Financial Statement

ANNUAL REPORT 2008

Neomarkka Group 1 January – 31 December 2008

NEOMARKKA

Major events during the financial year

Neomarkka has executed the new strategy since June 2007. According to the strategy, Neomarkka is an investment company that targets long-term industrial investments. Target of the investments in industry is to raise the return on the invested capital by developing the companies involved. Returns are sought both through dividend flow and an increase in value.

Assets that are waiting to be invested in line with the strategy have been primarily invested in either fund-based securities or short-term money markets.

Industrial private equity investments; Cables

The growth of Reka Cables continued. During the first half of the year the profitability also improved. However, the growth was limited and the profitability weakened by the strong decrease in the prices of the metals at the end of the year and by the delayed extension of Riihimäki factory.

Riihimäki medium- and high voltage factory extension was completed in December 2008. Due to the delayed and prolonged machinery and equipment deliveries, installations and changes due to the installations, the production capacity was reduced and thus customer needs could not be fully satisfied. The delay also caused turbulence in the production process. The quality costs and extra costs occurred due to the delay weakened the operating profit.

The prices of the metals have been very volatile during the year. The rapid and deep decrease in the world market price of the metals during the end of the year burdened the operating profit for over EUR 5.0 million of which EUR 4.0 million realised in the fourth quarter.

In August Neomarkka bought a majority of the shares of Russian cable manufacturer OAO Expocable. OAO Expocable produces special cables e.g. for the use of oil and gasworks. The acquisition strengthened the competition position, expanded the coverage of Neomarkka in Russia and enabled the development of the factory area in Podolsk. The company is situated next to the power cable factory of Reka Cables in Russia.

An investment decision of close to EUR 20 million was made in August to develop the cable production in Russia. The amount includes machinery and equipment purchases, enlargement of the factory building and changes in the factory area and the acquisition of OAO Expocable. Except for the purchase of OAO Expocable the project is in the planning phase.

The generally tightened financial situation at the year-end was shown particularly in the market situation in Russia. Power cable projects were postponed and their exact implementation timetables are not known at this phase. The competitors have given record high price-cuts to improve their weakened liquidity situation. Due to this the production of Reka Cables power cable factory has been adjusted to work only based on the customer orders. The tightened economic situation in Russia did not affect to the order book of OAO Expocable; due to the already high usage of capacity the acknowledgements of orders had to be even limited. The fourth quarter of the year of OAO Expocable was profitable. Russia's share of the turnover during the period under review was EUR 17.7 million. OAO Expocable figures are taken into account since 1 August 2008.

At the year-end the Russia's ruble (RUB) had depreciated intensively. This reduced the balance sheet values of companies in Russia and thus affected to the whole Group balance sheet values. This also decreased the financial result of the Group, thus part of the purchases of the companies, such as raw materials, are priced in Euros or US dollars. The rate differences of the Group internal long term loans are booked as translation differences in the Shareholders´ equity. These translation differences were in total EUR -1.7 million at the end of the year.

The turnover of the cable industry was EUR 116.6 million in 2008. The figure includes the turnover of OAO Expokabel between 1.8.2008 – 31.12.2008. In the Q3 Interim Report the turnover was estimated to remain a bit under EUR 120 million. The operating profit remained slightly positive, and was EUR 0.6 million. The decrease in the prices of the metals has affected to the operating profit more than expected.

Reka Cable Group (Reka Cable Ltd and its subsidiaries) has belonged to the cable business of Neomarkka Group since 1 June 2007. The following figures are comparable:

Reka Cables	1-12/2008	1-12/2007
Turnover, EUR million	113.5	97.4
Operating profit, EUR million	1.3	5.2

The associated company Nestor Cables Ltd´s machinery installations were delayed and the entry on the market took place later than planned. The customers decreased their inventories in the autumn and at the year-end. The delay in starting the production and the changes in demand weakened the result and the liquidity of the company. The steep decline in metal prices also affected Nestor Cables Ltd's inventory valuation, and therefore, the result. The associated company's fiscal period's loss has been included, in accordance with the Group's ownership share (30%).

Investments in securities

The gains and losses from the financial assets during the period under review were negative and the segment made operating losses. The losses were due to the decreased value of the bonds issued by the Nordea Bank Finland Plc. The return on bonds took into account the return from the eQ Active Hedge Fund reduced by the costs arising from the loan. Neomarkka detached from the bonds on 30 June 2008. The costs incurred from the detach made earlier than what agreed in the agreement has been included to the financial figures.

At the balance sheet date the funds were invested in fixed-period deposits.

Regarding private equity, Oulun Puhelin Plc gave refund of capital to its´ shareholders´, Neomarkka Group's share was EUR 0.3 million. The refund of capital decreased the value of available-for-sale financial assets in the balance sheet. There were no changes in ownership of private equity during the period.

The total profits and losses on securities investments in 2008 were EUR -0.5 million and the operating loss was EUR 1.8 million.

Financial statement

The financial statements of the Neomarkka Group have been drawn up in accordance with the International Financial Reporting Standard (IFRS). At the end of the financial year, the consolidated turnover (IFRS) totalled EUR 116.2 million (EUR 62.4 million in 2007 and EUR 8.0 million in 2006). The consolidated result (IFRS) shows a loss of EUR 4.9 million (profit EUR 1.2 million in 2007 and EUR 3.9 million in 2006).

Financial position of the Group and key figures (IFRS)

	2008	2007	2006
Turnover, million euros	116.2	62.4	8.0
Operating profit % of turnover	-1.1	6.7	82.5
Return on equity %	neg.	1.9	6.5
Return on investment %	neg.	4.4	6.6
Equity ratio %	47.2	56.1	59.7
Earnings per share, EUR	-0.83	0.19	0.64

An assessment of the figures must take into account that the turnover from 2006 and partially 2007 comprised gains and losses on securities investments.

Neomarkka's share prices and volumes traded

Neomarkka Plc's B shares are listed on NASDAQ OMX Helsinki. The closing price on the last business day of the year was EUR 5.80 (EUR 9.79) per share.

In 2008 the share turnover of Neomarkka B shares on the NASDAQ OMX Helsinki was 408,186 (2,548,864), comprising 6.8% (42.3%) of all B shares and accounting for a total of EUR 3.7 (23.7) million. The lowest B share quotation in 2008 was EUR 5.31 (EUR 7.78) and the highest quotation in 2008 was EUR 10.50 (EUR 10.10). On the last business day of 2008, the total share value for Neomarkka B shares was EUR 35.4 (58.9) million.

Group structure and shareholders

Neomarkka Plc is the parent company in a Group that includes the fully owned subsidiaries Novalis Plc and Alnus Ltd with their subsidiaries. The domicile of the parent company is Hyvinkää.

At the end of 2008 Neomarkka Plc had 12,705 (12,919) shareholders. The biggest shareholder Reka Ltd, had a 50.76% (50.76%) interest at the end of the year, with 65.77% (65.77%) of all votes. Neomarkka Plc is thus part of the Reka Group. Reka Ltd's domicile is Hyvinkää.

At the end of 2008, the aggregate ownership of the ten largest shareholders was 60.19% (59.82%) of all shares and 72.32% (72.06%) of all votes.

Neomarkka´s Board of Directors, Managing Director and CFO owned 31 December 2008 total 28,110 B-shares.

Assessment of uncertainty factors and business risks

The main financial risks of Neomarkka are currency, interest rate, commodity, liquidity, credit and investment market-risks. These financial risks and their hedging measures are explained further in the notes.

In accordance with the updated strategy of 2007, future risk factors are more closely tied to trends in the business operations of a small number of portfolio companies and to normal business risks. The previous strategy based Neomarkka's risk on a widely distributed market risk. The distributed market risk means that changes in the value of investment underlying the eQ active Hedge Fund will have a substantial impact on Neomarkka's financial result.

The most significant risks at Reka Cables are the fluctuation in raw material costs and more rapid changes in customer behaviour than in the past. In order to be aware of the risks and prepare for them, Reka Cables Ltd has carried out an extensive risk-charting process. Activities have been developed according to the risk-charts.

The company believes that the cable markets in Russia will grow and develop and has invested heavily in exploiting the business opportunities there. These investments include a risk that the growth in Russia will not take place according to expectations.

Nestor Cables Ltd's business carries cable business risks and the risks involved in starting up a new company.

Comments made in this report that do not refer to actual facts that have already taken place are future estimates. Such estimates include expectations concerning market trends, growth and profitability, and statements that include the terms 'believe', 'assume', 'will be', or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors which may lead to results differing substantially from current statements. These factors include, for example Such factors include 1) operating conditions, e.g. continued success in production and consequent efficiency benefits, availability and cost of production inputs, demand for new products, changing circumstances in respect of the acquisition of capital under acceptable conditions; 2) circumstances in the sector such as the intensity of demand for products, the competition, current and future market prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors, competitors' possible new competing products and 3) the general economic situation such as economic growth in the Group's main geographical market areas or changes in exchange rates and interest rates.

Research and development activities

Group investment in R&D in 2008 amounted to EUR 0.8 million (EUR 0.2 million in 2007 and EUR 0.0 million in 2006). Investments are recorded in the books as operating expenses. R&D investments are targeted at the cable business, which has belonged to the Group since 1 June 2007.

Shareholder's meeting and governance

The Annual General Meeting was held on 11 June 2008.

The AGM resolved to accept the Annual Report, the Financial Statement and the Consolidated Financial Statements from fiscal period 2007 and accepted the proposal of the Board of Directors to pay dividend of EUR 0.50 per share. From the financial year 2006 a dividend of EUR 0.30 per share was paid.

The AGM discharged the Board of Directors and the Managing Director for fiscal period 2007.

The AGM resolved to elect five members to the Board of Directors of Neomarkka Plc and re-elected the following members:

Jorma Wiitakorpi as chairman of the Board, Matti Lainema as vice chairman and as members Ilpo Helander, Taisto Riski and Pekka Soini.

The AGM resolved the Board of Directors and committees remunerations and the Board of Directors bonus remunerations.

The AGM authorized the Board of Directors to acquire the company´s own shares and to decide on the issue of shares and special rights entitling to shares as proposed. During the fiscal year 2008 the authorisations were not used.

As external auditor for the fiscal period 2008 the AGM elected Deloitte & Touche Ltd, Authorized Public Accountants, having Hannu Mattila, APA, as main auditor.

Taisto Riski and Matti Laimema, members of the Board of Directors, are the members of the Audit Committee.

The Managing Director of Neomarkka Plc is Markku E. Rentto.

In December 2008 Jorma Wiitakorpi, the chairman of the Board of Directors, informed that he restrains himself from the work of the Board of Neomarkka Plc for the time being. During that time the Board of Neomarkka Plc is led by vice chairman Matti Lainema.

Audit Committee

The Board of Directors appoints the Audit Committee. The Audit Committee's task is to monitor the company's financial situation, oversee the financial reports, assess the sufficiency and pertinence of the internal control and risk management, assess the compliance with legislation and regulations, and maintain communication with the auditors, and review of the auditor's reports. The Audit Committee reports to the Board of Directors.

Personnel additional information

During the 2008 financial year, there were an average of 403 people (172 in 2007 and 5 in 2006) employed by the Group. At the end of 2008, the Group had 531 employees (280 in year 2007), of whom 528 (276 in year 2007) were in the cable business. The total sum of the Group's performance-based salaries and fees in 2008 was EUR 12.4 million (EUR 5.8 million in 2007 and EUR 0.3 million in 2006).

Environmental factors

The importance of environmental factors grew when the company renewed its strategy. Caring for the environment and constantly improving business while taking the well-being of the environment into consideration are a part of Reka Cables Ltd's daily activities. The environmental programme of Reka Cables Ltd has been certified according to the ISO 14001 standards.

Proposal for the disposal of profits

Parent company´s distributable funds at the end of 2008 totalled EUR 31,151,234.95, of which EUR 354,606.46 was profit for the 2008 financial year. There has been no material change in the company's financial situation after the accounting period, and the liquidity test mentioned in the Limited Liabilities Companies Act § 13.2 does not affect the amount of distributable funds.

The Board proposes that the distributable funds be disposed of as follows:

- as dividend EUR 0.25 per share, a total of	EUR 1,505,090.00
- as Retained profit	EUR 8,319,338.91
- as other unrestricted equity	EUR 21,326,806.46

For the financial year 2007 was paid a dividend of EUR 0.50 per share, totalling EUR 3.0 million.

Company shares

The company's equity by share series:	2008	2007
Series A (20 votes /share)	139,600	139,600
Series B (1 vote/share)	5,880,760	5,880,760
Total	6,020,360	6,020,360

Dividend policy

Neomarkka's target is to use at least 30% of its annual net profit for dividend payments.

Major events after the review period

The volatility in the metal prices has continued strong.

Reka Cables Ltd started the co-operation negotiations in January. Reka Cables Ltd is taking precautions to adjust its activities according to the changes in the market situation.

The public purchase offer regarding OAO Expocable shares has ended. Along with the purchase offer Neomarkka´s share of ownership in the company increased from 81.27% to 83.34%.

Prospects for the near future

The volume of the Neomarkka´s cable business is significantly tight on one hand with building and on the other hand with replacement and enlargement of electrical networks. The fluctuations of demand and exchange rates are difficult to foresee at this phase. Instead the decrease of the metal prices seems to have ended. Our target is to give more specific guidance in our first quarter interim report.

From the point of implementing the strategy of Neomarkka the recession opens new possibilities even though the financing of acquisitions may appear to be challenging in this market situation.

