Contents

The World of Larox

Larox develops, designs, manufactures and supplies industrial filters and is a leading technology company in its field. Larox is a full service filtration solution provider in solid and liquid separation. Comprehensive aftermarket services throughout the lifespan of the Larox solution form an essential part of our operations. Companies in Mining and Metallurgy, Chemical Processing and related industries benefit from our high-efficiency process technologies, products and solutions.

We provide our clients with an unrivalled combination of process expertise and service. We deliver complete solutions, which exceed the goals for product quality, yield, value and consistency. We help our clients to simplify their production processes, improve the profitability of the processes and help to save energy in an environmentally friendly way. All solutions are designed for application-specific needs to meet all process performance requirements of clients and their customers.

All Larox technologies are based either on over-pressure including automatic vertical pressure filters, horizontal filter presses and polishing filters, or on under-pressure including horizontal vacuum belt filters, ceramic disc filters and conventional vacuum disc and drum filters. Our trade marks include Larox, Ceramec, Hoesch, Pannevis, Scanmec and Scheibler. Most of the product names have served the markets for several decades and all of them are supported by Larox aftermarket services.

We are where our customers are. Larox serves its global clients through its extensive network of sales and service offices and representatives world-wide. Product engineering and manufacturing facilities are located in Lappeenranta, Finland. Additional locations for product engineering are Espoo, Finland, Alsdorf, Germany and Utrecht, The Netherlands. In addition to self-manufactured products Larox leans on sub-contractor workshops specialized in manufacturing and assembly. ■

Larox Group

Larox Corporation, the parent company of the Larox Group, is headquartered in Lappeenranta, Finland. Larox Corporation's B share is listed on the OMX Nordic Exchange in Helsinki.

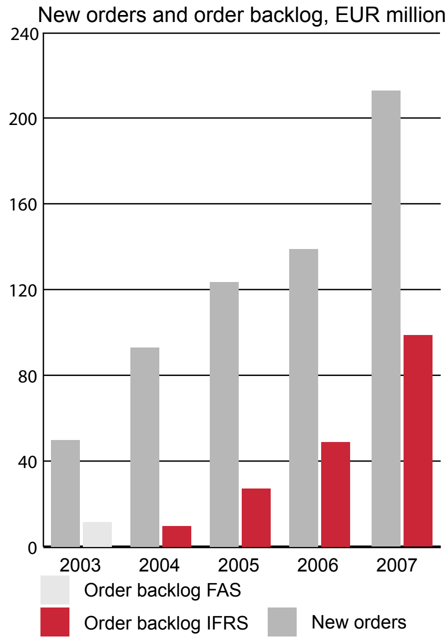
The Larox Group also consists of eleven operative subsidiaries in Australia, Brazil, Chile, Germany, Great Britain, Mexico, The Netherlands, Poland, South Africa, United States and Zambia. The average number of employees in the Group in 2007 was 458. ■

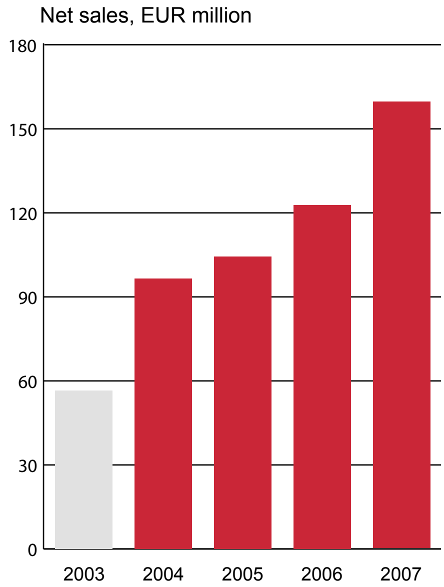
Larox in Brief

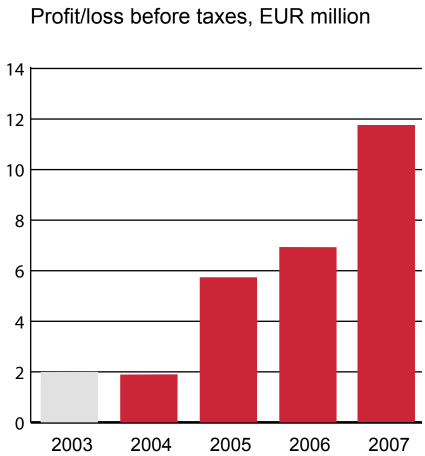
KEY FIGURES OF LAROX GROUP

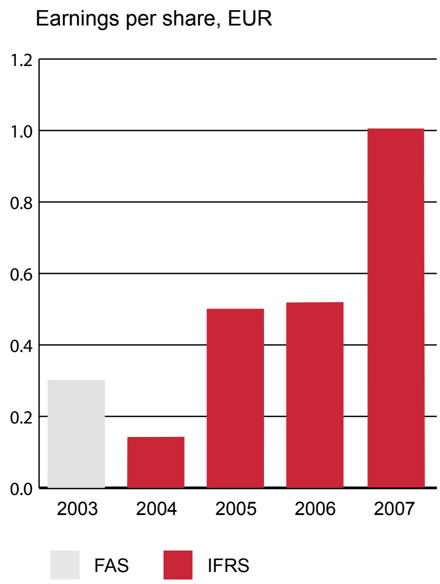
1000 EUR	1-12/2007	1-12/2006
New orders	208 421	137 971
Group order backlog at end of period	97 330	44 911
Net sales	158 270	122 809
Operating profit (EBIT)	13 070	8 931
% of net sales	8.3	7.3
Net financial costs	1 315	1 887
% of net sales	0.8	1.5
Result before taxes	11 755	7 044
Result for the period	9 496	5 004
Investments	3 284	2 285
Shareholders' equity per share at end of period, EUR	3.50	2.84
Equity ratio %	34.2	33.9
Return on equity, %	31.9	19.4
Return on invested capital, %	22.9	16.7
Liabilities and shareholders' equity	102 853	83 295
% of net sales	65.0	67.8
Contingent liabilities	27.7	27.8
Earnings per share, EUR	1.01	0.53
Dividend per share, EUR	*) 0.60	0.30
Trading price at end of period, EUR	12.00	9.00
Market capitalization at end of period, EUR million **)	112.6	84.4
Average number of personnel	458	450
Number of personnel at end of period	469	446
Net sales per person	346	273

**) Board of Directors proposal to the annual general meeting of Larox Corporation shareholders.*
***) A-share data is based on the B share's last trading rate of the financial year (weighted average).*









Shareholder Information

Annual general meeting of shareholders

The annual general meeting of Larox Corporation shareholders will be held on Wednesday, 26 March 2008 at 1 p.m. at Larox Corporation headquarters, Tukkikatu 1, 53900 Lappeenranta, Finland. Shareholders who are registered as a shareholder in the shareholders' registry maintained by the Finnish Central Securities Depository Ltd. no later than 14 March 2008 have the right to participate in the annual general meeting of shareholders. Shareholders who wish to participate in the annual general meeting of shareholders must notify the company no later than 18 March 2008 at 2 p.m. Notification can be made in writing to Larox Corporation, P.O. Box 29, 53101 Lappeenranta, by phone +358 (0)20 7687 200, fax +358 (0)20 7687 277 or email to tuula.poutanen@larox.com. Possible powers of attorney or other authorizations are requested be given with the notification of participation.
The copies of the financial statements and the proposals by the board of directors are available to the shareholders one week prior to the meeting at Larox Corporation headquarters. Copies of these documents are available on request.

Payment of dividends

Based on the proposal by the board of directors the dividend for the past fiscal year, which ended on 31 December 2007, is EUR 0.60 per share. Shareholders who are registered in the shareholders' registry maintained by the Finnish Central Securities Depository Ltd. on 31 March 2008, the matching day of dividend payment, are entitled to the dividend. The dividends will be paid on 7 April 2008.

Financial reports in 2008

In addition to the Annual Report, Larox will publish three Interim Reports in 2008;

• January - March	24 April 2008
• January - June	8 August 2008
• January - September	23 October 2008

The financial reports will be published in Finnish and English. The Annual Report, the Interim Reports, Stock Exchange Releases and other information on Larox Corporation are available in Finnish and English at www.larox.com.

A copy of the printed Annual Report will be sent to each shareholder. Shareholders must inform the bank or banking house which takes care of their book-entry security accounts on any address change. Finnish Central Securities Depository Ltd. updates information for book-entry security account holders only. The Interim Reports will be available in photocopies. All financial reports can be ordered from Larox Corporation, P.O. Box 29, FIN-53101 Lappeenranta, Finland, tel +358 (0)20 768 7200 , fax +358 (0)20 768 7277 or info@larox.com.

Investor relations

The investor communications policy of Larox has been designed to provide correct and real-time information to all market participants on a regular and equal basis.

Any questions about the business activities of Larox can be addressed to:

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Investment analyses

Investment analysis of Larox have been made by companies including: GlitnirBank Ltd, Evli Bank Plc and Pohjola Bank Plc.

Larox is not responsible for the opinions presented in the analyses.

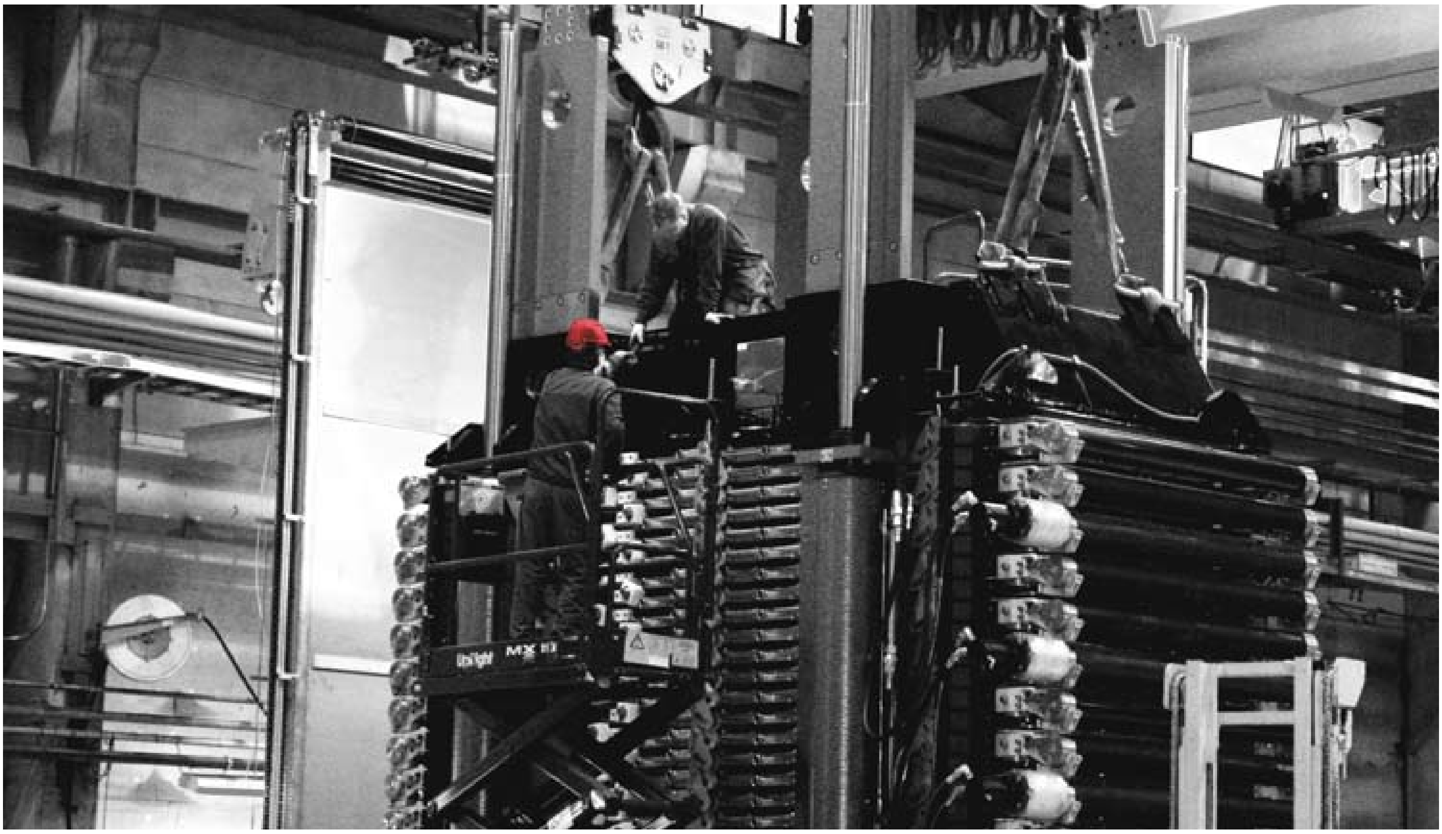
Mission and Vision

Mission

Our business is solid-liquid separation; we are adding stakeholder value by making our customers' processes more competitive.

Vision

Larox as the world process industry's solid-liquid separation solution provider.



Larox Values

People to people – Sisu – Progress
Together... we make it happen... one step ahead for the benefit of our customers.

People to people
Listening to the customer, co-operation and mutual understanding is the foundation of how we do business.
We build strong, positive relationships with our customers and with each other.
In all of our interactions, we emphasize openness, honesty, equality, teamwork and good business spirit.

Sisu
We work in a pioneering way with courage, commitment, determination and perseverance at all levels, and we develop ourselves professionally with the same resolve.

We do what we promise.

Progress
We develop and improve our know-how, expertise and functional capabilities to develop creative and state-of-the-art solutions for the benefit of our customers.
We share and learn from our experiences and grow together as a team.
We advance and succeed through learning, training, open discussion and the free exchange of ideas. ■

Quality Policy

Larox's main objective is that Larox services and products must meet or exceed customers' expectations. The benefit to the customer must be greater than our competitors can offer.

Quality must be taken into account in all core and support processes of our business. We follow the principle of internal customer relationships: "The previous step in the process chain is your supplier, the next step is your customer. If you do not serve the external customer, you serve someone else who does".

A precondition to realizing the Larox objectives is a motivated and trained personnel empowered to plan, implement, inspect and correct their own work.

Our aim is to carry out our duties on time and correctly from the very beginning in an atmosphere where each and every one is responsible for his or her own work performance.

Larox management will ensure all personnel have the necessary knowledge and skills to implement the Quality Policy. ■

Larox Strategy and Financial Targets

Target-oriented focus on concentrated field of expertise

We are in the business of providing value added process solutions to industrial and other companies utilizing wet processing. ”Larox Separates the Best from the Rest” - our goal is to be the best in solid-liquid separation.

Profitable growth is the key

Our growth strategy is supported by target-oriented focus on concentrated field of expertise in solid-liquid separation, filtration, niche-technologies and customer segments in global markets.

We develop our unique concept of customer service by operating the Larox way, building and maintaining strong customer relationships, and focusing our wide network of sales and after sales services 100 % on solid-liquid separation.

Motivated personnel with expert knowledge and skills combined with broad product and service portfolio is the foundation of our growth, which enables Larox to satisfy wider range of customer needs by providing continuous product and application development and increasing market share in after sales services.

Larox will continue in the chosen line of global, customer oriented, innovative, competent and high quality operation.

Financial targets

- Profitable growth for 2008- 2010
- Good profitability, target operating profit (EBIT) of >8%
- Return on invested capital (ROI) = 20 %
- Equity ratio of 40 %
- Dividend pay-out of 30 to 50% of earnings per share ■

Business Environment

Larox is a full-service solution provider

Larox designs and manufacturers industrial filters, which are used in separation processes in industries that utilize wet processing. In addition to self-manufactured products Larox leans on sub-contractor workshops specialized in manufacturing and assembly.

Larox is a leading innovator for the separation of solid and liquid substances, which is often from production cost point of view a critical process step particularly for companies in Mining and Metallurgical and Chemical Process Industries. Larox is a full-service solution provider within this field and the only truly global player 100 % focused on filtration. The cyclical investment demand typical of Larox’s business is balanced by comprehensive Performance for Life – aftermarket services during the lifespan of the Larox equipment ranging typically from 15 years to 25 years or more.

Our business consists of selling new process solutions (equipment) and after sales services. Sales of equipment relies, without exception, on the customer’s investment decision making process, which based on our experience often takes up to two years from first contact to contract. Our after sales services include consumables and spare parts, modernizations, upgrades, technical, and maintenance services. Purchase decisions for the after sales services are normally made without delays.

In our wide product range we have unique products such as automatic vertical pressure filters, capillary action disc filters as well as pressure and gas tight horizontal vacuum belt filters. Our products are heavy duty capital goods with a typical weight from 2 up to 129 tons, height from 2.0 up to 7.6 meters and throughputs from 0.1 up to 230 tons/hour dry solids. Filter unit prices typically range from EUR 0.1 up to 2.0 million. Average contract sizes are from EUR 1.0 to 3.0 million in Mining and Metallurgical Industries and from EUR 0.3 to 1.5 million in the Chemical Process Industries. Biggest contracts can be EUR 19.5 million in mining and EUR 4.0 million in chemicals.

Key market drivers

Demand for all Larox products is driven by general business cycles. In an up-cycle clients can choose our solutions when expanding capacity or removing production bottlenecks. In a down-cycle our solutions can help our clients to reduce production and environmental costs. Throughout the cycles, clients need maintenance, consumables and spare parts services.

Investment decisions in Mining and Metallurgical Industries are transparent and fairly easy to follow. Metal prices and metal demand, mainly in car and vehicle manufacturing and construction industries, trigger investments.

Investment decisions in Chemical Process Industries are less transparent and triggers for investments are unique for each client segment. Typically investment decisions are guided by the demand for paper, plastics, foodstuffs, pharmaceuticals and partly environmental legislation.

Market size and main solid-liquid separation methods

Total filter market size is approximately EUR 2 400 million offering an approximately EUR 980 million market for Larox. Average annual demand growth rate in Mining and Metallurgy is approximately 3 % and between 3 % to 10 % in Chemical Process Industries depending on the market segment.

In addition to thermal drying all solid-liquid separation equipment in the markets are based on one of the four main solid-liquid separation methods: gravity, centrifugal force, vacuum or pressure. All Larox filtration technologies are based on vacuum or pressure (market size of approximately EUR 980 million).

Sensitivity of Larox's business to market changes

A rise in metal prices can effect positively on demand for Larox products. Effect on the internal costs of Larox however is negative as the main raw materials for our products are different grades of mild and stainless steel.

A rise in other commodity prices can effect positively on demand for Larox products. Effect on internal costs can be regarded as negative because e.g. plastic components are quite commonly used in our products.

If US dollar strengthens against euro the effect on demand for Larox products can be positive especially in US dollar dependant market areas (e.g. in South and North America and Russia). Effect on internal costs is neutral since the majority of our costs are euro based.

A rise in energy prices generally pressures processing plants to find ways to decrease energy costs e.g. thermal drying costs. Larox equipment can reduce or even eliminate the duties of other equipment (dryers, ultra-filtration, wash systems, plant effluent systems). Effect on internal costs is neutral.

If safety, health and environmental legislation tightens it can have a positive effect on demand for Larox products. Effect on Larox's internal costs is neutral.

Competitor analysis

Competition in the solid-liquid separation business is fairly fragmented. Consolidation is in early stages.
The most remarkable acquisitions during the last years have been:

- GL&V acquired Dorr-Oliver (1999) and Eimco Process Equipment Co. (2002)
- Larox acquired Scheibler Filters Ltd. (2002) and Outokumpu Technology's filter business (2004)
- Andritz acquired Bird Machine and Netzsch (2004)
- GKD-Gebr Kufferath AG acquired IST-Delkor Pty (2006)
- FLSmidth & Co. A/S acquired GL&V Process Group (2007)

There are only a handful of global full service players: Larox, FLSmidth Minerals, Metso Minerals and Andritz. These control roughly 25 - 30 % of the EUR 980 million market. Out of these only Larox focuses solely in solid-liquid separation and publishes its annual figures for this business.

Larox is the global market leader in the following industry segments:

- In Mining and Metallurgy: pressure filtration of metal concentrates, filtrations in lateritic nickel ore processing and copper electrolyte purification in electrorefining process
- In Chemical Process Industries: pressure filtration of starches, precipitated calcium carbonate (PCC) and penicillin G as well as filtration of zeolites.

Larox is unique in the above mentioned group of companies because:

- It is 100 % focused on solid-liquid separation, filtration, technologies
- It has an innovative and highly proven R & D success in this field
- It has unique offerings in its broad product range and unique service concept

Additionally there are many small companies operating locally or regionally and that are primarily focused on offering single products to narrow market segments. ■

Our Customer Relationship Concept Aims at Partnership

Larox will continue to focus on solid-liquid separation, but with a wider range of solutions and deeper level of expertise. The cornerstones of our operations are the unique Larox customer service approach, continuous product and process development, and the expertise and skills of Larox people.

Our customers are leading producers in their fields, either nationally or internationally. We want our customers to see us as a reliable partner. Our expertise is at their disposal before an order, during and after delivery, and until the end of a product's life.

In our tightly defined field of expertise, Larox can help customers simplify their production processes, improve profitability and save energy in an environmentally friendly way. Larox equipment can reduce or even eliminate the duties of other equipment, such as dryers, ultra-filtration, wash systems and plant effluent systems. They can improve product quality, yield, value and consistency. And they can eliminate steps e.g. thermal drying with fossile fuel.

To achieve our strategic targets we have a high focus on Research and Development. Larox invests 5 % to 6 % of its annual net sales in R & D. It includes Larox's spending on research, equipment and process development, automation products as well as testing operations.

All Larox Group companies have ISO 9001:2000 quality certification audited annually. Larox Corporation was the first Finnish company to receive certificate SFS-EN 729-2:1995 (SFS-EN ISO3834-2) for fusion welding of metallic materials.

We believe that with our expert and motivated personnel continuing to concentrate on managing customer relationships, keeping our products and technologies competitive and maintaining efficient operations, we can fulfil the expectations of all our interest groups and maintain long-term customer relationships with the leading companies in different fields of business. The fact that a large number of the orders we receive are repeat orders from our existing customers is a clear proof that continuous product development and high-quality customer service bring results.

Mining and Metallurgical Industries

The industry is heavily consolidating and is usually dominated by global players. Metal prices and demand is healthy, driven mainly by China and other Asian countries. Mining & Metallurgical companies are expanding production and de-bottlenecking plants to improve efficiency and to lower operating costs. There is a growing trend to reduce the number of suppliers and a preference for a wider scope of services is expected from the suppliers. A "new" customer segment, junior mining companies, is emerging often with limited financial resources, which results in projects with small budgets. Larox can also offer solutions for this customer segment.

Mines and concentrator plants are typically built close to the ore-body. The company running the mine and concentrator plant operations often has many international owners in different countries, which emphasizes the need for global customer relationship management. Larox has a global customer relationship management system to meet this demand.

Metal production is located closer to the markets with high demand. There is also a trend for direct leaching of metals from ore and for movement into production processes which replaces the traditional flotation process. Larox also has solutions for these processes.

Larox is the global market leader in pressure filtration of metal concentrates, filtrations in lateritic nickel ore processing and in supplying polishing filters to copper electrorefining process for electrolyte purification.

Chemical Process Industries

The Chemical Process Industries face ever-increasing demands such as saving energy, conserving valuable resources, and improving productivity and environmental performance. At the same time industries are consolidating and the markets are being dominated by global players. Demand is recovering in all market areas. Private and privatized companies are emerging in China and other Asian countries.

