private sector and, gradually, in the public sector. For L&T, this provides the opportunity to extend its service selection and become more closely integrated with the customer's operations.

Long-term service agreements with customers covering property management, cleaning and office support services generate the majority of the division's net sales. Non-recurring special services, such as repair and renovation work and special cleaning jobs complementing daily cleaning, are primarily sold to these contract customers.

The division's customers include property owners and managers, facility managers, and customers operating from leased premises. Damage repair

services are also provided to insurance companies. Properties being managed can be divided by type into office, commercial, industrial and residential properties, and public sector properties.

In property services, L&T's competitive advantages include customer focus, high quality, cost-efficiency and a wide range of services. Other competitive assets include a high level of employee skills and competences, as demonstrated by customer property and facility conditions, energy efficiency and manageable repair needs.

To differentiate itself from competitors, L&T offers cost-efficient service concepts developed for selected customer groups, and which take into account each group's special requirements. Such service concepts have been developed for shopping centres, for the food industry, which requires first-class hygiene standards, for service station chains and for residential properties. Energy-efficient property maintenance and an ecological office cleaning service concept support customer efforts in meeting their energy efficiency and environmental performance objectives.

Special attention is paid to enhancing the efficiency of production planning and control, and electronic tools are put to extensive use. Browser-based production control systems enable real-time communication with customers and produce versatile reports.

In addition to Finland, the Property and Office Support Services division has operations in Moscow, Russia, and in Latvia and Sweden. In Moscow and Latvia, L&T provides cleaning and office support services as well as the maintenance of outdoor areas, and in Sweden cleaning and office support services.

With an approximate market share of 14%, L&T is Finland's second-biggest operator in both cleaning services and property maintenance. L&T is a medium-sized cleaning services provider in Sweden and the leading operator in Latvia's cleaning sector.

Year 2009

The full-year net sales of Property and Office Support Services totalled EUR 243.1 million (EUR 243.2 million). At EUR 17.7 million (EUR 5.9 million), operating profit showed a significant improvement. Operating profit excluding non-recurring and imputed items was EUR 18.1 million (EUR 10.1 million).

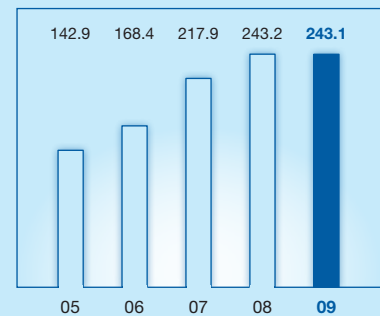
Net sales remained at the 2008 level and additional services sold well despite the economic uncertainties. A few sizeable damage repair projects were carried out in the first half and workflow remained constant throughout the year. New partnership agreements were signed with insurance companies.

The sector's profitability showed a considerable improvement as a result of production efficiency boosting measures. Prolonged economic uncertainty resulted in lower employee turnover, particularly in cleaning services, which helped significantly raise production efficiency.

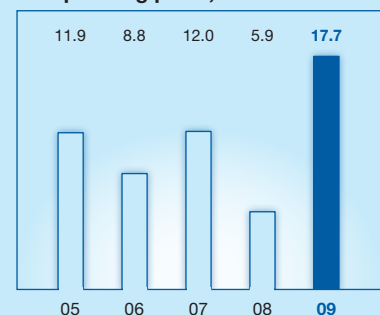
The L&T[®] EcoMaintenance concept was launched in the property maintenance business to reduce the energy consumption in properties.

Loss from international operations decreased. The Latvian and Russian operations recorded a positive result even though customers have downsized their services programmes due to the weak economic conditions, particularly in Latvia. In Sweden, the reorganisation programme proceeded as planned but operations continued to show a loss. In March, the Russian cleaning services were awarded a certificate for compliance with the ISO 9001 quality standards.

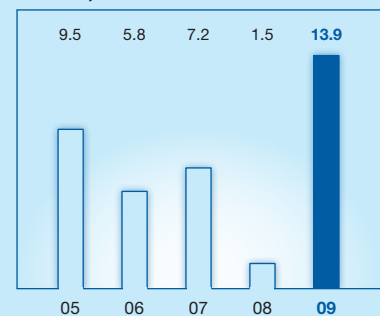
Net sales, EUR million *



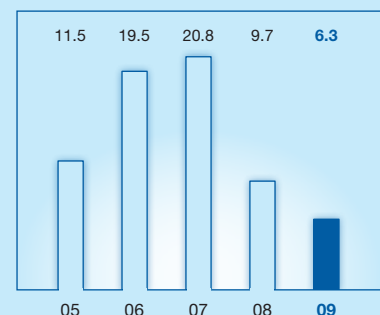
Operating profit, EUR million *



EVA, EUR million **



Capital expenditure, EUR million *



As of 2009, damage repair services was transferred from Industrial Services into Property and Office Support Services.

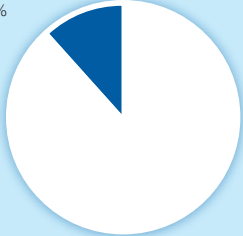
* Comparative figures were restated accordingly as of 2007.

** Comparative figures were restated accordingly as of 2008.

Industrial Services

Percentage of net sales

11%



Services

Industrial Services specialises in heavy-duty environmental management and maintenance services that require special expertise. The division's services are designed to improve the production efficiency and reliability of industrial processes and infrastructure, and to enhance customers' material and energy efficiency.

Hazardous waste services include customised hazardous waste collection and recovery solutions. Hazardous waste is collected into regional terminals, where it is sorted and pre-processed for recovery. From there, the waste is taken to L&T's and its partners' production plants, where it is processed into secondary raw materials for the industry or into recovered fuel. Operations focus on hazardous waste recovery solutions aiming at the highest possible degree of processing.

Industrial solutions produces cleaning and environmental management solutions for the industry. Industrial cleaning services primarily involve the cleaning and servicing of process industry equipment. High-pressure cleaning is used for removing coatings and for cleaning demanding surfaces such as tanks and heat exchangers. Suction equipment is

used to transport dry and wet materials, and for cleaning purposes, such as for cleaning outdoor areas at industrial facilities. Industrial environmental management services cover the development and production of internal environmental management and material efficiency solutions at industrial plants, for example for the processing and recovery of industrial by-products. In addition, the industrial solutions unit delivers comprehensive environmental management and maintenance solutions for industry that emphasise L&T's responsibility for development and long-term commitment based on the partnership principle.

Wastewater services provides sewer network maintenance services to a range of customers, from individual properties to wastewater treatment facilities. L&T maintains wells, engages in the imaging and cleaning of sewer networks, as well as in the maintenance and operation of wastewater systems.

The joint venture L&T Recoil processes waste oil for recovery, by re-refining used lubricating oil into high-quality base oil to serve as a raw material for the lubricants industry. Waste oil is primarily collected from the Baltic countries.

Partnered with the industry

The Industrial Services division is the market leader in Finland in its service segment. Being a major player, it is able to benefit from its economies of scale even in tough market conditions. To ensure a steady workload, the division pays particular attention to strategic customer relationship management.

The markets for hazardous waste services in Finland are expected to remain stable, there being very little growth in hazardous waste volumes and the collection rate being high. Consequently, L&T has shifted the focus of its operations and development from collection and transport to advanced recovery and processing solutions. In the future, hazardous waste will be fully recovered in the form of material or energy.

L&T is the unrivalled market leader in industrial solutions in Finland. The markets for environmental management solutions for the industry are expected to grow in the next few years, as the by-product processing and recovery markets gradually open up to service providers. Industrial plants and communities are seeking joint material efficiency solutions for by-product and raw material management, and L&T wants to be involved in the development and implementation of these solutions. No material changes are expected in the industrial process cleaning markets.

The growth prospects for wastewater services are good in the long run. The markets for property sewer and municipal trunk sewer system maintenance and renovation will continue to grow in the next few decades as the sewer networks age. Furthermore, stricter environmental regulations in sparsely populated areas

will increase the need for cesspool and property-specific wastewater system maintenance.

With increasingly strict environmental regulations introduced in L&T Recoil's main markets in Europe, demand for L&T Recoil's high-quality base oil is expected to grow.

Year 2009

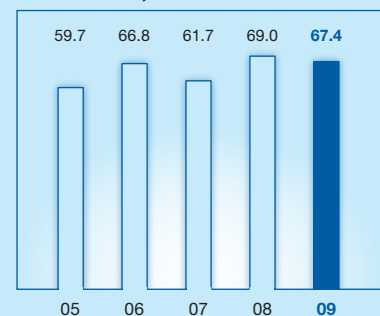
Full-year net sales for Industrial Services stood at EUR 67.4 million (EUR 69.0 million). Operating profit was EUR 3.4 million (EUR 5.2 million), and operating profit excluding non-recurring and imputed items was EUR 3.2 million (EUR 4.9 million).

The low operating rates in the industry had the expected impact on Industrial Services throughout the year. Hazardous waste volumes showed a marked decrease and maintenance service volumes decreased as the economic uncertainty prolonged. Rapid fluctuation in demand posed a challenge to production adjustment measures. The low demand for recovered fuel picked up to some extent towards the year-end.

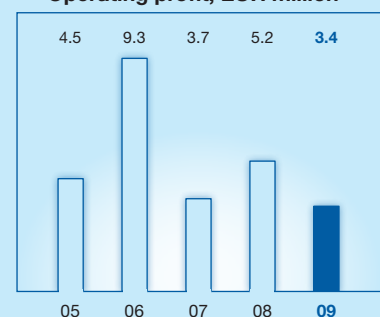
Profitability in hazardous waste services and industrial solutions improved, thanks to successful production efficiency improvement measures. In addition, large individual projects were carried out in the first half.

The production start-up phase of L&T Recoil's re-refinery for used lubricating oil was delayed from the planned schedule, and the plant was unable to meet the year's production targets. The joint venture's losses had a major negative impact on the entire division's profitability.

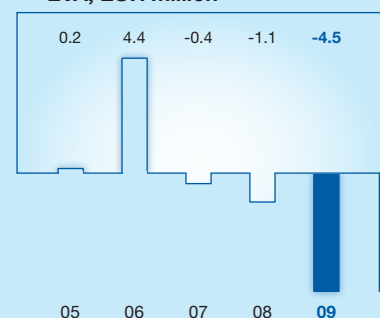
Net sales, EUR million *



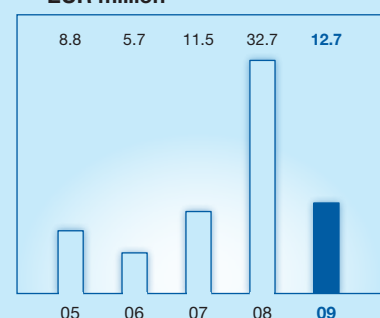
Operating profit, EUR million *



EVA, EUR million **



Capital expenditure, EUR million *



As of 2009, damage repair services was transferred from Industrial Services into Property and Office Support Services.

* Comparative figures were restated accordingly as of 2007.

** Comparative figures were restated accordingly as of 2008.

Corporate responsibility



Responsibility is our company policy

Lassila & Tikanoja aims to be a profitable and competitive investment, a challenging and secure place to work, a reliable partner, and a good corporate citizen. We observe the legislation and regulations that are binding on us and operate in accordance with good business practices. L&T intends to pursue profitability and to maintain competitiveness through improved efficiency and differentiation, eg. through product development. We are also committed to continuous improvement of our operations.

L&T's goals in regard to customers, personnel, society and environment are determined in more detail in the operating policy.

L&T's operating principles

- I improve continuously.
- I ensure that employees and colleagues succeed.
- I do it right the first time.
- I value and listen to the customer.
- I serve as an example in environmental matters.
- I realise mutual benefits.

L&T's operating principles are the common rules through which the goals defined in the operating policy are

achieved. These operating principles are put into effect through the actions of every employee. Their implementation is evaluated with the help of development discussions, job satisfaction surveys, internal assessment and customer satisfaction surveys.

L&T Integrated Management System

L&T Integrated Management System (IMS) is a tool for planning, guiding and developing operations in a unified way. The management system includes jointly defined operating procedures and provides tools for the implementation of the strategy and goals.

Risk management forms an integrated part of L&T's management, monitoring and reporting systems. L&T's risk management policy is approved by the company's Board of Directors. The Board of Directors has also approved the financing, insurance and disclosure policies as well as internal control policy.

Management of environmental, occupational health and safety issues

Management of environmental, occupational health and safety issues as well as quality management is an essential part of L&T Integrated Management System.

L&T's three-year environmental, health and safety (EHS) programme is based on EHS aspects, the company's strategy, as well as assessments of risks and dangers. The EHS objectives for 2007–2009 were the maintenance and improvement of work ability, building a sound occupational safety culture and reducing energy consumption and emissions. EHS targets are derived from the EHS objectives, and each unit includes its EHS targets in the operating plans. EHS groups within the unit make decisions and take concrete action to develop the work community.

Certified operations

In its operations, L&T observes the principles of the ISO 9001 quality management standard, the ISO 14001 environmental management standard and the OHSAS 18001 occupational health and safety management standard. L&T's management system and a substantial part of L&T's services have been certified in accordance with these standards. Furthermore, L&T's hygiene services for the food industry have been awarded a food safety management system certificate according to ISO 22000.

Personnel

At the end of 2009, the total number of L&T employees working full-time and part-time was 8,743 (9,490), 1,981 (2,221) of them working outside Finland. The average number of personnel, converted to full-time equivalents, was 8,113 (8,363).

L&T's business operations and competitive advantage are based on its highly skilled and motivated personnel as well as accurate resourcing. A key long-term objective is to secure the availability of skilled personnel. During the year, HR management efforts focused on uniform and efficient HR process management and on minimising disability-related costs.

Recruitment and resourcing

The objective of recruitment and resourcing is to secure the availability, competence and retention of personnel in the long term. In 2009, personnel turnover almost halved. At the same time, the number of new recruitments fell. The operational efficiency enhancement scheme emphasised the importance of internal labour market management and the fulfilment of employer obligations.

To prepare for long-term labour force needs, L&T was involved in co-operation with educational institutes and took part in fairs. Measures taken to strengthen multicultural working community skills included participation in a project designed to develop versatile recruitment and working community skills.

Corporate performance management and rewarding

The objective of competence management was to secure L&T's targets through competent personnel. In 2009, the focus was on strengthening previously specified and described processes. Systematic competence development is supported through co-operation with a partner.

The main focus in training was on ensuring the skills of personnel working directly with customers. Supervisory and management skills development was

another key development area. Degree-oriented programmes and short-term courses focusing on key themes were arranged for supervisors. A structured mentoring project was launched to offer development opportunities for management and specialists.

L&T specified a new rewarding strategy in the autumn. Based on this strategy, measures were taken to develop both the existing rewarding systems and systems in support of the combining of the Environmental Services and Industrial Services divisions. Development discussion practices were revised to place a greater emphasis on clear target-setting, performance management and monitoring the targets for fulfilment.

Management of work ability

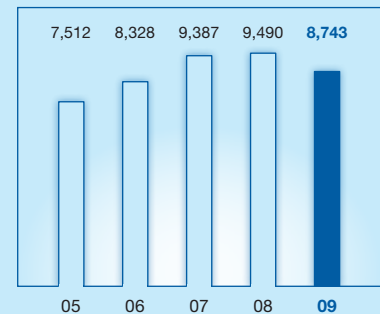
L&T wants to maximise the number of employees that maintain their work ability until retirement age. The Sirius work ability programme supports this goal as it helps minimise disability-related costs.

The Sirius programme helped make work ability issues an important part of everyday management. This programme provides consistent procedures for addressing any work ability problems and supervisors are being trained to identify such problems as early as possible. Active relocation of employees with partial work capacity constitutes a substantial part of the Sirius programme.

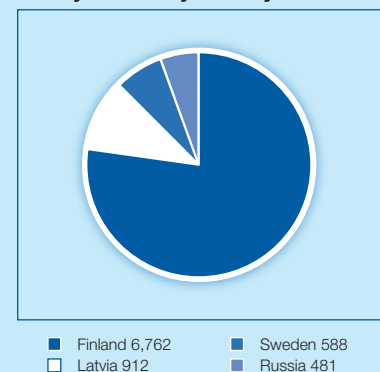
The programme has produced significant results: For example, the average retirement age was 62 years for two consecutive years (2008 and 2009). The illness-related absence rate in 2009 was 5.7 (5.6). Disability pension costs affecting the future TyEL (Employees Pensions Act) payment category halved in the period from 2007 to 2009.

To run the work ability programme, L&T has partnered closely with insurance companies and occupational health care services. The cornerstones of operations include setting and monitoring shared targets and indicators, as well as the related follow-up and the promotion of effective practices. Occupational health

Total number of full-time and part-time employees at year end



Total number of full-time and part-time employees at year end by country



care in Finland is centralised with a single partner.

The Sirius sickness fund supplements occupational health care and supports the work ability programme's objectives. As an additional benefit, the fund pays members compensation for examinations, treatment and medications prescribed by a doctor outside the scope of occupational health care.

Staff clubs arrange sports and other recreational activities supported by the company. In 2009, there were 35 staff clubs in Finland.

Occupational safety

One of the cornerstones of L&T's operations is to ensure a safe working environment for its personnel by identifying the risks and hazards involved in various jobs in advance, and by reducing and eliminating them proactively. The management of occupational safety risks forms part of everyday management and is an essential element in L&T's management system. One of L&T's environmental and occupational health objectives

for 2007–2009 was to build a sound occupational safety culture.

L&T's management system and centralised functions have been certified for compliance with the OHSAS 18001 occupational safety standards. L&T's services have also been awarded occupational safety certifications.

Systematic improvement of the safety culture continued in 2009 with the objective of halving the accident frequency in three years. In 2009, the accident frequency in Finland was 43 compared with 87 in 2006.

An open information system is being used for occupational safety development purposes. Proactive safety-related reports will be filed in the system, as well as action taken and any accidents. The system will be used to report near-miss situations and quality, environmental and occupational safety non-compliances, and to monitor the implementation of resulting action. The system will be used for recording information on all accidents and their investigation. Regular reporting allows the appropriate follow-up of developments and intervention in case of

non-conformities. A total of 3,456 (3,647) near-miss situations were reported.

Measures were taken to improve hazard assessments and accident investigation in units and work sites. The training of occupational safety personnel was intensified, and employees are being actively trained through courses culminating in the award of an occupational safety card, for example.

In 2010, key priorities include rooting occupational safety practices and methods more deeply in everyday operations at all levels of the organisation.

Key figures on personnel

	2009	2008	2007
Total number of full-time and part-time employees at year end	8 743	9 490	9 387
Average number of employees converted to full-time	8 113	8 363	7 819
Personnel in Finland:			
Personnel by gender			
female, %	52	53	55
male, %	48	47	45
Average retirement age	62	62	60
Sickness absences, %	5.7	5.6	5.8
Accident frequency*	43	54	62

* Injuries leading to at least one day's leave

Environment

Supporting sustainable development

L&T is a responsible corporate citizen, and being a leading environmental management company it carries a particularly heavy responsibility with respect to environmental issues. That is why L&T's day-to-day operations are guided by the principles of sustainable development and corporate citizenship. By offering its environmental competence to its customers, L&T is making its customers better equipped to meet their environmental obligations and to reach their environmental targets. Furthermore, L&T makes every effort to anticipate changes in environmental standards and values, and strives to influence them by developing methods and technologies.

By recycling waste materials and industrial by-products, L&T is promoting material recovery and is thereby acting in accordance with EU's and Finland's environmental agenda. L&T processes part of the waste materials into recovered fuel, which can be used as energy, and the company is also a major supplier of wood-based biofuels. In addition, L&T

collects and processes hazardous waste. Any reject materials not suitable for recovery are directed to safe final disposal. In addition, L&T offers sustainable service solutions for property and plant management.

L&T Recoil Oy's used lubricant oil re-refinery started up at the end of 2009. With an annual capacity of 60,000 tons, the plant is able to process all used lubricant oil suitable for re-refining collected in Finland. Until now, this waste oil has been incinerated, generating 2.7 tons of CO₂ emissions per incinerated ton of oil. The greenhouse gas emissions from re-refining waste oil into base oil are approximately 40 per cent smaller than if base oil was refined from crude oil. Base oil produced by L&T Recoil is used as a raw material in the lubricants industry.

The most significant negative environmental impacts of L&T's operations include the emissions and noise of vehicles used for collection and transport services, and of work machinery. To minimise these impacts, L&T acquires low-emission vehicles and focuses on better route planning.

Waste material recovery reduces carbon dioxide emissions

Wood-based biofuels and recovered fuels supplied by L&T replace fossil fuels in energy production. Due to their biomass content of 60–80 per cent, solid recovered fuels produced by the Environmental Services division are considered a renewable source of energy. These fuels are manufactured from sorted trade and industry waste that is not suitable for material recycling.

L&T's secondary raw material and fuel deliveries reduced Finland's carbon dioxide emissions by more than two million tons in 2008, which is a little more than a year earlier. This quantity accounts for about a half of all emissions generated by the road transport of goods in Finland. The carbon dioxide emissions from L&T's own operations fell despite the growth in operations. In 2008, emissions shrank by almost seven per cent from the previous year, thanks to measures such as better transport efficiency.

Environmental management

Environmental management is included in L&T's management system combined with the management of health and safety issues. With regard to the environment, L&T's environmental, health and safety (EHS) objective for 2007–2009 was to reduce energy consumption and emissions.

L&T's management system and centralised functions have been certified for compliance with the ISO 14001 environmental standard. Furthermore, L&T's services have been awarded environmental certifications in Finland, Sweden and Latvia.

Environmental management and waste processing operations are governed by strict laws and regulations, and

CO₂ emissions and calculated CO₂ emission reductions from L&T's operations

1,000 tons CO ₂ equivalent	2008	2007	2006
Emissions			
Emissions from transport and machinery	59.2	64.5	67.4
Emissions from travelling	2.5	2.3	2.0
Emissions from energy consumption of plants and offices	8.5	8.1	7.7
Total	70.2	74.9	77.1
Calculated CO₂ emission reductions			
From materials recycling	279.8	279.3	278.7
From supplies of renewable fuels	1 757.7	1 683.8	1 863.6
Through recycling plants to landfills	-12.5	-12.2	-12.6
Total	2 025.0	1 950.9	2 129.7

The figures were calculated using a model created by VTT, the Technical Research Center of Finland, and they apply to L&T's operations in Finland. The calculated emission reductions were calculated for the complete chain from the collection of waste/raw materials to the use of recovered raw materials/fuels.

operations often require a permit. L&T has 83 environmental permits related to the handling and storage of waste and biofuels. In 2009, six environmental permits were granted and seven new permit application processes were launched.

Year 2009

Actions taken

In 2009, efforts continued to reduce the emissions caused by transport and work machinery.

The regrouping of the Industrial Services and Environmental Services divisions helped improve routing efficiency and enabled different business operations to combine their transports. In addition, installation of a vehicle positioning system in property maintenance vehicles helped make vehicle use more efficient. Actions taken to reduce emissions included a course on a proactive driving style, to be completed by all L&T lorry drivers.

The EU directive requires that the course should be completed by 2014.

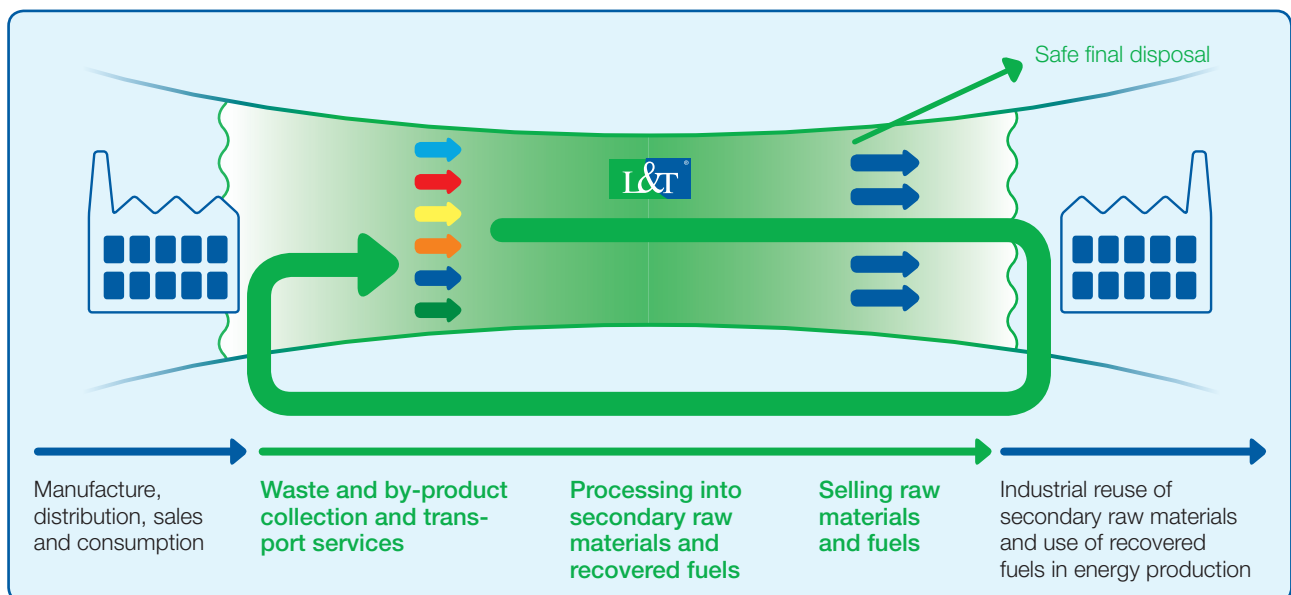
Internal assessments on environmental and occupational safety issues as well as safety audits by insurance companies are conducted regularly in L&T's business locations.

New services

L&T together with VTT Technical Research Centre of Finland developed a tool for calculating the impact on climate change of the waste generated by customer companies. L&T's specialists first assess the company's current waste management status and calculate the impact of waste on the climate. The results are then compared to various waste management solutions and the customer is presented with a range of development suggestions.

A new service concept, L&T[®] EcoMaintenance, was developed for property management that allows the monitoring and active development of a property's energy efficiency alongside daily duties. Trained maintenance personnel identify areas where energy can be saved, propose measures to be taken, and record the suggested improvements and measures taken in a user diary. Maintenance personnel acquire their energy efficiency competence in L&T's EcoMaintenance training programme, which was completed by approximately 200 L&T personnel in 2009. Training will continue in 2010.

L&T is building a recycling society



Corporate Governance

Lassila & Tikanoja plc complies with the Finnish Corporate Governance Code. The Code was issued by the Securities Market Association on 20 October 2008 and it is available on the website www.cgfinland.fi.

Business organisation

The business is divided into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Sources. Vice Presidents in charge of the Environmental Services and Property and Office Support Services divisions, as well as Managing Director of L&T Biowatti Oy responsible for the Renewable Energy Sources division, report to the President and CEO.

In Finland each division is organised into business areas. Country Managing Directors are responsible for operations in each country outside Finland. Administration and the management of group-level processes are centralised.

General Meetings

The Annual General Meeting is the supreme decision-making body of Lassila & Tikanoja plc. The Annual General Meeting decides on the matters stipulated in the Companies Act, such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the Auditors, and the compensation paid to them. The Annual General Meeting is held by the end of April. When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting. General Meetings are convened by the Board of Directors.

Each share of Lassila & Tikanoja plc entitles to one vote. According to the Articles of Association, at a General Meeting of shareholders no shareholder

may cast more than one fifth of the total number of votes represented at the meeting.

Advance information

Shareholders are convened to a General Meeting by a notice published in one newspaper in the company's domicile. The Board of Directors' proposals and the notice to the meeting are also disclosed in a stock exchange release. The prospective director candidates as well as the proposal for Auditors are disclosed in the notice or in a separate stock exchange release before the General Meeting.

The notice of the General Meeting and the related documents will be available on the company website at least 21 days before the General Meeting.

Attendance of the Board members, President and CEO, Auditor and prospective Board members at a General Meeting

The members of the Board of Directors, President and CEO, principal auditor and prospective directors attend a General Meeting, unless there are well founded reasons for the absence.

Minutes of General Meeting

The minutes of the General Meeting including the appendices will be available on the company website within two weeks of the General Meeting.

Board of Directors

Composition and term

In accordance with the Articles of Association, the Board of Directors comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of the members of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following his/her election. A person who has

attained the age of 70 cannot be elected to the Board of Directors. The Board elects a Chairman and a Vice Chairman from among its members.

The Board of Directors comprises the following persons: Mr Juhani Mäijälä, Chairman, Mr Juhani Lassila, Vice Chairman, Mr Heikki Bergholm, Mr Eero Hautaniemi, Mr Matti Kavetvuo and Mrs Hille Korhonen. Biographical details of the Directors are given on page 27, and information on their holdings in the company and changes in the holdings during the year are set out on page 26.

The biographical details of the director candidates will be available on the company website before the General Meeting.

The President and CEO is present at Board meetings presenting issues to the Board, and the CFO serves as secretary to the Board.

Duties

The Board of Directors is responsible for the management of the company and for the proper arrangement of the company's operations as well as for the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters, which, considering the scope and size of the operations of the company, are of major importance.

The duties of the Board are defined in a written charter adopted by the Board in 2009, which the Board complies in addition to the Articles of Association and the Finnish laws and regulations. According to the charter, the matters handled by the Board of Directors include:

- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- establishing a dividend policy and being responsible for the development of the shareholder value
- deciding on group structure and organisation
- ensuring the operation of the management system

- handling and adopting interim report, consolidated financial statements and annual report
- confirming the company's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities
- confirming risk management and reporting practice, financing, disclosure and insurance policies as well as internal control policy
- nominating and dismissing the President and CEO and monitoring and evaluating his work
- adopting the nominations of the President and CEO's immediate subordinates
- deciding on the salary, bonuses and other benefits of the CEO and his immediate subordinates as well as other terms of their employment.

