

ARTICLES OF ASSOCIATION

Unofficial translation from Finnish

POWERFLUTE OYJ

1 § Trade Name and Domicile

The trade name of the Company is Powerflute Oyj and its domicile is Helsinki. The Company's parallel trade name in English is Powerflute Plc.

2 § Line of Business of the Company

The Company's line of business is to own, operate, administer, purchase and sell fixed and movable assets relating to paper, board and forest industry and any activity related to the said line of business. The Company may also purchase, sell and administer other property and be engaged in other investment activities. In addition, the Company may be engaged in sales and marketing of paper and board products as well as providing consulting services to the paper industry. These activities may be conducted directly or through subsidiaries.

3 § The Shares in the Company

The shares in the Company shall not have a nominal value. The minimum share capital of the Company is eighty thousand (80,000) euros.

4 § Board of Directors of the Company

The Board of Directors of the Company shall comprise a minimum of three and maximum of eight ordinary members. The term of office of ordinary members shall expire upon the closing of the next Annual General Meeting of Shareholders following their election.

The Board shall have an audit committee, remuneration committee and nomination committee. The members of the committees shall be appointed by the Board among the Board members. Each of the committees shall consist of two or three Board members. The remuneration and compensation payable to the members of the Board of Directors shall be approved by the annual general meeting.

Any Director who is employed or is the holder of an executive office is entitled to such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the remuneration committee may approve and either in addition to or in lieu of his remuneration as a Director.

Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid extra remuneration (whether by way of salary, commission, participation in profits or otherwise) or may receive such other benefits as the remuneration committee may approve.

Each Director is entitled to be paid his reasonable travelling, accommodation and incidental expenses for attending and returning from meetings of the Board, committee meetings or the general meetings of Shareholders and is to be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

5 § Managing Director of the Company

The Company shall have a Managing Director (CEO) appointed by the Board of Directors.

6 § Representation of the Company

The Company shall be represented by the members of the Board of Directors and the Managing Director of the Company, each alone. The Board of Directors may in addition authorise other specifically named persons to represent the Company.

7 § Financial Period of the Company

The Company's financial period shall be the calendar year.

8 § Annual General Meeting of Shareholders

The General Meetings of Shareholders of the company shall be held in the Helsinki, Espoo, Vantaa or Kuopio region. The Annual General Meeting of Shareholders of the company shall be held each year within six months of the end of the financial period as determined by the Board of Directors.

At the Annual General Meeting it shall be:

presented:

1. the annual accounts, comprising an income statement, balance sheet, cash flow statement and the notes thereto, as well as the consolidated annual accounts;
2. the annual report;
3. the auditor's report;

resolved on:

4. the adoption of the financial statements and the consolidated financial statements;
5. the measures to be taken on the basis of the profit set out in the balance sheet;
6. the granting of discharge from liability to the members of the Board of Directors and the Managing Director;
7. the number of the members of the Board of Directors;
8. the remuneration payable to the members of the Board of Directors and the auditor;

elected:

9. the members of the Board of Directors;
10. the auditor;

resolved on:

11. any other matters mentioned in the invitation to the meeting.

9 § Invitation to the General Meetings of Shareholders

Convening notice to a General Meeting of Shareholders, as determined by the Board of Directors, shall be delivered to the shareholders by (i) publishing a notice on the company's website and (ii) whilst the company is admitted to trading on the AIM market of the London Stock Exchange, delivering a notice to a regulatory information service approved by the London Stock Exchange for the distribution of public announcements in accordance with the applicable rules and regulations. The notice shall be announced in case (i) not earlier than two (2) months before the last registration date mentioned in the convening notice and no later than three (3) weeks prior to the date of the meeting but, however, always at least nine (9) days prior to the record date for the shareholders' meeting.

Other invitations to the shareholders shall be delivered in the same manner.