Today's industrial minerals, food and pharmaceutical and chemical products require increasingly cost-efficient and environmentally friendly processing. Larox addresses this need with product development, ongoing consultation, global customer relationship management and by optimising the performance of existing installations.

Larox is the global market leader in pressure filtration of starches, precipitated calcium carbonate (PCC) and penicillin G and in filtration of zeolites.

After sales services - Performance for Life

Larox products are in continuous day and night operation in our customers' production processes throughout the year. This sets high demands for the reliability and availability of Larox equipment and associated services. Larox offers the most comprehensive After Sales Service portfolio to our customers.

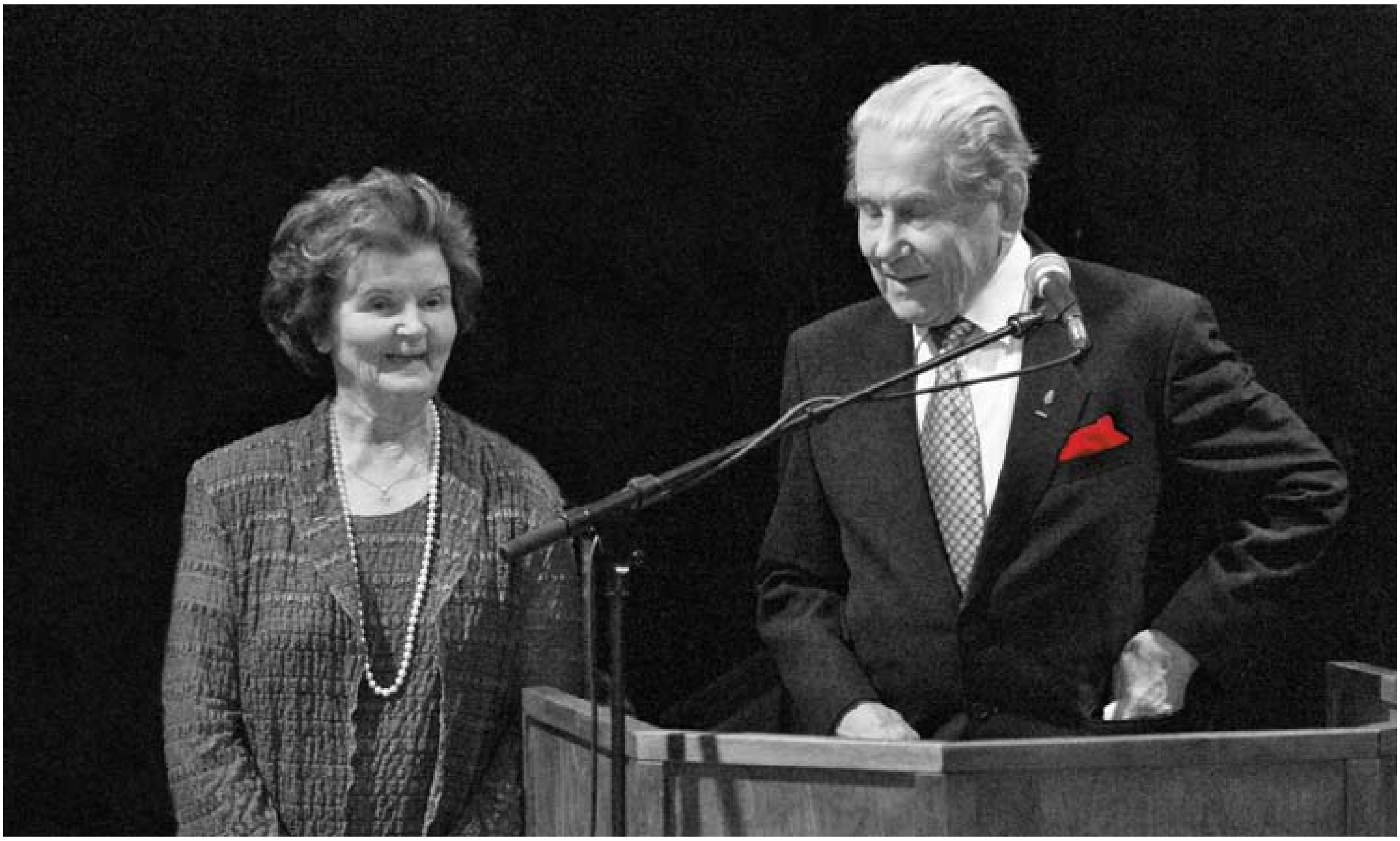
We help customers stay competitive. We accomplish this by ensuring that our solutions operate efficiently and economically with optimum process results. Larox offers full-service cooperation agreements including preventive maintenance services, emergency services, actual procedural services, spare parts logistic planning, and optimized spare parts services.

Larox's technical service optimizes and improves the performance of the Larox process solution. To achieve the best possible result, we build close relationships with customers to understand their specific needs and deliver an increasing amount of value. Our actions are driven by customer satisfaction.

Larox's spare parts service achieves the availability and performance of the Larox process solution by ensuring optimal and on-time availability of spare parts. Maximizing continuous system and process availability is the driving force behind our spare part delivery chain.
Larox's modernization service provides tailored modifications for all types of existing Larox installations. These modifications help improve the capacity, performance and availability of the equipment. Modernizations range from improved components and optional devices to expansions and even full-scale upgrades.

Every Larox customer is provided with an efficient single point of contact, a designated Larox support engineer based in the nearest Larox office.

Installed equipment base of over 3 500 filters in over 1 000 customer plant locations with typical life-cycle between 15 to 25 years and more keeps our service personnel busy.



Important Events

January

■ ***Larox Changes Market Making Partner:*** Larox Corporation and Kaupthing Bank Oyj have concluded a market making agreement, which fulfils the requirements of Helsinki Stock Exchange's Liquidity Providing operation. The market making operation will commence on March 1, 2007. *(Stock Exchange Release 26.1.2007)*

■ ***Distributor Contract Larox Corporation and Larox Flowsys Oy:*** Larox Group's parent company Larox Corporation has signed with its associated company Larox Flowsys Oy a distributor contract regarding their products. After Sales Service in Larox Group's organization is responsible for the distribution of the products. *(Stock Exchange Release 29.1.2007)*

February

■ ***Larox Wins Contracts in Australia and Chile:*** Oxiana Limited, the owner of the Prominent Hill copper-gold project in South Australia has ordered a large size automatic vertical pressure filter for copper concentrate filtration. SNC-Lavalin Chile S.A. has ordered several units of different filter types and a large package of ancillaries for the Cobre Las Cruces S.A.'s greenfield copper project in Spain. Total value of the orders is approximately 9.2 million euros. *(Press Release 5.2.2007)*

■ ***Release Concerning the Financial Statements for 2006:*** The Larox Group result before taxes for the fiscal year totaled EUR 7.0 million. Operating profit totaled EUR 8.9 million. Net sales totaled EUR 122.8 million. Order backlog at the end of the fiscal year totaled EUR 44.9 million. New orders received during the fiscal year totaled EUR 138 million. The return of shareholders' equity was 19.4 %. Return on invested capital was 16.7 %. Equity ratio was 33.9 %. Earnings per share totaled EUR 0.53. *(Stock Exchange Release 16.2.2007)*

■ ***License Right to Use Hoesch Horizontal Filter Presses Trade Mark:*** Larox Group parent company Larox Corporation and its German subsidiary Larox GmbH have granted a Malesian Pan-Merchant Industries (PMI) a license right to use Hoesch horizontal filter presses trademark. The license right includes filter presses and chamber filter presses which fulfill Larox's design and manufacturing quality requirements and which PMI will manufacture. License right is worldwide but limited to palm fruit and oil refining applications and edible oil applications. *(Stock Exchange Release 21.2.2007)*

April

■ ***Interim Financial Report January - March:*** Larox Group's result before tax for the three months totaled EUR 2.3 million. Net sales totaled EUR 32.7 million. The Group showed an operating profit of EUR 2.7 million. Order backlog at the end of the review period totaled EUR 55.2 million. The amount of new orders received during the review period totaled EUR 43.1 million. Earnings per share was EUR 0.17.

Larox Corporation annual general meeting of the shareholders on 30 March 2007 confirmed the annual financial statements of the company and the Group. A dividend of 0.30 euro per share, in total EUR 2.8 million, was distributed in accordance with the proposal of the Board of Directors. *(Stock Exchange Release 27.4.2007)*

May

■ ***An Incentive Plan for Key Personnel:*** The Board of Directors of Larox Corporation has decided on a new share-based incentive plan for the Larox Group key personnel. The potential reward from the plan will be based on the Group's key figure Earnings per Share (EPS). The plan is directed to 30 - 40 people. The rewards to be paid on the basis of the plan will correspond to a maximum total of approximately 300,000 Larox Corporation B-shares. *(Stock Exchange Release 30.5.2007)*

June

■ ***Larox Intends to Terminate Filter Assembly Operations in The Netherlands:*** Larox Group intends to terminate the filter assembly functions in its wholly owned subsidiary Larox B.V. in Utrecht, The Netherlands by the end of 2007. This arrangement is estimated to cause a one-time cost of approx. 0.8 million euros, which will be realized during the current year. The aim of the arrangement and its estimated improvement in the Larox B.V.'s annual financial result will be approximately 0.4 million euros starting from the financial year 2008.*(Stock Exchange Release 27.6.2007)*

July

■ ***Larox to Supply Filters to Kazakhstan and China:*** Larox have agreed in June two filter deliveries to a chromite pellet plant in Kazakhstan (Outotec Oyj's project with OAO TNK Kazchrome in Donskoy) and a pharmaceutical company (penicillin G process) in China. Total value of the deliveries is approximately 5.5 million euros and includes several units of ceramic capillary action disc filters and large size automatic vertical pressure filters. *(Press Release 2.7.2007)*

■ ***Larox to Supply Filters to Talvivaara Mine:*** Larox and Talvivaara Project Ltd have agreed filter deliveries to the Talvivaara mine to be built in Sotkamo, Finland. Total value of this so far biggest single contract for Larox is approximately 10 million euros and includes several units of horizontal vacuum belt filters with auxiliaries. Delivery will be in two phases during the years 2008 and 2009. *(Press Release 12.7.2007)*

August

■ ***Interim Financial Report January- June:*** The amount of new orders received during the first two quarters of 2007 totaled EUR 86.0 million. Group order backlog at the end of June totaled EUR 53.8 million. During the first two quarters net sales totaled EUR 75.3 million. Operating profit totaled EUR 6.0 million. The result before tax for the review period totaled EUR 5.5 million. Earnings per share was EUR 0.35. *(Stock Exchange Release 10.8.2007)*

September

■ ***Larox Wins Orders for Deliveries to Southern Africa:*** Larox has secured five contracts worth a combined EUR 7.5 million to supply filters and a turnkey filter building to mining companies in Southern Africa. Outotec Oyj, Finland, has ordered ceramic capillary action disc filters for their project (Samancor Chrome) to be delivered to the Republic of South Africa. A nickel mine has placed an order for a turnkey supply of a filter building. Two automatic vertical pressure filter deliveries to South Africa and the one to Zimbabwe are all for platinum concentrate filtration. *(Press Release 7.9.2007)*

■ ***Professorship of Solid-Liquid Separation Technology:*** Larox Corporation will make an annual donation of ninety five thousand euros (EUR 95 000) during the next five (5) years starting at the beginning of 2008 to finance the new professorship for solid-liquid separation technology at Lappeenranta University of Technology, Finland. *(Press Release 11.9.2007)*

October

■ ***Interim Financial Report January-September:*** Larox Group's result before tax for the nine months totaled EUR 6.8 million. Net sales totaled EUR 109.0 million. The Group showed an operating profit of EUR 7.9 million. Order backlog at the end of the review period totaled EUR 79.6 million. The amount of new orders received during the review period totaled EUR 143.5 million. Earnings per share was EUR 0.45. *(Stock Exchange Release 26.10.2007)*

November

■ ***EUR 19.5 Million Deal to Supply Filters to Brazil:*** Larox and MMX Minas-Rio Mineracao S.A. have agreed filter deliveries to the Minas-Rio System project. Total value of this so far biggest single contract for Larox is approximately 19.5 million euros and includes several units of large size ceramic capillary action disc filters for iron ore filtration. Delivery will be in three phases during the years 2008 and 2009. *(Press Release 28.11.2007)*

December

■ ***Listed Shares Based on Larox Corporation Incentive System to the top Management:*** Based on Larox Corporation share issue to the top management in 2004, a total of 37 905 of the subscribed B-series shares, the restriction period of which ended 1 December 2007 will be released for trading together with other Larox Corporation B-series shares on 3 December 2007. *(Stock Exchange Release 3.12.2007)*

■ ***Larox Received Filter Orders Worth EUR 12.7 Million:*** Larox has received EUR 12.7 million worth of orders for the supply of filters and auxiliaries to four mining companies in Democratic Republic of Congo, India and South Africa. The orders consist of eleven filters, which will be delivered during 2008. *(Press Release 18.12.2007)*

President's Review

The 2007 fiscal year was very good, the best in the company's history. All key figures suggest that our strategy is working. By focusing on filter business, introducing a new expanded product portfolio and maintaining long-term customer relationships we have produced a good result. Larox's net sales increased by 28.9 % over the previous year to EUR 158.3 million. Our net sales were also increased profitably: Larox's operating profit for the 2007 fiscal year increased by 46.3 % to EUR 13.1 million. Return on shareholders' equity increased to 31.9 percent, and earnings per share amounted to EUR 1.01.

We entered 2007 with a healthy order backlog. Demand continued to be strong throughout the year, and on 31 December 2007 our order backlog had more than doubled since the start of the year to EUR 97.3 million.

Demand was stimulated by the excellent situation in the mining and metallurgy industry and good situation in the chemical process industry. The investment climate in the mining and metallurgy industry is extremely strong and positive, and I believe that this will continue. Our customers are investing in new plants and expanding capacity at their existing plants, for which we have succeeded in selling our equipment and services. The existing plants are also being utilised to their full capacity. This is increasing demand for our aftermarket products and services, as uninterrupted plant operations are crucial, especially when the economy is so strong.

The chemical process industry is also enjoying a positive economic climate. Demand for our CPI products has continued to grow, albeit without the same kind of boom that we are seeing in the mining and metallurgy industry. I believe that the positive demand from the chemical process industry will continue.

The geographic distribution of net sales was as follows: North, Central and South America 29.0 %, Asia and Australasia 25.6 %, and Europe, CIS, Middle East and Africa 45.4 %.

Demand for new products and services

We have responded to the increasing demand with new products and services. Strong investments were made in R&D and product launches in 2007. We introduced a fully updated range of horizontal pressure filters, high-capacity horizontal pressure filters and horizontal vacuum belt filters. All of our new products have already found customers, so our R&D investments have created rapid results.

The focus of our R&D activities is on creating products that respond even better to customer needs. In addition to developing other features, this has meant in practice developing and bringing to market filters with even greater capacity. We are also designing our products so they can be manufactured more efficiently in order to improve further our profitability.

In addition to filters, we are also developing our services continuously to meet customer demands. In particular, the demand for maintenance and spare parts contracts is growing. Customers are increasingly interested in comprehensive service packages covering maintenance and operation. This is a growing trend particularly in the mining and metallurgy industry, and it presents numerous business opportunities. In some markets we are already maintaining and even operating entire filtration plants.

The value and scope of individual contracts has grown considerably, with contracts often covering a range of equipment. The biggest contracts in 2007 included a EUR 19.5 million order from MMX Minas-Rio Mineracao S.A. and a EUR 10 million order from Talvivaara Project Ltd for the Talvivaara Mine.

Actions to improve profitability

Maintaining and improving profitability is a key strategic challenge for Larox. We continuously seek more efficient operating methods and a lower cost levels for our products. The growth we are seeking will come largely from the equipment we launched in 2007, the design of which has been improved to make them even more cost efficient to manufacture.

To improve profitability we outsourced our component manufacturing operations in the Netherlands, and by the end of 2007

also our own filter assembly operations in The Netherlands were outsourced. Although our new business model requires some learning, we believe that the results of these actions will begin to be seen in 2008 in improved profitability.

Outsourcing demands new professional skills from us, and we have expanded our sourcing activities. Our goal is to source globally, since our business operations today are completely international. We are not restricted to any specific geographical region in terms of sourcing.

Continuously improving operations amidst accelerating demand

I believe that the positive demand will probably continue for the next two to three years. There are some signs in the markets that demand will accelerate even further. Our customers will continue to invest heavily in the coming years. Demand from the mining and metallurgy industry in particular looks excellent.

The growing order backlog and demand present challenges for our engineering and production operations and the abilities of our entire organisation. We must be able to deliver quality products on time. As the size of projects grows, so do our customers' expectations. At the same time, our responsibility for customer processes is growing the more we develop our aftermarket operations. Every member of our organization is involved in a continuous learning process; our business environment is dynamic, and results cannot be achieved without improving our skills. Our personnel's expertise, products and service concepts are the keys to our success amidst accelerating demand.

To further improve the efficiency of our organization, we are introducing in 2008 a new enterprise resource planning (ERP) system. Developing this system involved a great number of our staff in 2007. Thanks to these efforts the system will be implemented this year and expanded throughout the entire Group. This system should improve the efficiency of our operations considerably.

Thank you

Larox's success is based on outstanding individual performances and the ability of outstanding individuals to work together across all boundaries. I would like to thank our personnel for performing so well under the pressure of exceptional demand and workloads.

Our customers have continuously demonstrated their loyalty and selected Larox products for both bigger and smaller investment projects. Thank you for selecting the products and expertise of a company that is specialized in filtration technology.

Partners are playing an ever-bigger role in Larox's business operations. A global company like Larox needs partners that it can trust and who are themselves international players, or at least want to become international players. I thank our partners for our great co-operation in 2007.

Our shareholders and other stakeholders also deserve thanks. You are part of Larox's success story.

Toivo Matti Karppanen

Board of Directors’ Report

Business operations

Demand for Larox’s products continued positive in essential markets. Order accumulation developed well throughout the whole year and the order backlog at the end of the year was clearly bigger than in the previous year. Orders received in the Group grew by 51.0 % from the year of comparison and totaled EUR 208.4 million (EUR 138 million in 2006). Group order backlog grew by 116.7 % from the end of the year 2006 and was EUR 97.3 million at the end of 2007 (EUR 44.9 million in 2006). It is estimated that from the order backlog at the turn of the year EUR 70 million will be delivered in 2008 and EUR 27 million in 2009.

Demand in the mining and metallurgical industry remained healthy and it was driven by high prices of metals resulting from growing consumption of metals mostly in China and other Asian countries. In chemical process industry demand is recovering in all market areas.

Approximately 95 % of Larox net sales were generated outside Finland.

Towards the end of 2007 project business was centralized in Finland through internal arrangements inside the Group. All customer contracts related to this are made with the parent company.

Group structure

There were no changes in Group structure during the fiscal year.

Profits and profitability

The Larox Group result before tax for the fiscal year totaled EUR 11.8 million (EUR 7.0 million), i.e. 7.4 % (5.7 %) of net sales. Operating profit totaled EUR 13.1 million (EUR 8.9 million). Net sales totaled EUR 158.3 million (EUR 122.8 million). Depreciation totaled EUR 3.5 million (EUR 3.4 million) and the share taken by net sales was 2.2 % (2.8 %). Result for the fiscal year totaled EUR 9.5 million (EUR 5.0 million).

The return of shareholders' equity was 31.9 % (19.4 %). Return on invested capital was 22.9 % (16.7 %). Earnings per share totaled EUR 1.01 (EUR 0.53).

Operating profit includes EUR 0.8 million one-time cost, recorded in the second quarter, caused by the termination of the component manufacturing functions in product factory in Utrecht, The Netherlands by the end of January 2008.

Related to the reorganization of the project business, the Group recorded an increase in deferred tax asset due to which the Group's effective tax degree dropped to 19 %.

Balance sheet and financing

At the end of the year the Group balance sheet totaled EUR 102.9 million (EUR 83.3 million). The main reason for the growth in balance sheet during the year was the increased working capital resulting from the growth of net sales. The interest-bearing debts totaled EUR 36.9 million (EUR 29.1 million). Group's net financing costs totaled EUR 1.3 million (EUR 1.9 million) and the share taken by net sales was 0.8 % (1.5 %). The equity ratio was 34.2 % (33.9 %) and the debt-equity ratio was 1.1 (1.1).

Investments

Larox Group investments totaled EUR 3.2 million (EUR 2.3 million). The investments were mainly for development, IT applications and replacement investments. During the fiscal year the ERP project has been continued. The start-up of the system will take place mainly during the fiscal year 2008.

Research and product development

Expenditure by the Larox Group on research, equipment and process development, automation products and test filtration in the fiscal year was

	2007	2006	2005
EUR million	6.8	6.8	6.9
% of net sales	4.3	5.5	6.6

During the past fiscal year Larox's product development focused on product standardization, defining and development of new products by applications and continuous improvement of products. During the review period two standard product lines were launched on the market, Hoesch horizontal pressure filters and Pannevis horizontal vacuum belt filters.

Through product development Larox aims at making even more suitable products for customer needs. In addition to developing other properties this has in practice meant development of equipment with bigger unit sizes and higher throughputs and launching them to the market.

To secure teaching of solid liquid separation technology at Lappeenranta University of Technology Larox made a donation to finance a professorship in that field. The annual donation is EUR 95 000 during the next five years, starting from the beginning of 2008.

Personnel

The average number of personnel employed by the Group in the review period was 458 (450 in 2006 and 438 in 2005).

At the end of the year the number of Group personnel was 469 (446 in 2006 and 445 in 2005) from which 220 in the parent company (210 in 2006 and 215 in 2005) The number of personnel further increased in the developing markets and after sales service and further decreased in production in Europe.

During the fiscal year the main focus in the development of personnel was in leadership training. Also incentive systems were renewed. Parent company equality plan was renewed and global personnel policies were updated.

Table 1

At the end of the year the number of Group personnel by area was as follows:

AREA	2007	2006	2005
Finland	220	210	215
Other European countries	127	139	147
North America	32	27	26
South and Central America	36	33	25
Asia and Australasia	28	17	17
Middle East and Africa	26	20	15
Personnel total	469	446	445

Table 2

Employee benefits expenses are divided as follows:

1000 EUR	1.1.-31.12. 2007	1.1.-31.12. 2006	1.1.-31.12. 2005
Salaries and fees	24 711	23 219	21 407
Pension expenses, defined contribution plans	2 302	2 228	2 273
Pension expenses, defined benefit plans	57	33	4
Share-based payments, payment in cash	63	57	100
Share-based payments, payment in shares	101		
Other employee benefits	2 672	2 555	2 584
Employee benefits expenses, total	29 906	28 092	26 369

The Board of Directors and auditors

In Larox Corporation annual general meeting of shareholders on 30 March 2007 Mr. Timo Vartiainen, Ms. Katariina Aaltonen, Mr. Teppo Taberman, Mr. Thomas Franck and Mr. Matti Ruotsala were re-elected to the Board. Mr. Timo Vartiainen was elected Chairman of the Board and Mr. Teppo Taberman was elected Vice Chairman in the organizational meeting of the Board of Directors held immediately after the annual general meeting of shareholders.

The annual general meeting of shareholders elected the following main auditors: APA Kim Karhu and auditing society PricewaterhouseCoopers Oy with primary responsibility APA Kaija Leppinen. APA Henrik Sormunen and APA Jarmo Alén were elected deputy auditors.

