

Stora Enso  
**Financial Results**  
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**First Quarter**

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**I. Opening Remarks**

**1. Preamble**

**Jukka Härmälä**

Good afternoon everybody. With me in Helsinki are Björn Hägglund, Esko Mäkeläinen and Keith Russell.

**2. Quarterly Highlights**

I will begin with page three of the slide pack you have all received and a few general remarks on this quarter. Typically, we can say that demand followed the earlier improvement path throughout the quarter, by and large, covering all products and some moderate price increases were put through, especially in the Publication area.

We had a major rebuild session. Many machines coincided with the first quarter to be rebuilt and completed and one by one they have been coming on stream. We lost as much as 134,000 tonnes as a result of this rebuild, so it was fairly excessive.

We had good high volumes in Fine Papers and Packaging.

**3. Accounting Rules**

One element I would like to highlight although it is not too significant at the moment, which is once again the change in the accounting rules. Firstly, at the beginning of this year, goodwill amortisation dropped away. Therefore from Q1 onwards there is no amortisation. However, it is

still present in the historical comparable figures, they have not been restated. Secondly, IFRS 2 and 3 gives us two new regulations: one for emission rights and the other for share-based payments. The affect on the quarter was only €6 million negative for the EBIT. Without these non-cash items operating profit would have been up to €219 million. I bring this to your attention because of the potential changes in the future; you cannot rule out that they may be significant, especially the emission rights affecting operating profit. Let us see how this new rule is going to fly; it is still a little difficult to make any firm judgement, but it is a new element to consider.

Without these items our earnings per share would have been eight cents for the quarter.

## **II. Main Events of Quarter**

Let us go to some of the main events. I will not repeat what has been written on page four, except to inform you that if you have any questions regarding the very recent announcement of the acquisition of Schneidersöhne, the person in charge of the operation, Mats Nordlander, is also present with us today. He will be delighted to answer any questions in the Q&A session.

## **III. Summary Financials**

Turning to page seven, I will not repeat what I have said about the changes. Overall, operating profit has risen quite nicely from the last quarter and it is also up on the same quarter last year. Although there has been an improvement, the profitability level we are showing is far too low, giving a return on capital employed for the period of slightly more than 4%. This is something that should be improved a great deal. I will return to some of these elements later.

## **IV. Market-Related Production Curtailments**

Turning to page nine, we can say there were hardly any market-related production curtailments for this period. Taking into account the rebuild, 134,000 tonnes was lost. Thus, from an operational point of view a great deal of downtime was taken.

## **V. Change in EPS**

To analyse the change in EPS on page ten, a comparison may be made between the fourth quarter of last year and this quarter. Sales prices have improved to four cents whereas the volumes were down altogether by the same amount.

Due to some smaller components and goodwill amortisation dropping out totally, fixed costs totalled seven cents, returning some of the lost element from the last quarter due to the Christmastime compulsory stoppages in Finland; thus as usual it is up and down.

## **VI. Debt/Equity**

Turning to debt/equity on page 12, it looks as if some worsening of the ratio has occurred. This is mainly due to the fact that the outgoing dividend was recorded as a debt and was deducted from the equity, typically for the end of the first quarter event. Other than that, there were no major changes.

## **VII. Capital Expenditure**

Let me say a few words about capex (page 13). I will not focus on the first quarter too much, only to repeat that the old policy not to exceed the level of depreciation is still valid. Also, we have never had deferred amortisation of goodwill as a measurement, we refer to actual depreciation. From this point of view, no change in the overall policy has occurred.

## **VIII. Share Buyback Programme**

Regarding the share buyback programme on page 14, it has only been a short while since our AGM on 21 March and the beginning of the closed period. During that short period approximately 8% of the total amount of R shares were acquired. From today we will continue more or less according to the same policy with which we started.

## **IX. Conclusion**

Clearly, there is nothing very particular to report about the numbers. We will now focus on the market situation and outlook.

