The Board of Directors' Report
Financial Statements

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BOARD OF DIRECTORS' REPORT

BUSINESS OPERATIONS

The global economic recession weakened demand for industrial filters and aftermarket services considerably in comparison to the previous year. The amount of new orders started to decrease already at the end of 2008 and remained on a low level throughout the year 2009. Also the size of the individual orders was smaller than in the previous years.

Group order backlog at the end of December was 53.6% lower than one year before totaling EUR 33.4 million (EUR 72.0 million). The amount of new orders received during the review period was EUR 109.1 million (EUR 184.8 million). The order backlog at the end of the period is expected to be delivered in total during 2010.

Approximately 93% of Group net sales were generated by exports and foreign operations. Already in spring 2009 Larox began implementing several measures to adjust the organizational and cost structure to the weaker situation regarding demand. The aim of these measures is to maintain Larox's profitability at a satisfactory level and to achieve annual savings of EUR 6.5 million. These adjustment measures will be finalized during spring 2010, and we expect the cost savings to be accomplished fully in 2011.

The adjustment measures generated non-recurring costs, as a result of which the company's result for the year was negative.

As part of the Group-wide adjustment measures Larox closed the local planning and procurement department in the Netherlands. In addition, the aftermarket service business of Larox B.V. was transferred under the name of Larox Oyj at the year end.

GROUP STRUCTURE

During 2009 Larox's Chinese (Larox Filtration Technology (Suzhou) Co. Ltd.) and Russian (OOO Larox) subsidiaries got their business licenses and started their operations according to plans during the first half of the review period. Mentioned Larox's subsidiaries are strengthening the Group's position in the growing markets of Russia and Asia.

During the review period Larox established a subsidiary in India. Larox India Private Limited was registered on 17 November 2009 and it is responsible both for Larox's aftermarket services and filter sales development in India. The subsidiary is located in Bangalore and it is expected to be fully operational during the 2nd quarter of 2010 at the latest.

Following the share transactions between the main shareholders of Larox and Outotec Oyj in December 2009, the control of the Larox Group was transferred and Larox Oyj became a subsidiary of Outotec Oyj.

PROFITS AND PROFITABILITY

Net sales were EUR 150.2 million (EUR 208.0 million). The Group showed an operating profit of EUR -1.8 million (EUR 16.6 million), i.e. -1.2% (8.0%) of net sales. Larox Group's result before tax totaled EUR -2.7 million (EUR 14.0 million), i.e. -1.8% (6.7%) of net sales. Depreciation totaled EUR 4.2 million (EUR 3.8 million) which is 2.8% of net sales (1.8%). Result for the period was EUR -6.5 million (EUR 10.0 million).

Return on shareholders' equity was -20.1 % (29.2 %). Return on invested capital was -1.7 % (24.2 %). Earnings per share were EUR -0.69 (EUR 1.07).

BALANCE SHEET AND FINANCING

At the turn of the year 2009 the Group balance sheet totaled EUR 97.0 million (EUR 118.1 million). Net financing costs totaled EUR 0.9 million (EUR 2.7 million), i.e. 0.6% (1.3%) of net sales. Net cash flow from operating activities was EUR 10.0 million (EUR 10.8 million), which is a result of active net working capital management. The equity ratio was 30.4% (32.3%) and debt-equity ratio 1.21 (1.07).

INVESTMENTS

Larox Group's investments totaled EUR 4.3 million (EUR 7.4 million) including machinery investments especially in Finland and in China and furthermore IT applications, product development and replacement investments.

RESEARCH AND DEVELOPMENT

Larox invested in research, equipment and process development, automation products and test filtering as follows:

	2009	**2008**	**2007**
EUR million	5.0	7.3	7.6
% of net sales	3.3%	3.5%	4.8%

In Larox's Reseach and Development, the focus was on the continuous improvement of the filters' features, and on the finetuning of the supply and procurement chains to more flexible and efficient. Larox concluded a

cooperation contract with Pöyry Oyj in order to improve the company's capability to offer large filtration plant entities. First plant projects with Pöyry started according to plans.

Larox also worked in close cooperation with the Lappeenranta University of Technology. In order to secure high level education in liquid and solid separation technology Larox is funding a professorship in this university. The size of the fund started in 2008 is EUR 95 thousand annually during a five-year period.

Larox continued to systematically productize aftermarket services. Larox developed and launched several new, mainly modernization products and service packages. Particular attention was paid to solutions increasing safety at work.

PERSONNEL

The average number of personnel employed by the Group during the review period was 584 (562, 458). At the end of the review period it was 562 (593, 469) of whom 252 (279, 220) worked for the parent company. The increase in the number of the personnel can be seen in Asia and especially in China where the new production unit was opened. On the other hand the number of the personnel decreased in other areas due to the Group-wide adjustment measures.

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

AREA	2009	2008	2007
Finland	272	303	220
Other Europe	103	130	127
North America	29	35	32
South and Central America	47	49	36
Asia and Australasia	81	39	28
Middle East and Africa	30	37	26
Personnel total	**562**	**593**	**469**

In the changed market situation Larox concentrated on adjusting its personnel resources to meet the needs of the business and on the development of the change management. The adjustment measures are not shown in full in the number of personnel at the end of the year.

Employee benefits expenses were divided as follows:

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008	1.1.-31.12.2007
Salaries and fees	33 373	28 245	24 711
Pension expenses, defined contribution plans	2 961	3 064	2 302
Pension expenses, defined benefit plans	-49	23	57
Share-based payments, payment in cash	129	28	63
Share-based payments, payment in shares	396	9	101
Other employee benefits	4 691	4 991	4 292
Employee benefits expenses, total	41 501	36 360	31 526

CHANGES IN LAROX GROUP MANAGEMENT

Larox Corporation Board of Directors and Mr. Toivo Matti Karppanen, President and CEO of Larox, agreed that the term of office of Mr. Karppanen would end at the end of 2009. Larox Corporation Board of Directors appointed Mr. Juhana Ylikojola, M.Sc. (Engineering), Larox Corporation's new President and CEO, as of 1 January 2010.

THE BOARD OF DIRECTORS AND AUDITORS

In the Larox Corporation annual general meeting of shareholders on 26 March 2009 Mr. Timo Vartiainen, Ms. Katariina Aaltonen, Mr. Teppo Taberman, Mr. Thomas Franck and Mr. Matti Ruotsala were re-elected to the Board. Mr. Timo Vartiainen was elected Chairman of the Board in the organizational meeting of the Board of Directors held immediately after the annual general meeting of shareholders.

The annual general meeting of shareholders elected the following main auditors: auditing society PricewaterhouseCoopers Oy with primary responsibility APA Kim Karhu.

ADMINISTRATION

In 2009 the main principles of corporate governance, recommended by the
NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce and the Confederation of Finnish Industries (EK) were adopted in Larox Corporation.

A separate Corporate Governance Statement will be published by Larox Corporation at the same time as the Report of the Board of Directors and the Financial Statement 2009. The company’s Board of Directors has

confirmed the Corporate Governance principles, which can be found on the Larox Corporation website: www.larox.com.

RISKS AND UNCERTAINTY FACTORS

Risk management is part of Larox Group's management and control system. It aims at preventing negative phenomena, support the Group strategy and ensure continuity of its operations and the wellbeing of its personnel. According to Larox risks management system risks are divided into the following four risk categories: business, operational, financial risks and risk of damage.

Larox operates on a global market where global economic trends affect its business development, but the company is not at the mercy of changes in any particular market area. The recent political unrest in sub-equatorial Africa has caused the most uncertainty in Larox's business.

The demand risk of Larox products has increased essentially because of the global economic challenges. The uncertainty in demand, which appeared at the end of 2008, continued during the year of 2009.

The international recession has decreased Larox's customers' investments and their operational volumes when at the same time some customers have been forced to start various cost saving measures. Some customers have postponed their decisions for investments. Due to these reasons, competition has further increased.

There are certain branches of industry in Larox's clientele where less effect of the economic crisis has been noticed, such as the food and pharmaceutical industries. Similarly there is less effect in China and India.

Larox manages risks related to purchasing and manufacturing already at contract level by tying raw material costs to materials cost index. Furthermore Larox inspects and controls its subcontractors even more than before in accordance with quality systems and by developing logistics. In addition, Larox aims at expanding its cooperation networks in order to avoid excessive dependencies on key-suppliers. Larox improves also possibilities for product technology transfers by creating and recording the procedures for more secured world-wide technology transfers.

Due to the economic crisis, skilled personnel are now more readily available. Larox attempts to tackle other personnel-related challenges by training the personnel and by creating various types of incentive bonus and motivation schemes.

As a global company, Larox also faces risks associated with the reliability of IT systems and data security. Larox fights off these risks by using reliable contract partners and by training employees.

The uncertainty about the financial situation of customer companies increases Larox's credit loss risk, too. Larox attempts to control these risks by applying more suitable payment terms, by monitoring operations actively and by reacting to payment delays more efficiently. On the initiative of some customers Larox has negotiated and agreed on the postponement of some orders in the order backlog to a later date than originally agreed.

The euro, U.S. dollar, Australian dollar and South African rand are Larox's main invoicing currencies. Larox's principal buying currency is the euro. Larox fights off currency risks by means of various protective measures.

Larox manages its liquidity risk by means of efficient cash management. During the review period, Larox increased amounts of available bank limits as well as developed collection of receivables. Larox’s liquidity improved during this period.

Marginals of the credits of Larox increased during the review period. However, the average interest rate of the credits decreased during the same period as market interests rates have decreased.

Larox fights off the risk of damage by following various occupational health and safety schemes and by preparing other strategies and plans for business premises. According to Larox, traffic and other accidents and illnesses during business trips pose the greatest risk of damage. In 2009 there was one fatal accident in Larox's subisidiary in South Africa, causing the death of one employee of Larox's subcontractor. The causes of the accident are under investigation.

Further information about risks and risk management is presented in the Group's Internet pages (www.larox.com) in the section of Corporate Governance.

ENVIRONMENTAL MATTERS

Direct environmental influence of Larox’s business is minor. The Group takes care of the proper sorting and further handling of its wastes, including hazardous wastes. The environmental impact of Larox filters is positive during their life cycle: customers are able to decrease the environmental effect impact of their manufacturing processes with the help of efficient separation technology. Larox filters reduce the energy and water consumption and emissions in the manufacturing processes of both mining and metallurgical industry as well as chemical process industry.

AUTHORIZATION GIVEN TO THE BOARD OF DIRECTORS

The annual general meeting of shareholders authorized the Board of Directors to decide on shares, stock option rights or special rights referred to in the Finnish Companies Act chapter 10, paragraph 1 in one or more lots in such a way that based on the authorization the total maximum number of Larox Corporation B-

series shares is 500 000 and the authorization was used for 44 350 shares during the fiscal year. The authorization is valid until 30 March 2012.

The authorization to the Board of Directors to decide on the purchase of own B-series shares was not used during the review period. The authorization is for the Board of Directors to decide on the purchase of own B-series shares in the following way: The number of own B-series shares to be purchased is 500.000 shares at the maximum. The Board of Directors can purchase these shares only by using the company's unrestricted shareholders' equity in public trading arranged by Nasdaq OMX Helsinki Ltd. at fair value at the date of acquisition in a proportion not pro rata to the shares owned by the shareholders. The authorization is valid for 18 months from the date of the decision by the annual meeting of shareholders.

The authorization to the Board of Directors regarding the payment of a possible additional dividend was not used during the review period. The authorization was for the payment of an additional dividend of EUR 0.20 per share at the maximum, should the economic situation of the company allow it.

ISSUE OF EQUITY INSTRUMENTS, SUBSCRIPTION OF B-SERIES SHARES BASED ON THE MANAGEMENT INCENTIVE SYSTEM

The Board of Directors of Larox Corporation decided on 26 March 2009 on a directed share issue for the reward payment from the measuring period 2007-2008 of the Share Ownership Plan 2007-2010. In the share issue 44,350 Larox Corporation new B shares were issued and conveyed without consideration to the key persons participating in the Share Ownership Plan according to the terms and conditions of the plan. More detailed information on the incentive plan was published on 30 May 2007. The decision on the directed share issue is based on the authorization granted to the Board of Directors by the annual general meeting of shareholders held on 30 March 2007. This decision was announced on 26 March 2009. The directed share issue does not affect the company's share capital. At the end of the period, the company held 1,000 of its own B shares, which is 0.01% of the total number of shares or 0.002% of the total number of votes. More detailed information is presented in the Notes to the Consolidated Financial Statement (22, Shareholders' equity, Share-based payments).

SHARE-BASED INCENTIVE PLAN FOR KEY PERSONNEL

The Board of Directors of Larox Corporation decided on 29 May 2007 to introduce a share-based incentive plan for the Larox Group key personnel. The maximum number of shares to be granted under the share-based award programme is in total 150 000 and in cash such an amount that is needed to cover the taxes and tax-related payments at the grant date; however the amount can not exceed the value of shares at the grant date. The earning period began on 1 January 2007 and will end on 31 December 2010. Information concerning this plan has been published in the company announcements on 30 May 2007 and 10 August 2007. More detailed information is presented in the Notes to the Consolidated Financial Statement (22, Shareholders' equity, Share-based payments).

Following the share transaction executed on 21 December 2009 between Outotec Oyj and the main shareholders of Larox the authority in Larox Corporation has been transferred to Outotec Oyj. Outotec Oyj made a mandatory tender offer for all of the Company's series A and B shares in December. Due to the above-mentioned changes focused on the Larox Corporation ownership structure and Group structure, and to the Outotec Oyj's mandatory tender offer, the Board of Directors of Larox Corporation decided to change the duration of the key personnel Share Ownership Plan on 29 December 2009 so that the changed Plan will concern years 2007-2009 instead of formerly decided period 2007-2010. In addition, the Board of Directors of Larox Corporation has decided that the restriction period and transfer restrictions of the shares paid as reward for the period of 2007-2008 will terminate and the shares will be freely transferable, and that the company does not pay any reward for the measuring period 2007-2009 and that the company terminates the Share Ownership Plan as of 31 December 2009.

SHARES AND SHAREHOLDERS

The trading with Larox B shares 1 January – 31 December 2009 totaled 2 277 739, which is 24.2% of the total number of shares. The value of the trading totaled EUR 19.0 million. The lowest price of the period was EUR 4.79 and the highest EUR 9.93 per share. The closing trading price of the share was EUR 9.70 per share and the market value of the total capital stock EUR 91.4 million. At the end of 2009 the number of shareholders was 1.597.

SHAREHOLDERS' EQUITY

Information concerning the shares of Larox Corporation is presented in the Notes to the Consolidated Financial Statement (22, Shareholders' equity).