Administration

In 2007 the main principles of corporate governance, recommended by the OMX Nordic Exchange in Helsinki, the Central Chamber of Commerce and the Confederation of Finnish Industries (EK) were adopted in the Larox Corporation. The company's Board of Directors has confirmed the principles, and these can be found on the Larox Corporation website: www.larox.com.

Risks and uncertainty factors

Investments in customers' fields of business affect Larox's business. The most remarkable risks that may affect the Group's business and financial result are caused by overall development of economic trends, which is reflected in the financial situation and demand in the customers' fields of operation. The development of demand is followed based on general economic situation, e.g. by utilizing test filtrations, order backlog and three (3) and six (6) months' sales forecasts.

There are a lot of competitors in the business. In addition to international companies a great number of smaller local companies compete with Larox.

The value, size and variety of single orders have grown strongly and the Group's dependency of one single customer has increased.

The increased order backlog and demand set requirements to production and delivery capacity of the organization. The sufficiency and availability of capacity and resources are the biggest risks related to order backlog.

The biggest risks related to deliveries are the increases in sub-contracting costs. In the management of material and manufacturing costs the main focus is in long-term contracts, continuous follow-up and cost reporting. The target is to anticipate risks by binding the raw material costs with price index of material costs already when the contract is being negotiated.

The risks related to stability and availability of the Group personnel are managed through HR policy; for instance by developing bonus systems and focusing on training.

Different financial instruments are used to manage financial risks. The purpose is to protect the Group against changes that are unfavorable to the Group's financial situation. The objective of the Group is to minimize the impacts of fluctuations in financial markets on the Group's cash reserves, profits and shareholders' equity. The main risks are currency risks and interest rate risks. The Group treasury function manages financial risks centrally according to the policy approved by the Board of Directors.

Larox has insurance coverage on material damages and legal liability for damages. Insurance coverage on unexpected risks is however limited.

Environmental matters

Direct environmental influence of Larox's business is minor. The Group takes care of the proper sorting and further handling of its wastes, including hazardous wastes.

Authorization given to the Board of Directors in the annual general meeting of shareholders on 30 March 2007

The annual general meeting of shareholders authorized the Board of Directors to decide on the repurchase of shares by using the company's unrestricted shareholders' equity but this authorization was not used during the fiscal year.

The authorization regards 500 000 Larox Corporation B-series shares at the maximum and is valid for 18 months from the resolution of the annual general meeting of shareholders.

The annual general meeting of shareholders authorized the Board of Directors to decide on shares, stock option rights or special rights referred to in the Finnish Companies Act chapter 10, paragraph 1 in one or more lots in such a way that based on the authorization the total maximum number of Larox Corporation B-series shares is 500 000 but this authorization was not used during the fiscal year.
The authorization is valid for five years from the resolution by the annual general meeting of shareholders.

Issue of equity instruments, subscription of B-series shares based on the management incentive system

Based on Larox Corporation share issue to the top management in 2004, a total of 37 905 of the subscribed B-series shares, the restriction period of which ended on 1 December 2007, were released for trading together with other Larox Corporation B-series shares.

In the share issue to the top management a total of 108 300 B-series shares were subscribed. The restriction period regarding 43 320 shares subscribed in this share issue will end on 1 December 2008.

Larox Corporation published the terms of the share issue of 2004 to the top management in stock exchange releases of 16 February 2004 and 17 March 2004.

Share-based incentive plan for key personnel

Larox Corporation Board of Directors decided on 29 May 2007 on a new share-based incentive plan for Larox Group key personnel. This was informed in a company announcement on 30 May 2007 and in the interim report of the first quarter of 2007.

Shares and shareholders

The trading with Larox shares 1 January – 31 December 2007 totaled 4 173 557, which is 44.5 % of the total number of shares. The value of the trading totaled EUR 52.8 million. The lowest price of the Larox share was EUR 8.04 and the highest EUR 16.85 per share. The closing trading price of the share was EUR 12.00 per share and the market value of the capital stock EUR 112.6 million. At the end of 2007 the number of shareholders was 1 489.

More detailed info on the holdings of the management and Board of Directors can be found in notes to financial statements, section Shares and shareholders. Share classes and principal regulations of the Articles of Association have been defined in more detail in section Shares and shareholders.

Shareholders´equity

Information on Larox Corporation shares has been presented in notes to financial statements, point 23, Notes to shareholders' equity.

Events after the end of the fiscal year

Good development of order backlog has continued in January.

Future prospects

Growing uncertainty in the world economy has not affected Larox's demand situation. The market situation is expected to continue favorable and the Group net sales and profitability are expected to improve from the previous year. The good order backlog at the turn of the year, EUR 97.3 million (EUR 44.9 million) and centralizing the project business on the parent company support this. Positive demand of metals, which is expected to continue strong and the recovering demand in the chemical process industry influence specially investment decisions.

Distribution of profits

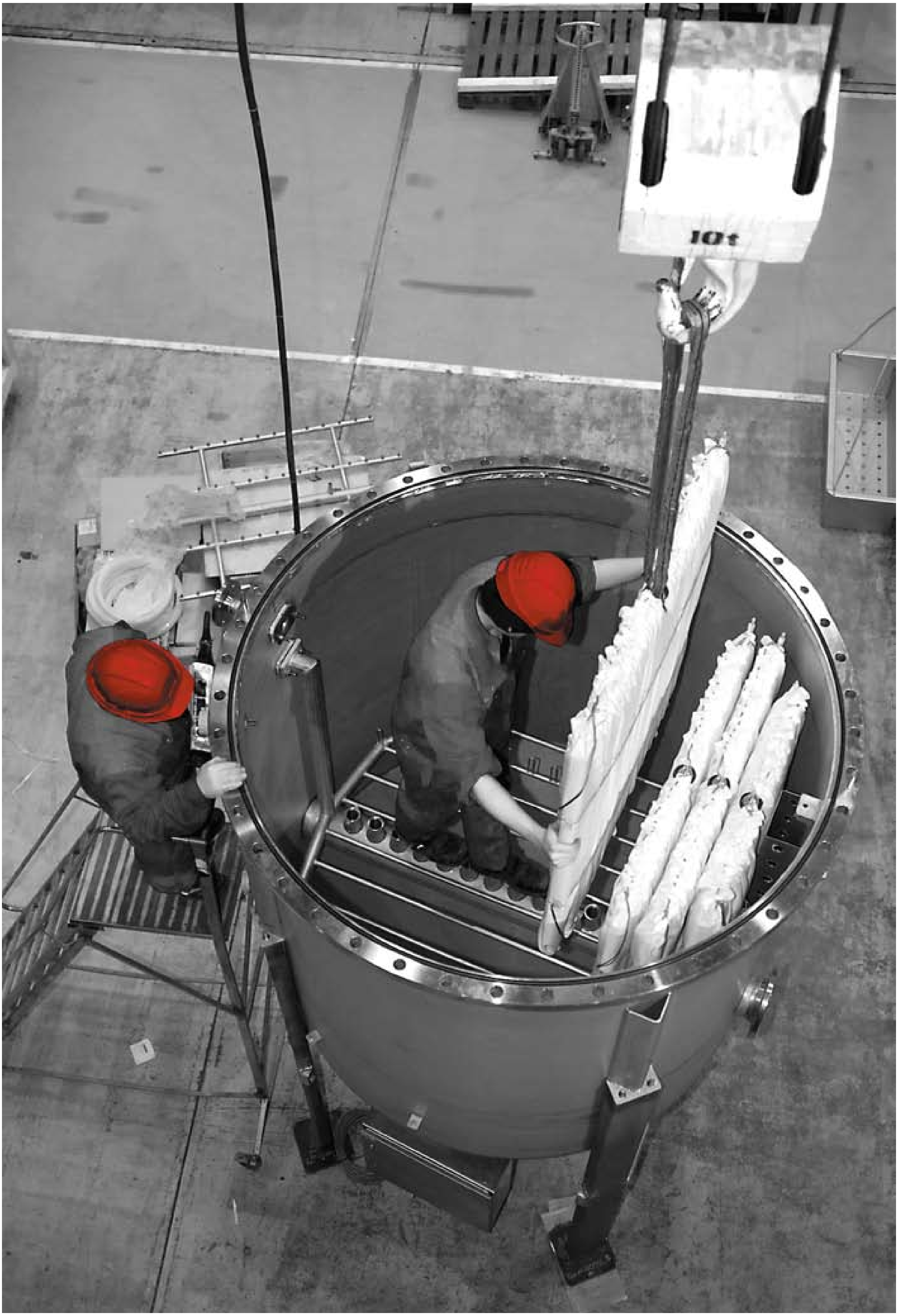
Parent company's dividends available for the distribution totaled EUR 18.746 million, of which the profit for the fiscal year is EUR 9.286 million. The Board proposes to the annual general meeting of shareholders a dividend of EUR 0.60 per share be distributed, i.e. a total of EUR 5.6 million. No essential changes have taken place in financial situation of the company after the balance sheet date. Proposed dividend to be distributed does not endanger the solvency of the company.

Key rations of Larox Group

1000 EUR	1-12/2007	1-12/2006	1-12/2005
New orders	208 421	137 971	121 470
Group order backlog at end of period	97 330	44 911	29 845
Net sales	158 270	122 809	104 324
Operating profit (EBIT)	13 070	8 931	6 670
% of net sales	8.3	7.3	6.4
Net financial costs	1 315	1 887	879
% of net sales	0.8	1.5	0.8
Result before tax	11 755	7 044	5 790
Result for the period	9 496	5 004	4 502
Investments	3 284	2 285	1 832
Shareholders' equity per share at end of period, EUR	3.50	2.84	2.68
Equity ratio %	34.2	33.9	29.9
Return on equity, %	31.9	19.4	19.7
Return on invested capital, %	22.9	16.7	12.6
Liabilities and shareholders' equity	102 853	83 295	84 269
% of net sales	65.0	67.8	80.8
Contingent liabilities	27.7	27.8	27.9
Earnings per share, EUR	1.01	0.53	0.49
Dividend per share, EUR	*) 0.60	0.30	0.24
Trading price at end of period, EUR	12.00	9.00	6.10
Market capitalization at end of period, EUR million **)	112.6	84.4	56.6
Average number of personnel	458	450	438
Number of personnel at end of period	469	446	445
Net sales per person	346	273	238

**) Board of Directors proposal to the annual general meeting of Larox Corporation shareholders.*

***) A-share data is based on the B share's last trading rate of the financial year (weighted average)*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Consolidated Financial Statements, IFRS

Consolidated Income Statement, IFRS

1000 EUR	Note	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Net sales	3)	**158 270**	**122 809**
Other operating income	5)	2 240	1 680
Change in inventories of finished goods and work in progress		446	-1 287
Materials and services	6)	- 87 305	- 59 743
Employee benefits expense	7)	- 29 906	- 28 092
Depreciation and amortization	8,14)	-3 504	-3 412
Other operating expenses	9)	-27 171	-23 023
OPERATING PROFIT		**13 070**	**8 931**
Financial income	11)	946	890
Financial expenses	11)	-2 622	-3 032
Share of profit in associates	17)	361	255
PROFIT BEFORE TAX		**11 755**	**7 044**
Income tax expense	12)	-2 259	-2 040
PROFIT FOR THE PERIOD		**9 496**	**5 004**
Attributable to:			
Equity holders of the company		**9 496**	**5 004**
Earnings per share for profit attributable to the equity holders of the company during the year			
EPS basic and diluted (EUR)	13)	1.01	0.53

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet, IFRS

1000 EUR	Note	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Assets			
NON-CURRENT ASSETS			
Intangible assets	14)	18 795	18 871
Goodwill	15)	2 926	2 948
Property, plant and equipment	16)	9 257	9 566
Investments in associates	17)	1 393	1 153
Available-for-sale investments	18)	23	208
Deferred tax asset	19)	5 238	3 561
NON-CURRENT ASSETS		**37 633**	**36 307**
CURRENT ASSETS			
Inventories	20)	26 592	19 842
Trade receivables and other receivables	21)	36 651	24 984
Current tax		165	210
Cash and bank	22)	1 812	1 952
CURRENT ASSETS		**65 220**	**46 988**
TOTAL ASSETS		**102 853**	**83 295**
Equity and liabilities			
CAPITAL AND RESERVES ATTRIBUTABLE A EQUITY HOLDERS OF THE COMPANY			
Share capital	23)	5 629	5 629
Share premium account		5 777	5 777
Other reserves			60
Translation differences		-127	-69
Retained earnings		21 566	15 271
SHAREHOLDERS' EQUITY		**32 845**	**26 668**
NON-CURRENT LIABILITIES			
Deferred tax liability	19)	1 804	2 511
Long-term financial liabilities	24)	12 751	19 405
Employee benefit obligations	25)	555	479
Non-current provisions	26)	826	411
NON-CURRENT LIABILITIES		**15 936**	**22 806**
CURRENT LIABILITIES			
Short-term financial liabilities	24)	24 133	9 619
Trade payables and other payables	27)	26 683	22 607
Current tax liabilities		1 935	665
Provisions	26)	1 321	930
CURRENT LIABILITIES		**54 072**	**33 821**
TOTAL EQUITY AND LIABILITIES		**102 853**	**83 295**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow, IFRS

1000 EUR	Note	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Cash flow from operating activities			
Profit for the period		9 496	5 004
Adjustments for:			
Depreciation and amortization	8)	3 504	3 412
Gains on disposals of fixed assets		-92	-207
Share of profit of associated companies	17)	-360	-255
Unrealized exchange gains and losses		-234	462
Financial income and expenses	11)	1 910	1 679
Income taxes	12)	2 258	2 040
Change of the working capital:			
Change in inventories		-6 751	-5 253
Change in trade and other receivables		-12 063	3 486
Change in trade and other payables		4 115	7 682
Change in provisions		882	105
Interest paid in operating activities		-1 819	-1 814
Interests received in operating activities		53	79
Other financial items in operating activities		-50	-310
Income taxes paid in operating activities		-3 217	-1 229
Net cash generated from operating activities		**-2 368**	**14 881**
Cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		-3 285	-2 045
Income from disposal of property, plant and equipment and intangible assets		92	208
Proceeds from available-for-sale financial assets		43	65
Dividends received from investments		112	100
Net cash used in investing activities		**-3 038**	**-1 672**
Cash flow from financing activities			
Share issue			
Short-term loans made		20 509	3 896
Repayments of short-term loans		-5 204	-10 608
Long-term loans made		2 687	2 000
Repayments of long-term loans		-9 820	-5 885
Repayments of finance leases		-93	-56
Dividends paid		-2 814	-2 226
Net cash generated from financing activities		**5 265**	**-12 879**
Net change in cash and cash equivalents		**-141**	**330**
Cash and cash equivalents 1 Jan		1 952	1 737
Effect of the foreign exchange rates		1	-114
Cash and cash equivalents 31 Dec	22)	1 812	1 952

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity, IFRS

	Equity belonging to parent company's shareholders						
Parent company's shareholders' equity 1000 EUR	Share capital	Share issue premium	Share value reserve	Hedging reserve	Translation differences	Retained earnings	Sharehol-ders´ equity total
SHAREHOLDERS' EQUITY 1 JANUARY 2006	**5 629**	**5 777**	**138**	**-15**	**-145**	**13 516**	**24 901**
Cash flow hedging							
Recognized in equity, net of tax				-30			-30
Investment available to sale							
At fair value, net of tax			-33				-33
Change in translation difference					75	-1 081	-1 006
Net profits and losses recognized directly in shareholders equity			**-33**	**-30**	**75**	**-1 081**	**-1 069**
Profit for the period						5 004	5 004
Total profits and losses			**-33**	**-30**	**75**	**3 923**	**3 935**
Dividend distribution						-2 226	-2 226
Share-based payments						57	57
SHAREHOLDERS' EQUITY 31 DECEMBER 2006	**5 629**	**5 777**	**105**	**-44**	**-70**	**15 271**	**26 668**

	Equity belonging to parent company's shareholders						
Parent company's shareholders' equity 1000 EUR	Share capital	Share issue premium	Share value reserve	Hedging reserve	Translation differences	Retained earnings	Sharehol-ders´ equity total
SHAREHOLDERS' EQUITY 1 JANUARY 2007	**5 629**	**5 777**	**105**	**-44**	**-70**	**15 271**	**26 668**
Cash flow hedging							
Recognized in equity, net of tax				44			44
Investment available to sale							
At fair value, net of tax			-105				-105
Change in translation difference					-58	-487	-545
Net profits and losses recognized directly in shareholders equity			**-105**	**44**	**-58**	**-487**	**-606**
Profit for the period						9 496	9 496
Total profits and losses			**-105**	**44**	**-58**	**9 009**	**-8 890**
Dividend distribution						-2 814	-2 814
Share-based payments						101	101
SHAREHOLDERS' EQUITY 31 DECEMBER 2007	**5 629**	**5 777**			**-127**	**21 566**	**32 845**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Accounting principles

Principal activities
Parent company of the Group, Larox Corporation, is a Finnish public limited company domiciled in Lappeenranta at the registered address of Tukkikatu 1, 53900 Lappeenranta. The company is listed on the Helsinki Stock Exchange since 1988. Larox is a full-service solution provider in solids and liquid separation. Larox's filtration technologies are utilized mainly in mining and metallurgy and chemical processing. Comprehensive aftermarket services throughout the lifespan of the Larox solution form an essential part of our operations. Larox has subsidiaries and sales offices in 13 countries and wide network of representatives. Most of the Larox Group net sales were generated outside Finland.

These financial statements were authorized for issue by the Board of Directors on 12 February 2008. Copy of the Consolidated Financial Statement is available at www.larox.com or from the head office of the Group at address: Tukkikatu 1, 53900 Lappeenranta.

Basis for preparation of the financial statements
These are the consolidated financial statements of Larox in accordance with International Financial Reporting Standards (IFRS) accepted in use by EU. All the valid IAS and IFRS standards and SIC and IFRIC interpretations as of 31 December 2007 have been applied in the preparation. Prior to IFRS, Larox's financial reporting was based on Finnish Accounting Standards (FAS). The consolidated financial statements are presented in thousands of euros and they have been prepared under the historical cost conventions excluding available-for-sale investments (partly) and derivative contracts.

Application of new and amended IFRS standards and IFRIC interpretations

The Group has adopted the following standards, amendments and interpretations to published standards which are mandatory in 2007:
- IFRS 7, 'Financial instruments: Disclosures'. Disclosures on the contractual maturity of interest-bearing liabilities, sensitivity analysis, and capital risk management have been added to the Group's financial statements.
- IFRIC 8, 'Scope of IFRS 2'. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment'. This interpretation does not have any impact on the Group's financial statements.

The following standards, amendments and interpretations to published standards are mandatory in 2007 but they are not relevant to the Group's operations:
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies';
- IFRIC 9, 'Re-assessment of embedded derivatives'.

The IASB has published the following standards and interpretations whose application will be mandatory in 2008 or later. The Group has not early adopted these standards, but will adopt them in later periods.
Application of new and amended IFRS standards and IFRIC interpretations standards and interpretations will be adopted by the Group in 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. This interpretation does not have any impact on the Group's financial statements.

The following new standards and interpretations effective in 2008 are not relevant to the Group's operations:
- IFRIC 12, 'Service Concession Arrangements'.*
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.*

The Group will adopt in 2009 the following standards published by IASB:
- IAS 1 (Revised), 'Presentation of Financial. Management is assessing the impact of this revision on the financial statements of the Group. *

Amendment to IAS 23, 'Borrowing Costs'. The amendment does not change the accounting policy applied by the Group and therefore, does not have any impact on the Group's financial statements. *

Amendment to IFRS 2, 'Share-based payment'. Management is assessing the impact of this amendment on the financial statements of the Group. *
- IFRS 8, 'Operating Segments'. The expected impact on the financial statements of the Group is still being assessed in detail by the management.
- IFRIC 13, 'Customer Loyalty. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes. *

The Group will adopt in 2010 the following standards published by IASB:
- IFRS 3 (Revised), 'Business combinations'. Management is assessing the impact of this revision on the financial statements of the Group. *
- IAS 27 (Revised), 'Consolidated and separate financial statements'. Management is assessing the impact of this revision on the financial statements of the Group. *

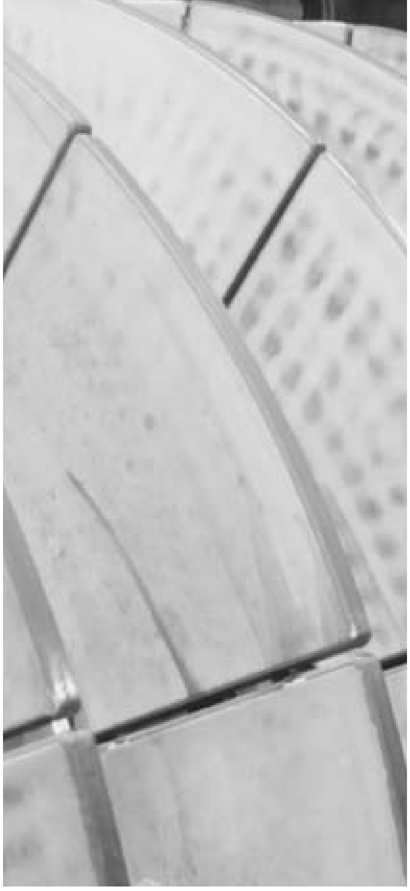
** The revision, amendment or interpretation to published standards is still subject to endorsement by the European Union.*

Principles of consolidation
The consolidated financial statements include the parent company Larox Corporation and all subsidiaries where over 50 % of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

All intra-group transactions, receivables, liabilities and unrealized margins, and distribution of profits within the Group are eliminated. Unrealized losses are not eliminated if they provide evidence of an impairment.
Associates are entities over which the Group has significant influence, generally accompanying a shareholdings of between 20 % and 50 % of the voting rights. Group has one associated company, which is accounted for using the equity method of accounting. Also the existences of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. The Group's share on its associates' profit or loss is recognized it the income statement on a separate line after operating profit. Investment in the associated company upon the date of acquisition adjusted for changes in the associated companies' equity after the date of acquisition are shown in the balance sheet under "Investments in associates".

Foreign currency transactions
Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the entity operates (" the functional currency"). The consolidated financial statements are presented in euro, which is the Group´s functional and presentation currency.

Foreign currency transactions are translated into euros using the prevailing exchange rate at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into euros at the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange gains and losses related to financial items are included in financial income or expenses. Income statements of subsidiaries, whose functional and reporting currency is not euro, are translated into euros at the average exchange rate during the financial period. Balance sheets of subsidiaries are translated at the exchange rate prevailing at the balance sheet date and the translation differences are entered in equity. If a subsidiary is sold, cumulative translation differences are recognized in the income statement as part of the gain or loss of the sale.



Non-monetary items which are measured at fair value are translated into functional currency using the exchange rate prevailing either at the date when the fair value was determined or at the transaction date.

Also the gains and losses arising through hedging net investments are recognized in the translation difference, when the hedge accounting requirements are met.

Revenue recognition
Sales of goods are recognized after the significant risks and rewards that are connected with ownership have been transferred to the buyer, as well as the effective control of those goods. Revenue from long-term construction contracts is recognized based on the stage of completion, when the outcome of a project can be reliably estimated. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. Possible estimated losses are recognized in the income statement immediately. Sales are shown net of indirect sales taxes and discounts. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred, that are likely to be recoverable.

Interest income is recognized using the effective interest method and dividend income is recognized when the right to receive payment is established.