Meeting practice

The Board of Directors meets about 12 times a year. If necessary, the Board holds meetings over the telephone. The Chairman is responsible for convening the Board meetings and for the meeting practice. At the meetings, matters are presented by the President and CEO, who is responsible for ensuring that the Board is provided with sufficient information to assess the operation and financial situation of the company. He also supervises and reports to the Board on the implementation of the Board's decisions.

The Board of Directors met 18 times during 2009. The average attendance per cent of the members at the meetings was 96.3.

Performance evaluation

The evaluation of the performance and working methods of the Board is conducted annually as an internal self-evaluation.

Evaluation of independence

The Board has evaluated the independence of its members in accordance with item 15 of the Corporate Governance Code. The evaluation showed that all the members of the Board are independent of the company and of a significant shareholder.

Audit committee

The audit committee consists of the Chairman of the committee and at least two members, who all are elected annually by the Board of Directors from among its members. The members of the audit committee shall be independent of the company and of a significant shareholder. The members of the audit committee shall have the qualifications necessary to perform the responsibilities of the audit committee, in particular, sufficient knowledge of bookkeeping, accounting and financial statements practices. Juhani Lassila is Chairman of the audit committee and the members are Eero Hautaniemi and Hille Korhonen.

The duties and operating principles of the audit committee are defined in a charter approved by the Board of Directors.

Duties of the audit committee include:

- monitoring the financial position and financing
- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems

- reviewing the plans and reports of the company's internal audit
- reviewing the description of the main features of internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement
- monitoring the statutory audit of financial statements and consolidated financial statements
- evaluating the independence of the auditing company
- evaluating the provision of non-audit services to the company to be audited by the auditing company
- preparing the proposal for the Auditor of the company
- maintaining contact with the company's auditor and reviewing the reports prepared to the committee by the Auditor
- assessment of compliance with laws and provisions.

Managing Director

Lassila & Tikanoja plc's Managing Director, known as the President and CEO, is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. He is also responsible for the strategy process. The present President and CEO is Jari Sarjo.

Other Management

The Group Executives assist the President and CEO in the management of the company. The Group Executives and their areas of responsibility are presented on page 28 and their holdings in the company shares and options on page 26.

The Management Team assembles to consider L&T's performance, strategy, major development projects and goals for the following year. The Management Team comprises the management and four employee representatives.

Compensation

Board of Directors

The General Meeting of Shareholders determines the emoluments payable to the members of the Board of Directors in advance, for one year at a time. In 2009, the following annual fees were paid: Chairman EUR 46,250, Vice Chairman EUR 30,500 and each member EUR 25,750. The fees were paid so that each member purchased company shares worth of the net amount of the fee (40%) in public trading on NASDAQ OMX Helsinki.

The members of the Board are not included in the share option schemes and they do not have any pension contracts with the company.

President and CEO and other management

The Board of Directors determines the salary, bonuses and other benefits of the President and CEO and the direct subordinates of the President and CEO. The President and CEO and the Group Executives are included in the share option scheme directed to the key personnel of the company. The share option scheme is approved by the General Meeting. The company has also provided an EVA-based compensation scheme, the criteria of which are determined annually in advance by the Board of Directors. Separate emoluments are not paid to the Group Executives for the memberships of Boards of Directors of the subsidiaries.

In 2009, the salaries including salaries and benefits paid to the President and CEO totalled EUR 334,708. The salaries including salaries and benefits of the other Group Executives totalled EUR 920,516. The figures include salaries for the period during which the persons in question held an executive position.

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is 12 months should the company terminate the contract, and 6 months should the President and CEO termi-

nate the contract. In case the company terminates the contract the President and CEO's obligation to work ceases after 6 months but his salary will be paid until the end of the period of notice. The President and CEO may choose to retire at the age of sixty. The amount of pension is agreed in advance, and an index increase is made to the sum annually. The amount is less than the full amount of pension under the Employees' Pensions Act. The pension is recognised as a defined benefit liability in the financial statements. In 2009, EUR 30 thousand arising from this agreement was recognised in the income statement.

Internal control, risk management and internal audit

Internal control

The financial development of the company is monitored monthly by an operative reporting system covering the whole group. In addition to actual data, the system provides budgets, forecasts and investment reports.

There are business controllers in every division and two financial controllers of international business in the finance department. The duties of the controllers include the accuracy control of financial reports and the analysing of the financial performance.

The company has financing, risk management, disclosure and insurance policies as well as internal control policy confirmed by the Board of Directors.

Organising the risk management

L&T's risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that company's objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management.

The risk management process is determined in L&T's Integrated Management System. Regular risk survey takes place as part of the annual strategy process at the group, division and product line levels, in units outside Finland as well as within centralised functions defined as being critical. The operative management assesses strategic, financial, damage-related and operational risk factors for each area of responsibility. The significance of risks is assessed using a risk matrix. Contingency plans for significant risks are prepared and the responsibilities for risk management measures are allocated. Any risks identified and preparations for them are regularly reported to the President and CEO and to the Board of Directors.

Internal audit

The company has no internal audit organisation of its own, which is taken into account when determining the extent and content of the audit.

Regular auditing the financial statements of international units is the duty of two financial controllers of international business who work in the finance department. External auditor participates in some of the audits. Auditing activity is also included in the duties of business controllers as needed.

Insider guidelines

The Board of Directors has taken a decision that the Group observes the guidelines for insiders issued by the OMX Nordic Exchange (currently NASDAQ OMX Helsinki). Additionally, it has given a complementary guideline which is in some respects more stringent.

The insider register is maintained in the SIRE service of Euroclear Finland Ltd. Persons subject to the declaration requirement are recorded in the public insider register. They comprise the members of the Board of Directors, President and CEO, principal auditor, the Group Executives and Head of Legal Affairs acting as secretary to Group Executives meetings. The persons recorded in the company-specific permanent insider register are, due to their positions, the Man-

agement Team, legal counsels, executive assistants and persons participating in group accounting, as well as persons preparing stock exchange releases. Separate project-specific sub-registers are kept for extensive or otherwise significant projects. The Head of Legal Affairs is the person responsible for insider issues.

Lassila & Tikanoja's insiders are not permitted to engage in trading with company shares during the period between the end of the financial period and the disclosure of the result. Insiders must consult the person responsible for insider issues concerning the conformity of any planned trading with the relevant legislation and guidelines.

The shareholdings and option holdings of the public insiders are listed on the company website.

Auditing

The statutory audit of the financial statements is carried out by PricewaterhouseCoopers Oy, Authorised Public Accountants, elected by the Annual General Meeting.

The auditors and the Board agree on the audit plan annually and discuss the audit's findings. The principal auditor and the auditor manager attend at least one meeting of the Board of Directors annually.

In 2009, the fees paid for statutory auditing to PricewaterhouseCoopers group totalled EUR 180,407. The fees paid to the auditing company and companies belonging to the same chain for non-audit services such as tax, IFRS and due diligence services, totalled EUR 56,770.

Shares held by the management

Shares held by the members of the Board of Directors

	31 December 2009	Percentage of shares and of voting power	1 January 2009
Heikki Bergholm	775 807	2.00	774 807
Eero Hautaniemi	3 350	0.01	1 650
Matti Kavetvuo	115 000	0.30	114 000
Hille Korhonen	869		
Juhani Lassila	19 438	0.05	18 398
Evald and Hilda Nissi Foundation	2 413 584	6.22	2 413 584
Juhani Majjala	1 529 994	3.94	1 527 994
Total	4 858 042	12.52	4 850 433

Shares and share options held by the Group Executives

	Shares		2005B options	2005C options	2008 options
	31 December 2009	1 January 2009	31 December 2009	31 December 2009	31 December 2009
Jari Sarjo	17 000	17 000	26 000	30 000	30 000
Laura Aarnio	240	240	3 000	3 000	5 000
Anna-Maija Apajalahti	2 920	2 920	13 000	15 000	
Kimmo Huhtimo			2 000	2 000	3 000
Jorma Mikkonen	720	720	10 000	15 000	15 000
Inkeri Puputti				2 000	3 000
Ville Rantala	2 665				
Tomi Salo					

There were no changes in the holdings of options during 2009.

Administrative organs

Lassila & Tikanoja plc Board of Directors

Juhani Majjala, born 1939

B.Sc. (Econ.), Master of Laws

Chairman of the Board since 2001, full-time 2001–2005, Member of the Board of the former Lassila & Tikanoja plc since 1983 and Chairman 1998–2001

President and CEO of the former Lassila & Tikanoja plc 1983–1998, President of Säkki-väline Group 1993–1996, President of Tiklas within Lassila & Tikanoja Group 1980–1983, CFO of the Lassila & Tikanoja Ltd 1977–1980, Vice President of Palomex Oy 1975–1977

Holds 1,529,994 Lassila & Tikanoja plc shares

Juhani Lassila, born 1962

M.Sc. (Econ.), Managing Director of Agros Oy 2005–

Vice Chairman of the Board since 2007, Chairman of the Audit Committee since 2009, Member of the Board since 2001, Member of the Board of the former Lassila & Tikanoja plc 1998–2001

Finance integration leader for Instrumentarium Corporation and GEMS/IT, GE Healthcare 2003–2004, Director of Group Finance and Group Treasury 1999–2004 and Group Treasurer 1996–1999 in Instrumentarium Corporation, Financial Analyst of Postipankki Oy 1988–1996, Investment Analyst of Instrumentarium Corporation 1987–1988

Member of the Board of Comptel Corporation 2006– and Suominen Corporation 2005–, Chairman of the Board of Evald and Hilda Nissi Foundation 2003–

Holds 19,438 Lassila & Tikanoja plc shares and exercises the controlling power in the Evald and Hilda Nissi Foundation, which holds 2,413,584 shares

Heikki Bergholm, born 1956

M.Sc. (Eng.)

Member of the Board since 2008

President and CEO of Suominen Corporation 2002–2006, President and CEO 1998–2001, Vice President 1997–1998 and President of business units 1986–1997 in the former Lassila & Tikanoja Group and CFO of the Lassila & Tikanoja Ltd 1985–1986, Researcher and development manager of Industrialisation Fund of Finland Ltd 1980–1985

Member of the Board of Forchem Oy 2007–, Member of the Board of Componenta Corporation 2002– and Chairman of the Board 2003–, Member of the Board of MB Funds Oy 2002–, Member of the Board of Suominen Corporation 2001– and Chairman of the Board 2001–2002, Member of the Board of Lakan Betoni Oy 1986– and Chairman of the Board 1998–

Member of the Board of Kemira Oyj 2004–2007, Pohjola Group plc 2003–2005 and Sponda Plc 1998–2004

Holds 775,807 Lassila & Tikanoja plc shares

Eero Hautaniemi, born 1965

M.Sc. (Econ.), Managing Director of Oriola-KD Corporation 2006–

Member of the Board since 2007, Member of the Audit Committee since 2009 President of GE Healthcare Finland Oy 2004–2005, General Manager of the Oximetry, Supplies and Accessories business area of GE Healthcare IT 2003–2004, positions in financial and business management in Instrumentarium Corporation 1990–2003

Member of the Board of Nurminen Logistics Plc 2009–

Holds 3,350 Lassila & Tikanoja plc shares

Matti Kavetvuo, born 1944

M.Sc. (Eng.), B.Sc. (Econ.)

Member of the Board since 2008, Member of the Board of the former Lassila & Tikanoja plc 1984–1988 and 1998–2001

President and CEO of Pohjola Insurance Group 2000–2001, President and CEO of Valio Ltd 1992–1999, President and CEO of Orion Corporation 1985–1991, President of Instrumentarium Corporation 1979–1984 and other positions in Instrumentarium Corporation 1971–1979

Member and Chairman of the Board of Orion Corporation 2004–, Member of the Board of Konecranes Plc 2001–, Member of the Board of Alma Media Corporation 2000– and Vice Chairman 2005–2009

Member and Chairman of the Board of Metso Corporation 2003–2009, Member of the Board of Marimekko Corporation 1997–2008 and Chairman of the Board 2007–2008, Member and Vice Chairman of the Board of Kesko Group 2003–2006, Member of the Board of Perlos Corporation 2003–2006, Member of the Board of Suominen Corporation 2001–2006 and Chairman of the Board 2002–2006, Member of the Board of Lännen Tehtaat plc 2003–2004, Finnlines Plc 2000–2002 and UPM-Kymmene Corporation 2000–2001

Holds 115,000 Lassila & Tikanoja plc shares

Hille Korhonen, born 1961

Licentiate of Technology, Vice President, Operations (responsible for manufacturing, sourcing and logistics strategies) at Fiskars Corporation 2008–, Group Director, Operations at Iittala Group 2003–

Member of the Board since 2009, Member of the Audit Committee since 2009

Executive positions within worldwide delivery chain strategies and processes in Nokia Corporation 2000–2003, Nokia Networks 1998–2000 and Nokia Mobile Phones 1996–1997, positions in developing logistics and marketing at Outokumpu Copper 1993–1996

Member of the Board of Directors of Nokian Tyres Plc 2006– and Mint of Finland Group 2008–

Holds 869 Lassila & Tikanoja plc shares

President and CEO

Jari Sarjo, born 1957

Master of Laws, President and CEO of Lassila & Tikanoja Group since 2001

President of Säkki-väline Group 1997–2001, Divisional Director of Säkki-väline Oy 1994–1997, Administrative Director 1987–1994 and Administrative Manager 1984–1987

Holds 17,000 Lassila & Tikanoja plc shares and 26,000 2005B options, 30,000 2005C options and 30,000 2008 options

The changes in the holdings of the members of the Board and the President and CEO during 2009 are listed on page 26.

Auditor

PricewaterhouseCoopers Oy, Authorised Public Accountants

Principal auditor Heikki Lassila, APA

Management



Jari Sarjo, born 1957
President and CEO of Lassila & Tikanoja Group since 2001
Master of Laws
President of SäkkiVäline Group 1997–2001, Divisional Director of SäkkiVäline Oy 1994–1997, Administrative Director 1987–1994, Administrative Manager 1984–1987



Kimmo Huhtimo, born 1970
Director responsible for product and process development, marketing communications and Contact Centre since 2008, Group Executive since 2008
M.Sc. (Eng.)
Director, Product Development and Sales 2006–2008, Product Development Manager 2005–2006, business and service concept planning and development positions in Elisa Corporation 2000–2005, ADP Designer of TietoEnator Corporation 1998–2000



Anna-Maija Apajalahti, born 1948
Vice President, Property and Office Support Services since 2000
M.Pol.Sc.
Director in charge of SäkkiVäline Oy's cleaning services and group marketing 1997–2000, Divisional Director for cleaning services, also in charge of group marketing 1983–1997, information and marketing duties 1971–1983



Inkeri Puputti, born 1964
HR Director since 2008, Group Executive since 2008
M.Pol.Sc.
HRD Director 2006–2008, HRD Manager of Rautakirja Oy 2002–2006 and HR Services Manager 1998–2002, HR Supervisor of Oy Sinebrychoff Ab 1996–1998 and HPY (currently Elisa Corporation) 1995–1996



Jorma Mikkonen, born 1963
Vice President, Environmental Services since 2009
Master of Laws
Vice President, Industrial Services 2000–2009, SäkkiVäline Oy's Administrative Director 1999–2000 and Legal Counsel 1992–1999 and Legal Counsel of Helsinki Finnish Savings Bank 1991–1992



Ville Rantala, born 1971
CFO since 1 March 2009, Group Executive since 2009
M.Sc. (Econ.)
Director, Finance and Business Development of Suunto Oy 2007–2009, in UPM-Kymmene Corporation Finance Director of Fine and Speciality Papers Division 2006–2007, Business Controller 2002–2006 and Controller 2000–2002, Finance Manager of Salomon Sport Finland Oy 1999–2000



Laura Aarnio, born 1975
Accounting Director since 2005, Group Executive since 2008 (on maternity leave since 18 September 2009)
M.Sc. (Econ.)
Manager, Group Accounting 2001–2005, Group Accounting Analyst of the former Lassila & Tikanoja plc 1999–2001



Tomi Salo, born 1974
Managing Director of L&T Biowatti Oy and Director responsible for the Renewable Energy Sources division since 1 December 2009, Group Executive since 2009
M.Sc. (Agr. & For.), B.Soc.Sc.
Director of Forestry Services 2008–2009 and Wood Procurement Director 2008 in L&T Biowatti Oy, Branch manager, Energy, in The Trade Association of Finnish Forestry and Earth Moving Contractors 2002–2007

Sirkka Tuomola was Vice President and CFO until 28 February 2009. SäkkiVäline was a group company of Lassila & Tikanoja Group between 1989 and 2001. The parent company Lassila & Tikanoja demerged in 2001 into two new companies, Lassila & Tikanoja plc and Suominen Group plc.

The holdings of Group Executives in the company as well as changes in the holdings in 2009 are listed on page 26.

Lassila & Tikanoja plc's financial statements for the year 2009

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All figures in the annual report have been rounded and, consequently, the sum of individual figures may deviate from the sum total presented.

Report of the Board of Directors

Net sales and financial performance

Lassila & Tikanoja's net sales for the year 2009 amounted to EUR 582.3 million (EUR 606.0 million; EUR 554.6 million); a decrease of 3.9%. Operating profit was EUR 50.3 million (EUR 55.5 million; EUR 48.8 million), representing 8.6% (9.2%; 8.8%) of net sales. Operating profit excluding non-recurring and imputed items was EUR 51.3 million (EUR 45.0 million; EUR 54.3 million). Earnings per share were EUR 0.85 (EUR 1.03; EUR 0.83).

The decrease in net sales could be primarily attributed to the weak demand for L&T Biowatti's wood-based fuels and the lower waste and transport volumes. The prices of secondary raw materials and their demand remained low in the first half, but showed slight improvement towards the year-end. The net sales of Property and Office Support Services and Industrial Services almost reached their previous year's level even though the sustained economic uncertainty hampered the sales of additional services.

Operating profit excluding non-recurring and imputed items saw a marked improvement thanks to efficiency enhancement measures. Operating profit was taxed by the non-recurring items totalling EUR 1.0 million. The completion of the

joint venture L&T Recoil Oy's production plant was delayed, which resulted in considerable loss. In 2008, operating profit was boosted by the capital gain from the sale of Ekokem shares, among other things.

Environmental Services

The full-year net sales of the Environmental Services division shrank by 6.8% to EUR 279.8 million (EUR 300.1 million; EUR 279.8 million) in 2009. Operating profit was EUR 31.7 million (EUR 32.3 million; EUR 35.0 million), and operating profit excluding non-recurring and imputed items was EUR 32.9 million (EUR 32.3 million; EUR 36.3 million).

Net sales from waste management fell somewhat due to the reduction in waste volumes. The slowdown in new construction reduced construction waste volumes as expected, but the increased activity in renovation operations helped offset the decline.

The market prices of secondary raw materials (plastics, fibres, metals) and their demand were low in the first half, but showed slight improvement in the second half. The first stage of the Kerava recycling plant investment programme ended in June and the new recycled timber unit was brought on line. The second

stage of the investment was downsized, and it will involve the construction of a combined plant that will be able to handle both construction waste and trade and industrial waste. The investment will be completed in autumn 2010, which will significantly raise the recovery rate of the waste processed at the Kerava plant.

The demand for biofuels supplied by L&T Biowatti decreased sharply as a result of the lower wholesale price of electricity and lower operating rates in the forest industry. The low prices of fossil fuels and emission rights eroded the competitiveness of wood-based fuels against coal, peat and oil. The product line's profitability weakened significantly and the result was negative.

A forestry service organisation focusing on energy wood procurement launched operations in January and was able to exceed its procurement targets, which resulted in a significant increase in raw material stocks. The Luumäki pellet plant was closed in May.

In April, waste management operations in Russia were extended to cover the city of Noginsk. The construction of a recycling plant in Dubna began with completion scheduled for the first half of 2010. In Latvia, the growing uncertainty of the country's economy posed challenges for business development,

Net sales by division

EUR 1000	2009	2008	Change %	2007
Environmental Services	279 766	300 070	-6.8	279 845
Property and Office Support Services	243 139	243 221		217 927
Industrial Services	67 361	69 032	-2.4	61 693
Group administration and other				10
Inter-division net sales	-7 960	-6 327		-4 862
Total	582 306	605 996	-3.9	554 613

Operating profit by division

EUR 1000	2009	%	2008	%	Change %	2007	%
Environmental Services	31 650	11.3	32 255	10.7	-1.9	34 977	12.5
Property and Office Support Services	17 685	7.3	5 907	2.4		12 048	5.5
Industrial Services	3 390	5.0	5 239	7.6	-35.3	3 726	6.0
Group administration and other	-2 461		12 097			-1 976	
Total	50 264	8.6	55 498	9.2	-9.4	48 775	8.8

but at the same time it has improved the availability of labour and lowered labour costs.

Net sales for environmental products declined but profitability remained healthy.

Property and Office Support Services

The full-year net sales of Property and Office Support Services totalled EUR 243.1 million (EUR 243.2 million; EUR 217.9 million). At EUR 17.7 million (EUR 5.9 million; EUR 12.0 million), operating profit showed a significant improvement. Operating profit excluding non-recurring and imputed items was EUR 18.1 million (EUR 10.1 million; EUR 12.4 million).

Net sales remained at the 2008 level and additional services sold well despite the economic uncertainties. A few sizeable damage repair projects were carried out in the first half and workflow remained constant throughout the year. New partnership agreements were signed with insurance companies.

The sector's profitability showed a considerable improvement as a result of production efficiency boosting measures. Prolonged economic uncertainty resulted in lower employee turnover, particularly in cleaning services, which helped significantly raise production efficiency.

The L&T® EcoMaintenance concept was launched in the property maintenance business to reduce the energy consumption in properties.

Loss from international operations decreased. The Latvian and Russian operations recorded a positive result even though customers have downsized their services programmes due to the

weak economic conditions, particularly in Latvia. In Sweden, the reorganisation programme proceeded as planned but operations continued to show a loss. In March, the Russian cleaning services were awarded a certificate for compliance with the ISO 9001 quality standards.

Industrial Services

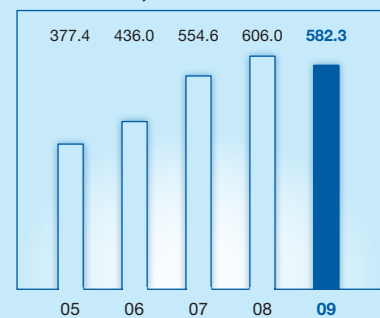
Full-year net sales for Industrial Services stood at EUR 67.4 million (EUR 69.0 million; EUR 61.7 million). Operating profit was EUR 3.4 million (EUR 5.2 million; EUR 3.7 million), and operating profit excluding non-recurring and imputed items was EUR 3.2 million (EUR 4.9 million; EUR 7.6 million).

The low operating rates in the industry had the expected impact on Industrial Services throughout the year. Hazardous waste volumes showed a marked decrease and maintenance service volumes decreased as the economic uncertainty prolonged. Rapid fluctuation in demand posed a challenge to production adjustment measures. The low demand for recovered fuel picked up to some extent towards the year-end.

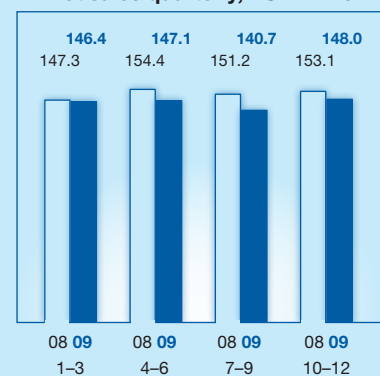
Profitability in hazardous waste services and industrial solutions improved, thanks to successful production efficiency improvement measures. In addition, large individual projects were carried out in the first half.

The production start-up phase of L&T Recoil's re-refinery for used lubricating oil was delayed from the planned schedule, and the plant was unable to meet the year's production targets. The joint venture's losses had a major negative impact on the entire division's profitability.

Net sales, EUR million



Net sales quarterly, EUR million



Net sales of operations abroad by country

EUR 1000	2009	2008	2007
Latvia	21 303	24 418	19 002
Sweden	21 282	25 302	26 525
Russia	8 894	8 347	5 600
Norway	12	1 165	2 507

Income statement by quarter

EUR 1000	10-12/2009	7-9/2009	4-6/2009	1-3/2009	10-12/2008	7-9/2008	4-6/2008	1-3/2008
Net sales								
Environmental Services	71 502	64 941	71 008	72 315	74 211	73 740	76 639	75 480
Property and Office Support Services	61 441	60 024	60 531	61 143	62 861	60 124	60 983	59 253
Industrial Services	17 240	17 698	17 561	14 862	18 062	19 091	18 183	13 696
Inter-division net sales	-2 142	-1 924	-2 006	-1 888	-2 076	-1 712	-1 441	-1 098
L&T total	148 041	140 739	147 094	146 432	153 058	151 243	154 364	147 331
Operating profit								
Environmental Services	6 485	9 425	8 932	6 808	5 957	9 723	8 151	8 423
Property and Office Support Services	2 776	7 208	4 343	3 358	-1 945	5 048	1 178	1 626
Industrial Services	13	1 367	1 733	277	1 529	3 465	1 140	-895
Group administration and other	-770	-1 091	-142	-458	-660	-653	-271	13 681
L&T total	8 504	16 909	14 866	9 985	4 881	17 583	10 198	22 835
Operating margin								
Environmental Services	9.1	14.5	12.6	9.4	8.0	13.2	10.6	11.2
Property and Office Support Services	4.5	12.0	7.2	5.5	-3.1	8.4	1.9	2.7
Industrial Services	0.1	7.7	9.9	1.9	8.5	18.1	6.3	-6.5
L&T total	5.7	12.0	10.1	6.8	3.2	11.6	6.6	15.5
Finance costs, net	-1 078	-1 242	-1 233	-1 685	-1 370	-1 346	-990	-1 100
Profit before tax	7 426	15 667	13 633	8 300	3 511	16 237	9 208	21 735

Invested capital

Invested capital amounted to EUR 9.1 million more than a year ago mainly due to the increase in the inventories of L&T Biowatti. The rate of circulation for invested capital was 1.6 (1.7; 1.7).

EUR 1000	31 December 2009	31 December 2008	31 December 2007
Non-current assets	357 891	356 609	319 380
Inventories and receivables	110 914	94 559	88 137
Available-for-sale investments in shares			16 800
Liquid assets	27 583	26 517	14 008
Deferred tax liability	-33 622	-32 898	-29 842
Trade and other payables	-94 130	-88 298	-85 183
Provisions	-2 155	-1 755	-1 055
Other non-interest-bearing liabilities	-5 374	-2 640	-2 733
Invested capital	361 107	352 094	319 512

Financing

At the end of the year, interest-bearing liabilities amounted to EUR 3.2 million less than a year earlier. Net interest-bearing liabilities, totalling EUR 116.3 million, decreased by EUR 4.3 million. The amount of net finance costs exceeded that of the comparison period by EUR 0.4 million, which is attributed to the considerably larger amount of interest-bearing liabilities in the first half compared to the previous year. Net finance costs were 0.9% (0.8%) of net sales and 10.4% (8.7%) of operating profit.

In 2009, a total of EUR -0.3 million (EUR -1.0 million; EUR 1,0 million) arising from the changes in the fair values of interest rate swaps to which hedge accounting under IAS 39 is applied was recognised in other comprehensive income, after tax.

In 2009, new long-term loans totalling EUR 24.0 million (EUR 47.0 million) were

drawn and a total of EUR 19.0 million of short-term loans were converted into long-term loans. EUR 29.2 million (EUR 15.6 million) were repaid. At 31 December, the weighted average of effective interest rates of long-term loans was 2.93% (4.61%). At the end of the year, the amount of liquid assets was EUR 27.6 million (EUR 26.5 million). A committed limit of EUR 15.0 million was not in use as at the end of the year 2008. EUR 15.5 million of committed limits were in use at the end of the year 2008.

The equity ratio was 44.1% (43.2%; 46.6%) and the gearing rate 53.5 (58.8; 42.7). Cash flows from operating activities amounted to EUR 66.2 million (EUR 70.4 million; EUR 55.4 million). EUR 12.0 million were tied up in the working capital.

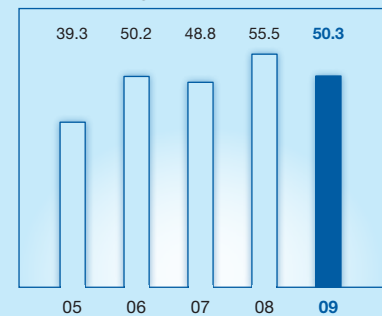
Liquidity remained at a good level throughout the year.

Key figures for financing

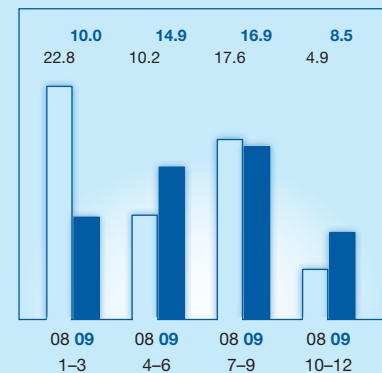
	2009	2008	2007
Interest-bearing liabilities, EUR million	143.9	147.1	117.2
Net interest-bearing liabilities, EUR million	116.3	120.5	86.4
Interest expenses, EUR million	5.9	6.1	5.3
Net finance costs, EUR million	5.2	4.8	4.3
Net finance costs, % of net sales	0.9	0.8	0.8
Net finance costs, % of operating profit	10.4	8.7	8.9
Equity ratio, %	44.1	43.2	46.6
Gearing, %	53.5	58.8	42.7
Cash flows from operating activities, EUR million	66.2	70.4	55.4
Change in working capital in the cash flow statement, EUR million	-12.0	2.2	-13.2

Financial risks and financial risk management are presented in the Note 37 Financial risk management.