EVENTS AFTER THE REVIEW PERIOD

According to the company announcement by Outotec Oyj on 27 January 2010, the shares offered in the mandatory public tender offer by Outotec Oyj, started on 28 December 2009 and expired on 22 January 2010, together with all the shares already owned by Outotec Oyj, represent approx. 98.5% of all Larox shares and approx. 99.7% of all the votes given by Larox shares. Outotec has pursuant to its ownership exceeding nine tenths (9/10) gained a right to redeem all the series B shares held by other remaining shareholders of Larox at fair value in accordance with Chapter 18, Section 1 of the Finnish Companies Act. Outotec has on 3 February 2010 notified Larox of its decision to exercise its redemption right and presented its redemption claim for the remaining shares in Larox in accordance with the Finnish Companies Act.

PUBLIC OFFER FOR LAROX SHARES

Outotec Oyj's public tender offer covered the series A and B shares issued by Larox and the unused subscription rights relating to the 1994 bonus issue by Larox. A and B series shares have equal rights to dividend. Each share in the A series entitles the holder to twenty votes and each share in the B series entitles the holder to one vote. More information on the shares is available in the end of the Financial Statement under the title Shares and Shareholders.

The Board of Directors of Larox, at its annual general meeting (AGM) on 13 October 1994, decided to increase the company's share capital through a bonus issue, in which five old shares in the series A and B entitled the shareholders to two new shares in the series B, free of charge. A total of 754 600 new B shares of the nominal value of 10 FIM each were issued. At its AGM on 17 March 2004, the Board decided to increase the number of Larox shares in proportion to the previous holdings of the existing shareholders so that each old share in the series A entitled to three new shares in the series A, and each share in the series S to three new shares in the series B. Due to this increase in the number of shares, five unused subscription rights dating back to the bonus issue in 1994 entitles holders to mark six shares in the series B issued as part of Larox's bonus issue, and later to increase the company's share capital. The transfer of the shares and warrants is not restricted by redemption clauses or clauses establishing approval requirement, and they give no special rights relating to decision-making within the company, nor do they create restrictions relating to voting rights. Larox will not participate in arrangements in which the financial rights relating to the shares or warrants and their management are separated. The shareholding-based incentive system for key personnel is described in more detail in appendix 22, Own Capital.

Larox follows the regulations and provisions of the Finnish Companies Act for appointment and possible dismissal of the Board and Managing Director and in making amendments in the articles of association. The Board's operational power in matters relating to the issue and acquirement of shares in particular is described in the chapter entitled Authorisations of the Board.

FUTURE PROSPECTS

During 2009 the accumulation of new orders decreased essentially. The order backlog at the end of the year was EUR 33.4 million (EUR 72.0 million) and it is expected to be fully delivered during 2010. However, the amount of new orders during the fourth quarter was bigger than during the previous four quarters. There is still a lot of uncertainty related to demand situation.

As part of Outotec Larox will have new opportunities to develop products and increase sales of filtration solutions and aftermarket services.

The adjustment measures started in 2009 will increase Larox's relative profitability in 2010. The cost savings will be fully accomplished in 2011.

DISTRIBUTION OF PROFIT

Parent company's dividends available for the distribution totaled EUR 14.4 million, of which the profit for the fiscal year is EUR 1.6 million. The Board proposes to the annual general meeting of shareholders that no dividends be paid for the year 2009.

KEY RATIOS OF LAROX GROUP

1000 EUR	1 Jan – 31 Dec, 2009	1 Jan – 31 Dec, 2008	1 Jan – 31 Dec, 2007
New orders	109 072	184 799	208 421
Group order backlog, end of the period	33 418	72 006	97 330
Net sales	150 170	207 995	158 270
Operating profit	- 1 820	16 618	13 070
% of net sales	-1.2	8.0	8.3
Net financing costs	893	2 661	1 315
% of net sales	0.6	1.3	0.8
Result before taxes	- 2 713	13 957	11 755
Result for the period	-6 492	10 022	9 496
Investments	4 307	7 402	3 285
Shareholders' equity per share at end of period, EUR	3.04	3.81	3.50
Equity ratio %	30.4	32.3	34.2
Return on equity, %	-20.1	29.2	31.9
Return on invested capital, %	-1.7	24.2	22.9
Total assets	96 958	118 139	102 853
% of net sales	64.6	56.8	65.0
Contingent liabilities (EUR million)	44.1	44.2	30.3
EPS, EUR	-0.69	1.07	1.01
Dividend per share, EUR	0.00*)	0.30	0.60
Trading price at the end of period, EUR	9.70	4.60	12.00
Dividend per earnings ratio %	0.00	46.7	59.4
Dividend yield, %	0.00	10.9	5.0
Price per earnings ratio (P/E)	-11.81	4.30	11.88
Market capitalization at the end of period, EUR million **)	90.1	43.2	112.6
Trading volume			
B-shares, 1000 pcs	2 277,7	2 228,3	4 173,6
In relation to average number of B shares, %	31.3	30.7	57.5
Average number of shares at the end of period, 1000 pcs	7 288,4	7 257,6	7 257,6
Personnel, average	584	562	458
Personnel at the end of the period	562	593	469
Net sales per person	257	370	346

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

***) A-share data is based on the B share's last trading rate of the financial year (weighted average).*

Consolidated Financial Statements, IFRS

Consolidated Income Statement, IFRS

1000 EUR	**Note**	**1.1.-31.12.2009**	**1.1.-31.12.2008**
Net sales	3)	150 170	207 995
Other operating income	5)	1 042	4 230
Materials and services	6)	-78 484	-119 117
Employee benefits expense	7)	-41 501	-36 360
Depreciation and amortization	13,15)	-4 217	-3 808
Other operating expenses	8)	-28 831	-36 322
OPERATING PROFIT		**-1 820**	**16 618**
Financial income	10)	1 345	655
Financial expenses	10)	-2 180	-3 778
Share of profit in associates	16)	-58	462
PROFIT BEFORE TAX		**-2 713**	**13 957**
Income tax expense	11)	-3 779	-3 935
PROFIT FOR THE PERIOD		**-6 492**	**10 022**
Profit for the period attributable to equity holders of the parent company		-6 492	10 022
Earnings per share for profit attributable to the equity holders of the parent company			
EPS basic and diluted (EUR)	12)	-0.69	1.07
STATEMENT OF COMPREHENSIVE INCOME, 1 000 EUR		-6 492	10 022
Profit for the period			
OTHER COMPREHENSIVE INCOME			
Gains/ losses recognized directly in equity			
Cash flow hedges excluding taxes,(1-12/2009 87 and 1-12/2008 -73)		248	-208
Currency translation		1 569	-1 269
Total other comprehensive		1 817	-1 477
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-4 675**	**8 545**
Total comprehensive income attributable to equity holders of the parent company		-4 675	8 545

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

Consolidated Balance Sheet, IFRS

BALANCE SHEET, IFRS 1000 EUR	Note	31.12.2009	31.12.2008
ASSETS			
NON-CURRENT ASSETS			
Intangible asssets	13)	17 433	18 998
Goodwill	14)	3 206	2 843
Property, plant and equipment	15)	12 933	11 382
Investments in associates	16)	0	1 723
Available-for-sale investments	17)	23	23
Other long term receivables		33	0
Deferred tax asset	18)	1 796	5 063
TOTAL NON-CURRENT ASSETS		**35 424**	**40 031**
CURRENT ASSET			
Inventories	19)	22 814	28 191
Trade receivables and other receivables	29)	35 016	46 555
Current tax assets		641	1 701
Cash and bank	20)	1 535	1 661
TOTAL CURRENT ASSET		**60 006**	**78 108**
Non-current Assets Held for Sale	21)	1 528	0
TOTAL ASSET		**96 958**	**118 139**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	22)	5 629	5 629
Share premium account		5 777	5 777
Other reserves		39	-208
Translation differences		-381	-205
Retained earnings		17 612	24 777
SHAREHOLDERS' EQUITY		**28 676**	**35 770**
NON-CURRENT LIABILITIES			
Deferred tax liability	18)	1 674	4 111
Long term financial liabilities	23)	10 552	13 124
Employee benefit obligations	24)	596	594
Non-current provisions	25)	1 353	1 843
TOTAL NON-CURRENT LIABILITIES		**14 175**	**19 672**
CURRENT LIABILITIES			
Short term financial liabilities	23)	24 025	25 144
Trade payables and other payables	26)	21 722	35 893
Current tax liabilities		2 082	550
Current provisions	25)	6 278	1 110
TOTAL CURRENT LIABILITIES		54 107	62 697
TOTAL EQUITY AND LIABILITIES		**96 958**	**118 139**

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

Consolidated Statement of Cash Flow, IFRS

1000 EUR	Note	1.1.-31.12.2009	1.1.-31.12.2008
Cash flow from operating activities			
Profit for the period		-6 492	10 022
Adjustments for profit and loss:			
Depreciation and amortization	13,15)	4 217	3 808
Gains on disposals of fixed assets		0	-4
Share of profit of associated companies	16)	58	-462
Unrealized exchange gains and losses		9	53
Financial income and expenses	10)	826	3 070
Income taxes	11)	3 779	3 935
Change of the working capital:			
Change in inventories		7 160	-3 411
Change in trade and other receivables		14 635	-11 996
Change in trade and other payables		-16 421	11 552
Change in provisions		4 665	856
Interest paid in operating activities		-1 293	-1 848
Interests received in operating activities		302	78
Other financial items in operating activities		-273	253
Income taxes paid in operating activities		-1 118	-5 058
Net cash generated from operating activities		10 054	10 848
Cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		-4 279	-2 969
Gains on disposals of property, plant, equipment and intangible assets		224	0
Investments on company acquisition		0	-3 384
Dividends received from investments		125	125
Net cash used in investing activities		-3 930	-6 228
Cash flow from financing activities			
Short-term loans made		18 377	17 956
Repayments of short-term loans		-19 471	-19 849
Long-term loans made		4 500	9 400
Repayments of long-term loans		-6 975	- 6 280
Repayments of finance leases		-73	-88
Dividends paid		-2 814	-5 629
Net cash generated from financing activities		-6 457	-4 490
Net change in cash and cash equivalents		-333	131
Cash and cash equivalents 1 Jan		1 661	1 812
Effect of the foreign exchange rates		207	-282
Cash and cash equivalents 31 Dec	20)	1 535	1 661

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

Consolidated Statement of Changes in Equity, IFRS

CHANGE IN SHAREHOLDERS' EQUITY						
Equity belonging to parent company's shareholders						
1-12/2008						
1 000 EUR	Share capital	Share issue premium	Hedging res.	Translation diff.	Retained earnings	Total
SHAREHOLDERS' EQUITY 1 JAN 2008	5 629	5 777		-127	21 566	32 845
Dividend distribution					-5 629	-5 629
Share-based payments					9	9
Total comprehensive income for the period			-208	-78	8 831	8 545
SHAREHOLDERS' EQUITY 31 DEC 2008	5 629	5 777	-208	-205	24 777	35 770
Equity belonging to parent company's shareholders						
1-12/2009						
1 000 EUR	Share capital	Share issue premium	Hedging res.	Translation diff.	Retained earnings	Total
SHAREHOLDERS' EQUITY 1 JAN 2009	5 629	5 777	-208	-205	24 777	35 770
Dividend distribution					-2 814	-2 814
Share-based payments					396	396
Total comprehensive income for the period			248	-177	-4 746	-4 675
SHAREHOLDERS' EQUITY 31 DEC 2009	5 629	5 777	39	-381	17 612	28 676

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

Notes to the Consolidated Financial Statements

1. Accounting principles

Principal activities

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

These financial statements were authorized for issue by the Board of Directors on 8 February 2010. Copy of the Consolidated Financial Statement is available at www.larox.com or from the head office of the Group at address: Tukkikatu 1, 53900 Lappeenranta. Larox Group is part of the Outotec Group. Parent company of the Outotec Group is Outotec Oyj and it is domiciled in Espoo, Outotec Group's financial statements are available at www.outotec.com.

Basis for preparation of the financial statements

These are the consolidated financial statements of Larox in accordance with International Financial Reporting Standards (IFRS) accepted in use by EU. All the valid IAS and IFRS standards and SIC and IFRIC interpretations as of 31 December 2009 have been applied in the preparation. Prior to IFRS, Larox's financial reporting was based on Finnish Accounting Standards (FAS). The consolidated financial statements are presented in thousands of euros and they have been prepared under the historical cost conventions excluding available-for-sale investments (partly) and derivative contracts.

Application of new and amended IFRS standards and IFRIC interpretations

IASB has published the following standards and interpretations, which were adapted in 2009:

- IAS 1 (revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects. Comparative figures have been changed according to implementation regulations.

- IFRS 8, Operating segments, replaces IAS 14, Segment reporting, and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. Business operations of Larox Group are managed as one operational entity, meaning that segment information includes one operational segment. Former

presented geographical segments will be omitted. Furthermore the segment information is more similar to management reporting to the chief operating decision maker. The standard has no effect on impairment testing in the Group.

- IAS 23 (Revised), Borrowing costs. The revised IAS 23 changes the accounting policy in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Previously all borrowing costs could be recognized as an expense immediately. Earlier all borrowing costs could be recognized as costs. The revised standard does not have an impact on the Group's financial statements.

- IFRIC 11, IFRS 2 – Group and treasury share transactions provides guidance. The interpretation includes guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any impact on the Group's financial statements, because it applies to stand alone financial statements only.

- IFRIC 13, Customer Loyalty Programs. The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programs.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. This interpretation is not relevant to the Group's operations.

- IFRS 2 (Amendment), Share-based payment - vesting conditions and cancellations. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

- IAS 1 and IAS 32 (Amendment), Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. The amendments require that financial instruments with redemption obligation that fulfill certain conditions, are classified as equity, not liability as before. The amendment does not have a material impact on the Group's financial statements.

- IFRS 1 and IAS 27(Amendment), First time adoption of IFRS, and Consolidated and separate financial statements. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries,

jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have any impact on the Group's financial statements as the Group is not a first time adopter of IFRSs.

- IAS 39 (Amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment does not have a material impact on the Group's financial statements.

- IFRS 7 (Amendment), IFRS 7 (Amendment), Financial instruments – Disclosures. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by levels of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures in financial statements.

IASB published changes to 34 standards in May 2008 as part of the annual Improvements to IFRS project. The amendments do not have any material impact on the Group's financial statements.

In addition to the new standards and interpretations presented in the annual financial statements for 2008, the following amended standards and interpretations issued during the year 2009 will be adopted by the Group in 2010:

- IFRIC 18*, Transfers of Assets from Customers. The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in such an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation does not have an impact on the Group's financial statements.