Income taxes
The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in equity are similarly recognized. Deferred taxes are measured with enacted tax rates and stated using the liability method for temporary differences arising between the book values in financial reporting and tax bases of assets and liabilities. Temporary differences arise from depreciation difference on property, intra-group inventory profits, defined benefit plans, provisions, accelerated depreciation and tax losses and credits carried forward. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not accounted for if it arises from initial recognization of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit of loss.

Intangible assets
Intangible assets, with finite useful life, are amortized based on the following estimated useful lives:

Development costs	5 – 10 years
Intangible rights	4 – 18 years
Customer relations	17 years
Technology	8 – 18 years
Supplier relations	15 years
Process development	12 – 20 years

The assets' estimated useful lives and residual values are reviewed at each balance sheet date and if they differ significantly from the prior estimates, the amortization periods are adjusted accordingly.

Research and development costs
Research and development costs are expensed as they are incurred, except for certain development costs which are capitalized when it is probable that a development project will generate future economic benefits and certain commercial and technological criteria have been met. Capitalized development expenses include materials, supplies, direct labor and related overhead costs are amortized on a systematic basis over their expected useful lives. The assets are amortized from the point at which the asset is ready for use. Assets that are not yet for use, are tested for impairment annually. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. After initial recognition capitalized development costs are carried at historical cost less accumulated amortization and impairment losses.

Goodwill and other intangible assets
Goodwill and other intangible assets with indefinite useful lives are shown at historical cost less impairment losses.
Goodwill and brands with indefinite useful lives are not amortized, but tested annually for impairment. For this purpose goodwill is allocated to cash-generating units.

Other intangible assets include capitalized development expenses, patents, licenses, customer relations, technology, supplier relationships and process development. The valuation of intangible assets acquired in a business combination is measured at fair value at the acquisition date and amortized on a straight-line basis over expected useful lives. Other intangible assets are stated at cost and amortized on a straight-line basis. An intangible asset is recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated straight-line depreciation and possible impairments losses. Depreciation is based on the following expected useful lives:

Constructions	5 years
Buildings	40 years
Machinery	4 – 10 years
Other fixed assets	5 – 10 years

Depreciation methods are reviewed at the end of each financial year. Land and water are not depreciated excluding depreciation of asphalt paving. Exceptionally remarkable repairs and maintenance costs are recognized to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits from the existing asset.

Borrowing costs
Borrowing costs are expensed in the period they are incurred. Transaction costs which clearly relate to a specific loan are included in the initially recognized amount and periodized using the effective interest rate method.

Government grants
Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs. Investment grants are deducted from the value of the relevant asset. Grants deducted from the acquisition cost of investments are recognized in income in the form of smaller depreciation over the useful life of the asset.

Impairment of non-financial assets
Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill, intangible assets not yet available for use and brands with indefinite useful lives are in all cases tested annually. For purposes of assessing impairment, assets of the Group are grouped as cash-generating units at the lowest levels for which there are separately identifiable cash flows. Larox Group has one such level, Group. An impairment loss recognized in income statement is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. A previously recognized impairment loss is reversed if there has been a change in the circumstances and the recoverable amount has changed since the recognition of impairment. However, the reversal must not cause a higher adjusted value than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed (note 15).

Lease agreements when the Group is the lessee
Leases of property, plant and equipment where the Group has substantially all the rewards and risks of ownership are classified as finance leases. Asset acquired by finance lease are capitalized at the fair value of the leased property or at a lower estimated present value of the minimum lease payments. Each lease payment is allocated between the capital liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated

over the shorter of the useful life of the asset or lease period. Leases of assets, where the lessor retains substantially all the risks and benefits of ownership, are classified as operating leases. Payments made on operating leases are expensed on a straight-line basis over the lease periods.

Financial assets and liabilities
Financial assets are classified as loans and receivables, held-to-maturity assets, and available-for-sale financial assets. Classification is determined by the purpose of the financial asset upon original acquisition. Financial assets are removed from profit or loss when the Group has forfeited its right to the cash flows based on the agreement or when it has transferred the significant risks and rewards outside the Group.

Loans and other receivables are recognized on the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are not classified by the company as held for trading. This class includes Group's financial assets that have been generated by cash equivalents and goods. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current financial assets.

Available-for-sale assets are measured at fair value and the evaluation is based on quoted rates, market prices, or appropriate valuation models. Equity investments are designated as available-for-sale financial assets. Unlisted equity investments for which fair value cannot be reliably measured are recognized at cost less impairment. Fair value changes of available-for-sale investments are recognized directly in equity net of taxes. In the event such an asset is disposed of, the accumulated fair value changes are released from equity to financial income and expenses in the income statement. Purchases and sales of available-for-sale financial assets are recognized at the trade date.

Derivatives which are not designated as hedges are classified as financial assets and financial liabilities at fair value. These are recognized at fair value at trade date. Fair value is based on quoted market prices and rates.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are also included within borrowings in current liabilities in the balance sheet.

Financial liabilities are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

When there is objective evidence that the available-for-sale financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. In the case of equity securities classified as available for sale, impairment loss recognized in profit or loss is not reversed through profit or loss subsequently.

Reversal of an impairment loss recognized on a debt instrument is recognized in profit or loss.

Trade receivables
Trade receivables are carried at their original invoice amount. Credit losses are recognized when there is objective evidence that the Group will not be able to collect all amounts according to the original terms of the receivables. Borrowers' considerable financial difficulties, likelihood of bankruptcy and neglecting to pay invoices are evidence of accounts receivables impairment.

Derivatives and hedge accounting
All derivatives are initially recognized at fair value on the date Larox has entered into the derivative contract, and are subsequently remeasured at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Fair values of currency forwards and swaps are determined by discounting the future nominal cash flows at relevant interest rates and then converting the discounted cash flows to the base currency using spot rates. Fair values are checked by comparing them to the values confirmed by the counter parties.

Part of derivatives and other financial instruments may be designated as hedging instruments, in which case hedge accounting under IAS 39 is applied. If hedge accounting is applied to external sales or purchases, fair value changes in derivatives are recognized directly as adjustments to sales and purchases in the income statement. If hedge accounting is not applied, fair value changes in derivatives are recognized directly as other operating income and expenses in the income statement.

Upon initial application of hedge accounting, Group has documented the hedged object and hedging instrument according to the requirements of IAS 39. Hedging instruments are subject to prospective and retrospective testing of effectiveness at each balance sheet date. Fair value changes in derivatives, which are assigned to hedge forecasted transactions (cash flow hedging), are recognized in equity to the extent that the hedge is effective. Such accumulated fair value changes are released into income statement as adjustments to sales or purchases in the period which the hedged cash flow affect income statement. The ineffective portion of the gain or loss of the hedging instrument is recognized in income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.
The Group also applies hedge accounting to the translation risk related to the net investments in foreign operations. Accumulated gains and losses from hedges are recognized as income statement only if the hedged subsidiary is sold or liquidated. All recognized fair value changes to equity are net of tax.

Inventories
Inventories are stated at the lower of historical cost calculated on an ”average cost” basis or net realizable value. Costs include raw materials, direct labor, other direct costs and related production overheads, but exclude borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Provisions
Provisions are recognized in the balance sheet when Group has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty provisions are recognized, when the product is delivered. Warranty provisions included in the financial statements include the costs arising from the product repairment or replacement if the warranty period is valid at the end of the financial period. Warranty provisions are based on specific project estimates and historical experiences. Provisions can arise also from onerous contracts. Non-current provisions relate to warranty provisions. The duration of a warranty provision is 18 months at a maximum. The effect of discounting is not material and therefore discounting has not been used.

Provision is established for an onerous contract, if the unavoidable cots of meeting the obligations under the contract exceed the economic benefits expected to receive under it.

Contingent liability is an obligation incurred as a result of past events, which is confirmed when uncertain event outside the Group’s control realize. Also existing obligation, that is not likely to require the payment obligation to be fulfilled, nor the amount cannot be defined reliably. Contingent liabilities are disclosed in the notes to the consolidated financial statement .

Employee benefits
The Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the applicable year.

The defined benefit plan obligations of the Group have been calculated separately for each adjustment using the projected unit credit method. Pension costs are recognized as an expense over the period of employees’ service based on calculations carried out by authorized actuaries. The present value of the defined benefit obligation is determined using discount rate based on the interest rates of high quality corporate and government bonds. Bonds and debentures have terms to maturity corresponding to that of the pension liability. The liability recognized in

the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs.

Share-based payments
The Group has applied IFRS 2 Share-based Payments standard to the share issue directed to top management in years 2004 and 2005. The amount of share issue is valued at fair value at the grant date of benefit and it is recognized in the income statement and to the retained earnings as a share-based benefit during the period of employment obligation related to the ownership of the shares. The fair value of the benefit is the trading price of the share at the grant date less subscription price which is the weighted average trading price in February 2004, less 50 percent. The amount recognized as an expense is based on Group's estimate how much shares will be held by the benefit receivers when the obligation of employment related to the shares expires. The estimate will be updated at each balance sheet date.

2. Critical judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. The estimates are based on management's best knowledge of current events and actions although actual results may differ from those estimates. The following assets and liabilities include a high degree of management estimate and assumptions and their carrying value can therefore materially differ from current value within the next financial year.

Impairment
Goodwill is tested at least annually for impairment. Other long-lived assets are reviewed when there is an indication that impairment may have occurred. Estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. The valuation is inherently judgmental and highly susceptible to change from period to period because it requires Larox to make assumptions about future supply and demand related to its customer industries, future sales prices and any achievable cost savings. Changes in the discount rates used may also affect the results of impairment tests.

Discounted cash flows used in impairment testing are based on estimates on budgeted sales volume approved by management and management views of the cost structure of each product and unit. Also existing order backlogs are used to estimate the volumes and deliveries of products scheduled to the years included in the forecast. The interest rate used (WACC) is determined on the basis of general risk-free interest rates and risk factors of companies operating on the same industry or corresponding benchmark companies. See note 15 for more information on the sensitivity of the recoverable amount on the assumptions used.

Derivatives
The Group policy is to hedge currency risks that affect cash flows. Total foreign exchange position consists mainly of trade receivables, order backlog, foreign currency denominated debts and own offer base. Currency options and forward contracts are used as hedging instruments. Derivative financial instruments that do not fulfill the criteria for hedge accounting are measured at a fair value with changes recognized in other operating income or expenses in the income statement.

The foreign exchange position is determined on the basis of sale forecasts and estimates of future cash flows presented to the management as well as amounts recorded in the accounts. The fair value is determined based on the foreign exchange rates prevailing at the balance sheet date.

Income taxes
Group company income taxes for the period, tax adjustments from prior periods and changes in deferred taxes are recognized in Larox Group's income taxes. For items recognized directly in equity, any related tax effects are also recognized directly in equity. Deferred tax liability or asset accounts for the temporary differences arising between the tax bases of assets and liabilities at the estimated date of tax payment and their carrying amounts in the consolidated financial statements. Temporary differences arise among others from depreciation difference, internal inventory margins, defined pension plan, provisions, appropriations and unused tax liability entitlements. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Estimates used in profit forecasts may differ from the actual which can lead to recognition of tax assets as an expense in the income statement. For this purpose the probability of subsidiaries having future taxable profit available against which the unused tax losses or unused tax related credits can be utilized.

Reserve for warranty costs
The warranty reserve is based on specific project estimates and the history of past warranty costs. The typical warranty period is 12-18 months after the date of customer acceptance of the delivered equipment. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case by case basis to take into account the potentially increased risk. Warranty provision is mainly determined as 1 % of the value of project deliverables. Those estimates are evaluated / adjusted during the year and changes are made in warranty provisions for each project, if required. Warranty provisions are normally related to the technical performance of the process / machinery and value under warranty.

3. Segment reporting

The organizational operations of Larox are Project Business and After Sales Services. These operations have been combined to a single reportable business segment. The operations of Larox have substantially similar financial features, technology, production processes, customers, distribution and marketing strategies, regulatory environment and shared resources.

The secondary segment reporting format of Larox is based on geographical segments. The main market areas are:

1. North, Central and South America
2. Asia and Australasia
3. Europe, CIS, Middle East and Africa

The sales in the geographical segments are presented according to the location of customers whereas assets and investment are presented according to their own locations. Inter-segment pricing is based on market prices.

Geographical segments

Net sales 1000 EUR	**2007**		**2006**	
North, Central and South America	45 881	29.0%	44 556	36.3%
Asia and Australasia	40 479	25.6%	29 028	23.6%
Europe, CIS, Middle East and Africa	71 910	45.4%	49 225	40.1%
Total net sales	**158 270**		**122 809**	

Assets 1000 EUR	**2007**	**2006**
North, Central and South America	11 647	12 620
Asia and Australasia	8 133	5 864
Europe, CIS, Middle East and Africa	114 904	90 571
Internal items	-31 831	-25 760
Total assets	**102 853**	**83 295**

Investments 1000 EUR	**2007**	**2006**
North, Central and South America	148	267
Asia and Australasia	332	167
Europe, CIS, Middle East and Africa	3 148	1 851
Total investments	**3 628**	**2 285**

4. Long-term projects

Net sales include EUR 73.9 million revenue recognized of long-term projects in 2007 (EUR 61.5 million in 2006).

For long-term projects in progress the aggregate amount of costs incurred and recognized profits (less recognized losses) at the end of the period was EUR 11.6 million (EUR 16.5 million on 31 Dec, 2006). For long-term projects in progress the amount of advances received (note 27) included in the balance sheet was EUR 6.7 million (EUR 4.7 million on 31 Dec, 2006). The gross amount due from customers (note 21) was EUR 5.5 million (EUR 7.1 million on 31 Dec, 2006) and gross amount due to customers was EUR 3.8 million (EUR 2.2 million on 31 Dec, 2006) for the projects.

5. Other operating income

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Grants	215	169
Gain on disposal of non-current assets	92	208
Provisions	167	90
Derivative income	1 062	879
Other operating income	704	334
Total other operating income	**2 240**	**1 680**

6. Materials and supplies

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Purchases during the period	-80 865	-58 187
Change in inventories	3 745	3 069
External services	-10 185	-4 625
Total materials and supplies	**-87 305**	**-59 743**

7. Employee benefits expense

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Salaries and fees	-24 711	-23 219
Pension expenses, defined contribution plans	-2 302	-2 228
Pension expenses, defined benefit plans	-57	-33
Share-based payments (payment in cash)	-63	-57
Share-based payments (payment in shares)	-101	
Other employee benefits	-2 672	-2 555
Total employee benefits expense	**-29 906**	**-28 092**

The average number of personnel employed by the Group	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Office personnel	381	364
Workers	77	86
Total	**458**	**450**

Share-based payments are discussed also in note 23. Equity; pension liabilities in note 25. Employment benefit obligations and employee benefits of the management in note 31. Related party transactions.

8. Depreciation and amortization

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Intangible assets		
Activated development costs	-444	-146
Intangible rights	-550	-675
Other intangible assets	-1 107	-1 107
Total	**-2 101**	**-1 928**

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Property, plant and equipment		
Land and water	-4	-4
Buildings and constructions	-243	-252
Machinery	-1 096	-1 163
Other tangible assets	-60	-65
Total	**-1 403**	**-1 484**
Total depreciation and amortization	**-3 504**	**-3 412**

9. Other operating expenses

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Adjustment items to sales	-6 574	-5 902
Consumables and supplies	-603	-627
Real estate maintenance	-1 102	-963
Rents	-1 013	-1 444
Staff expenses	-884	-666
Private car expenses	-736	-619
Traveling expenses	-4 075	-3 450
Advertising and marketing costs	-2 249	-1 870
External services	-5 128	-3 727
Information technology	-911	-984
Derivative expenses	-514	-393
Other operating expenses	-3 382	-2 378
Total other operating expenses	**-27 171**	**-23 023**

10. Research and development costs

The income statement includes R&D costs EUR 6.8 million (EUR 6.0 million 2006).
To the balance sheet R&D costs have been activated EUR 0.8 million (EUR 0.8 million 2006).

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Research and development costs in income statement	6 800	6 000
Capitalized as an asset	800	800
Proportion of net sales	4,8 %	5,5 %

11. Financial income and expenses

Financial income and expenses mainly consist of interest income and interest expenses as shown in the table below:

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Gain on disposal of available-for-sale investments	172	
Interest income from loans and other receivables	53	79
Other financial income	39	7
Foreign exchange rate gains designated as financial assets/liability at fair value through profit and loss	8	23
Foreign exchange rate gains from interest-bearings receivables and liabilities	674	781
Financial income	**946**	**890**
Interest expenses from debts amortized at cost	-1 881	-1 858
Foreign exchange rate losses from debts and other liabilities	-741	-1 172
Other financial expenses		-2
Financial expenses	**-2 622**	**-3 032**

12. Income tax expense

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Current year tax expense	-4 510	-2 389
Tax expense for previous years	-23	-52
Change in deferred tax assets and liabilities	2 274	401
Income taxes	**-2 259**	**-2 040**

Reconciliation of income before taxes with total income taxes:

1000 EUR	2007	2007
Profit before taxes	11 755	7 044
Tax calculated at the domestic corporation tax rate 26%	-3 056	-1 831
Effect of different tax rates in foreign subsidiaries	-227	118
Non-deductible expenses/tax-free income	-61	-31
Tax expense for previous years	-23	-52
Unrecognized deferred tax assets of the losses from current and previous years	1 207	
Unrecognized deferred tax assets of the losses		-645
Deferred taxes	-99	401
Income taxes in the income statement	**-2 259**	**-2 040**

13. Earnings per share

Earnings per share calculated from profit attributable to equity holders of the company		
Basic and diluted earnings per share, (EUR)	1.01	0.53
Weighted average number of ordinary shares:		
- Basic and diluted	9 381 600	9 377 899

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At the moment, Larox Group does not have any instruments affecting the number of diluting ordinary shares.

The share-based award program established in 2007 is not dilutive at the balance sheet date.

14. Intangible assets (excluding goodwill)

1 Jan-31 Dec, 2007 1000 EUR	Development costs	Intangible rights	Technology	Customer relations
Acquisition cost 1 Jan	2 092	8 958	5 463	3 752
Translation differences		-55		
Additions	617	1 524		
Acquisition cost 31 Dec	2 709	10 427	5 463	3 752
Cumulative depreciations 1 Jan	-405	-5 091	-1 530	-735
Translation differences		-61		
Depreciation for the period	-444	-550	-512	-215
Cumulative depreciations 31 Dec	-849	-5 702	-2 042	-950
Carrying value 31 Dec, 2007	**1 860**	**4 725**	**3 421**	**2 802**

1 Jan-31 Dec, 2007 1000 EUR	Brands	Supplier relations	Process delevoment	Total
Acquisition cost 1 Jan	1 792	3 782	1 933	27 772
Translation differences				-55
Additions				2 141
Acquisition cost 31 Dec	1 792	3 782	1 933	29 858
Cumulative depreciations 1 Jan		-756	-384	-8 901
Translation differences				-61
Depreciation for the period		-252	-128	-2 101
Cumulative depreciations 31 Dec		-1 008	-512	-11 063
Carrying value 31 Dec, 2007	**1 792**	**2 774**	**1 421**	**18 795**

1 Jan-31 Dec, 2006 1000 EUR	Development costs	Intangible rights	Technology	Customer relations
Acquisition cost 1 Jan	1 279	8 310	5 463	3 752
Translation differences		-86		
Additions	813	734		
Acquisition cost 31 Dec	2 092	8 958	5 463	3 752
Cumulative depreciations 1 Jan	-259	-4 419	-1 018	-520
Translation differences		3		
Depreciation for the period	-146	-675	-512	-215
Cumulative depreciations 31 Dec	-405	-5 091	-1 530	-735
Carrying value 31 Dec, 2006	**1 687**	**3 867**	**3 933**	**3 017**

1 Jan-31 Dec, 2006 1000 EUR	Brands	Supplier relations	Process delevoment	Total
Acquisition cost 1 Jan	1 792	3 782	1 933	26 311
Translation differences				-86
Additions				1 547
Acquisition cost 31 Dec	1 792	3 782	1 933	27 772
Cumulative depreciations 1 Jan		-504	-256	-6 975
Translation differences				3
Depreciation for the period		-252	-128	-1 928
Cumulative depreciations 31 Dec		-756	-384	-8 900
Carrying value 31 Dec, 2006	**1 792**	**3 026**	**1 549**	**18 871**

Trade marks have indefinite useful lives. Most of the trade marks have been in the market for decades and all of them are supported by the Group's after market services. In addition, trade marks are not tied to useful lives of any specified technology.

15. Goodwill and impairment testing

1 Jan-31 Dec, 2007 1000 EUR	Goodwill
Acquisition cost 1 Jan	3 047
Acquisition cost 31 Dec	3 047
Translation differences	-121
Translation differences 31 Dec	-121
Carrying value 31 Dec, 2007	**2 926**

1 Jan-31 Dec, 2006 1000 EUR	Goodwill
Acquisition cost 1 Jan	3 047
Acquisition cost 31 Dec	3 047
Translation differences	-100
Translation differences 31 Dec	-100
Carrying value 31 Dec, 2006	**2 947**

For purposes of assessing impairment assets of the Group are grouped as cash-generating units at the lowest levels that are largely independent from other units and for which there are separately identifiable cash flows. The Larox Group has one such level, the Group, for which goodwill and brands are allocated as a whole and not allocated to separate cash generating units. Goodwill and brands with an indefinite useful life are tested yearly for impairment. Also trademarks are allocated to Larox's business. The recoverable amount is based on the value in use. The future cash flow estimates used in the calculations are based on the financial plans approved by the management covering a four-year period. Discount rate is defined as the weighted average pre-tax cost of capital (WACC). The discount rate was 10.5 % in 2007 (9.5 % in 2006). No impairment losses have been recognized as a result of the impairment tests. The growth of sales and profitability are the key assumptions used in the impairment tests. In the sensitivity analysis a hypothetical decline of 5 % in net sales and an increase of 5 % in raw materials did not give rise to impairment. Management believes that reasonable changes in the key assumptions on which the value in use is based on will not cause any carrying amount to exceed its recoverable amount.

16. Property, plant and equipment

1 Jan-31 Dec, 2007 1000 EUR	Land and water	Buildings and constructions	Machinery and equipment	Other intangible assets	Total
Acquisition cost 1 Jan	1 147	8 980	17 500	962	28 589
Translation differences			-171	51	-120
Additions		63	963	118	1 144
Disposals			-93		-93
Acquisition cost 31 Dec	1 147	9 043	18 199	1 131	29 520
Cumulative depreciations 1 Jan	-15	-4 482	-13 733	-793	-19 023
Translation differences			158	5	163
Depreciation for the period	-4	-243	-1 096	-60	-1 403
Cumulative depreciations 31 Dec	-19	-4 725	-14 671	-848	-20 263
Carrying value 31 Dec, 2007	**1 128**	**4 318**	**3 528**	**283**	**9 257**

1 Jan-31 Dec, 2006 1000 EUR	Land and water	Buildings and constructions	Machinery and equipment	Other intangible assets	Total
Acquisition cost 1 Jan	1 147	8 998	17 114	964	28 222
Translation differences		-18	-113	-8	-139
Additions			743	27	770
Disposals			-244	-21	-265
Acquisition cost 31 Dec	1 147	8 980	17 500	962	28 589
Cumulative depreciations 1 Jan	-10	-4 230	-12 628	-731	-17 599
Translation differences			57	3	60
Depreciation for the period	-4	-252	-1 163	-65	-1 484
Cumulative depreciations 31 Dec	-14	-4 483	-13 733	-793	-19 023
Carrying value 31 Dec, 2006	**1 132**	**4 497**	**3 767**	**169**	**9 566**

Additions include assets acquired through finance leases for EUR 187 thousand in 2007 (2006: EUR 59 thousand).

