

Dynea Oy

Report by the Board of Directors and Financial Statements for the year 2008

(Unofficial translation from Finnish)

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Report by the Board of Directors

Markets in 2008

Dynea is an international specialty chemicals company with operations in Europe, the Asia-Pacific region and South America. Dynea develops, manufactures and sells a diverse range of resins, adhesives and paper overlays. The overall market for our products is primarily driven by production and production-related industries, which are in turn affected by general economic conditions. The market is also driven by availability of log timber. During the beginning of 2008 the availability of logs remained challenging but improved essentially during the latter part of the year. The most noticeable issue during the fiscal year was the global down-turn, which impacted significantly to the financial results of the Group. The discussion around more environmentally friendly products continued but the Panel board industry did not reach consensus on the formaldehyde emission standards. The strategy of the Dynea Group is to be a front runner in the field of more environmentally friendly products. Research work and product launches of resins with low formaldehyde emission continued during the year.

During the latter part of the year the economic growth ceased almost at every location, where Dynea Group has operations. In many countries the growth turned into recession. Generally the construction industry is one of the first sectors which reflect changes in economic indicators. Another sector sensitive to changes in economic trends is the automotive industry. Dynea is an important supplier to customers in both of these industries and towards the end of the year the order books of Dynea's customers declined rapidly, thus negatively affecting the demand for adhesives.

Sales volumes declined practically in every region during the year. In Europe the decrease in demand was the most visible. In Asia Pacific many countries are dependent on exports. When the demand from North America and Europe decreased, production declined in most of the Asian countries. Especially plywood production in China faced a steep decline in demand affecting Dynea's operations in the North-East Asia negatively. In South America Dynea has a considerable customer base in the automotive industry. The demand from the automotive industry decreased strongly during the last quarter of the year.

Dynea continued to expand in Russia. The target is to be a local producer and to realize the chosen strategy in form of joint-ventures. Investments to Russia continued during the year and Dynea's Russian operations became less dependent on Dynea's production sites outside Russia.

Most of the raw materials used in Dynea's production processes are bulk commodities derived from oil or natural gas. The main raw materials are methanol, phenol, urea and melamine, which represent the major part of the total raw material cost. These key raw materials together with smaller raw materials are produced all over the world by a large number of suppliers. Dynea buys from most key suppliers in all categories and can in most cases switch suppliers within a short time frame. Risk related to security of supply of raw materials is regarded to be limited. Global quoted oil prices continued to increase steadily during the first half year leading to similar increases in Dynea's raw material prices. The changes in feedstock prices were still manageable until oil prices collapsed. The change was also reflected in the prices of Dynea's main raw materials.

Financial Results for 2008

Dynea's sales decreased to €78.7 million from €88.0 million in 2007, mainly due to decreased sales volumes. Operating profit declined to €5.6 million (€47.5 million) because of volume losses and non-recurring charges. The income statement 2008 includes expenses related to non-realised projects and

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restructuring charges amounting to €17.9 million. The Group's share of income in associated companies and joint ventures included in operating profit was €3.5 million (€3.7 million in 2007).

During the last quarter of the year raw material prices decreased significantly. This led to a situation where inventory values had to be written down. The write-downs have a negative impact to the financial results of the year.

The following table sets forth the consolidated operating results for Dynea for the years ended, December 31, 2008 and December 31, 2007.

(in €millions)	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Continuing operations:		
Sales		
Europe	654.0	670.3
Asia-Pacific	209.2	207.1
Unallocated	21.2	19.2
Eliminations	(5.7)	(8.6)
Total	<u>878.7</u>	<u>888.0</u>
Share of income in associates and joint ventures		
Europe	0.4	0.2
Asia-Pacific	1.1	1.6
Unallocated	2.0	1.9
Total	<u>3.5</u>	<u>3.7</u>
EBITDA		
Europe	31.2	55.7
Asia-Pacific	20.9	25.2
Unallocated	(20.2)	(8.6)
Total	<u>31.9</u>	<u>72.3</u>
Operating profit		
Europe	10.8	37.7
Asia-Pacific	15.6	19.1
Unallocated	(20.8)	(9.3)
Total	<u>5.6</u>	<u>47.5</u>
Finance costs	(14.4)	(22.0)
Income tax (expense)	(5.1)	(6.7)
(Loss)/profit for the year from continuing operations	<u>(13.9)</u>	<u>18.8</u>
Discontinued operations:		
Profit for the year from discontinued operations	<u>-</u>	<u>70.1</u>
(Loss)/profit for the year	<u>(13.9)</u>	<u>88.9</u>

The following table sets forth the key figures describing financial development:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
EBITDA, % of sales	3.6	8.1	7.9
Operating profit, % of sales	0.6	5.3	5.0
Return on capital employed, %	2.4	10.7	10.5
Equity ratio, %	34.8	33.3	16.9
Net gearing, %	80.0	67.3	286.8
Return on equity, %	neg.	10.6	33.8

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Europe

Sales in Europe decreased by 2% to €54.0 million from €70.3 million the year before. The lower sales were a consequence of the weaker demand. The total sales volume was even 15% lower compared to the previous year but due to higher raw material prices in the beginning of the year, the average selling prices were higher than during the last year.

Operating profit for Europe decreased to €10.8 million (37.7). Weakened results were due to a strong plunge in demand due to the last quarter of the year, inventory write-downs and other non-recurring items.

Asia Pacific

Despite a fall in sales volumes compared to the previous year (-13%), sales rose by 1% to €209.2 million (207.1) in the Asia Pacific region. As in Europe, also in Asia the average raw material prices were at a high level during the three first quarters of the year. Similarly also sales prices of adhesives and paper overlays were clearly higher than during the previous year.

Operating profit for Asia Pacific decreased to €15.6 million (19.1). Share of income in associated companies and joint ventures fell to €1.1 million from €1.6 million in 2007.

Other Operations

Sales in other operations increased to €21.2 million (19.2). These sales were predominantly from Dynea's operations in South America. The growth in sales was a consequence of higher sales volume and increased selling prices.

The operating loss associated with other operations increased to €20.8 million from a loss of €9.3 million in the previous year. The loss includes a considerable amount of non-recurring items, mainly related to non-realized projects.

Share of income in joint ventures increased to €2.0 million from €1.9 million in 2007.

Finance costs

Net finance costs amounted to €14.4 million in 2008 compared to €22.0 million in 2007. Net interest costs decreased from €14.7 million in 2007 to €10.1 million in 2008. The decrease was mainly attributable to a general decrease in the interest rates but also to a lower debt level. Other financial expenses totaled €4.4 million compared to €7.4 million in 2007.

Income tax expense

Income tax expense for the year totalled €5.1 million compared to €6.7 million in 2007.

Financing

In 2008 Dynea prepaid €44.0 million of its long-term debt, which resulted in an early write-off of unamortized debt issuance costs amounting to €1.1 million. In addition, Dynea repaid according to the repayment schedule a total of €2.7 million during 2008. Dynea also purchased back €4.9 million of the long-term debt and redeemed the €10.0 million revolving credit facility commitment. All purchased loans were extinguished at the purchase date, which resulted in a €0.1 million early write-off of unamortized transaction costs. Due to the extinguishment the revolving credit facility was reduced to €70.0 million.

Net debt, taking into account loans receivable, increased to €159.2 million from €152.5 million in 2007. The available revolving credit facility was €59.9 million at December 31, 2008 after taking into account €7.8 million drawn under the facility and €2.3 million drawn under guarantees and letters of credit.

Liquidity

Cash generated from operations totalled €27.3 million in 2008 compared to €33.5 million in 2007. Net cash provided by operating activities amounted to €21.1 million in 2008 compared to €6.5 million in

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2007. Net interests paid were €14.9 million lower than in previous year and amounted to €8.8 million. The substantial decrease was a result of both lower interest rates in general and lower debt level. Other financial income was €3.6 million compared to negative €0.6 million in 2007. The other financial income was almost solely due to realised exchange gains.

Cash used in investing activities showed a cash outflow of €6.2 million in 2008. The main investment projects were ramping up formaldehyde capacity in Austria and development of region-wide ERP-system in Europe. Cash provided by investing activities was €109.3 million in 2007, which included €49.0 million cash inflow from disposed North American operations.

Financing activities used €45.5 million of cash in 2008 compared to €126.5 million in 2007. The main items generating the negative cash flow were €44.0 million prepayment of long-term facilities as well as total of €2.7 million scheduled repayment and the €4.9 million repurchase of own debt. In addition €7.8 million revolving credit facility was drawn and €4.3 million was lent to the Russian joint venture.

Changes in the group structure

A/S Tollbodgaten 22 was merged into Dynea AS in January 2008. Gluestick AB, a 40% owned associated company was divested in March 2008. One of our Dutch subsidiaries, Dynea Nederland B.V., was liquidated in December 2008.

Research and Development

Dynea's research and development group is focused on specific projects within the areas of product technology, application technology and process technology. In 2008, research and development costs amounted to €1.6 million (€1.6 million in 2007).

Significant risks and uncertainties

Dynea's business is highly competitive, and in the future the activities of its competitors may have an adverse effect on its market share or profitability. Dynea may possibly face competition from producers of materials that are substitutes for formaldehyde based resins and paper overlays. Raw material prices may fluctuate significantly, which could lead to decreased profit margins for some of Dynea's products in some circumstances. Declines in worldwide economic conditions could lead to declines in Dynea's sales or could cause losses. Dynea Oy and its subsidiaries are subject to some debt covenants and other restrictions related to Dynea's loan agreements. This might prevent Dynea from taking a number of major actions including some actions, which might improve financial results. Dynea will have ongoing costs and may have additional costs, obligations or liabilities with respect to environmental matters, which may cause Dynea's results to deteriorate in the future.

Environmental, Health and Safety Matters

Dynea is subject to extensive, evolving and increasingly stringent environmental, health and safety laws and regulations governing its operations and products in many of the locations in which it operates. The laws and regulations applicable to our operations address, among other things, air emissions, wastewater discharges to surface and subsurface waters, other releases into the environment, handling, use and disposal of hazardous materials, generation, handling, storage, transportation, treatment and disposal of wastes and maintenance of safe conditions in the workplace.

Special attention was paid to process control and formulations and to safety procedures. Due to the actively taken measures, recordable injuries have continually decreased.

New organisational structure

In October 2008, Dynea changed its European regional structure to a functional organisation. These functions include Operations, Sales & Marketing, Market Applications, Procurement and Finance.

Management of the Company

The President and CEO of the company is Mr. Roger Carlstedt. Other members of the Group Management are Mr. Ilpo Koivisto, Executive Vice President and CFO, Mr. Per Haga, Executive Vice

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President, Mrs. Nina Kopola, Executive Vice President and Mr. Sigve Sporstøl, Executive Vice President.

Board of Directors and Auditors of the Company

The Members of the Board of Directors are Stig Gustavson (chairman), Björn Savén (deputy chairman), Lennart Ahlgren, Michael Rosenlew, Helena Stjernholm and Gerard de Geer (deputy member). Lennart Ahlgren was elected as board member in October 2008 following Hans Larsson's resignation from the board.

Each member of the Board of Directors of Dynea Oy is elected at the annual general meeting of shareholders for a set term that expires at the end of the next annual general meeting of shareholders. The annual general meeting of shareholders must be held within six months after the end of Dynea Oy's financial year. Matters considered by the shareholders at the annual general meeting include the remuneration of the members of the Board of Directors and the adoption of the annual accounts. There are no contracts between Dynea Oy and the members of the board of directors that would provide for any benefits upon termination of their employment.

PricewaterhouseCoopers Oy has been selected as the auditor of Dynea. The auditor in charge during the financial year has been Mr. Kim Karhu, APA.

Personnel

The average number of personnel employed by Dynea Oy and its subsidiaries totalled 2 283 (2007: 2 246, 2006: 2 227). At the end of 2008 Dynea Oy and its subsidiaries employed 2 229 persons (2007: 2 287, 2006: 2 234).

The average number of personnel employed by Dynea Oy totalled 25 (2007: 28, 2006: 32). At the end of 2008 Dynea Oy employed 24 persons (2007: 27, 2006: 29). Remuneration paid to members of the Board of Directors amounted to 102 thousand euros (102 thousand euros in 2007, 76 thousand euros in 2006), and the remuneration paid to managing directors of the group companies totalled €2.0 million in 2008 (€2.6 million in 2007, €2.8 million in 2006).

Share-based Payment

Based on the authorisation by the extra general meeting of the shareholders, the Board of Directors of Dynea Oy decided in January 2005 to grant in total 3.144.800 share options with an average fair value of €0.73 and average strike price of €14.4 to the B-shareholders of Dynea Oy, being current key managers employed by Dynea Oy and its subsidiaries. The arrangement has neither vesting conditions nor vesting period. The options will expire in September 2010.

Related party loans

Dynea had related party loans with outstanding balances of €63.8 million including interests from two equity funds controlled by IK Investment Partners Limited, the Industri Kapital 1997 Fund and the Industri Kapital 2000 Fund.