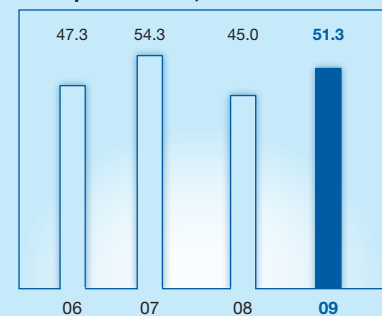
Operating profit, EUR million



Operating profit quarterly, EUR million



Operating profit excluding non-recurring and imputed items, EUR million



Capital expenditure

Capital expenditure totalled EUR 44.9 million (EUR 84.2 million; EUR 93.2 million). The largest construction projects were L&T Recoil re-refinery and the extension of the Kerava recycling plant.

On 1 June 2009, the property maintenance services business of Valkeakosken Talohuolto Ky was acquired into Property and Office Support Services. On 1 October 2009, the waste collection operations of Kuljetusliike Veli-Pekka Hiltunen Oy and on 1 November 2009, the business operations of Raahen Kuljetus Maunula Ky were acquired into Environmental Services. The business acquisitions totalled EUR 1.7 million and the combined annual net sales of the acquired businesses totalled EUR 2.1 million.

In the beginning of June, the business of Environmental Services' unit in Virrat was disposed of.

Changes in the Group structure

Kanta-Hämeen Ympäristöyhtiö Oy was merged with Lassila & Tikanoja plc. Jätehuolto Savon Sähäkkä Oy, KolinaKuljetus Oy, L&T Hygieneutvikling AS, Outohuolto Oy, SuolaSiivo Oy and Tabletti Kliinerit Oy were dissolved.

Personnel

In 2009, the average number of employees converted into full-time equivalents was 8,113 (8,363; 7,819). At the year end, the total number of full-time and part-time employees was 8,743 (9,490; 9,387). Of them 6,762 (7,269; 6,986) people worked in Finland and 1,981 (2,221; 2,401) people in other countries.

The wages and salaries paid in 2009 totalled EUR 190.4 million (EUR 192.0 million; EUR 170.2 million).

Capital expenditure by balance sheet item

EUR million	2009	2008	2007
Real estates	14.4	25.5	9.1
Machinery, equipment and other property, plant and equipment	25.0	51.7	36.6
Goodwill and intangible rights arising from business acquisitions	1.4	3.1	41.4
Other intangible assets	4.0	3.8	5.9
Other non-current assets	0.1	0.1	0.2
Total	44.9	84.2	93.2

Capital expenditure by division

EUR million	2009	2008	2007
Environmental Services	25.9	41.8	60.7
Property and Office Support Services	6.3	9.7	20.8
Industrial Services	12.7	32.7	11.5
Group administration and other			0.2
Total	44.9	84.2	93.2

Total number of full-time and part-time employees at year end by country

	2009	2008	2007
Finland	6 762	7 269	6 986
Latvia	912	1 050	1 028
Sweden	588	738	649
Russia	481	433	528
Norway			196
Total	8 743	9 490	9 387

Product development

The goal of product development is to give L&T's services a competitive edge and thereby to help the company achieve its growth targets. Group-level operations include product development planning, product development process management and development project implementation.

The most significant new service concept introduced in 2009 was the L&T® EcoMaintenance that helps reduce energy consumption in properties and cut consumption-related costs. This service concept involves daily energy efficiency monitoring and development by maintenance personnel alongside their daily duties. To enhance their energy efficiency skills and knowledge, maintenance personnel undergo L&T's EcoMaintenance training, during which they learn about initial status assessment, continued observation for the identification of potential energy savings, and suggesting and implementing development measures. Suggested and implemented measures are recorded in the property's user diary, and changes in energy efficiency are monitored.

During the year, two service concepts were launched in support of customers' safety and security goals. The L&T® Air-Raid Shelter service involves an inspection by L&T's specialists in co-operation with a protection technology company, Temet, to ensure that the property's civilian centres meet legal requirements. Customers offered the L&T® Damage Security Agreement service will be provided with a jointly designed operating model in case of an accident or emergency, which can help minimise any operational disruptions or interruptions.

The current market instability and increasingly fierce competition are forcing customers to consider support services from the viewpoint of the added value they create. L&T's product development strategy is aimed at promoting the competitiveness of customer enterprises and differentiation in the customer's mind.

Research and development expenses

An expense of EUR 2.4 million (EUR 3.0 million; EUR 2.4 million) of centrally managed product development projects was recognised in the income statement and it was 0.4% of net sales (0.5%; 0.4%). Computer software development costs of EUR 2.4 million (EUR 2.0 million; EUR 1.0 million) were recognised as an asset in the balance sheet. Computer software development costs are recognised as an asset starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset.

Risk management

Objective

L&T's risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that company's objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

Responsibilities

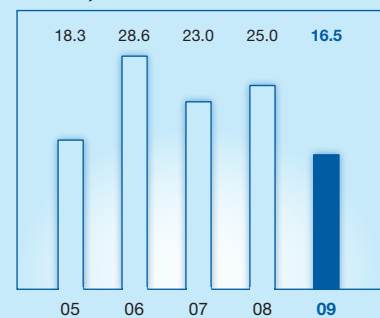
The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management.

Principles for financial risk management are defined in the Financial Policy.

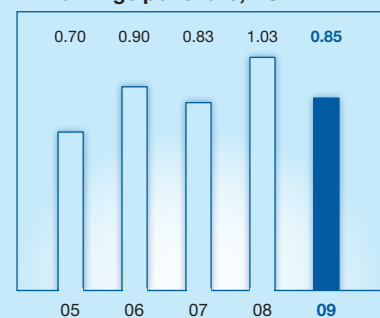
Identification, assessment and reporting of risks

The risk management process is determined in L&T's Integrated Management System. Regular risk survey take place as part of the annual strategy process at the group, division and product line levels, in units outside Finland as well as within centralised functions defined as being critical. The operative management assesses strategic, financial, damage-related and operational risk factors for each

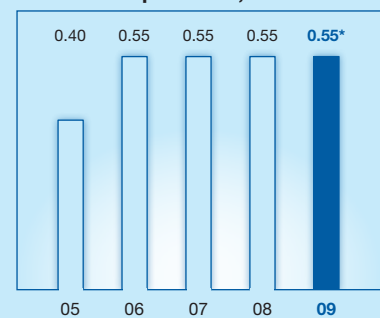
EVA, EUR million



Earnings per share, EUR



Dividend per share, EUR



* Proposal by the Board of Directors

area of responsibility. The significance of risks is assessed using a risk matrix. Contingency plans for significant risks are prepared and the responsibilities for risk management measures are allocated. Any risks identified and preparations for them are regularly reported to the President and CEO and to the Board of Directors.

Risk analysis

The following is a description of the most important strategic, operational and damage-related risks of L&T's business which, if realised, can endanger or prevent the achievement of business objectives.

Financial risks and their management are described in Note 37 Financial risk management.

Strategic and operational risks

Risks relating to information and communications systems

If realised, risks associated with the use of information systems can cause interruptions in L&T's operations. Information systems can also hamper the company's functional efficiency as they become obsolete, while disturbances in data communications connections can have a negative effect on centralised customer services and on the use of data systems for mobile work.

The action plan for 2009 emphasised the importance of a consistent Group-wide system hierarchy structure. To secure the reliability and operability of information systems, a sizeable ERP system overhaul project is underway in Finland.

Market-related risks

A deeper economic recession and a decline in customers' operational volumes, the market-entry of new competitors,

legislative changes or the transfer of waste management to municipal ownership could alter the market situation. Market price development for emission rights, secondary raw materials or oil products may affect the company's business operations.

The general economic uncertainty makes it difficult to predict future developments. Major changes in the markets may have a negative impact on business growth and cause profitability to decline.

L&T is independent of single large customers, which, together with L&T's extensive service offering, helps reduce market-related risks. As a means of standing out from its competitors and creating value-adding elements other than price, L&T is continuously developing and launching new service products. To prepare for market risks, L&T pays special attention to profitability improvement and customer care. The combination of the Industrial Services division with the Environmental Services division provides an opportunity for operational efficiency enhancement and a more customer-driven business approach.

Commodity risk

The profitability of the Environmental Services division is affected by the world market price of crude oil. Its fluctuations are reflected in the price of fuel used in waste management transports as well as in the purchase prices of Environmental Products through oil-based raw materials. In waste management, some customer contracts specify such invoicing periods and contract terms that the sales prices cannot be raised monthly. This means that the rise in fuel prices is passed on to the prices of the services with a delay. No derivatives have been used to hedge against this raw material price risk.

The joint venture L&T Recoil started its production at the end of the year 2009. At the Group level, L&T's diesel

purchases form a partial hedge against base oil price risk as the price level of base oil produced by L&T Recoil follows the crude oil price development.

L&T manages the raw material price risk for Environmental Products through fixing sales prices for a period not exceeding the period for which the suppliers' purchase prices are valid.

Acquisitions

L&T seeks growth both organically and through acquisitions. The success of acquisitions affects the achievement of the company's growth and profitability targets. Failures in acquisitions may impact the company's competitive ability and profitability and may change the company's risk profile. Risk related to acquisitions is managed through strategic and financial analysis of acquisition targets, comprehensive audits of due diligence, as well as an efficiently implemented integration programme after the closing of an acquisition.

Operations in developing markets

L&T has business operations in Latvia and Russia. Business operations in these countries make the company vulnerable to political and financial risks as well as risks relating to changes in social conditions and, for example, any restriction of the free pricing of services. L&T endeavours to mitigate these risks by becoming familiar with the international market situation and the business culture through means such as commissioning studies of the country-specific risks of developing markets.

Availability of competent personnel

L&T's business is labour-intensive. The availability of labour improved due to the economic recession in 2009, but in the long run, competition for skilled labour in the service sector will continuously become more intense as a consequence of increased demand for services and an ageing population. The recruitment of cleaning personnel is not easy even dur-

ing an economic recession, because the labour force on the market does not seek jobs in the cleaning industry and such workers are often overqualified.

L&T runs several human resource management programmes aimed at efficient use of labour through efforts focusing on continuous training, job rotation and occupational safety, among other things. L&T endeavours to maintain a good image as an employer and to be the most attractive employer in its sector.

Damage-related risks

To cover for unexpected damage, L&T has continuous insurance coverage in all of the operating countries, including policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage.

Risk of fire

The manufacture of recovered fuels within the Environmental Services business constitutes a risk of fire. A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. However, the significance of the risk is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability. In addition to taking out insurance, L&T endeavours to mitigate the risks of fire damage by constructing automated extinguishing systems, carrying out systematic contingency planning and training personnel to prepare for emergencies.

Risk of environmental damage

L&T's business comprises the collection and transport of hazardous waste, as well as processing at the company's own plants. Incorrect handling of hazardous waste or damage to equipment may result in harmful substances being released into the environment or injuries through explosion or poisoning. L&T may become liable for damages due to this. In addition to taking out insurance, the company manages environmental damage risks through systematic environ-

mental surveys of its plants, preventive maintenance plans of equipment, audits, long-span training for personnel and emergency drills.

Premature retirement of personnel

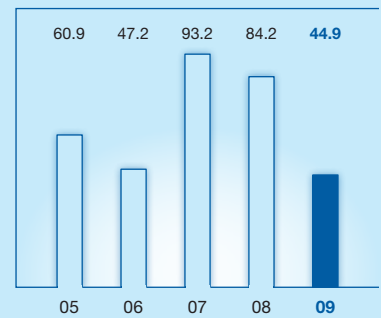
Increased disability pension costs may have a fundamental impact on L&T's competitiveness and profitability in the future, particularly in Property and Office Support Services. As a major employer, L&T is liable for pension costs in full arising from the disability of its personnel. L&T makes efforts towards promoting the health of employees and managing occupational health care through the Sirius programme aimed at minimising sickness-related absence and disability pensions.

Environmental factors

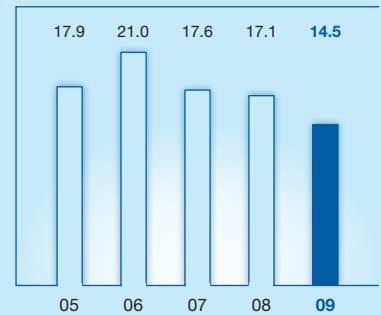
L&T is a responsible corporate citizen, and being a leading environmental management company it carries a particularly heavy responsibility with respect to environmental issues. That is why L&T's day-to-day operations are guided by the principles of sustainable development and corporate citizenship. By offering its environmental competence to its customers, L&T is making its customers better equipped to meet their environmental obligations and to reach their environmental targets. Furthermore, L&T makes every effort to anticipate changes in environmental standards and values, and strives to influence them by developing methods and technologies.

By recycling waste materials and industrial by-products, L&T is promoting material recovery and is thereby acting in accordance with EU's and Finland's environmental agenda. L&T processes part of the waste materials into recovered fuel, which can be used as energy, and the company is also a major supplier of wood-based biofuels. In addition, L&T collects and processes hazardous waste. Any reject materials not suitable for recovery are directed to safe final disposal. Base oil produced by L&T Recoil is used as a raw material in the lubricants industry. In addition, L&T offers sustainable

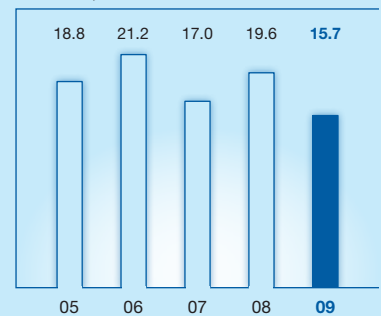
Capital expenditure, EUR million



ROI, %



ROE, %



service solutions for property and plant management.

L&T's secondary raw material and fuel deliveries reduced Finland's carbon dioxide emissions by more than two million tons in 2008, which is a little more than a year earlier. The carbon dioxide emissions from L&T's own operations fell despite the growth in operations.

The most significant negative environmental impacts of L&T's operations include the emissions and noise of vehicles used for collection and transport services, and of work machinery. To minimise these impacts, L&T acquires low-emission vehicles and focuses on better route planning.

Environmental management

Environmental management is included in L&T's management system combined with the management of health and safety issues. With regard to the environment, L&T's environmental, health and safety (EHS) objective for 2007–2009 was to reduce energy consumption and emissions.

L&T's management system and centralised functions have been certified for compliance with the ISO 14001 environmental standard. Furthermore, L&T's services have been awarded environmental certifications in Finland, Sweden and Latvia.

Environmental management and waste processing operations are governed by strict laws and regulations, and

operations often require a permit. L&T has 83 environmental permits related to the handling and storage of waste and biofuels. In 2009, six environmental permits were granted and seven new permit application processes were launched.

Actions in 2009

In 2009, efforts continued to reduce the emissions caused by transport and work machinery. The regrouping of the Industrial Services and Environmental Services divisions helped improve routing efficiency and enabled different business operations to combine their transports. In addition, installation of a vehicle positioning system in property maintenance vehicles helped make vehicle use more efficient. Actions taken to reduce emissions included a course on a proactive driving style, to be completed by all L&T lorry drivers. The EU directive requires that the course should be completed by 2014.

Internal assessments on environmental and occupational safety issues as well as safety audits by insurance companies are conducted regularly in L&T's business locations.

L&T together with VTT Technical Research Centre of Finland developed a tool for calculating the impact on climate change of the waste generated by customer companies. L&T's specialists first assess the company's current waste management status and calculate the impact of waste on the climate. The results are then compared to various waste management solutions and the customer

is presented with a range of development suggestions.

A new service concept, L&T® EcoMaintenance, was developed for property management that allows the monitoring and active development of a property's energy efficiency alongside daily duties. Trained maintenance personnel identify areas where energy can be saved, propose measures to be taken, and record the suggested improvements and measures taken in a user diary. Maintenance personnel acquire their energy efficiency competence in L&T's EcoMaintenance training programme, which was completed by approximately 200 L&T personnel in 2009. Training will continue in 2010.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 34 Related-party transactions.

Corporate Governance Statement

Corporate Governance Statement for the financial year 2009 is disclosed as a separate statement.

Administrative organs

In accordance with Lassila & Tikanoja plc's Articles of Association, the management of the company and the proper arrangement of its operations is the responsibility of a Board of Directors comprising a minimum of three (3) and a maximum of seven (7) members

appointed by the General Meeting of Shareholders. The term of each member of the Board of Directors expires at the end of the next Annual General Meeting following his/her election. The company has a President and CEO appointed by the Board of Directors. In accordance with the Companies Act, the General Meeting of Shareholders shall decide on any amendments to the Articles of Association.

According to a written service contract with the President and CEO, the period of notice is 12 months if the company terminates his employment.

The Annual General Meeting of Shareholders held on 24 March 2009 confirmed the number of the members of the Board of Directors six (6). The following Board members were re-elected to the Board until the end of the following AGM: Heikki Bergholm, Eero Hautaniemi, Matti Kavetvu, Juhani Lassila and Juhani Majjala. Hille Korhonen was elected as a new member for the same term. In its constitutive meeting the Board re-elected Juhani Majjala as Chairman of the Board and Juhani Lassila as Vice Chairman. The Board decided to establish an audit committee. From among its members, the Board elected Juhani Lassila as Chairman and Eero Hautaniemi and Hille Korhonen as members of the audit committee. Heikki Lassila, Authorised Public Accountant, acts as Principal Auditor.

Jari Sarjo has served as the President and CEO since 2001.

Group Executives

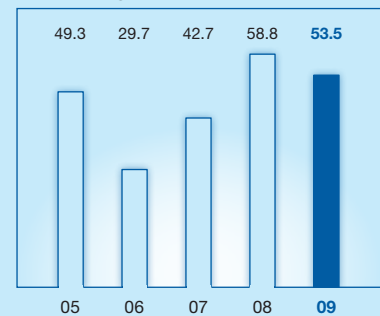
On 3 November 2008, Lassila & Tikanoja plc's Board of Directors appointed Ville Rantala as CFO as of 1 March 2009, as Vice President and CFO Sirkka Tuomola retired. On 26 October 2009, the Board of Directors appointed Tomi Salo Managing Director of L&T Biowatti Oy and Group Executive of Lassila & Tikanoja plc as of 1 December 2009. Salo is responsible for the Renewable Energy Sources division. Arto Nivalainen left the management team on 4 September 2009.

L&T's Group Executives are Laura Aarnio (on maternity leave since 18 September 2009), Accounting Director, Anna-Maija Apajalahti, Vice President, Property and Office Support Services, Kimmo Huhtimo, Director responsible for product and process development, marketing communications and Contact Centre, Jorma Mikkonen, Vice President, Environmental Services, Inkeri Puputti, HR Director, Ville Rantala, CFO and Tomi Salo, Managing Director of L&T Biowatti Oy.

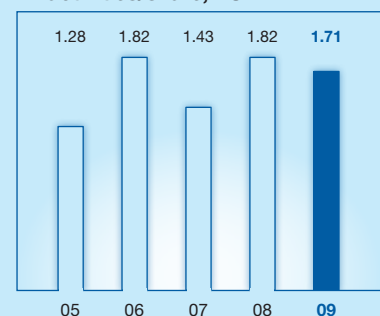
Distribution of profit

The Group's earnings per share amounted to EUR 0.85 (EUR 1.03; EUR 0.83) and cash flow from operating activities per share EUR 1.71 (EUR 1.82; EUR 1.43). The Board of Directors will propose payment of a dividend of EUR 0.55 per share (EUR 0.55; EUR 0.55) to the Annual General Meeting to be held on 31 March 2010. No dividend shall be paid on shares held by the company on the dividend payment record date. On the day when the distribution of profit was proposed, the number of shares conferring entitlement to receive dividend totalled 38,768,874 shares, on which the total dividend payment would be EUR 21,322,880.70. The proposed dividend is 64.4% of the earnings per share (53.4%; 66.7%).

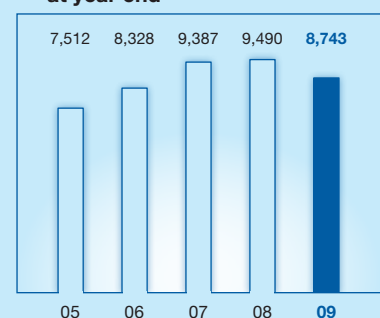
Gearing, %



Cash flows from operating activities/share, EUR



Total number of full-time and part-time employees at year end



Near-term uncertainties

Sustained economic uncertainty may reduce transport and recycling volumes and the number of assignments. The market price and demand instability of secondary raw materials could have a negative effect on the profitability of recycling services. Rapid fluctuations in demand for services purchased by the industry and the low operating rates in the industry may hamper the planning and implementation of work.

If the operating rate target set for L&T Recoil's production is not reached, this will have a negative impact on the Environmental Services division's performance. Performance will also be adversely affected by the potential fall in the price of crude oil because the price of base oil follows crude oil price developments with a slight delay.

Low prices of fossil fuels such as coal, oil and peat may undermine the competitiveness of L&T Biowatti's wood-based fuels. Similarly, the low wholesale price of electricity and low price of emission rights will weaken demand.

The intensifying competition environment and changes in legislation in Latvia may prove detrimental to the profitability of the waste management business.

Prospects for the year 2010

In the Environmental Services division, waste material transport and recycling volumes are expected to remain unchanged. The demand and market prices of secondary raw materials are expected to recover slowly. The current operating rates in the industry will result in low hazardous waste volumes and demand for maintenance services. Production at L&T Recoil's re-refinery continues to be unstable. Its operating rate will have a major impact on the division's profitability.

The market for Property and Office Support Services is expected to remain unchanged or weaken. Customers must follow tight cost control, which is assumed to increase competitive bidding and reduce orders for additional services.

The demand for L&T Biowatti's wood-based fuels is expected to remain moderate due to low operating rates in the industry and the low wholesale price of electricity. Furthermore, the low price of emission rights will undermine the competitiveness of wood-based fuels.

Net sales and operating profit excluding non-recurring items in 2010 are expected to remain at the 2009 level.

Shares and shareholders

Share capital and number of shares

The registered share capital of Lassila & Tikanoja plc is EUR 19,399,437. The number of shares is 38,798,874. In January–December, the average number of shares excluding the shares held by the company totalled 38,780,589. Each share carries one vote. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value.

The company's shares are included in the book-entry system of securities maintained by Euroclear Finland Ltd. Euroclear Finland maintains the company's official list of shareholders.

Trading in shares and share options in 2009

The company's shares are quoted on the mid-cap list of the NASDAQ OMX

Helsinki Ltd in the Industrials sector.

The trading code is LAT1V and the ISIN code is FI0009010854.

The volume of trading in Lassila & Tikanoja plc shares on the NASDAQ OMX Helsinki during 2009 was 10,089,598, which is 25.9% (45.0%; 51.2%) of the average number of outstanding shares. The value of trading was EUR 127.2 million (EUR 287.9 million; EUR 467.2 million). The trading price varied between EUR 9.16 and EUR 17.19. The closing price was EUR 15.99. During the review period the company repurchased 30,000 own shares. Market capitalisation was EUR 619.9 million (EUR 426.8 million; EUR 880.4 million) at the end of the year.

Lassila & Tikanoja's 2005B share options have been listed on the NASDAQ OMX Helsinki since 2 January 2009 (trading code LAT1VEW205) and 2005C share options since 2 November 2009 (trading code LAT1VEW305).

Own shares

At the end of the period Lassila & Tikanoja plc held 30,000 of its own shares which represent 0.1% of shares and votes. The shares were repurchased based on the authorisation given by the Annual General Meeting on 20–26 May 2009 at a total price of EUR 356 thousand.

Dividend policy

The amount of dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

Authorisation for the Board of Directors

The Annual General Meeting held on 24 March 2009 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the

Changes in share capital and number of shares between 30 September 2001 and 31 December 2009

Change	Change in share capital, EUR	Change in number of shares	Share capital, EUR	Number of shares
30 September 2001–31 December 2003			7 913 154	15 826 308
Subscriptions pursuant to share options during 2004	35 390	106 170	7 948 544	15 897 088
Bonus issue 1:1	7 948 544	15 897 088	15 897 088	31 794 176
Rights offering 5:2 at EUR 7.50 each *	3 171 029	6 342 058	19 068 117	38 136 234
31 December 2004			19 068 117	38 136 234
Subscriptions pursuant to share options during 2005	120 770	241 540	19 188 887	38 377 774
31 December 2005			19 188 887	38 377 774
Subscriptions pursuant to share options during 2006	75 200	150 400	19 264 087	38 528 174
31 December 2006			19 264 087	38 528 174
Subscriptions pursuant to share options during 2007	128 100	256 200	19 392 187	38 784 374
31 December 2007			19 392 187	38 784 374
Subscriptions pursuant to share options during 2008	7 250	14 500	19 399 437	38 798 874
31 December 2008			19 399 437	38 798 874
31 December 2009			19 399 437	38 798 874

* Subscription ratio before the bonus issue

The changes in share capital and the number of the shares in 2009 and 2008 are listed in more detail in Note 23 Equity.

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.

The Board of Directors is not authorised to launch a convertible bond or share option rights.

Redemption obligation

Under Article 14 of Lassila & Tikanoja plc Articles of Association, a shareholder whose holding either alone or together with other shareholders as specified in the Article reaches or exceeds 33 1/3 or 50 per cent of all shares has an obligation upon the request of other shareholders to redeem their shares or securities entitling them to shares.

Restrictions in voting power

According to the Articles of Association, at a General Meeting of Shareholders no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

Change in control

According to a shareholder agreement concerning the joint venture L&T Recoil Oy, the right to transfer shares in the joint venture is restricted, and any change in control of the parent companies specified in the agreement may create a right of redemption of the joint venture's shares for the other party.

Terms and conditions of share subscriptions based on the share option schemes

The exercise price for 2005B options is EUR 16.98, for 2005C options EUR 26.87 and for 2008 options EUR 16.27. The exercise prices will be deducted by any amount of per-share dividend, distributed after the determination of the exercise price and before the subscription of shares, which exceeds a total of 70% of the per-share earnings for the financial period for which the dividends are distributed. The exercise period for 2005B options is 3 November 2008 to 31 May 2010, for 2005C options 2 November 2009 to 31 May 2011 and for 2008 options from 1 November 2010 to 31 May 2012.

As a result of the exercise of outstanding share options a maximum of 572,000 may be subscribed for, which is 1.5% of the current number of shares.

More details of share option schemes are given in Note 24. Share-based payment. The complete terms and conditions of the share option plans are available on the company website.

The dividend right and other shareholder rights associated with shares subscribed for using share options shall commence once the increase in share capital or new shares issued are registered in the Trade Register.

Share-based incentive programme

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel. Payment of the reward is subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards are decided annually. Potential rewards to be paid for the year 2009 will be based on the EVA result of Lassila & Tikanoja group.

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. Potential rewards will be paid during the year following each earnings period partly as shares and partly in cash. The proportion paid in cash will cover taxes arising from the reward. No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the Group Executives are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their

Summary of share option schemes at 31 December 2009

	2005B	2005C	2008
Maximum number of options	200 000	230 000	230 000
Granted to	32 key employees	37 key employees	37 key employees
Held by L&T Advance Oy	24 000	30 000	34 000
Outstanding options	176 000	200 000	196 000
Listed since	2 January 2009	2 November 2009	
Exercise period	3 November 2008– 31 May 2010	2 November 2009– 31 May 2011	1 November 2010– 31 May 2012
Exercise price, EUR	16.98	26.87	16.27
Number of shares to which each share option entitles holder	1	1	1

The dividend right and other shareholder rights associated with shares subscribed for using share options shall commence once the increase in share capital or new shares issued are registered in the Trade Register.

gross salary for three months as long as they are employed by the company.

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. In the starting phase the programme covered 28 persons.

Shareholders

Lassila & Tikanoja plc had 7,595 registered shareholders at the end of 2009 (6,135; 4,985). Nominee-registered shares and shares in direct foreign ownership accounted for 9.6% of the stock (10.3%; 14.3%).

Notifications on major holdings

On 30 April 2009, Ilmarinen Mutual Pension Insurance Company announced

that its holding of the shares and votes in Lassila & Tikanoja plc had fallen to 7.6%.

OP-Pohjola Group announced on 12 May 2009 that its holding of the shares and votes in Lassila & Tikanoja plc had risen to 5.2%, and on 7 August 2009 that its holding of the shares and votes in Lassila & Tikanoja plc had fallen to 4.7%.

Holdings of the Board of Directors and President and CEO

The Members of the Board, the President and CEO, and organisations under their control held a total of 4,875,042 shares in the company on 31 December 2009. They represent 12.6% of the number of shares and votes. Share options held by the President and CEO on 31 December 2009 entitle to the subscription of 86,000 shares.

