

Powerflute Oyj
4 February 2011

POWERFLUTE OYJ
(“Powerflute” or the “Group”)

Pre-close Trading Update

Powerflute, the international packaging and paper group with positions in Nordic semi-chemical fluting and coated woodfree papers, today provided the following update on trading.

The Packaging Papers business benefited from favourable market conditions throughout the final quarter of 2010 and performed well. Demand was strong and this, together with a continuation of the upward pricing trend experienced earlier in the year, resulted in improved operating margins and good cash generation.

In contrast, the Graphic Papers business faced very challenging market conditions. As predicted at the time of the rights issue and placing, softening demand resulted in lower order intake for producers of coated woodfree paper and this, together with the continuing high price of pulp, adversely affected operating margins during the final quarter.

As a result, we expect the Group’s trading performance for the year ended 31 December 2010 to be comparable with the underlying trading performance achieved in the prior year.

The Group has enjoyed a positive start to the new financial year. A number of projects have been initiated using the proceeds of the rights issue and placing and some are already yielding operational and financial benefits. The Group received cash consideration of €2.5m in connection with the sale of part of its interest in Harvestia to Vapo Oy, one of Finland’s leading forestry companies. Trading conditions for Packaging Papers continue to be favourable and we expect 2011 to be a good year for this business. The management team of Graphic Papers has been strengthened and although conditions remain challenging, there has been some improvement in outlook since the year end.

The Board continues to view the future with confidence and believes that the Group is well positioned to benefit from current market conditions.

Commenting on the statement, Dermot Smurfit, Chairman of Powerflute, said:

“While our Packaging Papers business performed strongly during the final quarter, as expected operating margins in Graphic Papers were impacted by deteriorating market conditions. We expect that the Group’s overall result for the year ended 31 December 2010 will be comparable with that of the prior year. Powerflute has made a positive start to the new financial year with good progress on projects funded from the proceeds of the rights issue and placing, continuing favourable conditions in Packaging Papers and some evidence of improvement in the outlook for Graphic Papers.”

Ends

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About Powerflute

Powerflute Oyj ("the Company" or "Powerflute") is a packaging group with established positions in Nordic semi-chemical fluting and coated woodfree papers.

Through its subsidiary Savon Sellu Oy, the Group operates a paper mill in Kuopio, Finland which produces a specialised form of semi-chemical fluting made from locally sourced birch. Corrugated boxes manufactured using Nordic semi-chemical fluting demonstrate strength and moisture resistance and are used for transportation of fruit and vegetables, high-value industrial goods such as electrical appliances and automotive components. The Kuopio mill has the capacity to produce up to 300,000 tonnes per annum and is one of three suppliers of Nordic semi-chemical fluting in Europe.

Through its subsidiary Papierfabrik Scheufelen, the Group operates a paper mill in Lenningen, Germany which produces a range of coated woodfree papers from mixed hardwood and softwood pulps. Coated woodfree papers are used in the production of printed promotional material such as brochures, leaflets and other point of sale materials for producers and distributors of premium branded goods. The Lenningen mill has the capacity to produce up to 300,000 tonnes per annum and supplies the majority of its products into the European market.