Consolidated Income Statement (IFRS)

EUR 1,000	Notes	1.1. - 31.12.2008	1.1. - 31.12.2007
Industrail business turnover		116,647	57,081
Gains and losses from the trade of financial assets		-457	5,362
Turnover	5	116,190	62,443
Change in inventories of finished products and production in progress		428	-3,375
Production for own use		118	30
Matherials and services		-85,492	-39,277
Personnel expenses	8	-15,147	-7,048
Depreciation and impairment	7	-3,890	-2,087
Other operating income and expenses	6	-13,467	-6,503
		-117,449	-58,261
Operating profit		**-1,259**	**4,182**
Financial income	10	493	80
Financial expenses	10	-4,405	-2,299
Share of the result of associates		-802	-47
Profit before taxes		**-5,974**	**1,916**
Taxes	11	1,052	-763
Profit for the financial year		**-4,922**	**1,153**
Allocation of profit for the year:			
To equity holders of the parent		-5,024	1,153
To minority interest		101	0
		-4,922	1,153
Earnings per share calculated on the profit attributable to the parent after and before dilution, EUR	12	-0.83	0.19
Number of shares		6,020,360	6,020,360

Consolidated Balance Sheet (IFRS)

EUR 1,000	Notes	31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Goodwill	14	4,587	4,527
Other intangible assets	14	6,461	3,479
Tangible assets	13	33,753	23,916
Shares in associates	15	202	1,004
Receivables		414	0
Deferred tax assets	18	947	204
Total non-current assets		**46,365**	**33,130**
Current assets			
Inventories	19	17,903	16,815
Financial assets recognised at fair value through profit and loss	16	16,562	37,034
Available-for-sale financial assets	17	3,733	4,001
Sales receivables an other receivables	20	13,769	12,154
Tax receivables from the profit		1,975	0
Cash in hand and at bank	21	5,820	3,268
Total current assets		**59,761**	**73,271**
Total assets		**106,126**	**106,401**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Translation differences		-1,683	-145
Retained profit		10,114	11,971
Other unrestricted equity		21,327	21,327
Profit for the financial year		-5,024	1,153
Equity attributable to equity holders of the parent		**50,103**	**59,675**
Minority interest		159	0
Total shareholders' equity	22	**50,263**	**59,675**
Long-term liabilities			
Deferred tax liabilities	18	4,056	2,091
Provisions	23	802	540
Interest-bearing liabilities	24	21,193	22,512
Short-term liabilities			
Tax liabilities from the profit		497	198
Reserves	23	163	0
Short-term interest-bearing liabilities	24	11,950	4,999
Accounts payable and other liabilities	25	17,202	16,386
Total liablities		**55,863**	**46,726**
Total Shareholders' equity and liabilities		**106,126**	**106,401**

Balancing Account of Shareholders' Equity (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestricted equity	Retained profit	Total	Minority interest	Shareholders' equity total
Shareholders' equity 31.12.2006	24,082	66	1,221		21,327	13,777	60,473		60,473
Changes				-145			-145		-145
Profit for the financial year						1,153	1,153		1,153
Total returns and costs during the period				-145		1,153	1,008		1,008
Dividens paid						-1,806	-1,806		-1,806
Minority interest							0	0	0
Shareholders' equity 31.12.2007	**24,082**	**66**	**1,221**	**-145**	**21,327**	**13,124**	**59,675**	**0**	**59,675**

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestricted equity	Retained profit	Total	Minority interest	Shareholders' equity total
Shareholders' equity 31.12.2007	24,082	66	1,221	-145	21,327	13,124	59,675		59,675
Changes				-1,538			-1,538		-1,538
Profit for the financial year						-5,024	-5,024		-5,024
Total returns and costs during the period				-1,538		-5,024	-6,562	0	-6,562
Dividens paid						-3,010	-3,010		-3,010
Minority interest							0	159	159
Shareholders' equity 31.12.2008	**24,082**	**66**	**1,221**	**-1,683**	**21,327**	**5,090**	**50,103**	**159**	**50,263**

Consolidated Cash Flow Statement (IFRS)

EUR 1,000	1.1. - 31.12.2008	1.1. - 31.12.2007
Operating activities		
Payments received from operating activities	140,259	173,612
Payments paid on operating activities	-113,790	-106,229
Paid interests and other financial expenses	-3,149	-4,032
Interest received and other financial incomes	99	29
Direct taxes paid	-1,794	-2,537
Total operating activities	**21,626**	**60,842**
Investing activities		
Acquisition of subsidiaries and new business	-6,595	-28,038
Investments in tangible assets	-10,056	-10,794
Sales of tangible assets	19	0
Investments in intangible assets	-2	0
Total investing activities	**-16,634**	**-38,831**
Financing activities		
Increase in loans	5,540	25,150
Decrease in loans	-4,171	-45,132
Payments of financial leasing	-651	-299
Dividens paid	-2,968	-1,786
Total financing activities	**-2,250**	**-22,067**
Cash flow for the period	**2,741**	**-56**
Liquid funds at the beginning of period	3,268	3,324
Exchange rates	-189	0
Liquid funds at the end of period	**5,820**	**3,268**

Notes to the Consolidated Financial Statements

1. General information on the company

Neomarkka Plc is the parent company of a group comprising its wholly-owned subsidiaries Novalis Plc and Alnus Ltd with their subsidiaries. The domicile of the parent company is Hyvinkää. The address of Neomarkka Plc is Aleksanterinkatu 48 A, 00100 Helsinki. Neomarkka Plc's B shares are listed on NASDAQ OMX Helsinki.

Neomarkka Group is part of the Reka Group. The parent company of the Reka Group is Reka Ltd, which is domiciled in Hyvinkää. Reka Ltd's address is Niinistönkatu 8-12, 05800 Hyvinkää.

Neomarkka Group consists of two segments: investments in securities and industrial private equity investments. At the time of closing the accounts, industrial private equity investments comprised on one business area: cable industry.

Apart from Finland, Neomarkka Group has operations in Russia, Sweden, the Baltic countries and Denmark.

2. Principles for drawing up consolidated financial statements

Principles of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, in compliance with the IAS and IFRS standards in effect as well as SIC and IFRIC interpretations effective 31 December 2008. International Financial Reporting Standards stands for standards and their interpretations enacted in the Finnish Accounting Act and in regulations passed by force of the act, which have been approved by the European Union in accordance with EU Regulation 1606/2002. The notes of the consolidated financial statements also comply with Finnish accounting and companies legislation that supplement IFRS standards.

The consolidated financial statements have been prepared based on original cost except the following assets that have been measured at fair value: financial assets recognised at fair value through profit and loss, derivative financial instruments, cash and cash equivalents and tangible and intangible assets measured at fair value in the calculation of the acquisition cost of Reka Cables Ltd (2007) and OAO Expocable (2008) under IFRS 3.

The following interpretations are compulsory in 2008 but have no importance for the Group:

- IFRIC 11 IFRS 2 – ***Group and Treasury Share Transactions*** The new interpretation clarifies the scope of application of share-based payment transactions (IFRS 2) and requires reassessment of such transactions in subsidiaries.
- IFRIC 12 ***Service Concession Arrangements*** The Group does not have contracts with the public sector that are intended in the interpretation.
- IFRIC 14 IAS 19 – ***The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** (in force for financial periods beginning 1 January 2008, the interpretation has been approved for application in the EU in December 2008). The interpretation applies to defined benefit arrangements in accordance with IAS 19 following termination of an employment relationship and to other long-term defined benefit fringe benefits when the arrangement involves a minimum funding requirement. The interpretation also specifies the recognition criteria for an asset to be recorded in the balance sheet through future refunds or through decreases in future contributions to the arrangement. The Group has no defined benefit pension arrangements referred to in the interpretation in force.

Preparation of the statements according to IFRS requires assessment and judgement from the Group management in applying the preparation principles. Information about the judgement which the management has used in applying the Group's preparation principles for financial statements and which has the greatest impact on the figures to be presented in the financial statements can be found in the section entitled "Principles of preparation requiring the management to use their judgement and related principal uncertainty factors".

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company Neomarkka Plc and its subsidiaries. Subsidiaries are companies, where the Group has a controlling influence. A controlling influence is created when a Group holds more than half of the voting power or has otherwise the right to decide on the principles of a company's economy and business. The existence of potential voting power is taken into account when the criteria for creating a controlling influence are assessed if the instruments granting entitlement to potential voting power can be implemented at the time of assessment.

Mutual shareholdings within the Group are eliminated in line with the purchasing method. The acquired subsidiaries are consolidated from the moment when the Group has acquired a controlling influence and subsidiaries that have been disposed of are consolidated up to the termination of the controlling influence. All intra-Group transactions, receivables, liabilities, unrealised profits and internal profit distributions are eliminated in the consolidated accounts. Unrealised losses are not eliminated if the loss is due to impairment.

The subsidiaries have the same fiscal year as the parent company and comply with the consolidated preparation principles described here.

Associates

Associates are companies, where the Group has considerable controlling influence. Significant influence is in principle created when the Group holds more than 20% of the company's voting power or when the Group otherwise has a significant influence but not a controlling influence. Associates have been consolidated by applying the equity method. If the Group's share of an associate's losses exceeds the book value of the investment, the investment is recognised at zero value in the balance sheet and losses exceeding book value are not consolidated unless the Group has committed itself to fulfilling the associates' obligations. Unrealised profits between the Group and its associates are eliminated in accordance with the Group's holding. Investments in associates include any goodwill that may be created upon acquisition. A share of the associates' profits for the financial year is recognised in accordance with the holding as separate item after operating profit.

If the accounting principles of associates are not equivalent to those of the Group in essential respects, the Group has made the necessary adjustments to the figures reported by the associates.

Items denominated in foreign currencies

Figures illustrating the result and financial position of Group units are measured in the currency of the unit's principal operating environment ("operating currency"). The consolidated financial statements are presented in euros, which is the operating and presentation currency of the Group's parent company.

Transactions denominated in a foreign currency are recognized in the operating currency using the exchange rate on the transaction date or a day close to the transaction date. Monetary items denominated in a foreign currency have been translated into the operating currency at the exchange rate on the balance sheet date. Non-monetary items denominated in a foreign currency and measured at fair value have been translated into the operating currency at the exchange rate on the measurement date. Other non-monetary items have been measured at the exchange rate on the transaction date.

Gains and losses arising from the translation of transactions denominated in a foreign currency and monetary items are recognised in the income statement. The foreign exchange losses and profits from the Group's internal long-term liabilities, however, are included in the change in equity on the translation differences line. The business rate gains and losses are included in the corresponding items above the operating profit. The foreign exchange losses and profits relating to financing items are included in financial income and expenses.

Monetary items denominated in a foreign currency in the income statement have been translated into the operating currency at the medium exchange of the period and the balance sheet using exchange rate on the balance sheet date. The translation of the period's result by using different rates for the income statement and the balance sheet causes a translation difference, which is recognised in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries are recognised in equity. When a subsidiary is sold, the accumulated translation differences are recognised in the income statement as part of sales gains and losses.

The goodwill arising from the acquisition of units abroad and the fair value adjustments made to the book values of the assets and liabilities of the said foreign units in connection with the acquisition have been treated as assets and liabilities of the foreign units in question and have been translated into euros at the exchange rates on the date of the acquisition. Once the purchase price has been allocated, changes in exchange rates related to the acquired subsidiary's equity are handled as translation differences and they no longer have an affect on goodwill.

If a Group subsidiary prepares its financial statements in the currency of a country with hyperinflation, the subsidiary's financial statements are translated using the rate on the balance sheet date. The Group does not currently include units reporting in hyperinflation currencies.

Tangible non-current assets

Tangible non-current assets are measured at original cost minus depreciation and impairment. If a non-current asset item consists of several parts with different useful lives, each part is treated as a separate asset item and expenses relating to its replacement are recognised in assets. In these instances, the costs associated with renewing the part are activated. Otherwise any expenses arising later are included in the book value of the tangible non-current asset item only if it is likely that the future economic benefit relating to the item benefits the Group and if the acquisition cost of the item can be determined reliably. Other repair and maintenance costs are recognised through profit and loss at the time of completion.

Depreciation of these assets is made on a straight-line basis over their useful lives. No depreciation is made on land. The estimated useful lives are:

Buildings and structures	10 – 15 years
Machinery and equipment	3 – 15 years
Motor vehicles	3 – 10 years

Non-current asset items acquired through finance leases are depreciated over the shorter of their estimated useful lives or their lease periods.

The residual values and useful lives of assets are reviewed on a regular basis in connection with the annual financial statements, and when necessary they are adjusted to reflect any changes in the expectations for economic benefits. Depreciation on an item in tangible non-current assets ceases when the item is classified under assets held for sale in accordance with IFRS 5 ***Non-current Assets Held for Sale and Discontinued Operations***.

Sales gains and losses arising from decommissioning and disposal of tangible non-current assets are included under other operating income and expenses in the income statement.

Borrowing costs

Borrowing costs are recognised in the financial period during which they are incurred.

Intangible assets

Goodwill

Goodwill corresponds to the part of acquisition cost that exceeds the Group's share of the net fair value of an acquired company's identifiable assets, liabilities and contingent liabilities at the time of acquisition. The acquisition cost also includes other direct expenses arising from the acquisition, such as expert fees and asset transfer tax.

No depreciation is recognised on goodwill but it is tested for impairment annually or more frequently if necessary. For this purpose, goodwill is attributed to units generating cash flow, or in the case of an associate, goodwill is included in the acquisition cost of the associate concerned. Goodwill is valued at the original cost minus impairment.

Research and development expenses

R&D expenses are recognised in the income statement as expenses without taking into account the development costs that meet the criteria of IAS 38 Intangible Assets for recognising items as assets. Thus, expenses incurred through product development are recognised in the balance sheet as intangible assets as of the moment when the product can be implemented technically, exploited commercially and expected to bring future financial benefit. Development costs that have been recognised as expenses previously will not be recognised as assets later. Depreciation will start as soon as the product is ready for use. The depreciation period is 3-5 years, during which expenses recognised as assets are depreciated on a straight-line basis. An asset item that is not yet ready to be exploited is tested for impairment annually or more frequently if necessary.