Share capital

At the end of 2008, Dynea Oy had 21,100,615 A-shares and 561,340 B-shares with the nominal value of 96,179,080.20 euros. The par value for both A- and B-shares is 4.44 euros per share. Each A share entitles to 5 votes and each B share entitles to 1 vote at the Shareholders' meeting.

At the balance sheet date, Dynea InvestCo B.V., a foreign subsidiary of Dynea Oy, possessed 133,830 B-shares of Dynea Oy at a purchase price of €2,4 million. The nominal value of the B-shares owned by Dynea InvestCo B.V. totalled 538,705.20 euros, which represents a 0.56% share of the share capital of Dynea Oy and a 0.11% share of the voting rights of all shares.

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Board of Directors' proposal for distribution of profits

As at December 31, 2008, retained earnings of the parent company totalled €230.7 million. The Board of Directors proposes that no dividends be distributed.

Events after the balance sheet date

There are no material events after the balance sheet date.

Future Outlook

Demand declined substantially towards the end of 2008 and simultaneously the prices of our main raw materials collapsed. The slowdown in the economy is expected to continue during the beginning of the year 2009. Therefore, the financial results for 2009 will probably be on a lower level than in 2008.

Dynea Oy and Subsidiaries
Consolidated Income Statement
(all amounts in €millions)

	<u>Notes</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Continuing operations:			
Sales	4	878.7	888.0
Cost of sales	6,7,10,11	<u>(795.5)</u>	<u>(774.4)</u>
Gross profit		83.2	113.6
Other operating income		24.0	21.6
Selling and distribution expenses	6,7,10,11	(20.1)	(19.8)
Research and development expenses	6,7,10,11	(11.6)	(11.6)
Administrative expenses	6,7,10,11	(42.3)	(40.7)
Other operating expenses		(28.0)	(18.0)
Share of income in associates and joint ventures	12	3.5	3.7
Impairment write-downs	10	<u>(3.1)</u>	<u>(1.3)</u>
Operating profit		5.6	47.5
Finance costs, net	8	<u>(14.4)</u>	<u>(22.0)</u>
(Loss)/ profit before income taxes		(8.8)	25.5
Income tax (expense)	9	<u>(5.1)</u>	<u>(6.7)</u>
(Loss) / profit for the year from continuing operations		<u>(13.9)</u>	<u>18.8</u>
Discontinued operations:			
Profit for the year from discontinued operations	5	<u>—</u>	<u>70.1</u>
(Loss) / profit for the year		<u>(13.9)</u>	<u>88.9</u>
Attributable to:			
Equity holders of the Parent Company		(15.9)	85.9
Minority interest	2	<u>2.0</u>	<u>3.0</u>
(Loss) / profit for the year		<u>(13.9)</u>	<u>88.9</u>

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

Dynea Oy and Subsidiaries
Consolidated Balance Sheet
(all amounts in €millions)

	Notes	As at December 31, 2008	As at December 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment, net	10	223.7	240.3
Intangible assets	11	138.3	133.5
Investments in associates and joint ventures	12	21.5	25.6
Deferred tax assets	9	3.3	—
Other assets		<u>3.3</u>	<u>4.0</u>
Total non-current assets		<u>390.1</u>	<u>403.4</u>
Current assets			
Inventories	13	51.5	59.8
Accounts receivable and prepayments	14	87.2	124.7
Taxes currently receivable		1.8	2.7
Loans receivable	17	14.1	9.8
Other assets		1.0	1.1
Cash and cash equivalents	21	<u>25.7</u>	<u>77.7</u>
Total current assets		<u>181.3</u>	<u>275.8</u>
TOTAL ASSETS		<u>571.4</u>	<u>679.2</u>
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	96.2	96.2
Share premium		11.4	11.4
Cumulative translation adjustment		(61.1)	(50.0)
Accumulated profit		<u>141.5</u>	<u>157.4</u>
Total capital and reserves		188.0	215.0
Minority interest	2	<u>11.0</u>	<u>11.4</u>
Total equity		<u>199.0</u>	<u>226.4</u>
Non-current liabilities			
Borrowings	17	192.7	188.5
Employee benefit obligations	6	16.6	16.2
Provisions	18	8.4	4.8
Deferred tax liabilities	9	11.0	8.0
Other liabilities	23	<u>30.2</u>	<u>30.3</u>
Total non-current liabilities		<u>258.9</u>	<u>247.8</u>
Current liabilities			
Accounts payable	19	58.3	109.2
Accrued liabilities	20	17.2	17.4
Borrowings	17	5.9	49.3
Employee benefit obligations	6	0.1	0.4
Provisions	18	1.0	1.5
Taxes payable		5.0	3.7
Other liabilities		<u>26.0</u>	<u>23.5</u>
Total current liabilities		<u>113.5</u>	<u>205.0</u>
Total liabilities		<u>372.4</u>	<u>452.8</u>
TOTAL EQUITY AND LIABILITIES		<u>571.4</u>	<u>679.2</u>

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

Dynea Oy and Subsidiaries
Consolidated Statement of Changes in Equity
(all amounts in €millions except share information)

	<u>Shares Issued^(i, ii)</u>	<u>Issued and Paid Share Capital</u>	<u>Share Premium</u>	<u>Cumulative Translation Adjustment</u>	<u>Accumulated Profit</u>	<u>Minority Interest</u>	<u>Total Equity</u>
Balance, December 31, 2006	<u>21,661,995</u>	<u>96.2</u>	<u>11.4</u>	<u>(40.0)</u>	<u>71.7</u>	<u>10.5</u>	<u>149.8</u>
Profit for the year	—	—	—	—	85.9	3.0	88.9
Purchase of own shares ⁽ⁱⁱ⁾	—	—	—	—	(0.2)	—	(0.2)
Equity injection by minority	—	—	—	—	—	0.5	0.5
Translation adjustment, subsidiaries	—	—	—	(1.7)	—	(0.8)	(2.5)
Translation adjustment, discontinued operations	—	—	—	(9.0)	—	—	(9.0)
Translation adjustment, associated companies and joint ventures	—	—	—	0.7	—	—	0.7
Dividends to minority	—	—	—	—	—	(1.8)	(1.8)
Balance, December 31, 2007	<u>21,661,995</u>	<u>96.2</u>	<u>11.4</u>	<u>(50.0)</u>	<u>157.4</u>	<u>11.4</u>	<u>226.4</u>
Loss for the year	—	—	—	—	(15.9)	2.0	(13.9)
Translation adjustment, subsidiaries	—	—	—	(6.9)	—	(0.6)	(7.5)
Translation adjustment, associated companies and joint ventures	—	—	—	(4.2)	—	—	(4.2)
Dividends to minority	—	—	—	—	—	(1.8)	(1.8)
Balance, December 31, 2008	<u>21,661,995</u>	<u>96.2</u>	<u>11.4</u>	<u>(61.1)</u>	<u>141.5</u>	<u>11.0</u>	<u>199.0</u>

For further information on Dynea's shares and share capital see also Notes 2 and 16.

- (i) The number of A-shares is 21,100,615 and the number of B-shares is 561,340. Each A-share entitles to 5 votes and each B-share entitles to 1 vote at the Shareholders' meeting.
- (ii) A foreign subsidiary possessed 133,830 shares of Dynea Oy 31.12.2008 at purchase price €2.4 million.

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

Dynea Oy and Subsidiaries
Consolidated Cash Flow Statement
(all amounts in €millions)

	Notes	Year Ended December 31, 2008	Year Ended December 31, 2007 ⁽ⁱ⁾
Operating activities			
(Loss)/profit for the year		(13.9)	88.9
Depreciation and amortisation	10,11	23.2	29.7
Impairment write-downs	10,12	3.1	1.3
Gain on sale of discontinued operations	5	—	(70.1)
Gain on sale of shares in joint ventures		—	—
Share in undistributed profit of associated companies and joint ventures	12	(3.5)	(3.7)
Finance costs	8	14.4	28.8
Income tax expense	9	5.1	7.4
Change in working capital		<u>(1.1)</u>	<u>1.2</u>
Cash generated from operations		27.3	<u>83.5</u>
Interests received		5.1	3.0
Dividends from associates and joint ventures	12	3.8	3.3
Interests paid		(13.9)	(26.7)
Other financial income and expense		3.6	(0.6)
Income taxes paid		<u>(4.8)</u>	<u>(6.0)</u>
Net cash provided by operating activities		<u>21.1</u>	<u>56.5</u>
Investing activities			
Disposals of subsidiaries net of cash disposed, €6.3 million, in 2007 and sales price adjustment in 2008	5	(1.1)	149.0
Acquisition of joint ventures	12	—	(1.5)
Disposals of joint ventures		1.6	1.0
Purchase of property, plant and equipment and intangibles	10,11	(27.5)	(39.3)
Proceeds from the sale of property, plant and equipment and intangibles	10,11	<u>0.8</u>	<u>0.1</u>
Cash (used in)/provided by investing activities		<u>(26.2)</u>	<u>109.3</u>
Financing activities			
Issuance of share capital/capital contributions		—	0.5
Purchase of own shares		—	(0.2)
Dividends to minority shareholders		(1.8)	(1.8)
Proceeds from loans related to discontinued operations	5	—	106.6
(Increase) in loans receivable	17	(4.3)	(7.5)
(Repayments) of long-term borrowings, net	17	(41.7)	(232.3)
Proceeds from short-term borrowings, net	17	1.2	(0.3)
Other financing items ⁽ⁱⁱ⁾		<u>1.1</u>	<u>8.5</u>
Cash (used in) financing activities		<u>(45.5)</u>	<u>(126.5)</u>
Cash and cash equivalents – beginning balance		77.7	39.2
Increase in cash and cash equivalents		(50.6)	39.3
Effects of exchange rates		<u>(1.4)</u>	<u>(0.8)</u>
Cash and cash equivalents – ending balance		<u>25.7</u>	<u>77.7</u>
Change in working capital			
Decrease in inventory	13	5.6	21.3
Decrease in trade receivables and other assets	14	32.6	27.8
(Decrease) in trade payables and other current liabilities	19,20	(44.0)	(26.0)
Increase/(decrease) in non-current liabilities	18	4.7	(6.3)
Adjustment for disposals and acquisitions		—	<u>(15.6)</u>
Total change in working capital		<u>(1.1)</u>	<u>1.2</u>

⁽ⁱ⁾ Including both continuing and discontinued operations.

⁽ⁱⁱ⁾ Including, for example, cash flow from hedging of inter-company balance sheet items.

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

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements
(all amounts in €millions unless otherwise stated)

1. General information

Dynea Oy (the “Company”), is a limited liability company, domiciled in Helsinki, Finland, founded on September 22, 1999, and registered with the Finnish Trade Register on September 27, 1999. The company is controlled by IK Investment Partners Limited. The Company’s headquarters is located at Siltasaarenkatu 18-20 A, 00530 Helsinki, Finland, and the telephone number is +358 10 585 2000.

Dynea Oy had no operations until November 30, 1999 when it acquired the chemicals businesses from Fortum Oyj, the Finnish state oil and gas company. Dynea Group (“Dynea”) is in the business of developing, manufacturing, marketing, and selling industrial adhesion and surfacing solutions with a product portfolio of adhesive resins and binders, and paper overlays, and operates primarily in Europe, the Asia Pacific region and South America.

2. Summary of significant accounting policies

Basis of presentation—The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, observing the standards and interpretations in force as at December 31, 2008. The consolidated financial statements have been prepared under the historical cost convention except as discussed in the accounting policies below, for example trading and available-for-sale investments and derivative financial instruments are shown at fair value.

The Group has not adopted the following issued IAS/IFRS standards, their amendments and IFRIC interpretations, whose application was not compulsory:

- IAS 1 (Revised) – Presentation of Financial Statements – Capital disclosures
- IAS 23 (Amended) – Borrowing Costs
- IAS 27 (Revised) – Consolidated and Separate Financial Statements*
- IFRS 2 – Share-based Payment
- IFRS 3 (Revised) – Business Combinations*
- IFRS 8 – Operating Segments
- IFRIC 12 – Service Concession Arrangements*
- IFRIC 15 – Agreements for the Construction of Real Estate*
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation*

*) recognition by the European Union still outstanding

Dynea Group will adopt the above mentioned standards beginning from 2009 or later. The adoption of these standards is not estimated to have a material effect on the financial results or position of the Group.

Consolidation—The consolidated financial statements include the accounts of Dynea Oy and all subsidiaries in which Dynea, directly or indirectly, has an interest of greater than one half of the voting rights or otherwise has power to exercise control over the operations. The purchase method of business combinations, in accordance with IFRS 3 (issued 2004), is used for acquisitions. Subsidiaries are consolidated from the date on which effective control is transferred to Dynea and are no longer consolidated from the date of disposal. In determining whether consolidation is appropriate for non-wholly-owned subsidiaries, consideration is given to the voting rights the minority shareholders hold.

