LASSILA & TIKANOJA

LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 30 JUNE 2007

- **Net sales for the second quarter EUR 138.8 million, growth 28.0%; operating profit EUR 12.0 million, growth 8.9%; earnings per share EUR 0.20 (EUR 0.20)**
- **Net sales for January-June EUR 267.9 million, growth 28.2%; operating profit EUR 21.2 million, growth 5.9%; earnings per share EUR 0.35 (EUR 0.36)**
- **Full-year net sales are estimated to increase by clearly more than 20% but earnings per share are estimated to decline.**

GROUP NET SALES AND FINANCIAL PERFORMANCE

Second quarter
Lassila & Tikanoja's net sales for the second quarter stood at EUR 138.8 million (EUR 108.4 million). The operating profit was EUR 12.0 million (EUR 11.1 million), which is 8.7% (10.2%) of net sales. The net sales increased by 28.0%, 16.9 percentage points of which came from corporate acquisitions.

Strong organic growth continued thanks to successful new sales. The demand for Industrial Services continued to be particularly strong. The operating profit was burdened by losses in the joint venture Salvor Oy (EUR 1.1 million), as well as imputed changes in the fair values of oil derivatives purchased for hedging the oil re-refinery business to be started in 2008 (EUR -0.5 million).

January-June
The six-month net sales increased by 28.2% and stood at EUR 267.9 million (EUR 209.0 million), 17.4 percentage points of this growth coming from corporate acquisitions. Earnings per share were EUR 0.35 (EUR 0.36).

Organic growth exceeded market growth, and the company's market position strengthened. This was primarily attributable to well-functioning product development, marketing and sales operations, as well as strong industrial demand. Several new service products were introduced to the market. The operating profit was burdened by losses in the joint venture Salvor Oy (EUR 1.3 million), as well as imputed changes in the fair values of oil derivatives (EUR -1.7 million). The above items have a combined negative effect of EUR 0.07 on earnings per share for January-June.

Financial summary

	4-6 /2007	4-6 /2006	Change %	**1-6 /2007**	1-6 /2006	Change %	1-12 /2006
Net sales, EUR million	**138.8**	108.4	28.0	**267.9**	209.0	28.2	436.0
Operating profit, EUR million	**12.0**	11.1	8.9	**21.2**	20.0	5.9	50.2
Operating margin, %	**8.7**	10.2		**7.9**	9.6		11.5
Profit before tax, EUR million	**11.1**	10.7	4.2	**19.4**	19.4	0	48.5
Earnings per share, EUR	**0.20**	0.20	0	**0.35**	0.36	-2.8	0.90
EVA, EUR million	**6.0**	5.7	5.3	**9.6**	9.5	1.1	28.6

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

Second quarter
The net sales of Environmental Services (waste management, recycling services, L&T Biowatti, environmental products) in the second quarter amounted to EUR 72.2 million (EUR 51.7 million), an increase of 39.7%. The operating profit was EUR 8.1 million (EUR 7.8 million).

Organic growth continued to improve thanks to strong new sales. During the period, new substantial service contracts were signed with parties including producers' organisations and large-scale customers. The earnings from waste management improved. The earnings from recycling services were burdened by unprofitable landfill construction business within the joint venture Salvor and a loss on disposal of this business. The final amount of the loss will be determined by the end of the year when all contracts in progress are completed. A contract of lease was signed with the City of Kerava, making it possible to start the planning for a new plant. The company already has legally valid environmental permits for expanding the operations.

L&T Biowatti's net sales and earnings developed as planned.

Waste management operations in the Moscow region expanded to a new town in May with the gradual transfer of waste management in the town of Sergiev Posad to L&T's responsibility.

Environmental products' financial performance improved as a result of strong growth in net sales.

January-June

Environmental Services' net sales for January-June amounted to EUR 138.0 million (EUR 98.8 million), an increase of 39.7%. The operating profit was EUR 16.7 million (EUR 15.1 million).

Strong organic growth continued, and the number of municipal transport contracts increased. The volume of recycling services increased thanks to new sales and added plant capacity. Losses in the joint venture Salvor Oy increased substantially due to financial failures in landfill construction and closedown contracts. The company divested its unprofitable landfill construction business and has also initiated other corrective measures. The earnings of environmental products were on a par with the comparison period.

An extension to capacity was introduced at the Tampere recycling plant. A new recycling plant at Joensuu will be completed in August, followed by extensions to the Turku and Valkeakoski plants later this year. The recycling plant in Dubna, Russia is expected to be completed in the beginning of next year. The situation with environmental permits has developed favourably even though appeals against environmental permits are slowing down plant and processing area projects to some extent. The planning of new recycling plants will continue.

The acquisition of a majority holding in Biowatti Oy was completed on 1 February 2007. L&T Biowatti is the leading bioenergy company utilising renewable energy sources in Finland. It engages in the procurement, processing, marketing and delivery of wood-based fuels for customers. L&T Biowatti's net sales and earnings developed almost as planned.

Property and Office Support Services

Second quarter

The net sales of Property and Office Support Services (property maintenance and cleaning services) totalled EUR 48.7 million (EUR 41.2 million), an increase of 18.0%. The operating profit was EUR 1.7 million (EUR 1.5 million).

