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**Haindl Finance B.V.**  
**Amsterdam**

Annual report and accounts  
for the year 2006

09-07-2007

**PRICEWATERHOUSECOOPERS** 

Initialed on behalf of  
PricewaterhouseCoopers  
Accountants N.V.  
For identification purposes only  
Amsterdam  
Date: 07-10-07  
Initials: .....

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09-07-2007

## Report of the management

The management herewith presents to the shareholder the annual accounts of Haindl Finance B.V. (hereinafter: "the Company") for the year 2006.

### General

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as a finance company for the UPM-Kymmene group. The ultimate holding company is UPM-Kymmene Corporation, Finland, Helsinki.

### Overview of activities

During the year the Company did not start up new activities.

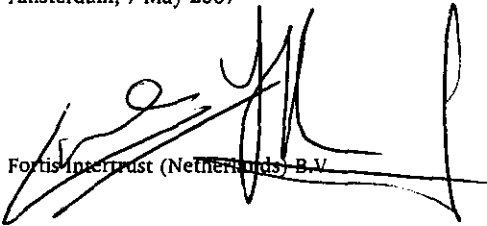
### Results

The net asset value of the Company as at 31 December 2006 amounts to EUR 35,308,548 (2005: EUR 34,303,644). The result for the year 2006 amounts to a profit of EUR 1,004,904 (2005: EUR 566,166 loss).

### Future outlook

The present level of activities will be maintained until September 2007 when the bond expires. Management has no plans to liquidate the Company in 2007.

Amsterdam, 7 May 2007

  
Fortis Intertrust (Netherlands) B.V.

  
J.M. Forsius

09-07-2007

# **Halnd Finance B.V., Amsterdam**

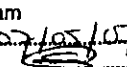
## **Balance sheet as at 31 December 2006**

(Before the proposed appropriation of the result and expressed in euros)

	Notes	2006	2005
<b>Fixed assets</b>			
Financial fixed assets			
Loans to group entities	1	0	102,258,376
<b>Total fixed assets</b>		0	102,258,376
<b>Current assets</b>			
Debtors			
Loans to group entities	1	102,258,376	0
Amounts owed by group entities	2	37,016,360	35,699,659
Prepayments and accrued income	3	288	761
Other receivables	4	354,269	871,837
Deferred tax asset	5	237,300	550,219
Cash and cash equivalents	6	1,819	682
<b>Total current assets</b>		139,868,412	37,123,158
<b>Current liabilities (due within one year)</b>			
Bonds	9	102,258,376	0
Liabilities related to bonds	7	2,292,563	2,810,131
Accruals and deferred income	8	8,925	9,383
<b>Total current liabilities</b>		104,559,864	2,819,514
<b>Current assets less current liabilities</b>		35,308,548	34,303,644
<b>Total assets less current liabilities</b>		35,308,548	136,562,020
<b>Long term liabilities (due after one year)</b>			
Bonds	9	0	102,258,376
<b>Net asset value</b>		35,308,548	34,303,644
<b>Capital and reserves</b>	10		
Paid up and called up share capital		45,000	45,000
Legal reserve		378	378
Other reserves		34,258,266	34,824,432
Unappropriated results		1,004,904	(566,166)
<b>Total shareholder's equity</b>		35,308,548	34,303,644

The accompanying notes form an integral part of these financial statements.

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09-07-2007

**Haindl Finance B.V., Amsterdam****Profit and loss account for the year 2006**  
(Expressed in euros)

			Unaudited
	Notes	2006	2005
<b>Financing activities</b>			
Interest on loans to group entities	11	8,116,318	7,891,596
Interest on bonds	12	(6,774,617)	(6,774,617)
<i>Result financing activities</i>		<u>1,341,701</u>	<u>1,116,979</u>
<b>Financial income and expenses</b>			
Other interest income	13	<u>0</u>	<u>667</u>
<i>Total other financial income and expenses</i>		<u>0</u>	<u>667</u>
<b>Other income and expenses</b>			
General and administrative expenses	14	<u>(23,877)</u>	<u>(28,407)</u>
<i>Total other income and expenses</i>		<u>(23,877)</u>	<u>(28,407)</u>
<b>Result before taxation</b>		<u>1,317,824</u>	<u>1,089,239</u>
Corporate income tax	15	(312,920)	(1,655,405)
<b>Result after taxation</b>		<u><u>1,004,904</u></u>	<u><u>(566,166)</u></u>

The accompanying notes form an integral part of these financial statements.

