LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 31 MARCH 2007

- Net sales EUR 129.1 million, growth 28.4%
- Operating profit EUR 9.2 million, growth 2.2%
- Earnings per share EUR 0.15 (EUR 0.16)
- Full-year net sales are estimated to increase by clearly more than 20% and financial performance is estimated to improve.

GROUP NET SALES AND FINANCIAL PERFORMANCE

The net sales for the first quarter grew by 28.4% to EUR 129.1 million (EUR 100.6 million). 17.9 percentage points of the growth came from corporate acquisitions. The operating profit was EUR 9.2 million (EUR 9.0 million), which is 7.1% (8.9%) of net sales.

Strong organic growth continued in all divisions thanks to successful new and additional sales. The demand for Industrial Services was particularly strong. Profit before tax was burdened by changes in the fair values of oil derivatives and interest rate swaps (EUR -1.6 million). The oil derivatives have been purchased to hedge the re-refinery business to be started in 2008.

Financial summary

	1-3/2007	1-3/2006	Change %	1-12/2006
Net sales, EUR million	**129.1**	100.6	28.4	436.0
Operating profit, EUR million	**9.2**	9.0	2.2	50.2
Operating margin, %	**7.1**	8.9		11.5
Profit before tax, EUR million	**8.3**	8.8	-5.2	48.5
Earnings per share, EUR	**0.15**	0.16	-6.3	0.90
EVA, EUR million	**3.6**	3.8	-5.3	28.6

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

The net sales of Environmental Services (waste management, recycling services, L&T Biowatti, environmental products) stood at EUR 65.8 million (EUR 47.1 million), representing an increase of 39.6%. The operating profit was EUR 8.6 million (EUR 7.3 million).

Strong organic growth continued. The earnings of recycling services were boosted by strong growth in volumes and good control of production costs. The joint venture Salvor Oy was also able to increase its net sales and improve performance. The profitability of waste management declined slightly due to increase in municipalized contract areas. The earnings of environmental products weakened.

An extension to capacity was introduced at the Tampere recycling plant. A new recycling plant at Joensuu and an extension at Turku will be introduced during the current year. The situation with environmental permits has developed favourably even though appeals against environmental permits are slowing down plant projects to some extent. The planning of new recycling plants will continue.

The recycling plant in Russia is expected to be completed in the beginning of next year. Waste management operations in the Moscow region will expand to a new town in May 2007 with the gradual transfer of waste management in the town of Sergiev Posad to L&T’s responsibility.

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 sources of energy 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 in the first quarter.

Property and Office Support Services

The net sales of Property and Office Support Services (property maintenance and cleaning services) totalled EUR 48.7 million (EUR 41.1 million), an increase of 18.5%. The operating profit was EUR 1.1 million (EUR 1.3 million).

Organic growth continued in Finland, with net sales growing particularly in maintenance of technical systems. Mild weather 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 a clear earnings improvement is expected. The Russian operations are improving their profitability, too.

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 ran at a loss.

Industrial Services

The net sales of Industrial Services (hazardous waste management, industrial cleaning, damage repair services and wastewater services) increased by 20.1% to EUR 15.8 million (EUR 13.1 million). The operating profit was EUR 0.02 million (EUR 0.8 million), burdened by imputed changes in the fair values of oil derivatives amounting to EUR 1.1 million.

The net sales of all product lines increased, with the strongest growth in damage repair services and hazardous waste management. Demand in all product lines was good for the time of the year thanks to a mild winter and the division’s improved market position. The earnings improvement in operating activities was affected by good demand as well as improved profitability. The damage repair service network expanded to two new locations.

A new recycled liquid fuel (ALF) was introduced to the market to replace oil that is routed to re-refining. L&T Recoil’s re-refinery project progressed according to plan, and the company started to build a raw material procurement network outside Finland. EUR 1.1 million were recognised in other operating expenses for the period due to changes in the fair values of L&T Recoil’s oil derivatives. The company uses oil derivatives to hedge the profitability of the upcoming re-refinery in situations where the market price of oil falls substantially. The re-refinery is estimated to be completed in spring 2008. Changes in the fair value of oil derivatives have a quarterly earnings effect.

