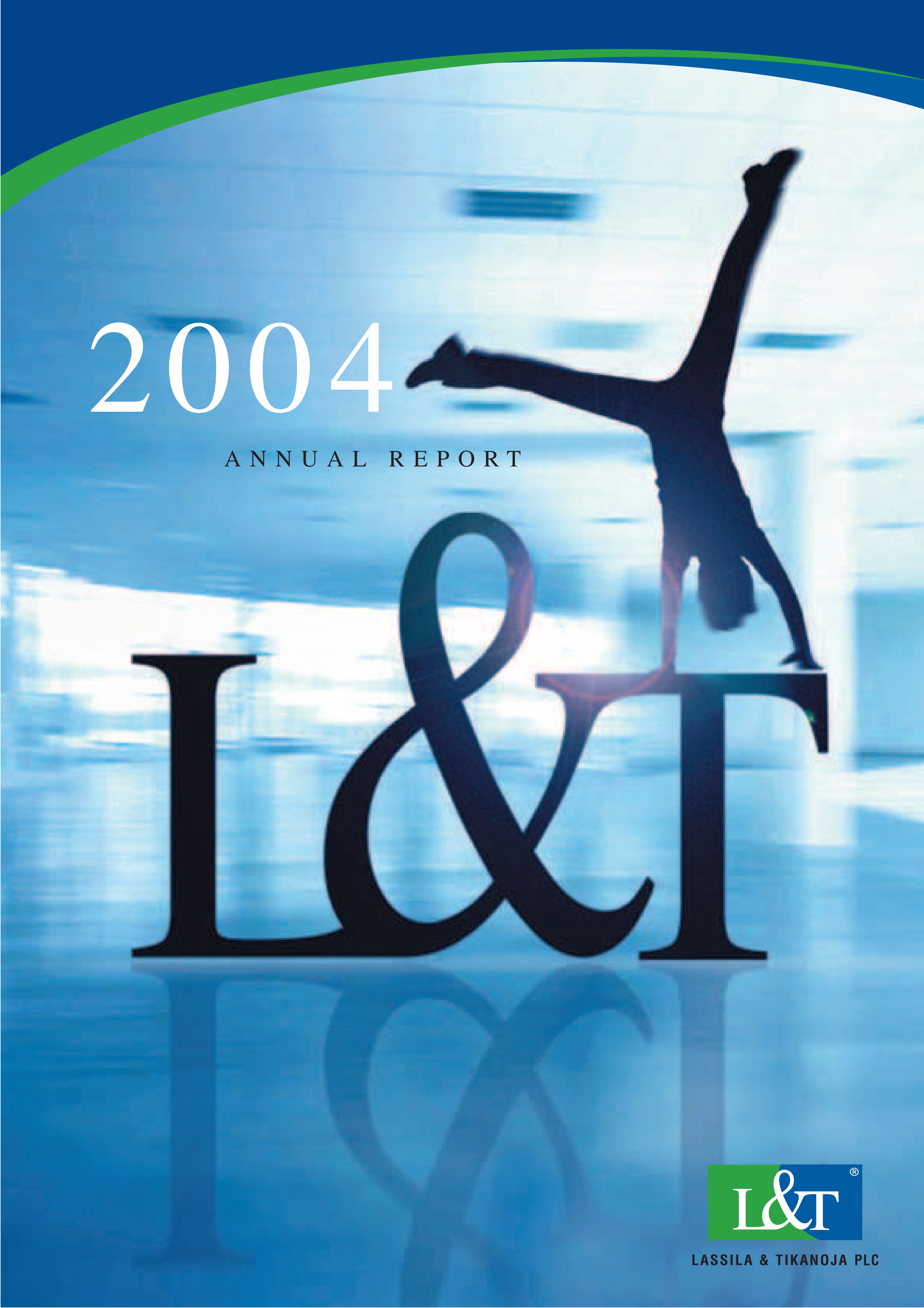


2004 ANNUAL REPORT

LASSILA & TIKANOJA PLC

Contents

To our shareholders

New century begins with vigorous growth

In June 2005, Lassila & Tikanoja will turn one hundred years old. The Company started out as a wholesale business handling mainly textiles, and through the clothing and multi-sector industries moved into the service industry. The span of our Company's industrial history shows how it has been able to adapt to dramatic changes in the environment, preserving its vitality. It also underlines a long-term commitment, irrespective of whether this is from the Company's owners, personnel, customers or other stakeholders.

The Company owners' long-term approach, as perceived by Lassila & Tikanoja, is evident in the operational aim of achieving as large a long-term return on investment as possible. Our committed personnel are successfully carrying out this goal at Lassila & Tikanoja, which is both a safe and challenging place to work.

Today, Lassila & Tikanoja is one of the leading companies in the sector and its business operations have expanded beyond Finland. Internationalization is a positive development and foreign owners are important for the Company. In the past, the commitment to the Company by its Finnish owners in particular has been significantly noteworthy. This should, however, not be taken for granted; earning the trust of the Company's all owners must be achieved by taking care that the Company is a profitable and competitive investment. Every effort is made to ensure that Lassila & Tikanoja's business operations are as transparent as possible and can, therefore, be easily assessed by its owners.

Market growth long into the future

Lassila & Tikanoja operates in a market where growth will exceed the average growth in GDP for several years to come. The growth in the market is primarily a result of a tightening of environmental regulation and increased outsourcing of support services. The phenomenon is a global one, but it is especially pronounced in Lassila & Tikanoja's strategic business areas in the countries bordering the Baltic Sea. The demand for services is also increasing in Finland due to an ageing workforce in the public sector, in which the acquisition of services from the private sector has accelerated, and also the increased willingness of other industries to use specialist companies in the sector for different support services. Lassila & Tikanoja aims to grow faster than the market, and we believe this is possible in all our divisions.

Because the markets are growing and Lassila & Tikanoja is in a relatively strong position across all its business areas, it is not expedient for us to diversify into other sectors. We will, however, expand our range of services. By networking with companies that are leaders in their own sector, we will be able to expand operations into tangential markets and provide more versatile service solutions, which in turn will strengthen our competitive position. This trend will also be continued in 2005. Growing markets are always the starting point for networking, too.

Investments for profitable growth

We have made significant investments in growth and this trend will continue. We have invested in production plants for processing waste materials and intensified product development, as well as strengthened our personnel resources in a focused way so our operations abroad can grow as planned. We have also increased resources in sales, which is evident from the clear increase in organic growth seen during the second half of 2004. Our capital structure has been strengthened with a share issue. The conditions for growth are, therefore, good. At the same time it should be pointed out that these investments are being accelerated in relation to growth, in other words they will put a strain on profit in the short term.

Accelerating growth in the near future — expansion of operations abroad

Investments in Finland and in neighbouring countries together with opening new offices abroad will increase Lassila & Tikanoja's growth rate. In addition to Finland, the Company currently operates in Latvia and Russia. Over the next two years, activities will be expanded to include the other Baltic States and also northern Sweden, and operations in Latvia and Russia will be increased. The Company aims to grow over ten per cent a year in the long term. However, it is expected that net sales will increase even faster in the near future.

The future has to be earned

Although we are proud of the Company's centennial history, and although a long history, of course, creates an assumption that the firm will continue, 'the right to exist' must always be earned again, every day. We can claim without exaggeration that today's employees at Lassila and Tikanoja want to be worthy of the Company's one hundred year history in the future, too.

On behalf of the Lassila & Tikanoja's management we would like to thank all those people who have worked and are still working today to make Lassila & Tikanoja a success.

JUHANI MAIJALA JARI SARJO

Lassila & Tikanoja in brief

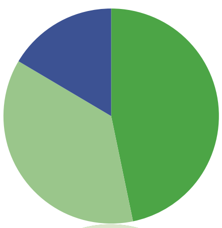
Lassila & Tikanoja is a publicly quoted Finnish company that specialises in environmental management and property and plant maintenance. Its business is divided into three divisions: Environmental Services, Property Services and Industrial Services. L&T operates in Finland and to an increasing extent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

Lassila & Tikanoja is listed on the Helsinki Stock Exchange main list under 'Other Services'

	Environmental Services	Property Services	Industrial Services
Division	Environmental Services covers the collection, transport and treatment of waste and reusable material and the supply of processed recycled materials for reuse.	Property Services offers cleaning, property maintenance and services at customers' premises.	Industrial Services specialises in heavy-duty cleaning and damage repair for industry and other types of property that require special expertise.
Product lines	**Waste management** **Recycling services** L&T is also engaged in wholesale trade in environmental management products.	**Cleaning services** **Property maintenance** **Maintenance of technical systems**	**Hazardous waste services** **Industrial cleaning** **Damage repair services** **Wastewater services**
Net sales 2004	EUR 157.4 million	EUR 123.8 million	EUR 55.5 million
Operating profit 2004	EUR 21.8 million	EUR 7.5 million	EUR 5.2 million
EVA 2004	EUR 10.1 million	EUR 5.9 million	EUR 0.8 million

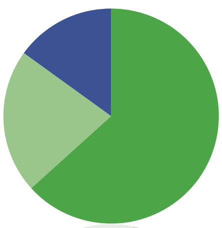
Net sales by division

Total EUR 336.7 million



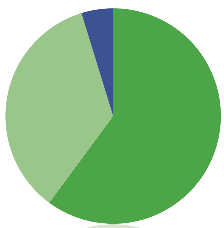
Operating profit by division

Total EUR 34.6 million



EVA by division

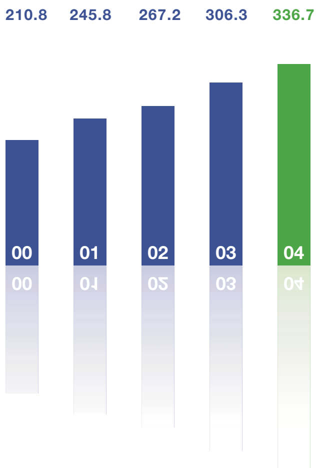
Total EUR 16.8 million



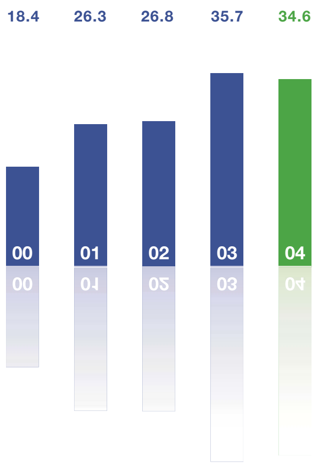
Key figures for 2004 and 2003	2004	2003	Change %
Net sales, EUR mill.	336.7	306.3	9.9
Operating profit, EUR mill.	43.5	43.4	-0.2
Profit before extraordinary items, EUR mill.	30.4	31.8	-4.4
Return on equity (ROE), %	19.0	24.0	
Return on invested capital (ROI), %	17.5	20.5	
Gearing, %	45.7	80.1	
Equity ratio, %	48.8	40.6	
Gross investments, EUR mill.	49.0	43.8	12.0
Average personnel employed converted to full-time	5 409	4 595	17.7
EVA, EUR million	16.8	19.6	-14.3
Earnings/share (EPS), EUR	0.62	0.63	-1.6
Cash flow from operations/share, EUR	1.46	1.40	4.3
Dividend per share, EUR	0.25*	1.01**	

* Proposal by the Board of Directors
** Includes additional dividend of EUR 0.46
The key figures have been adjusted with share issue adjustment factor.
Calculation of the key figures on the pages 43 and 44

Net sales, EUR million
2000-2001 pro forma



Operating profit, EUR million
2000-2001 pro forma



Strategy

L&T's target is to make the Company's shares a good and competitive investment in the long term through growth and good profitability.

L&T intends to remain in its present operating sectors and expand in a controlled manner to Finland's neighbouring regions. The Company's aim is to grow faster than the market growth in Finland. The long-term growth target for the Company's net sales is more than 10 per cent annually. Growth will be pursued mainly organically, in addition to which there will be acquisitions. The growth target abroad is higher in relative terms than domestically, and growth outside Finland will be based on acquisitions, the establishment of new units and organic growth. Growth will be sought in particular in the Baltic States, and in selected areas in Russia. During the next two years L&T will be investing considerably both in Finland and abroad, which will accelerate the growth in net sales. During the next few years, net sales are expected to show a clear increase over the long-term target.

Success at L&T is measured primarily in terms of profitability. The most important indicator of profitability is the EVA (Economic Value Added) result, which the Company aims to improve every year. In today's growing market, exceptions to this goal may be made only temporarily, for example when the price of money rises sharply or if the operations are significantly burdened by the initial stages of unusually large investment or if an expansion in international activities puts a temporary strain on the result.

Divisions' competitive strategies

Environmental Services' aim is to be the market leader in the sector in Finland and a major operator in chosen business activities in environmental management in neighbouring regions. Environmental Services' aim is to operate as comprehensively as possible in all sections of the logistics chain and to endeavour to achieve nationwide market leadership in an increasing number of materials. The operations are based mainly on the division's own collection, the aim being the assurance of large volumes for its own processing plants. Besides this, the Company has strategic partners with whom it will be possible to expand operations to tangential markets.

Major investments in the plants are planned for the recycling operations, the aim being to raise the degree of waste recovery and strengthen the Company's position in the final part of the logistics chain. The comprehensive plant network brings a competitive edge to the Company.

Abroad, Environmental Services is endeavouring to exploit its expertise in particular in the Baltic States and selected areas in Russia, where market development lags considerably behind Finland. Attempts will be made to extend the business to the entire logistics chain, even though the emphasis in investments will be on the final part of it, on processing plants.

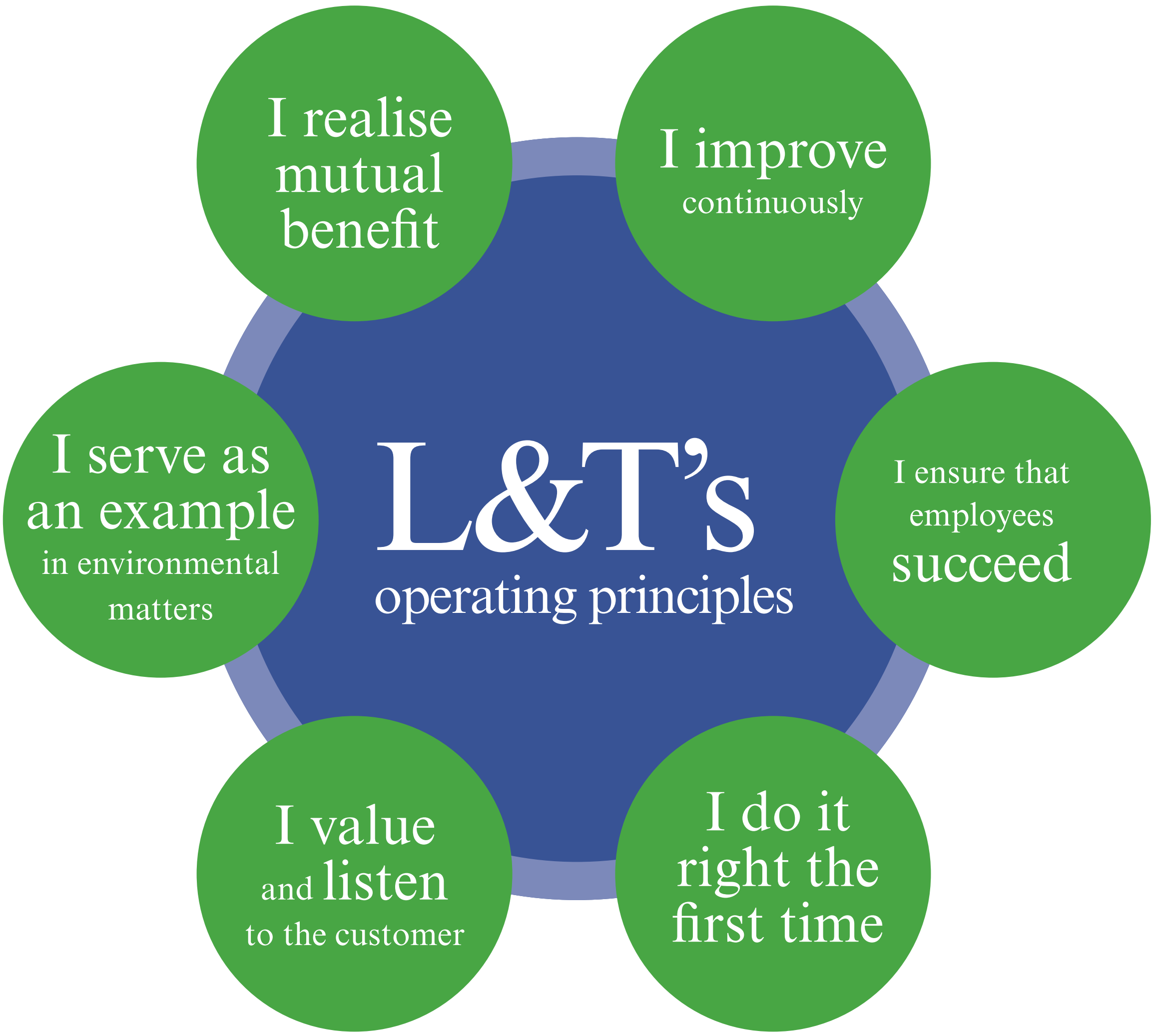
Property Services is the second-biggest operator in its field in Finland. In the future, Property Services will be aiming for the leading position in the Baltic States and selected areas in Russia. L&T will be endeavouring to distinguish itself from its competitors through the quality of its work and the high standard of its production management systems. An important tool for achieving this aim is the system of service concepts for specific customer segments. The Company also provides services at customers' premises, e.g. mailing, reception and catering, either on its own or in cooperation with other companies in the field.

