ANNUAL REPORT

2003

L&T

LASSILA & TIKANOJA PLC

Contents

To Our Shareholders

Ensuring profitable growth

Lassila & Tikanoja has been a profitable and competitive investment for a long time, and we want it to remain so in the future as well. That is definitely in the interest of all our stakeholders. The best – and in the long term the only – way to guarantee this is to ensure that the profitable growth continues.

Lassila & Tikanoja has a clear view of the market development and clear targets for the operations on these markets. The market for Property Services and Industrial Services will grow through outsourcing for years to come. The degree of outsourcing of these services in the public sector and certain industrial sectors in particular is still exceptionally low compared with other western EU countries. Environmental Services' market will be increased through legislation and environmental attitudes. The markets on which we operate will thus grow much more quickly than the national economy. Our own growth target, however, is more ambitious: in the long term it is more than 10 per cent a year. We do not want to compromise on profitability, on the contrary: there is always room for improvement.

We will grow organically and through corporate acquisitions. We will pay particular attention to organic growth. We will also grow abroad. Environmental management and the maintenance services for properties and industrial plants will provide plenty of growth opportunities. We are not planning to diversify into other fields.

Growth requires investment

The dramatic changes on the markets and their growth will demand investment, particularly in environmental management. In Finland and the Baltic countries amendments to legislation will lead to considerable investment in waste-processing operations during the next three to four years. Lassila & Tikanoja intends to make its presence felt in this development, which will open up new business opportunities and is a precondition for the continued profitability of existing operations. The greater the extent of the logistical control held by the company over the materials-flow chain, the better the competitiveness and profitability all round.

Investment by Lassila & Tikanoja will focus on increasing recycling-plant capacity, plants for producing recycled fuel and the construction of safe final disposal sites. Lassila & Tikanoja's role is to collect waste materials, process them into secondary raw materials and deliver them to the end user. Although Lassila & Tikanoja's role in utilising the energy from waste materials is specifically one of delivering the fuel, it is likely that in order to ensure the sale of fuel at the right price it will be worth our having at least a small interest in energy-producing plants.

When investing in plants, Lassila & Tikanoja is in many instances in a better position than its competitors, because the broad-based collection organisation can give the plants a basic amount of materials to guarantee the investment's profitability. Investment in waste-exploitation capacity does not generally increase net sales to a marked extent, but it is a more cost effective alternative to expensive landfill site disposal.

Investment in plants has been going on for some time, and construction and planning are currently under way. Annual investment in plants will probably total between EUR 10 and 20 million during the next three years.

Neighbouring regions – lands of opportunity

Although markets in Finland will still grow for years, even decades, we want to ensure profitable growth by extending our operations outside Finland. We have defined our operating area as the regions bordering the Baltic Sea. The longer-term objective is to be one of the two biggest operators in the selected regions and services.

We have been looking for some time into the business opportunities, particularly in the Baltic countries and the Moscow and St Petersburg areas. Naturally, the market development varies greatly from one country to the next. In the Baltic countries membership of the EU will lead to a demand to standardise environmental legislation quickly, which, of course, will increase markets greatly. A great deal of market-based activity in environmental management has been recently taking place in Moscow. Market growth is considerable and the operating environment challenging.

In October 2003 Lassila & Tikanoja acquired the leading waste management company on the Latvian market and so secured a good foothold on the rapidly expanding market in the Baltic countries. The company has also carried out a feasibility study with a city near Moscow in order to organise the entire city's waste and recycling operations. The emphasis in 2004 will be on improving the preparations for international operations and expanding operations in the Baltic countries. We also intend starting business operations in Russia.

Our internationalisation policy is one of prudence. Our objective is, however, for a considerable part of the company's operations to be taking place in more countries at the end of the decade.

Dividend policy

Lassila & Tikanoja's dividend policy was defined during the time of the old company in 1996. According to it, the amount of the dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the Company's healthy development will be distributed to shareholders. In practice this means that excess reserves are not accumulated; equity financing possibly needed for major investments will be acquired separately.

In our opinion, this policy has not only been clear but also given emphasis to the shareholder's position.

Although possible amendments to taxation legislation will not change the principle of our dividend policy, there is certainly good reason to reconsider the forms of profit distribution. However, safeguarding the healthy development of the Company may require a relatively larger part of the result in the future.

JUHANI MAIJALA

JARI SARJO

Lassila & Tikanoja in Brief

Lassila & Tikanoja is a publicly quoted Finnish company that specialises in environmental management and property and plant maintenance. Its business is divided into three divisions: Environmental Services, Property Services and Industrial Services. L&T operates in Finland and to an increasing extent in other countries in the Baltic region.

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 Services, 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 2003 and 2002

	2003	2002	Change %
Net sales, EUR mill.	306.3	267.2	14.6
Operating profit, EUR mill.	35.7	26.8	33.0
Profit before extraordinary items, EUR mill.	31.8	23.2	37.3
Return on equity (ROE), %	24.0	19.2	
Return on invested capital (ROI), %	20.5	16.5	
Gearing, %	80.1	84.4	
Equity ratio, %	40.6	41.0	
Gross investments, EUR mill.	43.8	33.6	30.4
Average personnel employed converted to full-time	4 595	3 763	22.1
EVA, EUR million	19.6	11.3	73.5
Earnings/share (EPS), EUR	1.38	1.00	38.0
Cash flow from operations/share, EUR	3.05	2.66	14.7
Dividend per share, EUR	1.20*	0.75	60.0

**Proposal by the Board of Directors*

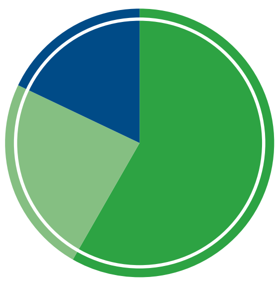
Calculation of the key figures on the pages 40 and 41.

Net sales by division

Net sales EUR 306.3 million

- ***Environmental services EUR 137.3 million***
- ***Property Services EUR 113.8 million***
- ***Industrial Services EUR 55.2 million***

Operating profit by division



Operating profit EUR 35.7 million

- ***Environmental Services EUR 20.8 million***
- ***Property Services EUR 8.5 million***
- ***Industrial Services EUR 6.4 million***

Strategy

Lassila & Tikanoja's aim is to operate so that the Company's growth and profitability will create the preconditions for company shares to be a good and competitive investment in the long term.

Lassila & Tikanoja will be continuing its current business operations and expanding them in a controlled way to Finland's neighbouring regions. The Company is growing faster than the market. In the long run the annual growth target is more than 10%, both through organic growth and through acquisitions. Special attention is paid to organic growth. Companies acquired by Lassila & Tikanoja are usually quite small, but the Company has the capacity for major acquisitions as well.

Success is measured primarily in terms of profitability. Aiming at reasonable growth must not put profitability at risk. Essentially, profitability is expressed as EVA. The goal is to improve EVA 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 the operations are significantly burdened by the initial stages of unusually large investment.

Divisions' competitive strategies

In **Environmental Services** Lassila & Tikanoja adopts a comprehensive approach throughout the logistics chain and aims to increase market share in an increasing number of materials. Considerable investment is carried out in the recycling business.

Property Services produces basic services for properties. The focus is on cleaning and property maintenance services that endeavour to set the company apart from competitors by the quality of the work and state-of-the-art production management systems. An important tool for achieving this goal is the system of service concepts for specific customer segments. Property maintenance places emphasis on technical systems.

In **Industrial Services** Lassila & Tikanoja is a customer-oriented supplier of comprehensive services. The focus is on constructing and introducing operating models and work tools that can optimise capacity allocation in an unpredictable work flow and achieve better profitability.

Environmental Services


Share of net sales 44.8%

Services

L&T's Environmental Services covers the collection, transportation and processing of waste and recyclable materials and the supply of recycled materials for reuse.

L&T has the most extensive service network in Finland. It 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 are 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 a lesser degree than before, to landfills for disposal. Processed recycled materials are generally sold to the end-user on long-term contracts.

L&T's recycling services based on manufacturer 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 outdoor-event organisers a comprehensive, tailor-made service, from portable lavatories to cleaning.

Environmental products

The Environmental Products unit is engaged in the wholesale trade of environmental management products and acts as the purchaser of these products for the service divisions. The unit is also responsible for the product development of collection equipment for environmental management.

Markets and market position

According to Finland's National Waste Plan, the annual level of waste recovery should rise from about 50% to 70% by 2005. Though the target will not be reached within this timetable, the size of the market will increase. Legislation relating to the sector is reaching the implementation stage, which will cause a great number of other changes on the market. There are so many openings for developing completely new business that a choice has to be made about where to focus.

L&T increased its market share slightly in its chosen segments. It continued investing in waste reclamation solutions that have clear development prospects and it increased its recycling capacity both geographically and in terms of the materials.

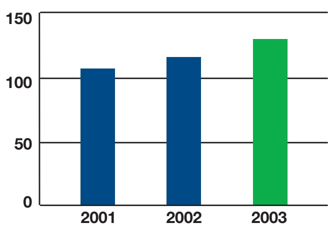
L&T is cooperating closely with some municipalities in designing major energy recovery and final-disposal solutions for waste that cannot be recycled. These projects endeavour to ensure that recycled fuel will be sold at the correct price and offer municipalities, the retail trade, and industry competitive options for the final disposal of waste.

Most of the growth in the sector in Finland will come from the retail trade and industry. The market for household waste will also grow, but business opportunities here are much more limited at this moment because of measures taken by the municipalities to restrict competition. Market prospects for household waste will become clearer when the legislation projects that are now under way are brought to a conclusion.

The sector is not especially sensitive to industrial trade cycles.

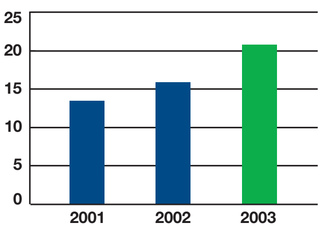
L&T's market share in waste and recycling services in Finland is about 20% and it is the market leader in the sector. Environmental Products is a strong market leader in Finland and has been very successful with exports.

Net sales, EUR million



2001 pro forma

Operating profit, EUR million



2001 pro forma

At its plants L&T sorts waste and processes recyclable materials into raw materials for reuse by industry or into recycled fuels.

Highlights of 2003

Net sales by Environmental Services amounted to EUR 137.2 million (EUR 122.3 million), an increase of 12.2%. The operating profit was EUR 20.8 million (EUR 15.9 million), an increase of 31.0%.

Marketing efforts were successful, and more materials were sent to recycling plants than previously. The net sales and result of Waste Management and Recycling Services showed a clear improvement. Productivity also improved thanks to the increased volume and new production capacity. Investment in the recycling operations will also continue in the new year.

At the beginning of the year multi-purpose premises were brought into operation at Kerava for the recycling of paper, board and electrical and electronic scrap and the production of recycled fuel. A property was acquired in Oulu to centralise the functions there. The construction of a recycling centre, due for completion in the summer of 2004, was also started at Oulu. The investments at Kerava and Oulu will give a significant boost to the supply of services and market position locally. The collection operations have remained efficient.

Environmental Products fell short of its targets because of reduced domestic demand.

L&T makes a move to Latvia

In October L&T acquired a Latvian waste management company, A/S Hoetika ATU. Its net sales in 2003 amounted to EUR 7.9 million and the number of staff was some 490. Hoetika is the market leader in Latvia in the collection, transportation and recycling of waste. Its main market area is Riga, but it also operates in several other towns in Latvia.

With the acquisition of Hoetika L&T is implementing its strategy of investing in the growing environmental management market in Finland's neighbouring regions. The waste recycling and utilisation targets will increase considerably in Latvia when the country becomes a member of the EU in May 2004.

Property Services

Share of net sales 37.2%

Services

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

Cleaning Services offers customised service packages for specific customer groups and may include, in addition to cleaning, mail delivery, reception desk services, and catering, for example. These wide packages are implemented by networking with the best specialist companies.

