

6 February 2009

The strong beginning of the year provided a good result for Botnia in 2008

- Sales EUR 1,591 million (EUR 1,371 million)
- Operating profit EUR 209 million (EUR 186 million)
- Profit before extraordinary items EUR 176 million (EUR 173 million)
- Investments EUR 99 million (EUR 409 million)
- Return on capital employed 10.6% (10.6%)
- Equity ratio 63.4% (61.4%)
- Net gearing 36.5% (36.8%)

The figures and comparison data in the financial statements correspond to the IFRS calculation principles. The figures have not been audited.

High raw material expenses and a rapid decline in the demand for pulp affected the result for 2008

In 2008, Botnia Group's turnover was EUR 1,591 million (1,371), that is, 16% higher than the year before. Operating profit increased by 12%, totalling EUR 209 million (186). The turnover and result for the year under review were supported by the high price of pulp at the beginning of the year, and the US dollar which strengthened during the latter part of the year. The most significant factors weakening the result include the continuously high price of the wood raw material and the rapid decline in pulp prices and demand occurring in the latter part of the year.

The USD price of Northern long-fibre pulp decreased heavily in the latter part of the year. At the end of December, the price was USD 638 (USD 870 in December of the previous year). For short-fibre pulp, the price at the end of December was USD 580 (USD 780 in the year before).

The return on capital employed (ROCE) remained unchanged, totalling 10.6% in 2008.

The result in the last quarter clearly decreased year on year

The sales in the last quarter totalled EUR 359.2 million (EUR 421.1 million in July–September 2008). Operating profit decreased by 113% and was EUR -12.7 million (EUR 101.7 million in July–September 2008). The result was affected by the rapid decline in pulp prices, the weakening demand for pulp, and the production curtailments carried out at all mills in November and December. The currency-denominated market prices for pulp decreased by 20% (softwood pulp) and by 21% (hardwood pulp).

The financial position remained good

Botnia's financial position and liquidity remained good during the year under review. In September, the forest company Forestal Oriental in Uruguay announced a corporate bond programme totalling USD 100 million and successfully issued the first USD 35 million series to the Uruguay market.

6 February 2009

During the year under review, the Group's equity ratio increased to 63.4% (61.3). Net gearing was 36.5% (36.8). Interest-bearing net debt stood at EUR 562.2 million at the end of the year (500.3).

The availability of raw material restricted pulp production, and demand declined rapidly in the latter part of the year

At the beginning of 2008, approximately 3 million metric tons of new hardwood pulp capacity were introduced to the market. The suppliers' pulp stocks increased slightly in the early part of the year and, in July, turned to a sharp growth which continued for the rest of the year.

At year-end, almost two million metric tons of old pulp capacity were closed down in Canada and the Nordic countries due to poor timber availability and profitability. During the year, Finnish pulp mills lost some of their price competitiveness due to the fact that their timber prices increased more quickly than those of competitors and that the euro strengthened particularly against the Swedish crown and the Canadian dollar.

Pulp sales volumes rose by 20% on the year before. Pulp sales totalled 3,064,023 metric tons (2,549,491). Approximately 60% of the deliveries went to shareholders and 40% to market customers.

The production in Uruguay exceeded its objective

During the year, Botnia produced 3,298,458 metric tons of pulp (2,616,116). In Uruguay, the objective was exceeded by 85,000 tons, whereas Finland remained approximately 247,000 tons behind its objective mainly due to the raw material restrictions in the early part of the year and the production curtailments in November and December.

In November, the Kaskinen mill started statutory labour negotiations concerning a temporary discontinuance of the operations, or closing down the mill. In January 2009, a decision was made to close down the mill during the first quarter of 2009.

All Botnia's present-day mills have the right to use the PEFC (Programme for the Endorsement of Forest Certification Schemes) label on their products. Wood procurement, pulp production and sales all comply with the demands of the certificate. Approximately 70 per cent of Botnia's wood procurement came from certified forests. The majority of this was sourced from forests certified according to the FFCS (Finnish Forest Certification System) and part came from the forests of the Uruguay-based subsidiary, Forestal Oriental; its forests have been certified according to the regulations of the FSC (Forest Stewardship Council). On 22 December 2008, Botnia's Finnish mills were granted the FSC Chain-of-Custody Controlled Wood certificate.

The production volume of the Svir Timber sawmill was 170,747 cubic metres, which clearly fell behind the objective of 230,000 cubic metres. The reason for this was the weak demand that continued throughout the year.

6 February 2009

The most significant investments concerned the reduction of emissions to the environment

The Group's capital expenditure totalled EUR 98.7 million (408.8). The sales of fixed assets were EUR 1.8 million (0.7).