Organic growth was fairly good even though price competition was intense. The performance of both product lines improved in Finland even though the earnings of property maintenance were burdened by an unprofitable electrical installation contract. Operations abroad remained unprofitable as expected.

Kiinteistöhuolto Jauhiainen Oy and Siivouspalvelu Ta-Bu Oy were acquired in the beginning of June. Kiinteistöhuolto Jauhiainen Oy is a property maintenance company operating in the Helsinki region that posted net sales of EUR 6.5 million in 2006. It employs 65 people. Siivouspalvelu Ta-Bu Oy operates in the Helsinki and Varkaus regions. Its net sales amounted to EUR 5.3 million in 2006, and it employs around 200 people.

January-June

The January-June net sales of Property and Office Support Services totalled EUR 97.4 million (EUR 82.4 million), an increase of 18.2%. The operating profit was EUR 2.8 million (EUR 2.8 million).

Organic growth continued in Finland, with net sales growing particularly in maintenance of technical systems. Mild weather early in the year did not have much of an improving effect on performance, because snow ploughing is mostly covered by fixed-price advance agreements with subcontractors. There were no snow transports that would have provided for additional invoicing. A large number of new contracts started in cleaning services, and the costs of initiation hampered profitability.

Operations in Russia and Latvia have been reorganised. Sales performance in Latvia has been good and an earnings improvement is expected.

Three acquisitions have been carried out in Sweden within one year, generating aggregate net sales of approximately EUR 30 million in 2007. The current focus in Sweden is on integrating these companies into one and building a sales organisation.

The division's operations abroad were running at a loss.

Industrial Services

Second quarter

The net sales of Industrial Services (hazardous waste management, industrial cleaning, damage repair services and wastewater services) amounted to EUR 19.1 million (EUR 16.5 million), an increase of 15.7%. The operating profit was EUR 2.6 million (EUR 2.3 million). The division's operating profit was burdened by calculated changes in the fair values of oil derivatives amounting to EUR 0.5 million.

Strong organic growth continued in the net sales of all product lines. Growth was facilitated by a high industrial utilisation rate, expanded service network and new customer contracts based on strategic partnership that evens out fluctuation in demand. The profitability of all product lines improved through better productivity and control over fixed costs.

The construction of a waste oil re-refinery for the joint venture L&T Recoil Oy started.

January-June

The January-June net sales of Industrial Services amounted to EUR 34.9 million (EUR 29.6 million), an increase of 17.6%. The operating profit was EUR 2.7 million (EUR 3.1 million).

The net sales of all product lines increased, with the strongest growth in damage repair services and wastewater services. Thanks to a mild winter, demand in all product lines was good for the time of the year. Industrial demand did not even out but continued to be strong also in the second quarter. The division's market position has strengthened, which is reflected in factors such as an increase in the number of major customer contracts. The earnings improvement in day-to-day operations was affected by good demand as well as improved productivity. The damage repair service network expanded to two new locations.

A new alternative liquid fuel (ALF) was introduced to the market to replace waste oil that is routed to re-refining. The operating profit was burdened by changes in the fair values of L&T Recoil's oil derivatives amounting to EUR 1.7 million. Oil derivatives are used to hedge the profitability of the upcoming re-refinery in situations where the market price of oil falls substantially. Changes in the fair value of oil derivatives have a quarterly earnings effect. The re-refinery is estimated to be completed in the spring of 2008.

FINANCING

At the end of the period, interest-bearing liabilities amounted to EUR 25.4 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 104.9 million, increased by EUR 19.3 million from the comparison period and by EUR 52.5 million from the beginning of the year. Net finance costs exceeded those for the comparison period by EUR 0.5 million in the second quarter, and by EUR 1.2 million in January-June. In the second quarter, interest expenses increased by EUR 0.5 million, and in January-June by EUR 0.9 million, as a result of the growth in interest-bearing liabilities and a rise in the interest rate level. No changes in the fair values of interest rate swaps were recognised in the second quarter, while an income of EUR 0.1 was recognised in finance income in the comparison period. No changes in the fair values of interest rate swaps were recognised in January-June either, while an income of EUR 0.5 was recognised in finance income in the comparison period. Net finance costs were 0.7% (0.3%) of net sales and 8.4% (3.0%) of operating profit.

A total of EUR 0.2 million arising from the changes in the fair value of an interest rate swap to which hedge accounting under IAS 39 is applied, was recognised in equity in January-June.

The equity ratio was 42.2% (46.3%) and the gearing rate 61.2 (55.4). In January-June, cash flows from operating activities amounted to EUR 24.7 million (EUR 24.2 million), and EUR 5.8 million were tied up in the working capital (EUR 7.4 million).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 64.7 million (EUR 23.8 million). Approximately EUR 47.3 million were spent on company acquisitions. The combined annual net sales of the acquired companies totalled EUR 87.3 million. In addition, production plants were built and machinery and equipment were replaced.

In early June, Kiinteistöhuolto Jauhiainen Oy and Siivouspalvelu Ta-Bu Oy were acquired. Kiinteistöhuolto Jauhiainen Oy specialises in property maintenance services in the Helsinki region, and its net sales for the year 2006 amounted to EUR 6.5 million. It employs 65 people. Siivouspalvelu Ta-Bu Oy is a cleaning services company operating both in the Helsinki region and in Varkaus in Central Finland. Its net sales for the year 2006 amounted to EUR 5.3 million, and it employs some 200 people.

