

19 January 2012

## POWERFLUTE OYJ

### PRE-CLOSE TRADING UPDATE

Powerflute Oyj ("Powerflute" or the "Group") today provided the following update on trading for the year ended 31 December 2011.

The Packaging Papers business continued to perform well during the second half of 2011 as capital investment projects and management action taken earlier in the year strengthened our competitive position and contributed significantly to an improvement in underlying performance. This was achieved despite an increasingly challenging economic environment, which resulted in weakening demand and price pressure in certain markets.

The operating profit from continuing operations in the second half was similar to that of the first half, despite the earlier period including a gain of €1.9m from the sale of Harvestia shares, and we now expect the results for the full year to be slightly ahead of current expectations. The Group was strongly cash generative and ended the year with net cash of €19.1m, consisting of cash and cash equivalents of €45.6m and total borrowings of €26.5m.

The uncertain economic environment continues to affect consumer confidence and market conditions for Packaging Papers are more challenging now than they were for much of 2011. However, we are confident that the Group is well positioned to benefit from any improvement in conditions as the year progresses and has the financial resources to take advantage of opportunities as they arise.

Dermot Smurfit, Chairman of Powerflute, said:

*"Packaging Papers performed very strongly during the second half and its results for the year ended 31 December 2011 are a considerable improvement over the prior year and represent the most successful period for this business since its acquisition by Powerflute and its predecessors in 2005.*

*Although market conditions have been favourable throughout much of 2011, investment decisions and management action have also contributed significantly to improved product quality and consistency, leading to greater penetration of more attractive and profitable markets, better production efficiency and lower costs.*

*We expect 2012 to be a more challenging year from a macro-economic perspective, but we are very well positioned to take advantage of possible opportunities that this might afford us."*

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 First North, the alternative market of the OMX Nordic Exchange Stockholm AB (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 has the capacity to produce up to 300,000 tonnes per annum and is one of only three suppliers of Nordic semi-chemical fluting in Europe.