Other intangible assets

Other intangible assets with a limited useful life are recognised in the balance sheet and depreciated as expenses on a straight-line basis in the income statement over their useful lives. No depreciation is recognised on other intangible assets with an unlimited useful life but they are tested for impairment annually or more frequently, if necessary. Intangible assets include assets that have an unlimited useful life. These include electric and gas connection rights that do not have a legal or contractual time limitation.

The useful lives estimated for intangible assets are:

Customer contracts and related customer relationships	5 – 10 years
Software	3 – 5 years
Other intangible rights	5 – 10 years

Any gains or losses on the disposal of intangible assets are presented in the income statement under other operating income and expenses.

Inventories

Inventories are measured at the lower of acquisition cost or net realisable value on the FIFO principle. The acquisition cost of finished products and work in progress consists of raw materials, direct expenses arising from work, other direct expenses and fixed acquisition and production costs. The net realisable value is the estimated sales price in normal business minus estimated expenses required to complete the product and selling expenses.

Lease agreements

Group as a lessee

Lease agreements related to tangible assets, in which the Group bears an essential part of the ownership risks and rewards, are classified as finance lease agreements. Asset items acquired with finance leases are entered in the balance sheet at the lower of the leased item's fair value or the present value of minimum lease payments at the time when the lease period begins. Non-current asset items acquired through finance leases are depreciated over the shorter of their estimated useful lives or their lease periods. Lease obligations are included in interest-bearing liabilities.

Lease agreements in which the lessor bears the ownership risks and rewards are dealt with as other leases. Lease payments payable under other leases are recognised as expenses in the income statement in equal amounts during the lease period.

The Group operates primarily in leased facilities. In Russia, it also owns premises. The Group makes fixed-term lease agreements, which are converted into indefinitely valid leases at the end of the fixed period or for which the Group has an option to continue the agreement in fixed-term form. The most common period for the continuation option is five (5) years. The continuation options have been taken into account in the treatment of finance leases.

Impairment

On every closing of the books date the Group assesses whether there are signs of impairment in asset items If such signs are detected, the net realisable value of the asset item concerned is estimated. The net realisable value is also assessed annually on the following asset items regardless of whether there are signs of impairment: goodwill, intangible assets with an unlimited useful life and unfinished intangible assets unaccomplished. The need for impairment is assessed at the level of units generating a cash flow, i.e. the lowest unit level that is mostly independent of other units and whose cash flows can be separated from other cash flows.

The units generating a cash flow in the 2008 financial statements are classified as investments in securities as a separate unit and industrial investments in the cable industry divided into two groups; the Reka Cables Group and OAO Expokabel company form one unit and Nestor Cables Ltd. the other. Indicators followed in the case of Reka Cables Group are permanent changes in the euro prices of the principal raw materials to one direction or another and changes in the market situation on the main market areas together. A change in the interest rate level is not an indicator to be followed as such, but it may have an impact on changing the discount rate. In the case of Nestor Cables Ltd, indicators are not followed in the same way, since no goodwill is involved and the consolidation technique will take any loss into account without delay.

The net realisable value is the fair value of an asset minus the higher of selling expenses or value in use. The value in use means the estimated future net cash flows received from the asset item in question or revenue-generating unit, discounted to their current value. The rate determined before taxes is used as the discount rate, which reflects the market's view of the time value of money and of the special risks relating to the asset item concerned.

An impairment loss is recognised when an asset item's book value is higher than the net realisable value. An impairment loss is recognised in the income statement. If an impairment loss is attributed to a unit generating a cash flow it is first attributed to reduce the unit's goodwill and then to reduce the unit's other asset items in equal proportions. In connection with recognition of an impairment loss, the useful life of the asset item being depreciated in reassessed. An impairment loss recognised on asset items other than goodwill is reversed if a change has taken place in the assessments used in determining the net realisable value of an asset item. No more impairment loss can be reversed, however, than what the asset's book value would be without recognition of the impairment loss. An impairment loss recognised on goodwill can never be reversed.

Pension arrangements

The Group's pension arrangements comply with Finnish regulations and practices In the Group's defined contribution plan, the Finnish statutory earnings-related TyEL pension scheme, the Group's expenses are recognised as expenses in the period to which the payment is attributed. There is no defined benefit pension plans in the Group.

Provisions and contingent liabilities

A provision is made when the Group has a legal or actual obligation as a result of a previous event, when it is likely that a payment obligation must be fulfilled and when the amount of the obligation can be assessed reliably. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item, but not before it is practically certain that compensation will be paid.

A warranty provision is made when a product containing a warranty clause is sold. The amount of the warranty provision is based on proven knowledge about actual warranty costs.

A restructuring provision is made when the Group has drawn up a detailed restructuring plan and begun to implement it or has announced it. No provision is recognised for expenses relating to the Group's normally continued operations.

A provision is made for contracts, when the expenses necessary for fulfilling obligations exceed the benefits from the contract concerned.

A provision is made for environmental obligations on the basis of current interpretations of provisions and legislation on environmental protection. A provision is made when it is likely that an obligation has been created and the amount of the obligation concerned can be estimated reliably.

A contingent liability is a conditional obligation created as a result of previous events, which becomes certain when an uncertain eventuality beyond the Group's control actually occurs. Also existing obligations which are not likely to require fulfilment of payment obligation or the amount of which cannot be determined reliably are regarded as contingent liabilities. Potential contingent liabilities are presented in the notes to the financial statements.

Taxes

The tax expenses in the income statement consist of the tax based on the taxable income for the financial year and deferred tax items. The tax based on the taxable income for the year is calculated on the taxable income on the basis of the tax rate in force on the balance sheet date in each country or entering into force later. The taxes are adjusted by taxes potentially relating to previous periods with the exception of taxes recognised in equity in regard of which the corresponding income or expense has been recognised directly under equity. According to the principle of prudence, a proportion of the potential deferred tax assets of foreign subsidiaries has been left unrecognised.

Deferred tax assets and liabilities are calculated on temporary differences between the book value and taxable value. Deferred tax liabilities are not recognised, however, when the issue concerns an asset or liability item to be recognised initially in the accounts and it does not concern business combinations, and recognition of such an asset or liability item does not affect the result of the bookkeeping or the taxable income at the time of completion of the transaction. No deferred taxes are recognised on goodwill that is non-deductible in taxation or on non-distributable profit funds of subsidiaries to the extent that the difference is not likely to be released in the foreseeable future.

Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised. A proportion of the deferred tax assets of foreign subsidiaries has been left unrecognised for reasons of prudence.

Revenue recognition

The revenue recognition principles of investments in securities and other operations differ in terms of content and treatment.

Revenue recognition principles for investments in securities

The gains and losses on investments in securities consist of profits and losses on financial assets recognised at fair value through profit and loss and on available-for-sale investments, dividend, interest on holdings and other interest received and changes in the value of derivative financial instruments.

Dividend income is recognised when entitlement to the dividend is created.

The gains and losses on investments in securities are netted and the difference is presented under turnover in the income statement.

Revenue recognition principles for industrial private equity investments and other consolidated operations

Goods sold and services provided

Income on the sale of goods is recognised when significant ownership risks and rewards and an actual controlling influence have been transferred to the buyer. In principle, this takes place in connection with delivery under the contract terms of products. Income from services is recognised as revenue for the financial period during which the service is provided.

Interest and dividend

Interest received is recognised using the effective interest method and dividend income when entitlement to dividend is created.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified in the following categories in accordance with IAS 39 ***Financial Instruments: Recognition and Measurement:*** financial assets recognised at fair value through profit and loss, available-for-sale financial assets and loans and other receivables. The classification is made in accordance with the purpose of the acquisition of the financial assets concerned and they are classified in connection with the initial acquisition.

Transaction costs are included in the original book value of the financial assets concerned when the item is not measured at fair value through profit and loss. All acquisitions and sales of financial assets are recorded on the transaction date.

Financial assets are derecognised when the Group has lost its contract-based entitlement to cash flows or when it has transferred essential risks and rewards outside the Group.

All financial instruments are recognised under current assets because of the nature of the operations.

Financial assets are classified as ***Financial assets recognised at fair value through profit and loss*** if they have been acquired for trading or are classified as items to be recognised at fair value through profit and loss at the time of initial recognition (fair value option). Since the Group has no hedge accounting in keeping with IAS 39, derivative financial instruments relating to investments in securities, interest rate derivatives, and raw material derivatives based on the management's views are classified as items held for trading. The items in the group are measured at fair value. Both realised and unrealised gains and losses arising from changes in fair value are recognised in the incomestatement for the financial period during which they are created.

Available-for-sale financial assets are assets that have been specifically assigned to this group or that have not been classified in any other group. Available-for-sale financial assets are measured at fair value and changes in value are recognised directly in equity if their fair value can be measured reliably. If the fair value cannot be measured reliably, available-for-sale investments are recognised at acquisition cost. Available-for-sale financial assets may consist of shares and interest-bearing investments.

Sales receivables and other receivables under ***Loans and other receivables*** are recognised at the outstanding value of the receivable item or at the fair value of a derivative financial instrument classified in the group. Sales receivables are presented in gross amounts and the financial liabilities under sales receivables are recognised in financial liabilities. The Group recognises an impairment loss on sales receivables if there is objective evidence that the receivable item cannot be recovered in full. If the amount of impairment loss is reduced later, the recognised loss is reversed through profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits that can be withdrawn on demand and other extremely liquid short-term investments.

Financial liabilities

Financial liabilities are valued at acquisition cost or at fair value excluding liabilities arising from finance leases under IAS 17. Liabilities arising from finance leases are recognised initially at the lower of the fair value of the item leased or the present value of minimum lease payments. Transaction costs are included in the initial book value of financial liabilities. Financial liabilities are included in current and non-current liabilities.

Financial assets and liabilities not recognised at fair value are measured at acquisition cost. The book value does not significantly differ from the fair value.

The financial assets recognised at fair value through profit and loss have been measured on the basis of the market price. If no market price is available, the measurement is based on counterparty confirmation, which is also tested by using generally applied measurement methods and available market prices.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised in accounting initially at fair value on the date when the Group becomes party to a contract, and they will continue to be measured at fair value later. The Group does not apply IAS 39 hedge accounting. Gains and losses arising from fair value measurement are treated in a manner determined by the derivative instrument's use in accounting. Interest rate derivatives and raw material derivates based on management's views are handled under financial income and/or expenses in the income statement. Derivative instruments related to investments in securities are treated as adjustments to turnover. Interest rate derivatives, derivatives based on management's views, and derivative instruments relating to investments in securities are handled under financial assets recognised at fair value through profit and loss in the balance sheet. Other derivative financial instruments are handled under operating income and expenses in the income statement and current assets and liabilities in the balance sheet.

Operating profit

IAS 1 ***Presentation of Financial Statements*** does not define the concept of operating profit. The Group has defined it as follows: the operating profit is the net amount formed when the turnover is reduced by purchasing costs adjusted for the change in the inventories of finished products and work in progress and expenses incurred through production for own use, and by expenses arising from employee benefits, depreciation and any impairment loss, with other operating income and expenses taken into account. Items in the income statement other than the above-mentioned are presented after the operating profit, taking into account, however, that the item gains and losses from investments in securities included under turnover contains items that are presented after the operating profit for other business operations. Foreign exchange differences and changes in the fair values of derivative financial instruments are included in the operating profit if they arise from items relating to business operations; otherwise they are recognised under financial items.

Principles of preparation requiring the management to use their judgement and related principal uncertainty factors

When financial statements are being prepared, estimates and assumptions must be made, and these may differ from the actual outcome. Furthermore, application of the principles for preparing financial statements requires a certain amount of judgement.

Judgement required from the management in choosing and applying preparation principles

The Group management exercises its judgement in making decisions about choosing and applying the preparation principles for the financial statements. This applies particularly in cases where the existing IFRS has alternative recognition, measurement or presentation methods. The Group consists of two principal segments: investments in securities and industrial private equity investments. The segments differ from each other greatly, which is why the management has decided to use partly different preparation principles, particularly in terms of presentation. As far as investments in securities are concerned, the turnover, i.e. gains or losses on such investments includes items that in the other segment are presented both before and after the operating profit in the income statement.

The management has exercised its judgement in estimating depreciation periods for the entire Group in making the transfer from a one-segment group into a group with more than one segments. Accordingly, depreciation on investments in securities follows the new depreciation periods and is made according to plan.

The management has exercised its judgement in assessing which leases are handled in accordance with IAS 17 as financial leases recognised as assets in the balance sheet and which ones are treated as ordinary rental expenses. The guiding principle has been the definition that lease agreements in which the lessor bears the ownership risks and rewards are dealt with as other leases. Thus short-term and fairly short-term leases of premises for operations have been treated as other leases, as have individual leases of machinery and equipment obtained from outside the Group and all IT equipment leases. Long-term leases of premises and leases of production equipment have been treated as financial leases to be recognised as assets.

Uncertainty factors relating to estimates

Estimates and assessments made in the preparation of the financial statements are based on the management's best opinion on the closing of the books date. The estimates are based on previous experience and assumptions that concern expected trends in the Group's economic operating environment as far as sales and cost levels are concerned and are considered most likely on the closing of the books date. The Group monitors the materialisation of estimates and assumptions and changes in the factors behind them on a regular basis together with the business units by using several sources of information, both internal and external. Any changes in the estimates and assumptions are recorded in the accounts for the financial period during which the estimate or assumption is revised and in all consequent financial periods.

