LASSILA & TIKANOJA

ANNUAL REPORT

2002

LASSILA & TIKANOJA PLC

Contents

To Our Shareholders

Shareholders hope for maximum long-term profit

In the view of the Board of Lassila & Tikanoja, the owners want the Company to develop in a manner which brings maximum long-term profit from the capital they have invested in the Company; in practice, this means share value increase and payment of dividend. The Board and the management have to ensure that such expectations are met. During the year under review, we clarified the Company's mission and long-term goals and outlined the ways and means to achieve our goals.

A strong foothold on the growing market

For several years to come, the market we operate in will grow faster than the national economy, largely because of new legislation and changes in people's attitudes towards environmental issues. Furthermore, many of our customers are focusing on their own core businesses and outsourcing support functions. As our existing divisions already have plenty of potential for profitable growth, we are not planning to diversify into other business areas. However, we are actively seeking to expand our operations geographically to other countries. According to our mission, we produce environmental management and property and plant maintenance services for Finland and the other countries around the Baltic Sea as well.

We strive to make Lassila & Tikanoja grow faster than the market by continuing our current business operations. In Finland, we are now the market leader or one of the top three players in our business sectors. We wish to strengthen these positions. In the long run, we aim at an annual growth rate of more than 10%, both through organic growth and through acquisitions. We pay special attention to organic growth. Companies acquired by Lassila & Tikanoja are usually rather small, but we do have the capacity for major corporate acquisitions as well.

Investments in the recycling business

New legislation has induced major changes in environmental management. According to the National Waste Plan adopted by the Government, the rate of waste recovery must be increased from today's less than 50% to 70% by the end of 2005. This is a serious challenge and requires heavy investment in the waste recovery business.

Thanks to our strong position in today's market, we are well equipped to deal with this goal. At the same time, we must ensure a comprehensive approach throughout the logistics chain and increase our market share in the recovery of more and more materials. Such benefits of scale bring cost-effectiveness and consolidate our standing in the secondary raw material business. The next three years will involve heavy investment in waste recycling.

Property Services: focus on basic services

The market for Property Services is growing steadily, attracting new players and resulting in new approaches; at the same time, concentration in property ownership and management is increasing. In this business environment, Lassila & Tikanoja's strategy is clear: rather than compete for property management with our customer organisations, we wish to continue to provide basic services. We focus on cleaning and property maintenance services, where the quality of our work and the state-of-the-art production management systems we use set us apart from our competitors. An important tool for achieving this goal is Lassila & Tikanoja's system of service concepts for specific customer segments.

In property maintenance, we place increasing emphasis on maintenance of technical systems, which have an essential role in controlling property maintenance expenses.

Industrial Services: customer-oriented delivery of services

With regard to Industrial Services, we want to deliver comprehensive, customer-oriented services, drawing from our wide range of services and great experience. Companies continue to cut the number of service suppliers, which gives Lassila & Tikanoja the leading edge. In particular, our customer-oriented approach is reflected in the service concepts we have developed for specific customer segments and adopted by Property Services as well. These service concepts ensure that our customers are given appropriate, tailor-made service at a reasonable cost. For the supplier, this means a steadier workflow, with higher profit ensured by carefully planned operations.

In Environmental and Property Services, long-term contracts account for more than 90% of net sales; in Industrial Services, the situation is completely different as the workflow is less predictable, making it more difficult to optimise capacity allocation. This is why we have to focus on creating and implementing the right models and tools for meeting these challenges and improving profitability.

How to measure success

Our success is primarily measured in terms of profitability. Aiming at reasonable growth must not put profitability at risk. Essentially, our profitability is expressed as return on equity, EVA and earnings per share. Our goal is to improve both EVA and earnings per share annually. In today's growing market, any exceptions to this goal (and such exceptions must always be temporary) may be made only if the price of money rises sharply or if our operations are significantly burdened by the initial stages of unusually large investments.

JUHANI MAIJALA JARI SARJO

Lassila & Tikanoja in Brief

Lassila & Tikanoja specialises in environmental management and property and plant maintenance. Its business is divided into three divisions covering the whole of Finland: Environmental Services, Property Services and Industrial Services.

Environmental Services covers the collection, transport and treatment of waste and reusable material and the supply of processed recycled materials for reuse. Environmental Services product lines are waste management and recycling services. L&T is also engaged in wholesale trade in environmental management products.

Property Services offers a wide range of property maintenance services. Product lines are cleaning, property maintenance and maintenance of technical systems.

Industrial Services specialises in heavy-duty cleaning and damage repair for industry and other types of property that require special expertise. Product lines are hazardous waste management, industrial cleaning, damage repair services and sewer maintenance.

Lassila and Tikanoja was founded in 1905. The present company was established through a demerger of (the former) Lassila & Tikanoja plc into two new companies on 30 September 2001.

Lassila & Tikanoja is listed on the Helsinki Exchanges main list under ‘Other Services’.

Key figures for 2002 and 2001

	2002	Pro forma 2001	Change %
Net sales, EUR mill.	**267.2**	245.8	8.7
Operating profit, EUR mill.	**26.8**	26.3	2.1
Profit before extraordinary items, EUR mill.	**23.2**	21.5	7.8
Return on equity (ROE), %	**19.2**	19.5	
Return on invested capital (ROI), %	**16.5**	15.9	
Gearing, %	**84.4**	91.9	
Equity ratio, %	**41.0**	38.1	
Gross investments, EUR mill.	**33.6**	14.8	127.0
Average personnel employed	**3 763**	3 676	2.4
EVA, EUR million	**11.3**	10.6	6.6
Earnings/share (EPS), EUR	**1.00**	0.94	7.0
Cash flow from operations/share, EUR	**2.66**	2.57	3.5
Dividend per share, EUR	**0.75***	0.60	

** Proposal by the Board of Directors*

Calculation of the key figures on the pages 38 and 39.

Net sales by division

Net sales EUR 267.2 million

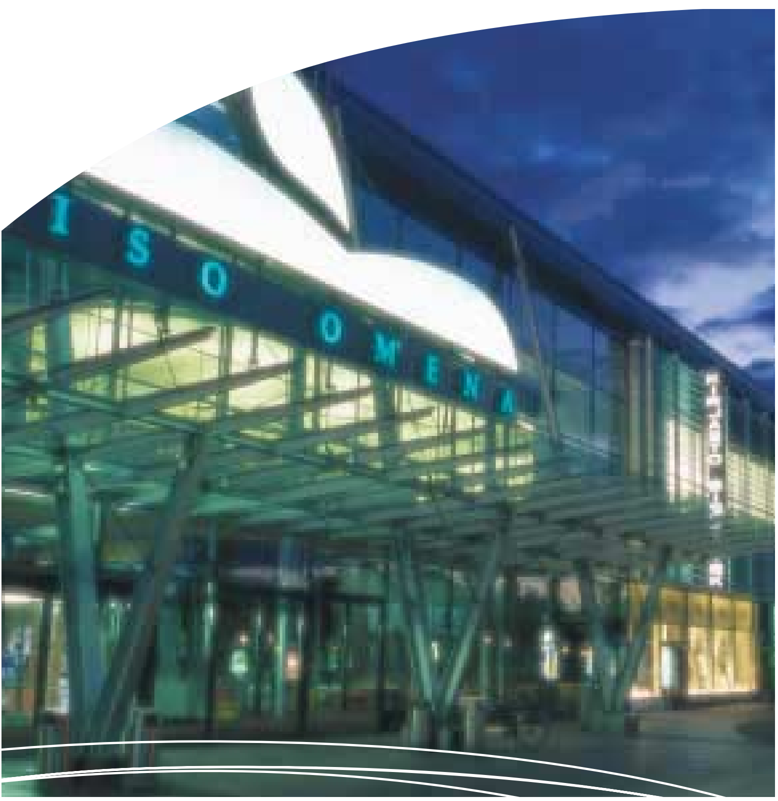
- ***Environmental Services 45.8%***
- ***Property Services 32.9%***
- ***Industrial Services 21.3%***

Operating profit by division

Operating profit EUR 26.8 million

- ***Environmental Services 59.1%***
- ***Property Services 23.2%***
- ***Industrial Services 17.7%***

Your Environmental Caretaker as a Partner



L&T's new look and the new L&T logo were launched in the spring, and a new L&T trademark was taken into use in all divisions.

The words 'Your Environmental Caretaker' appear under the new Finnish L&T logo. They mean that wherever environmental management, or property and plant maintenance are concerned, Lassila & Tikanoja always wants to be a responsible partner.

The Lassila & Tikanoja brand is built up on three basic factors: what we promise, what we deliver and how our customers see our operations. Promise and practice must be one and the same thing. Everyone at L&T is responsible for the L&T brand.

Concentrating environmental management and property and plant maintenance in one expert company means that things are dealt with more quickly, more easily and more efficiently. Concentrating services often leads to the creation of key accounts, where a named key account manager is in charge of the development of the customer relationship. Key account services always consist of an individually planned package based on the customer's wishes and changing needs. L&T launched a project in 2002 to develop its customer relationship management.

Working with key accounts grows into partnership which is characterised by continuing cooperation, shared development targets, broad-based exchange of information and transparency.

Product Development
New Services Based on Customer Needs

The aim in producing new products and overhauling existing services is to ensure that L&T retains its competitiveness and remains a desirable partner in all its business lines. Product development is geared to improving services in line with company strategy and contributing to achieving business targets. Service concepts are used to link customer needs with practical service production to form service products. The target is to develop two to four service products a year.

The Reilu® cleaning system, developed for cleaning large offices, was overhauled in 2001 and readopted in spring 2002. In renewing the service, increased recycling obligations by offices were taken into account and services available over the Internet were put to use. L&T's office cleaning customers purchase a single service whereby L&T takes care of the cleanliness and pleasantness of the rooms themselves plus the recycling of waste from the offices.

L&T's Shop Services, developed for large supermarkets and department stores, were supplemented in 2002 by services associated with recycling, food hygiene and energy management for shop premises. In its present form, L&T's Shop Services is a comprehensive and flexible service package which allows support services to be outsourced to a single professional service provider.

In 2002, the finishing touches were put to a service concept developed to meet the needs of the pulp and paper industry. The service covers both running time and down time, and meets the service needs resulting from damage situations. The service model takes into account environmental and occupational safety requirements, the organisation of the development work called for by continuous improvement and ways of ensuring that services are maintained in exceptional situations.

By centralizing product development L&T has been able to benefit more and more widely from its own expertise in different divisions.

Quality and the Environment
Best Practices

L&T aims at continuous improvement in both its services and management of business operations. The purpose of development is to improve L&T competitiveness. Systematic improvement of operating procedures is important so that all L&T customers get equally high quality services everywhere and that these services are produced as efficiently as possible.

Finding and using best practices

At L&T we believe that improvement in operating methods is based on recognising best practices and developing them. Development work is based on L&T's operating policy, on the operating principles defined in 2002 and on the Integrated Management System that takes quality and environmental and occupational safety aspects into account.

The internal assessment procedure was overhauled in 2002. The procedure is used to recognise best practices and areas for improvement more easily and to promote good operating methods. Using the procedure, company management can obtain up-to-date information on the impact of renewed operating models on practical operations.

Certified operations

Service providers are more and more often expected to be able to demonstrate that their operations fulfil quality, environmental and occupational health requirements. These requirements are taken into account in the L&T Integrated Management System.

The collection, transport and pretreatment services of the Vantaa treatment plant for electric and electrical waste (WEEE) and the Helsinki treatment plant for confidential data material were granted quality, environmental and occupational safety certificates in the spring (ISO 9001:2000, ISO 14001 and OHSAS 18001). Damage Repair, Southern Finland, was granted an ISO 9001:2000 certificate for its quality management system.

Local action for local needs

Introduced in 2001, the EHS (Environment, Health and Occupational Safety) Teams are intended to take care of statutory occupational safety issues and issues related to the maintenance of working capacity. They also discuss quality and environmental issues in practical operations. The EHS Teams help to recognise and predict development needs and resolve any problems that come to light on a local basis.

