Nordkalk

Annual Report 2007

The Best Recipes Contain Lime

If it were possible to put success in a jar, it would contain iron hard professionalism, well thought of ingredients, continuous product development and determination – this is a recipe with which Nordkalk helps its clients to manufacture first class products.

2007 Annual Report

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Nordkalk publishes a separate Environmental Report. It is also available at *www.nordkalk.com*.

Nordkalk Is Number One in Northern Europe

Key figures		2007	2006
Net sales	MEUR	334.4	303.8
change	%	10.1	12.7
Operating profit	MEUR	43.6	36.8
% of net sales	%	13.0	12.1
Profit before extraordinary items	MEUR	**32.7**	24.5
Net profit for the period	MEUR	**20.7**	13.7
Balance sheet total	MEUR	**366.5**	345.8
Gross capital expenditure	MEUR	**32.9**	22.0
Capital employed CB	MEUR	**281.1**	266.5
Return on capital employed	%	**16.6**	13.8
Return on equity	%	**38.2**	24.3
Gearing	%	**243.8**	386.9
Solvency	%	**20.8**	15.2
Personnel at year-end		**1 339**	1 304

In the photo: the quarry in Pargas, Finland

Nordkalk is the leading manufacturer of high quality limestone-based products in Northern Europe. Nordkalk operates at over 30 different locations in 8 countries. The deposits and production plants are concentrated around the Baltic Sea and a great deal of both limestone and finished products are transported to the customers by sea. The company's roots lie in Pargas, Finland where limestone has been extracted continuously for more than a hundred years.

Nordkalk extracts limestone at 20 locations from its own deposits and processes it into crushed and ground limestone, concentrated calcite, and quick and slaked lime. Nordkalk's range of products also includes dolomite and wollastonite. Nordkalk extracts and processes all limestone qualities based on the customers' needs and the products are tailored to the customers' processes.

Lime is a familiar concept to most people. The word lime refers to very different lime products with diverse qualities and purposes of use. Few people know, however, that limestone plays an important and often irreplaceable role in the manufacture of so many different products. Each one of us uses daily such necessities – everything from sugar to paper.

A wide Customer Base Gives Shield against Changes in Trade Cycles

Nordkalk products are used in the paper, steel and building materials industries and also in environmental care and agriculture. Nordkalk's largest group of customers is industry, which accounts for 86 per cent of Nordkalk's sales. The paper making industry uses crushed limestone and quicklime for filling and coating purposes. The manufacture of steel calls for lime to remove impurities at different stages of the production process. In the sugar industry lime also has a purifying function.

Building materials form one of the oldest uses for limestone products, and the building materials industry is today Nordkalk's next largest customer segment after the pulp and paper industry. Lime is also used in the manufacture of glass and paints. Dolomite is an important raw material for making fertilisers and wollastonite is used to manufacture plastics and ceramics.

In road and ground engineering lime is used for stabilising the soil. The asphalt used for surfacing roads also contains limestone powder.

Lime appears in all facets of our everyday lives; perhaps most obviously in the countryside, where agricultural liming reduces the acidity of the fields. Lime is also used to neutralise the acidity of watercourses and forests. Limestone-based products clean the flue gases from coal-fired power stations and they are also used to regulate the acidity of our drinking water and clean our waste water.

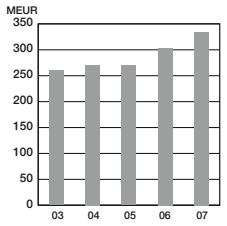
Year 2007 Was a Good Year for Nordkalk

The positive development continued during 2007. The consolidated net sales increased by 10 per cent to EUR 334.4 million and the profit before extraordinary items increased from EUR 24.5 million to EUR 32.7 million. The result for the fourth quarter was slightly poorer compared to the previous year because it was burdened by high energy and freight costs that could not be transferred to prices. Also the restructuring of the company's operations in Sweden affected the result.

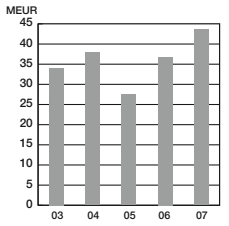
The industry continued to experience an economic boom which reflects on the demand for limestone-based products in the company's main three customer segments, namely the paper, steel and construction materials industries. The improved profitability can also be attributed to cost-efficiency and high utilisation of capacity.

The positive development in Poland and in the Baltic countries continued as well as the modernizing of the lime plant in Russia. The start up of the new kiln in Verdal, Norway took place at the end of the year, which will strengthen Nordkalk's capacity of quicklime production.

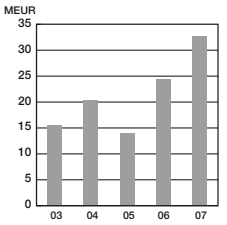
The total number of employees at the end of the year was 1339. In Finland the two-year training programme for foremen continued during 2007. A training programme called Nordkalk Future was also started. The program is aimed at young key employees in all countries where Nordkalk operates.



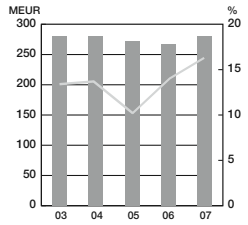
Net sales



Operating profit

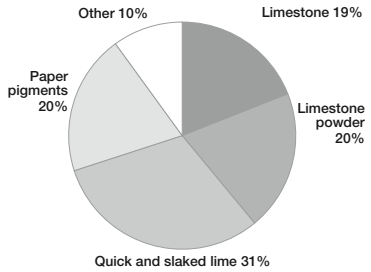


Profit before extraordinary items

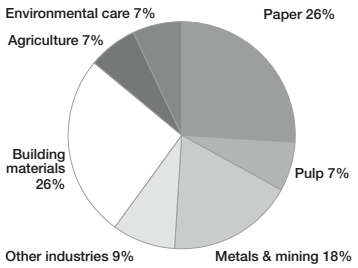


Capital employed and ROC

Products
(as a percentage of total sales)



Sales by customer segment
(as a percentage of total sales)



2007 – A Year of Good and Productive Growth

My second year as president of Nordkalk was a commercially successful and a positive year to our business. The business developed in a positive direction with strong support from the market. Especially the construction materials, paper and steel industries have grown substantially and the demand for their products has increased. It can be said, that the rationalization measures made by our major paper industry customers in Finland and Sweden did not have a significant effect on our supplies to the paper industry. Instead, the rationalization led to a higher and more uniform utilization rate in the remaining production units.

In addition to the heavy segmental growth, the particularly favourable development of our operations in Poland and the Baltic Countries should also be mentioned. Especially Poland invests in building infrastructure, which can be seen clearly in the growth of demand for lime products.

On 1 April 2007, Nordkalk's organisation structure was rearranged in order to meet the needs of different customer segments better. The new divisions should be able to cater equally for the local clients and our business operations in many different countries. Our new functions, Process Technology and Mineral Technology, enable a strong focus on the development of our technical competence and the best possible utilization of our current expertise.

The cost development of 2007 was greatly influenced by the increase in the energy prices. During the second half of the year, the price of oil and coal in particular have risen significantly. During the first quarter, the cost of emission rights decreased to a level that clearly shows that there is a glut on the market when compared to the overall demand of the period 2005–2007. Nordkalk did not have any need to buy emission rights. Instead, we were able to sell some of the rights we did not use in 2007. The surplus was partly caused by production disturbances in our production plants.

In 2007, we continued working for increasing the expertise and motivation of our personnel here at Nordkalk. An internal training programme has ensured the development of professional and management skills. We have also launched the Nordkalk Future training programme, in which approximately 20 young employees that have been in the company for 1–3 years participate. In the autumn, an employee survey was carried out in Nordkalk to map the feelings, functionality and developmental potential of the organisation. When the results are compared with the control group and Nordkalk's previous survey from 2005, clear strengths and recognisable enhancement potential can be seen. There are no great differences between different units, but as a whole, the overall result is slightly poorer than two years ago. The management strives to analyze the results and to find the necessary reconstructive measures.

Special attention has been given to safety issues at Nordkalk for many reasons. In 2007, there were two fatal accidents in the company, and because of these accidents, special measures have to be taken to eliminate risks. The foundation of this work is management, training and discipline as well as the Zero Tolerance for Accidents process, which will be extended to the whole company.

Nordkalk has a strong growth strategy, due to which the number of investments was clearly greater than during the past couple of years. This trend will continue in the years to come as defined in our strategy plan. Part of the growth strategy is to concentrate on enhancing the value of our company and developing new raw material and product applications with service concepts for our customer segments. In 2007, we recruited intensively and reinforced our human resources in research and development. The large investment in a new kiln in Norway with our joint venture NorFraKalk AS has progressed and the kiln came on stream just before the New Year. The kiln will increase Nordkalk's production capacity of quicklime, which has been limited in the past years.

An important quarrying permission for the new planned Bunge lime quarry in Gotland is caught up in a difficult situation, in which the local environmental aspects and the industrial needs have collided. The work to ensure this important raw material source, particularly from the point of view of the steel industry, continues.

The market support to Nordkalk continues despite some worries concerning the global economic growth. The final allocation of CO_2 rights in the current follow-up period 2008–2012 and the following period remains an open question. The allocation of rights is still a central question for Nordkalk's cost structure in the countries where we produce quicklime. The price of energy has grown very unfavourably during the past six months.

In 2008, the growth is expected to continue, but so will the challenges of costs.

Bertel Karlstedt

Limestone powder

Crushed limestone

Lump lime

Application	Limestone or Carbonate products						Quick-lime	Slaked lime	Wollas-tonite	Special Products			Secondary products**
		Calcite ($CaCO_3$)				Dolomite							
	Stone	Powder	GCC	FC*	NK Limus	Ca $Mg(CO_3)_2$	CaO	Ca $(OH)_2$	$CaSiO_3$	NK Terra	NK Velox	NK Filtra	
Pulp & Paper													
paper pigment PCC							•						
paper pigment GCC	•												
pulp	•						•						
Metals & Mining													
steel	•	•					•						
mines		•					•	•					
Building materials													
cement	•												•
concrete		•			•								•
white mortars, plaster		•						•					
light bricks		•					•						
roofing, fibre cement board		•											
glass	•	•											
mineral wool	•					•							
Road construction, ground engineering													
road construction	•												•
stabilisation							•	•		•			•
asfalt		•						•					
road markings		•											
road treatment, sanding	•												
Chemical industry													
calcium chloride	•	•						•					
fertilizers		•				•	•	•					
calcium phosphate		•					•						
calcium carbide	•												
glue		•		•									
paint		•		•					•				
plastics		•							•				
rubber		•											
ceramics									•				
glass fibre		•					•						
sugar	•							•					
Agriculture													
soil improvement		•				•							•
garden		•				•							
animal feeds	•	•											
lime filter drains							•						
Environment													
drinking water treatment	•						•	•				•	
waste water treatment		•					•	•				•	•
industrial waste water treatment	•	•					•	•			•	•	•
sludge treatment		•					•	•			•		•
biowaste treatment		•					•	•			•		
flue gas cleaning	•	•				•	•	•					
liming of waterways	•	•											
noise barriers													•
covering of landfills													•
treatment of contaminated soil							•						
production of district heat													•

* FC = micro-ground calcite **Secondary materials include surplus stone, flotation sand, electric filter dust and process heat, for example.

Nordkalk Products

Nordkalk's main product is limestone. It is sedimentary limestone composed primarily of calcite, calcium carbonate ($CaCO_3$). Pure limestone contains 95-100 per cent calcium carbonate. Limestone is one of the most commonly found minerals in the earth's crust but in the Nordic bedrock it occurs only in limited amounts.

Nordkalk extracts limestone at 20 different sites. Three of the deposits are underground mines. The deposits represent different stages of geological evolution and vary in age between 70 and 1900 million years. The different types of limestone differ considerably in both their physical and chemical properties, and they behave in different ways during extraction and processing.

The limestone usually has to be extracted by means of blasting but the softest types can be excavated by machine. The extracted stone is transported for rough crushing after which it passes through various crushing and sieving stages. Limestone powders are manufactured by grinding the stone in different kind of mills. The **limestone or carbonate products** are delivered to the customer as crush or powder.

In the refining process the limestone is first ground into a wet slurry and the **concentrated calcite** is separated from the slurry by flotation. The paper pigment GCC (ground calcium carbonate) is made by grinding the concentrated calcite. Ground calcite products are made of extremely fine particles (1-2 µm) and their calcium carbonate content is almost 100 per cent.

Dolomite $CaMg(CO_3)_2$ is a calcium rock just like limestone. In addition to calcium carbonate it also contains magnesium carbonate, which accounts for 46 per cent of pure dolomite. Nordkalk extracts dolomite from its deposit at Kurevere in Estonia. Limestone with high magnesium content is extracted at many locations in Finland. The extraction and refining process is the same as for limestone.

$$CaCO_3 + \text{heat} = CaO + CO_2$$

Quicklime is made by heating crushed and sorted limestone in either a rotary or shaft kiln. The limestone ($CaCO_3$) breaks down into calcium oxide, i.e. quicklime, (CaO) and carbon dioxide (CO_2). This reaction, termed calcination, requires temperatures of approximately 1100 degrees Celsius. In a rotary kiln the heating process lasts about six hours; in a shaft kiln calcination takes about 24-36 hours. When the quicklime comes out of the kiln it is in lumps, grains and powder. Finnish limestone in particular disintegrates during calcination into small grains whereas younger types of limestone retain their form better. The quicklime is sieved into different fractions or ground into powder.

The handling and storage of quicklime requires great care since it is very reactive. If it comes into contact with water, it reacts violently, giving off heat and converting into slaked lime.

The paper pigment PCC is precipitated calcium carbonate, which is made from quicklime. Calcium oxide is slaked with water to form a calcium hydroxide sludge. When used to clean flue gases, which contain CO_2, this turns into calcium carbonate. The process determines the shape and size of the grains. Nordkalk supplies slaked lime for the manufacture of PCC but does not make the product itself.

$$CaO + H_2O = Ca(OH)_2 + \text{heat energy}$$

Slaked lime is produced by adding water to quicklime. Dry slaking a thousand tonnes of lime requires in theory 322 kilogrammes of water. The calcium oxide reacts with the water and becomes calcium hydroxide ($Ca(OH)_2$), i.e. slaked lime, which is a fine dry light-coloured powder.