Property Maintenance covers the 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. The Maintenance of Technical Systems produces M&E services and provides technical management. The Internet-based production management system Kiinteistönetti® provides customers with contact and reporting in real-time.

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 and shopping centres and L&T Food Hygiene Services for the food industry, which demands a high level of hygiene. The Reilu® cleaning system designed for offices also includes recycling at working premises.

Markets and market position

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

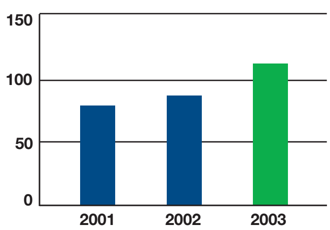
The commercial market accounts for about 20% of the entire Finnish property maintenance market, with almost 50% of this share being held by the five biggest property maintenance companies. The cleaning services market has consolidated rapidly over the last few years with net sales of the five biggest companies accounting for over half the commercial market. In cleaning services, the commercial market accounts for about one-third of the total market in Finland, whereas in the rest of Europe the figure is much higher.

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 and upkeep organisations. The ageing of public-sector employees in particular will accelerate this trend at the end of this decade.

The Property Services division holds a market share of approximately 12% L&T being Finland's third-biggest operator. The market share of Cleaning Services was strengthened at the beginning of 2003 with the acquisition of SPS Siivouspalvelut Oy. Property Maintenance increased its market share as well.

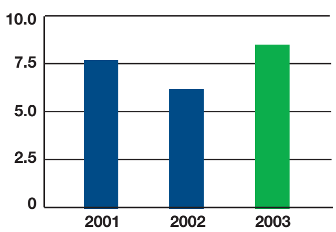
This sector is not especially sensitive to industrial trade cycles. In a downturn, however, some customers reduce the purchase of services in order to reduce costs of property maintenance and upkeep.

Net sales, EUR million



2001 pro forma

Operating profit, EUR million



2001 pro forma

L&T's biggest cleaning job is the passenger terminals at Helsinki-Vantaa Airport. L&T has expanded its property maintenance services to include the pre-emptive maintenance, repair and installation of electrical systems and equipment.

Highlights of 2003

Net sales by Property Services totalled EUR 113.8 million (EUR 87.8 million), an increase of 29.5%. The operating profit went up by 37.1% to EUR 8.5 million (EUR 6.2 million).

The organic growth of Property Maintenance was bigger than expected. A number of extensive partnership agreements with major institutional property owners were entered. Cleaning Services integrated a fairly big corporate acquisition, SPS Siivouspalvelut, more efficiently than expected. The result of both product lines improved, primarily because control could be kept over fixed costs with the increase in net sales. Cleaning Services' result also improved in relative terms.

L&T's Shop Services concept, developed for large supermarkets and department stores, sold well. In the autumn L&T's Food Hygiene Services concept meant for food production plants was completed.

In spring the new product line, Maintenance of Technical Systems, started its operation. The supply of electrical services was strengthened by the acquisition of Sähköasennus Huhta, a company specialising in electrical installations in the Helsinki region. Pre-emptive maintenance and installation services were introduced also in Tampere and Jyväskylä areas. The supply of indoor air services was increased in several locations.

Based on the priciples of continuous improvement, several development projects were started, for example in Cleaning Services indexes measuring customer satisfaction and the improvement of the service process were introduced.

Industrial Services

Share of net sales 18.0%

Services

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

Hazardous Waste Management produces customised collection, sorting and processing services plus associated consulting services. In waste collection L&T is the only company that has a nationwide network. Waste is turned into raw materials and recycled fuel for industry and power stations at the company's own plants.

Industrial Cleaning offers industry environmentally friendly heavy-duty washing and cleaning services.

Damage Repair Services minimises damage to property caused by fire, water or damp. 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 along with increasingly stringent environmental demands. 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 process an increasing amount of 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 heavy-duty industrial cleaning grows. 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. The focus on the responsibility for development is turning the traditional service supplier increasingly into a partner.

In Damage Repair Services, awareness of health risks caused by damp, mould and impurities in indoor air increases demand for drying-out services. L&T has unmatchable resources for repairing fire damage and the ability to control a wide range of services in order to minimise damage to property and the environment in various damage cases.

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. Furthermore, the ageing sewer network will need increasing pre-emptive maintenance and upkeep.

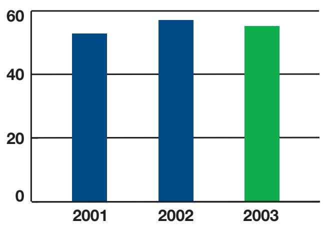
L&T is a provider of the widest range of industrial services in Finland and, in terms of product lines, Finland's biggest or second biggest supplier.

Industrial Services is more sensitive to industrial trade cycles than other L&T divisions. During a downturn, industry uses its own staff for maintenance and cleaning work that it would buy in from service companies at other times.

Highlights of 2003

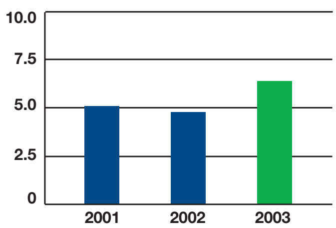
Net sales by Industrial Services were EUR 55.2 million (EUR 57.0 million), a fall of 3.1%. The operating profit rose 34.3% to EUR 6.4 million (EUR 4.8 million).

Net sales, EUR million



2001 pro forma

Operating profit, EUR million



2001 pro forma

L&T produces at its own plants recycled fuels and other raw materials out of the hazardous liquid waste it collects from customers. Industrial Cleaning performs demanding process-cleaning jobs in very different conditions.

The aim of the division was to improve profitability, and for the most part it succeeded. Unprofitable small units in Damage Repair Services and Industrial Cleaning were terminated. Industrial Cleaning's new concentrated organisational model improved the control of both sales and production and raised the usage capacity of the equipment. Net sales of Hazardous Waste Management and Sewer Maintenance went up. Apart from Damage Repair Services, the result of all the product lines improved; in Industrial Cleaning's case the improvement was considerable.

The extension to the hazardous waste recycling plant at Lahti came on stream in the spring. The sale of its capacity was successful. The plant produces recycled fuel and several other raw materials, e.g. Anti-NOx water and clay oil, from hazardous liquid waste.

The capacity of Damage Repair Services was adjusted to the demand and indoor repairs were terminated on the grounds of unprofitability. Industrial Cleaning and Sewer Maintenance introduced new production management systems.

From Handling Matters to Handling Customer Accounts

Awareness of L&T at an excellent level

Lassila & Tikanoja's corporate image was examined in the autumn, fully a year after the launching of the L&T logo. L&T has been received well. Awareness of L&T among companies was 99%, and 87% of households recognised L&T.

L&T's targets for its image are responsibility for well-being and the environment, humanity and safety, and innovativeness and usefulness. According to the survey on its image, the company has been highly successful in conveying these images. L&T's operations were depicted as modern, diversified and effective. The L&T brand was in many instances linked with cleanness, freshness and a green environment.

New approach to sales

A new approach to sales and an organisational model to support it were introduced in stages during 2003. Sales became a centralised function managed on a divisional basis. The objective is to ensure adequate organic growth and to harmonise the sales methods used. The sales management system was improved by creating an integrated monitoring model and a set of sales indicators. The entire L&T sales process was redefined in the autumn.

The sales organisation must respond to the needs of the future as customers' purchasing culture changes; purchasing will be centralised and preference given to nationwide suppliers.

Emphasis has been placed on account management. The importance of account management will increase with the move away from traditional thinking in terms of function to a process way of working, one aim of which is the standardisation of working methods related to the customer interface. Process working will make it easier to transfer from handling matters to handling accounts.

Product Development

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.

During 2003 marketing started of 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. The pulp and paper industry has received the product positively, which has promoted the growth in L&T's market share in this customer segment during a time of shrinking markets.

The autumn saw the completion of L&T's Food Hygiene Services, which are meant for large and medium-sized food production plants. The services emphasise the skills of the staff who wash the production premises and equipment and the importance of practical cooperation with the customer.

L&T's Shop Services, developed for large supermarkets and department stores, have sold well and strengthened L&T's market position as a supplier of services for the retail trade.

Quality, the Environment and Occupational Safety

L&T aims at continuous improvement of both its services and management of business operations. The purpose of development is to improve L&T's competitiveness. Systematic improvement of operating procedures is important so that all L&T customers receive equally high quality services everywhere and that these services are produced as efficiently as possible.

Finding and using best practices

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

All the L&T units implemented internal systems audits in 2003. Special attention was paid to procedures associated with maintaining working capacity and to account management.

Internal environmental, health and occupational safety (EHS) audits were made and the environmental risks at operating locations that hold an environmental permit were examined. The recording of deviations and the monitoring of measures taken were transferred to Kiinteistönetti, an online system for Property Maintenance.

Certified operations

Service suppliers are being increasingly expected to be able to demonstrate that their operations fulfil the requirements of quality, environmental and occupational safety standards. These requirements are taken into account in the L&T Integrated Management System.

The Savio final disposal area in Kerava was granted quality, environmental and occupational safety certificates (ISO 9001:2000, ISO 14001 and OHSAS 18001) in the spring of 2003. The certification is a guarantee of the level of the operational arrangements at the private landfill site.

In the previous year the collection, transportation and pretreatment services of the Vantaa treatment plant for electrical and electronic waste (WEEE) and the Helsinki treatment plant for confidential data material were granted quality, environmental and occupational safety certificates (ISO 9001:2000, ISO 14001 and OHSAS 18001). Damage Repair, Southern Finland, was granted an ISO 9001:2000 certificate for its quality management system in 2002.

Environmental Services and Hazardous Waste Management operations in many instances require an environmental permit. L&T's operating locations have dozens of permits. Obtaining and maintaining them require not only official supervision but a tight internal auditing system. Sites that are the most subject to risk have an exceptionally wide insurance coverage.

Occupational safety is a question of cooperation

Difficult working conditions, heavy loads and awkward working positions increase the strain of the work and the danger of accidents in many of L&T's services. L&T aims to recognise the dangers associated with different jobs and take steps to reduce and eliminate them. L&T works in close cooperation with customers to promote occupational safety.

The risk analyses for various jobs were updated and the occupational safety targets were revised in connection with drawing up the EHS programme for 2004–2006. The system of monitoring occupational safety was overhauled in cooperation with insurance companies. 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.

Safety-card training began and occupational safety projects for various jobs on different product lines were started during the year.


Kromaattipitoiset

Personnel

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 the recruits' proficiency, their ability to take responsibility and their desire to improve both themselves and L&T operations. Switching to new jobs within the L&T organisation is encouraged as it promotes the accumulation of expertise and maximises its use.

During 2003 the average number of personnel, converted into full days, was 4,595 (2002: 3,763). At the end of the year there were 5,987 people working for L&T (4,848).

Well-being at work applies to everybody

The well-being of the personnel has a direct effect on customer satisfaction. The role of supervisory staff in ensuring that well-being is supported with training and theme days. Local teams focusing on the Integrated Management System, environmental issues, employee health and occupational safety also have a vital role to play in developing their own workplaces.

In the autumn a survey on the staff's occupational well-being was carried out for the third time. The results will be ready in the winter of 2004.

A self-assessment method was introduced in the occupational well-being assessment. A day-long seminar on working capacity that covered themes concerned with occupational well-being was held in the autumn. It was attended by 160 employees who were either in a supervisory position or responsible for health and safety.

Wide-ranging development of know-how and professional skills

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

In 2003 cleaning-service supervisors took part in training that was arranged on the basis of a survey on training needs. Staff from all L&T's divisions took part in the further vocational qualification in environmental management. The know-how of the staff in Industrial Services was increased by the further vocational qualification in high pressure water work.