The following acquisitions were made in the first quarter:

In 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 for Environmental Services. The acquisition became effective on 1 February 2007 after the approval of the competition authority. Biowatti is the leading Finnish bio energy supplier utilising renewable energy sources, operating in the procurement, processing, marketing and delivery of wood-based fuels. The main products are by-products of forest and wood processing industries and logging chips. The net sales of Biowatti for the year 2006 amounted to EUR 64.2 million. Bio fuel sales account for two thirds and industrial raw materials sales for one third of the net sales.

A Swedish cleaning services company Skånsk Allservice AB together with subsidiaries Hygienutveckling AB and Hygienutvickling A/S operating in Norway were acquired in January for Property and Office Support Services. The consolidated net sales of the group totalled EUR 10.8 million in 2006, most of which came from hygiene services for the food industry. Kiinteistöhuolto Pentti Nissinen Oy was acquired for property maintenance services.

The remaining portion of the shares of Suomen Keräystuote Oy was purchased for recycling services within Environmental Services. Lassila & Tikanoja held already 94.5% of Suomen Keräystuote shares.

PERSONNEL

In January - June, the average number of employees converted into full-time equivalents was 7,398 (6,698). At the end of the period, the total number of full-time and part-time employees was 9,486 (8,542). Of them 2,274 (1,490) people worked outside Finland.

SHARES AND SHARE CAPITAL

Traded volume and price
The volume of trading in Lassila & Tikanoja plc shares on OMX Nordic Exchange in Helsinki from January through June was 9,482,125, which is 24.6% (17.8%) of the average number of shares. The value of trading was EUR 235.8 million. The trading price varied between EUR 20.78 and EUR 27.96. The closing price was EUR 25.10. The market capitalisation was EUR 971.8 million (EUR 621.5 million) at the end of the period.

Share capital
At the beginning of the year the company’s registered share capital amounted to EUR 19,264,087. Since the beginning of the year, 187,916 shares have been subscribed for pursuant to 2002C options. After these subscriptions the share capital is EUR 19,358,045, and the number of the shares 38,716,090 shares.

On 30 July 2007, the Board approved the subscriptions of 35,539 new shares made pursuant to the 2002C share options. As a result of these subscriptions, the company’s registered share capital will increase by EUR 17,769.50 to EUR 19,375,814.50 and the number of the shares will increase to 38,751,629 shares after the increase has been entered in the Trade Register.

Option plans 2002 and 2005
The subscription periods for 2002A and 2002B share options have ended. 280,000 2002C options have been issued. 274,000 have been granted to key persons of the company. Until 20 July 2007, a total of 241,155 shares have been subscribed for pursuant to the 2002C options. Pursuant to the remaining outstanding 2002C options a maximum of 32,845 shares can be subscribed for, which is 0.1% of the current number of shares. The subscription period ends on 30 October 2007. The share subscription price is EUR 11.46. The 2002C options have been listed on the Helsinki Stock Exchange since 2 May 2006.

In 2005, 600,000 share options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. Presently, 26 key persons hold 165,000 2005A options, 35 key persons hold 195,000 2005B options and 41 key persons hold 230,000 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 5,000 2005A options and 5,000 2005B options.

The share subscription price for 2005A options is EUR 14.22, for 2005B options EUR 16.98 and for 2005C options EUR 26.87. The options issued under the share option plan 2005 entitle their holders to subscribe for a maximum of 1.5% of the current number of shares. The share subscription period for the 2005A options starts on 1 November 2007.

Shareholders
At the end of the financial period, the company had 4,795 (4,538) shareholders. Nominee-registered holdings accounted for 15.1% (9.2%) of the total number of shares.

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 26 March 2007, adopted the financial statements for the financial year 2006 and released the members of the Board of Directors and the President and CEO from liability. The AGM resolved that a dividend of EUR 0.55, a total of EUR 21.2 million, as proposed by the Board of Directors, be paid for the financial year 2006. The dividend payment date was 5 April 2007.

The Annual General Meeting confirmed the number of the members of the Board of Directors five (5). The following Board members were re-elected to the Board until the end of the following AGM: Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Eero Hautaniemi was elected as a new member for the same term.

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

The Annual General Meeting approved the Board of Directors' proposal to amend the Articles of Association in order to align them with the new Finnish Companies Act. The provisions on minimum and maximum share capital as well as on minimum and maximum number of shares were also removed.

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

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

In a release disclosed on 23 July 2007, the company announced that the full-year financial result is estimated to be lower than in the previous year, though the operative result for the final half of the year is expected to remain on the same level as in the previous year. Previously the company estimated that the full-year financial performance will improve. Full-year net sales are still estimated to increase by clearly more than 20%.

NEAR-TERM UNCERTAINTIES

The most substantial near-term uncertainty factor is the possibility that the performance of foreign units within Property and Office Support Services may not improve on the planned schedule. The slow pace of licensing procedures may cause delays in the implementation of planned recycling plant investments in Finland as well as Russia. Changes in the fair values of oil derivatives associated with L&T Recoil's business depend on the development of world market prices for oil, and may have a substantial effect on the operating profit of Industrial Services. Fluctuations in the price of carbon dioxide emission allowances have a substantial effect on the demand for L&T Biowatti's wood-based fuels; however, there is not much room for further decreases in the price in 2007. The final amount of the loss on the disposal of the joint venture Salvor's landfill construction business will be determined by the end of the year as contracts in progress are completed.