The slaker consists of three chambers placed one on top of the other, with the water and lime being mixed in the topmost chamber. In the two lower chambers the lime matures as the moisture evaporates. During the process, which lasts about an hour, heat and steam are given off. After slaking the calcium hydroxide is classified mechanically into coarse and fine fractions.

Wollastonite is a rare mineral that occurs together with limestone. Nordkalk extracts it at its Lappeenranta deposit. The limestone is ground into a wet slurry and refined wollastonite is separated out of the resulting fine-grained slurry by flotation.
Nordkalk´s special products include **Nordkalk Limus**, which is a limestone powder made especially for the building materials industry. **Nordkalk Velox** is a limestone-based special product containing oxygen and calcium peroxide. It is used to promote more effective composting and to combat unpleasant odours from sludges and waste water, for example. **Nordkalk Filtra P** granular filter material, which contains slaked lime, facilitates the treatment of waste water in sparsely populated areas. **Nordkalk Filtra A** is clean crushed limestone used for regulating the alkaline quality of drinking water. The stabilisation products are known as **Nordkalk Terra** products and they are mixed with quicklime. **Nordkalk FlowLime** is a mixture containing quicklime for metallurgical applications. **Nordkalk LKD**, a mixture of quicklime and limestone powder, is used for neutralisation.

Surplus stone is extracted together with limestone and it is used as macadam, for example. Flotation sand (Nordkalk FS) is the sand left over from the refining process; this is used in ground engineering and for covering refuse tips.

As can be seen in the table all limestone-based products have numerous uses in industry, agriculture and environmental care. They are described in more detail on the following pages. Thanks to its versatile raw material Nordkalk is able to offer the right type of lime product for a wide variety of uses - the right stone in the right place.

Pulp & Paper

The limestone extracted from Verdal is a unique raw material. The stone is white and reactive, which makes it ideally suited for the production of the paper pigment PCC. Sales Manager Sara Jernström from the division Pulp & Paper is in charge of sales to the paper industry in Sweden.

The paper industry is the biggest of Nordkalk's customer segments. In the organisational reform in the spring of 2007, all paper related activities were joined in the same division, which was named Pulp & Paper. The new organisational structure is a step further in Nordkalk's desire to develop its operations and product development in order to meet the customers' processes and raw material needs.

The overall sales to the paper and pulp industry grew when compared to 2006 and amounted to 33 per cent of Nordkalk´s total net sales. The pulp industry's share was 7 per cent. The demand for the paper pigment GCC, manufactured by Nordkalk's subsidiary, Suomen Karbonaatti Oy, was brisker than the previous year. In Sweden, the sales of quicklime for the manufacture of the paper pigment PCC increased, whereas in Finland the sales decreased slightly.

The re-organisation of the paper industry in Finland and Sweden in 2007 has led to a situation, in which the existing capacity is utilized as efficiently as possible. This sets new and challenging demands to the deliveries of limestone-based products. Nowadays, cost efficiency is the key issue in the paper industry, and big production plants that are located close to each other manage well. The pulp industry also needs to raise the utilization rate of the capacity, which requires special products that increase the production reliability.

Energy costs, allocation of emission rights and the duties on wood exported from Russia to Finland create uncertainty. The economic development of the United States and the dollar rate also have an influence on the development of the paper industry.

Different Types of Paper Pigments

The papermaking industry uses limestone in a refined form for coating purposes and as a filler. Two types of paper pigments are produced from calcium carbonate: GCC (ground calcium carbonate) and PCC (precipitated calcium carbonate), which is made from quicklime. Both are used in fine papers, packaging cartons and mechanical paper. Almost a half of high-quality coated magazine paper and a fifth of copying paper may consist of minerals.

The production of PCC usually takes place in close conjunction with paper mills. It has become well-known as a filler in paper but in recent years the used for coating purposes has increased. Nordkalk manufactures lime for processing into PCC at its plant at Storugns in Sweden and at Tytyri and Louhi in Finland. At Storugns and Tytyri Norwegian limestone provides the raw material. Nordkalk has shares in Verdalskalk AS on the west coast of Norway, from where the limestone is transported by sea to Sweden and Finland.

The lime kiln built by the Norwegian company NorFraKalk AS and owned in equal shares by Nordkalk Corporation and Franzefoss Minerals AS, was commissioned in December of 2007. The kiln is placed in the Verdal harbour and its raw material comes from Verdalskalk's nearby quarry. The Verdal limestone deposit is one of the largest ones in Europe and its limestone is especially suitable for raw material for paper pigment PCC. The existing harbour offers a good logistics base for sea freights to the whole Northern Europe. The new kiln has an annual capacity of 200 000 tons of quicklime.

GCC Is Finely Ground Calcium Carbonate

GCC is produced by Nordkalk's subsidiary Suomen Karbonaatti Oy, in which the other owner is Omya Oy. The Omya Group is the world's leading manufacturer of ground calcium carbonate with long experience of developing different qualities of paper. Suomen Karbonaatti's production plant is situated in the middle of one of the world's largest papermaking areas in Lappeenranta and gets its raw material from Nordkalk's Ihalainen quarry nearby. From the high-quality marble extracted at Ihalainen Nordkalk produces a pure calcite product for its subsidiary. Deposits at the mine at Ihalainen are sufficient to ensure the high-quality raw material needed for making GCC for the next decades.

Pulp

Paper is made from pulp, cellulose, which is obtained by cooking wood chips in a strong lye solution. Chemicals from the cooking process circulate in the recovery line of the pulp mill where the composition can be chemically adjusted by the addition of quicklime to the causticising process. During the process of making pulp the lime mud, sludge, is slaked in a slaker, after which causticising takes place and the lime carbonates. The pulp mill then burns the sludge in its own kiln. Since some of the lime mud evaporates in the course of the process, it is replaced with new quicklime so that the reactivity is maintained at as much the same level as possible as that of the sludge lime.

If the lime mud kiln is out of order, large quantities of quicklime are needed from external sources in order to keep the pulp production going. This poses great demands in terms of reliable deliveries from the lime supplier.

To achieve a causticising process with the best possible efficiency and smoothness one needs lime products with a high content of active CaO, low content of trace elements and a reactivity that suits the plant's own processes. All of these qualities are found in Nordkalk's products.

Metals & Mining

Olavi Hailuoto is the Lime Kiln Master at Nordkalk's lime factory situated at the Rautaruukki steel plant. The lime kilns supply high quality lime for Rautaruukki and Nordkalk's other customers. In burning lime specific quality requirements and production instructions are followed to guarantee an excellent quality of steel.

In the spring of 2007, Nordkalk's organisation structure was rearranged in order to correspond better to different customer segments. The re-organisation led to the formation of the Metals & Mining division, which delivers quick and slaked lime and limestone products to the metals and mining industries.

The high production rate of the steel factories continued through the year 2007. A slight weakening was detectable in the autumn, but as the year drew to a close, the demand grew again. The total sales of Nordkalk to the metals and mining segment rose to 18 per cent of net sales.

Nordkalk retained its strong position as the biggest supplier of lime-based products to the Nordic steel industry. Quality, delivery liability and efficient logistics are appreciated by the industry. The European steel industry has gone through a fundamental structural change and now uses efficient processing chains, in which raw materials are in an essential role. Lime is very important in the processes of mines and steel factories. The Nordic steel industry has concentrated on special products instead of increasing production volumes, and in this area, Nordkalk's expertise plays an important role. Production development is made in close contact with clients, for example, in the surplus stone and product treatment processes. Several large quarry projects are planned in Finland and Sweden, and these projects are expected to begin in a couple of years.

In Poland, the overall demand for limestone increased, which reflected on both the prices and the deliveries to the steel industry. In Germany net sales remained on the same level as the previous year.

Lime is Needed in Mining Industry's Processes

Lime is an important chemical for regulating various processes in the mining industry. Quicklime and slaked lime as well as ground limestone are used both in mills and for metal extraction. Lime products are useful in keeping pH values at an optimal level, ensuring a high value yield from the mine. Mills often use lime milk made of quicklime or slaked lime for regulating pH values.

Lime products are also needed for treating unusable or superfluous process water, flood or rainwater before returning them to nature. Lime raises the pH value, thus coagulating metals diluted in the water into tailing areas. Limestone is often used in the construction of tailing areas and as a part of the cap after closing the mine. Furthermore, lime is an important product used in underground mining. Lime improves the stabilization of fillers, strengthens filled constructions and reduces the risk of collapse.

Know-How in Steel

Most stages in the manufacture of steel use limestone-based products: iron ore pellets contain ground lime, limestone is used in the blast furnace processes and ground quicklime is used to remove sulphur from pig iron. In the converting process, when the iron is turned into steel, slabs of quicklime are used to promote the formation of slag.

A wide range of Nordkalk lime products is used when iron ore is processed into steel. Production of each ton of steel requires more than 50 kg of quicklime. Lime forms a highly basic slag, which purifies iron ore to form the final steel product after complicated process chain. Limestone and lime are used to make iron ore pellets. An alternative raw material for the blast furnace is iron ore sinter. Limestone and lime added to the sinter react with impurities and balance the slag composition of pig iron production. All raw materials smelt down forming pig iron and slag. Reliable raw materials, like good quality lime products, are essential for a high pig iron quality. Fine quicklime powder with added ground limestone is an example of a special product used for removing sulphur and phosphor.

The steel industry uses lime products for water treatment in the same way as the mining and metallurgical industries.

A Wide Range of Products

Choosing the right lime product – be it various grades of limestone, quicklime or slaked lime used as pH regulating chemicals – has a significant impact on how well the target metal composition can be reached. Using a proper lime product ensures easy process control, which helps to match the target quality and maintain low processing costs. Waste waters as well as refinery sludges are cleaned using the same methods as in the mining industry. Water pH level and alkalinity of the cleaning processes are controlled using various lime products. Tailings are treated with different lime products, according to their properties. Lime is by far the best natural raw material for regulating the pH of waste water and sludge

Construction

In the different phases of road construction, crushed limestone and limestone powder are needed and special products are used to stabilise the soil. Production Manager Ingemar Magnusson from Hercules is satisfied with Nordkalk's stabilisation products, which were used at the Road E6 expansion site in Sweden for strengthening the ground of the road and for stabilising the foundations of the bridges.

The construction boom continued in all of Nordkalk's operating countries last year and the deliveries of limestone-based products to the building materials industry and to road building and stabilisation of soil increased. Construction's share grew to 26 per cent of total net sales, when it was 23 per cent a year earlier.

Housing construction continues brisk as office spaces, shopping centres and industrial plants are built in addition to houses. In Finland, for example, the demand for cement was substantially greater than supply, and the limestone that is used as a raw material for cement was quarried more than ever before. The sales of limestone powder that is used to manufacture plasters grew heavily. The market booms by the exports to Russia, where a lot of construction is under way and the renovation of old buildings guarantee a growing market. In Sweden, especially the sales to the concrete industry increased and the biggest single project is the Citytunnel that connects Malmö central railway station and the bridge over Öresund.

In road construction, the growth was especially powerful in Poland and in Estonia, where infrastructure is improved partly with the help of the EU subsidies. Road systems are in poor condition and inadequate for today's requirements in several places in these countries that became EU members in the spring of 2004. In Finland and Sweden, several significant public construction projects are in progress, for example, Vuosaari harbour in Helsinki. Crushed and powdered limestones are needed in different stages of road building, and the cleyey soil of the Nordic countries also requires special products designed to stabilise the soil. The demand for these products was good last year, and the Nordkalk Terra product family was extended by one product.

In Germany, a small amount of Polish limestone powder is sold for road construction. Roadwork was distracted by the rainy summer, but the decreased deliveries were compensated by the increased prices of lime products. The price development was similar in all countries due to the good demand.

In Poland, the favourable development has been supported by the focus on services based on the designing of production and delivery schedules with the clients.

In Russia, Nordkalk began its own production of quicklime after having bought the Alekseevka lime factory in the autumn of 2005. The factory has been modernized in order to produce high-quality lime, of which the supply is not sufficient in Russia. The most important customer segment of the factory is the building materials industry. The amount of deliveries increased when compared with the previous year, but the market share is still rather small.

The good supply of lime products has put the production capacity through the wringer. In Pargas, the Parfill grinding plant was extended with a storage space. In Estonia, Nordkalk introduced a new mobile crusher, which has increased capacity and improved quality in Vasalemma and Rakke. In Slawno, Poland, a new production line was introduced, and more capacity is being built also in Wolica. Machinery of the plants has also been renewed in Poland.

The demand is expected to remain good in the building materials industry. In Finland, the sales of plasters are expected to double by 2011. Road construction will continue brisk in Poland and Estonia, even though in the latter the speed has been slowed down by the lack of contractors.

Traditional Use

Limestone is beautiful and easy to handle, and therefore it has been used in building for centuries. Limestone powder is the world's most used filler of building materials. It is used in light bricks, mortars and plasters, elements, roofings and fibre cement boards. It has gained its position by its good physical and chemical qualities. Lime is stone and therefore, it does not decompose, shrink or expand. The main raw material of cement is limestone, whereas dolomite is used in mineral wool. Concrete comprises limestone powder in addition to cement. Quicklime is needed as binding agent in limesand bricks and slaked lime in mortars and plasters.

In road construction, limestone is needed in many different phases. Roads' construction layers consist of rubble. Certain physical characteristics are required of the stone, most of all durability. Rocks are delivered to customers in many different fractions. Lime powder is used as a filler in asphalt. Limestone powder, bitumen and aggregates form a solid paving for ambient conditions. In demanding applications, for example, at airports and harbours, quicklime can also be used as binding agent in asphalt mixtures. The white road-marking mixture includes limestone powder. In Sweden, limestone crush is used for antiskid treatment.