Measurement of the fair value of goods acquired in business combinations

In June 2007, the Neomarkka Group acquired the Reka Cables Group. The seller was Reka Ltd, which is the parent company of Neomarkka Plc. Although it was a combination of the businesses of corporations under the same controlling influence, the purchase method under IFRS 3 was applied according to the management's judgement. Thus the fair value of all goods acquired was measured in accordance with the provisions of IFRS 3. The Group has used an outside advisor in estimating the fair values of tangible and intangible assets. The acquisition cost calculation for OAO Expokabel, acquired in August 2008 by purchasing a majority of the shares, was completed in accordance with the corresponding IFRS 3 provisions. The acquisition cost calculation has been converted into EUR using the exchange rate of time of acquisition.

The management believes that the estimates and assumptions used are sufficiently accurate to form a basis for measuring fair value. In addition, the Group goes over all potential signs of impairment concerning both tangible and intangible assets at least on every closing of the books date.

Impairment testing

The Group makes impairment tests on goodwill, intangible assets unaccomplished and intangible assets with an unlimited useful life on an annual basis and assesses signs of impairment in accordance with what is presented above in the preparation principles. The net realisable amounts of the units generating cash flow have been determined by means of calculations based on value in use. Making such calculations requires the use of estimates.

Application of new and revised IFRS norms

The IASB has issued the following new or revised standards and interpretations that are not yet in force and that the Group has not yet applied. The Group will adopt them from the coming into force of each standard and interpretation, or if the date of coming into force is some other than the first day of the financial period, as of the beginning of the following financial period.

- IFRS 8 ***Operating Segments*** (in force in financial periods beginning after 1 January 2009). IFRS 8 replaces the IAS 14 segment reporting standard. According to the new standard, segment reporting is based on the management's internal reporting and the accounting principles it follows. IFRS 8 requires that information is presented on Group products, services, geographical areas and important customers. Corporations are also expected to provide information on the definition criteria for the segments reported on and the accounting principles applied in segment reporting. In addition, the standard requires segment reporting to present a reconciliation for certain income statement and balance sheet items. IFRS 8 will change the Group's segment reporting. Geographic segments are to be discontinued and, based on the currently available information, the securities investments segment will no longer be reported separately in 2009. The new segments structure, reconciliations, and comparison information are applied in the first interim report in 2009. Standard has been approved for application in the EU.
- Amendment to IAS 1 ***Presentation of Financial Statements*** standard (in force in financial periods beginning after 1 January 2009). The revised standard will change the presentation of financial statement calculations. The Group thinks that the change will primarily affect the presentation of the income statement and changes in equity. The principle for calculating the earnings per share will not change. The change has been approved for application in the EU.
- Amendment to the IAS 23 ***Borrowing Costs*** standard (in force in financial periods beginning 1 January 2009). The amended standard requires that the acquisition cost of assets meeting the criteria such as production plants include the direct borrowing costs arising from acquisition, construction or production of the asset in question. Retroactive application of the change is not required. The Group has acquisition of goods meeting the criteria. Funding for such acquisitions has, however, been obtained internally in the Group, at least up till now, and the borrowing costs have been netted in the consolidated financial statements against financial income of another party in the group. The Group thinks that the adoption of the new standard will affect future financial statements, particularly when goods are funded using borrowed funding from outside of the Group. The change has been approved for application in the EU.
- Amendment to IFRS 3 ***Business Combinations*** (in force in financial periods beginning after 1 July 2009). The revised standard will cause changes in the treatment of expenses, successive purchases, goodwill, minority interest and conditional price caused by the

combining of business operations. The company has not yet assessed the potential impacts of the amendment to the standard. The amendment to the standard has not yet been approved for application in the EU.

- Amendment to IAS 27 ***Consolidated and Separate Financial Statements*** is associated with the amendment to the IFRS 3 standard (in force in financial periods beginning after 1 July 2009). The amendments will affect the treatment of minority interest and changes in ownership in subsidiaries where there is a controlling influence and where a controlling influence is lost. The company has not yet assessed the potential impacts of the amendment to the standard. The amendment to the standard has not yet been approved for application in the EU.
- Amendment to IAS 27 ***Consolidated and Separate Financial Statements*** (in force in financial periods beginning after 1 January 2009). The change does not affect the Group's future financial statements. The change has been approved for application in the EU. The standard has also been amended during the annual improvement of standards (May 2008).
- The IFRS 1 ***First-time Adoption of International Financial Reporting*** amendment (in force in financial periods beginning after 1 July 2009) does not impact the Group's future financial statements.
- The amendment to the standard has not yet been approved for application in the EU.
- Amendment to IFRS 2 ***Share-based Payment*** (in force in financial periods beginning after 1 January 2009). The change in the standard clarifies share-based payments. The Group does not have share-based business transactions. The change has been approved for application in the EU.
- The Amendment to IAS 28 ***Investments in associates*** is associated with the IFRS 3 amendment (in force in financial periods beginning after 1 July 2009). The change affects information presented in the financial statements when investments in associates are recognised at fair value through profit and loss and with impairment recorded for associate companies. The Group handles investments in associates using the equity method and losses are handled with the income statement. The changes to the standard will not affect the Group's future financial statements. The change has been approved for application in the EU.
- Amendment to IAS 31 ***Interests in Joint Ventures*** (in force in financial periods beginning after 1 July 2009) affects information presented in financial statements when shares in joint ventures are recognised at fair market value through profit and loss. The Group does not have joint-ventures. The change has been approved for application in the EU.
- Amendment to IAS 32 ***Financial Instruments*** (in force in financial periods beginning after 1 January 2009). The Group has not issued financial instruments intended in the amendment. The change has been approved for application in the EU.
- IFRIC 13 ***Customer Loyalty Programmes*** (in force in financial periods beginning after 1 July 2008). The Group does not have customer loyalty programmes intended in the guidance. The guidance has been approved for application in the EU.
- IFRIC 15 ***Agreements for the Construction of Real Estate*** (in force in financial periods begging after 1 January 2009). The Group does not engage in construction activity intended in the guidance. The guidance has not yet been approved for application in the EU.
- IFRIC 16 ***Hedges of a Net Investment in a Foreign Operation*** (in force in financial periods beginning after 1 October 2008). The guidance will be included in the Group's financial statements once the Group begins use of the protective measures intended in the interpretation. The guidance has not yet been approved for application in the EU.
- IFRIC 17 ***Distribution of Non-cash Assets to Owners*** (in force in financial periods beginning after 1 July 2009). The company has not yet assessed the potential impacts of the guidance. The guidance has not yet been approved for application in the EU.
- IFRIC 18 ***Transfers of Assets from Customers*** (Transfers received on or after July 2009). The company has not yet assessed the potential impacts of the guidance. The guidance has not yet been approved for application in the EU.

In addition, annual improvements to the standards were implemented in May of 2008. The improvements will be taken into consideration where the standards themselves affect the Group's financial statements. The improvements are in force for financial periods starting after 1 January 2009. The improvements have been approved for application in the EU, with the exception of some of the improvements regarding IAS 39. Standards improved in May 2008:

- IFRS 5 ***Non-current Assets Held for Sale and Discontinued Operations***
- IAS 1 ***Presentation of Financial Statements***
- IAS 16 ***Property, Plant and Equipment***
- IAS 19 ***Employee Benefits***
- IAS 20 ***Government Grants and Disclosure of Government Assistance***
- IAS 23 ***Borrowing Costs***
- IAS 27 ***Consolidated and Separate Financial Statements***
- IAS 28 ***Investments in Associates***
- IAS 29 ***Financial Reporting in Hyperinflationary Economies***
- IAS 31 ***Interests in Joint Ventures***
- IAS 36 ***Impairment of Assets***
- IAS 38 ***Intangible Assets***
- IAS 39 ***Financial Instruments: Recognition and Measurement***
- IAS 40 ***Investment Property***

3. Segment information

The segment information is presented in accordance with the Group's business and geographical segment division. The Group has defined the business segment as its primary segment and the geographical segment as its secondary segment.

Pricing between segments takes place at market price.

Primary segment

The Group's main segments are investments in securities and industrial private equity investments. Investments in securities are a single entity. Industrial private equity investments are divided in different operating sectors if necessary. On the balance sheet date, industrial private equity investments consisted of the cable business area.

2008 EUR 1,000	Investment in securities	Industrial Investment; cables	Others and eliminations	Total
Industrial business turnover	0	116,647		116,647
Gains and losses from the trade of financial assets	-457	0		-457
Internal sales				
Turnover	**-457**	**116,647**		**116,190**
Segment operating profit	**-1,835**	**618**		**-1,217**
Unallocated items			-43	-43
Operating profit				-1,259
Share of the result of associates		-802		-802
Unallocated items				-2,860
Profit for the financial year				**-4,922**
Segment assets	24,002	78,854		102,856
Unallocated assets			3,270	3,270
Total assets	**24,002**	**78,854**	**3,270**	**106,126**
Segment liabilities	351	21,680		22,031
Unallocates liabilities			33,833	33,833
Total liabilties	**351**	**21,680**	**33,833**	**55,863**
Assets - liabilities	**23,651**	**57,175**	**-30,563**	**50,263**
Investments	**0**	**10,971**	**-109**	**10,862**
Depreciations	**-22**	**-3,868**	**0**	**-3,890**

2007 EUR 1,000	Investment in securities	Industrial Investment; cables	Others and eliminations	Total
Industrial business turnover	0	57,081		57,081
Gains and losses from the trade of financial assets	5,362	0		5,362
Internal sales				
Turnover	**5,362**	**57,081**		**62,443**
Segment operating profit	**4,087**	**82**		**4,169**
Unallocated items			13	13
Operating profit				**4,182**
Share of the result of associates		-47		-47
Unallocated items				-2,982
Profit for the financial year				**1,153**
Segment assets	41,310	64,084		105,395
Unallocated assets			1,007	1,007
Total assets	**41,310**	**64,084**	**1,007**	**106,401**
Segment liabilities	637	16,099		16,736
Unallocates liabilities			29,990	29,990
Total liabilties	**637**	**16,099**	**29,990**	**46,727**
Assets - liabilities	**40,673**	**47,985**	**-28,984**	**59,675**
Investments	**0**	**5,824**	**2,905**	**8,729**
Depreciations	**-24**	**-1,964**	**-99**	**-2,087**

Secondary segment

The Group's secondary segment is geographical. It is divided into EU and non-EU countries. In the geographical segment, turnover has been taken into account according to where good or services have been delivered, and assets have been handled according to location. Investment has been treated on the basis of the area in which the investment has been made. Investments in securities have principally been taken into account in full in the EU figures in spite of the fact that the investments may have been outside EU during part of the year.

EUR 1,000	Turnover 2008	2007	Assets 2008	2007	Investments 2008	2007
EU -countries	96,885	56,352	104,512	105,285	10,817	8,421
Non-EU -countries	19,305	6,091	19,855	10,951	45	2,244
Eliminations and unallocated items	0	0	-18,241	-9,835	0	-1,936
Group total	**116,190**	62,443	**106,126**	106,401	**10,862**	8,729

Acquisitions of subsidiaries and associates have not been treated as investments.

4. Acquired business

OAO Expocable

In a share transaction completed on 4 August 2008 Neomarkka bought a majority of the shares of OAO Expocable. The price was paid in cash in two parts of which the last payment in February 2009. In addition to the price for the shares, the acquisition price includes expert fees and taxes. The following assets and liabilities were recognised on the acquisition under IFRS 3 in related to the acquired 81.27%. The purchase price allocation is preliminary.

EUR 1,000	Acquiree´s carrying amount before combination	Fair value adjustments	Fair value
Net assets acquired			
Intangible assets	0	4,136	4,136
Tangible assets	171	4,771	4,942
Inventories	668	0	668
Current receivables	238	0	238
Cash in hand and at bank	130	0	130
Short-term liability	-862	0	-862
Deferred tax liability	0	-2,138	-2,138
Net assets acquired			**7,113**
Goodwill arising on acquisition			**139**
Total consideration, satisfied by cash			**7,252**
Net cash outflow arising on acquisition:			
Cash consideration, expert fees and taxes			-7,252
Cash and cash equivalents acquired			130
Net cash outflow arising on acquisition:			-7,122

Changes in the fair values of intangible assets comprise rights (electricity and gas). The fair value changes of tangible assets are related to the building and land.

OAO Expokabel's generated a EUR 0.5 million profit during the financial period 1.8.2008 – 31.12.2008. Out of the profit, EUR 0.4 million belonged to Neomarkka's shareholders.

If OAO Expokabel would have been acquired at the beginning of the financial period, the turnover for the cable industry (1.1.2008 – 31.12.2008) would have been EUR 119.1 million. Neomarkka's turnover would then have been EUR 118.7 million generating a loss of EUR -5.3 million.

Acquired business in 2007

In a share transaction completed on 1 June 2007 Neomarkka bought all Reka Cable Ltd's shares. The following assets and liabilities were recognised on the acquisition under IFRS 3.

EUR 1,000	Acquiree´s carrying amount before combination	Fair value adjustments	Fair value
Net assets acquired			
Intangible assets	24	3,490	3,514
Tangible assets	13,603	3,511	17,114
Investments	74	0	74
Inventories	17,726	1,661	19,387
Current receivables	18,962	0	18,962
Cash in hand and at bank	660	0	660
Deferred tax liability	-855	-2,252	-3,107
Provisions	-509	0	-509
Other non-current liabilities	-5,025	0	-5,025
Other current liabilities	-28,609	0	-28,609
Net assets acquired			**22,460**
Goodwill arising on aquisition			**4,527**
Total consideration, satisfied by cash			**26,987**
Net cash outflow arising on acquisition:			
Cash consideration paid, expert fees and asset transfer tax			-26,987
Cash and cash equivalents acquired			660
Net cash outflow arising on acquisition:			-26,327

The changes in fair value of Reka Cables' intangible assets consist of customer relationships and product brands and trademarks. Goodwill consists primarily of personnel.