FINANCING

At the end of the period, interest-bearing liabilities amounted to EUR 14.8 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 88.1 million, increased by EUR 9.0 million from the comparison period and by EUR 35.6 million from the beginning of the year. Net finance costs totalled EUR 0.9 million (EUR 0.2 million).
Finance costs increased by EUR 0.4 million as a result of the growth in interest-bearing liabilities and a rise in the interest rate level. In addition, a total of EUR 0.1 million arising from the changes in the fair values of interest rate swaps was recognised in finance costs (EUR 0.4 million in finance income). Net finance costs were 0.7% (0.2%) of net sales and 9.3% (2.2%) of operating profit.

The equity ratio was 40.5% (43.9%)and the gearing rate 54.6 (54.0). Cash flows from operating activities amounted to EUR 9.3 million (EUR 11.9 million). EUR 5.1 million were tied up in the working capital (EUR 3.1 million) during the period.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 47.2 million (EUR 15.2 million). Approximately EUR 40 million were spent on company acquisitions. The combined annual net sales of the acquired companies totalled EUR 75.5 million. In addition, machinery and equipment were replaced.

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 (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.

PERSONNEL

In January - March, the average number of employees converted into full-time equivalents was 6,881 (6,401). At the end of the period, the total number of full-time and part-time employees was 8,805 (8,134). Of them 2,155 (1,717)people worked outside Finland.

SHARE 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 March was 5,348,372, which is 13.9% (10.3%) of the average number of shares. The value of trading was EUR 126.4 million. The trading price varied between EUR 20.78 and EUR 26.50. The closing price was EUR 25.15. The market capitalisation was EUR 969.5 million (EUR 625.7 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. After subscriptions made pursuant to 2002C options, the share capital increased by EUR 10,772.50 to EUR 19.274.859,50, and the number of the shares by 21,545 shares to 38,549,719 shares on 14 February 2007.

On 3 May 2007, the Board approved the subscriptions of 166,371 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 83,185.50 to EUR 19,358,045 and the number of the shares will increase to 38,716,090 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 23 April 2007, a total of 205,616 shares have been subscribed for pursuant to the 2002C options. Pursuant to the remaining outstanding 2002C options a maximum of 68,384 shares can be subscribed for, which is 0.2% 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, 25 key persons hold 162,000 2005A options and 35 key persons hold 193,000 2005B options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 8,000 2005A options, 7,000 2005B options and 230,000 2005C options.

The share subscription price for the 2005A options is EUR 14.22, and for 2005B options EUR 16.98.The options issued under the share option plan 2005 entitle their holders to subscribe for a maximum of 1.6% 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 4,664 (4,784) shareholders. Nominee-registered holdings accounted for 13.6% (8.2%) 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.

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 environmental permits and other 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 performance 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.

PROSPECTS FOR THE REST OF THE YEAR 2007

The prospects for Lassila & Tikanoja's markets remain good. Among other things, the demand for Environmental Services in Finland will be increased by the fact that many landfills will have to be closed down towards the end of the year due to new EU regulations. The Finnish Waste Act will change on 1 June 2007 to the effect that the waste management of trade and industry will mostly be released from municipal controls, and business customers will also be able to freely choose their service provider. This will reinforce the strategic possibilities of the private environmental management sector to invest in the recovery of waste materials.

The market outlook for Property and Office Support Services in Finland is better than last year even though the competitive situation is challenging. The full-year result for cleaning operations abroad will be in the red, the loss being, however, 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 has strengthened. Clear growth will also be seen in markets outside Finland.

The price of carbon dioxide 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 has fallen substantially during the current year because there are more emission allowances available in the European emissions trading market than expected. At the moment, the price is substantially below one euro. This will probably result in that L&T Biowatti's customers will consume less wood-based fuels than expected and favour fossil fuels in 2007. The price level for the new emissions trading period starting as of the beginning of 2008 is currently approximately EUR 18. 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. L&T Biowatti's net sales in 2007 will increase by less than 10%, with earnings falling short of expectations.

