

# ANNUAL REPORT 2010

RETTIG 



# RETTIG GROUP IN BRIEF



*Rettig Group is a family-owned company with over 200 years of business history and tradition. Rettig Group comprises three business areas: Rettig ICC (manufacturing and marketing of radiators, underfloor heating and valves and controls for heating systems), Bore (shipping) and Nordkalk (production of limestone-based products).*

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# YEAR IN BRIEF



## **Rettig ICC**

Rettig ICC's business climate started to pick up, especially in eastern Europe, after the global recession.

The year 2010 was for Rettig ICC marked by a number of initiatives to improve productivity.

Five production lines in Hungary and Poland have now been upgraded for the production of panel radiators with improved energy efficiency. A new design of the convector fins makes it possible to maintain the same heat output while using less steel. This is one of Rettig ICC's initiatives to improve the environmental balance of its products.

The roll-out of the extensive ERP (enterprise resource planning) project continued according to plan, bringing further sites into using the same IT platform.

Rettig ICC started a training initiative with the Erasmus School of Economics in Rotterdam for both high-potential younger employees and for senior executives. The objective is to prepare these members of the team for new challenges and responsibilities.

## **Bore**

In 2010 the shipping market started with declining cargo volumes for the second consecutive year, but demand increased from the second quarter onwards.

Bore continued its fleet renewal and maintenance programme. A total of eight ordinary dockings took place. The sale of the bulk vessel M/V Bravaden was finalised in January 2011.

Bore's two RoFlex newbuildings are taking shape at the Flensburger Schiffbau-Gesellschaft mbH & Co. KG shipyard in Germany. The site team has been in place in Flensburg since August 2010 and the vessels are scheduled for delivery in April and July 2011.

As of 1 January 2011 Bore is a legal entity of its own, Bore Ltd. All Bore's legally binding contracts will be transferred to this newly formed company.

# Values

Our customers, our employees and the Rettig family are our core stakeholders. Our care for the interests of these stakeholders translates into our values: openness, fairness, modesty, plus trust and respect, all reflecting the Rettig way of interacting.

**Openness** An open mindset is essential for interactive teamwork and sharing information. With a free flow of information we create an atmosphere for understanding our business operations at all levels in the organisation.

**Fairness** is the Rettig approach to handling both internal and external relationships. It is also our attitude when solving challenges and problems. Solutions that are perceived as fair by all parties become permanent solutions.

**Modesty** is the principle applied by Rettig in listening to and understanding divergent views and opinions. The opposite of modesty is arrogance. A modest organisation is more sensitive to early signs that change or adjustment is required in its operations.

**Trust and respect** are the most fundamental elements of our interaction and communication with different stakeholders. Without trust and respect people feel neither empowered nor prepared to take charge.



## Nordkalk

In August 2010 Rettig Group increased its shareholding in Nordkalk from 49 per cent to 100 per cent, thus becoming the sole shareholder in the company.

Demand for Nordkalk's limestone-based products increased strongly from the second quarter of 2010 onwards compared with the previous year.

Nordkalk's plans to open a new quarry on Gotland in Sweden took another step forward in October 2010. The Supreme Court in Sweden decided not to hear the appeal against the permit to start quarrying, which allows Nordkalk to proceed with the investment.

Nordkalk continued its purposeful work to promote health and safety in the workplace. By the end of 2010 all locations except those in Russia were certified according to the OHSAS 18001 standard. The Russian operations will be certified in 2011.



# CHAIRMAN'S

Rettig Group's operating environment showed signs of recovery in 2010 after the turbulent years of 2008 and 2009. Our business areas Rettig ICC, Bore and Nordkalk are also recovering.

Rettig Group had a satisfactory financial performance and strong cash flow in 2010, leading to a net debt of EUR 298 million and a gearing of 66 per cent.

#### **Nordkalk now fully owned by Rettig Group**

In May 2010, Rettig Group signed a share-purchase agreement with the co-owners of Nordkalk to acquire the outstanding shares in the company. In August 2010, after the competition authorities granted approval, the transaction was finalised and Rettig Group became the sole owner.

Rettig Group became a minority owner in Nordkalk back in 2002. After that the shareholding was increased in steps, first from 2 per cent to 21 per cent in 2006, and then to 49 per cent in 2009.

The decision regarding the acquisition was naturally based on economic grounds, but there is also a touch of emotion and tradition involved. In 1907, my great-grandfather, Henning von Rettig, became a minority shareholder in Paraisten Kalkki-vuoriosakeyhtiö, as Nordkalk was called at that time. For this reason the company was well known to the Rettig family from that time until 1994, when the shareholding in Partek, comprising the lime business, was sold.

The limestone business is suitable for a family-owned company, as the investments in mines and quarries require long-term commitment. Therefore, it is not surprising that the limestone business in Europe is mainly operated by a number of family-owned companies.

Nordkalk complements Rettig's other business areas, Rettig ICC and Bore, very well. The different cycles of the various industries help to balance their effect on the financial result. Rettig Group is now built on three strong legs.



# REVIEW

## **A family-owned company's long-term view**

Rettig Group's operations are based on our long-term strategy of profitable growth. We want to be long-term, sole owners of the businesses we are active in. As private owners we also have the patience to develop the businesses to meet the requirements of profitable growth.

It is important that our business areas have a solid foothold in their respective fields of operation and that they generate a steady cash flow. In addition to profitable growth, adaptation to a changing business environment and the management of costs and investments are the cornerstones of our strategy. Our three business areas all fulfil these requirements.

In August 2010, the Board of Directors commenced an initiative to further develop the visions and governance of the Rettig Group. The visions will be refined together with the group management and the business areas' management teams into strategies.

Our way of working will be explored in order to identify new potential and further added value for our businesses. Innovation, health, safety and the environment are the keywords of the initiative.

The next generation of the Rettig family will continue to become further involved. Some of them currently participate in the management team meetings of certain business areas.

I would like to thank all employees within the Rettig Group for their efforts and contribution during the year and our customers and business partners for their continuing support.

Helsinki, 15 February 2011

Cyril von Rettig

# CEO'S REVIEW

The year 2010 saw a promising recovery of the business climate after the recession in the world economy in 2008 and 2009. Although the recovery is still fragile in Europe and the US, demand in China, India, Brazil and Russia is growing faster, thus providing export opportunities to European industries.

The banking industry is still shaky and there is some uncertainty around the euro and the financing of the weaker countries in the eurozone. Interest rates are at a historically low level, and banks have increased their margins on lending. Also, the availability of long-term funding is more restricted.

## Satisfactory performance in recovering business climate

The signs of recovery were visible for Rettig Group's businesses in 2010. In our operations, we have concentrated on managing costs and investments.

The recovery in Rettig ICC and Nordkalk outweighed the decline in Bore and led to a satisfactory combined operating profit of EUR 60.4 million (6.6 per cent) after goodwill depreciation of EUR 18.4 million.

Rettig Group issued a domestic bond amounting to EUR 100 million in June 2010. It has a maturity of five years with a fixed interest rate. This is the first bond issuance in the company's history and was very well received in the market. Its proceeds will be used for general financing purposes.

## Demand for heat emitters picks up

Demand for Rettig ICC's heat emitters started to pick up in most markets in 2010. The markets in eastern Europe that had the steepest drop in 2008–2009 recovered most. The price for raw materials increased heavily in 2010 and increases in our sales prices were implemented.

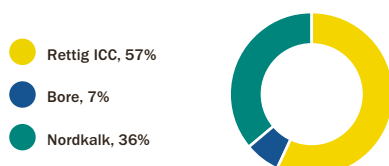
The year 2010 was for Rettig ICC marked by a number of initiatives to improve productivity.

An investment in the production of a new design of Vogel & Noot's panel radiator was completed. The new radiator uses less steel than the earlier design and improves heat output. This project required involvement from R&D, Operations and the Front Office and is an example of seamless teamwork within our organisation.

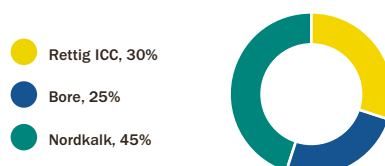
Another initiative to improve productivity has been the insourcing of the manufacture of top grilles and side panels to Rybnik in Poland from external and internal suppliers.

Efficiency has been further improved with the new ERP solution. The pilot IT project went live in 2008 and the roll-out, which will take six years to complete, is progressing according to plan. I am pleased to see that the whole project team is mainly internally resourced, enabling us to share know-how in our organisation.

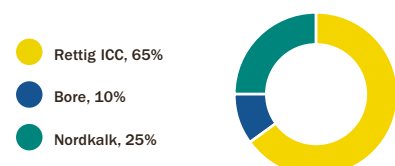
TURNOVER BY BUSINESS AREA 2010



CAPITAL EMPLOYED BY BUSINESS AREA 2010



PERSONNEL BY BUSINESS AREA 2010





## RETTIG GROUP KEY FIGURES

EUR thousands	2010	2009	Change, %
Turnover	726 290	572 420	27%
EBITDA	106 859	87 879	22%
EBIT	40 307	23 125	74%
Net profit	17 903	8 216	118%
Return on equity	5%	2%	
Return on investment	6%	4%	
Equity ratio	43%	54%	
Gross investments (millions)	93	59	
Average number of personnel	4 565	3 492	

### Sea transportations start to recover during the second half of the year

Bore faced another challenging year, with declining freight volumes in the first half of 2010. Furthermore, exceptionally severe winter conditions in the Baltic Sea and a stevedores' strike in Finland hit the shipping industry during the first quarter of the year. However, freight volumes started to recover during the second half of the year and increased the sales for the Contracts of Affreightment business. On the other hand, many charter rates decreased during the year as a result of new agreements.

A new Finnish tonnage taxation regime has been worked out in various forums with the EU and national legislative bodies. When in force, it is expected to improve the competitiveness of the Finnish shipping industry.

New environmental requirements, such as those for sulphur and nitrogen oxide emissions and ballast water, will substantially increase both the demand for new technology and costs during the coming years.

Keel-laying of the first of Bore's two RoFlex newbuilds took place in November at the shipyard in Flensburg in Germany. The delivery of this vessel is scheduled for April 2011, with the second vessel to be delivered in July 2011. A 12-year ship-financing agreement was signed with KfW IPEX-Bank GmbH in the summer of 2010.

In December 2010, a decision was taken to incorporate Bore into a separate legal entity, Bore Ltd, as of 1 January 2011. Thomas Franck has been appointed Chief Executive Officer of the company.

### Sales of limestone-based products increase

For Nordkalk, the year 2010 developed positively with regard to both customer segments and markets. Consequently,

the company enjoyed increasing sales volumes in almost all customer segments.

The Supreme Court of Sweden decided not to hear the appeal against the opening of a new quarry on Gotland in Sweden. This means that Nordkalk can continue quarrying limestone on Gotland and will invest some EUR 50 million in the new quarry.

The quarry in Kolari in Finland was reopened to serve the mining industry. A decision was made to upgrade the lime kiln in Rakke in Estonia in order to be able to serve the steel industry in the Baltic States.

Nordkalk is focusing on the development of new limestone-based products that we hope to see on the market during the next few years. Development is ongoing to minimise the dust, noise and emissions in the quarries and processing plants.

I am pleased to see that the integration of Nordkalk's operations into the Rettig Group has proceeded smoothly according to plan.

### Outlook for 2011

Encouraged by the developments in 2010, we look forward with confidence to 2011. However, there is uncertainty around us within the eurozone. Soaring prices of energy and raw materials create threats for the businesses by impacting our cost base.

For our operations, opportunities can be found in new products for Rettig ICC and Nordkalk as well as in Bore's newbuildings.

I would like to express my thanks to all our employees for their hard work during the year and to our customers, suppliers and partners for their continuing co-operation.

Helsinki, 15 February 2011

Bjarne Mitts

# RETTIG ICC

Rettig ICC is the leading supplier in Europe of heat emitters and is also active in the supply of valves and controls for heating systems and stainless-steel chimney systems. The main geographical focus is Europe, with additional units in the US and China.

The heat emitter range covers steel panels; decorative, bathroom and electric radiators; convectors; and underfloor heating systems (hot water and electric).

More than 90 per cent of these products are manufactured in 15 Rettig plants, which are located in 11 different countries all over Europe. The plant in İzmir in Turkey is the latest acquisition in 2008.

The Rettig ICC organisation is split into a Front Office division, which manages marketing and sales, and the Operations division, which is primarily in charge of production, purchasing and logistics. Support functions such as Human Resources, Finance, Research & Development and Information Technologies are centralised and serve all Rettig ICC units.

Our selling activities are organised around two pan-European brand umbrellas – Vogel & Noot, Myson and Finimétal on the one hand and Purmo, Radson, LVI and Thermopanel on the other – plus MMA for the valves and controls business.

Rettig ICC is active in virtually all European countries, each of which has its own sales force. Direct customers are mainly heating and sanitary wholesalers but marketing focus is also directed at architects, installers and heating engineers as key decision-makers within the supply chain. The sales activities in the United States and China are part of the brand umbrella organisation, but adjusted to reflect the peculiarities of the local markets.

## **Improved business climate in core markets**

Rettig ICC started 2010 with mixed feelings: while the number of statements concerning the first signs of recovery within the general business climate increased, the late-cyclical nature of

the heating business within the construction and refurbishment industry was a strong indication that 2010 would again be a difficult year.

In retrospect we can say that in general the business climate for our products improved. This is especially true for the eastern-European markets, which were the main reason for substantial reductions in sales volumes in 2009, as they started to recover in mid 2010. Nevertheless, the speed of recovery varied: Poland and Russia started to show good growth rates, particularly in the second half of the year, whereas Romania and the Czech Republic are still difficult markets.

The Nordic region, including the Baltic countries like Latvia and Lithuania, performed very well overall, but sales in Sweden, where Rettig sells a very wide range of products, performed above expectations and provided a substantial contribution to the increase in Rettig ICC's turnover.

After a good year in 2009, Germany, which accounts for more than 20 per cent of Rettig ICC's sales, was again on the list of growing countries in 2010. This market clearly exceeded our expectations, and despite the fact that official market statistics are not yet available, we are confident that Rettig ICC will have strengthened its presence in Germany.

Although market conditions in the Benelux countries started to become more difficult in 2010, Rettig ICC's performance is particularly pleasing. With new additional customers in both the Netherlands and Belgium, sales volumes were higher than in 2009 and the customer feedback we are receiving on the market performance of Radson, our main brand in these countries, is encouraging.

2010 proved to be another difficult year in southern Europe: Greece, Croatia and the other former Yugoslavian countries remained depressed, partly due to low customer demand and partly because the competitive landscape is heavily influenced by cheap imports from Turkish panel radiator producers. In addition, some potential customers are

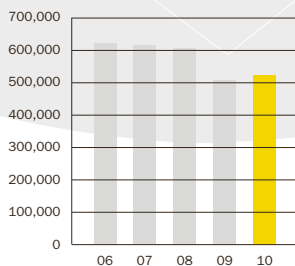
*The business climate for Rettig ICC's products improved in 2010, especially in eastern-European markets.*

<b>Business</b>	Marketing and manufacturing of heat emitters, valves and controls and chimney systems
<b>Customer base</b>	Heating and sanitary wholesalers
<b>Market</b>	Northern, western, central and eastern Europe; present also in China and the USA
<b>Presence</b>	33 sales offices in 20 different countries 15 production plants in 11 different countries

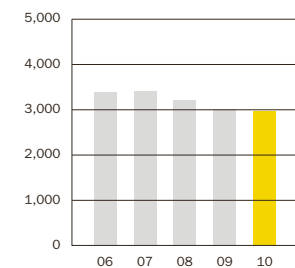




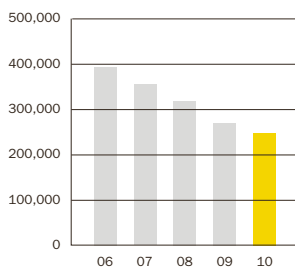
TURNOVER, EUR thousands



AVERAGE NUMBER OF PERSONNEL



CAPITAL EMPLOYED, EUR thousands



in a difficult financial situation, meaning that credit risks are substantial, although we are continuing to monitor this very carefully.