If Reka Cables had been acquired at the beginning of the financial period, the turnover in the cables business area (1 January 2007 – 31 December 2007) would have totalled EUR 97.4 million. Neomarkka's turnover in 2007 would then have been EUR 102.8 million generating a profit of EUR 2.4 million. The profit for the financial year takes into account that the release of the margin included in the value of inventories in attributing the acquisition cost weakens the financial result.

5. Turnover

EUR 1,000	2008	2007
Industrial business turnover	116,647	57,081
Gains and losses from the trade of financial assets	-457	5,362
Total turnover	**116,190**	**62,443**

Gains and losses from the trade of financial assets

EUR 1,000	2008	2007
Gains and losses from the trade of financial assets recognised at fair value through profit and loss	-1,430	9,367
Change in unrealised gains from financial assets recognised at fair value through profit and loss increase (+), decrease (-)	62	-5,026
Gains from the trade of available-for-sale financial assets	0	4
Dividend income	330	220
Interest income	581	347
Change in value of derivative contracts	0	450
Total	**-457**	**5,362**

6. Other operating income and expenses

EUR 1,000	2008	2007
Profit from sales of tangible assets	17	0
Received allowance	26	0
Income from derivatives	113	62
Other income	778	29
Renting expenses	-2,791	-691
Maintenance expenses from machinery and properties	-3,543	-1,628
Expenses from derivatives	-214	-115
Sales- and marketing expenses	-3,277	-1,514
Other expenses	-4,576	-2,646
Total	-13,467	-6,503

Other expenses include paid audit fees EUR 104,000 (EUR 45,000 in 2007) and EUR 52,000 for other expert services (EUR 27,000 in 2007).

7. Depreciation and impairment

EUR 1,000	2008	2007
Depreciations and impairment by item groups		
Intangible non-current assets		
Customer relationships	-275	-160
Product brands and trademarks	-106	-62
Other intangible assets	-60	-44
Total	-441	-266
Tangible non-current assets		
Buildings	-1,077	-372
Machinery and equipment	-2,336	-1,425
Other tangible assets	-36	-24
Total	-3,449	-1,821
Total depreciations and impairments	-3,890	-2,087

8. Personnel expenses

EUR 1,000	2008	2007
Wages and salaries	12,350	5,777
Pension expenses - defined contribution plans	1,892	885
Other personnel expenses	905	387
Total	15,147	7,048

Average personnel in the financial year	2008	2007
Total	403	172
of whom in the cable business	400	168

In the number of personnel stated above, it must be taken into consideration that the acquisition of Reka Cables on 1 June 2007 and OAO Expokabel on 4 August 2008 have increased the number of personnel considerably.

The employee benefits of the management are reported in notes 31 under events concerning related parties.

9. Research and development expenses

The 2008 income statement includes EUR 0.8 million in R&D expenses recognised as expenses (EUR 0.2 million in 2007 and EUR 0.0 in 2006).

10. Financial income and expenses

Financial income

EUR 1,000	2008	2007
Interest income	417	52
Income from interest derivatives	1	27
Income from metal derivatives	0	0
Exchange rate gains	73	0
Other financial income	2	1
Total	493	79

Financial expenses

EUR 1,000	2008	2007
Interest expenses	-1,472	-1,558
Interest expenses from activated financial leases	-682	-379
Expenses from interest derivatives	-106	-69
Expenses from metal derivatives	-1,204	0
Exchange rate losses	-537	-198
Other financial expenses	-404	-95
Total	-4,405	-2,298

The turnover of investments in securities (note 5) takes into account changes in value for financial assets recognised at fair value through profit and loss and any sales gains or losses on investments in securities. In addition, other operating income and expenses take into account changes in derivative financial instruments relating to metal and currency derivatives of industrial private equity investments. The hedging measures based on the management's opinion are included in financial expenses. A total expense of EUR 2.0 (2007: EUR 5.1 million) million of financial assets to be recognised at fair value through profit and loss has been recognised in the income statement for 2008.

11. Taxes

EUR 1,000	2008	2007
Tax based on taxable income from the financial year	-209	-2,813
Taxes from the previous financial years	-8	-4
Deferred tax from the profit	1,269	2,324
Deferred tax from the overvalue of financial assets recognised at fair value through profit and loss	0	-270
Total	**1,052**	**-763**

Balancing assessment between taxes from income statement and the Group's domestic rate 26%.

EUR 1,000	2008	2007
Profit before taxes	-5,974	1,916
Share of the result of associates - presented by tax deduction included	-802	-47
Profit before taxes and results from associates	-5,172	1,963
Tax calculated based on domestic tax rate	-1,345	510
Effect from tax-free income	-83	-54
Effect from non-deductible expenses	61	32
Effects from different tax rates of foreign subsidiaries	-6	-7
Effect from unregistered deferred tax receivables from taxable losses	322	265
Taxes from the previous financial years	8	31
Other items	-9	-14
Taxes in income statement	-1,052	763

In accordance with the view on the closing of the books date, the financial statements do not take into account the deferred tax assets of the Russian companies, with the exception of IFRS conversions.

12. Earnings per share

The undiluted earnings per share are calculated by dividing the profit belonging to the parent company shareholders by the weighted average number of outstanding shares during the financial period.

	2008	2007
Profit from the period belonging to the shareholders' of the parent company, EUR 1,000	-5,024	1,153
Weighted average number of outstanding shares during the period (pcs)	6,020,360	6,020,360
Earnins per share, undiluted, EUR	-0.83	0.19
Weighted average number of outstanding shares during the period, diluted (pcs)	6,020,360	6,020,360
Earnins per share, diluted, EUR	-0.83	0.19

The diluting effect of the conversion of all diluting potential ordinary shares into shares is taken into account in the weighted average number of shares in the calculation of the dilution-adjusted earnings per share. The Group has no diluting instruments on the closing of the books date.

13. Tangible non-current assets

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advances and incomplete acquisitions	Total
Acquisition cost 1.1.2008	0	7,998	14,577	178	3,095	25,848
Investments	0	4,283	5,482	7	5,012	14,784
Investments through company acquisitions	1,079	3,863	0	0	0	4,942
Decreases	0	-41	-77	-42	-5,311	-5,471
Foreign exchange differences	-17	3	-593	0	0	-607
Acquisition cost 31.12.2008	1,062	16,106	19,389	143	2,796	39,496
Accumulated depreciations and impairments 1.1.2008	0	372	1,536	24		1,932
Depreciations	0	1,078	2,335	36		3,449
Foreign exchange differences	0	521	-159			362
Accumulated depreciations						0
and impairments 31.12.2008	0	1,971	3,712	60		5,743
Book value 1.1.2008	0	7,626	13,041	154	3,095	23,916
Book value 31.12.2008	1,062	14,135	15,677	83	2,796	33,753

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advances and incomplete acquisitions	Total
Acquisition cost 1.1.2007	0	0	162	0	0	162
Investments	0	5,413	2,738	5	2,905	11,061
Investments through company acquisitions	0	2,585	14,166	173	190	17,114
Decreases	0	0	-2,489	0	0	-2,489
Foreign exchange differences	0	0	0	0	0	0
Acquisition cost 31.12.2007	0	7,998	14,577	178	3,095	25,848
Accumulated depreciations and impairments 1.1.2007	0	0	111	0		111
Depreciations	0	372	1,425	24		1,821
Accumulated depreciations and impairments 31.12.2007	0	372	1,536	24		1,932
Book value 1.1.2007	0	0	51	0	0	51
Book value 31.12.2007	0	7,626	13,041	154	3,095	23,916

Tangible non-current assets include assets leased through finance leases as follows:

EUR 1,000	2008	2007
Buildings		
Acquisition cost 1.1.	6,886	0
Investments through company acquisitions	0	1,472
Other investments	3,301	5,414
Acquisition cost 31.12.	10,187	6,886
Accumulated depreciations 1.1.	299	0
Depreciation for the year	651	299
Accumulated depreciations 31.12.	950	299
Book value 31.12.	9,237	6,587
Machinery and equipment		
Acquisition cost 1.1.	43	0
Investments through company acquisitions	0	2,533
Decreases	0	-2,489
Acquisition cost 31.12.	43	43
Accumulated depreciations 1.1.	43	0
Depreciation for the year	0	43
Accumulated depreciations 31.12.	43	43
Book value 31.12.	0	0

Other investments in buildings consist of the acquisition of OAO Expokabel and the expansion of the Riihimäki production facilities.

14. Intangible non-current assets

EUR 1,000	Goodwill	Other intangibles	Total
Acquisition cost 1.1.2008	4,527	3,745	8,272
Investments	0	196	196
Business combinations	139	4,136	4,275
Decreases		-46	-46
Foreign exchange differences	-79	-853	-932
Acquisition cost 31.12.2008	4,587	7,178	11,765
Accumulated depreciations and impairments 1.1.2008	0	266	266
Depreciations	0	441	441
Foreign exchange differences	0	10	10
Accumulated depreciations and impairments 31.12.2008	0	717	717
Book value 1.1.2008	4,527	3,479	8,006
Book value 31.12.2008	4,587	6,461	11,048
Acquisition cost 1.1.2007	0	0	0
Investments	0	222	222
Business combinations	4,527	3,588	8,115
Decreases	0	-65	-65
Foreign exchange differences	0	0	0
Acquisition cost 31.12.2007	4,527	3,745	8,272
Accumulated depreciations and impairments 1.1.2007	0	0	0
Depreciations	0	266	266
Foreign exchange differences	0	0	0
Accumulated depreciations and impairments 31.12.2007	0	266	266
Book value 1.1.2007	0	0	0
Book value 31.12.2007	4,527	3,479	8,006

Other intangible non-current assets include the following items: customer relationships, product brands and trademarks, electricity and natural gas connection rights, active IT software and licenses.

The goodwill recognised in the financial statements arose from the acquisition of the Reka Cables Ltd and OAO Expokabel shares has been allocated entirely to the cables business area of the industrial private equity investments segment for impairment testing. The net realisable value has been determined on the basis of value in use calculations. The calculations are based on forecasts approved by the management for a period of 4 years. Cash flows after the forecast period have been predicted using a 0% growth assumption.
The anticipated cash flows are discounted at the present date. The discount rate is 7.8% (2007: 8.0%).

The following assumptions applied affect the actual turnout of the calculations; the economic and credit situation that arose in the autumn of 2008 is believed to affect 2009 and 2010. The market is believed to recover in 2011. The most significant factors of the impairment calculations are: euro and ruble prices of metals and principal raw materials, potential change in infrastructure investments, ruble exchange rate development and its dependence on the price development of oil.

As a result of the impairment testing carried out, the company has no need for recognition of impairment. The net realisable value determined in impairment testing exceeds the book value of the units tested.

15. Holdings in associates

EUR 1,000	2008	2007
At the beginning of financial year	1,004	0
Share of the result of financial year	-802	-47
Investments	0	1,051
At the end of financial year	202	1,004

At the time of closing the books, Neomarkka has Nestor Cables Ltd as an associated company. The company is based out of Oulu. The assets on the financial statements are EUR 18.6 million and the liabilities are EUR 19.2 million. Out of the liabilities, EUR 4 million are subordinated loans. The turnover of the company in 2008 was EUR 7.7 million. The company started production in 2008. Neomarkka has a 30% share of ownership.

16. Financial assets recognised at fair value through profit and loss

EUR 1,000	2008	2007
Hedge funds or securities based on hedge funds		
Ind eQ Active 4024 bonds / Nordea	0	5,254
Ind eQ Active 4025 bonds / Nordea	0	15,756
Total	0	21,010
Money market funds and deposits		
Nordea Pro Euro Korko Kasvu	0	4,143
Interest rate warrants	0	1,853
Certificate of deposits	16,562	10,076
Total	16,562	16,073
Derivatives		
Interest derivatives; interest rate ceilings options	28	27
Total	28	27
Total financial assets recognised at fair value through profit and loss	16,590	37,109

In addition, the negative fair values of currency, interest and metal derivatives recognised at fair value through profit and loss have been taken into account in other liabilities (EUR - 1.769 million in 2007 and EUR -36,000 in 2007).

17. Available-for-sale financial assets

EUR 1,000	Numbers	Book value 2008	Book value 2007
Novalis Plc			
Private equity			
Oulun Puhelin Holding Plc	746,250	2,813	3,081
Lännen Teletieto Ltd	81,700	920	920
Total available-for-sale financial assets		3,733	4,001

The available-for-sale financial assets consist entirely of unlisted equity and cooperative capital investments owned by Novalis Plc. Available-for-sale assets are recognised at acquisition cost, since their fair values cannot be measured reliably (IAS 39, 46). The valuation includes the return of equity of EUR 269,000 from Oulun Puhelin Holding Plc in 2008.

In the consolidated balance sheet unlisted investments are recognised at acquisition value under IFRS, since their market value cannot be measured reliably.

18. Deferred tax assets and liabilities

Changes in deferred taxes during 2008:

EUR 1,000	31.12. 2007	Booked to income statement	Foreign exchange difference	Aquired or sold business	31.12. 2008
Deferred tax receivables					
Provisions	137	292	0	0	429
Derivatives at market value	0	451	0	0	451
Other items	67	0	0	0	67
Total	204	743	0	0	947
Deferred tax liabilities					
Accumulated depreciation differenses	0	-44	0	-643	-687
Unrealised profits from financial assets	-270	270	0	0	0
Derivatives at market value	0	0	0	0	0
IFRS 3 based purchase price allocation and through that arisen expense entries	-1,656	318	291	-2,138	-3,185
Full costing valuation of inventories	-146	-38	0	0	-184
Other items	-19	19	0	0	0
Total	-2,091	526	291	-2,781	-4,056

Changes in deferred taxes during 2007

EUR 1,000	31.12. 2006	Booked to income statement	Foreign exchange difference	Aquired or sold business	31.12. 2007
Deferred tax receivables					
Provisions	0	34	0	103	137
Derivatives at market value	0	0	0	0	0
Other items	0	13	0	54	67
Total	0	47	0	157	204
Deferred tax liabilities					
Unrealised profits from financial assets	-1,577	1,307	0	0	-270
Derivatives at market value	0	20	0	-20	0
IFRS 3 based purchase price allocation and through that arisen expense entries	0	596	0	-2,252	-1,656
Full costing valuation of inventories	0	35	0	-181	-146
Other items	-55	522	0	-486	-19
Total	-1,632	2,480	0	-2,939	-2,091

The deferred tax assets arising from the results of the Russian subsidiaries have not been taken into account in the financial statements, with the exception of the IFRS conversions.

