

Eirikuva Digital Image Oyj Abp

Financial statement report

27.2.2008

EIRIKUVA DIGITAL IMAGE OYJ ABP FINANCIAL STATEMENT REPORT, JANUARY 1 – DECEMBER 31, 2007

The net sales of Eirikuva Digital Image Oyj (“Eirikuva”) for 2007 amounted to 6.4 million euros, remaining at the 2006 level. In photo production, 48% of the net sales came from the growing digital image product division. In 2006, digital image products accounted for 34% of the net sales in photo production. The EBITDA figure was -609,000 euros (in 2006: 302,000 euros for the parent company).

Earnings per share came to -3.97 euros. Earnings after taxes were -1.45 million euros. The loss is partially due to costs resulting from the company’s issue of shares and First North listing, which were larger than expected and incurred in the fourth quarter. Introducing Eirikuva to a new market required significant investments as well. In addition, Eirikuva invested in production and service concept development.

MAIN EVENTS IN 2007

Eirikuva was made a public company, and sales company Eirikuva Nordic AB was established in Sweden. The company’s share capital was increased to 1,408,000 euros, and the total number of shares is now 3,520,000. Also, some of Eirikuva’s long-term loans were converted into share capital and placed in the invested unrestricted shareholders’ equity fund (922,000 euros). Eiri Kehys Oy Ab’s shares were acquired from Amago Capital. Eirikuva was listed with First North on December 3, 2007.

In Sweden, Eirikuva has achieved a significant market share in less than a year.

MAIN EVENTS IN THE FOURTH QUARTER

- Net sales: 1,530,000 euros (in 2006: 1,676,000 euros for the parent company)
- EBITDA: -294,000 euros (in 2006: 170,000 euros for the parent company)
- Earnings in the fourth quarter: -819,000 euros (in 2006: 100,000 euros for the parent company)
- Earnings per share: -0.63 euros

COMMENTS FROM THE MANAGING DIRECTOR

In the fourth quarter, our operations were strongly focused on service concept development. The new photo order software proved viable. Demand for value-added products is increasing heavily. Eirikuva’s products have received great attention and positive feedback on account of their quality. Eirikuva has introduced new products – Canvas pictures and the Pro album – and expanded the photo card product family. The Eirikuva kiosk concept has increased the recognition of the Eirikuva brand in busy marketplaces. Photo orders made via the kiosks are sent to the photo lab’s automatic production system over the Internet.

In Finland, Eirikuva has concentrated on developing its service concept in cooperation with its customers. Consumers have discovered Eirikuva kiosk order stations, whose utilization rate is increasing steadily at, for example, Eirikuva specialty stores and the Anttila and Stockmann department stores.

Eirikuva has strengthened its market position in Sweden. Eirikuva's photo services are available from OnOff, Euronics, and ICA Maxi Special stores, as well as a number of specialty stores all over Sweden.

In late 2007, Eirikuva began cooperation with the Swedish NetOnNet and Svenska Fotogruppen.

FINANCIAL REVIEW

ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

This review was prepared in accordance with the FAS model, which meets the requirements of the Finnish Accounting Act. The calculation principles are the same as for the 2006 financial statement.

PROFITS AND EARNINGS

Since the industry is still in the throes of the transitional period from analog to digital image production, Eirikuva Group's earnings in the fourth quarter came to -819,000 euros (in 2006: 100,000 euros for the parent company).

Earnings before interest, taxes, depreciation, and amortization (EBITDA) in the fourth quarter amounted to -294,000 euros (in 2006: 170,000 euros for the parent company). Digital photo products accounted for 48% of the net sales from photos (34% in 2006).

Building the Eirikuva service concept in new markets has required significant investments. Most of the investments had to do with design and implementation of the sales organization, logistics services, and photo order software.

Costs of logistics and raw materials increased from the previous year's levels. The company has initiated a significant program to cut these costs.

With the machinery investments made in 2007, depreciation increased to 338,000 euros (in 2006: 166,000 euros for the parent company).

ASSETS AND INVESTMENTS

Total assets at the end of the period under review amounted to 3,461,000 euros (in 2006: 3,351,000 euros for the parent company). The company's equity ratio was 20% at the end of the period. Investments in capital assets entered on the consolidated balance sheet totaled 615,000 euros (in 2006: 121,000 euros for the parent company). Eirikuva Digital Image Oyj Abp's most significant investment in 2007 was for a digital printer, 412,000 euros. Other investments included the Eirikuva kiosk concept and photo order software.

PERSONNEL

Eirikuva Digital Image Oyj Abp's personnel numbered 63 at the end of the period under review and averaged 71 over the period. The number of employees in Sweden was 3. In 2006, the number of personnel of the parent company and subsidiary Eiri Kehys averaged 87.

GROUP STRUCTURE

Eirikuva Group consists of the parent company Eirikuva Digital Image Oyj Abp and two subsidiaries, Eiri Kehys Oy Ab (Finland) and Eirikuva Nordic AB (Sweden), of which the Group gained complete ownership in June 2007.