One of the main objectives of a supervisor's work is to ensure that the personnel are in the best situation possible to succeed in their own work. Supervisors' own work is supported by long-term development programmes and supplementary training. L&T trains supervisory staff continuously in management training programmes tailored specially for L&T and in educational programmes aimed at special vocational management qualifications. During 2003 more than 200 supervisory staff took part in courses related to development discussions and inter-personal skills were improved in the Taitava Vaikuttaja (Skilled Holder of Influence) courses.

Report by the Board Of Directors

Net sales for the entire year amounted to EUR 306.3 million (EUR 267.2 million). Net sales increased by 14.6%, 4 percentage points of which was organic. The pre-tax profit was EUR 31.8 million (EUR 23.2 million). Earnings per share improved and stood at EUR 1.38 (EUR 1.00). The result for the last quarter of Lassila & Tikanoja's business operations was better than expected. The result for the period was also improved by the lower-than-forecast pension expenses for 2003.

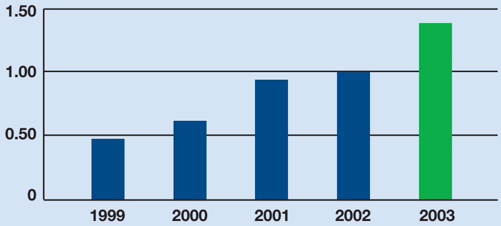
Net sales increased faster than fixed costs. Company acquisitions were rapidly integrated. The degree of capacity utilisation at the new plants was at a good level, particularly in the latter part of the year. Productivity was improved in almost all the product lines. Pension costs were lower than expected. The result for 2002 was adversely affected by non-recurring costs caused by changing the company's operating name amounting to about EUR 1.5 million. Operations were expanded abroad, when a Latvian waste management company was acquired in October.

Net sales by Environmental Services amounted to EUR 137.2 million (EUR 122.3 million), an increase of 12.2%. The operating profit was EUR 20.8 million (EUR 15.9 million), an increase of 31.0%. Marketing efforts were successful, and more materials were sent to recycling plants than previously. The net sales and result of Waste Management and Recycling Services showed a clear improvement. Productivity also improved thanks to the increased volume and new production capacity. Investment in the recycling operations will also continue in the new year. Environmental Products fell short of its targets because of reduced domestic demand.

Net sales by Property Services totalled EUR 113.8 million (EUR 87.8 million), an increase of 29.5%. The operating profit went up by 37.1% to EUR 8.5 million (EUR 6.2 million). The organic growth of property maintenance was bigger than expected. Cooperation with institutional property owners went well. Cleaning Services integrated a fairly big corporate acquisition more efficiently than expected. The result of both product lines improved, primarily because control could be kept over fixed costs with the increase in net sales. Cleaning Services' result also improved in relative terms.

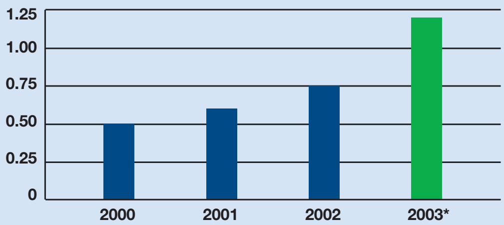
Net sales by Industrial Services were EUR 55.2 million (EUR 57.0 million), a fall of 3.1%. The operating profit rose 34.3% to EUR 6.4 million (EUR 4.8 million). The aim of the division was to improve profitability, and for the most part it succeeded. Unprofitable small units in Damage Repair Services and Industrial Cleaning were terminated. The sale of capacity at Hazardous Waste Management's new recycling plant was successful. Industrial Cleaning's new concentrated organisational model improved the control of both sales and production and raised the usage capacity of the equipment. Net sales of Hazardous Waste Management and Sewer Maintenance went up. Apart from Damage Repair Services, the result of all the product lines improved; in Industrial Cleaning's case the improvement was considerable.

Earnings/share, EUR



1999-2001 pro forma

Dividend/share, EUR



2000 pro forma

* Proposal by the Board of Directors

Net sales

EUR 1000	2003	2002	Change %
Environmental Services	**137 235**	122 327	12.2
Property Services	**113 786**	87 841	29.5
Industrial Services	**55 235**	57 007	-3.1
Total	**306 256**	267 175	14.6

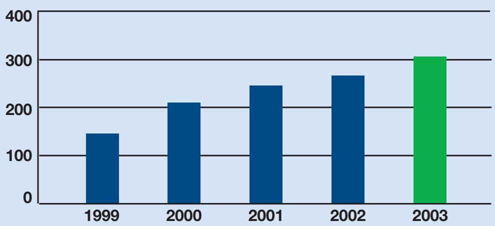
Operating profit

	2003		2002		
	EUR 1000	%	EUR 1000	%	Change %
Environmental Services	**20 773**	**15.1**	15 863	13.0	31.0
Property Services	**8 527**	**7.5**	6 219	7.1	37.1
Industrial Services	**6 400**	**11.6**	4 767	8.4	34.3
Total	**35 700**	**11.7**	26 849	10.0	33.0

Quarterly results

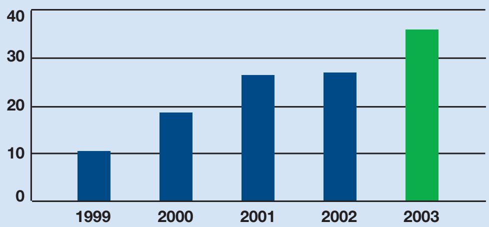
EUR 1000	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Net sales								
Environmental Services	36 249	34 686	35 071	31 229	31 819	32 151	31 017	27 340
Property Services	28 998	28 095	28 755	27 938	22 914	21 710	21 543	21 674
Industrial Services	13 823	14 531	14 311	12 570	14 116	16 455	14 483	11 953
Total	79 070	77 312	78 137	71 737	68 849	70 316	67 043	60 967
Operating profit								
Environmental Services	5 291	6 247	5 803	3 432	3 726	5 464	3 792	2 881
Property Services	2 301	3 085	1 935	1 206	1 694	2 686	572	1 267
Industrial Services	1 486	3 022	1 725	167	414	2 770	1 474	109
Total	9 078	12 354	9 463	4 805	5 834	10 920	5 838	4 257
Net financial expenses	-932	-961	-1 015	-971	-866	-954	-926	-931
Profit before extraordinary items	8 146	11 393	8 448	3 834	4 968	9 966	4 912	3 326
Operating margin								
Environmental Services	14.6	18.0	16.5	11.0	11.7	17.0	12.2	10.5
Property Services	7.9	11.0	6.7	4.3	7.4	12.4	2.7	5.8
Industrial Services	10.8	20.8	12.1	1.3	2.9	16.8	10.2	0.9
Lassila & Tikanoja	11.5	16.0	12.1	6.7	8.5	15.5	8.7	7.0

Net sales, EUR million



1999-2001 pro forma

Operating profit, EUR million



1999-2001 pro forma

Gross investments

Gross investments totalled EUR 43.8 million (EUR 33.6 million), of which EUR 13.0 million were company acquisitions. Six companies were acquired. Their total annual net sales were EUR 25.8 million. The largest acquisition was SPS Siivouspalvelut Oy, a cleaning services company. Its annual net sales in 2002 were EUR 13.5 million and it employed 700 people. In October, a Latvian waste management company A/S Hoetika ATU was acquired. Its net sales were EUR 7.9 million in 2003 and it employs 490 people.

The investments focused mainly on collection equipment and recycling plants. Depreciation came to EUR 25.6 million (EUR 22.2 million).

Investments by Balance Sheet item

EUR million	2003	2002
Real estate	**9.0**	4.6
Machinery and equipment	**23.1**	19.4
Other tangible assets	**1.2**	1.3
Securities and goodwill	**9.7**	7.5
Intangible assets and other capitalised expenditure	**0.8**	0.8
Total	**43.8**	33.6

Investments by division were as follows: Environmental Services EUR 17.3 million, Property Services EUR 10.0 million, Industrial Services EUR 7.9 million, and investments concerning all divisions EUR 8.6 million.

A major project to develop the information systems was started in the autumn. The new operating management system will create tools that will make the operations more efficient and provide customers with a better service.

Invested capital

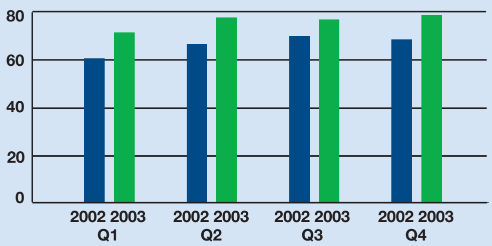
EUR 1000	31 Dec. 2003	31 Dec. 2002
Fixed assets	194 247	176 659
Current assets	44 484	35 399
Deferred tax liability	-6 825	-5 827
Trade payables	-9 451	-6 581
Accruals and deferred income	-5 385	-4 612
Other current, non-interest bearing liabilities	-31 664	-29 530
Invested capital	185 406	165 508

The amount of fixed assets was increased by investments exceeding depreciation. Current assets increased mainly because cash reserves were unusually large at the year end.The rate of circulation for invested capital was 1.7 compared with 1.6 a year earlier.

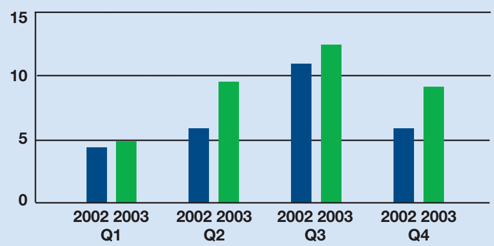
Financing

Interest-bearing liabilities amounted to EUR 10.3 million more than a year earlier. Nevertheless, interest-bearing net liabilities totalling EUR 77.6 million (EUR 73.3 million) increased by only EUR 4.3 million, because cash reserves were unusually large at the year end, amounting to EUR 10.8 million (4,8 million). Net financial expenses were 1.3% (1.4%) of net sales and 10.9% (13.7%) of operating profit. The equity ratio was 40.6 % (41.0%) and the gearing rate was 80.1 (84.4).Cash flow from operations amounted to EUR 48.2 million (EUR 42.0 million). EUR 1.3 million was tied up in working capital, while the previous year EUR 5.7 million was released. Liquidity remained at a good level during the whole year. Investments were financed out of cash flow from operations.

Quarterly net sales, EUR million



Quarterly operating profit, EUR million



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 0.5 million and 0.2% of net sales (EUR 0.6 million and 0.2% of net sales). The largest projects were hygiene service concept meant for food industry, completion of service concepts for shops and pulp and paper industry, and projects related to expanding the range of recycling services. Other development of services takes place in the business units.

Personnel

The average number of personnel converted to full-time employees was 4,595 (3,763). At the year end Lassila & Tikanoja employed 5,987 people (4,848). Of them 490 people were employed by the Latvian subsidiary.

Changes in the Group structure

The shares of Sähköasennus Huhta Oy were acquired by the Parent Company. The shares of SPS Siivouspalvelut Oy and the Latvian A/S Hoetika ATU and the remaining 33.3% of the shares of Viwaplast Oy were acquired by the Group.

The business operations of Suomen Lentoasemapalvelut Oy and Monipalvelu Salonen Oy were acquired to Property Services.

L&T Deili Oy was established and renamed to L&T Improvement Oy. L&T Deili Oy, L&T Relations Oy and L&T Toimi Oy were established. L&T Vedenkierrätys Oy was merged with Lassila & Tikanoja plc.

The following companies were dissolved: L&T Ongelmajätehuolto Oy, JKL Sukseksuoviis Oy, Mikkelin Siisti Oy, Suoviis Tulevlap Oy, Pääkaupunkiseudun Hopeasähkö Oy and Kuljetus Wastedes Oy.