The activities of the EHS Teams have been assessed by questionnaires at the team member level and by internal audits in autumn 2002. The results show that the launch of EHS activities has met with the success that was expected.

Occupational safety is a question of cooperation

Many L&T services are based on physical work. Difficult working conditions, heavy loads and awkward working positions increase the strain of the work and the danger of accidents.

L&T aims to recognise the dangers associated with different jobs and take steps to reduce and eliminate them. When accidents do occur, managers of all business units receive an accident report via the company's internal accident monitoring system. Recognising the factors behind each individual accident may help to prevent similar accidents in future.

L&T works in close cooperation with customers to promote occupational safety. Many risks can be eliminated or substantially reduced through cooperation.

In 2002, developments in matters related to the environment, health and safety were monitored through internal audits and carried out as envisaged in the programme for 2001-2003 and subsequent measures.

Environmental Services

Share of net sales 45.8%

Services

L&T's Environmental Services covers the collection of waste and recyclable materials, transport and processing, and the supply of recycled materials for reuse. L&T has the most extensive service network in Finland, which can take care of waste management and recycling services for both local and national customers throughout the country.

Collection services for individual premises cover the design, dimensioning, marking, cleaning and leasing of bins in addition to the collection itself. Internal transportation of waste inside premises, staff training and reporting can also be included. Materials that have to be collected separately include paper, board, cardboard, metal, plastic, glass, biowaste, recycled fuel (REF), wood, electrical and electronic scrap (WEEE), confidential material and tyres.

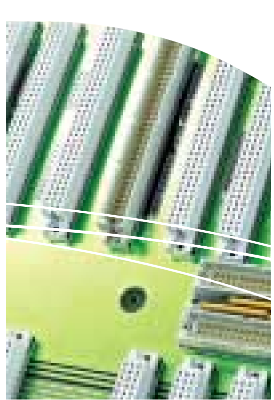
The waste that has been collected for recycling or other processing is brought either to one of L&T's own plants or that of one of its partners or to landfills. Processed recycled materials are sold, usually on long-term contracts with power stations, for example.

L&T's recycling services based on manufacturer's liability deal with tyres, metal packaging, plastic and pressure-impregnated timber. The biggest service package here involves discarded tyres, with L&T handling the entire material chain from collection to processing and reuse for the entire country.

The Bajamaja service provides comprehensive, tailor-made service for outdoor-event organisers, from portable lavatories to cleaning.

Environmental products

The Environmental Products unit is engaged in wholesale trade of environmental management products and purchases such products to the Company service divisions. The unit also contributes to product development on collection equipment for environmental management.



Markets and market position

Market trends in waste management and recycling are strongly influenced by Finnish and EU policy on waste management and the legislation stemming from it. According to Finland's recently updated National Waste Plan, at least 70% of all waste will have to be recycled by 2005, in contrast to the below 50% recycled at present.

Reaching recycling targets calls for a sharp increase in the amount of waste used for energy. However, many power plants are giving up waste co-combustion because the requirements set for combustion are steadily being tightened. This has resulted in the need to invest in new plants built to utilise waste fuel.

The increase of waste tax from the beginning of 2003 and possibly again from the beginning of 2005 will further the attainment of waste recycling targets. Because of its nationwide coverage and its service chain for recyclable materials, L&T is well placed to take a significant share of the growing demand.

L&T is the clear market leader in waste management and recycling services in Finland with a market share of around 20%.

Highlights of 2002

Net sales from Environmental Services totalled EUR 122.3 million (EUR 113.1 million), an increase of 8.2%. Operating profit came to EUR 15.9 million (EUR 13.5 million). The rise in profitability was a result of long-term intensification of waste management operations. In recycling services, net profits were burdened by high repair costs.

In 2002, Environmental Services focused on increasing profitability by improving sales and production. The fleet has been reduced for three consecutive years while the volume has increased, mainly thanks to efficient route planning. Moreover, because the average age of the fleet has decreased, maintenance costs have fallen. The focus in improvement is on increasing waste recovery capacity and enhancing the efficiency of the waste treatment process.

Acquisition of the majority of Muoviportti Oy shares gave L&T a leading position in plastics recovery. Own logistics chain of services from point of origin to recovery gives L&T an excellent opportunity to provide plastics recovery services to a wide range of customers.

Net sales from Environmental Products increased and profitability improved.

In 2002, L&T's collection, transport and pretreatment services for electrical and electronic scrap received ISO certificates. L&T supplies processed material for reuse, hazardous waste treatment and final disposal.

Property Services

Share of net sales 32.9%

Services

L&T's Property Services provides a wide range of services for property maintenance.

Property maintenance covers surveillance, use and upkeep of building (M&E) services, maintenance of outdoor areas, cleaning of common parts, premises and user services, and a wide range of specialised one-off services. Maintenance of technical systems produces M&E services and provides technical management. The Internet-based production control system Kiinteistönetti® provides customers with contact and reporting in real-time.

Cleaning Services offer customised service packages for specific customer groups and may include reception desk services and mail delivery, for example.

Services are marketed as concepts to different types of customer groups with similar needs. For example, L&T Shop Services have been developed for large supermarkets, department stores and shopping centres. The Reilu® cleaning system, which was originally designed for offices and also includes recycling within the work space, was renewed in 2002.

Markets and market position

The competitiveness of L&T's services derives from their customer-oriented approach, high quality, their cost effectiveness and their variety. The aim is to be the quality leader in property maintenance.

The commercial market accounts for about 20% of the entire Finnish property maintenance market, with 40% of this share being held by the five biggest property maintenance companies. The cleaning services market has rapidly become concentrated over the last few years with net sales of the five biggest companies accounting for over half the commercial market. The commercial market accounts for about one-third of the total market in Finland, whereas in the rest of Europe it has a much larger share. The commercial market for Property Services is expected to grow faster than GDP over the next few years, as industry and parts of the public sector are closing down their own property maintenance organisations.

L&T has a market share of approximately 12% of the property services market. The purchase of SPS Siivouspalvelut Oy in December, with net sales of EUR 13.5 million, strengthened L&T's market share in cleaning services from the beginning of 2003.

Highlights of 2002

Net sales from Property Services came to EUR 87.8 million (EUR 79.8 million), showing an increase of 10.0%. Operating profit was EUR 6.2 million (EUR 7.7 million). Operating profit from cleaning services was good despite being burdened by pension costs that were higher – as anticipated – than in the comparison period. Operating profit from cleaning services did not, however, reach the 2001 level. Operating profit for the Property Services was also burdened by the poor result from property maintenance for the first six months of the year. For the last six months, property maintenance performed rather well, thanks to the implementation of new planning and production control systems and measures carried out in summer to intensify production.

Property Services was reorganised and a new product line, maintenance of technical systems, was introduced. The change is a response to the increasingly technological aspect of the sector and means that L&T's special expertise can be put to better use. A number of important, long-term partnership agreements were entered into with major property owners. In September, L&T took over the cleaning of all the passenger terminals at Helsinki-Vantaa Airport.

L&T became Finland's leading producer of hygiene services for the food industry following a company acquisition.

Continual quality control is carried out on L&T's Cleaning Services. Top hygiene requirements are in the food industry, where cleanliness is checked on a daily basis by taking bacteria samples.

L&T's new service package for the pulp and paper industry includes cleaning and waste management services for running time and down time, and services required in damage situations.

Industrial Services

Share of net sales 21.3%

Services

L&T's Industrial Services specializes in heavy-duty cleaning and damage repair for industry and other types of property that require special expertise.

Hazardous Waste Management consists of customised collection, sorting and processing services plus associated consulting services. The main focus is on waste collection, where L&T is the only company to operate nationwide. Waste is turned into raw materials and recycled fuel for industry and power stations in the Company's own plants.

Industrial Cleaning offers industry environmentally sound heavy-duty washing and cleaning services. In addition to industrial plants, these services are targeted at building and renovation sites, docks, ships, and bridge and tunnel sites.

Damage Repair Services minimise damage to property caused by fire, water or damp and will carry out repairs on the turnkey principle if required.

Indoor Air Services cover surveys of indoor air quality and cleaning and maintenance of ventilation ducts. Sewer Maintenance includes gully and inspection chamber maintenance, sewer flushing and video surveys.

Markets and market position

The amount of waste material classed as hazardous waste is continually growing. Thanks to improvements in industrial processes, however, the amount of hazardous waste is not growing at the same rate, but new grades of hazardous waste offer L&T distinct growth potential. L&T is able to recycle more and more hazardous waste through its own treatment plants, which strengthens its market position and enhances its position in the competition for major customers.

As outsourcing becomes more common and industrial production grows, the market for industrial cleaning is growing. Industry is trying to cut down the number of its service providers, transfer responsibility for development to the service provider and build up cooperation on a partnership basis. For L&T as a versatile service provider this is not only a positive development, but a challenge as well. In focusing on development, the traditional service supplier is becoming more and more of an expert.

In Damage Repair Services, awareness of health risks caused by damp, mould and impurities in indoor air increase demand for drying out and indoor air quality services. In Sewer Maintenance, the market has been steady for a long time, but stricter requirements on waste-water treatment in sparsely populated areas are going to increase demand over the next few years.

Industrial Services is more sensitive to industrial trade cycles than other L&T divisions. During downturn, industry uses its own staff for maintenance and cleaning work that it would buy in from service companies at other times. The need for maintenance and cleaning work also decreases as the utilisation rate goes down. The same link with the trade cycle can be seen in the amount of hazardous waste being generated.

In all Industrial Services product lines, L&T is Finland's biggest or second biggest supplier.

Highlights of 2002

Net sales from Industrial Services were EUR 57.0 million (EUR 52.9 million), an increase of 7.8%. Net sales from all product lines increased, with the exception of industrial cleaning. Demand by industry dropped over the year. The growth in net sales came from certain major damage repair projects and corporate acquisitions. Operating profit was EUR 4.8 million (EUR 5.1 million). The results for the final quarter for industrial cleaning and damage repair services were disappointing. Both product lines were unsuccessful in managing subcontracting costs incurred from volume variation. To remedy the situation, the management of the lines was centralised at the end of the year, and capacity is currently being brought into line with demand.

New production management systems will be put into service in damage repair services during the first quarter of 2003. In the autumn, an extension scheme for the hazardous waste treatment plant was launched to increase the plant's readiness to deal with very different types of hazardous liquid waste.

Personnel
Expertise is an Important Resource

L&T services are all produced by the work of a professional staff. The expertise required in many jobs is developed through years of experience and target-oriented training. In other jobs the correct working procedures can be learnt in a few months with proper initiation and guidance.

In choosing staff, special attention is paid to proficiency, the ability to take responsibility and the desire to improve oneself and L&T operations. Switching to new jobs within the L&T organisation is supported as it promotes the accumulation of expertise and maximises its use.

Common ground rules are crystallised into operating principles

Work at L&T is often very independent. Clear common ground rules ensure that a joint L&T line is adopted in practical choices.

A working group set up to define the L&T operating principles completed its work last autumn. The operating principles are a practical way of supporting the implementation of the goals defined in the Company's operating policy. The idea is that everyone at L&T should think about these operating principles and take account of them in their own work. The implementation of these operating principles will be evaluated with the help of development discussions, work satisfaction surveys, internal assessment and customer satisfaction surveys.

Long-term development of expertise

L&T staff expertise is developed in many different ways in cooperation with various training organisations. Key areas for improvement are practical induction procedures, on-the-job learning, development of professional and supervisory skills.

In 2002, induction procedures on all product lines were brought up to date, 40 people were schooled as induction trainers and training for cleaning work was started in a new kind of learning and development environment. L&T staff also took part in training programmes for vocational qualifications in environmental management and property maintenance.

Supervisory skills have a key role

L&T wants to be a secure place to work and encourage its staff to develop themselves and take the initiative. The key aim in supervisors' work is to make sure that staff have the optimum opportunity to succeed in their own work. The supervisors' work is backed up with long-term development programmes.

During 2002, L&T has trained supervisory staff in management-training programmes tailored specially for L&T and educational programmes aimed at special vocational management qualifications.
A total of 50 people took part in these programmes. Supervisory skills were also honed on courses related to development discussions and project management training started in the autumn.