Breakdown of shareholding by category at year end

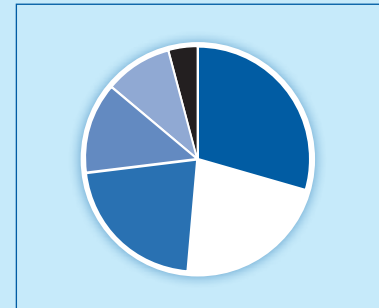
	Number of share-holders	Percentage	Number of shares	Percentage of shares and votes
Non-financial corporations and housing corporations	500	6.6	1 583 216	4.1
Financial and insurance corporations	54	0.7	8 403 677	21.7
General Government	36	0.5	8 511 527	21.9
Non-profit institutions serving households	225	3.0	5 049 457	13.0
Households	6 738	88.7	11 461 041	29.5
Foreign shareholders	42	0.5	157 660	0.4
	7 595	100.0	35 166 578	90.6
Own shares			30 000	0.1
Shares registered in a nominee's name			3 561 760	9.2
Shares not transferred to the book-entry securities system			40 536	0.1
Total			38 798 874	100.0

Breakdown of shareholding by size of holding at year end

Number of shares	Number of share-holders	Percentage	Number of shares	Percentage of shares and votes
1–1 000	6 252	82.3	1 785 570	4.6
1 001–5 000	940	12.4	2 111 819	5.4
5 001–10 000	174	2.3	1 282 358	3.3
10 001–100 000	187	2.4	5 248 277	13.5
100 001–500 000	28	0.4	4 905 267	12.7
over 500 000	14	0.2	19 833 287	51.1
	7 595	100.0	35 166 578	90.6
Own shares			30 000	0.1
Shares registered in a nominee's name			3 561 760	9.2
Shares not transferred to the book-entry securities system			40 536	0.1
Total			38 798 874	100.0

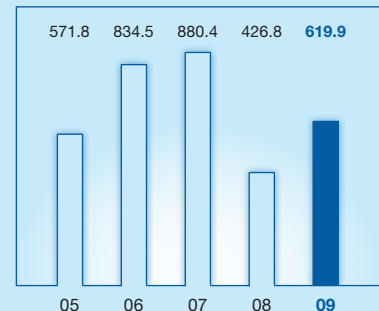
Breakdown of shareholding

% of shares and votes



- Households
- General Government
- Financial and insurance corporations
- Non-profit institutions serving households
- Foreign shareholders including shares registered in a nominee's name
- Non-financial corporations and housing corporations

Market capitalisation at year end, EUR million



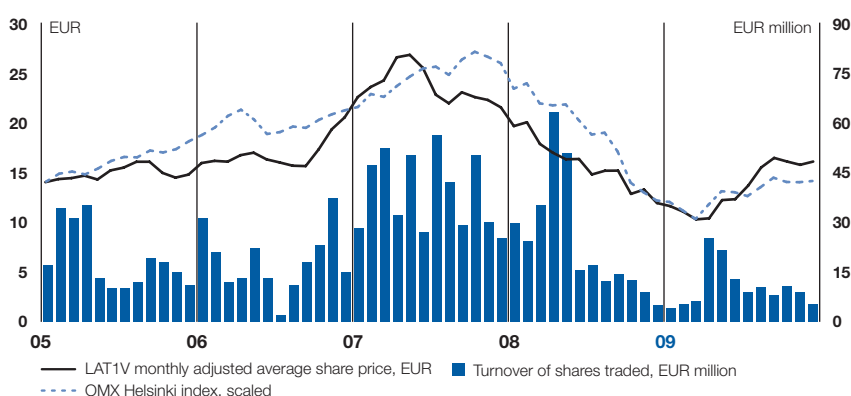
Major shareholders at year end

Shareholder	Number of shares	Percentage of shares and votes
1. Ilmarinen Mutual Pension Insurance Company	2 854 858	7.4
2. Evald and Hilda Nissi Foundation	2 413 584	6.2
3. Mandatum Life Insurance Company Limited	2 232 238	5.8
4. Tapiola Mutual Pension Insurance Company	1 974 240	5.1
5. OP-Pohjola Group	1 802 832	4.6
6. Juhani Majjala	1 529 994	3.9
7. Varma Mutual Pension Insurance Company	1 265 690	3.3
8. Tapiola Group	1 186 301	3.1
9. Nordea investment funds	1 056 661	2.7
10. The State Pension Fund	927 000	2.4
11. Heikki Bergholm	775 807	2.0
12. Mikko Majjala	700 000	1.8
13. Kristiina Turjanmaa	585 842	1.5
14. Aktia investment funds	528 280	1.4
15. Sampo investment funds	372 096	1.0
16. Veritas Pension Insurance Company Ltd.	350 000	0.9
17. Eeva Majjala	320 000	0.8
18. Chemec Ltd	280 000	0.7
19. Fondita investment funds	267 019	0.7
20. Etera Mutual Pension Insurance Company	250 000	0.6
Total	21 672 442	55.9

All information concerning the company's shareholders is based on the list of shareholders maintained by Euroclear Finland Oy as on 31 December 2009.

Current information on shares and shareholders is available on the company website and is updated monthly.

Adjusted share price development and turnover of shares traded



Key figures on shares

	2009	2008	2007	2006	2005
Earnings per share (EPS), EUR	0.85	1.03	0.83	0.90	0.70
Earnings per share (EPS), diluted, EUR	0.85	1.03	0.82	0.90	0.70
Equity per share, EUR	5.60	5.28	5.21	4.52	3.98
Dividend per share, EUR	0.55*	0.55	0.55	0.55	0.40
Dividend/earnings ratio, %	64.4*	53.4	66.7	61.1	57.0
Effective dividend yield, %	3.4*	5.0	2.4	2.5	2.7
Price/earnings ratio	18.7	10.7	27.5	24.1	21.2
Cash flows from operating activities/share, EUR	1.71	1.82	1.43	1.82	1.28
Share price adjusted for issues:					
lowest, EUR	9.16	10.26	20.03	14.75	13.10
highest, EUR	17.19	23.00	27.96	22.46	16.67
average, EUR	12.61	16.50	23.59	16.99	14.68
closing, EUR	15.99	11.00	22.70	21.66	14.90
Market capitalisation at 31 December, EUR million	619.9	426.8	880.4	834.5	571.8
Number of shares adjusted for issues					
average during the year	38 780 589	38 796 135	38 670 047	38 444 950	38 193 024
at year end	38 768 874	38 798 874	38 784 374	38 528 174	38 377 774
average during the year, diluted	38 784 285	38 816 873	38 843 151	38 600 805	38 420 755
Adjusted number of shares traded during the year	10 089 598	17 452 448	19 802 194	12 807 684	15 263 446
as a percentage of the average	25.9	45.0	51.2	33.3	40.0
Volume of shares traded, EUR 1 000	127 213	287 928	467 215	217 562	224 128

* Proposal by the Board of Directors

Key figures on financial performance

	2009	2008	2007	2006	2005
Net sales, EUR million	582.3	606.0	554.6	436.0	377.4
Operating profit, EUR million	50.3	55.5	48.8	50.2	39.3
as % of net sales	8.6	9.2	8.8	11.5	10.4
Profit before tax, EUR million	45.0	50.7	44.5	48.5	37.5
as % of net sales	7.7	8.4	8.0	11.1	9.9
Profit for the period, EUR million	33.1	40.0	32.2	35.3	27.2
as % of net sales	5.7	6.6	5.8	8.1	7.2
Profit for the period attributable to the equity holders of the parent company, EUR million	33.1	40.0	31.9	34.6	26.8
as % of net sales	5.7	6.6	5.8	7.9	7.1
EVA, EUR million	16.5	25.0	23.0	28.6	18.3
Cash flows from operating activities, EUR million	66.2	70.4	55.4	69.9	48.9
Balance sheet total, EUR million	496.4	477.7	438.3	352.6	314.8
Return on equity, % (ROE)	15.7	19.6	17.0	21.2	18.8
Return on invested capital, % (ROI)	14.5	17.1	17.6	21.0	17.9
Equity ratio, %	44.1	43.2	46.6	50.4	49.5
Gearing, %	53.5	58.8	42.7	29.7	49.3
Net interest-bearing liabilities, EUR million	116.3	120.5	86.4	52.5	76.5
Capital expenditure, EUR million	44.9	84.2	93.2	47.2	60.9
as % of net sales	7.7	13.9	16.8	10.8	16.1
Depreciation, amortisation and impairment, EUR million	40.3	41.0	33.4	28.2	24.8
Average number of employees in full-time equivalents	8 113	8 363	7 819	6 775	5 918
Total number of full-time and part-time employees at year end	8 743	9 490	9 387	8 328	7 512

Calculation of the key figures

Earnings per share =	$\frac{\text{profit attributable to equity holders of the parent company}}{\text{adjusted average basic number of shares}}$
Earnings per share, diluted =	$\frac{\text{profit attributable to equity holders of the parent company}}{\text{adjusted average diluted number of shares}}$ (Note 10 Earnings per share)
Equity per share =	$\frac{\text{equity attributable to equity holders of the parent company}}{\text{adjusted basic number of shares at the balance sheet date}}$
Dividend per share =	$\frac{\text{dividend for the financial period}}{\text{share issue adjustment factor for issues made after the financial period}}$
Dividend/earnings ratio, % =	$\frac{\text{dividend per share}}{\text{earnings per share}} \times 100$
Effective dividend yield, % =	$\frac{\text{dividend per share}}{\text{closing price of the financial period}} \times 100$
Price/earnings ratio =	$\frac{\text{closing price of the financial period}}{\text{earnings per share}}$
Cash flows from operating activities/share =	$\frac{\text{cash flows from operating activities as in the cash flow statement}}{\text{adjusted average basic number of shares}}$
Market capitalisation of shares =	basic number of shares at the balance sheet date x closing price of the financial period
EVA =	operating profit - cost calculated on invested capital (average of four quarters) WACC 2009: 9.40% WACC 2008: 9.30% WACC 2006–2007: 8.75% WACC 2005: 9.00%
Return on equity, % (ROE) =	$\frac{\text{profit for the period}}{\text{equity (average)}} \times 100$
Return on investment, % (ROI) =	$\frac{(\text{profit before tax} + \text{finance costs})}{(\text{balance sheet total} - \text{non-interest-bearing liabilities (average)})} \times 100$
Equity ratio, % =	$\frac{\text{equity}}{(\text{balance sheet total} - \text{advances received})} \times 100$
Gearing, % =	$\frac{\text{interest-bearing liabilities}}{\text{equity}} \times 100$
Net interest-bearing liabilities =	interest-bearing liabilities - liquid assets
Operating profit excluding non-recurring and imputed items =	operating profit +/- non-recurring and imputed items

Consolidated income statement

1 January - 31 December EUR 1000	2009	%	2008	%	Note
Net sales	582 306	100.0	605 996	100.0	1
Cost of sales	-505 699	-86.8	-533 681	-88.1	
Gross profit	76 607	13.2	72 315	11.9	
Other operating income	2 425	0.4	21 708	3.6	6
Selling and marketing costs	-14 636	-2.5	-16 228	-2.7	
Administrative expenses	-11 705	-2.0	-12 105	-2.0	
Other operating expenses	-2 427	-0.4	-7 102	-1.2	6
Goodwill impairment			-3 090	-0.5	13
Operating profit	50 264	8.6	55 498	9.2	3, 5
Finance income	1 290	0.2	1 931	0.3	8
Finance costs	-6 528	-1.1	-6 737	-1.1	8
Profit before tax	45 026	7.7	50 692	8.4	
Income tax expense	-11 881	-2.0	-10 724	-1.8	9
Profit for the period	33 145	5.7	39 968	6.6	
Attributable to:					
Equity holders of the company	33 140		39 969		
Minority interest	5		-1		
Earnings per share for profit attributable to the equity holders of the company:					
Basic earnings per share, EUR	0.85		1.03		10
Diluted earnings per share, EUR	0.85		1.03		

Consolidated statement of comprehensive income

1 January - 31 December EUR 1000	2009	2008	Note
Profit for the period	33 145	39 968	
Other comprehensive income, after tax			
Hedging reserve, change in fair value	-343	-972	
Current available-for-sale investments			8, 21
Gains in the period	-21	29	
Reclassification adjustments		-14 238	
Current available-for-sale investments	-21	-14 209	
Translation differences	324	-1 862	
Other comprehensive income, after tax	-40	-17 043	
Total comprehensive income, after tax	33 105	22 925	
Attributable to:			
Equity holders of the company	33 020	22 950	
Minority interest	85	-25	

More information on taxes in consolidated statement of comprehensive income is presented in Note 9 Income taxes.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December EUR 1000	2009	%	2008	%	Note
ASSETS					
Non-current assets					
Intangible assets					12
Goodwill	113 771		115 451		
Customer contracts arising from acquisitions	6 232		7 346		
Agreements on prohibition of competition	11 641		13 270		
Other intangible assets arising from acquisitions	3 194		5 158		
Other intangible assets	13 579		11 402		
	148 417	29.9	152 627	32.0	
Property, plant and equipment					14
Land	4 015		3 832		
Buildings and constructions	72 072		43 958		
Machinery and equipment	110 817		113 851		
Other	81		78		
Prepayments and construction in progress	14 666		35 433		
	201 651	40.6	197 152	41.3	
Other non-current assets					
Available-for-sale investments	525		502		17, 30
Finance lease receivables	4 425		4 694		18, 30
Deferred income tax assets	2 147		945		9
Other receivables	726		689		30
	7 823	1.6	6 830	1.4	
Total non-current assets	357 891	72.1	356 609	74.6	
Current assets					
Inventories	32 842		18 827		19
Trade and other receivables	77 702		74 634		20, 30
Derivative receivables			112		30, 31
Prepayments	370		986		
Available-for-sale investments	18 484		20 368		21, 30
Cash and cash equivalents	9 099		6 149		22, 30
Total current assets	138 497	27.9	121 076	25.4	
Total assets	496 388	100.0	477 685	100.0	

The notes are an integral part of these consolidated financial statements.

31 December EUR 1000	2009	%	2008	%	Note
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the company					23
Share capital	19 399		19 399		
Share premium reserve	50 673		50 673		
Other reserves	-3 084		-2 964		
Retained earnings	116 874		97 799		
Profit for the period	33 140		39 969		
	217 002		204 876		
Minority interest	247		162		
Total equity	217 249	43.8	205 038	42.9	
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	33 622		32 898		9
Retirement benefit obligations	671		674		25
Provisions	2 100		1 741		26
Borrowings	120 969		102 487		27, 30
Other liabilities	1 510		1 083		28, 30
	158 872	32.0	138 883	29.1	
Current liabilities					
Borrowings	22 890		44 569		27, 30
Trade and other payables	94 130		88 298		29, 30
Derivative liabilities	1 073		610		30, 31
Tax liabilities	2 119		273		
Provisions	55		14		26
	120 267	24.2	133 764	28.0	
Total liabilities	279 139	56.2	272 647	57.1	
Total equity and liabilities	496 388	100.0	477 685	100.0	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR 1000	2009	2008	Note
Cash flows from operating activities			
Profit for the period	33 145	39 968	
Adjustments	59 192	43 096	33
Net cash generated from operating activities before change in working capital	92 337	83 064	
Change in working capital			
Change in trade and other receivables	-4 654	3 502	
Change in inventories	-14 022	-4 492	
Change in trade and other payables	6 689	3 152	
Change in working capital	-11 987	2 162	
Interest paid	-7 511	-5 953	
Interest received	1 505	1 867	
Income tax paid	-8 156	-10 716	
Net cash generated from operating activities	66 188	70 424	
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-1 747	-4 298	2
Proceeds from sale of subsidiaries and businesses, net of sold cash	197	23	33
Purchases of property, plant and equipment and intangible assets	-42 735	-77 542	
Proceeds from sale of property, plant and equipment and intangible assets	4 328	789	
Purchases of available-for-sale investments	-54	-200	
Change in other non-current receivables	-13	-11	
Proceeds from sale of available-for-sale investments	7	16 867	
Dividends received	1	4	
Net cash used in investing activities	-40 016	-64 368	
Cash flows from financing activities			
Proceeds from shares issued		206	23
Changes in short-term borrowings	-12 044	-4 593	
Proceeds from long-term borrowings	43 000	47 000	
Repayments of long-term borrowings	-34 388	-14 546	
Repurchase of own shares	-356		
Dividends paid	-21 318	-21 315	
Net cash generated from financing activities	-25 106	6 752	
Net change in liquid assets			
Liquid assets at beginning of period	26 517	14 008	
Effect of changes in foreign exchange rates	28	-339	
Change in fair value of current available-for-sale investments	-28	40	
Liquid assets at end of period	27 583	26 517	22

The notes are an integral part of these consolidated financial statements.

Consolidated 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	Note
Equity at 1 January 2008	19 392	50 474	14 055	118 236	202 157	187	202 344	
Share subscriptions with 2005 options	7	199			206		206	23, 24
Expense recognition of share-based benefits				886	886		886	24
Dividends paid				-21 323	-21 323		-21 323	11
Total comprehensive income			-17 019	39 969	22 950	-25	22 925	
Equity at 31 December 2008	19 399	50 673	-2 964	137 768	204 876	162	205 038	
Equity at 1 January 2009	19 399	50 673	-2 964	137 768	204 876	162	205 038	
Expense recognition of share-based benefits				757	757		757	24
Repurchase of own shares				-356	-356		-356	
Dividends paid				-21 295	-21 295		-21 295	11
Total comprehensive income			-120	33 140	33 020	85	33 105	
Equity at 31 December 2009	19 399	50 673	-3 084	150 014	217 002	247	217 249	

More information on equity is shown in Note 23 Equity, and on taxes recognised in equity in Note 9 Income taxes.

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

Lassila & Tikanaja plc is a Finnish public limited company. Its domicile is Helsinki. The registered address of the company is Hopeatie 2, 00440 Helsinki. The Group consists of the parent Lassila & Tikanaja plc and its subsidiaries (together L&T), and it specialises in environmental management and property and plant support services and is a leading supplier of wood-based biofuels, recovered fuels and secondary raw materials. The Group has business operations in Finland, Sweden, Latvia and Russia.

Lassila & Tikanaja plc is listed on NASDAQ OMX Helsinki.

The consolidated financial statements are available on the company website at www.lassila-tikanaja.com or from the parent company's head office, address Lassila & Tikanaja plc, P.O. Box 28, 00441 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanaja plc on 9 February 2010. Under the Finnish Companies Act, the shareholders may accept or reject the financial statements at the general meeting of shareholders held after they are published. The meeting also has the power to alter the financial statements.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all the information presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations that were effective on 31 December 2009. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

The consolidated financial statements have been prepared in euros, and figures are presented as thousands of euros. The financial statements have been prepared under the historical cost convention with the exception of available-for-sale investments for which a fair value can be determined from market prices and derivative contracts, which have been measured at fair value. Share-based payments have been recognised at fair value on the grant date.

Consolidation

The consolidated financial statements include parent Lassila & Tikanaja plc and all subsidiaries in which it directly or indirectly holds over 50% of the voting power. The subsidiaries are fully consolidated from the date on which control is transferred to L&T until the date that control ceases. Control means the right to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Acquired companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given as consideration and liabilities assumed, as well as costs directly attributable to the acquisition. Acquired identifiable assets and liabilities are recognised at acquisition-date fair value. The amount of acquisition cost that exceeds the Group's portion of the fair value of the net assets acquired is recognised as goodwill. The excess of the fair value of the net assets of the

acquired subsidiary over the cost is recognised directly in the income statement. For goodwill arising from business combinations made before the year 2004, the carrying amounts according to the accounting principles applied prior to IFRS are recognised. The first-time adoption standard is applied to these acquisitions, and the acquisitions have not been restated in preparation of the opening IFRS balance sheet (1 January 2004).

All intra-Group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in the consolidated financial statements. The distribution of profit for the period between equity holders of the parent company and the minority is presented in connection with the income statement, and the share of equity belonging to the minority is presented as a separate item in the consolidated statement of financial position under equity. The minority interest in accrued losses is recognised in the consolidated financial statements up to the amount of the investment at the maximum.

Business combinations between entities under shared control are measured using the purchase prices, as such acquisitions do not belong to the scope of application of IFRS 3 Business Combinations. With regard to the acquisition of minority interests, the difference between the acquisition cost and the acquired equity is recognised as goodwill.

Joint ventures are entities over which L&T has joint control. Joint ventures are accounted for by the proportionate method line by line. L&T's share of the assets, liabilities, revenues, expenses and contingent liabilities of the joint ventures is included in the consolidated financial statements.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the parent's functional currency.

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Monetary assets denominated in foreign currency are translated into euros using the exchange rates in effect on the balance sheet date. Non-monetary assets are translated using the exchange rates on the dates prevailing at the dates of the transactions. There are no non-monetary assets denominated in foreign currency that are measured at fair value. Exchange rate gains and losses arising from foreign currency transactions and the translation of monetary assets are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in finance income or finance costs.

The income statements of the Group entities whose functional currency is not the euro are translated into euros at average exchange rates for the period, and the statements of financial positions at the exchange rates for the balance sheet date. The difference in exchange rates applicable to the translation of profit in the income statement and statement of financial position result in a translation difference recognised in the translation reserve within equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulating after the acquisition, are recognised in the translation reserve. Non-current loan receivables for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the net investment in subsidiaries. The translation differences on such receivables also are recognised in the translation reserve. When a subsidiary is sold, any accumulated translation differences are recognised in profit or loss as part of the total gain or loss on the sale.

Goodwill and fair value adjustments to the assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euro at the closing rate.

Revenue recognition

Sales of services are recognised after the services have been provided. At plants producing materials for sale, the cost of materials is recognised in inventories. When the processed materials have no sales price, cost provisions are recognised in accrued expenses.

Sales of goods are recognised after the decisive risks and rewards connected to the ownership of the goods sold have been transferred to the buyer, and the amount of the revenue can be reliably measured.

Sales are shown net of indirect tax and discounts.

Interest income is recognised using the effective interest method. The Group's dividend income is minor, and it is recognised when the right becomes vested if information on dividends is available at that time. Otherwise it is recognised on the date of payment.

Construction contracts

Contract revenue and contract costs are recognised on the basis of the stage of completion once the outcome of the project can be estimated reliably. Landfill closure contracts are recognised using the percentage-of-completion method. Their initiation and completion generally take place in different financial periods. The stage of completion of a contract is determined as the proportion of costs incurred from work completed up to the time of examination in relation to the estimated total contract costs. If the incurred costs and recognised profits exceed the progress billings, the difference is presented in the statement of financial position under accruals. If the incurred costs and recognised profits are less than the progress billings, the difference is presented under advances received.

When the outcome of a construction contract cannot be estimated reliably, the costs incurred are recognised as an expense in the period in which they are incurred, and revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. If it is probable that the total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately.

The collection of contaminated soil has not been treated as a construction contract because the outcome of the projects cannot be estimated reliably. According to the prudence principle, revenue from the contaminated soil collection operations will not be recognised as revenue until the soil has been finally disposed of. The costs of the projects are recognised as an expense in the period in which they are incurred.

Research and development

Research expenditure is recognised as an expense during the period in which it is incurred. The probable future revenues from new service concepts are evident at such a late stage that the portion to be recognised as an asset has no material importance, and thus the costs are not recognised as an asset.

Computer software development costs recognised as an asset in the statement of financial position are described in more detail in the following chapter.

Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of L&T's share of the net identifiable assets of the acquiree on the date of acquisition. Goodwill is not amortised, but it is tested annually for impairment. Goodwill is presented in

the statement of financial position at original cost less impairment losses, if any.

Intangible assets acquired in a business combination are measured at fair value. The useful lives of intangible assets are assessed to be finite or indefinite. In L&T, the intangible assets recognised in business combinations include items such as customer relations, non-competition agreements and environmental permits. They have finite useful lives varying between three and thirteen years.

Other intangible assets consist primarily of software and software licences.

The costs of software projects are recognised in other intangible assets starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset. Such an intangible asset must provide L&T with future economic benefit that exceeds the costs of its development. The cost comprises all directly attributable costs necessary for preparing the asset to be capable of operating in the manner intended by the management. The largest cost items are consultancy fees paid to third parties, as well as salaries and other expenses for the Group's personnel.

The amortisation period for computer software and software licences is five years.

Property, plant and equipment

Property, plant and equipment are stated at historical cost. The historical cost includes expenditure that is directly attributable to the acquisition of each asset. The financial costs attributable to the construction of the joint venture L&T Recoil's re-refinery are capitalised as part of the cost of the asset and are depreciated over the expected useful life of the asset. As L&T Recoil's borrowings have been taken out for the construction of the re-refinery, the actual borrowing costs have been capitalised in the acquisition cost.

In business combinations, property, plant and equipment are measured at fair value at the acquisition date. In the statement of financial position, property, plant and equipment are shown less depreciation and impairment, if any.

Property, plant and equipment are depreciated using the straight-line method over the expected useful lives excluding new landfills. The expected useful lives are reviewed on each balance sheet date and, if expectations differ substantially from previous estimates, the depreciation periods are adjusted to reflect the changes in the expectations for future economic benefits.

The depreciation in the financial statements is based on the following expected useful lives:

Buildings and structures	5–30 years
Vehicles	6–15 years
Machinery and equipment	4–15 years

The maximum depreciation period for buildings and structures has been extended to 30 years, which is the expected useful life for some of the structures of the L&T Recoil production plant. Prior depreciation periods have not been changed.

For landfills completed in 2008 and later the Group applies the units of production method. Landfills are depreciated on the basis of the volume of waste received. This method reflects more closely than the straight-line method the expected future benefits to be derived from the landfills. As the Kerava landfill is about to be filled up, it will be fully depreciated using the straight-line method.

Land is not depreciated.

When an asset included in property, plant and equipment consists of several components with different estimated useful lives, each component is treated as a separate asset. Ordinary repair and maintenance costs are recognised in the income statement

during the period in which they are incurred. Costs of significant modification and improvement projects are capitalised if it is probable that the projects will result in future economic benefits to the Group. Gains and losses on sales and disposal of property, plant and equipment are determined by comparing the net proceeds with the carrying amount and are recognised in other operating income or expenses.

Impairment of assets

The carrying amounts of assets are reviewed continuously for impairment. If any indication exists, an estimate of the asset's recoverable amount is made for impairment testing. The need for impairment is assessed at the level of cash generating units – that is, the lowest level of unit that is primarily independent of other units and that generates cash flows that are separately identifiable.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. Value in use refers to the estimated future net cash flows available from an asset or cash generating unit, discounted to present value. An impairment loss is recognised in the income statement when an asset's carrying amount exceeds its recoverable amount. An impairment loss recognised in prior periods is reversed if there is a change in the circumstances and the recoverable amount has changed.

Goodwill is tested for impairment annually or whenever there is any indication that it may be impaired. Recoverable amount calculations based both on values in use and on net sales price are made for the cash generating units to which the goodwill has been allocated. Impairment losses attributable to a cash generating unit are used to deducting first the goodwill allocated to the cash generating unit and, thereafter, the other assets of the unit on an equal basis. An impairment loss recognised on goodwill is not reversed.

Intangible assets under construction are software projects that cannot be tested separately for impairment as they do not generate separate cash flow. There is no need for impairment if it is stated at the end of the financial period that the projects will be completed and the software will be brought to use. The intangible assets under construction are, however, tested for impairment as a part of the cash generating unit to which they belong.

Leases

The Environmental Services division leases equipment, such as waste compactors, out to customers under long-term leases that transfer substantially all of the risks and rewards incidental to ownership to the lessee. Such leases are classified as finance lease, and net investment in them is recognised as a trade receivable at the commencement of the lease term. Each lease payment is apportioned between finance income and repayment of trade receivables. Finance income is allocated over the lease term on the basis of a pattern that reflects a constant periodic rate of return on the net investment.

The assets leased under a finance lease are recognised in property, plant and equipment at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are depreciated over the lease term or over their expected useful lives, if shorter. However, when there is reasonable assurance that the ownership of the leased asset will transfer to L&T by the end of the lease term, the asset will be depreciated using the method applied for a corresponding asset being utilised by the company. Liabilities arising from the lease agreements are recognised in borrowings. Each lease payment is apportioned between interest cost and reduction of finance lease liabilities. Finance costs are allocated to each period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases of assets and premises that do not transfer substantially all of the risks and rewards incidental to ownership to the lessee are classified as operating leases. The lease payments are recognised on a straight-line basis over the lease term as income or cost depending on whether L&T is the lessor or the lessee. Assets leased out under operating leases are recognised in property, plant and equipment and are depreciated over their expected useful lives using the method applied for corresponding property, plant and equipment being utilised by the company.

The joint venture L&T Recoil has signed a purchase agreement covering the procurement of hydrogen, hot oil and steam. Pursuant to this agreement, L&T Recoil undertakes to purchase the entire production of the production facilities for its re-refinery. The purchase agreement contains a lease as specified in IFRIC 4. This is classified as an IAS 17 compliant financial lease with the same term as the purchase agreement.

Financial instruments

Financial assets and liabilities are classified as loans and receivables, available-for-sale investments, financial assets and liabilities at fair value through profit or loss and as other financial liabilities. The classification is done when the asset or liability is acquired and is based on the purpose of the acquisition.

A financial asset is derecognised when the rights to the cash flows from the asset expire or when substantially all risks and rewards of the ownership of the asset have been transferred outside L&T.

Borrowings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are included in this category, and they are recognised in the statement of financial position at historical cost less credit adjustments and impairment losses.

Available-for-sale investments include shares as well as certificates of deposit and commercial papers. By definition, the category includes financial assets that do not belong to actual business and are not in production use on the one hand, and financial assets that can be sold to obtain working capital for business operations on the other hand. The financial instruments in this category are measured at fair value. All unlisted shares are, however, measured at cost or at cost less impairment loss, if any, as the markets for these shares are inactive and their fair value cannot be measured reliably.

Available-for-sale investments are included in non-current assets if management intends not to dispose of the investment within 12 months of the balance sheet date. All purchases and sales of available-for-sale investments are recognised on the settlement date. Any change in fair value between the trade date and settlement date is recognised in equity.

In the financial statements, available-for-sale investments are measured at fair value at market prices of the balance sheet date. Changes in fair values are recognised considering tax effects in the revaluation reserve within equity and transferred to the income statement when the asset is sold or becomes due. Changes in fair values are transferred to the income statement also when the fair value of an investment has been permanently impaired.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments to which hedge accounting is not applied. Accounting policies applied to them are described below under Derivative financial instruments and hedge accounting.

Borrowings are recognised in the statement of financial position at the settlement date at fair value on the basis of the consideration received including transaction costs that are directly attributable to the acquisition or issue. Subsequently these finan-

cial liabilities are measured at amortised cost using the effective interest rate method.

Trade and other current non-interest-bearing payables are recognised in the statement of financial position at cost. Their fair value is considered to equal to or approximate the cost.

Derivative financial instruments and hedge accounting

L&T's derivative financial instruments included interest rate swaps to hedge the cash flow of variable-rate borrowings against interest rate risk, forward contracts to hedge the loans granted to foreign subsidiaries against currency risk as well as crude oil put options and future contracts purchased to hedge the sales price risk associated with the upcoming base oil production of a re-refinery under construction for the joint venture L&T Recoil. The forward contracts were terminated and L&T Recoil's crude oil put options were sold in late 2008.