Two or three more recycling plants and terminals will be built during the year, one of them in Russia. Due to completed corporate acquisitions and investment decisions made, the full-year capital expenditure will exceed the one for the previous year.

Organic growth is expected to continue at a healthy level. Full-year net sales are estimated to increase by clearly more than 20% and financial performance is estimated to improve.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 MARCH 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 the beginning of 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 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	**1-3/2007**	1-3/2006	1-12/2006
Net sales	**129 113**	100 564	436 004
Cost of goods sold	**-112 442**	-86 816	-367 968
Gross profit	**16 671**	13 748	68 036
Other operating income	**642**	603	4 702
Selling and marketing costs	**-3 822**	-2 972	-12 844
Administrative expenses	**-2 939**	-2 241	-8 660
Other operating expenses	**-1 391**	-175	-1 049
Operating profit	**9 161**	8 963	50 185
Finance income	**315**	541	1 509
Finance costs	**-1 167**	-742	-3 208
Share of profit of associates			18
Profit before tax	**8 309**	8 762	48 504
Income tax expense	**-2 243**	-2 485	-13 249
Profit for the period	**6 066**	6 277	35 255
Attributable to:			
Equity holders of the parent	**5 894**	6 149	34 613
Minority interest	**172**	128	642
Earnings per share for profit attributable to the equity holders of the parent:			
Earnings per share, EUR	**0.15**	0.16	0.90
Earnings per share, EUR - diluted	**0.15**	0.16	0.90

BALANCE SHEET

EUR 1000	**3/2007**	3/2006	12/2006
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**118 837**	103 313	106 611
Intangible assets arising from business combinations	**33 824**	10 252	9 893
Other intangible assets	**8 539**	6 502	7 903
	161 200	120 067	124 407
Property, plant and equipment			
Land	**3 426**	4 891	3 215
Buildings and constructions	**37 813**	38 664	38 239
Machinery and equipment	**90 444**	91 883	90 397
Other	**290**	44	174
Advance payments and construction in progress	**3 390**	2 575	2 013
	135 363	138 057	134 038
Other non-current assets			
Investments in associates	**3**	481	3
Available-for-sale investments	**2 976**	2 985	2 954
Finance lease receivables	**3 300**	2 949	3 174
Deferred income tax assets	**793**	436	425
Other receivables	**230**	198	229
	7 302	7 049	6 785
Total non-current assets	**303 865**	265 173	265 230
Current assets			
Inventories	**6 551**	4 342	4 315
Trade and other receivables	**73 034**	54 267	58 094
Advance payments	**3 827**	3 547	155
Available-for-sale investments	**5 488**	2 996	13 955
Cash and cash equivalents	**10 321**	6 939	10 835
Total current assets	**99 221**	72 091	87 354
TOTAL ASSETS	**403 086**	337 264	352 584

EUR 1000	**3/2007**	3/2006	12/2006
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital	**19 275**	19 194	19 264
Share premium reserve	**47 902**	46 670	47 666
Revaluation and other reserves	**-227**	90	326
Retained earnings	**85 810**	72 004	72 291
Profit for the period	**5 894**	6 149	34 613
	158 654	144 107	174 160
Minority interest	**2 626**	2 296	2 709
Total equity	**161 280**	146 403	176 869
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	**29 863**	17 100	22 350
Pension obligations	**405**	221	352
Provisions	**834**	715	936
Interest-bearing liabilities	**64 182**	73 094	59 031
Other liabilities	**453**	421	431
	95 737	91 551	83 100
Current liabilities			
Interest-bearing liabilities	**39 709**	15 950	18 231
Trade and other payables	**105 745**	82 807	73 174
Tax liabilities	**451**	124	938
Provisions	**164**	429	272
	146 069	99 310	92 615
Total liabilities	**241 806**	190 861	175 715
TOTAL EQUITY AND LIABILITIES	**403 086**	337 264	352 584

