

Focus on the future

Stora Enso

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Focus on the future

**Stora Enso profit
improvement measures**
Mills under scrutiny

Profit 2007 and Asset Performance Review

Strategic framework



- The pulp and paper industry and Stora Enso as a company are suffering from poor profitability
- Stora Enso's actions, announced in 2005
 - EUR 300 million profit improvement programme (“**Profit 2007**”)
 - Initiation of Asset Performance Review (“**APR**”)
 - Planned closures of four production units (450 000 tonnes)
 - Five potential divestitures (835 000 tonnes and 40 000 m³)
 - Criteria for selection:
 - Poor profitability and negative outlook
 - All product areas included
 - **+ Four mills placed “under scrutiny”**

Mills under Scrutiny

Four mills under scrutiny

1. **Summa Mill, Finland** 430 empl.
2. **Reisholz Mill, Germany** 378 empl.
3. **Berghuizer Mill, Netherlands** 297 empl.
4. **Uetersen Mill, Germany** 460 empl.

- Performance to be evaluated using a range of financial and operational measures
 - long-term profitability and strategic fit the key criteria

Mill	Division	Grade	Capacity
Summa	Publication Paper	MF, Newsprint, Impr.newsprint	405 000 t
Reisholz	Publication Paper	SC	215 000 t
Berghuizer	Fine Paper	WFU	235 000 t
Uetersen	Fine Paper	WFC, coated specialities	270 000 t
		TOTAL	1 125 000 t

Mills under Scrutiny

Decisions made as of 4 October 2006

Two mills planned to be closed

1. Reisholz Mill, Germany
2. Berghuizer Mill, Netherlands

Reisholz and Berghuizer

- Have not been able to sufficiently improve profitability

Long-term competitiveness not secured

Two mills to continue operations

1. Summa Mill, Finland
2. Uetersen Mill, Germany

Summa

- Has improved profitability through
 - Cost basis improvements
 - Product portfolio realignment

Uetersen

- Strategic product portfolio offering with Oulu Mill
- Has improved financial performance

Are expected to operate without new investments for next several years

Mills under Scrutiny

Summa Mill



Profit and performance improvement through locally agreed efficiency methods

- Product portfolio focus
 - Focusing on high value products such as SC-A+ and high quality book and newsprint grades
 - Flexibility to adapt to changing market demands
- Improvement of paper machine efficiencies and manufacturing costs
 - Operator maintenance
 - Recipe changes
- Favourable fixed cost development
 - Agreed headcount reduction of 76 persons
 - Salary freezes and changes to the salary structure

Mills under Scrutiny

Uetersen Mill



Uetersen Mill continues with combined product offering with Oulu Mill

- Important role in the graphic (coated fine) paper business area's product portfolio
- Centrally located close to large customer groups
- Improved financial performance
 - Reduction of personnel
 - Adjustment of local labour agreements

Mills under Scrutiny

Financial effect of closures



- Total provisions and write-downs of EUR 270 million will be recorded in Q3 2006
 - Of which approximately EUR 180 million will have a cash impact which will be realised as the actions occur
 - Significant portion of cash cost is expected to be offset by income from realisable assets
- Reisholz and Berghuizer mills' combined external sales EUR 142 million H1 2006
- Combined operating profit slightly negative H1 2006
- Working capital was EUR 30 million in the end of June 2006

Stora Enso's Second Half 2006 Results



- Operating profit for Q3 2006 expected to be negatively impacted by
 - Relatively high maintenance stoppage costs
 - Market-related curtailments in coated magazine paper
 - Costs related to labour dispute as a consequence of machine closures at Corbehem Mill
- Impacts of market-related curtailments and costs related to labour dispute continue in the fourth quarter
 - Negative impact of the gradual start-up of the Port Hawkesbury Mill

Stora Enso's Third Quarter 2006

Non-recurring Items



- Total non-recurring items affecting operating profit:
 - Celbi capital gain of about EUR 186 million
 - Wolfscheck impairment and restructuring provisions of EUR 47 million
 - Corbehem additional restructuring provision of EUR 7 million
 - Stora Enso Timber impairments of EUR 21 million and restructuring provisions EUR 3 million
 - Port Hawkesbury provision of approximately CAD 20 million (EUR 14 million)
 - Provisions and write-down of EUR 270 million relating to the planned closures of Berghuizer and Reisholz mills

Focus on the future

Summary

Continued Focus on Profit Improvement



- Profit 2007 is proceeding ahead of schedule
- Asset Performance Review (APR)
 - Divestments completed
 - Closure decisions made
- Reisholz Mill intends to be closed by the end of 2007
- Berghuizer Mill intends to be closed during 2007
- Profit improvements at Summa Mill achieved especially with locally agreed efficiency measures
- Uetersen Mill continues with combined product offering with Oulu Mill in Finland
- Stora Enso is committed to further enhancing its profits; in order to achieve its return on capital target by continuing to monitor closely all its assets

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Q&A