Derivatives are recognised initially in the statement of financial position at cost, which is their fair value at the time of acquisition. After acquisition, they are measured at fair value at each balance sheet date. The fair values of interest rate swaps, forward contracts and crude oil options are based on that day's market prices. The fair values of the options at balance sheet date are determined by using option pricing models. Any gains and losses arising from fair valuation are accounted for in the manner determined by the purpose of the derivative financial instrument.

All interest rate hedges and currency hedges meet the criteria set for efficient hedging in the Group's risk management policy. Hedge accounting in accordance with IAS 39 was not applied to some interest rate swaps, neither was it applied to the terminated foreign currency forward contracts, but changes in the fair values of these items were recognised in the income statement as finance income or costs. Neither did L&T apply hedge accounting to the oil hedges made in the name of the joint venture, nor were any changes in the fair values recognised in full as other operating income or expenses in the income statement.

Derivatives for which hedge accounting is not applied are classified as financial assets and liabilities held for trading. Positive fair values of all derivatives are recognised in derivative receivables in the statement of financial position. Any negative fair values of derivatives are recognised correspondingly in derivative liabilities. All fair values of derivatives are included in current assets or liabilities.

Hedge accounting is applied to cash flow hedges only. With regard to interest rate swaps for which L&T applies hedge accounting, the relationship between the hedged liability and the interest rate swap is documented together with the risk management objectives. At the commencement of a hedge and in connection with each closing of the accounts, L&T assesses the hedging instrument's ability to offset any changes in cash flows. To the extent that cash flow hedging is efficient, changes in fair value are recognised in the hedging reserve within equity. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, the gain or loss on the hedging instrument remains in equity until the hedged cash flow becomes realised. If the hedged cash flow no longer is expected to be realised, the gain or loss incurred on the hedging instrument is recognised immediately through profit or loss. The ineffective portion a hedging relationship is also recognised through profit or loss.

The economic characteristics and risks of interest options included in borrowing agreements are embedded derivatives closely related to the host contracts. L&T does not, under IAS 39, account for them separately from the host contracts.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits redeemable on demand, as well as other short-term liquid investments. Their maturity is no longer than three months from the acquisition date and they are recognised as of the settlement date and measured at historical cost.

Impairment of financial assets

The Group assesses on each balance sheet date whether there is objective evidence that any financial asset item is impaired. If there is evidence of impairment, the cumulative loss in the fair value reserve is recognised in profit or loss. Impairment losses on shares classified as financial assets available for sale are not reversed through profit or loss, as is the case with impairment losses recognised on fixed income instruments that are subsequently reversed.

Doubtful debts are reviewed each month. If there is objective evidence that the balance sheet values of the receivables exceed their recoverable amounts, the difference is recognised as an impairment loss in other operating expenses in the income statement. The criteria for recognising an impairment loss on a receivable include the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. If the difference between the balance sheet value of receivables and the recoverable amounts is reduced later, the impairment loss will be cancelled through profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The inventories of L&T Biowatti and Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method.

At its recycling plants, L&T processes recyclable materials into materials for sale. The cost of the inventories of these materials comprises raw materials, direct labour costs, other direct costs of manufacturing and a proportion of variable and fixed production overheads based on normal operating capacity.

Employee benefits

Retirement benefit obligations

Pension plans are categorised as defined benefit and defined contribution plans. Under defined contribution plans the Group pays fixed contributions for pensions, and it has no legal or factual obligation to pay further contributions. All pension arrangements that do not fulfil these conditions are considered defined benefit plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate. L&T operates pension schemes in accordance with local regulations and practices in the countries in which it operates, and these are mainly defined contribution plans.

L&T operates some minor defined benefit plans originating from business acquisitions. Some of these defined benefit pension plans are the Group's own responsibilities while some are covered by pension insurance. The obligations have been calculated for each plan separately using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service in accordance with actuarial calculations. The discount rate used for determining the present value of a retirement benefit obligation is based on the swap interest rate curve plus a risk premium and the estimated duration of the retirement benefit obligation. The risk premium is based on

bonds issued by companies with AAA credit rating. The pension plan assets measured at fair value on the balance sheet date, the share of unrecognised actuarial gains and losses, as well as any past-service costs are deducted from the present value of the retirement benefit obligation to be recognised in the statement of financial position.

The portion of the actuarial gains and losses that exceeds the greater of 10% of the retirement benefit obligations and 10% of the fair value of plan assets is recognised in the income statement over the expected remaining working lives of the persons participating in the scheme.

Past-service costs are recognised as expenses in the income statement on a straight-line basis over their vesting period.

Share-based payment

IFRS 2, Share-based Payment, has been applied to the share-based incentive programme and the share option plans that have been granted after 7 November 2002 and had not become vested before 1 January 2005.

Share options

The cost recognition of an option plan is based on fair value determined on the grant date and the final amount of benefits granted. The fair value is measured using the Black-Scholes option pricing model. The fair value on the grant date is recognised as an expense on a straight-line basis during the vesting period. In this respect, the expense recognition is not reversible, regardless of whether the recipient subsequently has exercised the share option. The offset item for any income statement recognition always is recognised in equity, and therefore it does not affect the amount of equity as a whole.

Non-market vesting conditions are not taken into account in the determination of the fair value of benefits granted. The rate of rejection of options is expected to be 0% on the grant date. The estimate of the number of options to be exercised is reviewed quarterly, and the amount of benefits included in the cost recognition is adjusted to correspond to the amount that is expected to become finally vested once the vesting period expires. The effects of any changes are recognised in the income statement and in equity.

When options are exercised, the proceeds from share subscriptions are recognised in equity. Proceeds received from share subscriptions based on options issued prior to the new Finnish Companies Act becoming effective are recognised in accordance with the terms and conditions of the plan in share capital and share premium. Such are options issued in 2005. Proceeds from options issued after the new Finnish Companies Act becoming effective are recognised net of any transaction costs in accordance with the terms and conditions of the plan in non-restricted equity fund. Such are options issued in 2008.

Share-based incentive programme

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel. Payment of the reward is subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards are decided annually. Potential rewards to be paid for the year 2009 will be based on the EVA result of the Group. 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. Potential rewards will be paid during the year following each earnings period partly as shares and partly in cash. The fair value of the share is its market price on the grant date.

Provisions

A provision is recognised when L&T has a legal or actual obligation toward a third party resulting from past events and the event involves a probable payment obligation in an amount that can be estimated reliably. A liability of uncertain timing and amount is recognised as a provision. In other cases a liability is recognised in accrued expenses.

Environmental provisions are recognised when it is probable that an obligation has arisen and its amount can be estimated reliably. Environmental provisions related to the restoration of sites are made at the commencement of each project. The costs recognised as a provision, as well as the original acquisition cost of assets, are depreciated over the useful life of the asset. Provisions are discounted to present value. The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and the contaminated soil processing site.

Borrowing costs

The revised standard IAS 23 requires that the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be included in the acquisition cost of that asset. The revised standard shall be applied to the qualifying assets for which the commencement date for capitalisation of the borrowing costs is on or after 1 January 2009, the effective date of the standard.

Transaction costs directly attributable to the issue of a financial liability have been included in the historical cost of the liability and have been recognised as interest expense during the expected life of the liability applying the effective interest method already before the effective date of the standard.

Government grants

Government grants or other grants relating to actual costs are recognised in the income statement when the group complies with the conditions attached to them and there is reasonable assurance to that the grants will be received. They are presented in other operating income. Government grants directly associated with the recruitment of personnel, such as employment grants, apprenticeship grants and the like, are recognised as reductions in personnel expenses. Grants for acquisition of property, plant and equipment are recognised as deductions of historical cost. The grant is recognised as revenue over the life of a depreciable asset by way of a reduced depreciation charge.

Income taxes

The Group's income taxes consist of current tax and deferred tax. Tax expenses are recognised in the income statement with the exception of items directly recognised in equity, in which case the tax effect is recognised correspondingly in equity. Current tax is determined for the taxable profit for the period according to prevailing tax rates in each country. Taxes are adjusted by the current tax for previous periods, if any.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Principal temporary differences arise from goodwill amortisation performed under FAS, depreciation on property, plant and equipment and revaluation of derivative financial instruments and measurement at fair value in business combinations. Deferred tax is measured at the tax rates enacted by the balance sheet date. No deferred tax is recognised for impairment of goodwill that is not tax-deductible. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

Critical judgments in applying the Group's accounting policies

The Group's management makes judgments when making decisions on the choice and application of accounting policies. In particular, this concerns cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation. A significant choice of accounting policy is to use the proportionate method, not the equity method, in the consolidation of joint ventures within the Group.

Critical accounting estimates and judgements

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 assets and liabilities and the amounts of revenues and expenses. Actual results may differ from the estimates and assumptions. The items wherein critical estimates and judgements have been made are described below.

Fair value measurement of assets and liabilities acquired in business combinations

Assets and liabilities acquired in business combinations are measured at fair value according to IFRS 3. Whenever possible, the management uses available market values when determining the fair values. When this is not possible, the measurement is based on the historical revenues from the asset. In particular, the measurement of intangible assets is based on discounted cash flows and requires the management to make estimates on future cash flows and the future use of assets, along with their effect on the Group's financial position. Although these estimates are based on the management's best knowledge, actual results may differ from the estimates (Note 2 Business acquisitions). The carrying amounts of assets are reviewed continuously for impairment. More information about this is provided in the section "Impairment of assets" under the accounting policies.

Goodwill impairment testing

In testing of goodwill for impairment, the recoverable amounts of the cash generating units to which the goodwill belongs are determined on the basis of value-in-use calculations. These calculations require the judgment by the management. Though the assumptions used are appropriate according to the management's judgment, the estimated cash flows may differ fundamentally from those realised in the future (Note 13 Goodwill impairment tests).

Distribution of dividend

Dividend is recognised as a liability in the statement of financial position after the resolution of the Annual General Meeting.

Application of new or amended IFRS standards

Amendments to standards effective from the beginning of 2009:

- IFRS 8 Operating Segments. The standard replaced the Segment Reporting standard (IAS 14) and requires that reporting be done from the management's viewpoint. Segment information shall be presented on the same basis as that used for internal reporting provided to the management and on the accounting policies applied in that reporting. The adoption of IFRS 8 did not impose any significant changes on the Group's segment reporting as the segment reporting is based on the internal reporting structure. As of 1 June 2009, business operations were regrouped into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Sources (L&T Biowatti). The company's internal reporting, as well as the segments reported externally, will be changed to reflect the new divisions at the beginning of 2010.
- IAS 23 (Amendment) Borrowing Costs (effective from 1 January 2009). The standard requires that the acquisition cost of an asset fulfilling certain preconditions, such as a production facility, shall include borrowing costs immediately attributable to the acquisition, construction or manufacture of the asset. The Group has previously recognised borrowing costs as expenses in the financial period during which they have been incurred. Finance costs associated with the construction of the L&T Recoil re-refinery were an exception, and they were capitalised as a portion of the acquisition cost.
- IAS 1 (Amendment) Presentation of Financial Statements (effective from 1 January 2009). The revised standard will change the presentation of the income statement and the statement of changes in equity. All owner changes in equity are presented in the statement of changes in equity, while non-owner changes in equity are presented in the consolidated statement of comprehensive income. As the amendment deals with presentation only, it has no impact on the earnings per share.
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective from 1 January 2009). The amendment requires a more extensive disclosure of the fair value measurement of financial instruments. The standard introduces a three-level fair value disclosure hierarchy where classification depends on the significance of input based on observable market data. Furthermore, the amendment clarifies and enhance disclosure requirements about liquidity risk arising from financial instruments.
- IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008, EU approval pending) clarifies the accounting practices for customer loyalty programmes. The adoption of the standard does not affect the Group's accounting policies because the Group does not operate any customer loyalty programmes.
- IFRS 2 (Amendment) Share-based Payment (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. The amendment will not have any impact on the financial statements.
- IAS 1 (Amendment) Presentation of Financial Statements and IAS 32 (Amendment) Financial Instruments: Disclosure and Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009, EU approval pending). The amended standards require the entities to classify puttable financial instruments as equity, while they have previously been classified as debt. The interpretation will not have any impact on the consolidated financial statements.
- IFRS 1 (Amendment) First-time Adoption of IFRS and IAS 27 (Amendment) Consolidated and separate financial statements (effective from 1 January 2010) – Cost of and investment in a subsidiary, jointly controlled entity or associate. The amendments will not have any impact on the consolidated financial statements, because they are applied to first-time adopters of IFRS.

The IASB has published the following new or revised standards and interpretations that have not been early applied by the Group. The Group will adopt them as of their effective date or the beginning of the financial period following the effective date when the effective date is other than the beginning date of the financial period. IFRS 9 Financial Instruments is an exception and the Group will adopt it as of the beginning of 2011 at the earliest.

- IFRS 3 (Amendment) Business combinations (effective from 1 July 2009). The standard contains several significant changes to the treatment of business combinations effected after the adoption of the amended standard and they have a material impact on the Group's financial statements. The amendments affect the amount of goodwill to be recognised from acquisitions and

items recognised in the income statement both in the period of the acquisition and in the periods where additional payments or additional acquisitions are made. For example, a contingent consideration is recognised at acquisition-date fair value and revaluations, if any, are recognised through profit or loss. Transaction costs such as attorney's and consultant's fees are no longer included in the acquisition cost but they are recognised in profit or loss. A minority interest may be measured either at fair value or at the minority interest's proportionate share of the acquiree's net assets. According to the transitional provisions, business combinations that were effected before the adoption of the standard will not be restated.

- IAS 27 (Amendment) Consolidated and separate financial statements (effective from 1 July 2009). The revised standard requires that the effects of changes in interest in a subsidiary are recognised in equity, when there is no change in control. When control in a subsidiary is lost, any remaining interest is measured at fair value through profit or loss. A similar accounting treatment will be applied to investments in associates (IAS 28) and interests in joint ventures (IAS 31). As a consequence of the amendment, losses of a subsidiary may be attributed to minority interests also when they exceed the minority interest.
- IAS 39 (Amendment) Financial instruments: Recognition and measurement (effective from 1 July 2009). Amendments relate to hedge accounting. They clarify the guidance by IAS 39 concerning one-sided hedging of a hedged item and hedging against inflation risk, if the hedged item is a financial asset or financial liability. The amendment will not have any impact on the financial statements.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 October 2009). The interpretation gives guidance on the recognition and measurement of distributions of non-cash assets to owners. The dividend payable shall be measured at the fair value and the difference between the dividend paid and the carrying amount of the net assets distributed recognised in profit or loss. The interpretation will not have any impact on the financial statements because it is improbable that the Group should distribute non-cash assets to owners.
- IFRIC 18 Transfers of Assets from Customers (effective from 1 October 2009). The interpretation clarifies requirements of IFRS standards concerning agreements in which the entity receives from its customers an item of property, plant and equipment or cash to be used to acquire or construct such an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The interpretation does not have any impact on the consolidated financial statements because the Group does not have any agreements to which the interpretation should be applied.
- IFRS 2 (Amendment) Share-based Payment – Group cash-settled share-based payment transactions (effective from 1 January 2010, EU approval pending). The amendments clarify that an entity that acquires goods or services must apply IFRS 2 although the entity has no obligation to settle the cash-settled share-based payment transactions with the supplier. The interpretation does not have any impact on the consolidated financial statements.
- IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issues (effective from 1 February 2010, EU approval pending). The amendment addresses the accounting for (classification) of issues of rights, options or warrants that are denominated in a currency other than the functional currency of the issuer. The amendment does not have any impact on the consolidated financial statements.
- IFRS 1 (Amendment) First-time Adoption of IFRS A revised standard version was issued in November 2008, where the structure of the standard has been clarified but which includes no changes to the content (effective from 1 January 2010). The amendments will not have any impact on the consolidated financial statements, because they are applied to first-time adopters of IFRS.
- Improvements to IFRSs (effective from 1 January 2010). With the Annual improvements method, necessary, but non-urgent, amendments to IFRSs are collected to a set and dealt with once a year. A total of 12 standards are affected by these amendments, and the impacts of the changes vary by standard. They are not expected to have a material impact on the Group's financial statements.
- IAS 24 (Revised) Related Party Disclosures (effective from 1.1.2011, EU approval pending). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The amendment will not have any impact on the consolidated financial statements.
- IFRS 9 Financial Instruments (effective from 1 January 2013 or from the beginning of the financial period following the effective date at the latest, EU approval pending), the Phase I in the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The following phases of the amendments will address the classification and measurement of financial liabilities, impairment of financial assets and hedge accounting. Management has not yet assessed the materiality of the amendments to the Group.

1. Segment reporting

Segment information is reported for business segments and for geographical segments, the primary reporting format being the business segments. The business segments are based on internal organisational structure and internal financial reporting. Inter-segment transactions are based on market prices.

Segment assets are those operating assets that are employed by a segment in its operating activities and that can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of the segment and can be allocated to the segment on a reasonable basis. Segment assets consist of intangible assets, property, plant and equipment, finance lease receivables, inventories and trade and other receivables excluding accrued receivables from interests and tax receivables. Segment liabilities consist of provisions and retirement benefit obligations and such non-current liabilities as prepayments, accrued liabilities and acquisition price liabilities, and such current liabilities as trade and other payables excluding accrued liabilities related to interests and tax liabilities.

The Group is organised into the following business segments:

Environmental Services covers the collection and transport of waste, processing of recyclable materials and the supply of recovered materials for reuse. L&T Biowatti specialises in the procurement, processing and supply of wood-based fuels. The segment is also engaged in wholesale trade in environmental management products.

Property and Office Support Services offers cleaning and office support services and property maintenance services.

Industrial Services specialises in heavy-duty environmental management and maintenance services that require special expertise.

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

As of 1 June 2009 L&T's business operations were regrouped into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Sources (L&T Bio-watti). The company's internal reporting as well as the segments reported externally are changed to reflect the new divisions at the beginning of 2010.

Group administration and other consist of external income from leasing out properties, cost of Group management, and cost arising from managing a listed company, as well as corresponding assets and liabilities. In addition, Group administration assets con-

sist of available-for-sale investments. In 2008, the operating profit includes the capital gain of EUR 14,258 thousand on the sale of Ekokem shares.

Unallocated assets consist of liquid assets, receivables of interest rate and foreign currency derivatives, accrued interest receivables and accrued other finance income as well as tax receivables. Unallocated liabilities consist of borrowings, liabilities of interest rate and foreign currency derivatives and accrued interest and other financing liabilities and tax liabilities.

The geographical segments are Finland and other countries. Net sales of geographical segments are reported based on the geographical location of the customer, and assets are reported by geographical location.

1.1. Business segments

2009

EUR 1000	Environ- mental Services	Property and Office Support Services	Industrial Services	Group administra- tion and other	Eliminations	Group
Net sales						
External net sales	276 977	240 414	64 915			582 306
Inter-division net sales	2 789	2 725	2 446		-7 960	0
Total net sales	279 766	243 139	67 361		-7 960	582 306
Operating profit	31 650	17 685	3 390	-2 461		50 264
Operating margin, %	11.3	7.3	5.0			8.6
Finance income and costs (Note 8)						-5 238
Profit before tax						45 026
Income tax expense (Note 9.1)						-11 881
Profit for the period						33 145
Assets						
Assets of the division	285 823	75 548	102 451	473		464 295
Unallocated assets						32 093
Total assets						496 388
Liabilities						
Liabilities of the division	40 108	37 312	17 712	1 951		97 083
Unallocated liabilities						182 056
Total liabilities						279 139
Capital expenditure (Notes 12 and 14)	25 943	6 227	12 691	21		44 882
Depreciation and amortisation (Note 5)	25 166	8 620	6 537	11		40 334
Other expenses of no-cash transactions						
Share-based payment				1 453		1 453
Retirement benefit obligations	29	27		16		72
Provisions	107		127			234
Total	136	27	127	1 469		1 759

2008

EUR 1000	Environ- mental Services	Property and Office Support Services	Industrial Services	Group administra- tion and other	Eliminations	Group
Net sales						
External net sales	298 260	240 549	67 187			605 996
Inter-division net sales	1 810	2 672	1 845		-6 327	0
Total net sales	300 070	243 221	69 032	0	-6 327	605 996
Operating profit	32 255	5 907	5 239	12 097		55 498
Operating margin, %	10.7	2.4	7.6			9.2
Finance income and costs (Note 8)						-4 806
Profit before tax						50 692
Income tax expense (Note 9.1)						-10 724
Profit for the period						39 968
Assets						
Assets of the division	273 722	75 747	96 722	458		446 649
Unallocated assets						31 036
Total assets						477 685
Liabilities						
Liabilities of the division	38 207	35 524	15 440	1 071		90 242
Unallocated liabilities						182 405
Total liabilities						272 647
Capital expenditure (Notes 12 and 14)	41 823	9 679	32 657	90		84 249
Depreciation and amortisation (Note 5)	23 122	8 982	5 788	3		37 895
Impairment		3 090				3 090
Other expenses of no-cash transactions						
Share-based payment				886		886
Retirement benefit obligations	133	27		5		165
Provisions	225		7			232
Total	358	27	7	891		1 283

Reconciliation of reportable segments' assets to total assets

EUR 1000	2009	2008
Segment assets for reportable segments	463 822	446 191
Other segments' assets	473	458
	464 295	446 649
Unallocated assets		
Liquid assets	27 583	26 518
Receivables of interest rate and foreign currency derivatives	1 824	584
Accrued interest receivables and other finance income	72	252
Tax receivables	2 614	3 682
Total	32 093	31 036
Total assets	496 388	477 685

Reconciliation of reportable segments' liabilities to total liabilities

EUR 1000	2009	2008
Segment liabilities for reportable segments	95 132	89 171
Other segments' liabilities	1 951	1 071
	97 083	90 242
Unallocated liabilities		
Liabilities of interest rate and foreign currency derivatives	145 096	147 056
Accrued interest and other financing liabilities	1 219	2 179
Tax liabilities	35 741	33 170
Total	182 056	182 405
Total liabilities	279 139	272 647

1.2. Geographical segments

EUR 1000	2009	2008
Net sales		
Finland	522 914	541 165
Other countries	59 392	64 831
Total	582 306	605 996
Assets		
Finland	425 345	411 963
Other countries	38 950	34 686
Unallocated assets	32 093	31 036
Total	496 388	477 685
Capital expenditure		
Finland	41 565	78 889
Other countries	3 317	5 360
Total	44 882	84 249

2. Business acquisitions

In business combinations, all property, plant and equipment acquired is measured at fair value on the basis of the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. Tangible assets will be depreciated over their useful life according to the management's estimate, taking into account the depreciation principles observed within the Group.

Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if the fair value of the asset can be determined reliably. In connection with acquired business operations, the Group mostly has acquired agreements on prohibition of competition and customer relationships. The fair value of customer agreements and customer relationships associated with them has been determined on the basis of estimated duration of customer relationships and discounted net cash flows arising from current customer relationships. The value of agreements on prohibition of competition is calculated in a similar manner through cash flows over the duration of the agreement. Other intangible assets will be amortised over their useful life according to agreement or the management's estimate.

In addition to the skills of the personnel of the acquired businesses, goodwill arising from business combinations comprises other intangible items that cannot be identified separately in accordance with IAS 38. These unidentified items include the potential for gaining new customers in the acquired businesses and the opportunities for developing new products and services, as well as the regionally strong position of an acquired business. These items do not fulfil the IAS 38 identification criteria in any way. The items cannot be separated from each other, they are not based on any agreement or legal right and their value cannot be determined reliably. All business combinations also create synergy benefits that consist primarily of savings in fixed production costs.

Changes in goodwill arising from acquisitions or acquisition costs may arise on the basis of terms and conditions related to the acquisition price in the deeds of sale. In many acquisitions a small portion of the acquisition price is contingent on future events (less than 12 months). Acquisition price adjustments, including also attorney's and consultants' fees attributable to a business combination, are recognised in goodwill within 12 months from the acquisition date. Such adjustments related to the businesses acquired in 2009 will probably still be made.

The consolidated net sales for the year 2009 would have been EUR 583.7 million and the consolidated profit for the period EUR 50.2 million if all the acquisitions had occurred on 1 January. The realised net sales of the acquired businesses have been added to the consolidated net sales, and their realised profits and losses have been added to the consolidated profit in accordance with interim accounts at the time of acquisition. Profit for the period is stated less the current amortisation on intangible assets and depreciation charges on property, plant and equipment. Synergy benefits have not been accounted for.

The aggregate net sales of the acquired businesses totalled EUR 2.1 million in 2009.

2009

Business acquisitions in aggregate

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	395	395
Customer contracts	718	
Agreements on prohibition of competition	598	
Total assets	1 711	395
Net assets	1 711	395
Goodwill arising from acquisitions	36	
Acquisition cost	1 747	
Acquisition cost	1 747	
Cash flow effect of acquisitions	1 747	

The property maintenance services business of Valkeakosken Talohuolto Ky was acquired into Property and Office Support Services on 1 June. The waste collection operations of Kuljetusliike Veli-Pekka Hiltunen Oy were acquired into Environmental Services on 1 October and the business operations of Raahen Kuljetus Maunula Ky on 1 November.

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. Individual purchase prices have not been itemised because none of them is of material importance when considered separately.

By annual net sales, the largest acquisition was Kuljetusliike Veli-Pekka Hiltunen (EUR 1.3 million).

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.

L&T holds 83.5% of the Muoviportti Group and has committed to redeeming the remaining 16.5% of the shares by the end of the year 2010. An estimate of the acquisition price for the remaining 16.5% was recognised as interest-bearing current liability.

On 18 December 2006, an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company. L&T also made a commitment to redeem the remaining 30% of the shares by the beginning of the year 2012. The acquisition price for the 70% portion was EUR 30.9 million, and it was settled in cash. No interest-bearing liabilities were transferred in the acquisition. In the consolidated financial statements the whole acquisition price (100%) was recognised as acquisition cost. No minority interest was separated from the profit or equity, but the estimated purchase price of the remaining 30% was recognised as interest-bearing non-current liability. The final price of the 30% portion will be determined based on the future earnings of L&T Biowatti. The estimate is assessed annually as of 31 December, or whenever any indication exists. According to the assessment of 31 December 2009, the acquisition price for the remaining 30% was reduced by EUR 2,043 thousand to EUR 3,763 thousand (EUR 5,806 thousand). The adjustment has no impact on the profit or loss, as the adjustments were recognised accordingly under cost of the combination, goodwill and interest-bearing liabilities.

2008

Business acquisitions in aggregate

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	2 050	1 313
Customer contracts	1 561	
Agreements on prohibition of competition	488	
Other intangible assets	7	7
Other non-current assets	31	12
Inventories	17	17
Trade and other receivables	810	810
Cash and cash equivalents	526	526
Total assets	5 490	2 685
Deferred tax liabilities	-667	
Long-term borrowings	-189	-189
Trade and other payables	-812	-812
Total liabilities	-1 668	-1 001
Net assets	3 822	1 684
Goodwill arising from acquisitions	1 001	
Acquisition cost	4 823	
Acquisition cost	4 823	
Cash and cash equivalents at acquisition date	-525	
Cash flow effect of acquisitions	4 298	

The business operations of Siivospalvelu Siivoset Oy were acquired into cleaning services within Property and Office Support Services on 1 January and the business operations of Siivousliike Lainio Oy on 1 March. The business operations of Rantakylän Talonhuolto Oy were acquired for property management on 1 April and Oulun TOP-Huolto Oy on 1 November.

The business operations of Obawater Oy were acquired for wastewater services within Industrial Services on 15 February and Kuljetusliike Eskolin Oy on 1 December.

Jätehuolto Savolainen Oy group specialising in waste management and recycling services was acquired on 1 October. The company also provides wastewater services, hazardous waste management and industrial cleaning services.

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. Individual purchase prices have not been itemised because none of them is of material importance when considered separately. All share acquisitions have resulted in a holding of 100% of voting power.

The largest acquired companies by annual net sales were Jätehuolto Savolainen group (EUR 2.8 million), Oulun TOP-Huolto (EUR 2.6 million) and Kuljetusliike Eskolin (EUR 0.9 million).

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.

3. Employee benefit expenses

EUR 1000	2009	2008
Wages and salaries	190 414	191 984
Pension costs		
Defined contribution plans	31 073	30 129
Defined benefit plans	72	165
Share-based payment	1 453	886
Other personnel expenses	16 360	18 808
Total	239 372	241 972
Defined benefit plan costs by function		
Cost of sales	27	27
Sales and marketing	29	133
Administration	16	5
Total	72	165

Details on granted share options and share-based payment are presented in Note 24 Share-based payment.

The employee benefits of the top management are presented in Note 34 Related-party transactions.

Details on the items of defined benefit pension plans in the consolidated statement of financial position are presented in Note 25 Retirement benefit obligations.

Average number of employees in full-time equivalents

	2009	2008
Salaried employees	1 381	1 600
Non-salaried employees	6 732	6 763
Total	8 113	8 363
Finland	6 087	6 091
Other countries	2 026	2 272
Total	8 113	8 363

4. Construction contracts

EUR 1000	2009	2008
The amount of contract revenue recognised as revenue in the period		120

At the end of the financial year 2009, the Group had no construction contracts where revenue recognition is based on the percentage of completion. Receiving of contaminated soil is not treated as a construction contract, as it is not yet possible to estimate the outcome of the contracts reliably. In accordance with the prudence principle, revenues will not be recognised before final disposal of the contaminated soil. The costs of these construction contracts are recognised as expenses in the period they have incurred.