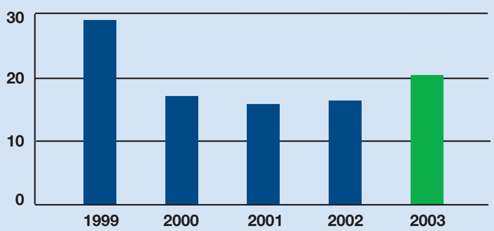
Decisions of the Annual General Meeting

The AGM held on 1 April 2003 re-elected Heikki Hakala, Juhani Lassila and Juhani Maijala to the Board of Directors for the period 2003–2004. 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.

Company shares

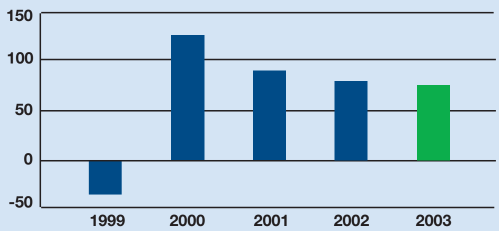
The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges from January through December was 4,758,046, which is 30.1% of the number of shares. The value of trading was EUR 91.6 million. The trading price varied between EUR 15.01 and EUR 29.50. The final trading price was EUR 27.50. The market capitalisation was EUR 435.2 million on 30 December 2003. None of the changes in portions of holdings required disclosure.

ROI, %



1999-2001 pro forma

Gearing, %



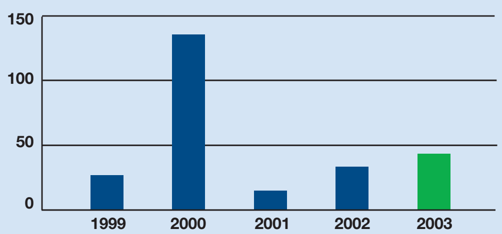
1999-2001 pro forma

Distribution of the profit
Earnings/share were EUR 1.38 and cash flow from operations/share EUR 3.05. The Board of Directors will propose payment of a dividend of EUR 1.20 per share to the Annual General Meeting convening on 18 March 2004. The amount of the dividend to be paid is EUR 18,991,569,60. The proposed dividend is 87.0% of earnings per share.

Prospects for the year 2004
The market prospects in Lassila & Tikanoja's business sectors are still good. No factors have been observed that would fundamentally change the competition situation. Net sales are expected to grow and the result improve slightly. Keeping the relative profitability at the level for 2003 will be extremely challenging. The operating profit in relation to net sales was high, particularly in Environmental Services and Property Services.

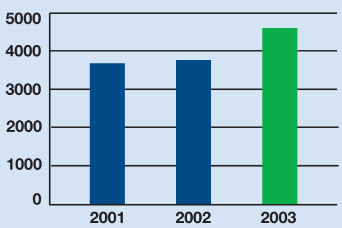
One of the biggest investments in the new year will be in plants that will raise the utilisation of waste materials. The Company also aims to expand abroad.

Investments, EUR million



1999-2001 pro forma

Average personnel



IFRS Transition Project

INTRODUCTORY PLAN

Like other publicly quoted companies in the EU, Lassila & Tikanoja will prepare its consolidated financial statements in conformity with the IAS/IFRS standards as from 1 January 2005. The transition day for meeting the IFRS provisions on comparative information is 1 January 2004. Finnish accounting standard will continue to be the accounting policy until 2005, but the balance sheet for 1 January 2004 and the financial statement as well as interim reports for 2004 will also be prepared in accordance with IFRS reporting for comparison purposes.

CURRENT STATUS OF TRANSITION PROJECT

The IFRS transition project began in June 2002 and has proceeded according to the plan approved by the Board of Directors. Firstly, Lassila & Tikanoja's existing accounting practices were examined. Standards in force, their effect and the required changes were studied. Exposure drafts of proposed standards and the changes they might require were also looked at. The accounting system has been modified to meet the IFRS information requirements.

KEY DIFFERENCES BETWEEN THE PRESENT ACCOUNTING POLICIES AND THE ONES UNDER IFRS

Statement of Income

Lassila & Tikanoja uses a function of expense method that it will continue to use with the IFRS reporting. Some cost items will, however, be redefined. Therefore, it will not be possible to compare the gross profit with the present one.

Segment reporting

Lassila & Tikanoja's primary segment reporting is based on the business segments that are formed from the present divisions. Inter-segment sales will be reported separately and they will be included in segment revenues.

Some of the fixed costs will no longer be allocated to the divisions because the present allocation principles do not meet the IFRS requirement in every respect. In the future, cost items including the general overheads and administrational costs will be unallocated.

The divisions will be divided into product lines that will also form the cash generating units. The Latvian sub-group will also form a cash generating unit.

Transferring to segment reporting will not cause major changes to Lassila & Tikanoja's accounting system, because the company has previously prepared the statements of income and ROI calculations by division and product line.

Goodwill

A goodwill impairment test will be carried out based on the conditions on the transition day. Consistently with the exposure draft, the testing methods have been drawn up for the cash generating units.

According to the exposure draft, goodwill will not be written off. New corporate acquisitions in the future will create not only goodwill that can not be written off but also intangible assets that will be depreciated over their useful life.

Pension schemes

The statutory pension security at Lassila & Tikanoja's Finnish companies has been handled by pension insurance companies. The handling of Finnish statutory pension system under IFRS reporting is still open. For a labour-intensive company such as Lassila & Tikanoja, it is very important whether it will be handled as defined-contribution-based or defined-benefit-based. The pension scheme of the Latvian sub-group is defined-contribution-based. Of Lassila & Tikanoja's few supplementary pension schemes, one is defined-benefit-based and the others are defined-contribution-based.

Landfill sites

The book-entry principle and accounting method for the provision relating to the post-treatment cost of the landfill site at Kerava will change.

Revenues and cost of inventories

The revenue principle for tyre recycling will change.

In the future, the fixed production overhead costs will be recognised as part of the costs of conversion of inventories.

Finance leasing

The Environmental Services division rents out to customers equipment, such as waste compactors, that has been entered under Lassila & Tikanoja's fixed assets. Some of the rental agreements will be interpreted as finance lease agreements under the IFRS and their treatment will change accordingly. The present values of future lease payments are immediately entered as income and they will be recorded as non-current trade receivables, and equipment will not be entered in the books under the company's fixed assets. Each item of lease payment will be divided into interest and as a reduction of trade receivables.

Stock options

On the basis of the exposure draft, expenses arising from stock options 2002B and 2002C will be entered in the statement of income starting 1 January 2005.

Financial instruments

Financial instruments will be divided into four groups: financial assets and liabilities held for trading, held-to-maturity investments, loans and receivables originated by the company and available-for-sale financial assets. All the financial assets and liabilities will be entered in the balance sheet at cost, which will include transaction costs. Loan interest will be recorded according to the accrued cost. A later valuation of financial assets and liabilities in the bookkeeping will be determined on the basis of which of the above-mentioned categories they will belong to.

Lassila & Tikanoja's derivatives agreements are interest-swap agreements to which it will be possible to apply hedge accounting. According to this, changes in the current values of the agreement will be recorded under shareholders' equity in the balance sheet. They will be recorded in the statement of income during the period that an agreement is valid.

Treatment of taxes

The treatment of deferred taxes will change, e.g. the deferred tax liability arising from goodwill allocated to buildings and the revaluation of property will be entered in the books.

EFFECTS ON LASSILA & TIKANOJA GROUP

According to the present impression, the introduction of IFRS standards will not have any material effect on the shareholders' equity on the transition day.

Consolidated Statement of Income

1 January – 31 December EUR 1000	2003	%	2002	%	Note
Net sales	**306 256**	**100.0**	267 175	100.0	1
Costs of goods sold	**-246 448**	**-80.5**	-217 611	-81.4	
Gross profit	**59 808**	**19.5**	49 564	18.6	
Sales and marketing expenses	**-7 509**	**-2.5**	-8 582	-3.2	
Administration expenses	**-9 514**	**-3.1**	-8 637	-3.2	
Other operating income	**1 344**	**0.4**	993	0.4	4
Other operating expenses	**-703**	**-0.2**	-584	-0.2	
Operating profit before depreciation on goodwill	**43 426**	**14.2**	32 754	12.3	
Depreciation on goodwill	**-7 726**	**-2.5**	-5 905	-2.2	
Operating profit	**35 700**	**11.7**	26 849	10.0	2,3
Financial income and expenses	**-3 879**	**-1.3**	-3 677	-1.4	5
Profit before extraordinary items	**31 821**	**10.4**	23 172	8.7	
Extraordinary items					
Profit before income taxes	**31 821**	**10.4**	23 172	8.7	
Income taxes	**-9 740**	**-3.2**	-7 189	-2.7	6
Minority interests	**-261**		-99		
Profit for the financial year	**21 820**	**7.1**	15 884	5.9	

Consolidated Balance Sheet

31 December EUR 1000	2003	%	2002	%	Note
ASSETS					
Fixed assets					
Intangible assets					7
Intangible rights	**26**		41		
Goodwill	**82 946**		80 983		
Other capitalised expenditure	**2 879**		2 756		
Advance payments	**190**		15		
	86 041	**36.0**	83 795	39.5	
Tangible assets					8
Land	**3 841**		3 412		
Buildings	**29 897**		24 270		
Machinery and equipment	**64 467**		54 357		
Other tangible assets	**2 325**		2 916		
Advance payments and construction in progress	**4 198**		4 441		
	104 728	**43.9**	89 396	42.2	
Financial assets					9
Associated company shares	**283**		281		
Other shares and holdings	**3 195**		3 187		
	3 478	**1.5**	3 468	1.6	
Total fixed assets	**194 247**	**81.4**	176 659	83.3	
Current assets					
Inventories					
Raw materials and consumables	**357**				
Finished products/Goods	**1 694**		1 665		
Other inventories	**668**		646		
Advance payments	**10**				
	2 729	**1.1**	2 311	1.1	
Non-current receivables					
Loan receivables	**1**		1		
Current receivables					10
Trade receivables	**27 060**		23 812		
Other receivables	**148**		162		
Prepaid expenses and accrued income	**3 789**		4 318		
	30 997	**13.0**	28 292	13.3	
Cash and cash equivalents	**10 757**	**4.5**	4 795	2.3	
Total current assets	**44 484**	**18.6**	35 399	16.7	
Total assets	**238 731**	**100.0**	212 058	100.0	

31 December EUR 1000	2003	%	2002	%	Note
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					11,12
Share capital	**7 913**		7 913		
Share premium account	**7 518**		7 518		
Retained earnings	**58 535**		54 666		
Profit for the financial year	**21 820**		15 884		
Total shareholders' equity	**95 786**	**40.1**	85 981	40.6	
Minority interests	**1 157**	**0.5**	895	0.4	
Provisions	**69**	**0.0**	526	0.2	13
Liabilities					
Deferred tax liability	**6 825**	**2.9**	5 827	2.7	12
Non-current					14
Loans from financial institutions	**79 084**		66 343		
Advances received	**2**		3		
Other liabilities	**143**		104		
	79 229	**33.2**	66 450	31.3	
Current					
Bonds			2 488		
Loans from financial institutions	**9 167**		9 167		
Advances received	**57**		1		
Trade payables	**9 451**		6 581		
Other liabilities	**31 605**		29 530		
Accruals and deferred income	**5 385**		4 612		
	55 665	**23.3**	52 379	24.8	
Total liabilities	**141 719**	**59.4**	124 656	58.8	
Total shareholders' equity and liabilities	**238 731**	**100.0**	212 058	100.0	