PROSPECTS FOR THE REST OF THE YEAR

The prospects for Lassila & Tikanoja's markets remain mostly good. The demand for Environmental Services in Finland will remain strong thanks to closures of old landfills by the end of November and amendments to waste legislation. Increasing plant capacity and a versatile service offering are expected to improve L&T's market position.

The market outlook for Property and Office Support Services in Finland is reasonable as outsourcing continues. The competitive situation is quite challenging, however, and margins will remain tight. The full-year result for cleaning operations abroad will be in the red but the loss is expected to be smaller than a year earlier.

The market outlook for Industrial Services is quite positive. Strong demand seems to continue, and L&T's position in the market is further strengthening.

The price of emission allowances (EUR per tonne of carbon dioxide) will substantially affect the pricing of renewable energy sources and thus the demand for them. The price level for the new emissions trading period starting as of the beginning of 2008 exceeds clearly the price level for the current period. This is expected to improve the competitive ability of renewable energy sources and lead to a normalisation of purchasing volumes in the beginning of 2008. The Finnish government programme has brought the increased utilisation of forest processed chips into focus as the aim is to increase the proportion of renewable energy sources.

During the current year, L&T Biowatti will strengthen the procurement of raw materials, increase stocks, improve its delivery capacity and thus prepare for increased demand in 2008.

The Joensuu recycling plant and the extensions to capacity at the Turku and Valkeakoski plants will be completed during the latter half of the year. The plant at Dubna in Russia will be completed in early 2008. The planning of new plants will continue. Due to completed corporate acquisitions and other investment decisions made, the full-year capital expenditure will exceed the previous year's level.

Organic growth is expected to continue at a healthy level. Full-year net sales are estimated to increase by clearly more than 20% but earnings per share are estimated to decline. The result of operations in the latter half of the year is estimated to remain at the previous year's level. The operating profit for the final half of the previous year was, however, boosted by non-recurring gains on disposals and imputed changes in the fair values of oil derivatives, totalling EUR 2.9 million.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 30 JUNE 2007

ACCOUNTING POLICIES

This interim financial report is in compliance with IAS 34, Interim Financial Reporting Standard. The same accounting policies as in the annual financial statements of 31 December 2006 have been applied. These interim financial statements have been prepared in accordance with the IFRS standards and interpretations that were effective on 31 March 2007. The new IFRIC interpretations (7-10) valid as of 1 January 2007 did not affect the consolidated financial statements. IFRS 7 (effective as of 1 January 2007) does not affect these interim financial statements, because they are condensed. Income tax expense is based on the estimated average annual income tax rate, which would be applicable to expected total annual earnings.

The consolidated financial statements do not include the 1 to 30 June income statements of Kiinteistöhuolto Jauhiainen Oy and Siivouspalvelu Ta-Bu Oy acquired on 1 June 2007. Their preliminary acquisition prices have been recognised in the consolidated goodwill. Their interim accounts as of the date of acquisition will only be completed after the consolidated interim accounts of 30 June 2007.

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

The interim financial statements have not been audited.

INCOME STATEMENT

EUR 1000	**4-6 /2007**	4-6 /2006	**1-6 /2007**	1-6 /2006	1-12 /2006
Net sales	**138 759**	108 430	**267 872**	208 994	436 004
Cost of goods sold	**-119 485**	-92 253	**-231 927**	-179 069	-367 968
Gross profit	**19 274**	16 177	**35 945**	29 925	68 036
Other operating income	**986**	253	**1 628**	856	4 702
Selling and marketing costs	**-3 888**	-3 233	**-7 710**	-6 205	-12 844
Administrative expenses	**-2 950**	-1 964	**-5 889**	-4 205	-8 660
Other operating expenses	**-1 382**	-176	**-2 773**	-351	-1 049
Operating profit	**12 040**	11 057	**21 201**	20 020	50 185
Finance income	**464**	446	**779**	987	1 509
Finance costs	**-1 388**	-837	**-2 555**	-1 579	-3 208
Share of profit of associates					18
Profit before tax	**11 116**	10 666	**19 425**	19 428	48 504
Income tax expense	**-3 332**	-2 897	**-5 575**	-5 382	-13 249
Profit for the period	**7 784**	7 769	**13 850**	14 046	35 255
Attributable to:					
Equity holders of the parent	**7 704**	7 580	**13 598**	13 729	34 613
Minority interest	**80**	189	**252**	317	642
Earnings per share for profit attributable to the equity holders of the parent:					
Earnings per share, EUR	**0.20**	0.20	**0.35**	0.36	0.90
Earnings per share, EUR - diluted	**0.20**	0.20	**0.35**	0.36	0.90