**Notes to the annual accounts**

**General**

The Company was incorporated as a limited liability company under the laws of The Netherlands on 18 June 1984 and has its statutory seat in Amsterdam. The ultimate holding company is UPM-Kymmene Corporation, Helsinki, Finland. The principal activity of the Company is to act as a finance company.

**Basis of presentation**

The accompanying accounts have been prepared in accordance with accounting principles generally accepted in The Netherlands, the most significant of which are as follows:

**a. Assets and liabilities**

All assets and liabilities are shown at face value, unless stated otherwise in the notes.

**b. Recognition of income**

Income and expenses, including taxation, are recognised and reported on accrual basis.

**c. Interest income and expenses**

Interest income and expenses are recognized on a pro-rata basis.

**d. Corporate income tax**

Provisions for taxation have been made in accordance with Dutch corporate income tax law.

**e. Deferred tax assets**

Deferred tax assets are recognized to provide for timing differences between the valuation of the assets for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax assets are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar these have been set down by law. Deferred taxes are recognized at face value.

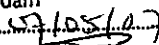
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**Haandi Finance B.V. Amsterdam**

	2006	2005
	EUR	EUR
<b>Balance sheet</b>		
<b>1 Loans to group entities</b>		
UPM-Kymmene Papier GmbH 1997/2007	102,258,376	102,258,376
	<u>102,258,376</u>	<u>102,258,376</u>
Balance as per 1 January	102,258,376	
Increase/(decrease)	0	
Balance as per 31 December	<u>102,258,376</u>	
The loan has not been secured, attracts 6.875 % interest per annum and matures on 17 September 2007. As per 31 December 2005 this loan was classified as a fixed asset, but due to the maturity date of 17 September 2007 it has been reclassified to the current assets as per 31 December 2006.		
<b>2 Amounts owed by group entities</b>		
Intercompany loans to UPM-Kymmene Corporation	34,604,607	33,433,773
Loan interest receivable UPM-Kymmene Papier GmbH 1997/2007	2,011,436	2,011,436
Loan interest receivable UPM-Kymmene Corporation	400,317	254,450
	<u>37,016,360</u>	<u>35,699,659</u>
The intercompany loans to UPM-Kymmene Corporation (one loan amounting to EUR 34,348,961.55 and one loan amounting to EUR 255,645.94) attract 4.0430 % interest per annum and mature on 19 March 2007.		
Balance as per 1 January	33,433,773	
Increase	1,170,834	
Balance as per 31 December	<u>34,604,607</u>	
<b>3 Prepayments and accrued income</b>		
Bundesanstalt für Finanzdienstleistungsaufsicht, contribution 2007	288	403
Receivable Deutsche Bank relating to non-collected coupons on bonds	0	358
	<u>288</u>	<u>761</u>
<b>4 Other receivables</b>		
Loan premium loan 1997/2007 UPM-Kymmene Papier GmbH	141,333	340,097
Issuing costs loan UPM-Kymmene Papier GmbH 1997/2007	212,936	531,740
	<u>354,269</u>	<u>871,837</u>
<b>5 Deferred tax asset</b>		
Corporate income tax	237,300	550,219
	<u>237,300</u>	<u>550,219</u>
Final corporate income tax assessments have been received for the financial years through 2003.		
<b>6 Cash and cash equivalents</b>		
Current account	1,819	682
	<u>1,819</u>	<u>682</u>

09-07-2007

**PRICEWATERHOUSECOOPERS** 

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Accountants N.V.  
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Amsterdam  
Date: 17/08/07  
Initials: 

	2006 EUR	2005 EUR
<b>7 Liabilities related to bonds</b>		
Bond premium Bond 1997/2007	141,333	340,097
Issuing costs Bond 1997/2007	212,936	531,740
Bond interest payable	1,938,294	1,938,294
	<u>2,292,563</u>	<u>2,810,131</u>
<b>8 Accruals and deferred income</b>		
Audit fee	8,925	8,925
Tax adviser fee	0	458
	<u>8,925</u>	<u>9,383</u>
<b>9 Bonds</b>		
Bonds 1997/2007	102,258,376	102,258,376
	<u>102,258,376</u>	<u>102,258,376</u>

Interest: 6,625%  
Due date: 17 September  
Redeemable: 17 September 2007

As per 31 December 2005 the bonds were classified as a long-term liability, but due to the maturity date of 17 September 2007 they have been reclassified to the current liabilities as per 31 December 2006.