The UK and France are two of the biggest European markets and therefore they always deserve special attention: they provided relatively stable market conditions in 2010 without any big surprises, which was a positive change of trends, especially for the UK as this market shrank by about 10 per cent in 2009.

#### National events with negative impact

In 2010 we had to bear the negative consequences of certain isolated national and political events affecting our business.

Firstly, in Germany the government decided to stop subsidising investments in renewable energy boilers (e.g. pellets or wood chips), which had a direct impact on our stainless-steel chimney business. This business is strongly linked to the German market and consequently sales dropped by more than 10 per cent.

Secondly, our service levels in France were severely affected by strikes in our plant in Biache. We strongly believe that the principal reason for these strikes was not so much disagreements within our factory, but rather related to political events at a national level. The first strike was in the spring, when regional union elections were taking place, and the second was in the autumn, when the discussion about a higher national retirement age took place.

In the spring certain individuals from outside Rettig were directing strike activities and causing substantial damage to Rettig and our customers. Immediate actions to improve our position were implemented in the summer and this, supported



*Innovative solutions have helped Rettig ICC to develop new products, which have already gained a high acceptance from customers.*

by improved internal communications, was in our view the main reason why the nationwide strikes conducted by the unions in the autumn passed more calmly without severely affecting our business.

#### **Soaring steel prices make increases in sales prices inevitable**

Whilst market conditions steadily improved our sales levels in 2010, the purchasing environment for our raw materials deteriorated sharply. Raw-material markets are a major driver for Rettig ICC's profitability. Following the general business climate, the markets for cold-rolled steel and brass picked up somewhat, but the cost curves did not follow the same pattern: steel costs started to soar at the beginning of the year, reaching a summer high of about 50 per cent higher than at the beginning of the year.

In Q3 the trend started to change and we saw a slight decrease of prices caused by lower demand in the market. Nevertheless, the price level in December was still some 35 per cent higher than in January 2010.

For brass, prices followed roughly the same upward trend that we saw throughout 2009, resulting in an increase of roughly 15–20 per cent over the course of 2010.

Sales price increases for our products, which were implemented in almost all markets, helped to partly compensate for these higher costs. Consequently this resulted in a margin reduction in the second half of 2010.

#### **Strengthening of main currencies against the euro**

Exchange rates are another element that cannot normally be influenced but have a substantial impact on the annual figures

reported in euro in this consolidated report. Essentially all important currencies that have a significant impact on the Rettig ICC figures (e.g. the British pound, the Polish zloty and the Swedish krona) strengthened over the course of 2010 and pushed the sales figures reported in euro up.

On the other hand and for the same reason, because Rettig operates two factories in each of these countries, higher euro costs were also reported as a consequence of the exchange-rate movement.

Higher raw-material costs, competitive marketing conditions, difficulties in applying sales price increases and adverse currency effects normally lead to reduced profitability. For Rettig ICC in 2010 this was not the case when compared with 2009. In 2010, profitability increased and the balance sheet strengthened. The reasons for this positive improvement are higher productivity, further cost-saving initiatives, organic growth and the successful launch of new products.

#### **Manufacturing initiatives improve productivity**

With regard to productivity improvements, two projects in particular, both linked to high investment costs, are worthy of mention. The first, which is the result of extensive tests and research carried out in our R&D department, significantly improved the energy efficiency of Vogel & Noot's panel radiators. In this way we were able to live up to our claim of constantly improving the environmental balance of our products. A new design of the convector fins makes it possible to keep the heat output unchanged, even though less steel is used.

About EUR 4 million was invested to upgrade five existing production lines in Hungary and Poland to bring this project to fruition.

*A number of manufacturing initiatives have improved productivity and the environmental balance of Rettig ICC's products.*



The second project was finalised at the end of 2010, when Rettig ICC started to produce all top grilles and side panels for Purmo radiators in our Rybnik factory in Poland. Independence from external suppliers, lower costs and higher flexibility made it a straightforward matter to justify this investment project.

In the field of production productivity our plant in İzmir in Turkey should be mentioned. After the acquisition of the business in 2008 Rettig ICC started to integrate this plant within the existing organisation. Nowadays İzmir is an important part of Rettig's plant structure, specialised in the production of weld-in towel warmers with a chrome-plated surface, with significantly higher output per employee than before. At the same time, investments in powder-coating facilities also make it possible to produce painted products in İzmir and consequently Rettig is allocating increased volumes of electrified towel warmer models to this state-of-the-art plant.

#### **Roll-out of the ERP project proceeds according to plan**

The use of Information Technology is becoming ever more important to improving productivity and flexibility and to meeting customers' needs. Therefore Rettig ICC has rolled out the ERP project according to a long-term plan to ensure the same IT platform is used in all main Rettig ICC locations.

In 2010 this involved the sites in Lilienthal in Germany, Järpås in Sweden and İzmir in Turkey. By the end of the year almost all preparations for going live in Vienenburg and Meiningen in Germany and Rybnik in Poland had been finalised, and we are very pleased with the performance of our project team, which is driven by Rettig employees only. Budgets are under control, timelines are being kept to and experienced

Rettig employees with a lot of business understanding are handling the implementation projects in a professional manner.

#### **Innovative solutions widen the product range**

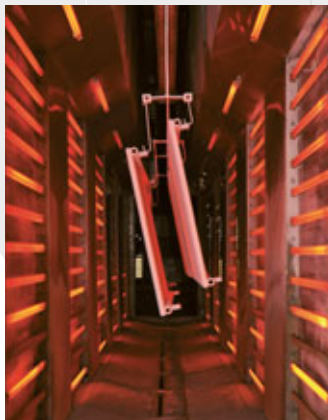
These IT projects help us to design efficient processes and to offer a good service level to our customers. Nevertheless it is important to improve the products themselves, to offer innovative solutions and to widen the range according to changing needs and demands in the market. This means that in practice R&D, Marketing and Production have to work closely together, hopefully resulting in new products that are accepted by customers. Fortunately in 2010 Rettig ICC has again launched a number of new products that already are showing a high acceptance from the market.

In Sweden, for example, Rettig launched an underfloor heating system that complements the other products, meaning that we are now a full-range supplier in the field of heat emitters, valves and controls.

In the UK and Ireland, Rettig launched a set of new thermostatic radiator valves, which show good sales figures and have helped to increase our market share in this segment significantly.

In Germany, in addition to the new ECO-branded radiators mentioned above, Vogel & Noot has started to add vertical radiators to its product range and is currently working on innovations which will be presented at the ISH trade fair in March 2011.

MMA was heavily involved in an OEM project with a major European manufacturer of thermal actuators and has contributed specific expertise. New designs in the field of decorative radiators and improved technological details for panel radiators



are on the agenda for our R&D team, leading to a number of innovation projects in our R&D pipeline that are awaiting launch over the coming months and years.

#### **Joint-venture business in Russia ends**

Running a business in a professional manner also means having to deal with negative developments and unforeseen changes. In this context we have to admit that our joint venture plans in Russia, implemented in 2007, did not work out according to our expectations.

Although our traditional business via our Purmo and Vogel & Noot brands in Russia is developing very well, sales via our JV partner were lagging far behind the agreed levels and therefore we decided to withdraw; the joint-venture agreement was terminated and our shares were sold to our Russian partner. Rettig still has a good relationship with this company and will act as a normal supplier for this business in the future.

#### **Belgian anti-trust authority publishes its decision**

In May 2010 the Belgian Competition Council published its decision and fined certain radiator manufacturers for non-compliance with Belgian competition law regulations between September 2003 and June 2006. A fine of EUR 1.5 million was imposed on Rettig Belgium.

Rettig co-operated with the authorities throughout the process and will continue its internal efforts to ensure strict compliance in the future.

#### **Divestment of unused properties**

Rettig ICC brought more cash into the business and strengthened the balance sheet through the sale of unused assets:

buildings and premises in Bolton and Telford in the UK, Gera in Germany and Warsaw in Poland.

All of these properties were unused due to structural changes in previous years. They were offered on the market and sales contracts were signed in 2010.

#### **Training initiative commences with Erasmus School of Economics in Rotterdam**

We know that the most valuable asset of a company is the motivated and competent employees running the business. Therefore we try to invest in providing opportunities to develop them further, hoping to attract young, well-educated and open-minded people and to retain our experienced employees.

One of these initiatives that should be mentioned here is the Masterclass Initiative, whereby high-potential employees were invited to attend courses at the Erasmus School of Economics in Rotterdam together with senior Rettig ICC executives. This training should help our employees to widen their horizons and prepare them for future challenges and bigger responsibilities.

This is even more important in these unpredictable times, when the economy is becoming increasingly volatile. The quality of our managers is therefore the best insurance against future challenges and the best way to benefit from forthcoming opportunities.

#### **Business outlook for 2011**

It is frequently being said that the economic and financial crisis is over. It is true that we can see a number of positive trends in the market, and even some of those geographical areas that we still see as difficult have stabilised. This is the

reason why we look forward with confidence in 2011. We expect demand patterns to improve and sales figures to go up. Nevertheless, we are aware that the general economic situation remains highly volatile and that soaring prices for energy and raw materials create challenges.

A number of European countries have to cope with a huge public deficit and lower confidence in their stability. The future of the euro currency is being questioned and it will be essential for many governments to reduce their public expenditure. The biggest concern for us at the moment in relation to this situation is the UK, where, in October, the government announced major cuts in the budget for social housing and other segments that will have a direct impact on our business.

Although we are certainly well prepared for these challenges we will have to stay alert for immediate changes.

In last year's annual report, the last sentence in the Rettig ICC overview stated: "Rettig ICC and its owners are fully committed to developing the business further, both in our well-defined core business and in other areas – as long as these are consistent with our ambition to remain the leading long-term player in the heat emitter segment."

This statement still perfectly reflects our attitude, which should again underline that Rettig ICC, based on its private ownership, does not change its way of thinking from one year to another and will remain a reliable and predictable partner for all our customers and suppliers.

## Rettig ICC Management Team

**Markus Lengauer**  
Chief Executive Officer



**Jos Bongers**  
Chief Operations Officer



**Stig Björkqvist**  
Group Business Controller



**Werner Hinterberger**  
Chief Information Officer



**Neil MacPherson**  
Deputy Chief Executive Officer



**Klaus Rogetzer**  
Brand Director Vogel & Noot





*Peter Doppelreiter, R&D product group leader, panel radiators (left), and Hans-Peter Schrittwieser, plant manager Mosonmagyaróvár, had a number of details to check concerning to the convector strip project.*

## *Success through innovation and teamwork*

“Need to reduce CO<sub>2</sub> emissions” or “Sustainable use of resources” are headlines that we read almost daily in newspapers and magazines. Rettig ICC tries to live up to these targets and has endeavoured to apply this way of thinking to its main product group – panel radiators.

Thanks to the great teamwork between R&D, Operations, Sales & Marketing and plants in Mosonmagyaróvár in Hungary and Wałcz in Poland, we were able to successfully redesign our 40 mm panel radiators, mainly sold under the Vogel & Noot brand.

Previously, the convector was made out of a single piece of steel welded at the back of the radiator, whereas the new design requires the welding of two convector strips at the back. The material usage is smaller, but the heat performance per kilo increases significantly due to an efficient “chimney” effect of the convector strips. Another advantage coming from this redesign is that the product is now lighter and easier for installers to use.

To find the optimal geometry for the new convector strips, our R&D department carried out thorough studies, and numerous designs were tested and measured. As the ability to manufacture and to sell the new design needed to be watched very closely, a project team was established in mid 2008. Hans-Peter Schrittwieser, Marek Kiszka, Mario Künzel, Joachim Perle, Peter Doppelreiter and Christoph Gasser proved that by good co-operation they were able to make complex changes to the existing production lines and deliver a product on time without any customer delivery issues and within the budgeted costs.

The main changes to the production lines were made in December 2009 and production started in Mosonmagyaróvár in Hungary and Wałcz in Poland in January 2010. Now, one year later, we can say that volumes have increased significantly and we can look back on a successful project!



**Tomasz Tarabura**  
Brand Director Purmo Radson



**Astrid Tschernitz**  
Chief Personnel Officer



**Tomas von Rettig**

# BORE

Bore, the shipping business area of the Rettig Group, owns, manages and charters Roll-on Roll-off (Ro-Ro) vessels, car carriers and general cargo vessels. The vessels fly either the Finnish or the Dutch flag.

Bore's offices are organised around functions in order to more efficiently serve our customers and to support the fleet. The Helsinki office hosts the crewing, the insurance as well as the quality and safety departments. The chartering operations, the technical management and the finance departments are based in Mariehamn, whereas the Dutch-flag vessels are supported from the Rotterdam office on both crewing and technical management.

On 1 January 2011 Bore became a legal entity in Finland. Rettig Group Ltd remains the sole owner and Bore will trade under the name of Bore Ltd (Bore Oy Ab in Finnish and Swedish) with Bore Shipowners B.V. as its fully owned subsidiary. Operationally Bore will continue "as is", and all legal contracts will be transferred into the newly formed company Bore Ltd.

## **The shipping market in 2010: a year of tough market conditions but with signs of volume improvements**

The general cargo market showed signs of recovery at the end of the first quarter of 2010 and has been picking up since then.

However, the Ro-Ro market has been struggling due to overcapacity and our customers have been hit by decreasing freight rates, which in turn is affecting the charter rates.

## **Fleet renewal continues – newbuildings are taking shape**

Our two RoFlex newbuildings are taking shape in Flensburg in Germany, at Flensburger Schiffbau-Gesellschaft mbH & Co. KG.

In June 2010 the steel cut took place for the first new vessel, NB744, with keel-laying in November. Steel cutting for the second vessel, NB745, took place in October.

The deliveries of the newbuildings are scheduled for 29 April and 15 July 2011 respectively. The site team for our newbuildings has been in place in Flensburg since August 2010.

The plans for the years to come have been discussed by the Board of Directors and one of our key areas is our fleet renewal process. To stay strong in the market, Bore will rejuvenate its fleet in coming years by means of disposals and acquisitions or newbuildings.

The technical department has been busy in 2010, with eight ordinary dockings and four major repairs. The fleet is continuously subject to preventive maintenance supported by computer-based maintenance systems aiming at minimising loss of trading days.

M/V Fingard, M/V Ostgard, M/V Westgard and M/V Sydgard underwent their ten-year class renewal, whereas M/V Borden, M/V Norqueen and M/V Norking passed their thirty-year class renewals.