All significant inter-company balances and transactions have been eliminated on consolidation. Where necessary, accounting policies for subsidiaries and acquired businesses have been changed to ensure consistency with the policies adopted by Dynea.

Subsidiaries, which have been acquired with the exclusive intent to be sold within the subsequent one-year period, have not been consolidated, but have been treated as assets held for sale in accordance with IFRS 5.

A listing of Dynea’s principal subsidiaries is set out in Note 24.

Minority interest represents the minority shareholders’ proportionate share in the equity or income of Dynea’s majority-owned subsidiaries: Beijing Dynea Chemical Industry Co. Ltd., PT Dynea Mugi Indonesia, PT Dynea Indria, Dynea (Thailand) Co. Ltd., Dynea Krabi Co Ltd., Dynea Malaysia SDN BHD and Durante Dynea Adhesives (Shanghai) Co., Ltd.

Dynea Oy and Subsidiaries
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Related party transactions are discussed in Note 23.

Foreign currencies— Items included in the financial statements of each entity of Dynea are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in euros which is the functional and presentation currency of Dynea Oy. Assets and liabilities of foreign subsidiaries outside the euro zone (none of which has the currency of a hyper-inflationary economy) are translated at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated using the average rates of exchange prevailing during the period. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associated undertakings and of financial instruments, which are designated as and are hedges of such investments are taken to shareholders' equity. On disposal of the foreign entity, the cumulative amount of the translation difference is recognised as income or expense as part of the gain or loss on sale.

Due to the adoption of IFRS, goodwill and fair value adjustments arising on the acquisition of a foreign entity after January 1, 2004 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill and fair value adjustments that arose on the acquisition of a foreign entity before the application of revised IAS 21 are treated as non-monetary assets and liabilities of Dynea and are translated at the exchange rate at the date of acquisition.

The local currency financial statements of foreign entities operating in hyper-inflationary economies are restated using appropriate indices to current values at the balance sheet date before translation into Dynea's reporting currency, in accordance with IAS 29.

Discontinued operations and assets held for sale—Under IFRS 5, an operation, which represents a major business line or a geographical area, and which has been disposed of or whose disposal is highly probable, is reported as a discontinued operation, and assets related to that operation are classified as assets held for sale. In the income statement the result from discontinued operations is reported separately from continuing operations, and also the comparative income statement figures are restated accordingly. In the balance sheet the assets and liabilities of discontinued operations are presented separately from those of continuing operations from the date they have been classified as discontinued operations.

Internal loans and receivables between discontinued and continuing operations are eliminated from the balance sheet. Interest expenses and income arising from loans and receivables between discontinued and continuing operations are included in the net financial result of discontinued operations and offset against interest expenses and income of continuing operations. Corporate costs charged from the companies belonging to discontinued operations are presented as costs of continuing operations and included in the Unallocated column in the segment information tables (Note 4).

Revenue recognition—Sales are recorded on shipment of product and customer acceptance, or rendering of services, net of sales taxes and certain other sales related expenses and after the elimination of sales within Dynea. Revenues from licensing agreements are recognised on an accrual basis in accordance with the substance of the relevant agreement and are classified as other operating income in the income statement.

Shipping and handling costs—Shipping and handling fees are charged to customers and included in total sales. Costs incurred for shipping and handling are classified as other operating expenses in the income statement.

Research and development—Research and development costs are expensed as incurred other than those incurred on certain development projects that are capitalised as intangible assets to the extent that such expenditures are expected to have future benefits. However, development costs initially recognised as expense are not recognised as assets in subsequent periods. Capitalised development costs were immaterial for all periods presented.

Employee benefits—For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to allocate the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans periodically. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates for government securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses in excess of the "10% corridor" are expensed on a straight-line basis over the average remaining service lives of the employees.

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Dynea's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Share-based payment—Under IFRS 2 (Share-based Payment), equity-settled transactions require an expense to be recognised in Dynea on the date on which share options are granted as part of the remuneration package to its key managers. The share options in Dynea are measured at fair value and expensed in the income statement on the date on which share options are granted.

Income taxes—Income tax expense/benefit includes estimated Finnish and other statutory income taxes payable and the change in deferred income tax assets and liabilities. Dynea intends to reinvest the earnings of its foreign subsidiaries into those businesses. Accordingly, no provision has been made for taxes, which would be payable if such earnings were distributed to Dynea.

Deferred income taxes are determined under the liability method. Deferred income taxes represent liabilities to be paid or assets to be received in the future and reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred income tax.

Future tax benefits, such as net operating loss carry forwards, are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Government grants—Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected life of the related asset.

Property, plant and equipment—Property, plant and equipment have been stated at their fair value at the date of acquisition, and at December 31, 2008 and 2007 have been adjusted for accumulated depreciation and impairment write-downs. The cost of additions, improvements, and interest on construction are capitalised. Subsequent costs, including major maintenance costs, are capitalised only when the recognition criteria are satisfied. All other repairs and maintenance are charged to expense when incurred.

Upon sale, retirement, abandonment or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in income.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to expense the cost of each asset to their residual values over their estimated useful life as follows:

Buildings.....	20 to 40 years
Plant and machinery.....	5 to 25 years
Other tangible assets	5 to 20 years

The depreciation method applied to an asset is reviewed at each financial year-end and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Capitalised interest—Interest is capitalised on major capital expenditures during the period of time that is required to complete and prepare the property for its intended use, as part of the cost of the asset.

Intangible assets—Goodwill represents the excess of the cost of an acquisition over the fair value of Dynea's share of the identifiable net assets of the acquired subsidiary or associated undertaking at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for impairment testing. Goodwill resulting from the foreign subsidiaries acquired before adopting IFRS is translated at the historical rates. Goodwill resulting from the foreign subsidiaries acquired after adopting IFRS is translated at the closing rates.

Other intangible assets have been stated at their fair value at the date of acquisition less accumulated amortisation and impairment write-downs, or represent costs incurred on development projects to the extent that such expenditures are expected to generate future economic benefits. Software costs are amortised over a useful life of 3 to 5 years. Other intangible assets, which are primarily patents, are amortised using the straight-line method over their useful lives, generally six years.

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Impairment—Dynea assesses annually whether an indicator of impairment exists for both tangible and intangible assets, including goodwill. If an impairment indicator is present, Dynea estimates the recoverable amount of the asset as the higher of the asset's net selling price or its value in use. Value in use is calculated based upon a discounted cash flow analysis. The carrying value of a long-lived asset is considered impaired when the recoverable amount from such asset is less than its carrying value. In that event, an impairment loss is recognised based on the amount by which the carrying value exceeds the recoverable amount.

Computer software development costs—Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product that will be controlled by Dynea and has a probable benefit exceeding the cost beyond one year are recognised as assets. Associated costs include staff costs of the development team and all directly attributable costs necessary to create and produce the asset.

Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as capital improvements and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over the useful lives, not to exceed a period of five years.

Investments in associates and joint ventures—Investments in associated undertakings and joint ventures are accounted for by the equity method of accounting. Associates are undertakings in which Dynea controls between 20% and 50% of the voting rights, and over which Dynea has the ability to exercise significant influence, but which it does not control. Joint ventures are entities that Dynea jointly controls with one or more other parties under a contractual arrangement.

Equity accounting involves recognising in the income statement, Dynea's share of the associates' and joint ventures' profit and loss for the year. Dynea's interest in the associate or joint venture is carried in the balance sheet at an amount that reflects its share of the net assets of the associate or joint venture and includes goodwill on acquisition.

Inventories—Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the first in first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs to complete and sell the asset.

Accounts receivable—Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based upon a review of all outstanding amounts at the period-end. Bad debts are written off during the year in which they are identified.

Cash and cash equivalents—Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less at the date of acquisition. Cash equivalents also include restricted cash. The statement of cash flows was prepared in accordance with IAS 7.

Share capital—Ordinary shares are classified as share capital. Issued but not fully paid capital represents shares, which have been issued to the shareholder but were not paid for at the balance sheet date. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds.

Dividends— Dividends on ordinary shares are recognised in equity in the period, in which they are declared and approved by the Board of Directors and the shareholders. Dividends are declared and paid in euros.

Borrowings—Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and redemption value is recognised in the income statement over the period of the borrowings.

Interest expenses—Interest expenses are accrued for and recorded in the income statement for each period.

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Provisions—Provisions are recognised when Dynea has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for restructuring is recognised in the period in which Dynea becomes legally or constructively committed to the payment. The costs included in a provision for restructuring are only those costs that are either incremental and incurred as a direct result of the exit plan or are the result of a continuing contractual obligation with no continuing economic benefit or a penalty incurred to cancel the contractual obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Financial instruments—Dynea’s financial instruments are classified into three categories: Financial assets and liabilities at fair value through profit and loss, Loans and receivables and Financial liabilities measured at amortized cost. Categories include accounts receivable, derivative instruments, cash and cash equivalents, accounts payable, borrowings and loans receivable. All purchases and sales of financial assets are recognised using settlement date accounting.

Dynea enters into derivative financial instruments such as forward foreign exchange contracts to hedge its exposure against foreign currency fluctuations. Unrealised foreign exchange gains and losses on forward contracts are calculated by valuing the forward contract with the forward exchange rate prevailing on the balance sheet date and comparing that with the original amount calculated by using the forward rate prevailing at the inception of the contract. All forward foreign exchange contracts are valued to fair values at each balance sheet date through current period earnings. The foreign exchange forwards are entered into in order to hedge Dynea against foreign exchange rate exposure, however, hedge accounting, as defined in IAS 39, is not applied to the foreign exchange forward contracts.

Dynea enters into derivative financial instruments such as interest rate swaps and interest rate options to hedge its exposure to interest rate risks. Interest receivable and payable under interest rate derivatives is accrued and recorded in to the balance sheet. Dynea records the changes in fair values of the interest rate derivatives in the income statement. The interest rate derivatives are entered into in order to hedge against interest rate exposure, however, hedge accounting, as defined in IAS 39, is not applied to the interest rate derivatives.

Further disclosures about financial instruments are provided in Note 21.

Accounting for leases—Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are effectively retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where Dynea assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments, and are immaterial for all periods presented.

3. Critical accounting estimates and judgments

The preparation of Dynea’s financial statements requires its management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, management evaluates its estimates, including those related to impairments, pensions, income taxes, restructuring, bad debts, contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Dynea considers the following policies to be the most critical in understanding the judgments that are involved in preparing its financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows.

Impairment of long-lived assets and goodwill—Dynea reviews the carrying amounts of long-lived assets at the balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Dynea assesses the impairment of goodwill annually or more frequently if events or changes in

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circumstances indicate that the carrying value may not be recoverable. Examples of indicators, which could trigger an impairment review, include the following:

- significant under performance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

When the carrying value of long-lived assets and goodwill may not be recoverable based upon the existence of one or more indicators of impairment, Dynea measures any impairment based on a projected discounted cash flow method using a discount rate determined by its management to be commensurate with current market assessments of the time value of money and the risks specific to the asset. The most significant variables in determining cash flows are discount rates, growth rates, terminal values, the number of years on which to base the cash flow projections, as well as assumptions and estimates used to determine the cash inflows and outflows. Those assumptions are described in Note 11. Based on such reviews there is no need for impairment charges other than presented in the financial statements. However, there can be no assurance that the change in the factors listed above may not cause material impairment charges in the future.

Pensions—The determination of Dynea's obligation and expense for pension and other post-retirement benefits is dependent on its selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 6 to the consolidated financial statements and include, among others, the discount rate and expected long-term rate of return on plan assets. In accordance with IFRS, actual results that differ from the Group's assumptions are accumulated and amortised over future periods if they are over 10% of the greater of defined benefit obligation or fair value of plan assets at the beginning of year and therefore generally affect Dynea's recognised expense and recorded obligation in future periods. While Dynea believes that its assumptions are appropriate, significant differences in its actual experience or significant changes in its assumptions may materially affect its pension and other post-retirement obligations and its future expense.

Deferred taxes—Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Should the actual results differ from these estimates, revisions to the deferred tax assets would be required.

4. Segment information

Dynea's primary format for reporting segment information is geographical segments, because its risks and rates of return are affected predominantly by the fact that it operates in different geographical areas. The distribution of assets reflects this split. For the year ended December 31, 2008, Dynea had the following geographical segments:

- Europe
- Asia-Pacific
- Unallocated operations

Secondary information is reported for groups of related products and services, i.e. business segments, which for the year ended December 31, 2008, were:

- Panel Board Resins – producer of various mainly formaldehyde-based resins that are used in the manufacturing of particleboard, plywood, MDF and OSB.
- Industrial and Surfacing – includes the industrial resins, wood and specialty adhesives, and paper overlays product lines.
- Other – These operations mainly consist of operations that do not meet the quantitative thresholds for separate reporting and primarily represents corporate expenses.

Operating profit/loss is used as the basis for the measurement of the segments' results. The eliminations column represents eliminations of inter-segment sales, expenses, receivables and payables and the unallocated column represents corporate items not allocated to the segments.