Ground stabilising is important in areas where the ground is wet and clayey. In Finland and Sweden, deep stabilisation is used as foundation reinforcement, for example, on roads and railways and in pre-building to prevent indentation and to improve the load-carrying capacity. Lime is also used in surface stabilising to improve the soil qualities when constructing roads.

The so-called surplus stone, which is generated when lime stone is quarried, is mostly used in road construction and ground engineering. Flotation sand is used to cover landfills.

Other Industry

Nordkalk's wollastonite is exported to many countries, both in Europe and elsewhere in the world. The products are used e.g. for the production of plastics and ceramics. Nordkalk's Sales Managers Anssi Koikkalainen from Finland and Malte König from Germany met with clients at K2007 Fair in Düsseldorf in the autumn.

The segment Other Industries include the sugar manufacturing industry, the manufacture of glass and glass fibre, chemical and fertilizer industries as well as wollastonite and dry calcite products that are used in paint, plastic and glue industries and in the manufacture of ceramics. The segment Other Industries amount to nine per cent of Nordkalk's net sales.

Sugar Industry

In September 2007, the EU's agricultural ministers decided on new actions to decrease the sugar production in the EU member countries. Sugar production has to be reduced significantly since new trade agreements increase the import of sugar to the EU area. Decisions have led to the closure of factories in several member countries, last year, for example, in Latvia.

Nordkalk supplies limestone for the sugar industry from Miedzianka in Poland, Storugns in Gotland and Vasalemma in Estonia. The sales remained on the same level as the previous year with the exception of Estonia, in which the sales decreased as a result of closing down factories. In Germany, the decreasing sales will be compensated by the supplies to a bio ethanol factory that uses sugar juice as a raw material.

Limestone has an important part in the production process of sugar. When hydrated lime and carbon dioxide are added to the beet juice, the reaction generates calcium carbonate, which absorbs impurities.

Glass and Glass Fibre

Nordkalk supplies limestone-based products for the manufacture of glass and glass fibre. The deliveries increased in the Baltic countries, in which the production capacity of glass fibre has grown. In Finland, the market remained stable.

Limestone is an essential raw material in glass: almost a third of the melted glass is calcium carbonate. Nordkalk's ground limestone is used as a raw material in the manufacturing of glass and glass fibre. Quicklime is also used in the production process of glass fibre.

Chemical Industry and Fertilizers

Lime products can be used in several different ways in the chemical industry. Products are used, for example, to neutralize and clean process and sewage water and as raw and stowing material in different chemical processes. The fine ground limestone is used, for example, in the manufacture of plastics, paint and glue. Both limestone and slaked lime are used in the production of calcium chloride spread on unpaved roads to reduce dust and skidding. Ground limestone and slaked lime are used in one of the ingredients of animal feeds, calcium phosphate.

The supplies to the chemical industry remained mainly on the same level as the previous year, but in Finland, the sales of the products for water treatment grew. Rainy weather increases leachate in factory areas, and therefore more lime products are needed to neutralize industrial waste water.

The magnesium concentration of fertilizers is adjusted by using limestone products and dolomite in the manufacture process. Quicklime is used in the production of potassium sulphate to adjust the product's pH.

In Estonia, Nordkalk quarries dolomite in the deposit of Kurevere. A significant part of the dolomite is shipped to Germany. In Germany, the supplies to fertilizer industry are at the same level as the previous year. Thanks to effective logistics, Nordkalk has been able to meet the challenges brought by shipping costs and regulations on loading. In Estonia, the sales to the fertilizer industry decreased: the exports of raw material to Russia petered out after the EU limited the import of fertilizers from outside the union.

Wollastonite and Dry Calcite Products

Nordkalk is the only producer of wollastonite situated in the EU area. Wollastonite is extracted in the Lappeenranta deposit. Globally Finland and Nordkalk are the fifth largest producer after China, India, United States and Mexico. In 2007, approximately 78 per cent of Nordkalk's wollastonite was exported from Finland to Europe and other parts of the world.

Nordkalk has focused on demanding wollastonite applications, such as the plastics industry and high quality ceramics.

The micro-ground dry calcite produced in Lappeenranta is sold mainly in Finland as a filler to paint, glue and plastics. Some products are exported to Russia.

The sales of wollastonite and micro-ground dry calcite products in particular increased in 2007. Last year, Nordkalk invested in a new grinding line for high aspect ratio wollastonite. The product was designed to meet the needs of the plastics industry.

Environmental Care

In environmental care limestone-based products are used e.g. to clean flue gases and purify water. The demand for these products is increasing. Contractor Jussi Pelli spreads among other things the special product Nordkalk Velox, which is used to intensify composting and reduce unpleasant odours of sludges and wastewater. Jari Hölsä transports lime products.

Limestone-based products are used to purify water, to lime watercourses and clean flue gases. In 2007, the sales of environmental care products were 7 per cent of Nordkalk's total sales. Water treatment accounts for about 60 per cent of sales of environmental products and products for cleaning flue gases about 40 per cent.

The sales of products that are used to clean flue gases to Finnish coal-fired power plants remained good through the year despite the warm spring and the good availability of water power. Cleaning fuel gases of incineration plants is a growing industry, in which growth is to be expected in the long run both in Finland and in Sweden. The growing amount of waste requires forceful actions and incinerating is a good solution, provided that the generated flue gases are cleaned of substances that are harmful to the environment. The generated heat energy can be stored and utilized as district heat.

Sales of water treatment products increased in both Finland and Sweden. Lime is a safe and secure chemical that is generally used in municipal water treatment plans. Nordkalk's experienced water treatment experts plan and optimize the use of lime, and product development is constant. The sales of the water treatment product Filtra P grew above all in Sweden. The product has proved to be an excellent solution for water treatment in rural areas. In Sweden, the world's largest project of liming lakes, which started in 1977, continues, and Nordkalk is Sweden's biggest supplier of environmental liming products.

As Poland joined the EU, the regulations regarding cleaning of flue gases from coal-fired power plants were tightened. Most of the power plants were already preparing for the new regulations in 2007, which greatly increased the sales of products used to clean flue gases. In Poland, Nordkalk has a source of especially reactive rock, which is perfect for products for cleaning flue gases.

In Estonia, the EU-membership increased the pressure for cleaner industrial processes, which will eventually show in the demand for limestone-based products.

In Germany, the sales to flue gas sector decreased slightly due to the warm and windy weather in the beginning of the year, which reduced the need for warming and increased the use of wind power. A decision was made in Germany to use coal-fired power plants instead of nuclear power plants, which will in the long run increase the demand for products needed to clean flue gases.

Water Treatment

Carbonate products, quicklime and slaked lime are all used when purifying drinking water and cleaning wastewater. Lime products can regulate the pH value, alkaline quality and hardness of the water so that it does not cause corrosion in distribution networks, consumers' taps or other equipment. Cleaning wastewater with lime products helps to maintain the pH value and alkalinity at levels appropriate for the process. Lime products are also used for more effective removal of nitrogen and phosphors so that the eutrophying effect of wastewater on watercourses is reduced. When wastewater is cleaned, sludges are formed that can be made more hygienic with the aid of slaked lime. Nordkalk Velox facilitates the composting of sludges and other wastes and combats unpleasant odours. Nordkalk Velox is also suitable for combating the unpleasant odours associated with wastewater.

Nordkalk Filtra P granular filter material facilitates the treatment of wastewater in sparsely populated areas. The product decreases the eutrophication of watercourses and is suitable for sand filter plants or small water treatment plants. Sauna Seppo is a small filter, which contains Nordkalk Filtra P and is used to remove phosphorus from the small quantities of wastewater produced at summer cottages.

The acidity of the soil can be reduced by liming fields. Different limestone powders are used for this purpose. At the same time, the eutrophication is diminished as the amount of nutrients washed from the fields into the watercourses is reduced since crops are more readily able to make use of the nutrients.

A further problem in addition to eutrophication is the acidification of watercourses. Liming watercourses helps to restore the quality of the water to what it was before acidification took place. Usually, liming is carried out with the help of nature's own remedy, the finely ground limestone. The most common reason why watercourses become acidic is air pollution.

The long-term liming project to improve the quality of the water in Lake Alinenjärvi in Nokia, Finland has continued since 1998. The project is handled by Nordkalk together with the town of Nokia and the Pirkanmaa Regional Environmental Centre. The aim is to neutralise the acidity of the water in the lake and maintain the quality of the water at as even a level as possible. The pH value and alkalinity are measured every spring and autumn, and the measurements show that liming has had the desired effect. The next project shall take place in 2008.

Cleaning Flue Gases

When heat and energy are produced by burning either fossil fuels or household or industrial waste, acid compounds, for example, sulphur and chlorine will be generated and have to be separated from flue gases before leading them into the chimney. In the atmosphere, sulphur dioxide reacts with moisture in the air to form sulphuric acid. The rain that then falls on the ground is acidic and harmful to the nature. In acidic soil, plants are unable to utilize all the nutrients and fish cannot survive in lakes that are too acidic.

The flue gases from power plants can be effectively cleaned with quicklime, slaked lime, limestone powder or dolomite. With a so called wet method that uses limestone sludge, emissions of sulphur dioxide can be reduced by even more than 90 per cent. Waste incinerators generate more chlorine and fluorine emissions than sulphur dioxide. Also these emissions can be reduced with the aid of limestone-based products. The acidic waste waters generated from the wet method are then neutralised with limestone powder and/or slaked lime.

Agriculture

Lime is a part of the everyday lives of people in many ways. Perhaps the most concrete example of it can be found in the countryside where liming is used to reduce the acidity of the soil. The farmer gets a better crop and we get our everyday bread. Animals need lime to strengthen the bones and hens to form the egg shells. In a well limed garden the plants get nutrition and water, results of which are fresh and healthy vegetables.

Total sales to agriculture were slightly lower than in 2006 and amounted to seven per cent of Nordkalk's total sales.

Due to the rainy weather, the liming conditions in the beginning and in the end of the year were bad in Finland. January was rainy and winter was already over in March. The harvesting season in the autumn was late because of new rains, which also postponed liming. In Sweden, the sales of soil improvement lime were clearly better than in 2006, mostly because of the high grain prices.

In Poland, the soil improvement product sales increased heavily. This was influenced mainly by the overall economic expansion, the price increase of agricultural products and the subsidies farmers received from the EU. An additional reason for the good sales is the information campaign carried out by the Nordkalk sales force as well as the development of the distribution net.

The overall inclination of farmers to use lime has generally increased for several reasons: the price of grain has risen substantially in Europe, and the prices are expected to remain high this year. The EU has made changes to the regulations regarding compulsory fallow fields for 2008, which means that the fields that have been fallowed earlier need now to be heavily limed. The regulations have been changed since the global grain storage has diminished and it is hoped that especially the production of wheat will increase.

The demand boom of lime is also influenced by the prices of fertilizers, which have doubled. In limed soil plants utilize the nutrient substances better and do not need as much fertilizers.

The number of farms decreases as the size of farms grow. The population of the world is expected to grow from six to eight billion people in 2007–2027. Therefore, the need for food in the world will grow briskly. The cultivation of energy plants also increases the cultivation area and therefore the need for lime as well. However, the farmers' inclination to lime energy plants is also dependable on the economic subsidies and prices. Cultivated land is and will always be an important natural resource and liming improves the productivity of crops and in that way, also the economic profit gained of the land.

In Finland and Sweden, the sales to the fodder industry remained on the same level as the previous year. In the Baltic countries, Nordkalk is a significant supplier to the fodder industry, but last year the exports to Russian petered out due to the Newcastle disease in poultry, which flared in Estonia in 2006.

Soil Improvement

Nordkalk markets three different kinds of lime for soil improvement: calcite, lime with a high magnesium content, and dolomite. They can be used in both crushed and powder form. The finer the fraction, the more swiftly it reacts with the acidic soil. With a coarser lime, the reaction time is longer. It has been known for thousands of years that liming arable land gives a better harvest. Lime adjusts soil's pH value. When pH value increases, important nutrients are released from the soil. Because the soil in the Nordic countries is naturally acidic, liming is necessary and at the same time, an environmentally friendly way to maintain good agricultural conditions. When pH value is raised, cultivated plants can use fertilizers as efficiently as possible, which will reduce the nutrients from washing to watercourses, which is also economically important.

Liming helps the beneficial bacteria to thrive. It improves the structure of the soil, and helps the soil to absorb water more easily and give more room for the rootage to grow.

Garden Lime

Gardens are limed to raise the pH value and thus to prevent acidity and to improve the structure of the soil. A good growing bed facilitates good watering. Soil with too low a pH value absorbs more easily heavy metals, which are then passed on to man via the food chain. Lime should be spread in spring before the start of the growing season or in late autumn after harvesting.

Feed Lime

Animals need lime for bone development and the nerve system. Fodder includes lime, but usually not enough. Therefore, pastures are also limed and, in addition, lime is mixed to feed and feed concentrate. If hens do not get lime from their food, they are unable to form the egg shell. Calcium and magnesium are in an important role in animals' metabolism and they protect from many deficiency diseases, for example, from calf stroke.

Personnel

In a personnel survey carried out in 2007 the strengths were the clearness of objectives, the content of work, atmosphere in teamwork and commitment to the company. Each level of the organisation has the possibility to have an effect on the job well-being and therefore, the entire personnel participate in the implementation of the development plans. Reino Niitynpää works in maintenance in the underground Tytyri mine.

In the end of 2007, Nordkalk employed 1339 people (1304 the previous year). Of these, 21 per cent are women and 79 per cent men. 65 per cent of the employees are hourly-paid workers and 35 per cent administrative personnel. In Finland, Sweden and Poland, more than half of the Nordkalk employees have worked in the company for over 10 years. This is not only a sign of commitment on their part, but also that the company has professional expertise and knowledge as a result of long work experience.

In 2007, an employee survey was carried out in the company. The survey covered the entire Nordkalk personnel and revealed that the strengths seems to be the clearness of objectives, the content of work, atmosphere in teamwork and commitment to the company. Each level of the organisation has the possibility to have an effect on the job well-being and therefore, the entire personnel participate in the implementation of the development plans.