Industrial Services: L&T offers the widest selection of industrial services in Finland, and in terms of product lines it is the biggest or second-biggest operator in Finland. In Industrial Services, Lassila & Tikanoja is a customer-oriented supplier of comprehensive solutions. The focus is on constructing and introducing operating models that can optimize capacity allocation in an unpredictable work flow. Industrial Services' representatives act for all the Company's divisions when negotiating with basic industry.

L&T's values are the principles that direct the operations

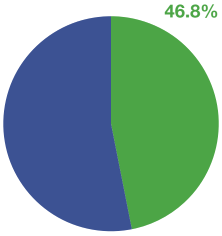
L&T's goals are defined in the operating policy: L&T aims to be a profitable and competitive company, a reliable partner, a challenging and safe place to work, and a good corporate citizen. The operating principles are the common rules by which the operating policy goals are achieved within the company.

The operating principles are put into effect through the actions of every employee. The implementation of these operating principles are be evaluated with the help of development discussions, work satisfaction surveys, internal assessment and customer satisfaction surveys.



Environmental Services

Percentage of net sales



Services

L&T's Environmental Services division covers the collection, transportation and processing of waste and recyclable materials and the supply of recycled materials for reuse. 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 in the service. 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 collected waste materials are brought for processing either to L&T's own plants or to the plants of cooperation partners. L&T is constantly increasing its processing capacity in order to reduce the proportion of waste ending up at landfills. Processed recycled materials are generally sold to the end-user on long-term contracts.

Environmental Services manages recycling services based on producer liability in tyres, waste paper, packaging and plastics. The most extensive service package covers discarded tyres; the entire material chain from collection to processing and reuse is managed by L&T throughout Finland.

The Bajamaja service provides outdoor-event organisers with a comprehensive, customised service, from portable lavatories to cleaning.

Salvor Oy, a joint venture of L&T and the Finnish Road Enterprise, specialises in processing services for industrial by-products, soil remediation and the construction of landfill barrier systems.

Environmental products

The Environmental products unit is engaged in the wholesale trade and export 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.

L&T is expanding its operations to the growing waste management and recycling services market in the Baltic States. L&T Hoetika is the market leader in waste collection, transportation and reuse in Latvia.

Legislation and environmental attitudes boost markets in Finland and neighbouring areas

L&T has the most extensive environmental management service network in Finland, and it takes care of waste management and recycling services for both local and national customers throughout the country. L&T Hoetika is the biggest company producing environmental services in Latvia.

L&T is involved extensively, both geographically and in terms of the range of materials, in waste collection, recycling, the sale of recycled raw materials produced in processing and the final disposal of non-recyclable waste. Its mastery of the entire logistics chain helps it to dimension its resources correctly in every section of the chain and thus improve operations. An extensive production plant network allows for benefits of scale in the operations and gives L&T a significant competitive edge.

According to Finland's National Waste Plan, the annual level of waste recovery should have risen from about 50 to 70 per cent by 2005. The target was not reached within this timetable, but the size of the market will increase far into the future: the target is kept at 70% and increasing processing and recovery requirements continue to be placed on packaging waste, biowaste and waste electrical and electronic equipment.

In 2004, L&T increased its processing capacity both geographically and in terms of materials by investing in solutions with obvious development potential. L&T has ongoing projects aiming at multiple processing and treatment of waste materials in Kerava, Virrat, Turku, Kitee and Lahti, to mention a few examples.

For Latvia, Estonia and Lithuania, EU membership means in principle the introduction of regulations and goal-setting for waste management and recycling similar to those in force in Finland. The currently relatively undeveloped markets in these countries have the potential to grow far into the future. L&T is studying various business opportunities in these areas. Business operations also started in Russia at the beginning of 2005 .

Most of the future growth in environmental services will be produced by operations related to waste management, recycling and final disposal.

In terms of customer base, the biggest growth potential is in trade and industry. The domestic waste market will also grow, but its business opportunities are for the moment distinctly more limited as a result of local government measures to restrict competition.

Environmental Services holds a share of some 18 per cent of the Finnish market. The concept of the market has expanded with new business operations, which will affect the size of the market share. L&T is the leading operator in its field in Finland, with the exception of some recycled materials (metal and paper). Environmental products is a strong market leader in Finland and has been very successful with exports, too.

L&T continues to increase its processing capacity. A new recycling plant went on stream in Oulu in summer 2004.

2004

Net sales by Environmental Services amounted to EUR 157.4 million (EUR 137.2 million), an increase of 14.7%. The operating profit was EUR 21.8 million (EUR 20.8 million), a growth of 5.1%.

Environmental Services' profitability remained stable. Further investment in sales and plant operations improved recycling services' net sales and financial performance. There was a rise in the volumes processed by the company's own plants in respect of industrial fibres, recyclable plastics and trade and industrial recyclable materials. The tyre recycling operations achieved a production record.

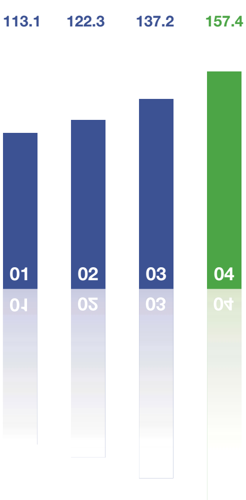
The unit in Latvia, L&T Hoetika, achieved its objectives. It invested in new collection and transportation equipment and introduced the L&T brand. The total value of the stock of contracts has shown a favourable trend.

Net sales of environmental products were at the same level as in 2003. The product line, however, fell short of its targets, although there were signs of better things to come in the final quarter.

The business prospects of Salvor Oy, a joint venture which started operations in July , are good both in Finland and abroad. Salvor's operations will be expanded to the Baltic region and Russia.

Net sales, EUR million

2001 pro forma

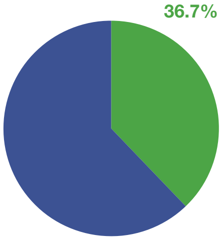


Operating profit, EUR million

2001 pro forma

Property Services

Percentage of net sales



Services

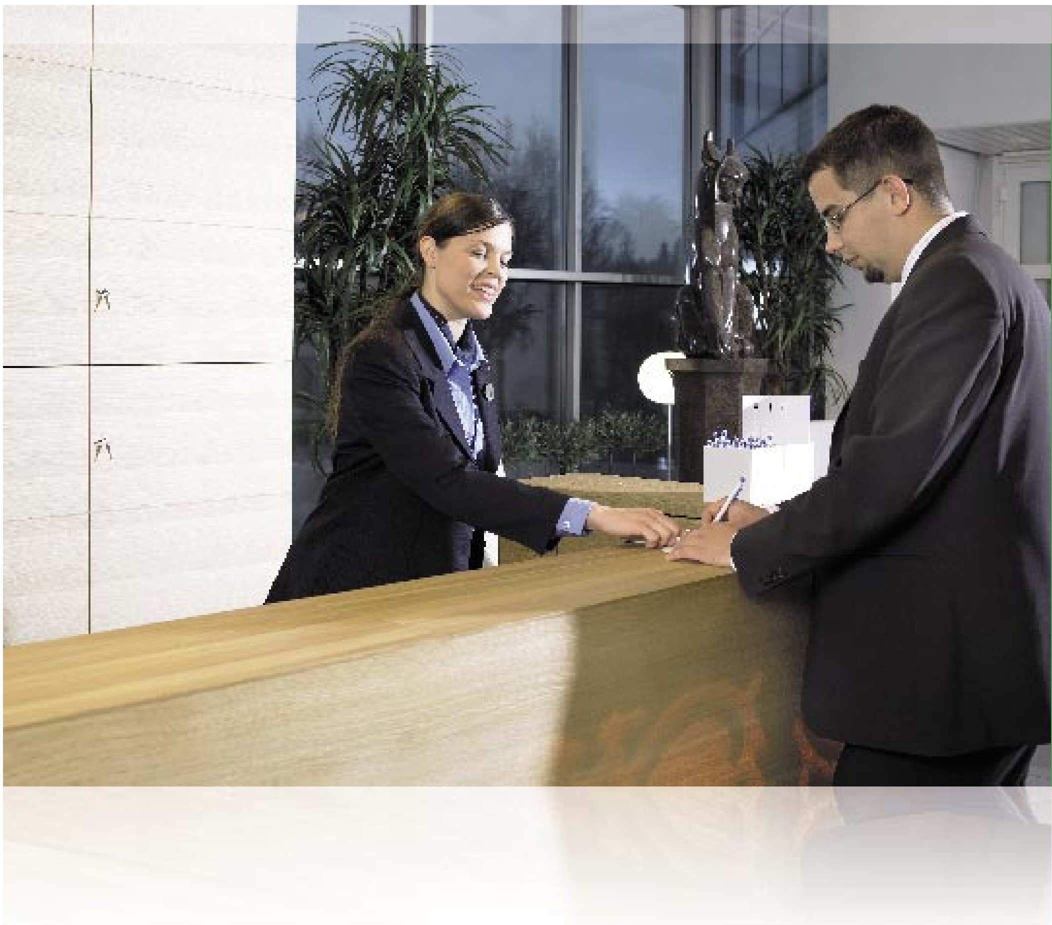
Cleaning services offers customized comprehensive solutions for various types of customer groups, including, in addition to cleaning services produced by L&T, other customized services for office and commercial facilities, such as mailing, reception services and catering. These extensive service packages are implemented either by L&T itself or through networking with the best expert companies.

Property maintenance comprises the general security, operation and maintenance of technical systems, maintenance of outdoor areas, cleaning of public facilities, indoor and user services and multiple non-recurring special services. Technical systems maintenance produces M&E (heating, water, air conditioning, electricity, refrigeration, automation) and technical management services. Kiinteistönetti is an Internet-based service system that constitutes a channel for real-time contact and extensive customer reporting.

L&T has developed service concepts for major retail operators and commercial centres, for the food industry, which requires top-class hygienic standards, and for service station chains. The Reilu cleaning concept designed for offices also comprises waste recycling at working facilities. The service concepts are the joint result of product development and customer partnerships.

Market grows as outsourcing increases

The competitive edge of Property Services is derived from customer-responsiveness, high quality, cost effectiveness and a multiple range of services. The aim is to be a quality leader in plant and property maintenance in selected customer segments. By networking L&T can expand operations to tangential markets and thus



Services for office and commercial premises and user services including mailing, entrance security and catering services were added to L&T's comprehensive service solutions for properties in 2004.

Winter conditions in Finland cause additional work for property maintenance. The amount of work varies greatly from year to year.

offer its customers an increasing range of service packages.

Office and commercial properties and industry are the biggest customer groups in cleaning services. In property maintenance, the biggest customers are institutional property owners and property superintendents and managers.

The commercial property maintenance market accounts for some 20 per cent and the cleaning services market for approximately one third of the total market in Finland. Both markets have consolidated rapidly in the past few years and more than half of the net sales on the commercial market are accounted for by the three biggest operators. The sector is not particularly sensitive to economic cycles, although some customers tend to restrict their service purchases at the bottom of the cycle in order to cut costs.

The commercial market is expected to grow faster than the national economy for a number of years, since industry and part of the public sector are giving up their own property maintenance organizations. In the local government sector, for instance, the outsourcing rate for property maintenance is now well below 20 per cent, but ageing of the personnel is expected to accelerate the outsourcing process towards the end of this decade.

In Moscow L&T is negotiating on the acquisition of the business operations of a cleaning services company. L&T plans to expand the operations in Moscow under L&T brand at a rapid rate.

The market share of Property Services is some 12 per cent in Finland. L&T is Finland's second-biggest operator in both cleaning services and property maintenance.

2004

Net sales by Property Services totalled EUR 123.8 million (EUR 113.8 million), an increase of 8.8%. The operating profit was EUR 7.5 million (EUR 8.5 million).

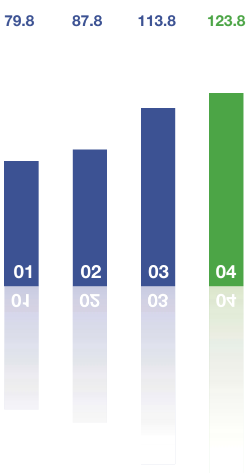
Operating profit fell in the first and second quarter when the financial performance suffered because of the heavy winter snowfalls and reduced volumes in renewed contracts. Measures to improve production and sales produced results in the second half of the year, particularly in cleaning services, where customer permanence has also improved.

Lassila & Tikanoja's position on the property services market was strengthened, when one of the biggest competitors in the field was eliminated from the market by a takeover. The change in the market situation became apparent at the end of the year with highly successful new sales in both product lines; sales in the final quarter in particular showed a clear upturn that is expected to continue in 2005. The food hygiene services concept attracted new companies that have a major presence in the food industry. The service product developed for service station chains has also been well received.

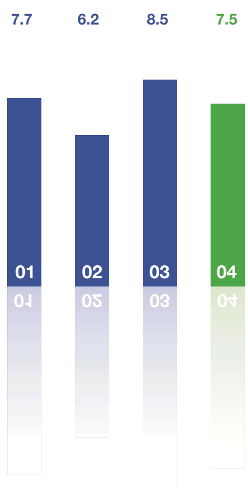
In June, L&T started its first cleaning assignment abroad at the HK Ruokatalo sausage factory in Latvia. An organization was set up for international operations, its area of responsibility being the expansion of Property Services to the Baltic region.

Lassila & Tikanoja and Amica Restaurants Ltd, which is part of the Fazer Group, established a joint venture company together, Blue Service Partners Oy. The company's task is to provide efficient, comprehensive and top-grade solutions in catering and property services for the public sector, particularly for municipalities. The company's operations started in early 2005.

Net sales, EUR million
2001 pro forma

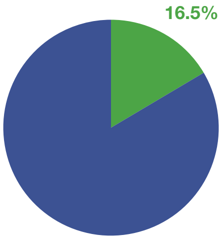


Operating profit, EUR million
2001 pro forma



Industrial Services

Percentage of net sales



Services

L&T's Industrial Services specializes in heavy-duty, expertise-demanding cleaning and damage repair for industry and various properties.

Hazardous waste services provides customized collection, sorting and processing services for its customers. L&T plants produce recycled raw materials and recovered fuels for industry and energy plants.

Industrial cleaning specialises in providing cleaning services for industrial processes (pipeline systems, boilers, heat exchangers) by means of high-pressure water equipment, suction and combination equipment, and heavy-duty vacuum suction equipment. Key customers include the forest, metal and chemical industries, power plants and oil refineries.

Damage repair services minimises property damage in various loss situations, such as fires, accidents and averages, and the occurrence of damage caused by water and damp.

Wastewater services (previously sewer maintenance) offers maintenance services to properties and industry and maintains pipeline systems, wells, separators and infrastructure wastewater systems and systems for sparsely populated areas.

The market grows and consolidates

L&T is Finland's most diversified provider of industrial services and a market leader in most of its service sectors. Nevertheless, there is still plenty of potential for growth. Environmental requirements are becoming stricter in Finland, which means increasing demand for hazardous waste services. Growth potential is biggest in Russia and the Baltic region, however, where hazardous waste management is still in its initial development stages.

Interior camera scans reveal the condition of pipelines and locate possible damage.

L&T's new production plant in Tuusula processes solid oil waste into recycled raw materials and recovered fuel.

L&T aims at finding recycling and reuse solutions for the entire Baltic region by expanding its service network to Finland's neighbouring areas and by networking with waste reusers and processors. L&T's own processing plants and cooperation partners are able to recycle more than 50 per cent of the waste it collects. The aim is to increase the proportion of recyclable hazardous waste to over 70 per cent. More than 90 per cent of the waste processed by L&T's own plants is recycled.

Changes in the purchasing culture of customers have the most distinct impact on the market in the field of industrial cleaning. As accounts increase in size, the market consolidates, which again calls for more centralized production management and control at L&T. On the other hand, as customer requirements increase, price is no longer the only competitive factor. In the future, a competitive edge will be achieved by developing customers' support activities so that overall costs can be controlled and managed better. As the role of service providers keeps changing, increased resources will be called for in account management and development work at the customer interface.

In damage repair services, awareness of health risks caused by damp, mould and impurities in indoor air is increasing the demand for drying services constantly. The importance of special expertise is clearly on the increase, which has strengthened L&T's market position. L&T has superior resources and the capacity to manage extensive service packages for minimizing property and environmental damage in accident situations.

The market for wastewater services is going through a period of transition. The majority of Finland's water supply and sewer network is old enough to require thorough renovation. The role of preventive servicing is gaining importance in both local government and in industry. In the next few years, sewer network maintenance, wastewater treatment and sludge management will be transferring to the private sector. L&T is going to place further input into its expertise in network maintenance.

2004

Net sales by Industrial Services were EUR 55.5 million (EUR 55.2 million). The operating profit was EUR 5.2 million (EUR 6.4 million).

The market situation for Industrial Services was uncertain during the entire year. Poor demand at the beginning of year placed a strain on financial performance and intensified price competition in all the product lines. Demand was fairly uneven the whole year through and difficult to predict. This made it difficult to plan production and was particularly burdensome for the financial performance of industrial cleaning and wastewater services.

Hazardous waste services and damage repair services both increased their net sales. Net sales by industrial cleaning stayed at the level of the comparison year, while net sales by wastewater services fell. Although it continues to be difficult to predict the future trend in the market situation, prospects for Industrial Services look brighter than at the corresponding time last year.

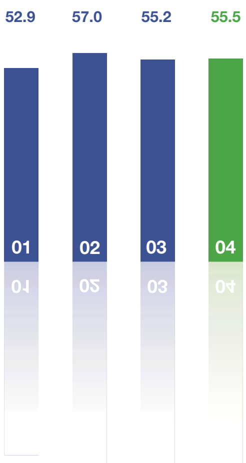
L&T's own production plants helped the hazardous waste services to recycle an increasing proportion of waste for reuse, which improved the unit's competitiveness. A production plant processing solid oily hazardous waste into recycled raw material and fuel went on stream in Tuusula.