The fleet renewal process continued. The sale of our bulk vessel M/V Bravaden was finalised in January 2011, and both M/V Trenden and M/V Najaden are up for sale, with planned delivery in February – March 2011.

## **Emphasis on quality and safety**

Our Quality and Safety department has been reorganised and Bore emergency response procedures have been clarified and reimplemented. Environmental follow-up is being emphasised and vessel emissions (CO<sub>2</sub> and NOx/SOx) are monitored on a monthly basis.

The Bore SQMS (Safety and Quality Management System) has been the focal point in the internal and external audits and has proven to have an enhancing impact on the performance of the vessels. These efforts have contributed to avoiding unnecessary off-hires.

Work is carried out continuously to improve working condi-

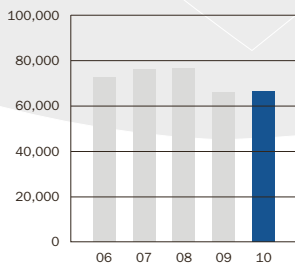
*Bore is working purposefully towards more environmentally friendly shipping.*

<b>Business</b>	Sea transports with Ro-Ro vessels, car carriers and general cargo vessels
<b>Customer base</b>	Established line operators and industrial suppliers
<b>Market</b>	The Baltic Sea and the North Sea
<b>Presence</b>	Offices in Helsinki and Mariehamn in Finland and in Rotterdam in the Netherlands

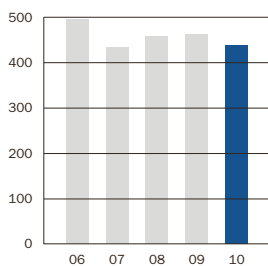




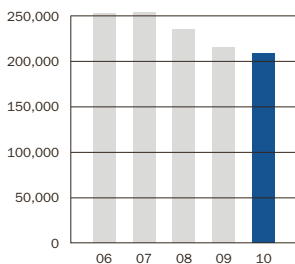
TURNOVER, EUR thousands



AVERAGE NUMBER OF PERSONNEL



CAPITAL EMPLOYED, EUR thousands



tions and to ensure an attitude of “safety first” amongst all Bore employees. Quality and Safety is and will remain in the centre of development within Bore.

The Risk Assessment became mandatory under the new International Safety Management (ISM) code, which came into force on 1 July 2010. The Bore Risk Management procedure was implemented before the deadline, followed by two training sessions for the on-board key personnel. The Risk Assessment tool will emphasise safety awareness on-board and is expected to have a positive impact on the company performance indicators, such as the Port State Control (PSC) statistics and the New Inspection Regime (NIR).

The New Inspection Regime under the Port State Control came into force at the beginning of 2011. This means that vessels will be targeted for PSC inspection based on a risk profile that considers two elements: Ship Risk Profile and Company Performance. The idea is to focus external inspections by the authorities more on substandard shipping and to promote quality ship management by widening the timeline between inspections for vessels with a low target factor.

At present our statistics for the previous 36-month period give our vessels a status of Standard Risk Ship in the three-stage categorisation (Low Risk, Standard Risk and High Risk). The Bore objective is to continuously improve the PSC performance throughout the fleet, in order to operate Low Risk vessels under High Performance management by the end of 2012.

### Bore's fleet serves various segments of the shipping trade

#### THE CAR FEEDER SEGMENT

The car feeder segment showed signs of recovery during the latter part of 2010.

The Bore Auto vessels have mainly been trading in the Biscay area. One of the car-carrier vessels chartered to UECC is currently sub-leased to a third party trading into the Mediterranean area.

The imports of cars into Russia via Finnish ports have not recovered to former levels.



*Another year of a challenging business climate in both the Ro-Ro and general cargo segments.*

#### THE RO-RO SEGMENT

All the time charter contracts for 2011 were secured by the end of 2010, although all the renewed contracts were closed at lower rates, reflecting the market situation.

M/V Estraden and M/V Borden were both chartered to Mann Lines Ltd. However, M/V Borden was released from the charter as the cargo load was declining heavily and the vessel has been laid up in Turku since mid September. However, M/V Borden started on a new route, HelOx Line between Helsinki Vuosaari and Oxelösund, in January 2011.

M/V Norking and M/V Norqueen have both been serving the route between Zeebrugge in Belgium and Tilbury in the UK. M/V Norsky and M/V Norstream have served their North Sea service between Teesport in the UK and Zeebrugge or Rotterdam to the satisfaction of our charterer, P&O North Sea Ferries.

The charter for M/V Seagard was extended with Transfennica and she continues on the Tilbury–Hamina/Hanko route.

#### THE GENERAL CARGO SEGMENT

During the year 2010 the Contracts of Affreightment (CoA) business has been served by nine Bore vessels, primarily serving the Finnforest trade to northern France.

The “Compass Vessels” (M/V Westgard, M/V Ostgard, M/V Nordgard and M/V Sydgard) continued throughout the year to destinations in the UK and France from Finland and Sweden. Northbound cargoes increased during the year, driven by the surge in demand for wood chips for the Swedish and Finnish power plants. We have experienced a growth in clay volumes from the south of the UK thanks to a positive recovery in Scandinavian pulp and paper production.

M/V Najaden had an unfortunate year. In June she collided with the lowering Caland Bridge in Rotterdam, a serious incident that fortunately only resulted in material damage to the vessel.

Since June 2010 Bore has implemented mixed crew under the Finnish flag, the first shipowner in Finland to do so. We are now sailing with mixed crew, both Finnish and Filipino seafarers, onboard M/V Fingard and M/V Swegard. The crew on-board both vessels are pleased with the co-operation.

The mixed-crew concept has proved to be an advantageous basis for enhanced competitiveness for vessels flying the Finnish flag.

In 2010 M/V Swegard was, for the third consecutive year, named the best seamen athlete vessel amongst the commercial fleet in Finland.

The M/V Klenoden charter to Hacklin was renewed for 2011, and she is continuing her weekly service between Mäntyluoto and Hamburg.

#### Shipping trends

The renewal process of the Finnish Tonnage Tax regime has been worked on throughout the year; prenotification to the Commission (DG Comp) was made in February and notification in September 2010. During this period several discussions took place with the case handlers in Brussels as well as with the civil servants and political administration within the Finance Ministry in Finland. At present the most difficult issues seem to be resolved and a competitive regime is in the pipeline, soon to become a reality for Finnish shipowners.

A modest salary review under the bargaining agreement and the possibility of mixed crew under the Finnish flag, as



## Fleet list

All vessels have Ice Class 1A or 1A Super

Ro-Ro	Flag	Port of registry	Built	Length o a	Dwt	GT	Lane metres	Speed
NB744	Delivery April 2011		2011	195.40	12 110	25 593	2 863	19.0
NB745	Delivery July 2011		2011	195.40	12 110	25 593	2 863	19.0
Norking	Finnish	Helsinki	1980 *)	170.90	11 400	17 884	2 067	18.0
Norqueen	Finnish	Helsinki	1980 *)	170.90	11 400	17 884	2 067	18.0
Norstream	Dutch	Rotterdam	1999	180.00	11 564	20 296	2 630	20.0
Norsky	Dutch	Rotterdam	1999	180.00	11 564	20 296	2 630	20.0
Estraden	Finnish	Helsinki	1999	162.70	9 741	18 205	2 300	19.0
Auto Bay	Finnish	Helsinki	1997	138.50	6 077	19 094	934	20.0
Auto Bank	Finnish	Helsinki	1998	138.50	6 165	19 107	934	20.0
Auto Baltic	Finnish	Mariehamn	1996	138.50	6 165	18 979	934	20.0
Seagard	Finnish	Mariehamn	1999	153.45	7 226	10 488	1 607	23.0
Borden	Finnish	Helsinki	1977	142.32	6 615	10 100	1 290	18.0

General cargo	Flag	Port of registry	Built	Length o a	Dwt	GT	TEU/14	Speed
Klenoden	Finnish	Helsinki	1991	104.81	4 452	3 828	374/221	15.4

General cargo	Flag	Port of registry	Built	Length o a	Dwt	GT	CBM	Speed
Trenden	Finnish	Helsinki	1989	104.81	4 402	3 826	6 540	13.0
Najaden	Finnish	Helsinki	1989	104.81	4 402	3 826	6 540	13.0
Ostgard	Dutch	Rotterdam	2001	89.25	3 777	2 868	5 808	12.5
Westgard	Dutch	Rotterdam	2000	89.25	3 790	2 868	5 808	12.5
Sydgard	Dutch	Rotterdam	2000	89.25	3 780	2 868	5 808	12.5
Nordgard	Dutch	Rotterdam	1999	89.25	3 780	2 780	5 687	12.5
Swegard	Finnish	Mariehamn	2001	94.96	4 956	2 997	6 180	11.5
Fingard	Finnish	Mariehamn	2000	94.96	4 956	2 997	6 180	11.5

\*) Rebuilt 1996



*To stay strong in the market, Bore continued its fleet renewal process in 2010.*

piloted on M/V Fingard and M/V Swegard, together with the above-mentioned renewed Tonnage Tax regime, form the three cornerstones of a competitive future for Finnish shipping.

Shipping is subject to governmental subsidies controlled by the EU guidelines. This support will enable European shipowners to sustain global competition. The guidelines have been valid in their present form for the last seven years and are as of 2011 up for renewal, a process that is being closely followed by the ECSA (European Community Shipowners' Associations), in which the Finnish Shipowners' Association is an active member.

The target is to have the guidelines extended "as is", and any proposed enlargements may lead to a full review of the guidelines with potential restrictions as a consequence.

#### **Environmental matters are an ever more important issue for the future of shipping**

The hottest topic on the environmental agenda in the Baltic has been sulphur emissions and the new IMO regulation. As of 1 July 2010, the maximum sulphur content in marine fuel in the ECA area (the Baltic Sea, the North Sea and the English Channel) is 1.0 per cent, reduced from the previous level of 1.5 per cent.

The IMO regulation, set at a maximum of 0.1 per cent, which comes into force as of 1 January 2015, has been discussed throughout Europe. During the latter part of 2010 the political climate has changed and increasing concerns are being raised relating to the availability of low-sulphur fuel and the impact on the cost of transportation. Several European studies have shown a large modal backshift of cargo flow from sea to land, with both social and economic consequences.

Based upon the above, there is now a political consensus that fuel availability needs to be assessed and a possible extended transition period might have to be considered.

Abatement technologies (scrubbers and similar) or alternative fuel such as LNG (Liquefied Natural Gas) are both being hotly discussed, especially for newbuilds, whereas it will be a struggle to accomplish conversion of the existing tonnage.

With regards to nitrogen oxides (NOx), there is a new challenge for the Baltic shipowners: an initiative from HELCOM (the Helsinki Commission, a Baltic Marine Environment Protection commission) to establish a Nitrogen Emission Control Area (NECA) in the Baltic Sea. This would eventually require not only newbuildings (as of 2016) but also existing vessels to install catalytic converters on-board in order to cope with the new regulations. Again, there is strong pressure from the industry to ensure that proper feasibility and consequential analyses are made before any such NECA is established. HELCOM is working to protect the marine environment of the Baltic Sea from all sources of pollution through intergovernmental co-operation. The challenge is to safeguard the environment while simultaneously maintaining the competitiveness of shipping within this area.

The meeting in Cancun in Mexico in November 2010 concluded on the issue of greenhouse gases (GHG) for shipping that any emission control measures shall be agreed at a global, IMO, level. Alternatives are presently being evaluated, and the discussions centre around market-based instruments (MBIs) such as trading schemes and levies/taxes on fuel.

The challenge for shipping as well as for other types of industries is the tension on this issue between the industrialised countries and developing economies. However, serious



The master of M/V Fingard, Ralf Karlsson (centre), with his Filipino crew.

## The first non-EU seafarers join Bore's Finnish-flagged vessels

The shortage of competent flag-state crew is today a worldwide concern for shipowners. The interest in a career at sea has diminished and there is a growing need for foreign crew, especially for certain jobs.

In summer 2010 the Finnish shipowners and trade unions came to an agreement about the possibility of using professional seafarers from outside the EU on Finnish-flagged vessels. The purpose of the agreement is to safeguard the competitiveness of the Finnish commercial fleet and to increase the tonnage under the Finnish flag.

In June 2010 Bore made Finnish seafaring history by hiring the first non-EU seafarers when a second officer, two able-body seamen and a cook-steward from the Philippines joined M/V Fingard. An identical recruitment was made on M/V Swegard in August 2010.

The biggest adjustment on-board was the change in working language from Finnish into English. As a result, all manuals and checklists had to be translated into English. This also creates an opportunity for the Finnish crew to improve their command of the English language.

The crew on-board is highly motivated because of the opportunities of working with new individuals, new nationalities and a new flag.

efforts are being made to find workable solutions: ECSA is the primary shipping forum and in Finland we are working with the ministries responsible for these issues.

On top of the air emission issues the ballast water convention is also under review, and the ratification process will eventually mean that it will be implemented as of 2012/2013. Again, the procedures under which the ballast water needs to be changed are still under preparation in most European countries and the Finnish Shipowners' Association is strongly involved in the Finnish process.

To cope with the new regime, Bore is investing in approved ballast water technology for the newbuildings as well as options for the existing vessels.

### Reducing atmospheric emissions is at the top of Bore's environmental agenda

Bore is actively striving towards a more environmentally friendly way of working and has been doing so for more than ten years. Within its daily operations, Bore aims at continuous improvement in the area of environmental performance.

The environmental work is proactively and systematically handled. A critical factor for Bore is that the environmental system and procedures for the shipping industry are regulated by maritime law. The driving force behind this work is the aim of minimising environmental impact and dealing with environmental issues carefully and in a knowledgeable manner.

Bore has adopted the ISO 14001 environmental standard, and since the beginning of 2008 has been following up emissions. These emissions are monitored and then reported by ship type, enabling internal benchmarking and target setting and providing a good basis for analysis and corrective actions. The main emphasis of this work over the coming years will be reducing harmful emissions to the atmosphere such as sulphur and nitrogen oxides.

### Business outlook for 2011

Bore has time charter contracts for the car carriers and Ro-Ro vessels for 2011, except for M/V Borden, who will operate the new Ro-Ro service HelOx Line as of the end of January 2011. HelOx Line will operate between Oxelösund on the



**Thomas Franck**  
Chief Executive Officer

**Jörgen Bolin**  
Vice President,  
Finance

**Katarina Hildén**  
Vice President,  
HR & Communication

**Jhonny Husell**  
Executive Vice President,  
Commercial

**Jörgen Mansnerus**  
Vice President,  
Marine Management

**Max von Rettig**

## *Bore Management Team*

east coast of Sweden and Vuosaari harbour in Helsinki. The benefit to the market is the possibility to avoid the congested areas around Stockholm and Turku, for cargo from southern Sweden en route to Helsinki or eastbound to Russia, or vice versa.

The general cargo vessels will be deployed in forestry-products exports to both the UK and northern-France markets, and volume contracts for northbound clay cargoes to Sweden and Finland are secured. At the end of 2010 Bore renewed the SCA volume contract for 2011. It is estimated that Bore will ship around 800,000 cbm of sawn timber in 2011 to France and the UK. An increasing trade in biofuels from the European continent to Scandinavia is serving as a good complement to our CoA trade.

Following Rettig's full takeover of Nordkalk, Bore is now engaged in looking into future shipping logistics solutions for Nordkalk. The aim is to further strengthen the co-operation between the Rettig Group's business areas.