Negotiations with employee representatives were started in Storugns, Gotland in November. The number of personnel is to be reduced, since the stone supplies to and from Gotland will decrease.

The Development of Competence

The development discussions are an essential part of managing and developing competence at Nordkalk. The entire personnel take part in the discussions yearly.

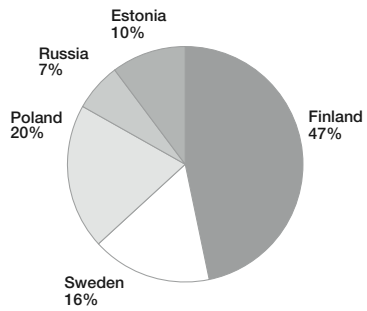
The goal is to secure the availability of competent workforce through training. In Finland, this interest is particularly served by the two-year training programme for supervisors, which started in 2006, and the vocational training programme for miners and the new vocational training programme in the construction product sector, which both started in 2007.

In Poland, a special yearly training programme was designed to develop the knowledge and competence of certain personnel groups. A special Management Academy is tailored for supervisors.

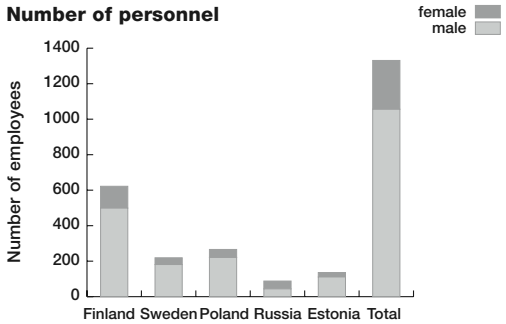
Nordkalk Future is a new internal training programme for the entire corporation. It is aimed at experts and managers who have worked in the company for a short period of time and who need international networking in their work. The programme focuses, for example, on strategy, marketing, financial matters, managing and communication.

Mentoring has proved an excellent way to share the expertise and support the employees working in demanding expert and manager positions. In 2007, the second mentoring programme was carried out and nine pairs participated in it.

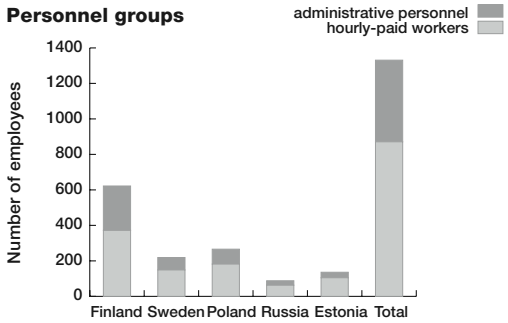
Personnel by country



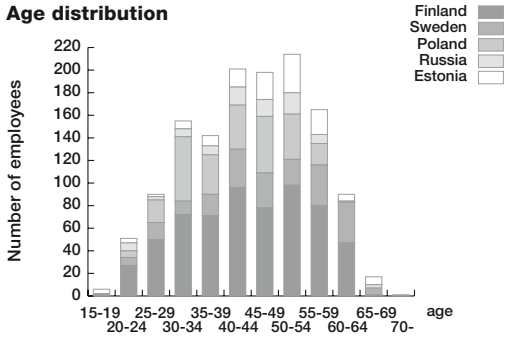
Number of personnel



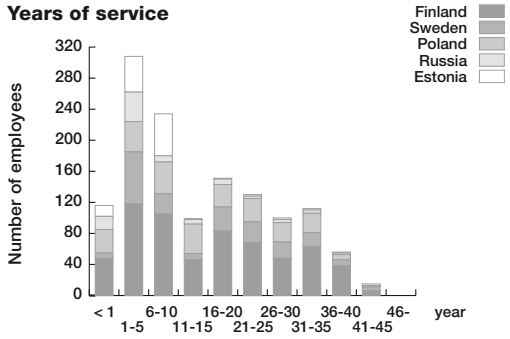
Personnel groups



Age distribution



Years of service



Occupational Safety

The main goal of occupational safety is to prevent occupational accidents, illnesses and diseases. The aim for accidents and occupational illnesses is zero tolerance. The need to ensure occupational safety was emphasized when two fatal accidents took place in the company during the year. In March, an employee died when the truck he was driving fell over the edge of a surplus stone pile in Storugns, Gotland. In December, one of the employees in Rakke, Estonia died after having fallen into a limestone hopper.

At the Finnish Nordkalk plants, there were 18 accidents last year (20 in 2006). The Finnish figure only includes the accidents that led to a sick leave of three days or more. In Sweden, 14 occupational accidents were recorded (19), in Poland 4 (4), in Estonia 3 (5) and in Russia 1 (2). Unlike the Finnish figure, these figures also include the accidents that did not lead to absence from work.

The number of sick leaves in Nordkalk is clearly below the average in the Finnish industry. At the Finnish Nordkalk plants, the hourly-paid workers, 341 of them, have an absence per cent of 3.2 in 2007 (2.2% in 2006). The percentage of absences due to an illness is 3.0 (2.2%) and due to occupational accidents 0.2% (0.2%). The latest available figures of the Finnish industry are from 2006: the total absence per cent was 6.7, of which absence due to an illness was 6.3% and due to occupational accidents 0.4%. In Sweden, the total absence percent in Nordkalk was 4.4% (6.3% in 2006), of which 0.43% (0.45%) was due to occupational accidents. The Swedish figure includes both the administrative personnel and the workers.

The Zero Tolerance for Accidents process was expanded in May 2007 to cover all Nordkalk's workplaces in Finland. The long-term goal is to get all the Nordkalk countries involved. The Zero Tolerance for Accidents process took place in Lappeenranta in 2004–2006 with good results. Some of the practices developed during the process have been adopted in other Nordkalk communities as well, for example, the accident monitoring table and an occupational safety card.

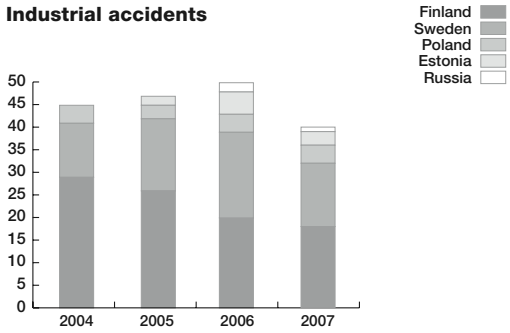
The work group of industrial safety and occupational health care continued its work. The group has worked on health and rehabilitation issues. First aid training has been given in different factories and sections. In May, an Industrial Safety and Occupational Health Day was held in Tampere, Finland.

The goal is to continue the gained positive development by certifying Nordkalk Lappeenranta's occupational health and safety measures to correspond to the OHSAS 18001 standard in 2008. The subsidiary company Suomen Karbonaatti Oy was awarded the OHSAS 18001 standard in 2005 and Poland received it in 2006.

A "safety movie" project was carried out in Sweden, which resulted in a movie about Nordkalk's safety and disciplinary regulations for contractors. The occupational health care has been involved in training the management and the occupational safety ombudsmen of the Köping factory to a systematic improvement of the working environment.

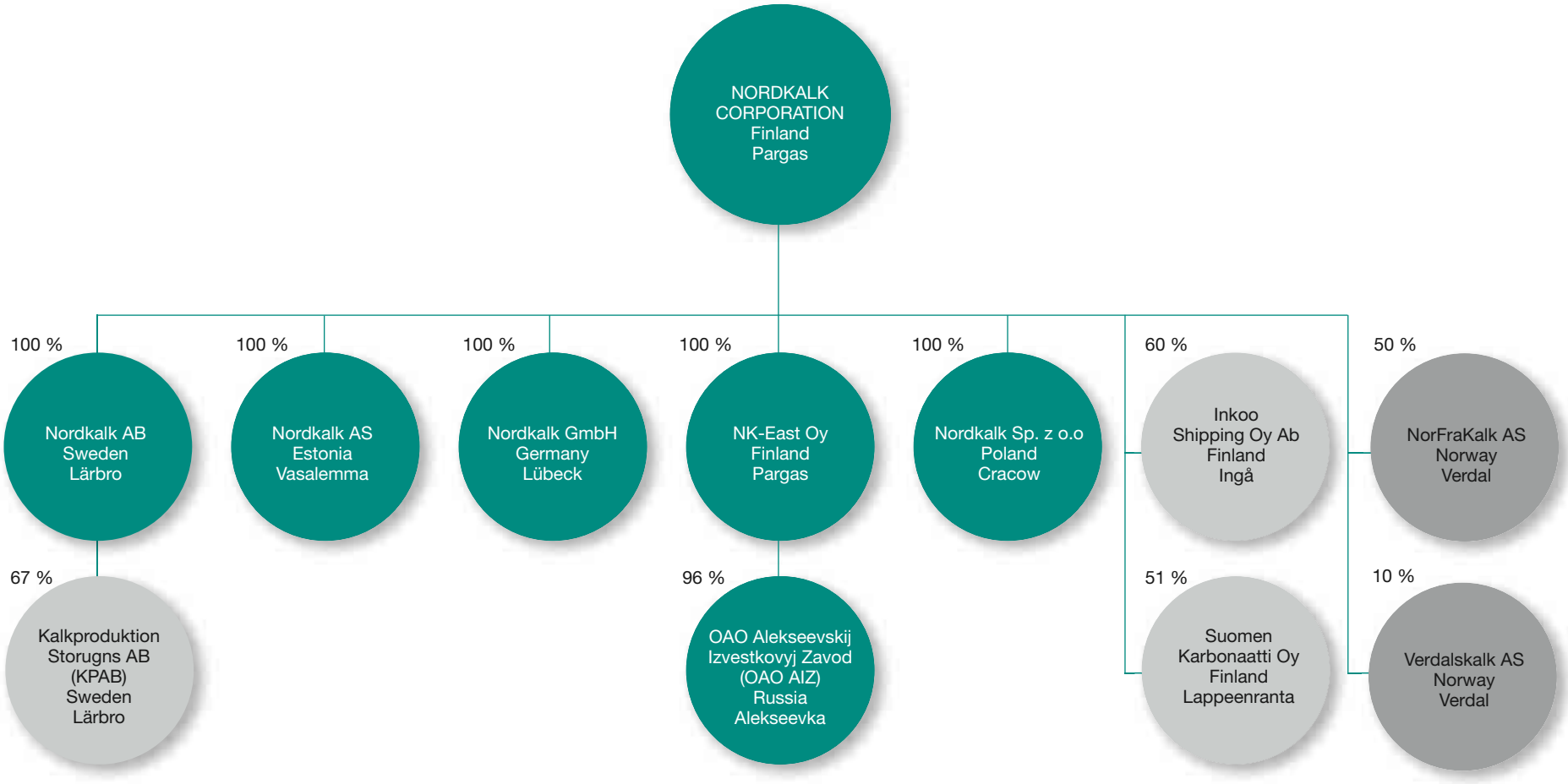
In Poland, occupational safety training has been given to the entire personnel throughout the year. In Estonia, the focus has been on preventive health care, which includes both health inspections and versatile physical exercise. In Russia, the circumstances at workplaces have been improved and regular health inspections have been introduced.

The goal of Nordkalk's occupational health care and personnel management is to increase co-operation between different parties and harmonize practices at different work places.



Russia is missing from the statistics in 2004-2005, because Nordkalk did not start the production there until autumn 2005.

Group Structure



Board of Directors

Björn Mattsson, Morten Ahlström, Jan Inborr,
Leif Lundkvist, Bjarne Mitts, Christoffer Taxell






Board of Directors and Management Team

Board of Directors

Chairman of the Board
Björn Mattsson, b. 1941
Lic. Phil.
Honorary Counsellor
Chairman of the Board, Ineo Group Oy
Member of the Boards of Hartwall Ltd
and Turku Science Park Ltd
Member of the Nordic Advisory Board
of DresdnerKleinworthWasserstein Ltd

Morten Ahlström, b. 1943
M.Sc. (Econ.)
Chairman of the Board, Ahlström Capital Oy
Chairman of the Boards of Quartona Ltd
and Å&R Carton AB
Deputy Chairman of the Board of EOS Russia AB
Member of the Board of Enics AG

Jan Inborr, b. 1948
B.Sc. (Econ.)
President and CEO, Ahlström Capital Oy
Chairman of the Boards of Enics AG,
Symbicon Ltd and Vacon Plc
Deputy Chairman of the Board of
Å&R Carton AB
Member of the Boards of Ahlstrom Corporation,
BaseN Corporation and
Åbo Akademi University Foundation

Leif Lundkvist, b. 1945 (since 25 April 2007)
M.Sc. (Econ.)
Management consultant
Chairman of the Board of Swedish Postgraduate
Institute of Technology (STF), IFLs Resultat-
andelsstiftelse and FANNA Invest AB
Member of the Boards of
MalmbergGruppen AB, Malmberg Water AB
and Härjedalens Miljöbränsle
Member of the EtikKollegiet

Bjarne Mitts, b. 1949 (since 18 January 2007)
B.Sc. (Econ.)
President & CEO, Rettig Group Ltd
Chairman of the Board of Tarkala Oy
Member of the Boards of Åbo Akademi University
Foundation and Technology Industries of Finland

Christoffer Taxell, b. 1948
LL.M.
Chancellor of Åbo Akademi University
Chairman of the Boards of Finnair Plc,
Stockmann Plc, Föreningen Konstsamfundet
and Åbo Akademi University Foundation
Member of the Boards of Sampo Plc and
Luvata Holding Oy
Member of the Investment committee of
the Svenska Litteratursällskapet i Finland r.f.