Report by the Board of Directors

Financial results

Earnings per share improved and stood at EUR 1.00 (EUR 0.94). Net sales for the whole year came to EUR 267.2 million, showing an increase of 8.7%, of which 5 percentage points were organic growth. Profit before taxes came to EUR 23.2 million (EUR 21.5 million).

Gross profit and gross profit as a percentage of net sales were boosted by improved operating efficiency. Lassila & Tikanoja acquired 16 minor companies in 2002. Sales resources were strengthened considerably, which showed up as a distinct growth in new sales. The uncertainty of the economic outlook has slowed down the growth of net sales.

Marketing, sales and administrative costs were substantially higher than in 2001, mainly because of the changing of the Company's operating name (some EUR 1.5 million) and by the fact that the costs arising from operating as a listed company were not included in the figures for the first nine months of 2001. These costs have been apportioned to each division and they have reduced the net profits of each division.

Net sales from Environmental Services totalled EUR 122.3 million (EUR 113.1 million), an increase of 8.2%. Operating profit came to EUR 15.9 million (EUR 13.5 million). The rise in profitability was a result of long-term intensification of waste management operations. The fleet has been reduced for three consecutive years while the volume has increased, mainly thanks to efficient route planning. Moreover, because the average age of the fleet has decreased, maintenance costs have fallen.

In recycling services, net profits were burdened by high repair costs. The focus in improvement is on increasing waste recovery capacity and enhancing the efficiency of the waste treatment process. Net sales from Environmental Products increased and profitability improved.

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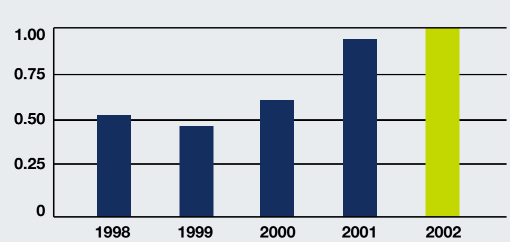
Earnings/share, EUR



1998-2001 pro forma

Net sales

EUR 1000	2002	Pro forma 2001	Change %
Environmental Services	**122 327**	113 087	8.2
Property Services	**87 841**	79 836	10.0
Industrial Services	**57 007**	52 895	7.8
Total	**267 175**	245 818	8.7

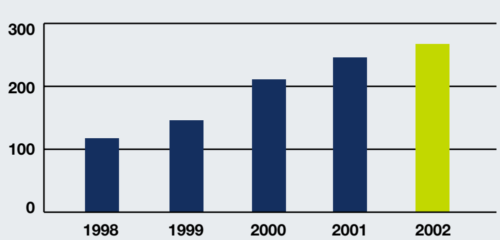
Operating profit

	2002		Pro forma 2001	
	EUR 1000	%	EUR 1000	%
Environmental Services	**15 863**	**13.0**	13 515	12.0
Property Services	**6 219**	**7.1**	7 659	9.6
Industrial Services	**4 767**	**8.4**	5 114	9.7
Total	**26 849**	**10.0**	26 288	10.7

Quarterly results

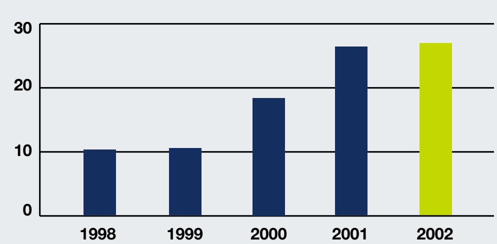
EUR 1000	IV/2002	III/2002	II/2002	I/2002	IV/2001	Pro forma III/2001	Pro forma II/2001	Pro forma I/2001
Net sales								
Environmental Services	31 819	32 151	31 017	27 340	28 959	28 681	29 157	26 290
Property Services	22 914	21 710	21 543	21 674	20 246	19 680	19 609	20 301
Industrial Services	14 116	16 455	14 483	11 953	13 344	13 476	14 553	11 522
Total	68 849	70 316	67 043	60 967	62 549	61 837	63 319	58 113
Operating profit								
Environmental Services	3 726	5 464	3 792	2 881	2 574	4 218	3 371	3 352
Property Services	1 694	2 686	572	1 267	1 700	2 994	1 338	1 627
Industrial Services	414	2 770	1 474	109	964	1 934	1 988	228
Total	5 834	10 920	5 838	4 257	5 238	9 146	6 697	5 207
Net financial expenses	-866	-954	-926	-931	-931	-1 334	-1 178	-1 351
Profit before extraordinary items	4 968	9 966	4 912	3 326	4 307	7 812	5 519	3 856
Operating margin								
Environmental Services	11.7	17.0	12.2	10.5	8.9	14.7	11.6	12.8
Property Services	7.4	12.4	2.7	5.8	8.4	15.2	6.8	8.0
Industrial Services	2.9	16.8	10.2	0.9	7.2	14.4	13.7	2.0
Lassila & Tikanoja	8.5	15.5	8.7	7.0	8.4	14.8	10.6	9.0

Net sales, EUR million



1998-2001 pro forma

Operating profit, EUR million



1998-2001 pro forma

Gross investments

Gross investments totalled EUR 33.6 million (EUR 14.8 million), of which EUR 12.0 million were acquisitions. Machinery and equipment was replaced, production premises were expanded and 16 minor company acquisitions were made. Depreciation came to EUR 22.2 million (EUR 22.0 million).

Investments by Balance Sheet item

EUR 1000	2002	Pro forma 2001
Real estate	**4.6**	3.5
Machinery and equipment	**19.4**	9.1
Other tangible assets	**1.3**	0.6
Securities and goodwill	**7.5**	1.2
Intangible assets and other capitalised expenditure	**0.8**	0.4
Total	**33.6**	14.8

In December a contract was signed for the acquisition of SPS Siivouspalvelut Oy from the Finland Post Group. The acquisition was effective from the beginning of the year 2003. The annual net sales of SPS Siivouspalvelut Oy are EUR 13.5 million and it employs approximately 700 persons.

Invested capital

Invested capital remained on the level of the previous year.

EUR 1000	31 Dec. 2002	31 Dec. 2001
Fixed assets	**176 659**	166 538
Current assets	**35 399**	42 578
Deferred tax liability	**-5 827**	-4 957
Trade payables	**-6 581**	-9 619
Accruals and deferred income	**-4 612**	-4 440
Other current, non-interest bearing liabilities	**-29 530**	-24 537
Invested capital	**165 508**	165 563

The amount of fixed assets was increased by investments exceeding depreciation. Cash at bank and in hand declined, as did working capital. The rate of circulation for invested capital was 1.6 compared with 1.5 a year earlier.

Financing

Interest-bearing liabilities amounted to EUR 7.3 million less than a year earlier. Net financial expenses decreased by 23.3% from the previous year and stood at EUR 3.7 million (EUR 4.8 million). They were 1.4% (2.0%) of net sales and 13.7% (18.2%) of operating profit. EUR 5.7 million was released from working capital (EUR 0.7 million). The equity ratio was 41.0% (38.1%) and the gearing rate was 84.4 (91.9). Investments were financed out of cash flow from operations. Liquidity was good.

Product development

The Company's product development is responsible for developing new products and improving current services. The costs of the product development projects were EUR 0.6 million (0.2% of net sales). The largest projects were the renewing of the Reilu® cleaning system developed for cleaning large offices, L&T's Shop Services and a service concept for pulp and paper industry.

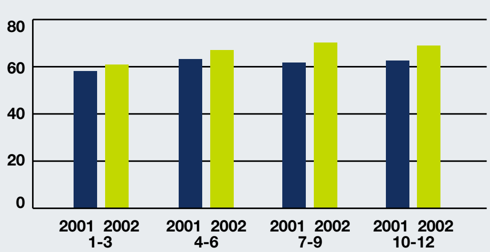
Personnel

The average number of personnel converted to full-time employees was 3,763. At the year end Lassila & Tikanoja employed 4,848 persons.

Changes in the Group structure

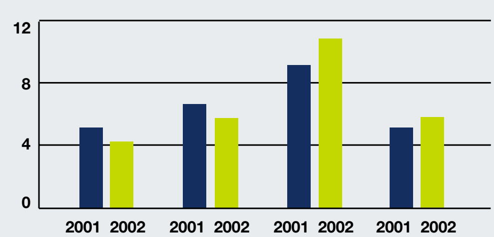
Lassila & Tikanoja started to use the name Lassila & Tikanoja also in business operations, as its subsidiary Säkkiväline Oy was merged with the Parent Company on 1 April 2002. Also Servisec Oy was merged with Lassila & Tikanoja plc.

Quarterly net sales, EUR million



2001 pro forma

Quarterly operating profit, EUR million



2001 pro forma

The shares of Mikon Oy Laatupalvelut (specialising in food industry hygiene cleaning) were acquired and L&T Advance Oy, L&T Deili Oy and L&T Development Oy were established by the Parent Company. Kiinteistö Oy Tampereen Sarankulma, a real estate company, was sold.

The shares of Pahvipojat Oy (collection and recycling of paper and paperboard), Oy Hangon Jätekuljetus–Hangö Avfallstransport Ab (waste collection), Finreci Oy Ab (hazardous waste management), A & Top-Siivous Oy and Suur-Jyväskylän Siivouskeskus Oy (cleaning), were acquired by the Group. Acquisition of Finreci Oy Ab increased the Group's ownership of L&T Vedenkierrätys Oy to 100%.

2/3 of the shares of Muoviportti Oy (plastic recycling) was acquired by the Group. Muoviportti Oy holds 50% of RE Plast Ou and 48.1% of Viwaplast Oy, which became associated companies of the Group.

L&T Ongelmajätehuolto Oy (former Finreci Oy) was placed in voluntary liquidation.

The business operations of the following companies were acquired: To Environmental Services J&T Pajunen Oy; to Property Services Jyväskylän Ykkös-Siivous Oy, property maintenance services of Keski-Suomen YH-Rakennuttajat and T. Ronkainen T:mi; to Industrial Services HB Sisäsaneeraus Oy, Ilmastointipalvelu Airasvaara Oy, Savon Monitoimi Oy, Teo-Palvelu Ky and Varsinais-Suomen Putkisto TV Oy.

Decisions of the Annual General Meeting

The AGM held on 9 April 2002 re-elected Lasse Kurkilahti and Soili Suonoja to the Board of Directors for the period 2002-2003. The Board of Directors comprises the following persons: Heikki Hakala, Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Juhani Maijala is Chairman and Heikki Hakala Vice Chairman of the Board of Directors. PricewaterhouseCoopers Oy, Authorized Public Accountants, were elected auditors.

The AGM decided to issue stock options to key personnel of Lassila & Tikanoja and to a wholly-owned subsidiary of Lassila & Tikanoja plc.The Company shall issue a maximum of 400,000 stock options. Each stock option entitles its holder to subscribe for one share of Lassila & Tikanoja plc. To each share one voting right is attached. As a result of such share subscription, the number of shares of Lassila & Tikanoja plc may increase by a maximum of 400,000 new shares, which is 2.5% of the current total number of shares and voting rights. So far the key persons have been entitled to subscribe for 128,000 stock options. The share subscription price for these options is EUR 19.42.

Company shares

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges during 1 January to 31 December 2002 was 2,889,677 or 18.3% of the number of shares. The trading price varied between 13.00 and 22.25 euros. The closing price was 15.50 euros. The market capitalisation of the Company's shares on 31 December 2002 was EUR 245.3 million.

Summary of other stock exchange releases in conformance with article 7, chapter 2 of the securities markets act

On 5 March 2002 the Company announced that Säkkiväline Oy, subsidiary of Lassila & Tikanoja plc, will merge into the parent company on 1 April 2002. After the merger, the business will be conducted under the name Lassila & Tikanoja plc and the Company will launch a house brand, L&T.

On 15 October 2002 the Company issued a stock exchange release giving preliminary information on the third quarter result.