BALANCE SHEET

EUR 1000	**6/2007**	6/2006	12/2006
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**125 815**	103 719	106 611
Intangible assets arising from business combinations	**32 137**	10 035	9 893
Other intangible assets	**9 138**	7 444	7 903
Total	**167 090**	121 198	124 407
Property, plant and equipment			
Land	**3 251**	4 900	3 215
Buildings and constructions	**36 478**	38 770	38 239
Machinery and equipment	**93 127**	93 085	90 397
Other	**288**	49	174
Advance payments and construction in progress	**4 227**	1 656	2 013
Total	**137 371**	138 460	134 038
Other non-current assets			
Investments in associates	**3**	3	3
Available-for-sale investments	**2 976**	2 927	2 954
Finance lease receivables	**3 435**	3 086	3 174
Deferred income tax assets	**466**	502	425
Other receivables	**226**	197	229
Total	**7 106**	6 715	6 785
Total non-current assets	**311 567**	266 373	265 230
Current assets			
Inventories	**8 669**	4 235	4 315
Trade and other receivables	**72 523**	55 840	58 094
Advance payments	**2 274**	2 121	155
Available-for-sale investments	**3 295**	1 997	13 955
Cash and cash equivalents	**10 014**	5 250	10 835
Total current assets	**96 775**	69 443	87 354
TOTAL ASSETS	**408 342**	335 816	352 584

EUR 1000	**6/2007**	6/2006	12/2006
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital	**19 358**	19 207	19 264
Share premium reserve	**49 725**	46 842	47 666
Revaluation and other reserves	**163**	282	326
Retained earnings	**85 942**	72 087	72 291
Profit for the period	**13 598**	13 729	34 613
Total	**168 786**	152 147	174 160
Minority interest	**2 706**	2 481	2 709
Total equity	**171 492**	154 628	176 869
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	**30 221**	19 321	22 350
Pension obligations	**457**	265	352
Provisions	**806**	723	936
Interest-bearing liabilities	**64 360**	58 534	59 031
Other liabilities	**484**	385	431
Total	**96 328**	79 228	83 100
Current liabilities			
Interest-bearing liabilities	**53 892**	34 310	18 231
Trade and other payables	**86 155**	66 928	73 174
Tax liabilities	**304**	443	938
Provisions	**171**	279	272
Total	**140 522**	101 960	92 615
Total liabilities	**236 850**	181 188	175 715
TOTAL EQUITY AND LIABILITIES	**408 342**	335 816	352 584

CASH FLOW STATEMENT

EUR 1000	**6/2007**	6/2006	12/2006
Cash flows from operating activities			
Profit for the period	**13 850**	14 046	35 255
Adjustments			
Income tax expense	**5 575**	5 382	13 249
Depreciation and amortisation and impairment	**15 821**	13 800	28 155
Finance income and costs	**1 776**	592	1 699
Other	**1 199**	-666	-2 447
Net cash generated from operating activities before change in working capital	**38 221**	33 154	75 911
Change in working capital			
Change in trade and other receivables	**-5 645**	-9 647	-8 380
Change in inventories	**-1 097**	541	541
Change in trade and other payables	**967**	1 699	9 585
Change in working capital	**-5 775**	-7 407	1 746
Interest paid	**-1 859**	-890	-2 925
Interest received	**636**	189	938
Income tax paid	**-6 565**	-813	-5 776
Net cash from operating activities	**24 658**	24 233	69 894
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash	**-38 622**	-7 049	-10 658
Purchases of property, plant and equipment and intangible assets	**-16 413**	-13 164	-34 878
Proceeds from sale of property, plant and equipment and intangible assets	**2 888**	1 400	13 727
Purchases of available-for-sale investments	**-102**	337	
Change in other long-term receivables	**24**	36	-7
Proceeds from sale of available-for sale investments	**45**	47	353
Dividends received		4	9
Net cash used in investment activities	**-52 180**	-18 389	-31 454
Cash flows from financing activities			
Proceeds from share issue	**2 153**	253	1 018
Change in short-term borrowings	**20 352**	2 269	-14 525
Proceeds from long-term borrowings	**30 000**	15 000	15 000
Repayments of long-term borrowings	**-15 037**	-8 116	-7 041
Dividends paid	**-21 360**	-15 257	-15 339
Net cash generated from financing activities	**16 108**	-5 851	-20 887
Net change in liquid assets	**-11 414**	-7	17 553
Liquid assets at beginning of period	**24 790**	7 252	7 252
Effect of changes of foreign exchange rates	**-66**	2	-15
Change in fair value of current available-for-sale investments	**-1**		
Liquid assets at end of period	**13 309**	7 247	24 790

Liquid assets

EUR 1000	**6/2007**	6/2006	12/2006
Cash	**10 014**	5 250	10 835
Current available-for-sale investments	**3 295**	1 997	13 955
Total	**13 309**	7 247	24 790

STATEMENT OF CHANGES IN EQUITY

EUR 1000	Share capital	Share premium reserve	Revaluation and other reserves	Retained earnings	Equity attrib. to equity holders of the parent	Minority interest	Total equity
Equity at 1.1.2007	**19 264**	**47 666**	**326**	**106 904**	**174 160**	**2 709**	**176 869**
Hedging fund, change in fair value			207		207		207
Current available for sale investments, change in fair value			-7		-7		-7
Currency translation differences			-363		-363	-1	-364
Items recognised directly in equity			-163		-163	-1	-164
Profit for the period				13 598		252	
Total recognised income and expenses			-163	13 598	13 435	251	13 686
Share option remuneration							
Subscriptions pursuant to 2002 options	94	2 059			2 153		2 153
Remuneration expense of share options				228	228		228
Dividends paid				-21 190	-21 190	-180	-21 370
Purchase of a minority						-74	-74
Equity at 30.6.2007	**19 358**	**49 725**	**163**	**99 540**	**168 786**	**2 706**	**171 492**
Equity at 1.1.2006	**19 189**	**46 606**	**-179**	**87 250**	**152 866**	**2 166**	**155 032**
Hedging fund, change in fair value			425		425		425
Current available for sale investments, change in fair value			1		1		1
Currency translation differences			35		35	-1	34
Items recognised directly in equity			461		461	-1	460
Profit for the period				13 729	13 729	316	14 045
Total recognised income and expenses			461	13 729	14 190	315	14 505
Share option remuneration							
Subscriptions pursuant to 2002 options	18	236			254		254
Remuneration expense of share options				192	192		192
Dividends paid				-15 355	-15 355		-15 355
Equity at30.6.2006	**19 207**	**46 842**	**282**	**85 816**	**152 147**	**2 481**	**154 628**

