

6 February 2008

Pulp supply and demand in balance during 2007**Financial result for 2007 good**

- **Sales EUR 1,371 million (1,311 million)**
- **Operating profit EUR 186 million (212 million)**
- **Profit before extraordinary items EUR 173 million (202 million)**
- **Capital expenditure EUR 409 million (570 million)**
- **Return on capital employed 10.6% (14.3%)**
- **Equity ratio 61.4% (65.8%)**
- **Net gearing 36.8% (20.4%)**

Figures for the financial period and those given for comparison comply with International Financial Reporting Standards (IFRS). All figures are unaudited.

Financial result hit by weakening of the dollar against the euro and by sharp rise in wood raw material prices

Botnia Group sales for 2007 were EUR 1,371 million, five per cent higher than for the previous year. Operating profit fell 12 per cent to EUR 186 million (212). Both sales and operating profit benefited from the strong trend in pulp prices, but were hit, in particular, by the weakening of the dollar against the euro and the sharp rise in wood raw material prices. The average exchange rate in 2007 was roughly 1.37 dollars to the euro, considerably higher than the previous year's average of 1.26.

The price of northern long-fibre pulp in 2007 rose by 19 per cent in dollars and by seven per cent in euros. The price at the end of December was USD 880/t. The price of short-fibre pulp (eucalyptus and birch) rose by 16 per cent in dollars and by four per cent in euros, the price at the end of December being USD 780/t.

Return on capital employed in 2007 was 10.6 per cent (14.3). The decrease is due to capital outlay on the Uruguay pulp mill investment.

The pulp mill, at Fray Bentos in Uruguay, was completed on schedule in September and was successfully started up in November. The delay in start-up was due to the political dispute between Uruguay and Argentina concerning the mill. Start-up had no material impact on the financial result for the year.

Final quarter financial result well down on previous quarter

Sales for the final quarter of 2007 were EUR 343.8 million, about the same as for the third quarter (345.2 million). Operating profit was 55 per cent lower at EUR 26.3 million (59.0 million). The smaller operating profit is due to the weakening of the dollar (down 5.4%) and the rise in wood raw material prices. Foreign currency market

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prices were five per cent higher for softwood pulp and seven per cent higher for hardwood pulp.

Financial position remains good

Botnia's financial position and liquidity remained good throughout the year. In March 2007, the company signed a new 5-year EUR 300 million revolving credit facility to replace the previous EUR 210 million facility. At the same time an agreement was signed for a USD 470 million financial package for the Uruguay pulp mill investment.

The investment in Uruguay caused the group's equity ratio to fall from 65.8 per cent to 61.4 per cent. Net gearing increased from 20.4 per cent to 36.8 per cent. The investment also meant that the group's interest-bearing net liabilities stood at EUR 500 million at the end of 2007, almost twice the previous year's figure (268.5).

Pulp production curtailed by wood shortages

Pulp supply and demand were in balance in 2007, and producers' stocks were at low or normal levels. Over three million tonnes of new short-fibre capacity was built, with two-thirds of this going into production towards the end of the year.

Wood raw material shortages held back production, at least in Finland, Russia, mainland Europe, Canada and Indonesia.

Pulp deliveries were up two per cent on the previous year at 2,549,491 tonnes (2,503,568), with 65 percentages going to shareholder companies and 35 percentages to market customers.

New annual production records at Kemi and Joutseno

Botnia's pulp production in 2007 totalled 2,616,116 tonnes, an increase of just under four per cent on the previous year's figure (2,519,956). Softwood pulp accounted for 66 per cent of production (69%). New annual production records were set at the company's Kemi and Joutseno mills.

Altogether 13.0 million cubic metres of wood was used for pulp production (13.1). Some eucalyptus grown in Uruguay was used at the Kaskinen mill both as part of the Uruguay mill's product development and technical marketing and in place of more expensive wood consignments imported from the Baltic region.

Prices paid at the mills for Finnish wood rose sharply during the latter part of the year. Prices for imported wood were high throughout the year.

All Botnia's 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 requirements for certification. In 2007, 74.5

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per cent of all wood procured by Botnia came from certified forests, most of it from forests certified under the Finnish Forest Certification System (FFCS). Some wood was procured from forests owned by Botnia's Uruguayan subsidiary Forestal Oriental, which carry Forest Stewardship Council (FSC) certification. During the year, Botnia S.A.'s chain of custody system for wood was granted an FSC certificate, which covers eucalyptus pulp production and sales.