The reorganization measures that were taken in damage repair services had the desired effect. The product line's market share was strengthened and profitability improved substantially.

In industrial cleaning, the market is concentrating rapidly as customers centralize purchases. Regional status and service capacity were reinforced with two corporate acquisitions, one of which was carried out in 2005. Some overcapacity has also been removed from the sector.

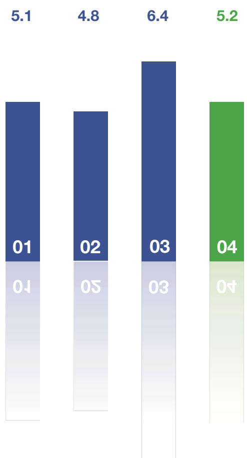
Net sales, EUR million

2001 pro forma



Operating profit, EUR million

2001 pro forma



Well-known throughout the country for its customer-oriented service

Quality operations – quality reputation

A good reputation is one of the most important cornerstones of a company's operations. L&T puts particular emphasis on corporate social responsibility in all its operations and aims to set an example in environmental issues. L&T not only complies with legal requirements but wants to be a pioneer in the field of environmental care. In practice this means that L&T goes beyond standard environment-oriented action by advancing the well-being of its immediate environment, participating in the development of society at large and observing ethical principles.

In autumn a corporate image survey was commissioned, and the results showed that awareness of L&T has continued to improve when compared with the survey made in 2003. Among companies, awareness of L&T reached a full 100 per cent and among households 88 per cent. Among corporate decision-makers, the awareness figure improved by close on 20 per centage points, reaching 61 per cent. The survey results were good also in keeping with L&T's image targets. L&T is now considered to represent higher quality: as many as 50 per cent of all corporate respondents listed quality as L&T's top competitive strength.

Close links with customers

L&T wishes to improve in meeting the expectations of both its Finnish and international customers. In order to allow its customers to concentrate on their own core expertise, it produces comprehensive packages of high-quality, cost effective environmental management services and services for properties and office and commercial premises.

Sales and account management were reorganized towards the end of the year so that they would meet the customers' expectations and L&T's growth targets better. International operations also present new challenges and requirements for sales. The sales of services and account management were divided into three categories: corporate sales, telemarketing and comprehensive solutions. The duties of the new comprehensive solutions unit consist of customer acquisition and management. Its starting point is always the needs of the customer or a specific customer segment. A comprehensive solution is always looked at from the perspective of L&T as a whole, not that of a single service or product line. The key account managers in the comprehensive solutions unit are responsible for specific accounts with responsibility for all customer relations. Apart from this, the unit is responsible for the commercial management and international sales of separately specified service concepts.

Product development

L&T's new service product for unmanned fuel distribution stations covers the management of the entire station except for fuel deliveries.

L&T's product development focuses on developing services in line with the corporate strategy and helps to support the achievement of business goals. Customer needs and practical implementation of the services are combined into service products with the help of service concepts. The purpose of conceptualization is to enhance L&T's competitiveness by ensuring that its services continue to be interesting to customers and that their implementation is cost effective.

L&T's conceptualization model was originally developed together with customers and various experts and it continues to be developed on a continuous basis. The aim is to introduce two-to-four new service products each year.

Today, the proportion of net sales accounted for by conceptualized service products is well under 20 per cent, but the long-term target is over 60 per cent.

A new service product featuring food hygiene services for major and medium-sized food production plants was introduced to the market at the end of 2003. Thanks to this service form, L&T's market status was reinforced significantly in the food industry during 2004. The service package lays emphasis on the professional skill of the personnel handling the washing of production facilities and equipment and the importance of practical cooperation with the customer.

L&Ts service model for managing unmanned fuel stations began practical testing in 2003 with two co-partners. It underwent further tests during 2004 in cooperation with key fuel distributors. L&T's position in the management of unmanned fuel stations has been strengthened significantly during the test period. This new service product was adopted by several customers in the early 2005.

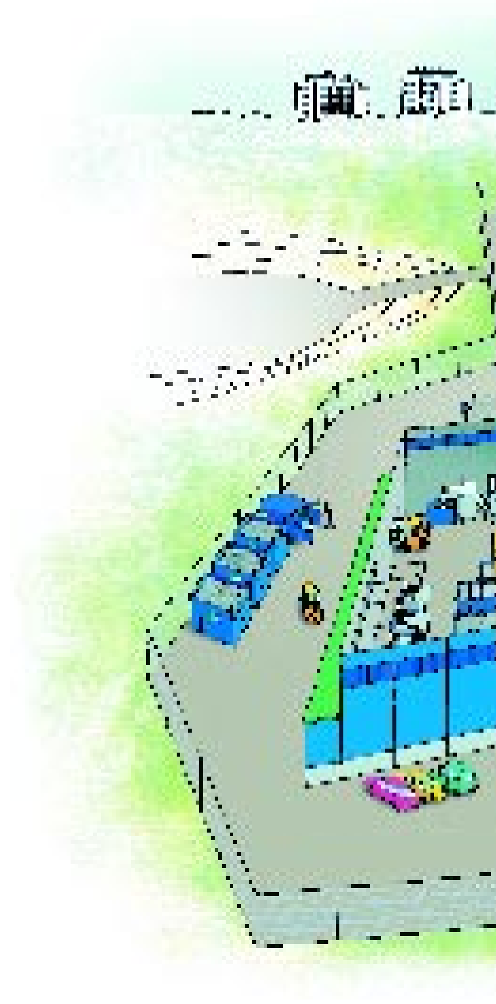
Quality, the environment and occupational safety

Systematic improvements in operating methods

L&T improves operating methods by identifying and developing best practices. Operating policy, operating principles and the operating system pave the way for development. The operating system also takes into account quality, and environmental and occupational safety issues. Systematic improvements in operating methods ensures that L&T's customers obtain equally high-quality services with maximum cost-efficiency regardless of location.

Best practices are being charted for instance in the context of internal operating system assessments. The 2004 assessments paid particular attention to procedures related to the maintenance of working capacity and development of cooperation between product lines.

Internal environmental, health and occupational safety assessments or environmental risk surveys were carried out at operating locations that have environmental permits.



New certifications

L&T's nationwide tyre recycling service was granted quality, environmental and occupational safety certification (ISO 9001:2000, ISO 14 001 and OHSAS 18001) in spring. L&T Hoetika in Latvia was granted an ISO 14001 environmental certificate.

So far quality, environmental and occupational safety certification has also been granted to the plant that treats electrical and electronic scrap (WEEE) in Kerava, the Kerava landfill, and the collection, transportation and pre-treatment services of the data protection plant in Helsinki. An ISO 9001:2000 certificate has been granted to the damage repair, Southern Finland unit.

L&T's units have dozens of environmental permits related to issues such as waste treatment and transportation of hazardous materials and waste. Apart from supervision by authorities, obtaining and maintaining permits calls for accurate internal assessment systems. The sites most at risk are covered by special insurance policies involving the charting and supervision of environmental liabilities by the insurance company.

During the year, 17 environmental permits for plants were applied for and there were a number of environmental impact assessment processes under way, such as those concerning the Virrat and Kerava recycling centre projects.

Promoting occupational safety means active cooperation

L&T's goal is to identify the risks and hazards involved in various jobs in advance and to reduce and eliminate them proactively. Improvements in occupational safety take place in cooperation with customers.

In 2004, safety training and risk awareness among the personnel were increased by continuing and expanding nationwide occupational safety card training covering some 900 employees. The purpose of this training is to improve occupational safety in industrial workplaces, i.e. in the very operating environment in which L&T produces its services. Apart from this, two Industrial Services product lines joined the zero-accident programme organized by the Centre for Industrial Safety in which the basic idea is that not a single accident should be allowed to occur.

Occupational safety risk surveys were carried out at recycling plants and hazardous waste units, and action programmes were drawn up on that basis. Safety plans were updated as rescue plans.

Internal accident reporting procedures were improved. Particular attention was paid to correcting the deficiencies discovered when accidents are examined and to learning from them. The use of proper protective equipment was increased in various duties and the acquisition of protective equipment was centred on a single supplier in order to ensure quality.

Waste materials pass through a number of different sorting phases in L&T's modern facilities. Recyclable materials are processed into recycled raw materials and recovered fuel.

Personnel

L&T's business operations are above all based on the highly skilled personnel, who averaged in number 5,409, when converted into full-time employees (2003: 4,595). At the year end the total number of employees working full-time and part-time was 6,456 people (5,987). Of them 510 people were abroad.

New programme to enhance well-being at work

A new programme was launched in 2004 to support and promote the well-being of L&T employees, including, for instance, extensive supervisor training and the introduction of various instruments for assessing well-being at work.

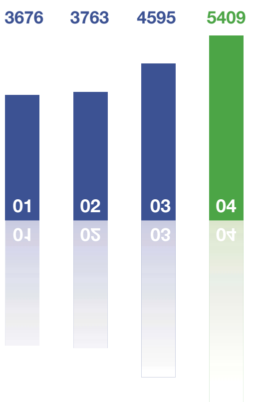
A survey covering the well-being of the entire personnel was carried out for the third time at the end of 2003, and the results were available in early 2004. The findings showed a favourable trend, with the exception of a few sub-sectors. In particular teamwork, workplace atmosphere and independence at work were found to be good in the company-wide results.

Teamwork training in Property Services

Property Services started a major human resources development project: a teamwork training programme. The aim is to encourage the entire personnel to participate in work planning, monitoring and development and to increase customer satisfaction and work productivity. A total of over 250 people from all levels of organization took part in change management training. Teamwork-type work methods will be adopted extensively in Property Services over the next two years.

Skills development at L&T

Average personnel employed converted to full-time



L&T supports exercise and recreation for personnel through personnel clubs, which organize joint exercise sessions and events.

Report by the Board of Directors

Net sales and results

Net sales for the whole year totalled EUR 336.7 million (EUR 306.3 million). This represented an increase of 9.9%, 3 percentage points of which was organic. The profit before taxes was EUR 30.4 million (EUR 31.8 million). The earnings per share were EUR 0.62 (EUR 0.63). Net sales in the final quarter rose to EUR 89.4 million (EUR 79.1 million), an increase of 13.1%. The operating profit was EUR 8.3 million (EUR 9.1 million) and the operating margin 9.3 (11.5%).

The growth in net sales accelerated in the latter half of the year; the reasons for this include the strengthening of sales resources and the elimination of a major competitor by a take-over from the market. The plants' utilization rate improved. The financial performance for 2003, the comparison year, was improved in particular by the low pension costs in the final quarter.

Environmental Services

Net sales by Environmental Services amounted to EUR 157.4 million (EUR 137.2 million), an increase of 14.7%. The operating profit was EUR 21.8 million (EUR 20.8 million), a growth of 5.1%.

Environmental Services' profitability remained stable. Further investment in sales and plant operations improved recycling services' net sales and financial performance. There was a rise in the volumes handled by the company's own plants in respect of industrial fibres, recyclable plastics and trade and industrial recyclable materials. The new recycling plant at Oulu came on stream towards the end of the summer. Several procedures for environmental impact assessments (EIA) were initiated for the new recycling centre projects. Investment in recycling operations will continue. The tyre recycling operations achieved a production record.

The operations of Salvor Oy, a joint venture company owned in equal proportions by Lassila & Tikanoja and the Finnish Road Enterprise, started in July. Salvor specializes in processing services for industrial by-products, soil remediation and the construction of landfill barrier systems.

The unit in Latvia, L&T Hoetika, achieved its objectives. It invested in new collection and transportation equipment and introduced the L&T brand. The total value of the stock of contracts has shown a favourable trend.

Net sales of environmental products were at the same level as in 2003. The product line, however, fell short of its targets, although there were signs of better things to come in the final quarter.

Property Services

Net sales by Property Services totalled EUR 123.8 million (EUR 113.8 million), an increase of 8.8%. The operating profit was EUR 7.5 million (EUR 8.5 million).

Operating profit fell in the first and second quarter when the financial performance suffered because of the heavy winter snowfalls and reduced volumes in renewed contracts. Measures to improve production and sales produced results in the second half of the year, particularly in cleaning services, where customer permanence has also improved.

Lassila & Tikanoja's position on the property services market was strengthened, when one of the biggest competitors in the field was eliminated from the market by a takeover. The change in the market situation became apparent at the end of the year with highly successful new sales in both product lines; sales in the final quarter in particular showed a clear upturn that is expected to continue in 2005. The food hygiene services concept attracted new companies that have a major presence in the food industry. The service product developed for service station chains has also been well received.

In June, L&T started its first cleaning assignment abroad at the HK Ruokatalo sausage factory in Latvia. The market in the Baltic region and Moscow was studied for prospective corporate acquisitions. An organization was set up for international operations, its area of responsibility being the expansion of Property Services to the Baltic region.

Lassila & Tikanoja and Amica Restaurants Ltd, which is part of the Fazer Group, established a joint venture company together, Blue Service Partners Oy. The company's task is to provide

Net sales

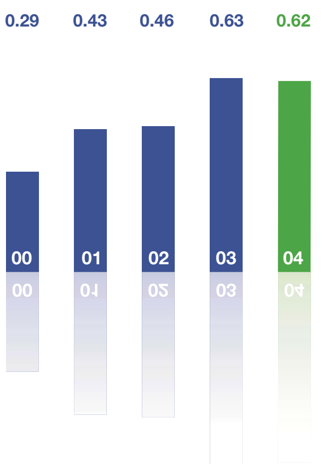
EUR 1000	2004	2003	Change %
Environmental Services	**157 385**	137 235	14.7
Property Services	**123 785**	113 786	8.8
Industrial Services	**55 505**	55 235	0.5
Total	**336 675**	306 256	9.9

Operating profit

	2004		2003		
	EUR 1000	%	EUR 1000	%	Change %
Environmental Services	**21 842**	13.9	20 773	15.1	5.1
Property Services	**7 547**	6.1	8 527	7.5	-11.5
Industrial Services	**5 166**	9.3	6 400	11.6	-19.3
Total	**34 555**	10.3	35 700	11.7	-3.2

Earnings/share, EUR

2000-2001 pro forma



Dividend/share, EUR

2000-2001 pro forma

efficient, comprehensive and top-grade solutions in catering and property services for the public sector, particularly for municipalities. The company's operations started in early 2005.

Industrial Services

Net sales by Industrial Services were EUR 55.5 million (EUR 55.2 million). The operating profit was EUR 5.2 million (EUR 6.4 million).

The market situation for Industrial Services was uncertain during the entire year. Poor demand at the beginning of year placed a strain on financial performance and intensified price competition in all the product lines. Demand was fairly uneven the whole year through and difficult to predict. This made it difficult to plan production and was particularly burdensome for the financial performance of industrial cleaning and wastewater services.

A hazardous waste management production plant processing solid oily hazardous waste into recycled raw material and fuel went on stream in Tuusula. L&T's own production plants helped the hazardous waste services to recycle an increasing proportion of waste for reuse, which improved the unit's competitiveness.

Hazardous waste services and damage repair services both increased their net sales. Net sales by industrial cleaning stayed at the level of the comparison year, while net sales by wastewater services fell. Although it continues to be difficult to predict the future trend in the market situation, prospects for Industrial Services look brighter than at the corresponding time last year.

The reorganization measures that were taken in damage repair services had the desired effect. The unit's market share was strengthened and profitability improved substantially.

In industrial cleaning, the market is concentrating rapidly as customers centralize purchases. Regional status and service capacity were reinforced with two corporate acquisitions, one of which was carried out in 2005. Some overcapacity has also been removed from the sector.

Invested capital

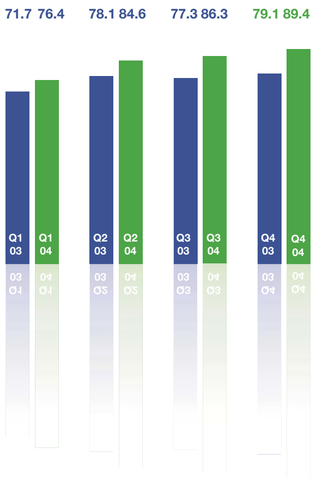
EUR 1000	31 Dec. 2004	31 Dec. 2003
Fixed assets	**212 165**	194 247
Current assets	**60 401**	44 484
Deferred tax liability	**-6 875**	-6 825
Trade payables	**-11 078**	-9 451
Accruals and deferred income	**-6 130**	-5 385
Other current, non-interest bearing liabilities	**-35 662**	-31 664
Invested capital	**212 821**	185 406

The amount of fixed assets was increased by investments exceeding depreciation. The cash reserves were at the year end EUR 19.8 million (EUR 10.8 million) due to the share issue carried out in November-December. Both sales receivables and net non-interest-bearing liabilities increased. The rate of circulation for invested capital was 1.6 (1.7).

