

10 April 2012

POWERFLUTE OYJ

INTRODUCTION OF NEW SHARE OPTION SCHEME AND GRANT OF OPTIONS

Powerflute Oyj ("Powerflute" or the "Company"), the packaging and paper group, today announces that under the authority granted to it by shareholders at the Annual General Meeting held on 27 May 2011, the Board of Directors has established a new share option scheme for the benefit of the group's directors and senior executives to be known as the Powerflute Share Option Scheme 2012 ("PSOS 2012"). On 5 April 2012, the Board approved the grant of options over the Company's ordinary shares to Dr Dermot Smurfit (Chairman), Marco Casiraghi (Chief Executive) and David Walton (Chief Financial Officer).

In approving the terms of the PSOS 2012 and the grants of options referred to in this announcement, the independent directors (i.e. the directors of the Company, excluding Dr Smurfit, Mr Casiraghi and Mr Walton) have taken into consideration the fact that the Company has been unable to grant options or other equity-based incentives to its senior executives due to Close periods and other corporate activity since the middle of 2010. During this period considerable progress has been made in the development and performance of the Group and this has been reflected in an increase in the share price from 12.0 pence at the time of the rights issue and placing undertaken in November 2010 to 24.75 pence at the close of business on 4 April 2012.

The grants of options referred to in this announcement are intended to provide a long-term incentive arrangement and to promote the retention of the Company's senior executive team. The awards represent only 2.92% of the Company's issued share capital and are subject to performance criteria which closely align the interests of management with those of shareholders. Accordingly, the independent directors consider the terms of the PSOS 2012 and the options granted thereunder to be fair and reasonable so far as shareholders are concerned.

Options will only be granted under the PSOS 2012 to those participants who agree to waive any former entitlements under Powerflute's existing option schemes; the Powerflute Share Option Plan ("the PSOP") established in May 2007 and the Powerflute Stock Option Scheme ("PSOS") established in November 2009. These previous schemes will continue in existence to allow for potential vesting to other participants, but no new grants of options will be made under either scheme.

The maximum number of share options that could be granted under the PSOS 2012 is 14,000,000 shares, equivalent to 4.8% of the existing issued share capital of the Company. The subscription price, performance targets, measurement period and other vesting criteria for each grant of options shall be determined at the discretion of the Board at the time each grant of options is made, having due regard to the prevailing share price on the AIM market. Amounts subscribed for shares obtained through the exercise of share options under the PSOS 2012 shall be included with the Company's invested non-restricted equity.

On 5 April 2012, the Board approved the following grant of options over the Company's ordinary shares under the terms of the PSOS 2012:

- 1,671,000 shares to Dr Dermot Smurfit, comprising 557,000 2012A Options, 557,000 2012B Options and 557,000 2012C Options.
- 4,010,400 shares to Marco Casiraghi, comprising 1,336,800 2012A Options, 1,336,800 2012B Options and 1,336,800 2012C Options.

- 2,787,900 shares to David Walton, comprising 929,300 2012A Options, 929,300 2012B Options and 929,300 2012C Options.

Dr Smurfit, Mr Casiraghi and Mr Walton have each agreed to waive their entitlements to options under the PSOS. None of them had any entitlement to options under the PSOP. Following this announcement, there are no remaining options granted under the PSOS. The total number of remaining options granted under the PSOP is 880,000, equivalent to 0.6% of the existing issued share capital of the Company. The total number of options now being granted under the PSOS 2012 is 8,469,300, equivalent to 2.92% of the existing issued share capital.

The 2012A, 2012B and 2012C options are subject to different share price performance targets and measurement dates, but in all other respects are identical. In addition to normal vesting on the date which falls on the third anniversary of the date of grant (the "Measurement Date"), each category of share option has the possibility to vest early subject to the expiry of a minimum period since the date of grant (the "Early Measurement Date") and the achievement of the performance target for a period of at least 30 consecutive days at any time after the Early Measurement Date.

The subscription price, performance target, measurement date and early measurement dates of the 2012A, 2012B and 2012C share options are as follows:

	2012A	2012B	2012C
Subscription Price (EUR)	0.01	0.01	0.01
Target Price (GBP)	0.30	0.40	0.50
Measurement Date	4 Apr 2015	4 Apr 2016	4 Apr 2017
Last possible exercise date	4 Apr 2019	4 Apr 2019	4 Apr 2019
Early Measurement Date	4 Apr 2013	4 Apr 2014	4 Apr 2015

The Company's share price at the close of business on 4 April 2012 was 24.75 pence.

The shareholdings of the directors to whom options have been granted pursuant to this announcement and the total number of share options now awarded to them are as follows:

Name	Shareholding		Options	
	Number	%	Number	%
Dr Dermot Smurfit	44,252,008	15.3	1,671,000	0.6
Marco Casiraghi	7,288,629	2.5	4,010,400	1.4
David Walton	1,250,000	0.4	2,787,900	1.0

Ends

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About Powerflute

Powerflute Oyj ("the Company" or "Powerflute") is a paper and packaging group quoted on the AIM market of the London Stock Exchange (Ticker: POWR) and on NASDAQ OMX First North, the alternative market of NASDAQ OMX Helsinki (Ticker POW1V). 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 is one of only three suppliers of Nordic semi-chemical fluting in Europe.