Consolidated Statement of Changes in Financial Position

EUR 1000	2003	2002
Operations		
Operating profit	**35 700**	26 849
Adjustments:		
Depreciation	**25 643**	22 220
Other adjustments	**-214**	-470
Cash flow before change in working capital	**61 129**	48 599
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	**-1 810**	3 646
Increase/decrease in inventories	**44**	-309
Increase/decrease in current non-interest-bearing liabilities	**508**	2 327
Cash flow from operations before financial income/expenses and taxes	**59 871**	54 263
Interest expenses and other financial expenses paid	**-4 146**	-4 177
Interest received	**332**	439
Direct taxes paid	**-7 818**	-8 491
Cash flow from operations	**48 239**	42 034
Investments		
Investments in Group companies	**-11 255**	-9 737
Investments in tangible and intangible assets	**-30 073**	-22 965
Proceeds from sale of tangible and intangible assets	**734**	1 578
Investments in other assets	**-16**	-28
Proceeds from sale of other assets	**19**	179
Dividends received from investments	**6**	9
Cash flow from investing activities	**-40 585**	-30 964
Financing		
Repayments of non-current liabilities	**-488**	
Proceeds from current liabilities		2 488
Proceeds from non-current liabilities	**40 000**	
Payments of non-current liabilities	**-29 350**	-11 584
Dividends paid	**-11 854**	-9 484
Cash flow from financing activities	**-1 692**	-18 580
Changes in cash and cash equivalents	**5 962**	-7 510
Cash and cash equivalents 1 January	**4 795**	12 305
Cash and cash equivalents 31 December	**10 757**	4 795

The items in the Statements 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:	2003	2002
Cash at bank and in hand	**4 102**	1 430
Inventories	**463**	277
Receivables	**1 679**	2 678
Goodwill	**9 744**	7 036
Other fixed assets	**3 238**	4 076
Current liabilities	**-3 773**	-2 912
Non-current liabilities	**-96**	-1 249
Deferred tax liability/receivable		-169
Acquisition price	**15 357**	11 167
./.Cash and cash equivalents	**-4 102**	-1 430
Investments in Group companies	**11 255**	9 737

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 prepared for the subgroups A/S Hoetika ATU and L&T Muoviportti only. 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 30.

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.

Translation differences

The consolidated statement of income of the Latvian subgroup was translated into euros at the average rate for the financial year and the balance sheet at the reference rate quoted by the European Central Bank on the day the books were closed. Translation differences arising from the elimination of the shareholders' equity were treated as a valuation item under consolidated retained earnings.

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 to 25 years
Transport equipment	6 to 8 years
Machinery and equipment	4 to 10 years
Goodwill	4 to 20 years
Intangible rights and other capitalised expenditure	5 to 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 Finnish Group companies was provided by private pension insurance companies. In Latvia pension insurance premiums are included in social security expenses. Pension insurance premiums were matched with salaries for the financial year.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The business transactions of Finnish Group companies nominated 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 FOR COMPARISON FIGURES

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	2003	%	2002	%
Net sales by division				
Environmental Services	137 235	44.8	122 327	45.8
Property Services	113 786	37.2	87 841	32.9
Industrial Services	55 235	18.0	57 007	21.3
Total	306 256	100.0	267 175	100.0
Net sales by market				
Finland	301 935	98.7	265 496	99.4
Other Nordic countries	585	0.2	733	0.3
Other EU countries	421	0.1	536	0.2
Other Europe	3 183	1.0	398	0.1
Other countries	132		12	
Total	306 256	100.0	267 175	100.0

2. Personnel and administrative bodies

	2003	2002
Average personnel		
Clerical personnel	795	691
Workers	3 800	3 072
Total	4 595	3 763
Personnel expenses for the financial year EUR 1000		
Salaries	101 878	88 148
Pension expenditure	15 168	14 784
Other salary-related expenses	6 983	5 808
Total	124 029	108 740
Salaries and bonuses paid to the members of Boards of Directors and Managing Directors of Group companies	477	383

Salaries, bonuses and pension benefits of the management are described on page 43.
No loans were granted to members of administrative bodies of Group companies.

3. Depreciation

EUR 1000	2003	2002
Depreciation by function		
Costs of goods sold	16 002	14 474
Sales and marketing	382	453
Administration	1 533	1 388
Goodwill	7 726	5 905
Total	25 643	22 220

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2003	2002
Other operating income		
Profit on sales of fixed assets	844	524
Profit on sales of shares	8	99
Rents	15	11
Recovery of bad debts	42	40
Other	391	288
Total	1 300	962
Share of result of associated company	44	31
Total	1 344	993
Other operating expenses		
Losses on sales of fixed assets	299	120
Losses on sales of shares	3	31
Bad debts	290	328
Other	111	105
Total	703	584

5. Financial income and expenses

EUR 1000	2003	2002
Dividend income	9	13
Other interest and financial income	340	423
Other interest and financial expenses	-4 228	-4 113
Total financial income and expenses	-3 879	-3 677
Financial income and expenses include		
Interest income	340	420
Interest expenses	4 166	4 086
Exchange rate differences (net)		3

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	2003	2002
Income taxes on operations		
for the financial year	8 810	6 549
Income taxes from previous financial years	-68	9
Changes in the deferred tax liability*	998	631
Total	9 740	7 189
* Changes in the deferred tax liability		
From appropriations	800	305
From matching differences	364	492
From consolidation	-166	-166
Total	998	631

7. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 Jan.	66	123 078	4 608	15	127 767
Increase	4	9 689	601	189	10 483
Decrease			-13		-13
Transfers between items	-14		-10	-14	-38
Acquisition cost 31 Dec.	56	132 767	5 186	190	138 199
Accumulated depreciation 1 Jan.	-25	-42 095	-1 852		-43 972
Accumulated depreciation on decrease and transfers			24		24
Depreciation for the financial year	-5	-7 726	-479		-8 210
Accumulated depreciation 31 Dec.	-30	-49 821	-2 307		-52 158
Book value 31 Dec.	26	82 946	2 879	190	86 041

8. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1 Jan.	2 210	27 564	127 236	8 157	4 441	169 608
Increase	429	5 319	22 762	474	4 280	33 264
Decrease			-7 186	-83		-7 269
Transfers between items		2 136	2 199	226	-4 523	38
Acquisition cost 31 Dec.	2 639	35 019	145 011	8 774	4 198	195 641
Accumulated depreciation 1 Jan.		-5 350	-72 879	-5 241		-83 470
Accumulated depreciation on decrease and transfers		4	6 669	60		6 733
Depreciation for the financial year		-1 831	-14 334	-1 268		-17 433
Accumulated depreciation 31 Dec.		-7 177	-80 544	-6 449		-94 170
Revaluations 1 Jan. and 31 Dec.	1 202	2 055				3 257
Book value 31 Dec.	3 841	29 897	64 467	2 325	4 198	104 728
Balance sheet value of production machinery and equipment 31 Dec.			60 757			

9. Financial assets

EUR 1000	Holdings in participating interests	Other shares and holdings	Total
Acquisition cost 1 Jan.	188	3 187	3 375
Increase		27	27
Decrease	-42	-19	-61
Acquisition cost 31 Dec.	146	3 195	3 341
Adjustment of equity share 1 Jan.	93		93
Share of associated company result	44		44
Adjustment of equity share 31 Dec.	137		137
Book value 31 Dec.	283	3 195	3 478

	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, Helsinki	100.0
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0
L&T Advance Oy, Helsinki	100.0
L&T Deili Oy, Helsinki	100.0
L&T Development Oy, Helsinki	100.0
L&T Improvement Oy, Helsinki	100.0
L&T Kalusto Oy, Helsinki	100.0
L&T Palvelu Oy, Helsinki	100.0
L&T Relations Oy, Helsinki	100.0
L&T Servis Oy, Helsinki	100.0
L&T Toimi Oy, Helsinki	100.0
L&T Ympäristöhuolto Oy, Helsinki	100.0
Säkkiväline Ympäristöpalvelut Oy, in voluntary liquidation, Helsinki	100.0
Owned through subsidiaries	
A/S Hoetika ATU, Riga, Latvia	100.0
SIA Hoetika Invest, Riga, Latvia	100.0
L&T Muoviportti Oy, Merikarvia	66.7
L&T Viwaplast Oy, Valkeakoski	66.7
Pahvipojat Oy, Kemi	100.0
SIA SL Serviss, Riga, Latvia	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, Rapla, Estonia	33.3

The associated companies were consolidated with the equity method.

10. Receivables

EUR 1000	2003	2002
Prepaid expenses and accrued income		
Interest receivables	8	
Employees' health care compensation	1 000	645
Statutory personnel insurance	1 425	848
Insurance receivables	88	90
VAT receivables	302	1 306
Direct taxes	10	803
Other	956	626
Total	3 789	4 318

11. Shareholders' equity

EUR 1000	2003	2002
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.	70 550	64 162
Dividend	-11 869	-9 496
Translation difference	-146	
Retained earnings 31 Dec.	58 535	54 666
Profit for the financial year	21 820	15 884
Shareholders' equity 31 Dec.	95 786	85 981
Distributable assets		
Retained earnings	58 535	54 666
Profit for the financial year	21 820	15 884
Equity share of accumulated depreciation difference and accumulated appropriations	-4 921	-2 943
Distributable assets	75 434	67 607

12. Accumulated appropriations and deferred tax liability

EUR 1000	31 Dec. 2003	Change	1 Jan. 2003
Accumulated appropriations			
Accumulated depreciation difference	17 906	2 765	15 141
Deferred tax liability	-5 192	-800	-4 392
Equity share of subsidiaries at time of acquisition	-7 656	6	-7 662
Equity share of minority interests	-137	7	-144
Transferred to shareholders' equity	4 921	1 978	2 943
Deferred tax receivable and liability			
Based on appropriations	5 192	800	4 392
Based on matching differences	2 298	364	1 934
Based on consolidation	-665	-166	-499
Total	6 825	998	5 827

13. Provisions

EUR 1000	2003	2002
Other provisions	69	526

The provision in 2003 was made for social security expenses arising from the subscriptions of 2002A and 2002B stock options, because the share price on the day the books were closed exceeded the subscription price of the stock options. The provision in 2002 consists of the remaining share of the costs of combining the business of WM Ympäristöpalvelut Oy with that of Säkkiväline.

14. Liabilities

EUR 1000	2004*)	2005	2006	2007	2008
Repayment of non-current liabilities in coming years					
Loans from financial institutions	9 167	42 833	8 250	8 000	20 000

*) In the balance sheet under current liabilities

The Group has no liabilities which fall due within five years or more.

EUR 1000	2003	2002
Non-interest bearing liabilities		
Non-current	6 827	5 830
Current	46 499	40 720
Total	53 326	46 550
Accrued expenses		
Deferred interest	748	665
Waste charges	1 935	2 293
Other matched expenses	2 702	1 654
Total	5 385	4 612

15. Contingent liabilities

EUR 1000	2003	2002
Security for Company liabilities		
Other security given		
Real estate mortgages	81	249
Corporate mortgages		25
Other securities	123	97
Commitments for which comprehensive security was given		
Loans from financial institutions		48 417
Other Company commitments		902
Real estate mortgages		3 364
Other Company liabilities		
Leasing liabilities		
Falling due next year	409	135
Falling due in subsequent years	529	177

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

16. Derivative contracts

EUR 1000	2003	2002
Interest rate swaps		
Nominal values	82 000	52 000
Market values	-1 592	-2 430

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. The shareholders' equity of the Latvian subsidiary is small and it has been left unhedged.

