

28 November 2008

POWERFLUTE OYJ

UPDATE ON TRADING AND STATUS OF ACQUISITION

Powerflute Oyj ("Powerflute" or "the Company") which operates a paper mill in Kuopio, Finland where it produces Nordic semi-chemical fluting used in the manufacture of premium quality corrugated boxes today issues an update on current trading and on the status of its potential acquisition of the business and assets of Papierfabrik Scheufelen GmbH & Co ("Scheufelen").

Trading Update

The deterioration in the macro-economic environment in the second half of the year has led to a softening in demand in most markets. In order to effectively manage inventories, market-related downtime equivalent to 5% of annual production was taken at the Kuopio mill in October and November and further downtime will be taken in December in advance of the normal Christmas shutdown. The impact of this on the Company's financial performance for the current year is that earnings will be below the current range of market expectations.

Potential Acquisition

On 1 October 2008, Powerflute announced that it had agreed terms with the insolvency administrator of the estate of Scheufelen, a manufacturer of coated wood free papers based in Lenningen, Germany. Notwithstanding the challenging banking environment, Powerflute remains confident that the financing exercise required to complete the acquisition will be successfully concluded. A further update will be provided as appropriate.

Interim Dividend

In view of the uncertain macro-economic outlook and in order to conserve resources to finance the EPS enhancing acquisition of Scheufelen, the Board of Powerflute has decided not to pay the interim dividend for the current year. The Board will continue to review its dividend policy on an ongoing basis.

Outlook

Powerflute remains well positioned for long term profitable growth due to its strong position in premium paper grades and attractive markets. The Board is confident that the potential acquisition of Scheufelen will be value enhancing for shareholders.

- Ends -

About Powerflute

Powerflute is a holding company and, through its wholly-owned subsidiary Savon Sellu Oy, operates a 300,000 tonne per annum rated capacity paper mill which is also called "Savon Sellu". The Mill is located near Kuopio, Finland on the shores of Lake Kallavesi and manufactures a specialised high quality grade of semi-chem fluting called nordic semi-chem fluting which is made primarily from birch wood sourced from Finland and Russia. In accordance with its strategy, the Company may in the future also acquire and manage complementary companies or assets related to paper and packaging or other forestry derivatives.

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