19. Inventories

Inventories in industrial private equity investments:

EUR 1,000	2008	2007
Materials and supplies	6,595	6,430
Production in progress	2,972	3,821
Finished products	8,336	6,564
Total	17,903	16,815

In 2008 the cables business area recognised a total of EUR 0.9 million in inventory impairment (EUR 0.2 million in 2007). The impairment was based on the defective commercial quality of a product, prolonged stock turnover periods, or valuation exceeding net realised value.

Use of materials and supplies totalled EUR 84.9 million in 2007 (2007: EUR 42.6 million). Use of materials and supplies by OAO Expokabel has been taken into account for the period 1 August 2008 - 31 December 2008.

20. Current receivables

Loans and other receivables were distributed as follows:

EUR 1,000	2008	2007
Sales receivables	13,604	9,278
Other receivables	165	2,876
Total	13,769	12,154

EUR 10.1 million in sales receivables had not fallen due (EUR 8.2 million in 2007). Of the sales receivables fallen due, 86% have not been due longer than a month (100% in 2007). The Group does has no sales receivables due for more than 60 days.

Current receivables were distributed by currency as follows:

EUR 1,000	2008	2007
EUR	9,318	9,214
SEK	1,814	1,452
DKK	101	722
RUB	2,511	127
Other currencies	25	639
Total	13,769	12,154

The cables business area uses a partial factoring arrangement in sales receivables. The entire amount of sales receivables is taken into account in bookkeeping, since the criteria for derecognition were not met. Use of the funding facility is taken into account in current interest-bearing liabilities.

21. Cash and cash equivalents

EUR 1,000	2008	2007
Cash in hand and at banks	5,820	3,268

22. Notes on equity

Shareholders' equity

EUR 1,000	2008	2007
Share capital 1.1.		
Series A	558	558
Series B	23,524	23,524
Share capital 31.12.	24,082	24,082
Premium fund 1.1.	66	66
Premium fund 31.12.	66	66
Reserve fund 1.1.	1,221	1,221
Reserve fund 31.12.	1,221	1,221
Retained earnings 1.1.	13,124	13,777
Dividends paid	-3,010	-1,806
Retained earnings 31.12.	10,114	11,971
Other unrestricted equity 1.1.	21,327	21,327
Other unrestricted equity 31.12.	21,327	21,327
Translations differences	-1,683	-145
Profit for the financial year	-5,024	1,153
Equity attributable to equity holders of the parent 31.12.	50,103	59,675
Minority interest	159	0
Shareholders' equity 31.12.	50,263	59,675

Notes to the Consolidated Financial Statements

(22. Notes on equity)

Parent company share capital by type of share	2008 No.	2008 Share capital EUR 1,000	2007 No.	2007 Share capital EUR 1,000
Series A (20 votes per share)	139,600	558	139,600	558
Series B (1 vote per share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Neomarkka Plc has two series of shares. The maximum number of Series A shares is 0.2 (2007: 0.2) million and that of Series B shares 9.6 (2007: 9.6) million. All issued shares are paid up in full.

Premium fund and reserve fund

The premium fund and reserve fund were set up before 1998 and their use is governed by the Limited Liability Companies Act.

Other unrestricted equity

Other unrestricted equity was created in 2000 through a reduction in the share capital: an amount equivalent to the reduction was transferred to the fund to be used in accordance with the shareholders' meetings decision.

Translation differences

Translation differences comprise primarily differences arising from the translation of the financial statements of foreign units and the conversions of the Group's internal loans.

Dividends

After the closing of the books date the Board has proposed that a dividend of EUR 0.25 (per share be distributed 2007: EUR 0.50/share).

23. Provisions

Consolidated provisions, EUR 1.0 million, consist of product warranty provisions concerning the business of industrial private equity investments. The provisions are made both on the basis of claims made but not yet paid and as provisions calculated on the basis of past experience from earlier years. The calculated provision takes into account any compensation obligations potentially occurring over a period of 10 years, unless otherwise agreed with the customer.

24. Interest-bearing liabilities

EUR 1,000	2008	2007
Long-term financial liabilities valued at allocated purchase price		
Bank loans	12,467	16,272
Loans from other financial institutions	0	0
Finance leases	8,726	6,240
Total	21,193	22,512
Short-term financial liabiltities values at allocated purchase price		
Cheque account credits	5,767	2,643
Bank loans	0	0
Loans from other financial institutions	3,529	4,203
Finance leases	522	347
Amortizations of long-term loans	2,133	2,009
Total	11,950	9,202

Loans from other financial institutions include the credit facility relating to the factoring of sales receivables with the said sales receivables as collateral.

The Group's bank and financing loans are floating interest loans. Finance leases have fixed interest rates. The Group's average interest rate is 4.9% on 31 December 2008 (31 December 2007: 5.9%).

The amounts of consolidated liabilities and their re-pricing periods under the agreements are:

EUR 1,000	2008	2007
under 6 months	9,295	6,846
6 - 12 months	14,600	18,281
over 12 months	9,248	6,587
Total	33,144	31,714

The category over 12 months includes finance leases. All liabilities are denominated in euros.

Maturities of finance lease liabilities

EUR 1,000	2008	2007
Finance lease liabilities - total amount of minimum rents		
In one year	1,258	909
More than one year and maximum five years	4,939	3,543
Over five year	9,232	7,079
Total	15,429	11,530
Non-cumulative finance expense	-3,367	-4,943
Present value of finance lease liabilities	12,062	6,587
Finance lease liabilities - present value of minimum rents		
In one year	1,164	836
More than one year and maximum five years	4,327	2,666
Over five year	6,571	3,085
Total	12,062	6,587

25. Accounts payable and other liabilities

EUR 1,000	2008	2007
Short-term financial liabilities valued at allocated purchase price		
Accounts payable	7,597	6,043
Other liablities	9,045	10,307
Short-term financial liabilities valued at current value through profit and loss		
Derivative contracts	560	36
Total	**17,202**	**16,386**

Essential items under other liabilities comprise periodised personnel expenses, periodised interest on liabilities and periodisation of customer's annual discounts.

Non-interest-bearing current liabilities were distributed by currency as follows:

EUR 1,000	2008	2007
EUR	16,936	14,851
USD	212	1,510
Other currencies	54	25
Total	**17,202**	**16,386**

26. Financial risk management

The Group's business involves financial risks. The main financial risks are currency, interest rate, commodity, liquidity, credit and investment market-risks.

The general principles of the Group's risk management are approved by the Board of Directors, and the operative management is responsible for their practical implementation. It is the responsibility of an audit committee under the parent company's Board of Directors to assess the adequacy and appropriateness of the risk management.

In its risk management the Group uses forwards, options, commodity derivatives, interest rate swaps, changes in the reference rates of loans when necessary and various purchase and sale commissions based on limits.

Foreign exchange risk

The Group operates internationally and thus faces transaction risks caused by various currency positions and risks arising from the translation of investments, receivables and liabilities denominated in different currencies into the parent company's operating currency. The most important currencies for the Group are the United States dollar (USD), Swedish krona (SEK) and the Russian ruble (RUB). In relation to these, currency positions are determined at least once a year and in accordance with foreign exchange trends the currency positions are hedged with hedge instruments to a degree from 0% to 125%. Hedging the Russian ruble (RUB) has been made more difficult by the strong depreciation expectations of the ruble; the rapid depreciation of the ruble has been included in the pricing of hedge instruments still available. So far the Group has not hedged net investments in foreign units by using external loans denominated in a corresponding currency or currency forwards. All external loans of the Group are denominated in euros.

On the balance sheet date, the Group had Swedish krona currency hedges.

The USD is important for the Group, because the prices of the metals purchased are determined on a dollar basis. What is crucial to the Group, is the joint effect of the price of metal and the relationship of the USD to the EUR.

SEK hedges are made to hedge turnover. If the SEK had been 10% weaker on average in 2008, its effect would have been EUR -0.9 million without hedging (effect in 2007 would have been EUR -1.4 million). If the SEK had been 10% stronger on average, its effect would have been EUR 1.2 million (2007: EUR 1.7 million).

The significance of the Russian ruble is evident both in the balance sheets of the companies located in Russia, and the development of profits and losses. The effect on profits/losses depends on the amount of services and materials can be acquired from a local supplier using rubles also as an operating currency. In addition, the financial results are affected by how raw materials denominated in United States dollars are priced by local material suppliers when the ruble depreciates. In 2008, the further depreciation of the Russian ruble by 10% would have affected the balance sheet by EUR -1.8 million and the profit/loss by approximately EUR -0.2 / -0.6 million, depending on the operational model. The appreciation of the Russian ruble by 10% would have affected the balance sheet by EUR 2.1 million and the profit/loss by approximately EUR 0.2 / 0.7 million, depending on the operational model.

Interest rate risk

The Group's interest rate risks arise from non-equity-rated financing and investments in securities.

Neomarkka owned securities issued by Nordea Bank Finland Plc including a share of eQ Active Hedge Fund until the end of June 2008. The instrument was constructed so that its share of eQ Active Hedge fund was double compared with the value of the security at the time of subscription and the difference was financed through borrowing. Thus the return on the instrument takes into account the return on eQ Active Hedge fund minus the underlying loan expenses.

The reference rates of non-equity-rated loans are 1-week Euribor, 6-month Euribor and 12-month Euribor. The interest rates of finance leases are fixed. On the closing of the books date the Group's financing rate for non-equity-rated financing was 4.9% on average (5.9% the previous year). If the average rate were one percentage point higher, it would have an effect of EUR -0.3 million on the consolidated profit (EUR -0.2 million the previous year).

Commodity risk

The principal raw materials in the cable business under the Group's industrial private equity investments are metals (copper and aluminium) and plastics. Partial price hedging through commodity derivatives is used in metal purchases. As far as metals are concerned, the trend in the dollar price of metals and the relationship of the USD to the EUR are important for the Group.

Liquidity risk

The Group constantly assesses and monitors the amount of financing required by the business operations in order to ensure that the Group has sufficient liquid funds to finance operations and to repay maturing loans. To guarantee liquidity, part of the non-equity-rated financing consists of a cheque account credit facility and sales receivables financing. This makes it easier to respond to seasonal fluctuations in the business under industrial private equity investments. Unused credit facilities totalled EUR 4.2 million on 31 December 2008 (EUR 1.7 million on 31 December 2007). Liquidity is also underpinned by keeping some of the investments in securities relatively short-term.

EUR 1,000	Balance value	Cash flow	under 1 year	1-2 years	2-5 years	over 5 years
31.12.2008						
Bank loans	14,600	21,221	3,765	3,584	13,872	0
Finance lease liabilities	9,248	15,429	1,258	1,249	3,690	9,232
Cheque account credit facilities	5,767	5,767	5,767			
Repatriation of sales receivable - credit facilities	3,529	3,529	3,529			
Accounts payable and other liabilities	16,121	16,121	16,121			
Derivative instruments						
Interest derivatives	287	287	287			
Commodity derivatives	1,433	1,433	1,433			
Currency forward contracts	21	21	21			

EUR 1,000	Balance value	Cash flow	under 1 year	1-2 years	2-5 years	over 5 years
31.12.2007						
Bank loans	18,281	25,343	4,439	4,154	9,001	7,749
Finance lease liabilities	6,587	11,617	833	1,865	2,616	6,303
Cheque account credit facilities	2,643	2,643	2,643			
Repatriation of sales receivable - credit facilities	4,203	4,203	4,203			
Accounts payable and other liabilities	14,621	14,621	14,621			
Derivative instruments						
Interest derivatives	-27	-27	-27			
Commodity derivatives	36	30	30			
Currency forward contracts	0	0	0			

The figures are not discounted and include both interest payments and repayments of capital.

Credit risk

The Group manages its credit risk by checking the credit rating of its key partners (customers, suppliers, other partners) at regular intervals, through active monitoring of the payment behaviour of its customers and through external information. The Group manages its credit risk also through market-specific and customer-specific payment terms. The Group's maximum credit risk corresponds to the book value of financial assets at the end of the financial period. Most of the Group's sales receivables have not fallen due. Of the receivables fallen due, 86% have not been due for longer than a month (100% in 2007). The Group has no receivables due for more than 60 days. The Group has major wholesale companies among its customers, but no risk concentrations can be detected as a result of the customers' excellent payment behaviour. In the segment of investments in securities, counterparty risk is managed by choosing partners carefully. The biggest partner in investments in securities is Nordea Bank Finland Plc.

Investment market risk

The Group faces an investment market risk through its investments in securities. The market prices of equities, changes in the values of funds and the general market situation affect the company's performance through changes in the values of the said investments. On the closing of the books date the Group had no direct holdings of listed equities. Investments in securities measured at fair value at the closing of the books date are short-term money market funds or deposits.

Derivative financial instruments valid on the balance sheet date:

EUR 1,000	31.12.2008	31.12.2007
Nominal values		
Interest derivatives		
Interest swaps	14,590	0
Interest rate ceiling derivatives	9,800	9,800
Foreign exchange derivatives		
Currency options	2,500	0
Raw material derivatives		
Price hedging for metals	3,655	1,119
Fair values		
Interest derivatives		
Interest swaps	-315	0
Interest rate ceiling derivatives	28	27
Foreign exchange derivatives		
Currency options	-21	0
Raw material derivatives		
Price hedging for metals	-1,433	-36

27. Capital management

Before industrial private equity investments, Neomarkka's business operations consisted exclusively of investments in securities: investments were measured at fair value and the most important indicators were the net asset value per share and degree of investment.