- IFRIC 9 (Amendment)*, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement (Amendment) – Embedded Derivatives. The amendments clarify that on reclassification of a financial asset out of the fair value through profit or loss category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRS 2 (Amendment)*, Share-based Payment – Group Cash-settled Share-based Payment Transactions. The amendment clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRS 1 (Amendment)*, First-time adoption of Financial Instruments – Additional Exemptions for First-time Adopters. The interpretation does not have an impact on the Group's financial statements as the Group is not a first time adopter of IFRS.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRS project. The following presentation includes the changes the Group will adapt in 2010 and that the management is assessing to have most relevant impact on the financial statements of the Group.*

- IFRS 2 (Amendment), Share-based Payment. The amendment to confirm that, in addition to business combinations as defined by IFRS 3 (revised) Business combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, Share-based payment. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations. The amendment to clarify that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal Group's) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRS 8 (Amendment), Operating Segments. Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 1 (Amendment), Presentation of Financial Statements. Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 7 (Amendment), Statement of Cash Flows. The amendment to require that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 17 (Amendment), Leases. Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 18 (Amendment), Revenue. Additional guidance added to the appendix to IAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent. Management is assessing the impact of this interpretation on the financial statements of the Group.
- IAS 36 (Amendment), Impairment of Assets. The amendment to clarify that the largest cash-generating unit (or Group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by IFRS 8, Operating segments (that is, before the aggregation of segments with similar economic characteristics permitted the mentioned standard). Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 38 (Amendment), Intangible Assets. The amendments clarify the requirements regarding accounting for intangible assets acquired in a business combination and allow the combining of intangible assets if all items

have the same economical duration. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 38 (Amendment), Intangible Assets. The amendments clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendment clarify that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk should be considered closely related to the host debt contract. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendments to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquire at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendment to clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRIC 9 (Amendment), Reassessment of Embedded Derivatives. The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRIC 16 (Amendment), Hedges of a net investment in a foreign operation. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. Management is assessing the impact of this interpretation on the financial statements of the Group.

The following standards, interpretations and amendments will be adopted in 2011 or later:

- IAS 32 (Amendment), Financial Instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other

than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group will adopt the amendment in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IAS 24 (Amendment)*, Related Party Disclosures. The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. The Group will adopt the amendment in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRIC 19*, Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognized in profit or loss when a liability is settled through the issuance of the entities own equity instruments. The amount of the gain or loss recognized in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The Group will adopt the interpretation in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

- IFRIC 14 (Amendment)*, Minimum Funding Requirements and their Interaction. The amendment aims to correct the unwanted consequence of IFRIC 14. As a consequence of the interpretation entities have not been able to recognize some advance payments of minimum funding requirements as assets in the balance sheet in some circumstance. The amendment removes the mentioned consequence by requiring that advance payments are recognized as assets in certain circumstances. The Group will adopt the interpretation in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group
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- IFRS 9*, Financial Instruments. The standard represents the first milestone in the IASBs planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The Group will adopt the interpretation in its 2013 financial statements. The standard will have major impacts on accounting for financial instruments, and the management is currently starting to assess them.

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

Principles of consolidation

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

All intra-group transactions, receivables, liabilities and unrealized margins, and distribution of profits within the Group are eliminated. Unrealized losses are not eliminated if they provide evidence of impairment.

Associates are entities over which the Group has significant influence, generally accompanying a shareholding between 20 % and 50 % of the voting rights. Group's parent company, Larox Oyj, has one associated company, Larox Flowsys Oy, with 49% ownership. Associated company is consolidated by using the equity method of accounting until September 30, 2009 and recognized as non-current asset held for sale after that. The Group's share on its associates' profit or loss is recognized in the income statement on a separate line after operating profit from period 1.1. – 30.9.2009. Investment in the associated company upon the date of acquisition adjusted for changes in the associated companies' equity after the date of acquisition until September 30, 2009, are shown in the balance sheet notes under 16. "Investments in associates". The note 21 considers non-current assets held for sale.

Non-current assets held for sale

Non-current assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification is seen top be the case when its sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and when management is committed in sale and the selling is expected to happen within one year from the classification. Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets classified as held for sale shall not be depreciated. The note 21 considers non-current assets held for sale.

Foreign currency transactions

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

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

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

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

Revenue recognition

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

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

Income tax and deferred tax

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

Intangible assets

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

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

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

Research and development costs

Research and development costs are expensed as they are incurred, except for certain development costs which are capitalized when it is probable that a development project will generate future economic benefits and certain commercial and technological criteria have been met. Research and development costs relate to development of new products and enhancement of internal efficiency and include for example costs of customization of the new ERP system. Research and development projects are regularly assessed in project meetings and costs incurred are capitalized when IAS 38 capitalization requirements are met.

Capitalized development expenses include materials, supplies, direct labor and related overhead costs are amortized on a systematic basis over their expected useful lives. The assets are amortized from the point at which the asset is ready for use. Assets that are not yet for use, are tested for impairment annually. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. After initial recognition capitalized development costs are carried at historical cost less accumulated amortization and impairment losses.

Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives are shown at historical cost less impairment losses.

Goodwill and brands with indefinite useful lives are not amortized, but tested annually for impairment. For this purpose goodwill is allocated to cash-generating units.

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated straight-line depreciation and possible impairments losses.

Depreciation is based on the following expected useful lives:

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

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

Borrowing costs

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

Government grants

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

Impairment of non-financial assets

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

Lease agreements when the Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the rewards and risks of ownership are classified as finance leases. Asset acquired by finance lease are capitalized at the fair value of the leased property or at a lower estimated present value of the minimum lease payments. Each lease payment is allocated between the capital liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or lease period. Leases of assets, where the lessor retains substantially all the risks and benefits of ownership, are classified as operating leases. Payments made on operating leases are expensed on a straight-line basis over the lease periods.

Financial assets and liabilities

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

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

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

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

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

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Borrowers' considerable financial difficulties, likelihood of bankruptcy and neglecting to pay invoices due more than 90 days are evidence of impairment.

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

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

Trade receivables

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

Derivatives and hedge accounting

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

Fair values of currency forwards and swaps are determined by discounting the future nominal cash flows at relevant interest rates and then converting the discounted cash flows to the base currency using spot rates. Fair values are checked by comparing them to the values confirmed by the counter parties. According to hierarchy level classification, valid from January 1 2009 onwards, Larox's derivatives are classified to level two.

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

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

The Group applies hedge accounting also to foreign exchange risk related to the net investments in foreign operations. A foreign currency loan from a third party denominated in the same foreign currency is used as a hedging instrument. Accumulated gains and losses from that hedging instrument are taken to translation differences in equity and recognized in the income statement only if the hedged foreign operation is sold as a whole or in part or discontinued. All fair value changes recognized in equity are recorded net of tax as applicable. The exchange rate component in a financial liability agreement is defined to be in hedging relation and exchange rate differences are taken to translation differences.

Inventories

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

Provisions

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

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

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

Provision for reorganization actions are recognized when the Group has formulated a detailed plan for reorganization and either started the changes or informed about the issue. Costs related to normal continuing operations are not recognized as provision.

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

Employee benefits

The Group companies in different countries have various pension plans in accordance with local conditions and practices. These pension plans are classified either as defined contribution plans or defined benefit plans. Under a defined contribution plan the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that does not meet the definition of a defined contribution plan. The contributions to defined contribution plans are recognized in the income statement during the applicable financial year.

The defined benefit plan obligations of the Group have been calculated separately for each adjustment using the projected unit credit method. Pension costs are recognized as an expense over the period of employees' service based on calculations carried out by authorized actuaries. The present value of the defined benefit obligation is determined using discount rate based on the interest rates of high quality corporate and government bonds. Bonds and debentures have terms to maturity corresponding to that of the pension liability. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs.

Share-based payments

The board of directors of Larox decided on 29 May 2007 to introduce a share-based award program as a part of the Group's award and commitment program for the key personnel. The share-based award program gives the target group an opportunity to be awarded Larox series B shares after a vesting period of four years when achieving the set targets. The board of directors sets the vesting conditions and targets to be achieved. These award programs will be recognized depending on the payment method either as equity or cash. The fair values of the shares are recognised as employee benefit expenses at the vesting date. The Board of Directors of Larox Corporation decided on 29 December 2009 to change the duration of the key personnel share ownership plan so that the changed plan will concern years 2007-2009. In addition, the Board of Directors of Larox Corporation has decided that the restriction period and transfer restrictions of the shares paid as reward for the period of 2007-2008 will terminate and the shares will be freely transferable.

The Group has applied IFRS 2 Share-based Payments standard on the share issues directed to top management. The amount due to the share issue is valued at fair value at the grant date of the benefit and the benefit is recognized in the income statement and in retained earnings in equity as a share-based benefit during the period of obligation to remain as an employee related to the ownership of the shares. The amount recognized as an expense is based on the Group's estimate of how the amount of shares that will be held by the receivers of the benefits when the obligation to remain as an employee related to the shares expires. Estimates are revised at each balance sheet date. All costs relating to the changed share ownership plan are recognized until the end of 2009.

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

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. The estimates are based on management's best knowledge of current events and actions although actual

results may differ from those estimates. The following assets and liabilities include a high degree of management estimate and assumptions and their carrying value can therefore materially differ from current value within the next financial year.

Impairment

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

Discounted cash flows used in impairment testing are based on estimates on budgeted sales volume approved by management and management views of the cost structure of each product and unit. Also existing order backlogs are used to estimate the volumes and deliveries of products scheduled to the years included in the forecast. The interest rate used (WACC) is determined on the basis of general risk-free interest rates and risk factors of companies operating on the same industry or corresponding benchmark companies. See note 14 for more information on the sensitivity of the recoverable amount on the assumptions used.

Derivatives

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

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

Revenue recognition under the percentage of completion method

As stated in the revenue recognition principle, when the outcome of a project can be estimated reliably, revenue and costs from construction contracts are recognized as income and expenses based on the stage of completion. Revenue recognition based on the percentage of completion method is based on estimates of revenue and costs related to the project. If estimates relating to the outcome of the project change, the revenue and costs of the project are changed during the period when the change is initially known and estimable. Any expected losses are recognized as an expense immediately.

Income taxes

Group company income taxes for the period, tax adjustments from prior periods and changes in deferred taxes are recognized in Larox Group's income taxes. For items recognized directly in equity, any related tax effects are also recognized directly in equity. Deferred tax liability or asset accounts for the temporary differences arising between the tax bases of assets and liabilities at the estimated date of tax payment and their carrying amounts in the consolidated financial statements. Temporary differences arise among others from revenue recognition under the percentage of compliance method depreciation difference, internal inventory margins, defined pension plan, provisions, appropriations and unused tax liability entitlements. Deferred income tax assets are recognized to the extent that it is probable that

future taxable profit will be available against which the temporary differences can be utilized. Estimates used in profit forecasts may differ from the actual which can lead to recognition of tax assets as an expense in the income statement. For this purpose the probability of subsidiaries having future taxable profit available against which the unused tax losses or unused tax related credits can be utilized.

Reserve for warranty costs

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

3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the segment. The chief operating decision maker of Larox Group has been identified as the CEO of Larox Group, who is responsible on resource allocation and analyzing the result.

Business operations of Larox Group are managed as one operational entity, solid liquid separation. The segment model is based on customer life-cycle model.

Larox technologies are based either on over-pressure including automatic vertical pressure filters, horizontal filter presses and polishing filters, or on under-pressure including horizontal vacuum belt filters, ceramic disc filter and conventional vacuum disk and drum filters. All of them are supported by Larox after market services. Segment information from the year 2008 has been adjusted according to IFRS 8, the new standard has not changed the amount of the Group's reported segments.

Larox Group domicile is Finland. The external net sales from customers in Finland was EUR 10.9 million (EUR 12.1 million) and external net sales from customers in other countries was EUR 139.3 million (EUR 195.9 million).

The total value of long term assets excluding financial instruments and deferred tax asset in Finland totaled EUR 30.2 million (EUR 30.0 million) and in other countries the same assets were EUR 5.0 million (EUR 5.0 million).

Solid and liquid separation 1 000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Net sales	150 169	207 491
Net sales of Aftermarket Sales	79 187	95 947
Share of Net Sales of Aftermarket Sales % from Total Net Sales	53 %	46 %
Operating profit	-1 976	16 623
Operating profit %	-1.3 %	8.0 %
Profit / loss before taxes	-2 809	14 100

Reconciliation between segment information and IFRS figures are presented below.

1.1.-31.12.2009	Segment information	Non allocated amounts *)	IFRS
Net sales	150 169	1	150 170
Operating profit	-1 976	155	-1 820
Profit / loss before taxes	-2 809	95	-2 713

1.1.-31.12.2008	Segment information	Non allocated amounts *)	IFRS
Net sales	207 491	504	207 995
Operating profit	16 623	-5	16 618
Profit / loss before taxes	14 100	-143	13 957

*) Unallocated amounts consist mainly of financial lease, hedging accounting and foreign exchange rate differences. Internal reporting is not calculated according to IAS 17, IAS 32 or IAS 39 standards in above reported amounts.

4. Long-term projects

Net sales include EUR 75.8 million revenue recognized of long-term projects in 2009 (EUR 112.1 million in 2008). For long-term projects in progress the aggregate amount of costs incurred and recognized profits (less recognized losses) at the end of the period was EUR 13.5 million (EUR 26.9 million on 31 Dec, 2008). For long-term projects in progress the amount of advances received (note 26) included in the balance sheet was EUR 2.7 million (EUR 7.2 million on 31 Dec, 2008). The gross amount due from customers was EUR 0.0 million (EUR 3.1 million on 31 Dec, 2008) and gross amount due to customers was EUR 6.4 million (EUR 9.3 million on 31 Dec, 2008) for the projects.

5. Other operating income

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Grants	286	194
Gain on disposal of non-current assets	0	4
Provisions	42	73
Derivative income	345	3 251
Other operating income	369	708
Total other operating income	1 042	4 230

6. Materials and supplies

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Purchases during the period	-70 357	-107 971
External services	-8 127	-11 146
Total materials and supplies	-78 484	-119 117

7. Employee benefits expense

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Salaries and fees	-33 373	-28 245
Pension expenses, defined contribution plans	-2 961	-3 064
Pension expenses, defined benefit plans	49	-23
Share-based payments (payment in cash)	-129	-28
Share-based payments (payment in shares)	-396	-9
Other employee benefits	-2 419	-2 573
Other employee benefits, voluntary	-2 272	-2 418
Total employee benefits expense	**-41 501**	**-36 360**

The average number of personnel employed by the Group	1.1.-31.12.2009	1.1.-31.12.2008
Office personnel	475	481
Workers	109	81
Total	**584**	**562**

Share-based payments are discussed also in note 22. Equity; pension liabilities in note 24. Employment benefit obligations and employee benefits of the management in note 30. Related party transactions.

8. Other operating expenses

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Adjustment items to sales	-8 213	-9 353
Real estate maintenance	-927	-1 045
Rents	-2 515	-1 894
Travel expences	-4 039	-5 282
Advertising and marketing costs	-1 948	-2 839
External services	-6 384	-7 976
Derivate expences	-458	-2 632
Other operating expenses	-4 347	-5 301
Total other operating expenses	**-28 831**	**-36 322**

Auditing expenses	**2009**	**2008**
PricewaterhouseCoopers:		
Auditing	283	237
Tax consultancy	79	171
Other services	75	53
Total	437	461
Others:		
Auditing	40	24
Other services	19	50
Total	59	74

9. Research and development costs

The income statement includes R&D costs EUR 4.6 million (EUR 6.5 million 2008). To the balance sheet R&D costs have been activated EUR 0.4 million (EUR 0.8 million 2008).