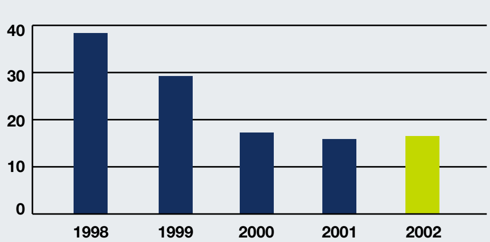
Distribution of the profit

The Group's earnings/share were EUR 1.00 and cash flow from operations/share EUR 2.66. The Board of Directors will propose payment of a dividend of EUR 0.75 per share to the Annual General Meeting convening on 1 April 2003. The amount of the dividend to be paid is EUR 11,869,731. The proposed dividend is 74.7% of earnings per share.

Prospects for the year 2003

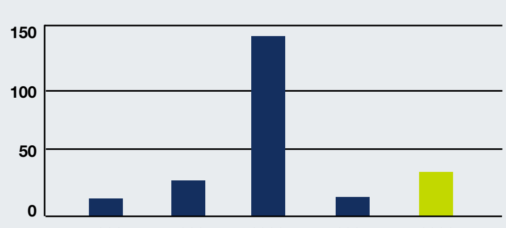
Demand for Lassila & Tikanoja services will steadily increase in the long term. Net sales are expected to grow at a clearly quicker pace in 2003 than in 2002 and results are expected to improve. This forecast is supported by, for example, the corporate acquisitions carried out last year, better sales resources and new production management systems.

ROI, %



1998-2001 pro forma

Investments, EUR million



1998-2001 pro forma

Consolidated Statement of Income

1 January – 31 December EUR 1000	2002	%	Pro forma 2001	%	Note
Net sales	**267 175**	**100.0**	245 818	100.0	1
Costs of goods sold	**-217 611**		-201 853		
Gross profit	**49 564**	**18.6**	43 965	17.9	
Sales and marketing expenses	**-8 582**		-5 447		
Administration expenses	**-8 637**		-7 294		
Other operating income	**993**		1 076		4
Other operating expenses	**-584**		-513		
Operating profit before depreciation on goodwill	**32 754**	**12.3**	31 787	12.9	
Depreciation on goodwill	**-5 905**		-5 499		
Operating profit	**26 849**	**10.0**	26 288	10.7	2,3
Financial income and expenses	**-3 677**	**-1.4**	-4 794	-2.0	5
Profit before extraordinary items	**23 172**	**8.7**	21 494	8.7	
Extraordinary items					
Profit before income taxes	**23 172**	**8.7**	21 494	8.7	
Income taxes	**-7 189**	**-2.7**	-6 674	-2.7	6
Minority interests	**-99**		24		
Profit for the financial year	**15 884**	**5.9**	14 844	6.0	

Consolidated Balance Sheet

31 December EUR 1000	2002	%	2001	%	Note
ASSETS					
Fixed assets					
Intangible assets					7
Intangible rights	**41**		39		
Goodwill	**80 983**		79 514		
Other capitalised expenditure	**2 756**		2 019		
Advance payments	**15**		35		
	83 795	**39.5**	81 607	39.0	
Tangible assets					8
Land	**3 412**		3 339		
Buildings	**24 270**		21 040		
Machinery and equipment	**54 357**		49 310		
Other tangible assets	**2 916**		3 249		
Advance payments and construction in progress	**4 441**		4 598		
	89 396	**42.2**	81 536	39.0	
Financial assets					9
Associated company shares	**281**		215		
Other shares and holdings	**3 187**		3 180		
	3 468	**1.6**	3 395	1.6	
Total fixed assets	**176 659**	**83.3**	166 538	79.6	
Current assets					
Inventories					
Finished products/Goods	**1 665**		1 618		
Other inventories	**646**		108		
	2 311	**1.1**	1 726	0.8	
Non-current receivables					
Loan receivables	**1**		1		
Current receivables					10
Trade receivables	**23 812**		24 631		
Other receivables	**162**		169		
Prepaid expenses and accrued income	**4 318**		3 746		
	28 292	**13.3**	28 546	13.7	
Cash at bank and in hand	**4 795**	**2.3**	12 305	5.9	
Total current assets	**35 399**	**16.7**	42 578	20.4	
Total assets	**212 058**	**100.0**	209 116	100.0	

31 December EUR 1000	2002	%	2001	%	Note
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					11,12
Share capital	**7 913**		7 913		
Share premium account	**7 518**		7 518		
Retained earnings	**54 666**		49 318		
Profit for the financial year	**15 884**		14 844		
Total shareholders' equity	**85 981**	**40.6**	79 593	38.1	
Minority interests	**895**	**0.4**			
Provisions	**526**	**0.2**	526	0.2	13
Liabilities					
Deferred tax liability	**5 827**	**2.7**	4 957	2.4	12
Non-current					14
Loans from financial institutions	**66 343**		75 512		
Advances received	**3**		2		
Other liabilities	**104**		720		
	66 450	**31.3**	76 234	36.4	
Current					
Bonds	**2 488**				
Loans from financial institutions	**9 167**		9 211		
Advances received	**1**		1		
Trade payables	**6 581**		9 619		
Other liabilities	**29 530**		24 534		
Accruals and deferred income	**4 612**		4 441		
	52 379	**24.8**	47 806	22.9	
Total liabilities	**124 656**	**58.8**	128 997	61.7	
Total shareholders' equity and liabilities	**212 058**	**100.0**	209 116	100.0	

Consolidated Statement of Changes in Financial Position

EUR 1000	2002	Pro forma 2001
Operations		
Operating profit	**26 849**	26 288
Adjustments:		
Depreciation	**22 220**	21 962
Other adjustments	**-470**	-478
Cash flow before change in working capital	**48 599**	47 772
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	**3 646**	1 768
Increase/decrease in inventories	**-309**	670
Increase/decrease in current non-interest-bearing liabilities	**2 327**	-1 719
Cash flow from operations before financial income/expenses and taxes	**54 263**	48 491
Interest expenses and other financial expenses paid	**-4 177**	-5 207
Interest received	**439**	232
Direct taxes paid	**-8 491**	-2 794
Cash flow from operations	**42 034**	40 722
Investments		
Investments in Group companies	**-9 737**	-316
Investments in tangible and intangible assets	**-22 965**	-14 704
Proceeds from sale of tangible and intangible assets	**1 578**	1 570
Investments in other assets	**-28**	-951
Proceeds from sale of other assets	**179**	58
Dividends received from investments	**9**	9
Cash flow from investing activities	**-30 964**	-14 334
Financing		
Proceeds from non-current liabilities	**2 488**	
Payments of non-current liabilities	**-11 584**	-9 315
Dividends paid	**-9 484**	-7 913
Cash flow from financing activities	**-18 580**	-17 228
Changes in cash and cash equivalents	**-7 510**	9 160
Cash and cash equivalents 1 Jan.	**12 305**	3 145
Cash and cash equivalents 31 Dec.	**4 795**	12 305

The items in the Statement of Changes in Financial Position cannot be derived directly from the Balance Sheets owing, among other things, to the acquisition of new subsidiaries.

Additional information on acquisition of Group companies and business operations:	2002	Pro forma 2001
Cash at bank and in hand	**1 430**	205
Inventories	**277**	
Receivables	**2 678**	166
Goodwill	**7 036**	237
Other fixed assets	**4 076**	77
Current liabilities	**-2 912**	-164
Non-current liabilities	**-1 249**	
Deferred tax liability/receivable	**-169**	
Acquisition price	**11 167**	521
./.Cash and cash equivalents	**-1 430**	-205
Investments in Group companies	**9 737**	316

Notes to the Consolidated Financial Statements

PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS

Extent

The consolidated financial statements include those companies in which Lassila & Tikanoja plc held, either directly or indirectly, over 50% of the voting power. Separate consolidated financial statements were not prepared for the subgroups. Companies are included in the consolidated financial statements from the date of acquisition to the last day of holding. More detailed information on companies in the Group are found on page 28.

Mutual share ownership

The consolidated financial statements were prepared with the acquisition cost method. The shareholders' equity of a subsidiary at the time of acquisition was deducted from the purchase price of that subsidiary's shares, including accumulated appropriations net of tax. The goodwill resulting from consolidation and unallocated to balance sheet items comprises skill and market share and is depreciated during its useful life in 5 to 10 years. The depreciation period for goodwill from WM Ympäristöpalvelut Oy (the present Säkkiväline Ympäristöpalvelut Oy, in voluntary liquidation) is 20 years because it is related to acquisition of a significant market position. These principles apply to goodwill acquired through the purchase of business operations, where applicable.

Minority interests are separated from shareholders' equity and profit for the financial year and presented as a separate item.

Intra-group transactions and margins

All intra-group transactions, balances and unrealised margins on intra-group deliveries, intra-group receivables and liabilities, and the intra-group profit were eliminated.

Mergers and dissolutions of subsidiaries

Neither subsidiary mergers nor dissolutions had an effect on consolidated unrestricted shareholders' equity.

Provisions

The provisions for the costs of combining the business operations was calculated on acquisition of WM Ympäristöpalvelut Oy. This reserve for the costs of combination was entered in the balance sheet as a provision and it has been entered as income against said costs. The remaining share is reserved for certain outstanding expenses. The deferred tax receivable entered for the provision reduced the Group's deferred tax liability.

Accumulated appropriations

When entered in the consolidated balance sheet, accumulated appropriations are divided between shareholders' equity and the deferred tax liability and the resulting change in the consolidated statement of income, divided between the change in deferred tax liability and the profit for the financial year. The deferred tax liability was calculated with the tax rate for the following years approved when the books were closed and entered in the balance sheet as a separate item under liabilities. The deferred tax receivable was deducted from the deferred tax liability. The net tax liability is presented in the balance sheet.

Income taxes

Säkkiväline Ympäristöpalvelut Oy was placed in voluntary liquidation and the company's business was transferred to the shareholder Säkkiväline Puhtaanapito Oy (merged with Säkkiväline Oy, which was merged with Lassila & Tikanoja plc) as an advance portion.

The Representative of the State in Tax Affairs has demanded that the 2000 tax assessments of Säkkiväline Ympäristöpalvelut Oy (which is in voluntary liquidation) and Säkkiväline Puhtaanapito Oy (which has merged with Säkkiväline Oy, which has merged with Lassila & Tikanoja plc) be annulled so that they may be taxed afresh. The dispute concerns the deductibility of capital losses relating to dissolution. The appeals committee of the Tax Office for Major Corporations has rejected the State tax representative's demands, but he has appealed to the Helsinki Administrative Court in the matter.

The consolidated statement of income includes the accrual-based taxes determined on the basis of the financial results of the Group companies and the change in the deferred tax liability calculated from the accumulated appropriations. The tax credit related to payment of intercorporate dividends was deducted from the income tax for the financial year. No tax liability arising from revaluations of real estate in conjunction when sold was entered in the financial statements.

A deferred tax receivable and a tax liability have been entered for the differences between bookkeeping and taxation.

Associated companies

Associated companies were consolidated with the equity method.

VALUATION AND MATCHING PRINCIPLES

Valuation of fixed assets

Fixed assets were entered in the balance sheet at direct acquisition cost less planned depreciation. Planned straight-line depreciation was calculated from the original acquisition cost on the basis of probable economic life. The depreciation periods are as follows:

Buildings and structures	5 – 25 years
Transport equipment	6 – 8 years
Machinery and equipment	4 – 10 years
Goodwill	5 – 20 years
Intangible rights and other capitalised expenditure	5 – 10 years

The depreciation periods for machinery and equipment purchased used are half of those mentioned above. Depreciation on fixed assets acquired during the financial year was calculated from the day on which they became operational. No depreciation was made on land and revaluations. The values of land and buildings were last raised in 1987. Other capitalised expenditure comprises first-run costs and expenses incurred in renovation and excavation work of rented premises.

Leases were entered as expenses in the Statement of Income.

In the balance sheet, the sum total of goodwill and goodwill on consolidation are presented under Goodwill; in the statement of income, depreciation on goodwill or on goodwill on consolidation are presented under depreciation on goodwill.

Valuation of inventories

Inventories of environmental products are evaluated in the balance sheet using the moving average price based on the variable acquisition costs or the probable lower replacement or sales price. Inventories of recycling services are evaluated on the FIFO principle at the variable cost of production or the probable lower replacement or sales price.