Finance leases

Property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

Machinery 1000 EUR	2007	2006
Acquisition cost 1 Jan	843	784
Additions	187	59
Acquisition cost 31 Dec	1 030	843
Cumulative depreciations 1 Jan	-657	-519
Depreciation for the period	-145	139
Cumulative depreciations 31 Dec	-802	-657
Carrying value 31 Dec	**228**	**186**

17. Investments in associates

The Group has one associated company, Larox Flowsys Oy, in which Larox Oyj holds 49 % of the voting rights and in which Larox Oyj has significant influence but not control.

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Acquisition cost 1 Jan	1 153	1 006
Share of the profit	361	255
Dividends received	-112	-100
Recognized directly to equity	-9	-8
Carrying value 31 Dec	**1 393**	**1 153**

Associated companies, 1000 EUR	2007	2006
Larox Flowsys Oy, Lappeenranta		
Share (%)	49	49
Assets	5 810	4 911
Liabilities	2 967	2 557
Sales	15 348	12 721
Profit/loss for the period	736	520

Larox Flowsys Oy develops and manufactures hose valves and hose pumps for process industry's demanding applications.

18. Available-for-sale investments

Available-for-sale investments consist of in their entirety of unlisted shares which are carried at fair value or cost, if reliable fair values cannot be established or they do not differ materially from their initial cost. Investments are carried at cost, when the range of the reasonable estimates of fair values is wide and the probabilities of different estimates cannot be moderately estimated. The Group does not practice active investment activities. Investments were mainly allocated to Go Awaste Management Services (PTY) LTD and investments to the company were recognized at fair value and sold during the financial period. 172 thousand euros was recognized as profit from the sale (45 thousand euros in 2006). Furthermore, Larox Group also holds a few non-profit making shares.

1000 EUR	2007	2006
Carrying value 1.1.	208	273
Sales	-185	-65
Carrying value 31.12.	23	208

19. Deferred tax assets and liabilities

1000 EUR	1 Jan, 2007	Recognized in income statement	31 Dec, 2007
Deferred tax assets			
Losses carried forward	3 452	688	4 140
Internal profit margin on inventories	917	61	978
Internal profit margin on fixed assets		539	539
Fair value changes	11	333	344
Retirement benefit and other provisions	9	177	186
Other adjustments		290	290
Deferred tax assets, total	**4 389**	**2 088**	**6 477**
Netting of deferred tax assets and liabilities	-828	-411	1 239
Deferred tax assets, net	**3 561**	**1 677**	**5 238**
Deferred tax liabilities			
Percentage of completion (POC)	1 422	-286	1 136
The taxable underappreciated book value that exceeds historical costs of tangible and intangible assets	686	300	986
Cumulative depreciation differences	766	3	769
Other adjustments	465	-313	152
Deferred tax liabilities, total	**3 339**	**-296**	**3 043**
Netting of deferred tax assets and liabilities	-828	-411	-1 239
Deferred tax liabilities, net	**2 510**	**-707**	**1 804**

1000 EUR	1 Jan, 2006	Recognized in income statement	31 Dec, 2006
Deferred tax assets			
Losses carried forward	2 506	946	3 452
Internal profit margin of inventories	653	264	917
Fair value changes	11		11
Retirement benefit and other provisions	61	-51	9
Deferred tax assets, total	**3 231**	**1 158**	**4 389**
Netting of deferred tax assets and liabilities	-1 134	306	-828
Deferred tax assets, net	**2 097**	**1 464**	**3 561**
Deferred tax liabilities			
Percentage of completion (POC)	678	744	1 422
Cumulative depreciation differences	733	33	766
The taxable underappreciated book value that exceeds historical costs of tangible and intangible assets	543	143	686
Fair value of available-for-sale investments and derivative	108	-108	
Other adjustments	405	60	465
Deferred tax liabilities, total	**2 467**	**872**	**3 339**
Netting of deferred tax assets and liabilities	-1 134	306	-828
Deferred tax liabilities, net	**1 333**	**1 178**	**2 510**

According to the strategic opinion of Larox Group the deferred tax receivables, EUR 4.1 million in 2007 (EUR 3.5 million in 2006), recognized in tax losses and tax credits carried forward will be reduced by the future taxable income.

The Company has not recognized in its financial statements as at 31 December 2007 or 31 December 2006 such taxable losses, for which the realization in the future is not probable. At the end of year 2007, the project operations in Central Europe were sold to the Parent Company and German and Dutch companies continue as contract manufacturers with regard to project operations. This change in conducting the business operations will improve the future profit-making abilities of these companies. Financial statements for year 2007 include deferred tax assets relating to previously unrecognized losses recorded prior to year 2004 for the German company and for both companies after 1 July 2006. The resulting total effect of these deferred tax assets is altogether 1.2 million euros.

Deferred income tax assets and liabilities are offset, if there is a legally enforceable right to set off current tax liabilities against current taxable assets and if the deferred taxes relate to the same taxation authority.

20. Inventories

1000 EUR	31 Dec, 2007	31 Dec, 2006
Materials and supplies	9 407	9 083
Work in progress	2 159	325
Finished products	12 981	9 737
Advance payments for inventories	2 045	696
Total inventories	**26 592**	**19 842**

Carrying amount of inventories was reduced by EUR 222 thousands to reflect its net realization value (EUR 368 thousand in 2006).

21. Trade receivables and other receivables

1000 EUR	31 Dec, 2007	31 Dec, 2006
Trade receivables	27 706	17 370
Receivables from associated companies	1	18
Receivables of unfinished projects	5 512	4 987
Accrued receivables	691	439
Derivative receivables	244	57
Other receivables	2 497	2 113
Total trade receivables and other receivables	**36 651**	**24 984**

Maximum credit risk of receivables is the book value. During the financial year Larox Group recognized credit losses of trade receivables EUR 236 thousand (EUR 44 thousand in 2006).

Analysis of trade receivables by age

1000 EUR	31 Dec, 2007	31 Dec, 2006
Undue trade receivables	6 566	12 019
Trade receivables 1-30 days overdue	11 997	1 965
Trade receivables 31-60 days overdue	3 996	1 459
Trade receivables more than 60 days overdue	5 147	1 927
Total	27 706	17 370

22. Cash and bank

1000 EUR	31 Dec, 2007	31 Dec,2006
Cash and bank	1 812	1 952
Total cash and bank	**1 812**	**1 952**

23. Shareholders' equity

Share capital 1000 EUR	Shares (1000 pcs) A serie	Shares (1000 pcs) B serie	Share capital	Share premium issue	Total
Equity 1 Jan, 2006	2 124	7 257	5 629	5 777	11 406
Equity 31 Dec, 2006	2 124	7 257	5 629	5 777	11 406
Equity 31 Dec, 2007	**2 124**	**7 257**	**5 629**	**5 777**	**11 406**

2007

The shares are divided into A-series and B-series shares. The company may have a maximum of four million (4 000 000) shares in the A series and a maximum of sixteen million (16 000 000) shares in the B series. The shares of the company have no nominal value. Each share in the A series entitles the holder to twenty (20) votes and each share in the B series entitles the holder to one (1) vote. All issued shares are paid in full.

Translation differences

Translation differences include the differences from translating financial statements of foreign entities and gains and losses of hedging net investments made to foreign entities when requirements of hedging are met.

Hedging reserve

Hedging reserve includes the fair value changes in derivative instruments used in cash flow hedges.

Fair value reserve

Fair value reserve includes the fair value changes in available-for-sale investments.

Dividends

During the financial period a dividend of EUR 0.30 per share was paid. After the balance sheet date the Board of Directors has proposed a dividend payment of EUR 0.60. Dividend income is recognized in the period in which the right to receive payment is established.

Share issue directed to management

The annual general meeting of shareholders on 17 March 2004 authorized the increase of the company's share capital through a new share issue by a minimum of EUR 60 and a maximum of EUR 126 000, by offering a minimum of one hundred and a maximum of 210 000 new B shares of the company, which have an accounting counter value EUR 0.60, to be subscribed for by the company's top management. The new B shares have an equal value as the other B shares of the company and are entitled to full dividend from the accounting period during which the increase of the share capital is registered at the trade register.

The subscription price of the shares is the weighted average trading prices of the company's B share on the Helsinki Exchanges in February 2004 divided by three (taking into account the effect of splitting the share) less 50 percent. The share subscription period in the issue began on 1 May 2004 and ended on 16 December 2005. Each participant must subscribe for at least 100 shares by 28 December 2004 in order to have a subscription right. As of 28 December 2004 a total of 2 400 B-shares were subscribed and the increase in share capital and number of shares were registered at the trade register on 9 March 2005. An additional 105 900 shares have been subscribed in the share issue directed to the company's top management as of 16 December 2005. These shares were registered to the trade register on 13 January 2006.

In accordance with share subscription agreement between the company and subscribers and if the Board of Directors has not decided otherwise, should an employee who has subscribed for shares resign or be dismissed from the company based on the individual termination clause of the employment contract as per employment act regardless of whether the employment contract is relevant to the subscriber's service relation before the end of any restriction period, he or she must return to the company, without consideration, one share for any two shares he or she has subscribed for whose restriction period has not yet ended. The share subscription agreement is a pre-requisite to the granting of the aforementioned 50 % discount off of the trading price to key personnel. During the restriction period, a key person may neither transfer the shares he or she has subscribed for nor enter into derivative or other corresponding agreements relating to the shares without specific permission from the Board of Directors of the company. A person who has subscribed for shares is however entitled to dividends which may be paid during the restriction period. As of 1 December 2006, the end of the restriction period I, 25 % of the shares allocated to key personnel were released for trading together with other Larox Corporation B-series shares. On 1 December 2007, the end of the restriction period II, 35 % of the shares allocated to key personnel will be released. On 1 December 2008, the end of the restriction period III, 40 % of the shares allocated to key personnel will be released.

Share-based payments

The Board of Directors of Larox decided on 29 May 2007 to introduce a share-based award program as a part of the Group's award and commitment program for the key personnel. The share-based award program gives the target group an opportunity to be awarded Company's series B shares during a vesting period of four years when achieving the set targets. The board of directors sets the vesting conditions and targets to be achieved. The amount of the share-based award is tied to the financial ratio earning per share (EPS) for the Group. The vesting period includes three measurement periods, financial period 2007-2008, financial period 2007-2009 and financial periods 2007-2010. The award will be paid to the key personnel in three parts. after the end of the measurement periods by the end of April 2009. April 2010 and April 2011 as combination of shares and cash.

The maximum number of shares to be granted under the share-based award programme is in total 150 000 and in cash such an amount that is needed to cover the taxes and tax-related payments at the grant date; however the amount can not exceed the value of shares at the grant date. After the measurement period, by the end of April, the average EPS for the measurement period and targets achieved by that time are identified. However, for the first measurement period a maximum of 1/3 of the total award can be paid and for the second measurement period a maximum of 2/3 of the total award from which the amount paid in the first period has been deducted.

In order to participate in the share-based award program and to receive the award, the key person selected by the board of directors to be included in the target group, shall own or acquire shares of the company at the beginning of the award program at an amount set in advance by the board of directors. Award is not paid, if the employee leaves the company before the end of the measurement period. In addition, the employee shall own the earned shares for at least two years after the end of the vesting period (the commitment period).

Basic information of the share-based award program and events are presented in the following table:

BASIC INFORMATION	
Grant date	15.6.2007
Nature of the arrangement	50 % in shares 50 % in cash
Maximum number of share-based awards	150 000
Cash equivalent to share-based award fees (pcs shares at most)*	150 000
Share price at grant date, EUR	13.80
Fair value of share at grant date **, EUR	12.90 - 13.50
Measurement period 2007-2008, EUR	13.50
Measurement period 2008-2009, EUR	13.20
Measurement period 2009-2010, EUR	12.90
Share price at balance sheet date, EUR	12.00
Vesting period begins, date	1.1.2007
Vesting period ends, date	31.12.2010
Vesting conditions	Period of employment and obligation to hold the shares until the end of the commitment period Earnings per share (EPS)
Probability that the vesting conditions will be met	50 %
Release of shares, date	31.3.2013
Obligation to hold the shares, years	2.00
Remaining commitment period, years	5.80
Number of persons (31.12.2007)	34

** The part of the share-based award that is paid in cash and accounted for under IFRS 2 as a share-based payment.*
*** Share price at grant date less expected dividend for the vesting period: 0.30 euros per year.*

Transactions in financial period Gross amounts**	Amounts 1 Jan,.2007	Change in financial period	Amounts 31 Dec, 2007
Awards granted (share+cash) stated as shares	0	300 000	300 000
Share awards approved	0	201 000	201 000
Shares vested ***	0	0	0
Shares returned	0	0	0
Shares paid	0	0	0
Shares expired	0	0	0

*** Amounts include the cash granted under the share-based award program stated as shares.*
**** Amount of vested awards is determined after the end of each measurement by the end of April based on the targets achieved. Awards are earned in three portions. First measurement period ends on 31 December 2008.*

Determination of the fair value

As the share-based award is settled with a combination of shares and cash, the determination of fair value under IFRS 2 is divided in two parts: equity-settled and cash-settled parts. Equity-settled share-based payments are recognized in equity and cash-settled transactions in liabilities.

The fair value of the equity-settled share-based payments is based on quoted market price of the share of Larox at the grant date. Correspongly the fair value of the cash-settled transaction is evaluated at each balance sheet date until the end of the vesting period and the fair value of the liability changes with the price of the share of Larox.

Determination of the fair value of the share-based awards	
Share-based awards granted as shares, pcs	100 500
Share-based awards granted as cash (stated as shares), pcs	100 500
Share price at grant date, EUR	13.80
Expected annual dividends p.a., EUR	0.30
Share price at 31 December 2007 (cash portion), EUR	12.00
Probability that the vesting conditions will be met	50.0 %
Estimated returned share-based awards prior to settlement	10.0 %
Estimated returned share-based awards after settlement	5.0 %
Fair value of share-based awards at grant date, EUR	**1 190 711**
Fair value of share-based awards as at 31 December 2007, EUR	**1 109 306**
Recognized in 2007 income statement, EUR	**129 769**

24. Interest-bearing liabilities

1000 EUR	Carrying amount 31 Dec, 2007	Fair value 31 Dec, 2007	Carrying amount 31 Dec, 2006	Fair value 31 Dec, 2006
Long-term				
Bank loans	12 531	12 881	14 923	14 648
Finance lease liabilities	220	272	144	167
Other loans			4 338	4 199
Total	**12 751**	**13 153**	**19 405**	**19 014**
Short-term				
Bank loans	24 046	24 010	9 541	9 537
Finance lease liabilities	87	87	78	78
Total	**24 133**	**24 097**	**9 619**	**9 615**

Loans and receivables are carried at amortized cost using the effective interest method and the fair value is determined through discounted cash flow method discounting at balance sheet date market rate of interest or balance sheet date market value.

Repayment schedule of long-term liabilities:

2007 1000 EUR	2008	2009	2010	2011	2012	Later
Loans with fixed interest	3 161	2 041	1 708	1 345	204	821
Loans with floating interest	1 725	4 400	1 492	519		
Finance lease liabilities	87	77	34	92	17	
Other loans						
Total long-term liabilities	**4 973**	**6 518**	**3 234**	**1 956**	**221**	**821**

2006 1000 EUR	2007	2008	2009	2010	2011	Later
Total long-term liabilities	4 015	3 203	2 024	1 688	1 418	1 086
Loans with floating interest	1 587	1 746	1 746	1 493	519	
Finance lease liabilities	78	60	52	15	17	
Other loans					4 338	
Total long-term liabilities	**5 680**	**5 009**	**3 822**	**3 196**	**6 292**	**1 086**

Long-term interest-bearing liabilities in different currencies:

1000 EUR	31 Dec, 2007	31 Dec, 2006
EUR	9 499	17 962
USD	1 292	1 443
ZAR	801	
AUD	1 159	

Effective interest rates (weighted averages) of long-term interest-bearing loans on 31 Dec, 2007:

Loans	6.2078
Finance lease liabilities	13.274
Other loans	

Short-term interest-bearing liabilities in different currencies:

1000 EUR	31 Dec, 2007	31 Dec, 2006
EUR	22 574	7 312
USD	1 559	1 708
AUD		599

Effective interest rates (weighted averages) of short-term interest-bearing loans on 31 Dec, 2007:

Loans	5.5782
Finance lease liabilities	13.274

Finance lease liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Long-term finance lease liabilities	220	144
Short-term finance lease liabilities	87	78
Total finance lease liabilities	**307**	**222**
Finance lease liabilities - minimum lease payments		
No later than 1 year	119	115
Later than year and no later than 5 years	254	167
Total minimum lease payments	373	282
Future finance charges	-66	-60
Present value of finance lease liabilities	**307**	**222**
Present value of minimum lease payments		
No later than 1 year	111	107
Later than year and no later than 5 years	196	115
Present value of minimum lease payments	**307**	**222**

25. Employee benefit obligations

Larox Group has established several pension plans in various countries. In Finland, pension plan is the Finnish Statutory Employment Pension Scheme (TEL) which is mainly a defined contribution plan.

Pension liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Present value of unfunded obligations	418	494
Underfunding/Overfunding	**418**	**494**
Unrecognized actuarial losses	37	-96
Pension liability	**455**	**398**

Pension expenses

1000 EUR	31 Dec, 2007	31 Dec, 2006
Pension costs based on current period's service	-13	-7
Benefit related interest expense	-39	-20
Gains on plan curtailment	-5	-6
Pension expenses	**-57**	**-33**

Benefit plan reconciliation

1000 EUR	31 Dec, 2007	31 Dec, 2006
Pension liabilities from defined benefit plan at the beginning of period	398	365
Current service cost	32	21
Actuarial gains and losses	25	12
Liabilities at the end of period	**455**	**398**

Defined benefit plans: Assumptions used in calculating benefit obligations on 31 Dec

	Germany 31 Dec, 2007	Germany 31 Dec, 2006
Discount rate (%)	5.25	4.25
Future salary increase (%)	2.50	2.50
Expected return on plan assets (%)	2.50	2.50

Defined benefit plans: Assumptions used in calculating benefit obligations on 31 Dec

	Finland 31 Dec, 2007	Finland 31 Dec, 2006
Discount rate (%)	5.00	4.50
Future salary increase (%)	4.00	4.00
Expected return on plan assets (%)	4.70	4.70

Other pension and employee benefit liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Pension provision	40	40
Other long-term employee benefit	49	41
Total	**99**	**81**

Pension provision includes the expenses of the pensions granted to Larox employees' spouses. Other long-term employee benefit includes expenses of extra leave days granted to certain group of employees based on their service years.

Total pension liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Defined benefit plan	455	398
Other pension and employee benefit liabilities	99	81
Total pension liabilities	**554**	**479**

In addition to Finland, the Group has defined benefit plans in Germany.

26. Provisions

1000 EUR	2007	2006
Warranty provisions 1 Jan	1 341	1 254
Additions	1 306	426
Used provisions	-500	-339
Warranty provisions 31 Dec	**2 147**	**1 341**

	2007	2006
Long-term provisions	826	411
Short-term provisions	1 321	930
Total	**2 147**	**1 341**

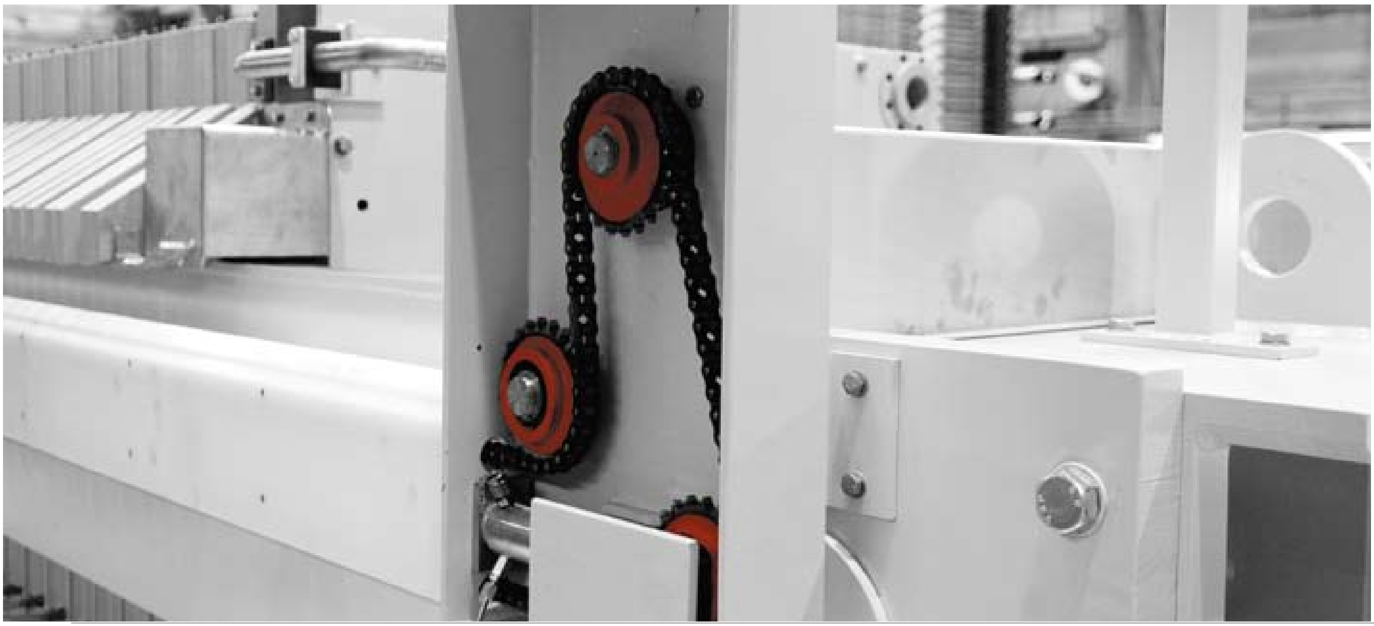
Larox offers most of its products a 12 month warranty from start-up or an 18 month warranty from delivery. Warranty provision is based on project specific estimates and historical experiences. Discounting has no material influence, so value is not discounted.

Warranty provision includes the expenses related to warranty claims for goods sold with valid warranty in prior accounting periods. Warranty provisions are expected to be used during the warranty period or within 12 months after the warranty period if research and development is required.

27. Trade payables and other payables

1000 EUR	31 Dec, 2007	31 Dec, 2006
Payables to associated companies	783	219
Trade payables	9 399	8 789
Accrued payables	191	1 524
Accrued employee-related liabilities	2 506	2 220
Derivate liabilities	18	126
Other accruals	4 601	3 299
Other liabilities	2 488	1 709
Total liabilities belonging financial instruments	**19 986**	**17 886**
Advances received	6 697	4 721
Tax liability, income tax	1 935	665
Total trade payables and other payables	**28 618**	**23 272**

Accrued expenses includes the current portion of the share-based award to be settled in cash under the share-based award program introduced in 2007.