10 § Registration for the General Meetings of Shareholders

In order to attend a General Meeting of Shareholders, a shareholder shall notify the Company on or before the last registration date stated in the notice of meeting, which registration date shall not be earlier than ten (10) days prior to the meeting. The right to attend to a general meeting is determined in accordance with the Finnish Companies Act.

11 § Auditor

The Company shall have one auditor which shall be an auditing entity authorised by the Central Chamber of Commerce of Finland. The term of office of auditor shall expire upon the closing of the next Annual General Meeting of Shareholders following the election of the auditor.

12 § Book Entry System

The Company's shares are incorporated into the book-entry system of securities

13 § Notification on the Change of Holdings in the Company

A person shall notify the Company of any holdings that he may have in the voting rights attaching to issued shares in the Company, whether directly or indirectly (including, for the avoidance of doubt, holdings of depositary interests in respect of such shares), when such holdings reach, exceed or decrease below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% of the total voting rights in the shares in the Company registered at the Finnish Trade Register (a "Notification"). Each person shall also make a Notification when he becomes a party to an agreement or other arrangement that upon implementation would result in the holdings of the shareholder reaching, exceeding or decreasing below any of above-mentioned thresholds. This Article 13 shall be interpreted in accordance with Chapter 2 Section 9 of the Finnish Securities Market Act.

In the calculation of the holdings of the shareholder such holdings shall also comprise holdings of the entities under control of the shareholder and any third parties if the exercise of voting rights attached to such holdings of any third parties may be decided by the shareholder either alone or together with such third party on the basis of an agreement or another arrangement ("Controlled Entities").

No Notification obligation shall arise in respect of shares that may be held by a person through his role as the Company's depositary for the purposes of issuing depositary interests in respect of shares in the Company.

The Notification shall be made without undue delay after the shareholder becoming aware of the transaction that resulted in the reaching, exceeding or decreasing below any of the above-mentioned thresholds. In the event the obligation of Notification is borne by the shareholder being a party to an agreement that upon implementation results in the reaching, exceeding or decreasing below any of the above-mentioned thresholds, the Notification shall be made at the latest upon the signing of such agreement.

The Notification shall comprise following information:

- grounds for making the Notification;
- point of time when the holdings have reached, exceeded or decreased below any of the thresholds above;
- exact portion of the shares in the Company held either directly or indirectly by the shareholder;
- the price and number of the shares concerned;
- complete name of the shareholder and trade register number or equivalent identification number;
- complete name and trade register number or equivalent identification number of each of the Controlled Entities;
- report on the division of the holdings between the shareholder and each of the Controlled Entities;
- chain of the companies under control of the shareholder through which shares in the Company and voting rights attached to such shares are held;
- parties, term and material information on the contents of the agreement or another arrangement to which the shareholder is a party and which upon implementation will result in reaching, exceeding or decreasing below any of above-mentioned thresholds;
- the nature of the transaction; and
- the nature of the Shareholder's interest in the transaction.

The Company shall post template forms of Notification to its website. When a Notification is made to the Company or the Company otherwise becomes aware of the reaching, exceeding or decreasing below any of above-mentioned thresholds the Company shall without undue delay publish information on the change of holdings in the Company and deliver such information to the markets pursuant to the applicable disclosure rules.

The shareholder shall make the Notification in Finnish or English language at the sole discretion of the shareholder and the Company shall publish all information pertaining to the change of holdings in the Company as set forth in this Article 13 in Finnish and/or English language as may be required by the rules of the relevant market place in which the Company's shares may be traded.

14 § Obligation to Purchase Shares

Offer

A person whose holdings, either alone or together with other persons in a way defined hereinafter, in the voting rights attached to all the shares in the Company registered at the Finnish Trade Register (including, for the avoidance of doubt, any holdings of depositary interests in respect of shares in the Company) exceed, after the shares in the Company have been admitted to public trading on the AIM-market or another stock market, three tenths (3/10) or one half (1/2) (such a person hereinafter being the "Offeror") shall be obliged to make an offer to purchase ("Offer") all the other shares in the Company, or options which entitle the holder to new shares in the Company, from the other shareholders or holders of such options ("Offerees").