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Geographical Segments

	Europe	Asia Pacific	Unallocated	Eliminations	Total
Year Ended December 31, 2008					
Sales	654.0	209.2	21.2	(5.7)	878.7
Other operating income	21.7	1.8	0.5	—	24.0
Net operating expenses	(644.9)	(191.2)	(43.9)	5.7	(874.3)
Share of income in associates and joint ventures	0.4	1.1	2.0	—	3.5
Depreciation and amortisation ¹	(17.8)	(4.8)	(0.6)	—	(23.2)
Impairment write-downs	(2.6)	(0.5)	—	—	(3.1)
Operating profit/(loss)	10.8	15.6	(20.8)	—	5.6
Financial expense	—	—	—	—	(14.4)
(Loss) before income taxes	—	—	—	—	(8.8)
Income tax expense	—	—	—	—	(5.1)
(Loss) for the year	—	—	—	—	(13.9)
Segment assets ²	264.4	95.9	61.7	(0.9)	421.1
Segment goodwill	93.9	34.9	—	—	128.8
Investments in associates and joint ventures	12.4	3.9	5.2	—	21.5
Total assets	370.7	134.7	66.9	(0.9)	571.4
Total liabilities ²	(83.7)	(22.3)	(267.3)	0.9	(372.4)
Capital expenditures ³	21.7	5.5	0.3	—	27.5

	Europe	Asia Pacific	Unallocated	Eliminations	Total
Year Ended December 31, 2007					
Sales	670.3	207.1	19.2	(8.6)	888.0
Other operating income	18.5	2.6	0.5	—	21.6
Net operating expenses	(633.3)	(186.1)	(30.3)	8.6	(841.1)
Share of income in associates and joint ventures	0.2	1.6	1.9	—	3.7
Depreciation and amortisation ¹	(18.0)	(4.8)	(0.6)	—	(23.4)
Impairment write-downs	—	(1.3)	—	—	(1.3)
Operating profit/(loss)	37.7	19.1	(9.3)	—	47.5
Financial expense	—	—	—	—	(22.0)
Profit before income taxes	—	—	—	—	25.5
Income tax expense	—	—	—	—	(6.7)
Discontinued operations ⁴	—	—	—	—	70.1
Profit for the year	—	—	—	—	88.9
Segment assets ²	311.6	104.6	111.4	(2.8)	524.8
Segment goodwill	93.9	34.9	—	—	128.8
Investments in associates and joint ventures	9.0	4.8	11.8	—	25.6
Total assets	414.5	144.3	123.2	(2.8)	679.2
Total liabilities ²	(124.1)	(33.2)	(298.3)	2.8	(452.8)
Capital expenditures ³	21.1	4.9	0.3	—	26.3

¹ Depreciation and amortisation include depreciation on tangible assets and amortisation of intangible assets.

² Segment assets and liabilities exclude deferred tax assets and liabilities in accordance with IAS 14.

³ Capital expenditures exclude investment in affiliates and payments for long-lived assets acquired as part of a business acquisition.

⁴ Discontinued operations are comprised of the North American operations (see Note 5).

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The following table presents external sales by country based on the location of customers:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Europe	636.9	651.5
Asia	170.9	173.6
Oceania	38.3	34.0
Americas	26.2	23.2
Other	<u>6.4</u>	<u>5.7</u>
Total sales	<u>878.7</u>	<u>888.0</u>

The following table presents sales by business segment:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Panel Board Resins	472.9	462.6
Industrial and Surfacing	415.3	436.9
Eliminations	<u>(9.5)</u>	<u>(11.5)</u>
Total sales	<u>878.7</u>	<u>888.0</u>

The composition of total segment assets analysed below is based on the location of the business segment:

	December 31, 2008	December 31, 2007
Panel Board Resins	184.4	212.3
Industrial and Surfacing	<u>210.6</u>	<u>240.6</u>
Total segment assets	395.0	452.9
Unallocated assets	<u>176.4</u>	<u>226.3</u>
Total assets	<u>571.4</u>	<u>679.2</u>

Expenditures for long-lived assets analysed below are based on the business segment of the assets and excludes investment in affiliates and payments for long-lived assets acquired as part of a business acquisition:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Panel Board Resins	11.9	9.9
Industrial and Surfacing	15.6	16.3
Discontinued operations	–	13.0
Unallocated	<u>–</u>	<u>0.1</u>
Total expenditures	<u>27.5</u>	<u>39.3</u>

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5. Discontinued operations

On November 20, 2006, Dynea and Dundas Capital Investments, LLC, a Delaware limited liability company, signed a stock purchase agreement according to which Dynea sold its North American operations to Dundas Capital Investments, LLC. The purchasing company is controlled by Teachers' Private Capital, which is the private investment arm of the Ontario Teachers' Pension Plan. The sale and purchase agreement was signed on May 25, 2007, and the execution took place on 10 July, 2007 with total proceeds of €254.3 million. The discontinued North American operations were previously reported under the geographical segment "North America".

The following sets forth information on discontinued operations and assets held for sale.

Income statement

	Year Ended December 31, 2007
Sales	268.4
Expenses	<u>(258.6)</u>
Operating profit	9.8
Net financial result	<u>(6.8)</u>
Profit before income taxes	3.0
Income taxes	<u>(0.7)</u>
Profit after taxes	<u>2.3</u>
Gain on sale of the North American operations	<u>67.8</u>
Profit for the year from discontinued operations	<u>70.1</u>

Cash flow statement

	Year Ended December 31, 2007
Net cash provided by operating activities	8.0
Net cash (used in) investing activities	(13.0)
Net cash (used in) financing activities	<u>(6.4)</u>
Total cash flows	<u>(11.4)</u>

6. Employee benefits

Dynea operates a number of defined benefit and defined contribution plans throughout the world, which are financed according to local practice.

Defined benefit post-employment obligations are determined by actuarial valuations using a method based on projected salaries to the end of employment (the projected unit credit method). The total liability in respect of pension obligations to pensioners is determined as well as the liability relating to the past service of employees.

Assumptions as to mortality, withdrawal of employees and salary projections take into account the economic and demographic conditions specific to each country and company.

The annual post-employment benefit cost comprises the estimated cost of benefits accruing in the period as determined in accordance with IAS 19, which requires the significant actuarial assumptions to reflect market and economic conditions at the balance sheet date. In particular, discount rates reflect the yield on high quality corporate bonds of an appropriate term.

The majority of the Group's defined benefit post-employment benefits are provided for its employees and former employees in Austria, France, Germany, the Netherlands, Norway, Singapore, and the United Kingdom. Post-employment benefits provided for other overseas participants are, in general, either government-provided or defined contribution. In Finland, benefits are provided under the state plan, which are defined benefit in nature. However, due to the nature of funding for these benefits, Dynea is accounting for these benefits under IAS 19 using a defined contribution approach, and the pension expense is equal to the cash payable.

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Actuarial gains and losses in excess of the “10% corridor” are expensed on a straight-line basis over the expected average remaining service lives of the employees.

	December 31, 2008	December 31, 2007
Weighted average assumptions (%) ⁽ⁱ⁾ :		
Discount rate	5.6	5.4
Rate of compensation increase	3.2	3.3
Expected return on plan assets	6.4	6.3
Future pension increase rate ⁽ⁱⁱ⁾	2.4	2.3
Amounts recognised in the balance sheet:		
Fair value of plan assets	37.2	47.8
Defined benefit obligation	<u>(62.6)</u>	<u>(70.3)</u>
Funded status	(25.4)	(22.5)
Unrecognised prior service cost	0.1	0.1
Unrecognised net actuarial loss	<u>8.6</u>	<u>5.8</u>
Balance sheet (accrued) pension cost	<u>(16.7)</u>	<u>(16.6)</u>
Made up of:		
Balance sheet prepaid pension cost	-	-
Balance sheet (accrued) pension cost	(16.7)	(16.6)
Amounts recognised in the income statement ⁽ⁱ⁾ :		
Service cost	3.0	1.6
Interest cost	3.4	3.3
Expected return on plan assets	(2.7)	(2.7)
Recognised actuarial loss	0.1	0.5
Past service cost	0.1	(2.5)
Settlement and curtailment gains	<u>(0.2)</u>	<u>-</u>
Total expense included in staff costs	<u>3.7</u>	<u>0.2</u>
Movement in the balance sheet:		
Beginning balance ⁽ⁱⁱⁱ⁾	(16.6)	(18.9)
Total net periodic benefit (cost) (excluding gain on disposal)	(3.7)	(0.2)
Employer contribution	2.7	2.4
Exchange differences	<u>0.9</u>	<u>0.1</u>
Ending balance	<u>(16.7)</u>	<u>(16.6)</u>

⁽ⁱ⁾ In both years, amounts are presented for continuing operations only.

⁽ⁱⁱ⁾ Pension increases are applied to pension benefits provided in the Netherlands, Norway and United Kingdom.

Dynea’s contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate and during 2008 and 2007 amounted to €4.4 million and €4.2 million, respectively. The actual returns on assets for years ended December 31, 2008 and 2007 were €1.2 million and €2.1 million, respectively.

Staff costs included in the income statement are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Wages and salaries	69.5	65.9
Indirect employee costs	10.6	9.9
Retirement benefits —defined contribution plans	4.4	4.2
Retirement benefits —defined benefit plans	3.9	0.2
Other statutory employee costs	<u>1.4</u>	<u>1.1</u>
Total staff costs	<u>89.8</u>	<u>81.3</u>

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Costs associated with defined benefit plans are allocated between separate income statement line items as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Cost of sales	1.3	1.4
Selling and distribution expenses	0.6	0.6
Research and development expenses	0.4	0.2
Administrative expenses	<u>1.6</u>	<u>(2.0)</u>
Total costs from continuing operations	<u>3.9</u>	<u>0.2</u>

Staff costs include termination benefit expenses.

The following table sets forth the average full time equivalents per geographical area:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Europe	986	986
Asia Pacific	1,251	1,215
South America	<u>46</u>	<u>45</u>
Total	<u>2,283</u>	<u>2,246</u>

Remuneration paid to board members of the group companies totalled €0.1 million in 2008 (€0.1 million in 2007), and the remuneration paid to managing directors of the group companies totalled €2.6 million in 2008 (€2.5 million in 2007). The retirement age of the management of the group companies is between 62 and 65 years. For the Chief Executive Officer and the other executive officers' retirement age is 62 years. In case the employment contract of an executive officer is terminated before the retirement age, he or she is entitled to between 18 and 24 months' salary including the salary for a 6-month term of notice.

Board member and executive management compensation are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Salaries and other short-term employee benefits	1.5	1.6
Retirement benefits	0.5	0.5
Other statutory employee cost	<u>0.3</u>	<u>0.4</u>
Total key management compensation	<u>2.3</u>	<u>2.5</u>

Based on the authorisation by the extra general meeting of the shareholders, the Board of Directors of Dynea Oy, decided in January 2005 to grant an offer in total 3,144,800 share options with an average fair value of €0.73 and average strike price of €14.40 to the B-shareholders of Dynea Oy being current key managers employed by Dynea Oy and its subsidiaries. Under IFRS 2, Share-based Payment, equity-settled transactions require an expense to be recognised in the income statement when share options are granted as part of the remuneration package to its key managers. Our share options are equity-settled, and the arrangement has neither vesting conditions nor a vesting period. The cost of the share options has been determined in accordance with the Black & Scholes valuation model. The share options will expire in September 2010.