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Research and development costs in income statement	4 586	6 500
Capitalized as an asset	416	750
Proportion of net sales	3.1%	3.5%

10. Financial income and expenses

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

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Interest income from loans and other receivables	302	79
Other financial income	11	0
Foreign exchange rate gains from interest-bearings receivables and liabilities	1 032	576
Financial income	**1 345**	**655**
Interest expenses from debts amortized at cost	-1 273	-1 827
Foreign exchange rate losses from debts and other liabilities	-753	-1 897
Other financial expenses	-154	-54
Financial expenses	**-2 180**	**-3 778**

11. Income taxes

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Current year tax expense	-2 874	-2 184
Tax expense for previous years	-22	13
Change in deferred tax assets and liabilities	-883	-1 764
Income taxes	**-3 779**	**-3 935**

Reconciliation of income before taxes with total income taxes:

1000 EUR	2009	2008
Profit before taxes	-2 713	13 957
Tax calculated at the domestic tax rate of 26%	705	-3 629
Effect of different tax rates in foreign subsidiaries	-228	-162
Non-deductible expenses	-640	-94
Income not subject to tax	233	224
Income tax in respect of prior years	-22	13
Associates' result	15	-120
Used deferred tax assets	0	-167
Tax recognised on financial year's losses on group level	-3 884	0
Changes in taxation law	42	0
Income taxes in the income statement	**-3 779**	**-3 935**

12. Earnings per share

Earnings per share calculated from profit attributable to equity holders of the company

Basic and diluted earnings per share, (EUR)	-0.69	1.07
Weighted average number of ordinary shares:		
- Basic and diluted	9 412 361	9 381 600

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At the moment, Larox Group does not have any instruments affecting the number of diluting ordinary shares.

13. Intangible assets (excluding goodwill)

1.1-31.12.2009 1000 EUR	Development costs	Intangible rights	Technology	Customer relations	Brands	Supplier relations	Process Develop-ment	Total
Acquisition cost 1 Jan	3 463	11 454	5 463	3 752	1 792	4 631	1 933	32 488
Translation differences		15						15
Additions	415	589						1 004
Acquisition cost 31 Dec	3 878	12 058	5 463	3 752	1 792	4 631	1 933	33 507
Cumulative depreciations 1 Jan	-1 325	-6 535	-2 565	-1 165		-1 260	-640	-13 490
Translation differences		-15						-15
Depreciation for the period	-377	-1 031	-510	-215		-308	-128	-2 569
Cumulative depreciations 31 Dec	-1 702	-7 581	-3 075	-1 380		-1 568	-768	-16 074
Carrying value 31 Dec, 2009	2 176	4 477	2 388	2 372	1 792	3 063	1 165	17 433

1.1-31.12.2008 1000 EUR	Development costs	Intangible rights	Technology	Customer relations	Brands	Supplier relations	Process Develop-ment	Total
Acquisition cost 1 Jan	2 709	10 427	5 463	3 752	1 792	3 783	1 933	29 858
Translation differences		15						18
Additions	754	1 009						1 763
Business combinations		2				848		850
Acquisition cost 31 Dec	3 463	11 454	5 463	3 752	1 792	4 631	1 933	32 488
Cumulative depreciations 1 Jan	-849	-5 701	-2 042	-950		-1 008	-512	-11 062
Translation differences		-14						-14
Depreciation for the period	-476	-820	-523	-215		-252	-128	-2 414
Cumulative depreciations 31 Dec	-1 325	-6 535	-2 565	-1 165		-1 260	-640	-13 490
Carrying value 31 Dec, 2008	2 138	4 919	2 898	2 587	1 792	3 371	1 293	18 998

Technology and process development- columns refer to intangible assets transferred to the Group in business combination on 8 January 2004. They relate to material products that existed at the date of the transaction and were transferred in the business combination, which can be grouped under Ceramec, Hoesch and Pannevis trademarks. Trademarks have indefinite useful lives. Most of the trademarks have been in the market for decades and all of them are supported by the Group's after market services. In addition, trade marks are not tied to useful lives of any specified technology.

14. Goodwill and impairment testing

1.1.-31.12.2009 1000 EUR	Goodwill	1.1.-31.12.2008 1000 EUR	Goodwill
Acquisition cost 1 Jan	3 307	Acquisition cost 1 Jan	3 047
Additions	0	Additions	260
Acquisition cost 1 Dec	3 307	Acquisition cost 1 Dec	3 307
Translation differences	-101	Translation differences	-464
Translation differences 31 Dec	-101	Translation differences 31 Dec	-464
Carrying value 31 Dec 2009	**3 206**	**Carrying value 31 Dec 2008**	**2 843**

For purposes of assessing impairment assets of the Group are grouped as cash-generating units at the lowest levels that are largely independent from other units and for which there are separately identifiable cash flows. The Larox Group has one such level, the Group, for which goodwill and brands are allocated to Larox's business as a whole and not allocated to separate cash generating units. Goodwill and brands with an indefinite useful life are tested yearly for impairment. Also trademarks are allocated to Larox's business. The recoverable amount is based on the value in use. The future cash flow estimates used in the calculations are based on the financial plans approved by the management covering a four-year period. Discount rate is defined as the weighted average pre-tax cost of capital (WACC). The discount rate was 13.1% in 2009 (12.6 % in 2008). No impairment losses have been recognized as a result of the impairment tests. The growth of sales and profitability are the key assumptions used in the impairment tests. In the sensitivity analysis a hypothetical decline of 5 % in net sales and an increase of 5 % in raw materials did not give rise to impairment. Management believes that reasonable changes in the key assumptions on which the value in use is based on will not cause any carrying amount to exceed its recoverable amount.

15. Property, plant and equipment

1.1.-31.12.2009 1000 EUR	Land and water	Buildings and constructions	Machinery and equipment	Machinery and equipment, finance lease	Other intangible assets	Total
Acquisition cost 1 Jan	1 147	9 118	20 985	1 498	14	32 762
Translation differences			131	34		165
Additions	103	153	1 765	437	825	3 283
Disposals			-224			-224
Acquisition cost 31 Dec	1 250	9 271	22 657	1 969	839	35 986
Cumulative depreciations 1 Jan	-23	-4 970	-15 473	-914		-21 380
Translation differences				-25		-25
Depreciation for the period	-7	-273	-1 208	-160		-1 648
Cumulative depreciations 31 Dec	-30	-5 243	-16 681	-1 099		-23 053
Carrying value 31 Dec, 2009	**1 220**	**4 028**	**5 976**	**870**	**839**	**12 933**

1.1.-31.12.2008 1000 EUR	Land and water	Buildings and constructions	Machinery and equipment	Machinery and equipment, finance lease	Other intangible assets	Total
Acquisition cost 1 Jan	1 147	9 043	18 199	1 131		29 520
Translation differences		-12	-330	-7		-349
Additions		87	1 096	29	14	1 226
Business combinations			2 053	345		2 398
Disposals			-33			-33
Acquisition cost 31 Dec	1 147	9 118	20 985	1 498	14	32 762
Cumulative depreciations 1 Jan	-19	-4 725	-14 671	-848		-20 263
Translation differences			261	18		279
Depreciation for the period	-4	-245	-1 062	-84		-1 394
Cumulative depreciations 31 Dec	-23	-4 970	-15 473	-914		-21 380
Carrying value 31 Dec, 2008	**1 124**	**4 148**	**5 512**	**584**	**14**	**11 382**

Additions for 2009 or 2008 do not include assets acquired through finance leases (2007 EUR 187 thousand).

Finance leases

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

Machinery	**2009**	**2008**
Acquisition cost 1 Jan	1 039	1 030
Translation differences	0	9
Acquisition cost 31 Dec	1 039	1 039
Cumulative depreciations 1 Jan	-928	-802
Depreciation for the period	-90	-126
Cumulative depreciations 31	-1 019	-928
Carrying value 31 Dec,	**21**	**111**

16. Investments in associates

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

Larox Group. In connection to share transfer, Capillary Oy has announced to Outotec that it will make an offer for Larox to purchase its 49% share of Larox Flowsys Oy share capital. Supposing that the Board of Directors of Larox will decide on the mentioned selling after the share transaction, Outotec has confirmed to support that the shares of Larox Flowsys Oy, owned by Larox, will be transferred to Capillary Oy with fare value at selling date. Due to the share transaction and confirmation Larox Flowsys Oy's shares has been transferred as non-current asset held for sale.

1000 EUR	**1.1.-31.12.2009**	**1.1.-31.12.2008**
Acquisition cost 1 Jan	1 723	1 393
Share of the profit	-58	462
Dividends received	-125	-125
Recognized directly to equity	-12	-7
Transfer to non-current assets held for sale	-1 528	0
Carrying value 31 Dec	0	1 723

Associated companies, 1000 EUR	**2009**	**2008**
Larox Flowsys Oy, Lappeenranta		
Share (%)	49	49
Assets	10 351	10 884
Liabilities	6 970	7 160
Sales	16 099	20 752
Profit/loss for the period	51	944

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

17. Available-for-sale investments

Available-for-sale investments consist of in their entirety of unlisted shares which are carried at fair value or cost, if reliable fair values cannot be established or they do not differ materially from their initial cost. Investments are carried at cost, when the range of the reasonable estimates of fair values is wide and the probabilities of different estimates cannot be moderately estimated. The Group does not practice active investment activities.

1000 EUR	**2009**	**2008**
Carrying value 1.1.	23	23
Purchases	0	0
Carrying value 31.12.	23	23

18. Deferred tax assets and liabilities

1000 EUR	1.1.2009	Recognized in the income statement	Acquisition of subsidiary	31.12.2009
Deferred tax assets				
Losses carried forward	3 970	-3 556	0	414
Internal profit margin on inventories	859	196	0	1 055
Internal profit margin on fixed assets	540	123	0	663
Fair value changes	300	-38	0	262
Retirement benefit and other provisions	283	912	0	1 195
Other adjustments	133	8	0	141
Deferred tax assets, total	**6 085**	**-2 355**	**0**	**3 730**
Netting of deferred tax assets and liabilities	-1 022	-912	0	-1 934
Deferred tax assets, net	**5 063**	**-3 267**	**0**	**1 796**
Deferred tax liabilities				
Revenue recognition under percentage of completion method (POC)	2 535	-1 671	0	864
Carrying amount of tangible and intangible assets that exceeds the taxable acquisition cost after depreciation	1 191	77	0	1 268
PPA/allocation of purchase price	523	-11	0	512
Cumulative depreciation differences	799	141	0	940
Fair value evaluation of investments for sale and derivatives	7	4	0	11
Other adjustments	78	-65	0	13
Deferred tax liabilities, total	**5 133**	**-1 525**	**0**	**3 608**
Netting of deferred tax assets and liabilities	-1 022	-912	0	-1 934
Deferred tax liabilities, net	**4 111**	**-2 437**	**0**	**1 674**

1000 EUR	1.1.2008	Recognized in the income statement	Acquisition of subsidiary	31.12.2008
Deferred tax assets				
Losses carried forward	4 140	-170	0	3 970
Internal profit margin on inventories	978	-119	0	859
Internal profit margin on fixed assets	539	1	0	540
Fair value changes	344	-44	0	300
Retirement benefit and other provisions	186	97	0	283
Other adjustments	290	-157	0	133
Deferred tax assets, total	**6 477**	**-392**	**0**	**6 085**
Netting of deferred tax assets and liabilities	-1 239	217	0	-1 022
Deferred tax assets, net	**5 238**	**-175**	0	**5 063**
Deferred tax liabilities				
Revenue recognition under percentage of completion method (POC)	1 136	1 399	0	2 535
Carrying amount of tangible and intangible assets that exceeds the taxable acquisition cost after depreciation	986	205	0	1 191
PPA/allocation of purchase price		-25	548	523
Cumulative depreciation differences	769	-76	106	799
Valuation of available for sale investments and derivatives at fair value		7	0	7
Other adjustments	152	-74	0	78
Deferred tax liabilities, total	**3 043**	**1 436**	**654**	**5 133**
Netting of deferred tax assets and liabilities	-1 239	217	0	-1 022
Deferred tax liabilities, net	**1 804**	**1 653**	**654**	**4 111**

According to the strategic opinion of Larox Group the deferred tax receivables EUR 0.4 million (EUR 4.1 million in 2008), recognized in tax losses and tax credits carried forward will be reduced by the future taxable income.

Due to the change in ownership Larox lost confirmed losses in certain subsidiaries and wrote off about EUR 3.9 million of deferred tax assets.

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

19. Inventories

1000 EUR	31.12.2009	31.12.2008
Materials and supplies	6 328	9 716
Work in progress	1 406	3 169
Finished products	13 852	13 340
Advance payments for inventories	1 228	1 966
Total inventories	**22 814**	**28 191**

Carrying amount of inventories was reduced by EUR 888.0 thousands to reflect its net realization value (EUR 229.6 thousand in 2008).

20. Cash and Bank

1000 EUR	31.12.2009	31.12.2008
Cash and bank receivables	1 535	1 661
Total	**1 535**	**1 661**

21. Non-current assets held for sale

During the financial year Outotec Group obtained control over Larox Group by share transfer agreement. In connection with the share transfer, Capillary Oy has announced to Outotec that it will make an offer for Larox to purchase its 49% share of Larox Flowsys Oy share capital. Supposing that the Board of Directors of Larox will decide on the mentioned selling after the share transaction, Outotec has confirmed to support that the shares of Larox Flowsys Oy, owned by Larox, will be transferred to Capillary Oy with fare value at selling date. Due to the share transaction and confirmation Larox Flowsys Oy's shares has been transferred as non-current asset held for sale.

Non-current assets held for sale

Affect on cash flow	2009	2008
Received dividends	125	125
Total	**125**	**125**
Share of the result of associated company	**-58**	**462**
	2009	2008
Non-current assets held for sale	1 528	0
Total	**1 528**	**0**

22. Shareholders' equity

Share capital 1000 EUR	Shares (1000 pcs) A serie	Shares (1000 pcs) B serie	Share capital	Share premium issue	Total
Equity 1 Jan 2008	2 124	7 257	5 629	5 777	11 406
Equity 31 Dec, 2008	**2 124**	**7 257**	**5 629**	**5 777**	**11 406**
Equity 1 Jan 2009	2 124	7 257	5 629	5 777	11 406
Share issue	0	44	0	0	0
Equity 31 Dec, 2009	**2 124**	**7 301**	**5 629**	**5 777**	**11 406**

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

The Board of Directors of Larox Corporation decided on 26 March 2009 on a directed share issue for the reward payment from the measuring period 2007-2008 of the Share Ownership Plan 2007-2010. In the share issue 44,350 Larox Corporation new B shares were issued and conveyed without consideration to the key persons participating in the Share Ownership Plan according to the terms and conditions of the plan. More detailed information on the incentive plan was published on May 30, 2007. The decision on the directed share issue is based on the authorization granted to the Board of Directors by the annual general meeting of shareholders held on 30 March 2007. This decision was announced on 26 March 2009. The directed share issue does not affect the company's share capital. At the end of the period, the company held 1,000 of its own B-shares, which is 0.01% of the total number of shares or 0.002% of the total number of votes.