28. Carrying amounts of financial assets and liabilities by measurement categories

2007 Balance sheet item	Note	Financial assets/ liabilities at fair value through income statement	Loans and receiva- bles	Available-for- sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balan- ce sheet item	Fair value
Non-current financial assets							
Derivatite financial instruments							
Other financial assets	18)			23		23	23
Current financial assets							
Trade and other receivables	21)		36 407			36 407	36 407
Derivative financial instruments							
*) Hedge-accounted		14				14	14
*) Non-hedge accounted	30)	230				230	230
Carrying amount by category		**244**	**36 407**	**23**		**36 674**	**36 674**
Non-current financial liabilities							
Borrowings	24)				12 751	12 751	13 153
Current financial liabilities							
Borrowings	24)				24 133	24 133	24 097
Derivative financial instruments							
*) Hedge-accounted							
*) Non-hedge accounted	27,30)	18				18	18
Trade and other payables	27)				19 968	19 968	19 968
Carrying amount by category		**18**			**56 852**	**56 870**	**57 236**

2006 Balance sheet item	Note	Financial assets/ liabilities at fair value through income statement	Loans and receiva- bles	Available-for- sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Derivatite financial instruments							
Other financial assets	18)			208		208	208
Current financial assets							
Trade and other receivables	21)		24 927			24 927	24 927
Derivative financial instruments							
*) Hedge-accounted		4					
*) Non-hedge accounted	30)	54				57	57
Carrying amount by category		**57**	**24 927**	**208**		**25 192**	**25 192**
Non-current financial liabilities							
Borrowings	24)				19 405	19 405	19 014
Current financial liabilities							
Borrowings	24)				9 619	9 619	9 615
Derivative financial instruments							
*) Hedge-accounted		22					
*) Non-hedge accounted	27,30)	104				126	126
Trade and other payables	27)				17 760	17 760	17 760
Carrying amount by category		**126**			**46 784**	**46 910**	**46 515**

The fair values of current assets and liabilities do not differ from balance sheet values.

**) The fair values of derivatives are presented in note 30.*

29. Commitments and contingencies

Loans secured by real estate and corporate mortgages

1000 EUR	31 Dec, 2007	31 Dec, 2006
Loans from financial institutions	36 577	24 464
Other loans		4 338
Total	**36 577**	**28 802**
Real estate mortgages	6 560	6 560
Corporate mortgages, general pledging	3 936	3 936
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 558**	**19 558**

Guarantees for others

	31 Dec, 2007	31 Dec, 2006
Pledged securities *)	6 476	6 476
Others	124	146
Total	**6 600**	**6 622**

** Book value of secured shares*

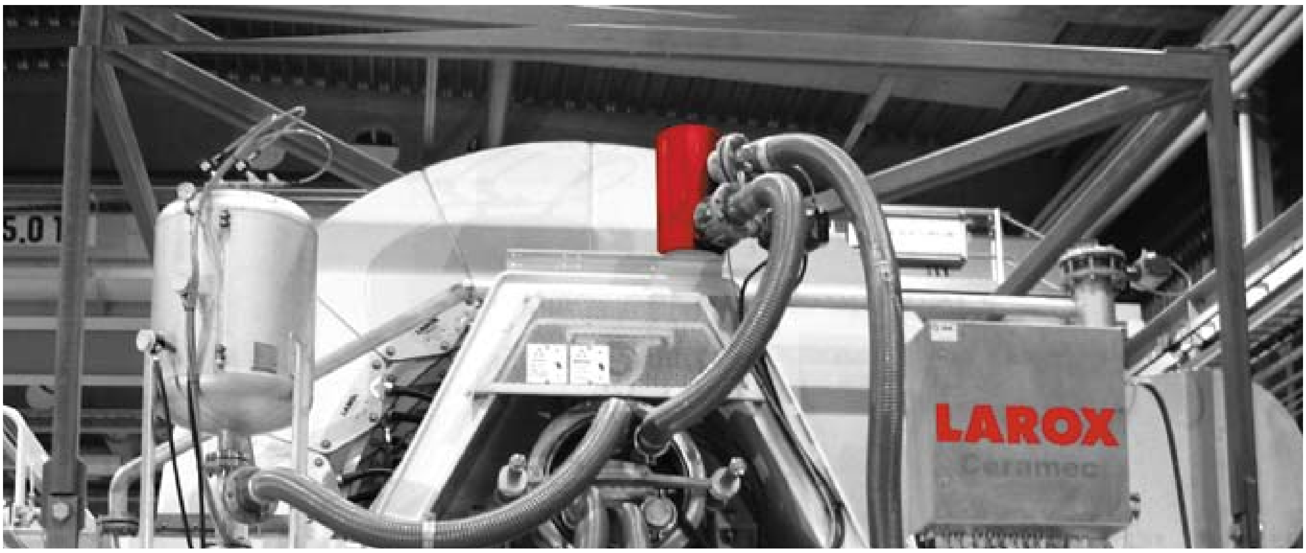
Other liabilities

Operating lease liabilities 1000 EUR	31 Dec, 2007	31 Dec, 2006
No later than 1 year	491	568
Later than year and no later than 5 years	366	411
Total	**857**	**979**

Non-cancellable lease liabilities 1000 EUR	31 Dec, 2007	31 Dec, 2006
No later than 1 year	21	21
Total	**21**	**21**

Cancellable lease liabilities 1000 EUR	31 Dec, 2007	31 Dec, 2006
No later than 1 year	618	608
Total	**618**	**608**

Rent expenses in the income statement were EUR 1.4 million in 2007 (EUR 1.4 million in 2006).



30. Financial risk management

The market risks are caused by changes in price of currency, interest and commodity. The objective of Larox Group is to minimize the impacts of fluctuations in financial markets on the Group's cash reserves, profits and shareholders' equity.

The Larox Group treasury function manages financial risks generally together with business units. Larox is sensitive to the price fluctuations of raw material, external suppliers and subcontractors. The price fluctuation is prevented and the availability of raw material ascertained by long-term contracts, timing of the acquisitions, and fixed contract prices.

Currency risk

The objective of the Group's currency risk management is to limit the risks caused by changes in foreign currency rates on cash flows, income statement and balance sheet. In accordance with the approved foreign currency policy, the Group's treasury function shall hedge against all major currency risks. Group's foreign currency exposure consists primarily of accounts receivables, order backlog, liabilities in foreign currencies and some of the outstanding offers (transaction risk). The Group also hedges the equities of foreign subsidiaries with external currency loans (translation risk). Hedge accounting is applied on significant projects which are worth one million euros or more. The exchange differences arising from the projects under hedge accounting are recognized in income in accordance with the revenue recognition of the projects. The duration of the projects vary from 6 months to 1.5 years.

Exchange rate profits and losses from financial operations are booked under financial income and expenses. The most important invoicing currencies for Larox are EUR, USD, AUD and ZAR. Larox Group's main purchasing currency is EUR. To hedge currency positions, the company uses forward contracts, currency options and currency loans. Derivative contracts are entered into only for hedging purposes. Some of the currency forwards hedge highly probable future cash flows (cash flow hedges) and those are designated as hedging instruments, in which case hedge accounting is applied. Hedging instruments are subject to prospective and retrospective testing of effectiveness at each balance sheet date. Fair value changes in derivatives which are assigned to hedge, are recognized in equity to the extent that the hedge is effective. There was no inefficiency in hedge accounting.

Interest rate risk

Interest-bearing debt exposes the Group to interest rate risk, which is the risk of repricing and price risk caused by the changes in market interest rate. To control interest rate risks, Larox Group disperses its loans and short-term investments in fixed and floating rate instruments. Total loan risk position is stabilized by changing the portion of fixed and foreign currency denominated debts. In the monitoring for example weighted average interest rates are used. At the end of the fiscal year, Larox Group had no open forward rate agreements or interest rate swaps.

Credit risk

Credit risk arises when agreement or financial instrument agreement partner is not able to fulfill their obligation and causes financial loss to the other party.

Group's customer base consists of a large number of customers in all market areas. Credit risk is reduced mainly with the selection of payment terms and method of payment and using letter of credits. In general, Larox does not finance customers, but co-operates with banks and export credit institutions to support the financing of customers' investments.

Credit risks related to financial instruments are managed by the Group treasury. These are decreased by limiting contracting parties to major banks and financial institutions with good credit ratings. Maximum credit risk equals to the currying amount.

Liquidity refunding risk

The business of Larox includes regular and irregular cash flows. Larox aims at maintaining sufficient liquidity with efficient cash management. Company seeks to minimise potential liquidity and refinancing risk exposures through balanced maturity spread and sufficient financial reserves. Company has limit arrangements with banks for current equity and daily cash. At the end of year 2007, unused limits and account credits totaled EUR 6.0 million.

Fair value of derivative financial instruments 1000 EUR	Positive fair value 31 Dec, 2007	Negative fair value 31 Dec, 2007	Net fair value 31 Dec, 2007	Net fair value 31 Dec, 2006
Derivative financial instruments designated as cash flow hedges				
Forward contracts	14		14	
Non-hedging derivative financial instruments:				
Forward contracts	189	3		
Options	41	15	211	
Derivative financial instruments total	244	18	225	-69

Nominal values of derivative instruments 1000 EUR	31 Dec, 2007	31 Dec, 2006
Currency derivatives:	3 155	
Forward contracts	18 313	12 870
Total currency derivatives	**21 468**	**12 870**

As of 31 December 2007, the contractual maturity of liabilities was as follows:

1000 EUR	2008 1)	2009	2010	2011	2012	2013	Total
Finance charges	1 446	387	192	112	12	49	2 198
Repayment of loans from financial institutions	24 105	6 446	3 200	1 864	204	821	36 640
Finance charges	32	11	11	3	9		66
Repayment of finance lease liabilities	87	77	34	92	17		307
Derivative instrument liabilities	19						19

1) Repayments in 2008 are included in current liabilities in the balance sheet.
Finance charges are primarily interest expenses.

As of 31 December 2006, the contractual maturity of liabilities was as follows:

1000 EUR	2007 1)	2008	2009	2010	2011	2012	Total
Finance charges	573	297	226	191	116	65	1 468
Repayment of loans from financial institutions	9 542	4 948	3 770	3 181	1 937	1 086	24 464
Finance charges	30	19	8	2	1		60
Repayment of finance lease liabilities	78	60	52	15	17		222
Finance charges	269	269	269	269	144		1 220
Repayment of other long-term liabilities					4 338		4 338
Derivative instrument liabilities	117						117

1) Repayments in 2007 are included in current liabilities in the balance sheet.
Finance charges are primarily interest expenses.

Sensitivity analysis

By presenting the sensitivity analysis the Group seeks to show what the effect of reasonably possible changes in the relevant risk variables is to the income statement. Risk variables contain interest and currency instruments. The effect of the fair value changes of derivative financial instruments, for which hedge accounting is applied, is assumed to be on equity in full. The table below presents the foreign exchange net position in the consolidated balance sheet and the corresponding total net position at the balance sheet day. The foreign exchange hedges are not included in the position. The forward foreign exchange agreements hedging the foreign exchange risk are presented separately in the table. The hedge level of the total foreign exchange exposure was 70 %.

	Currencies in balance sheet , net(1000)		Total net position		Forward contracts	
	2007	2006	2007	2006	2007	2006
USD	7 491	5 596	19 098	16 011	13 310	8 220
ZAR	41 614	37 684	67 835	45 171	30 800	24 100
AUD	5 353	5 849	8 580	15 982	4 350	9 100
CAD	177	236	1 279	236	650	200

As the Group monitors and hedges the total foreign exchange exposure, the off-balance sheet items are presented separately in the sensitivity analysis. The total foreign exchange position consists mainly of trade receivables, order backlog, foreign currency denominated debts and the Group's own offer backlog. The total foreign currency position exceeds the net position in the balance sheet by 51.

The table below presents how the reasonably possible changes in the non-hedged total foreign exchange exposure and interest rate exposure to the result before tax.

Market risk

1000 EUR	Income statement	
5 %- in the central exchange rate	2007	2006
USD	+/- 225	+/- 287
AUD	+/- 162	+/- 217
ZAR	+/- 194	+/- 120
CAD	+/- 20	+/- 1
Total	+/- 601	+/- 626
1 % parallel shift in market interest rates	+/- 241	+/- 151

The Group's foreign currency exposure has been determined with the exchange rates prevailing at the balance sheet date, of which the effect that a 5% change in exchange rates would have on the income statement has been calculated. The sensitivity analysis includes floating rate euro dominated financial liabilities. The analysis presents how 1% change in interest rate affects the income statement. All of the effects are allocated to income statement, because the equity component is not material.

Capital risk management

The Group's objective when managing capital is to secure an efficient capital structure that gives the Group's access to capital market at all times. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group seeks to minimize the restricted equity and to hold it on a level, that it is able to meet challenges related to the growth of its operations.

The Group monitors its capital on the basis of equity and gearing ratio. The Group determines the equity ratio as shareholders' equity divided by total assets less advances received. Debt-equity ratio is determined as interest-bearing liabilities divided by shareholders' equity. Changes in working capital and cash flow are reviewed systematically as part of the risk management. The Group aims to reach equity ratio of over 40 %.

Accompanying key ratios 31 December 2007 and 31 December 2006 are as follows:

	2007	2006
Equity ratio	34.2	33.9
Gearing	1.1	1.1

31. Related party transactions

Shares and shareholdings on Dec 31, 2007	Country	No. of shares	Share of ownership (%)	Share of voting rights (%)
Parent Company Larox Corporation	Finland			
Larox Company Oy	Finland	50	100.0	100.0
Larox Inc.	USA	50	100.0	100.0
Larox GmbH	Germany	500	100.0	100.0
Larox B.V.	The Netherlands	180	100.0	100.0
Larox Pty Ltd.	Australia	400	100.0	100.0
Larox Chile SA	Chile	1 500	100.0	100.0
Larox Poland Ltd.	Poland	335	100.0	100.0
Larox SA (Proprietary) Limited	South Africa	10 000	100.0	100.0
Filtros Larox Mexico SA de CV	Mexico	5	100.0	100.0
Larox Central Africa Limited	Zambia	25	100.0	100.0
Larox UK Limited	Great Britain	500	100.0	100.0
Larox Tecnologia de separacao de líquidos e sólidos LTDA	Brazil	600 000	100.0	100.0
Cia Minera Trinidad S.A.C.	Peru	57 398	99.7	99.7
Explotaciones Mineras Metalicas S.A.C.	Peru	197	99.0	99.0

In addition, the parent company has a branch in Peru, Larox Sucursal Peru.

Transactions with associated companies

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Sales of goods and services	3	2
Purchases of goods and services	2 829	2 135

Other transactions with related parties

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Purchases of services	22	22

Balances with associated companies

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Trade receivables	1	1
Trade payables	783	219

Employee benefits for key management

Key management of Larox consists of the Board of Directors, the President and Larox Group management team.

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Short-term employee benefits	1 419	1 314
Post-employment benefits	284	266
Share-based payments	164	57
Total employee benefits	**1 867**	**1 637**

Salaries and fees 1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
President	279	241
Members of the Board of Directors		
Timo Vartiainen	93	84
Katariina Aaltonen	63	54
Teppo Taberman	17	19
Thomas Franck	17	15
Matti Ruotsala	17	15

Retirement age of parent company's President and chairman of the Board of Directors in employment relationship is 60.

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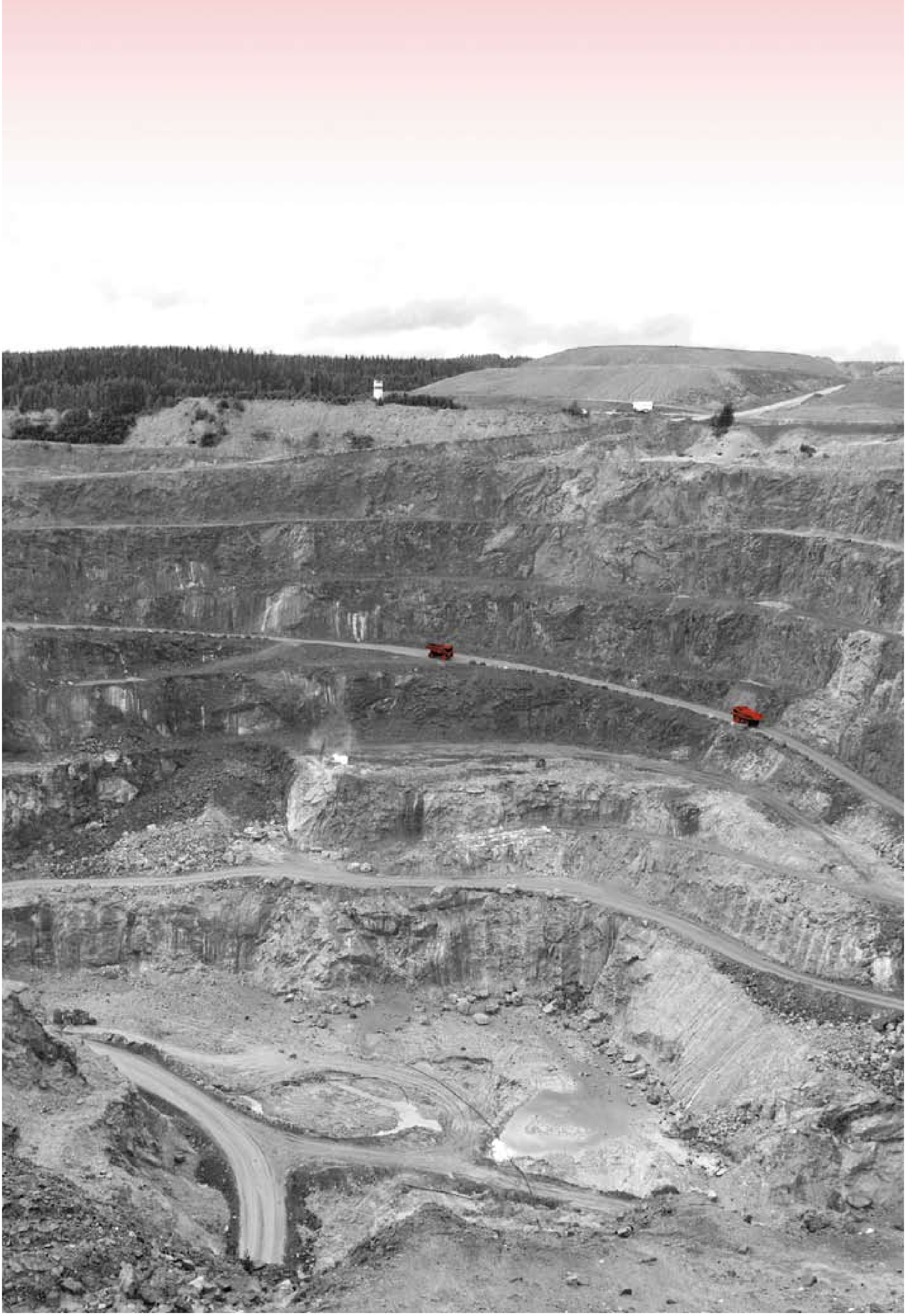

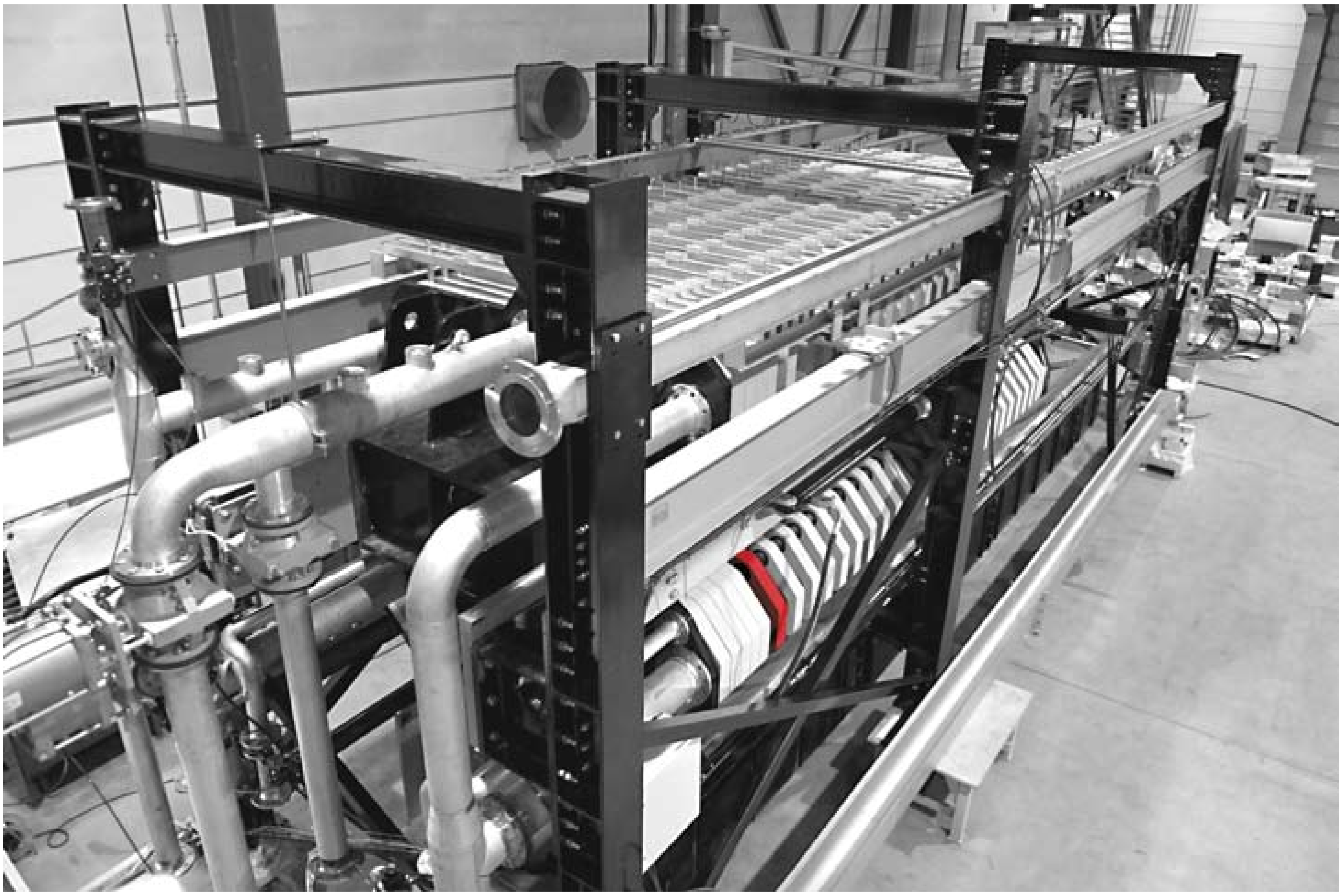

Parent Company
Financial Statements, FAS

Parent Company: Income Statement, FAS

1000 EUR	Note	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Net sales	2)	**105 734**	**75 778**
Change in inventories of finished goods and work in progress		-2 027	4 554
Other operating income	3)	767	668
Materials and services	4)	- 53 822	-40 980
Personnel expenses	5)	-13 133	-12 139
Depreciation and amortization	6)	-3 044	-1 868
Other operating expenses	7)	-21 217	-17 851
OPERATING PROFIT		**13 258**	**8 160**
Financial income and expenses	9)	-667	-875
PROFIT BEFORE EXTRAORDINARY ITEMS		**12 591**	**7 285**
Appropriations	10)	-13	-199
Income tax	11)	-3 292	-1 899
PROFIT FOR THE PERIOD		**9 286**	**5 187**

FAS = Finnish Accounting Standards

Parent Company: Balance Sheet, FAS

1000 EUR	Note	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12)	19 234	13 207
Tangible assets	13)	8 827	8 573
Holdings in Group companies	14)	10 756	10 755
Other investments		294	358
TOTAL NON-CURRENT ASSETS		**39 111**	**32 893**
CURRENT ASSETS			
Inventories	15)	19 283	16 625
Long-term receivables	16)	3 394	5 460
Deferred tax asset		264	264
Short-term receivables	16)	30 720	22 676
Cash and bank		27	113
TOTAL CURRENT ASSETS		**53 688**	**45 137**
TOTAL ASSETS		**92 799**	**78 031**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	17)		
Share capital		5 629	5 629
Share premium account		6 182	6 182
Revaluation reserve		75	75
Retained earnings		9 460	7 088
Profit for the period		9 286	5 187
TOTAL SHAREHOLDERS' EQUITY		**30 632**	**24 161**
Accelerated depreciation	18)	2 959	2 945
Total statutory provisions	19)	1 149	857
LIABILITIES			
Long-term liabilities, interest-bearing	20)	12 385	18 891
Short-term liabilities, interest-bearing	20)	23 957	9 517
Short-term liabilities, interest-free		21 717	21 660
TOTAL LIABILITIES		**58 059**	**50 068**
TOTAL EQUITY AND LIABILITIES		**92 799**	**78 031**

FAS=Finnish Accounting Standards

Parent Company: Statement of Cash Flow, FAS

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Cash flow from operating activities		
Profit for the period	9 286	5 187
Adjustments to the profit for the period	7 011	4 837
Change of the working capital	-12 879	5 083
Cash flow from operations before financial items and taxes	3 418	15 106
Interests paid in operating activities	-1 796	-1 764
Interests received in operating activities	1 063	1 013
Other financial items in operating activities	-16	-33
Income taxes paid in operating activities	-2 436	-898
Net cash generated from operating activities	**233**	**13 424**
Cash flow from investing activities		
Investments in tangible and intangible assets	-2 469	-837
Income from disposals of tangible and intangible assets	5	4
Loans granted	-8 892	-3 649
Repayments of loan receivables	5 567	3 864
Dividends received from investments	113	100
Net cash used in investing activities	**-5 676**	**-518**
Cash flow from financing activities		
Short-term loans made	20 509	3 896
Repayments of short-term loans	-5 204	-10 608
Long-term loans made	2 687	2 000
Repayments of long-term loans	-9 820	-5 885
Dividends paid	-2 814	-2 226
Net cash generated from financing activities	**5 358**	**-12 823**
Net change in cash and cash equivalents	**-85**	**83**
Cash and Cash Equivalents on 1 Jan	113	30
Cash and Cash Equivalents on 31 Dec	27	113

Net change in working capital:		
Change of inventories	-2 657	-6 027
Change of trade receivables and other short-term receivables	-8 339	3 758
Change of trade payables and other interest-free short term liabilities	-2 174	7 392
Change of provisions	292	-40

Notes to the Parent Company Financial Statements

1. Accounting principles

Foreign currency transactions
Foreign currency transactions of the parent company are entered as euros using the exchange rate in effect at the transaction date. Assets and liabilities denominated in foreign currency are translated into euros in the financial statements using the European Central Bank's average exchange rate at the balance sheet date. Accordingly, realized as well as unrealized exchange rate differences from sales receivables and accounts payable, current and non-current liabilities and receivables are recorded in the income statement. The exchange difference of hedged items the corresponding item to be hedged has been adjusted by the exchange difference of corresponding derivative instrument used for hedging purposes.