Management Team 2007

Bertel Karlstedt, b. 1962
M.Sc. (Eng.)
President and CEO
Employed by the company since 2005

Jarmo Ellmén, b. 1953
M.Sc. (Econ.)
Vice President, Treasury
Employed by the company since 2003

Eelis Eskelinen, b. 1953
M.Sc. (Eng.)
Vice President, Pulp & Paper
Employed by the company since 1980

Hans Gustafsson, b. 1962
M.Sc. (Eng.)
Vice President, Sweden Division
Employed by the company since 2007

Anders Mattsson, b. 1969
M.Sc. (Econ.)
Vice President, Metals & Mining
Employed by the company since 1997

Paavo Nikkari, b. 1947
M.Sc. (Agr.)
Vice President, Finland Division
Employed by the company since 1981

Kim Nordell, b. 1959
M.Sc. (Econ.)
Chief Financial Officer
Employed by the company since 1983

Håkan Pihl, b. 1958
M.Sc. (Geol.)
Vice President, Mineral Technology
Employed by the company since 1988

Gunilla Stenfors, b. 1956
B.Sc. (Econ.)
Vice President, Corporate Communications
Employed by the company since 1998

Marie Stenulv, b. 1954
Silf Certified Executive Supply
Chain Manager
Vice President, Purchasing & Logistics
Employed by the company since 1999

Esa Tikka, b. 1953
M.Sc. (Econ.)
Vice President, Central & Eastern Europe
Employed by the company since 1980

Tarmo Tuominen, b. 1962
M.Sc. (Geol.)
Vice President, Process Technology
Employed by the company since 1982

Kari Vainio, b. 1955
LL.M.
Vice President, Human Resources
and Legal Affairs
Employed by the company since 1993

Annual Report of the Board of Directors

A Good Year for Nordkalk

The positive development continued during 2007 with an increase of the total sales and an improved result. The industry continued to experience an economic boom which reflects on the demand for limestone-based products in the company's main three customer segments, namely the paper, steel and construction materials industries. The improved profitability can also be attributed to cost-efficiency and high utilisation of capacity.

Development within Customer Segments

The total sales to the paper industry increased in comparison to the previous year. The demand for the paper pigment GCC, which is manufactured by Nordkalk's subsidiary company Suomen Karbonaatti, was higher than the year before. The sales of quicklime for the manufacture of the paper pigment PCC increased in Sweden but were somewhat lower in Finland. The commissioning of a new lime kiln in Norway strengthens the company's quicklime production capacity. The sales to pulp mills improved from the previous year.

The steelworks continued to operate at a high production rate during the whole year, although autumn showed a slight downward tendency. Sales to the steel industry increased in Poland while remaining at the same level as the previous year in Germany. In Finland and Sweden sales to steelworks continued to be good.

The economic boom in construction continued, bringing a strong increase of sales to the construction materials industry in all of our market areas. The mild weather at the end of the year extended the season, resulting in increased sales. The same applies to products for soil and road construction. In Poland especially there was a strong increase in sales of these products and the segment also experienced a positive development in Estonia.

In the segment Other industries, sales to the chemical industry increased compared to the previous year.

The total sales of products for environmental care increased in comparison to the previous year. In Finland and Sweden the use of flue-gas cleaning products by coal-fired power plants increased strongly and the demand for water treatment products also increased. In Sweden there was an increase in the delivery of limestone products for the cleaning of flue-gases at waste incineration plants.

The total sales to agriculture were slightly lower than the previous year. Liming conditions were difficult at the beginning and end of the year because of the rainy weather, and autumn liming occurred late due to the late harvesting season. Cereal prices have gone up in Europe and this is expected to increase the farmers' willingness to lime. In Poland the sales of lime products for soil improvement have experienced a strong increase. The sales to the fodder industry remained at the same level as the previous year.

Financial Result for the Year 2007

The consolidated net sales totalled EUR 334.4 (303.8) million and sales increased in all customer segments, with the exception of agriculture.

The consolidated operating profit increased by 19 per cent and was EUR 43.6 (36.8) million, representing 13.0 (12.1) per cent of the consolidated net sales. This is mainly due to the continued economic boom in the three main customer segments: paper, steel and construction materials.

The depreciation according to plan totalled EUR 27.9 (25.8) million.

The net financial expenses decreased by EUR 1.4 million from the previous year and totalled EUR 10.9 million. The profit before extraordinary items was EUR 32.7 (24.5) million, representing 9.8 (8.1) per cent of the net sales.

The cash flow from operating activities remained on a good level.

The return on capital employed was 16.6 (13.8) per cent.

The total assets were EUR 366.5 (31.12.2006: 345.8) million. The equity/total assets ratio increased to 20.8 (15.2) per cent.

For full details reference is made to the Consolidated Income Statement and Balance Sheet and the parent company's financial statements together with notes, additional details and financial analyses.

Investments

The company's investments during 2007 amounted to a total of EUR 32.9 (22.0) million and were financed from the company's own cash flow.

The lime kiln built by the Norwegian company NorFraKalk AS, owned in equal shares by Nordkalk Corporation and Franzefoss Minerals AS, was commissioned in December of 2007. The new kiln has an annual capacity of 200 000 tons of quicklime. Capacity was increased in Poland and a mobile crushing plant was put into operation in Estonia.

The investment programme at the lime plant Alekseevka in Russia is proceeding according to plan, providing new opportunities to increase capacity and expand the product range.

A new silo was built at the Parfill plant in Pargas, Finland.

Disinvestments

The grinding facility in Kristiinankaupunki, Finland, was sold in July of 2007 to SP Minerals Oy Ab. The company's 4.7 per cent share in Specialty Minerals Nordic Oy Ab was also sold during 2007.

Shareholders

Nordkalk is owned by a Finnish investor group comprising Ahlström Capital Oy (30.5 %), Rettig Group Ltd (21.0 %), a group of mainly institutional investors (45.1 %) and the management of the company (3.4 %)

Own Shares

Nordkalk owns 600 of its own shares, each with a nominal value of 1 euro. It represents 0.06% of the entire share capital and votes. The shares were acquired in December 2005 at a price of 1 euro per share. The Board has the authority to by 24 April 2008 acquire max 10.000 shares owned by the company management, however, the total nominal value of the shares is not to exceed 5% of the equity capital after the acquisition nor are the voting rights connected to the shares to exceed 5% of the voting rights.

Personnel

The total number of employees at the end of the year was 1339 (1304). The average number of employees was 1364 (1353).

In Finland the two-year training programme for foremen continued during 2007. A training programme called Nordkalk Future was also started. The program is aimed at young key employees in all countries where Nordkalk operates. A separate training programme for foremen and managers has also been carried out in Poland.

The Zero Tolerance for Accidents process started in Lappeenranta, Finland, in 2003 has been extended to affect all Nordkalk locations in Finland. In the long run the process will include all Nordkalk countries. The need for increased occupational safety was accentuated last year, with two accidents resulting in death.

Research and Development

The total R&D expenditure was EUR 3.5 (3.2) million, which represents 1.1 (1.1) per cent of net sales.

The development activities are aimed to raise the utilisation rate of quarried raw materials and to create new product concepts and market applications for lime-based products. Four people were added to the staff at the development centre in Pargas, Finland.

In the field of geology, the focus is on ensuring the raw material base in the long run and on using Nordkalk's existing limestone reserves in the most efficient way, based on good knowledge of the geological characteristics of each deposit.

Environment and Quality

All production plants in Finland and Poland and all operations in Sweden have been certified according to the ISO 14001 environmental standard. In Estonia environmental audits are performed on a regular basis. At all locations, Nordkalk continues its efforts to minimize the environmental impact of its operations, such as noise, vibrations and dust. In 2007 the total amount invested in environmental projects was EUR 3.0 (1.2) million.

All operations in Sweden have been certified according to the ISO 9001:2000 quality standard, as well as parts of the production in Finland. In Poland all production facilities have been certified.

The process of creating a joint management system for the company was initiated in 2007. The process aims to connect all the various subsystems into a unified system which comprises the whole of Nordkalk.

Nordkalk publishes also an Environmental Report. It is available at www.nordkalk.com.

Risk Management

The most significant factors that can affect the company's activities and economic development in a negative way are access to raw materials, energy prices, environmental requirements, financial risks, damage to production facilities and the availability of skilled work force.

The shutdowns of paper mills in Finland may affect the sales of the paper pigment GCC and that of raw materials for the paper pigment PCC.

In Norway the statutory amendments on emission rights affect the profitability of the new lime kiln in a negative way. Nordkalk has appealed the decision to the EFTA Surveillance Authority and a ruling is expected during the first half of the year 2008.

If Nordkalk AB is not granted an environmental license to open a new lime quarry on Gotland, Sweden, new solutions will be required with regard to stone deliveries to the Norwegian steel industry. Alternative sources of raw materials are being planned in consultation with the customers.

Board of Directors, President and Auditors

Members of the Board of Directors

Björn Mattsson	chairman
Morten Ahlström	member
Jan Inborr	member
Leif Lundkvist	member since 24 April 2007
Bjarne Mitts	member since 18 January 2007
Christoffer Taxell	member

President of the company is Bertel Karlstedt.

The auditor was KPMG Oy Ab, Authorised Public Accountants, with Sixten Nyman, APA, as the main responsible auditor.

Boards Proposal for the Distribution of Profits

The distributable funds for the Nordkalk parent company amount to EUR 44.7 million. The Board proposes that no dividend be paid and that the annual profit be posted to retained earnings in the balance sheet.

Prospects for the Year 2008

Nordkalk's net sales are expected to increase somewhat during 2008. Growth is expected especially in Poland and the Baltic Region.

The shutdowns of paper mills in Finland may affect the sales of the paper pigment GCC and that of raw materials for the paper pigment PCC.

New regulations concerning emission rights in Norway will, if they become permanent, have a negative effect on the profitability of the new Norwegian lime kiln.

Pargas, 30 January 2008

Nordkalk Corporation

Björn Mattsson
Morten Ahlström
Jan Inborr
Leif Lundkvist
Bjarne Mitts
Christoffer Taxell

Bertel Karlstedt, President and CEO

	Note	2007 1000 EUR	%	2006 1000 EUR	%
Net sales	1	**334 418**	**100.0**	303 769	100.0
Cost of goods sold		**265 638**		244 713	
Gross profit		**68 780**	**20.6**	59 056	19.4
Selling, marketing and development expenses		**12 101**		11 296	
Administration expenses		**18 601**		17 374	
Other operating income	4	**6 288**		7 257	
Other operating expenses	4	**749**		851	
		25 163	**7.5**	22 264	7.3
Operating profit	2,3	**43 617**	**13.0**	36 793	12.1
Share of results of associated companies	5	**75**		-25	
Financial income and expenses	7	**-10 994**		-12 308	
Profit before extraordinary items		**32 698**	**9.8**	24 460	8.1
Profit before taxes and minority interest		**32 698**	**9.8**	24 460	8.1
Direct taxes	8	**-8 051**		-7 576	
Minority interests		**-3 979**		-3 147	
Net profit for the period		**20 668**	**6.2**	13 736	4.5

	Note	31 Dec. 2007 1000 EUR	%	31 Dec. 2006 1000 EUR	%
Assets					
Fixed assets and long-term investments	9				
Intangible assets					
- Goodwill		**1 847**		2 258	
- Other intangible assets		**6 622**		7 105	
Tangible assets					
- Mineral deposits and land		**95 490**		98 854	
- Buildings and constructions		**33 774**		34 147	
- Machinery and equipment		**97 746**		102 805	
- Other tangible assets		**4 032**		3 644	
- Advance payments and construction in progress		**22 987**		8 778	
Investments	10				
- Shares in associated companies		**337**		285	
- Other shares and participations		**722**		1 058	
Total fixed assets and long-term investments		**263 556**	**71.9**	258 934	74.9
Current assets					
Inventories	11	**36 472**		34 026	
Short-term receivables	8.11	**47 802**		42 471	
Cash and bank balances		**18 709**		10 418	
Total current assets		**102 983**	**28.1**	86 915	25.1
Total assets		**366 538**	**100.0**	345 850	100.0

	Note	31 Dec. 2007 1000 EUR	%	31 Dec. 2006 1000 EUR	%
Shareholders' equity and liabilities					
Shareholders' equity	12				
Share capital		**1 000**		1 000	
Net profit/loss for previous years		**40 320**		24 363	
Net profit for the period		**20 668**		13 736	
Total shareholders' equity		**61 988**	**16.9**	39 099	11.3
Minority interest		**14 330**	**3.9**	13 507	3.9
Provisions	14	**1 956**	**0.5**	1 096	0.3
Liabilities					
Long-term liabilities	8,13,15	**213 254**		237 154	
Short-term liabilities	13,16	**75 011**		54 994	
Total liabilities		**288 265**	**78.6**	292 148	84.5
Total shareholders' equity and liabilities		**366 538**	**100.0**	345 850	100.0

	1 Jan. - 31 Dec. 2007 1000 EUR	1 Jan. - 31 Dec. 2006 1000 EUR
Net profit for the period	**20 668**	13 736
Depreciation	**27 904**	25 782
Profit and loss on sale of fixed assets	**-245**	-72
Change in provisions	**860**	64
Share of profit/loss of associated companies	**-75**	25
Minority interest	**3 979**	3 147
Financial items	**10 994**	12 308
Taxes	**8 051**	7 576
Adjustments total	**51 468**	48 831
Cash flow before change in net working capital	**72 135**	62 567
Change in working capital:		
Change in receivables (increase(-)/decrease(+))	**-4 516**	-3 613
Change in inventories (increase(-)/decrease(+))	**-2 805**	876
Change in liabilities (increase(+)/decrease(-))	**4 402**	5 893
Change in net working capital	**-2 919**	3 156
Cash flow after change in net working capital and provisions	**69 216**	65 724
Interest paid	**-9 953**	-14 419
Interest received	**501**	162
Other financial items	**-256**	-1 155
Exchange gains/losses (finance)	**-1 756**	-733
Taxes paid	**-12 394**	-5 674
Cash flow from operating activities	**45 357**	43 904