Translation differences

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

Hedging reserve

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

Change in hedging reserve

1000 EUR	
1.1.2008	0
Recognised in hedging reserve	-222
Transfers to net sales	19
Transfer to fixed assets	0
Tax on amounts recognized in hedging reserve	-5
Tax on transfers to the income statement	0
31.12.2008	**-208**
1.1.2009	**-208**
Recognised in hedging reserve	261
Transfers to net sales	54
Transfers to tangible assets	0
Tax on amounts recognized in hedging reserve	-54
Tax transfers to the income statement	-14
31.12.2009	**39**

Fair value reserve

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

Dividends

During the financial period a dividend of EUR 0.30 per share was paid. After the balance sheet date the Board of Directors has proposed that no dividend will be paid for the year 2009. Dividend income is recognized in the period in which the right to receive payment is established.

Share-based payments

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

The maximum number of shares to be granted under the share-based award programme was in total 150.000 and in cash such an amount that was needed to cover the taxes and tax-related payments at the grant date; however the amount could not exceed the value of shares at the grant date. After the measurement period, by the end of April, the average EPS for the measurement period and targets achieved by that time were identified. However, for the first measurement period a maximum of 1/3 of the total award could be paid and for the second measurement period a maximum of 2/3 of the total award from which the amount paid in the first period had been deducted.

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

The authority in Larox Corporation has been transferred to Outotec Oyj following the share transaction executed on 21 December 2009 between Outotec Oyj and the main shareholders of Larox. Outotec Oyj made a mandatory tender offer for all of the Company's series A and B shares in December. Due to the above-mentioned changes, focused on the Larox Corporation ownership structure and Group structure, and to the Outotec Oyj's mandatory tender offer the Board of Directors of Larox Corporation decided to change the duration of the key personnel Share Ownership Plan so that the changed Plan will concern years 2007-2009 instead of formerly decided period 2007-2010 on 29 December 2009. In addition, the Board of Directors of Larox Corporation has decided that the restriction period and transfer restrictions of the shares paid as reward for the period of 2007-2008 will terminate and the shares will be freely transferable, and that the company does not pay any reward for the measuring period 2007-2009 and that the company terminates the Share Ownership Plan as of December 31, 2009.

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

BASIC INFORMATION	
Grant dates	15.6.2007/ 15.2.2008 / 12.12.2008 / 17.7.2009
Nature of arrangement	50% in shares 50% in cash
Maximum number of share-based awards	150 000
Cash equivalent to share-based award fees (pcs shares at most)*	150 000
Share price at grant date	5.35 - 13.80
Fair value of share at grant date **	
Measurement period 2007-2008	11.54 €
Measurement period 2008-2009	10.95 €
Measurement period 2009-2010	10.75 €
Share price at balance sheet date	9.70 €
Vesting period begins, date	1.1.2007
Vesting period ends, date	31.12.2010
Vesting conditions	Period of employment and obligation to hold the shares until the end of the commitment period Earnings per share (EPS)
Probability that the vesting conditions will be met	29 %
Release of shares, date	31.12.2009
Obligation to hold the shares, years	1
Remaining commitment period, years	0
Number of persons (31.12.2009)	26

* The part of the share-based award that is paid in cash and accounted for under IFRS 2 as a share-based payment.

** Share price at grant date less expected dividend for the vesting period

Transactions in financial period

Gross amounts***	Amounts 1.1.2007	Change in financial period	Amounts 31.12.2007
Share awards approved	0	201 000	201 000
Shares returned	0	0	0
Shares paid	0	0	0
Shares expired	0	0	0
Awards granted (share cash) stated as shares	0	201 000	201 000
	Amounts 1.1.2008	**Change in financial period**	**Amounts 31.12.2008**
Share awards approved	201 000	27 200	228 200
Shares returned	0	8 250	8 250
Shares paid	0	0	0
Shares expired	0	0	0
Awards granted (share cash) stated as shares	201 000	18 950	219 950
	Amounts 1.1.2009	**Change in financial period**	**Amounts 31.12.2009**
Share awards approved	228 200	66 000	294 200
Shares returned	8 250	6 000	14 250
Shares paid	0	43 350	43 350
Shares expired	0	43 350	43 350
Awards granted (share cash) stated as shares	219 950	-26 700	193 250 ****

*** Amounts include the cash granted under the share-based award program stated as shares.
**** Before the termination of the program 31 Dec 2009

Determination of the fair value

As the share-based award is settled with a combination of shares and cash, the determination of fair value under IFRS 2 is divided in two parts: equity-settled and cash-settled parts. Equity-settled share-based payments are recognised in equity and cash-settled transactions in liabilities. The fair value of the equity-settled share-based payments is based on quoted market price of the share of Larox at the grant date. Correspondingly the fair value of the cash-settled transaction is evaluated at each balance sheet date until the end of the vesting period and the fair value of the liability changes with the price of the share of Larox.

Determination of the fair value of the share-based awards	
Share-based awards granted as shares, pcs	147 100
Share-based awards granted as cash (stated as shares), pcs	147 100
Share price at grant date, €	5.35 - 13.80
Expected annual dividends p.a., €	0.30 € - 0.60 €
Share price at 31 December 2009 (cash portion) €	9.70 €
Probability that the vesting conditions will be met	28.5 %
Estimated returned share-based awards prior to settlement	9.7 %
Estimated returned share-based awards after settlement	3.4 %
Fair value of share-based awards as at 29 December 2009, €	**746 944 €**
Recognized in 2009 income statement, €	**524 701 €**
Determination of the fair value of the share-based awards	
Share-based awards granted as shares, pcs	114 100
Share-based awards granted as cash (stated as shares), pcs	114 100
Share price at grant date, €	5.35 - 13.80
Expected annual dividends p.a., €	0.30 € - 0.60 €
Share price at 31 December 2008 (cash portion) €	4.60 €
Probability that the vesting conditions will be met	50.0 %
Estimated returned share-based awards prior to settlement	8.8 %
Estimated returned share-based awards after settlement	4.4 %
Fair value of share-based awards at grant date, €	**1 302 398 €**
Fair value of share-based awards as at 31 December 2008, €	**857 603 €**
Recognized in 2008 income statement, €	**141 167 €**

23. Interest-bearing liabilities

1000 EUR	Carrying amount 31 Dec, 2009	Fair value 31 Dec, 2009	Carrying amount 31 Dec, 2008	Fair value 31 Dec, 2008
Long-term				
Bank loans	10 502	10 565	12 976	12 900
Finance lease liabilities	50	50	148	191
Other loans				
Total	**10 552**	**10 615**	**13 124**	**13 091**
Short-term				
Bank loans	23 930	23 916	25 073	25 031
Finance lease liabilities	96	97	71	71
Total	**24 026**	**24 013**	**25 144**	**25 102**

Loans and receivables are carried at amortized cost using the effective interest method and the fair value is determined through discounted cash flow method discounting at balance sheet date market rate of interest or balance sheet date market value. The average interest rate of the Group at the end of the financial period was 2.7% (4.5% in 2008).

Repayment schedule of long-term liabilities:

2009

1000 EUR	2010	2011	2012	2013	2014	Later
Loans with fixed interest	3 933	4 782	1 341	205	205	410
Loans with floating interest	2 975	2 040	1 517			
Finance lease liabilities	96	50				
Other loans						
Total long-term liabilities	**7 004**	**6 872**	**2 858**	**205**	**205**	**410**

2008

1000 EUR	2009	2010	2011	2012	2013	Later
Loans with fixed interest	3 137	2 866	2 497	204	204	613
Loans with floating interest	4 482	3 023	2 045	1 524		
Finance lease liabilities	81	63	75			
Other loans						
Total long-term liabilities	**7 700**	**5 952**	**4 617**	**1 728**	**204**	**613**

Long-term interest-bearing liabilities in different currencies:

1000 EUR	31.12.2009	31.12.2008
EUR	9 925	12 329
USD	625	647
ZAR	0	0
AUD	0	0
Total	**10 552**	**12 976**

Effective interest rates (weighted averages) of long-term interest-bearing loans on 31 Dec, 2009:

Loans	2.8298
Finance lease liabilities	9.1577

Short-term interest-bearing liabilities in different currencies:

1000 EUR	31.12.2009	31.12.2008
EUR	22 130	21 160
USD	868	3 490
CNY	1 029	0
AUD	0	494
Total	**24 026**	**25 144**

Effective interest rates (weighted averages) of short-term interest-bearing loans on 31 Dec, 2009:

Loans	2.6895
Finance lease liabilities	9.1577

Finance lease liabilities

1000 EUR	31.12.2009	31.12.2008
Long-term finance lease liabilities	50	148
Short-term finance lease liabilities	96	71
Total finance lease liabilities	**146**	**219**
Finance lease liabilities - minimum lease payments		
No later than 1 year	61	88
Later than year and no later than 5 years	99	159
Total minimum lease payments	**160**	**247**
Future finance charges	-14	-28
Present value of finance lease liabilities	**146**	**219**
Present value of minimum lease payments		
No later than 1 year	58	81
Later than year and no later than 5 years	88	138
Present value of minimum lease payments	**146**	**219**

24. Employee benefit obligations

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

Pension liabilities **1000 EUR**	**31.12.2009**	**31.12.2008**
Present value of unfunded obligations	480	464
Underfunding/Overfunding	480	464
Unrecognized actuarial losses	4	41
Pension liability	**484**	**505**

Pension expenses **1000 EUR**	**31.12.2009**	**1.1.-31.12.2008**
Pension costs based on current period's service	-28	-28
Benefit related interest expense	-24	-22
Gains on plan curtailment	0	0
Pension expenses	**-52**	**-50**

Benefit plan reconciliation **1000 EUR**	**31.12.2009**	**31.12.2008**
Pension liabilities from defined benefit plan at the	456	455
Current service cost	28	26
Actuarial gains and losses	0	24
Liabilities at the end of period	**484**	**505**

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

	Germany 31 Dec, 2009	**Germany 31 Dec, 2008**
Discount rate (%)	5.90	5.25
Future salary increase (%)	2.50	2.50
Expected return on plan assets (%)	2.00	2.00

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

	Finland 31 Dec, 2009	**Finland 31 Dec, 2008**
Discount rate (%)	5.00	5.00
Future salary increase (%)	4.00	4.00
Expected return on plan assets (%)	4.70	4.70

Other pension and employee benefit liabilities **1000 EUR**	**31.12.2009**	**31.12.2008**
Pension provision	40	40
Other long-term employee benefit	72	49
Total	**112**	**89**

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

Total pension liabilities

1000 EUR	31.12.2009	31.12.2008
Pension provision	484	505
Other long-term employee benefit	112	89
Total	**596**	**594**

In addition to Finland, the Group has defined benefit plans in Germany. Pension provision includes EUR 29 thousand short term provisions, the rest is long term pension provision.

25. Provisions

1000 EUR	2009	2008
Warranty provisions 1 Jan	2 569	2 147
Additions	1 960	1 196
Used provisions	-1 021	-775
Warranty provisions 31 Dec	**3 508**	**2 568**
Reorganization provision 1 Jan	0	0
Additions	4 098	0
Reorganization provision 31 Dec	**4 098**	**0**
Unprofitable contracts 1 Jan	356	0
Additions	-331	356
Unprofitable contracts 31 Dec	**25**	**356**
Other provisions 1 Jan	29	0
Change in provisions	0	29
Change in provision 31 Dec	**0**	**29**

1000 EUR	2009	2008
Long term provisions	1 353	1 843
Short term provisions	6 278	1 110
Total	**7 631**	**2 953**

Larox offers most of its products a 12 month warranty from start-up or an 18 month warranty from delivery. Warranty provision is based on project specific estimates and historical experiences Warranty provision includes the expenses related to warranty claims for goods sold with valid warranty in prior accounting periods. Warranty provisions are expected to be used during the warranty period or within 12 months after the warranty period if research and development is required.

Other provisions include provisions relating to pensions and provisions for losses. Pension provisions are recognized in group companies in accordance with local legislation and are divided into short-term and long-term provisions based on the realization dates. A provision for unprofitable contracts is recognized on a company level when it is expected that the contract will become unprofitable. The amounts of the provisions are not discounted, as discounting would not have a material impact.

26. Trade payables and other payables

1000 EUR	31.12.2009	31.12.2008
Payables to associated companies	365	236
Trade payables	7 603	13 121
Accrued payables	117	70
Accrued employee-related liabilities	2 839	2 237
Derivate liabilities	175	434
Other accruals	5 774	10 522
Other liabilities	2 178	2 029
Total liabilities belonging financial	**19 051**	**28 649**
Advances received	2 671	7 244
Tax liability, income tax	2 082	550
Total trade payables and other payables	**23 804**	**36 443**

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

2009 Balance sheet item	Financial assets/liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets							
Other financial assets		33	23		56	56	*17*
Current financial assets							
Trade and other receivables		36 417			36 417	36 417	*20*
Derivative financial instruments Hedge-accounted Non-hedge accounted	 107 27				 107 27	 107 27	
Carrying amount by category	**134**	**36 450**	**23**		**36 607**	**36 607**	
Non-current financial liabilities							
Borrowings				10 552	10 552	10 615	*23*
Current financial liabilities							
Borrowings				24 025	24 025	24 013	*23*
Derivative financial instruments Hedge-accounted Non-hedge accounted	175				175	175	*26,29*
Trade and other payables				18 876	18 876	18 876	*26*
Carrying amount by category	**175**			**53 453**	**53 628**	**53 679**	

2008 Balance sheet item	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets							
Other financial assets			23		23	23	*17*
Current financial assets							
Trade and other receivables		48 187			48 187	48 187	*20*
Derivative financial instruments	32				32	32	*20*
Hedge-accounted Non-hedge accounted							
Carrying amount by category	**32**	**48 187**	**23**		**48 242**	**48 242**	
Non-current financial liabilities							
Borrowings				13 124	13 124	13 091	*23*
Current financial liabilities							
Borrowings				25 144	25 144	25 102	*23*
Derivative financial instruments	220				220	220	*26,29*
Hedge-accounted Non-hedge accounted	214				214	214	*26,29*
Trade and other payables				28 215	28 215	28 215	*26*
Carrying amount by category	**434**			**66 483**	**66 917**	**67 842**	

The fair values of current assets and liabilities do not differ from balance sheet values. The fair values of derivatives are presented in note 29 Financial risk management. The fair values of non-current liabilities are presented in note 23. Interest-bearing liabilities

28. Commitments and contingencies

Loans secured by real estate and corporate mortgages

1000 EUR	31.12.2009	31.12.2008
Loans from financial institutions	34 431	38 049
Total	**34 431**	**38 049**
Real estate mortgages	6 560	6 560
Corporate mortgages, general pledging	3 936	3 936
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 558**	**19 558**

Guarantees for others

	31.12.2009	31.12.2008
Pledged securities *)	13 511	13 511
Others	155	161
Total	**13 666**	**13 672**

** Book value of secured shares*

Other liabilities

Operating lease liabilities 1000 EUR	31.12.2009	31.12.2008
No later than 1 year	593	445
Later than year and no later than 5 years	391	649
Total	**984**	**1 094**

Non-cancellable lease liabilities 1000 EUR	31.12.2009	31.12.2008
No later than 1 year	1 170	848
Later than year and no later than 5 years	4 022	4 428
After 5 years	3 767	3 994
Total	**8 959**	**9 270**

Cancellable lease liabilities 1000 EUR	31.12.2009	31.12.2008
No later than 1 year	592	619
Total	**592**	**619**

Non-cancellable lease liabilities include rent agreement of different offices of the Group. Rent expenses in the income statement were EUR 2.5 million in 2009 (EUR 1.8 million in 2008).