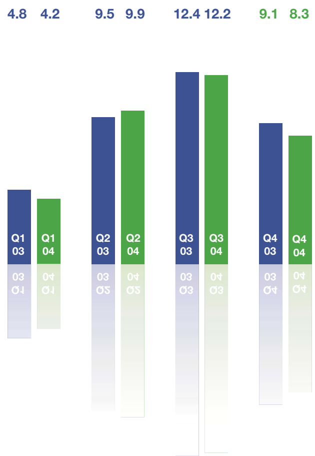
Quarterly results

EUR 1000	IV/2004	III/2004	II/2004	I/2004	IV/2003	III/2003	II/2003	I/2003
Net sales								
Environmental Services	41 952	39 782	40 315	35 336	36 249	34 686	35 071	31 229
Property Services	33 343	30 796	29 505	30 141	28 998	28 095	28 755	27 938
Industrial Services	14 109	15 677	14 786	10 933	13 823	14 531	14 311	12 570
Total	89 404	86 255	84 606	76 410	79 070	77 312	78 137	71 737
Operating profit								
Environmental Services	5 309	6 105	6 340	4 088	5 291	6 247	5 803	3 432
Property Services	2 091	3 451	1 414	591	2 301	3 085	1 935	1 206
Industrial Services	931	2 603	2 131	-499	1 486	3 022	1 725	167
Total	8 331	12 159	9 885	4 180	9 078	12 354	9 463	4 805
Net financial expenses	-1 029	-1 088	-1 050	-982	-932	-961	-1 015	-971
Profit before extraordinary items	7 302	11 071	8 835	3 198	8 146	11 393	8 448	3 834
Operating margin								
Environmental Services	12.7	15.3	15.7	11.6	14.6	18.0	16.5	11.0
Property Services	6.3	11.2	4.8	2.0	7.9	11.0	6.7	4.3
Industrial Services	6.6	16.6	14.4	-4.6	10.8	20.8	12.1	1.3
Lassila & Tikanoja	9.3	14.1	11.7	5.5	11.5	16.0	12.1	6.7

Quarterly net sales, EUR million



Quarterly operating profit, EUR million



Gross investments

Gross investments totalled EUR 49.0 million (EUR 43.8 million). Machinery and equipment was replaced and production premises were bought and expanded. EUR 19.1 million were spent on corporate acquisitions. Lassila & Tikanoja purchased 12 companies, the biggest in terms of net sales being Vatostep Oy, Sil-Va Clean Oy and Tampereen Aluesiivous Oy. The joint venture company Salvor Oy purchased two businesses. Lassila & Tikanoja's share of the acquired companies' combined annual net sales is EUR 26.2 million. Depreciation came to EUR 29.9 million (EUR 25.6 million).

EUR million	2004	2003
Investments by balance sheet item		
Real estate	**4.4**	9.0
Machinery and equipment	**26.8**	23.1
Other tangible assets	**2.0**	1.2
Securities and goodwill	**14.5**	9.7
Intangible assets and other capitalised expenditure	**1.3**	0.8
Total	**49.0**	43.8
Investments by division		
Environmental Services	**23.6**	17.3
Property Services	**10.9**	10.0
Industrial Services	**6.9**	7.9
Investments concerning all divisions	**7.6**	8.6
Total	**49.0**	43.8

Financing

The Company's financial position improved due to the share issue carried out in November- December. Cash reserves at the year end amounted to EUR 19.8 million (10.8 million). Net interest-bearing liabilities amounted to EUR 60.4 million (EUR 77.6 million). Interest-bearing liabilities amounted to EUR 8.2 million less than a year earlier. Net financial expenses were 1.2% (1.3%) of net sales and 12.0% (10.9%) of operating profit. The equity ratio was 48.8% (40.6%) and the gearing rate was 45.7 (80.1).

Cash flow from operations amounted to EUR 50.7 million (EUR 48.2 million). EUR 1.0 million was released from the working capital, while the previous year EUR 1.3 million was tied up. Liquidity remained at a good level during the whole year.

Product development

The Company's product development is responsible for developing new products and improving current service products. The costs of the centralised product development projects were EUR 1.0 million and 0.3% of net sales (EUR 0.5 million and 0.2%). The largest projects were hygiene service concept meant for food industry, service station concept, projects related to expanding the range of recycling services, and the creation of a service model for the joint venture company Salvor. Other development of services takes place in the business units.

Personnel

The average number of personnel converted to full-time employees was 5,409 (4,595). At the year end the total number of employees working full-time and part-time was 6,456 people (5,987). Of them 510 people were abroad.

Changes in the Group structure

The shares of Keski-Suomen Pesutech Oy (Industrial Services) and Vatostep Oy (Environmental Services) were acquired by the Parent Company. The shares of Sil-Va Clean Oy, Suurlohjan Siivous ja Huolto Oy, Tampereen Aluesiivous Oy, Virtain Jätehuolto Oy, and Ympäristöhuolto Mäkeläinen Oy were acquired by the Group.

The following business operations were acquired to Environmental Services: Järvelän Jätehuolto Oy, Kuljetusliike Arto Cederlöf, Muovinkeräys Oy, and Saimaan Sanirent Oy. The business operations of Javacorp. were acquired to Industrial Services.

AS L&T Serviss was established in Latvia and L&T Services LLC and The Russian-Finnish Company Ecosystem in Russia.

Two joint venture companies were established: Salvor Oy with the Finnish Road Enterprise and Blue Service Partners Oy with Amica Ravintolat Oy. Lassila & Tikanoja holds 50% of each company.

Virtain Jätehuolto Oy was merged with L&T Toimi Oy and SIA Hoetika Invest and SIA SL Serviss AS with L&T Hoetika. Imatroll Oy and Suursihveli Oy were dissolved.

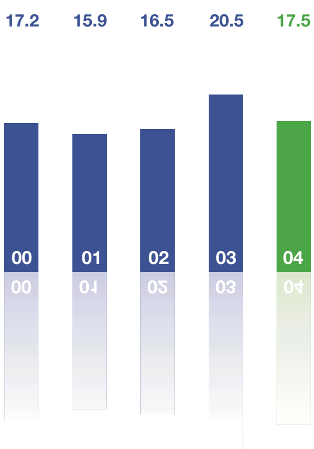
General Meetings of Shareholders

The AGM held on 18 March 2004 re-elected Lasse Kurkilahti and Soili Suonoja to the Board of Directors. The Board of Directors comprises the following persons: Heikki Hakala, Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Juhani Maijala was re-elected full-time Chairman and Heikki Hakala Vice Chairman of the Board of Directors. PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors. The AGM decided that a dividend of EUR 1.20 be paid for the financial year that ended on 31 January 2003.

An Extraordinary General Meeting of Shareholders was held on 15 November 2004. The meeting approved the Board's proposals to an additional dividend of EUR 1.00, increasing of the share capital through a bonus issue, and increasing the share capital by a rights offering. Moreover, the Meeting approved to amend the

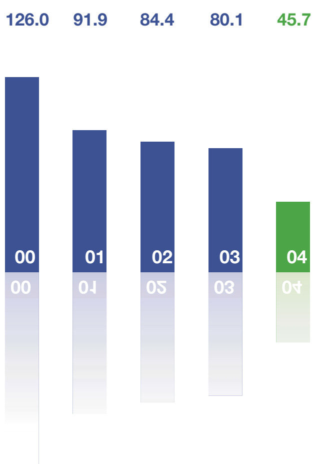
ROI, %

2000-2001 pro forma



Gearing, %

2000-2001 pro forma



terms and conditions of the stock option plan 2002 to the effect that the shares subscribed for on the basis of the stock options will entitle their holders to dividends and other rights conferred by the shares after the increase of the share capital has been registered in the Trade Register.

Company shares and the share capital

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Stock Exchange from January through December was 17,264,627, which is 49.8% of the average number of shares. The value of trading was EUR 219.6 million. The adjusted trading price varied between EUR 11.48 and EUR 14.09. The final trading price was EUR 13.13. The market capitalisation was EUR 500.7 million on 30 December 2004.

Pursuant to stock options 2002A, 70,780 shares were subscribed for. As a result of the subscriptions, the share capital was increased by EUR 35.390.

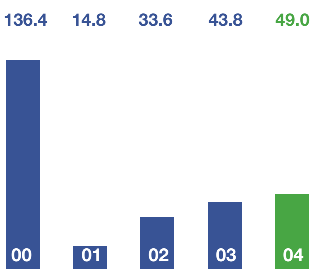
The Extraordinary General Meeting of Shareholders held on 15 November 2004 decided to increase the share capital by a bonus issue of EUR 7,948,544 from EUR 7,948,544 to EUR 15,897,088 where each share entitled its holder to receive one new share without payment. 15,897,088 new shares were issued, and after the bonus issue the number of shares was 31,794,176. The record date of the bonus issue was 18 November 2004, and the new bonus shares were entered in the shareholders' book-entry accounts on 19 November 2004.

The EGM decided to increase the share capital by a rights offering at most by EUR 3,179,417 by offering the shareholders for subscription the maximum of 6,358,834 shares. The subscription period was from 23 November to 15 December 2004. 6,342,058 shares were subscribed for through the exercise of the subscription rights, representing 99.7 per cent of the shares offered. The gross proceeds of the offering were EUR 47.6 million. As a result of the subscriptions, the share capital was increased from EUR 15,897,088 to EUR 19,068,117 and the number of shares from 31,794,176 shares to 38,136,234 shares. The new shares subscribed for in the offering were traded on the Main List of the Helsinki Stock Exchange as a separate book-entry between 16 and 21 December 2004. The separate book-entry was combined with Lassila & Tikanoja plc's existing class of shares after the shares were registered with the Finnish Trade Register on 21 December 2004, and the trading in the combined shares started on the Helsinki Stock Exchange on 22 December 2004.

On 8 February 2005, the Board approved the subscriptions of 5,600 new shares made pursuant to the stock options 2002A. As a result of these subscriptions, the company's registered share capital will increase by EUR 2,800 to EUR 19,070,917 and the number of the shares will increase to 38,141,834 shares after the increase has been entered in the Trade Register.

Investments, EUR million

2000-2001 pro forma



Stock options 2002

The Annual General Meeting held on 9 April 2002 decided to issue stock options to key personnel of Lassila & Tikanoja a wholly owned subsidiary of Lassila & Tikanoja plc. 28 key persons have been entitled to subscribe for the stock options.

On the basis of these stock options, 147,160 new shares, adjusted with bonus issue adjustment factor, have been subscribed for by 27 January 2005. On the basis of the rest of the stock options 2002A, a maximum of 112,840 shares can be subscribed for. On the basis of the rest of all stock options a maximum of 652,840 shares can be subscribed for, which is 1.71% of the registered number of shares and voting rights of the Company.

As from 18 November 2004, the share subscription price for the stock options 2002A is EUR 7.86, for the stock options 2002B EUR 7.02 and for the stock options 2002C EUR 11.46.

Notifications on major holdings

On 5 April 2004, Tapiola Group reported that the holding of Tapiola Group had decreased to 4.88% of the share capital and votes of Lassila & Tikanoja plc. On 22 December 2004, Tapiola Group reported that the holding of Tapiola Group was 5.05% of the share capital and votes of Lassila & Tikanoja plc after the increase in share capital as a result of the rights offering was registered with the Trade Register on 21 December 2004.

Summary of stock exchange releases pursuant to article 7, chapter 2 of the securities markets act

On 18 March the Company disclosed that the Board of Directors had resolved to apply for listing of stock option rights A of the 2002 stock option scheme on the main list of Helsinki Stock Exchange starting from 3 May 2004. A total of 260,000 shares can be subscribed for on the basis of the stock options 2002A. The subscription period is from 2 May 2004 to 30 October 2005.

On 26 October a preliminary summary of the effects of adopting IFRS was disclosed. The contents of the release are presented on pages 23 and 24.

Distribution of the profit

The Group's earnings/share were EUR 0.62 and cash flow from operations/share EUR 1.46. The Board of Directors will propose payment of a dividend of EUR 0.25 per share to the Annual General Meeting convening on 4 April 2005. The amount of the dividend to be paid is EUR 9,535,458.50 The proposed dividend is 40.5 per cent of earnings per share.

Prospects for the year 2005

The prospects for Lassila & Tikanoja's divisions are better than at the beginning of last year. A major operator was eliminated from the Finnish property services market, and the industrial services market, too, became more concentrated. Organic growth strengthened significantly in the latter half of 2004 and would seem to be continuing. Investments in Finland and its neighbouring areas will boost this growth.

Net sales are expected to grow faster than in 2004 and the financial performance is expected to improve. Growth-oriented inputs will put a short-term strain on performance. This is likely to be reflected in a temporary weakening of relative profitability.

In the new year, the most significant investments will be made in plants that will raise the utilization of waste materials and in expanding operations abroad.

PRELIMINARY SUMMARY OF THE EFFECTS OF ADOPTING IFRS

As of January 1, 2005, Lassila & Tikanoja has adopted the International Financial Reporting Standards (IFRS) in its financial reporting. Prior the adoption of IFRS Lassila & Tikanoja reported under Finnish Accounting Standards (FAS). The transition date for Lassila & Tikanoja is 1 January, 2004. The company is required to prepare its opening IFRS balance sheet of the transition date.

Before the disclosure of the first quarter results of 2005, Lassila & Tikanoja will disclose a release explaining the detailed effects of adopting IFRS on the financial information of the company including the comparison figures for the financial year 2004.

The significant estimated effects of the adoption of IFRS are explained in the following preliminary summary.

EFFECTS ON SHAREHOLDERS' EQUITY

Pension benefits

The disability pension part of the Finnish statutory pension system will be handled in IFRS as a defined benefit plan and a liability net of deferred tax assets reducing the shareholders' equity shall be recorded. Determined on the basis of the Employment Pension Act entering into force in 2005, the liability amounts to EUR 10.3 million. This liability will reduce the shareholders' equity by EUR 7.3 million net of deferred tax assets. The Finnish Ministry of Social Affairs and Health has approved certain amendments to the principles for calculating disability pension liabilities under the Finnish statutory employment pension scheme (TEL). The amendments will be effective 1 January 2006 onwards. Consequently, major part of the liability in the opening balance sheet will be recorded as income in the statement of income for the final quarter of the year 2004, and the remaining part in 2005. Thereafter, TEL's disability pension part is accounted as a defined contribution liability in the IFRS accounts.

Derivative agreements

Lassila & Tikanoja's derivative agreements are interest rate swaps. IFRS requires recognition of derivative agreements at their fair value. Hedge accounting is applicable only if there is documentation of the hedged risk and the effectiveness of hedging is verified regularly. Lassila & Tikanoja does not apply hedge accounting to derivative agreements valid on the transition date, but changes in the fair values of the agreements will be recognised in profit or loss. The negative effect on the shareholders' equity at the date of transition will be EUR 1.1 million net of deferred tax assets.

Finance leases

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 are 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 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. The finance lease entries will have a positive effect of EUR 0.5 million on the shareholders' equity.

Revenues

The revenue principle for tyre recycling and construction waste will change. This will have a negative effect of EUR 0.8 million on the shareholders' equity.

Cost of inventories

In the future, the fixed production overhead costs will be recognised as part of the costs of conversion of inventories. This will have a positive effect of EUR 0.1 million on the shareholders' equity.

Revaluations

According to the first-time adoption standard, depreciation is made on revaluations of buildings. The cumulative depreciation decreases the shareholders' equity by EUR 1.2 million.

Treatment of taxes

The treatment of deferred taxes will change, e.g. the deferred tax liability arising from goodwill allocated to buildings and the remaining revaluation of property will be entered in the books. These changes will reduce the shareholders' equity by EUR 1.7 million. In addition, deferred taxes will be recorded for all the transition entries described above according to IAS 12.

Other effects

On the basis of IFRS 2, expenses arising from stock options 2002B and 2002C will be entered in the statement of income. These entries have no effect on the net shareholders' equity of the opening balance sheet.

The book-entry principle and accounting method for the provision relating to the post-treatment cost of the landfill site at Kerava will change. This will have only a minor effect on the shareholders' equity at the date of transition. In IFRS, minority interest is shown under shareholders' equity.

OTHER KEY DIFFERENCES IN THE PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

Statement of Income

Lassila & Tikanoja uses in FAS 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 are divided into product lines that will also form the cash generating units. The Latvian business operations 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

According to IFRS, goodwill will not be written off but a goodwill impairment test will be carried out based on the conditions at the date of transition and after that annually. These tests have been carried out for the cash generating units. On the basis of the tests no reductions on the values will be required. New corporate acquisitions since the year 2004 will create not only goodwill that can not be written off but also intangible assets that will be depreciated over their useful life. Acquisition cost calculations for corporate acquisitions made before the year 2004 will not be remade to comply with IFRS 3 but the first-time adoption standard will be applied.