In calculating the voting rights of a person, the following shares and/or depositary interests shall be taken into account:

- (i) shares and/or depositary interests held by the Offeror, as well as entities under the control of the Offeror and pension foundations and pension funds under the control of the said parties;
- (ii) shares and/or depositary interests held by the Offeror or other party under subsection (i) above together with any third parties;
- (iii) shares and/or depositary interests held by any other private persons and entities who are acting in concert with the Offeror in order to acquire control in the Company.

Any person acting as the Company's depositary for the purposes of issuing depositary interests in respect of shares in the Company or as a custodian of the Company's shares shall not be deemed to be an Offeror for the purposes of this Article and their holdings shall be deemed to be excluded for the purposes of sub-paragraphs (i) to (iii) above.

In calculating the voting rights of a person, any restrictions on the exercise of the voting rights in an agreement to which the person is a party or provisions of applicable law shall not be taken into account.

Shares held by the Company or any entity under the control of the Company shall not be taken into account in the determining of total voting rights attached to all the shares in the Company.

In the event that there is one person whose holdings of voting rights exceed either of the limits of three tenths (3/10) or one half (1/2) referred to above, no other person shall become obliged to make an Offer until his holdings exceed the holdings of the first person. In the event that the holdings of one person have exceeded either one of the limits stated above, i.e. (3/10), or (1/2), and this is solely as a result of activities of the Company or another person, the person shall not be obliged to make an Offer until he purchases, subscribes for or in any other manner increases his holdings in the voting rights of the Company.

Purchase price

The purchase price ("Price") payable by the Offeror shall be a fair market price. The Price can be cash, securities or shares, or combination of securities, shares and cash. The starting point for the determination of the Price shall be the higher of the following:

- price paid by the Offeror or any person or entity referred to in the subsections i)-iii) above in this Article 14 for shares in the Company during the six (6) months prior to the emergence of the obligation to make an Offer or
- in the event no such purchases have been made, the weighted average trading price of the shares in public trading during the preceding three (3) month period.

If an acquisition to be deemed to have influence on the Price is denominated in a currency other than the Pound Sterling of the United Kingdom, in which the shares of the Company are traded, the conversion value of such acquisition currency to the trading currency shall be calculated through the official rates of the European Central Bank for the currencies in question seven (7) days prior to the date on which the Board of Directors notified the shareholders of the Offer.

The Offeror shall be obliged to treat all Offerees equally and pay the same price per share to all Offerees willing to sell their shares to the Offeror on the basis of the Offer irrespective of the identity of the Offeree, number of the shares held by the Offeree or point of time when the Offeree sells his shares to the Offeror.

In the event the Offeror or any person or entity referred to in the subsections i)-iii) above in this Article 14 of the Articles of Association acquires shares in the Company under better terms and conditions than what has been offered to the Offerees in the Offer and the said acquisition takes place between the date on which the obligation to make an Offer has arisen and the due date by which claims for purchase shall be made, the Offeror shall be obliged to amend the Offer to correspond to the said acquisition. The procedure for the amendment of the Offer is set forth below in this Article 14.

In the event the Offeror or any person or entity referred to in the subsections i)-iii) above in this Article 14 acquires shares in the Company under better terms and conditions than what has been offered to the Offerees in the Offer (or the amended Offer, if any) and the said acquisition takes place within nine (9) months after the due date by which claims for purchase were made to the Offeror, the Offeror shall be obliged to compensate the Offerees having accepted the Offer (or the amended Offer, if any) for the difference between the Price paid in the Offer (or the amended Offer, if any) and the purchase price paid in the said acquisition.

The above provisions on the determination of the Price shall also apply to other securities to be purchased.