Production by Svir Timber in 2007 totalled 188,484 solid cubic metres. The market for sawn goods was extremely strong during the first half of the year, but both demand and prices began to fall rapidly during the third quarter.

Uruguay pulp mill start-up highly successful

Investments in fixed assets were EUR 408.8 million (569.8). Fixed asset sales totalled EUR 0.7 million (18.9).

The pulp mill in Uruguay was completed according to plan in early September. However, permission to start up the mill was not obtained until 8 November because of a political dispute between Uruguay and Argentina. The cost of the investment was below the original estimate. Start-up was extremely successful, and both output and product quality surpassed expectations. The strict conditions attached to the environmental permit have been met in all respects.

Botnia's subsidiary Forestal Oriental S.A. (FO) continued to develop its plantation and harvesting capacity. FO currently owns around 170,000 hectares of land, of which 60 per cent is under cultivation or is suitable for cultivation.

In Russia, Botnia acquired the wood harvesting companies ZAO Petrovles Podporozhye and ZAO Petrovles Pasha to help secure supplies of sawlogs to Svir Timber. A pre-feasibility study of the long-term development potential for a pulp mill in Vologda province was continued.

The most notable investment in Finland was the conversion of Rauma's bleaching process for the production of ECF-bleached pulp. The main purpose was to develop pulp quality to better serve the needs of customers. The investment has also raised the mill's annual capacity by 45,000 tonnes. The project, which was carried out in 2006 and 2007, was completed at EUR 45 million.

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INTERIMS		IVQ / 2007	IIIQ / 2007	IIQ / 2007	IQ / 2007	IVQ / 2006
Sales	MEUR	343,765	345,2	325,2	357,1	340,2
EBITDA	MEUR	52,489	84,8	62,3	89,5	90,4
Operating profit	MEUR	26,349	59,0	37,1	63,7	60,7
Profit before extraordinary items	MEUR	22,756	55,3	33,4	61,9	56,0
Roce	%	5,62	12,9	8,6	15,4	14,8
Equity ratio	%	61,4	62,8	62,9	64,9	65,8
Net gearing	%	36,8	34,1	32,3	27,2	20,4
Investments	MEUR	91,7	76,6	124,7	115,8	157,2

PROFIT AND LOSS ACCOUNT	1-12/2007	%	1-12/2006	%	Change	%	1-12/2006	%
(EUR million)								
Turnover	1 371,3	100,0	1 311,3	100,0	60,0	4,6	1 311,3	100,0
Other operating income	29,7		27,1		2,6		27,1	
Operating expenses	1 111,9		1 022,1		-89,8		1 022,1	
Depreciation	102,9		103,8		0,9		103,8	
Operating profit	186,2	13,6	212,5	16,2	-26,3	-12,4	212,5	16,2
Interest in associated companies	-0,4		-0,4		0,1		-0,4	
Net exchange gains/losses	-1,3		-0,3		-1,0		-0,3	
Other financial income and expenses	-11,2	-0,9	-9,5	-0,7	-1,7	0,0	-9,5	-0,7
Profit before extraordinary items	173,3	12,6	202,3	15,4	-29,0	-14,3	202,3	15,4
Extraordinary items	0,0		0,0		0,0		0,0	
Profit before taxes and minority interest	173,3	12,6	202,3	15,4	-29,0	-14,3	202,3	15,4
Taxes	-47,7		-62,5		14,8		-62,5	
Minority interest	2,9		8,2		-5,3		8,2	
Profit for the period	128,6	9,4	148,0	11,3	-19,4	-13,1	148,0	11,3

BALANCE SHEET (EUR million)	12/2007	%	12/2006	%	12/2006	%
Assets						
Fixed assets	1 815,0	81,8	1 605,9	80,3	1 605,9	80,3
Current assets						
Inventories	202,7	9,1	146,2	7,3	146,2	7,3
Other current assets	186,5	8,4	235,1	11,8	235,1	11,8
Liquid funds	13,7	0,6	11,9	0,6	11,9	0,6
Total	2 217,9	100,0	1 999,1	100,0	1 999,1	100,0
Liabilities						
Shareholders' equity	1 235,3	55,7	1 197,4	59,9	1 197,4	59,9
Minority interest	125,4	5,7	117,9	5,9	117,9	5,9
Provisions for liabilities and charges	8,3	0,4	4,6	0,2	4,6	0,2
Long-term liabilities	539,2	24,3	404,1	20,2	404,1	20,2
Short-term liabilities	309,6	14,0	275,0	13,8	275,0	13,8
Total	2 217,9	100,0	1 999,1	100,0	1 999,1	100,0