5. Depreciation, amortisation and impairment**Depreciation and amortisation by function**

EUR 1000	Intangible assets	Property, plant and equipment	Total
2009			
Depreciation and amortisation			
On cost of sales	8 228	31 051	39 279
On sales and marketing	58	281	339
On administration	594	122	716
Total depreciation and amortisation	8 880	31 454	40 334

2008**Depreciation and amortisation**

On cost of sales	8 393	28 335	36 728
On sales and marketing	47	305	352
On administration	617	198	815
Total depreciation and amortisation	9 057	28 838	37 895

Impairment

3 090

6. Other operating income and expenses

EUR 1000	2009	2008
Other operating income		
Gains on sales of available-for-sale investments		14 258
Gains on sales of property, plant and equipment	393	527
Gains on sales of buildings and land		437
Lease income		216
Reversals of impairment losses on trade receivables	117	140
Reimbursements and government grants	453	1 305
Change in fair value of oil derivatives		2 221
Gains on oil derivatives		1 931
Other	1 462	673
Total	2 425	21 708
Other operating expenses		
Losses on disposals and scrapping of property, plant and equipment	529	639
Impairment losses on trade receivables	866	1 144
Losses on oil derivatives		1 162
Losses on sale of businesses	318	1 231
Discontinuation of soil washing services		2 616
Restructuring provision of the wood pellet plant in Luumäki	202	
Other	511	310
Total	2 427	7 102

7. Research and development expenses

EUR 2.4 million (EUR 3.0 million) research and development expenses arising from centralised development projects are included in the income statement.

8. Finance income and costs

EUR 1000	2009	2008
Finance income		
Dividend income on available-for-sale investments	1	4
Interest income on available-for-sale investments	360	200
Interest income on loans and other receivables	763	1 038
Gains on interest rate swaps hedging cash flow, transferred from equity	162	314
Gains on non-hedging interest rate swaps		375
Foreign exchange gains	4	
Total finance income	1 290	1 931
Finance costs		
Interest expenses on borrowings measured at amortised cost	-5 397	-6 149
Changes in fair values of financial assets and liabilities at fair value through profit or loss (excl. interest rate swaps under hedge accounting)		-284
Losses on non-hedging interest rate swaps, transferred from equity	-519	
Losses on sale of non-current available-for-sale investments	-3	-17
Other finance expenses	-609	-206
Foreign exchange losses		-81
Total finance costs	-6 528	-6 737

Exchange rate differences apply to financing. Exchange rate differences arising from sales amounting to EUR 1.3 thousand (EUR 13 thousand) have been recognised as adjustment items for net sales. Exchange rate differences arising from purchases totalling EUR 15.9 thousand (EUR 15 thousand) have been recognised as adjustment items for cost of sales.

A loss of EUR 29 thousand (a gain of EUR 39 thousand) on available-for-sale investments was recognised in the revaluation reserve in the equity.

Interest expenses related to constructing totalling EUR 155 thousand (EUR 431 thousand) were recognised as an asset as a portion of the cost of L&T Recoil's re-refinery investment.

9. Income taxes

9.1. Income tax in the income statement

EUR 1000	2009	2008
Income tax on taxable profit		
Income tax for the period	-12 262	-7 554
Income tax for previous periods	-10	16
Deferred income tax	391	-3 186
Total	-11 881	-10 724

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate of 26% in Finland, are as follows:

Income tax at Finnish tax rate on consolidated profit before tax	-11 707	-13 179
Different tax rates and losses of foreign subsidiaries	131	407
Expenses not deductible for tax purposes	-314	-833
Goodwill impairment		-813
Tax exempt income		3 688
Income tax for previous periods	-10	16
Other items	19	-10
Total	-11 881	-10 724

9.2. Tax effects of components of other comprehensive income

EUR 1000	2009			2008			Note
	Before tax	Tax expense/benefit	After tax	Before tax	Tax expense/benefit	After tax	
Hedging reserve, change in fair value	-464	121	-343	-1 313	341	-972	
Current available-for-sale investments	-29	8	-21	-14 219	10	-14 209	21
Translation differences	380	-56	324	-2 283	421	-1 862	
Components of other comprehensive income	-113	73	-40	-17 815	772	-17 043	

9.3. Changes in deferred income tax assets and liabilities during the period

EUR 1000	2009					
	At 1 January 2009	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/sold businesses	At 31 December 2009
Deferred tax assets						
Pension benefits	175	-1				174
Provisions	374	120				494
Fair value adjustments	119	30	129			278
Revenue recognition	203	255				458
Deferred depreciation	29	42				71
Share-based benefits		26				26
Losses of joint ventures	510	1 023				1 533
Losses of subsidiaries	453	-461		-2		-10
Translation differences	580		-56			524
Other tax deductible temporary differences	377	-3				374
Total	2 820	1 031	73	-2		3 922
Deferred tax liabilities						
Depreciation differences	-33 997	-811		16		-34 792
Finance lease agreements	-526	-56				-582
Other current differences	-250	227				-23
Total	-34 773	-640		16		-35 397
Net deferred tax liability	-31 953	391	73	14		-31 475
2008						
EUR 1000	At 1 January 2008	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/sold businesses	At 31 December 2008
Deferred tax assets						
Pension benefits	141	34				175
Provisions	254	120				374
Fair value adjustments	280	-512	351			119
Revenue recognition	103	100				203
Deferred depreciation	31	-2				29
Losses of joint ventures	109	401				510
Losses of subsidiaries	1 308	-1 800			945	453
Translation differences	159		421			580
Other tax deductible current differences	283	94				377
Total	2 668	-1 565	772		945	2 820
Deferred tax liabilities						
Depreciation differences	-31 182	-1 250		-37	-1 528	-33 997
Fair value adjustments	-404	-122				-526
Finance lease agreements		-250				-250
Total	-31 586	-1 622		-37	-1 528	-34 773
Net deferred tax liability	-28 918	-3 187	772	-37	-583	-31 953

9.4. Deferred tax in the statement of financial position

EUR 1000	2009	2008
Deferred tax assets	2 147	945
Deferred tax liabilities	-33 622	-32 898
Net deferred tax liabilities	-31 475	-31 953

Deferred tax is set off if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

In 2009 deferred tax assets amounting to EUR 899 thousand (EUR 1,167 thousand) in respect of losses of subsidiaries were not recognised in the financial statements, because the realisation of the related tax benefit is not probable.

Deferred tax assets of EUR 1,533 thousand (EUR 510 thousand) in respect of losses of joint ventures are recognised in the balance sheet. The recognition is based on the estimated realisation of the related tax benefit through future taxable income.

No deferred tax liability is recognised from the non-distributed profits of subsidiaries, because subsidiary dividends received from EU countries are not taxable under taxation of source.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the company by the adjusted weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the company and held as treasury shares.

EUR 1000	2009	2008
Profit attributable to equity holders of the company	33 140	39 969
Adjusted weighted average number of ordinary shares outstanding during the year, 1,000 shares	38 781	38 796
Earnings per share, EUR	0.85	1.03

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2009, earnings per share are diluted by the share-based payments of the share-based incentive programme for the years 2009–2011, for which the cost recognition period has not yet ended. These payments are treated as share options in the calculation for diluted earnings per share even though they remain contingent.

In 2008, earnings per share was diluted by 2005A share options. Options have a diluting effect, when the exercise price with an option is lower than the market value of the company share. Not yet recognised option expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue gratuitously because the funds received from the exercised options do not cover the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period.

EUR 1000	2009	2008
Profit attributable to equity holders of the company	33 140	39 969
Adjusted weighted average number of ordinary shares outstanding during the year, 1,000 shares	38 781	38 796
Effect of shares included in the share-based incentive programme, 1,000 shares	3	
Effect of share options, 1,000 shares		21
Adjusted average number of shares during the period, diluted, 1,000 shares	38 784	38 817
Earnings per share, diluted, EUR	0.85	1.03

11. Dividend per share

At the Annual General Meeting on 31 March 2010, a dividend of EUR 0.55 will be proposed by the Board of Directors, corresponding to total dividends of EUR 21,322,880.70. This dividend payable is not recognised as a liability in the financial statements. A dividend of EUR 0.55 per share was paid in respect of 2008.

12. Intangible assets

2009	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Pre-payments	Total
Opening net book amount	118 204	13 224	19 263	9 385	3 483	11 310	6 833	2 016	183 718
Additions					781	918	365	1 988	4 052
Business acquisitions	36	718	598						1 352
Disposals	-2 085	-54	-2	-7		-553	-1		-2 702
Transfers between items					252	865	1 971	-2 110	978
Exchange differences	535	112	35	17		4	14		717
Closing net book amount	116 690	14 000	19 894	9 395	4 516	12 544	9 182	1 894	188 115
Accumulated amortisation and impairment at 1 January 2009	-2 753	-5 878	-5 993	-4 227	-1 028	-8 420	-2 792	0	-31 091
Accumulated amortisation on disposals and transfers		14	-44	48		535	1		554
Amortisation charge		-1 841	-2 187	-2 006	-687	-942	-1 217		-8 880
Impairment									0
Exchange differences	-166	-63	-29	-16		-1	-6		-281
Accumulated amortisation and impairment at 31 December 2009	-2 919	-7 768	-8 253	-6 201	-1 715	-8 828	-4 014		-39 698
Net book amount at 31 December 2009	113 771	6 232	11 641	3 194	2 801	3 716	5 168	1 894	148 417

Other intangible assets arising from business acquisitions include mainly patents and permits.

Contractual commitments related to acquisition of intangible assets totalled EUR 160 thousand.

In December, the purchase price for the remaining 30% of L&T Biowatti was reassessed and the price was reduced by EUR 2,043 thousand to EUR 3,763 (EUR 5,806 thousand). The change in purchase price has no impact on the profit or loss as the adjustment was recognised under goodwill and interest-bearing liabilities. The acquisition price is presented in more detail in Note 2 Business acquisitions.

In June, the waste management business in Virrat was disposed of. Goodwill and intangible assets allocated to the component of an entity disposed of were measured in accordance with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. This component of entity does not meet the criteria concerning presentation of discontinued operations specified in IFRS 5.31–32.

2008

EUR 1000	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Pre-payments	Total
Opening net book amount	119 946	12 189	18 900	9 761	2 625	10 108	8 000	810	182 339
Additions					389	1 176	771	1 476	3 812
Business acquisitions	1 001	1 561	488			7			3 057
Disposals	-1 258	-203	-66	-350		-59	-1 650	-1	-3 587
Transfers between items					469	81	-279	-269	2
Exchange differences	-1 485	-323	-59	-26		-3	-9		-1 905
Closing net book amount	118 204	13 224	19 263	9 385	3 483	11 310	6 833	2 016	183 718
Accumulated amortisation and impairment at 1 January 2008		-4 257	-3 653	-2 340	-452	-7 520	-2 000		-20 222
Accumulated amortisation on disposals and transfers		92	49	152		5	527		825
Amortisation charge		-1 825	-2 411	-2 049	-576	-905	-1 291		-9 057
Impairment	-3 090								-3 090
Exchange differences	337	112	22	10			-28		453
Accumulated amortisation and impairment at 31 December 2008	-2 753	-5 878	-5 993	-4 227	-1 028	-8 420	-2 792		-31 091
Net book amount at 31 December 2008	115 451	7 346	13 270	5 158	2 455	2 890	4 041	2 016	152 627

Other intangible assets arising from acquisitions include mainly patents and permits.

Contractual commitments related to acquisition of intangible assets totalled EUR 1,021 thousand.

In November, a decision was made to discontinue soil washing services included in waste water services within Industrial Services, which had been making a loss. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. In December, the business operations in Norway included in the Swedish subgroup were disposed of. Goodwill and intangible assets allocated to the component of an entity disposed of were measured in accordance

with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. These components of entity do not meet the criteria concerning presentation of discontinued operations specified in IFRS 5.31 – 32.

The cash generating unit Sweden was tested for impairment as of December 2008. As a consequence, an impairment of EUR 3.1 million was recognised. The test was performed as a result of weakening market outlook. The impairment is presented in more detail in Note 13 Goodwill impairment tests.

13. Goodwill impairment tests

Goodwill allocation

Lassila & Tikanoja's divisions are divided into product lines that form the cash generating units. The Latvian/Baltic and Swedish business operations also form cash generating units. For the purpose of impairment testing, goodwill is allocated to the cash generating units.

Allocation of book values of goodwill:

EUR 1000	2009	2008
Waste management	44 166	44 156
Recycling services	18 905	18 759
L&T Biowatti	5 719	7 762
Cleaning services	10 412	10 487
Hazardous waste services	9 646	9 652
Sweden	6 608	6 228
Total	95 456	97 044
Units for which the amount of goodwill allocated is not significant in proportion to the balance sheet value of the Group	18 315	18 407
Total	113 771	115 451

Impairment tests

In estimation of the recoverable amounts, both an asset's value in use and its fair value less cost to sell are used. Value in use is the primary value definition method while the fair value less cost serves as a supporting method. Future cash flows are based on annual estimates of income statements and upkeep investments made by the management in connection with the budgeting process for a five-year period. The management bases its estimates on actual development and the management's opinion on the outlook of the industry (general market development and profitability specific to product line, pricing, municipalisation decisions, personnel costs and raw material costs). Approved investment decisions are taken into account in the growth estimates. In these estimates, the percentages of net sales growth of the cash generating units vary between -3.2% and 14.1% (-5.8% and 41.8%). Beyond that period, upkeep investments and a residual growth rate generally slightly higher than the inflation rate have been estimated for the cash flows. The residual growth rate is 3%, except for Latvia 2% and for recycling services and wastewater services 4%. The EBITDA percentages for the future have been determined on a conservative basis. Their values are based on actual development, and no substantial changes are expected to occur during the estimate period.

The value in use has been determined using the Discounted Cash Flow method. The calculation components for the cost of capital are risk-free return rate (10-year government bond), market risk premium, illiquidity premium on unlisted companies, industry beta, cost of debt and cost structure of the capital. The industry beta, cost of debt and cost structure of the capital have been calculated for each cash generating unit on the basis of the key figures of peer group companies determined by the management. The peer group companies are listed companies operating in the same business sectors as L&T. In 2009, changes in return rates are mainly due to the changes of risk-free return rate and

industry betas. Based on these factors, the discount rate used in the impairment tests is pre-tax return on equity (WACC) as follows: waste management 9.9% (10.5%), recycling services 9.4% (10.0%), L&T Biowatti 9.6% (10.2%), cleaning services 10.8% (12.1%), hazardous waste services 9.8% (9.8%) and Sweden 10.0% (9.6%). The interest rate for other cash generating units varies between 9.1% and 15.9% (9.9 and 15.4%).

Adjustments to acquisition costs, if any, are recognised within 12 months from the acquisition date.

No impairment losses on goodwill were recognised.

In June, the waste management business of Environmental Services' unit in Virrat was disposed of. The goodwill (EUR 36 thousand) and intangible assets allocated to the component of an entity disposed of were measured in accordance with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses.

In December, the acquisition price for the remaining 30% of L&T Biowatti within Environmental Services was reassessed and the price was reduced by EUR 2,043 thousand to EUR 3,763 thousand (EUR 5,806 thousand). The change in acquisition price has no impact on profit or loss as the adjustment was recognised under goodwill and interest-bearing liabilities. More details on the acquisition price are presented in Note 2 Business acquisitions.

As of 1 June 2009 L&T's business operations were regrouped into three divisions: Environmental Services, Property and Office Support Services and Renewable Energy Sources (L&T Biowatti). In the goodwill impairment testing for 2010, the cash generating units specified for the new organisation will be used.

Sensitivity analysis of impairment testing

Principal assumptions	Share of goodwill	Required change	Required change in the most critical CGU
2009			
Residual EBITDA percentage	76%	≥ -50%	-23%
WACC (before tax)	60%	≥ 99%	25%
2008			
Residual EBITDA percentage	87%	≥ -50%	-8%
WACC (before tax)	63%	≥ 99%	8%

In 50% of the cash generating units and 60% of the consolidated goodwill (44% and 63%), the change in the interest rate would have to be 99% or more to make the value in use equal to the book value. In 50% of the cash generating units and 76% of the consolidated goodwill (67% and 87%), the residual EBITDA percentage would have to decrease by 50% or more to make the value in use equal to the book value. In the most critical cash generating unit, the interest rate would have to increase by 25% (8%) and the residual EBITDA percentage would have to decrease by 23% (8%) to make the value in use equal to the book value. Recognition of impairment loss would require even greater changes in the critical variables.

14. Property, plant and equipment

2009

EUR 1000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Opening net book amount	3 832	68 254	254 303	166	35 433	361 988
Additions	183	5 506	18 109	2	15 229	39 029
Business acquisitions			395			395
Disposals		-1 011	-13 410	-1	-799	-15 221
Transfers between items		29 082	5 097		-35 157	-978
Exchange differences		-37	-103	2	-40	-178
Closing net book amount	4 015	101 794	264 391	169	14 666	385 035
Accumulated depreciation at 1 January 2009	0	-24 296	-140 452	-88	0	-164 836
Exchange differences		3	6			9
Accumulated depreciation on disposals and transfers		575	12 322			12 897
Depreciation charges		-6 004	-25 450			-31 454
Accumulated depreciation at 31 December 2009	0	-29 722	-153 574	-88	0	-183 384
Net book amount at 31 December 2009	4 015	72 072	110 817	81	14 666	201 651

In 2009, Ministry of Employment and the Economy granted L&T Biowatti Oy EUR 639 thousand for the acquisition of equipment. The grant was recognised as deductions of historical cost.

Assets acquired under finance lease arrangements included in property, plant and equipment

EUR 1000	Buildings and constructions	Machinery and equipment	Prepayments and construction in progress	Total
Opening net book amount	0	1 149	3 350	4 499
Transfers between items	3 350		-3 350	0
Exchange differences		-72		-72
Closing net book amount	3 350	1 077	0	4 427
Accumulated depreciation at 1 January 2009	0	-949	0	-949
Depreciation charges	-70	-133		-203
Exchange differences		31		31
Accumulated depreciation at 31 December 2009	-70	-1 051	0	-1 121
Net book amount at 31 December 2009	3 280	26	0	3 306

Contractual commitments related to property, plant and equipment totalled EUR 7,390 thousand. No impairment losses on property, plant and equipment were recognised.

2008

EUR 1000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Opening net book amount	3 532	59 633	229 698	171	4 830	297 864
Additions	382	6 629	31 811		36 361	75 183
Business acquisitions			2 050			2 050
Disposals	-81	-832	-11 417			-12 330
Transfers between items		2 978	2 755		-5 735	-2
Exchange differences	-1	-154	-594	-5	-23	-777
Closing net book amount	3 832	68 254	254 303	166	35 433	361 988
Accumulated depreciation at 1 January 2008		-20 039	-125 866	-89		-145 994
Accumulated depreciation on disposals and transfers		243	9 539			9 782
Depreciation charges		-4 519	-24 320	1		-28 838
Exchange differences		19	195			214
Accumulated depreciation at 31 December 2008		-24 296	-140 452	-88		-164 836
Net book amount at 31 December 2008	3 832	43 958	113 851	78	35 433	197 152

Assets acquired under finance lease arrangements included in property, plant and equipment

EUR 1000	Buildings and constructions	Machinery and equipment	Prepayments and construction in progress	Total
Opening net book amount	360	1 166		1 526
Additions			3 350	3 350
Disposals	-360	-17		-377
Closing net book amount	0	1 149	3 350	4 499
Accumulated depreciation at 1 January 2008	-57	-788		-845
Depreciation charges	-18	-172		-190
Accumulated depreciation on disposals	75	11		86
Accumulated depreciation at 31 December 2008	0	-949		-949
Net book amount at 31 December 2008	0	200	3 350	3 550

In 2008, L&T purchased an industrial hall in Merikarvia, Finland, acquired under a lease agreement.

The joint venture L&T Recoil signed a purchase agreement covering the procurement of hydrogen, hot oil and steam. Pursuant to this agreement, L&T Recoil undertakes to purchase the entire production of the production facilities for its re-refinery. The

purchase agreement contains a lease as specified in IFRIC 4. This is classified as an IAS 17 -compliant financial lease with the same term as the purchase agreement.

Contractual commitments related to property, plant and equipment totalled EUR 10,868 thousand. No impairment losses on property, plant and equipment were recognised.

15. Joint ventures

The Group holds a 50% interest in L&T Recoil Oy, Helsinki.

The assets, liabilities, revenues and expenses of the joint venture included in the consolidated income statement and the statement of financial position

EUR 1000	2009	2008
Non-current assets	32 414	23 285
Current assets	5 595	4 250
Non-current liabilities	-20 635	-3 228
Current liabilities	-6 077	-16 912
Net assets	11 297	7 395
Revenues	2 011	4 390
Expenses	-4 748	-3 798
Profit/loss for the period	-2 737	592
	2009	2008
Average personnel in joint venture	31	8

More details on the joint venture are shown in Note 34 Related-party transactions.

16. Investments in subsidiaries

	Group holding of shares and votes %
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0
Lassila & Tikanoja Service AB, Stockholm, Sweden	100.0
Lassila & Tikanoja Services OÜ, Tallin, Estonia	100.0
L&T Advance Oy, Helsinki	100.0
L&T Biowatti Oy, Helsinki	70.0
L&T Hankinta Ky, Helsinki	100.0
L&T Hygienutveckling AB, Kävlinge, Sweden	100.0
L&T Improvement Oy, Helsinki	100.0
L&T Inno LLC, St. Petersburg, Russia	100.0
L&T Kalusto Oy, Helsinki	100.0
L&T Muoviportti Oy, Merikarvia	83.3
L&T Podmoskovie LLC, Dubna, Russia	100.0
L&T Relations Oy, Helsinki	100.0
L&T Services LLC, Moscow, Russia	100.0
L&T Toimi Oy, Helsinki	100.0
L&T Viwaplast Oy, Valkeakoski	83.3
Salvor Oy, Helsinki	100.0
SIA L&T, Riga, Latvia	100.0
Suomen Keräystuote Oy, Helsinki	100.0
The Russian-Finnish Company Ecosystem LLC, Dubna, Russia	90.0

As a result of restructuring of ownership in December 2009 L&T's holding of shares of The Russian-Finnish Company Ecosystem LLC increased to 90% (74%).

17. Non-current available-for-sale investments

EUR 1000	2009	2008
Carrying amount at 1 January	502	410
Additions	23	100
Disposals		-8
Carrying amount at 31 December	525	502

Non-current available-for-sale investments include unlisted shares. Non-current available-for-sale investments arising from business acquisitions have been sold immediately after the acquisition date.

18. Finance lease receivables

EUR 1000	2009	2008
Maturity of minimum lease payments		
Not later than one year	2 139	2 039
Later than one year and not later than five years	5 096	5 317
Later than five years	193	373
Gross investment in finance lease agreements	7 428	7 729
Maturity of present value of minimum lease payments		
Not later than one year	2 060	1 952
Later than one year and not later than five years	4 292	4 442
Later than five years	133	252
Total present value of minimum lease payments	6 485	6 646
Unearned finance income	943	1 083
Gross investment in finance lease agreements	7 428	7 729

Finance lease receivables result from leases of compactors, balers and other assets to customers. The minimum payments include the payment of the transfer of the title to the asset at the end of lease term if the option to purchase is such that it is reasonably certain at the commencement of the lease term that the option will be exercised or if a binding contract has been made on the purchase.

19. Inventories

EUR 1000	2009	2008
Raw materials and consumables	19 206	9 698
Finished goods	11 206	6 544
Other inventories	2 430	2 585
Total	32 842	18 827

Cost of inventory recognised as an expense under cost of sales in the income statement, totalled EUR 31,306 thousand (EUR 29,821 thousand).

EUR 1.1 million (EUR 0.2 million) of the carrying amounts of inventories was recognised as an expense, and a write-down of inventories to net realisable value was made respectively. The expense is included in the cost of sales.

20. Trade and other receivables

EUR 1000	2009	2008
Trade receivables	64 532	61 911
Current finance lease receivables	2 060	1 952
Loan receivables	501	231
Accruals	9 480	6 501
Tax receivables	467	2 737
Other receivables	663	1 302
Total	77 702	74 634
Accruals include the following:		
Interest	72	252
Employees' health care compensation	3 591	1 598
Statutory pension insurances	1 231	495
Insurances	262	371
Indirect tax	2 665	2 978
Other	1 659	807
Total	9 480	6 501

The receivables are not collateralised, and they do not include any significant concentrations of credit risk. Impairment losses and their reversals recognised in trade receivables are shown in Note 6 Other operating income and expenses.

21. Current available-for-sale investments

EUR 1000	2009	2008
Certificates of deposit	18 484	20 368
Total	18 484	20 368
At 1 January	20 368	21 287
Additions/disposals	-1 855	-958
Changes in fair values transferred into equity	-29	39
At 31 December	18 484	20 368

Gains of EUR 360 thousand (EUR 14,458 thousand) were transferred from the equity to the income statement in 2009.

Available-for-sale investments are stated in the financial statements at fair value. Changes in the fair values are recognised in the revaluation reserve in equity.

22. Cash and cash equivalents

EUR 1000	2009	2008
Cash on hand and in banks	9 099	4 349
Short-term deposits		1 800
Total	9 099	6 149

Cash and cash equivalents are presented in nominal values, which equal to their fair values.

Liquid assets in the consolidated statement of cash flows include the following:

EUR 1000	2009	2008
Cash	9 099	6 149
Certificates of deposit	18 484	20 368
Total	27 583	26 517

23. Equity

Share capital and share premium fund

EUR 1000	Number of shares, 1,000 shares	Share capital	Share premium reserve	Own shares	Total
At 1 January 2009	38 799	19 399	50 673		70 072
At 20 May 2009 Purchase of own shares	-10			-119	-119
At 22 May 2009 Purchase of own shares	-10			-118	-118
At 25 May 2009 Purchase of own shares	-4			-48	-48
At 26 May 2009 Purchase of own shares	-6			-71	-71
At 31 December 2009	38 769	19 399	50 673	-356	69 716
At 1 January 2008	38 784	19 392	50 474		69 866
At 14 February 2008 Subscription pursuant to 2005A options	13	6	172		178
At 7 August 2008 Subscription pursuant to 2005A options	2	1	27		28
At 31 December 2008	38 799	19 399	50 673		70 072

Lassila & Tikanoja plc has one share series. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value. All issued shares have been paid for in full.

Share premium reserve consists of share premiums of share issues carried out under the old Corporate Act (29.9.1978/734). Proceeds from share subscriptions pursuant to share option scheme resolved under this act (2005) are recognised in equity and in share premium in accordance with the terms and conditions of the scheme.

Other reserves

Translation reserve

Translation reserve contains currency translation differences arising from net investments in Group companies in currencies other than the euro. Translation differences arise from the translation of the equity and earnings of subsidiaries into euros. Furthermore, non-current loan receivables for which settlement is neither planned nor likely to occur in the foreseeable future are handled as part of the net investment in subsidiaries.

Revaluation reserve

Revaluation reserve includes a fair value fund for changes in fair values of available-for-sale investments and a hedge fund for the changes in the fair values of derivative instruments used for hedging of cash flow.

Capital management

The objective of the Group's capital management is to secure the continuity of Lassila & Tikanoja's operations and maintain an optimal capital structure to enable investments, taking the cost of capital into account. The capital includes equity and liabilities less advances received.

The amount of annual dividend is linked to earnings. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders. The share capital shall be increased if extraordinarily rapid growth or large investments call for more capital.

The development of the capital structure is monitored quarterly using the equity ratio. This ratio is calculated by dividing the Group's equity by the balance sheet total less advances received.

EUR 1000	2009	2008
Equity in the consolidated statement of financial position	217 249	205 038
Statement of financial position total	496 388	477 685
Current advances received	-3 981	-2 823
Non-current advances received	-205	-166
Total	492 202	474 696
Equity ratio, %	44.1%	43.2%

The equity ratio has remained at a high level, and it increased slightly in comparison with the previous year. The gross capital expenditure totalled EUR 44.9 million (EUR 84.2 million). EUR 12.0 million were tied up in the working capital (EUR 2.2 million were released). The increase in the working capital was mainly attributable to increase in the inventories of L&T Biowatti. The amount of net cash generated from operating activities was EUR 66.2 million (EUR 70.4 million).

Covenants for long-term bank borrowings are shown in Note 27 Borrowings.

24. Share-based payment

The Group has share option schemes granted in 2005 and 2008. The 2005 option scheme is divided into series A, B and C. Expenses arising from fair values of options are recognised as expenses on a straight-line basis during the vesting periods. The fair values are measured using the Black-Scholes option pricing model.

Option	Exercise period	Exercise price EUR/share	Number of shares to be subscribed for at 31 Dec. 2009	Number of shares to be subscribed for at 31 Dec. 2008	End of vesting period
2005A	2.11.2007–29.5.2009	14.22		147 500	2.11.2007
2005B	3.11.2008–31.5.2010	16.98	176 000	176 000	3.11.2008
2005C	2.11.2009–31.5.2011	26.87	200 000	221 500	2.11.2009
2008	1.11.2010–31.5.2012	16.27	196 000	220 500	1.11.2010
Total			572 000	765 500	

Amounts and average exercise prices of outstanding option rights

	2009		2008	
	Weighted average exercise price EUR/share	Number of options	Weighted average exercise price EUR/share	Number of options
Beginning of year	19.11	765 500	13.93	568 500
New options granted			16.27	226 500
Forfeited options	21.22	-46 000	21.31	-15 000
Exercised options			14.22	-14 500
Expired options	14.22	-147 500		
End of year	20.19	572 000	19.11	765 500
Options exercisable at year end	22.24	376 000	15.72	323 500

In 2009, no options were exercised.

In 2008, 2005A options were exercised to subscribe for 14,500 shares.

The weighted average share price of the exercise dates of shares subscribed for pursuant to share options in 2008 was EUR 19.13.

The proceeds from the subscriptions totalled EUR 206 thousand, of which EUR 7 thousand was recognised in share capital and EUR 199 thousand in share premium fund. Changes in equity are presented in Note 23 Equity.