CASH FLOW STATEMENT

EUR 1000	3/2007	3/2006	12/2006
Cash flows from operating activities			
Profit for the period	6 066	6 277	35 255
Adjustments			
Income tax expense	2 243	2 485	13 249
Depreciation and amortisation and impairment	7 718	6 988	28 155
Finance income and costs	852	201	1 699
Other	717	-265	-2 447
Net cash generated from operating activities before change in working capital	17 596	15 686	75 911
Change in working capital			
Change in trade and other receivables	-8 447	-10 373	-8 380
Change in inventories	1 020	424	541
Change in trade and other payables	2 308	6 845	9 585
Change in working capital	-5 119	-3 104	1 746
Interest paid	-669	-614	-2 925
Interest received	333	142	938
Income tax paid	-2 813	-215	-5 776
Net cash from operating activities	9 328	11895	69894
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash	-31 510	-7 028	-10 658
Purchases of property, plant and equipment and intangible assets	-8 058	-8 199	-34 878
Proceeds from sale of property, plant and equipment and intangible assets	227	605	13 727
Purchases of available-for-sale investments	-104		
Change in other long-term receivables	21		-7
Proceeds from sale of available-for sale investments	43		353
Dividends received			9
Net cash used in investment activities	-39 381	-14 622	-31 454
Cash flows from financing activities			
Proceeds from share issue	247	68	1 018
Change in short-term borrowings	21 485	-8 846	-14 525
Proceeds from long-term borrowings		15 000	15 000
Repayments of long-term borrowings	-362	-797	-7 041
Dividends paid	-180		-15 339
Net cash generated from financing activities	21 190	5 425	-20 887
Net change in liquid assets	-8 863	2 698	17 553
Liquid assets at beginning of period	24 790	7 252	7 252
Effect of changes of foreign exchange rates	-117	-16	-15
Change in fair value of current available-for-sale investments	-1	1	
Liquid assets at end of period	15 809	9 935	24 790

Liquid assets

EUR 1000	3/2007	3/2006	12/2006
Cash	10 321	6 939	10 835
Current available-for-sale investments	5 488	2 996	13 955
Total	15 809	9 935	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			22		22		22
Current available for sale investments, change in fair value			-6		-6		-6
Currency translation differences			-569	6	-563		-563
Items recognised directly in equity			-553	6	-547		-547
Profit for the period				5 894	5 894	172	6 066
Total recognised income and expenses			-553	5 900	5 347	172	5 519
Share option remuneration							
Subscriptions pursuant to 2002 options	11	236			247		247
Remuneration expense of share options				102	102		102
Dividends paid				-21 202	-21 202	-180	-21 382
Purchase of a minority						-75	-75
Equity at 31.03.2007	19 275	47 902	-227	91 704	158 654	2 626	161 280
Equity at 1.1.2006	19 189	46 606	-179	87 250	152 866	2 166	155 032
Hedging fund, change in fair value			286		286		286
Current available for sale investments, change in fair value			1		1		1
Currency translation differences			-18		-18	1	-17
Items recognised directly in equity			269		269	1	270
Profit for the period				6 149	6 149	129	6 278
Total recognised income and expenses			269	6 149	6 418	130	6 548
Share option remuneration							
Subscriptions pursuant to 2002 options	5	64			69		69
Remuneration expense of share options				109	109		109
Dividends paid				-15 355	-15 355		-15 355
Equity at 31.03.2006	19 194	46 670	90	78 153	144 107	2 296	146 403

KEY FIGURES

	1-3/2007	1-3/2006	2006
Earnings per share, EUR	**0.15**	0.16	0.90
Earnings per share, EUR - diluted	**0.15**	0.16	0.90
Cash flows from operating activities per share, EUR	**0.24**	0.31	1.82
EVA, EUR million*	**3.6**	3.8	28.6
Capital expenditure, EUR 1000	**47 185**	15 158	47 162
Depreciation, EUR 1000	**7 718**	6 988	28 155
Equity per share, EUR	**4.12**	3.75	4.52
Return on equity, ROE, %	**14.4**	16.7	21.2
Return on invested capital, ROI, %	**14.6**	16.0	21.0
Equity ratio, %	**40.5**	43.9	50.4
Gearing, %	**54.6**	54.0	29.7
Net interest-bearing liabilities	**88 082**	79 110	52 471
Average personnel in full-time equivalents	**6 881**	6 401	6 775
Total number of full-time and part-time employees at end of period	**8 805**	8 134	8 328
Adjusted number of shares, 1000 shares			
average during the period	**38 539**	38 382	38 445
at end of period	**38 550**	38 387	38 528
average during period, diluted	**38 784**	38 549	38 601