With the change, the company has proceeded to monitor indicators relating to industrial business such as the operating profit, euro earnings per share, return on investment% and equity ratio%.

The aim is to use at least 30% of net profit for dividend distribution.

28. Fair values of financial assets and liabilities

Most of the consolidated financial assets come under financial assets recognised at fair value through profit and loss, and they are broken down in note 16. Derivative financial instruments are presented together in note 26. Other cash and cash equivalent items, receivables and liabilities are taken into account in accordance with the sum open in the financial statements excluding any credit loss recognitions. The Group does not apply hedge accounting, so all income and expenses from derivative financial instruments are recognised through profit and loss.

29. Other leases

Group as a lessee

Minimum lease payments on the basis of non-cancellable other leases:

EUR 1,000	2008	2007
In one year	1,642	941
More than one year and maximum five years	6,088	3,168
Over five year	0	214
Total	**7,730**	**4,323**

The Group has leased many of its production and office facilities. Some leases for premises are treated as finance leases. Other leases for premises are agreements for three to six years on average, normally involving an option for continuing the lease after the original termination date. The leases usually include an index condition.

In principle the Group has leased its IT equipment and software, vehicles and forklifts. The average duration of these leases is three years.

The 2008 income statement includes EUR 1.5 million in expenses on other leases (2007: EUR 0.8 million).

30. Contingent liabilities

EUR 1,000	31.12.2008	31.12.2007
Debts, on behalf of corporate mortgages are given		
Loans from financial institutions	8,467	7,891
Granted corporate mortgages	15,000	15,000
Debts, on behalf of securities or guarantees are given		
Loans from financial institutions	11,900	13,033
Book value of pledged securities	26,987	26,987
Granted guarantees	11,900	13,033
Other collaterals		
Bond guarantees	1,326	
Guarantees and payment commitments	1,058	120

Reka Cables Ltd has made a commitment to the raw material acquisitions of its subsidiary ZAO Reka Cables. Payment commitment is included in the figures above.

On 31 December 2008 the sales receivables concerned as security for the factoring credit were EUR 3.9 million (end 2007: EUR 4.7 million). The factoring credit on 31 December 2008 was EUR 3.5 million (end 2007: EUR 4.2 million).

The covenants and the terms are attached to the above financial institution loans. The relevant terms are as follows:

- Neomarkka Group´s share of ownership in the companies that have raised loans cannot go under 50% without consent from the financier.
- Neomarkka Group´s internal financing (subordinated loan EUR 13.6 million) can be settled only after the above mentioned loans have been settled.
- The companies with loans and their subgroups equity ratio is to be at least 30%.
- The companies with loans and their subgroups current liabilities with interest/ (operating profit + depreciations) – key figure can be max 3.5.

At the moment of the financial statement some of the terms were unfulfilled. The management of the company considers that this matter has no relevant effect on the terms of the loans.

The financial lease liabilities are presented in note 24 and liabilities under other leases in note 29.

Investment commitments

Investment commitments on tangible current assets on 31 December 2008 totalled EUR 0.0 million (end 2007: EUR 6.2 million). Investment commitments in 2007 were related to the extension of the cable production plant in Riihimäki.

The liabilities for derivative financial instruments are presented in note 26.

Adjustment of purchase price

Concerning the acquisition of Reka Cables the parties to the deal have agreed on an adjustment to the purchase price on the basis of the trend in the average operating margin of Reka Cables in 2007 and 2008. At the most, the price can be raised or lowered by EUR 3.5 million. The adjustment of the purchase price requires calculations based on the confirmed financial statement. To the calculations the terms of the deal need to be interpreted. The amount of the final purchase price is foreseen to be confirmed during the spring 2009 in the negotiations between the parties. In the 2008 financial statement the purchase price of Reka Cables has been valued at the original purchase price.

Contingent liabilities for associates

The owner companies and founder shareholders of Nestor Cables Ltd have undertaken to increase equity-rated funding to the company if the corporate equity ratio is 15% or below in the financial statements of 31 December 2008 or if the company is found insolvent or over-indebted before the approval of the said financial statements as specified in section 5 of the Act on Recovery into a Bankruptcy estate (758/1991). At most the equity investment obligation of the Neomarkka Group in such a situation is EUR 0.9 million.

31. Related party events

Neomarkka Plc and thereby the Neomarkka Group is part of the Reka Group. Reka Ltd's share of Neomarkka Plc's share capital is 50.76% and 65.77% of the voting rights.

The Neomarkka Group's internal parent companies, subsidiaries and associates:

Company name	Native country	Domicile	Group´s share of share capital (%)	Group´s share of voting rights (%)
Parent company: Neomarkka Plc	Finland	Hyvinkää		
Neomarkka Plc's subsidiaries and their subsidiaries and associates:				
Novalis Plc	Finland	Helsinki	100.00	100.00
Alnus Ltd	Finland	Helsinki	100.00	100.00
Metsämarkka 1 Ltd	Finland	Hyvinkää	100.00	100.00
Metsämarkka 101 Ltd	Finland	Hyvinkää	100.00	100.00
Reka Cables Ltd	Finland	Hyvinkää	100.00	100.00
Reka Kabel Ab	Sweden	Gothenburg	100.00	100.00
OOO Reka Kabel Holding	Russia	Moscow	100.00	100.00
OOO Reka Kabel	Russia	St. Petersburg	100.00	100.00
ZAO Reka Kabel	Russia	Podolsk	90.00	90.00
Reka Cables Baltic OÜ	Estonia	Tallinn	100.00	100.00
Reka Kabel A/S	Danmark	Roskilde	100.00	100.00
Reka Cables Polska SP.Z.O.O.	Poland	Dopiewo	100.00	100.00
OOO Reka Rubber	Russia	St. Petersburg	100.00	100.00
OAO Expocable	Russia	Podolsk	81.27	81.27
Nestor Cables Ltd	Finland	Oulu	30.00	30.00

Transactions with Reka Group

EUR 1,000	2008	2007
Sales to Reka Group	90	69
Dividens to Reka Group	-1,528	-587
Acquisition of Reka Cables Ltd	0	-25,803
Other purchases from Reka Group	-1,102	-4,359
Sales receivables and other receivables at the end of period	398	604
Finance leases of properties (activated on balance sheet)	-9,237	-5,204
Other debts at the end of period	-35	-375
Guarantees received	0	1,547

Transactions with assocites

The sales to Nestor Cables Ltd in 2008 were EUR 446,000 and purchases were EUR 25,000. There were no receivables at the end of the period. The liabilities at the end of the period were EUR 6,000. The potential equity requirement of EUR 0.9 million associated with Nestor Cables Ltd is described in note 30.

Management fringe benefits

The Group's Board of Directors and Management Group are defined as management within the inner circle.

Management fringe benefits

EUR 1,000	2008	2007
Salaries and other short-term employment benefits	352	334
Pension expenses - defined contributution plans	61	53

The members of the Board of Directors are paid an annual fee in accordance with an AGM decision. In addition, a separate meeting fee is paid for Board and committee meetings and travel expenses according to invoice. They have no other benefits. The members of the Board have no pension agreements with the company. The notice period for the CEO is twelve (12) months and that of the CFO six (6) months.

The Group has no other significant transactions, receivables, liabilities or guarantees involving inner circle parties.

32. Events after closing of the books date

The volatility in the metal prices has continued strong.

Reka Cables Ltd started the co-operation negotiations in January. Reka Cables Ltd is taking precautions to adjust its activities according to the changes in the market situation.

The public purchase offer regarding OAO Expocable shares has ended. Along with the purchase offer Neomarkka´s share of ownership in the company increased from 81.27% to 83.34%.

Key Figures

Key figures from the Income Statement and Balance Sheet

EUR 1,000	2008	2007	2006
Industrial business turnover	**116,647**	57,081	-
Gains and losses from the trade of financial assets	**-457**	5,362	8,033
Turnover	**116,190**	62,443	8,033
Operating profit	**-1,259**	4,182	6,627
- Industrial investments	**618**	82	-
- Trade of financial assets	**-1,835**	4,087	6,627
- Others and eliminations	**-43**	13	-
Operating profit %	**-1.1**	6.7	82.5
Profit before taxes	**-5,974**	1,916	4,968
% of net turnover	**-5.1**	3.1	61.9
Profit for the financial year	**-4,922**	1,153	3,880
Return on equity % (ROE)	**neg.**	1.9	6.5
Return on investment % (ROI)	**neg.**	4.4	6.6
Equity ratio, %	**47.2**	56.1	59.7
Net-debt-equity ratio (Gearing), %	**21.5**	13.7	54.4
Investments in tangible assets	**9,313**	8,572	65
Number of employees in average	**403**	172	5

Key figures per share (series A and B)	2008	2007	2006
Equity/share, EUR	**8.32**	9.91	10.04
Earnings/share (EPS), EUR	**-0.83**	0.19	0.64
Dividend/share, EUR	**0.25** *	0.50	0.30
Dividend/earnings, %	**neg.** *	261.0	46.5
Effective dividend yield, %	**4.3** *	5.1	3.9
P/E- ratio	**neg.**	51.1	12.0
Share performance, EUR			
- average quotation	**9.06**	9.29	8.53
- lowest quotation	**5.31**	7.78	7.31
- highest quotation	**10.50**	10.10	9.20
- quotation at the end of period	**5.80**	9.79	7.76
Market capitalisation, EUR 1,000	**35,373**	58,870	45,635
Trading in shares , no.			
B shares	**408,186**	2,548,864	1,545,060
- % of B shares	**6.8**	42.3	26.3
Adjusted and weighted average number of shares during the year	**6,020,360**	6,020,360	6,020,360
A shares	**139,600**	139,600	139,600
B shares	**5,880,760**	5,880,760	5,880,760
Adjusted number of shares at the end of period	**6,020,360**	6,020,360	6,020,360
A shares	**139,600**	139,600	139,600
B shares	**5,880,760**	5,880,760	5,880,760

* The Board's proposal

Calculation of Key Figures

Return on equity (ROE) %	=	Profit for the period / Shareholders' equity (average)	× 100
Return on investment (ROI) %	=	Profit before taxes + interest and other financial expenses / [Balance sheet total – obligatory provisions and non-interest bearing liabilities] (average)	× 100
Equity ratio, %	=	Shareholders' equity + minority interest minus deferred tax assets / Balance sheet total – advances received	× 100
Net-debt-equity ratio, % (Gearing)	=	Interest-bearing liabilities – cash in hand and at banks and other liquid financial and investment securities / Shareholders' equity + minority interest	× 100
Earning per share (EPS), EUR	=	Profit for the review period belonging to parent company owners / Number of shares adjusted for share issues (average)	
Equity per share, EUR	=	Shareholders' equity – minority interest minus deferred tax liabilities / Number of shares adjusted for share issues at the end of the financial period	
Dividend per share, EUR	=	Dividend for the financial period / Number of shares adjusted for share issues at the end of the financial period	
Dividend/earnings, %	=	Dividend/share / Earnings/share	× 100
Effective dividend yield, %	=	Dividend/share / Closing price at year-end adjusted for share issues	× 100
Price earnings (P/E) ratio	=	Closing price at year-end adjusted for share issues / Earnings/share	
Market capitalisation	=	(Number of Series B shares – own B shares) × Closing price at year end + number of Series A shares x average share price	

Parent Company Income Statement (FAS)

EUR 1,000	Notes	1.1. - 31.12. 2008	1.1. - 31.12. 2007
Turnover	1	23,434	112,267
Puschase of securities		-2,892	-44,822
Change in inventories		-20,000	-57,217
Personnel expenses	2	-517	-580
Depreciation		-22	-24
Other operating expenses		-858	-681
		-24,289	-103,324
Operating prfot		**-855**	**8,943**
Financial income and expenses	3	1,122	-20
Profit before extraordinary items		**267**	**8,923**
Extraordinary items	4	100	-1,590
Profit before taxes		**367**	**7,333**
Taxes	5	-12	-1,781
Profit for the financial year		**355**	**5,552**

Parent Company Balance Sheet (FAS)

EUR 1,000	Notes	31.12.2008	31.12.2007
ASSETS			
Non-current fixed assets			
Tangible assets	6	5	26
Other investments	7	16,571	16,571
		16,576	16,597
Current assets			
Inventories	8	0	20,000
Long-term receivables	9	13,600	13,600
Short-term receivables	10	14,932	7,929
Money market investments	11	16,500	15,969
Cash in hand and at bank		3,449	122
		48,481	57,620
		65,057	**74,217**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	12		
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Retained earnings		9,470	6,927
Other unrestricted equity		21,327	21,327
Profit for the financial year		355	5,552
		56,521	59,175
Deferred tax liabilities	13	0	159
Short-term current liabilities	14	8,536	14,883
		65,057	**74,217**

Parent Company Cash Flow Statement (FAS)

EUR 1,000	1.1.-31.12.2008	1.1.-31.12.2007
Operating activities		
Payments received from operating activities	28,854	108,237
Payments paid on operating activities	-10,806	-46,008
Paid interests and other financial expenses	-29	-1,659
Interest received and other financial incomes	580	29
Received dividends from operations	200	527
Extraordinary items	-1,590	0
Direct taxes paid	-246	-1,678
Total operating activities	**16,963**	**59,448**
Investing activities		
Investments in tangible assets	0	0
Total investing activities	**0**	**0**
Financing activities		
Decrease in loans	-8,660	-40,000
Increase in loans granted	-6,580	-20,787
Decrease in loans granted	1,470	0
Increase in short-term loans	3,102	0
Dividens paid	-2,968	-1,786
Total financing activities	**-13,636**	**-62,573**
Cash flow for the year	**3,327**	**-3,125**
Liquid funds at the beginning of the year	122	3,246
Liquid funds at the end of the year	**3,449**	**122**

Notes to Parent Company Financial Statements (FAS)

Preparation principles

The parent company fi nancial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS).