Preliminary estimates of the effects of adopting IFRS

Effects on the shareholders' equity

		EUR million
Shareholders' equity according to FAS		95.8
IFRS 1	First-time adoption of IFRS: depreciation on revaluations	-1.2
IAS 1	Presentation of financial statements: Minority interest	1.1
IAS 2	Inventories	0.1
IAS 12	Income taxes	-1.7
IAS 17	Leases: finance leases	0.5
IAS 18	Revenues	-0.8
IAS 19	Emloyee benefits: pension benefits	-7.3
IAS 39	Financial instruments: derivative agreements	-1.1
Shareholders' equity according to IFRS		85.4

Effects on the opening balance sheet as of 1 January, 2004

EUR million	**FAS 31.12.2003**	**Effect of adopting IFRS**	**IFRS 1.1.2004**
Assets			
Non-current assets	194.2	-0.7	193.5
Current assets	44.5	0.5	45.0
Total assets	238.7	-0.2	238.5
Equity and liabilities			
Equity attributable to equity holders of the parent	95.8	-11.5	84.3
Minority interest		1.1	1.1
Total equity	95.8	-10.4	85.4
Minority interest	1.1	-1.1	0
Deferred tax liability	6.8	-1.8	5.0
Pension liabilities		10.3	10.3
Other non-current liabilities	79.4	0.5	79.9
Current interest-bearing liabilities	9.1	0	9.1
Trade and other liabilities	46.5	2.3	48.8
Total liabilities	141.8	11.3	153.1
Total equity and liabilities	238.7	-0.2	238.5

Consolidated statement of income

1 January – 31 December EUR 1000	2004	%	2003	%	Note
Net sales	**336 675**	**100.0**	306 256	100.0	1
Costs of goods sold	**-274 685**	**-81.6**	-246 448	-80.5	
Gross profit	**61 990**	**18.4**	59 808	19.5	
Sales and marketing expenses	**-8 551**	**-2.5**	-7 509	-2.5	
Administration expenses	**-10 509**	**-3.1**	-9 514	-3.1	
Other operating income	**1 488**	**0.4**	1 344	0.4	4
Other operating expenses	**-892**	**-0.3**	-703	-0.2	
Operating profit before depreciation on goodwill	**43 526**	**12.9**	43 426	14.2	
Depreciation on goodwill	**-8 971**	**-2.7**	-7 726	-2.5	
Operating profit	**34 555**	**10.3**	35 700	11.7	2,3
Financial income and expenses	**-4 149**	**-1.2**	-3 879	-1.3	5
Profit before extraordinary items	**30 406**	**9.0**	31 821	10.4	
Extraordinary items					
Profit before income taxes	**30 406**	**9.0**	31 821	10.4	
Income taxes	**-8 592**	**-2.6**	-9 740	-3.2	6
Minority interests	**-438**		-261		
Profit for the financial year	**21 376**	**6.3**	21 820	7.1	

Consolidated balance sheet

31 December EUR 1000	2004	%	2003	%	Note
ASSETS					
Fixed assets					
Intangible assets					7
Intangible rights	25		26		
Goodwill	88 117		82 946		
Other capitalised expenditure	3 666		2 879		
Advance payments	60		190		
	91 868	33.7	86 041	36.0	
Tangible assets					8
Land	4 718		3 841		
Buildings	32 582		29 897		
Machinery and equipment	73 061		64 467		
Other tangible assets	2 212		2 325		
Advance payments and construction in progress	3 868		4 198		
	116 441	42.7	104 728	43.9	
Financial assets					9
Associated company shares	322		283		
Other shares and holdings	3 534		3 195		
	3 856	1.4	3 478	1.5	
Total fixed assets	212 165	77.8	194 247	81.4	
Current assets					
Inventories					
Raw materials and consumables	384		357		
Finished products/Goods	2 227		1 694		
Other inventories	1 394		668		
Advance payments			10		
	4 005	1.5	2 729	1.1	
Non-current receivables					
Loan receivables	2		1		
Current receivables					10
Trade receivables	31 839		27 060		
Loan receivables	6				
Other receivables	333		148		
Prepaid expenses and accrued income	4 395		3 789		
	36 573	13.4	30 997	13.0	
Cash and cash equivalents	19 821	7.3	10 757	4.5	
Total current assets	60 401	22.2	44 484	18.6	
Total assets	272 566	100.0	238 731	100.0	

31 December EUR 1000	2004	%	2003	%	Note
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					11,12
Share capital	**19 068**		7 913		
Share premium account	**44 932**		7 518		
Retained earnings	**45 273**		58 535		
Profit for the financial year	**21 376**		21 820		
Total shareholders' equity	**130 649**	**47.9**	95 786	40.1	
Minority interests	**1 595**	**0.6**	1 157	0.5	
Provisions	**349**	**0.1**	69	0.0	13
Liabilities					
Deferred tax liability	**6 875**	**2.5**	6 825	2.9	12
Non-current					14
Loans from financial institutions	**66 761**		79 084		
Advances received	**1**		2		
Other liabilities	**106**		143		
	66 868	**24.5**	79 229	33.2	
Current					
Loans from financial institutions	**13 061**		9 167		
Advances received	**1 515**		57		
Trade payables	**11 078**		9 451		
Other liabilities	**34 446**		31 605		
Accruals and deferred income	**6 130**		5 385		
	66 230	**24.4**	55 665	23.3	
Total liabilities	**139 973**	**51.4**	141 719	59.4	
Total shareholders' equity and liabilities	**272 566**	**100.0**	238 731	100.0	

Consolidated statement of changes in financial position

EUR 1000	2004	2003
Operations		
Operating profit	**34 555**	35 700
Adjustments:		
Depreciation	**29 914**	25 643
Other adjustments	**-1 048**	-214
Cash flow before change in working capital	**63 421**	61 129
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	**-2 945**	-1 810
Increase/decrease in inventories	**-661**	44
Increase/decrease in current non-interest-bearing liabilities	**4 648**	508
Cash flow from operations before financial income/expenses and taxes	**64 463**	59 871
Interest expenses and other financial expenses paid	**-4 409**	-4 146
Interest received	**196**	332
Direct taxes paid	**-9 572**	-7 818
Cash flow from operations	**50 678**	48 239
Investments		
Investments in Group companies	**-16 907**	-11 255
Investments in tangible and intangible assets	**-30 338**	-30 073
Proceeds from sale of tangible and intangible assets	**2 207**	734
Investments in other assets	**-24**	-16
Proceeds from sale of other assets	**51**	19
Dividends received from investments	**2**	6
Cash flow from investing activities	**-45 009**	-40 585
Financing		
Proceeds from share issue	**48 569**	
Repayments of current liabilities		-488
Increase in non-current liabilities	**30 771**	40 000
Repayments of non-current liabilities	**-41 101**	-29 350
Dividends paid	**-34 845**	-11 854
Cash flow from financing activities	**3 394**	-1 692
Changes in cash and cash equivalents	**9 063**	5 962
Cash and cash equivalents 1 Jan.	**10 757**	4 795
Cash and cash equivalents 31 Dec.	**19 820**	10 757

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:

	2004	2003
Cash at bank and in hand	**1 781**	4 102
Inventories	**616**	463
Receivables	**1 749**	1 679
Goodwill	**14 036**	9 744
Other fixed assets	**5 054**	3 238
Current liabilities	**-2 537**	-3 773
Non-current liabilities	**-2 011**	-96
Acquisition price	**18 688**	15 357
./.Cash and cash equivalents	**-1 781**	-4 102
Investments in Group companies	**16 907**	11 255

Notes to the consolidated financial statements

PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Extent

The consolidated financial statements include the parent company Lassila & Tikanoja plc and the group companies in which it held over 50%, joint venture companies in which it held 50%, and associated companies in which it held from 20% to 50%.

Separate consolidated financial statements were prepared for the subgroup 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 32.

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 statements of income of the foreign subsidiaries were 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 has been placed in voluntary liquidation and the company's business has been 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 demanded that the 2000 tax assessments 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, and the Helsinki Administrative Court rejected the state official's appeal by a decision made on 24 August 2004. The official then petitioned for leave to appeal and appealed to the Supreme Administrative Court.

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.

Joint ventures and associated companies

Half of the statements of income and balance sheet items of joint venture companies were consolidated line by line with the Group items. 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. Other inventories 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	2004	%	2003	%
Net sales by division				
Environmental Services	**157 385**	**46.7**	137 235	44.8
Property Services	**123 785**	**36.8**	113 786	37.2
Industrial Services	**55 505**	**16.5**	55 235	18.0
Total	**336 675**	**100.0**	306 256	100.0
Net sales by market				
Finland	**321 422**	**95.5**	301 935	98.7
Other Nordic countries	**1 766**	**0.5**	585	0.2
Other EU countries	**12 416**	**3.7**	421	0.1
Other Europe	**197**	**0.1**	3 183	1.0
Other countries	**874**	**0.2**	132	
Total	**336 675**	**100.0**	306 256	100.0

2. Personnel and administrative bodies

	2004	2003
Average personnel		
Clerical personnel	**905**	795
Workers	**4 504**	3 800
Total	**5 409**	4 595
Personnel expenses for the financial year EUR 1000		
Salaries	**111 964**	101 878
Pension expenditure	**17 263**	15 168
Other salary-related expenses	**8 017**	6 983
Total	**137 244**	124 029
Salaries and bonuses paid to the members of Boards of Directors and Managing Directors of Group companies	**795**	477

Salaries, bonuses and pension benefits of the management are described on page 48. No loans were granted to members of administrative bodies of Group companies

3. Depreciation

EUR 1000	2004	2003
Depreciation by function		
Costs of goods sold	**18 957**	16 002
Sales and marketing	**322**	382
Administration	**1 664**	1 533
Goodwill	**8 970**	7 726
Total	**29 913**	25 643

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2004	2003
Other operating income		
Profit on sales of fixed assets	**686**	844
Profit on sales of shares	**9**	8
Rents		15
Recovery of bad debts	**41**	42
Other	**708**	391
Total	**1 444**	1 300
Share of result of associated company	**44**	44
Total	**1 488**	1 344
Other operating expenses		
Losses on sales of fixed assets	**167**	299
Losses on sales of shares		3
Bad debts	**546**	290
Other	**179**	111
Total	**892**	703

5. Financial income and expenses

EUR 1000	2004	2003
Dividend income	**3**	9
Other interest and financial income	**215**	340
Other interest and financial expenses	**-4 367**	-4 228
Total financial income and expenses	**-4 149**	-3 879
Financial income and expenses include		
Interest income	**206**	340
Interest expenses	**4 315**	4 166
Exchange rate differences (net)	**9**	

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	2004	2003
Income taxes on operations for the financial year	**8 710**	8 810
Income taxes from previous financial years	**-57**	-68
Changes in the deferred tax liability*	**-61**	998
Total	**8 592**	9 740
*Changes in the deferred tax liability		
From appropriations	**15**	800
From matching differences	**73**	364
From consolidation	**-149**	-166
Total	**-61**	998

7. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 Jan.	56	132 767	5 186	190	138 199
Translation differences			-1		-1
Increase	8	14 142	1 279	60	15 489
Decrease	-2		-601		-603
Transfers between items	-1		110	-190	-81
Acquisition cost 31 Dec.	61	146 909	5 973	60	153 003
Accumulated depreciation 1 Jan.	-30	-49 821	-2 307		-52 158
Accumulated depreciation on decrease and transfers			531		531
Depreciation for the financial year	-6	-8 971	-531		-9 508
Accumulated depreciation 31 Dec.	-36	-58 792	-2 307		-61 135
Book value 31 Dec.	25	88 117	3 666	60	91 868

8. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan.	2 639	35 019	145 011	8 774	4 198	195 641
Translation differences	-2	-13	-81		-2	-98
Increase	392	3 175	25 117	940	3 542	33 166
Decrease	-63	-789	-17 146	-1 426	-2	-19 426
Transfers between items	550	2 271	911	217	-3 868	81
Acquisition cost 31 Dec.	3 516	39 663	153 812	8 505	3 868	209 364
Accumulated depreciation 1 Jan.		-7 177	-80 544	-6 449		-94 170
Translation differences			51			51
Accumulated depreciation on decrease and transfers		283	16 636	1 426		18 345
Depreciation for the financial year		-2 242	-16 894	-1 270		-20 406
Accumulated depreciation 31 Dec.		-9 136	-80 751	-6 293		-96 180
Revaluations 1 Jan. and 31 Dec.	1 202	2 055				3 257
Book value 31 Dec	4 718	32 582	73 061	2 212	3 868	116 441
Balance Sheet value of production machinery and equipment 31 Dec.			68 596			

9. Financial assets

1 000 €	Holdings in participating interests	Other shares and holdings	Total
Acquisition cost 1 Jan.	146	3 195	3 341
Translation differences		-1	-1
Increase		383	383
Decrease	-6	-43	-49
Acquisition cost 31 Dec.	140	3 534	3 674
Adjustment of equity share 1 Jan.	137		137
Share of associated company result	45		45
Adjustment of equity share 31 Dec.	182		182
Book value 31 Dec.	322	3 534	3 856

	Parent company holding, %	Group holding, %
Group companies		
A/S L&T Hoetika, Riga, Latvia		100.0
A/S L&T Serviss, Riga, Latvia		100.0
EM-Business Oy, Helsinki	100.0	100.0
Kanta-Hämeen Ympäristöyhtiö Oy, Helsinki	100.0	100.0
Keski-Suomen Pesutech Oy, Helsinki	100.0	100.0
Kiinteistö Oy Meritonttu, Helsinki	100.0	100.0
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0	100.0
L&T Advance Oy, Helsinki	100.0	100.0
L&T Deili Oy, Helsinki	100.0	100.0
L&T Development Oy, Helsinki	100.0	100.0
L&T Improvement Oy, Helsinki	100.0	100.0
L&T Kalusto Oy, Helsinki	100.0	100.0
L&T Muoviportti Oy, Merikarvia		66.7
L&T Palvelu Oy, Helsinki	100.0	100.0
L&T Relations Oy, Helsinki	99.00	100.0
L&T Services LLC, Moscow, Russia		100.0
L&T Servis Oy, Helsinki	100.0	100.0
L&T Toimi Oy, Helsinki	100.0	100.0
L&T Viwaplast Oy, Valkeakoski		66.7
L&T Ympäristöhuolto Oy, Helsinki	100.0	100.0
Pahvipojat Oy, Kemi		100.0
Sil-Va Clean Oy, Helsinki		100.0
Säkkiväline Ympäristöpalvelut Oy, in voluntary liquidation, Helsinki	100.0	100.0
Tampereen Aluesiivous Oy, Helsinki		100.0
The Russian-Finnish Company Ecosystem, Dubna, Russia		74.0
Ympäristöhuolto Mäkeläinen Oy, Helsinki		100.0
Joint venture companies		
Blue Service Partners Oy, Helsinki	50.0	50.0
Salvor Oy, Helsinki	50.0	50.0
Associated companies		
Suomen Keräystuote Oy, Tampere	25.6	25.6
Rodnik A/O, St. Petersburg, Russia	35.0	35.0
Re Plast Ou, Rapla, Estonia		33.3

The associated companies were consolidated with the equity method.

10. Receivables

EUR 1000	2004	2003
Prepaid expenses and accrued income		
Interest receivables	**20**	8
Employees' health care compensation	**745**	1 000
Statutory personnel insurance	**1 170**	1 425
Insurance receivables	**467**	88
VAT receivables	**344**	302
Direct taxes	**888**	10
Other	**761**	956
Total	**4 395**	3 789

11. Shareholders' equity

EUR 1000	2004	2003
Share capital 1 Jan.	**7 913**	7 913
Stock options 2002A	**35**	
Bonus issue	**7 949**	
Share issue	**3 171**	
Shareholders' equity 31 Dec.	**19 068**	7 913
Share premium account 1 Jan.	**7 518**	7 518
Stock options 2002A	**1 319**	
Bonus issue	**-7 949**	
Share issue	**44 044**	
Share premium account 31 Dec.	**44 932**	7 518
Retained earnings 1 Jan.	**80 355**	70 550
Dividend	**-34 889**	-11 869
Translation difference for the period	**-193**	-146
Retained earnings 31 Dec.	**45 273**	58 535
Profit for the financial year	**21 376**	21 820
Shareholders' equity 31 Dec.	**130 649**	95 786
Distributable assets		
Retained earnings	**45 273**	58 535
Profit for the financial year	**21 376**	21 820
Equity share of accumulated depreciation difference and accumulated appropriations	**-7 047**	-4 921
Distributable assets	**59 602**	75 434

12. Accumulated appropriations and deferred tax liability

EUR 1000	31.12.2004	Change	1.1.2004
Accumulated appropriations			
Accumulated depreciation difference	**20 031**	2 125	17 906
Deferred tax liability	**-5 208**	-16	-5 192
Equity share of subsidiaries at time of acquisition	**-7 656**		-7 656
Equity share of minority interests	**-120**	17	-137
Transferred to shareholders' equity	**7 047**	2 126	4 921
Deferred tax receivable and liability			
Based on appropriations	**5 208**	16	5 192
Deferred tax liability on acquisitions	**111**	111	
Based on matching differences	**2 371**	73	2 298
Based on consolidation	**-815**	-150	-665
Total	**6 875**	50	6 825

13. Provisions

EUR 1000	2004	2003
Other provisions	**349**	69

The provision in 2004 includes the share of the group of the expenses arising in the future from final disposal, treatment and follow-up of contaminated soil by the joint venture Salvor Oy (EUR 276 thousand). In 2003 and 2004, a provision has also been made for social security expenses arising from the subscriptions made pursuant to stock options 2002, because the share price on the day the books were closed exceeded the subscription prices of the stock options.

