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MANAGEMENT DISCUSSION SECTION**Operator**

Good day ladies and gentlemen and welcome to today's Stora Enso conference call. For your information today's call is being recorded. At this time, I'd like to hand you over to Mr. Keith Russell. Please go ahead sir.

Keith Russell, Senior Vice President

Thank you, hello, welcome everyone to our conference call and webcast regarding our financial results for the fourth quarter and for the full year of 2003. Thank you all for joining us. The event has been webcast live, but will also be archived on our web site. To those of you dialing in on the conference call, the slides can be viewed in the same section of our web site in the investor pages where you also find the full press release covering the results as issued three hours ago. The format today will be for Jukka Harmala, our CEO to present highlights of the results and provide his comments on them then Bjorn Hagglund, our Deputy CEO will provide his remarks on the outlook statements for our market where we're active, and then at the end of these remarks, Jukka will have some concluding statements before we go to questions. The operator will provide you with instructions on how to poll for questions at the end of the formal remarks and then Esko Makelainen, our CFO will also join on the line at that time. So, with that introduction, I turn the microphone over to Jukka Harmala.

Jukka Harmala, CEO

Okay, good afternoon everybody, Jukka Harmala speaking here and on my behalf also welcome to join us today. I happened to be in the Helsinki office today; and Bjorn, he is in Stockholm. I will base my presentation on the material, which has been – as announced earlier, quite an extensive material, I'm going to only cover certain pages and to [Indiscernible] that you, I mention the number of the page I'm referring to here when going forward. Hopefully you can follow me based on this. Well, first of all, I'd like to start with the total of 2003, as a year for us by looking at the key figures from the slide number four whether summary can be seen. The year certainly was an unsatisfactory one with good lot of sliding spreadsheets almost I would throughout the year and further on speeded by the slide of the dollar over the same time. All in all, we were able to increase a bit deliveries approximately by say 3% where as total sales went down close to 5%. As we have heard lot of the [Indiscernible] I think to get a fair picture comes from the operating income a year ago \$936 million and a respective figure for the year 2003 it is now 538, a reduction of as much as 42%. Ending up with earnings per share on a non-recurring base is \$0.25 were as the total operational is \$0.17.

Page 5, summing up few elements for the year 2003, certainly what I would really emphasize the paper product prices with the client more or less throughout, and basically I'll get back as already

mentioned, was part of the story. I'm coming back to the balance sheet at a later stage. Slightly where the volumes are coming up, in North America, where we are traveling a lot, going back to North America on a separate basis, together with Germany the local energy posts actually had a negative effect on the results. I guess you get a fair picture by looking at the change in EPS based on the seventh, they are now at least how we came down from \$0.57 for the previous year 2002 as of this \$0.25 for the year 2003. All in all, whenever we speak about energy or any other of these small items, for the whole group had very little influence whereas the prices were the key downward element and only partly offset by the higher volumes of the sales.

A very clear picture of what's actually has happened. We still continued and our committed to continue the quality of curtailing the production if the market so requires. All in all, on page 8 you'll see about, on an annual basis we've been coming down with a curtailment by approximately say 0.5 million tons [ph] from this 1.3 million to little below 0.8 million for the year 2003, and in North America you will see exactly the same from say 2020, 100 tons to close to 80,000 tons. All in all the quarters were from this point of view, pretty similar. Then I would highlight two things starting with return of capital employed. Page 11, where we are coming down to, close to 4.6% for the whole year, totally unsatisfactory bearing in mind our long-term target over the [Indiscernible] 13%. Also, worth mentioning is the level of back half being 8.7, even though we are not up to those levels at all. What is good for the company is certainly that the customer has remained still pretty good and another element of the financial strength, you can see by looking at the net equity ratio on page 12, where we are at the level of nearing 0.47. All in all, very strong balance sheet.

Here, I should probably mention that we have made a slight adjustment after the definition, all the story you will find the details in the annual report, mainly comes how to handle the associated companies bearing in mind in the future, we have both Veracel and forestry companies associated. All in all, debt-to-equity ratio have been calculated backwards, so, it is compatible through this period. And finally out of the year 2003 a word about CAPEX. As already anticipated earlier for last year, we were slightly above. The depreciation because of the some of the invoicing were brought over from 2002, we reached a mark of \$1.25 billion for the year. All in all, we have not changed our policy. I'm trying to adjust CAPEX over the years 2003 and 2004 to match with this overall policy, not to exceed the level of depreciation.

Then, let me go over to North America and the summary of business results on the page 17 and needless to say that the figures are rather unsatisfactory, as we are still making heavy losses on an EBITDA basis and only a slight improvement has taken place, comparing the first half to the second. This also highlights, looking at the sales or sales figures or numbers in delivery tons, a steady situation rebalancing the prices, remaining at the very low levels and not too much of increased activity in that respect have taken place in that market saying this, we still do emphasize the various, the two previously announced programs, as we improve the operations regardless of what happens on the marketplace. They do run according to plan even if the results currently are misplanned, we will still keep the pace exactly the way it has been announced and analyzed earlier. And as you may remember, the programs do come to an end, fall 2005. Then, jumping over to the last quarter of the year 2003, again checking the highlights of page 21, fourth quarter, we came out with a lease line in the operating profit on a non-recurring basis, coming down from the level of 140 to the figure of 80 million for this very last quarter and [Indiscernible] explanation about our profit warning before coming out recently, was actually to bring about an old issue.

First of all, we have been having this cross border leasing all day near the table a longer time, and now came to an end with a legal process from our part into the solution which was given out in the announcement. And [Indiscernible] market once coming to an end. At the same time, we had some, say, smaller things here and there, especially during the month of December after pretty normal months of October and November. None of them, from the business point of view, anything dramatic, and even after the size, nothing very significant, but I think they all are – I am bearing in mind also the influence of the sliding down Dollar, we came to a variance from the marketing station big enough to adjust – to justify the markets to inform about what is happening. Actually,

once the margins start this low, even this I would call fairly normal issues relative to the margin very easily though we come up to a situation where we have to consider whether to really inform the market about these happenings. You may judge or give your own judgment as to this. Anyhow, this is it, in a very short background and I am quite sure and we'll have to hold it until today we're coming out with the result would have been even much less.

Getting to page 23, earlier at least on all of these small issues, paper units like in Finland 6 million redundancy measures, an agreement with Nymolla Mill in Sweden for a restructuring there, another 6 million and then at [Indiscernible] a start up delay, again nothing dramatic as an issue itself, a further 6 million, all in all when summing up all this, you come to a figure or at least feel it more significant. And then from the old Merchant's operation we have in the UK, the actual calculation, the final one was made by the end of the year about the Board associated with the closing down of the operation; again a 30 million, something could have been expected, but even this is not a dramatic issue of its own, only that they all happened at this time, very end of the year all together.

Let me then go to the question on the dollar or the Euro. I'll first start from the page 25 where we have listed some indirect impact of the Euro strength and explaining some of the phenomenon going on in the marketplace. First of all, the European producers who were selling heavily to the outside markets have been turning back to the European markets before the fall in dollar and this has created an additional pressure on the prices. The volume shipped has not been very dramatic, but in a sensitive situation, it certainly has its significance. On the other hand, we do have some additional imports to the Western European markets from the Southeast Asia but especially I would say recently also from the eastern parts of Europe. Again total volume not too great, not to repeat what I said, it had an influence also to the competition in these markets. Second, it was an area which has enjoyed a relatively stable performance throughout the years even there as the dollar has an indirect impact to the pricing sentiment, not necessarily in Europe through the competition, direct competition as such of course we are selling here some of the products to the competition area, which is dollar marked.

Then going further to the currency hedging and you may remember we have a hedging policy for the [Indiscernible] 15.9396947> over the main currencies to hedge between 25% to 75% of the open – on the net cash flow and exposure, and our benchmark has been 50. We had a positive impact from the earlier hedges for the last quarter, about \$22 million, but then going to the page 27 to see what is the current position, with the fall of the dollar as the length of the hedge is and also to the degree of hedging has been coming down to some extent, of course with the assumption that dollar would not fall dramatically any more, right or wrong. So, today at the end of the year, statistics would show that we are somewhere in the range of say between 25% to 50%, and 20% to 30% in the main currencies. All in all in the future for the coming quarters, the hedge coverage is coming down.

To summarize, this last quarter, I would go for the earnings per share comparison or analysis on the page 30, from the previous quarter's \$0.09 to zero for the last quarter. We had sales prices taking the results down by \$0.03, but that will be pretty much offset by the volumes, a positive \$0.03 whereas than the fixed cost including all the [Indiscernible] I already explained, having an effect downwards as much as \$0.04. This I think, [Indiscernible] explaining what's really happened. Let me then go – more for the shareholder-related information and talk a few words about the dividend proposal. Our Board yesterday is suggesting to the AGM to keep the dividends at the level of credit for the year ago in other words \$0.45 per share representing a dividend yield of 4.2 based on the quotation of our shares at the end of the year. Current figure, that would be somewhere around say 4.4% so, we came to the conclusion to maintain the dividend level of 8 in spite the fact, the results are down. The idea was supported by still a reasonable cash flow and strong balance sheet. I think good reasons enough to continue with this policy. And finally, also the shareholder-related information quite on stage, this was the share buyback program on page 40. We are up to a level of close to 80% noteworthy situations [Indiscernible] and shows me the office today, main idea is to continue and as you know, we've been making the proposal to the shareholder meeting to

renew a new 5% limit for the future. Well, now Bjorn, I think it's time to go to the markets. Could you please take the word?

Bjorn Hagglund, Deputy CEO

Okay. Thanks for your account. If I start with kind of a basic view we have – it is that the paper and board's demand globally is actually on a slight positive trend. It's not just strong in Asia, it's [Indiscernible] in Europe, it's perhaps weakest in North America at the moment. And the capacity utilization of the industry as a whole is not that bad. However, if we are looking around and hear about all these more dramatic improvements of leading economic indicators, we can't really see that in the [Indiscernible] of paper neither in Europe nor in US. The euro pricing environment and that's mainly the Europe then, it is weakening due to what you can say indirect effect of the weakening dollar. Repatriation of paper products which all had been exported to the US. And as it looks like now, at least at the present dollar-euro relation, we think that significant improvement of the markets when we talk about prices, we've been most active in the US. And so far we've not seen that. So, that is the big picture. Demand rather okay and increasing, pricing under pressure, and to certain extent driven by the dollar both directly and indirectly.

Showing them for the different rates and sorting with their publication papers, I think all three of these newsprints, SC, LWC we can say that final of the last year was volume-wise rather positive. We saw, especially in December, clear increases in demand; however, to a certain extent still driven by increased exports. Looking at processing newspaper, of course, was rather stable during last quarter, SC also, slight decline in LWC. If you now look ahead, we believe that in the magazine rates, SC, and [Indiscernible] in Europe, the demand will still increase; however, due to repatriation of volume crossing will be under pressure, more so for LWC, but also for SC. When we talk about newsprints, there will be an ongoing increase sometimes certain size in volume. However pricing is, we still are negotiating significant parts of our volumes. So we don't say anything about that at the moment. However, of course there will not be any real big deviations from where we were last year.

Turning then to publication papers in North America. Last year, magazine paper was a little bit weaker than the year before. Pricing actually was low but rather stable, a little bit higher on newsprint and coated magazine. What we see ahead in the nearest future is more or less a rather flat development from volume point of view, and there are price announcements for newsprint, and of course, given that a lot of newsprint used in the US comes from Canada, where we have few mills, usually catering Europe, areas that we [Indiscernible] that part of it come through even if we have also to note this distance from customers. However, we shall reject anything on that modest price increase in newsprint.

Turning then to fine papers, actually volume-wise last year also ended up rather strong both for coated and uncoated. However, prices went on deteriorating as they add on, more or less the whole year and came down to a very low levels in Europe. When we look ahead, we believe that there is a good chance that the prices will stabilize on these rather low levels, and especially as we believe that the volumes will go up further more. If you look at our contracts, order books, etcetera, volume wise, it looks rather okay. Turning then to North America, the coated fine paper market was a bit weaker last year, and also last quarter, and we think it will go on at current levels both when we talk about volumes and when we talk about prices. And as I said earlier, Asian market looks rather strong, and we believe, especially in uncoated, in the rather strong market in Asia now after the Chinese New Year has ended.

Turning to the packaging boards, it has been quite stable during the year. When we look ahead, we don't see any big changes. However, we have outside Europe a certain pressure from competition, which are producing in dollar terms, and this is especially true for Asia, where the competition has become more fair and it's perhaps more when we look upon market share on the growth and existing volumes that we see that we will lose some ground to the – especially American producers

and that also pricing will be in euro terms, a little bit lower than this year. So, some effect it will definitely have.

Turning to the wood products, markets look good both in US, where it's extremely good, in Japan, and also in Europe. However, we have rather previous oversupply of wood growth of timber in Europe and especially the red woods, and that means that the current rather low level in pricing, it will stay more or less and that the market will be rather sensitive and challenging also for the near future. So, this was more or less how we look upon the markets. Volumes are coming; pricings are mainly stable or in some cases even deteriorating, but challenging too. Thank you.

New Speaker

Okay. Thank you Bjorn. Quickly to summarize, and wrap up what has been said. So, first of all, the generally a positive economic outlook, I think, has not really been improving our situation as of yet. Historically, if the history is to repeat itself, certainly it should happen through the volumes, something which is underway like the analysts saying, not bullish but still up, should drag on the prices at a later stage, and we have put too much emphasis on the latter half of the current year. Saying this, it automatically means that the first half of the year, first quarter especially, will remain rather challenging with the current prices fixed more or less for the whole period. We have some items in the press release. One in North America, adding past quarter-by-quarter and that is the rebuild of Wisconsin Rapids Machine number 16, our biggest, and most effective machine is said to be down several weeks, currently down actually. And that is according to the initial plans. So, nothing new from that point of view.

The Swedish forest deal we'd anticipate to be completed during the first quarter. Struggling with this ongoing current market-related problems, improving the profitability with the measures related to court and all other of that – all other elements of this nature plus we're not really – forget about the long-term challenges we are in the middle of. As of restructuring, for the long-term profitability of going through the various projects that are selling typically for lower – significantly lower [Indiscernible] of course. Our interest to rush the Baltics, which has happened, and these type of elements little beyond the otherwise short-term very vague horizon. With a strong balance sheet, we are able to cope with this. Hey, I think its time to go for the Q&A. Thank you for listening to the presentation of this one.

QUESTION AND ANSWER SECTION

Operator: Thank you sir. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touchtone telephone. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, please press star one on your touchtone telephone to ask a question. If you find that your question has been answered, you may remove yourself by pressing star two. We now have the first question from Denis Christie with Goldman Sachs. Please go ahead.

<Q – Denis Christie>: Yes good afternoon. I just got a few questions. First of all, if you could explain on the high-energy cost front, what your expectations are for 2004?

<A – Bjorn Hagglund>: Esko would you like to elaborate on this?

<A – Esko Makelainen>: We are expecting that energy costs are not going that much up as they did last year. The electricity balance in lot of countries is gradually improving. We have some higher – annually higher natural gas costs still in Germany, and North American gas will stay high.

<Q – Denis Christie>: Okay, and then thank you. And then just on the other costs that you explained that were unusual within a group. Do I take it that in the other items line that you have, that, items like redundancy and pension costs, are disclosed there or are they within the divisions?

<A – Esko Makelainen>: Yes, those UK Pension costs are underlined others in our EBIT.

<Q – Denis Christie>: And where would the redundancy costs that you mentioned as €6 million be?

<A – Esko Makelainen>: They are under fine paper.

<Q – Denis Christie>: Okay, and then just looking at the order backlog in the fine papers. Could you tell me whether that's actually improved seasonally more than normal in early 2004 or were those about in line with normal, and give some sort of color to that?

<A>: I think I can say that it is a little bit better than normal, I mean, I've said in almost every conference that we have about two weeks for coated, three weeks for uncoated and stay with that, but as we had got reported, it is a little bit better than normal even if we are in the high season.

<Q – Denis Christie>: Okay. And just in terms of imports, would that really be in the uncoated fine paper area you are seeing imports growing?

<A>: Yeah, the import to Western Europe is so far perhaps not very significant in any other grade, but uncoated fine.

<Q – Denis Christie>: Okay, thank you very much indeed.

Operator: We now move to Thomas Brodin with Smith Barney, please go ahead, sir.

<Q – Thomas Brodin>: Yes, good afternoon. Three questions actually. First one, simple one, CapEx for '04, if you have sort of a firm number and then moving out to '05 as well, as you have quite a lot of investments going on. Second question, the machine rebuild in the US, how much will that roughly, just a rough figure, how much will that burden the first quarter result? And third question, the Christmas stoppages, Yevgen Kumenen mentioned a number of €20 million, that it cost them, how much did it cost you during the fourth quarter?

<A>: Well, first of all if I start from the CapEx, I think we have got this well introduced policy of CapEx not to exceed the level of depreciation and like I said, it's still valid. For the year '05, we've certainly not fixed all, but we've kept in mind more or less to continue in line with this very policy, in other words, some where around that mark. In other words, actually what we've decided, supported with the financial situation really not to take any dramatic measures stepping down the figures. I think we are really building the company for the future and therefore continue with this policy.

<Q – Thomas Brodin>: So, Jukka, should I read them as your CapEx will be at depreciation level for both '04 and '05?

<A – Jukka Harmala>: 2005 I would say, for '04 as we are trying to get it somewhat lower, really to help this policy, which is described here over '03, '04 to match with this level. I don't think we are really to make a statement on the three. It's a major one, a long period it takes.

<A>: The earlier one, we could say is that our scheduled startup is at the end of this week.

<A – Jukka Harmala>: So, it's several weeks we have been down. And I mean, again seeing what happened in Bechulotta, all of a sudden we got punished... delay, nothing dramatic, but I'm very cautious about stating any figure, only once we've seen what finally happen.

<Q – Thomas Brodin>: Okay.

<A – Jukka Harmala>: And then you have the question of Christmas – this is Christmas related cost. Esko, would you elaborate on this?

<A – Esko Makelainen>: Two years ago, when we had a difficult one, we said that it cost something like 40 million, then it's normal. So, less than that.

<A>: So, less than 40 million.

<Q – Thomas Brodin>: So it would be around 20 million mark as well?

<A – Jukka Harmala>: 20, 30, yes, in between.

<Q – Thomas Brodin>: Okay. Thank you.

<A – Jukka Harmala>: And it certainly depends on the type of production, the costs do come actually, as you may know, pretty well from the integrated production unit where you have pulp and paper, paperboard type of things, where its a lengthy process.

<A>: Anything more Thomas?

<Q – Thomas Brodin>: No, I'm happy. Thanks.

<A>: Okay, thank you.

Operator: We'll now move to Charles Spencer with Morgan Stanley. Please go ahead sir.

<Q – Charles Spencer>: Yes, afternoon. I also have three questions. Could you just expand on your guidance for the first quarter? I think you said in your opening statements, you expected an – especially, a difficult first half especially in the first quarter. Perhaps, do you have some numbers in mind? And secondly, just the pension contribution, is that a one-time top-up or should we expect some further top-ups in 2004? Perhaps, you can update us on the funding status of your UK and US pension liability? And finally, the forestry sale, the proceeds coming in from that, what will your net debt look like at the end of the first quarter? Will it actually go down by the 1.2 billion roughly?

<A – Jukka Harmala>: First, as to the first quarter, according to our policy, we don't really state any figure, but bear in mind what we have said about the performance during the last quarter and especially, then the dollar effect combined with what we are now saying, we start actually from a dollar low-level, prices where they are and not to many, not certainly quantitative changes during this period yet. That's the comment I am coming out with. The UK pension cost was pretty much related really to the operation, which was closed down some time ago. A merchant mainly and should be the last coming out of that and really a one-time item from that point of view. Then the forest sale after you – what did you say to the net debt?

<A>: It will affect our net debt by that amount 1.2 billion. But, you have to remember that our dividends are paid in early April and you have to take that debt into account when you calculate our expected net.

<Q – Charles Spencer >: Okay, so the dividend will be a first quarter item this year?

<A>: It will be moved from cash to payables, interest paying payables.

<A – Esko Makelainen>: So, it becomes a liability in the books at the end of the first quarter. And it's about 377 million yet to make gross dividend.

<A – Jukka Harmala>: That's what we did last year as well.

<Q – Charles Spencer >: Okay. Esko, would you have any follow-up on the – perhaps the funding status of your pension liabilities in the UK or the US?

<A – Esko Makelainen>: Yes, we have quite high allocation to the stocks in the some – more than half of our investments are in stocks which has of course helped a bit lately but have been a burden before. And liabilities side in UK we have gone through that even all those expected life time corrections are in there, so shouldn't be any further similar type as we had.

<Q – Charles Spencer >: Right. Okay, thank you.

Operator: Next we have Aidan Cheslin with Deutsche Banc. Please go ahead.

<Q – Aidan Cheslin>: Hi, I just have a couple of questions. First one is a financial one. There is a line at the top of the cash flow- change in short-term interest bearing receivables- which is showing a positive swing from 2002 to 2003, about €800 million. I just wanted if you could sort of quantify me what exactly is in that line? And the second question was related to intention with the share buyback authorization that you are rolling over. Are you planning to accelerate share repurchases following the receipt of forestry assets disposal proceeds or do you see acquisition opportunity on the horizon?

<A – Keith Russell>: Did I hear you are right, so you are asking where are our reduced receivables are. Was that the question?

<Q – Aidan Cheslin>: Yeah, the line in the cash flow is change in short-term interest bearing receivables sort of adding EUR 800 million to cash flow versus last year? Last year you recorded highest minus €495 million, this year it crossed €313 million, just wondering why that swing is?

<A>: Just a second, as we pick up the paper here and in the mean time you required comment on the buybacks and by the moment when we started with our present close period to about 80% of the overall authorization and of course I was speaking about the liquid R-shares. How much do we buy by the moment we are facing the AGM will depend highly on the market, but more or less the same type of quality. I would anticipate to continue with. Then for the new period, and I do guess,

we get the authorization of similar magnitude, 5% of the outstanding – certainly the overall market outlook, has it's significance, but would we have anything of this type of markets, we would most likely continue with the same policy.

<Q – Aidan Cheslin>: Okay, thank you.

<A – Jukka Harmala>: And then back to change in short-term interest bearing receivables in our cash flow calculation. Really in 2002, that figure was minus 495 due to the fact that the money we had received from the sale of Pornato forests were deposited in such an account, which was long-interest bearing receivable and now that the money has been used from that, it shows a similar plus.

<A>: Did you catch it?

<Q – Aidan Cheslin>: Yes, okay. Thank you.

<A – Keith Russell>: Any further questions.

Operator: Yes we have Richard Nilsson with Enskilda Securities. Please go ahead.

<Q – Richard Nilsson>: Yes, hi it's Richard Nilsson with Enskilda Securities. A couple of questions. First, just on the Swamos, just clarify that none of these redundancy measures and pension costs etc. will be affecting more in 2004. There will be no further additional cost for these or that's just was hit in the fourth quarter?

<A – Keith Russell>: Well we had, I mean, as a current ongoing basis, if you come to any kind of agreement locally at Mills then certainly a similar thing could happen, but normally I would not pay too much of attention, it is a current normal business and any major, real major issues, I would not anticipate.

<A>: Of this magnitude, its not ruled out at all. We are trying to really put up the effectiveness all throughout the organization. Why I'm not very specific on the issue is certainly dependant on the fact that, this is not a corporate program. It goes on throughout the organization and once in a while it ends up with this type of measures to be taken, and we have not stopped doing that.

<Q – Richard Nilsson>: Great, then also on currency and hedges and so on and thank you for providing us with the new update on the hedging the share of the flow you hedged and so on. Unfortunately, there is no date of what levels you hedged those currency flows. Considering that could you please help us and give us some guidance in, for the total currency affect in 2004 versus 2003 for Stora Enso given roughly current exchange rate. Just some kind of ballpark number?

<A>: Well I guess, we do have some pretty good data even in the annual report. The currency hedges for the whole year of 2003 there were in the magnitude of somewhat over 100 million, supporting the EBIT, and now when I said that we have been coming to a lower end of the spread, hedging the net flow from 25 to 75, certainly means that the coverage for the future is less, but Esko, could you specify a little bit more.

<A – Esko Makelainen>: If the exchange rates stay as there were at the year-end, there would be roughly a quarter of that magnitude that we had last year, 25 million to 30 million left.

<Q – Richard Nilsson>: On an annual basis?

<A – Esko Makelainen>: On an annual basis.

<Q – Richard Nilsson>: So that, the hedge, posted hedge effect would only be 25 million to 30 million?

<A – Esko Makelainen>: Yes, if rates stay at the present level.

<Q – Richard Nilsson>: Yes, but considering that you sort of have an unhedged share also, I guess the total currency affecting your results in 2004 will be 100 million plus or so?

<A>: Okay, we do record this currency hedge losses.

<A>: Yes but one major impact was to our debt, because we have financed our dollar debts with this US dollar loans and that impact for us this last year was up to 400 million of net interest bearing liabilities, plus 420.

<Q – Richard Nilsson>: Okay. Great. And then, just one last question on pricing. If I am correctly understanding on your outlook for North America, you basically do not expect much price improvement for the first half of 2004? Does that mean that you do not expect any further follow through of the price increases announced during the...half for the first half? We've basically seen all of that or...?

<A – Jukka Harmala>: Bjorn, could you continue with this.

<A – Bjorn Hagglund>: I won't say that we dare to go as far as half a year. Our current judgment of say in the nearest future and that's more or less the coming two or three months is that it's only a newsprint, we have an announcement going on and that the market so far, perhaps our judgment doesn't support anything more. The old price announcement, they are so to say gone.

<Q – Richard Nilsson>: Discussing your outlook, you say that prices are expected to move up first during the second half of 2004? Is that correct?

<A – Bjorn Hagglund>: Yes. At least, of course, quarter I think it is as it is and it depends a little bit. I mean you have the prices coming up, but then it takes quite a while before we have them in the books.

<Q – Richard Nilsson>: Okay. So, it is more in P&L effect?

<A – Jukka Harmala>: I mean first is they shall be announced and then they shall come to the real orders and then the orders have been realized and paid for it, and that's when they come. So, the time factor here is a little bit floating thing.

<Q – Richard Nilsson>: And given your comment that the global price recovery will start in North America. Does that mean that you do not really envisage any price increases in Europe during 2004?

<A – Jukka Harmala>: No. That's to go too far. I mean first, it's our, what you can say informed, guess that if the dollar stays where it is, and it's a rather important if. Well, not the...I mean some US prices are actually now in euro terms below the European mark that it's rather likely also due to the fact that if exports from Europe to US decrease, there will simply not be so much paper around. That's where the price increases logically should start. And logic doesn't always work, of course, but this is our idea. How scenario overtime then we look, I mean I don't think that we ever have any ideas going so long far as you ask for concerning pricing here.

<Q – Richard Nilsson>: Then one last question on magazine. When you talk about price pressure in magazine, you mean that you expect further price pressure from now or that prices...?

<A – Jukka Harmala>: I mean that they, in the two grades, magazine and SCM, as you can see in this arrow shape that we have in the web site. Those grades we still assume that prices will come down somewhat further.

<A>: And especially due to very heavy competition, especially in Southern Europe.

<Q – Richard Nilsson>: Yes.

<A – Jukka Harmala >: And Italy, Portugal and these countries.

<Q – Richard Nilsson>: Great. Thank you very much.

<A – Jukka Harmala >: Thanks.

Operator: Ladies and gentlemen, as a remainder if you would like to ask a question in today's Q&A session, please press star one on your telephone keypad. We now move to Lars Kjellberg with Credit Suisse First Boston. Please go ahead sir.

<Q – Lars Kjellberg>: Thank you. Just a follow up question on most recent one, looking at repatriation of volumes, are you doing that, and if so, are you doing that significantly?

<A>: At least not so significantly because we are not been that big exporters as we want to, so to say, integrate our view on exports to US with our big parent operation there. That means that much of our products are actually integrated parts our customer offer in the US. So, we can have a product portfolio comprising both US and European products and the same goes, say, for some of our fine paper station. So, I would say that on the whole, we are no big players in that repatriation.

<Q – Lars Kjellberg>: Okay. Coming to North American, you're basically talking about a satisfactory demand for coated fine paper. That doesn't make any sense if you look at the delivery numbers we've seen into the US. What does that mean, satisfactory demand?

<A>: More or less that we don't have to take so much downtime, but still, I mean the market for coated would freeze in US. It's generally rather pressed from Asia coming from the west and there is, I mean, it has not developed very well and even if we have a satisfactory demand situation so that we can sell what we produce more or less. I mean pricing is far from satisfactory. So as I don't know if the word satisfactory in a broader sense is absolutely appropriate. Volume wise, okay, but price wise, so to say, of course the Asians are pressing rather hard here, the whole US paper business and you can look at any US based paper company and you see the same thing on coated products.

<Q – Lars Kjellberg>: Sure. Talking about Asia, are you seeing any changes in sense of the Chinese character Fashala sort of made the Koreans go to North America at same time you are obviously expanding you coated paper capacity in China. Do you have any thoughts on that?

<A>: The big question is that we have a rather fast– at least announced expansion and to some extent also it is realizing now in the, you can say the standard grades of coated fine and we think that there is surface coated– temporary, over supply if you look at the standard grades. We are in the top end of all of them, the Chinese consumption we make, I think, I dare to say the best fine paper in China, and we have the most demanding customers. We are also a little bit more stabler and capable of keeping a little bit better of pricing profile. And given that we increase our production in China with something like 40,000 tons, and also take in some volumes, and shift them there in order to have a complete offer. I wouldn't call that really a volume expansion, it is some volume, okay, but it's very modest in relation to what happens there and it's very much a matter to our customers, serve them with the quantities they need of these qualities, which they cannot get from anybody else.

<Q – Lars Kjellberg>: I was talking about such qualities on the paperboard side. You obviously have some exports going into Asia, and you mentioned earlier, that there were some, you know, relative competitive offers, I guess, from US producers. Can you quantify; A) volume, and what sort of price pressure you are seeing?

<A>: No. I mean, I think the big picture is that we have to, so to say, accept more or less dollar remedy pricing straight off. We don't get any compensation at all for the loss of Euro pricing that we get through, the dollar cost so to say. When I've talked to other people, I mean it's more that you lose market share, we perhaps don't lose so much volume directly. But the net effect will of course be a modest, but still negative if we look upon Euro EBIT from the operation.

<Q – Lars Kjellberg>: And what is your exposure to that region in paperboard or packaging?

<A>: If you want to have exact figure, we have to look. I don't have it in my head. But, it's not completely out of significant. It is not.

<A>: It out of...The whole Asian volume of our packaging has been in the range of say 10%.

<A>: Right. It's about right so to say. But if you want something a little bit more precise, we could see if can find something.

<Q – Lars Kjellberg>: Okay. Going on to the forest restructuring. I have just a couple of more questions. Could you go through more in detail the actual P&L impact on a sort of normalized tier? What you lose in the business, what you gain in associates. And I guess on the net interest we can calculate ourselves.

<A>: Net interest is the one, we've 50 million net interest cost per third quarter, and now when we have this very weak – cash injection coming in it, will be reduced by some 40 million or so. Per year which means 10 million per annum, per quarter. But in the normalized year you have models for that, as well.

<Q – Lars Kjellberg> And what sort of EBIT loss ie. the forest products division, how much that comes down and then you have contribution from obviously the associated.

<A – Jukka Harmala>: Yes. Taking from the past, we are losing something like €100 million per annum in EBIT when this forest income is missing and then we have share, our 45% share of the new company, Barivic.

<Q – Lars Kjellberg> Okay and that may contribute roughly 40 million to 50 million?

<A – Jukka Harmala>: There will be some interest costs in that company as well.

<A – Esko Makelainen>: I mean, if you look at what we have for about 44% of Barivic of the equity. I mean, first, you have to take off the debt side and say that the debt is about 60 and then so it's about say 45 or 40 and that leaves us with something like 18% of the current equity and then of course, it's a leveraged deal. So, it's not the straight-off calculation, but our share you look upon money, so to say, it's not corresponding to 44% more to 18%, if you look upon the whole entity.

<Q – Lars Kjellberg>: Okay. And just a final question on the Merchant charge, you talked about an incremental cost that is different I guess from the 13 million and that is something different. You talk about 4.5 million cost of restructuring measures in that division, is that on top of the 13, or is that sort of included in the 13?

<A – Jukka Harmala>: In Merchant we have made some restructuring. This restructuring is later and the impact of that is churn in the last quarter of 2003.

<Q – Lars Kjellberg>: So, that goes to 4.5 million?

<A – Jukka Harmala>: Yes. I mean, the big figure is pension and the 4.5 is more write down of the inventory and stuff like that. It has another character.

<Q – Lars Kjellberg>: It's separate items?

<A>: Yes.

<Q – Lars Kjellberg>: Thank you.

Operator: We now move to Theo Molenkamp with ING Bank. Please go ahead.

<Q>: Good afternoon to you sirs. I got two questions; the first question is related to the dollar/euro movements. I was wondering if you foresee any shifts in capacity between the US and Europe or additional curtailments in Europe based upon keeping your cost structure down?

<A – Jukka Harmala>: I think we got to take you back to what Bjorn was saying earlier. We have seen a gradual withdrawal of some of the exports directed earlier to North America. These movements, they are not anything overnight. So, depending highly on the level of the dollar:euro rate, we can only see over time what the final influence is going to be.

<Q>: Okay, thank you. A further question on the forest sales, so far we have seen forest sales in Finland, the US, the upcoming one in Sweden, I was wondering if any more forest sales are to be done. For instance, your forest earnings in Portugal?

<A – Jukka Harmala>: No. Portugal is related to our Celbi mill and actually what we have been concentrating is in the northern hemisphere. In real terms, we have actually been adding our forest ownership down in Brazil, all the way through to comply with the requirements of the construction of the pulp mill. So, if we shrink from the north to southern hemisphere and nothing significantly is up anymore in the north.

<Q>: Okay, thank you very much.

Operator: We have a final question from Gerhardt Broker with APR. Please go ahead.

<Q>: Good afternoon. My question concerns to merchant business. You didn't make any operating profit in your merchant business during all of the four quarters in 2003 and the turnover decreased during the last two years by roughly 25%. Question is will you stay in that business or will you withdraw from the merchant business?

<A – Keith Russell>: Well, you have seen some of it, we've changed the management.

<Q – Gerhardt Broker>: Yes, I see that.

<A – Keith Russell>: And it resulted into major restructuring of the organization. Already there was a reference made to the course of that as a one-time item for the last quarter of the year, and these measures would actually show in a way that now we have a new look, what can be done with the idea of having it in the family.

<Q – Gerhardt Broker>: Do you think it is necessary to be for principle reasons in the fine paper business, I mean do you have with that fine paper business a good contact to smaller printers and it

is a very special market, which is quite different from paper print and others, or doesn't that play any role in your...?

<A – Jukka Harmala>: Yes, it is a method of philosophy of trading the big volumes to go through the merchants. On top of it, we do certainly have some direct platforms also.

<Q – Gerhardt Broker>: And second question, pulp prices for northern bleached softwood kraft seems to increase, how much of it helped you to make better profits because you do not longer show any detailed figure for your pulp business, which is as far as I know quite big?

<A – Jukka Harmala>: Bjorn, perhaps you could tackle this?

<A – Bjorn Hagglund>: Not directly. I mean, if you ask for an isolated pulp figure, we don't have that. I think I can say that, to that extent that we have non-integrated pulp operations, it's in this new price situation, rather satisfying outcome relatively viewed. It's an okay business.

<Q – Gerhardt Broker>: But you do not give out -?

<A – Bjorn Hagglund>: I don't think we disclose it as a separate item anymore and we don't do it here either.

<Q – Gerhardt Broker>: You do not sell any market pulp?

<A – Bjorn Hagglund>: We sell and we buy about the same quantity. I mean we don't produce exactly the specification that we need for our paper. So, in order to keep 100% hedge, which we think is a good idea, then we have to sell some qualities and buy some others instead.

<Q – Gerhardt Broker>: I see. Okay, thank you.

<A – Jukka Harmala>: All in all, actually as a philosophy, pulp prices go up, people tell you about the idea.

<A>: Yes. That is a good idea.

<Q – Gerhardt Broker>: Okay. Thank you.

Operator: It appears there are no further questions at this time. So, I would like to turn the call back over to Mr. Harmala for closing remarks.

Jukka Harmala

Okay. Ladies and gentleman, thank you for joining us today. We are in a squeezed period when it comes to the margins, and there is not the immediate way out. On the other hand based on, without time to explain, we will try to look beyond the horizon for the long-term profitability, while struggling with all the elements, which are in our hands in the short term. Thank you for being with us today.

Operator: This will conclude today's conference call. Thanks for joining us and have a nice day.

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