The shipping market worldwide is expected to continue to recover in 2011, and the traffic between Asia and Europe is

expected to continue to grow, which will be reflected in higher demand for feeder capacity.

The ever-growing conflict in the Indian Ocean, which started in a restricted area in the Gulf of Aden off the Somali coast, has now spread out into the wider sea and is forcing some cargo from Asia to take longer routes via the Cape of Good Hope. So far the governments have supported the convoys in the area, but there is a threat that the shipowners will be forced to take a bigger share of the bill, already seen in higher insurance premiums and best practice implementations.

All in all, the prospects are more positive than one year ago, although in some segments of the market rates will be kept low due to high supply of tonnage. For the Baltic operations the outlook for Russian imports will be an important factor in the overall business and a possible entry into the WTO by Russia will have a positive impact for the future of Baltic shipping.

# NORDKALK



<b>Business</b>	<b>Extracting limestone from own deposits and manufacturing limestone-based products</b>
<b>Customer base</b>	<b>Industrial customers</b>
<b>Market</b>	<b>Northern Europe</b>
<b>Presence</b>	<b>More than 30 locations in nine countries in the Nordic and Baltic Sea regions</b>

Nordkalk extracts limestone and processes it into crushed and ground limestone, concentrated calcite, quicklime and slaked lime. Nordkalk's range of products also includes dolomite and wollastonite. The products are used in various industrial applications, in environmental care, and agriculture.

Nordkalk is the leading manufacturer of limestone-based products in northern Europe, and is one of the three leading European lime companies. The deposits and production plants are located in Finland, Sweden, Poland, Norway, Estonia and Russia. The company will expand its presence in the European market area and in Russia.

The company's roots lie in Pargas in Finland, where limestone has been industrially extracted for more than a hundred years. In August 2010 Nordkalk became a fully owned Rettig Group company.

#### **Nordkalk's activities have many cornerstones**

Limestone is a versatile and often irreplaceable raw material with many areas of application.

Nordkalk has a broad raw-material base – the age of limestone varies from 65 million to 1,900 million years – which enables Nordkalk to offer products of many different physical

*Throughout 2010, Nordkalk continued to work on improving process effectiveness, utilising alternative fuels and decreasing the environmental impact of operations.*



and chemical characteristics, according to the customers' needs.

Nordkalk has six main customer segments, of which Pulp & Paper is the largest, representing about one-third of sales. Nordkalk delivers lime qualities needed in pulp cooking processes as well as raw materials for the manufacturing of the paper pigments GCC and PCC. Nordkalk's subsidiary Suomen Karbonaatti Oy in Lappeenranta in Finland produces GCC.

Metals & Mining serves customers in the mining and metal industries. Both industries use quicklime and slaked lime to run their processes as well as to neutralise waste

water and slurries. In steel manufacture, quicklime removes impurities.

Construction materials form one of the oldest uses for limestone products. Limestone powders are used in all construction phases, from stabilising soil to casting foundations, and all the way up to roofing materials. Limestone powder is the most frequently used construction material filler in the world. In road construction limestone is used in the structural layers, and in ground engineering lime is used for stabilising the soil.

Other industries include the chemical industry and the manufacture of sugar. Lime is also used in the manufacture of glass and paints. Dolomite is an important raw material for making fertilisers, and wollastonite is used to manufacture plastics and ceramics.

In total, industrial applications count for more than 80 per cent of sales.

In the segment Environmental care lime-based products are used not only to produce clean drinking water but also to treat waste water. By cleaning flue gases and systematically liming water systems, the harmful effects of acidification can be reduced safely and efficiently.

In the Agriculture segment Nordkalk's products are used for soil improvement and as fodder lime for animals. Spreading lime on arable land reduces soil acidity, allowing plants to absorb nutrients released from the soil and added fertilisers more readily.

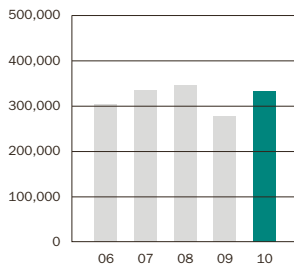
#### **Positive development after the difficult year 2009**

After the economic downturn that started in late 2008 and continued throughout most of 2009, the development was very positive during 2010 in almost all customer segments and

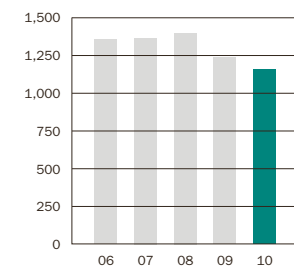
*The change of ownership received a warm welcome at Nordkalk. As a long-term owner Rettig means security for both customers and our employees.*



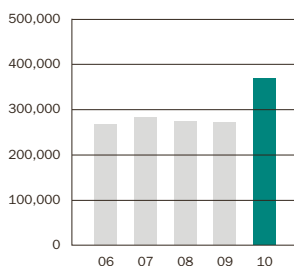
TURNOVER, EUR thousands



AVERAGE NUMBER OF EMPLOYEES



CAPITAL EMPLOYED, EUR thousands



countries where Nordkalk operates. Only in Estonia did the market remain slow.

Nordkalk's major customer segments of Pulp & Paper and Metals & Mining have recovered well, even though the European paper industry continues to suffer from significant overcapacity, and the steel industry has not yet reached full capacity utilisation. The global need for minerals is growing, and the mining industry increased production in 2010. In the construction materials industry the overall demand increased.

The customer segment Agriculture was an exception to this positive trend. Farmers were faced with low crop prices at the beginning of the year. Furthermore, the weather conditions were hard, which affected the lime spreading conditions. Crop prices increased in the summer, but because of the small crop yield farmers' income in 2010 did not reach the normal level.

There is some uncertainty on the markets because of the continuing financial difficulties in Europe. In the lime business the competitive situation has tightened as a consequence of the recession. There is still some overcapacity on the lime markets and tough cost control affects price negotiations at all levels.

#### Health & Safety on top of each agenda

Nordkalk has continued its systematic efforts to promote health and safety at work. The number of occupational accidents increased in 2010, which is due partly to increased activities and partly to unified reporting practices. There were no fatal accidents. The number of near-miss reports doubled from 2009, which is a sign of an improved level of awareness.

The employees were offered training in H&S issues on many occasions in order to get all Nordkalk locations certified



according to the OHSAS 18001 standard. At the end of the year the certification was granted in Finland, Sweden, Poland and Estonia to the locations that had not previously been certified. The Russian operations will be certified in 2011.

Safety audits of heavy machinery continued. These audits have proved to be an excellent way to improve safety practices within the whole company by sharing information and best practices face to face, in addition to the monthly H&S reports.

The zero tolerance campaign for drugs and alcohol, which was launched in 2009, continued in each country. The main messages of the campaign are the right attitude and each employee's personal responsibility for collective safety.

#### **REACH registration accomplished**

Nordkalk's REACH registration was accomplished as planned. The products quicklime (CaO) slaked lime (Ca(OH)<sub>2</sub>), and dolime (CaMgO<sub>2</sub>) were registered according to REACH regulations. Chemically unmodified minerals that occur in nature are exempted from registration; thus limestone, aggregates, calcium carbonate and wollastonite were not registered.

#### **Emission rights vital for the lime business**

The production of quicklime causes emissions of carbon dioxide (CO<sub>2</sub>); about a third of the carbon dioxide produced by Nordkalk comes from the fuel used and the rest from processing (i.e. burning or calcining) of the raw material (CaCO<sub>3</sub> ⇒ CaO + CO<sub>2</sub>). Nordkalk is involved in many projects that aim to cut CO<sub>2</sub> emissions by decreasing fuel usage and by replacing fossil fuels with alternatives.

The European Union is issuing a new directive for the next emission trading period of 2013–2020. The lime industry

is expected to be granted free emission rights according to a certain benchmark value. The affordability of emission rights is a crucial question for the lime producers.

#### **Access to land must be guaranteed**

Nordkalk has actively participated in the communication of the European Union's Raw Materials Initiative of 2008. The Initiative emphasises that identified raw-material sources must be made accessible for exploitation by means of functional mining regulations. In land use planning the interests of nature protection and exploitation of minerals must be balanced.

In Finland a mineral strategy has been formulated, and the new mining law is expected to be approved by the Parliament in the spring of 2011. The new law includes certain new responsibilities for the mining companies but its effect on Nordkalk's operations is expected not to be significant, partly because some elements in the new law are well known from the existing environmental legislation.

A new EU Guidance on Non-energy mineral extraction and Natura 2000 was published in June 2010. It states that there is no automatic exclusion of non-energy activities in or near Natura 2000 areas.

#### **Demand for limestone-based products increases strongly in 2010**

Total sales of limestone-based products increased strongly during 2010 compared to the previous year. The improvement during the first quarter was modest but in the second and third quarters the signs of recovery strengthened.

Sales to the paper industry increased in both Finland and Sweden. Sales to the pulp industry in particular were on a high



Foreman Peter Hannu (left) is happy to show off Boliden's new flotation plant to Sales Manager Jan Olars from Nordkalk. The two production lines for preparing lime milk, including slakers, preparation units and storage tanks are visible in the background.

## *New production line doubles the need of lime*

Boliden Aitik, one of Europe's largest producers of copper, operates an open-pit mine near Gällivare in northern Sweden. The operation in Aitik is being expanded with the aim of doubling the annual production level to 36 million tonnes per year. This is the largest investment in Boliden's history and means the creation of a new industrial park area with an efficient and environmentally friendly production system. The ore concentrate, which is refined at Aitik, is transported by rail to Boliden's Rönnskär smelter in Skelleftehamn.

At the beginning of 2010, a new concentrator was taken into production. In the flotation process a concentrate containing approximately 25 per cent copper is separated. Nordkalk's quicklime is used for adjusting pH in the flotation process. The new plant doubles the consumption of limestone-based products in comparison with the old one.

The correct quality of the product and reliable deliveries are what Boliden Aitik expects from its long-term lime supplier. It is up to Nordkalk's sales manager Jan Olars, the team at the Luleå lime plant and the transportation company to make sure that the level in the silo never gets too low and that safety regulations are followed.

*Recovering market had a positive influence on the deliveries to Nordkalk's biggest industrial customers in 2010.*



level, since many pulp mills were producing at full capacity. Despite the structural changes in the Nordic paper industry, the demand for limestone-based products has not been considerably affected during 2010.

Sales to the steel and mining industries increased in comparison with the previous year. In the fourth quarter the steel industry was decreasing production somewhat, while the growing trend continued in the mining industry.

Demand for limestone-based products in the construction materials industry increased in all of Nordkalk's operative countries. In Finland building of business premises was still slow but in residential building the trend was upward. In Sweden sales of limestone-based products for soil stabilisation were at a record-high level because of many large infrastructure projects. In Poland many road construction projects are ongoing, and during the second half of the year sales were better than ever before.

Demand for limestone-based products for the chemical industry has grown. Sales of Nordkalk's dry ground products and wollastonite for the ceramic, plastic, rubber and paint industries also show a positive development.

Total sales of products for environmental care increased slightly in comparison with 2009. The cold winter months and low availability of hydro power resulted in high capacity utilisation of coal-fired power plants, which increased sales of lime products for flue gas cleaning.

Sales of soil improvement products decreased heavily compared with the previous year, because liming conditions were poor at the beginning of the year and crop prices low. However, crop prices increased as a consequence of the dry summer, which intensified the sales of limestone-based



products for agriculture in the second half of the year, before another cold and snowy year-end.

Nordkalk has implemented a number of projects aimed at improving energy efficiency. Energy and transportation prices remained at a relatively low level, which had a positive effect on the result.

The number of personnel remained at the same level as in the previous year, despite the increased production volumes and other activities. The employees' flexibility, knowledge and commitment had a significant effect on the good result in 2010.

#### **Currency rates support the result development**

As far as currencies outside the eurozone are concerned, the Swedish krona particularly strengthened in relation to the euro, and the Polish zloty and Norwegian krone were also strong. At the end of the year even the Russian rouble showed signs of strengthening. The development of the currencies of Sweden and Poland had a positive effect on Nordkalk's result.

#### **Supreme Court in Sweden decides not to hear Nordkalk's Bunge case**

Nordkalk's Swedish subsidiary Nordkalk AB has applied for a permit to open a new limestone quarry in Bunge on northern Gotland as the present quarry will run out of stone in 2013. The case was ruled out by the Environmental Court of the Nacka District Court on 19 December 2008, but in its ruling on 9 October 2009 the High Court for the Environment granted a conditional permit to Nordkalk to start quarrying in the area.

The decision was later appealed to the Supreme Court, which announced on 21 October 2010 that it will not hear

the appeal. This means that Nordkalk will invest approximately EUR 50 million, and quarrying can continue for 25 to 40 years. The new quarry is scheduled to be opened by early 2013. The limestone from Gotland is an irreplaceable raw material for the Nordic steel industry.

#### **Kolari limestone quarry in Lapland reopens**

In order to fulfil increasing demand for limestone to the mining industry, Nordkalk is reopening the Kolari limestone quarry in northern Finland. The test quarrying took place in October, and the stone proved to be well suited to a customer's process. An environmental permit for continued quarrying was granted in December.

#### **Recent investments in Poland and Norway meet expectations**

The new crushing plant in Miedzianka in Poland that was taken into use in July 2009 has proved to live up to expectations. The third quarter of 2010 was the busiest ever in road construction in Poland, and thanks to the new line Nordkalk was able to meet the high demand.

The joint venture NorFraKalk's lime kiln in Norway, which was inaugurated in October 2009, produces high-quality lime for the manufacture of the paper pigment PCC. The production and shipping-based logistics chain has proved to work well.

#### **New long-term agreement in the Baltic States**

In December 2010 Nordkalk signed a long-term delivery agreement with the main steel producer in the Baltic States. Nordkalk's lime plant in Rakke in Estonia will undergo extensive renovation work in order to increase its production capacity.

# Nordkalk Board of Directors



From the left:

**Bjarne Mitts,**  
Chairman

**Cyril von Rettig**

**Leif Lundkvist**

**Anders Mollis-Mellberg**

**Björn Mattsson,**  
Vice Chairman

**Christoffer Taxell**

## Focus on technology and environment

New and environmentally friendly technologies is one of the focus areas of Nordkalk's R&D activities. Throughout 2010, Nordkalk continued to work on improving process effectiveness, utilising alternative fuels and reducing the environmental impact of operations. The company's R&D activities also aim to raise the utilisation rate of quarried raw materials and create new product concepts and market applications for limestone-based products.

In the field of geology, the focus is on ensuring a long-term raw-material base and using Nordkalk's existing limestone reserves in the most efficient way, based on good quarry planning.

Environmental goal-setting for the coming years emphasises an effective use of energy and raw materials, reduced noise and dust, and intensified monitoring of emissions from the operations.

Nordkalk's activities in Finland, Sweden and Poland have been certified according to the environmental standard ISO 14001 for many years. During 2010 the certification was expanded to cover Estonia, and in 2011 the goal is to get the Russian operations covered. All Nordkalk's operations, Russia included, are certified in compliance with the ISO 9001 quality standard.

Nordkalk also invests in the active development of products and methods to reduce the diffuse loading on water-courses. In Sweden governmental support is now available for phosphorus reduction in fields and waterways, which offers new opportunities for Nordkalk's lime-based Fostop concept.