No indirect capital costs were capitalised.

Net sales

Indirect sales taxes, discounts granted and foreign exchange rate differences on sales were deducted from sales revenues. Sales freights and other costs incurred in sales and deliveries were treated according to their nature, as either costs of goods sold or sales expenses. Bad debts were entered under other operating expenses.

Expenditure for research and development

Research and development expenditure was entered as an expense.

Matching of expenditure on pensions

Statutory pension coverage for employees in the Group companies was provided by private pension insurance companies. Pension insurance premiums were matched with salaries for the financial year.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The business transaction denominated in foreign currencies were entered at the rates current on the date of the transaction. Receivables and liabilities denominated in foreign currencies were translated into euros at the reference rate of the European Central Bank on the day the books were closed. The exchange rate differences were entered in the statement of income.

PRO FORMA CALCULATION PRINCIPLES

The Lassila & Tikanoja Group was formed in the demerger of Lassila & Tikanoja plc (former) on 30 September 2001. Official financial statements have been prepared for 30 September to 31 December 2001 and pro forma consolidated financial statements with comparison figures for 1 January to 31 December 2001.

The pro forma figures have been calculated as if the demerger had taken place on 1 January 1997. The pro forma calculations concerning the new Lassila & Tikanoja Group for the years from 1997 to 2001 are based on the financial statements of the former Lassila & Tikanoja Group for the periods 1 January 1997 to 30 September 2001 and the financial statements of the new Lassila & Tikanoja Group for the period 30 September to 31 December 2001. Companies have been consolidated to the new Lassila & Tikanoja Group according to the Demerger Plan.

The consolidated financial statements were prepared in such a way that the combined shareholders' equities of the new groups formed in the demerger correspond to the equity of the demerged group per 30 September 2001. The balance sheet according to the Demerger Plan was used as that for the Parent Company. Intra-group eliminations have been adjusted to fit the post-demerger group structure. Half of the dividends of Lassila & Tikanoja plc (former) for 2000 have been calculated as dividends.The pro forma calculation principles are explained in more detail in the Demerger Prospectus/Tender Offer Document of 26 September 2001.

1. Net sales

EUR 1000	2002	%	Pro forma 2001	%
Net sales by division				
Environmental Services	122 327	45.8	113 087	46.0
Property Services	87 841	32.9	79 836	32.5
Industrial Services	57 007	21.3	52 895	21.5
Total	267 175	100.0	245 818	100.0
Net sales by market				
Finland	265 496	99.4	244 865	99.6
Other Nordic countries	733	0.3	383	0.2
Other EU countries	536	0.2	148	0.1
Other Europe	398	0.1	351	0.1
Other countries	12		71	
Total	267 175	100.0	245 818	100.0

2. Personnel and administrative bodies

	2002	Pro forma 2001
Average personnel		
Clerical personnel	691	646
Workers	3 072	3 030
Total	3 763	3 676
Personnel expenses for the financial year EUR 1000		
Salaries	88 148	79 780
Pension expenditure	14 784	12 401
Other salary-related expenses	5 808	6 346
Total	108 740	98 527
Salaries and bonuses paid to management		
Members of the Boards of Directors and managing director	355	172*

* Includes the emoluments of the Board of Directors from 1 October to 31 December 2001.

The Chairman of the Board of Directors and the President and CEO have statutory pension insurance.

The Chairman of the Board of Directors has a pension agreement covering the eventuality that the position of full-time chairman could be terminated before the chairman reaches statutory retirement age. Other members of the Board of Directors of the Parent Company do not have pension contracts with the Company. Under the currenct contract, the President and CEO may choose to retire at the age of 60.

No loans were granted to members of administrative bodies of Group companies.

3. Depreciation

EUR 1000	2002	Pro forma 2001
Depreciation by function		
Acquisition and production	14 474	14 482
Sales and marketing	453	458
Administration	1 388	1 523
Goodwill	5 905	5 499
Total	22 220	21 962

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2002	Pro forma 2001
Other operating income		
Profit from sales of fixed assets	524	634
Profit from sales of shares	99	19
Rents	11	56
Recovery of bad debts	40	80
Other	288	244
Total	962	1 033
Share of result of associated company	31	43
Total	993	1 076
Other operating expenses		
Losses on sales of fixed assets	120	167
Losses from sales of shares	31	15
Bad debts	328	298
Other	105	33
Total	584	513

5. Financial income and expenses

EUR 1000	2002	Pro forma 2001
Dividend income	13	12
Other interest and financial income	423	250
Other interest and financial expenses	-4 113	-5 056
Total financial income and expenses	-3 677	-4 794
Financial income and expenses include		
Interest income	420	250
Interest expenses	4 086	5 036
Exchange rate differences (net)	3	-2

Exchange rate differences apply to financing. Positive net exchange rate differences are included under Other interest and financial income and negative net exchange rate differences under Other interest and financial expenses in the Statement of income. Differences arising from sales and purchases are entered as valuation items for either sales or purchases.

6. Income taxes

EUR 1000	2002	Pro forma 2001
Income taxes on operations		
for the financial year	6 549	6 029
Income taxes from previous financial years	9	1 941
Changes in the deferred tax liability*	631	-1 296
Total	7 189	6 674
* Changes in the deferred tax liability		
From appropriations	305	-87
From matching differences	492	620
From consolidation	-166	-1 829
Total	631	-1 296

7. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 Jan.	59	115 704	3 685	35	119 483
Increase	7	7 374	838		8 219
Decrease			-199		-199
Transfers between items			284	-20	264
Acquisition cost 31 Dec.	66	123 078	4 608	15	127 767
Accumulated depreciation 1 Jan.	-20	-36 190	-1 666		-37 876
Accumulated depreciation on decrease and transfers			196		196
Depreciation for the financial year	-5	-5 905	-382		-6 292
Accumulated depreciation 31 Dec.	-25	-42 095	-1 852		-43 972
Book value 31 Dec.	41	80 983	2 756	15	83 795

8. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan.	2 137	22 889	111 436	7 380	4 598	148 440
Increase	320	2 137	17 653	712	4 440	25 262
Decrease	-247	-379	-3 207	-2		-3 835
Transfers between items		2 917	1 354	67	-4 597	-259
Acquisition cost 31 Dec.	2 210	27 564	127 236	8 157	4 441	169 608
Accumulated depreciation 1 Jan.		-3 905	-62 126	-4 131		-70 162
Accumulated depreciation on decrease and transfers		162	2 456	2		2 620
Depreciation for the financial year		-1 607	-13 209	-1 112		-15 928
Accumulated depreciation 31 Dec.		-5 350	-72 879	-5 241		-83 470
Revaluations 1 Jan. and 31 Dec.	1 202	2 056				3 258
Book value 31 Dec.	3 412	24 270	54 357	2 916	4 441	89 396

Balance sheet value of production machinery and equipment 31 Dec. 50 848

9. Financial assets

EUR 1000	Holdings in participating interests	Other shares and holdings	Total
Acquisition cost 1 Jan.	146	3 180	3 326
Increase	38	122	160
Decrease		-111	-111
Transfers between items	4	-4	0
Acquisition cost 31 Dec.	188	3 187	3 375
Adjustment of equity share 1 Jan.	69		69
Decrease	-7		-7
Share of associated company result	31		31
Adjustment of equity share 31 Dec.	93		93
Book value 31 Dec.	281	3 187	3 468

	Percentage of total number of shares and of voting power held by the Group
Group companies	
Owned by the Parent Company	
EM-business Oy, Helsinki	100.0
Kanta-Hämeen Ympäristöyhtiö Oy, Helsinki	100.0
Kiinteistö Oy Meritonttu, Espoo	100.0
Kiinteistö Oy Vantaan Valimotie 33, Vantaa	100.0
L&T Advance Oy, Helsinki	100.0
L&T Deili Oy, under incorporation, Helsinki	100.0
L&T Development Oy, Helsinki	100.0
L&T Kalusto Oy, Helsinki	100.0
L&T Palvelu Oy, Helsinki	100.0
L&T Vedenkierrätys Oy, Helsinki	100.0
L&T Ympäristöhuolto Oy, Helsinki	100.0
Mikon Oy Laatupalvelut, Helsinki	100.0
Säkkiväline Ympäristöpalvelut Oy, in voluntary liquidation, Helsinki	100.0
Owned through subsidiaries	
A & Top-Siivous Oy, Jyväskylä	100.0
Oy Hangon Jätekuljetus - Hangö Avfallstransport Ab, Hanko	100.0
L&T Muoviportti Oy, Merikarvia	66.7
L&T Ongelmajätehuolto Oy, in voluntary liquidation, Helsinki	100.0
Pahvipojat Oy, Kemi	100.0
Suur-Jyväskylän Siivouskeskus Oy, Jyväskylä	100.0
Associated companies	
Owned by the Parent Company	
Suomen Keräystuote Oy, Tampere	25.6
RL-Huolinta Oy, Mikkeli	33.3
Rodnik A/O, St. Petersburg, Russia	35.0
Owned through a subsidiary:	
Re Plast Ou, Estonia	33.3
Viwaplast Oy, Valkeakoski	32.1

The associated companies were consolidated with the equity method.

10. Receivables

EUR 1000	2002	2001
Prepaid expenses and accrued income		
Interest receivables		18
Employees' health care compensation	645	459
Statutory personnel insurance	848	1 809
Insurance receivables	90	132
VAT receivables	1 306	1 211
Direct taxes	803	71
Other	626	46
Total	4 318	3 746

11. Shareholders' equity

EUR 1000	2002	2001
Share capital 1 Jan. and 31 Dec.	7 913	7 913
Share premium account 1 Jan. and 31 Dec.	7 518	7 518
Retained earnings 1 Jan.	64 162	57 231
Dividend	-9 496	-7 913
Retained earnings 31 Dec.	54 666	49 318
Profit for the financial year	15 884	14 844
Shareholders' equity 31 Dec.	85 981	79 593
Distributable assets		
Retained earnings	54 666	49 318
Profit for the financial year	15 884	14 844
Equity share of accumulated depreciation difference and accumulated appropriations	-2 943	-2 179
Distributable assets	67 607	61 983

12. Accumulated appropriations and deferred tax liability

EUR 1000	31 Dec. 2002	Change	1 Jan. 2002
Accumulated appropriations			
Accumulated depreciation difference	15 141	1 871	13 270
Deferred tax liability	-4 153	-305	-3 848
Tax liability of subsidiaries at time of acquisition	-239	-239	
Equity share of subsidiaries at time of acquisition	-7 662	-419	-7 243
Equity share of minority interests	-144	-144	
Transferred to shareholders' equity	2 943	764	2 179
Deferred tax receivable and liability			
Based on appropriations	4 392	544	3 848
Based on matching differences	1 934	492	1 442
Based on consolidation	-499	-166	-333
Total	5 827	870	4 957

13. Provisions

EUR 1000	2002	2001
Other provisions	526	526

The provisions for the costs of combining the business of the acquired company with that of Säkkiväline was calculated on acquisition of WM Ympäristöpalvelut Oy. The remaining share is reserved for certain outstanding expenses.

14. Liabilities

EUR 1000	2003*)	2004	2005	2006
Repayment of non-current liabilities in coming years				
Loans from financial institutions	9 167	9 167	56 833	250

*) In the balance sheet under current liabilities

EUR 1000	2002	2001
Liabilities which fall due within five years or more		
Loans from financial institutions		261
Non-interest bearing liabilities		
Non-current	5 830	4 959
Current	40 720	38 594
Total	46 550	43 553
Accruals and deferred income		
Deferred interest	665	732
Waste charges	2 293	1 817
Other matched expenses	1 654	1 892
Total	4 612	4 441

15. Contingent liabilities

EUR 1000	2002	2001
Security for Company liabilities		
Loans from financial institutions for which		
mortgages have been given as security		84
Real estate mortgages		168
Other security given		
Real estate mortgages	249	81
Corporate mortgages	25	
Other securities	97	25
Commitments for which comprehensive security was given		
Loans from financial institutions	48 417	53 333
Other company commitments	902	390
Real estate mortgages	3 364	3 364
Other Company liabilities		
Leasing liabilities		
Falling due next year	135	149
Falling due in subsequent years	177	211

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

16. Derivative contracts

EUR 1000	2002	2001
Interest rate swaps		
Nominal values	52 000	52 000
Market values	-2 430	-1 410

The derivative contracts were made for hedging purposes and were valuated at market value on the day the books were closed.