SEGMENT REPORTING

NET SALES

EUR 1000	**1-3/ 2007**	1-3 /2006	Change %	1-12/ 2006
Environmental Services	**65 785**	47 124	39.6	207 252
Property and Office Support Services	**48 720**	41 113	18.5	168 403
Industrial Services	**15 763**	13 126	20.1	64 416
Group admin. and other	**3**	70		118
Inter-division net sales	**-1 158**	-869		-4 185
Total	**129 113**	100 564	28.4	436 004

OPERATING PROFIT

EUR 1000	**1-3/2007**	**%**	1-3/2006	%	1-12/2006	%
Environmental Services	**8 613**	**13.1**	7 294	15.5	32 498	15.7
Property and Office Support Services	**1 087**	**2.2**	1 272	3.1	8 758	5.2
Industrial Services	**19**	**0.1**	785	6.0	9 601	14.9
Group admin. and other	**-558**		-388		-672	
Lassila & Tikanoja	**9 161**	**7.1**	8 963	8.9	50 185	11.5

OTHER SEGMENT REPORTING

EUR 1000	**1-3/2007**	1-3/2006	1-12/2006
Assets			
Environmental Services	**249 025**	202 822	199 872
Property and Office Support Services	**69 432**	58 971	59 394
Industrial Services	**63 208**	60 815	63 508
Group administration and other	**2 964**	3 052	2 804
Non-allocated assets	**18 457**	11 604	27 006
Lassila & Tikanoja	**403 086**	337 264	352 584
Liabilities			
Environmental Services	**44 602**	34 283	33 388
Property and Office Support Services	**29 741**	24 545	29 708
Industrial Services	**10 065**	8 963	10 367
Group administration and other	**22 154**	15 777	1 084
Non-allocated liabilities	**135 244**	107 293	101 168
Lassila & Tikanoja	**241 806**	190 861	175 715
Capital expenditure			
Environmental Services	**37 306**	6 719	21 940
Property and Office Support Services	**8 496**	6 955	19 472
Industrial Services	**1 340**	1 479	5 696
Group administration and other	**43**	5	54
Lassila & Tikanoja	**47 185**	15 158	47 162
Depreciation and amortisation			
Environmental Services	**4 747**	3 848	16 002
Property and Office Support Services	**1 752**	1 925	7 274
Industrial Services	**1 218**	1 188	4 796
Group administration and other	**1**	27	83
Lassila & Tikanoja	**7 718**	6 988	28 155

INCOME STATEMENT BY QUARTER

EUR 1000	1-3 /2007	10-12 /2006	7-9 /2006	4-6 /2006	1-3 /2006	10-12 /2005	7-9 /2005	4-6 /2005
Net sales								
Environmental Services	65 785	55 463	52 973	51 692	47 124	47 333	46 588	47 234
Property and Office Support Services	48 720	44 584	41 463	41 243	41 113	36 545	35 645	35 955
Industrial Services	15 763	16 554	18 223	16 513	13 126	14 362	15 838	15 746
Group administration and other	3	3	19	26	70	92	91	92
Inter-division net sales	-1 158	-1 242	-1 030	-1 044	-869	-1 235	-1 064	-966
Lassila & Tikanoja	129 113	115 362	111 648	108 430	100 564	97 097	97 098	98 061
Operating profit								
Environmental Services	8 613	7 390	9 986	7 828	7 294	5 862	7 017	6 390
Property and Office Support Services	1 087	1 154	4 833	1 499	1 272	2 393	4 462	2 868
Industrial Services	19	2 739	3 800	2 277	785	909	2 260	1 820
Group administration and other	-558	-971	1 233	-547	-388	-110	-439	-524
Lassila & Tikanoja	9 161	10 312	19 852	11 057	8 963	9 054	13 300	10 554
Operating margin								
Environmental Services	13.1	13.3	18.9	15.1	15.5	12.4	15.1	13.5
Property and Office Support Services	2.2	2.6	11.7	3.6	3.1	6.5	12.5	8.0
Industrial Services	0.1	16.5	20.9	13.8	6.0	6.3	14.3	11.6
Lassila & Tikanoja	7.1	8.9	17.8	10.2	8.9	9.3	13.7	10.8
Finance costs, net	-852	-366	-740	-391	-201	-120	-263	-1 010
Share of profits of associates		18				27		
Profit before tax	8 309	9 964	19 112	10 666	8 762	8 961	13 037	9 544