14. Liabilities

EUR 1000	2005*)	2006	2007	2008	2009
Repayment of non-current liabilities in coming years					
Loans from financial institutions	13 061	8 452	15 654	27 655	15 000

*) In the balance sheet under current liabilities

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

EUR 1000	2004	2003
Non-interest bearing liabilities		
Non-current	**6 876**	6 827
Current	**52 868**	46 499
Total	**59 744**	53 326
Accrued expenses		
Deferred interest	**697**	748
Waste charges	**2 350**	1 935
Other matched expenses	**3 083**	2 702
Total	**6 130**	5 385

15. Contingent liabilities

EUR 1000	2004	2003
Security for Company liabilities		
Loans from financial institutions for which mortgages have been given as security	**617**	
Real estate morgages	**700**	
Other security given		
Real estate mortgages	**84**	81
Company mortgages	**50**	
Book value of pledged shares	**284**	
Other securities	**943**	123
Other Company liabilities		
Leasing liabilities		
Falling due next year	**465**	409
Falling due in subsequent years	**1 136**	529

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

16. Derivative agreements

EUR 1000	2004	2003
Interest rate swaps		
Nominal values	**75 333**	82 000
Market values	**-584**	-1 592

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

Financial statements of the parent company

Statement of income

EUR 1000	2004	2003	Note
Net sales	316 334	301 157	1
Costs of goods sold	-266 083	-247 836	
Gross profit	50 251	53 321	
Sales and marketing expenses	-7 788	-7 545	
Administration expenses	-8 403	-9 962	
Other operating income	910	1 053	4
Other operating expenses	-716	-407	
Operating profit before depreciation on goodwill	34 253	36 460	2,3
Depreciation on goodwill	-12 010	-11 914	
Operating profit	22 243	24 546	
Financial income and expenses	-2 899	-2 448	5
Profit before extraordinary items	19 344	22 098	
Extraordinary items	1 679	510	6
Profit before appropriations and income taxes	21 023	22 608	
Appropriations			
Decrease in accumulated depreciation	645	-107	
Income taxes	-7 820	-8 316	7
Profit for the financial year	13 848	14 185	

Balance sheet

EUR 1000	2004	2003	Note
ASSETS			
Fixed assets			
Intangible assets			8
Intangible rights	12	20	
Goodwill	47 425	56 547	
Other capitalised expenditure	2 247	2 092	
Advance payments	60	190	
	49 744	58 849	
Tangible assets			9
Land	4 165	3 404	
Buildings	25 198	22 784	
Machinery and equipment	4 659	4 340	
Other tangible assets	49	56	
Advance payments and construction in progress	1 155	3 599	
	35 226	34 183	
Financial assets			10
Shares in Group companies	10 572	9 194	
Associated company shares	158	158	
Joint venture company shares	3 004		
Capital loan receivables from Group companies	2 000		
Other shares and holdings	3 073	3 021	
	18 807	12 373	
Total fixed assets	103 777	105 405	
Current assets			
Inventories			
Raw materials and consumables	225	159	
Finished products/Goods	2 018	1 693	
Other inventories	677	159	
	2 920	2 011	
Non-current receivables			
Loan receivables	1	1	
Current receivables			11
Receivables from Group companies	75 828	61 023	
Trade receivables	29 503	25 464	
Other receivables	96	135	
Prepaid expenses and accrued income	2 942	2 727	
	108 369	89 349	
Cash and cash equivalents	17 051	9 659	
Total current assets	128 341	101 020	
Total assets	232 118	206 425	

EUR 1000	2004	2003	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			12
Shareholders' equity			
Share capital	19 068	7 913	
Share premium account	44 932	7 518	
Retained earnings	20 777	41 481	
Profit for the financial year	13 848	14 185	
Total shareholders' equity	98 625	71 097	
Appropriations			
Depreciation difference	2 779	3 424	
Liabilities			13
Non-current			
Loans from financial institutions	66 783	79 083	
Accrued income	1	3	
Other liabilities		54	
	66 784	79 140	
Current			
Loans from financial institutions	12 987	9 167	
Accrued income	2	1	
Trade payables	8 694	7 061	
Liabilities to Group companies	10 222	6 401	
Other liabilities	27 513	26 289	
Accruals and deferred expenses	4 512	3 845	
	63 930	52 764	
Total liabilities	130 714	131 904	
Total shareholders' equity and liabilities	232 118	206 425	

Statement of changes in financial position

EUR 1000	2004	2003
Operations		
Operating profit	22 243	24 546
Adjustments:		
Depreciation	15 826	16 037
Other adjustments	31	-387
Cash flow before change in working capital	38 100	40 196
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	-3 461	-3 549
Increase/decrease in inventories	-908	-284
Increase/decrease in current non-interest-bearing liabilities	3 675	3 199
Cash flow from operations before financial income/expenses and taxes	37 406	39 562
Interest expenses and other financial expenses paid	-5 030	-4 976
Interest received	2 056	2 585
Direct taxes paid/received	-8 666	-7 777
Cash flow from operations	25 766	29 394
Investments		
Investments in Group companies	-2 673	-379
Investments in tangible and intangible assets	-7 608	-10 458
Proceeds from sale of tangible and intangible assets	604	508
Investments in other assets	-4 552	-3
Proceeds from sale of other assets		15
Dividends received from investments	11	10
Cash flow from investing activities	-14 218	-10 307
Financing		
Proceeds from share issue	48 569	
Group contribution paid	-2 981	-3 802
Group contribution received	3 491	470
Repayments of current liabilities		-489
Payments of current liabilities to Group companies	-9 856	-8 976
Increase in non-current liabilities	30 771	40 000
Repayments of non-current liabilities	-39 305	-29 167
Dividends distributed	-34 845	-11 855
Cash flow from financing activities	-4 156	-13 819
Changes in cash and cash equivalents	7 392	5 268
Cash and cash equivalents 1 Jan.	9 659	4 391
Cash and cash equivalents 31 Dec.	17 051	9 659

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	2004	%	2003	%
Net sales by division				
Environmental Services	140 109	44.3	127 133	42.3
Property Services	121 404	38.4	118 789	39.4
Industrial Services	54 821	17.3	55 235	18.3
Total	316 334	100.0	301 157	100.0
Net sales by market				
Finland	313 316	99.0	299 784	99.6
Other Nordic countries	1 152	0.4	349	0.1
Other EU countries	1 399	0.4	371	0.1
Other Europe	197	0.1	623	0.2
Total	270	0.1	30	
Yhteensä	316 334	100.0	301 157	100.0

2. Personnel and administrative bodies

	2004	2003
Average personnel		
Clerical personnel	728	706
Workers	3 226	3 090
Total	3 954	3 796

EUR 1000	2004	2003
Personnel expenses for the financial year		
Salaries	93 889	88 490
Pension expenditure	14 474	12 867
Other salary-related expenses	6 400	6 054
Total	114 763	107 411
Salaries and bonuses paid to management		
Members of the Boards of Directors and managing director	640	395

Salaries, bonuses and pension benefits of the management are described on page 48. No loans were granted to members of administrative bodies of Group companies

3. Depreciation

EUR 1000	2004	2003
Depreciation by function		
Costs of goods sold	3 707	3 924
Sales and marketing	83	161
Administration	26	38
Goodwill	12 010	11 914
Total	15 826	16 037

Depreciation is itemised under intangible and tangible assets.

4. Other operating income and expenses

EUR 1000	2004	2003
Other operating income		
From Group companies		
Compensation for administration costs		43
From others		
Profit from sales of fixed assets	440	423
Profit from sales of shares	2	2
Rents		15
Recovery of bad debts	40	37
Other	428	533
Total	910	1 053
Other operating expenses		
To others		
Losses on sales of fixed assets	30	36
Loss from sales of shares		3
Bad debts	517	289
Other	169	79
Total	716	407

5. Financial income and expenses

EUR 1000	2004	2003
Dividend income	16	14
Other interest and financial income	2 068	2 592
Other interest and financial expenses	-4 983	-5 054
Total financial income and expenses	**-2 899**	**-2 448**
Financial income and expenses include		
Interest income		
From Group companies	1 889	2 265
From others	179	327
Interest expenses		
To Group companies	659	841
To others	4 278	4 152

6. Extraordinary expenses

EUR 1000	2004	2003
Extraordinary income		
Group contribution received	3 066	3 491
Extraordinary expenses		
Group contribution paid	1 387	2 981
Total extraordinary income and expenses	1 679	510

7. Income taxes

EUR 1000	2004	2003
Income taxes on operations for the financial year	7 820	8 315
Income taxes from previous financial years		1
Total	7 820	8 316

8. Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 Jan.	51	101 494	4 131	190	105 866
Increase		2 889	425	60	3 374
Decrease	-2	-2 620	-549		-3 171
Transfers between items	-2		134	-190	-58
Acquisition cost 31 Dec.	47	101 763	4 141	60	106 011
Accumulated depreciation 1 Jan.	-31	-44 947	-2 039		-47 017
Accumulated depreciation on decrease and transfers	1	2 620	520		3 141
Depreciation for the financial year	-5	-12 011	-375		-12 391
Accumulated depreciation 31 Dec.	-35	-54 338	-1 894		-56 267
Total book value	12	47 425	2 247	60	49 744

9. Tangible assets

EUR 1000	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan.	2 202	26 422	39 373	2 778	3 599	74 374
Increase	275	2 389	1 353	2	1 155	5 174
Decrease	-64	-787	-7 391	-986		-9 228
Transfers between items	550	2 271	834	2	-3 599	58
Acquisition cost 31 Dec.	2 963	30 295	34 169	1 796	1 155	70 378
Accumulated depreciation 1 Jan.		-5 694	-35 033	-2 722		-43 449
Accumulated depreciation on decrease and transfers		300	7 189	985		8 474
Depreciation for the financial year		-1 759	-1 666	-10		-3 435
Accumulated depreciation 31 Dec.		-7 153	-29 510	-1 747		-38 410
Revaluations 1 Jan. and 31 Dec.	1 202	2 056				3 258
Total book value	4 165	25 198	4 659	49	1 155	35 226
Balance sheet value of production machinery and equipment 31 Dec.			4 261			

10. Financial assets

EUR 1000	Holdings in Group companies	Holdings in participating interests	Holdings in joint venture companies	Capital loan receivables	Other shares and holdings	Total
Acquisition cost 1 Jan.	9 194	158			3 021	12 373
Increase	1 378		3 004	2 000	82	6 464
Decrease					-30	-30
Total book value	10 572	158	3 004	2 000	3 073	18 807

11. Receivables

EUR 1000	2004	2003
Receivables from Group companies		
Loan receivables	75 670	60 854
Sales receivables	158	169
Total	75 828	61 023
Prepaid expenses and accrued income		
Interest receivables	20	8
Employees' health care compensation	582	820
Statutory personnel insurance	893	1 243
Insurance receivables	91	
VAT receivables	730	
Other	626	656
Total	2 942	2 727

12. Shareholders' equity

EUR 1000	2004	2003
Share capital 1 Jan.	7 913	7 913
Stock options 2002A	35	
Bonus issue	7 949	
Share issue	3 171	
Shareholders' equity 31 Dec.	19 068	7 913
Share premium account 1 Jan.	7 518	7 518
Stock options 2002A	1 319	
Bonus issue	-7 949	
Share issue	44 044	
Share premium account 31 Dec.	44 932	7 518
Retained earnings 1 Jan.	55 666	53 350
Dividend	-34 889	-11 869
Retained earnings 31 Dec.	20 777	41 481
Profit for the financial year	13 848	14 185
Shareholders' equity 31 Dec.	98 625	71 097
Distributable assets		
Retained earnings	20 777	41 481
Profit for the financial year	13 848	14 185
Distributable assets	34 625	55 666

13. Liabilities

EUR 1000	2005*)	2006	2007	2008	2009
Repayment of non-current liabilities in coming years					
Loans from financial institutions	12 987	8 474	15 654	27 655	15 000

*) In the balance sheet under current liabilities

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

	2004	2003
Non-interest bearing liabilities		
Non-current	1	56
Current	40 719	37 196
Total	40 720	37 252
Liabilities to Group companies		
Current interest-bearing liabilities	6 841	3 050
Current non-interest-bearing liabilities	3 381	3 351
Total	10 222	6 401
Accruals and deferred income		
Deferred interest	697	744
Waste charges	2 351	1 935
Other matched expenses	1 464	1 166
Total	4 512	3 845

14. Contingent liabilities

EUR 1000	2004	2003
Security for Company liabilities		
Loans from financial institutions,		
for which mortgages have been given as security	617	
Real estate mortgages	700	
Other security given		
Real estate mortgages	84	81
Other scurities	115	123
Other Company liabilities		
Leasing liabilities		
Falling due next year	252	202
Falling due in subsequent years	483	359

15. Derivative contracts

EUR 1000	2004	2003
Interest rate swaps		
Nominal values	75 333	82 000
Market values	-584	-1 592

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

Shares and shareholders

SHARES AND SHAREHOLDERS

Share capital

The registered share capital of Lassila & Tikanoja plc is EUR 19,068,117. The shares have no nominal value. There are 38,136,234 shares, with a book counter value of EUR 0.50 each. The shares are quoted on the Helsinki Stock Exchange 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 10,000,000 and the maximum EUR 50,000,000. The share capital may be increased or reduced within these limits without amending the Articles of Association.

The Company has a minimum of 20,000,000 and a maximum of 100,000,000 shares. The number of the shares may be increased or reduced within these limits without amending the Articles of Association.

On 8 February 2005, the Board approved the subscriptions of 5,600 new shares made pursuant to the stock options 2002A. As a result of these subscriptions, the company's registered share capital will increase by EUR 2,800 to EUR 19,070,917 and the number of the shares will increase to 38,141,834 shares after the increase has been entered in the Trade Register.

Bonus issue

The Extraordinary General Meeting of Shareholders held on 15 November 2004 decided to increase the share capital by a bonus issue of EUR 7,948,544 from EUR 7,948,544 to EUR 15,897,088 where each share entitled its holder to receive one new share without payment. 15,897,088 new shares were issued, and after the bonus issue the number of shares was 31,794,176. The record date of the bonus issue was 18 November 2004, and the new bonus shares were entered in the shareholders' book-entry accounts on 19 November 2004. The new shares entitled their holders to full dividends and other rights in the company conferred by the shares after the increase of the share capital was registered in the Trade Register.

Rights offering

The EGM decided to increase the share capital by a rights offering at most by EUR 3,179,417 by offering the shareholders for subscription the maximum of 6,358,834 shares. The subscription period was from 23 November to 15 December 2004. 6,342,058 shares were subscribed for through the exercise of the subscription rights, representing 99.7 per cent of the shares offered. As a result of the subscriptions, the share capital was increased from EUR 15,897,088 to EUR 19,068,117 and the number of shares from 31,794,176 shares to 38,136,234 shares.

The shares were offered for subscription to the shareholders of the company in proportion to the their shareholding. A shareholder who was registered in the company's shareholder register maintained by the Finnish Central Security Depository Ltd on the record date of 18 November 2004 received one freely transferable subscription right as a book-entry for every share owned in the company. A shareholder, or someone to whom such shareholder's subscription rights were transferred was entitled to subscribe for two new shares for every five subscription rights.

The new shares subscribed for in the offering were traded on the Main List of Helsinki Stock Exchange as a separate book-entry between 16 and 21 December 2004. The separate book-entry was combined with Lassila & Tikanoja plc's existing class of shares after the shares were registered with the Finnish Trade Register on 21 December 2004, and the trading in the combined shares started on Helsinki Stock Exchange on 22 December 2004.

Changes in the share capital and the number of shares between 1 January and 31 December 2004

Entry in the trade register	Change	Increase in the share capital EUR	Increase in the number of shares	Share capital EUR	Number of shares
1.1.2004				7 913 154	15 826 308
10.8.2004	Subscription pursuant to stock options 2002A	1 250	2 500	7 914 404	15 828 808
17.11.2004	Subscription pursuant to stock options 2002A	34 140	68 280	7 948 544	15 897 088
18.11.2004	Bonus issue 1:1	7 948 544	15 897 088	15 897 088	31 794 176
21.12.2004	Rights offering 5:2 à EUR 7.50 *)	3 171 029	6 342 058	19 068 117	38 136 234

* Subscription ratio before bonus issue

Share trading

The adjusted volume of trading in Lassila & Tikanoja plc shares on the Helsinki Stock Exchange from January through December was 17,264,627, which is 49.8% of the average number of shares. The value of trading was EUR 219.6 million. The adjusted trading price varied between EUR 11.48 and EUR 14.09. The final trading price was EUR 13.13. The market capitalisation was EUR 500.7 million on 30 December 2004.

Notifications on major holdings

On 5 April 2004, Tapiola Group reported that the holding of Tapiola Group had decreased to 4.88% of the share capital and votes of Lassila & Tikanoja plc. On 22 December 2004, Tapiola Group reported that the holding of Tapiola Group was 5.05% of the share capital and votes of Lassila & Tikanoja plc after the increase in share capital as a result of the rights offering was registered with the Trade Register on 21 December 2004.

Stock Options 2002

The Annual General Meeting held on 9 April 2002 decided to issue stock options to key personnel of Lassila & Tikanoja. A maximum of 400,000 stock options were issued, of which 130,000 were marked as 2002A, 130,000 as 2002B and 140,000 as 2002C.

Each stock option entitled 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 could increase by a maximum of 400,000 new shares, which was 2.5 per cent of the total number of shares and voting rights at the time when the options were issued.

The bonus issue approved by the Extraordinary General Meeting of Shareholders held on 15 November 2004 doubled the number of stock options and the number of shares that can be subscribed for pursuant to the stock options.

All stock options 2002A, 256,000 stock options 2002B and 274,000 stock options 2002C have been subscribed for by the key personnel of Lassila & Tikanoja. The rest of the stock options 2002B and 2002C 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. 28 key persons have been entitled to subscribe for the stock options.

The share subscription period for the stock options 2002A is from 2 May 2004 until 30 October 2005, for the stock options 2002B 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 stock options2002A is the trade volume weighted average price of the Company's share on the Helsinki Stock Exchange in May 2002, for the stock options 2002B the trade volume weighted average price of the Company's share on the Helsinki Stock Exchange in May 2003 and for the stock options 2002C the trade volume weighted average price of the Company's share on the Helsinki Stock Exchange in May 2004, each price being rounded off to the nearest cent. The subscription price of the stock options shall, as per the dividend record date, be reduced by the amount of dividend which exceeds 70% of the profit per share for the financial period to which the dividend applies. The shares subscribed for on the basis of the stock options will entitle their holders to dividends and other rights conferred by the shares after the increase of the share capital has been registered in the Trade Register.

The capital arrangements decided by the General Meeting of Shareholders held on 15 November 2004 had the following effects on the share subscription prices of each of the option series as follows: The share subscription price was divided by two due to the bonus issue. The additional dividend decreased the share subscription price fully by its per share amount. Due to the rights offering, the share subscription price was adjusted taking into account the theoretical change in the Company's share price on the ex rights day of 16 November 2004. As from 18 November 2004 the share subscription price for the stock options 2002A is EUR 7.86, for the stock options 2002B EUR 7.02 and for the stock options 2002C EUR 11.46.