## Major investments

Nordkalk purchased land in central Gotland in 2010. Land was also acquired in Miedzianka in Poland and Vasalemma in Estonia.

In Lappeenranta in Finland, a major overburden removal was finalised in 2010. Another large investment in Lappeenranta last year was the conversion of a large stone-sorting plant from a manual function to an automated process. This has increased efficiency and reduced costs.

Most of the investments in 2010 related to new machinery, such as trucks, dumpers and excavators, which need to be replaced on a regular basis.

## Satisfied employees

A personnel survey was carried out in 2010. The response rate was 69 per cent. The survey shows that Nordkalk employees are more satisfied with their work than they were two years ago. The result is especially positive in the light of the fact that 2009 was a difficult year, involving lay-offs and personnel reductions.

Thanks to continuous training of its personnel Nordkalk guarantees its ability to fulfil customers' expectations and cope with changing requirements, e.g. in the field of environmental legislation and technical development. The needs for skills development are carefully established in annual development discussions and regular personnel reviews.

In coming surveys, we expect the family-owned company's long-term view to be a factor to contribute to positive results.

# Nordkalk Management Team

**Bertel Karlstedt**  
President and CEO

**Måns Fajerson**  
Vice President,  
Purchasing & Logistics

**Kim Nordell**  
Chief Financial Officer

**Tarmo Tuominen**  
Chief Technology Officer

**Jan Weber**  
Vice President,  
Central & Eastern Europe Division

**Eelis Eskelinen**  
Vice President, Pulp & Paper Division

**Anders Mattsson**  
Vice President,  
Metals & Mining Division

**Esa Tikka**  
Vice President, Business Development

**Kari Vainio**  
Vice President, Administration

**Hannu Venäläinen**  
Vice President, Finland Division

## Business outlook for 2011

In many cases the markets seem to have recovered from the economic recession, but at the same time there is a sense of uncertainty, which makes forecasting difficult. This uncertainty is clearly reflected in the steel industry. In the pulp and paper industry structural changes are expected to continue. In the construction industry the trend is positive. General market circumstances are expected to develop favourably, especially in the Baltic States and Poland.

The price of energy is anticipated to increase in 2011, which will raise production and transportation costs.

Nordkalk's deliveries to the customer segments of paper, steel, chemical industry and construction materials are expected to increase slightly in 2011. A decrease is anticipated in sales to the customer segment soil stabilisation. Deliveries to the agricultural segment are forecast to grow a little, but the heavy winter at the beginning of 2011 makes the situation more difficult. On the other hand, the cold weather will benefit the sales of limestone-based products for flue gas cleaning in the environmental segment.



*The Management Team members were photographed on 15 November 2010, during the celebration of the 100th anniversary of the operations in Lappeenranta, Finland.*

# Report of the Board of Directors



## General information

Following a lengthy recession, the global economy stabilised in 2010. While the finance crisis is by no means fully behind us, there were nonetheless signs of an industrial upturn in several European countries.

Radiator business sales volumes rose against the previous year and helped boost profitability compared with 2009.

Year-on-year transport volumes for the shipping business rose for both exports and imports. However, lower charter rents reduced profitability in 2010 compared with the previous year although sales were on the same level.

In August 2010 the company increased its shareholding in Nordkalk to 100 per cent. The latter turned in a positive performance in 2010, posting a significant improvement in both sales and profitability compared with 2009.

## Group structure

Rettig Group Ltd is the parent company of the Rettig Group ("the Group"), and is a wholly owned subsidiary of Rettig Capital Ltd. The parent company Rettig Group Ltd's main activities comprise shipping and the sale of services to units within the Rettig ICC, Bore and Nordkalk business areas, as well as to other Rettig companies.

The Group's radiator business is operated by Rettig Indoor Climate Comfort (Rettig ICC). Operations are managed via the Netherlands-based subsidiary Rettig ICC b.v.

On 12 August 2010 the company increased its shareholding in Nordkalk by 51 per cent to 100 per cent. Nordkalk is thus now fully consolidated as a wholly owned subsidiary in the parent company Rettig Group Ltd's financial statements as of the above date.

Bore's business in Finland was separated into a new legal entity on 1 January 2011 and now trades as Bore Ltd. The business was part of the parent company's operations until the above date.

In Sweden the sales company Myson AB was merged with Rettig Sweden AB, while in Russia Rettig's share in the joint venture OOO Sanret was wound up.

## Sales and performance

The Group posted total sales of EUR 726 million (EUR 572 million) in 2010, which represents an increase of 27 per cent or EUR 154 million compared with the previous year. The Group's EBIT amounted to EUR 40 million (EUR 23 million), which equates to an increase of EUR 17 million. The rise in sales and EBIT primarily relates to Nordkalk, whose sales and EBIT are not included in the previous year's financial statements, and to Rettig ICC.

According to the proforma consolidation, in which Nordkalk is recognised as a wholly owned subsidiary from 1 January 2010, the total consolidated sales for 2010 amounted to EUR 919 million, while the consolidated EBIT was EUR 60 million.

## Rettig ICC

Demand for radiator products increased, in particular during the second half of 2010. Rettig ICC's best-performing major markets were Sweden, Poland, Russia and Belgium.

The panel radiator sales volume, which accounts for more than 70 per cent of Rettig ICC's total sales, amounted to 6.6 million units. This represents a year-on-year increase of 0.1 million units.

Compared with the previous year, sales of underfloor heating systems increased by 5 per cent, and sales of special radiators (including towel warmers and design radiators) rose by 8 per cent. Valves and thermostats recorded the largest increase in sales (26 per cent).

The greatest financial risks within the radiator business relate to fluctuating raw material prices, in particular for steel. The primary strategic risks attach to significant changes in the macroeconomic situation, major changes in the customer base and product range, as well as access to raw materials.

The production facilities are suitably insured and, with the exception of the unit acquired in Turkey in 2008, all production units are environmentally certified to ISO 14001.

Rettig ICC posted total sales of EUR 521 million (EUR 507 million) in 2010 and EBIT amounted to EUR 38 million (EUR 20 million). The improvement in EBIT of EUR 18 million is primarily attributable to higher sales and to non-recurring costs recognised the previous year.

## Bore

2010 was a year of two contrasting halves for the Bore business. While a certain upturn in transport volumes was witnessed during the second half-year, price levels for renegotiated charter rents fell. Some of Bore's vessels were laid up for periods during the year due to reduced transport loads on some line routes. The recovery in the shipping sector looks like taking longer than in several other industrial sectors.

At the end of 2010 the number of vessels in Bore's fleet was 20. In mid 2011 the fleet will increase with 2 following the completion of the two vessels currently under construction in Germany.

Docking and maintenance of cargo vessels was implemented largely as planned. The most extensive docking work was performed on the vessels Norking and Norqueen.

The main strategic, operational and financial risks to which the Bore business is exposed relate to customers' operating conditions and financial position, and the condition of the vessels and on-board quality levels. Proper insurance cover is in place for the vessels, including for off-hire occasions.

Bore is certified according to the environmental management system ISO 14001 and is increasingly focusing on the environmental requirements currently being made of the shipping industry and future requirements in the Baltic Sea region.

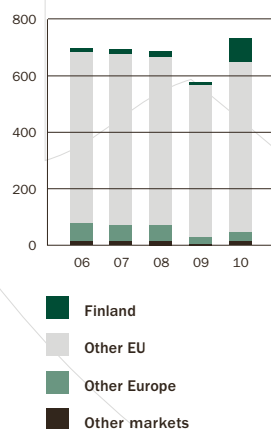
Bore's sales for the year totalled EUR 66 million (EUR 66 million). EBIT amounted to EUR -10 million (EUR 1 million). The decrease in earnings is primarily attributable to lower renegotiated charter rents, higher docking costs and higher depreciations than in the previous year.

## Nordkalk

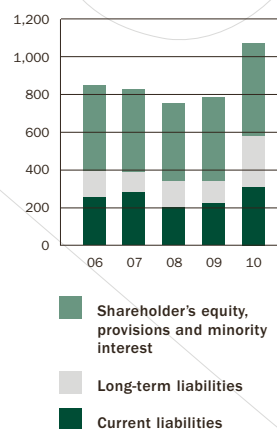
Nordkalk is northern Europe's leading manufacturer of high-quality limestone-based products for the paper, steel and construction material industries and environmental and agriculture sectors. The company operates in several countries, including Finland, Sweden, Poland, Norway, Estonia and Russia.

Since the middle of August 2010 Nordkalk has been recognised as a new business area for the Group.

TURNOVER BY MARKET AREA, EUR millions



CAPITAL STRUCTURE, EUR millions



The business performed significantly better in 2010 than in the previous year. High demand for Nordkalk's products was reflected in higher sales and improved results. Internal efficiency improvements also contributed to the positive development.

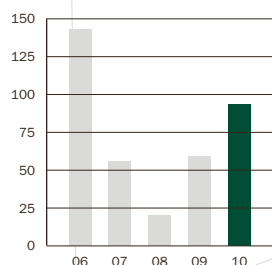
During the past year, following a lengthy process, Nordkalk was granted a licence to open a new quarry at Bunge on Gotland in Sweden. The quarry is important for the company's future development, as it secures raw material supplies, in particular for the steel industry sector.

The most significant risks to which Nordkalk's business is exposed are closely related to market demand, increased competition, access to raw materials, energy prices and environmental requirements.

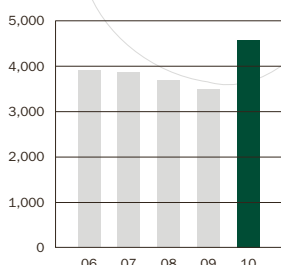
The environment and quality are key areas for Nordkalk's business. Work is continually performed at all locations to minimise noise, vibration and dust in operations. All the company's business locations are certified to the quality standard ISO 9001. Environmental certification to ISO 14001 and health and safety certification in accordance with OHSAS are also in place in Finland, Sweden, Poland and Estonia. Work on environmental certification and health and safety is also planned to be completed in Russia next year.

Nordkalk's sales for 2010 totalled EUR 332 million (EUR 277 million), while EBIT for the year came in at EUR 33 million (EUR 27 million).

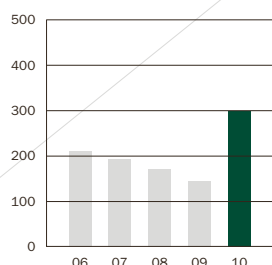
**GROSS INVESTMENTS, EUR millions**



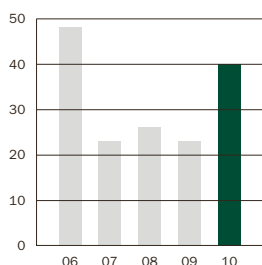
**AVERAGE NUMBER OF PERSONNEL**



**NET INTEREST-BEARING DEBT, EUR millions**



**EBIT, EUR millions**



## Financing and financial position

At the end of 2010 the Group had long-term liabilities of EUR 269 million (EUR 89 million) and current liabilities of EUR 263 million (EUR 226 million). The Group's interest-bearing net debt amounted to EUR 298 million (EUR 144 million). Cash and cash equivalents totalled EUR 34 million (EUR 27 million). The consolidated equity and net gearing ratios were 43 per cent (54 per cent) and 65 per cent (34 per cent) respectively. In accordance with the proforma consolidation, in which Nordkalk is recognised as a subsidiary for the whole of 2010, the consolidated equity ratio was 43 per cent and the consolidated net gearing ratio was 66 per cent.

Significant year-on-year changes in the consolidated figures above relate to Nordkalk, whose year-end balance sheet was consolidated for the first time at the end of 2010.

In June 2010 the parent company issued a bond loan of EUR 100 million placed with domestic investors. The five-year bond loan has a coupon rate of 5 per cent. The parent company also entered into a financing agreement with a value of EUR 104 million with the German company KfW IPEX-Bank GmbH in connection with the financing of Bore's two new ship builds.

Interest-bearing net debt for the parent company amounted to EUR 152 million (EUR 134 million) and the equity ratio was 63 per cent (66 per cent). The parent company received a capital loan last year in the total amount of EUR 31.8 million from the largest selling institutions in connection with the increase in the shareholding in Nordkalk. The above capital loan is included in shareholders' equity in the calculation of the parent company's and the consolidated equity and net gearing ratios. The main terms of the capital loans can be found in the Notes to the Swedish version of the annual financial statements.

## Shares

The company's shares are divided into two categories: ordinary shares and A shares. A total of 179,000 ordinary shares are in circulation. No A shares have been issued. One ordinary share carries 20 votes.

### Investments, personnel, payroll expenses and remuneration

The largest individual investment in 2010 related to the acquisition of the remaining shares in Nordkalk. This investment amounted to EUR 62 million and was primarily financed using cash flow from operations. Other investments were made in the amount of EUR 32 million (EUR 15 million) in non-current assets and in the amount of EUR 4 million (EUR 3 million) in product development.

In 2010 the Group employed an average of 4,565 staff (2009: 3,492 employees; 2008: 3,677 employees), of whom 76 per cent (2009: 83 per cent; 2008: 83 per cent) worked outside Finland. The Group's payroll expenses and remuneration for the accounting period totalled EUR 123 million (2009: EUR 106 million; 2008: EUR 113 million).

### Board of Directors and auditors

The Board of Directors for 2010 comprised Cyril von Rettig (Chairman), Ann von Rettig, Hans von Rettig, Tom von Rettig, Martin Granholm (Vice Chairman), Bengt Ohls and Teppo Taberman.

Sixten Nyman, Authorised Public Accountant, and the auditing firm KPMG Oy Ab were the auditors for 2010.

### Pending investigations

During the year under review the Belgian anti-trust authorities issued a ruling on the investigation they had previously initiated in 2007. In accordance with the ruling Rettig Belgium NV

was ordered to pay a fine of EUR 1.5 million. The company has since complied with the ruling.

### Outlook for 2011

Some general macroeconomic uncertainty is expected to persist and a number of countries will continue to experience sluggish growth in the year to come. In addition, soaring prices of energy and raw materials create threats for our businesses. However, encouraged by the positive development in 2010, we look forward with confidence to 2011.

### Proposed distribution of profits

According to the balance sheet as of 31 December 2010, the parent company's distributable reserves were as follows:

Retained earnings from previous periods	EUR	448 767 656.86
Fund for paid-in unrestricted shareholders' equity	EUR	5 500 000.00
Retained earnings from the current accounting year	EUR	-30 343 633.09
Total	EUR	423 924 023.77

The Board of Directors recommends that no dividend be paid and that the retained earnings be carried forward to new account.