Financial Statements of the Parent Company

STATEMENT OF INCOME

1 Jan. – 31 Dec. EUR 1000	2003	2002	Note
Net sales	301 157	200 030	1
Costs of goods sold	-247 836	-162 119	
Gross profit	53 321	37 911	
Sales and marketing expenses	-7 545	-6 762	
Administration expenses	-9 962	-6 896	
Other operating income	1 053	885	4
Other operating expenses	-407	-431	
Operating profit before depreciation on goodwill	36 460	24 707	2,3
Depreciation on goodwill	-11 914	-9 235	
Operating profit	24 546	15 472	
Financial income and expenses	-2 448	-1 592	5
Profit before extraordinary items	22 098	13 880	
Extraordinary items	510	-3 332	6
Profit before appropriations and income taxes	22 608	10 548	
Appropriations			
Decrease in accumulated depreciation	-107	-392	
Income taxes	-8 316	-4 391	7
Profit for the financial year	14 185	5 765	

BALANCE SHEET

31 December EUR 1000	2003	2002	Note
ASSETS			
Fixed assets			
Intangible assets			8
Intangible rights	20	39	
Goodwill	56 547	65 265	
Other capitalised expenditure	2 092	2 201	
Advance payments	190		
	58 849	67 505	
Tangible assets			9
Land	3 404	2 998	
Buildings	22 784	16 565	
Machinery and equipment	4 340	5 461	
Other tangible assets	56	57	
Advance payments and construction in progress	3 599	2 269	
	34 183	27 350	
Financial assets			10
Shares in Group companies	9 194	11 815	
Associated company shares	158	158	
Capital loan receivables from Group companies		100	
Other shares and holdings	3 021	3 015	
	12 373	15 088	
Total fixed assets	105 405	109 943	
Current assets			
Inventories			
Raw materials and consumables	159		
Finished products/Goods	1 693	1 665	
Other inventories	159	63	
	2 011	1 728	
Non-current receivables			
Loan receivables	1	1	
Current receivables			11
Receivables from Group companies	61 023	49 565	
Trade receivables	25 464	22 851	
Other receivables	135	145	
Prepaid expenses and accrued income	2 727	2 016	
	89 349	74 577	
Cash and cash equivalents	9 659	4 391	
Total current assets	101 020	80 697	
Total assets	206 425	190 640	

EUR 1000	2003	2002	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			12
Shareholders' equity			
Share capital	7 913	7 913	
Share premium account	7 518	7 518	
Retained earnings	41 481	47 585	
Profit for the financial year	14 185	5 765	
Total shareholders' equity	71 097	68 781	
Appropriations			
Depreciation difference	3 424	3 317	
Liabilities			13
Non-current			
Loans from financial institutions	79 083	66 250	
Advances received	3	3	
Other liabilities	54	54	
	79 140	66 307	
Current			
Bonds		2 488	
Loans from financial institutions	9 167	9 167	
Advances received	1	1	
Trade payables	7 061	5 244	
Liabilities to Group companies	6 401	7 204	
Other liabilities	26 289	24 567	
Accruals and deferred expenses	3 845	3 564	
	52 764	52 235	
Total liabilities	131 904	118 542	
Total shareholders' equity and liabilities	206 425	190 640	

Parent Company

STATEMENT OF CHANGES IN FINANCIAL POSITION

EUR 1000	2003	2002
Operations		
Operating profit	24 546	15 472
Adjustments:		
Depreciation	16 037	12 809
Other adjustments	-387	-234
Cash flow before change in working capital	40 196	28 047
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	-3 549	4 905
Increase/decrease in inventories	-284	186
Increase/decrease in current non-interest-bearing liabilities	3 199	-195
Cash flow from operations before financial income/expenses and taxes	39 562	32 943
Interest expenses and other financial expenses paid	-4 976	-2 833
Interest received	2 585	1 886
Direct taxes paid/received	-7 777	-4 801
Cash flow from operations	29 394	27 195
Investments		
Investments in Group companies	-379	-102
Investments in tangible and intangible assets	-10 458	-4 714
Proceeds from sale of tangible and intangible assets	508	209
Investments in other assets	-3	-102
Proceeds from sale of other assets	15	205
Dividends received from investments	10	14
Cash flow from investing activities	-10 307	-4 490
Financing		
Group contribution paid	-3 802	
Group contribution received	470	164
Increase in current liabilities		2 488
Repayments of current liabilities	-489	
Repayments of current liabilities to Group companies	-8 976	-14 393
Increase in non-current liabilities	40 000	
Repayments of non-current liabilities	-29 167	-9 113
Dividends distributed	-11 855	-9 484
Cash flow from financing activities	-13 819	-30 338
Changes in cash and cash equivalents	5 268	-7 633
Cash and cash equivalents 1 Jan.	4 391	12 024
Cash and cash equivalents 31 Dec.	9 659	4 391

The items in the Statement of Changes in Financial Position cannot be derived directly from the balance sheet owing, among other things, to the mergers and dissolutions of subsidiaries.

Notes to the financial statements

1. Net sales

EUR 1000	2003	%	2002	%
Net sales by division				
Environmental Services	127 133	42.3	91 275	45.6
Property Services	118 789	39.4	63 544	31.8
Industrial Services	55 235	18.3	45 211	22.6
Total	301 157	100.0	200 030	100.0
Net sales by market				
Finland	299 784	99.6	198 720	99.3
Other Nordic countries	349	0.1	585	0.3
Other EU countries	371	0.1	366	0.2
Other Europe	623	0.2	357	0.2
Other countries	30		2	
Total	301 157	100.0	200 030	100.0

2. Personnel and administrative bodies

	2003	2002
Average personnel		
Clerical personnel	706	499
Workers	3 090	2 211
Total	3 796	2 710

EUR 1000	2003	2002
Personnel expenses for the financial year		
Salaries	88 490	60 685
Pension expenditure	12 867	9 858
Other salary-related expenses	6 054	4 033
Total	107 411	74 576
Salaries and bonuses paid to management		
Members of the Boards of Directors and managing director	395	355

Salaries, bonuses and pension benefits of the management are described on page 43. No loans were granted to members of administrative bodies of Group companies.

3. Depreciation

EUR 1000	2003	2002
Depreciation by function		
Costs of goods sold	3 924	3 275
Sales and marketing	161	209
Administration	38	90
Goodwill	11 914	9 235
Total	16 037	12 809

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2003	2002
Other operating income		
From Group companies		
Compensation for administration costs	43	346
From others		
Merger profit		31
Profit from sales of fixed assets	423	171
Profit from sales of shares	2	98
Rents	15	11
Recovery of bad debts	37	29
Other	533	199
Total	1 053	885
Other operating expenses		
To Group companies		
Compensation for administration costs		87
To others		
Losses on sales of fixed assets	36	5
Loss from sales of shares	3	31
Bad debts	289	243
Other	79	65
Total	407	431

5. Financial income and expenses

EUR 1000	2003	2002
Dividend income	14	20
Other interest and financial income	2 592	1 889
Other interest and financial expenses	-5 054	-3 501
Total financial income and expenses	-2 448	-1 592
Financial income and expenses include		
Interest income		
From Group companies	2 265	1 511
From others	327	375
Interest expenses		
To Group companies	841	487
To others	4 152	2 997
Exchange rate differences		3

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	2003	2002
Extraordinary income		
Group contribution received	3 491	470
Group contribution paid		
Extraordinary expenses	2 981	3 802
Total extraordinary income and expenses	510	-3 332

7. Income taxes

EUR 1000	2003	2002
Income taxes on operations for the financial year	8 315	4 385
Income taxes from previous financial years	1	6
Total	8 316	4 391

8. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 Jan.	65	98 298	3 882		102 245
Increase		3 196	139	190	3 525
Increase due to mergers/dissolutions			181		181
Decrease					
Transfers between items	-14		-71		-85
Acquisition cost 31 Dec.	51	101 494	4 131	190	105 866
Accumulated depreciation 1 Jan.	-26	-33 033	-1 681		-34 740
Accumulated depreciation on decrease and transfers			14		14
Depreciation accumulated from mergers/dissolutions			-10		-10
Depreciation for the financial year	-5	-11 914	-362		-12 281
Accumulated depreciation 31 Dec.	-31	-44 947	-2 039		-47 017
Total book value	20	56 547	2 092	190	58 849

9. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payment and construction in progress	Total
Acquisition cost 1 Jan.	1 796	18 679	42 086	2 807	2 269	67 637
Increase	394	4 925	361	13	3 439	9 132
Increase due to mergers/dissolutions	12	777	1 367			2 156
Decrease			-4 580	-56		-4 636
Transfers between items		2 041	139	14	-2 109	85
Acquisition cost 31 Dec.	2 202	26 422	39 373	2 778	3 599	74 374
Accumulated depreciation 1 Jan.		-4 170	-36 625	-2 750		-43 545
Accumulated depreciation on decrease and transfers		4	4 444	55		4 503
Depreciation accumulated from mergers/dissolutions		-156	-495			-651
Depreciation for the financial year		-1 372	-2 357	-27		-3 756
Accumulated depreciation 31 Dec.		-5 694	-35 033	-2 722		-43 449
Revaluations 1 Jan. and 31 Dec.	1 202	2 056				3 258
Total book value	3 404	22 784	4 340	56	3 599	34 183
Balance sheet value of production machinery and equipment 31 Dec.			3 653			

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.	11 815	158	100	3 015	15 088
Increase				2	2
Increase due to mergers/dissolutions				20	20
Decrease				-16	-16
Decrease due to mergers/dissolutions	-2 621		-100		-2 721
Transfers between items					
Total book value	9 194	158	0	3 021	12 373

11. Receivables

EUR 1000	2003	2002
Receivables from Group companies		
Capital loan receivables		100
Loan receivables	60 854	49 400
Sales receivables	169	165
Total	61 023	49 665
Prepaid expenses and accrued income		
Interest receivables	8	
Employees' health care compensation	820	625
Statutory personnel insurance	1 243	770
Insurance receivables		54
VAT receivables		512
Other	656	55
Total	2 727	2 016

12. Shareholders' equity

EUR 1000	2003	2002
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.	53 350	57 081
Dividend	-11 869	-9 496
Retained earnings 31 Dec.	41 481	47 585
Profit for the financial year	14 185	5 765
Shareholders' equity 31 Dec.	71 097	68 781
Distributable assets		
Retained earnings	41 481	47 585
Profit for the financial year	14 185	5 765
Distributable assets	55 666	53 350

13. Liabilities

EUR 1000	2004*)	2005	2006	2007	2008
Repayment of non-current liabilities in coming years					
Loas from financial institutions	9 167	42 833	8 250	8 000	20 000

*) In the balance sheet under current liabilities

The Group has no liabilities which fall due within five years or more.

	2003	2002
Non-interest bearing liabilities		
Non-current	56	57
Current	37 196	33 375
Total	37 252	33 432
Liabilities to Group companies		
Current interest-bearing liabilities	3 050	3 735
Current non-interest-bearing liabilities	3 351	3 469
Total	6 401	7 204
Accrued expenses		
Deferred interest	744	665
Waste charges	1 935	1 918
Other matched expenses	1 166	981
Total	3 845	3 564

14. Contingent liabilities

EUR 1000	2003	2002
Security for Company liabilities		
Loans from financial institutions for which mortgages have been given as security		
Real estate mortgages	81	81
Other security given	123	97
Security for Group company liabilities		
Commitments for which comprehensive security was given		
Loans from financial institutions		48 417
Other company commitments		902
Commitments for Group companies		
Real estate mortgages		3 364
Other Company liabilities		
Leasing liabilities		
Falling due next year	202	135
Falling due in subsequent years	359	177

15. Derivate contracts

EUR 1000	2003	2002
Interest rate swaps		
Nominal values	82 000	52 000
Market values	-1 592	-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 has a minimum of 10,000,000 and a maximum of 40,000,000 shares. The number of shares 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 marked as 2002A, 2002B and 2002C. 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 period for the 2002A stock options is from 2 May 2004 until 30 October 2005, for the 2002B stock options from 2 May 2005 until 30 October 2006 and for the 2002C stock options from 2 May 2006 until 30 October 2007. The share subscription price for the 2002A stock options is 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 share subscription price for the 2002A stock options is EUR 19.37. This subscription price has been reduced by the amount of the dividend for the year 2002 which exceeds 70% of the profit per share for the year. The share subscription price for the 2002B stock options is EUR 17.69.