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7. Depreciation, amortisation and write-downs by function

	Year Ended December 31, 2008	Year Ended December 31, 2007
Cost of sales	19.9	20.1
Selling and distribution expenses	0.3	0.3
Research and development expenses	0.7	0.7
Administrative expenses	2.3	2.3
Write-downs	<u>3.1</u>	<u>1.3</u>
Total depreciation, amortisation and write-downs	<u>26.3</u>	<u>24.7</u>

8. Finance costs

	Year Ended December 31, 2008	Year Ended December 31, 2007
Interest income	(4.8)	(3.5)
Other financial income	1.3	0.2
Net foreign exchange transaction (gains)	(0.1)	(0.1)
Interest expense	14.9	18.2
Loss on early extinguishments of debt (Note 17)	1.2	5.0
Other financial expense	<u>1.9</u>	<u>2.2</u>
Net finance costs	<u>14.4</u>	<u>22.0</u>

Net foreign exchange gains and losses included in the income statement are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Sales	2.1	(0.6)
Costs and expenses	(1.7)	0.3
Other operating income and expenses	(0.5)	0.3
Finance costs	<u>0.1</u>	<u>0.1</u>
Total	<u>0.0</u>	<u>0.1</u>

9. Taxation

The components of income tax are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
<i>Continuing operations:</i>		
Current:		
Finland	0.3	0.4
Foreign	<u>5.4</u>	<u>5.3</u>
	<u>5.7</u>	<u>5.7</u>
Prior:		
Finland	—	0.5
Foreign	<u>0.6</u>	<u>3.2</u>
	<u>0.6</u>	<u>3.7</u>
Deferred:		
Finland	—	—
Foreign	<u>(1.2)</u>	<u>(2.7)</u>
	<u>(1.2)</u>	<u>(2.7)</u>
Total income tax expense from continuing operations	<u>5.1</u>	<u>6.7</u>

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Notes to Consolidated Financial Statements (continued)
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Income tax expense at the Finnish statutory tax rate is reconciled below to the actual income tax benefit:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Finland	(11.0)	(11.9)
Foreign	<u>2.2</u>	<u>37.4</u>
Total profit before income taxes and minority interest	<u>(8.8)</u>	<u>25.5</u>
Tax expense at Finnish statutory rate (26%)	(2.3)	6.6
Unrecognised deferred tax asset	6.6	1.8
Utilised deferred tax asset	(2.0)	(4.3)
Effect of foreign tax rates	0.4	(1.5)
Non-deductible expenses and tax-exempt income	1.5	—
Withholding taxes	0.3	0.4
Income taxes from previous periods	<u>0.6</u>	<u>3.7</u>
Income tax expense	<u>5.1</u>	<u>6.7</u>

Significant components of deferred tax assets and liabilities are as follows:

	December 31, 2008	December 31, 2007
Deferred tax assets:		
Tax loss carry-forwards	53.0	51.5
Tax credit carry-forwards	7.2	10.7
Reserves and accruals	6.4	2.4
Pensions	2.5	2.4
Other	0.7	0.4
Valuation allowance for deferred tax assets	<u>(47.7)</u>	<u>(41.2)</u>
	<u>22.1</u>	<u>26.2</u>
Deferred tax liabilities:		
Excess of book value over tax value of fixed assets	(24.7)	(27.6)
Reserves and accruals	(0.4)	(0.5)
Other	<u>(4.7)</u>	<u>(6.1)</u>
	<u>(29.8)</u>	<u>(34.2)</u>
Net deferred tax liability	<u>(7.7)</u>	<u>(8.0)</u>

The recognised deferred tax asset is based upon the expected future utilisation of net operating loss carry forwards and the reversal of other temporary differences. For financial reporting purposes, Dynea has recognised a valuation allowance for benefits for which realisation is not probable. Dynea continually reviews the adequacy of the valuation allowance and is recognising these benefits only as reassessment indicates that it is probable that the benefits will be realised.

At December 31, 2008, Dynea had net operating loss carry forwards of €205.2 million that were available to offset future taxable income. The total net operating loss carry forwards included €31.0 million with no expiration dates, and €174.2 million that expire in less than 10 years. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net non-current deferred tax liability was €7.7 million and €8.0 million at December 31, 2008 and 2007, respectively.

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

10. Property, plant and equipment

Property, plant and equipment, stated at cost less accumulated depreciation, consist of:

	<u>Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Other Tangible Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost at December 31, 2007	<u>92.5</u>	<u>271.0</u>	<u>29.2</u>	<u>9.4</u>	<u>402.1</u>
Additions	0.9	9.6	2.1	9.5	22.1
Transfers	0.5	7.3	(1.4)	(6.4)	0.0
Disposals	(2.2)	(8.3)	(1.5)	—	(12.0)
Write-downs	(0.2)	(2.2)	(0.7)	—	(3.1)
Exchange differences	<u>(4.2)</u>	<u>(13.5)</u>	<u>0.0</u>	<u>(0.5)</u>	<u>(18.2)</u>
Cost at December 31, 2008	<u>87.3</u>	<u>263.9</u>	<u>27.7</u>	<u>12.0</u>	<u>390.9</u>
Accumulated depreciation, at December 31, 2007	<u>29.4</u>	<u>111.9</u>	<u>20.5</u>	<u>—</u>	<u>161.8</u>
Depreciation expense	2.7	18.2	1.8	—	22.7
Transfers	0.2	(0.2)	—	—	0.0
Disposals	(1.6)	(8.1)	(1.4)	—	(11.1)
Exchange differences	<u>(1.1)</u>	<u>(5.1)</u>	<u>—</u>	<u>—</u>	<u>(6.2)</u>
Accumulated depreciation, at December 31, 2008	<u>29.6</u>	<u>116.7</u>	<u>20.9</u>	<u>—</u>	<u>167.2</u>
Net book value					
December 31, 2007	63.1	159.1	8.7	9.4	240.3
December 31, 2008	57.7	147.2	6.8	12.0	223.7
Cost at December 31, 2006	<u>91.3</u>	<u>261.0</u>	<u>27.8</u>	<u>4.4</u>	<u>384.5</u>
Additions	1.4	11.5	2.8	6.9	22.6
Transfers	0.1	2.1	(0.4)	(1.9)	(0.1)
Disposals	(0.1)	(1.0)	(0.8)	(0.0)	(1.9)
Write-downs	(0.1)	(1.2)	—	—	(1.3)
Exchange differences	<u>(0.1)</u>	<u>(1.4)</u>	<u>(0.2)</u>	<u>—</u>	<u>(1.7)</u>
Cost at December 31, 2007	<u>92.5</u>	<u>271.0</u>	<u>29.2</u>	<u>9.4</u>	<u>402.1</u>
Accumulated depreciation, at December 31, 2006	<u>26.0</u>	<u>96.0</u>	<u>19.2</u>	<u>—</u>	<u>141.2</u>
Depreciation expense	3.6	17.3	2.1	—	23.0
Disposals	(0.1)	(1.0)	(0.8)	—	(1.9)
Exchange differences	<u>(0.1)</u>	<u>(0.4)</u>	<u>—</u>	<u>—</u>	<u>(0.5)</u>
Accumulated depreciation, at December 31, 2007	<u>29.4</u>	<u>111.9</u>	<u>20.5</u>	<u>—</u>	<u>161.8</u>
Net book value					
December 31, 2006	65.3	165.0	8.6	4.4	243.3
December 31, 2007	63.1	159.1	8.7	9.4	240.3

Capitalised interest was immaterial for all periods presented.

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11. Intangible assets

Intangible assets, stated at cost less accumulated amortisation, consist of:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Cost at December 31, 2007	<u>128.8</u>	<u>9.7</u>	<u>3.9</u>	<u>142.4</u>
Additions	—	4.4	1.0	5.4
Transfers	—	(0.3)	0.3	0.0
Disposals	—	(0.5)	—	(0.5)
Exchange differences	—	(0.1)	—	(0.1)
Cost at December 31, 2008	<u>128.8</u>	<u>13.2</u>	<u>5.2</u>	<u>147.2</u>
Accumulated amortisation at December 31, 2007	<u>—</u>	<u>5.7</u>	<u>3.2</u>	<u>8.9</u>
Amortisation expense	—	0.3	0.2	0.5
Transfers	—	(0.3)	0.3	0.0
Disposals	<u>—</u>	<u>(0.5)</u>	<u>—</u>	<u>(0.5)</u>
Accumulated amortisation at December 31, 2008	<u>—</u>	<u>5.2</u>	<u>3.7</u>	<u>8.9</u>
Net book value				
December 31, 2007	128.8	4.0	0.7	133.5
December 31, 2008	128.8	8.0	1.5	138.3
Cost at December 31, 2006	<u>128.8</u>	<u>6.0</u>	<u>5.2</u>	<u>140.0</u>
Additions	—	3.7	—	3.7
Transfers	—	0.1	—	0.1
Disposals	<u>—</u>	<u>(0.1)</u>	<u>(1.3)</u>	<u>(1.4)</u>
Cost at December 31, 2007	<u>128.8</u>	<u>9.7</u>	<u>3.9</u>	<u>142.4</u>
Accumulated amortisation at December 31, 2006	<u>—</u>	<u>5.6</u>	<u>4.3</u>	<u>9.9</u>
Amortisation expense	—	0.2	0.2	0.4
Disposals	—	(0.1)	(1.3)	(1.4)
Accumulated amortisation at December 31, 2007	<u>—</u>	<u>5.7</u>	<u>3.2</u>	<u>8.9</u>
Net book value				
December 31, 2006	128.8	0.4	0.9	130.1
December 31, 2007	128.8	4.0	0.7	133.5

Other intangible assets principally represent patents and have been valued based upon management calculations and analyses.

In the Income Statement, amortisation of intangible assets is included in Research and development expenses and Administrative expenses.

Impairment test for goodwill

Goodwill is allocated to Dynea's cash-generating units (CGUs). By geographical segments, which consist of CGUs, the goodwill is allocated in the following way:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Europe	93.9	93.9
Asia Pacific	<u>34.9</u>	<u>34.9</u>
Total	<u>128.8</u>	<u>128.8</u>

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The recoverable amount of CGUs is based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the Board of Directors of Dynea covering a three-year period. Cash flows beyond the three-year period until 2013 are projected to increase by 2% per year. Cash flows beyond 2013 are incorporated to terminal value, which is calculated as seven times EBITDA in year 2013. Cash flows and terminal value are discounted to December 31, 2008 using an 8.2% discount rate.

These assumptions have been used for the analysis of each CGU within the geographical segments, Europe and Asia Pacific. Management has determined the budgeted EBITDA and volume growth rates based on past performance and expectations for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment (Chemical industry). As the recoverable amounts of CGUs exceeded their carrying amounts no impairment charge for goodwill was recognised.

12. Investments in associates and joint ventures

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Associates:		
Opening net book amount	2.2	2.4
Exchange differences	(0.3)	(0.1)
Disposal of shares	(0.2)	—
Share of results of associates	(0.2)	0.0
Distribution of profits	<u>—</u>	<u>(0.1)</u>
Closing net book amount	<u>1.5</u>	<u>2.2</u>
Joint Ventures:		
Opening net book amount	23.4	20.6
Purchase of shares	—	1.5
Exchange differences	(3.3)	0.9
Share of results of joint ventures	3.7	3.7
Distributions of profits	<u>(3.8)</u>	<u>(3.3)</u>
Closing net book amount	<u>20.0</u>	<u>23.4</u>
Total	<u>21.5</u>	<u>25.6</u>

13. Inventories

Inventories consist of:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Raw materials	39.7	39.7
Work in progress	1.0	1.2
Finished goods	<u>17.6</u>	<u>19.3</u>
Total	58.3	60.2
Obsolescence provision (Note 15)	<u>(6.8)</u>	<u>(0.4)</u>
Total	<u>51.5</u>	<u>59.8</u>

14. Accounts receivable and prepayments

Accounts receivable consist of:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Trade receivables (net of allowances for doubtful accounts of €3.2 and €3.0, respectively, Note 15)	64.1	98.0
Related party receivables (Note 23)	4.9	6.1
Fair value of foreign exchange forward contracts	0.0	0.2
Fair value of interest rate derivatives	0.2	1.8
Other	<u>18.0</u>	<u>18.6</u>
Total	<u>87.2</u>	<u>124.7</u>

Dynea Oy and Subsidiaries
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15. Valuation accounts

Provisions from assets to which they apply:

	Beginning Balance	Charged to Expenses	Utilised	Ending Balance
Year ended December 31, 2008				
Allowance for doubtful accounts receivable	3.0	0.3	(0.1)	3.2
Obsolescence provision for inventory	0.4	6.5	(0.1)	6.8
Year ended December 31, 2007				
Allowance for doubtful accounts receivable	4.1	—	(1.1)	3.0
Obsolescence provision for inventory	0.3	0.1	—	0.4

16. Share capital

At the year end Dynea Oy had 21,100,615 A-shares and 561,340 B-shares with the nominal value of 96,179,080.20 euros. The par value for both A- and B-shares is 4.44 euros per share. Each A share entitles to 5 votes and each B share entitles to 1 vote at the Shareholders' meeting.

17. Borrowings and loans receivable

Borrowings and loans receivable consist of the following:

	Outstanding as at 31 December		Carrying Value as at 31 December	
	2008	2007	2008	2007
Senior credit agreement	66.3	110.0	65.0	107.1
Related party loan	33.9	31.2	33.9	31.2
Other long-term loans with financial institutions	97.2	98.1	97.0	97.8
Short-term borrowings	<u>2.7</u>	<u>1.7</u>	<u>2.7</u>	<u>1.7</u>
Total borrowings	<u>200.1</u>	<u>241.0</u>	<u>198.6</u>	<u>237.8</u>
Less: Current portion of long-term loans	3.2	47.6	3.2	47.6
Less: Short-term borrowings	<u>2.7</u>	<u>1.7</u>	<u>2.7</u>	<u>1.7</u>
Long-term debt, less amounts due currently	<u>194.2</u>	<u>191.7</u>	<u>192.7</u>	<u>188.5</u>
 Loans receivable	 <u>14.1</u>	 <u>9.8</u>	 <u>14.1</u>	 <u>9.8</u>

Senior credit agreement and other long-term loans with financial institutions

In September 2005, Dynea entered into a senior credit facility agreement that consists of three facilities, Facility A, Facility B and Facility C. A seven year senior loan facility, the Facility A, originally amounted to €150.0 million and an eight year senior loan facility, the Facility B, originally amounted to €210.0 million. Facility C is a revolving credit facility originally amounting to €50.0 million. In July 2007, an amendment agreement related to the facility was signed, and Dynea made a €223.0 million prepayment of the senior credit facility. Simultaneously revolving credit facility, the Facility C, was increased to €80.0 million.