Helsinki, 15 February 2011

Cyril von Rettig, Chairman

Bengt Ohls

Ann von Rettig

Hans von Rettig

Tom von Rettig

Teppo Taberman

Martin Granholm

Bjarne Mitts, President and CEO

# Income statement

EUR thousands	GROUP				PARENT COMPANY				GROUP PROFORMA*) (unaudited)	
	2010		2009		2010		2009		2010	
TURNOVER	726 290	100%	572 420	100%	55 701	100%	54 885	100%	918 536	100%
Cost of goods sold	-572 692		-442 287		-57 638		-50 539		-731 286	
GROSS PROFIT	153 598	21%	130 133	23%	-1 937	-3%	4 346	8%	187 250	20%
Sales and marketing expenses	-48 803		-46 975		-190		-180		-55 077	
Administration expenses	-43 573		-33 096		-19 153		-12 165		-52 481	
Other operating income	11 991		6 305		8 106		8 723		18 570	
Other operating expenses	-33 906		-33 241		-5 752		-5 752		-37 843	
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	40 307	6%	23 126	4%	-18 926	-34%	-5 028	-9%	60 420	7%
Financial income and expenses	-10 784		-8 949		-6 173		38 940		-22 137	
PROFIT BEFORE EXTRAORDINARY ITEMS	29 523	4%	14 176	2%	-25 098	-45%	33 912	62%	38 283	4%
Merger loss	0		0		-9 965		0		0	
Group contribution	-1 000		0		2 900		3 500		-1 000	
PROFIT AFTER EXTRAORDINARY ITEMS	28 523	4%	14 176	2%	-32 163	-58%	37 412	68%	37 283	4%
Change in depreciation difference	0		0		-557		13 418		0	
Direct taxes	-9 748		-5 960		2 377		-4 589		-14 328	
Minority interest	-871		0		0		0		-2 455	
PROFIT FOR THE FINANCIAL YEAR	17 903	2%	8 216	1%	-30 344	-54%	46 241	84%	20 500	2%

\*) Including the Nordkalk acquisition for the whole year.

# Balance sheet

EUR thousands	GROUP				PARENT COMPANY				GROUP PROFORMA*) (unaudited)
	2010		2009		2010		2009		2010
<b>ASSETS</b>									
<b>NON-CURRENT ASSETS</b>									
Intangible assets	7 993		2 482		11 569		13 442		7 993
Goodwill	1 262		0		27 929		33 681		1 262
Goodwill on consolidation	192 309		114 166		0		0		189 342
Tangible assets	552 459		338 333		131 939		138 581		552 459
Investments	4 199		119 796		576 531		549 238		4 199
	758 222	71%	574 777	74%	747 968	92%	734 942	90%	755 255 71%
<b>CURRENT ASSETS</b>									
Inventories	106 050		57 052		663		418		106 050
Receivables	153 009		111 057		56 473		60 944		153 009
Deferred tax asset	10 648		7 987		3 649		1 261		10 648
Current investments	1 906		13		0		0		1 906
Cash and cash equivalents	33 600		26 878		7 186		20 801		33 600
	305 214	29%	202 987	26%	67 972	8%	83 423	10%	305 214 29%
<b>TOTAL ASSETS</b>	<b>1 063 436</b>	<b>100%</b>	<b>777 764</b>	<b>100%</b>	<b>815 940</b>	<b>100%</b>	<b>818 365</b>	<b>100%</b>	<b>1 060 469 100%</b>
<b>EQUITY AND LIABILITIES</b>									
<b>SHAREHOLDERS' EQUITY</b>									
Share capital	3 011		3 011		3 011		3 011		3 011
Retained earnings	388 736		376 433		448 768		402 527		381 285
Fund of invested non-restricted equity	0		0		5 500		5 500		0
Profit for the financial year	17 903		8 216		-30 344		46 241		20 500
	409 650	39%	387 660	50%	426 935	52%	457 278	56%	404 796 38%
<b>MINORITY INTEREST</b>	<b>14 786</b>	<b>1%</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>14 786 1%</b>
<b>ACCUMULATED APPROPRIATIONS</b>									
Depreciation in excess of plan	0		0		52 660	7%	52 103	6%	0
<b>PROVISIONS</b>	<b>30 707</b>	<b>3%</b>	<b>20 704</b>	<b>3%</b>	<b>1 137</b>	<b>0%</b>	<b>1 173</b>	<b>0%</b>	<b>30 707 3%</b>
<b>LIABILITIES</b>									
Capital loans	31 850	3%	31 850	4%	31 850	4%	31 850	4%	31 850 3%
Other liabilities	532 022	50%	315 216	40%	303 358	37%	275 961	34%	533 908 51%
Deferred tax liabilities	44 422	4%	22 334	3%	0		0		44 422 4%
	608 293	57%	369 400	47%	335 208	41%	307 811	38%	610 180 58%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 063 436</b>	<b>100%</b>	<b>777 764</b>	<b>100%</b>	<b>815 940</b>	<b>100%</b>	<b>818 365</b>	<b>100%</b>	<b>1 060 469 100%</b>

\*) Including the Nordkalk acquisition for the whole year.

# Cash flow statement



EUR millions	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
<b>CASH FLOW FROM OPERATIONS</b>				
Earnings Before Interest and Taxes (EBIT)	40.3	23.1	-18.9	-5.3
Adjustments:				
Depreciations	69.8	56.7	25.2	22.4
Write Downs	0.0	0.0	0.0	0.0
Capital gains/losses included in operating income	0.0	-0.9	0.0	-0.9
Other non-cash income and expenses	-3.7	0.6	0.0	0.0
Interest expenses and other financial expenses paid	-13.2	-10.4	-10.0	-10.2
Interest income received	2.5	0.6	8.1	4.8
Dividends received	0.0	1.1	22.5	48.4
Taxes paid	-14.3	-6.1	0.0	0.0
Cash flow from operations excluding change in working capital	81.5	64.7	26.8	59.2
Change in working capital:				
Change in current operating receivables	-2.3	1.8	-1.8	-2.2
Change in inventories	-11.0	14.2	-0.2	-0.2
Change in non-interest-bearing liabilities	8.4	5.7	0.3	-1.4
Cash flow from operations (A)	76.5	86.3	25.0	55.4
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investments in intangible and tangible assets	-31.4	-10.5	-10.9	-0.5
Acquired subsidiary- and associated companies' shares	-49.0	-44.2	-62.7	-44.2
Sale of intangible and tangible assets	6.6	3.1	0.0	3.1
Investments in other non-current assets	-0.3	-4.5	-0.3	-4.5
Sale of other non-current assets	0.6	0.3	0.6	0.3
Cash flow from investing activities (B)	-73.6	-55.9	-73.3	-45.9
Cash flow from operations and investing activities (A + B)	2.9	30.4	-48.3	9.5
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in long-term loans	110.0	91.9	110.0	91.9
Repayments of long-term loans	-105.6	-73.4	-86.3	-73.4
Repayments of long-term loans receivable	0.0	0.0	0.0	0.0
Change in long-term receivables	0.6	-22.6	-13.4	-10.1
Change in current receivables non operating	-3.6	-9.3	10.4	-12.3
Change in current liabilities	2.3	-3.7	-15.6	11.6
Other financial items	0.0	-3.5	29.6	-3.5
Cash flow from financing activities (C)	3.8	-20.7	34.7	4.0
Cash flow for the year (A + B + C)	6.7	9.7	-13.6	13.5
Cash and cash equivalents on 1 January	26.9	17.2	20.8	7.3
Cash and cash equivalents on 31 December	33.6	26.9	7.2	20.8

# Accounting principles

All Group companies apply uniform accounting principles based on Finnish accounting legislation, which conforms to EU accounting directives and to generally accepted accounting standards.

## Scope of consolidation

The consolidated financial statements include Rettig Group Ltd and those companies in which the parent company directly or indirectly holds more than half of the voting rights. Dormant companies are excluded since they have no material impact on the disclosure of a true and fair view. Major investments in associated companies, i.e. those in which the parent company directly or indirectly owns 20 – 50 % of the voting rights at the year-end, are accounted for in the consolidated financial statements using the equity method.

## Consolidation principles

The acquisition of companies is accounted for using the purchase method. The excess value of the purchase price is allocated to the underlying balance sheet items up to the fair value of the assets acquired, and the remaining elimination difference is carried over as goodwill on consolidation. Intragroup transactions, balances and profits, material internal margins and dividends are eliminated on consolidation.

The financial results of subsidiaries acquired or divested during the year are included in the consolidated financial statements from their acquisition date up to their disposal date. The Group's share of the associates' net result is reported under financial items in the income statements. The Group's share in joint ventures is consolidated using the proportionate consolidation method.

The minority interest in equity, including untaxed appropriations less deferred taxes, and in the net profit for the financial year is calculated prior to the elimination of internal transactions and balances.

Sales gains or losses on divestments of business areas are recognised as operating income/expenses and income taxes due to sales gains are recorded in taxes.

To facilitate better comparison in coming years a proforma income statement and balance sheet have been prepared showing how the Group would have looked if Nordkalk had been wholly owned as of 1 January, 2010. The proforma income statement and balance sheet differ from the official consolidated financial statements due to the impact of

applying the following assumptions for the period 1 January – 12 August 2010:

Nordkalk's income statement  
Amortisation of goodwill on consolidation  
Calculated interest on the acquisition price of Nordkalk shares  
Elimination of the share of result for associated companies (Nordkalk)

## Non-current assets

The balance sheet values of tangible and intangible assets are based on direct historical cost. In addition, certain land areas may be stated at revalued amounts. Asset values are regularly reviewed. A predetermined schedule is applied to calculate depreciation and amortisation of non-current assets. Depreciation and amortisation is calculated using the straight-line method over the assets' expected useful life. As a rule, depreciation and amortisation periods are as follows:

Intangible rights	5-10 years
Goodwill	5-10 years
Goodwill on consolidation	5-10 years
Goodwill allocated to mines and quarries	30 years
Other capitalised expenditure	3-10 years
Buildings and constructions	10-40 years
Vessels	18-25 years
Machinery and equipment	3-10 years
Heavy process machinery and kilns	15-25 years
Other tangible assets	5-10 years

Land and water are not depreciated with the exception of quarries and mines which are subject to substance depreciations. Amortisation of goodwill on consolidation is generally calculated over five years. When material goodwill arises on the acquisition of a subsidiary, which results in the Group acquiring a significant market share, the amortisation period may be longer than five years, but may not, however, exceed twenty years. The elimination difference allocated to non-current assets on consolidation is depreciated according to the depreciation schedule for each item. Amortisation of consolidation goodwill that has been allocated to quarries and mines are amortised over thirty years due to the strategic nature of the mines.

Long-term investments comprise financial investments and receivables intended to be held for more than one year. These are valued at acquisition cost.

### **Inventories**

Inventories are valued using the lower of cost or market method. Cost is calculated according to the FIFO principle. The cost of inventories includes, in addition to direct costs, an appropriate proportion of purchase and production overheads.

### **Cash and marketable securities**

Cash and cash equivalents include cash in hand, bank balances, deposits of up to three months and other funds that are equivalent to cash.

Marketable securities comprise equity securities, deposits and debt securities intended for resale within a year. Marketable securities are stated at the lower of cost or market value. Changes in market values are recognised in the income statement under financial items.

### **Provisions and appropriations**

Accumulated untaxed appropriations, net of any deferred tax liability, are included in the consolidated balance sheet as part of retained earnings but may not, however, be treated as disposable funds.

Mandatory provisions are future expenses that are judged to be imminent and which will probably not generate any future income. These are charged against income as a provision under liabilities.

The Group's pension arrangements conform to the customs and practice prescribed by local legislation in each country. Pension costs, post-retirement benefits and changes in pension obligations are mainly recognised in the income statement. Provisions include estimated costs for future pensions. The retirement age of the managing directors of Group companies varies between 60 and 65 years.

### **Revenue recognition**

Turnover is recognised upon the exchange of goods or the performance of services, net of sales taxes, discounts and exchange rate differences. The delivery costs of products sold are recorded as production expenses and bad debts are recognised as marketing expenses.

### **Emission rights**

Emission rights are recognised using the net value method. In other words, current values are not recognised in the balance sheet. Emission rights acquired to cover shortfalls, and shortfalls not covered by acquisition, are reported as a cost provision according to their value at the balance sheet date. Gains on the sale of surplus emission rights are recognised under other operating income.

### **Research and development costs**

Research and development costs are expensed in the year they are incurred.

### **Taxes**

Taxes for the financial year are shown in the consolidated financial statements as a combined amount covering the taxes recognised in single-entity financial statements prepared in accordance with local tax rules.

A deferred tax asset or liability is determined by accounting for timing differences between the tax written-down and accounting values of assets and liabilities using the current tax rate or the enacted tax rates effective for the future years. Deferred tax liabilities are recognised in full in the balance sheet, while deferred tax assets are only recognised to the extent these can be utilised to reduce future tax. Deferred tax liabilities on acquired fair values are recognised in the consolidated financial statements.

### **Foreign currencies**

Foreign currency transactions during the year are recognised in the financial statements at the exchange rates that apply on the date at the transaction.

Receivables and liabilities denominated in foreign currencies are translated into EUR at the closing rate determined by the European Central Bank (ECB) at the balance sheet date. If the amount is fixed by a forward contract, the forward rate is applied. Realised and unrealised exchange gains and losses on receivables and liabilities are recognised in the income statement.

Derivatives designated as hedges are measured on a monthly basis, and any consequent unrealised gains and losses are recognised in financial income and expenses on the same basis as the gains and losses on the underlying hedged item. Foreign currency-denominated future cash flows can normally be hedged for up to 12 months.

Foreign exchange gains and losses relating to normal business operations are treated as adjustments to sales and purchases. Gains and losses associated with financing are recognised as financial income and expenses.

With regard to shareholders' equity, translation differences due to exchange rate fluctuations are recognised in the consolidated financial statements under retained earnings. The income statements of all foreign subsidiaries are translated into EUR at the months' average exchange rates and the balance sheets at the year-end exchange rate.

# Five-year review

EUR millions	2006	2007	2008	2009	2010	Proforma 2010 unaudited *)
Turnover	694	690	682	572	726	919
outside Finland, %	98	97	97	99	89	80
EBITDA	116	91	88	88	107	146
EBIT	48	23	26	23	40	60
Profit before extraordinary items	38	13	9	14	30	38
% of turnover	6	2	1	2	4	4
Profit for the financial year	24	2	1	8	18	21
Balance sheet total	843	824	751	778	1 063	1060
Net debt	210	192	171	144	298	298
Equity ratio %	51	50	52	54	43	43
Net gearing %	49	47	44	34	65	66
Return on investment %	8	4	4	4	6	7
Return on equity %	7	1	0	2	5	5
Gross investments	143	56	20	59	93	104
Average number of personnel	3 895	3 857	3 677	3 492	4 565	4 565

\*) Rettig Group consolidated as if Nordkalk had been wholly owned from 1 January 2010.

## Calculation of financial ratios

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

$$\text{Net gearing \%} = \frac{\text{Interest-bearing liabilities - interest-bearing receivables and investments}}{\text{Shareholders' equity + minority interest}} \times 100$$

$$\text{Return on investment \%} = \frac{\text{Profit before extraordinary items + interest and other financial expenses}}{(\text{Balance sheet total - non-interest-bearing liabilities}), \text{ annual average}} \times 100$$

$$\text{Return on equity \%} = \frac{\text{Profit before extraordinary items - direct taxes}}{(\text{Shareholders' equity + minority interest}), \text{ annual average}} \times 100$$

Note: Capital loans treated as shareholders' equity in the calculations.