So far the key persons have been entitled to subscribe for 130,000 2002A stock options and 128,000 2002B stock options. The rest of the 2002B stock options and all 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. So far 28 key persons have been entitled to subscribe for the stock options.

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

Share trading

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges from January through December was 4,758,046, which is 30.1% of the number of shares. The value of trading was EUR 91.6 million. The trading price varied between EUR 15.01 and EUR 29.50. The final trading price was EUR 27.50. The market capitalisation was EUR 435.2 million on 30 December 2003.

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 30 January 2004, entitling them to 10.8% of the voting rights.

Shares held by the Board of Directors and President and CEO

	Number of shares	% of shares and of voting power	Stock options 2002A	Stock options 2002B
Heikki Hakala	4 000	0.02		
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	0		
Jari Sarjo	3 000	0.02	19 000	20 000
Total	1 719 600	10.81	19 000	20 000

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. Neither is the Board authorised to decide on the repurchase nor disposal of the Company's own shares.

Dividing the acquisition cost of the shares

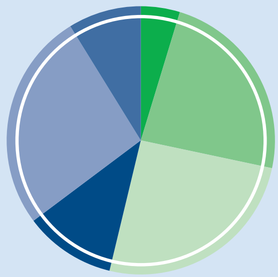
The acquisition cost of the demerged Lassila & Tikanoja plc share is divided between the shares in the two new companies in such a way that 71.6% of the original acquisition cost is transferred to the new Lassila & Tikanoja plc share and 28.4% to the Suominen Group plc share.

Breakdown of shareholding by category

	Shareholders		Shares and votes	
	Number	%	Number	%
Companies				
Government and municipal companies	7	0.3	3 900	
Private companies	208	9.3	737 539	4.7
Financial institutions and insurance companies	51	2.3	3 73 865	23.6
Public institutions	46	2.0	4 012 938	25.4
Non-profit organisations	84	3.7	1 748 105	11.0
Individuals	1 831	81.5	4 178 815	26.4
Foreign shareholders	20	0.9	88 292	0.6
	2 247	100	14 504 454	91.7
Shares registered in a nominee's name			1 301 582	8.2
Shares not transferred to the book-entry securities system			20 272	0.1
Total			15 826 308	100

Breakdown of shareholding

% of shares and of voting power



- Companies 4.7%
- Financial institutions and insurance companies 23.6%
- Public institutions 25.4%
- Non-profit organisations 11.0%
- Individuals 26.4%
- Foreign shareholders*) 8.8%

*) including shares registered in a nominee's name

Breakdown of shareholding by size of holding

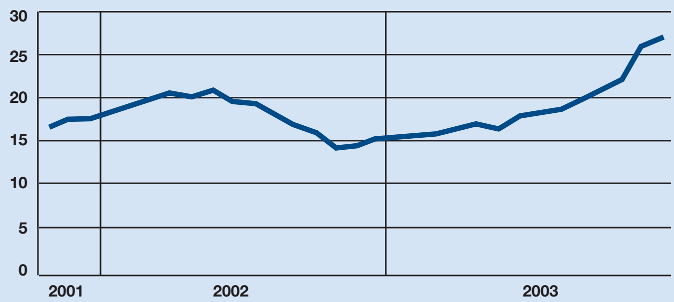
	Shareholders		Shares and votes	
	Number	%	Number	%
1–1,000	1 711	76.2	498 494	3.2
1,001–5,000	332	14.8	841 560	5.3
5,001–10,000	84	3.7	593 028	3.8
10,001–100,000	102	4.5	3 099 783	19.6
over 100,000	18	0.8	9 471 589	59.8
	2 247	100	14 504 454	91.7
Shares registered in a nominee's name			1 301 582	8.2
Shares not transferred to the book-entry securities system			20 272	0.1
Total			15 826 308	100

The largest shareholders

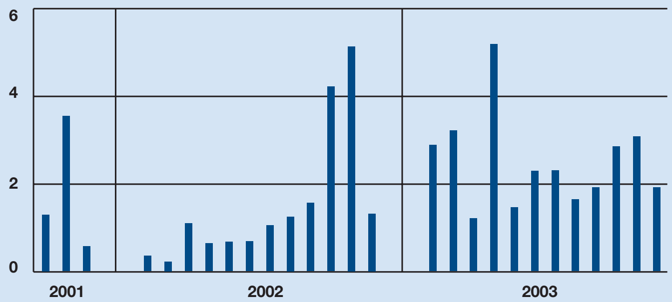
	Shareholder	Number of shares	Percentage of shares and of voting power
1.	Ilmarinen Mutual Pension Insurance Company	1 188 700	7.5
2.	Tapiola Insurance Group	1 109 340	7.0
	Tapiola General Mutual Insurance Company	612 440	3.9
	Tapiola Mutual Life Assurance Company	349 300	2.2
	Tapiola Corporate Life Insurance Company	103 200	0.7
	Tapiola Tulevaisuus Mutual Fund	23 000	0.1
	Tapiola Hyvinvointi Mutual Fund	21 400	0.1
3.	Evald and Hilda Nissi Foundation	1 005 660	6.4
4.	Tapiola Mutual Pension Insurance Company	947 600	6.0
5.	Sampo Life Insurance Company Ltd	904 683	5.7
6.	Varma Mutual Pension Insurance Company	704 775	4.5
7.	Juhani Maijala	704 240	4.4
8.	The Local Government Pensions Institution	419 400	2.7
9.	Heikki Bergholm	370 000	2.3
10.	Pohjola Non-Life Insurance Company Limited	366 800	2.3
11.	Suomi Mutual Life Assurance Company	364 500	2.3
12.	Mikko Maijala	283 000	1.8
13.	Aira Turjanmaa	274 871	1.7
14.	Foundation for Economic Education	262 000	1.7
15.	The State Pension Fund	250 000	1.6
16.	Aktia Secura Mutual Fund	110 000	0.7
17.	Oy Chemec Ab	104 020	0.7
18.	Eeva Maijala	102 000	0.6
19.	Avenir Special Mutual Fund	100 000	0.6
20.	Fondita 2000+ Mutual Fund	89 000	0.6
	Total	9 660 589	61.0

All information concerning the Company's shareholders is based on the book-entry securities register, as on 30 January 2004.

Average share price, EUR



Relative trading in shares, %



Key Figures on Shares

	2003	2002	Pro forma 2001	Pro forma 2000	Pro forma 1999
Earnings/share (EPS), EUR	1.38	1.00	0.94	0.62	0.48
Equity/share, EUR	6.05	5.43	5.03	4.59	4.47
Dividend/share, EUR	1.20*	0.75	0.60	0.50	
Dividend/earnings, %	87.0*	74.7	64.1	80.1	
Dividend yield, %	4.4*	4.8	3.3		
P/E ratio	19.9	15.4	19.2		
Cash flow from operations per share	3.05	2.66	2.57	1.34	
Share price					
lowest, EUR	15.01	13.00	12.00		
highest, EUR	29.50	22.25	18.50		
average, EUR	19.24	15.90	17.08		
at year end, EUR	27.50	15.50	18.00		
Market capitalisation on 30 Dec., EUR million	435.2	245.3	284.9		
Number of shares					
Average during the year	15 826 308	15 826 308	15 826 308	15 826 308	15 826 308
At year end	15 826 308	15 826 308	15 826 308	15 826 308	15 826 308
Number of shares traded during the year	4 758 046	2 889 677	859 582 **		
as a percentage of the average	30.1	18.3	5.4 **		
Volume of shares traded, EUR 1000	91 556	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 = $\dfrac{\text{Profit before extraordinary items - income taxes including change in deferred tax liability -/+ minority interest}}{\text{Average number of shares (average)}}$

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

	2003	2002	Pro forma 2001	Pro forma 2000	Pro forma 1999
Net sales, EUR million	**306.3**	267.2	245.8	210.8	145.6
Operating profit before depreciation on goodwill, EUR million	**43.4**	32.8	31.8	22.6	11.8
as % of net sales	**14.2**	12.3	12.9	10.7	8.1
Operating profit, EUR million	**35.7**	26.8	26.3	18.4	10.4
as % of net sales	**11.7**	10.0	10.7	8.7	7.2
Profit before extraordinary items, EUR million	**31.8**	23.2	21.5	14.8	11.2
as % of net sales	**10.4**	8.7	8.7	7.0	7.7
Profit before income taxes and minority interest, EUR million	**31.8**	23.2	21.5	14.8	11.2
as % of net sales	**10.4**	8.7	8.7	7.0	7.7
Profit for the financial year, EUR million	**21.8**	15.9	14.8	9.9	7.5
as % of net sales	**7.1**	5.9	6.0	4.7	5.1
EVA, EUR million	**19.6**	11.3	10.6		
Cash flow from operations, EUR million	**48.2**	42.0	40.7	21.3	
Balance sheet total, EUR million	**238.7**	212.1	209.1	214.5	108.7
Return on equity, % (ROE)	**24.0**	19.2	19.5	13.8	10.7
Return on invested capital, % (ROI)	**20.5**	16.5	15.9	17.2	29.2
Equity ratio, %	**40.6**	41.0	38.1	33.9	65.1
Gearing, %	**80.1**	84.4	91.9	126.0	-35.3
Net interest-bearing liabilities, EUR million	**77.6**	73.3	73.1	91.6	-25.0
Gross investments, EUR million	**43.8**	33.6	14.8	136.4	27.1
as % of net sales	**14.3**	12.6	6.0	64.7	18.6
Depreciation	**25.6**	22.2	22.0	17.7	9.3
Average personnel employed	**4 595**	3 763	3 676	3 428	3 082

Calculation of the key figures

Return on equity, % (ROE) =

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

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, % =

$$\frac{\text{Shareholders' eqyity}}{\text{Balance sheet total - advances received}} \times 100$$

Net interest-bearing liabilities = interest-bearing liabilities - cash and cash equivalents

Gearing, % =

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

EVA = operating profit
- cost calculated on invested capital (average of four quarters) before taxes
WACC 2001–2002: 9.5%
WACC 2003: 9.0%

Proposal by the Board of Directors to the Annual General Meeting

Distributable assets according to the consolidated balance sheet on 31 December 2003	EUR 75 579 559.00
Parent Company profit	EUR 14 185 430.00
Parent Company retained earnings	EUR 41 480 534.80
Distributable assets according to the Parent Company balance sheet on 31 Dec. 2003	EUR 55 665 964.80
The Board of Directors proposes that a dividend of EUR 1.20 be paid on each of the 15,826,308 shares	EUR 18 991 569.60
leaving the remainder on the retained earnings account	EUR 36 674 395.20
Total	EUR 55 665 964.80

In accordance with the decision of the Board of Directors, the record date is 23 March 2004. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the record period on 30 March 2004.

Helsinki, 3 February 2004

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 1.1.2003 – 31.12.2003. 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, 12 February 2004

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. The operative management of the Latvian subsidiary report to the Vice President, Corporate Planning and Business Development.

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

Each share of Lassila & Tikanoja plc entitles to one vote. According to the Articles of Association, at the General Meeting of Shareholders no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

Board of Directors

The Board of Directors of Lassila & Tikanoja plc is responsible for the management of the Company and for the proper arrangement of the Company's operations. The Board of Directors decides upon matters, which, considering the scope and size of the operations of the Company, are of major importance.

In accordance with the Articles of Association, the Board of Directors comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of the members of the Board 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 vice chairman from among its members.

The President and CEO is not a member of the Board of Directors but is present at Board meetings.

The Board of Directors met 12 times during 2003. The average attendance percent of the members at the meetings was 92.

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 Company, 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.

Other management

The Management Team assists the President and CEO in the management of the Company. The Group Executives belonging to the Management Team and their responsibility areas are presented on page 46.