	1 Jan. - 31 Dec. 2007 1000 EUR	1 Jan. - 31 Dec. 2006 1000 EUR
Cash flow from investing activities		
Investments of external shares	**-102**	-2
Investments of intangible and tangible assets	**-32 338**	-22 183
Sale of fixed assets	**1 969**	970
Dividends received	**318**	81
Other changes in fixed assets	**-348**	243
Cash flow from investing activities	**-30 501**	-20 891
Cash flow after investing activities	**14 898**	23 088
Cash flow from financing activities		
New loans raised	**6 656**	158 179
Amortization of loans	**-17 634**	-129 413
Dividends paid	**-3 081**	-2 501
Change in convertible subordinated bonds		-49 091
Change in receivables	**22**	19
Change in interest-bearing liabilities	**7 191**	548
Cash flow from financing activities	**-6 846**	-22 259
Exchange rate difference	**281**	308
Cash flow after financing activities	**8 291**	1 063
Cash and cash equivalents at the beginning of the period	**10 418**	9 355
Cash and cash equivalents at the end of the period	**18 709**	10 418

Parent Company's Income Statement 1 Jan. - 31 Dec. 2007

	Note	2007 1000 EUR	%	2006 1000 EUR	%
Net sales	1	**146 228**	**100.0**	138 719	100.0
Cost of goods sold		**109 188**		102 562	
Gross profit		**37 040**	**25.3**	36 157	26.1
Selling, marketing and development expenses		**4 313**		4 283	
Administration expenses		**12 415**		11 322	
Other operating income	4	**3 677**		4 060	
Other operating expenses	4	**229**		283	
		13 280	**9.1**	11 828	8.5
Operating profit	2,3	**23 760**	**16.2**	24 329	17.5
Financial income and expenses	7	**-7 153**		-8 177	
Profit before extraordinary items		**16 607**	**11.4**	16 152	11.6
Extraordinary items		**-12**	**0.0**		
Profit before appropriations and taxes		**16 595**	**11.3**	16 152	11.6
Depreciation in excess of plan		**-2 484**		6 419	
Direct taxes	8	**-2 920**		-6 330	
Net profit for the period		**11 191**	**7.7**	16 242	11.7

	Note	31 Dec. 2007 1000 EUR	%	31 Dec. 2006 1000 EUR	%
Assets					
Fixed assets and long-term investments	9				
Intangible assets		**5 386**		5 852	
Tangible assets					
- Mineral deposits and land		**39 272**		40 707	
- Buildings and constructions		**10 323**		11 249	
- Machinery and equipment		**31 976**		34 702	
- Other tangible assets		**2 461**		2 023	
- Advance payments & construction in progress		**1 931**		1 003	
Investments	10				
- Shares in subsidiaries		**88 780**		88 775	
- Long-term receivables from subsidiaries		**35 282**		36 398	
- Shares in joint ventures		**5 820**		3 737	
- Shares in associated companies		**82**		82	
- Other shares and participations		**702**		1 037	
Total fixed assets and long-term investments		**222 015**	**83.2**	225 565	86.5
Current assets					
Inventories	11	**17 911**		16 224	
Short term receivables	11	**20 903**		17 240	
Cash and bank balances		**5 926**		1 826	
Total current assets		**44 740**	**16.8**	35 290	13.5
Total assets		**266 755**	**100.0**	260 855	100.0

	Note	31 Dec. 2007 1000 EUR	%	31 Dec. 2006 1000 EUR	%
Shareholders' equity and liabilities					
Shareholders' equity	12				
Share capital		**1 000**		1 000	
Net profit for previous years		**33 464**		15 686	
Net profit for the period		**11 191**		16 242	
Total shareholders' equity		**45 656**	**17.1**	32 927	12.6
Accumulated excess depreciation		**7 334**	**2.7**	4 850	1.9
Provisions	14	**101**	**0.0**	101	0.0
Liabilities					
Long-term liabilities	13,15	**169 037**		195 068	
Short-term liabilities	13,16	**44 628**		27 909	
Total liabilities		**213 665**	**80.1**	222 977	85.5
Total shareholders' equity and liabilities		**266 755**	**100.0**	260 855	100.0

	1 Jan. - 31 Dec. 2007 1000 EUR	1 Jan. - 31 Dec. 2006 1000 EUR
Net profit for the period	**11 191**	16 242
Depreciation	**10 116**	10 391
Profit and loss on sale of fixed assets	**-192**	-75
Change in provisions		-15
Financial items	**7 153**	8 177
Taxes	**5 404**	-90
Adjustments total	**22 481**	18 389
Cash flow before change in net working capital	**33 672**	34 630
Change in net working capital:		
Change in receivables (increase(-)/decrease(+))	**-1 859**	774
Change in inventories (increase(-)/decrease(+))	**-1 687**	735
Change in liabilities (increase(+)/decrease(-))	**1 718**	4 810
Change in net working capital	**-1 828**	6 319
Cash flow after changes in net working capital and provisions	**31 844**	40 949
Interest paid	**-9 006**	-13 678
Interest received	**1 829**	1 450
Other financial items	**-289**	-1 088
Exchange gains/losses (finance)	**-1 734**	-721
Taxes paid	**-7 241**	-2 711
Cash flow from operating activities	**15 403**	24 201

	1 Jan. - 31 Dec. 2007 1000 EUR	1 Jan. - 31 Dec. 2006 1000 EUR
Cash flow from investing activities		
Acquisition of group companies	**-5**	
Acquisition of joint ventures	**-2 083**	-3 136
Investments of external shares	**-102**	-2
Investments of intangible and tangible assets	**-6 287**	-6 605
Sale of fixed assets	**1 356**	296
Dividends received	**3 565**	2 730
Other changes in fixed assets	**-369**	2 287
Cash flow from investing activities	**-3 925**	-4 430
Cash flow after investing activities	**11 478**	19 771
Cash flow from financing activities		
New loans raised	**3 000**	158 000
Amortization of loans	**-13 000**	-126 500
Change in convertible subordinated bonds		-49 091
Change in receivables	**1 116**	-2 230
Change in liabilities	**1 506**	-35
Cash flow from financing activities	**-7 378**	-19 856
Cash flow after financing activities	**4 100**	-85
Cash and cash equivalents at the beginning of the period	**1 826**	1 911
Cash and cash equivalents at the end of the period	**5 926**	1 826

The Consolidated Financial Statements of the Nordkalk Corporation are prepared in accordance with current regulations in Finland. The year reviewed covers the months January-December and the Financial Statements are presented in euros. When preparing financial statements in conformity with applicable regulations and generally accepted accounting principles, the company's management makes estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may deviate from such estimates.

Consolidation Principles

The Consolidated Financial Statements cover the parent company, Nordkalk Corporation, and all companies in which the parent company, directly or indirectly, holds more than fifty per cent of the voting rights at the end of the financial year. Companies acquired during the financial year have been included in the Consolidated Income Statement from the date of acquisition and divested companies to the date of disposal. All transactions together with and internal profits and losses between companies within the Group are eliminated as part of the consolidation process. Acquisitions of companies are recorded according to the purchase method of accounting. The difference between the acquisition cost of the shares of a subsidiary and equity at the time of acquisition is allocated to fixed assets by the amount that their current value exceeds their book value. In this calculation, untaxed reserves net of tax are included in the equity. The excess value allocated to fixed assets is written off according to the depreciation plan of the fixed asset item in question. The remaining difference is carried as goodwill on consolidation, which is written off over its expected useful life, 10-15 years. That portion of surplus value assigned to a deposit is written off linearly over a period of 30 years depending on the strategic character of the acquisitions. When calculating goodwill, untaxed reserves together with surplus depreciation after allowing for any latent tax liability are also included under equity. Deferred tax liability on allocated acquired surplus value has been taken into account in the Consolidated Balance Sheet.

Jointly owned companies are those where it has been agreed that the Group exercises common rights of decision. The Group's interests in jointly owned companies are collated proportionately row by row. The Consolidated Financial Statements included the Group's share of the jointly owned company's assets, debts, income and costs.

Associated companies are consolidated in accordance with the equity method. The Group's share of the earnings of associated companies, less depreciation on the goodwill recorded on acquisition, is presented in the Consolidated Income Statement. Dividends received from associated companies are eliminated. In the Consolidated Balance Sheet, investment in associated companies and the Group's equity are adjusted in accordance with the Group's share in associated companies' increased net worth following acquisition and goodwill less accumulated depreciation on goodwill.

Minority interests in earnings and shareholders' equity are presented separately in the Income Statement and Balance Sheet. No minority interests are calculated in the case of jointly owned companies.

Transactions in Foreign Currencies

Foreign currency transactions are recorded at the exchange rates prevailing at the time of transaction.
At the end of the accounting period receivables and liabilities are translated at the rates prevailing on the Balance Sheet date. Exchange rate differences relating to sales and purchases are treated as adjustments to the underlying items. Exchange rate gains and losses associated with financing are entered as net amounts under financial income and expenses.

Foreign Subsidiaries and Joint Ventures

In the consolidated accounts all items in the Income Statements of foreign subsidiaries and joint ventures are translated into euros at the average exchange rates for the accounting period and all Balance Sheet items at the rates on the Balance Sheet date. Translation differences arising are treated as an adjustment affecting consolidated equity.

Current Assets

Inventories are valued at the acquisition value or the lower of the replacement value or net realisable value. The cost of inventories includes a proportionate share of overheads arising from the purchase and production of the goods.

Fixed Assets

Fixed assets are stated in the Balance Sheet at the historical cost less accumulated depreciation. The estimated useful life of assets used to calculate depreciation and amortisation is as follows:

- Goodwill 10-15 years
- Goodwill on deposits 30 years
- Other capitalised expenditure 3-10 years
- Buildings and constructions 10-40 years
- Minor machinery and equipment 3-15 years
  Major machinery, process equipment, kilns 15-25 years
- Other tangible assets 5-10 years

Depreciation for decrease of substance has been made on some deposits.

Long-term financial assets include investments that are recorded at their historical cost less depreciation of permanent decreases in value. Profits and losses on the disposal of fixed assets are included in other operating income and expenses.

Leasing

Operating and financial leasing payments are treated as rentals. Commodities are not treated as fixed assets. Annual leasing charges on the basis of existing leasing agreements are shown in the notes. For financial leasing the differences between Finnish and international accounting practice are

shown in the notes together with their impact on certain key figures.

Emission Rights

Emission rights are reported using the net value method. In other words, current values are not included in the Balance Sheet. Emission rights acquired to cover shortfalls and shortfalls not covered by acquisition are reported as a cost according to their value on the last day of the financial year. Gains from the sale of surplus emission rights are included under other operating income.

Revenue Recognition

Sales are recorded in accordance with the invoiced value of products or performance of services, net of indirect taxes and discounts. Sales of products and services are recorded at the time each individual transaction takes place.

Research and Development

Research and development costs are recorded in the financial period during which they are incurred. Research and development costs and their proportion of net sales are presented in the five-year review.

Pension Liabilities

The Group companies' pension obligations are based on local regulations and practices. In the parent company and in Finnish subsidiaries pension liabilities are covered by insurance. Costs of pensions are recorded as they are earned. Changes in uncovered pension liabilities are entered in the Income Statement. Pension liabilities are included in the Balance Sheet.

Income Taxes

Income taxes in the Income Statement include taxes of the Group companies for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes. Deferred tax assets and liabilities are determined for temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. The current tax rate is used to calculate deferred tax income. Differences resulting from tax rate changes are included in the Income Statement. The Balance Sheet includes all deferred tax liabilities and the probable realisable amount of deferred tax assets. No deferred tax liability is recognised for the undistributed earnings of subsidiaries. Deferred tax liability on allocated goodwill has been included in the Consolidated Balance Sheet.

Exchange Rates

Country	Currency	Rates at end of period 31 December		Average rates	
		2007	2006	2007	2006
Finland	Euro	1.00000	1.00000	1.00000	1.00000
Sweden	SEK	9.44150	9.04040	9.25214	9.25332
Norway	NOK	7.95800	8.23800	8.01828	8.04628
Estonia	EEK	15.64660	15.64660	15.64660	15.64660
Poland	PLN	3.59350	3.83100	3.78313	3.89513
Russia	RUR	35.98600	34.68000	35.01985	34.11158

Note 1 Net sales by geographical area and product groups

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Geographical area				
Finland	**196 466**	185 837	**141 124**	134 094
Sweden	**63 890**	55 207	**1 540**	1 072
Poland	**40 197**	30 647	**144**	164
Germany	**15 117**	15 513	**612**	616
Estonia	**7 694**	6 095	**3**	15
Other EU	**6 083**	5 928	**1 742**	1 798
Other Europe	**4 437**	4 015	**529**	432
Others	**534**	528	**534**	528
Total	**334 418**	303 769	**146 228**	138 719
Product groups				
Limestone & paper pigments	**235 083**	213 730		
Quick and hydrated lime	**112 112**	101 571		
Internal sales	**-12 777**	-11 532		
Total	**334 418**	303 769		

Note 2 Personnel expenses

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Wages and salaries				
Salaries and payments to Board Members and Managing Directors	**1 273**	1 198	**381**	365
To others	**38 135**	34 866	**21 058**	19 452
Bonus to Managing Directors	**314**	139	**99**	14
Total	**39 722**	36 203	**21 538**	19 831
Other personnel expenses				
Pensions and pension premiums	**5 821**	4 809	**3 527**	3 207
Other payroll costs	**6 367**	6 699	**1 282**	1 987
Total	**12 188**	11 508	**4 809**	5 194
Personnel expenses	**51 911**	47 711	**26 347**	25 025
Personnel				
As an average during the year	**1 364**	1 353	**563**	560
At year end	**1 339**	1 304	**550**	534

The President of Nordkalk Corporation is entitled to retire at the age of 62.