# Auditor's report



## TO THE ANNUAL GENERAL MEETING OF RETTIG GROUP LTD

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rettig Group Ltd for the year ended on 31 December 2010. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### **Responsibility of the Board of Directors and the President & CEO**

The Board of Directors and the President & CEO are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President & CEO shall see to

it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President & CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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

Helsinki, 15 February 2011

Sixten Nyman  
Authorised Public Accountant

KPMG Oy Ab  
Jari Härmälä  
Authorised Public Accountant

# Board of Directors



**Cyril von Rettig**  
B.Sc. (Econ.)  
Born 1954  
Chairman of the Board  
Member since 1988  
Operational engagement:  
Bore (1978–1990)

**Ann von Rettig**  
M.Sc. (Soc. Sc.)  
Born 1953  
Member since 1988  
Operational engagement:  
administration and portfolio  
management (1987–1996)

**Hans von Rettig**  
M.Sc. (Econ.), LLB (Hons.), LLM  
Born 1960  
Member since 1988  
Operational engagement:  
Oy Sinebrychoff Ab (1985–1989)

**Tom von Rettig**  
Born 1955  
Member since 1988  
President and CEO 1996–1998  
Operational engagement:  
Tobacco (1976–1995)



**Martin Granholm**  
M.Sc. (Eng.), D.Sc. (Tech.) h.c.  
Born 1946  
Vice Chairman of the Board  
Member since 2005  
Other board assignments: Algot Oy  
(Chairman), Oy Norcar-BSB Ab,  
Åbo Akademi University (Chairman),  
International Chamber of  
Commerce Executive Board



**Bengt Ohls**  
B.Sc. (Econ.)  
Born 1940  
Member since 1996  
Other board assignments:  
Rettig Capital Ltd (Chairman),  
Rettig Fastighetsutveckling Ab  
(Chairman), Rettig Asset  
Management Oy Ab (Chairman),  
Strömma Turism och Sjöfart AB



**Teppo Taberman**  
B.Sc. (Econ.)  
Born 1944  
Member since 1996  
Other board assignments:  
Lemminkäinen Oyj,  
Oy Ingman Group Ab,  
SKS Group Oy,  
Bank of Åland Plc



# Group Management



**Bjarne Mitts**  
B.Sc. (Econ.)  
Born 1949  
President and CEO  
Employed by Rettig since 2003

**Thomas Franck**  
M.Sc. (Eng.)  
Born 1950  
CEO, Bore  
Vice President,  
Group Business Development  
Employed by Rettig since 1999

**Bertel Karlstedt**  
M.Sc. (Eng.)  
Born 1962  
CEO, Nordkalk  
Employed by Rettig since 2010  
(Nordkalk since 2005)

**Markus Lengauer**  
Ph.D.  
Born 1965  
CEO, Rettig ICC  
Employed by Rettig since 2002  
(Vogel & Noot since 1991)



**Berndt Lindberg**  
Master of Laws  
Born 1952  
Legal counsel  
Employed by Rettig since 1990



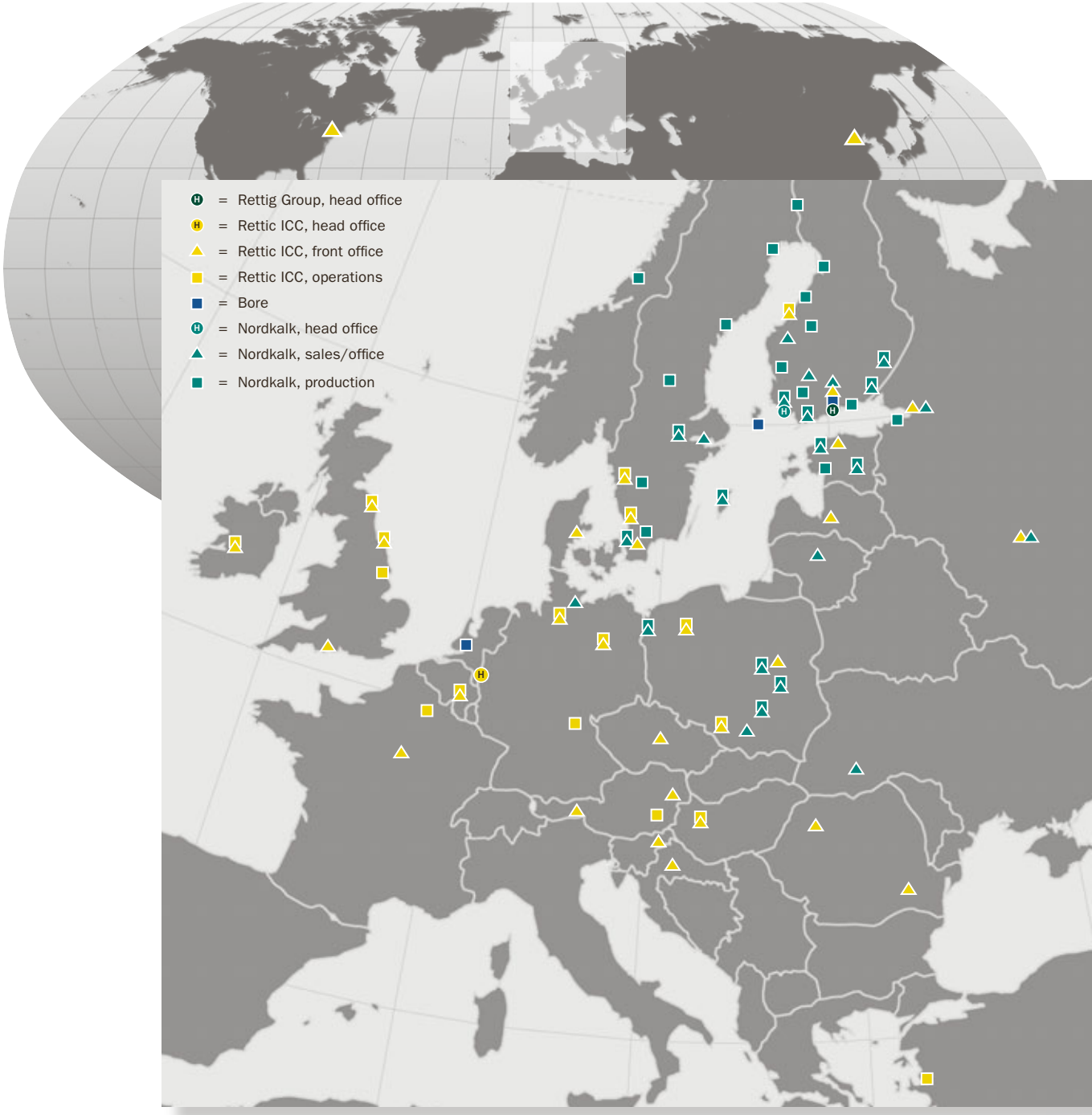
**Leif Söderström**  
B.Sc. (Econ.)  
Born 1950  
Group Treasurer  
Employed by Rettig since 1991



**Tomas Ölander**  
B.Sc. (Econ.)  
Born 1957  
CFO  
Employed by Rettig since 2002



# Contact information



**● Rettig Group Ltd**  
Bulevardi 46, P.O. Box 115  
FI-00121 Helsinki  
Tel. +358 9 618 831  
Fax +358 9 6188 3397  
E-mail: info@rettig.fi  
Website: www.rettig.fi  
President and CEO: Bjarne Mitts

**● RETTIG ICC**

**Rettig ICC bv**  
Australiëlaan 6  
NL-6199 AA Maastricht-Airport  
Tel. +31 43 358 5870  
Fax +31 43 358 5871  
E-mail: enquiry@rettigicc.com  
Website: www.rettigicc.com  
CEO: Markus Lengauer

**▲ FRONT OFFICE:  
SALES AND MARKETING ENQUIRIES**

**AUSTRIA:**  
**Rettig Austria GmbH**  
BRAND: VOGEL & NOOT  
Vogel und Noot Strasse 4  
AT-8661 Wartberg  
Tel. +43 3858 601-0  
Fax +43 3858 601-1298, 1598  
E-mail: marketing@vogelundnoot.com  
Website: www.vogelundnoot.com

**Rettig Austria GmbH**  
BRAND: PURMO  
Brandwiesweg 4  
AT-6383 Erpfendorf / Tirol  
Tel. +43 5352 855 0  
Fax +43 5352 8555  
E-mail: info@purmo.at  
Website: www.purmo.at

**BELGIUM:**  
**Rettig Belgium NV**  
BRAND: RADSON  
Vogelsancklaan 250  
BE-3520 Zonhoven  
Tel. +32 11 813 141  
Fax +32 11 817 378  
E-mail: info@radson.be  
Website: www.radson.com

**P.R. CHINA:**  
**Rettig (China) Co., Ltd**  
BRAND: PURMO  
Room 1908, Tower A  
Ocean International Center  
56 East 4th Ring Road  
100025 Beijing  
Tel. +86 10 8586 8499  
Fax +86 10 8586 8488  
E-mail: sales@rettig.com.cn  
Website: www.purmo.com.cn

**CROATIA:**  
**Rettig Hrvatska d.o.o.**  
BRAND: VOGEL & NOOT  
Fallerovo Šetalište 22  
HR-10000 Zagreb  
Tel. +385 1 65 30 979  
Fax +385 1 65 31 151  
E-mail: vogel-noot@vnwt.hr  
Website: www.vogelundnoot.com

**CZECH REPUBLIC:**  
**Rettig Group Česká s.r.o.**  
BRAND: VOGEL & NOOT  
Kladská 1082  
500 03 Hradec Kralove  
Tel. +420 775 269 963  
Website: www.vogelundnoot.com

**DENMARK:**  
**Rettig Varme ApS**  
BRAND: PURMO  
Rosengade 1  
DK-6600 Vejen  
Tel. +45 75 555 611  
Fax +45 75 555 622  
E-mail: info@purmo.dk  
Website: www.purmo.dk

**ESTONIA:**  
**Rettig Radiaator AS**  
BRAND: PURMO  
Liimi 3  
EE-10621 Tallinn  
Tel. +372 6706 906  
Fax +372 6706 907  
E-mail: purmo@purmo.ee  
Website: www.purmo.ee

**FINLAND:**  
**Rettig Värme Ab**  
BRAND: PURMO  
Tobaksgatan, P.O. Box 16  
FI-68601 Jakobstad  
Tel. +358 6 786 9111  
Fax +358 6 786 9222  
E-mail: info@purmo.fi  
Website: www.purmo.fi

**Rettig Värme Ab**  
BRAND: LVI  
Kauppakartanonkatu 7 A 62  
FI-00930 Helsinki  
Tel. +358 9 7269 1040  
Fax +358 9 7269 1060  
E-mail: info@lviproduktter.fi  
Website: www.lvi.eu

**FRANCE:**  
**Rettig Heating Group France SAS**  
BRAND: FINIMETAL  
157, avenue Charles Floquet  
FR-93158 Le Blanc Mesnil Cedex  
Tel. +33 1 4591 6200  
Fax +33 1 4591 6297  
E-mail: commercial@finimetal.fr  
Website: www.finimetal.fr

**Rettig Heating Group France SAS**  
BRAND: RADSON, LVI  
157, avenue Charles Floquet  
FR-93158 Le Blanc Mesnil Cedex  
Tel. +33 1 5581 2929  
Fax +33 1 5581 2920  
E-mail: info@radson.fr  
Website: www.radson.com/fr, www.lvifrance.fr

**GERMANY:**  
**RETTIG Germany GmbH**  
BRAND: PURMO  
Lierestr. 68  
DE-38690 Vienenburg  
Tel. +49 5324 808 0  
Fax +49 5324 808 999  
E-mail: info@purmo.de  
Website: www.purmo.de

**RETTIG Germany GmbH**  
BRAND: VOGEL & NOOT  
Scheeren 8  
DE-28865 Lillienthal  
Tel. +49 4298 919 0  
Fax +49 4298 919 191  
Website: www.vogelundnoot.de

**HUNGARY:**  
**Rettig Hungary Kft**  
BRAND: VOGEL & NOOT  
Kühne Ede tér 2  
HU-9200 Mosonmagyaróvár  
Tel. +36 96 88 6000  
Fax +36 96 88 9601  
E-mail: info.hu@vogelundnoot.com  
Website: www.vogelundnoot.com

**IRELAND:**  
**Rettig Ireland Limited**  
BRAND: MYSON  
Newcastle West  
County Limerick  
Tel. +353 69 622 77  
Fax +353 69 624 48  
E-mail: enquiries@myson.ie  
Website: www.myson.co.uk

**LATVIA:**  
**Rettig Radiators SIA**  
BRAND: PURMO  
Maskavas iela 418 B  
Riga LV-1063  
Tel. +371 6780 8110  
Fax +371 6780 8111  
E-mail: indulis@purmo.lv  
Website: www.purmo.lv

**POLAND:**  
**Rettig Heating Sp.z o.o.**  
BRAND: PURMO  
ul. Rotmistrza Pileckiego 91  
PL-02-781 Warsaw  
Tel. +48 22 643 2520  
Fax +48 22 643 9995  
E-mail: purmow@purmo.pl  
Website: www.purmo.pl

**Rettig Heating Sp.z o.o.**  
BRAND: PURMO  
ul. Przemysłowa  
PL-44-203 Rybnik  
Tel. +48 32 422 2807, +48 32 422 8815  
Fax +48 32 422 3766  
E-mail: purmow@purmo.pl  
Website: www.purmo.pl

**VNH Fabryka Grzejników Sp.z o.o.**  
BRAND: VOGEL & NOOT  
ul. Budowlanych 10  
PL-78-600 Walcz  
Tel. +48 67 356 5000  
Fax +48 67 356 5109  
Website: www.vogelundnoot.com

**ROMANIA:**  
**Rettig SRL** (office + warehouse)  
BRAND: PURMO, VOGEL & NOOT  
Str. Libertatii Nr 7-15  
RO-407035 Apahida Jud. Cluj  
Tel. +40 264 406 771  
Fax +40 264 406 770  
E-mail: office@rettigicc.com  
Website: www.purmo.ro, www.vogelundnoot.com

**Rettig SRL** (sales office)  
BRAND: PURMO  
Str. Branduseilor Nr 66, Et. 2  
RO-031257 Bucuresti, Sector 3  
Tel. +40 21 326 4108  
Fax +40 21 326 4109  
E-mail: info@rettigcc.ro  
Website: www.purmo.ro

**RUSSIA:**  
**ZAO Rettig Varne Rus**  
BRAND: PURMO, VOGEL & NOOT  
Pryanishnikova Str 23-a, office 42  
127550 Moscow  
Tel./fax +7 495 933 4151  
E-mail: info@rettig.ru  
Website: www.purmo.ru

**ZAO Rettig Varne Rus**  
BRAND: PURMO  
Business Center "Taims", office 306  
Kantemirovskaya Street 2  
197342 St. Petersburg  
Tel. +7 812 380 1518  
Fax +7 812 380 1519  
E-mail: info-spb@rettig.ru  
Website: www.purmo.ru

**SLOVENIA:**  
**Rettig Slovenija d.o.o.**  
BRAND: VOGEL & NOOT  
Terceva ulica 12  
SI-2000 Maribor  
Tel. +386 2 250 24 80  
Fax +386 2 250 24 81  
E-mail: vogel-noot@siol.net  
Website: www.vogelundnoot.com

**SWEDEN:**  
**Rettig Sweden AB**  
BRAND: PURMO, THERMOPANEL  
Garnisonsgatan 25 C  
S-254 66 Helsingborg  
Tel. +46 42 153 000  
Fax +46 42 152 013  
Email: info@purmo.se, info@thermopanel.se  
Website: www.purmo.se, www.thermopanel.se