Financing and Financial Risk Management

Financing and financial risk management have been centralised. The liquidity of euro accounts is calculated net using a cash pool, and any surplus liquidity is invested in the money market. The purpose of financial risk management is to hedge against any significant financial risks.

Interest risk

The most significant interest risk incurred by the company relates to loans. The proportion of fixed-rate loans in the loan portfolio is monitored monthly and may, if necessary, be modified with interest rate derivatives.

Credit risk

L&T manages credit risk related to financial and derivative instruments by making financial and derivative contracts with major Nordic banks only and by investing surplus liquidity in certificates of deposit and commercial papers issued by carefully selected banks and companies.

Liquidity risk

L&T seeks to maintain good liquidity in all circumstances through efficient cash management and by ensuring that any investments can be realised quickly. To meet any temporary need for cash due to cash flow fluctuations, the company has a credit limit for short-term loans (EUR 8 million) and commercial paper programmes (total EUR 25 million).

Currency risk

All loans taken out by L&T are Euro denominated and thus involve no translation risk. There is virtually no transaction risk, either, and any currency risk would be attributed to a negative position caused by SEK-denominated imports.

Financial Statements of the Parent Company

STATEMENT OF INCOME

EUR 1000	2002	30 Sept. – 31 Dec. 2001	Note
Net sales	200 030	141	1
Costs of goods sold	-162 119	-25	
Gross profit	37 911	116	
Sales and marketing expenses	-6 762		
Administration expenses	-6 896	-325	
Other operating income	885	431	4
Other operating expenses	-431	-87	
Operating profit before depreciation on goodwill	24 707	135	2,3
Depreciation on goodwill	-9 235		
Operating profit	15 472	135	
Financial income and expenses	-1 592	-138	5
Profit before extraordinary items	13 880	-3	
Extraordinary items	-3 332	82	6
Profit before appropriations and income taxes	10 548	79	
Appropriations			
Decrease in accumulated depreciation	-392	2	
Income taxes	-4 391	-67	7
Profit for the financial year	5 765	14	

BALANCE SHEET

EUR 1000	2002	2001	Note
ASSETS			
Fixed assets			
Intangible assets			8
Intangible rights	39		
Goodwill	65 265		
Other capitalised expenditure	2 201		
Advance payments		1	
	67 505	1	
Tangible assets			9
Land	2 998	1 685	
Buildings	16 565	2 325	
Machinery and equipment	5 461	24	
Other tangible assets	57	16	
Advance payments and construction in progress	2 269		
	27 350	4 050	
Financial assets			10
Shares in Group companies	11 815	77 822	
Associated company shares	158		
Capital loan receivables from Group companies	100		
Other shares and holdings	3 015	34	
	15 088	77 856	
Total fixed assets	**109 943**	**81 907**	
Current assets			
Inventories			
Finished products/Goods	1 665		
Other inventories	63		
	1 728		
Non-current receivablest			
Loan receivables	1		
Current receivables			11
Receivables from Group companies	49 565		
Trade receivables	22 851		
Other receivables	145		
Prepaid expenses and accrued income	2 016	72	
	74 577	72	
Cash at bank and in hand	4 391	12 024	
Total current assets	80 697	12 096	
Total assets	190 640	94 003	

EUR 1000	2002	2001	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			12
Shareholders' equity			
Share capital	7 913	7 913	
Share premium account	7 518	7 518	
Retained earnings	47 585	57 067	
Profit for the financial year	5 765	14	
Total shareholders' equity	68 781	72 512	
Appropriations			
Depreciation	3 317	57	
Liabilities			13
Non-current			
Loans from financial institutions	66 250		
Accrued income	3		
Other liabilities	54		
	66 307		
Current			
Bonds	2 488		
Loans from financial institutions	9 167		
Accrued income	1		
Trade payables	5 244	30	
Liabilities to Group companies	7 204	21 136	
Other liabilities	24 567	268	
Accruals and deferred expenses	3 564		
	52 235	21 434	
Total liabilities	118 542	21 434	
Total shareholders' equity and liabilities	190 640	94 003	

Parent Company

STATEMENT OF CHANGES IN FINANCIAL POSITION

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Operations		
Operating profit	15 472	135
Adjustments:		
Depreciation	12 809	10
Other adjustments	-234	-22
Cash flow before change in working capital	28 047	123
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	4 905	-9
Increase/decrease in inventories	186	
Increase/decrease in current non-interest-bearing liabilities	-195	122
Cash flow from operations before financial income/-expenses and taxes	32 943	236
Interest expenses and other financial expenses paid	-2 833	-224
Interest received	1 886	68
Direct taxes paid/received	-4 801	
Cash flow from operations	27 195	80
Investments		
Investments in Group companies	-102	
Investments in tangible and intangible assets	-4 714	
Proceeds from sale of tangible and intangible assets	209	22
Investments in other assets	-102	
Proceeds from sale of other assets	205	
Dividends received from investments	14	
Cash flow from investing activities	-4 490	22
Financing		
Group contribution received	164	
Increase in liabilities to Group companies		7 224
Increase in current liabilities	2 488	
Payments of current liabilities to Group companies	-14 393	
Payments of non-current liabilities	-9 113	
Dividends and other assets distributed	-9 484	
Cash flow from financing activities	-30 338	7 224
Changes in cash and cash equivalents	-7 633	7 326
Cash and cash equivalents 30 Sept.	12 024	4 698
Cash and cash equivalents 31 Dec.	4 391	12 024

The items in the Statement of Changes in Financial Position cannot be derived directly from the balance sheet owing, among other things, to the acquisition of new subsidiaries and to exchange rate changes.

Notes to the financial statements

1. Net sales

EUR 1000	2002	%	30 Sept. – 31 Dec. 2001	%
Net sales by division				
Environmental Services	91 275	45.6	84	59.6
Property Services	63 544	31.8	20	14.2
Industrial Services	45 211	22.6	37	26.2
Total	200 030	100.0	141	100.0
Net sales by market				
Finland	198 720	99.3	141	100.0
Other Nordic countries	585	0.3		
Other EU countries	366	0.2		
Other Europe	357	0.2		
Other countries	2	0.0		
Total	200 030	100.0	141	100.0

2. Personnel and administrative bodies

	2002	30 Sept. – 31 Dec. 2001
Average personnel		
Clerical personnel	499	3
Workers	2 211	
Total	2 710	3

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Personnel expenses for the financial year		
Salaries	60 685	110
Pension expenditure	9 858	16
Other salary-related expenses	4 033	8
Total	74 576	134
Salaries and bonuses paid to management		
Members of the Boards of Directors and managing director	355	60

See note 3 of the consolidated financial statements.

3. Depreciation

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Depreciation by function		
Acquisition and production	3 275	5
Sales and marketing	209	
Administration	90	5
Goodwill	9 235	
Total	12 809	10

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Other operating income		
From Group companies		
Compensation for administration costs	346	346
From others		
Merger profit	31	
Profit from sales of fixed assets	171	22
Profit from sales of shares	98	
Rents	11	
Recovery of bad debts	29	
Other	199	63
Total	885	431
Other operating expenses		
To Group companies		
Compensation for administration costs	87	87
To others		
Losses on sales of fixed assets	5	
Loss from sales of shares	31	
Bad debts	243	
Other	65	
Total	431	87

5. Financial income and expenses

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Dividend income	20	
Other interest and financial income	1 889	85
Other interest and financial expenses	-3 501	-223
Total financial income and expenses	-1 592	-138
Financial income and expenses include		
Interest income		
From Group companies	1 511	
From others	375	85
Interest expenses		
To Group companies	487	223
To others	2 997	
Exchange rate differences	3	-2

Exchange rate differences apply to financing. Negative net exchange rate differences are included under 'Other interest and financial expenses" in the Statement of Income. Differences arising from sales and purchases are entered as valuation items for either sales or purchases.

6. Extraordinary expenses

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Extraordinary income		
Group contribution received	470	82
Extraordinary expenses		
Group contribution paid	3 802	
Total extraordinary income and expenses	-3 332	

7. Income taxes

EUR 1000	2002	30 Sept. – 31 Dec. 2001
Income taxes on operations for the financial year	4 385	24
Income taxes from previous financial years	6	43
Total	4 391	67

8. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Acquisition cost 1 Jan.	16		5	21
Increase	7	12 354	524	12 885
Increase due to mergers	58	85 944	3 274	89 276
Decrease	-16		-148	-164
Transfers between items			227	227
Acquisition cost 31 Dec.	65	98 298	3 882	102 245
Accumulated depreciation 1 Jan.			-4	-4
Accumulated depreciation on decrease and transfers			148	148
Depreciation accumulated from mergers	-22	-23 798	-1 631	-25 451
Depreciation for the financial year	-4	-9 235	-194	-9 433
Accumulated depreciation 31 Dec.	-26	-33 033	-1 681	-34 740
Total book value	39	65 265	2 201	67 505

9. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan.	483	594	72	16		1 165
Increase	289	806	277	6	1 856	3 234
Increase due to mergers	1 024	14 385	42 645	2 785	1 927	62 766
Decrease		-23	-908			-931
Transfers between items		2 917			-1 514	1 403
Acquisition cost 31 Dec.	1 796	18 679	42 086	2 807	2 269	67 637
Accumulated depreciation 1 Jan.		-325	-48			-373
Accumulated depreciation on decrease and transfers			888			888
Depreciation accumulated from mergers		-2 934	-35 073	-2 677		-40 684
Depreciation for the financial year		-911	-2 392	-73		-3 376
Accumulated depreciation 31 Dec.		-4 170	-36 625	-2 750		-43 545
Revaluations 1 Jan. and 31 Dec.	1 202	2 056				3 258
Total book value	2 998	16 565	5 461	57	2 269	27 350
Balance sheet value of production machinery and equipment 31 Dec.			5 109			

10. Financial assets

EUR 1000	Holdings in Group companies	Holdings in participating interests	Capital loan receivables	Other shares and holdings	Total
Acquisition cost 1 Jan.	77 822			34	77 856
Increase	2 223	65	100	2	2 390
Increase due to mergers	9 888	89		3 086	13 063
Decrease	-296			-103	-399
Decrease due to mergers	-77 822				-77 822
Transfers between items		4		-4	
Total book value	11 815	158	100	3 015	15 088

11. Receivables

EUR 1000	2002	2001
Prepaid expenses and accrued income		
Interest receivables		18
Employees' health care compensation	625	
Statutory personnel insurance	770	
Insurance receivables	54	
VAT receivables	512	43
Other	55	11
Total	2 016	72

12. Shareholders' equity

EUR 1000	2002	2001
Share capital 1 Jan. and 31 Dec.	7 913	7 913
Share premium account 1 Jan. and 31 Dec.	7 518	7 518
Retained earnings 1 Jan.	57 081	57 067
Dividend	-9 496	
Retained earnings 31 Dec.	47 585	57 067
Profit for the financial year	5 765	14
Shareholders' equity 31 Dec.	68 781	72 512
Distributable assets		
Retained earnings	47 585	57 067
Profit for the financial year	5 765	14
Distributable assets	53 350	57 081

13. Liabilities

EUR 1000	2003 *)	2004	2005	2006
Repayment of non-current liabilities in coming years				
Loans from financial institutions	9 167	9 167	56 833	250

*) In the balance sheet under current liabilities

	2002	2001
Non-interest bearing liabilities		
Non-current	54	
Current	24 567	304
Total	24 621	304
Liabilities to Group companies		
Current interest-bearing liabilities	3 735	21 131
Current non-interest-bearing liabilities	3 469	5
Total	7 204	21 136
Accruals and deferred income		
Deferred interest	665	
Waste charges	1 918	
Other matched expenses	981	
Total	3 564	

14. Contingent liabilities

EUR 1000	2002	2001
Security for Company liabilities		
Loans from financial institutions for which mortgages have been given as security		
Real estate mortgages	81	
Other security given	97	
Security for Group company liabilities		198
Commitments for which comprehensive security was given		
Loans from financial institutions	48 417	
Other company commitments	902	
Commitments for Group companies		53 358
Real estate mortgages	3 364	3 364
Other Company liabilities		
Leasing liabilities		
Falling due next year	135	
Falling due in subsequent years	177	

15. Derivative contracts

EUR 1000	2002	2001
Interest rate swaps		
Nominal values	52 000	
Market values	-2 430	

The derivative contracts were made for hedging purposes and were valuated at market value on the day the books were closed.