Net sales
Sales of products and services are recognized at the time of delivery. Sales are presented net of indirect taxes and adjustments to sales. Adjustments to sales include granted discounts and exchange rate differences.

Research and product development costs
Research and product development costs have been entered as annual costs in the year they were originated. Development costs are activated to the Balance Sheet, if there are expected probable future economic benefits. Activated development costs will be booked as costs during their estimated economical time of usage.

Taxes
Taxes have been recognized according to Finnish tax regulations.

Inventories
Inventories are stated at the lower of historical cost calculated on an ”average cost” basis or net realizable value. Costs include raw materials, direct labor, other direct costs and related production overheads, but exclude borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Fixed assets and depreciation
Fixed assets are stated based on original acquisition cost, with the exception of parent company's land areas and buildings which have been revalued. Revaluations in the amount of EUR 563 000 for land areas and EUR 2 787 000 for buildings were recorded in year 1990 and prior based on external evaluations. Additional revaluation in the amount of EUR 871 000 in deferred tax liability was not recognized since its realization is not likely in the near future.

Depreciation according to plan is made on a straight-line basis on depreciable fixed assets, based on the estimated useful economic life. The periods of depreciation are based on the useful economic life as follows: buildings and constructions 5-40 years, machinery and equipment 4-10 years, other capitalized expenditure 3-10 years, other tangible assets 10 years, intangible rights 4-10 years; goodwill 5-20 years.

Goodwill includes, among other things, technology, trademarks, and customer and supplier relationships. Useful life of technology in use is estimated to be long term whereas useful life of trademarks is considered to be indefinite. Customer and supplier relationship is estimated to have long-term useful life ranging typically from 15 to 20 years. Subcontractor and supplier turnovers are low. Also the technology in use is long-term. The useful life of trademarks is considered to be indefinite.

2. Net sales by geographical division

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
North, Central and South America	28 183	26 526
Asia and Australasia	34 987	22 203
Europe, CIS, Middle East and Africa	42 564	27 049
Total	**105 734**	**75 778**

3. Other operating income

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Grants	215	169
Provisions	167	118
Other	385	381
Total other operating income	**767**	**668**

4. Materials and services

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Raw materials and consumables		
Purchases during the financial year	-52 944	-40 446
Change in inventories	2 562	1 304
External services	-3 440	-1 838
Total materials and services	**-53 822**	**-40 980**

5. Personnel expenses

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Salaries and fees	-10 321	-9 704
of which president's and board members' salaries	-486	-428
Pension expenses	-1 595	-1 535
Other employee benefits	-1 217	-900
Total personnel expenses	**-13 133**	**-12 139**

Salaries and fees 1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
President	279	241
Members of the Board of Directors		
Timo Vartiainen	93	84
Katariina Aaltonen	63	54
Teppo Taberman	17	19
Thomas Franck	17	15
Matti Ruotsala	17	15

Retirement age of parent company's President and chairman of the Board of Directors in employment relationship is 60.

The average number of personnel	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Office personnel	139	139
Workers	77	74
Total	**216**	**213**

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6. Planned depreciation and amortization

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Development costs	-311	-49
Intangible rights	-543	-573
Goodwill	-1 608	-542
Other capitalized expenditure	-19	-52
Land (asphalting)	-4	-4
Buildings	-136	-147
Machinery and equipment	-423	-498
Other tangible assets		-3
Total depreciation and amortization	**-3 044**	**-1 868**

7. Other operating expenses

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Sales expenses	-7 510	-5 602
Consumables	-387	-348
Maintenance of premises	-562	-558
Rents	-286	-276
Personnel expenses	-834	-664
Traveling expenses	-2 343	-1 894
Marketing and public relations	-1 574	-1 212
External services	-6 475	-6 147
Other operating expenses	-1 246	-1 150
Total other operating expenses	**-21 217**	**-17 851**

8. Fees paid to auditors

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Auditing fees	83	67
Other fees	74	49
Total	**157**	**116**

9. Financial income and expenses

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Share of profit from associated companies	112	100
Interest and other financial income		
From Group companies	1 063	1 013
From others	487	669
Total financial income	**1 662**	**1 782**
Interest and other financial expenses		
To others	-2 329	-2 657
Total financial expenses	**-2 329**	**-2 657**
Total financial income and expenses	**-667**	**-875**
Exchange gains (+) and losses (-) included in financial income and expenses	-31	-192

10. Appropriations

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Difference between booked depreciation and depreciation according to plan		
Buildings	-17	19
Machinery	512	323
Goodwill	-542	-541
Total appropriations	**-13**	**-199**

11. Income tax

1000 EUR	1 Jan-31 Dec, 2007	1 Jan-31 Dec, 2006
Current taxes	-3 292	-1 899
Total income taxes	**-3 292**	**-1 899**

12. Intangible assets

1 Jan-31 Dec, 2007	Development costs	Intangible rights	Goodwill	Other long-term expenditure
Acquisition cost 1 Jan	**432**	**8 186**	**10 843**	**4 674**
Additions	1 731	1 431	5 347	
Acquisition cost 31 Dec	2 163	9 617	16 190	4 674
Cumulative depreciations 1 Jan	-88	-4 616	-1 626	-4 598
Depreciation for the period 1 Jan -31 Dec	-311	-543	-1 608	-19
Cumulative depreciations 31 Dec	-399	-5 159	-3 234	-4 618
Carrying value 31 Dec	**1 763**	**4 458**	**12 956**	**57**

13. Tangible assets

1 Jan-31 Dec, 2007 1000 EUR	Land areas	Buildings	Machinery	Other intangible assets
Acquisition cost 1 Jan	**1 147**	**8 634**	**11 613**	**104**
Additions			816	
Acquisition cost 31 Dec	1 147	8 634	12 429	104
Cumulative depreciations 1 Jan	-15	-3 042	-9 763	-104
Depreciation for the period 1 Jan -31 Dec	-4	-136	-423	
Cumulative depreciations 31 Dec	-19	-3 178	-10 186	-104
Carrying value 31 Dec	**1 128**	**5 456**	**2 243**	**0**
Includes revaluations *)	563	2 787		

**) Additional revaluation in the amount of EUR 871 000 in deferred tax liability was not recognized since its realization is not likely in the near future.*

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14. Investments

Shares and shareholdings on 31 Dec, 2007	Country	No. Of shares	Share (%)	Book value, 1000 EUR
Larox Company Oy	Finland	50	100,0	8
Larox Inc.	USA	50	100,0	687
Larox GmbH	Germany	500	100,0	2 621
Larox B.V.	The Netherlands	180	100,0	6 476
Larox Pty Ltd.	Australia	400	100,0	770
Larox Chile SA	Chile	1 500	100,0	34
Larox Poland Ltd.	Poland	335	100,0	104
Larox SA (Proprietary) Limited	South Africa	10 000	100,0	1
Filtros Larox Mexico SA de CV	Mexico	5	100,0	5
Larox Central Africa Limited	Zambia	25	100,0	25
Larox UK Limited	Great Britain	500	100,0	1
Larox Tecnologia de separacao de líquidos e sólidos LTDA*)	Brazil	60 000	10,0	24
Cia Minera Trinidad S.A.C.	Peru	57 398	99,7	0
Total subsidiary shares				**10 756**

**) Larox Company Oy holds 90% of the shares.*
In addition, the parent company has a branch office in Peru, Larox Sucursal Peru.

1000 EUR	31 Dec, 2007
Total subsidiary shares	10 756
Associated company shares, Larox Flowsys Oy	247
Receivables from Group companies	
Larox Poland Ltd.	24
Other shares	23
Total investments	**11 050**

Larox Flowsys Oy, Lappeenranta	2007	2006
Share of ownership (%)	49	49
Assets	5 810	4 911
Liabilities	2 967	2 557
Net sales	15 348	12 721
Profit for the period	**736**	**520**

15. Inventories

1000 EUR	31 Dec, 2007	31 Dec, 2006
Materials and supplies	6 401	4 544
Work in progress	5 354	7 294
Finished products and goods	4 971	4 352
Advance payments for inventories	2 557	435
Total inventories	**19 283**	**16 625**

16. Receivables

1000 EUR	31 Dec, 2007	31 Dec, 2006
Long-term receivables		
Receivables from Group companies	3 394	5 460
Total long-term receivables	**3 394**	**5 460**
Short-term receivables		
Trade receivables	8 694	4 913
Other receivables	1 480	1 224
Accrued receivables	420	250
Receivables from Group companies	10 428	7 794
Loans to Group companies	9 697	8 492
Receivables from associated companies	1	1
Total short-term receivables	**30 720**	**22 674**

17. Shareholders' equity

Changes in shareholders' equity 2006 1000 EUR	Share capital	Share premium account	Revaluation reserve *)	Retained earnings	Total
SHAREHOLDERS'EQUITY 1 Jan, 2006	5 629	6 182	75	9 314	21 200
Dividend distribution				-2 226	-2 226
Profit for the period				5 187	5 187
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2006	**5 629**	**6 182**	**75**	**12 275**	**24 161**

Changes in shareholders' equity 2007 1000 EUR	Share capital	Share premium account	Revaluation reserve *)	Retained earnings	Total
SHAREHOLDERS'EQUITY 1 Jan, 2007	5 629	6 182	75	12 275	24 161
Dividend distribution				-2 814	-2 814
Profit for the period				9 286	9 286
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2007	**5 629**	**6 182**	**75**	**18 746**	**30 632**

*) A total of EUR 3.2 million of the revaluation reserve has been used for capital issues in 1987, 1990 and 1994.

Shareholders equity attributable to shareholders

1000 EUR	31 Dec, 2007
Retained earnings	9 460
Profit for the period	9 286
Total shareholders equity attributable to shareholders	**18 746**

18. Accelerated depreciation

1000 EUR	31 Dec, 2007	31 Dec, 2006
Difference between booked depreciation and depreciation according to plan		
Other long-term expenditure	17	17
Buildings	862	879
Machinery	-88	424
Goodwill	2 168	1 625
Total accelerated depreciation	**2 959**	**2 945**

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19. Provisions

1000 EUR	31 Dec, 2007	31 Dec, 2006
Warranty provision on 1 Jan	817	828
Change	292	-11
Warranty provision on 31 Dec	**1 109**	**817**
Pension provision on 1 Jan	40	69
Change		-29
Pension provision on 31 Dec	**40**	**40**
Total provisions	**1 149**	**857**

20. Deferred tax assets and liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Deferred tax assets recognized on the balance sheet		
Timing differences and other temporary differences	264	264
Unrecognized deferred tax liabilities		
Depreciation differences	769	765
Revaluations	871	871

21. Liabilities

1000 EUR	31 Dec, 2007	31 Dec, 2006
Long-term liabilities		
Loans from financial institutions	12 385	14 691
Other loans		4 200
Total long-term liabilities	**12 385**	**18 891**
Short-term liabilities		
Loans from financial institutions	23 957	9 517
Total interest-bearing short-term liabilities	**23 957**	**9 517**
Trade payables	6 267	5 171
Accrued payables	4 868	3 467
Other payables	332	334
Advances received	7 317	10 431
Loans to Group companies	2 500	2 177
Loans to associated companies	433	80
Total interest-free short-term liabilities	**21 717**	**21 660**

Accrued payables include mainly employee related expenses.

22. Commitments and contingencies

1000 EUR	31 Dec, 2007	31 Dec, 2006
Loans from financial institutions	36 342	24 208
Other loans		4 200
Total	**36 342**	**28 408**
Real estate mortgages	6 560	6 560
Corporate mortgages, general pledging	3 936	3 936
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 558**	**19 558**

Guarantees for others	31 Dec, 2007	31 Dec, 2006
Pledged securities*	6 476	6 476
Others	124	146
Total	**6 600**	**6 622**

**) book value of secured shares*

Leasing liabilities 1000 EUR	31 Dec, 2007	31 Dec, 2006
Current portion	277	349
Non-current portion	264	264
Total	**541**	**613**

Group Key Figures 2003-2007

1000 EUR	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Scope of activity					
New orders	208 401	137 971	121 470	93 204	56 539
Order backlog	97 330	44 911	29 845	12 425	13 818
Net sales	158 270	122 809	104 324	96 469	56 519
Change in net sales, %	28.9	17.7	8.1	70.7	-4.6
Share of exports and foreign operations, %	97	96	97	97	92
Number of personel	458	450	438	436	280
Net sales per person	346	273	238	221	202
Total liabilities	70 008	56 627	59 368	51 733	41 745
Current liabilities	54 072	33 821	31 452	20 906	14 177
Shareholders´equity	32 845	26 668	24 901	20 890	15 016
Total assets	102 853	83 295	84 269	72 523	56 761
Investments	3 285	2 285	1 832	32 580	1 456
Investments, %	2.1	1.9	1.8	34.3	2.6
Profit and profitability					
Depreciation	3 504	3 412	3 931	4 395	2 121
Operating profit (EBIT)	13 070	8 931	6 670	3 894	4 160
Financial income and expenses	-1 315	-2 141	-1 091	-2 248	-1 097
Profit before taxes	11 755	7 044	5 790	1 825	2 047
Profit for the period	9 496	5 004	4 502	1 507	1 646
Operating profit, %	8.3	7.3	6.4	4.0	7.4
Net financial expenses, %	0.8	1.5	0.8	2.3	1.9
Profit before taxes, %	7.4	5.7	5.6	1.9	5.4
Profit, %	6.0	4.1	4.3	1.6	2.9
Return on shareholders´equity, %	31.9	19.4	19.7	8.6	16.5
Return on invested capital, %	22.9	16.7	12.6	8.0	10.4
Financial					
Quick ratio	0.7	0.8	0.9	1.0	3.1
Current ratio	1.2	1.4	1.5	1.7	3.0
Equity ratio, %	34.2	33.9	29.9	28.9	28.3
Relative indebtedness, %	40.0	42.3	56.1	53.3	67.2

Key Figures by Quarters

1000 EUR	2007 IV quarter	2007 III quarter	2007 II quarter	2007 I quarter	2006 IV quarter
New orders	64 912	57 471	42 979	43 059	43 482
Group order backlog at the end of the period	97 330	79 606	53 845	55 201	44 911
Net sales	49 298	33 662	42 651	32 659	40 431
Operating profit	5 164	1 886	3 276	2 743	4 568
% of net sales	10.5	5.6	7.7	8.4	11.3
Net financial costs	256	507	126	426	218
% of net sales	0.5	1.5	0.3	1.3	0.5
Result before taxes	4 908	1 379	3 150	2 318	4 350
Result for the quarter	5 250	979	*) 1 716	1 550	**) 3 358

**) includes one-time cost of EUR 0.8 million for terminating filter assembly functions in The Netherlands.*

***) includes one-time cost of EUR 0.9 million for terminating component manufacturing functions in The Netherlands in 2006.*

Shares and Shareholders

Share related data

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Earnings per share, Group, EUR	1.01	0.53	0.49	0.17	0.30
Shareholder equity per share, EUR	3.50	2.84	2.68	2.25	1.90
Dividend per share, EUR	**) 0.60	0.30	0.24	0.17	0.17
Dividend per earnings ratio, %	59.4	56.6	49.0	100.0	55.8
Dividend yield, %	5.0	3.3	3.9	3.6	4.2
Price per earnings ratio (P/E)	11.88	16.98	12.45	27.4	13.2
Development of share price					
Average trading price, EUR	12.66	7.76	5.40	5.24	3.21
Lowest trading price, EUR	8.04	6.12	4.50	3.85	2.00
Highest trading price, EUR	16.85	9.35	6.24	9.10	4.00
Trading price at end of period, EUR	12.00	9.00	6.10	4.66	3.93
Change in trading price, %	33.3	47.5	30.9	18.6	31.0
Shareholders' earnings, %	36.7	51.5	34.5	22.9	33.3
Market capitalization at end of period					
A shares, EUR million*)	25.5	19.1	13.0	9.9	8.4
B shares, EUR million	87.1	65.3	43.6	33.3	22.8
Total	112.6	84.4	56.6	43.2	31.2
Trading volume					
B shares, 1000 pcs	4 173.6	2 570.7	1 124.9	417.9	117.6
In relation to average number of B shares, %	44.5	27.4	12.1	6.3	2.0
Average number of shares at end of period, 1000 pcs	7 257.6	7 253.9	7 151.2	6 624.1	5 799.3
Number of shares at end of period					
A shares, 1000 pcs	2 124.0	2 124.0	2 124.0	2 124.0	2 124.0
B shares, 1000 pcs	7 257.6	7 257.6	7 151.7	7 149.3	5 799.3
Total, 1000 pcs	9 381.6	9 381.6	9 275.7	9 273.3	7 923.3

*) A share data is based on B share´s closing trading price of the financial year.

**) Board of Directors proposal to the annual general meeting of Larox Corporation shareholders.

Company's shares comprise of series A and series B shares. Each series A share entitles the holder to twenty (20) votes per share and every series B share entitles the holder to (1) one vote per share.
Distribution of the different series shares and their voting rights are as follows:

Series of shares	No. of shares (thousand)	% of share capital 31 Dec, 2007	No. of voting rights (thousand)	% of voting rights 31 Dec, 2007
A series	2 124	22.6	42 480	85.4
B series	7 258	77.4	7 258	14.6
	9 382	100.0	49 738	100.0

A- and B -series shares have equal rights to dividend and company assets. There are no approval or pre-emption clauses on the shares.

2007

2007

Distribution of share capital sectors on 31 December, 2007

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
Private enterprises	124	8.3	1 460 128	15.6
Financial institutions and insurance companies	15	1.0	1 167 633	12.4
Public corporations	2	0.1	330 200	3.5
Non-profit institutions	22	1.5	64 202	0.7
Households	1 306	87.8	6 229 654	66.4
Foreign owners	20	1.3	112 500	1.2
Total	1 489	100.0	9 364 317	99.8
On joint account	8		17 283	0.2
Total issued			**9 381 600**	**100.0**

Distribution of share capital in order of magnitude on 31 December, 2007

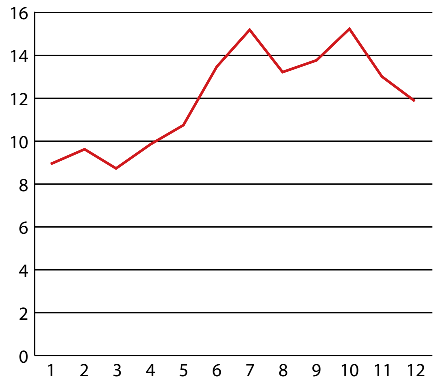
	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
1-100	266	17.9	17 775	0.2
101-500	635	42.6	189 563	2.0
501-1 000	280	18.8	222 698	2.4
1 001- 5 000	232	15.6	537 417	5.7
5 001 – 10 000	25	1.7	193 143	2.1
10 001 – 50 000	25	1.7	498 393	5.3
50 001-100 000	12	0.8	1 017 132	10.8
100 001-500 000	8	0.5	1 591 203	17.0
Over 500 000	6	0.4	5 096 993	54.3
On joint account			17 283	0.2
Total issued		**100.0**	**9 381 600**	**100.0**
Of which administratively registered			899 980	9.6

Principal shareholders on 31 December, 2007

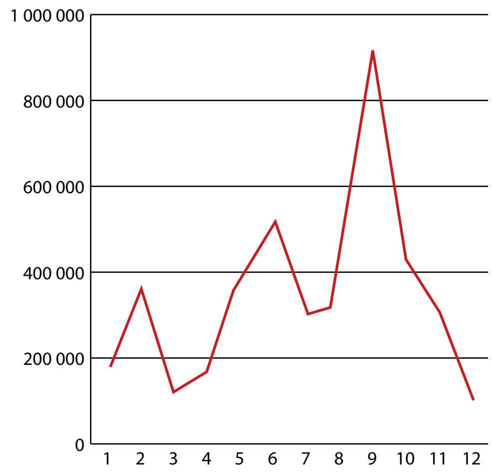
	% of share capital 31 Dec, 2007	% of voting rights 31 Dec, 2007
Capillary Oy	10.4	2.0
Laakkonen Mikko	9.6	1.8
Aaltonen Katariina	9.5	22.4
Kupias Karoliina	9.5	22.4
Vartiainen Timo	9.4	22.4
Nordea Pankki Suomi Oyj	6.1	1.1
Vartiainen Nuutti	4.0	14.8
Keskinäinen Vakuutusyhtiö	3.5	0.7
Skandinaviska Enskilda Banken	2.4	0.5
Karo Vesa	1.5	0.3
Laakkosen Arvopaperi Oy	1.5	0.3

The Board of Directors and the President of Larox hold a total of 1 780 005 shares representing 44.8 % of the voting rights.
Larox Corporation is not aware of any valid partner contracts.