The first year of operation of the Uruguay pulp mill was a great success. The mill achieved an annual production of 935,000 metric tons and met the tight quality and environmental objectives.

Forestal Oriental S.A., a subsidiary of Botnia, continued to expand its planting and harvesting capacity. At the moment, FO owns approximately 180,000 hectares of land, about 60% of which is planted or ready for planting.

The most significant investments in Finland concerned the renewal of the automation system at the Äänekoski mill, pulp washing at the Kemi mill, and the reduction of emissions to the air at the Rauma mill.

Ilkka Härmälä was appointed as President and CEO

Erkki Varis, President and CEO of the company since 1997, retired on 31 August 2008 after reaching the contractual pensionable age. Ilkka Härmälä, M.Sc. Eng., was appointed as his successor.

Outlook

Due to the low capacity utilisation rate of paper mills, the outlook for 2009 is weak. In the latter part of 2008, the price of pulp has decreased to a level that will not enable a positive result at the Finnish mills. Capacity has to be adjusted to meet demand, by carrying out substantial production curtailment.

The impact of the pulp capacity shut down in the last quarter of 2008 and at the beginning of 2009 will not show until the latter part of the year after the producers' oversupply situation has ended. In 2009, approximately 2 million metric tons of new capacity and mill expansions will be launched. The impact of the capacity net change in the market is close to zero in 2009.

The development of the operative efficiency of the Russian sawmill business will be continued. The market situation for sawn timber continues to be weak. The decrease in pulpwood export from Russia will have an impact on harvested volumes and may cause a shortage in log availability.

In Finland, the company will continue to focus on ongoing improvement of cost-effectiveness and quality, and on the further development of business processes and expertise.

Cutting down the pulp production volumes at the Finnish mills will considerably reduce the need for the use of imported wood and will thus decrease the average wood cost.

6 February 2009

The Uruguay mill has achieved its designated production level and will strengthen the company's financial outlook for 2009 with its cost efficiency. Due to the poor result of the Finnish mills, the overall result of the Group is expected to be weaker than in the previous year.

For more information please contact:

Ville Jaakonsalo, Senior Vice President, Finance, tel. +358 10 469 4674

6 February 2009

INTERIMS		IIIQ / 2008	IIQ / 2008	IQ / 2008	IVQ / 2007
Sales	MEUR	359,2	421,1	412,6	343,8
EBITDA	MEUR	22,9	136,0	78,8	52,5
Operating profit	MEUR	-12,7	101,7	44,4	26,3
Profit before extraordinary items	MEUR	-22,3	99,2	38,0	22,8
Roce	%	-2,3	20,4	9,2	5,6
Equity ratio	%	63,4	63,0	60,9	61,4
Net gearing	%	36,5	34,2	41,1	36,8
Investments	MEUR	21,1	34,4	19,9	91,7

PROFIT AND LOSS ACCOUNT	1-12/2008	%	1-12/2007	%	Change	%
(EUR million)						
Turnover	1 590,7	100,0	1 371,3	100,0	219,4	16,0
Other operating income	30,4		29,7		0,7	
Operating expenses	1 273,9		1 111,9		-162,0	
Depreciation	138,5		102,9		-35,6	
Operating profit	208,7	13,1	186,2	13,6	22,5	12,1
Interest in associated companies	0,1		-0,4		0,5	
Net exchange gains/losses	-2,7		-1,3		-1,4	
Other financial income and expenses	-30,2	-2,1	-11,2	-0,9	-19,0	0,0
Profit before extraordinary items	175,9	11,1	173,3	12,6	2,6	1,5
Extraordinary items	0,0		0,0		0,0	
Profit before taxes and minority interest	175,9	11,1	173,3	12,6	2,6	1,5
Taxes	-3,5		-47,7		44,2	
Minority interest	-32,4		2,9		-35,3	
Profit for the period	140,0	8,8	128,6	9,4	11,5	8,9

BALANCE SHEET (EUR million)	12/2008	%	12/2007	%
Assets				
Fixed assets	1 822,4	75,1	1 815,0	81,8
Current assets				
Inventories	337,6	13,9	202,7	9,1
Other current assets	198,7	8,2	186,5	8,4
Liquid funds	68,8	2,8	13,7	0,6
Total	2 427,5	100,0	2 217,9	100,0
Liabilities				
Shareholders' equity	1 364,5	56,2	1 235,3	55,7
Minority interest	174,0	7,2	125,4	5,7
Provisions for liabilities and charges	9,1	0,4	8,3	0,4
Long-term liabilities	615,3	25,3	539,2	24,3
Short-term liabilities	264,6	10,9	309,6	14,0
Total	2 427,5	100,0	2 217,9	100,0