Eirikuva Digital Image Oyj Abp was established on February 16, 2006, and the 2007 fiscal year was its second.

The consolidated financial statements were prepared using the acquisition cost method. The Group's internal transactions, receivables, and liabilities were eliminated.

SHARES AND SHAREHOLDERS

Ten largest shareholders, as of December 31, 2007:

Amago Capital AB (publ.)	2,020,000
Oy Herttaässä Ab	455,500
Possidentes Oy	341,625
Jonas Nordlund	135,875
Blue White Capital Oy	113,875
Troll Capital Oy	112,875
Merja Ailama-Mäkitalo	57,438
Kargol Oy Ab	56,938
Markku Hietämäki	56,938
Juha Kojonen	16,400

PROSPECTS

Eirikuva believes that markets for its special products will grow in 2008. The company continues to concentrate on the development of its service concept, with a special focus on new value-added products, the kiosk concept, and easy-to-use and consumer-friendly photo order software.

Eirikuva has begun an extensive cost savings program, which has included co-determination negotiations with the personnel. The company's main goals for 2008 are to increase cost-efficiency and optimize internal delivery times.

SHORT-TERM RISKS AND UNCERTAINTIES

The greatest challenges for Eirikuva's operations are changes in general consumer demand and the competitive environment. The company seeks growth through, e.g., an increase in the number of customers and the number of purchases per customer, as well as development of new products and international operations. Growth management requires investments in production, administration, internationalization, and recruitment of new personnel. Developing the service concept and launching new, innovative products quickly enough is one of the key challenges in the field.

The company's operations are strongly cyclical in nature, and seasonal fluctuations have a considerable effect on the management of the operations.

This report has been reviewed by the company's auditors.

In Lahti on February 11, 2008

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INCOME STATEMENT (x 1,000 euros)	Eirikuva Group	Eirikuva Group	Eirikuva Digital Image Oy Ab	Eirikuva Digital Image Oy Ab
	October 1 – December 31, 2007	January 1 – December 31, 2007	October 1 – December 31, 2006	February 16 – December 31, 2006
NET SALES	1,530	6,438	1,676	6,468
Other operating income	11	37	70	142
Materials and services	-582	-2,755	-607	-2,539
Personnel costs	-686	-2,173	-621	-2,106
Depreciation	-97	-338	-6	-166
Other operating expenses	-567	-2,156	-348	-1,663
OPERATING RESULT	-391	-947	164	136
Financing income and costs	-426	-504	-64	-135
EARNINGS BEFORE EXTRAORDINARY ITEMS	-817	-1,451	100	1
Extraordinary items	0	0	0	0
EARNINGS BEFORE APPROPRIATIONS AND TAXES	-817	-1,451	100	1
Income tax	-2	0	0	-1
EARNINGS FOR THE PERIOD	-819	-1,451	100	0

BALANCE SHEET (x 1,000 euros)	Eirikuva Group December 31, 2007	Eirikuva Digital Image Oy Ab December 31, 2006
Assets		
FIXED ASSETS		
Goodwill	194	207
Other intangible assets	37	8

Property, plants, and equipment	1,387	1,056
Receivables	6	0
TOTAL FIXED ASSETS	1,624	1,271
CURRENT ASSETS		
Inventories	700	679
Trade receivables	646	667
Other receivables	9	35
Cash and cash equivalents	482	699
TOTAL CURRENT ASSETS	1,837	2,080
TOTAL ASSETS	3,461	3,351

	Eirikuva Group	Eirikuva Digital Image Oy Ab
	December 31, 2007	December 31, 2006
Shareholders' equity and liabilities		

SHAREHOLDERS' EQUITY

Share capital	1,408	8
Issue of shares	0	0
Invested unrestricted shareholders' equity fund	722	0
Profit and loss account	0	0
Earnings for the period	-1,452	0
TOTAL SHAREHOLDERS' EQUITY	678	8

LIABILITIES

Long-term liabilities	1,419	1,661
Short-term liabilities	1,364	1,682
TOTAL LIABILITIES	2,783	3,343
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,461	3,351

BUSINESS INDICATORS

	Eirikuva Group	Eirikuva Group	Eirikuva Digital Image Oy Ab
	October 1 – December 31, 2007	January 1.– December 31, 2007	February 16 – December 31, 2006
Net sales	1,530	6,438	6,468
Operating result	-391	-947	136
<i>% of net sales</i>	-26%	-15%	2%
Earnings before extraordinary items	-817	-1,451	1
<i>% of net sales</i>	-53%	-23%	0%

Earnings for the period	-819	-1,451	0
<i>% of net sales</i>	<i>-54%</i>	<i>-23%</i>	<i>0%</i>
Equity ratio <i>(Shareholders' equity * 100) / total assets</i>	20%	20%	0%
Earnings per share (in euros) <i>Earnings for the period / average number of shares</i>	-0.63	-3.97	0
Average number of shares	1,306,667	365,611	100
Number of shares at the end of the period	3,520,000	3,520,000	100