**Rettig Sweden AB**  
BRAND: LVI  
Gjuterigatan 3  
SE-531 75 Järpås  
Tel. +46 510 481 300  
Fax +46 510 913 16  
E-mail: info@lviprodukter.se  
Website: www.lvi.eu

**UNITED KINGDOM:**  
**Rettig (UK) Ltd**  
BRANDS: PURMO, VOGEL & NOOT, MYSON  
Rettig Park, Drum Lane, Drum Industrial Estate  
Birtley  
County Durham, DH2 1AB  
Tel. +44 191 491 4466  
Fax +44 191 491 568  
E-mail: sales@purmo.co.uk,  
sales@vogelandnoot.co.uk,  
sales@myson.co.uk  
Website: www.purmo.com, www.myson.co.uk

**Rettig (UK) Ltd**  
BRAND: MYSON  
Eastern Avenue  
Team Valley  
Gateshead, NE11 0PG  
Tel. +44 191 491 4466  
Fax +44 191 491 7439  
E-mail: sales@myson.co.uk  
Website: www.myson.co.uk

**Rettig (UK) Ltd**  
BRAND: MYSON  
East Reach House, East Reach  
Taunton TA1 3EN  
Tel. +44 1823 339 570  
Fax +44 1823 339 571  
E-mail: sales@myson.co.uk  
Website: www.myson.co.uk

**UNITED STATES:**  
**Rettig Inc. USA**  
BRAND: MYSON  
948, Hercules Drive  
Colchester, Vermont 05446  
Tel. +1 802 654 7500  
Fax +1 802 654 7022  
E-mail: info@mysoninc.com  
Website: www.mysoninc.com

**OPERATIONS:  
MANUFACTURING, PURCHASING AND  
LOGISTICS ENQUIRIES**

**AUSTRIA:**  
**Rettig Austria GmbH**  
Gustav-Kramer Str. 5  
AT-8605 Kapfenberg-Diömlach  
Tel. +43 3858 601 1650  
Fax +43 3858 601 1625

**BELGIUM:**  
**Rettig Belgium NV**  
Vogelsancklaan 250  
BE-3520 Zonhoven  
Tel. +32 11 813 141  
Fax +32 11 817 378

**FINLAND:**  
**Rettig Värme Ab**  
Tobaksgatan, P.O. Box 15  
FI-68601 Jakobstad  
Tel. +358 6 786 9111  
Fax +358 6 786 9222

**FRANCE:**  
**Finimétal SASU**  
Rue Louis Pasteur  
FR-62118 Biache St. Vaast  
Tel. +33 3 2150 4770  
Fax +33 3 2107 8929

**GERMANY:**  
**RETTIG Germany GmbH**  
Lierestr. 68  
DE-38690 Vienenburg  
Tel. +49 5324 808 0  
Fax +49 5324 808 999

**RETTIG Germany GmbH**  
Dammstr. 30  
DE-98617 Meiningen  
Tel. +49 3693 44 020  
Fax +49 3693 44 0233

**RETTIG Germany GmbH**  
Scheeren 8  
DE-28865 Lilienthal  
Tel. +49 4298 919 0  
Fax +49 4298 919 191

**HUNGARY:**  
**Rettig Hungary Kft**  
Kühne Ede tér 2  
HU-9200 Mosonmagyaróvár  
Tel. +36 96 88 6000  
Fax +36 96 88 9601

**IRELAND:**  
**Rettig Ireland Limited**  
Newcastle West  
County Limerick  
Tel. +353 69 622 77  
Fax +353 69 624 48

**POLAND:**  
**Rettig Heating Sp.z o.o.**  
ul. Przemysłowa  
PL-44-203 Rybnik  
Tel. +48 32 422 2807, +48 32 422 8815  
Fax +48 32 422 3766

**VNH Fabryka Grzejników Sp.z o.o.**  
ul. Budowlanych 10  
PL-78-600 Wałcz  
Tel. +48 67 356 5000  
Fax +48 67 356 5109

**SWEDEN:**  
**Rettig Sweden AB**  
Gjuterigatan 3  
SE-531 75 Järpås  
Tel. +46 510 481 300  
Fax +46 510 913 16

**TURKEY:**  
**Rettig Metal Ticaret ve Sanayi A.Ş.**  
Ataturk Mahallesi 27 Sokak  
No. 4  
Kemalpaşa - İzmir  
Tel. +90 232 877 1787  
Fax +90 232 877 1760

**UNITED KINGDOM:**  
**Rettig (UK) Ltd**  
Manufacturing and purchasing,  
radiators and underfloor heating  
Eastern Avenue  
Team Valley  
Gateshead, NE11 0PG  
Tel. +44 191 491 4466  
Fax +44 191 491 7439

**Rettig (UK) Ltd**  
Manufacturing, convectors  
Unicorn Trading Park  
Somerset Road, Hull  
East Yorkshire, HU9 5PE  
Tel. +44 1482 711 709  
Fax +44 1482 787 221

**Rettig (UK) Ltd**  
Logistics, all products  
Rettig Park, Drum Lane,  
Drum Industrial Estate  
Birtley  
County Durham, DH2 1AB  
Tel. +44 191 492 1700  
Fax +44 191 492 9484

**▲ ■ VALVES AND CONTROLS  
ENQUIRIES:**

**SWEDEN:**  
AB Markaryds Metallarmatur  
Järnvägsgatan 19 / Box 10  
SE-285 21 Markaryd  
Tel. +46 43 373 700  
Fax +46 43 373 798  
E-mail: info@mma.se  
Website: www.mma.se

● **BORE**

**FINLAND:**

**Bore Ltd**

Bulevardi 46, P.O. Box 115  
FI-00121 Helsinki  
Tel. +358 9 6188 3300  
Fax +358 9 6188 3398  
Website: www.bore.eu  
CEO: Thomas Franck

**Bore Ltd**

Elverksgatan 10  
AX-22100 Mariehamn  
Åland  
Tel. +358 18 167 66  
Fax +358 18 127 86  
Website: www.bore.eu

**THE NETHERLANDS:**

**Bore Shipowners B.V.**

Beurs-World Trade Center  
Beursplein 37, P.O. Box 30005  
NL- 3001 DA Rotterdam  
Tel. +31 10 205 3391  
Fax +31 10 205 5167  
Website: www.bore.eu

**Oy Thunship Ab**

Hitsaajankatu 22  
FI-00810 Helsinki  
Finland  
Tel. +358 9 622 6060  
Fax +358 9 655 492  
E-mail: thunship@thunship.fi  
Website: www.thunship.fi  
Managing Director: Bjørn Fodstad

● **NORDKALK**

**Nordkalk Corporation**

HEAD OFFICE  
Skräbbölevägen 18  
FI-21600 Pargas  
Tel. +358 20 753 7000  
Fax +358 20 753 7001  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi  
CEO: Bertel Karlstedt

▲ ■ **SALES AND PRODUCTION  
ENQUIRES**

**ESTONIA:**

**Nordkalk AS**

SALES, QUARRY  
Vasalemma  
EE-76101 Harjumaa  
Tel. +372 673 5580  
Fax +372 673 5590  
E-mail: nordkalk.estonia@nordkalk.com  
Website: www.nordkalk.ee

**Nordkalk AS**

QUARRY  
Kurevere, Hanila vald  
EE-90102 Läänemaa  
Tel. +372 47 75155  
Fax +372 47 75050  
E-mail: nordkalk.estonia@nordkalk.com  
Website: www.nordkalk.ee

**Nordkalk AS**

SALES, QUARRY,  
KILN, GRINDING  
Faehlmanni 11 A  
Rakke  
EE-46301 Lääne-Virumaa  
Tel. +372 32 91346 / 91347  
Fax +372 32 91389  
E-mail: nordkalk.estonia@nordkalk.com  
Website: www.nordkalk.ee

**FINLAND:**

**Nordkalk Corporation**

SALES, QUARRY, KILN,  
GRINDING, HARBOUR  
Skräbbölevägen 18  
FI-21600 Pargas  
Tel. +358 20 753 7000  
Fax +358 20 753 7001  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

SALES  
Bulevardi 46  
FI-00120 Helsinki  
Tel. +358 20 753 7000  
Fax +358 20 753 7399  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

GRINDING  
P.O.B. 555  
FI-67701 Kokkola  
Tel. +358 20 753 7800  
Fax +358 20 753 7801  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

SALES, QUARRY, KILN,  
GRINDING  
FI-53500 Lappeenranta  
Tel. +358 20 753 7000  
Fax +358 20 753 7401  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Suomen Karbonaatti Oy**

PRODUCTION OF PAPER PIGMENTS

FI-53500 Lappeenranta  
Tel. +358 20 710 9800  
Fax +358 20 710 9810  
Website: www.karbonaatti.fi

**Nordkalk Corporation**

KILN  
FI-92100 Raahe  
Tel. +358 20 753 7332  
Fax +358 20 753 7001  
E-mail: info@nordkalk.com  
Website: www.nordkalk.com

**Nordkalk Corporation**

SALES, MINE, KILN,  
GRINDING  
Louhi  
FI-57100 Savonlinna  
Tel. +358 20 753 7000  
Fax +358 20 753 7699  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

SALES  
Yrittäjätie 19  
FI-60100 Seinäjoki  
Tel. +358 20 753 7000  
Fax +358 20 753 7896  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

QUARRY, GRINDING  
Siikaisten tehdas  
FI-29860 Otamo  
Tel. +358 20 753 7000  
Fax +358 20 753 7811  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

MINE, GRINDING,  
HARBOUR  
Sipoon tehdas  
FI-01180 Kalkkiranta  
Tel. +358 20 753 7000  
Fax +358 20 753 7830  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**

SALES  
Rantatie 27 D  
FI-33250 Tampere  
Tel. +358 20 753 7000  
Fax +358 20 753 7897  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**  
SALES, MINE, KILN,  
GRINDING  
Tytyri  
FI-08100 Lohja  
Tel. +358 20 753 7000  
Fax +358 20 753 7701  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**  
QUARRY, GRINDING  
FI-32610 Vampula  
Tel. +358 20 753 7000  
Fax +358 20 753 7861  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**Nordkalk Corporation**  
QUARRY, GRINDING  
Kalkkitehtaanatie 474  
FI-62800 Vimpeli  
Tel. +358 20 753 7000  
Fax +358 20 753 7891  
E-mail: info@nordkalk.com  
Website: www.nordkalk.fi

**GERMANY:**  
**Nordkalk GmbH**  
SALES  
Kondrad-Adenauer-Strasse 6  
DE-23558 Lübeck  
Tel. +49 451 30 09 38 0  
Fax +49 451 30 09 38 44  
E-mail: info@nordkalk.com  
Website: www.nordkalk.de

**LITHUANIA:**  
**Nordkalk AB**  
SALES  
Vasario 16 g-ve Nr 46  
LH-76291 Siauliai  
Tel. +370 41 521 786  
Fax +370 41 521 787  
E-mail: info@nordkalk.com  
Website: www.nordkalk.com

**NORWAY:**  
**NorFraKalk AS**  
KILN  
Kometveien 1  
NO-7650 Verdal  
Tel. +47 7415 4000  
E-mail: post@norfrakalk.no  
Website: www.norfrakalk.no

**POLAND:**  
**Nordkalk Sp. z o.o.**  
SALES  
ul. Starowislna 13-15  
PL-31-038 Krakow  
Tel. +48 12 428 65 80  
Fax +48 12 429 50 05  
E-mail: biuro@nordkalk.com  
Website: www.nordkalk.pl

**Nordkalk Sp. z o.o.**  
SALES, QUARRY  
Miedzianka  
PL-26-065 Piekoszow, k/Kielc  
Tel. +48 41 306 01 67  
Fax +48 41 306 01 68  
E-mail: biuro@nordkalk.com  
Website: www.nordkalk.pl

**Nordkalk Sp. z o.o.**  
SALES, QUARRY, GRINDING  
PL-26-332 Slawno  
Owadow-Brzezinki  
Tel. +48 44 755 00 03  
Fax +48 44 757 16 32  
E-mail: biuro@nordkalk.com  
Website: www.nordkalk.pl

**Nordkalk Sp. z o.o.**  
SALES, GRINDING  
ul. Gdanska 20N  
PL-70-661 Szczecin  
Tel. +48 91 430 73 39  
Fax +48 91 430 73 35  
E-mail: biuro@nordkalk.com  
Website: www.nordkalk.pl

**Nordkalk Sp. z o.o.**  
SALES, QUARRY, GRINDING  
Wolica  
ul. Kolejowa 1  
PL-26-060 Checiny  
Tel. +48 41 315 46 43  
Fax +48 41 315 40 02  
E-mail: biuro@nordkalk.com  
Website: www.nordkalk.pl

**RUSSIA:**  
**Nordkalk Alekseevka Ltd**  
SALES  
Business Centre Bazan  
Pr. Shaumiana, 4-1, liter A, Office 213  
RU-195027 Saint-Petersburg  
Tel. +7 812 448 9454  
Fax +7 812 449 9453  
E-mail: info@nordkalk.com  
Website: www.nordkalk.ru

**Nordkalk LLC**  
OFFICE  
Vrubelya street 13A, buildings 1-5  
RU-125080 Moscow  
Tel./Fax +7 499 158 03 75  
E-mail: info@nordkalk.com  
Website: www.nordkalk.ru

**SWEDEN:**  
**Nordkalk AB**  
OFFICE, QUARRY, KILN,  
GRINDING, HARBOUR  
Nya Hamnvägen / Box 901  
SE-731 29 Köping  
Tel. +46 221 292 00  
Fax +46 221 128 71  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
OFFICE  
World Trade Center  
Klarabergsviadukten 70  
Box 70396  
SE-107 24 Stockholm  
Tel. +46 8 677 53 00  
Fax +46 8 100 145  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
QUARRY, GRINDING  
Ignaberga  
SE-281 92 Hässleholm  
Tel. +46 44 857 60  
Fax +46 44 857 70  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
SALES, GRINDING, HARBOUR  
Box 677  
SE-261 25 Landskrona  
Tel. +46 418 108 70  
Fax +46 418 599 49  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
KILN  
Box 50094  
SE-973 23 Luleå  
Tel. +46 920 255 035  
Fax +46 920 255 036  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
QUARRY, GRINDING  
Box 74  
SE-794 22 Orsa  
Tel. +46 250 550 200  
Fax +46 250 40 953  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
OFFICE, QUARRY, HARBOUR  
Lärbro Storguhs 2741  
SE-624 53 Lärbro  
Tel. +46 498 253 200  
Fax +46 498 253 201  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Kalkproduktion Storguhs AB (KPAB)**  
KILN  
Lärbro Storguhs 2741  
SE-624 53 Lärbro  
Tel. +46 498 253 280  
Fax +46 498 227 040

**Nordkalk AB**  
QUARRY, GRINDING  
Uddagården  
SE-521 91 Falköping  
Tel. +46 515 777 666  
Fax +46 515 777 660  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**Nordkalk AB**  
TERMINAL  
Sjögatan 17  
SE-891 60 Örnsköldsvik  
Tel. +46 660 130 02  
E-mail: info@nordkalk.com  
Website: www.nordkalk.se

**UKRAINE:**  
**Nordkalk Ukraine TOV**  
OFFICE  
Galytska st. 7  
76000 Ivano-Frankivsk  
Tel. +380 673 444 020  
Fax +380 342 559 578  
E-mail: info@nordkalk.com  
Website: www.nordkalk.com