In February 2008 Dynea prepaid €44.0 million of the senior credit facilities, which resulted in an early write-off of unamortised debt issuance costs amounting to €1.1 million. In addition, Dynea repaid according to the repayment schedule total of €2.7 million in March and in September 2008 respectively. In December 2008 Dynea purchased back €4.9 million of the senior credit facilities A and B from Kaupthing Bank hf. Dynea also redeemed the €10.0 million revolving credit facility commitment from Kaupthing Bank hf. All purchased loans were extinguished at the purchase date, which resulted €0.1 million early write-off of unamortised transaction costs. Due to the extinguishment the revolving credit facility was reduced to €70.0 million.

At the balance sheet date, the outstanding amount of Facility A was €22.5 million and the outstanding amount of Facility B €36.0 million. Facility A will be repaid in semi-annual instalments and will amortise with final maturity on September 30, 2012. Facility B will be repaid in one instalment on September 30, 2013. The Facilities contain a margin ratchet, whereby the interest rate will vary between EURIBOR plus 2.25% and EURIBOR plus 0.75%

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depending on the ratio of Net Senior Debt to Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA), as defined in the senior credit agreement. At the balance sheet date, the interest rate was 3.81% including a margin of 0.75%.

The Facility C in the senior credit agreement is a revolving loan for up to €70.0 million. The Facility C expires on September 30, 2012. At December 31, 2008, €7.8 million (2007 €0.0 million) was outstanding under the Revolving Credit Facility and the available credit amount was €59.9 million (2007: €77.4 million) after taking into account drawings in guarantees and letters of credit.

In addition to the senior credit facility, Dynea has a credit facility of €95.0 million. The credit facility carries an interest of EURIBOR plus 1.25% and will be repaid in one instalment on April 16, 2010. Dynea has also other long-term loans worth €2.2 million (2007 €3.1 million).

Related party loan agreement

The six year convertible loan facility of €25.0 million was drawn in February 2004 and August 2004 from two equity funds, the Industri Kapital 1997 Fund and the Industri Kapital 2000 Fund. The loan facility carries an interest of LIBOR plus margin of 4.0%. The interest is capitalised semi-annually. The conversion option entitles the lenders to convert any part or the entire €25 million principal of the loan into shares with price of €11.16 at any time before maturity.

Short-term borrowings

Dynea's other subsidiaries have short-term loans from financial institutions totalling €2.7 million (2007: €1.7 million).

Additional details on borrowings

The weighted average interest rate on loans was 5.86% at December 31, 2008.

After taking into account the interest rate swaps, the interest rate exposure of the borrowings of Dynea was as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Total borrowings:		
at fixed rates	20.5	115.0
at floating rates	<u>179.6</u>	<u>126.0</u>
	<u>200.1</u>	<u>241.0</u>

In addition, total of €60 million has been hedged with interest rate options. The options form an interest rate collar with average floor at 2.70% and average cap at 4.69%.

Borrowing balances are denominated in the following currencies:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Euro	98%	98%
Others	2%	2%

Contractual maturity analysis regarding borrowings is presented in Note 21 under financial risk management section.

Dynea's senior credit agreement contains certain covenants, including: ratios of Net senior debt to Adjusted EBITDA and EBITDA to Total Cash Net Interest Costs. In case Adjusted EBITDA amounts to less than €40.0 million or Net Senior Debt to Adjusted EBITDA ratio exceeds 3.00 based on last 12 month measurement period and is continuing, Dynea will be subject to a Trigger Event. Trigger event sets restrictions on Group's operations such as certain mandatory prepayment clauses and restrictions related to capital expenditure, disposals and acquisitions.

Substantially all of the assets of Dynea Oy and its subsidiaries, including its property, plant and equipment, are pledged as collateral on these obligations (Note 22). In addition, individual subsidiaries have guaranteed Dynea Group's loans.

Loans receivable

Dynea's related party loans receivable amounted to €14.1 million at the end of 2008 (2007: €9.8 million).

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18. Provisions

Provisions consist of:

Provisions at December 31, 2007	<u>6.3</u>
New provisions	6.5
Utilised during the period	(1.3)
Released during the period	(1.6)
Translation difference	<u>(0.5)</u>
Provisions at December 31, 2008	<u><u>9.4</u></u>

At December 31, 2008, provisions comprised mainly of restructuring expenses and environmental provisions relating to estimated clean-up and dismantling charges of our sites.

19. Accounts payable

Accounts payable consist of:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Trade payables	58.0	108.6
Related party payables (Note 23)	<u>0.3</u>	<u>0.6</u>
Total	<u><u>58.3</u></u>	<u><u>109.2</u></u>

20. Accrued liabilities

Accrued liabilities consist of:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Accrued interest	4.1	4.0
Fair value of foreign exchange forward contracts	0.4	0.2
Fair value of interest rate derivatives	0.7	
Related party liabilities	1.2	1.0
Other accrued liabilities	<u>10.8</u>	<u>12.2</u>
Total	<u><u>17.2</u></u>	<u><u>17.4</u></u>

21. Derivatives and financial instruments

Nominal values of derivative financial instruments:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Interest rate swaps	20.0	115.0
Interest rate options		
Purchased	60.0	—
Written	60.0	—
Foreign exchange forward contracts	142.3	73.2
Maturity of interest rate swaps		
Under 1 year	20.0	95.0
2-5 years	0.0	20.0
Maturity of interest rate options		
2-5 years		
Purchased	60.0	—
Written	60.0	—
Maturity of foreign exchange forward contracts		
Under 1 year	142.3	73.2

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Fair values of derivative financial instruments:

	December 31, 2008			December 31, 2007
	Positive fair values	Negative fair values	Net fair values	Net fair values
Interest rate swaps	0.1	—	0.1	1.8
Interest rate options				
Purchased	0.1	—	0.1	—
Written	—	(0.7)	(0.7)	—
Foreign exchange forward contracts	0.0	(0.4)	(0.4)	0.0
Maturity of interest rate swaps				
Under 1 year	0.1	—	0.1	1.2
2-5 years	—	—	—	0.6
Maturity of interest rate options				
2-5 years				
Purchased	0.1	—	0.1	—
Written	—	(0.7)	(0.7)	—
Maturity of foreign exchange forward contracts				
Under 1 year	0.0	(0.4)	(0.4)	0.0

Fair values of the interest rate swaps, interest rate options and foreign exchange forward contracts are recognised in the Balance Sheet under Current Assets or Current Liabilities. Positive and negative fair values of financial instruments are shown under Accounts receivable (See Note 14) or Accrued Liabilities (See Note 20) in accordance with IAS 39. Dynea had no commodity derivatives outstanding at December 31, 2008.

The nominal amounts of derivatives summarised in the above table do not represent amounts exchanged by parties and, thus, are not a measure of Dynea's exposure from its use of derivatives.

Carrying amounts and fair values of financial instruments—The carrying amounts and fair values of financial instruments used by Dynea are as follows:

	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
December 31, 2008					
Financial assets					
Trade and related party receivables	—	69.0	—	69.0	69.0
Loans receivable	—	14.1	—	14.1	14.1
Other receivables	—	18.0	—	18.0	18.0
Derivative financial instruments	0.2	—	—	0.2	0.2
Cash and cash equivalents	—	<u>25.7</u>	—	<u>25.7</u>	<u>25.7</u>
Carrying amount by category	<u>0.2</u>	<u>126.8</u>	<u>—</u>	<u>127.0</u>	<u>127.0</u>
Financial liabilities					
Long-term debt	—	—	192.7	192.7	194.1
Current portion of long-term debt	—	—	3.2	3.2	3.2
Short-term borrowings	—	—	2.7	2.7	2.7
Trade and related party payables	—	58.3	—	58.3	58.3
Derivative financial instruments	<u>1.1</u>	<u>—</u>	<u>—</u>	<u>1.1</u>	<u>1.1</u>
Carrying amount by category	<u>1.1</u>	<u>58.3</u>	<u>198.6</u>	<u>258.0</u>	<u>259.4</u>

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

December 31, 2007	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
Financial assets					
Trade and related party receivables	—	104.1	—	104.1	104.1
Loans receivable	—	9.8	—	9.8	9.8
Other receivables	—	18.6	—	18.6	18.6
Derivative financial instruments	2.0	—	—	2.0	2.0
Cash and cash equivalents	<u>—</u>	<u>77.7</u>	<u>—</u>	<u>77.7</u>	<u>77.7</u>
Carrying amount by category	<u>2.0</u>	<u>201.2</u>	<u>—</u>	<u>212.2</u>	<u>212.2</u>
Financial liabilities					
Long-term debt	—	—	188.5	188.5	191.7
Current portion of long-term debt	—	—	47.6	47.6	47.6
Short-term borrowings	—	—	1.7	1.7	1.7
Trade and related party payables	—	109.2	—	109.2	109.2
Derivative financial instruments	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>0.2</u>	<u>0.2</u>
Carrying amount by category	<u>0.2</u>	<u>109.2</u>	<u>237.8</u>	<u>347.2</u>	<u>350.4</u>

The following methods and assumptions were used to determine the above fair values:

- i) The carrying amounts of accounts receivable, accounts payable and long-term debt due currently and short-term borrowings approximate their fair values because of the short maturity of these instruments.
- ii) The carrying amount of loans receivable equals their fair value.
- iii) The fair values of interest rate swaps are calculated using a discounted cash flow analysis.
- iv) The fair values of interest rate options are based upon valuations provided by counterparties.
- v) The fair values of foreign exchange forward contracts are calculated using year-end market rates.
- vi) The cash and cash equivalents include €25.1 million (€29.1 million in 2007) in cash at bank and on hand, €0.6 million (€20.6 million in 2007) in short-term bank deposits and €0.0 million (€28.0 million in 2007) in short-term deposits in 2008.
- vii) The fair value of long-term debt is estimated to be the outstanding amount of borrowing (presented in note 17.)
- viii) No comparable market exists for the related party balances. The carrying value is assumed to approximate fair value.
- ix) The carrying amounts of derivative financial instruments equal fair values.

Financial risk management

Approximately 90% of Dynea's revenues are generated from international customers. The overall objective of the Group's Treasury is to provide centralised and cost-effective funding to subsidiaries as well as to manage financial risks in order to minimise the negative effects of market fluctuations on Dynea's net income. The main exposures for Dynea managed by Group's Treasury are interest rate risk and foreign exchange risk. Foreign exchange risk can be divided into two categories: transaction risk and translation risk. Risk management is mainly carried out under policies approved by Chief Financial Officer. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the business units. In addition, there is a risk of adverse raw material price fluctuations, which is managed by the centralised procurement in close co-operation with the business units.

Interest rate risk—Dynea is exposed to changes in interest rates. Dynea's policy is to have a minimum of 30% of its total debt as fixed interest rate debt. This is achieved by swapping floating interest rate debt to fixed interest rate debt by using interest rate swap agreements. In addition interest rate options are used as a mean of interest rate risk management. At the balance sheet date the outstanding swaps had a remaining average life of approximately 0.66 years and interest rate options 2.17 years.

Dynea's exposure to interest rate risk is presented on the table below. The reasonably possible change in the underlying interest rates is estimated to be one percentage point increase in the prevailing interest rate over the next financial year.

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

	December 31, 2008
Change in interest expenses	(2.0)
Change in interest income	0.4
Change in fair value of interest rate derivatives	<u>0.7</u>
Effect on profit/loss	<u>(0.9)</u>

The following assumptions were used to determine the above values:

- i) Change in interest expenses consists of the effect of increase in interest rates on Group's total borrowings.
- ii) Change in interest income consists of the increase in the income received from deposits of cash and cash equivalents to money market and loans to associates and joint ventures.
- iii) Change in fair value of interest rate derivatives takes into account the effect of increase in prevailing interest rates on the fair values of outstanding interest rate derivatives.

Foreign exchange transaction risk—Dynea has operations in foreign currencies, and therefore, is exposed to foreign exchange transaction risk. Subsidiaries are encouraged, but not required, to use forward exchange contracts transacted with Group Treasury, to hedge their exposure to foreign currency risk in the local reporting currency. Group Treasury hedges the exposures in each currency using external forward exchange contracts. All forward foreign exchange contracts are measured at fair values at each balance sheet date through current period earnings.