Company is committed to verify VAT deductions made regarding to building investment finished 2009 if the tax liable use will diminished during the verification period. The total liability is EUR 18 thousands and the final verification period is year 2019.

29. Financial risk management

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

Financial risks are divided into market, credit and liquidity risks. Market risks arise from fluctuations in currencies, interest rates and commodity prices.

Larox is sensitive to the price fluctuations of raw material, external suppliers and subcontractors. The price fluctuation is prevented and the availability of raw material ascertained by long-term contracts, timing of the acquisitions, and fixed contract prices.

Currency risk

The objective of the Group’s currency risk management is to limit the risks caused by changes in foreign currency rates on cash flows, income statement and balance sheet. In accordance with the approved foreign currency policy, the Group’s treasury function shall hedge against all major currency risks

The Larox Group treasury function manages financial risks generally together with business units. Business units are responsible for estimating their future foreign currency net cash flows and the Group treasury is responsible for carrying out hedging activities based on these estimations.

Group’s foreign currency exposure consists primarily of accounts receivables, order backlog, liabilities in foreign currencies and some of the outstanding offers (transaction risk).

The most important invoicing currencies for Larox are EUR, USD, AUD and ZAR. Larox Group's main purchasing currency is EUR.

In accordance with the approved foreign currency policy, the Group’s treasury function shall hedge against all major currency risks.

The Group also hedges the equities of foreign subsidiaries with external currency loans (translation risk). Subsidiary’s equity worth of USD 1.0 million is hedged with USD 900 thousand liability. Hedge accounting is applied on significant projects which are worth one million euros or more and managed in group level. The project is hedged at least to 60 percent of its value. The exchange differences arising from the projects under hedge accounting are recognized in income in accordance with the revenue recognition of the projects. The duration of the projects vary from 6 months to 1.5 years.

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

Interest rate risk

Interest-bearing debt exposes the Group to interest rate risk, which is the risk of repricing and price risk caused by the changes in market interest rate. To control interest rate risks, Larox Group disperses its loans and short-term investments in fixed and floating rate instruments. Total loan risk position is stabilized by changing the portion of fixed and foreign currency denominated debts.

The share of fixed rate loans was 35 percent (28 percent). The monthly management reporting includes weighted average interest rates and long-term loans as compared to short term loans, among others. Investments that are longer than one year are hedged by fixing the long-term loans to a fixed rate. Management has not identified any considerable interest rate risk

Credit risk

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

Group's customer base consists of a large number of customers in all market areas. Credit risk is reduced mainly with the selection of payment terms and method of payment and using letter of credits. In general, Larox does not finance customers, but co-operates with banks and export credit institutions to support the financing of customers' investments. Trade receivables are followed and reported in a constant manner. Project and spare part deliveries are discontinued if insolvency disturbances appear. Financial assets do not include credit risks.

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

Trade receivables and other receivables

1000 EUR	**31.12.2009**	**31.12.2008**
Trade receivables	23 871	36 059
Receivables from associated companies	1	15
Receivables of unfinished projects	6 410	6 210
Accrued receivables	701	831
Derivative receivables	134	32
Other receivables	3 899	3 408
Total trade receivables and other receivables	**35 016**	**46 555**

Maximum credit risk of receivables is the book value. During the financial year Larox Group recognized credit losses of trade receivables EUR 594.7 thousand (EUR 254.9 thousand in 2008).

Analysis of trade receivables b y age

1000 EUR	**31.12.2009**	**31.12.2008**
Undue trade receivables	16 738	12 931
Trade receivables 1-30 days overdue	2 854	11 297
Trade receivables 31-60 days overdue	1 405	5 744
Trade receivables more than 60 days overdue	2 874	6 087
Total	**23 871**	**36 059**

Liquidity and refunding risk

The business of Larox includes regular and irregular cash flows. Larox aims at maintaining sufficient liquidity with efficient cash management. The Company seeks to minimise potential liquidity and refinancing risk exposures through balanced maturity spread of the loans and sufficient financial reserves. Monthly reporting to management includes 6 months' cash flow estimation and the amount of unused bank limits.

The Company has limit arrangements with banks for short-term working capital requirements and credit accounts for daily cash management. During the year the share of committed bank limits and long term loans was increased in relation to total interest bearing liabilities. The share of long term loans was 48.9 % of the total loan portfolio.

At the end of year 2009, unused limits and account credits totalled EUR 17.5 million.

As of 31 December 2009, the contractual maturity of liabilities was as follows:

The table shows undiscounted cash flow analysis of financial assets and liabilities presented on the balance sheet. It is not possible to match the amounts directly with the balance sheet items without adjustments.

	2010	2011	2012	2013	2014	Later
Long term liabilities		6 783	2 825	200	200	400
Short term liabilities						
Short term liabilities included in long term liabilities	6 908					
Short term liabilities	17 078					
Finance charges	936	294	99	22	16	11
Derivative instrument liabilities	175					
Trade payables	7 968					
1) Repayments in 2009 are included in current liabilities in the balance sheet						
Finance charges are primarily interest expenses.						

As of 31 December 2008, the contractual maturity of liabilities was as follows:

	2009	2010	2011	2012	2013	Myöhemmin
Long term liabilities		5 846	4 535	1700	200	600
Short term liabilities						
Short term liabilities included in long term liabilities	7 619					
Short term liabilities	17 476					
Finance charges	1 763	596	321	114	36	27
Derivative instrument liabilities	434					
Trade payables	13 357					
1) Repayments in 2008 are included in current liabilities in the balance sheet						
Finance charges are primarily interest expenses.						

Sensitivity analysis

By presenting the sensitivity analysis the Company seeks to show what the effect of reasonably possible changes in the relevant risk variables is to the income statement. Risk variables contain interest and currency instruments. The effect of the fair value changes of derivative financial instruments, for which hedge accounting is applied, is assumed to be on equity in full. The table below presents the foreign exchange net position in the consolidated balance sheet and the corresponding total net position at the balance sheet day. The foreign exchange hedges are not included in the position. The forward foreign exchange agreements hedging the foreign exchange risk are presented separately in the table. These amounts will be expired during the next 6 months period.

Currencies in balance sheet, net(1000)			Total net position		Forward agreement	
	2009	2008	2009	2008	2009	2008
USD	7 012	1 826	15 298	19 581	5 835	6 729
ZAR	29 490	26 076	37 680	59 257	23 000	10 110
AUD	4 135	5 168	5 757	11 453	3 000	2 000
CAD	39	12	68	1 118	0	745

Derivative contracts expiration

2008	0 - 3 months	3 - 6 months	6 - 12 months	After 1 year
USD	2 869	2 220	1 640	0
AUD	2 000	0	0	0
ZAR	10 100	0	0	0
CAD	745	0	0	0

2009	0 - 3 months	3 - 6 months	6 - 12 months	After 1 year
USD	4 735	1 100	0	0
AUD	3 000	0	0	0
ZAR	23 000	0	0	0
CAD	0	0	0	0

Depart from IFRS 7 disclosure requirements, sensitive analysis emphasizes the total foreign exchange. As the Company monitors and hedges the total foreign exchange exposure, the off-balance sheet items are presented separately in the sensitivity analysis. The total foreign exchange position consists mainly of trade receivables, order backlog, foreign currency -denominated debts and the Company's own offer backlog. The table below presents how the reasonably possible changes in the non-hedged total foreign exchange exposure and interest rate exposure to the result before tax.

Market risk

1000 EUR 5 % change in central exchange rates	Income statement				Equity			
	2009		2008		2009		2008	
	+	-	+	-	+	-	+	-
USD	346	313	486	440	9	9	113	112
AUD	91	82	245	222	0	0	0	0
ZAR	72	66	198	179	0	0	0	0
CAD	2	2	12	10	0	0	1	2
Total	511	463	941	851	9	9	115	114
Loans with variable interest: 20 205 EUR 1 % parallel shift in market interest rates	202	-202	237	-237	0	0	0	0

The Group's foreign currency exposure has been determined with the exchange rates prevailing at the balance sheet date, of which the effect that a 5% change in exchange rates would have on the income statement and equity has been calculated. Interest sensitive analysis includes EUR 20.2 million of loans in Euro with variable interest rates. The analysis

presents how 1% change in interest rate affects the income statement. All of the effects are allocated to income statement, because the equity component is not material.

Fair value of derivative financial instruments **1000 EUR**	**Positive fair value 31.12.2009**	**Negative fair value 31.12.2009**	**Net fair value 31.12.2009**	**Net fair value 31.12.2008**
Derivative financial instruments designated as cash flow hedges				
Forward contracts	107		107	-188
Non-hedging derivative financial instruments:				
Forward contracts		-64	-64	-214
Options	27	-111	-84	
Derivative financial instruments total	134	-175	-42	-402

Nominal values of derivative instruments **1000 EUR**	**31.12.2009**	**31.12.2008**
Currency derivatives:	13 797	
Forward contracts	3 481	7 033
Total currency derivatives	**17 278**	**7 033**

Capital risk management

The Group's objective when managing capital is to secure an efficient capital structure that gives the Group's access to capital market at all times. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. The Group seeks to minimize the restricted equity and to hold it on a level, which is able to meet challenges related to the growth of its operations.

The table below shows Group's equity, interest-bearing loans and gearing:

1000 EUR	**31.12.2009**	**31.12.2008**
Total equity	28 676	35 770
Long-term interest bearing debts	10 552	13 124
Short-term interest bearing debts	24 025	25 144
Total interest bearing debts	34 577	38 268
Equity and debts, total	**63 253**	**74 038**
Total interest bearing debts	34 577	38 268
Total interest net debts	**34 577**	**38 268**
Gearing	**1.2**	**1.1**

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

The Group has debt covenants and requirements are met during the financial period. Changes in working capital and cash flow are reviewed systematically as part of the risk management. The Group aims to reach equity ratio of over 40 %.

Accompanying key ratios as per 31.12.2009 and 31.12.2008 were:

	2009	2008
Equity ratio	30.4	32.2
Gearing	1.2	1.1

30. Related party transactions

Following the share transaction executed on December 21, 2009 between Outotec Oyj and the main shareholders of Larox the authority in Larox Corporation has been transferred to Outotec Oyj. The transferred shares represent 94.40 percent of all votes and 70.48 percent of all Larox shares. Larox became a subsidiary of Outotec Oyj.

Parent company and subsidiary relations:

Shares and shareholdings on Dec 31, 2009	Country	No of shares	Share of ownership	Share of voting rights
Parent company Larox Oyj	Finland			
Larox Company Oy	Finland	50	100.0	100.0
Turku Ceramics Oy	Finland	2 000	100.0	100.0
Larox AB	Sweden	11 000	100.0	100.0
Larox Inc.	USA	50	100.0	100.0
Larox GmbH	Germany	500	100.0	100.0
Larox B.V.	The Netherlands	180	100.0	100.0
Larox Pty Limited	Australia	400	100.0	100.0
Larox Chile SA	Chile	1 500	100.0	100.0
Larox Poland Limited	Poland	335	100.0	100.0
Larox SA (Proprietary) Limited	South Africa	10 000	100.0	100.0
Filtros Larox Mexico SA de CV	Mexico	5	100.0	100.0
Larox Central Africa Limited	Zambia	25	100.0	100.0
Larox UK Limited	Great-Britain	500	100.0	100.0
Larox Tecnologia de separacao de líquidos e sólidos LTDA	Brazil	600 000	100.0	100.0
Cia Minera Trinidad S.A.C.	Peru	57 398	99.7	99.7
Explotaciones Mineras Metalicas S.A.C.	Peru	197	99.0	99.0
Larox LLC	Russia	1	100.0	100.0
Larox Filtration Technology (Suzhou)	China	-	100.0	100.0
Larox India Private Limited	India	500 000	100.0	100.0

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

Transactions with associated companies

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Sales of goods and services	17	15
Purchases of goods and services	2 577	2 736

Other transactions with related

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Purchases of services	40	20

Balances with associated companies

1000 EUR	31.12.2009	31.12.2008
Trade receivables	1	16
Trade payables	365	236

Employee benefits for key management

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

1000 EUR	31.1.-1.12.2009	1.1.-31.12.2008
Short-term employee benefits	1 658	1 385
Post-employment benefits	434	339
Share-based payments	184	38
Total employee benefits	**2 276**	**1 762**

	1.1.-31.12.2009	1.1.-31.12.2008
Salaries and fees 1000 EUR	732	278
President		
Members of the Board of Directors	94	101
Timo Vartiainen	65	65
Katariina Aaltonen	20	20
Teppo Taberman	20	20
Thomas Franck	20	20
Matti Ruotsala		

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

32. Events after the balance date

The management is not aware of any material uncertainties after the balance sheet date, that have required changes to the financial statements.

The CEO of Larox Group changed and Juhana Ylikojola started as the new CEO on 1 January 2010.

As a result of the mandatory public tender offer, expired on 22 January 2010, by Outotec Oyj, according to the stock exchange release by Outotec Oyj on 27 January 2010, the shares offered in the tender offer, together with all the shares owned by Outotec Oyj and Larox, represent approx. 98.5 % of all Larox shares and approximately 99.7 % of all the votes given by Larox shares. Outotec Oyj has, based on the result of the ownership of over nine-tenths (9/10) of all the Larox shares and votes attached to the shares, the right to acquire the remaining Larox B shares under the Finnish Companies Act chapter 18 §1 for market price after the completion of the tender offer. Outotec has pursuant to its ownership exceeding nine tenths (9/10) gained a right to redeem all the series B shares held by other remaining shareholders of Larox at fair value in accordance with Chapter 18, Section 1 of the Finnish Companies Act. Outotec has on 3 February 2010 notified Larox of its decision to exercise its redemption right and presented its redemption claim for the remaining shares in Larox in accordance with the Finnish Companies Act.