## **X. General Market Situation**

### **Björn Häggland**

The general market situation is solid and there is a lot of strong demand on a global level. In US Dollar-nominated countries the pricing environment is rather positive, but it is more difficult in the Euro-nominated countries. Some products, especially copy paper and sawn timber, suffer from over-supply, especially in Europe.

## **XI. European Market Situation**

### **1. Coated Fine Papers**

For coated fine papers this year began a little weaker than last year. However, demand is increasing, partly for seasonal reasons; the order books are getting longer and approaching the length where price increases are possible. Therefore, price increases have been announced, primarily for inventories[?] and for reels.

### **2. Uncoated Fine Papers**

In uncoated fine papers deliveries during the first quarter were about the same as last year. However, it was a little less in Europe and a little more in export. The demand situation is good with order books at a three-week level, but still there is some over-supply for copy paper mainly created in Europe. We think that prices, which suffered somewhat during the first quarter, will stabilise. However, the copy paper market is still under some pressure.

### **3. Newsprint**

Newsprint demand in Europe is about the same as last year, somewhat less for standard and somewhat more for improved. We think there will be some further growth during the rest of the year, but more modest than last year. Price increases of between 5-8% were achieved in local currencies.

### **4. Magazines**

Magazine demand in Europe was somewhat less this year, partly due to de-stocking. However, deliveries to Eastern Europe and overseas increased and total deliveries of magazine papers from Western Europe PM suppliers increased in the first quarter. The order book looks strong now and we expect demand to hold up well during the coming months. This view is also supported by an increase in magazine ad spend in Europe. Price increases of between 3-5% were achieved in local currencies.

## **XII. US Market Situation**

### **1. Magazine**

Magazine ad pages have continued to increase, but at a more modest pace compared to last year. The catalogue market is still growing and is at an all-time high with almost five billion catalogues mailed per quarter in the US, a tremendous amount. Our LWC, or coated mechanical reel machines are running full, but some inventory building is taking place on the customer side. April price increases are partially implemented. The situation is similar for our grade SCA+ but here order books are extremely strong, almost over-booked in fact.

### **2. Fine Paper**

There was a strong increase in demand for fine paper at 7% year-on-year first quarter, but most of the increase was supplied through imports which increased by 30% in the US. Prices came through rather easily, while the competition from ACL sheets makes that market more difficult. However, the Asian markets are currently improving and that might ease the pressure on US markets.

## **XIII. Packaging Boards**

### **1. Consumer**

The markets for the fresh fibre-based cartons are very stable and somewhat better than last year. For graphical and food service boards in Europe as well as for bleached boards in the US there are some price increases implemented, but for our large volumes of folding box boards in Europe pricing is stable. Prices for the waste paper-based white lined chipboard, etc, are under pressure, but this is a small product for us.

### **2. Industrial**

On the corrugated side, prices are under pressure but coreboard demand is developing well and making price increases possible.

## **XIV. Sawn Timber**

The European market is, as always, more or less over-supplied, but the seasonal increase in demand for building material should start to balance it. The US markets are better than we had earlier anticipated and in Dollar terms pricing is very good. The Japanese market is usually good and stable, but the weak Yen puts Euro pricing under pressure. All in all, we believe a relatively good demand for our saw milling operations, but unchanged prices for the near future.

## **XV. Improving Profitability**

### **1. Continuing Profit Enhancement**

#### **Jukka Härmälä**

Let us now turn to something we included in the Q1 report, the €300 million improvement target we set. First of all, going back to some recent history, we have gone through a major asset restructuring programme, mainly for our European unit, and it is about to come to an end. All the rebuilds coinciding with the first quarter were part of this story and the final element will be the Kvarnsveden new machine that will be completed at the end of the year. After this programme we have very little commitment as far as capex is concerned for next year.