KEY FIGURES

	4-6 /2007	4-6 /2006	**1-6 /2007**	1-6 /2006	1-12 /2006
Earnings per share, EUR	**0.20**	0.20	**0.35**	0.36	0.90
Earnings per share, EUR - diluted	**0.20**	0.20	**0.35**	0.36	0.90
Cash flows from operating activities per share, EUR	**0.40**	0.32	**0.64**	0.63	1.82
EVA, EUR million	**6.0**	5.7	**9.6**	9.5	28.6
Capital expenditure, EUR 1000	**17 516**	8 675	**64 701**	23 833	47 162
Depreciation, EUR 1000	**8 103**	6 812	**15 821**	13 800	28 155
Equity per share, EUR			**4.36**	3.96	4.52
Return on equity, ROE, %			**15.9**	18.1	21.2
Return on invested capital, ROI, %			**16.1**	17.3	21.0
Equity ratio, %			**42.2**	46.3	50.4
Gearing, %			**61.2**	55.4	29.7
Net interest-bearing liabilities, EUR 1000			**104 943**	85 596	52 471
Average personnel in full-time equivalents			**7 398**	6 698	6 775
Total number of full-time and part-time employees at end of period			**9 486**	8 542	8 328
Adjusted number of shares, 1000 shares					
average during the period			**38 587**	38 392	38 445
at end of period			**38 716**	38 414	38 528
average during period, diluted			**38 824**	38 562	38 601

SEGMENT REPORTING

NET SALES

EUR 1000	**4-6 /2007**	4-6 /2006	Change %	**1-6 /2007**	1-6 /2006	Change %	1-12 /2006
Environmental Services	**72 216**	51 692	39.7	**138 001**	98 816	39.7	207 252
Property and Office Support Services	**48 660**	41 243	18.0	**97 380**	82 356	18.2	168 403
Industrial Services	**19 100**	16 513	15.7	**34 863**	29 639	17.6	64 416
Group administration and other	**3**	26		**6**	96		118
Inter-division net sales	**-1 220**	-1 044		**-2 378**	-1 913		-4 185
Total	**138 759**	108 430	28.0	**267 872**	208 994	28.2	436 004

OPERATING PROFIT

EUR 1000	**4-6 /2007**	%	4-6 /2006	%	**1-6 /2007**	%	1-6 /2006	%	1-12 /2006	%
Environmental Services	**8 054**	11.2	7 828	15.1	**16 667**	12.1	15 122	15.3	32 498	15.7
Property and Office Support Services	**1 690**	3.5	1 499	3.6	**2 777**	2.9	2 771	3.4	8 758	5.2
Industrial Services	**2 645**	13.8	2 277	13.8	**2 664**	7.6	3 062	10.3	9 601	14.9
Group admin. and other	**-349**		-547		**-907**		-935		-672	
Lassila & Tikanoja	**12 040**	8.7	11 057	10.2	**21 201**	7.9	20 020	9.6	50 185	11.5

OTHER SEGMENT REPORTING

EUR 1000	**4-6/2007**	4-6/2006	**1-6/2007**	1-6/2006	1-12/2006
Assets					
Environmental Services			**246 076**	198 756	199 872
Property and Office Support Services			**76 546**	59 904	59 394
Industrial Services			**66 068**	62 842	63 508
Group admin. and other			**2 908**	4 976	2 804
Non-allocated assets			**16 744**	9 338	27 006
Lassila & Tikanoja			**408 342**	335 816	352 584
Liabilities					
Environmental Services			**43 049**	32 197	33 388
Property and Office Support Services			**30 251**	25 532	29 708
Industrial Services			**11 971**	9 798	10 367
Group admin. and other			**1 850**	431	1 084
Non-allocated liabilities			**149 729**	113 230	101 168
Lassila & Tikanoja			**236 850**	181 188	175 715
Capital expenditure					
Environmental Services	**6 547**	4 667	**43 853**	11 386	21 940
Property and Office Support Services	**8 839**	2 936	**17 335**	9 891	19 472
Industrial Services	**2 130**	1 031	**3 470**	2 510	5 696
Group admin. and other		41	**43**	46	54
Lassila & Tikanoja	**17 516**	8 675	**64 701**	23 833	47 162
Depreciation and amortisation					
Environmental Services	**5 104**	3 953	**9 851**	7 799	16 002
Property and Office Support Services	**1 766**	1 636	**3 518**	3 563	7 274
Industrial Services	**1 233**	1 195	**2 451**	2 383	4 796
Group admin. and other		28	**1**	55	83
Lassila & Tikanoja	**8 103**	6 812	**15 821**	13 800	28 155