Note 3 Depreciation

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Depreciation by function				
Production	**26 275**	24 277	**9 180**	9 631
Sales, marketing and development	**246**	204	**134**	125
Administration	**777**	903	**545**	635
Other operating expenses, goodwill	**605**	399	**257**	
Total	**27 904**	25 783	**10 116**	10 391
Depreciation according to category of assets				
Goodwill	**348**	399		
Intangible assets	**1 546**	1 271	**1 274**	1 039
Mineral deposits and land	**4 651**	3 478	**1 351**	1 351
Buildings and constructions	**2 899**	3 064	**1 364**	1 589
Machinery and equipment	**17 866**	17 028	**5 734**	6 048
Other tangible assets	**593**	543	**393**	364
Total	**27 904**	25 783	**10 116**	10 391

Note 4 Other operating income and expenses

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Income				
Rents	**956**	914	**559**	569
Profit on sale of fixed assets	**339**	275	**240**	206
Services sold	**1 651**	2 028	**1 714**	1 780
Materials sold	**673**	385	**434**	385
Emission rights	**1 062**	2 408	**608**	992
Other income	**1 607**	1 247	**122**	128
Total	**6 288**	7 257	**3 677**	4 060
Expenses				
Depreciation on goodwill	**348**	399		
Loss on sale of fixed assets	**94**	203	**48**	131
Taxes on real estate	**215**	180	**142**	135
Other expenses	**92**	70	**39**	17
Total	**749**	851	**229**	283

Note 5 Share of result and equity in associated companies

1000 EUR	Country	Share-holding %	Share of result 2007	Share of result 2006	Share of equity 2007	Share of equity 2006
Lohjan Energiahuolto Oy Loher	Finland	23,1	**66**	-40	**110**	68
Pargas Hyreshus Ab	Finland	34,1	**0**	0	**57**	62
Saimaan seutujen Opisto-osakeyhtiö	Finland	20,0	**1**	-1	**169**	155
Eliminations			**8**	16		
Total			**75**	-25	**337**	285

Note 6 Investment in joint ventures

1000 EUR	2007	2006
	Country	**Shareholding %**
NorFraKalk AS	Norway	50,0

The amounts representing the Group's share of the assets and liabilities and sales and results of the joint ventures.

Assets and liabilities

Non-current assets	**10 182**	2 379
Current assets	**1 459**	1 541
Non-current liabilities	**3 770**	
Current liabilities	**2 517**	440
Net assets	**5 353**	3 480

Income and expenses

Sales	**0**	0
Expenses	**257**	153
Net profit	**-257**	-153

The average number of employees in the joint ventures **2**

Note 7 Financial income and expenses

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Dividends from Nordkalk companies			**3 244**	2 649
Other dividends	**318**	81	**321**	81
Interest income from Nordkalk companies			**1 568**	1 397
Other interest income	**463**	203	**223**	94
Other interest expenses	**12 151**	12 332	**11 239**	11 564
Exchange rate differences	**-106**	-63	**-1 734**	-721
Other financial income	**1 056**	178	**913**	17
Other financial expenses	**574**	374	**449**	130
Total	**-10 994**	-12 308	**-7 153**	-8 177

Note 8 Direct taxes

1000 EUR	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Taxes in income statement				
Direct taxes for the year	**8 329**	8 839	**2 920**	6 276
Direct taxes from previous years	**1**	76	**1**	54
Change in deferred tax asset/liability	**-278**	-1 339		
Total	**8 051**	7 576	**2 921**	6 330
Deferred tax assets				
From valuation and matching differences	**620**	760		
Deferred tax assets	**620**	760		
Deferred tax liabilities				
From untaxed reserves	**10 362**	10 371		
From consolidation entries	**15 737**	16 104		
From valuation and matching differences	**325**	322		
Deferred tax liabilities	**26 424**	26 797		

Note 9 Fixed assets

1000 EUR	2007

Group

	Goodwill	Intangible assets	Mineral deposits and land	Buildings and constructions	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost 1 Jan. 2007	**5 366**	**16 279**	**123 352**	**71 453**	**287 415**	**10 359**	**8 778**
Exchange rate differences	-188	28	1 067	383	-1 550	-26	1
+ Investments	2	798	287	952	9 873	849	20 065
+ Other increases		319	50	1 434	3 344	156	
- Decreases		-2 037	-158	-431	-1 641	-59	-5 857
Acquisition cost 31 Dec. 2007	**5 180**	**15 387**	**124 598**	**73 790**	**297 441**	**11 279**	**22 987**
- Accumulated depreciation 1 Jan. 2007	-3 107	-9 174	-24 498	-37 306	-184 610	-6 714	
Exchange rate differences	118	-35	61	-67	1 187	1	
- Depreciation during the year	-344	-1 548	-4 671	-2 916	-17 870	-592	
- Accumulated depreciation for decreases		1 992		273	1 598	58	
Accumulated depreciation 31 Dec. 2007	**-3 333**	**-8 765**	**-29 109**	**-40 016**	**-199 695**	**-7 248**	
Residual value 31 Dec. 2007	**1 847**	**6 622**	**95 490**	**33 774**	**97 746**	**4 032**	**22 987**

Parent Company

	Intangible assets	Mineral deposits and land	Buildings and constructions	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost 1 Jan. 2007	**14 141**	**44 776**	**28 580**	**112 623**	**5 561**	**1 003**
+ Investments	675	62	376	2 946	829	1 399
+ Other increases				266	2	369
- Decreases	-1 849	-146	-123	-920	-58	-840
Acquisition cost 31 Dec. 2007	**12 967**	**44 692**	**28 833**	**114 915**	**6 334**	**1 931**
- Accumulated depreciation 1 Jan. 2007	-8 289	-4 069	-17 331	-77 921	-3 538	
- Depreciation during the year	-1 274	-1 351	-1 364	-5 734	-393	
+ Accumulated depreciation / disposal, sales and transfers	1 981		185	717	58	
+/- Other changes	1			-1		
Accumulated depreciation 31 Dec. 2007	**-7 581**	**-5 420**	**-18 510**	**-82 939**	**-3 873**	
Residual value 31 Dec. 2007	**5 386**	**39 272**	**10 323**	**31 976**	**2 461**	**1 931**

Note 9 Fixed assets

1000 EUR	2007

Shares and participations

	Group		Parent Company			
	Shares and participations, associated companies	Shares and participations, others	Shares and participations, subsidiaries	Shares and participations, joint ventures and associated companies	Shares and participations, others	Long-term receivable from subsidiaries
Acquisition cost 1 Jan. 2007	**82**	**1 944**	**88 775**	**3 819**	**1 923**	**35 282**
+ Investments		102	5	2 083	102	
- Decreases		-1 322			-1 322	
Acquisition cost 31 Dec. 2007	**82**	**724**	**88 780**	**5 902**	**703**	**35 282**
- Accumulated depreciation 1 Jan. 2007	203	-886			-886	
+/- Other changes	51	885			885	
Accumulated depreciation 31 Dec. 2007	**254**	**-1**			**-1**	
Residual value 31 Dec. 2007	**337**	**722**	**88 780**	**5 902**	**702**	**35 282**

Note 10 Shares and participations 31 Dec. 2007

2007

	Group holding Number of shares	%	Currency	Nominal value	Book value EUR Parent Company	Group
Subsidiaries						
OAO Alekseevsky Limestone Mill, Alekseevsky, Russia	75 465	95.7	RUR	2 263 950		2 289 053
Inkoo Shipping Oy Ab, Ingå, Finland	3 000	60.0	EUR	504 564	506 582	506 582
Kalkproduktion Storugns AB, Lärbro, Sweden	30 000	66.7	SEK	300 000		349 944
NK-East Oy, Pargas, Finland	800	100.0	EUR	8 000	8 000	8 000
Nordkalk AB, Lärbro, Sweden	250 000	100.0	SEK	25 000 000	34 238 288	34 238 288
Nordkalk AS, Vasalemma, Estonia	15 000	100.0	EEK	15 000 000	4 849 832	4 849 832
Nordkalk GmbH, Lübeck, Germany	1	100.0	EUR	50 000	50 000	50 000
Nordkalk i Köping AB, Stockholm, Sweden	100 000	100.0	SEK	10 000 000		1 588 731
Nordkalk i Luleå AB, Stockholm, Sweden	2 500	100.0	SEK	250 000		26 691
Nordkalk Sp. z o.o., Krakow, Poland	74 000	100.0	PLN	54 465 410	45 543 467	45 543 467
Norfrachem Oy Ab, Helsinki, Finland	100	100,0	EUR	2 500	4 763	4 763
Suomen Karbonaatti Oy, Lappeenranta, Finland	12 495	51.0	EUR	2 101 508	3 578 740	3 578 740
Total subsidiaries					**88 779 672**	**93 034 091**
Joint Ventures						
NorFraKalk AS, Verdal, Norway	46 000	50.0	NOK	46 000 000	5 819 584	5 819 584
Total Joint Ventures					**5 819 584**	**5 819 584**
Associated companies						
Lohjan Energiahuolto Oy Loher, Lohja, Finland	6	23.1	EUR	50 456	171	110 304
Pargas Hyreshus Ab, Pargas, Finland	1 022	34.1	EUR	1 719	82 010	57 369
Saimaan seutujen Opisto-osakeyhtiö, Lappeenranta, Finland	2 000	20.0	EUR	336	1	169 426
Total associated companies					**82 182**	**337 099**

Note 10 Shares and participations 31 Dec. 2007

2007

	Group holding Number of shares	%	Currency	Nominal value	Book value EUR Parent Company	Group
Other companies						
Archipelagia Golf Ab Oy, Pargas, Finland	10		EUR	1 682	20 523	20 523
Kiinteistö Oy Katinkullan Hiekkaniemi, Sotkamo, Finland	7		EUR	70 000	71 120	71 120
Kiinteistö Oy Katinkultaniemi, Sotkamo, Finland	3		EUR	30 000	30 480	30 480
Köpings Företagarforum AB, Köping, Sweden	1	0.1	SEK	5 000		530
Lappeenrannan Kerho Oy, Lappeenranta, Finland	15		EUR		138	138
Lappeenrannan Urheilutalo, Lappeenranta, Finland	34		EUR		0	0
Lohjan Puhelin Oy, Lohja, Finland	5		EUR	84		135
Movab AB, Malmö, Sweden	975	19.5	SEK	97 500		10 327
Pargas Idrotts- och ungdomsgård Ab, Pargas, Finland	1 500		EUR	12 614	12 816	12 816
Päijät-Hämeen Puhelinyhdistys , Lahti, Finland	17		EUR		1 293	1 293
AS Rocca al Mare Suurhall, Tallinn, Estonia	4	0.1	EEK	40		9 587
Savonlinnan Puhelinosuuskunta SPY, Savonlinna, Finland	9		EUR	3 027	3 252	3 252
Suomen ElFi Oy, Helsinki, Finland	1	5.6	EUR	2 000	2 000	2 000
Suur-Savon Sähkö Oy, Mikkeli, Finland	250		EUR	420	86	86
Vakka-Suomen Puhelin Oy, Uusikaupunki, Finland	9		EUR	151	1 170	1 170
Verdalskalk AS, Verdal, Norway	30	10.0	NOK	3 000 000	456 983	456 983
Viljavuuspalvelu Oy, Mikkeli, Finland	6 490	13.0	EUR	109 154	101 779	101 779
Total other companies					**701 640**	**722 219**

Note 11 Currents assets

1000 EUR	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Inventories				
Materials and supplies	**21 942**	20 151	**10 781**	9 014
Finished goods and work in progress	**14 422**	13 744	**7 130**	7 210
Advance payments	**108**	131		
Total	**36 472**	34 026	**17 911**	16 224
Short-term receivables				
Accounts receivable				
Nordkalk group			**2 177**	1 922
Associated companies	**49**	40	**49**	40
Others	**39 027**	37 171	**14 816**	14 532
Total	**39 076**	37 211	**17 042**	16 494
Prepaid expenses and accrued income				
Nordkalk group			**157**	95
Others	**4 817**	1 887	**3 483**	612
Total	**4 817**	1 887	**3 640**	707
Other receivables				
Nordkalk group			**184**	
Others	**3 290**	2 614	**37**	39
Total	**3 290**	2 614	**221**	39
Deferred tax assets				
Others	**620**	760		
Total	**620**	760		
Summary				
Nordkalk group			**2 518**	2 017
Associated companies	**49**	40	**49**	40
Others	**47 753**	42 431	**18 336**	15 183
Total	**47 802**	42 471	**20 903**	17 240
Specification of prepaid expenses and accrued income, external				
Financial items	**313**	113	**256**	41
Tax receivables	**1 929**	576	**1 589**	
Others	**2 574**	1 197	**1 638**	571
Total	**4 817**	1 887	**3 483**	612

Note 12 Change in shareholders' equity

1000 EUR	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Share capital 1 Jan.	**1 000**	1 000	**1 000**	1 000
Share capital 31 Dec.	**1 000**	1 000	**1 000**	1 000
Net profit/loss for previous years 1 Jan.	**38 099**	23 517	**31 927**	15 686
Translation differences	**648**	696		
Other changes - the period	**36**	150		
Other changes - previous years *)	**1 537**		**1 537**	
Net profit/loss for previous years 31 Dec.	**40 320**	24 363	**33 464**	15 686
Net profit for the period	**20 668**	13 736	**11 191**	16 242
Total shareholders' equity	**61 988**	39 099	**45 656**	**32 927**
Distributable equity				
Net profit for previous years			**33 464**	15 686
Net profit for the period			**11 191**	16 242
Total distributable equity			**44 656**	31 927

*) Tax refund related to dividends received.

SHAREHOLDERS OF NORDKALK CORPORATION

Dec. 31, 2007	Ownership %	Quantity
Ahlström Capital Oy	30.5	305 000
Rettig Group Ltd	21.0	210 000
Åbo Akademi University Foundation	8.7	87 397
The Alandia Group	7.7	77 398
Furuvik Invest Ab	7.5	75 723
Svenska litteratursällskapet i Finland r.f.	7.0	69 899
Veritas Pension Insurance Company Ltd	5.7	57 384
Veritas Life Insurance Company Ltd	1.9	19 129
Stiftelsen Eschnerska Frilasarettet	1.9	19 129
Sundström Christer	1.2	12 000
Stiftelsen Brita Maria Renlunds minne	1.0	9 564
William Thurings stiftelse	1.0	9 564
K.H. Renlunds stiftelse	1.0	9 564
Petter och Margit Forsströms stiftelse till Karl och Olivia Forsströms minne	0.5	4 782
Nordkalk´s management	3.3	32 867
Nordkalk Corporation	0.1	600
Total	**100.0 %**	**1 000 000 shares**

Note 13 Financing

Nordkalk had a strong cash flow during the whole year of 2007. A major part of the activity was financed with operative cash flow. Only a part of the agreed credit limits was in use. The balance sheet is financed through equity, a debenture loan of EUR 40 million, one amortizing bank loan of EUR 124 million, two committed credit limits to an aggregate amount of EUR 70 million and a committed investment limit of EUR 40 million. At the end of the year 2007 there was an unused reserve in the credit limits of EUR 49 million. The financing package runs to years 2010-2013 with current financing agreements.