In North America we are running our Profit Enhancement Programme according to plan and that will come to an end during the course of this year. A great deal of internal savings and efficiencies have been going on as a normal part of operations. From a philosophical point of view we have otherwise stayed away from forming any core savings programmes as such, but not away from taking those measures.

### **2. Programme for Profit Improvement**

Thinking of the industry's low returns even with the upturn of the market, we are not coming up to reasonable levels and therefore, with the asset restructuring programme coming to an end, we decided to see whether a target of €300 million of permanent improvement could be achieved. At the moment this is not a programme consisting of various elements; it is a target set by the management and the organisation is now working on how to achieve it. It will emerge later on as a programme with various measures consisting of:

- Efficiency improvements in all parts of the operation: production, sales and logistics.
- Improvement in working capital management.
- Cost cutting in administration and related issues.

You may remember we made a change in the organisation a short while ago. A great deal of reorganisation[?] took place at the same time, which will also allow for a new and fresh look at many of the operations coinciding with how to achieve the target of €300 million as a Group. We will provide more details on this issue later when our plans are more developed. However, it is worth understanding that we are not waiting for a total programme to be formulated; we will take all the necessary measures one by one once they are well defined and ready to go forward. As a result, there may be closures or disposals of units with specifically high costs or low long-term earnings potential, which would eventually lead also to redundancies in these cases.

We have a target to achieve this improvement by mid-2007 onwards.

## **XVI. Summary**

In summary, turning to page 23 to conclude our presentation, as I said before, demand is expected to stay good. In addition – and not to repeat everything Björn has said – we have a somewhat positive view of the short-term outlook for our market.

What is bothering us at the moment is the labour market situation in Finland. As of today, suddenly, all our capacity was run down and we do not know exactly how this dispute will continue. Overall, for the short-term ups and downs, if the total capacity of paper and board making is down in Finland, we have calculated a daily cost of approximately €3 million. If there is a longer strike, the calculations become somewhat different, but let us see what happens. However, a great deal of disturbance is to be expected.

That concludes my comments for the time being and now we will take your questions.

## **Questions and Answers**

### **Thomas Brodgen, Smith Barney**

Could you elaborate a little on your paper merchanting strategy? Long-term, what returns would this strategy give you, both in terms of the benefits, the paper making, as well as a stand-alone merchanting strategy? Also, in terms of size, how big do you want to be? Is this the completion step or should we expect further acquisitions within this area? If so, which countries would you be interested in?

### **Jukka Härmälä**

Firstly, when it comes to the overall return we do have the same requirements throughout the Group regardless of the size of our operation, and that goes for the merchanting as well. However, merchanting has elements of synergies of a somewhat different type not only within the merchanting operations where definitely we will have some, but it has also an impact on paper making and the whole delivery chain. We have promised to come back to this once we have closed the deal.

Regarding what to do next, I think this is a huge step forward. Let us concentrate first on finalising the deal and putting all the pieces together, and then we will see how things are running. However, I will ask Mats to elaborate on the role of merchants a little more here.

### **Mats Nordlander, President, Papyrus**

Our strategy is to be big in the markets where we operate. That is the basic strategy of our merchant operations and I think by this acquisition we are now enabling that, so we do not have any specific targets at the moment.

In terms of capturing synergies, we believe that at least with suppliers where we have very close cooperation and especially with Stora Enso we can run the supply chain at a very low cost. I think that is quite important.

**Thomas Brodgen**

Do you think you can run this at a lower cost from your main competitors such as PaperLinks than you have done?

**Mats Nordlander**

We do not have any data available yet of course to be able to answer that question. However, in terms of seeing at what cost we can operate the internal volumes, I can see that that is at a very low cost when we benchmark it internally.

**Thomas Brodgen**

Has Schneidersöhne had better margins than you in the past?

**Mats Nordlander**

I do not think I can answer that question now. It is so specific and you have to compare apples with apples; it depends to which margin you refer.

**Thomas Brodgen**

Finally, can you give me the mix of how much is indent[?] and how much is stock save, such as 90/30, and what makes the total for Stora Enso and pro forma?

**Mats Nordlander**

The total of Schneidersöhne, you could say it is roughly a 50/50 operation, making the ratio a European average in stock indent, but this varies over time and Papyrus has a slightly higher share of stock business than indent business.

**Mattias Sjodin, Carnegie**

I would like to focus on coated papers. First, if we look at your fine paper operations it appears that the quite clear margin improvement came from lower cost. Could you elaborate on the dynamics behind that in the first quarter? Is it the US cost cutting now showing a fuller effect?

Secondly, on fine paper you say you will realise higher prices in the second quarter. By what kind of magnitude do you expect to raise coated fine paper prices?

Finally, on coated papers, will you get the full hike that has been announced from April that appears to be showing up in official list prices? Will you get that from April in the US?

**Björn Hägglund**

Taking your first question, if you look at the lower cost, as we have emphasised before, we have a very significant effect between the even and odd quarters and not least for the fine paper operations where we have a large amount of the assets in Finland. Hence there is some of this effect and also, due to a number of circumstances, we have been able to run the operations rather full and get quite a good volume out, which also has a very positive effect on cost. However, there have been no specific measures taken during Q1 that should especially emphasise cost. That is something that comes with the new programme we have discussed today. I would simply say that partially the eye is a little fooled by the differences between odd and even quarters and partially it is an effect of good volumes.

On pricing, price increases are announced, there are different bids from €25-50. I do not want to make a forecast now about what will happen; that is always a matter for the negotiation situation in the market. That is all we have to say on this at the moment, but as we are among those who have announced price increases of course we have reacted on the better demand.

Regarding fine paper prices in the US, it seems as if they, to a large extent at least, come through rather swiftly in April. As I said before, especially for the web markets, the sheets are more difficult in the US due to the competition from Asia. I would say that rather early in April quite a lot of this came through in fine paper reels.

**Mattias Sjodin**

On the cost side, I of course understand the fixed cost observed increase – we do not have the Christmas stoppages, but if you do a back of the envelope calculation, which is all we can do since we do not have all the details, if I look at your sales realised per tonne and the implicit operating cost, it is the lowest for many years in fine paper regardless of quarter. Of course there is some currency impact and so forth, but there seems to be something happening in that operation on the cost side.

**Björn Hägglund**

Without going into detail and this is only one example from one mill, but we have been able to improve food[?] operations very significantly. That is such a big operation there can be effects from that, but I do not want to go into any more detail.

**Jukka Härmälä**

With reference to the €300 million target, that is a typical example when treated well of what can be achieved without investing a single Euro into the operation itself.

**Lars Kjellberg, Credit Suisse First Boston**

Carrying on with the US side, your coated fine paper went through fairly swiftly, as you put it. How about the coated mechanical, the LWC grades? Is that a similar immediate traction on prices or do you have contracts that delays that in some way?

**Björn Hägglund**

Yes, the latter is true. There we have more contract business and it will take a longer time to get all of it through.

**Lars Kjellberg**

Is that realised by the mid-point of the year?

**Björn Hägglund**

Yes, that is what normally happens. We expect to get what we can get as late as 1 July in that business.

**Lars Kjellberg**

Looking into your fine paper deliveries, you were talking about strong deliveries etc, and if I look upon various statistical sources there are few people who have had the tremendous development that you have had. Could you elaborate on that a little? UPM yesterday said they had roughly a 3% sequential decline, you are up almost 5% and the market is flat in the first quarter, quarter-on-quarter. Can you tell us what is happening here?

**Björn Hägglund**

I do not think you should over-interpret these kinds of changes. If you look upon the market right now, of course there are elements of increased exports and it has a lot to do with the accounts you happen to have and how they develop. We discussed this a little before the meeting to see if there were any specific reasons and it is difficult to point to any. If you happen to have the wind at your back this can be the result.

**Lars Kjellberg**

Returning to Schneidersöhne, Jukka, you mentioned that obviously there is the same return requirement on anything that you buy. A back of the envelope calculation would give us somewhere around a 9-10% return on this, given that you are talking about two cents per share and taking normal financing costs, etc, moving up to the EBIT line. How are you going to achieve 13% on this? Do you have any properties you can sell that lower the purchase price? How is that going to be achieved?

**Jukka Härmälä**

I think the calculation you have made is fairly correct for the beginning part of the operation and that is what we are referring to, then the question is to pile up the synergies, maximising them within the merchandising operations but also, and something that should not be undermined, is the effect to the paper making side. That is something we are not elaborating on for the time being. We will return to this issue, but that is the side giving the additional return.

**Lars Kjellberg**

On that issue, as you have now put together virtually five merchants including Klarson[?], how are you going to get the synergies? Does that entail a significant IT investment to get all the systems to come together?

**Jukka Härmälä**

All these are fairly recent issues. Let me hand over to Mats.

**Mats Nordlander**

I would start with the last issue you raised. Fortunately, the IT structure is a big advantage in this very acquisition. Schneidersöhne is operating on one SAP platform and we see that as a big asset in this acquisition.

Coming back to the potential assets, I would say an asset restructuring or capital restructuring programme we will also present at signing; we have quite a number of ideas there.

**Lars Kjellberg**

Meaning that you can sell things?

**Mats Nordlander**

Yes.

**Olaf Grenmark, Handelsbanken**

Returning to the first quarter results, on slide ten you showed the positive effect of seven cents per share for fixed costs. Could you please highlight once again how much of that was the seasonal effect and what should we expect going forward?

**Esko Mäkeläinen**

In that figure some five cents is due to fixed costs going to inventory values, so the other savings are seasonal.

**Olaf Grenmark**

My second question is related to your cost saving programme announced today. If I understood you correctly, you put a target of €300 million to your management and now it is up to them to fix it. Could you tell us a little more about the time frame here? What deadlines have you set? When should we expect more news regarding this? Is it going to be in association with the quarterly results, separate announcements, etc?

**Jukka Härmälä**

First of all, to be very precise, we are not talking about a cost savings programme; we are talking about a profit improvement programme because it will consist of not only cost savings but lots of other measures to be taken. As I was trying to say, we do not pile up the programme and then press the button, but some of the units are quite advanced in their thinking and working and you may expect some results emerging fairly soon. Other areas have to work much longer before arriving at a new way of thinking, as I would call it. However, certainly during the current second quarter certain measures are going to be taken, without doubt, and during the third quarter we will have the whole set up more or less complete and in a form that we can elaborate to the market.

**Olaf Grenmark**

Thus within six months from now almost all of it should be set, is that correct?

**Jukka Härmälä**

Yes, but once again, we will not wait until every single piece has been designed and then start, it has started.

**Linus Larsson, Alfred Berg**

I have three quick questions. The first one relates to the strikes that you have had in the second quarter and I wonder what kind of impact they have had to date?

**Jukka Härmälä**

The unrest began in the second quarter and it is difficult at the moment to give any precise number. We have had odd ups and downs, but it now seems to be intensifying – for instance this afternoon the whole capacity is down. It is too difficult to state anything except the number we gave earlier. If the whole capacity is down, we are talking about a daily cost of €3 million.

**Linus Larsson**

Is it correct that you will have two weeks notice before a full-blown strike begins?

**Jukka Härmälä**

We have had no warnings and we are fully on strike today, so the rules are one part of the game and how to obey them is another story; so far very little has taken place according to the rules.

**Linus Larsson**

In the Publication Paper division what was the final outcome of the rebuild cost? What was the effect in an absolute number or as a margin impact in the first quarter?

**Jukka Härmälä**

We have calculated that lost volume due to downtime for the rebuilds for all the projects that were underway would be approximately €32 million.

I want to pick up on one element of the strikes to make totally clear what the industry is striving for. A typical issue we have on the desk is the continuous running of the mills to avoid the mid-summer and Christmas compulsory stoppages – you have all seen how much they cost. That is an issue that is high up on the agenda. Let us see how we manage with the whole story, it looks a little difficult.

**Linus Larsson**

One final detail if I may, relating to the Schneidersöhne acquisition. The two cents positive EPS effect that you have estimated does that include restructuring costs?

**Jukka Härmälä**

No.

**Johan Dahl, H&Q**

Regarding coated fine paper, Björn, when you spoke about the outlook for Europe you made a year-on-year comparison saying there was similar demand and now a seasonal improvement. What makes you so confident this year compared to last year that hikes will be successful?

**Björn Hägglund**

We have a generally somewhat better situation, but I said that this is primarily for inventories[?] and for reels. I also said that the price increases are announced, the outcome is the result of negotiations and we wait to say hurrah until that is in harbour; so far it is only a fact given that price increases are announced and after that it is full stop.

**Johan Dahl**

Given what you have announced, how much of the order book in fine paper does that concern approximately?

**Björn Hägglund**

I do not know offhand; I could not say.

**Johan Dahl**

Not even a ballpark figure?

**Björn Hägglund**

Sixty percent, something like that.

**Johan Dahl**

Of the European operations?

**Björn Hägglund**

Yes.

**Jukka Härmälä**

That is a good guess.

**Björn Hägglund**

It is not a good guess, I looked at Mats. It is a very rough guess. If you want a reliable figure we will have to do some calculations.

**Johan Dahl**

It is good enough. Secondly, regarding the savings target you have announced for your European operations, it appears in magnitude similar to what you have said in the US in the past. However, if you look at what you did in the US, there were significant reductions in staff and also a write down of assets. Should we expect something similar? I know you are at early stage.

**Jukka Härmälä**

The situation in North America was quite different, so you cannot draw any conclusions from that. On the other hand, from North America and the way this kind of programme has been run we certainly have picked up some elements in our current thinking, but the starting point and the type of operations we have are very difficult to compare.

**Johan Dahl**

I expect we will return to that in the coming quarters. Finally, regarding capex, your rate is rated as capex according to depreciation. However, you have announced quite a number of acquisitions, both minorities and companies. Where do you expect capex to be at the end of the year?

**Jukka Härmälä**

As our capex policy has it, traditionally capex has not included the acquisitions, it is the traditional money put into machinery. What is happening now is as a result of this asset restructuring programme coming to an end we have very little committed to the year 2000 and onwards. When it comes to the European part of operations this is the way we are trying to keep it. As part of our efforts to see what could be run in what we call the emerging markets – America, Asia and so forth – we have made room in case we find clever solutions for how to take steps forward.

**Johan Dahl**

We have talked about fixed costs, but if you look at variable costs in Q1 has that evolved as you expected or does anything stand out in terms of increased raw material cost?

**Jukka Härmälä**

Nothing in particular. At the time of releasing our numbers for the full-year 2004 we informed the market about some cost elements and the outlook; they have not changed since then.

**Esko Mäkeläinen**

If there are any significant effects of the Baltic storms on wood costs it is too early to measure them.

**Richard Nillson, Enskilda Securities**

Could you talk about the possibility of hiking prices for magazine paper in Europe later on in 2005?

**Björn Hägglund**

The current demand situation looks rather strong, but it is too early to have any kind of forecast for what will happen. I think I will pass on that question.

**Richard Nillson**

On your recent paper merchanting acquisitions you talk about possible synergies with the paper producing units and I would assume that you will be seeking to alter the mix of suppliers maybe to Schneidersöhne, but is it that simple? Can you change it that easily?

**Mats Nordlander**

Changing suppliers is not easy, as you say, you probably have to do it over a long period of time. However, I think there is a great opportunity now to position our European brand names in a very good way and we think that we can increase the sales quite a lot by doing that. Consequently, the most important brands we have today are supplied by Schneidersöhne[?].

**Richard Nillson**

Does the position of Schneidersöhne have any impact on your views on buyback and so on?

**Jukka Härmälä**

No major changes. You may remember we have a limit of 10% as the maximum or double from the legislation from previous year and passed on also at the AGM. Currently we are again in a position to continue the buyback if what I would call the [inaudible] approach we have had continues.

**Richard Nillson**

Could you give some kind of normalised yearly earnings number for the associate line and also if you could say whether the emission cost will be in the result going forward and on which line that cost will appear?

**Esko Mäkeläinen**

The associated returns are coming mainly from Bergvik Skog, a Swedish company that owns forests. From the third quarter onwards we will have impact from Veracel, but let us forecast that a bit nearer the time.

**Richard Nillson**

I know it has been mentioned that the associate line normally should be about €30 million and it is already €14 million after one quarter. Is Q1 a representative quarter for Bergvik or is it a rather good quarter?

**Esko Mäkeläinen**

No, it should be somewhere around that figure because we have Torelator[?] and Bergvik. These two companies are making the most of that.

**Richard Nillson**

It is an okay quarter, then?

**Esko Mäkeläinen**

Yes.

**Richard Nillson**

Also, you have emission rights. I know it is part of the EBIT, but where on the EBI – is it on the Other line?

**Esko Mäkeläinen**

Yes, is it on the Other line because it is easier to handle there.

**Richard Nillson**

Is this something you will be [burdened with?] also by going forward?

**Esko Mäkeläinen**

Yes, the fluctuation we have is coming from the North [inaudible] valuation, because we have a grant which covers the emission rights we use but the valuation change has to be shown according to this IFRIC Interpretation we have and that creates additional volatility in our profits.

**Myles Allsop, UBS**

With the Profit Improvement Programme you are indicating that you may reduce capacity. Should we expect any rebuilds or are we looking at net capacity closures over the next couple of years?

**Jukka Härmälä**

I started by saying that we are coming to the end of the asset-restructuring programme. It is in the final stages with the Kvarnsveden machine being completed at the end of the year. When looking at the various assets – machines, mills, whatever may be the case – if we came to the conclusion of disposing or closing down a mill it would be an operation of its own and, of course, would result in a reduction in capacity not coinciding with any other measures to be taken at the same time.

**Myles Allsop**

There may be more than what has been talked about already in Germany and Kvarnsveden itself with the improved news machine?

**Jukka Härmälä**

I will not speculate on any of the details at the moment.

**Myles Allsop**

On the fine paper side, the volume growth year-on-year was significantly ahead of the market and I know this was touched upon earlier, but are there any further explanations for 9% growth year-on-year in deliveries?

**Björn Hägglund**

I think we have said all we had to say on that. We evidently had a good market position, we had the right customers in this quarter, and demand was good in that area. Also, as I mentioned earlier, one part of this is exports, both outside Europe and also, due to statistics, sales from Western to Eastern Europe are sometimes regarded as exports. Another basis for this is also the trimming of capacity, especially [inaudible], which produces a lot of tonnes, creates this possibility.

**Myles Allsop**

On the Publication Paper side I was wondering whether we should see the average prices going up a little with the newsprint and magazine prices in Europe only being gradually implemented during the quarter. Should we expect a little more in the second quarter?

**Björn Hägglund**

Normally there is some kind of delay immediately after the formal announcement, so we hope there will be some minor improvement but it is of a more technical nature.

**Jukka Härmälä**

Thank you for joining us today. The overall sentiment when it comes to the market is a little brighter. On the other hand, when it comes to profitability we have a long way to go. See you next time.