Parameters used in the Black-Scholes option pricing model

	2008	2005C	2005B	2005A
Grant date	5 June 2008	12 June 2007	12 June 2006	7 June 2005
Number of options in the scheme	230,000	230,000	200,000	170,000
Share price at grant date	16.65	25.18	16.50	14.76
Exercise price	16.27	26.87	16.98	14.22
Expected volatility	53%	26%	27%	19%
Expected vesting period	3y 360d	3y 354d	3y 354d	3y 359d
Vesting conditions	Employment period 2y 4m	Employment period 2y 4m	Employment period 2y 4m	Employment period 2y 4m
Risk-free interest	4.57%	4.56%	3.60%	2.40%
Expected dividends, EUR	2.13	2.73	2.10	1.11
Fair value at grant date, EUR	5.16	4.70	3.16	2.35

Expected volatility has been determined as average of 50, 100 and 260 days prior to the measurement date. The determination of the volatility is based on information in Bloomberg database.

The terms and conditions of the options do not include any exercising conditions, which should be taken into account when estimating the fair value of the options. The returning rate assumption at grant date is 0%.

Option schemes

Share options have been granted to key persons belonging to the management. The share options entitle their holders to subscribe for the shares of Lassila & Tikanoja plc at a subscription price and over a period determined in the terms and conditions of the option scheme. The exchange ratio for all option rights is 1:1.

Those share options whose share subscription period has not commenced and which have not yet been vested, may not be transferred to a third party. Should a participant cease to be employed by L&T for any reason other than retirement or death, such a person shall without delay offer to the company, free of charge, those options whose share subscription period has not commenced. After the exercise period the option rights will expire with no value.

The entitlement for dividends of the shares subscribed for pursuant to the option rights, together with other shareholder rights, shall commence once the increase in the share capital or new shares have been entered in the trade register. The share subscription periods and prices are presented in the above table. The subscription prices will, 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.

Pursuant to share options outstanding on 31 December 2009, a maximum of 572,000 new shares may be subscribed for, which is 1.5% of the current number of shares and votes.

Option scheme 2005

The Annual General Meeting of 2005 decided to issue 600,000 share options. The exercise period for the 2005A options ended on 29 May 2009. At the beginning of the exercise period, 32 key persons held 176,000 2005B options and 37 key persons held 200,000 2005C options. A total of 24,000 2005B options and 30,000 2005C options are held by L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, and these options will not be exercised.

The share subscription price for 2005B options is EUR 16.98 and for the 2005C options EUR 26.87.

As a result of the exercise of the outstanding 2005 share options at 31 December 2009, the number of shares issued by Lassila & Tikanoja plc may increase by a maximum of 376,000 new shares which is 1% of the current number of shares.

2005B options have been listed on NASDAQ OMX Helsinki since 2 January 2009 and 2005C options since 2 November 2009.

Option scheme 2008

The Annual General Meeting of the year 2008 resolved to issue a maximum of 230,000 share options. 37 key persons hold 196,000 options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 34,000 options and these options will not be exercised.

The exercise price of the 2008 share options is EUR 16.27. The exercise price shall be recognised in the invested non-restricted equity fund.

As a result of the exercise of the outstanding 2008 share options, the number of shares issued by Lassila & Tikanoja plc may increase by a maximum of 196,000 new shares which is 0.5% of the current number of shares.

Share-based incentive programme

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

Payment of the reward is subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards are decided annually. Potential rewards to be paid for the year 2009 will be based on the EVA result of Lassila & Tikanoja group.

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. Potential rewards will be paid during the year following each earnings period partly as shares and partly in cash. The proportion paid in cash will cover taxes arising from the reward. No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the Group Executives are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

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. In the starting phase the programme covered 28 persons.

The share component is measured at fair value at the grant date and the measurement will not be changed during the validity of the programme. Expenses from the share component are deferred to three years over the vesting period and recognised as personnel expenses in the income statement and under the equity.

Cash components are measured at fair value based on the share price on the balance sheet date. Cash components of the share-based incentive programme are recognised under personnel expenses and liabilities and deferred over the earnings period.

Share-based incentive programme 2009–2011

	Issued by the Board's decision
Date of issue	24.3.2009
Instrument	Share-based incentive programme
Share-based incentive programme	2009
Start of earnings period	1 January 2009
End of earnings period	31 December 2009
Average share price at grant date 20 May 2009	11.87
Estimated realisation on closing date, shares	39 960
Obligation to hold shares, years	2
Release date of shares	31.3.2012
Number of persons included	26
Expenses arising from share-based incentive programme, EUR 1000	2009
Share component	104.4
Cash component	689.0
Total	793.4

25. Retirement benefit obligations

L&T operates some minor defined benefit plans concerning a few persons in Finland. Most of them originate from company acquisitions. These plans are administered either by insurance companies or by the company.

EUR 1000	2009	2008
The amounts recognised in the consolidated statement of financial position		
Present value of funded obligations	893	516
Fair value of plan assets	-529	-436
	364	80
Present value of unfunded obligations	223	531
Unrecognised actuarial gain (+) and loss (-)	65	63
Closing net liability	652	674
Changes in present value of obligation		
Opening defined benefit obligation	1 047	987
Current service cost	49	158
Interest cost	62	55
Actuarial gain (-) and loss (+) on obligation	35	-125
Benefits paid	-77	-28
Closing present value of obligation	1 116	1 047
Changes in fair value of plan assets		
Opening fair value of plan assets	436	475
Expected return on plan assets	20	19
Employee contributions	20	31
Actuarial gain (+) and loss (-) on plan assets	76	-61
Benefits paid	-23	-28
Closing fair value of plan assets	529	436
Movements in the net liability recognised in the consolidated statement of financial position		
Opening net liability	676	542
Expense recognised in the income statement	72	165
Contributions paid	-77	-31
Closing net liability	671	676
The amounts recognised in the income statement		
Current service cost	49	158
Interest cost	63	55
Expected return on plan assets	-20	-19
Actuarial gain (-) and loss (+) recognised	-20	-29
Total	72	165

The return on plan assets was EUR 96 thousand in 2009 (EUR -42 thousand).

Expected contributions to post-employment benefit plans for the year 2010 are EUR 83 thousand.

EUR 1000	2009	2008	2007
The amounts for the period and for two preceding periods			
Present value of obligation	1 116	1 047	987
Fair value of plan assets	-529	-436	-475
Deficit	587	611	512
The principal actuarial assumptions used			
Discount rate	5.0%	6.0%	4.9%
Expected rate of inflation	2.0%	2.0%	2.0%
Expected rate of return on plan assets	4.5%	4.5%	4.0%
Rate of salary increase	4.5%	4.5%	4.5%

26. Provisions

EUR 1000	Environmental provisions	Other provisions	Total
Provisions at 1 January 2009	1 741	14	1 755
Additional provisions	173	180	353
Used during the year		-14	-14
Effect of discounting	61		61
Provisions at 31 December 2009	1 975	180	2 155

1 000 €	2009	2008
Non-current provisions	2 100	1 741
Current provisions	55	14
Total	2 155	1 755

The environmental provisions cover the following obligations:

The Group has leased from the Cities of Kerava and Kotka sites that it uses as landfills. In Varkaus the Group uses a site for intermediate storing, processing and final disposal of contaminated soil. At the expiry of the leases or at the discontinuation of operations, the Group is responsible for site restoration comprising landscaping and post-closure environmental monitoring called for in the terms and conditions of environmental permits.

The site restoration provision for the Kerava landfill has been divided into two portions. For one portion, future expenditure has been measured at the price level of the time of calculation adjusted by an annual inflation rate of 2% to 3%, because the cost level will be higher at the moment when the provision will be used than during the construction of the landfill. The expenditure adjusted by inflation has been discounted to the date of construction of the landfill. The interest rate used is the yield expectation of a risk-free five-year government bond at the time of construction plus L&T's loan margin at the time in question. This portion arising from the construction of the landfill is recognised at present value in the balance sheet as a part of the cost of the site and it is depreciated using the straight-line method. A corresponding amount has been recognised as a provision in liabilities. This amount is increased annually by a discount interest recognised in finance costs. The other portion of the provision is calculated on the basis of the tonnage taken to the landfill.

The site restoration provision for the Kotka landfill also consists of two portions. For one portion, the construction expenditure is recognised at present value in the balance sheet as a part of the cost of the site as the provision for the Kerava landfill. The accrual method, however, is applied to the depreciations on the Kotka landfill, and it will be depreciated on the basis of the volume of the waste taken to the site. The other portion consists of a provision for post-closure environmental monitoring, which is based on depreciation where the straight-line method is used. Future expenditure is measured at the price level of the time of calculation adjusted by an annual inflation rate of 3%.

The principle applied for the Kerava site has been applied to the restoration provision of the processing and final disposal site of contaminated soil in Varkaus.

The settlement of the obligations recognised under long-term provisions will probably require an outflow of resources embodying economic benefits over a period of 1 to 5 years from now, except for the provision for the post-closure monitoring of the Kotka landfill the period is 30 years.

Other provisions are mainly related to restructuring.

27. Borrowings

EUR 1000	2009 Carrying amount	2008 Carrying amount
Non-current		
Bank borrowings and loans from pension institutions	114 802	91 520
Finance lease liabilities	2 843	3 279
Acquisition price liabilities	3 324	7 688
Total	120 969	102 487
Current		
Repayments of long-term borrowings	18 922	28 556
Repayments of finance lease liabilities	403	219
Short-term borrowings		15 500
Acquisition price liabilities	1 747	
Other interest-bearing liabilities	1 818	294
Total	22 890	44 569

Fair values of financial liabilities are presented in Note 30 Financial assets and liabilities by category.

27.1. Maturity of long-term borrowings

EUR 1000	2010	2011	2012	2013	2014	2015 and later	Total
Bank borrowings and loans from pension institutions	18 922	20 952	30 312	23 864	14 081	25 593	133 724
Finance lease liabilities	403	318	296	276	259	1 694	3 246
Total	19 325	21 270	30 608	24 140	14 340	27 287	136 970

The average duration of long-term borrowings at 31 December 2009 was 3.2 years (3.2 years) and the weighted average of effective interest rates 2.93% (5.11%).

The loan agreements include equity ratio and interest cover covenants and other normal terms which restrict giving of collaterals to other financiers and discontinuation or disposal of present business. The breaching of the terms will entitle the borrowers to

call in the loans immediately. The terms of loans being in Lassila & Tikanoja plc's name have not been even close to breaching during 2009 and 2008. The ratio of net liabilities and gross margin for the year 2010 provided for in the loan agreements of the joint venture L&T Recoil Oy will not be achieved during the first quarter of 2010 due to the delay in the start-up of the re-refinery plant. Negotiations with banks are under way to change the covenants.

27.2. Finance lease liabilities

EUR 1000	2009	2008
Maturity of minimum lease payments		
Not later than one year	418	456
Later than one year and not later than five years	1 416	1 477
Later than five years	3 267	3 896
Total minimum lease payments	5 101	5 829
Maturity of present values of minimum lease payments		
Not later than one year	403	219
Later than one year and not later than five years	1 149	625
Later than five years	1 694	2 654
Total present value of minimum lease payments	3 246	3 498
Future finance costs	1 855	2 331
Total finance lease liabilities	5 101	5 829

The most significant finance lease agreement is the purchase agreement signed by joint venture L&T Recoil, covering the procurement of hydrogen, hot oil and steam. Pursuant to this agreement, L&T Recoil undertakes to purchase the entire production of the production facilities for its re-refinery. The purchase agreement contains a lease as specified in IFRIC 4.

The minimum lease payments stated above comprise the redemption price to be paid at the end of the lease term, if it is included in the lease agreement.

28. Other non-current liabilities

EUR 1000	2009	2008
Accrued expenses and deferred income	1 255	675
Advances received	205	166
Other liabilities	50	242
Total	1 510	1 083

29. Trade and other current payables

EUR 1000	2009	2008
Advances received	3 981	2 823
Trade payables	22 218	21 437
Other liabilities	18 115	17 368
Accrued expenses and deferred income	49 815	46 670
Total	94 130	88 298
Accrued expenses and deferred income		
Liabilities related to personnel expenses	40 587	37 655
Waste charges	3 022	3 502
Interest liabilities	1 287	1 561
Other accrued expenses	4 919	3 952
Total	49 815	46 670

The fair values of trade and other current payables do not differ significantly from the carrying amounts presented above.

30. Financial assets and liabilities by category

2009	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair values by balance sheet item	Fair value hierarchy level under IFRS 7
EUR 1000								
Non-current financial assets								
Available-for-sale investments			525			525	525	
Finance lease receivables		4 425				4 425	4 843	
Other receivables		726				726	726	
Current financial assets								
Trade and other receivables	73 339					73 339	73 339	
Available-for-sale investments			18 484			18 484	18 484	2
Cash and cash equivalents	9 099					9 099	9 099	
Total financial assets	87 589	19 009				106 598	107 016	
Non-current financial liabilities								
Borrowings				120 969		120 969	121 788	
Other liabilities				1 305		1 305	1 305	
Current financial liabilities								
Borrowings				21 072		21 072	21 072	
Trade and other payables				51 379		51 379	51 379	
Derivative liabilities					1 073	1 073	1 073	2
Total financial liabilities				194 725	1 073	195 798	196 617	
2008								
EUR 1000	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair values by balance sheet item	Fair value hierarchy level under IFRS 7
Non-current financial assets								
Available-for-sale investments			502			502	502	
Finance lease receivables		4 694				4 694	4 968	
Other receivables		689				689	689	
Current financial assets								
Trade and other receivables		68 424				68 424	68 424	
Derivative receivables	112					112	112	
Available-for-sale investments			20 368			20 368	20 368	2
Cash and cash equivalents		6 149				6 149	6 149	
Total financial assets	112	79 956	20 870			100 938	101 212	
Non-current financial liabilities								
Borrowings				102 487		102 487	102 189	
Other liabilities				917		917	917	
Current financial liabilities								
Borrowings				44 569		44 569	44 714	
Trade and other payables				47 820		47 820	47 820	
Derivative liabilities					610	610	610	2
Total financial liabilities				195 793	610	196 403	196 250	

In the above tables, Non-current other liabilities do not include advances received, Trade and other receivables do not include tax receivables and accruals, and Trade and other payables do not include statutory liabilities (e.g. tax liabilities), as such classifications are required of financial instruments only.

Principles for determining fair values of financial assets and liabilities

Available-for-sale investments

Available-for-sale investments consist of unquoted shares and certificates of deposit. The unquoted equity instruments whose fair values are not available due to inactive markets, are measured at acquisition cost. The certificates of deposit are tradable on the secondary market and their fair value is based on the interest rate market quotations at the balance sheet date.

Derivatives

Fair values of interest rate swaps are valued using a technique based on present value of future cash flows, which is supported by market interest rates at the balance sheet date. Fair values describe the prices that the Group would gain or should pay, if the derivative financial instruments were cancelled at the balance sheet date.

Bank and other borrowings

Fair values of borrowings are based on discounted cash flows. The discount rate is defined to be the interest rate the Group would pay for an equivalent loan at the balance sheet date. The overall interest is composed of a risk-free market interest rate and a company-based risk premium.

Finance lease liabilities

Fair value of finance lease liabilities is calculated by discounting future cash flows. The discount rate is defined to be the interest rate with which the Group could enter into an equivalent lease contract at the balance sheet date.

Trade and other receivables

Trade and other receivables, which are non-derivative financial assets, are recognised in the balance sheet at historical cost less credit adjustments and impairment losses. This corresponds with their fair value as the periods for payment are short and thus the discounting effect is not essential.

Trade and other payables

Trade and other current non-interest-bearing payables are recognised in the balance sheet at historical cost which corresponds with their fair value, as the discounted effect is not essential considering the maturity of the payables.

Fair value hierarchy of financial assets and liabilities measured at fair value

The financial assets and liabilities measured at fair value must be classified using a three-level fair value hierarchy that reflects the significance of input data used for value definition. At L&T, only current available-for-sale investments and derivatives are measured at fair value. The fair value of current available-for-sale investments consisting of certificates of deposit and derivatives consisting of interest rate swaps represent level 2. The fair values of both financial instruments are based on prices derived from prices quoted in active markets or on generally accepted valuation techniques, the input data for which is, however, materially based on verifiable market data.

31. Derivative financial instruments

Interest rate derivatives

EUR 1000	2009		2008	
	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps held for trading				
Not later than one year			15 000	
Total	0		15 000	112

Interest rate swaps were entered into in order to hedge against cash flow interest rate risk associated with floating rate borrowings. Hedge accounting under IAS 39 has not been applied but the changes in fair values have been recognised in finance income and costs.

EUR 1000	2009		2008	
	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps under hedge accounting				
Not later than one year	4 629		4 629	
Later than one year and not later than five years	30 785		20 914	
Later than five years			5 000	
Total	35 414	-1 073	30 543	-610

Interest rate swaps were entered into in order to hedge against cash flow interest rate risk associated with floating rate borrowings. Hedge accounting under IAS 39 has been applied to these items, and the hedges have been effective. The changes in their fair values are presented in the consolidated statement of comprehensive income.

The fixed interest rates of the interest rate swaps at 31 December 2009 varied between 2.07% and 4.306% (2.65% and 4.306%). The floating interest rate was 3-month or 6-month Euribor.

The fair values of the interest rate swaps are based on the market data at the balance sheet date.

32. Operating leases

EUR 1000	2009	2008
Maturity of minimum lease payments of non-cancellable operating leases		
Not later than one year	8 145	7 459
Later than one year and not later than five years	17 470	16 051
Later than five years	6 274	7 281
Total minimum lease payments	31 889	30 791

The Group has leased a part of the production and office premises, office equipment and vehicles. The lease terms of non-cancellable premise leases are between three and eight years in general, and usually they include a renewal option. The Group has leased land to be used for storing at production plants. The terms of the lease agreements are in accordance with terms generally used. Lease payments under each lease are based on fixed unit price per square meter and in general they are tied to the consumer price index.

The income statement of 2009 includes lease expenses arising from other leases EUR 14,662 thousand (EUR 13,461 thousand).

33. Notes to the consolidated statement of cash flows

EUR 1000	2009	2008
Adjustments to cash flows from operating activities		
Taxes	11 881	10 724
Depreciation, amortisation and impairment	40 334	40 985
Finance income and costs	5 238	4 806
Imputed changes in the fair values of oil derivatives		-2 221
Profit on sale of shares		-14 258
Profit/loss on sales of equipment	-70	573
Discontinued operations		2 616
Provisions	898	244
Other	911	-373
Total	59 192	43 096
Effect of subsidiaries and businesses disposed of on the Group's financial position		
Property, plant and equipment	135	35
Goodwill and other intangible assets	62	1 054
Inventories		7
Trade and other receivables		206
Trade and other payables		-48
Cash and cash equivalents		127
Total assets and liabilities	197	1 381
Received in cash	197	150
Cash and cash equivalents in entities disposed of		-127
Net cash flow arising from disposals	197	23

In June the waste management business in Virrat was disposed of. Goodwill and intangible assets allocated to the component of an entity disposed of were measured in accordance with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. These components of entity do not meet the criteria of presenting discontinued operations specified in IFRS 5.31–32.

34. Related-party transactions

Lassila & Tikanoja Group has related-party relationships with a joint venture and the top management. The Group had no associates in 2009 and 2008.

Transactions and balances with joint ventures

EUR 1000	2009	2008
Sales	930	990
Other operating income	75	
Interest income	336	202
Non-current receivables		
Capital loan receivable	15 896	8 396
Current receivables		
Trade receivables	31	62
Loan receivables	538	202

Transactions with joint ventures are carried out at fair market price. The figures for joint ventures are shown in full (100%).

At 31 December 2009, the interest rate of the joint venture L&T Recoil Oy's subordinated loans totalling EUR 2,646 thousand (granted in 2006 and 2007) was 3.016% p.a. Interest on the loans will be paid if the joint venture has any distributable assets in its balance sheet. In 2008, new subordinated loans totalling EUR 5,750 thousand were granted to L&T Recoil, the weighted average interest rate being 3.0553% p.a. at 31 December 2009. In 2009, new subordinated loans totalling EUR 7,500 thousand were granted, the weighted average interest rate being 3.0349% p.a. at 31 December 2009. The payments of interest on these loans will be made when the amount of L&T Recoil's unrestricted equity and the subordinated loans exceeds the loss in the balance sheet.

The parent company of the Group is committed to invest in joint venture L&T Recoil Oy as share capital and equity loans 50% of the amount that fulfils the solvency covenant of financial contracts.

The parent company of the Group has provided absolute guarantee for L&T Recoil Oy's credit limits amounting to EUR 42,000 thousand. The guarantee covers 50% of the amount of the credit limits in use.

At 31 December 2009, the joint ventures had no investment commitments. At 31 December 2008, the Group's share of investment commitments of the joint ventures was EUR 972 thousand.

Employee benefits of top management

EUR 1000	2009	2008
Salaries and other short-term employee benefits	1 436	1 244
Post-employment benefits	30	30
Share-based payment (share options)		5
Total	1 466	1 279

Top management consists of the members of the Board of Directors, President and CEO and Group Executives. An expense of EUR 216 thousand (EUR 347 thousand) was recognised in the income statement as the top managements' share of the share-based payment.

Salaries and remunerations paid to members of the Board of Directors

EUR 1000	2009	2008
Juhani Majjala, Chairman	46	46
Juhani Lassila, Vice Chairman	31	31
Heikki Bergholm	26	26
Eero Hautaniemi	26	26
Matti Kavetvuo	26	26
Hille Korhonen	26	
Lasse Kurkilahti, former member of the Board of Directors		26

In 2009, the salaries paid to the President and CEO totalled EUR 335 thousand, including salaries and benefits (EUR 335 thousand, including salaries and benefits).

The salaries of the other Group Executives totalled EUR 921 thousand, which included salaries and benefits (EUR 734 thousand, including salaries and benefits EUR 704 thousand, bonuses EUR 25 thousand and benefits from exercising share option rights EUR 5 thousand). The figures include salaries for the period during which the persons in question held a Group executive position.

The members of the Board of Directors have no pension contracts with the company. The President and CEO has a defined benefit pension contract, according to which he may choose to retire at the age of sixty. In 2009, an expense of EUR 30 thousand arising from that contract was recognised in the income statement (EUR 30 thousand). The amount of the pension is less than the full amount of pension under the Employees' Pensions Act.

The members of the Board are not included in the share option plans.

No options were granted in 2009. The composition of the Group Executives team changed in 2009. At 31 December 2009, the President and CEO and the Group Executives held a total of 177,000 options, of which 121,000 were exercisable (at 31 December 2008 302,000 options, of which 149,000 were exercisable).

No loans were granted and no guarantees nor other securities given to persons belonging to the related parties.

35. Auditing costs

EUR 1000	PWC*	Other companies	Total
2009			
Auditing	180	18	198
Other assignments in accordance with the auditing act	6		6
Tax consulting services	12		12
Other services	39	3	42
Total	237	21	258

2008

Auditing	176	27	203
Other assignments in accordance with the auditing act	9		9
Tax consulting services	10		10
Other services	47		47
Total	242	27	269

* PricewaterhouseCoopers chain

36. Contingent liabilities

EUR 1000	2009	2008
Collaterals for own commitments		
Mortgages on rights of tenancy	42 179	10 192
Company mortgages	21 460	10 460
Other securities	234	200
Bank guarantees required for environmental permits	3 591	4 126

Mortgages on rights of tenancy are mainly collaterals given to banks by joint venture L&T Recoil. The objects of the mortgages are sites rented from the City of Hamina and the re-refinery plant situated on the sites.

The Group has given no pledges, mortgages or guarantees on behalf of outsiders.

37. Financial risk management

The principles for L&T's financial risk management are defined in the financial policy approved by the Board of Directors. The purpose of financial risk management is to mitigate significant financial risks and strive to reduce the effects of the unfavourable fluctuations in the financial market on the Group's result.

Financial risk management is controlled by a financing group consisting of the CEO, CFO and Finance Director. The financing group reviews reports of financial risks monthly and approves the actions required on this basis. The Group's financing and liquidity management are handled centrally at the Group's financial management managed by the CFO. Transactions related to financial risk management are carried out by Group's financial management. The joint venture L&T Recoil's financing arrangements are separate from the rest of the Group, but the Group's financial management is responsible for the related hedging transactions and for the company's liquidity management.

Foreign exchange risk

L&T comprises the parent company operating in Finland and subsidiaries operating in Finland, Sweden, Latvia and Russia. The functional and reporting currency of the parent company and Finnish subsidiaries is the euro, while the other subsidiaries use the currency of each country of location. Therefore exchange rate fluctuations have an effect on consolidated earnings and equity but this is not very significant.

Transaction risk

The business operations of L&T's foreign subsidiaries are carried out almost completely in their functional currency. Financing for subsidiaries is generally provided through intra-Group loans that are denominated in the functional currency of each subsidiary. Until late 2008, loans other than those included in the net investment were hedged by forward exchange contracts, but since then they have not been hedged. Group companies operating in Finland use the euro as the invoicing currency for sales almost exclusively, while minor amounts of purchases are also invoiced in Swedish kronor. Loans taken out by L&T are denominated in euros, apart from three minor loans taken out by the Latvian subsidiary in Latvian lats.

Translation risk

L&T's exposure to translation risk consists of net investments in foreign subsidiaries, which include equity and loans for which settlement is neither planned nor likely in the foreseeable future. The translation exposure is not hedged. Changes in exchange rates in 2009 resulted in translation differences of EUR 300 thousand in equity (EUR -2,259 thousand). Net investments by currency are presented in the table below.

Translation exposure of net investments

EUR 1000	2009	2008
SEK	13 923	14 019
LVL	8 527	6 958
RUB	7 536	5 284
Total	29 986	26 261

Price risk of investments

L&T has not invested in listed securities, the value of which changes as the market prices change, and L&T is not exposed to securities price risk. L&T has only a minor holding in unlisted shares, and there is no substantial price risk related to these shares.

Interest rate risk

The most significant interest risk of L&T relates to borrowings, which are tied to variable interest rates and create cash flows that vary with the interest rate level. As the demand for L&T's services or their prices are not significantly dependent on fluctuations in economic trends, L&T tries to keep interest costs steady. On account of this, a major portion of the cash flow associated with variable-rate borrowings is hedged against interest rate risk by interest rate swaps. Moreover, some of the loans have been taken out with fixed interest rates.

At 31 December 2009, 56% (54%) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 44% (46%). Moreover, some of long-term variable-rate borrowing agreements include interest rate options to attenuate the effect of changes in interest rates. Therefore changes in the interest rate level will not impact interest costs in full.

All interest rate swaps made to hedge the cash flow are hedges in accordance with the Group's risk management policy, but L&T has not applied hedge accounting under IAS 39 to interest rate swaps made before transition to IFRS. At the end of the year 2009, the Group had no such swaps.

In accordance with L&T's financial policy, the company seeks to minimise the amount of interest-bearing assets in proportion to the current short-term financing requirements, and invests in relatively short-term instruments. Interest-rate investments grew in late 2008, and the Group has been holding the larger amount of liquid funds for the whole year 2009. The investment period for none of the interest rate investments exceeds six months. L&T has no other significant, interest-bearing receivables involving income tied to changes in market rates.

Repricing date or maturity date of long-term borrowings (incl. interest-rate swaps)

EUR 1000	2010	2011–2014	2015 and later	Total
31 December 2009				
Bank borrowings and loans from pension institutions	99 662	22 952	11 110	133 724
Finance lease liabilities	403	1 149	1 694	3 246
Total	100 065	24 101	12 804	136 970
Effect of interest rate swaps	-30 785	30 785		
	69 280	54 886	12 804	136 970
EUR 1000				
	2009	2010–2013	2014 and later	Total
31 December 2008				
Bank borrowings and loans from pension institutions	95 077	11 112	13 887	120 076
Finance lease liabilities	219	625	2 654	3 498
Total	95 296	11 737	16 541	123 574
Effect of interest rate swaps	-25 915	20 915	5 000	
	69 381	32 652	21 541	123 574

Credit and counterparty risk

Financial instruments involve the risk of the counterparty being unable to fulfil its contractual commitments. Counterparty risk is managed by making financial and derivative contracts with major Nordic banks only and by making investments related to liquidity management only in certificates of deposit and commercial papers of issuers with a good credit standing in accordance with the counterparty list approved by the Board. No impairment is expected on any outstanding investments at the balance sheet date.

L&T has a wide customer base comprising companies, industrial plants, office and business properties, institutional property owners, housing corporations, public sector and households. Its accounts receivable consist mostly of a high number of relatively small receivables and there are no significant concentrations of credit risk. L&T has credit control guidelines to ensure that services and products are sold only to customers with an appropriate credit standing or, if a customer's creditworthiness is inadequate, prepayment is required. Most customer relationships are based on long-term service contracts, and customers are not generally required to provide collateral.

With regard to Finnish trade receivables, collection operations related to trade receivables are managed centrally by the financial management function. The foreign subsidiaries manage the collection of their accounts receivable locally. 89.8% of net sales originated from Finland in 2009.

The net amount of impairment on the accounts receivable in proportion to the net sales was still at the same level as in the last few years, corresponding to less than 0.2 percent of the net sales. The total of carrying amounts of financial assets at 31 December 2009 represents best the Group's maximum exposure to credit risk at the balance sheet date in case that the counterparties are not able to fulfil their commitments related to the financial instruments.

Analysis of trade receivables by age

EUR 1000	2009	2008
Trade receivables not past due	57 868	54 308
Trade receivables past due 1–90 days	5 174	6 822
Trade receivables past due 91–180 days	724	438
Trade receivables past due 181–365 days	690	343
Trade receivables past due over 365 days	76	
Total	64 532	61 911

Impaired trade receivables have been recognised as expenses in the income statement. Impairment losses and reversals of impairment losses recognised in previous periods are shown in Note 6 Other operating income and expenses.