Note 14 Provisions

	Group		Parent Company	
1000 EUR	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Provision for pension liabilities	**26**	37		
Provision for restructuring	**1 779**	913		
Provision made for future environmental responsibilties	**150**	146	**101**	101
Total	**1 956**	1 096	**101**	101

Note 15 Long-term liabilities

	Group		Parent Company	
1000 EUR	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Loans from financial institutions	**140 961**	166 899	**129 000**	155 000
Pension fund loans	**2 092**	2 188		
Deferred tax liabilities (Note 8)	**26 424**	26 797		
Other interest-bearing liabilities	**40 000**	40 000	**40 000**	40 000
Other non interest-bearing liabilities	**3 777**	1 270	**37**	68
Total	**213 254**	237 154	**169 037**	195 068
Long-term interest-bearing liabilities	**183 053**	209 087	**169 000**	195 000

Repayments of long-term liabilities				
	Year 2-5	**Over 5**	**Year 2-5**	**Over 5**
Loans from financial institutions	**72 594**	**68 367**	**64 000**	**65 000**
Pension fund loans		**2 092**		
Deferred tax liabilities (Note 8)	**35**	**26 389**		
Other interest-bearing liabilities	**40 000**		**40 000**	
Other non interest-bearing liabilities		**3 777**		**37**
Total	**112 629**	**100 625**	**104 000**	**65 037**

Note 16 Short-term liabilities

1000 EUR	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Short-term non interest-bearing liabilities				
Accounts payable				
Nordkalk group			**876**	1 010
Others	**29 311**	24 743	**13 556**	11 195
Total	**29 311**	24 743	**14 432**	12 205
Advances received				
Others	**43**	60		
Total	**43**	60		
Accrued expenses and deferred income				
Others	**13 526**	17 964	**10 910**	12 302
Total	**13 526**	17 964	**10 910**	12 302
Other non interest-bearing liabilities				
Nordkalk group			**12**	
Others	**10 414**	7 371	**3 273**	3 401
Total	**10 414**	7 371	**3 285**	3 401
Summary				
Nordkalk group			**888**	1 010
Others	**53 294**	50 138	**27 739**	26 898
Total short-term non interest-bearing liabilities	**53 294**	50 138	**28 628**	27 909

1000 EUR	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Short-term interest-bearing liabilities				
Repayment of long-term liabilities				
Others	**19 711**	4 633	**16 000**	
Overdrafts	**1 775**	185		
Other interest-bearing liabilities				
Others	**230**	37		
Total short-term interest-bearing liabilities	**21 717**	4 856	**16 000**	
Total short-term liabilities	**75 011**	54 994	**44 628**	27 909
Specification of accrued expenses and deferred income, external				
Purchases		1 269		
Sales related items	**111**	609	**106**	241
Personnel costs	**5 302**	6 241	**4 257**	3 647
Taxes	**42**	2 806		2734
Financial items	**6 039**	5 319	**5 924**	5 103
Others	**2 032**	1 719	**623**	577
Total	**13 526**	17 964	**10 910**	12 302

Note 17 Pledged assets, contingent liabilities and leasing contracts

1000 EUR	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Pledged assets				
Real estate mortgages as security for own debts				
Loans from financial institutions	**148 770**	155 000	**145 000**	155 000
Mortgages	**375 041**	365 617	**364 659**	364 659
Other mortgages				
Mortgages	**530**	553		
Total mortgages	**375 571**	366 170	**364 659**	364 659
Other pledged assets				
Other pledges	**90 344**	44 835	**88 725**	43 181
Total other pledged assets	**90 344**	44 835	**88 725**	43 181
Pledged assets for other own liabilities than debts				
Real estate mortgages	**716**	958		
Total	**466 631**	411 963	**453 384**	407 840

1000 EUR	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Contingent liabilities				
Guarantees:				
For subsidiaries			**8 320**	8 387
For others	**9 963**	1 206	**9 065**	269
Pension fund liability	**42**	44		
Total	**10 004**	1 250	**17 385**	8 656
Leasing contracts				
In accordance with current leasing contracts leasing fees during the next years will amount to:				
Next 12 months	**8 841**	8 218	**6 069**	5 566
Later	**34 165**	36 211	**24 096**	29 049
Total	**43 007**	44 429	**30 165**	34 615

Note 18 Adjustment for financial leasing in Nordkalk Group

The effects of recording financial leasing contracts in the balance sheet as assets and liabilities and the leasing charges as depreciation, repayments and interest expenses.

MEUR	Operating profit		Financial Items		Profit before extraordinary items	
Income statement	**2007**	2006	**2007**	2006	**2007**	2006
As shown in the Income Statement	**43.6**	36.8	**-11.0**	-12.3	**32.6**	24.5
Adjustment for interest expenses included in leasing charges	**1.8**	1.6	**-1.8**	-1.6	**0.0**	0.0
Adjusted profit	**45.4**	38.4	**-12.8**	-13.9	**32.6**	24.5

	Fixed assets		Liabilities		Balance sheet total	
Balance sheet	**2007**	2006	**2007**	2006	**2007**	2006
Balance Sheet values as shown	**263.6**	259.0	**288.3**	292.1	**366.5**	345.8
Residual value of leased assets	**36.2**	39.2	**27.9**	32.6	**36.2**	39.2
Adjusted Balance Sheet	**299.7**	298.3	**316.2**	324.7	**402.7**	385.1
Solvency (%)						
According to the Financial Statement	**20.8**	15.2				
After adjustments in the Income Statement and in the Balance Sheet	**19.0**	13.7				

Note 19 Nominal values of derivative instruments

1000 EUR	31 Dec. 2007	31 Dec. 2006
Nominal value		
Foreign exchange forward contracts	**83 017**	77 661
of which closed contracts		1727
Forward contracts of electricity	**11 704**	11 686
Interest rate swap	**125 000**	125 000
Market value		
Foreign exchange forward contracts	**83 349**	77 153
Forward contracts of electricity	**14 539**	12 520
Interest rate swap	**126 370**	126 258
Difference between nominal value and market value		
Foreign exchange forward contracts	**332**	-508
Forward contracts of electricity	**2 835**	834
Interest rate swap	**1 370**	1 258

The principle observed in calculating market value:
Foreign exchange forward contracts, forward contract of electricity and interest rate swap are valued at market values on the balance sheet date. Derivative instruments are used to reduce currency, purchase and interest risk of the Group.

Note 20 Financial risk management

It is Nordkalk Corporation's policy to hedge a large part of its equity in foreign currencies. Hedges are used for material exposures. Such exist in Swedish crowns and Polish zlotys. Both currencies may be hedged up to 75% of the exposure. Forward trading of the different currencies is used for hedging. Hedging is based on Board of Directors' resolutions. Hedge ratios vary according to what future prospects for the currency rates in question are judged to be. Nordkalk hedges even smaller exposures in such cases when it is deemed that there is an imminent threat of loss of value. In the autumn of 2007 it was judged that the Estonian kroon was under such a threat. Nordkalk has hedged its whole equity in EEK. The main principle in currency hedging is to avoid risk and act on a long-term basis. Translation differences are entered against equity.

Forward trading is also used to hedge part of the operating net currency exposure. Nordkalk hedges half of its 6 months net currency exposure.

Forward trading is also used to hedge the price of budgeted electricity consumption. Hedging is built on minimum and maximum hedge ratios. The maximum hedge ratio is lower for longer periods. For the nearest 52-week period the maximum hedge ratio is 80%.

Interest-rate swaps are used to manage the interest-rate risk. It is Nordkalk's policy to hedge at least 50% of its financing costs for at least 3 years by exchanging variable rates for fixed rates.

Market rates for forward trading, forward market prices for electricity and interest-rate swaps are calculated at the time of interim and annual accounts. The result is shown in the notes to interim and annual accounts.

Note 21 Emission rights

In the beginning of 2005 emission rights were allocated for the period 2005 – 2007. In 2007 emission rights were sold at a price of EUR 1.1 million. The revenue is posted to Other operating income.

The final allocation of emission allowances in Finland, Sweden and Estonia for the period 2008 – 2012 has not yet been received. We expect the company to receive allowances needed for the production in these countries. In Norway a statutory amendment took place in 2007 which implies that no free emission rights will be allocated to companies with a start up after 2001. This statutory amendment on emission rights affects the profitability of the new lime kiln in a negative way. Nordkalk has appealed the decision to the EFTA Surveillance Authority and a ruling is expected during the first half of the year 2008.

Calculation of Financial Ratios

Return on capital employed (ROC), %

$$\frac{\text{Profit before extraordinary items + financial expenses}}{\text{Balance sheet total - non interest-bearing liabilities, average over the year}} \times 100$$

Return on equity (ROE), %

$$\frac{\text{Profit before extraordinary items - taxes in the income statement}}{\text{Shareholders' equity + minority interest, average over the year}} \times 100$$

Interest coverage

$$\frac{\text{Operating profit + financial income}}{\text{Interest expenses}}$$

Valued added

$$\frac{\text{Operating profit + personnel costs + depreciation}}{\text{Personnel on average}}$$

Gearing, %

$$\frac{\text{Interest-bearing liabilities - cash and bank balances - other interest-bearing receivables}}{\text{Shareholders' equity + minority interest}} \times 100$$

Solvency ratio, %

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

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items - income taxes - minority interest}}{\text{Adjusted number of shares over the financial year}}$$

		2007	2006	2005	2004	2003 [1]
From Income statement						
Net sales	MEUR	**334.4**	303.8	269.6	270.6	259.8
change	%	**10.1**	12.7	-0.4	4.1	3.1
foreign sales	%	**41.3**	38.8	37.9	34.4	35.1
Operating profit	MEUR	**43.6**	36.8	27.5	37.9	34.0
% of net sales	%	**13.0**	12.1	10.2	14.0	13.1
Profit before extraordinary items	MEUR	**32.7**	24.5	13.9	20.4	15.5
% of net sales	%	**9.8**	8.1	5.2	7.6	6.0
Profit before taxes and minority interest	MEUR	**32.7**	24.5	13.9	20.4	15.5
% of net sales	%	**9.8**	8.1	5.2	7.6	6.0
Net profit/loss for the period	MEUR	**20.7**	13.7	6.7	12.5	6.4
From balance sheet						
Fixed assets	MEUR	**263.6**	259.0	248.3	258.8	259.5
Inventories	MEUR	**36.5**	34.0	34.5	36.8	33.2
Other current assets	MEUR	**66.5**	52.8	48.1	48.6	50.4
Minority interest	MEUR	**14.3**	13.5	12.8	13.2	11.2
Equity	MEUR	**62.0**	39.1	73.6 *)	72.6 *)	52.6 *)
Interest-bearing liabilities	MEUR	**204.8**	213.9	185.0	195.2	215.7
Non interest-bearing liabilities	MEUR	**85.5**	79.3	59.5	63.2	63.6
Balance sheet total	MEUR	**366.5**	345.8	330.9	344.2	343.1
Financial ratios						
Gross capital expenditure	MEUR	**32.9**	22.0	14.1	22.3	22.0
% of net sales	%	**9.8**	7.2	5.2	8.2	8.5
Depreciation	MEUR	**27.9**	25.8	26.9	24.5	23.4
Research and Development costs	MEUR	**3.4**	3.3	3.2	3.5	4.5
% of net sales	%	**1.0**	1.1	1.2	1.3	1.7
Capital employed CB	MEUR	**281.1**	266.5	271.4	281.0	279.5
Return on capital employed	%	**16.6**	13.8	10.2	13.7	13.4
Return on equity	%	**38.2**	24.3	10.9 *)	22.0 *)	10.6 *)
Gearing	%	**243.8**	386.9	203.2 **)	216.3 **)	318.3 **)
Interest coverage	times	**3.7**	3.0	2.0	2.3	2.1
Solvency ratio	%	**20.8**	15.2	11.3	9.0	4.3
Earnings per share (EPS)	EUR	**20.7**	13.7	6.7		
Per employee						
Net sales	1000 EUR	**245**	225	205	205	195
Value added		**90**	82	76	81	76
Wages and salaries		**38**	35	35	34	33
Profit before extraordinary items		**24**	18	11	16	12
Personnel on average		**1 364**	1 353	1 316	1 317	1 330
Personnel at year-end		**1 339**	1 304	1 347	1 288	1 310

1) NK-Holding Group
*) incl. capital loan
**) Capital loan included in equity

To the Shareholders of Nordkalk Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Nordkalk Corporation for the period 1.1.–31.12.2007. The Board of Directors and the President have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the 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 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 administration is to examine that the members of the Board of Directors and the President of the parent company have complied with the rules of the Companies Act.

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

Pargas 30 January, 2008

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Storugns

Kurevere

Wolica

Pargas

Gotland Limestone from Storugns in Sweden

- *Silurian limestone*
- *430 million years old*
- *fine-grained and porous, high chemical purity*
- *good for quicklime for the process industries*

Reactive Limestone from Wolica in Poland

- *Jurassic limestone*
- *180 million years old*
- *more porous than Gotland limestone*
- *easily ground*
- *the reactive ground lime is excellent for flue gas cleaning*

Kurevere Dolomite from Estonia

- *Silurian dolomite*
- *430 million years old*
- *chemical composition makes it good for fertiliser, rockwool and agricultural use as well as for different industrial dolomite applications*

Crystalline Limestone from Finland

- *the quarries in Pargas and Lappeenranta*
- *1900 million years old*
- *very white*
- *excellent for different kinds of filler and paper pigment*

Nordkalk

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