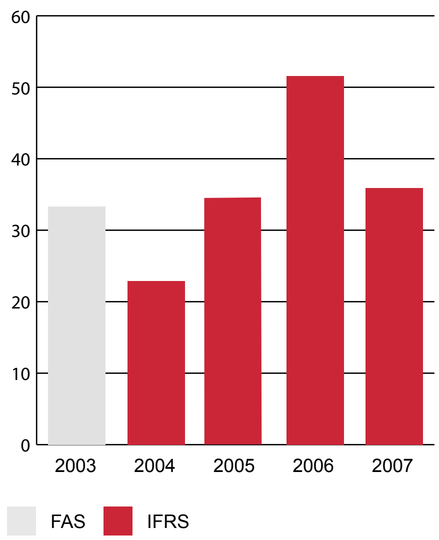
Price development of Larox B share, 2007 EUR



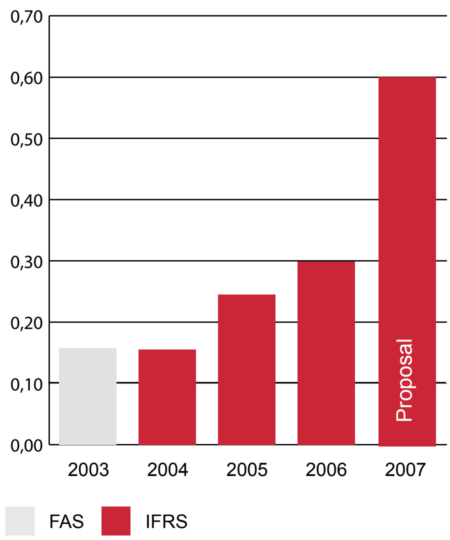
Trading of B share, 2007



Shareholders´earnings, %



Dividend/Share, EUR



2007

Calculation of Key Figures

Return on shareholders' equity, %

$$\frac{\text{Profit/loss for the period}}{\text{Invested capital - average interest-bearing liabilities in the period}} \times 100$$

Invested capital

Shareholders' equity + Interest-bearing liabilities

Return on invested capital, %

$$\frac{\text{Profit before tax + financial costs}}{\text{Average invested capital in the period}} \times 100$$

Equity ratio, %

$$\frac{\text{Shareholders' equity}}{\text{Total assets – advances received}} \times 100$$

Relative indebtedness, %

$$\frac{\text{Total liabilities + obligatory provisions – advances received}}{\text{Net sales}} \times 100$$

Quick ratio

$$\frac{\text{Cash and bank - receivables from long-term projects}}{\text{Current liabilities - advances received}}$$

Current ratio

$$\frac{\text{Inventories + cash and bank}}{\text{Current liabilities}}$$

Earnings per share

$$\frac{\text{Net profit}}{\text{Adjusted average number of shares during the period}}$$

Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted average number of shares at the end of the period}}$$

Dividend per share

$$\frac{\text{Dividend distributed for the financial period}}{\text{Adjusted average number of shares at the end of the period}}$$

Dividend per earnings ratio, %

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$$

Price per earnings ratio (P/E)

$$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$$

Average trading price

$$\frac{\text{EUR amount traded during the period}}{\text{Number of shares traded during the period}}$$

Market capitalization at the end of the period

Number of shares at the end of period x trading price at the end of period weighted by the number of the shares traded

Trading volume

Number of shares traded during the period in relation to the weighted average number of the shares during the period

Shareholders' earnings, %

$$\frac{\text{Trading price at the end of the period - trading price in the beginning of the period + dividends paid in the period}}{\text{Trading price in the beginning of the period}} \times 100$$

Debt-equity ratio

$$\frac{\text{Interest-bearing liabilities}}{\text{Shareholders' equity}}$$

Signatures to Board of Directors' Report and Financial Statements

Lappeenranta 12 February 2008

Timo Vartiainen
Chairman of the Board

Katariina Aaltonen

Teppo Taberman

Thomas Franck

Matti Ruotsala

Toivo Matti Karppanen
President & CEO

Auditors' Report

To the shareholders of Larox Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Larox Corporation for the period 1.1. – 31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.
The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Lappeenranta, 12 February 2008
PricewaterhouseCoopers Oy
Authorized Public Accountants

Kaija Leppinen
Authorized Public Accountant

Kim Karhu
Authorized Public Accountant

Corporate Governance Principles of Larox Corporation

4.10.2007 Applicable regulations

Larox Corporation is a Finnish public limited company which follows the Finnish Companies' Act in decision-making and administration, other compulsory legislation and regulations that are applicable to publicly-quoted companies and the articles of association of Larox Corporation.

In addition, Larox Corporation follows the corporate governance recommendations given to listed companies in December 2003.

4.10.2007 Annual general meeting of shareholders

The highest decision-making power in Larox Corporation belongs to shareholders at the annual general meeting of shareholders as convened by the board of directors.

In general, the annual general meeting of shareholders handles matters that the board has proposed to the meeting. The Finnish Companies' Act allows shareholders to present the board with written requests to handle particular matters at the next annual general meeting of shareholders. An invitation to the annual general meeting of shareholders is published in Finnish national newspapers. The invitation provides shareholders with sufficient information about matters to be handled at the meeting.

The most important matters that can be decided on by the annual general meeting of shareholders are:

- amendments to the company's articles of association
- an increase or decrease in share capital
- decisions on discharging the liability of board members and the company president
- decisions on the number of board members, their election, and fees payable
- approval of the closing of the accounts
- distribution of profits
- the election and remuneration of auditors

Minutes of the annual general meeting are made available to shareholders two weeks after the meeting. Resolutions passed by the annual general meeting of shareholders are published in a stock exchange release on the day that the meeting takes place.

A majority of the board members and the company president shall participate in the meeting. Individuals who are candidates for board membership for the first time shall also participate in the annual general meeting of shareholders.

4.10.2007 Board of Directors

The Larox Corporation board of directors is responsible for supervising the company's administration, operations, bookkeeping and financing. The board always handles and makes decisions on the most important matters related to Group financing and business operations.

The board of directors has an annual schedule of meetings, the agenda for each meeting varies in accordance with need.

Matters handled by the board of directors include:

- decisions on Group strategy and confirmation of the strategies for each business
- decisions on Group structure and organization
- the handling and approval of interim reports, closing of accounts and the annual report
- approval of the Group's operational plan, budget plan, and investment plan
- decisions on strategically- or financially-impor tant individual investments, acquisitions or sales of companies or similar arrangements and their contingent liabilities
- approval of the Group's risk-management and reporting system
- approval of the Group's insurance policy
- approval of the Group's financial policy
- decisions on compensation and incentive systems for Group management
- defining dividend policy and responsibility for shareholder value
- appointment of the company president and decision on the compensation he receives
- appointment of a deputy to the company president
- confirmation of the Larox values
- responsibility for other duties assigned to the board of directors in the Finnish Companies' Act or elsewhere

30.1.2008 Board meetings and members

The chairman of the board of directors is responsible for convening and handling each board meeting. Meeting dates are agreed in advance and the meeting charter consists of at least the following: closing of the accounts, 3-month interim reports, company strategy and annual budgets. One of the board members act as meeting secretary.

Minutes are prepared, commented and then approved at the next meeting of the board of directors.

In a voting situation, the decision of the board of directors is the proposal favoured by a majority of board members, or, if the vote on a proposal results in a tie, the proposal favoured by the chairman. When electing individuals, tied votes are decided by the casting of lots.

The board of directors carries out an internal audit of its operations once a year.

The Larox Corporation articles of association specify that the board of directors must have between three and six members. The term of office served by each board member is one year, with the period of service starting following the meeting of shareholders at which their election took place, and terminating after the subsequent annual general meeting of shareholders. The annual general meeting of shareholders elects all members of the board of directors. The articles of association set no upper age limit for board members, and do not limit either the number of terms of office that may be served or the decision power of the annual general meeting of shareholders in connection with the election of board members. The board elects a Chairman from among the board members.

The names of candidates for membership of the board are published in the invitation to the annual general meeting of shareholders or, if they become candidates after the invitation has been sent, by other means prior to the annual general meeting of shareholders, provided that the candidate has given his/her written consent and that shareholders who own a minimum of ten per cent (10%) of the total number of votes entitled by the company's shares are in favour of his/her election. Board members shall have the required qualifications and the ability to devote adequate time to their duties.

The annual general meeting of shareholders held on 30 March 2007 elected five (5) members to the board of directors. These members' term of office began on 30 March 2007 and will terminate after the 2008 annual general meeting of shareholders. The following persons were re-elected to the board: Mr. Timo Vartiainen, Ms. Katariina Aaltonen, Mr. Teppo Taberman, Mr. Thomas Franck and Mr. Matti Ruotsala. Mr. Timo Vartiainen was elected to the position of Chairman of the board and Mr. Teppo Taberman to the position of Vice Chairman of the board at the organizational meeting.

In 2007, the board of directors held eight (8) meetings. The participating per cent in the meetings by the board members was 98. The company president participated in all board meetings.

4.10.2007 The right of Board members to receive information and their obligation to provide information

The company president, or someone from Group management or other Larox function so authorized by the company president, presents matters to the board of directors. According to the board's directives, the company president is responsible for providing the board with information sufficient to allow them to evaluate Group operations and the Group's financial situation, implements the board's decisions and reports to the board any defects or shortcomings in such implementation.

Group management monitors the realization of financial targets through a reporting system that covers the entire Larox Group. Reports include results achieved, plans and current forecasts for the year in question. These reports are also at the board's disposal. The board has not assigned any key business areas to board members for specific follow-up. Board members are obliged to provide the board with adequate information on their individual qualifications and their independence.

30.1.2008 Independence of Board members and information to be published concerning Board members

The board's duty is to promote the interests of the company and its shareholders. Board members do not represent the parties who proposed their election. To avoid conflicts of interest, board members cannot participate in the handling of matters that concern a board member and the company.

Board members Ms. Katariina Aaltonen and Mr. Timo Vartiainen are the Larox Group's main shareholders. Mr. Teppo Taberman, Mr. Matti Ruotsala and Mr. Thomas Franck have no interdependency with the company. More information on the board and their Larox holdings can be found in the Annual report, page 68 and Larox Group website www.larox.com/investors.

30.1.2008 Board fees and other benefits
The annual general meeting of shareholders decides on compensation payable to the board and other basic rules as regards compensation for costs incurred. Board members have not received options or shares in the Larox Group as a form of compensation. The annual general meeting of shareholders has not approved an incentive system with share-related rights for board members.

Compensation paid in 2007 to the members of the Larox board of directors totalled EUR 162 000.

The annual general meeting of shareholders on 30 March 2007 decided on the following monthly and meeting fees for the board members for 2007: chairman: EUR 8 000 per month, board members: EUR 1 500 per month. No separate meeting fees are paid.

Board members are also entitled to daily allowances and compensation for incurred travel costs in accordance with the Larox Group travel policy. The company president is not paid monthly or meeting fees for his work as a board member in Larox Group subsidiaries.

4.10.2007 Company President
Larox Corporation has a company president. His duties are to manage the company's operations in accordance with the board's instructions and advice; and to inform the board about development of the company's business and its financial situation. He is also responsible for arranging the everyday administration of the company's affairs and for monitoring to ensure that financing for the company has been arranged in a reliable manner.

In the majority of cases the company president presents matters to the board. In some situations, a member of the Group management team, with the company president's authorization, may present a particular or draft resolution to the board.

The board appoints the company president and his deputy. The terms of the company president's employment contract have been specified in writing and have been approved by the board. Terms of employment of the deputy to the company president have also been approved in writing. The terms of office of the company president and his deputy are not fixed, they are appointed to the positions until further notice. The company president is not a member of the Larox board.

4.10.2007 Group management team, management
The Larox Corporation management team is also the Larox Group management team. The company president is the chairman of this team and members of the team are vice presidents responsible for global functions.

The Group management team does not have operational power based on law or on the company's articles of association. The Group management team is a support function whose purpose is to assist the company president in management of the Larox business. The Group management team participates in preparation of matters to be handled at board meetings. The Group management team meets as and when necessary, but at least once a month (excluding the month of July). The Group management team has an annual schedule and agenda, which is modified as required. Each Group management team member in turn is the meeting secretary. The minutes of each monthly meeting are prepared, commented and approved at the subsequent meeting.

Board members of the Larox Group's most important subsidiary companies are elected from among Larox Group executives. In most cases, the company president is chairman of the most important Larox subsidiaries.

The Group management team and their Larox holdings can be found on the Larox Group website www.larox.com/investors.

Compensation paid to the company president and other members of the company management team
In 2007, Mr. Toivo Matti Karppanen, company president, received a total of EUR 278 640 in wages, bonuses and benefits in kind.

The retirement age and retirement pension age for the company president is 60 years and full pension amounts to 60% of salary. (Finnish pension is defined on the basis of a so-called retirement salary, which is affected by an employee's salary, bonuses, and benefits in kind during the entire period of employment, excluding income realised from options enjoyed by virtue of employment). The term of notice for the company president is 12 months. In addition to the salary paid during the period of notice, compensation amounting to six months salary is also paid.

The company president and chairman of the Larox board decide on the salary benefits paid to members of the Larox Group management team. The board approves all incentive systems for Larox Group personnel, key persons and top management. The retirement age for management team members is between 60 and 65 years.

Larox incentive systems
TThe annual level incentive system to the Group management team is based on operating profit, free cash flow and personal targets. The maximum bonus for the company president is a salary of 6 months and to the other Group management team members it is a salary of 4 months.

The incentive system for the year 2007 covers the entire personnel and is based on operating profit; a salary of approx. 1.8 months at the maximum can be paid to an employee.

Directed share issue to Larox Group top management. The annual general meeting of shareholders on 17 March 2004 made a decision concerning a directed share issue for the company's top management. The directed share issue, regarding transfer of shares, includes limit periods that vary between 1 December 2006 and 1 December 2008. A total of 210 000 Larox Corporation B shares are directed to the company's top management. More detailed information on the directed share issue can be found in a stock exchange release dated 17 March 2004 and on the subscribed shares in stock exchange releases dated 18 Febuary 2005 and 21 December 2005.

4.10.2007 Controlling of risks
The Group's risks can be classified as risks related to business operations and finances. The business operational risks related to sales, quotations activities, testing, deliveries, production as well as after sales operations are controlled by internal instructions and the quality system valid in the entire Group.

The Group has insured its operations sufficiently e.g. liability insurance covers the whole Group. Furthermore, the Group has property and consequential loss insurances.

The controlling of risks has been made more efficient by improving the internal control. The company outsourced internal auditing at the beginning of 2005.

The risks related to financing are mainly those resulting from foreign currency cash flows.
The Group covers these risks through forward contracts and other foreign currency protection mechanisms, carried out following the foreign currency policy confirmed by the board of directors.

4.10.2007 Internal audit

Internal audit is responsible for controlling the company's operation and producing additional value to the board and management. Internal audit is an independent function and concentrates on the following areas:

- Guaranteeing the company's efficiency and result making capability as well as the reliability and sufficiency of reporting.
- Controlling the observance of the Group's operational instructions.
- Guaranteeing the functionality of the Controlling of risks risk management.

Internal audit reports to Larox Corporation board. The company president and chief financial officer coordinate the implementation of the internal audit. The company outsourced internal auditing in 2005.

4.10.2007 Insider administration and insiders

Based on the Finnish Companies' Act, insiders subject to the disclosure requirement are members of the board of directors of Larox, President of Larox and his deputy as well as Larox's auditors, deputy auditors and employee of an audit organization, who has main responsibility for auditing Larox; as well as a person included in the other senior management of Larox who obtains inside information regularly and who has a right to make decisions concerning Larox's future development and business arrangements.

A permanent company-specific insider is a person employed by Larox or a person working for Larox based on a contract who, by virtue of his/her position or duties, obtains inside information regularly and whom Larox has defined separately to be a permanent company-specific insider.

A project-specific insider is a person who, by virtue of an employment contract or other contract, works for Larox and obtains inside information, or a person whom the company has temporarily registered in a project-specific register.

An insider subject to the disclosure requirement and a company-specific insider are both permanent insiders.

The latest updated information on insiders subject to the disclosure requirement and their holdings can be found in the The Finnish Central Securities Depository (street address Urho Kekkosen katu 5 C, 00101 HELSINKI) . The same information can be found on the Larox website www.larox.com/investors, which has a direct link toinsider pages maintained by Quartal Flife.

All insiders have received an insider's guide and have been requested to study the regulations regarding insiders published on the OMX Nordic Exchange in Helsinki website (www.omxgroup.com). Once a year, the assistant to the company president sends permanent insiders a letter to remind them of their duty to notify possible changes in insider information. A list of insiders' holdings and a form with instructions from the Finnish Securities Register is attached. Company permanent insiders are not permitted to trade in Larox Group shares for 21 days prior to the publication of either the Larox Group's end-of-year result or interim reports. Insider holdings can be found on the Larox website www.larox.com/investors.

30.1.2008 Audit

The Larox Corporation's auditors have an important role as a controlling body appointed by shareholders. The main duty of the audit, based on law, is to verify that the consolidated financial statements are correct and provide sufficient information on result and financial position for the past fiscal year. (The Larox Corporation fiscal year is a calendar year.)

The auditor's duty is to make sure that the company's accounting and financial statements for the fiscal year have been prepared correctly, and to provide an auditors' report to the annual general meeting of shareholders. In addition, based on Finnish law, the auditor also verifies that administration of the company complies with the law and applicable regulations. The auditor reports to the company's board at least once in each 12-month period.

Based on the Larox Corporation articles of association, the company employs the services of a minimum of two auditors and their deputies. The annual meeting of shareholders elects these officers until further notice and until a new auditor or deputy has been elected to replace them. Auditors must be persons or an audit society approved by Finland's Central Chamber of Commerce.

Invitations to the annual general meeting of shareholders in Larox Corporation include information on auditor candidates.

The Larox Corporation annual general meeting of shareholders on 30 March 2007 elected the following main auditors: APA Kim Karhu and auditing society PricewaterhouseCoopers Oy with primary responsibility resting with APA Kaija Leppinen. APA Henrik Sormunen and Jarmo Alén were elected deputy auditors.

Fees paid to auditors:

Auditing society	2007	2006
PricewaterhouseCoopers Oy:		
Auditing fees	244 588	198 911
Other fees	105 423	75 245
	350 011	274 157
Other auditing societies		
Auditing fees	23 114	26 500
Other fees	14 251	19 292
	37 365	45 793

4.10.2007 Partner Contracts

The company has no information on any valid partner contract.

4.10.2007 Communications and disclosure

The board of Larox Corporation is responsible for updating the terms of corporate governance. Details of corporate governance can be found at www.larox.com/investors. The purpose of Larox stakeholder communications is to provide the market with correct and up-to-date information as a basis for share price formation.

In its stakeholder communications policy, Larox Corporation follows the principle of impartiality and publishes all stakeholder information in Finnish and English on the Larox Corporation website www.larox.com/investors. Larox also publishes a printed annual report in Finnish and English.

Stock exchange releases concerning closing of the Larox Corporation's accounts and three interim reports are published each year. The company also maintains a mailing list for the sending of annual reports to persons or organisations who are not shareholders.

Larox arranges press conferences for analysts and the media in connection with important events at which financial results and other news items are made public. Requests submitted by analysts or investors are answered either by phone or email, or by arranging investor road shows.

Contact information of the persons responsible for investor relations at Larox Corporation can be found on the website www.larox.com/investors.

From left

The Board of Directors 31 Dec, 2007

Mr. Matti Ruotsala (1956)
- Independent Member of the Larox Corporation Board of Directors since 2005
- M.Sc. (Eng.)
- 9.1.2007 Other Senior Company Executive, Fortum Oyj, from 9.1.2008 Member of the Board of Directors, Fortum Power and Heat Oy
- Work history: 2005-2007 Managing Director Valtra Oy Ab, 2001-2004 Chief Operating Officer and Deputy to CEO, before that Technical Director and Commercial Director, KCI Konecranes Plc. From 1991 to 1994 Area Director Asia Pacific of Kone Oy's Crane Business
- Experience in international business for over 20 years

Mr. Timo Vartiainen (1955)
- Not independent Member of the Larox Corporation Board of Directors since 1977
- B.Sc. (Mech)
- Chairman of the Board since 2000
- Work history: Employed by Larox since 1983
- President of Larox Corporation from 1990 to 2000

Mr. Teppo Taberman (1944)
- Independent Member of the Larox Corporation Board of Directors since 1995
- M.Sc. (Econ)
- Member of the Larox Corporation Board of Directors and Economical Adviser since 1995
- Work History: 20 years in banking business, including Deputy Chief Executive Officer in two different Banks

Ms. Katariina Aaltonen (1959)
- Not independent Member of the Larox Corporation Board of Directors since 1988
- M.Sc. (Econ), CEFA
- Member of the Larox Corporation Board of Directors, Managing Director of Capillary Oy
- Work history: Employed by Larox since 1984 with various areas of responsibility, Chief Financial Officer at Larox 1990 –1998

Mr. Thomas Franck (1950)
- Independent Member of the Larox Corporation Board of Directors since 2005
- M.Sc. (Eng.)
- Senior Executive Vice President Rettig Group Ltd, Bore and Vice President, Group Business Development Rettig Group Ltd.
- Work history: International experience in production and marketing through Neste-Borealis-Fortum-Rettig
- Special know-how: acquisitions of companies, integration processes, realization of synergy benefits

** Board memberships in other companies and Larox holdings of the members of the board of directors can be found on the Larox website www.larox.com/investors, which has a direct link to insider pages maintained by Quartal Flife.*

From left

The Group Management Team 31 Dec, 2007

Mr. Matti Julku (1957)
- M.Sc. (Econ)
- Vice President, Mining & Metallurgy
- Member of the Group Management Team since 1998
- Employed by Larox since 1998

Mr. Juhana Ylikojola (1961)
- M.Sc. (Engineering)
- Vice President, Service
- Member of the Group Management Team since 1999
- Employed by Larox since 1997

Mr. Jori Halkola (1965)
- M.Sc. (Econ)
- CFO & Vice President, Corporate Service
- Member of the Group Management Team since 2002
- Employed by Larox since 1998

Mr. Toivo Matti Karppanen (1956)
- M.Sc. (Tech)
- President & CEO
- President of Larox since 2000
- Member of the Board from 1995 to 1997
- Member of the Group Management Team since 1997
- Employed by Larox since 1991

Mr. Louis Manie (1958)
- M.Sc. (Chem. Eng.)
- Vice President, Engineering & Production
- Member of the Group Management Team since 2005
- Employed by Larox since 2004

Mr. Reiner Weidner (1965)
- M.Sc. (Process Eng.) / MBA
- Vice President, Chemical Process Industries
- Member of the Group Management Team since 2006
- Employed by Larox since 1990

** Larox holdings of the members of the Group management team can be found on the Larox website www.larox.com/investors, which has a direct link to insider pages maintained by Quartal Flife.*

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