Shares and Shareholders

Share capital

The share capital of Lassila & Tikanoja plc is EUR 7,913,154. The shares have no nominal value. There are 15,826,308 shares, with a book counter value of EUR 0.50 each. The shares are quoted on the Helsinki Exchanges Main List under the heading 'Other services' and the trading code LAT1V. The ISIN code is FI0009010854. There are 100 shares in each trading lot.

The Company's minimum capital is EUR 5,000,000 and the maximum EUR 20,000,000. The share capital may be increased or reduced within these limits without amending the Articles of Association.

The Company may hold a minimum of 10,000,000 and a maximum of 40,000,000 shares. The holding may be increased or reduced within these limits without amending the Articles of Association.

Stock options 2002

The Annual General Meeting held on 9 April 2002 decided to issue stock options to key personnel of Lassila & Tikanoja and to a wholly-owned subsidiary of Lassila & Tikanoja plc.

Lassila & Tikanoja plc shall issue a maximum of 400,000 stock options of which 130,000 will be marked as 2002A, 130,000 as 2002B and 140,000 as 2002C.

The subscription period specified by the Board of Directors was from 22 April to 24 May 2002. A total of 128,000 2002A stock options were subscribed by the key personnel of Lassila & Tikanoja. The rest of the 2002A stock options and all 2002B and 2002C stock options were subscribed by L&T Advance Oy, a wholly owned subsidiary of Lassila & Tikanoja plc, to be further distributed to the present and future key personnel of Lassila & Tikanoja.

Each stock option entitles its holder to subscribe for one share of Lassila & Tikanoja plc. To each share one voting right is attached. As a result of such share subscription, the number of shares of Lassila & Tikanoja plc may increase by a maximum of 400,000 new shares, which is 2.5 per cent of the current total number of shares and voting rights.

The share subscription periods for the 2002A stock options is from May 2 2004 until October 30 2005,for the 2002B stock options from May 2 2005 until October 30 2006 and for the 2002C stock options from May 2 2006 until October 30 2007. The share subscription price for the 2002A stock options shall be the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2002, for the 2002B stock options the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2003 and for the 2002C stock options shall be the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2004, each price being rounded off to the nearest cent. The subscription price for the 2002A stock options is EUR 19.42.

The shares shall entitle their holders to a dividend for the financial year during which the shares have been subscribed for.

Share trading

During 2002, 2,889,677 shares of the Company were traded on the Helsinki Exchanges. This represents 18.3% of the average number of shares. The value of total trading was EUR 45.9 million, at a price that ranged between EUR 13.00 and EUR 22.25; the last quotation stood at EUR 15.50. The market capitalisation of the Company's shares on 31 December 2002 was EUR 245.3 million.

Notification in 2002 in accordance with Securities Market Act section 9 chapter 2

On 4 December 2002 Tapiola Insurance Group notified Lassila & Tikanoja plc that its holding of the shares and voting rights in Lassila & Tikanoja plc had risen to 5.58%.

Shares held by the Board of Directors and President and CEO

	Number of shares	% of shares and of voting power	Stock options 2002A
Heikki Hakala	2 000	0.01	
Lasse Kurkilahti	1 000	0.01	
Juhani Lassila	3 600	0.02	
Evald and Hilda Nissi Foundation	1 005 660	6.35	
Juhani Maijala	704 240	4.39	
Soili Suonoja	300		
Jari Sarjo	3 000	0.02	19 000
Total	1 719 600	10.80	19 000

Shares held by the management

Members of the Board of Directors and the President and CEO held either directly or via a company or foundation in which they held the controlling power 1,719,600 shares on 31 January 2003, entitling them 10.8% of the voting rights.

Dividend policy

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

Redemption obligation

Under §15 of Lassila & Tikanoja plc Articles of Association, a shareholder – either alone or together with other shareholders - with 33 1/3 or 50 per cent of all shares have an obligation upon request by other shareholders to redeem their shares or securities entitling them to 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.

Dividing the acquisition cost of the shares

The acquisition cost of the demerged Lassila & Tikanoja plc share is divided between the shares in the two new companies in such a way that 71.6% of the original acquisition cost is transferred to the new Lassila & Tikanoja plc share and 28.4% to the Suominen Group plc share.

Breakdown of shareholding by category

	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and of voting power
Companies				
Government and municipal companies	2	0.1	900	
Private companies	150	8.9	533 667	3.4
Financial institutions and insurance companies	44	2.6	3 699 365	23.4
Public institutions	41	2.4	4 179 538	26.4
Non-profit organisations	56	3.3	1 740 594	11.0
Individuals	1 375	81.6	4 004 944	25.3
Foreign shareholders	17	1.0	148 510	0.9
	1 685	100	14 307 518	90.4
Shares registered in a nominee's name			1 498 398	9.5
Shares not transferred to the book-entry securities system			20 392	0.1
Total			15 826 308	100

Breakdown of shareholding by size of holding

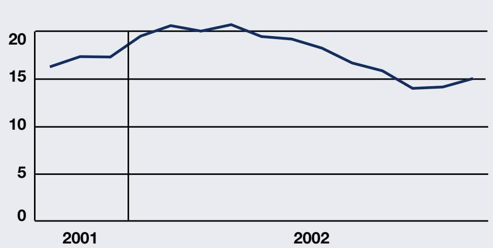
Number of shares	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and of voting power
1-1 000	1 222	72.5	386 593	2.4
1 001-5 000	279	16.5	737 618	4.7
5 001-10 000	74	4.4	530 400	3.4
10 001-100 000	94	5.6	2 999 009	18.9
over 100 000	16	0.9	9 653 898	61.0
	1 685	100	14 307 518	90.4
Shares registered in a nominee's name			1 498 398	9.5
Shares not transferred to the book-entry securities system			20 392	0.1
Total			15 826 308	100.0

The largest shareholders

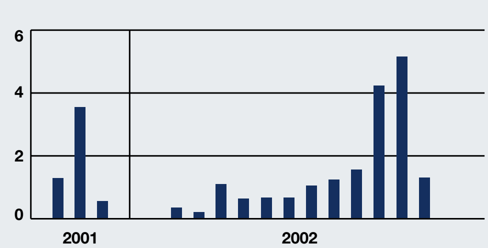
Shareholder	Number of shares	Percentage of shares and of voting power
1. Ilmarinen Mutual Pension Insurance Company	1 431 900	9.0
2. Evald and Hilda Nissi Foundation	1 005 660	6.4
3. Sampo Life Insurance Company Ltd	904 683	5.7
4. Tapiola Insurance Group	883 140	5.6
Tapiola General Mutual Insurance Company	524 440	3.3
Tapiola Mutual Life Assurance Company	216 400	1.4
Tapiola Corporate Life Insurance Company	84 700	0.5
Tapiola Tulevaisuus Mutual Fund	30 500	0.2
Tapiola Hyvinvointi Mutual Fund	27 100	0.2
5. Tapiola Mutual Pension Insurance Company	863 900	5.5
6. Varma-Sampo Mutual Pension Insurance Company	704 775	4.5
7. Juhani Maijala	704 240	4.4
8. Pohjola Non-Life Insurance Company Limited	679 500	4.3
9. The Local Government Pensions Institution	515 400	3.3
10. Heikki Bergholm	370 000	2.3
11. Suomi Group	365 200	2.3
Suomi Insurance Company Ltd	130 000	0.8
Suomi Mutual Life Assurance Company	235 200	1.5
12. Foundation for Economic Education	319 609	2.0
13. Mikko Maijala	280 420	1.8
14. Aira Turjanmaa	274 871	1.7
15. The State Pension Fund	250 000	1.6
16. Eeva Maijala	100 600	0.6
17. Nordea Nordic Small Cap Unit Trust	96 300	0.6
18. Fondita 2000+ Mutual Fund	90 000	0.6
19. FIM Forte Mutual Fund	86 500	0.5
20. Sampo Suomi Osake Mutual Fund	86 400	0.5
Total	10 013 098	63.3

All information concerning the Company's shareholders is based on the book-entry securities register, as on 31 January 2003.

Average share price, EUR



Relative trading in shares, %



Key Figures on Shares

	2002	Pro forma 2001	Pro forma 2000	Pro forma 1999	Pro forma 1998
Earnings/share (EPS), EUR	**1.00**	0.94	0.62	0.48	0.54
Equity/share, EUR	**5.43**	5.03	4.59	4.47	4.50
Dividend/share, EUR	**0.75** *	0.60	0.50		
Dividend/earnings, %	**74.7***	64.1	80.1		
Dividend yield, %	**4.8***	3.3			
P/E ratio	**15.4**	19.2			
Cash flow from operations per share	**2.66**	2.57	1.34		
Share price					
lowest, EUR	**13.00**	12.00			
highest, EUR	**22.25**	18.50			
average, EUR	**15.90**	17.08			
at year end, EUR	**15.50**	18.00			
Market capitalisation on 31 Dec., EUR million	**245.3**	284.9			
Number of shares					
Average during the year	**15 826 308**	15 826 308	15 826 308	15 826 308	15 199 922
At year end	**15 826 308**	15 826 308	15 826 308	15 826 308	15 826 308
Number of shares traded	**2 889 677**	859 582 **			
as a percentage of the average	**18.3**	5.4 **			
Volume of shares traded, EUR 1000	**45 943**	14 681 **			

*) Proposal by the Board of Directors
**) 3 months from 1 October to 31 December

Calculation of the key figures

Earnings/share = $\dfrac{\text{Profit before extraordinary items} - \text{income taxes including change in deferred tax liability} \pm \text{minority interest}}{\text{Average number of shares (average)}}$

Equity/share = $\dfrac{\text{Shareholders' equity}}{\text{Number of shares at year end}}$

Dividend/earnings,% = $\dfrac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$

Dividend yield, % = $\dfrac{\text{Dividend/share}}{\text{Share price at year end}} \times 100$

P/E ratio = $\dfrac{\text{Share price at year end}}{\text{Earnings/share}}$

Cash flow from operations per share = $\dfrac{\text{Cash flow from operations as in the statement of changes in financial position}}{\text{Number of shares (average)}}$

Market capitalization = Number of shares at year end x share price at year end

Key Figures on Financial Performance

	2002	Pro forma 2001	Pro forma 2000	Pro forma 1999	Pro forma 1998
Net sales, EUR million	**267.2**	245.8	210.8	145.6	117.5
Operating profit before depreciation on goodwill, EUR million	**32.8**	31.8	22.6	11.8	11.3
as % of net sales	**12.3**	12.9	10.7	8.1	9.6
Operating profit, EUR million	**26.8**	26.3	18.4	10.4	10.2
as % of net sales	**10.0**	10.7	8.7	7.2	8.7
Profit before extraordinary items, EUR million	**23.2**	21.5	14.8	11.2	11.8
as % of net sales	**8.7**	8.7	7.0	7.7	10.0
Profit before income taxes and minority interest, EUR million	**23.2**	21.5	14.8	11.2	12.0
as % of net sales	**8.7**	8.7	7.0	7.7	10.3
Profit for the financial year, EUR million	**15.9**	14.8	9,9	7.5	8.5
as % of net sales	**5.9**	6.0	4.7	5.1	7.2
Cash flow from operations, EUR million	**42.0**	40.7	21.3		
Balance sheet total, EUR million	**212.1**	209.1	214.5	108.7	92.7
Return on equity, % (ROE)	**19.2**	19.5	13.8	10.7	11.9
Return on invested capital, % (ROI)	**16.5**	15.9	17.2	29.2	38.3
Equity ratio, %	**41.0**	38.1	33.9	65.1	76.8
Gearing, %	**84.4**	91.9	126.0	-35.3	-53.3
Net interest-bearing liabilities, EUR million	**73.3**	73.1	91.6	-25.0	-37.9
Gross investments, EUR million	**33.6**	14.8	136.4	27.1	13.4
as % of net sales	**12.6**	6.0	64.7	18.6	11.4
Depreciation	**22.2**	22.0	17.7	9.3	7.3
Average personnel employed	**3 763**	3 676	3 428	3 082	2 728