INCOME STATEMENT BY QUARTER

EUR 1000	4-6 /2007	1-3 /2007	10-12 /2006	7-9 /2006	4-6 /2006	1-3 /2006	10-12 /2005	7-9 /2005
Net sales								
Environmental Services	72 216	65 785	55 463	52 973	51 692	47 124	47 333	46 588
Property and Office Support Services	48 660	48 720	44 584	41 463	41 243	41 113	36 545	35 645
Industrial Services	19 100	15 763	16 554	18 223	16 513	13 126	14 362	15 838
Group admin. and other	3	3	3	19	26	70	92	91
Inter-division net sales	-1 220	-1 158	-1 242	-1 030	-1 044	-869	-1 235	-1 064
Lassila & Tikanoja	138 759	129 113	115 362	111 648	108 430	100 564	97 097	97 098
Operating profit								
Environmental Services	8 054	8 613	7 390	9 986	7 828	7 294	5 862	7 017
Property and Office Support Services	1 690	1 087	1 154	4 833	1 499	1 272	2 393	4 462
Industrial Services	2 645	19	2 739	3 800	2 277	785	909	2 260
Group admin. and other	-349	-558	-971	1 233	-547	-388	-110	-439
Lassila & Tikanoja	12 040	9 161	10 312	19 852	11 057	8 963	9 054	13 300
Operating margin								
Environmental Services	11.2	13.1	13.3	18.9	15.1	15.5	12.4	15.1
Property and Office Support Services	3.5	2.2	2.6	11.7	3.6	3.1	6.5	12.5
Industrial Services	13.8	0.1	16.5	20.9	13.8	6.0	6.3	14.3
Lassila & Tikanoja	8.7	7.1	8.9	17.8	10.2	8.9	9.3	13.7
Finance costs, net	-924	-852	-366	-740	-391	-201	-120	-263
Share of profits of associates			18				27	
Profit before tax	11 116	8 309	9 964	19 112	10 666	8 762	8 961	13 037

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 has been 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 carried out in 2007, comprises other intangible items that cannot be identified separately in accordance with IAS 38. These unidentified items include the potential for gaining new customers vested 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/acquisition costs may arise on the basis of terms and conditions related to the purchase 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 are still probable for acquisitions made in 2006. Except these portions and the purchase of the minority holding of Biowatti described below, the allocation calculations are final.

The consolidated net sales for the period 1 January to 30 June 2007 would have been EUR 275 million and the consolidated profit for the period EUR 14.1 million if all the acquisitions had been made 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. However, the net sales and profits of Kiinteistöhuolto Jauhiainen Oy and Siivouspalvelu Ta-Bu Oy acquired on 1 June 2007 are not included in the consolidated net sales and and profit. Profit for the period is stated less the current amortisation on intangible assets and depreciation on property, plant and equipment. Synergy benefits have not been accounted for.

The preliminary acquisition prices for Kiinteistöhuolto Jauhiainen Oy and Siivouspalvelu Ta-Bu Oy have been recognised in the consolidated goodwill, because intangible assets cannot be allocated without the value of the equity at the acquisition date. The final acquisition prices will be determined on the basis of the equities at the acquisition date. The estimated acquisition price for Kiinteistöhuolto Jauhiainen Oy amounts to EUR 4.6 million and for Siivouspalvelu Ta-Bu Oy to EUR 2.4 million.

Biowatti Oy

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	1 107	1 107
Supply contracts	72	
Agreements on prohibition of competition	14 593	
Other intangible assets arising from business combinations	8 657	
Other intangible assets	647	647
Inventories	3 213	3 213
Trade and other receivables	9 768	9 768
Cash and cash equivalents	5 251	5 251
Total assets	43 308	19 986
Deferred tax liabilities	-6 442	-40
Interest-bearing long-term liabilities	-5 806	
Trade and other payables	-7 877	-7 877
Total liabilities	-20 125	-7 917
Net assets	23 183	12 069
Goodwill arising from acquisitions	7 762	
Acquisition cost	30 945	
Acquisition cost	30 945	
Cash and cash equivalents at acquisition date	-5 251	
Cash flow effect of acquisitions	25 694	

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 thirty percent of the shares by the end of the year 2011. The acquisition price for the seventy percent portion was EUR 30.9 million, and it was paid in cash. No interest-bearing liabilities were transferred in the acquisition. The acquisition became effective on 1 February 2007 after the approval of the competition authority. L&T Biowatti became a cash-generating unit within the Environmental Services division.

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 percent, discounted to the value at the acquisition date (approximately EUR 5,806 thousand), was recognised as interest-bearing non-current liability. The final price of the 30 percent 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. If the estimate needs to be revised, the cost of the combination will be adjusted accordingly and the amounts of goodwill and interest-bearing liabilities will be changed.

All property, plant and equipment acquired was measured and their values were found to correspond to the fair values based on the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. The property, plant and equipment of Biowatti were already recognised at fair value due to a former company arrangement.

The value of supply contracts recognised in Other intangible assets was determined on the basis of estimated duration of supplier relationships and discounted net cash flows arising from current relationships. Intangible assets will be amortised over their useful life according to agreement or the management's estimate.