Exposure to transaction risk in euros:

	USD/SGD	EUR/GBP	USD/CNY	USD/VND	EUR/CNY
December 31, 2008					
Trade receivables	2.4	0.1	1.4	—	0.1
Trade payables	(1.3)	—	(4.6)	(0.6)	(2.5)
Loan receivables	0.9	4.5	—	—	—
Loan payables	—	—	(8.3)	(2.6)	—
Cash and cash equivalents	—	—	0.3	0.2	—
Derivatives	—	(15.7)	8.5	—	—
Total net exposure	<u>2.0</u>	<u>(11.1)</u>	<u>(2.7)</u>	<u>(3.0)</u>	<u>(2.4)</u>
+/- 10% change in exchange rate	<u>0.2</u>	<u>1.1</u>	<u>0.3</u>	<u>0.3</u>	<u>0.2</u>
December 31, 2007					
Trade receivables	4.4	0.3	1.1	—	0.1
Trade payables	(5.8)	—	(1.1)	(0.3)	(0.6)
Loan receivables	3.1	4.6	—	—	—
Loan payables	—	—	(5.3)	(2.4)	—
Derivatives	—	<u>(5.0)</u>	—	—	—
Total net exposure	<u>1.7</u>	<u>(0.1)</u>	<u>(5.3)</u>	<u>(2.7)</u>	<u>(0.5)</u>
+/- 10% change in exchange rate	<u>0.2</u>	<u>0.0</u>	<u>0.5</u>	<u>0.3</u>	<u>0.1</u>

The following criteria were used to determine the above foreign exchange pairs:

- i) All figures are in euros
- ii) All exposures to transaction risk are reviewed quarterly and five most relevant exposures are presented in the above table with reference data from previous year.

Foreign exchange translation risk—Dynea's policy is to minimise translation risk exposure by funding assets, whenever economically possible, in the same currency. If matching of the assets and liabilities in the same currency is not possible, hedging of the remaining translation risk of the net investment in foreign entities may occur. Dynea determines case-by-case basis the use of external long-term loans denominated in the reporting currency of the funded Group company in order to hedge translation risk. During the financial year Dynea has not used equity hedges nor has it hedged earnings of Group companies reporting in other currencies than euro.

Material foreign currency translation exposures arising from Group companies reporting in other currency than euro are presented in the table below. 10% appreciation or depreciation of euro against the reporting currency is estimated to be the reasonably possible change in the underlying foreign exchange rates.

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

Reporting currency	December 31, 2008				December 31, 2007			
	10% EUR appreciation effect on		10% EUR depreciation effect on		10% EUR appreciation effect on		10% EUR depreciation effect on	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
BRL	(0.2)	(1.7)	0.2	1.7	(0.1)	(1.8)	0.1	1.8
GBP	(0.2)	(2.5)	0.2	2.5	(0.4)	(2.9)	0.4	2.9
NOK	(0.3)	(1.3)	0.3	1.3	(1.2)	(4.1)	1.2	4.1
CNY	(0.0)	(1.3)	0.0	1.3	(0.2)	(0.8)	0.2	0.8
SGD	(0.1)	(1.2)	0.1	1.2	(0.2)	(1.0)	0.2	1.0
Others	<u>(1.0)</u>	<u>(3.2)</u>	<u>1.0</u>	<u>3.2</u>	<u>(0.9)</u>	<u>(3.3)</u>	<u>0.9</u>	<u>3.3</u>
Total	<u>(1.8)</u>	<u>(11.2)</u>	<u>1.8</u>	<u>11.2</u>	<u>(3.0)</u>	<u>(13.9)</u>	<u>3.0</u>	<u>13.9</u>

The following criteria were used to determine the exposures:

- i) All exposures to translation risk are reviewed annually and five most relevant exposures are presented in the table above.
- ii) Five most relevant exposures represent 47% (70% in 2007) of the total exposure in terms of effect to profit or loss and 71% (76% in 2007) of the effect to equity in 2008.

Counterparty and credit risk— Credit and counterparty risk represent the risk that Dynea's counterparties are unable to meet their obligations. These risks encompass counterparties' non-payment of Dynea's trade receivables; issuer risk and settlement risk on derivative and money market contracts; counterparties being unable to meet their obligations on the Dynea's cash and time deposits; and default of an associate or joint venture in regard to loans granted to them by Dynea or default of obligations, which Dynea has guaranteed.

Dynea maintains a credit policy that management believes significantly minimizes overall credit risk. Dynea does not generally obtain collateral to support the agreements but monitors the financial viability of counterparts regularly. In addition, Europe based Dynea Group companies are included in credit insurance policy, which further decreases the credit loss risk in regard to receivables. In Europe, approximately 80% of sales are covered with credit insurance. This leads to roughly 60% coverage of Dynea Groups' total sales. Overdue trade receivables are followed up continuously and those receivables unlikely to be received in the future are written-off case-by-case basis. The extent of counterparty and credit exposure varies with sales. In general, the range of Dynea's customers varies from large multiregional companies to significantly smaller-scale local manufacturing companies. Dynea does not expect losses from non-performance by these counterparties and as of the balance sheet date. Dynea does not have any significant concentration of exposures to any industry sector or country.

The risks arising from issuer risk and settlement risk on derivative and money market contracts as well counterparties being unable to meet their obligations on the Dynea's cash and time deposits are mitigated by trading only with financially solid counterparties and setting maximum exposure limit per counterparty. In addition the Group aims to enter into derivative transactions with the banks from whom it has borrowed. The extent of counterparty and credit exposure varies with the prevailing interest and currency rates as well as with the amount of available cash for deposits.

The risks arising from the performance of associates and joint ventures are mitigated generally by Dynea's knowledge of their operations and ability to act based on that information.

Maximum exposure to credit risk:

	December 31, 2008	December 31, 2007
Trade receivables		
Current	57.1	91.0
1-30 days overdue	7.5	9.1
31-60 days overdue	2.0	1.7
Over 60 days overdue	<u>4.8</u>	<u>4.5</u>
Total trade receivables	<u>71.4</u>	<u>106.3</u>
Derivative financial instruments ⁱ⁾	0.1	1.9
Loans granted to associates and joint ventures	14.1	9.8
Investments in money market securities ⁱⁱ⁾	<u>0.0</u>	<u>28.0</u>
Total carrying amount in balance sheet	<u>85.6</u>	<u>146.0</u>
Guarantees given on behalf of joint ventures and others	<u>4.6</u>	<u>7.3</u>
Total exposure to credit risk	<u>90.2</u>	<u>153.3</u>

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

- i) Derivative financial instruments consist of interest rate derivatives, interest rate options and foreign exchange derivatives. The fair values of these derivatives form the maximum exposure to credit risk that arises from the possible default of the derivative deal counterparty. Derivatives are grouped per derivative type i.e. interest rate swap, interest rate option or foreign exchange derivative, and per counterparty. Fair values for similar derivatives with same counterparty are added up. If the sum is negative, no credit risk exists. The grand total of positive sums of counterparty/instrument type combinations form the maximum exposure to credit risk, which amount is presented in the table above.
- ii) Investments in money market securities consist of investments in other short-term deposits than banks' own instruments. The maximum investment per counterparty is €5.0 million. Approved counterparties are listed Finnish companies and named companies with investment grade rating. Unlisted companies that do not have credit rating may be assigned a limit with a separate approval.

Liquidity and refinancing risk—Liquidity and refinancing risk is defined as a risk that Dynea is not able to secure sufficient financing and further not able meet its financial liabilities. Liquidity and refinancing risk is managed by maintaining centrally managed cash pools and revolving credit facility.

Contractual maturity analysis:

	December 31, 2008			December 31, 2007
	Outstanding borrowings	No later than one year	Later than one year but not later than five years	Outstanding borrowings
Borrowings				
Senior credit agreement	66.3	2.5	63.8	110.0
Related party loan	33.9	—	33.9	31.2
Other long term loans with financial institutions	97.2	0.7	96.5	98.1
Short term borrowings	<u>2.7</u>	<u>2.7</u>	<u>—</u>	<u>1.7</u>
Total borrowings	<u>200.1</u>	<u>5.9</u>	<u>194.2</u>	<u>241.0</u>
Derivatives ^{i) - iii)}				
Interest rate derivatives				
Cash outflows		(0.8)	(0.3)	
Cash inflows		0.7	—	
Foreign exchange derivatives				
Cash outflows		(142.3)	—	
Cash inflows		<u>144.8</u>	<u>—</u>	
Total net cash flows from derivatives		<u>2.4</u>	<u>(0.3)</u>	

- i) Cash flows are undiscounted contractual cash flows.
- ii) Future cash flows in foreign currency are converted into euros on the prevailing foreign exchange rate on December 31, 2008
- iii) All derivative instruments are split to cash outflow and cash inflow component in the table above even though the payment would be netted in practise. E.g. an interest rate swap contract is presented above with receivable floating interest rate component being on the cash inflow line and payable fixed interest rate component being on the cash outflow line. Due to this approach the gross payments taking place can be less than shown above.

Raw material price risk—Dynea is exposed to raw material price risk arising mainly from movements in the price of the main raw materials methanol, urea, phenol, and melamine. As the prices Dynea pays for the raw materials change quarterly or monthly, Dynea is subject to considerable volatility in the prices it pays for such materials. Prices of methanol, urea and phenol are highly volatile, while prices of melamine are generally slightly less. The sales prices of Dynea's products are primarily a function of several items including the prices of the raw materials Dynea uses to make the products. This connection between the raw material prices and the sales prices gives significant protection against adverse changes in raw material prices. However, Dynea is not always able to fully pass through to the customers the fluctuations in the prices of raw materials. Centralised procurement organisation hedges Dynea against the raw material price fluctuations mainly through purchasing contracts. In certain cases commodity swaps may be used. However, at the balance sheet date no commodity derivatives were outstanding.

22. Commitments and Contingencies

Dynea evaluates its position relative to asserted and unasserted claims, unprofitable purchase commitments or future commitments and records provisions as needed.

Litigation and claims— Dynea Group is involved in some legal proceedings arising in the normal course of our business. We believe that none of the current proceedings, either individually or in the aggregate, are likely to have a material adverse effect on our business or our consolidated financial position. In 2008 Dynea and

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
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Greenchem Holding BV reached a settlement by which all the disputes and claims between the parties related to the AdBlue business alliance were settled and terminated.

Operating lease commitments—The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
No later than one year	2.1	2.7
Later than one year but not later than five years	5.0	5.4
Thereafter	<u>9.1</u>	<u>9.6</u>
Total	<u>16.2</u>	<u>17.7</u>

The operating lease commitments relate to leases for autos, buildings, office space, support services and equipment.

Mortgages, pledges and other guarantees given—Substantially all of the assets of Dynea Oy and its subsidiaries, including its property, plant and equipment, were pledged as collateral of the senior credit agreement (Note 17).

Mortgages, pledges and guarantees given consist of:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Chattel mortgages	90.3	90.3
Real estate mortgages	120.9	135.1
Investments in subsidiaries at historical cost	905.5	934.4
Pledges for all other assets	412.0	453.9
Guarantees given	27.4	47.3
Other contingent liabilities	0.3	3.9

Other commitments—Dynea has many purchasing contracts with suppliers.

Dynea is subject to business risks that are actively managed against exposures.

Financial Guarantees—Wholly owned subsidiaries have guaranteed long-term borrowings of Dynea. Dynea has letters of credit and guarantees with financial institutions.

23. Related party transactions

IK Investment Partners Limited controls 90% of the voting rights of Dynea Oy indirectly through its two investment funds, Industri Kapital 1997 Limited and Industri Kapital 2000 Limited. Management and other shareholders own the remaining shares.

Dynea has a related party convertible loan with outstanding balance of €33.9 million from two equity funds, the Industri Kapital 1997 Fund and the Industri Kapital 2000 Fund. The loan facility carries an interest of LIBOR +4.0% semi-annually capitalised interest (Note 17). In addition, Dynea has an outstanding liability to the above mentioned funds with a total amount of €29.9 million. These items are presented in the line item Loan payables to other related parties. The interest expenses related to the related party convertible loan are presented in the line item Interest expense to other related parties in the following tables.