Procedure

The Offeror shall upon submitting a Notification referred to in Article 13 of the Articles of Association communicate the obligation to make an Offer (“Communication”) in writing at the Company’s address to the Board of Directors of the Company. The Communication shall contain details of the number of shares owned by the Offeror and the number and price of the shares acquired during the last twelve (12) months. The Communication shall also contain the address at which the Offeror may be contacted. The Communication shall be made in the Finnish or English language at the sole discretion of the Offeror.

The Board of Directors shall notify shareholders of the arising of the obligation to make an Offer within 45 days of the receipt of the Communication or, in the absence of such Communication, or where such Communication fails to arrive within the specified period, of the date on which it otherwise became aware of such obligation to make an Offer. The Board’s notice shall contain details of the date on which the obligation to make an Offer has arisen, the basis for determination of the purchase price as far as known to the Board of Directors and the due date by which acceptances shall be made. The Offeror shall be obliged to provide the Board of Directors with all information reasonably needed by the Board of Directors for it to make its notification to the Shareholders. The Board’s notification shall be made in compliance with the provisions of Article 9 of the Articles of Association concerning notice of a General Meeting of Shareholders. A Offeree who wishes to accept the Offer shall do so in writing within 30 days of the Board’s notification. The notification of acceptance, which shall be sent to the Company or to a party appointed by the Board of Directors, shall indicate the number of shares and other

securities to which the acceptance relates. An Offeree who accepts the Offer shall, at the same time as making its acceptance notification, provide the Company with all necessary documentation to effect the be transfer of the relevant shares to the Offeror upon the payment of the Price.

The Offeror shall immediately inform the Board of Directors if the Offer needs to be amended in accordance with the above provisions and provide the Board of Directors with all information reasonably needed by the Board. In the event the Offer has already been notified to the Offerees, the Board of Directors shall forthwith notify the amended Offer to the Offerees in the manner set forth above together with information on the possible extension of the offer period. Such extension shall be determined by the Board of Directors and it shall not exceed 7 days.

If the Offer is not accepted by an Offeree by the due date in the manner described above the Offeree shall forfeit his right to accept the Offer (or the amended Offer, if any). An Offeree shall have the right to revoke his acceptance at any time until the purchase has taken place in accordance with the terms of the Offer.

Forthwith after the due date for accepting the Offer, the Company shall notify the Offeror of the total number of acceptances of the Offer. The Offeror shall, within 14 days of receipt of such a notice, in the manner prescribed by the Company, pay the Price and complete the purchase of the shares, and any options over unissued shares, in respect of which acceptances have been received.

The Price or any part thereof which is not paid within the specified period shall accrue default interest of 20 per cent per annum as of the date on which the purchase should have been made. If the Offeror has, in addition, failed to observe the above provisions concerning an obligation to make an Offer, default interest shall be calculated as of the date on which the notification should have been made.

The Company shall make all communication relating to notices and other information published to the shareholders of the Company set forth in this Article 14 in the Finnish and English languages.

Any provisions relating to the application and interpretation of the obligation to purchase shares and not explicitly stipulated in this Article 14 shall be determined by applying the EC takeover directive as implemented and applied in Finland.

Dispute resolution

The Board has full authority to determine the application of this Article 14, including as to the deemed application of the whole or any part of the regulatory framework directly or analogically applicable. Such authority shall include all discretion vested in a relevant takeover panel, including, without limitation, whether the shareholding threshold has been reached, the determination of conditions and consents and the consideration to be offered.

Any resolution or determination of, or decision or exercise of any discretion or power by the Board or any Director or by the Chairman of any meeting acting in good faith under or pursuant to the provisions of this Article 14 shall be final and conclusive and anything done by, or on behalf of, or on the authority of, the Board or any Director acting in good faith pursuant to the provisions of this Article 14 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Article 14.

In case one half or more of the Directors would have a conflict of interest or are otherwise unable to resolve on any matters relating to this Article 14, the Board shall appoint an independent financial adviser to undertake the role of the Board for the purposes of this Article. Any such adviser must have relevant experience and relevant background for takeover matters. Such an adviser shall then have similar powers as set forth above in this Article relating to the Board.