Parent Company Financial Statements, FAS

Parent Company: Income Statement, FAS

1000 EUR	Note	1.1.-31.12.2009	1.1.-31.12.2008
Net sales	2)	131 435	147 268
Change in inventories of finished goods and work in progress		-8 028	9 121
Other operating income	3)	893	1 058
Materials and services	4)	-69 888	-100 105
Personnel expenses	5)	-15 815	-15 782
Depreciation and amortization	6)	-3 894	-3 692
Other operating expenses	7)	-30 917	-34 112
OPERATING PROFIT		3 786	3 756
Financial income and expenses	9)	-400	-466
PROFIT BEFORE EXTRAORDINARY ITEMS		3 386	3 290
Appropriations	10)	-568	291
Income tax	11)	-1 221	-1 073
PROFIT FOR THE PERIOD		1 597	2 509

FAS = Finnish Accounting Standards

Parent Company: Balance sheet, FAS

1000 EUR	Note	31.12.2009	31.12.2008
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12)	17 283	17 951
Tangible assets	13)	8 475	8 386
INVESTMENTS			
Holdings in Group companies	14)	13 546	15 181
Other investments		1 700	270
TOTAL NON-CURRENT ASSETS		41 004	41 788
CURRENT ASSETS			
Inventories	15)	18 014	32 328
Long-term receivables	16)	0	904
Short-term receivables	16)	31 021	41 590
Cash and bank		194	315
TOTAL CURRENT ASSETS		49 229	75 137
TOTAL ASSETS		90 233	116 925
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	17)		
Share capital		5 629	5 629
Share premium account		6 182	6 182
Revaluation reserve		75	75
Retained earnings		12 811	13 117
Profit for the period		1 597	2 509
TOTAL SHAREHOLDERS' EQUITY		26 294	27 512
Accelerated depreciation	18)	3 236	2 668
Total statutory provisions	19)	4 410	2 101
LIABILITIES			
Long-term liabilities, interest-bearing	20)	10 358	12 743
Short-term liabilities, interest-bearing	20)	22 862	26 388
Short-term liabilities, interest-free		23 073	45 513
TOTAL LIABILITIES		56 293	84 644
TOTAL EQUITY AND LIABILITIES		90 233	116 925

FAS = Finnish Accounting Standards

Parent Company: Statement of Cash Flow, FAS

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Cash flow from operating activities		
Profit for the period	1 597	2 508
Adjustments to the profit for the period	6 083	4 940
Change of the working capital	1 644	-516
Cash flow from operations before financial items and	9 324	6 932
Interests paid in operating activities	-1 253	-1 773
Interests received in operating activities	547	978
Other financial items in operating activities	-91	-10
Income taxes paid in operating activities	540	-3 252
Net cash generated from operating activities	**9 068**	**2 875**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1 816	-1 969
Income from disposals of tangible and intangible assets	0	-4 425
Group companies founded		
Loans granted	-9 153	-3 688
Repayments of loan receivables	8 914	9 664
Dividends received from investments	1 868	858
Net cash used in investing activities	**-187**	**440**
Cash flow from financing activities		
Short-term loans made	17 350	19 330
Repayments of short-term loans	-20 876	-19 849
Long-term loans made	4 500	9 400
Repayments of long-term loans	-7 162	-6 280
Dividends paid	-2 814	-5 629
Net cash generated from financing activities	**-9 002**	**-3 028**
Net change in cash and cash equivalents	-121	288
Cash and Cash Equivalents on 1 Jan	315	27
Cash and Cash Equivalents on 31 Dec	194	315
Net change in working capital:		
Change of inventories	14 314	-13 045
Change of trade receivables and other short-term	9 307	-11 248
Change of trade payables and other interest-free short	-24 286	22 825
Change of provisions	2 309	952

Notes to the Parent Company Financial Statements

1. Accounting principles

Foreign currency transactions

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

Net sales

Sales of products and services are recognized at the time of delivery. Sales revenue is deducted with indirect tax and adjustment items for sale. Adjustments include given discounts and exchange rate differences in net sales.

Research and product development costs

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

Taxes

Taxes have been recognized according to Finnish tax regulations.

Inventories

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

Fixed assets and depreciation

Fixed assets are stated based on original acquisition cost, with the exception of parent company’s land areas and buildings which have been revaluated. Revaluations in the amount of EUR 563 000 for land areas and EUR 2 237 000 for buildings were recorded in year 1990 and prior based on external evaluations. Additional revaluation in the amount of EUR 728 000 in deferred tax liability was not recognized since its realization is not likely in the near future.

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

2. Net sales by geographical division

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
North, Central and South America	48 208	41 158
Asia and Australasia	38 930	33 026
Europe, Middle East and Africa	44 297	73 084
Total	**131 435**	**147 268**

3. Other operating income

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Grants	286	194
Provisions	42	73
Other	565	791
Total other operating income	**893**	**1 058**

4. Materiaalit ja palvelut

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Raw materials and consumables		
Purchases during the financial year	-59 782	-93 498
Change in inventories	-3 663	2 823
External services	-6 443	-9 430
Total materials and services	**-69 888**	**-100 105**

5. Personnel expenses

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Salaries and fees	-12 702	-12 674
of which president's and board members' salaries	-951	-504
Pension expenses	-2 113	-2 257
Other employee benefits	-1 000	-851
Total personnel expenses	**-15 815**	**-15 782**

Salaries and fees 1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
President	732	278
Members of the Board of Directors		
Mr. Timo Vartiainen	94	101
Ms. Katariina Aaltonen	65	65
Mr. Teppo Taberman	20	20
Mr. Thomas Franck	20	20
Mr. Matti Ruotsala	20	20

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

The average number of personnel	1.1.-31.12.2009	1.1.-31.12.2008
Office personnel	180	173
Workers	79	81
Total	**259**	**254**

6. Planned depreciation and amortization

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Development costs	-378	-378
Intangible rights	-919	-756
Goodwill	-1 613	-1 612
Other capitalized expenditure	-19	-19
Land (asphalting)	-7	-4
Buildings	-421	-414
Machinery and equipment	-537	-509
Total depreciation and amortization	**-3 894**	**-3 692**

7. Other operating expenses

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Sales expenses	-9 466	-11 068
Consumables	-352	-564
Maintenance of premises	-580	-711
Rents	-599	-477
Personnel expenses	-798	-1 006
Travelling expenses	-2 396	-3 176
Marketing and public relations	-1 390	-2 119
External services	-13 853	-13 253
Other operating expenses	-1 483	-1 738
Total other operating expenses	**-30 917**	**-34 112**

8. Fees paid to auditors

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
PricewaterhouseCoopers:		
Auditing	109	115
Tax consultancy	53	91
Other fees	55	53
Total	**217**	**259**

9. Financial income and expenses

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Share of profit from subsidiaries	1 743	733
Share of profit from associated	125	125
Interest and other financial income		
From Group companies	545	969
From others	12	10
Total financial income	**2 425**	**1 836**
Impairment on investments in non-current assets	-1 635	0
Interest and other financial expenses		
To Group companies	-8	-7
To others	-1 182	-2 295
Total financial expenses	**-2 825**	**-2 302**
Total financial income and expenses	**-400**	**-466**
Exchange gains (+) and losses (-) included in	163	-519

10. Appropriations

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Difference between booked depreciation and depreciation according to plan		
Buildings	284	344
Machinery	-310	489
Goodwill	-542	-542
Total appropriations	**-568**	**291**

11. Income tax

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Current taxes	-1 222	-1 073
Total income taxes	**-1 222**	**-1 073**

12. Intangible assets

1.1.-31.12.2009	Development costs	Intangible rights in progress	Intangible rights	Goodwill	Other long-term expenditure
Acquisition cost 1 Jan	1 724	1 161	10 349	16 190	4 674
Additions	1 218	-802	345	1 499	
Acquisition cost 31 Dec	2 942	359	10 694	17 689	4 674
Cumulative depreciations 1 Jan	-748		-5 916	-4 846	-4 638
Depreciation for the period 1	-377		-918	-1 613	-19
Cumulative depreciations 31	-1 125		-6 834	-6 459	-4 657
Carrying value 31 Dec	**1 817**	**359**	**3 860**	**11 230**	**18**

13. Tangible assets

1.1.-31.12.2009	Land areas	Buildings	Machinery	Tangible assets in progress	Other tangible assets
Acquisition cost 1 Jan	584	5 830	12 387	190	104
Additions	103	168	808		
Disposals		-21		-2	
Acquisition cost 31 Dec	687	5 977	13 195	188	
Cumulative depreciations 1 Jan	-23	-3 277	-10 381		-104
Depreciation for the period1	-7	-146	-538		
Cumulative depreciations 31	-30	-3 423	-10 919		
Revaluations *)	563	2 237			
Carrying value 31 Dec	**1 220**	**4 791**	**2 276**	**188**	**0**

**) Additional revaluation in the amount of EUR 728 000 in deferred tax liability was not recognized since its realization is not likely in the near future. Annual depreciation of EUR 275 000 has been made on revaluation of buildings.*

14. Investments

Shares and shareholdings on 31 Dec, 2009	Country	No. Of shares	Share (%)	Book value, 1000 EUR 1.1.2009	Revaluations	31.12.2009
Larox Company Oy	Finland	50	100	8	0	8
Turku Ceramics Oy	Finland	2 000	100	4 414	0	4 414
Larox AB	Sweden	11 000	100	11	0	11
Larox Inc.	USA	50	100	687	0	687
Larox GmbH	Germany	500	100	2 621	0	2 621
Larox B.V.	The Nederlands	180	100	6 476	-1 635	4 841
Larox Pty Limited	Australia	400	100	770	0	770
Larox Chile SA *)	Chile	1 500	99	34	0	34
Larox Poland Limited	Poland	335	100	104	0	104
Larox SA (Proprietary) Limited	South-Africa	10 000	100	1	0	1
Filtros Larox Mexico SA de CV	Mexico	5	100	5	0	5
Larox Central Africa Limited	Zambia	25	100	25	0	25
Larox UK Limited	Great-Britain	500	100	1	0	1
Larox Tecnologia de separacao de líquidos e sólidos LTDA*)	Brazil	60 000	10	24	0	24
Cia Minera Trinidad S.A.C.	Peru	57 398	99.7	0	0	0
Shares and holdings total				**15 181**	**-1 635**	**13 546**

*) Larox Company Oy holds 1% of the Larox Chile SA shares and 90% of the Larox Tecnologia de separacao de líguidos e sólidos LTDA shares.

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

1000 EUR	1.1.2009	Change	31.12.2009
Total subsidiary shares *)	15 181	-1 635	13 546
Associated company shares, Larox Flowsys Oy	247		247
Receivables from Group companies **)		1 430	1 430
Other shares	23		23
Total investments	**15 451**	**-205**	**15 246**

*) Larox BV subsidiary share value has been revaluated according to the net present value calculation of the company's future profit estimation

**) According to the loan conditions the loan is conditional shareholder's contribution (villkorat aktieägartillskott)

Larox Flowsys Oy, Lappeenranta	2009	2008
Share of ownership (%)	49	49
Assets	10 351	10 884
Liabilities	6 970	7 160
Net sales	16 099	20 752
Profit for the period	**51**	**944**

15. Inventories

1000 EUR	31.12.2009	31.12.2008
Materials and supplies	5 561	9 223
Work in progress	6 931	15 247
Finished products and goods	4 487	4 200
Advance payments for inventories	1 035	3 658
Total inventories	**18 014**	**32 328**

16. Receivables

1000 EUR	31.12.2009	31.12.2008
Long-term receivables		
Receivables from Group companies	0	904
Total long-term receivables	**0**	**904**
Short-term receivables		
Trade receivables	9 920	18 588
Other receivables	2 247	2 185
Accrued receivables	442	1 664
Project business receivables	135	311
Tax receivables	0	1 046
Others	307	307
Receivables from Group companies	18 411	19 140
Trade receivables	10 858	11 744
Loans to Group companies	7 345	6 202
Accrued receivables	208	1 194
Receivables from associated companies	1	13
Total short-term receivables	**31 021**	**41 590**

17. Shareholders' equity

Changes in shareholders' equity 2008 1000 EUR	**Share capital**	**Share premium account**	**Revaluation reserve *)**	**Retained earnings**	**Total**
SHAREHOLDERS'EQUITY 1 Jan	5 629	6 182	75	18 746	30 632
Dividend distribution				-5 629	-5 629
Profit for the period				2 509	2 509
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2008	**5 629**	**6 182**	**75**	**15 626**	**27 512**

Changes in shareholders' equity 2009 1000 EUR	**Share capital**	**Share premium account**	**Revaluation reserve *)**	**Retained earnings**	**Total**
SHAREHOLDERS'EQUITY 1 Jan,	5 629	6 182	75	15 626	27 512
Dividend distribution				-2 814	-2 814
Profit for the period				1 597	1 597
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2009	**5 629**	**6 182**	**75**	**14 408**	**26 294**

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

Shareholders equity attributable to shareholders

1000 EUR	31.12.2009
Retained earnings	12 811
Profit for the period	1 597
Total shareholders equity attributable to shareholders	**14 408**

18. Accelerated depreciation

1000 EUR	31.12.2009	31.12.2008
Difference between booked depreciation and depreciation according to plan		
Other long-term expenditure	17	17
Buildings	233	517
Machinery	-266	-576
Goodwill	3 252	2 710
Total accelerated depreciation	**3 236**	**2 668**

19. Provisions

1000 EUR	2009	2008
Warranty provision on 1 Jan	1 705	1 109
Change	1 251	596
Warranty provision on 31 Dec	**2 956**	**1 705**
Pension provision on 1 Jan	40	40
Change		
Pension provision on 31 Dec	**40**	**40**
Reverse provision 1 Jan	356	
Change	-331	356
Reverse provision on 31 Dec	**25**	**356**
Other provisions	0	0
Change *)	1 389	0
Other provision on 31 Dec	1 389	0
Total provisions	**4 410**	**2 101**

**) Other provisions include provisions resulting from the reorganization of Larox Group.*

20. Deferred tax assets and liabilities

1000 EUR	31.12.2009	31.12.2008
Deferred tax assets recognized on the balance sheet		
Timing differences and other temporary differences	0	0
Unrecognized deferred tax liabilities		
Depreciation differences	841	694
Revaluations	728	800

21. Liabilities

1000 EUR	31.12.2009	31.12.2008
Long-term liabilities		
Loans from financial institutions	10 358	12 742
Other loans	0	0
Total long-term liabilities	**10 358**	**12 742**
Short-term liabilities		
Loans from financial institutions	22 863	25 014
Loans to Group companies	0	1 374
Total interest-bearing short-term liabilities	**22 863**	**26 388**
Short-term interest-free liabilities		
Trade payables	5 760	7 659
Accrued payables	5 211	6 403
Personnel expenses	2 397	2 835
Project business payables	1 830	2 138
Taxes	465	0
Others	519	1 430
Other payables	320	368
Advances received	7 101	23 248
Payables to Group companies	4 553	7 714
Advances received	1 965	3 171
Trade payables	2 535	4 543
Accrued payables	53	0
Loans to associated companies	128	121
Total interest-free short-term liabilities	**23 073**	**45 513**

Debts due to later than in five years' time

1000 EUR	2009	2008
Bank loans	400	600
Total	**400**	**600**

22. Commitments and contingencies

1000 EUR	31.12.2009	31.12.2008
Loans from financial institutions	33 221	38 049
Total	**33 221**	**38 049**
Real estate mortgages	6 560	6 560
Corporate mortgages, general pledging	3 936	3 936
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 558**	**19 558**

Guarantees for others	31.12.2009	31.12.2008
Pledged securities *)	13 511	10 890
Others	155	161
Total	**13 666**	**11 051**

**) book value of secured shares*

Guarantees on behalf of other Group Companies 1000 EUR	31.12.2009	31.12.2008
Guarantees given	1 037	0
Total	**1 037**	**0**

Leasing liabilities 1000 EUR	31.12.2009	31.12.2008
No later than 1 year	314	66
Later than year and no later than 5 years	1 060	1 045
After 5 years	746	1 027
Total	**2 120**	**2 138**

Leasing liabilities 1000 EUR	31.12.2009	31.12.2008
Current portion	474	437
Non-current portion	348	365
Total	**822**	**802**

Other liabilities 1000 EUR	31.12.2009	31.12.2008
Other liabilities	18	0
Total	**18**	**0**

Company is committed to verify VAT deductions regarding building investment finished in 2009 if the tax liable use will diminish during the verification period. The total liability is EUR 17 622 and the final verification period is year 2019.