The following transactions were carried out with related parties:

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Sales to associated companies	5.2	8.7
Sales to other related parties	20.9	17.6
Purchases from associated companies	—	0.3
Other income from associated companies	8.7	8.6
Other expenses to associates companies	7.5	4.5
Interest income from associated companies	1.3	—
Interest expenses to other related parties	2.9	2.5

Dynea Oy and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(all amounts in €millions unless otherwise stated)

Related Party Balances:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Other current receivables from associated companies	0.8	0.8
Short-term loan receivables from associated companies	14.1	9.8
Trade receivables from associated companies	4.0	5.3
Loan payables to other related parties	64.2	61.1
Interest liabilities to other related parties	1.2	1.0
Trade payables to associated companies	0.3	0.7
Guarantees given on behalf of associated companies	3.3	7.3

24. Other principal subsidiary undertakings

Principal subsidiary undertakings as at December 31, 2008:

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>% Ownership</u>
Beijing Dynea Chemical Industry Co. Ltd.	China	55
Durante Dynea Adhesives (Shanghai) Co. Ltd.	China	51
Dynea (Shanghai) Co. Ltd.	China	100
Dynea AS	Norway	100
Dynea Austria GmbH	Austria	100
Dynea B.V.	Netherlands	100
Dynea Chemicals Oy	Finland	100
Dynea Erkner GmbH	Germany	100
Dynea Guangdong Co., Ltd.	China	100
Dynea Hungary Kft.	Hungary	100
Dynea Ireland Ltd.	Ireland	100
Dynea Krabi Co., Ltd	Thailand	51
Dynea Malaysia Sdn. Bhd.	Malaysia	68.7
Dynea N.V.	Belgium	100
Dynea NZ Ltd.	New Zealand	100
Dynea Resins France SAS	France	100
Dynea São Paulo Industria de Resinas Ltda	Brazil	100
Dynea Singapore Pte. Ltd.	Singapore	100
Dynea Sp. z.o.o.	Poland	100
Dynea Thailand Co., Ltd	Thailand	60
Dynea UK Ltd.	UK	100
Dynea Vietnam Co. Ltd.	Vietnam	100
PT Dynea Indria	Indonesia	51
PT Dynea Mugi Indonesia	Indonesia	70

All holdings are in the ordinary share capital of the undertaking concerned. A complete list of shares and participations can be found on page 42.

25. Principal audit fees and services

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Audit fees	0.6	0.7
Audit-related fees	0.0	0.2
Tax fees	<u>0.1</u>	<u>0.1</u>
Total fees	<u>€ 0.7</u>	<u>€ 1.0</u>

26. Events after the balance sheet date

There are no material events after the balance sheet date.

Dynea Oy

Parent company
Profit and loss account, FAS

EUR		2008	2007
Net Sales		6,674,464.68	7,501,000.00
Other operating income		2,985.67	241,974.45
Personnel expenses	3	(6,216,044.07)	(5,111,100.34)
Depreciation, amortisation and write-downs	2	(1,484,652.24)	(65,464.27)
Other operating expenses	3	(7,685,056.17)	(4,396,570.69)
OPERATING (LOSS)		(8,708,302.13)	(1,830,160.85)
Financial income and expenses	4	(628,287.92)	(194,412.58)
(LOSS) BEFORE APPROPRIATIONS AND TAXES		(9,336,590.05)	(2,024,573.43)
Appropriations		37,613.21	12,664.64
(LOSS) FOR THE YEAR		(9,298,976.84)	(2,011,908.79)

Parent company
Balance sheet, FAS

Eur	Note	31.12.2008	31.12.2007
A s s e t s			
FIXED ASSETS AND OTHER LONG-TERM ASSETS			
Intangible assets	5	8,810.14	40,465.84
Tangible assets	6	27,221.59	50,218.13
Long-term receivables	9	120,000,000.00	120,230,000.00
Other long-term assets	7,8	375,311,355.06	375,311,355.06
		495,347,386.79	495,632,039.03
CURRENT ASSETS			
Short-term receivables	9	10,137,734.60	13,574,420.63
Cash and cash equivalents		148,190.90	1,856,314.42
		10,285,925.50	15,430,735.05
		505,633,312.29	511,062,774.08
Shareholders' equity and liabilities			
SHAREHOLDER'S EQUITY			
Share capital		96,179,080.20	96,179,080.20
Share premium account		11,378,649.03	11,378,649.03
Retained earnings		240,027,690.22	242,039,599.01
(Loss) for the year		(9,298,976.84)	(2,011,908.79)
	10	338,286,442.61	347,585,419.45
UNTAXED RESERVES			
		10,649.76	48,262.97
LIABILITIES			
Long-term liabilities	11	158,666,441.21	155,822,862.32
Short-term liabilities	12	8,669,778.71	7,606,229.34
		167,336,219.92	163,429,091.66
		505,633,312.29	511,062,774.08

Dynea Oy**Parent company
Cash flow statement, FAS**

KEUR	2008	2007
Operating activities		
Operating (loss)	(8,708)	(1,830)
Adjustments to the operating (loss)	54	65
Changes in working capital	2,730	(376)
Interests received	7,894	6,658
Interests paid	(8,101)	(6,706)
Other financial income and expense	(1)	(99)
Cash (used in) operating activities	(6,132)	(2,288)
Financing activities		
Net change in long term receivables and borrowings	2,966	29,945
Net proceeds (payments) on short term borrowings	459	(26,991)
Group contributions received	1,000	1,000
Cash (used in) financing activities	4,425	3,954
Net change in cash and cash equivalents	1,856	1,666
Cash and cash equivalents - beginning balance	(1,707)	190
Cash and cash equivalents - ending balance	149	1,856

1. Accounting principles

The Parent company Financial Statements are prepared according to the Finnish Accounting Standards (FAS).

Accounting policies**Valuation of property, plant and equipment**

Property, plant and equipment have been stated at the fair value at the date of acquisition and have been adjusted for accumulated depreciation and impairment write-downs.

Depreciation has been calculated based on the straight-line method to expense the cost of asset to their residual values over their estimated useful life.

The depreciation plan is the same as in previous year.

The depreciation period is the following:

Property, plant and equipment	10 years
Intangible assets	5 years

Pensions

An external pension insurance company manages the parent company pension plan.

Contributions to the pension plan are recognised based on information received from the pension insurance company.

Contributions to the pension plan are expensed in the period which these contributions relate to.

	2008	2007
2. Depreciations and writedowns		
Intangible assets		
Other intangible assets	32	41
Tangible assets		
Plant and machinery	23	24
Writedowns of loans in subsidiaries	1,430	-
Total	1,485	65
3. Other operating expenses		
Personnel expenses	6,216	5,111
Audit fees	39	39
Other expenses	7,646	4,358
Total	13,901	9,508
Personnel expenses		
Wages and salaries	4,293	3,410
Pension costs	1,616	1,490
Other personnel expenses	307	211
Total	6,216	5,111

The retirement age for the Managing Director of Dynea Oy has been set at 62 years.

Average number of personnel	25	28
Personnel at the year end	24	27

4. Financial income and expenses

Financial income		
Interest income		
From Group companies	8,097	7,387
From Others	43	10
Total	<u>8,141</u>	<u>7,397</u>
Net exchange rate gains/ losses	-	5
Financial expenses		
Interest expenses		
From Group companies	-	-
From Others	8,659	7,492
Other financial costs	109	104
Total	<u>8,769</u>	<u>7,596</u>
Total financial income and expenses	(628)	(194)

5. Intangible assets

	Other intangible assets	
	2008	2007
	<u>307</u>	<u>307</u>
Acquisition cost at January 1	307	307
Acquisition cost at December 31	307	307
Accumulated amortization at January 1	267	226
Amortization during the period	31	41
Accumulated amortization at December 31	298	267
Net book value at January 1	40	82
Net book value at December 31	9	40

6. Tangible assets

	Plant and machinery	
	2008	2007
	<u>194</u>	<u>194</u>
Acquisition cost at January 1	194	194
Acquisition cost at December 31	194	194
Accumulated depreciation at January 1	144	120
Depreciation during the period	24	24
Accumulated depreciation at December 31	168	144
Net book value at January 1	74	74
Net book value at December 31	26	50

7. Other long-term assets

	Shares in Group companies
	<u>375,311</u>
Book value at January 1, 2008	375,311
Book value at December 31, 2008	375,311

8. Shares and holdings in companies owned by Group and Parent company

Group companies	Country	Group's holding	Parent's holding
Beijing Dynea Chemical Industry Co. Ltd.	China	55.00%	
Det Gjensidige Forsikringselskap Explosionskade	Norway	100.00%	
Durante Dynea Adhesives (Shanghai) Co., Ltd	China	51.00%	
Dynea (Shanghai) Co. Ltd.	China	100.00%	
Dynea (Thailand) Co., Ltd.	Thailand	60.00%	
Dynea AS	Norway	100.00%	
Dynea Austria GmbH	Austria	100.00%	
Dynea Aycliffe Ltd.	Great Britain	100.00%	
Dynea B.V.	Hungary	100.00%	
Dynea Chemicals Oy	Finland	100.00%	
Dynea Erkner GmbH	Germany	100.00%	
Dynea France SA	France	100.00%	
Dynea Guangdong Co., Ltd.	China	100.00%	
Dynea Holding B.V.	The Netherlands	100.00%	
Dynea Holding GmbH	Austria	100.00%	
Dynea Holzleime GmbH	Germany	100.00%	
Dynea Hongkong Pte Limited	Hongkong	100.00%	
Dynea Hungary Kft.	Hungary	100.00%	
Dynea International Oy	Finland	100.00%	100.00%
Dynea InvestCo B.V.	The Netherlands	100.00%	100.00%
Dynea Ireland Ltd.	Ireland	100.00%	
Dynea Krabi Co., Ltd	Thailand	51.00%	
Dynea Malaysia Sdn. Bhd.	Malaysia	68.70%	
Dynea Moers GmbH	Germany	100.00%	100.00%
Dynea N.V.	Belgium	100.00%	
Dynea Nederland Holding B.V.	The Netherlands	100.00%	
Dynea NZ Ltd.	New Zealand	100.00%	
Dynea Resins France SAS	France	100.00%	
Dynea Sao Paulo Industria de Resinas Ltda	Brasil	100.00%	
Dynea Singapore Pte. Ltd.	Singapore	100.00%	
Dynea Sp. z o.o.	Poland	100.00%	
Dynea UK Ltd.	Great Britain	100.00%	
Dynea Vietnam Co. Ltd.	Vietnam	100.00%	
Dyno Industries UK Ltd.	Great Britain	100.00%	
Krems Chemie Service GmbH	Austria	100.00%	
KVS Kunststoff-Verbund-Systeme Deutschland GmbH	Germany	100.00%	

Neste Chemicals Service GmbH	Germany	100.00%
OOO Dynea Ukraina	Ukraine	100.00%
PT Dynea Indria	Indonesia	51.00%
PT Dynea Mugi Indonesia	Indonesia	70.00%

Associated companies

Borsod Chem-Krems Chemie Formalin Kft.	Hungary	33.30%
Dynea Australia Pty. Ltd.	Australia	50.00%
Dynea Brasil S.A.	Brazil	50.00%
Dynea Pakistan Ltd.	Pakistan	33.20%
Greenstar Finance B.V.	The Netherlands	50.00%
Krystal AS	Norway	33.00%
Nordalim A/S	Denmark	50.00%
OOO Karbodin	Russia	50.00%
ZAO MetaDynea	Russia	50.00%

9. Receivables	2008	2007
Long-term receivables		
Receivables from group companies		
Loan receivables	120,000	120,230
Short-term receivables		
Receivables from group companies		
Trade receivables	7	2,835
Loan receivables	2,375	2,376
Accrued interest	5,105	4,859
Other receivable	2,161	3,161
Others		
Trade receivables	0	73
Other accrued income and prepaid expenses	488	270
Total receivables	<u>130,136</u>	<u>133,805</u>

10. Shareholders' equity	2008	2007
Share capital as at January 1	96,179	96,179
Share capital as at December 31	96,179	96,179
Share premium account as at January 1	11,379	11,379
Share premium account as at December 31	11,379	11,379
Profit from previous years	240,028	242,039
Loss for the year	(9,299)	(2,012)
Total shareholders' equity 31.12.	338,286	347,585

Share capital

The number of A-shares is 21,100,615 and B-shares is 561,340. Each A-share entitles to 5 votes and each B-share entitles to 1 vote at the Shareholders meeting.

11. Long-term liabilities

	2008	2007
Liabilities to others		
Loans from financial institutions, nominal value	95,000	95,000
Capitalized fees	(146)	(254)
Loans from financial institutions, carrying value	94,854	94,746
Other long-term liabilities	63,812	61,077
Total	<u>158,666</u>	<u>155,823</u>

There were no liabilities repayable later than five years.

12. Short-term liabilities

Liabilities to Group companies		
Trade payables	181	233
Liabilities to others		
Loans from financial institutions	-	-
Trade payables	363	245
Other short-term liabilities	-	-
Other accruals	8,126	7,128
Total	<u>8,670</u>	<u>7,606</u>
Major accruals		
Accrued interests	4,953	4,395
Other accruals	1,239	2,733
Total	<u>6,193</u>	<u>7,128</u>

Contingent liabilities

	2008	2007
Investments in subsidiaires	373,643	373,643
Other guarantees given on Company's own behalf	2,493	3,357
Other guarantees given on associated company's behalf	446	893
Other guarantees given behalf of others	-	1,756

Leasing commitments

Portion falling due during the next financial year	86	100
Portion for subsequent years	53	109
Total	<u>139</u>	<u>209</u>

Dynea Oy

Signatures of the board and the CEO

Helsinki, March 3, 2009

Stig Gustavson
Chairman

Björn Savén

Lennart Ahlgren

Michael Rosenlew

Helena Stjernholm

Roger Carlstedt
Managing Director

Auditors' Note

On the basis of audit work performed, we have today issued the auditors' report.

Helsinki, March 3, 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant