



Downgrade of full-year 2008 guidance



Background material
Vantaa, 11 June 2008

Background for the changed guidance

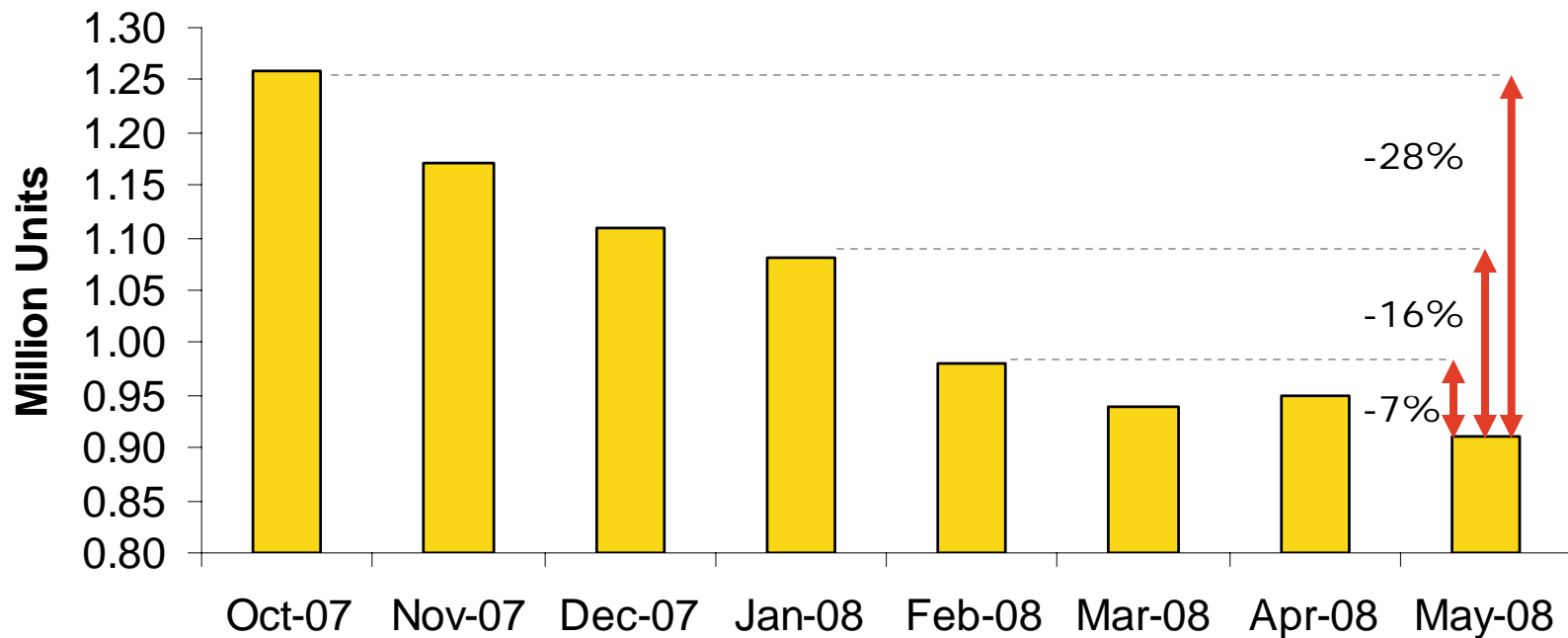


- Recent market development has been poor in Spain and the US
 - Also some weakness in the Nordic countries
- Continuously weakened full year outlook of residential construction activity, especially Spain and the US

Evolution of 2008 US Housing Starts Forecasts

- The housing starts forecast has been downgraded from 1.25 million units in October 2007 to .91 million in May, a fall of 28%.
- It has fallen 16% from the January forecast and 7% from the March forecast.

Evolution of Consensus Forecasts for FY 2008 Housing Starts



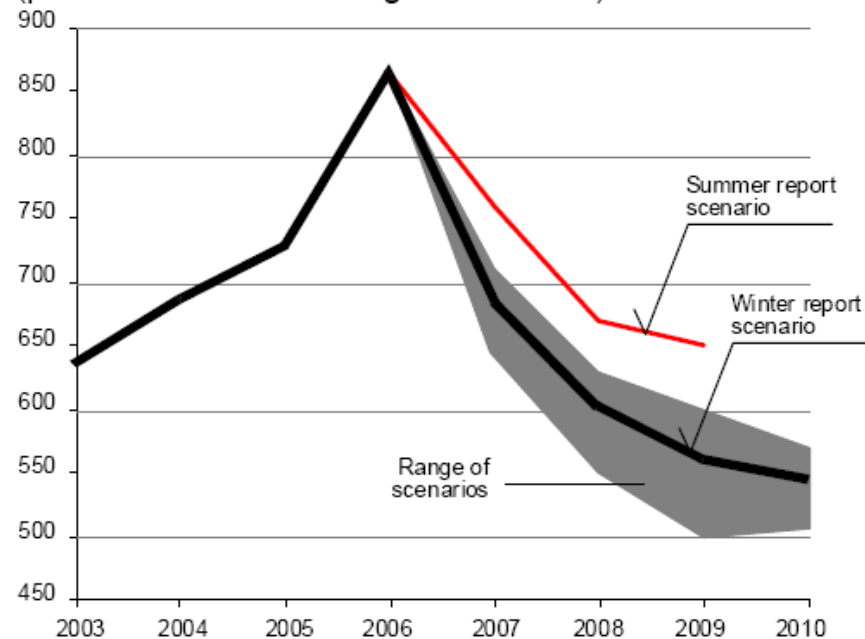
Source: Consensus Economics

2008 Spanish building permits forecasts

- In November 2007, Euroconstruct predicted a total of 635,000 permits would be issued in 2008, a fall of 10% from 2007.
- The most pessimistic scenario showed 550,000 permits issued during 2008, a drop of 23%.
- Permits through Q1 2008 are actually down 60% from the 2007 level.
- Permits have fallen more dramatically in recent periods: March permits were down 70% from March 2007.

Forecast number of housing units

(permits issued for building starts x 1000)



Source: Euroconstruct, Nov 2007

Markets: USA



- **Residential:**

- U.S. housing starts registered a modest increase in April to a seasonally adjusted annualized rate of 1.032 million, up 8.2% from the March rate of 0.954 million, but 30.6% lower than the year-ago rate of 1.487 million.
- The Housing Market Index (HMI) for May declined one point to 19. However, the HMI has now been relatively flat since October 2007, fluctuating between 18 and 20.
- The latest NAHB housing start forecasts for 2008 and 2009 are 0.926 and 0.931 million respectively.
- Unsold housing inventory continues to be high, with the monthly inventory of unsold new homes registering 10.6 months and 11.2 for existing homes.

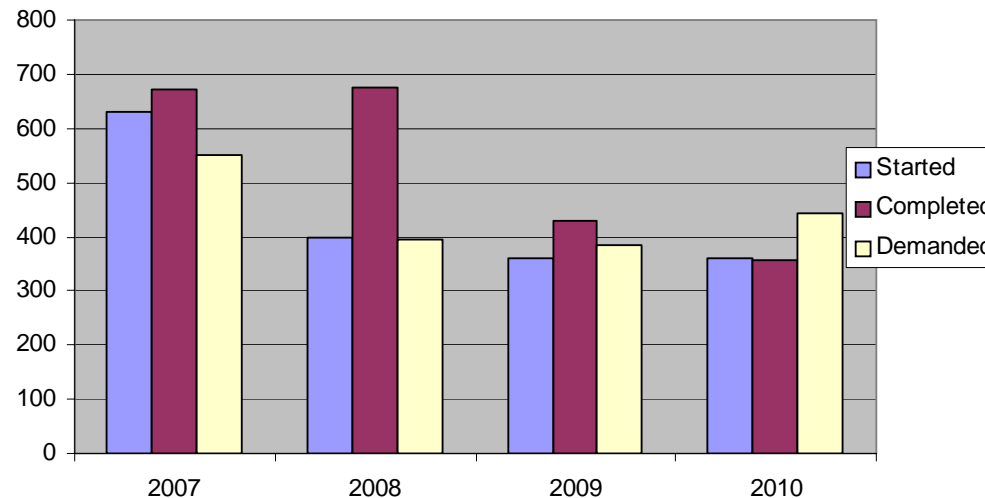
- **Non-residential:**

- Non-residential construction “put-in-place” was estimated at a seasonally adjusted annualized rate of \$388.0 billion in April. This compares with \$382.3 billion in March (increase of 1.5%) and \$336.3 in April 2007 (15.4% increase).
- The Architectural Billing Index (ABI) rebounded slightly in April to 45.5 from its all-time low of 39.7 in March.

Markets: Spain (1/2)

- The government reports an inventory of 650,000 unsold homes, while private sources estimate the number will rise in the coming months to one million with the addition of newly completed, unsold homes.
- House sales fell 38% in March compared to March 2007.
- Publicly listed developers reported a drop in sales of 73% from Q1 2007, from 1.131 M€ to 299 M€.
- ASPRIMA estimates that housing starts for 2008 will fall to 400,000 units (chart).

Houses started, completed and demanded (T Units)

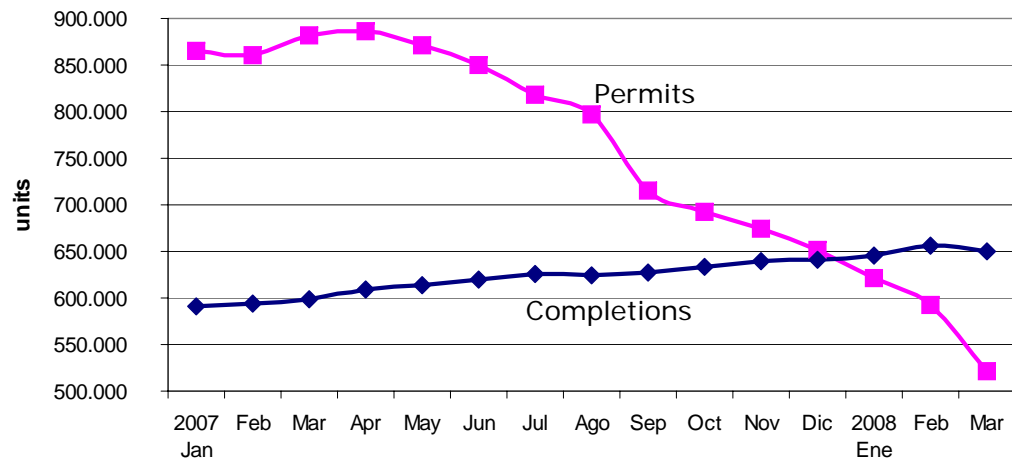


Source: Asprima (Developers association) 2008 market report

Markets: Spain (2/2)

- Permits for Q1 2008 fell 60% from the same period in 2007.
- However, completions continue to rise as projects begun last year are completed. This will likely add to the unsold inventory of homes.

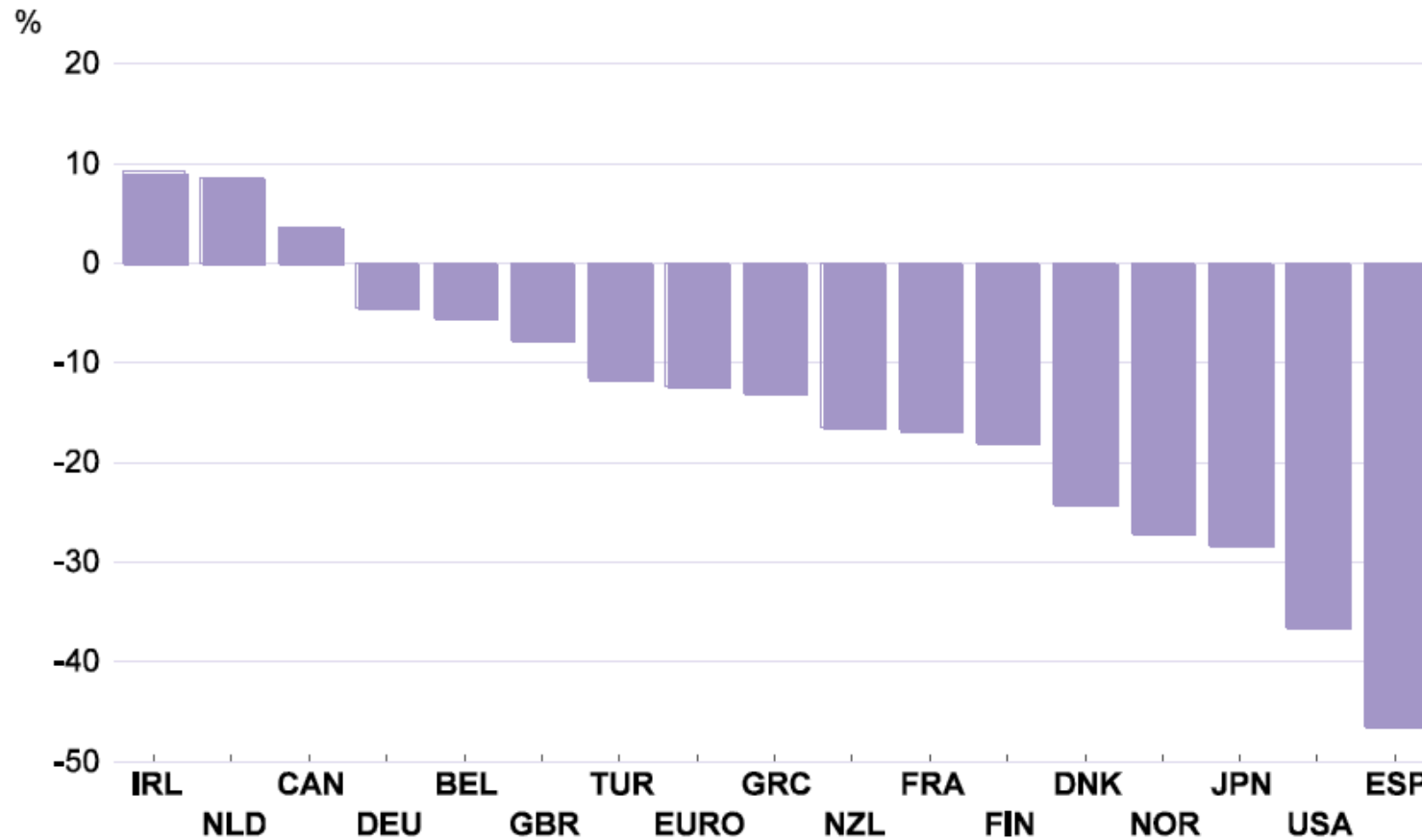
Yearly Residential Housing Permits & completions (units). Rolling 12 monts



Source INE. Spanish Statistic institute

Markets: Residential Building Permits

Latest data, year-on-year growth rate¹



1. Monthly data mostly ending between December 2007 and March 2008; three-month average over the same three-month average in the previous year.

Source: OECD Economic Outlook 83 database.

New guidance for 2008



The company's continuing operations' net sales is not expected to quite reach last year's level and the operating profit is estimated to fall short of the 2007 level.