The domicile of the parent company is Hyvinkää. The financial period is 12 months, beginning 1 January and ending 31 December.

Because of the nature of the company's operations, interest received on non-current loan receivables and foreign exchange gains on money market fund investments normally recognised under financial items are recognised in the turnover.

Valuation principles

NON-CURRENT ASSETS

The parent company owns non-current fixed assets. The balance sheet values of these assets are based on their original cost. Planned depreciation has been made on the basis of the useful lives of the items. Machinery and equipment are depreciated over 3-5 years. Other long-term debts are depreciated over five years.

Holdings in subsidiaries are recognised at the lower of acquisition cost or probable selling price.

INVENTORIES

The parent company's inventories consist of equities, funds and other securities. The acquisition value of inventories is calculated by trading lot according to the FIFO principle. According to the Finnish Accounting Act, inventories are measured in accordance with the principle of lowest value. Listed securities are valued either at cost or at the closing price on the closing of the books date or at an equivalent quotation. Mutual funds are measured at the announced final or estimated net asset value.

Current receivables are measured at the estimated net realisable value. Financial securities are valued at acquisition cost.

CURRENCY FORWARDS

Currency forwards are measured at the middle price of the European Central Bank on the balance sheet date. As far as the currency forwards for hedging investments are concerned, foreign exchange differences are recognised under adjustment items of securities purchases in the income statements. The nominal amount of currency forwards means the amount of currency involved in an agreed currency deal.

FOREIGN EXCHANGE

Receivables and liabilities denominated in foreign currency are measured at the middle price on the balance sheet date or the preceding weekday.

Notes to the Income Statement

1. Turnover

EUR 1,000	**2008**	2007
Sales of securities	22,511	111,857
Dividend income	168	12
Interest income	643	317
Other income	112	82
	23,434	112,267

2. Personnel expenses

EUR 1,000	**2008**	2007
Wages and salaries	448	479
Pension expenses	51	60
Other personnel expenses	18	41
	517	580
Of which, salaries and fees to the management		
Board of Directors	96	92
Management	266	232
	362	324

Fees paid to auditors

The amounts are included in Other operating expenses	**2008**	2007
Audit of the Annual Accounts	24	4
Interim reports	6	3
Other professional services	39	0
	69	7

3. Financial income and expenses

Income EUR 1,000	**2008**	2007
Dividend income, Neomarkka Group	200	527
Interest income, Neomarkka Group	1,253	581
Other interest income	0	30
	1,453	1,138
Expenses		
Interest expenses, Kaupthing Bank	0	-776
Interest expenses, Neomarkka Group	-305	-382
	-331	-1,158
Total financial income and expenses	1,122	-20

4. Extraordinary items / income +, expenses -

EUR 1,000	**2008**	2007
Group contribution to Alnus Ltd	0	-590
Group contribution to Metsämarkka 1 Ltd	0	-1,000
Group contribution from Novalis Plc	100	0
	100	-1,590

5. Income taxes

EUR 1,000	**2008**	2007
Corporate tax from profit (expense - / receivable +)	-4	-159
Advance paid taxes from year 2007	0	-1,612
Other taxes	-8	-10
	-12	-1,781

Notes to the balance sheet

6. Tangible assets

Machinery and equipment EUR 1,000	2008	2007
Acquisition cost 1.1.	155	155
Investments	0	0
Accumulated depreciation	-129	-105
Depreciation according plan	-21	-24
Acquisition cost 31.12.	5	26

7. Other investments

EUR 1,000	2008	2007
Acquisition cost 1.1.	16,571	16,571
Acquisition cost 31.12.	16,571	16,571

Shares in subsidiaries	Business ID	Share capital EUR 1,000	No. of shares	Book value EUR 1,000	Shareholding %
Alnus Ltd, Helsinki	0762281-4	168	1,000	171	100
Novalis Plc, Helsinki	1642820-4	2000	2,000,000	16,400	100
				16,571	

Balance Sheet date 31 December 2008, duration of financial period 12 months.

8. Inventories

EUR 1,000	2008	2007
Hedge funds or hedge funds based bonds	0	20,000
	0	20,000

9. Non-current receivables

EUR 1,000	2008	2007
Subordinated loan receivable Alnus, interest rate 6% p.a.	13,600	13,600
	13,600	13,600

Other deferred tax assets and liabilities not recognised in accounts

EUR 1,000	2008	2007	Change
Deferred tax liabilities from unrealised profits	0	-270	270
Total other deferred tax assets and liabilities	0	-270	270

Deferred tax liabilties on overvaluation of assets are not recognised in bookkeeping, since the overvaluation is not recognised.

10. Current receivables

EUR 1,000	2008	2007
Sales receivables	64	83
Sales receivables, Neomarkka Group	1	59
Short-term loan receivables, Neomarkka Group	12,298	7,187
Interest receivables, Neomarkka Group	1,819	582
Other receivables, Neomarkka group	114	0
Accrued receivables	562	18
Tax receivables from prepaid taxes	74	0
	14,432	7,929

Notes to the Balance Sheet

11. Financial securities

EUR 1,000	2008	2007
Market value	16,562	16,072
Book vlaue	16,500	15,969
Excess value	62	103

EUR 1,000	Book value	Market value	Acquisition value
Nordea deposit 2.1.2009	2,000	2,024	2,000
Nordea deposit 2.1.2009	8,000	8,026	8,000
Nordea deposit 12.1.2009	6,500	6,512	6,500
	16,500	16,562	16,500

12. Shareholders' equity

EUR 1,000	2008	2007
Share capital 1.1.		
Series A	558	558
Series B	23,524	23,524
Share capital 31.12.	24,082	24,082
Premium fund 1.1.	66	66
Premium fund 31.12.	66	66
Reserve fund 1.1.	1,221	1,221
Reserve fund 31.12.	1,221	1,221
Retained earnings 1.1.	12,480	8,733
Dividend paid	-3,010	-1,806
Retained earnings 31.12.	9,470	6,927
Other unrestricted equity 1.1.	21,327	21,327
Other unrestricted equity 31.12.	21,327	21,327
Profit for the financial year	355	5,552
Shareholders' equity 31.12.	56,521	59,175

Parent company restricted share capital by share series	2008 No.	2008 Share capital EUR 1,000	2007 No.	2007 Share capital EUR 1,000
Series A (20 votes per share)	139,600	558	139,600	558
Series B (1 vote per share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Notes to the Balance Sheet

13. Deferred tax liabilities on profit

EUR 1,000	2008	2007	Change
Corporate tax liabilities increase (+), decrease (-)	0	159	-159

14. Current liabilities

EUR 1,000	2008	2007
Accounts payable	26	60
Accued liabilities	174	173
Other current liabilities	661	132
Short-term loans, Neomarkka Group	7,675	14,518
	8,536	14,883

15. Contingent liabilities

EUR 1,000	2008	2007
Guarantees given on behalf of own or subsidiaries	11,900	13,033
Bond guarantees given on behalf of own or subsidiaries	1,326	0

Board's Proposal to the Annual General Meeting

On 31 December 2008, the Parent company's distributable funds amounted to EUR 31,151,234.95.

The Board of Directors proposes that the distributable funds are used as follows:

A dividend of EUR 0.25 per share on 6,020,360 shares	EUR	1,505,090.00
Carried over in retained earnings	EUR	8,319,338.91
Other unrestricted equity	EUR	21,326,806.46
	EUR	31,151,235.37

The company's other unrestricted equity was created through a reduction in the share capital: an amount equivalent to the reduction was transferred to the fund to be used in accordance with the shareholders' meetings decision.

If the Board's proposal is approved, the shareholders' equity of Neomarkka Plc will be as follows:

Share capital	EUR	24,081,440
Premium fund	EUR	66,400
Reserve fund	EUR	1,221,255
Retained earnings	EUR	8,319,339
Other unrestricted equity	EUR	21,326,806
	EUR	55,015,240

According to the Board proposal, the record date for payment of the dividend is 15 June 2009. The Board proposes to the Annual General Meeting that the payment be made at the end of the record period, on 23 June 2009.

Helsinki, 26 February 2009

Matti Lainema
Deputy Chairman

Ilpo Helander

Taisto Riski

Pekka Soini

Markku E. Rentto
Managing Director

Notes to the Financial Statements

The above financial statements and the report of the Board of Directors have been prepared in accordance with generally accepted accounting principles. Our auditors´ report has been issued today.

Helsinki, 26 February 2009

Deloitte & Touche Oy
Authorised Public Audit Firm

Hannu Mattila
APA

Auditor's Report

To the shareholders of Neomarkka Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Neomarkka Plc for the period 1 January – 31 December 2008. The financial statements include the Group's balance sheet, income statement, statement of cash flows, calculation of changes in shareholders' equity and notes as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and Managing Director

The Board of Directors and the Managing Director are responsible for preparing the consolidated financial statements and the report of the Board of Directors and for providing accurate and sufficient information, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the report on operations and the parent company's financial statements in accordance with prevailing regulations in Finland. The Board of Directors is responsible for arranging appropriate control over accounting and asset management and the Managing Director is responsible for ensuring that accounting complies with legislation and that asset management has been organised in a reliable manner.

Auditor's responsibilities

The Auditor is to complete the audit in accordance with generally accepted accounting principles in Finland and based on it issue a statement regarding the financial statements, Group financial statements and the report by the Board of Directors. Good auditing practices require adhering to good professional ethics and planning and implementing the audit in a manner that ensures beyond doubt that there are no material errors in the financial statements or the report by the Board of Directors and that the members of the Board and and Managing Director of the parent company have acted in accordance with the Limited Liability Companies Act.

The auditing procedures should ensure that the financial statements and the report by the Board of Directors are accurate. The selection of the procedures is based on the Auditor's judgement and assessment of the possibility of the financial statements containing a significant error due to misuse or mistake. When planning the necessary auditing procedures, internal controls regarding preparing and presenting the financial statements are also assessed. In addition, the assessments presented by management in the financial statements, preparation principles, and general presenting method of the financial statements and the report by the Board of Directors is evaluated.

The audit has been completed in accordance with good auditing practice in Finland. We believe we have completed a sufficient amount of appropriate auditing actions to issue our statement.

Consolidated financial statements

We state that the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU give a true and fair view of the consolidated financial performance and cash flows.

Parent company's financial statements and the report of the Board of Directors

In our opinion, the parent company's financial statements and the report by the Board of Directors have been prepared in accordance with Finnish rules and regulations in force governing them containing true and fair information of the financial position and performance of the Group and the parent company. The information in the report by the Board of Directors and the financial statements do not contain inconsistencies.

Helsinki, 26 February 2009

Deloitte & Touche Ltd
Authorised Public Audit Firm

Hannu Mattila
APA

Shares and Shareholders

Neomarkka Plc's ten largest shareholders on 31 December 2008

	A-class shares	B-class shares	Shares total	Proportion of equity %	Proportion of votes %
Reka Oy	139,400	2,916,387	3,055,787	50.76	65.77
Onninen-Sijoitus Oy		250,000	250,000	4.15	2.88
CAG Management Oy		105,305	105,305	1.75	1.21
SR Arvo Finland Value		55,000	55,000	0.91	0.63
Finnfoam Oy		44,380	44,380	0.74	0.51
Onnivaatio Oy		32,500	32,500	0.54	0.37
Assai Oy		29,881	29,881	0.50	0.34
Nieminen Jorma Juhani		20,750	20,750	0.34	0.24
Maanpuolustus-korkeakoulun säätiö		15,000	15,000	0.25	0.17
Seneca Oy		15,000	15,000	0.25	0.17
Other shareholders	200	2,396,557	2,396,757	39.81	27.68
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder

Type of shareholder	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	307	2.4	3,764,964	62.5	74.0
Financial institutions and insurance companies	45	0.4	52,440	0.9	0.6
Public organisations	75	0.6	46,240	0.8	0.5
Non-profit organisations	283	2.2	182,918	3.0	2.1
Households	11,991	94.4	1,707,313	28.4	19.7
Outside Finland	4	0.0	56,140	0.9	0.6
Nominee registered			93,184	1.5	1.1
Not in the book-entry securities system			117,161	1.9	1.4
Total	12,705	100.0	6,020,360	100.0	100.0

Ownership by the amount held

Shares held	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	5,820	45.8	170,378	2.8	2.0
51 - 100	3,373	26.5	295,858	4.9	3.4
101 - 1 000	3,197	25.2	975,777	16.2	11.3
1 001 - 10 000	295	2.3	658,284	10.9	7.6
10 001 -	20	0.2	3,802,902	63.2	74.4
Not in the book-entry securities system			117,161	1.9	1.4
Total	12,705	100.0	6,020,360	100.0	100.0

Management's shareholding

The members of the Board of Directors or the Managing Director held 25,010 B-shares on 31 December 2008.

Shares and share capital

Neomarkka Plc's share capital was EUR 24,081,440 on 31 December 2008. The share capital is divided into 6,020,360 shares. Of the shares 139,600 are of A series with 20 vote per share and 5,880,760 of series B with one vote per share. The total number of votes is 8,672,760 of which A series have 2,792,000 votes and B series 5,880,760 votes. The Articles of Association do not include any redemption clauses or shareholder agreements.

Neomarkka Plc
Aleksanterinkatu 48 A
FI-00100 Helsinki, Finland
Phone +358 207 209 190
Fax +358 9 6844 6531
www. neomarkka.fi