23. Related party transactions

1000 EUR	1.1.-31.12.2009	1.1.-31.12.2008
Transactions with associated companies		
Sales of goods and services	17	15
Purchases of goods and services	1 310	2 374
Other transactions with related parties		
Purchases of services	40	20
Balances with associated companies		
Trade receivables	1	13
Trade payables	128	121

Group Key Figures 2005-2009, IFRS

1000 EUR	**2009**	**2008**	**2007**	**2006**	**2005**
Scope of activity					
New orders	109 072	184 799	208 421	137 971	121 470
Order backlog	33 418	72 066	97 330	44 911	29 845
Net sales	150 170	207 995	158 270	122 809	104 324
Change in net sales, %	-27.8	31.4	28.9	17.7	8.1
Share of exports and foreign operations,	93	93	97	96	97
Number of personnel	562	593	458	450	438
Net sales per person	267	370	346	273	238
Total liabilities	68 282	82 370	70 008	56 627	59 368
Current liabilities	54 107	62 248	54 072	33 821	31 452
Shareholders' equity	28 676	35 770	32 845	26 668	24 901
Total assets	96 958	118 139	102 853	83 295	84 269
Investments	4 307	7 402	3 285	2 285	1 832
Investments, %	2.9	3.6	2.1	1.9	1.8
Profit and profitability					
Depreciation	4 217	3 808	3 504	3 412	3 931
Operating profit (EBIT)	-1 820	16 618	13 070	8 931	6 670
Financial income and expenses	-893	-2 661	-1 315	-2 141	-1 091
Profit before taxes	-2 713	13 957	11 755	7 044	5 790
Profit for the period	-6 492	10 022	9 496	5 004	4 502
Operating profit, %	-1.2	8.0	8.3	7.3	6.4
Net financial expenses. %	0.6	1.3	0.8	1.5	0.8
Profit before taxes, %	-1.8	6.7	7.4	5.7	5.6
Profit, %	-4.3	4.8	6.0	4.1	4.3
Return on shareholders' equity, %	-20.1	29.2	31.9	19.4	19.7
Return on invested capital, %	-1.7	24.2	22.9	16.7	12.6
Financial					
Quick ratio	0.6	0.8	0.7	0.8	0.9
Current ratio	1.1	1.2	1.2	1.4	1.5
Equity ratio, %	30.4	32.3	34.2	33.9	29.9
Relative indebtedness, %	43.7	36.1	40.0	42.3	56.1

Key Figures by Quarters

1000 EUR	**2009** **IV quarter**	**2009** **III quarter**	**2009** **II quarter**	**2009** **I quarter**	**2008** **IV quarter**
New orders	30 349	27 049	23 694	27 982	25 817
Group order backlog at	33 418	36 582	40 535	57 029	72 006
Net sales	34 164	31 945	40 768	43 282	64 079
Operating profit	-1 158	-4 256	490	3 103	4 908
% of net sales	-3.4	-13.3	1.2	7.2	7.7
Net financial costs	238	120	174	360	1 182
% of net sales	0.7	0.4	0.4	0.8	1.8
Result before taxes	-1 396	-4 375	315	2 743	3 726
Result for the quarter	-5 262	-3 285	135	1 919	2 828
EPS basic and diluted (EUR	-0.56	-0.35	0.01	0.20	0.30

Shares and Shareholders

Share related data, IFRS

	2009	2008	2007	2006	2005
Earnings per share, Group, EUR	-0.69	1.07	1.01	0.53	0.49
Shareholder equity per share, EUR	3.04	3.81	3.50	2.84	2.68
Dividend per share, proposed, EUR	0.00 **)	0.30	0.60	0.30	0.24
Dividend per earnings ratio, %	0.00	46.7	59.4	56.6	49.0
Dividend yield, %	0.00	10.9	5.0	3.3	3.9
Price per earnings ratio (P/E)	-11.81	4.30	11.88	16.98	12.45
Development of share price					
Average trading price, EUR	8.32	9.23	12.66	7.76	5.40
Lowest trading price, EUR	4.79	4.60	8.04	6.12	4.50
Highest trading price, EUR	9.93	12.40	16.85	9.35	6.24
Trading price at end of period, EUR	9.70	4.60	12.00	9.00	6.10
Change in trading price, %	110.9	-61.7	33.3	47.5	30.9
Shareholders' earnings, %	117.4	-56.7	36.7	51.5	34.5
Market capitalization at end of period					
A shares, EUR million*)	20.6	9.8	25.5	19.1	13.0
B shares, EUR million	70.8	33.4	87.1	65.3	43.6
Total	91.4	43.2	112.6	84.4	56.6
Trading volume					
B shares, 1000 pcs	2 277.7	2 228.3	4 173.6	2 570.7	1 124.9
In relation to average number of B shares, %	31.3	30.7	54.5	35.4	15.7
Average number of shares at end of period, 1000	7 288.4	7 257.6	7 257.6	7 253.9	7 151.2
Number of shares at end of period					
A shares, 1000 pcs	2 124	2 124.0	2 124.0	2 124.0	2 124.0
B shares, 1000 pcs	7 302	7 257.6	7 257.6	7 257.6	7 151.7
Total, 1000 pcs	9 426	9 381.6	9 381.6	9 381.6	9 275.7

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

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

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

Series of shares	No. of shares (thousand)	% of share capital 31 Dec, 2009	No. of voting rights (thousand)	% of voting rights 31 Dec, 2009
A series	2 124	22.5	42 480	85.3
B series	7 302	77.5	7 302	14.7
	9 426	100.00	49 782	100.00

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

Distribution of share capital sectors on 31 December, 2009

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
Private enterprises	112	7.0	7 502 691	79.6
Financial institutions and insurance	8	0.5	26 039	0.3
Public corporations	1	0.06	1 400	0.01
Non-profit institutions	9	0.6	23 231	0.2
Households	1 449	90.7	1 249 993	13.3
Foreign owners	18	1.1	85 400	0.9
Total	1 597	100.00	8 888 754	94.3
On joint account			537 196	5.7
Total issued			**9 425 950**	**100.00**

Distribution of share capital in order of magnitude on 31 December, 2009

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
1-100	398	24.4	25 216	0.3
101-500	686	43.0	190 297	2.0
501-1 000	260	16.3	205 030	2.2
1 001- 5000	197	12.3	386 275	4.1
5 001 – 10 000	29	1.8	227 569	2.4
10 001 – 50 000	29	1.8	721 549	7.7
50 001 – 100 000	4	0.3	319 000	3.4
100 001 – 500 000	2	0.1	690 827	7.3
Over 500 000	1	0.1	6 643 054	70.5
On joint account			17 133	0.2
Total issued	1 597	100.0	**9 425 950**	**100.0**
Of which administratively registered	5		520 063	5.5

Principal shareholders on 31 December 2009

	% of share capital 31 Dec, 2009	% of voting rights 31 Dec, 2009
Outotec Oyj	70.5	90.5
Nordea Pankki Suomi Oyj	5.0	0.9
Erikoissijoitusrahasto Ubiview	2.3	0.4
Oy Ingman Finance Ab	1.1	0.2
Parteen Oy	0.8	0.2
Sajetec Oy	0.8	0.2
Vartiainen Marja-Liisa	0.6	0.1
Erikoissijoitusrahasto Avenir	0.5	0.1
Thominvest Oy	0.5	0.1
Räsänen Mika Tapio	0.5	0.1

The Board of Directors and the President of Larox hold a total of 35.900 shares representing 0.4 % of the voting rights.

Larox Corporation is not aware of any valid partner contracts.

Calculation of Key Figures

Return on shareholders' equity, %

$$\frac{\text{Profit/loss for the period}}{\text{Average adjusted shareholders' equity}} \times 100$$

Invested capital

Shareholders equity + Interest-bearing liabilities

Return on invested capital, %

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

Equity ratio, %

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

Relative indebtedness, %

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

Quick ratio

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

Current ratio

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

Earnings per share

$$\frac{\text{Net profit}}{\text{Average number of shares during the period adjusted for share issues}}$$

Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Average number of shares at the end of the period adjusted for share issues}}$$

Dividend per share

$$\frac{\text{Dividend distributed for the financial period}}{\text{Average number of shares at the end of the period adjusted for share issues}}$$

Dividend per earnings ratio, %

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

Dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Trading price at the end of the period adjusted for share issues}} \times 100$$

Price per earnings ratio (P/E)

$$\frac{\text{Trading price at the end of the period adjusted for share issues}}{\text{Earnings per share}}$$

Average trading price

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

Market capitalization at the end of the period

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

Trading volume

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

Shareholders' earnings, %

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

Dept-equity ratio

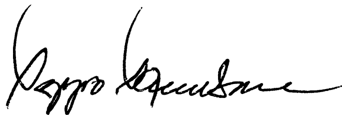
$$\frac{\text{Interest-bearing liabilities}}{\text{Shareholders equity}}$$

SIGNATURES TO BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

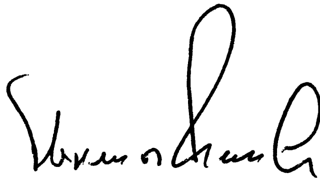
Lappeenranta February 8, 2010

Timo Vartiainen
Chairman of the Board

Katariina Aaltonen



Teppo Taberman



Thomas Franck

Matti Ruotsala

Juhana Ylikojola
President & CEO

AUDITOR'S REPORT

To the Annual General Meeting of Larox Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Larox Corporation for the period 1.1.- 31.12.2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehen-sive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consoli-dated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

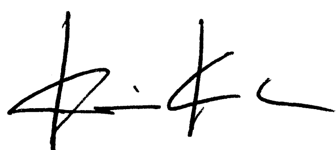
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

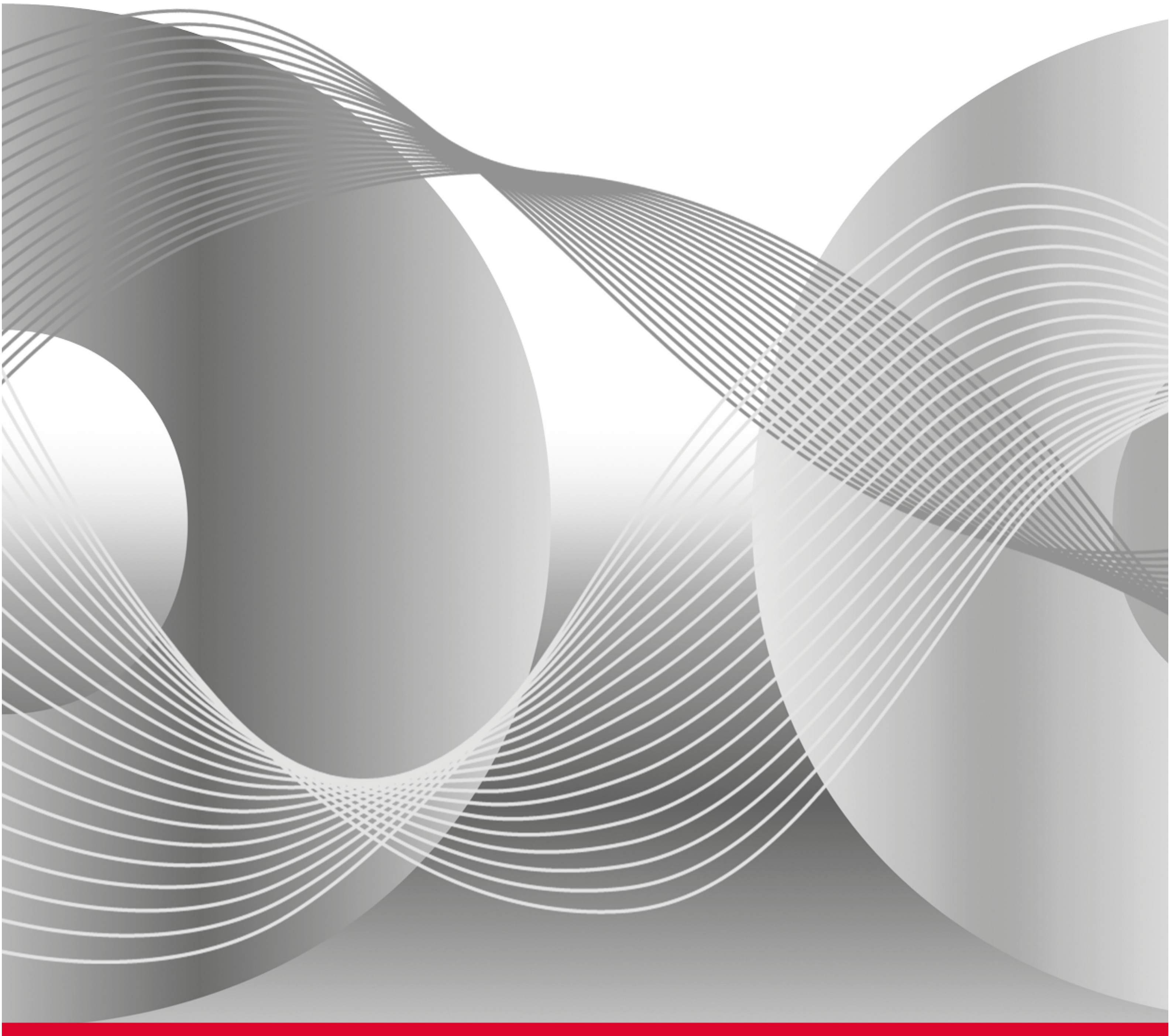
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 8 February 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants



Kim Karhu
Authorised Public Accountant



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