The net sales of L&T Biowatti for 1 February to 30 June 2007 amounted to EUR 30,314 thousand, and profit for the period EUR 1,531 thousand.

Other business combinations in aggregate

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	453	345
Customer contracts	1 260	
Agreements on prohibition of competition	600	
Other intangible assets arising from business combinations	97	
Inventories	43	43
Trade and other receivables	1 592	1 592
Cash and cash equivalents	2 911	2 911
Total assets	6 956	4 891
Deferred tax liabilities	-878	-307
Trade and other payables	-2 279	-2 279
Total liabilities	-3 157	-2 586
Net assets	3 799	2 305
Goodwill arising from acquisitions	4 928	
Acquisition cost	8 727	
Acquisition cost	8 727	
Cash and cash equivalents at acquisition date	-2 911	
Cash flow effect of acquisitions	5 816	

On 4 January 2007 L&T acquired the Swedish cleaning services group Skånsk All Service AB, and on 1 February Kiinteistöhuolto Pentti Nissinen Oy for property maintenance services. The remaining portion (5.5%) of the shares of Suomen Keräystuote Oy was purchased for recycling services within Environmental Services. Lassila & Tikanoja held already 94.5% of Suomen Keräystuote shares.

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance. 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 aggregate net sales of the acquired companies totalled EUR 11.3 million. The largest acquired company by annual net sales was Skånsk All Service group (EUR 10.8 million).

It is impracticable 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.

CHANGES IN INTANGIBLE ASSETS

EUR 1000	**1-6/2007**	1-6/2006	1-12/2006
Book value at beginning of period	**124 407**	114 872	114 872
Business acquisitions	**45 552**	6 400	9 885
Other capital expenditure	**1 844**	1 679	3 016
Decreases	**-1 073**	-53	-161
Amortisation and impairment	**-3 514**	-1 668	-3 464
Translation difference	**-126**	-32	259
Book value at end of period	**167 090**	121 198	124 407

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1000	**1-6/2007**	1-6/2006	1-12/2006
Book value at beginning of period	**134 038**	135 404	135 404
Business acquisitions	**1 756**	2 308	3 261
Other capital expenditure	**15 462**	13 279	30 677
Decreases	**-1 533**	-394	-10 599
Depreciation and impairment	**-12 306**	-12 132	-24 691
Translation difference	**-46**	-5	-14
Book value at end of period	**137 371**	138 460	134 038

CAPITAL COMMITMENTS

EUR 1000	**1-6/2007**	1-6/2006	1-12/2006
Intangible assets	**140**	657	150
Property, plant and equipment	**6 301**	1 518	7 199
Total	**6 441**	2 175	7 349
Capital commitments of joint ventures	**9 600**	0	0

RELATED-PARTY TRANSACTIONS
(Joint ventures and associates)

EUR 1000	**1-6 /2007**	1-6 /2006	1-12 /2006
Sales	**563**	1 106	1 591
Purchases	**185**	355	556
Non-current receivables			
Capital loan receivable	**3 296**	2 000	3 296
Current receivables			
Trade receivables	**126**		28
Current payables			
Trade payables	**5**	35	84

CONTINGENT LIABILITIES

EUR 1000	**6/2007**	6/2006	12/2006
Securities given for own commitments			
Real estate mortgages	**10 514**	148	10 484
Corporate mortgages	**12 500**	1 067	12 778
Other securities	**156**	190	197
Bank guarantees required for environmental permits	**2 430**	2 721	2 026

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

Operating lease liabilities

EUR 1000	**6/2007**	6/2006	12/2006
Maturity not later than one year	**6 181**	2 812	6 107
Maturity later than one year and not later than five years	**12 938**	7 479	12 742
Maturity later than five years	**3 318**	3 934	3 614
Total	**22 437**	14 225	22 463

Derivative financial instruments

Interest rate swaps

EUR 1000	**6/2007**	6/2006	12/2006
Nominal values of interest rate swaps*			
Maturity not later than one year	**15 500**	13 500	13 500
Maturity later than one year and not later than five years	**15 000**	30 500	30 500
Total	**30 500**	44 000	44 000
Fair value	**693**	763	726
Nominal value of interest rate swap **			
Maturity not later than one year	**1 429**	714	1 429
Maturity later than one year and not later than five years	**5 714**	5 714	5 714
Maturity later than five years	**7 142**	8 572	7 857
Total	**14 285**	15 000	15 000
Fair value	**799**	574	519

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

Currency derivatives

EUR 1000	**6/2007**
Nominal values of forward contracts *	
Maturity not later than one year	**2 046**
Fair value	**5**

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

Oil derivatives

bbl 1000	**6/2007**	12/2006
Raw oil put options		
Volume maturing not later than one year	**68**	
Volume maturing later than one year and not later than five years	**340**	453
Total	**408**	453
Fair value EUR 1000	**835**	2 288
Volume of sold raw oil futures		
Maturity later than one year and not later than five years	**42**	
Fair value EUR 1000	**-409**	

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

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

CALCULATION OF KEY FIGURES

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

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

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

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

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

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

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

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

Interest-bearing liabilities:
Interest-bearing liabilities – liquid assets

Helsinki 30 July 2007

LASSILA & TIKANOJA PLC
Board of Directors

Jari Sarjo
President and CEO