On the basis of these stock options, 147,160 new shares, adjusted with bonus issue adjustment factor, have been subscribed for by 27 January 2005. On the basis of the rest of the stock options 2002A, a maximum of 112,840 shares can be subscribed for. On the basis of the rest of all stock options a maximum of 652,840 shares can be subscribed for, which is 1.71% of the registered number of shares and voting rights of the Company.

Lassila & Tikanoja's stock options 2002A have been listed on the Helsinki Stock Exchange since 3 May 2004. The trading code is LAT1VEW102 and the lot size is 100.

Shares held by the management

Shares held by the members of the Board of Directors

	Shares on 31 January 2005	Shares on 30 January 2004	% of shares and of voting power
Juhani Maijala	1 523 544	1 408 480	4.00
Heikki Hakala	12 132	8 000	0.03
Lasse Kurkilahti	3 000	2 000	0.01
Juhani Lassila	9 360	7 200	0.02
Evald and Hilda Nissi Foundation	2 413 584	2 011 320	6.33
Soili Suonoja	1 600	600	
Total	3 963 220	3 437 600	10.39

Shares and stock option rights held by the Group Executives

	Shares		Stock options 2002A		Stock options 2002B	Stock options 2002C
	on 31 Jan. 2005	on 30 Jan. 2004	on 31 Jan. 2005	on 30 Jan. 2004	on 31 Jan. 2005	on 31 Jan. 2005
Jari Sarjo	9 600	6 000	10 000	38 000	40 000	42 000
Arto Nivalainen	4 800	4 000	19 000	19 000	20 000	22 000
Anna-Maija Apajalahti	1 920	1 600	15 920	19 000	20 000	22 000
Jorma Mikkonen	720	600		19 000	15 000	16 000
Martin Forss	720	600	13 320	15 000	15 000	18 000
Fredrik Forss	1 200	1 000				
Kari Korpelainen	240	200		9 000	15 000	16 000
Sirkka Tuomola	38 400	32 000	7 000	15 000	15 000	16 000

The number of the shares and option rights on 30 January 2004 has been adjusted by the share issue adjustment factor.

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.

Additional dividend

The Extraordinary General Meeting of Shareholders held on 15 November 2004 decided that in addition to the dividend of EUR 1.20 approved by the Annual General Meeting of Shareholders held on 18 March 2004, an additional dividend of EUR 1.00 per share be paid for the financial year that ended on 31 December 2003. The total dividend adjusted with the share issue adjustment factor is EUR 1.01.

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.

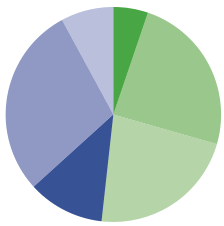
Breakdown of shareholding by size of holding

	Shareholders		Shares and votes	
Number of shares	Number	%	Number	%
1–1 000	2 865	69.3	1 204 312	3.2
1 001–5 000	852	20.6	1 833 327	4.8
5 001–10 000	169	4.1	1 238 690	3.2
10 001–100 000	204	4.9	5 833 484	15.3
over 100 000	44	1.1	25 173 442	66.0
	4 134	100	35 283 255	92.5
Shares registered in a nominee's name			2 812 435	7.4
Shares not transferred to the book-entry securities system			40 544	0.1
Total			38 136 234	100

Breakdown of shareholding by category

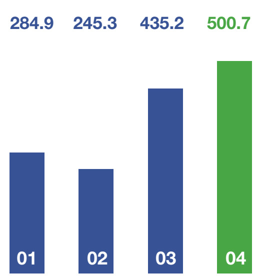
	Shareholders		Shares and votes	
	Number	%	Number	%
Companies				
Government and municipal companies	11	0.3	15 400	0.0
Private companies	372	9.0	1 994 992	5.2
Financial institutions and insurance companies	59	1.4	9 241 115	24.2
Public institutions	47	1.1	8 486 842	22.3
Non-profit organisations	132	3.2	4 397 868	11.5
Individuals	3 488	84.4	10 967 120	28.8
Foreign shareholders	25	0.6	179 918	0.5
	4 134	100	35 283 255	92.5
Shares registered in a nominee's name			2 812 435	7.4
Shares not transferred to the book-entry securities system			40 544	0.1
Total			38 136 234	100

Breakdown of shareholding % of shares and of voting power



- Companies
- Financial institutions
- Public institutions
- Non-profit organisations
- Individuals
- Foreign shareholders including shares registered in a nominee's name

Market capitalisation on 31 December EUR million



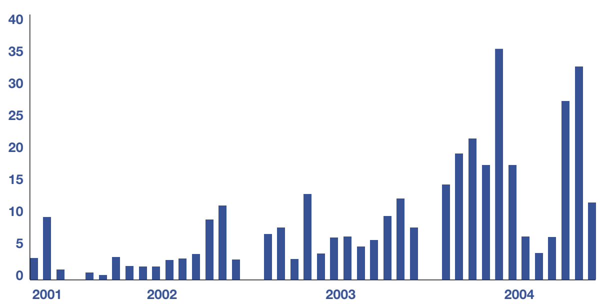
The largest shareholders

	Shareholder	Number of shares	Per centage of shares and of voting power
1.	Ilmarinen Mutual Pension Insurance Company	2 768 400	7.3
2.	Evald and Hilda Nissi Foundation	2 413 584	6.3
3.	Sampo Life Insurance Company Ltd	2 171 238	5.7
4.	Tapiola Mutual Pension Insurance Company	1 974 240	5.2
5.	Tapiola Group	1 927 156	5.1
	Tapiola General Mutual Insurance Company	974 976	2.6
	Tapiola Mutual Life Assurance Company	577 960	1.5
	Tapiola Corporate Life Insurance Company	242 760	0.6
	Tapiola Hyvinvointi Mutual Fund	89 460	0.2
	Tapiola Tulevaisuus Mutual Fund	42 000	0.1
6.	Varma Mutual Pension Insurance Company	1 894 980	5.0
7.	Juhani Maijala	1 523 544	4.0
8.	Heikki Bergholm	850 300	2.2
9.	Mutual funds managed by Nordea Investment Fund Company Finland Ltd	804 500	2.1
10.	Mikko Maijala	679 200	1.8
11.	KristiinaTurjanmaa	595 642	1.6
12.	Suomi Mutual Life Assurance Company	595 000	1.6
13.	The State Pension Fund	550 000	1.4
14.	OP-Delta Mutual Fund	549 240	1.4
15.	Pohjola Non-Life Insurance Company Limited	528 000	1.4
16.	Foundation for Economic Education	406 800	1.1
17.	Nordea Life Assurance Finland Ltd	366 206	1.0
18.	Evli Select Mutual Fund	351 928	0.9
19.	OP Suomi Kasvu Mutual Fund	313 400	0.8
20.	Aktia Secura Mutual Fund	265 000	0.7
	Total	21 528 358	56.5

All information concerning the Company's shareholders is based on the book-entry securities register as on 31 January 2005.

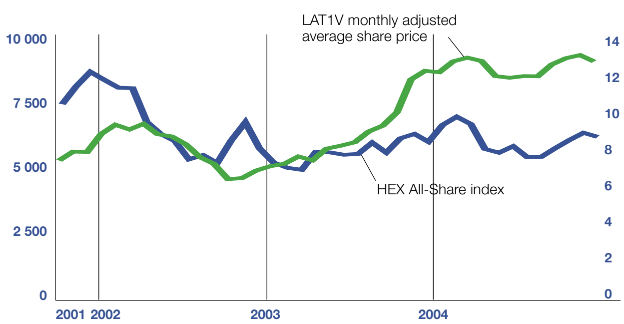
Volume of shares traded

EUR million



Adjusted share price development

HEX All-Share index EUR



Key figures on shares

Key figures on shares	2004	2003	2002	Pro forma 2001	Pro forma 2000
Earnings/share (EPS), EUR	0.62	0.63	0.46	0.43	0.29
Equity/share, EUR	3.43	2.78	2.49	2.31	2.11
Dividend/share, EUR	0.25*	1.01	0.34	0.28	0.23
Dividend/earnings, %	40.5*	159.6	74.7	64.1	80.1
Dividend yield, %	1.9*	8.0	4.8	3.3	
P/E ratio	21.3	19.9	15.4	19.2	
Cash flow from operations per share	1.46	1.40	1.22	1.18	0.62
Adjusted share price					
lowest, EUR	11.48	6.89	5.97	5.51	
highest, EUR	14.09	13.54	10.21	8.49	
average, EUR	12.72	8.83	7.30	7.84	
at year end, EUR	13.13	12.62	7.12	8.26	
Market capitalisation on 31 Dec., EUR million	500.7	435.2	245.3	284.9	
Adjusted number of shares					
Average during the year	34 650 239	34 477 003	34 477 003	34 477 003	34 477 003
At year end	38 136 234	34 477 003	34 477 003	34 477 003	34 477 003
Adjusted number of shares traded during the year	17 264 627	10 365 220	6 295 050	1 872 566**	
as a per centage of the average	49.8	30.1	18.3	5.4**	
Volume of shares traded, EUR 1000	219 558	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 = $\dfrac{\text{profit before extraordinary items - income taxes including change in deferred tax liability -/+ minority interest}}{\text{adjusted average number of shares}}$

Equity/share = $\dfrac{\text{shareholders' equity}}{\text{adjusted number of shares at year end}}$

Dividend/share = $\dfrac{\text{dividend for the financial year/share}}{\text{share issue adjustment factor of issues made after the financial period}}$

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 = $\dfrac{\text{cash flow from operations as in the statement of changes in financial position}}{\text{adjusted average number of shares}}$

Market capitalisation = number of shares at year end x share price at year end

Share issue adjustment factor = 2.178462

Key figures on financial performance

	2004	2003	2002	Pro forma 2001	Pro forma 2000
Net sales, EUR million	336.7	306.3	267.2	245.8	210.8
Operating profit before depreciation on goodwill, EUR million	43.5	43.4	32.8	31.8	22.6
as % of net sales	12.9	14.2	12.3	12.9	10.7
Operating profit, EUR million	34.6	35.7	26.8	26.3	18.4
as % of net sales	10.3	11.7	10.0	10.7	8.7
Profit before extraordinary items, EUR million	30.4	31.8	23.2	21.5	14.8
as % of net sales	9.0	10.4	8.7	8.7	7.0
Profit before income taxes and minority interest, EUR million	30.4	31.8	23.2	21.5	14.8
as % of net sales	9.0	10.4	8.7	8.7	7.0
Profit for the financial year, EUR million	21.4	21.8	15.9	14.8	9.9
as % of net sales	6.3	7.1	5.9	6.0	4.7
EVA, EUR million	16.8	19.6	11.3	10.6	
Cash flow from operations, EUR million	50.7	48.2	42.0	40.7	21.3
Balance sheet total, EUR million	272.6	238.7	212.1	209.1	214.5
Return on equity, % (ROE)	19.0	24.0	19.2	19.5	13.8
Return on invested capital, % (ROI)	17.5	20.5	16.5	15.9	17.2
Equity ratio, %	48.8	40.6	41.0	38.1	33.9
Gearing, %	45.7	80.1	84.4	91.9	126.0
Net interest-bearing liabilities, EUR million	60.4	77.6	73.3	73.1	91.6
Gross investments, EUR million	49.0	43.8	33.6	14.8	136.4
as % of net sales	14.6	14.3	12.6	6.0	64.7
Depreciation	29.9	25.6	22.2	22.0	17.7
Average personnel employed converted to full-time	5 409	4 595	3 763	3 676	3 428

Calculation of the key figures

Return on equity, % (ROE) = $\dfrac{\text{profit before extraordinary items - income taxes including change in deferred tax liability}}{\text{shareholders' equity + minority interest (average)}} \times 100$

Return on invested capital, % (ROI) = $\dfrac{\text{profit before extraordinary items + interest and other financial expenses}}{\text{balance sheet total - non-interest bearing liabilities (average)}} \times 100$

Equity ratio, % = $\dfrac{\text{shareholders' equity + minority interest}}{\text{balance sheet total - advances received}} \times 100$

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

Gearing, % = $\dfrac{\text{net interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}} \times 100$

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 2004	EUR	59 601 561.00
Parent Company profit	EUR	13 847 750.83
Parent Company retained earnings	EUR	20 777 307.20
Distributable assets according to the Parent Company balance sheet on 31 December 2004	EUR	34 625 058.03
The Board of Directors proposes that a dividend of EUR 0.25 be paid on each of the 38,141,834 shares	EUR	9 535 458.50
leaving the remainder on the retained earnings account	EUR	25 089 599.53
Total	EUR	34 625 058.03

In accordance with the decision of the Board of Directors, the dividend record date is 7 April 2005. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the record period on 14 April 2005.

Helsinki, 8 February 2005

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. – 31.12.2004. 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 of the parent company.

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 statement 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 of the parent company 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, 17 February 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Corporate Governance

Lassila & Tikanoja plc complies with the Corporate Governance Recommendation for Listed Companies by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers that entered into force on 1 July 2004.

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 operative management of the Latvian subsidiary report to the Vice President, Corporate Planning and Business Development. The Company is also engaged in wholesale trade in environmental management products.

Until the end of 2004, Finland was divided into five operative areas, with the area directors reporting to the heads of the divisions. Environmental Services and Industrial Services gave up the area organisation starting from the beginning of 2005. The business units of these divisions report to the product line directors. A new area organisation reducing the number of areas to three will be formed for the Property Services. Administration, marketing, product development and management of group-level processes have been centralised.

General Meetings

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

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

Advance information

Shareholders are invited to a general meeting by an invitation published in one newspaper in the Company's domicile. The Board of Directors' proposals and the invitation to the meeting are also disclosed in a stock exchange release. The prospective director candidates as well as the proposal for Auditors are disclosed in the invitation or in a separate stock exchange release before the general meeting.

Attendance of the Board members and President and CEO in a general meeting

The members of the Board of Directors, President and CEO and prospective directors attend a general meeting, unless there are well founded reasons for the absence.

Board of Directors

Composition and term

In accordance with the Articles of Association, the Board of Directors comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of the members of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following his/her election. A person who has attained the age of 70 cannot be elected to the Board of Directors. The Board elects a Chairman and a Vice Chairman from among its members.

The Board of Directors comprises the following persons: Mr Juhani Maijala, Chairman, Mr Heikki Hakala, Vice Chairman, Mr Lasse Kurkilahti, Mr Juhani Lassila ja Ms Soili Suonoja. Biographical details and holdings in the Company of the directors are given on page 50. The changes in the holdings during 2004 are given on page 40.

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

Duties

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

The duties of the Board are defined in a written charter adopted by the Board in 2004, which the Board complies in addition to the Articles of Association and the Finnish laws and regulations.

According to the charter, the matters handled by the Board of Directors include:

- to decide on the corporate strategy and to confirm divisional strategies
- to decide on group structure and organisation
- to ensure the operation of the management system
- to handle and adopt interim report, consolidated financial statements and annual report
- to confirm the Company's operating plan, budget and investment plan
- to decide on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities
- to confirm risk management and reporting practice as well as insurance and financing policies
- to nominate and dismiss the President and CEO and monitor and evaluate his work
- to adopt the nominations of the President and CEO's immediate subordinates
- to decide on the salary, bonuses and other benefits of the CEO and his immediate subordinates as well as other terms of their employment
- to decide on compensation and incentive schemes of the management
- to establish a dividend policy and to be responsible for the development of the shareholder value
- to confirm the Company's operating principles (values)

Meeting practice

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

The Board of Directors met 15 times during 2004. The average attendance per cent of the members at the meetings was 96.

Performance evaluation

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

Evaluation of independence

The Board has evaluated the independence of its members in accordance with item 18 of the Corporate Governance Recommendation. The evaluation showed that Vice Chairman Heikki Hakala and the members Lasse Kurkilahti, Juhani Lassila and Soili Suonoja are independent of the Company. Chairman Juhani Maijala is dependent on the Company, because he has an employment relationship with the Company.

All Board members are independent of a significant shareholder.

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.

Committees

The Board has established no committees. The entire Board handles all the matters pertaining to it.

Managing Director

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

The present President and CEO is Jari Sarjo. His biographical details and holdings in the Company are presented on page 50.

Other Management

The Group Executives assist the President and CEO in the management of the Company. The Group Executives and their responsibility areas are presented on page 51 and their holdings in the Company on page 40.

Compensation

Board of Directors

The Annual General Meeting determines the emoluments paid to the members of the Board of Directors in advance, for one year at a time. The 2004 Annual General Meeting of 2004 decided on the following fees: Chairman EUR 12,000 per month, Vice Chairman EUR 25,500 per year and the members EUR 21,000 per year. The fees were paid so that the Vice Chairman and each member acquired Company shares worth of the net share of the fee (40%) in the public trading on the Helsinki Exchanges. The Chairman acquired the Company shares worth of 16,000 euros, which amount was deducted from his net monthly fee each month in equal instalments by the end of the year 2004. The salaries and benefits paid to the full-time Chairman totalled EUR 161,982.

The members of the Board are not included in the stock option scheme and they do not have any pension contracts with the Company.

President and CEO and other management

The Board of Directors determines the salary, bonuses and other benefits of the President and CEO and the direct subordinates of the President and CEO. The President and CEO and the Group Executives are included in the 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 Group Executives for the memberships of Boards of Directors of the subsidiaries.

In 2004, the salaries paid to the President and CEO totalled EUR 369,413, which includes salaries, an EVA-based bonus, benefits from exercising stock option rights and other benefits.

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 sixty. The amount of pension is agreed in advance, and an index increase is made to the sum annually. The amount is less than the full amount of pension under the Employees' Pensions Act.

Internal control, risk management and internal audit

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

The Company has insurance, financing, and risk management policies confirmed by the Board of Directors.