Credit risk related to financial assets

EUR 1000	2009 Carrying amount	2008 Carrying amount
Non-current available-for-sale investments	525	502
Non-current finance lease receivables	4 425	4 694
Other non-current receivables	726	689
Trade and other current receivables	64 533	71 898
Derivative receivables		112
Current available-for-sale investments	18 484	20 368
Cash and cash equivalents	9 099	6 149
Total	97 792	104 412

Financial assets are not collateralised, and they do not include any significant concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of the financial assets. The criteria for recognising an impairment loss on a receivable include, based on the management's judgement, the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. No impairment was recognised on other financial assets.

Liquidity and refinancing risk

Liquidity risk management ensures that L&T continuously will be able to answer for its financial obligations associated with operations at the lowest possible cost. L&T seeks to maintain good liquidity through efficient cash management and by investing in money market instruments which can be realised quickly. The liquidity situation is monitored in real time and predicted using cash flow forecasts. The netting of the Finnish Group companies' liquidity is done using Group bank accounts, and the Group's financial management is responsible for investing any excess liquidity. To ascertain the availability of funding, L&T uses several banks in its financial operations. Refinancing risk is managed by a broad-based maturity profile of loans and by maintaining the level of the average duration of the loan portfolio at least 2.5 years.

L&T seeks to keep its cash assets fairly small, while ensuring sufficient credit limits for liquidity management purposes. Following the global financial crisis, the Group has been holding intentionally a larger amount of liquid assets than previously.

To meet any temporary need for cash arising from cash flow fluctuations, L&T has credit limits for short-term loans (totalling EUR 23 million), current accounts with overdraft facilities (totalling EUR 3.2 million) and a commercial paper programme (EUR 50 million). At 31 December 2009, the Group's liquid assets and investments amounted to EUR 27.6 million (EUR 26.5 million). At 31 December 2009, EUR 1.8 million (EUR 15.7 million) of the short-term credit limits were in use. As a year earlier, no commercial papers were in use.

The following table shows the Group's financial liabilities classified according to contractual maturity dates at the balance sheet date. The figures shown are undiscounted contractual cash flows. The long-term borrowings include equity ratio and interest cover covenants and other normal terms which restrict giving of collateral to other financiers and discontinuance or disposal of present business. Breaching of these terms will entitle the borrowers to call in the loans immediately, which would lead to earlier realisation of the cash flows related to the borrowings.

Maturity of financial liabilities

EUR 1000	Carrying amount	Contractual cash flows	2010	2011	2012	2013	2014	2015 and later
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31 December 2009

Bank borrowings and loans from pension institutions	133 724	146 791	22 492	24 011	32 640	25 417	14 976	27 255
Finance lease liabilities	3 246	5 101	418	354	354	354	354	3 267
Acquisition price liabilities	5 121	5 410	1 786	3 624				
Other non-current financial liabilities	1 255	1 255		628	627			
Derivative liabilities	1 073	1 073	1 073					
Trade and other payables	51 379	51 379	51 379					
Total	195 798	211 009	77 148	28 617	33 621	25 771	15 330	30 522

EUR 1000	Carrying amount	Contractual cash flows	2009	2010	2011	2012	2013	2014 and later
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31 December 2008

Bank borrowings and loans from pension institutions	135 576	153 779	49 979	20 456	19 626	18 239	22 919	22 560
Finance lease liabilities	3 498	5 829	456	415	354	354	354	3 896
Acquisition price liabilities	7 930	8 777		2 093	6 684			
Other non-current financial liabilities	969	970	295	338	337			
Derivative liabilities	610	610	610					
Trade and other payables	47 820	47 820	47 820					
Total	196 403	217 785	99 160	23 302	27 001	18 593	23 273	26 456

Breakdown of borrowings

EUR 1000	In use at 31		Total	In use at 31		Total
	December 2009	December 2009		December 2008	December 2008	
Bank borrowings and loans from pension institutions	133 724		133 724	120 076		120 076
Finance lease liabilities	3 246		3 246	3 498		3 498
Committed credit facility with maturity in 2010		15 000	15 000		15 000	15 000
Non-committed credit facilities		8 000	8 000	15 500	11 500	27 000
Commercial paper programme		50 000	50 000		50 000	50 000
Overdraft facilities	1 818	1 375	3 193	203	1 963	2 166
Acquisition price liabilities	5 121		5 121	7 688		7 688
Total	143 909	74 375	218 284	146 965	78 463	225 428

Sensitivity for market risks arising from financial instruments

The following sensitivity analysis required by IFRS 7 illustrates the sensitivity of the Group's profit for the period and equity to changes in the interest rate level with regard to financial instruments in the statement of financial position at 31 December, including financial assets and liabilities as well as derivative contracts. Changes in the fair value of derivative contracts under hedge accounting are assumed to be allocated entirely to equity, while changes in the fair value of other derivative contracts are assumed to be allocated entirely to the income statement.

The following assumptions have been used in calculating sensitivity to changes in the interest rate level:

- The change in the interest rate level is assumed to be +/- 0.5 percentage point. The default percentage used earlier was one percentage point, but as the short-term interests were below this level on 31 December 2009, the percentage was lowered to 0.5%.
- The exposure underlying the calculation includes interest-bearing financial liabilities and receivables, as well as interest rate swaps.

Net investments in foreign subsidiaries are not included in the sensitivity analysis.

Sensitivity analysis under IFRS 7 of market risk arising from financial instruments

EUR million	2009		2008	
	Profit after tax	Equity	Profit after tax	Equity
+0.5% change in market interest rate	-0.2	0.3		0.3
-0.5% change in market interest rate	0.1	-0.3	0.2	-0.3

38. Disputes and litigation

Lahti Energia Oy has summoned Lassila & Tikanoja plc for claim for damages and the trial is still pending in Lahti District Court. The amount of the claim is EUR 2,514,985.46. The company opposes both the cause and the amount of the action. The company has adequate insurance coverage for any liability for damages.

L&T Hankinta Ky appealed in Helsinki administrative court against the decision of the Rectification Board of Uusimaa Regional Tax Office concerning amortisation on dissolution losses deducted from the company's taxable profit in 2005, totalling EUR 1,037,255.46.

Lassila & Tikanoja is involved in a few minor disputes incidental to the Group's business operations. The outcome of these disputes will not have material effect on the Group's financial position.

Kiinteistö Oy Roihupelto, a real estate corporation, has directed a claim for damages towards Lassila & Tikanoja plc. The summons has not been issued and the company has adequate insurance coverage for any liability for damages.

39. Events after the balance sheet date

The company's management is not aware of any events of material importance after the balance sheet date, which might have affected the preparation of the financial statements

Financial statements of the parent company, FAS

Income statement

EUR 1000	2009	2008	Note
Net sales	436 856	439 918	1
Cost of goods sold	-372 185	-383 484	
Gross profit	64 671	56 434	
Sales and marketing expenses	-12 528	-13 682	
Administration expenses	-7 819	-7 463	3
Other operating income	2 633	17 087	5
Other operating expenses	-1 292	-1 371	5
Operating profit before goodwill amortisation	45 665	51 005	2, 4
Goodwill amortisation	-8 460	-8 597	
Operating profit	37 205	42 408	
Financial income and costs	1 086	3 876	6
Profit before extraordinary items	38 291	46 284	
Extraordinary items	-1 404	-16 150	7
Profit before appropriations and income taxes	36 887	30 134	
Appropriations			
Increase/decrease in accumulated depreciation	696	274	
Income tax	-9 644	-4 337	8
Profit for the period	27 939	26 071	

Cash flow statement

EUR 1000	2009	2008
Operations		
Operating profit	37 205	42 408
Adjustments:		
Depreciation and amortisation	13 791	13 275
Gains and losses on sales	283	-14 702
Other adjustments	121	95
Cash flow before change in working capital	51 400	41 076
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	-1 927	-3 199
Increase/decrease in inventories	-312	-367
Increase/decrease in current non-interest-bearing liabilities	5 797	5 516
Cash flow from operations before financial income/expenses and tax	54 958	43 026
Interest expenses and other financial expenses	-12 349	-11 918
Interest income from operations	10 867	13 855
Direct taxes paid	-9 327	-6 682
Cash flow from operating activities	44 149	38 281
Investments		
Investments in Group companies	-1 745	-1 889
Investments in tangible and intangible assets	-6 829	-6 820
Proceeds from sale of tangible and intangible assets	90	876
Investments in other assets		-1 710
Granted capital loans	-7 500	-5 750
Proceeds from sale of other assets		14 201
Dividends received from investments	2 333	2 118
Cash flow from investing activities	-13 651	1 026
Financing		
Proceeds from share issue		206
Group contribution paid	-17 013	-4 674
Group contribution received	863	2 042
Proceeds from/repayments of short-term borrowings	-10 947	-15 927
Proceeds from/repayments of current liabilities to Group companies	11 040	-18 125
Proceeds from long-term loans	24 000	47 000
Repayments of long-term loans	-17 781	-15 086
Dividends paid	-21 272	-21 316
Repurchase of own shares	-356	
Cash flow from financing activities	-31 466	-25 880
Changes in cash and cash equivalents	-968	13 427
Cash and cash equivalents at 1 January	23 159	9 732
Cash and cash equivalents at 31 December	22 191	23 159

The items in the statement of changes in the financial position cannot be derived directly from the balance sheet owing, among other things, to mergers and dissolutions of subsidiaries.

Balance sheet

EUR 1000	2009	2008	Note
ASSETS			
Fixed assets			
Intangible assets			9
Intangible rights	663	611	
Goodwill	5 431	12 542	
Other capitalised expenditure	574	75	
Prepayments and construction in progress		303	
	6 668	13 531	
Tangible assets			10
Land	2 678	2 677	
Buildings and constructions	32 022	31 311	
Machinery and equipment	4 202	4 464	
Other tangible assets	48	47	
Advance payments and construction in progress	6 816	5 435	
	45 766	43 934	
Financial assets			11
Shares in Group companies	56 570	56 576	
Shares in joint ventures	4	4	
Capital loan receivables from joint ventures	15 896	8 396	
Capital loan receivables from others	115	115	
Other shares and holdings	350	310	
	72 935	65 401	
Total fixed assets	125 369	122 866	
Current assets			
Inventories			
Raw materials and consumables	584	500	
Finished products/goods	2 744	2 754	
Other inventories	584	346	
	3 912	3 600	
Non-current receivables			
Loan receivables	342	395	
Current receivables			12
Receivables from Group companies	128 182	117 143	
Receivables from joint ventures	569	264	
Trade receivables	48 843	49 263	
Other receivables	572	781	
Prepaid expenses and accrued income	5 131	4 110	
	183 297	171 561	
Cash and cash equivalents	22 191	23 159	
Total current assets	209 742	198 715	
Total assets	335 111	321 581	
EUR 1000	2009	2008	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			13
Share capital	19 399	19 399	
Share premium account	50 672	50 672	
Retained earnings	27 410	22 990	
Profit for the period	27 939	26 071	
Total shareholders' equity	125 420	119 132	
Appropriations			
Depreciation difference	2 470	3 148	
Obligatory provisions			14
Non-current	2 627	1 912	
Current	559	311	
	3 186	2 223	
Liabilities			15
Non-current			
Loans from financial institutions	61 815	64 808	
Pension institution loans	34 122	25 000	
Accrued income	203	166	
Other liabilities		200	
	96 140	90 174	
Current			
Commercial papers			
Loans from financial institutions	17 172	28 119	
Advances received	936	241	
Trade payables	13 459	13 002	
Liabilities to Group companies	20 862	13 113	
Other liabilities	15 641	15 401	
Accruals and deferred expenses	39 825	37 028	
	107 895	106 904	
Total liabilities	204 035	197 078	
Total shareholders' equity and liabilities	335 111	321 581	

Notes to the financial statements of the parent company
Principles for preparing the financial statements

The financial statements of Lassila & Tikanoja plc have been prepared in accordance with the Finnish Accounting Standards (FAS). Items in the financial statements are stated at cost.

Fixed assets

Tangible and intangible assets are stated in the balance sheet at direct acquisition cost less planned depreciation. Planned straight-line depreciation is calculated from the historical cost on the basis of probable economic life except for new landfills.

The depreciation and amortisation periods are as follows:

Buildings and structures	5–25 years
Vehicles	6–8 years
Machinery and equipment	4–10 years
Goodwill	5–10 years
Intangible rights and other capitalised expenditure	5–10 years

In 2008 the Group started to apply the units of production method to new landfills. Landfills are depreciated on the basis of the volume of waste received. This method reflects more closely than the straight-line method the expected future benefits to be derived from the landfills. As the Kerava landfill is about to be filled up, it will be fully depreciated using the straight-line method.

Depreciation on fixed assets acquired during the financial year is calculated from the day on which they become operational.

Lease payments are recognised as expenses in the income statement. The assets are not stated in the balance sheet.

Investments are measured at cost.

Inventories

Inventories are measured at the variable cost of production or the probable lower replacement or sales price. The inventories of Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method. The cost of inventories produced by the company comprises, in addition to direct costs, a share of production overheads.

Items denominated in foreign currencies

Foreign currency transactions are recorded using the exchange rates for the dates of the transactions. Receivables and liabilities denominated in foreign currencies are translated into euros at the reference rate of the European Central Bank for the balance sheet date. Exchange rate differences are recognised in the income statement.

Derivatives

Interest rate swaps are used to hedge cash flow against interest rate risk. Interest income or expenses arising from the swaps are allocated over the contract period and recognised as adjustments to the interest on the hedged item.

Net sales

Sales are stated net of indirect sales taxes, discounts and exchange rate differences. Sales freights and other costs incurred in sales and deliveries are recognised as either costs of goods sold or sales expenses. Bad debt is recognised under other operating expenses.

Research and development expenditure

Research and development expenditure is recognised as an expense.

Other operating income and expenses

Other operating income and expenses consist of items not included in regular service and product sales, such as gains and losses on the sale or disposal of fixed assets, as well as the recognition and recovery of bad debt.

Income taxes

Current income tax is determined for the taxable profit for the period according to prevailing tax rates. Taxes are adjusted by current tax rates for previous periods, if any. Deferred tax liabilities are stated in the notes to the financial statements.

1. Net sales

EUR 1000	2009	%	2008	%
Net sales by division				
Environmental Services	175 308	40.1	185 689	42.2
Property and Office Support Services	197 688	45.3	189 388	43.1
Industrial Services	63 860	14.6	64 833	14.7
Group administration and other			8	
Total	436 856	100.0	439 918	100.0
Net sales by market				
Finland	431 121	98.7	435 549	99.0
Other countries	5 735	1.3	4 369	1.0
Total	436 856	100.0	439 918	100.0

2. Personnel and administrative bodies

	2009	2008
Average personnel		
Salaried employees	990	1 002
Non-salaried employees	4 677	4 746
Total	5 667	5 748

EUR 1000	2009	2008
Personnel expenses		
Salaries and bonuses	157 330	156 163
Pension expenditure	27 934	26 612
Other salary-related expenses	9 460	10 979
Total	194 724	193 754

Salaries, bonuses and pension benefits of the management are described in Note 34 Related-party transactions of the consolidated financial statements. No loans were granted to the related parties of the Group companies.

3. Auditor's fees to PricewaterhouseCoopers Oy

EUR 1000	2009	2008
Auditing	97	84
Other assignments in accordance with the auditing act	5	3
Tax consulting services	12	10
Other services	33	33
Total	147	130

4. Depreciation and amortisation

EUR 1000	2009	2008
Depreciation and amortisation by function		
Cost of goods sold	5 185	4 589
Sales and marketing	23	20
Administration	122	69
Goodwill	8 461	8 597
Total	13 791	13 275

Depreciation and amortisation are itemised under intangible and tangible assets.

5. Other operating income and expenses

EUR 1000	2009	2008
Other operating income		
From Group companies		
Compensation for administration costs	329	383
From others		
Merger profit	21	
Profit on sale of real estates	28	437
Profit on sale of shares		14 183
Profit on sale of other fixed assets	90	81
Government grants	439	599
Rents	17	128
Refund of supplementary insurance fund	492	
Recovery of bad debt	118	118
Low-wage support	637	695
Other operating income	462	463
Total	2 633	17 087
Other operating expenses		
To others		
Losses on sale of fixed assets	401	9
Losses on sale of shares		504
Bad debt	517	714
Other	374	144
Total	1 292	1 371

6. Financial income and costs

EUR 1000	2009	2008
Dividend income	1 838	1 651
Other interest and financial income	11 149	14 383
Other interest and financial costs	-11 901	-12 158
Total financial income and costs	1 086	3 876
Financial income and costs include		
Dividend income		
from Group companies	1 837	1 647
from others	1	4
Interest income		
from Group companies	10 229	13 046
from joint ventures	336	202
from others	581	1 134
Interest costs		
to Group companies	6 936	6 897
to others	4 497	5 146

7. Extraordinary items

EUR 1000	2009	2008
Extraordinary income		
Group contribution received	2 101	863
Extraordinary expenses		
Group contribution paid	-3 505	-17 013
Total extraordinary income and expenses	-1 404	-16 150

8. Income taxes

EUR 1000	2009	2008
Income taxes on operations for the financial year		
	9 642	4 341
Income taxes for previous periods		
	2	-4
Total	9 644	4 337
Deferred tax liabilities/receivables		
From depreciation differences		
	-642	-824
From other matching differences		
	856	578
Total	214	-246

9. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Total
Cost at 1 January	1 962	109 095	237	303	111 597
Additions	136	1 350	58	196	1 740
Disposals	-11				-11
Transfers between items			499	-499	
Cost at 31 December	2 087	110 445	794	0	113 326
Accumulated depreciation at 1 January					
	-1 351	-96 553	-162		-98 066
Depreciation during the period					
	-73	-8 461	-58		-8 592
Accumulated depreciation at 31 December	-1 424	-105 014	-220		-106 658
Total book value	663	5 431	574	0	6 668

10. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other	Advance payments and construction in progress	Total
Cost at 1 January	2 677	50 621	30 846	132	5 435	89 711
Additions	1	893	798	2	6 319	8 013
Disposals		-760	-3 632	-1	-350	-4 743
Transfers between items		4 415	173		-4 588	
Cost at 31 December	2 678	55 169	28 185	133	6 816	92 981
Accumulated depreciation at 1 January						
		-19 310	-26 382	-85		-45 777
Accumulated depreciation on disposals and transfers						
		196	3 565			3 761
Depreciation during the period						
		-4 033	-1 166			-5 199
Accumulated depreciation at 31 December		-23 147	-23 983	-85		-47 215
Total book value	2 678	32 022	4 202	48	6 816	45 766

11. Investments

EUR 1000	Shares in Group companies	Holdings in joint ventures	Capital loan receivables*	Other shares and holdings	Total
Cost at 1 January	56 576	4	8 511	310	65 401
Additions			7 500	40	7 540
Transfers between items		-6			-6
Cost at 31 December	56 570	4	16 011	350	72 935
Total book value	56 570	4	16 011	350	72 935

* Capital loan receivables include:

Capital loan receivables	
From joint ventures	15 896
From others	115

Holdings in Group companies

	Holding of shares and votes, %
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0
L&T Advance Oy, Helsinki	100.0
L&T Biowatti Oy, Helsinki	70.0
L&T Improvement Oy, Helsinki	100.0
L&T Kalusto Oy, Helsinki	100.0
L&T Muoviportti Oy, Merikarvia	83.3
L&T Relations Oy, Helsinki	99.0
L&T Toimi Oy, Helsinki	100.0
Salvor Oy, Helsinki	100.0
Suomen Keräystuote Oy, Helsinki	100.0
Joint ventures	
L&T Recoil Oy, Helsinki	50.0

12. Receivables

EUR 1000	2009	2008
From Group companies		
Loan receivables	127 518	116 568
Trade receivables	664	575
Total	128 182	117 143
From joint ventures		
Loan receivables	538	202
Trade receivables	31	62
Total	569	264
Prepaid expenses and accrued income		
Interests	12	228
Employees' health care compensation	3 435	1 498
Statutory personnel insurance	733	265
Other insurances	213	
Insurance refunds	45	277
Other	693	1 842
Total	5 131	4 110

13. Shareholders' equity

EUR 1000	2009	2008
Share capital at 1 January	19 271	19 264
Subscription with 2005 options		7
Share capital at 31 December	19 271	19 271
Share premium at 1 January	47 864	47 666
Subscription with 2005 options		198
Share premium at 31 December	47 864	47 864
Retained earnings at 1 January	49 061	44 313
Dividend	-21 339	-21 338
Out-dated dividend	44	15
Repurchase of own shares	-356	
Retained earnings at 31 December	27 410	22 990
Profit for the period	27 939	26 071
Shareholders' equity at 31 December	122 484	116 196
Distributable assets		
Retained earnings	27 410	22 990
Profit for the period	27 939	26 071
Total distributable assets	55 349	49 061

14. Obligatory provisions

EUR 1000	2009	2008
Environmental provision	755	815
Lease provision		14
Pension liabilities	612	622
Restructuring provisions	126	
Screened construction waste	1 693	772
Total	3 186	2 223

The environmental provisions relate to the site restoration cost of the landfill in Kerava.

15. Liabilities

EUR 1000	2010*	2011	2012	2013	2014	2015 and later
Repayments of non-current liabilities in coming years						
Loans from financial institutions	17 172	17 172	17 172	22 697	13 303	25 593

* In the balance sheet under current liabilities

EUR 1000	2009	2008
Liabilities to Group companies		
Current interest-bearing liabilities	228	409
Current non-interest-bearing liabilities	20 634	12 704
Total	20 862	13 113
Accruals and deferred expenses		
Personnel expenses	34 108	30 993
Interests	841	1 293
Waste charges	847	1 451
Other matched expenses	4 001	3 291
Total	39 797	37 028

16. Contingent liabilities

EUR 1000	2009	2008
For own commitments		
Mortgages on rights of tenancy	179	179
Other securities	171	156
Liabilities related to leasing and leases		
Falling due next year	7 361	6 491
Falling due in subsequent years	19 246	19 014
Total	26 607	25 505
For Group companies		
Guarantees	13 788	7 301
For joint ventures		
Guarantees	20 802	15 686
Bank guarantees required for environmental permits	3 078	2 898

17. Derivatives

EUR 1000	2009	2008
Interest rate swaps		
Nominal value	25 914	45 543
Fair value	-1 027	-498

Interest rate swaps were entered into in hedging purposes. Their fair values base on the market prices at the balance sheet date.

Proposal for the distribution of profit

According to the financial statements, Lassila & Tikanoja plc's distributable assets amount to EUR 55,348,207.26, of which EUR 27,939,056.68 constitutes profit for the financial period. There were no substantial changes in the financial standing of the company after the end of the financial period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable assets. The Board of Directors proposes to the General Meeting of Shareholders that distributable assets be used as follows:

A dividend of EUR 0.55 will be paid on each share. No dividend shall be paid on shares held by the company on the dividend payment record date. On the day when the distribution of profit was proposed, the number of shares conferring entitlement to receive dividend totalled 38,768,874 shares,

on which the total dividend payment would be	EUR 21,322,880.70
To be retained and carried forward	EUR 34,025,326.56
Total	EUR 55,348,207.26

In accordance with the resolution of the Board of Directors, the record date is 7 April 2010. Directors proposes to the Annual General Meeting that the dividend be paid on 14 April 2010.

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2009

Helsinki on 9 February 2010

Juhani Majjala

Juhani Lassila

Heikki Bergholm

Eero Hautaniemi

Matti Kavetvuo

Hille Korhonen

Jari Sarjo

President and CEO

Auditor's report

To the Annual General Meeting of Lassila & Tikanoja plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lassila & Tikanoja Oyj for the year ended on 31 December, 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good audit-

ing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 11 February 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Investor relations

Lassila & Tikanoja Disclosure Policy

This disclosure policy defines the principles and operating procedures in Lassila & Tikanoja plc's (L&T) communication with the capital market. The policy is approved by the Board of Directors.

Principles and goals of investor communications

L&T complies with the requirements of the Finnish legislation and with the regulations and guidelines issued by The Finnish Financial Supervision Authority and NASDAQ OMX Helsinki.

The purpose of L&T's investor communications is to provide correct and relevant information for the capital market, in order to support the correct valuation of L&T's share. All material information on L&T's activities, operating environment, strategy, goals and financial standing is disclosed timely, clearly and sufficiently comprehensively. All market participants are provided with the same information simultaneously, and both positive and negative events are reported. Periodical reports are produced in a continuous, consistent format in terms both of figures and written assessments.

Regular disclosure requirements

L&T issues a financial statement release, interim reports, financial statements, report of the Board of Directors and an annual summary according to a previously disclosed calendar. The calendar is disclosed prior to the start of each financial year.

Other disclosure requirements

L&T discloses without undue delay information on decisions and circumstances concerning the company and its activities, which is expected to materially affect the price of its listed securities. In

evaluating whether information is immaterial, the expected extent or importance of the matter compared to the company's activities as a whole is considered. Material information is always disclosed by a stock exchange release.

Examples of information that could be material: changes in the management, profit warnings, major capital expenditure, major business acquisitions, major reorientation of business, major new partnership arrangements, major litigation pending or decisions rendered in legal disputes, major decision made by authorities, significant information regarding a subsidiary or a joint venture.

Information leaks

In the event that confidential material information leaks out, the company will make immediate disclosure of that information without undue delay.

Forward looking information and guidance

Forecasts and forward-looking statements are disclosed in the financial statement release and interim reports. L&T discloses forecasts for the current financial year as a whole only. L&T does not comment on analyst estimates nor market rumours.

Communication practices

L&T discloses without undue delay a profit warning, if either a forecast or prospects deviate significantly from a previous forecast. In deciding whether a deviation is significant enough, the deviation is compared to the latest disclosed financial report. Primarily the decision on the disclosure of a profit warning is made by the Board. If a sufficient number of directors to constitute a quorum cannot be reached quickly enough, the decision is made by the Chairman of the Board or the President and CEO, who endeavour

to discuss with as many members of the Board as possible prior to the disclosure.

In crisis situations, the company's crisis communication guidelines are followed.

Stock exchange releases are available on the company website www.lassila-tikanoja.com immediately after the disclosure.

Responsibilities and designated spokespersons

The President and CEO is in charge of investor relations. Investor communications are the responsibility of CFO. Announcements are published by IR personnel supervised by the CFO. Individual investor relations and meetings are the responsibility of the President and CEO together with the CFO and Investor Relations Manager.

Within the operative management public statements on the company's finances are issued only by the President and CEO or a person designated by him. Others must not respond to any inquiries concerning the company as a whole or its finances. Such inquiries are directed to the Investor Relations Manager.

Procedures in investor and analyst meetings

In conjunction with the publication of its annual and interim results L&T holds conferences for analysts and investors. Investors are met at the analyst and investor meetings and in the road shows organised by banking companies. Analysts and investors are also invited to visit the company.

Silent period

No appointments will be arranged with L&T's representatives, nor will they comment on the financial result during the period between the end of the financial period and the disclosure of the result.

Financial Information in 2010

The interim report for the period between 1 January and 31 March will be published on 29 April 2010 at 8 am.

The interim report for the period between 1 January and 30 June will be published on 27 July 2010 at 8 am.

The interim report for the period between 1 January and 30 September will be published on 26 October 2010 at 8 am.

Distribution of financial information

Lassila & Tikanoja's Annual Report and interim reports are published in Finnish and English.

The annual report will be mailed to the persons on the mailing list maintained by the company. The company website can be used for subscribing for annual reports.

E-mail alerts for stock exchange releases can be ordered on the company website.

Analyses of the company

The financial performance of Lassila & Tikanoja plc is monitored and assessed by at least the brokerage firms listed below. Lassila & Tikanoja plc is not responsible for any comments made in these analyses.

Carnegie, Finland Branch
Danske
Evli Bank
FIM
Handelsbanken
Iccapital
Nordea
Pohjola Bank
SEB Enskilda
Sofia Bank
Swedbank
Ålandsbanken

The contact details of the analysts are available on the company website.

Changes of address

Shareholders are requested to provide any changes of address to the bank, brokerage firm or other account operator that manages the shareholders' book-entry account.

Contact information

www.lassila-tikanoja.com
E-mail: ir@lassila-tikanoja.fi
IR Manager Keijo Keränen,
tel. +358 10 636 2782 or
+358 50 385 6957

Lassila & Tikanoja plc share and listed share options

The company's shares are quoted on the mid-cap list of the NASDAQ OMX Helsinki Ltd. in the Industrials sector. Listing date is 1 October 2001.

	Share	2005B share option	2005C share option
Trading code	LAT1V	LAT1VEW205	LAT1VEW305
ISIN code	FI0009010854	FI0009618383	FI0009618391

Annual General Meeting and payment of dividend

Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc will be held on Wednesday 31 March at 4 pm in the Helsinki room of the Finlandia Hall, Mannerheimintie 13 e, Helsinki. Each shareholder, who is registered on 19 March 2010 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

Registration

A shareholder, who wants to participate in the Annual General Meeting, shall register for the meeting no later than 26 March 2010 at 4 pm by giving a prior notice of participation. Such notice can be given:

- a) via the company website www.lassila-tikanoja.com
- b) by e-mail at taru.maatta@lassila-tikanoja.fi
- c) by telephone at +358 10 636 2882 / Taru Määttä
- d) by fax at +358 10 636 2899 or
- e) by regular mail to Lassila & Tikanoja plc, P.O. Box 28, FI-00441 Helsinki, Finland.

Any powers of attorney and proxy documents shall be delivered in originals to the above mentioned address by the end of the registration period.

Holders of nominee registered share

A holder of nominee registered shares, who wants to participate in the Annual General Meeting, shall be temporarily entered in the company's shareholder register on 26 March 2010 at 10 am at the latest. A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the company's shareholder register, the issuing of proxy documents and preregistration for the Annual General Meeting from his/her custodian bank.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.55 per share be paid for the 2009 financial year. The dividend determined by the Annual General Meeting of Shareholders will be paid to a shareholder registered in the company's list of shareholders maintained by the Euroclear Finland Ltd on the record date.

Annual General Meeting 31 March 2010
Ex-date 1 April 2010
Record date 7 April 2010
Payment of dividend 14 April 2010



LASSILA & TIKANOJA

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