Calculation of the key figures

Return on equity, % (ROE) =

$$\frac{\text{Profit before extraordinary items} - \text{income taxes including change in deferred tax liability}}{\text{Shareholders' equity + minority interest (average)}} \times 100$$

Return on invested capital, % (ROI) =

$$\frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average)}} \times 100$$

Equity ratio, % =

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$$

Net interest-bearing liabilities = Interest-bearing liabilities - cash at bank and in hand

Gearing, % =

$$\frac{\text{Interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}} \times 100$$

EVA = Operating profit
- cost calculated on invested capital (average of four quarters)
(WACC = 9.5 %)

Proposal by the Board of Directors to the Annual General Meeting

Distributable assets according to the consolidated balance sheet on 31 December 2002	67 606 759.00 EUR
Parent Company profit	5 764 774.05 EUR
Parent Company retained earnings	47 585 491.75 EUR
Distributable assets according to the Parent Company balance sheet on 31 Dec. 2002	53 350 265.80 EUR
The Board of Directors proposes that a dividend of EUR 0.75 be paid on each of the 15,826,308 shares	11 869 731.00 EUR
leaving the remainder on the retained earnings account	41 480 534.80 EUR
Total	53 350 265.80 EUR

In accordance with the decision of the Board of Directors, the record date is 4 April 2003. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the record period on 11 April 2003.

Helsinki, 4 February 2003

Juhani Maijala	Heikki Hakala
Juhani Lassila	Lasse Kurkilahti
Soili Suonoja	Jari Sarjo President and CEO

Auditors' Report

To the shareholders of Lassila & Tikanoja plc

We have audited the accounting, the financial statements and the corporate governance of Lassila & Tikanoja plc for the period 1.1.2002 – 31.12.2002. The financial statements, which include the report of the Board of Directors, consolidated and Parent Company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent Company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the Parent Company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Helsinki, 13 February 2003

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila,
Authorised Public Accountant

Corporate Governance

Business organisation

The business is divided into three divisions: Environmental Services, Property Services and Industrial Services. Vice Presidents in charge of each division report to the President and CEO. The Company is also engaged in wholesale trade in environmental management products.

Finland has been divided into five operative areas, with the area directors reporting to the heads of the divisions. Administration, marketing, product development and management of group-level processes have been centralised.

Annual General Meeting

The Annual General Meeting is held by the end of April, and it is convened by the Board of Directors.

Board of Directors

In accordance with the Articles of Association, the Board of Directors of Lassila & Tikanoja plc comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of the members of the Board ends on conclusion of the second Annual General Meeting after the election. A person who has attained the age of 70 cannot be elected to the Board of Directors.

The Board of Directors appoints a chairman and a deputy chairman from among its members. The duties of the Chairman of the Board of Directors are full-time.

The President and CEO is not a member of the Board of Directors but is present at Board meetings. The Board of Directors met 17 times during 2002.

Duties of the Chairman of the Board of Directors

The full-time position of the Chairman of the Board of Directors involves being in charge of preparation of strategic decisions of great importance to the Group, supervising the execution of such decisions, managing investor relations together with the President and CEO and deciding on specific types of investment on the President and CEO’s proposal. Because the position is a full-time one, special emphasis is laid on the Chairman’s duty to maintain contacts with Lassila & Tikanoja’s various stakeholders.

President and CEO

The President and CEO of Lassila & Tikanoja plc is chosen by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. He is also responsible for the strategy process.

Salaries and emoluments

The Annual General Meeting determines the emoluments paid to the members of Lassila & Tikanoja plc's Board of Directors in advance, for one year at a time. The Board of Directors determines the salary, emoluments and other benefits of the President and CEO. A written contract of employment has been drawn up for the President and CEO.

Separate emoluments are not paid to the members of the Boards of Directors of the subsidiaries. The Board of Directors determines the salaries and other benefits of the Group Executives serving under the President and CEO.

Auditors

The statutory audit of the financial statements is carried out by PricewaterhouseCoopers Oy, Authorized Public Accountants, Heikki Lassila, Authorized Public Accountant as Principal Auditor.

The extent and content of the audit are determined with due regard to the fact that the Company has no internal audit organisation of its own.

The auditors and the Chairman of the Board and the President and CEO agree on the audit plan annually and discuss the findings made in the audit. The Principal Auditor and the auditor manager are present at least at one meeting of the Board of Directors annually.

The Audit Committee consists of the entire Board of Directors.

Insider guidelines

Lassila & Tikanoja plc's Board of Directors has decided that the Group will observe the guidelines for insiders issued by the Helsinki Exchanges in 1999. The Lassila & Tikanoja guidelines for insiders are in some respects more stringent than those issued by the Helsinki Exchanges.

Information on insiders is entered in the SIRE insider register of the Finnish Central Securities Depository Ltd. Statutory insiders are the members of the Board of Directors, the President and CEO and the principal auditor. The Company also maintains data on 25 other persons defined as insiders. The insiders by definition are the Group Executives, management of the divisions, persons in charge of finance and communication and the executive assistants. When engaged in extensive or otherwise significant undertakings, project insider registers will be made. The Chief Financial Officer is the person responsible for insider issues.

Insiders are not permitted to engage in trading with Company shares during the period between the end of the financial period and the disclosure of the result. Insiders by definition must consult the person responsible for insider issues concerning the conformity of any planned trading with the relevant legislation and guidelines.

Lassila & Tikanoja plc Board of Directors

Juhani Maijala, *born 1939*
B.Sc. (Econ.), Master of Laws
Chairman
Elected for the period 2001-2002

Heikki Hakala, *born 1941*
M.Sc. (Econ.), Doctor of Technology, h.c.
Vice Chairman
Elected for the period 2001-2002
Chairman of the Board of Directors of Kuusakoski Group Oy
Vice Chairman of Pohjola Group Plc
Member of the Board of Directors of Altia Corporation,
Metso Corporation and Orion Corporation

Lasse Kurkilahti, *born 1948*
B.Sc. (Econ.)
President and CEO of Elcoteq Network Corporation
Elected for the period 2002-2003
Member of the Board of Directors of
Fortum Corporation

Juhani Lassila, *born 1962*
M.Sc. (Econ.)
Group Treasurer of Instrumentarium Corporation
Elected for the period 2001-2002

Soili Suonoja, *born 1944*
Teacher of Home Economics, MBA
Elected for the period 2002-2003
Member of the Board of Directors of Altia Corporation,
Finland Post Corporation and Finnish Road Enterprise

President and CEO

Jari Sarjo, *born 1957*
Master of Laws

Auditors

PricewaterhouseCoopers Oy
Authorised Public Accountants
Principal Auditor Heikki Lassila, APA

Lassila & Tikanoja Group Management

Juhani Maijala, *born 1939*
B.Sc. (Econ.), Master of Laws
Chairman of the Board since 1998
Joined a Group company in 1977
Owns 704,240 Lassila & Tikanoja shares

Jari Sarjo, *born 1957*
Master of Laws
President and CEO of Lassila & Tikanoja Group since 2001
President of Säkkiväline Group 1997–2002
Joined a Group company in 1984
Owns 3,000 Lassila & Tikanoja shares and 19,000 stock options 2002A

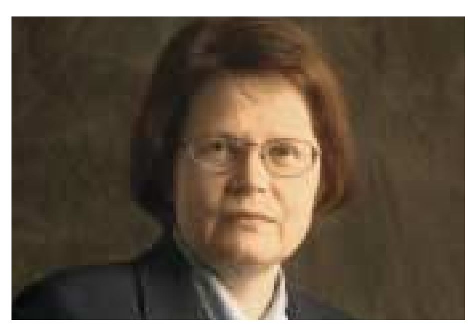
Arto Nivalainen, *born 1950*
M.Sc.
Vice President, Environmental Services
Joined a Group company in 1993
Owns 2,000 Lassila & Tikanoja shares and
9,500 stock options 2002A

Anna-Maija Apajalahti, *born 1948*
M.Sc. (Pol.Sc.)
Vice President, Property Services
Joined a Group company in 1971
Owns 800 Lassila & Tikanoja shares and
9,500 stock options 2002A

Jorma Mikkonen, *born 1963*
Master of Laws
Vice President, Industrial Services
Joined a Group company in 1992
Owns 300 Lassila & Tikanoja shares and
9,500 stock options 2002A

Martin Forss, *born 1962*
M.Sc. (Econ.)
Vice President, Corporate Planning and Business Development
Joined a Group company in 1993
Owns 300 Lassila & Tikanoja shares and
7,500 stock options 2002A

Kari Korpelainen, *born 1969*
M.Sc. (Econ.)
Vice President, Marketing and Sales
Joined a Group company in 1994
Owns 100 Lassila & Tikanoja shares and
4,500 stock options 2002A



Sirkka Tuomola, *born 1947*
M.Sc. (Econ.)
Vice President and CFO
Joined a Group company in 1981
Owns 16,000 Lassila & Tikanoja shares and
7,500 stock options 2002A

Investor Relations

Objectives

The purpose of investor communications is to promote acquisition of capital for the company on the open market by supplying investors with current, accurate and relevant information on the Company's financial standing and outlook.

Principles

Lassila & Tikanoja investor communications are based on a listed company's obligation to publish information regularly. All relevant issues are reported as soon as possible. Periodical reports are produced in a continuous, consistent format in terms of both figures and written assessments. All parties are provided with the same information at the same time in an unbiased, symmetrical manner, both positive and negative events being reported.

Responsibilities

The persons in charge of investor relations are Juhani Maijala, Chairman, and Jari Sarjo, President and CEO. Investor communications are the responsibility of Sirkka Tuomola, Vice President and CFO. Martin Forss, Vice President, Corporate Planning and Business Development, is also involved in investor relations and investor meetings.

Public statements on the Company's finances are issued only by the Chairman and the President and CEO.

Silent period

No investor meetings are arranged and no comments on the Group's result are issued by representatives of the Group during the time between the end of one financial period and release of the next report.

Printed products and the Internet

The Annual Report is printed in Finnish and English, the Interim Report only in Finnish. The Annual Report and printed Interim Reports in Finnish will be posted to all shareholders and persons on the mailing list maintained by the Company. L&T's Finnish company magazine will also be mailed to all shareholders.

All the Company's stock exchange releases can be read on the Company's Internet web pages immediately after publication.

Analyses of the Company

The financial performance of Lassila & Tikanoja plc is monitored and assessed by at least the analysts listed below. Lassila & Tikanoja plc is not responsible for any comments made in these analyses.

Alfred Berg Finland
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Financial Information

The interim report for the period between 1 January and 31 March will be published on 23 April 2003.
The interim report for the period between 1 January and 30 June will be published on 23 July 2003.
The interim report for the period between 1 January and 30 September will be published on 22 October 2003.

Lassila & Tikanoja's Annual Report, interim reports and stock exchange releases are published in Finnish and in English and are available immediately on the company's internet pages as well. The Internet pages also contain information on how readers can subscribe for an e-mail list for stock exchange releases and mailing list for annual reports.

Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc will be held on 1 April 2003 at 4 p.m. in the Savoy Restaurant, Eteläesplanadi 14, Helsinki.

Notice of attendance at the Annual General Meeting is requested by 4 p.m. on 27 March 2003 in writing to the address: Lassila & Tikanoja plc, P.O. Box 28, 00441Helsinki, by fax at +358 10 636 2899, by e-mail at taru.maatta@lassila-tikanoja.fi or by telephone at +358 10 636 2882.

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