Salaries, emoluments and pension benefits

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. At the end of the year 2003, the monthly salary of the Chairman was EUR 11,200, the salaries and benefits paid to the Chairman totalling EUR 137,652. The monthly fees of the non-executive members were as follows: Vice Chairman EUR 1,950, other members EUR 1,600. The members of the Board are not included in the stock option scheme.

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.

The Board of Directors determines the salary, bonuses and other benefits of the President and CEO and the Group Executives. The President and CEO and the Group Executives are included in the stock option scheme directed to the key personnel of the Company. The Company also provides an EVA-based compensation scheme the criteria of which are determined annually in advance by the Board of Directors. Separate emoluments are not paid to the members of the Boards of Directors of the subsidiaries.

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is 12 months if the Company terminates the employment, and 6 months if the President and CEO terminates the employment.

The President and CEO may choose to retire at the age of 60. Annual payments are made to provide for this commitment. The pension level is determined by the yield of the pension insurance.

In 2003, the salaries, bonuses and benefits paid to the President and CEO totalled EUR 179,060.

Detailed information on the stock options of Lassila & Tikanoja plc may be found on page 37 and the stock options held by the members of the Board of Directors and the Group Executives are presented on pages 45 and 46.

Auditors

The statutory audit of the financial statements is carried out by PricewaterhouseCoopers Oy, Authorised Public Accountants, Heikki Lassila, Authorised 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.

In 2003, the fees paid for statutory auditing to PricewaterhouseCoopers Oy totalled EUR 88,377. The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 122,277.

Insider guidelines

Lassila & Tikanoja plc's Board of Directors has decided that the Company 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 24 other persons defined as insiders. The insiders by definition are the Group Executives, management of the divisions, persons in charge of finance 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.

The Lassila & Tikanoja plc insider register held by the Finnish Central Securities Depository Ltd is available from the premises of HEXGate in Helsinki, address Fabianinkatu 14. The share holdings of the Lassila & Tikanoja insiders may also be read on the Company Internet pages www.lassila-tikanoja.com.

Lassila & Tikanoja plc Board of Directors

Juhani Maijala, born 1939
B.Sc. (Econ.), Master of Laws
Chairman since 2001
Member of the Board of Directors of the former Lassila & Tikanoja plc since 1983, Chairman 1998–2001
Elected for the period 2003–2004
Joined a Group company in 1977, President and CEO of Lassila & Tikanoja Group 1983–1998, President of Säkkiväline Group 1993–1997
Holds 704,240 Lassila & Tikanoja plc shares

Heikki Hakala, born 1941
M.Sc. (Econ.), Doctor of Technology, h.c.
Vice Chairman since 2001
Member of the Board of Directors of the former Lassila & Tikanoja plc since 1988, Vice Chairman 1998–2001
Elected for the period 2003–2004
President and CEO of Metso Corporation 1999–2000, President and CEO of Rauma Corporation 1996–1999, Vice President of Rauma-Repola/Repola Corporation 1986–1996
Chairman of the Board of Directors of Kuusakoski Group Oy and Juhani Mäkivirta Oy, Vice Chairman of the Board of Directors of Pohjola Group Plc, Member of the Board of Directors of Altia Corporation, Metso Corporation and Orion Corporation
Holds 4,000 Lassila & Tikanoja plc shares

Lasse Kurkilahti, born 1948
B.Sc. (Econ.), CEO of Kemira Oyj
Member of the Board of Directors since 2001
Elected for the period 2002–2003
President and CEO of Elcoteq Network Corporation 2001–2004, CEO of Raisio Group 2000–2001, President and CEO of Nokian Tyres plc 1988–2000
Member of the Board of Directors of Fortum Corporation
Holds 1,000 Lassila & Tikanoja plc shares

Juhani Lassila, born 1962
M.Sc. (Econ.)
Group Treasurer of Instrumentarium Corporation
Member of the Board of Directors since 2001, Member of the Board of Directors of the former Lassila & Tikanoja plc 1998–2001
Elected for the period 2003–2004
Group Treasurer of Instrumentarium Corporation since 1998
Holds 3,600 Lassila & Tikanoja plc shares
Controlling power in Evald and Hilda Nissi Foundation which holds 1,005,660 Lassila & Tikanoja plc shares

Soili Suonoja, born 1944
Teacher of Home Economics, MBA
Member of the Board of Directors since 2001
Elected for the period 2002–2003
Managing Director of Amica Group 1989–2000
Member of the Board of Directors of Altia Corporation, Lännen Tehtaat plc, Outokumpu Oyj, Finland Post Corporation and Finnish Road Enterprise, Vice Chairman of Association of Finland's Board Professionals
Holds 300 Lassila & Tikanoja plc shares

President and CEO

Jari Sarjo, born 1957
Master of Laws
President and CEO of Lassila & Tikanoja Group since 2001
President of Säkkiväline Group 1997–2002
Various administrative and operative management positions in a Group company since 1984
Holds 3,000 Lassila & Tikanoja plc shares and 19,000 2002A stock options and 20,000 2002B stock options

Auditors

PricewaterhouseCoopers Oy
Authorised Public Accountants
Principal Auditor Heikki Lassila, APA

Lassila & Tikanoja Management

Juhani Maijala

Jari Sarjo

Arto Nivalainen

Anna-Maija Apajalahti

Jorma Mikkonen

Martin Forss

Kari Korpelainen

Sirkka Tuomola

Chairman of the Board of Directors

Juhani Maijala, born 1939
B.Sc. (Econ.), Master of Laws
Chairman since 2001
Member of the Board of Directors of the former Lassila & Tikanoja plc since 1983,
Chairman 1998–2001
Joined a Group company in 1977,
President and CEO of Lassila & Tikanoja Group 1983–1998,
President of Säkkiväline Group 1993–1997
Holds 704,240 Lassila & Tikanoja plc shares

Management Team

Jari Sarjo, born 1957
Master of Laws
President and CEO of Lassila & Tikanoja Group since 2001
President of Säkkiväline Group 1997–2001
Various administrative and operative management positions in a Group company since 1984
Holds 3,000 Lassila & Tikanoja plc shares and
19,000 2002A stock options and
20,000 2002B stock options

Arto Nivalainen, born 1950
M.Sc.
Vice President, Environmental Services
Various management positions in environmental management in a Group company since 1993,
Vice President since 2000
Holds 2,000 Lassila & Tikanoja plc shares and
9,500 2002A stock options and
10,000 2002 B stock options

Anna-Maija Apajalahti, born 1948
M.Sc. (Pol.Sc.)
Vice President, Property Services
Various management positions in cleaning services and marketing in a Group company since 1971, Vice President since 2000
Holds 800 Lassila & Tikanoja plc shares and
9,500 2002A stock options and
10,000 2002B stock options

Jorma Mikkonen, born 1963
Master of Laws
Vice President, Industrial Services
Various management positions in legal affairs and administration in a Group company since 1992, Vice President since 2000
Holds 300 Lassila & Tikanoja plc shares and
9,500 2002A stock options and
7,500 2002B stock options

Martin Forss, born 1962
M.Sc. (Econ.)
Vice President, Corporate Planning and Business Development since 2001
Various financial management positions in Group companies 1993–2001
Holds 300 Lassila & Tikanoja plc shares and
7,500 2002A stock options and
7,500 2002B stock options

Kari Korpelainen, born 1969
M.Sc. (Econ.)
Vice President, Marketing since 2002
Various positions in marketing in a Group company since 1994
Holds 100 Lassila & Tikanoja plc shares and
4,500 2002A stock options and
7,500 2002B stock options

Sirkka Tuomola, born 1947
M.Sc. (Econ.)
Vice President and CFO since 2001
Various financial management positions in Group companies since 1981,
Vice President and CFO of the former Lassila & Tikanoja 1992–2001
Holds 16,000 Lassila & Tikanoja plc shares and
7,500 2002A stock options and
7,500 2002B stock options

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 Company's result are issued by representatives of the Company during the time between the end of one financial period and release of the next report.

Printed publications 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 will be posted to all shareholders and persons on the mailing list maintained by the Company.

All the Company's stock exchange releases can be read on the Company's Internet 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
Tia Lehto
tel. +358 9 2283 2711
tia.lehto@alfredberg.fi

D. Carnegie AB Finland
Raoul Konnos
tel. +358 9 6187 1233
raoul.konnos@carnegie.fi

Conventum Securities
Bengt Dahlström
tel. +358 9 2312 3315
bengt.dahlstrom@conventum.fi

Enskilda Securities
Mikko Koskela
tel. +358 9 6162 8900
mikko.koskela@enskilda.fi

Evli Bank
Matti Riikonen
tel. +358 9 4766 9631
matti.riikonen@evli.fi

FIM Securities
Mikko Linnanvuori
tel. +358 50 531 1870
mikko.linnanvuori@fim.com

Nordea Securities
Joakim Paul
tel. +358 9 3694 9426
joakim.paul@nordeasecurities.com

Opstock Securities
Jari Räisänen
tel. +358 9 404 4408
jari.raisanen@oko.fi

Seligson & Co
Anders Oldenburg
tel. +358 9 6817 8234
anders.oldenburg@seligson.fi

Cazenove, London
Gorm Thomassen
tel. +44 207 214 7663
gorm.thomassen@cazenove.com
Mike Yates
tel. +44 207 512 8051
mike.yates@cazenove.com

Merrill Lynch, Edinburgh
Robert Miller-Bakewell
tel. +44 131 473 1056
rmiller-bakewell@exchange.uk.ml.com

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc will be held on 18 March 2004 at 4 p.m. in Kansallissali, Aleksanterinkatu 44, 00100 Helsinki.

Shareholders who were entered in the Company shareholder register maintained by Finnish Central Securities Depository Ltd on 8 March 2004 are entitled to attend the Annual General Meeting.

Shareholders whose shares have not been transferred to the book-entry system are also entitled to attend the Annual General Meeting provided that they were registered in the shareholder register of the Lassila & Tikanoja plc demerged on 30 September 2001 (business ID 0110679-8) before 1 November 1993. In such cases, shareholders must present their share certificates at the Annual General Meeting or otherwise demonstrate that title to the shares has not been transferred to the book-entry account.

Shareholders who wish to attend the Annual General Meeting of Shareholders shall notify the Company not later than on Friday 12 March 2004 at 4 p.m. by telephone to +358 10 636 2882/Taru Määttä, by writing to the following address: Lassila & Tikanoja plc, P.O. Box 28, 00441 Helsinki, by fax to +358 10 636 2899 or by e-mail to the address taru.maatta@lassila-tikanoja.fi. Please deliver any powers of attorney by the end of the notification period to the same address.

Payment of the dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 1.20 per share be paid for the 2003 financial year. The dividend decided on by the Annual General Meeting of Shareholders will be paid to a shareholder registered in the Company shareholder register maintained by Finnish Central Securities Depository Ltd on the record day. In accordance with the decision of the Board of Directors, the record day for payment of the dividend is 23 March 2004. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 30 March 2004.

Financial Information

The interim report for the period between 1 January and 31 March will be published on 27 April 2004 at 8.30 am.
The interim report for the period between 1 January and 30 June will be published on 27 July 2004 at 8.30 am.
The interim report for the period between 1 January and 30 September will be published on 26 October 2004 at 8.30 am.

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 web 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 and interim reports.

LASSILA & TIKANOJA PLC
Hopeatie 2
P.O. Box 28
FIN-00441 Helsinki
Tel. +358 10 636 111
Fax +358 10 636 2899
E-mail: ir@lassila-tikanoja.fi
firstname.lastname@lassila-tikanoja.fi
www.lassila-tikanoja.com

LASSILA & TIKANOJA PLC

Lassila & Tikanoja plc, P.O. BOX 28, 00441 Helsinki, Finland

tel. +358 10 636 111, fax +358 10 636 2800

www.lassila-tikanoja.com