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

Insider guidelines

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

Information on insiders is entered in the SIRE insider register of the Finnish Central Securities Depository Ltd. Statutory insiders are the members of the Board of Directors, the President and CEO and the Principal Auditor. The Company also maintains data on 24 other persons defined as insiders. The insiders by definition are the Group Executives, management of the divisions, persons in charge of finance and communication and the executive assistants. When engaged in extensive or otherwise significant undertakings, project insider registers will be made. The Chief Financial Officer is the person responsible for insider issues.

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

The shareholdings of the Lassila & Tikanoja insiders may be read on the Company Internet pages www.lassila-tikanoja.com.

Auditing

The statutory audit of the financial statements is carried out by PricewaterhouseCoopers Oy, Authorized 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.

In 2004, the fees paid for statutory auditing to the PricewaterhouseCoopers group totalled EUR 91,049. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS, share issue and due diligence services, totalled EUR 209,344.

Lassila & Tikanoja plc Board of Directors

Juhani Maijala, born 1939
B.Sc. (Econ.), Master of Laws
Maijala has acted as fulltime Chairman of the Board since 2001. He was member of the Board of the former Lassila & Tikanoja plc since 1983 and Chairman from 1998 to 2001. Maijala acted as President and CEO of the former Lassila & Tikanoja plc between 1983 and 1998. He also acted as President of Säkkiväline Group from 1993 to 1996 and President of Tiklas from 1980 to 1983 in the former Lassila & Tikanoja Group, and CFO of the former Lassila & Tikanoja Group from 1977 to 1980. Maijala was Vice President of Palomex Oy from 1975 to 1977.
Maijala holds 1,523,544 Lassila & Tikanoja plc shares.

Heikki Hakala, born 1941
M.Sc. (Econ.), Doctor of Technology, h.c.
Hakala has acted as Vice Chairman of the Board since 2001. Hakala was member of the Board of the former Lassila & Tikanoja plc from 1988, Vice Chairman from 1998 to 2001. He was President and CEO of Metso Corporation from 1999 to 2000, President and CEO of Rauma Corporation from 1996 to 1999, and Vice President of Rauma-Repola/Repola Corporation from 1986 to 1996. Hakala is Vice Chairman of the Board of Altia Corporation and member of the Board of Orion Corporation.
Hakala holds 12,132 Lassila & Tikanoja plc shares.

Lasse Kurkilahti, born 1948
B.Sc. (Econ.), CEO of Kemira Oyj
Kurkilahti has been member of the Board since 2001. He is CEO of Kemira Oyj. He was President and CEO of Elcoteq Network Corporation from 2001 to 2004, CEO of Raisio Group from 2000 to 2001, and President and CEO of Nokian Tyres plc from 1988 to 2000. Kurkilahti is member of the Board of Fortum Corporation.
Kurkilahti holds 3,000 Lassila & Tikanoja plc shares.

Juhani Lassila, born 1962
M.Sc. (Econ.)
Lassila has been member of the Board since 2001. He was member of the Board of the former Lassila & Tikanoja plc from 1998 to 2001. Lassila was Group treasurer of Instrumentarium Corporation between 1998 and 2004. He is Chairman of the Board of Directors of Evald and Hilda Nissi Foundation.
Lassila holds 9,360 Lassila & Tikanoja plc shares and has controlling power in Evald and Hilda Nissi Foundation which holds 2,413,584 shares.

Soili Suonoja, born 1944
Teacher of Home Economics, MBA
Member of the Board since 2001. Managing director of Amica Group from 1989 to 2000. Member of the Board of Alko Ltd., Lännen Tehtaat plc, Outokumpu plc, Finland Post Corporation and Finnish Road Enterprise, Vice Chairman of the Association of Finland's Board Professionals.
Suonoja holds 1,600 Lassila & Tikanoja plc shares.

President and CEO

Jari Sarjo, born 1957
Master of Laws
President and CEO of Lassila & Tikanoja Group since 2001
Sarjo was President of the Säkkiväline Group from 1997 to 2001, divisional director in Säkkiväline Oy between 1994 and 1997, administrative director from 1987 to 1994 and administrative manager between 1984 and 1987.
Holds 9,600 Lassila & Tikanoja plc shares and 10,000 stock options 2002A and 40,000 stock options 2002B, and 42,000 stock options 2002C.

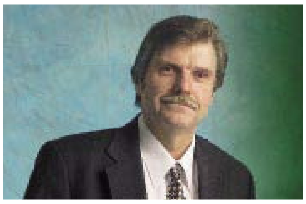
Auditors

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

Juhani Maijala, born 1939
B.Sc. (Econ.), Master of Laws
Chairman of the Board of Directors
Fulltime Chairman of the Board since 2001. Member of the Board of the former Lassila & Tikanoja plc since 1983, Chairman 1998–2001. President and CEO of the former Lassila & Tikanoja plc 1983–1998. President of Säkkiväline Group 1993–1996 and President of Tiklas 1980-1983 in the former Lassila & Tikanoja Group and CFO of the former Lassila & Tikanoja Group 1977-1980. Vice President of Palomex Oy 1975-1977.

Jari Sarjo, born 1957
Master of Laws
President and CEO
President and CEO of the Lassila & Tikanoja Group since 2001. Sarjo was President of the Säkkiväline Group from 1997 to 2001, divisional director in Säkkiväline Oy between 1994 and 1997, administrative director from 1987 to 1994 and administrative manager between 1984 and 1987.

Arto Nivalainen, born 1950
M.Sc.
Vice President, Environmental Services, since 2000.
Nivalainen was production director of WM Ympäristöpalvelut Oy (which was purchased by the Säkkiväline Group in 2000) between 1996 and 2000, regional director from 1995 to 1996 and sales director from 1993 to 1995. Prior to that, he worked with information management duties and acted as sales and district director in the Oy Huber Ab Group from 1982 to 1993.

Anna-Maija Apajalahti, born 1948
M.Sc. (Pol.Sc.)
Vice-President, Property Services, since 2000.
Apajalahti was director in charge of Säkkiväline Oy's cleaning services and group marketing between 1997 and 2000, divisional director for cleaning services from 1983 to 1997, also in charge of group marketing, and in information and marketing duties from 1971 to 1983.

Jorma Mikkonen, born 1963
Master of Laws
Vice President, Industrial Services, since 2000.
Mikkonen acted as Säkkiväline Oy's administrative director from 1999 to 2000, and as lawyer between 1992 and 1999. He was lawyer in the Helsinki Finnish Savings Bank from 1991 to 1992.

Martin Forss, born 1962
M.Sc. (Econ.)
Vice President, Corporate Planning and Business Development, since 2001
Forss was financial director of Säkkiväline Oy from 2000 to 2001. Prior to that, he acted as country controller of WM Ympäristöpalvelut Oy (which was purchased by the Säkkiväline Group in 2000) from 1996 to 2000, as business controller from 1995 to 1996, and as division controller from 1993 to 1995.

Kari Korpelainen, born 1969
M.Sc. (Econ.)
Vice President, Marketing, since 2001
Korpelainen was marketing manager in Säkkiväline Oy's group marketing between 1997 and 2001, marketing manager for cleaning services during 1996 and product and district manager for product sales from 1994 to 1996.

Sirkka Tuomola, born 1947
M.Sc. (Econ.)
Vice President and CFO since 2001
Tuomola was the Vice President and CFO for the former Lassila & Tikanoja between 1992 and 2001. She was bookkeeping manager at the Metsä-Serla Group from 1989 to 1992, Tiklas' (in the Lassila & Tikanoja Group) administrative director from 1985 to 1989, financial manager from 1983 to 1985 and accounting manager between 1981 and 1983. Prior to that Tuomola acted as accounting economist and accounting manager at the Huhtamäki Group from 1974 to 1981.

The holdings of the Group Executives as well as the changes in the holdings in 2004 may be found on page 40.

Risk management

Lassila & Tikanoja's risk management policy is approved by the Company's Board of Directors. The policy sets out the risk management objectives, areas of responsibility and reporting procedure. The Board of Directors has also approved the financing and insurance policy.

Objectives
Risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that each objective is achieved. Efficient risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

Organization and reporting
Risk management at Lassila & Tikanoja is an integrated part of the Group's management, monitoring and reporting system. Regular monitoring and reporting take place at both the group and division level. The President and CEO is responsible for the organization and implementation of risk management.

The management of the divisions identifies and assesses the most significant risks for their own division and produces contingency plans. Risk identification and planning primarily take place in divisions, product lines and units responsible for business operations. The management of centralized operations is responsible for auditing and planning for risks in their own areas of responsibility. Risk management is also developed together with insurance brokers and insurance companies.

Risks relating to L&T's business

Dependence on personnel
L&T's business operations are based primarily on its capable personnel. The Company's competitiveness depends on its ability to hire, train, motivate and retain employees who have relevant expertise, experience and motivation.

Delays of planned investments
An important part of L&T's growth strategy are investments in Environmental Services' recycling plants, mainly in Finland. The planned investments are typically slowed down by appeals relating to environmental permits, the effect of which the Company has endeavoured to take into account when drawing up the timetable for the investment programme.

Growth via acquisitions
Company acquisitions involve a risk that the integration of the acquired companies lasts longer than expected or that acquired companies will not be successful in keeping their customers or personnel and operating profitably after the acquisition.

Operations on developing markets
Besides Finland, L&T has business operations in Latvia and Russia, in addition to which it is planning to expand its operations to other countries with developing markets. Business in countries with developing markets will make the Company subject to the risks that come with changes in political, economic and social conditions.

Competition
Overcapacity and strong price competition may appear on the markets of L&T's business sectors. In an attempt to reduce the threat caused by competition, L&T is endeavouring to provide to an increasing degree specialised services which are difficult to imitate and which distinguish the Company from its competitors.

Rise in costs and in waste taxes
Personnel costs form a substantial part of the Company's costs, especially in Property Services. If salaries and wages or other costs rise, L&T endeavours to transfer the effect of the increased costs to the prices of its services, in line with its contracts.

Municipal landfill sites are subject to waste tax in Finland. The landfill sites where only industrial waste is placed do not, however, currently come under the waste tax. If L&T's landfill sites become subject to waste tax, it would cause the Company additional costs, unless it is able to raise the recovery rate of waste at the same time.

Liability for services produced and possible damage to customers' assets and business operations
It is typical of L&T's operations that its employees do their work at properties and plants owned or used by the customers. So the customers' assets might be damaged or their business operations might be hampered or interrupted as a consequence of L&T's action. Although the Company has sufficient insurance to cover such risks, it is possible that the insurance policies will not cover in full the damages that the Company might have to pay.

Environmental, health and occupational safety (EHS) risks

Managing environmental, health and occupational safety (EHS) risks is part of Lassila & Tikanoja's integrated management system. EHS risk audits are carried out annually in compliance with the system and EHS objectives are drawn up on the basis of the results.

Several environmental regulations are applicable to Lassila & Tikanoja's business activities and they require environmental permits relating to such issues as the treatment of waste, the transportation, storage and disposal of dangerous substances and hazardous waste, and the repair of damage caused by dangerous chemicals.

Lassila & Tikanoja's business operations observe, where appropriate, all applicable EU-level and national environmental acts, decrees, license conditions and guidelines. Compliance with environmental permits is regularly monitored as part of the internal environmental, health and occupational safety (EHS) audits, and some departments at Lassila & Tikanoja have been granted quality, environmental and occupational safety certificates (ISO 9001:2000, ISO 14 001 and OHSAS 18 001). In addition, the hazardous waste treatment and storage facilities most at risk carry a special insurance. In connection with this, audits and monitoring are carried out by the insurance company.

Financial risks

Financial risk management

The principles for financial risk management are defined the financial policy approved by the Board of Directors. Financing and financial risk management have been centralised to the financial department. The purpose of financial risk management is to hedge against any significant financial risks and minimise the effects of the fluctuations in the financial market on the Company's result. The CFO is responsible for financial risk management.

Interest rate risk

The most significant interest risk incurred by the Company relates to loans, which are mainly tied to variable interest rates. As the demand for L&T's services or their prices are not significantly dependent on fluctuations in economic trends, the Company tries to keep interest costs as steady as possible. Therefore, a considerable portion of the interest rate risk associated with the loans is hedged by interest swap agreements, so changes in interest rates do not affect the Company's interest costs in full.

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 of issuers with a good credit standing.

L&T has no major credit risk clusters, since it has an extensive customer base. The Company has credit supervision guidelines to ensure that services and products are sold only to creditworthy customers.

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 18 million) and commercial paper programmes (total EUR 25 million).

Currency risk

All loans taken out by L&T are denominated in euro. The Company's invoicing currency is almost without exception the euro apart from the Latvian subsidiary. Any currency risk would be attributed to a negative position caused by SEK-denominated imports. The shareholders' equity of the Latvian and Russian subsidiaries are small and they have been left unhedged. This being so, changes in currency exchange rates have only a limited effect at present on the Company's financial performance and balance sheet. In the future, however, changes in currency exchange rates will have greater significance as the Company's operations expand further abroad.

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.

Basic info on Lassila & Tikanoja share and stock option 2002A on the Helsinki Stock Exchange

Share	
Trading code	LAT1V
List	Main list
Category	Other services
Lot size	100
Number of shares	38,141,834
Stock option 2002A	
Trading code	LAT1VEW102
Lot size	100
Exchange ratio	1 (LAT1VEW102) : 1 (LAT1V)
Number of options	260,000

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.

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Information to shareholders

Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc will be held on 4 April 2005 at 4 p.m. in Kansallissali, Aleksanterinkatu 44, 00100 Helsinki.

Shareholders who were entered in the Company shareholders register maintained by the Finnish Central Securities Depository Ltd on 24 March 2005 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.

Payment of the dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.25 per share be paid for the 2004 financial year. The dividend decided on by the Annual General Meeting of Shareholders will be paid to a shareholder registered in the Company share register maintained by Finnish Central Securities Depository Ltd on the record date.

Annual General Meeting	4 April 2005
Ex-date	5 April 2005
Record date	7 April 2005
Payment of the dividend	14 April 2005

Financial Information in 2005

The interim report for the period between 1 January and 31 March will be published on 27 April 2005 at 8.00 am.
The interim report for the period between 1 January and 30 June will be published on 27 July 2005 at 8.00 am.
The interim report for the period between 1 January and 30 September will be published on 26 October 2005 at 8.00 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 from 1905 to 2005

1905

Lassila & Tikanoja established

Lassila & Tikanoja was established by Josef Lassila and Frith. Tikanoja in Vaasa in 1905. The original enterprise was a wholesale business selling fabrics, knick-knacks and "heavy products" such as soap, Baltic herring, bagels and confectionery, the main emphasis being on the textiles wholesale business. Over the years, operations expanded to cover the whole country, and it grew to be the biggest privately owned wholesale company in the Nordic countries.

1923

From the wholesale business to the clothing industry

In 1923, Lassila & Tikanoja began manufacturing clothing alongside its wholesale business, and it was one of Finland's largest clothing manufacturers until the 1980s. At its height it had industrial operations in close on 20 different locations all over Finland. Exports accounted for more than 50 per cent of net sales starting from the 1960s, and the company had substantial operations in several other European countries. Some of the company's better-known brands were Tiklas suits, shirts and tops, and Topman shoes. Lassila & Tikanoja became a public listed company on the Helsinki Stock Exchange in 1961.

1980

New operating sectors

In the 1980s, Lassila & Tikanoja expanded its operations through major corporate acquisitions. At the beginning of 1982, it bought J.W. Suominen, a manufacturer of non-woven fabrics, and in 1988 Amerplast, which produced flexi-packaging. In 1989, Lassila & Tikanoja bought 74 per cent of Säkkiväline Oy's shares. Säkkiväline was established by Finnish paper bag manufacturers in the 1960s to market waste bags and to promote the use of waste bag systems. A separate company, Säkkiväline Oy, was set up in 1967. Gradually Säkkiväline expanded through corporate acquisitions into waste collection, cleaning services, industrial cleaning and maintenance, and damage repair services. In the late 1980s, property maintenance was included as a new field.

1990

Environmental management as the biggest operating sector

At the beginning of the 1990s, Lassila & Tikanoja was a multi-business company with its operations divided into the non-woven fabrics, flexi-packaging and webbing industries (J.W. Suominen, Amerplast, Inka), the service industry (Säkkiväline), and the clothing and footwear industries. Clothing and footwear and the wholesale trade were discontinued in the early 1990s. In 1995, Säkkiväline became a wholly owned subsidiary of Lassila & Tikanoja. Its net sales continued to grow vigorously throughout the 1990s, and at the end of the decade it accounted for close on 50 per cent of the Group's net sales. Säkkiväline and its services were developed systematically in the 1990s. Considerable resources were invested in waste recovery and recycling; the cleaning business was developed further; and hazardous waste management was added to the range of services. In property maintenance services, the company developed a service control system with a control centre staffed 24 hours a day. Development work on environmental products focused especially on products related to waste recovery. In spring 2000, Säkkiväline acquired the environmental management company WM Ympäristöpalvelut Oy and thus became the leading provider of environmental management services in Finland.

2005

L&T

Lassila & Tikanoja assumed its present form on September 30, 2001, when Lassila & Tikanoja plc split into two separate companies (Lassila & Tikanoja plc and Suominen Corporation). Lassila & Tikanoja plc served as the parent company of Säkkiväline until 31 March, 2002, when Säkkiväline merged with the parent company. At the same time, the company launched the L&T brand name for all its operating divisions: Environmental Services, Property Services and Industrial Services. In 2004, Lassila & Tikanoja's net sales amounted to EUR 336.7 million. It is the leading company in its sector in Finland and is increasingly operating also in the Baltic region.

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