#### 10 Capital and reserves

The authorised share capital of the Company amounts to EUR 225.000,00 divided into 500 shares of EUR 450 each. Issued and paid up are 100 shares of EUR 450.

In the annual general meeting of shareholders held on 29 September 2006 it was decided to add the balance of the unappropriated result 2005 to the other reserves.

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Unappr. results</u>
Balance at 01.01.2005	45,000	378	34,140,278	684,154
Paid in / (repaid)	0	0	0	0
Transfer	0	0	684,154	(684,154)
Result for the period	0	0	0	(566,166)
Balance at 01.01.2006	45,000	378	34,824,432	(566,166)
Paid in / (repaid)	0	0	0	0
Transfer	0	0	(566,166)	566,166
Result for the period	0	0	0	1,004,904
Balance at 31.12.2006	<u>45,000</u>	<u>378</u>	<u>34,258,266</u>	<u>1,004,904</u>

09-07-2007



	2006	2005
	EUR	EUR
<b>Profit and loss account</b>		
<b>11 Interest on loans to group entities</b>		
UPM-Kymmene Papier GmbH 1997/2007	7,030,263	7,030,263
Intercompany loans to UPM-Kymmene Corporation	1,086,055	861,333
	<u>8,116,318</u>	<u>7,891,596</u>
<b>12 Interest on bonds</b>		
Bonds 1997/2007	(6,774,617)	(6,774,617)
	<u>(6,774,617)</u>	<u>(6,774,617)</u>
<b>13 Other interest income</b>		
Refund Deutsche Bank relating to non-collected coupons on bonds	0	667
	<u>0</u>	<u>667</u>
<b>14 General and administrative expenses</b>		
Management and administration	(10,056)	(10,056)
Audit fee	(9,520)	(9,813)
Tax advice	(2,672)	(7,878)
Bank charges	(134)	(247)
General expenses	(1,496)	(413)
	<u>(23,877)</u>	<u>(28,407)</u>
<b>15 Corporate income tax</b>		
Provision for C.I.T. 2006 (2005)	(389,146)	(342,089)
Adjustment deferred tax asset	76,226	(1,313,316)
	<u>(312,920)</u>	<u>(1,655,405)</u>

The deferred tax asset has been decreased due to changed corporate income tax rates in 2007.

#### Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

#### Directors

The Company has two (previous year: two) managing directors. One of them receives a remuneration.  
The Company has no (previous year: none) supervisory directors.

Amsterdam, 7 May 2007

Fortis Intertrust (Netherlands) B.V.

J.M. Forsius

**Other information**

**Appropriation of results**

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

**Subsequent events**

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

09-07-2007

To the General Meeting of Shareholders and management  
of Haindl Finance B.V.

PricewaterhouseCoopers  
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## Auditor's report

### Report on the annual accounts

We have audited the accompanying annual accounts 2006 of Haindl Finance B.V., Amsterdam, as set out on pages 4 to 9 which comprise the balance sheet as at 31 December 2006, the profit and loss account for the year then ended and the notes. The annual accounts for the year 2005 are unaudited. The amounts included for comparative purposes in the profit and loss account have therefore not been audited.

#### *The management's responsibility*

The management of the company is responsible for the preparation and fair presentation of the annual accounts and for the preparation of the Report of the management, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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 the management, as well as evaluating the overall presentation of the annual accounts.

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

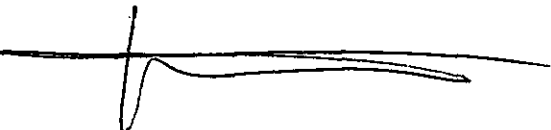
*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Haindl Finance B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the management is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 7 May 2007  
PricewaterhouseCoopers Accountants N.V.



A.G. Los RA