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 31 March 2007 would have been EUR 136 million and the consolidated profit for the period EUR 6 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. 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.

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 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 31 March 2007 amounted to EUR 13,964 thousand, and profit for the period EUR 1,003 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	**1-3/2007**	1-3/2006	12/2006
Book value at beginning of period	**124 407**	114 872	114 872
Business acquisitions	**38 441**	5 891	9 885
Other capital expenditure	**793**	291	3 016
Decreases	**-345**	-45	-161
Amortisation and impairment	**-1 899**	-928	-3 464
Translation difference	**-197**	-14	259
Book value at end of period	**161 200**	120 067	124 407

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1000	**1-3/2007**	1-3/2006	12/2006
Book value at beginning of period	**134 038**	135 404	135 404
Business acquisitions	**1 756**	2 202	3 261
Other capital expenditure	**6 136**	6 607	30 677
Decreases	**-356**	-179	-10 599
Depreciation and impairment	**-5 819**	-6 060	-24 691
Translation difference	**-392**	84	-14
Book value at end of period	**135 363**	138 058	134 038

CAPITAL COMMITMENTS

EUR 1000	**3/2007**	3/2006	12/2006
Intangible assets	**116**	379	150
Property, plant and equipment	**7 232**	2 651	7 199
Total	**7 348**	3 030	7 349
Capital commitments of joint ventures	**850**		

RELATED-PARTY TRANSACTIONS
(Joint ventures and associates)

EUR 1000	**3/2007**	3/2006	12/2006
Sales	**300**	707	1 591
Purchases	**106**	103	556
Non-current receivables			
Capital loan receivable	**3 296**	2 000	3 296
Current receivables			
Trade receivables	**76**	428	28
Current payables			
Trade payables	**31**	39	84

CONTINGENT LIABILITIES

EUR 1000	**3/2007**	3/2006	12/2006
Securities given for Group borrowings			
Real estate mortgages		33	
Securities given for other own commitments			
Real estate mortgages	**10 850**	148	10 484
Corporate mortgages	**18 710**	567	12 778
Other securities	**161**	188	197
Bank guarantees required for environmental permits	**1 926**	2 190	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	**3/2007**	3/2006	12/2006
Maturity not later than one year	**6 158**	2 774	6 107
Maturity later than one year and not later than five years	**13 255**	7 609	12 742
Maturity later than five years	**3 483**	4 217	3 614
Total	**22 896**	14 600	22 463

Derivative financial instruments

Interest rate swaps

EUR 1000	**3/2007**	3/2006	12/2006
Nominal values of interest rate swaps*			
Maturity not later than one year	**13 500**	6 000	13 500
Maturity later than one year and not later than five years	**30 500**	44 000	30 500
Total	**44 000**	50 000	44 000
Fair value	**665**	642	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	**7 143**	8 572	7 857
Total	**14 286**	15 000	15 000
Fair value	**549**	386	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.

Oil derivatives

1000 bbl	**3/2007**	12/2006
Amounts of raw oil put options		
Maturity not later than one year	**12**	
Maturity later than one year and not later than five years	**396**	453
Total	**408**	453
Fair value EUR 1000	**1 215**	2 288
Amounts of sold raw oil futures		
Maturity later than one year and not later than five years	**42**	
Total	**42**	
Fair value EUR 1000	**-265**	

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 3 May 2007

LASSILA & TIKANOJA PLC
Board of Directors

Jari Sarjo, President and CEO

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