

# Focus on the future

## Stora Enso

**Jukka Härmälä, CEO**  
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22 August 2006

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates.

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## Vinson Acquisitions (Inpapel\*)

\* These assets were formerly owned by Inpapel – Indústria de Papel Arapoti Ltda. and Inpapel Agroflorestal Ltda., subsidiaries of International Paper

## Vinson Acquisitions (Inpapel) Rationale

### Strategic Reasoning

- Presence in growing market
- Access to pine plantations in Southern Brazil
- Located close to Brazil's economic centres
- Gain a significant market share in Latin American market

### Attractions

- Sole LWC producer in South America
- Competitive production assets
- Wood sourced from own plantations
- Develop knowledge of pine planting in Brazil

## Vinson Acquisitions (Inpacel) Transaction Details - Financial



|  |                            |
|--|----------------------------|
| <b>Enterprise Value (EV)</b>               | <b>USD 415m (EUR 324m)</b> |
| <b>Net Sales (2005)</b>                    | <b>USD 228m (EUR 178m)</b> |
| <b>EBITDA (2005)</b>                       | <b>USD 55m (EUR 43m)</b>   |
| <b>EBIT (2005)</b>                         | <b>USD 39m (EUR 31m)</b>   |
| <b>EV/EBITDA (2005)</b>                    | <b>7.55</b>                |
| <b>Acquisition cost per tonne of paper</b> | <b>USD 1 100 (EUR 860)</b> |

- Value Attribution:
  - ~ ½ coated paper business (including tax credits of USD 10-15m)
  - ~ ½ sawmill and plantations

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## Vinson Acquisitions (Inpacel) Transaction Details - Components



### Vinson Acquisitions (INPACEL)

#### Coated Papers (Vinson Industry)

• Sales (2005): USD 180m

- LWC capacity of 205 000 mt /a
- Fully integrated TMP mill 110 000 mt/a
- Primary end-markets: magazines, catalogs and commercial printing
- Headcount: 388 <sup>(1)</sup>



#### Sawmill (Vinson Industry)

• Sales (2005): USD 20m

- Largest sawmill in Brazil - start-up August 2004
- Capacity of 150 000 m<sup>3</sup> /a - currently in start-up phase
- US home center retailers are primary end-market
- Headcount: 170 <sup>(1)</sup>



#### Timberlands (Vinson Forestry)

• Sales (2005): USD 35m

- 50 000 ha of land around the mill
- Whereof 25 000 ha of pine and 5 000 ha of eucalyptus under cultivation
- Supplies 100% of Inpacel's needs
- Surplus lumber sold to market
- Headcount: 153 <sup>(1)</sup>



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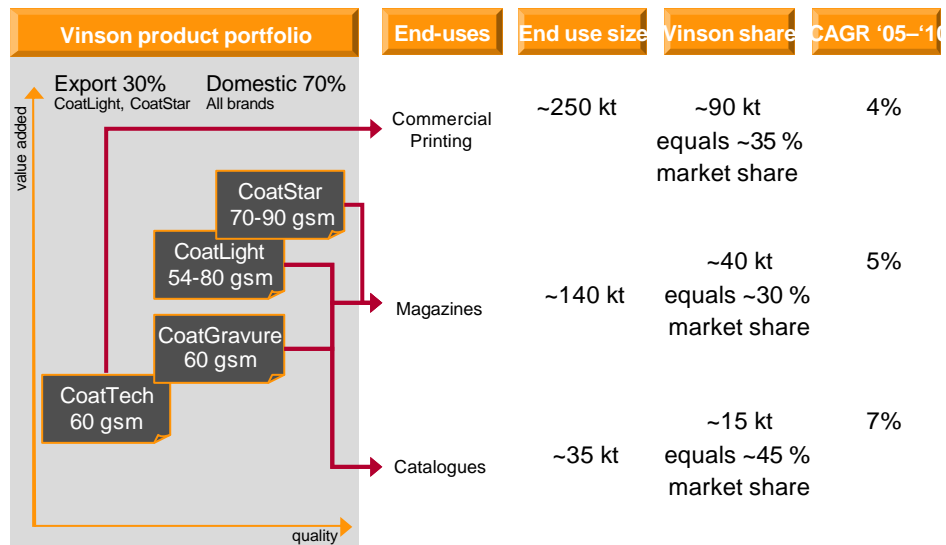
Note: <sup>(1)</sup> As of January 2006. Coated Papers headcount includes person not for administration.

## Present Operations in South America



- Location of Vinson acquisitions (INPACEL)
  - Arapotí, State of Paraná, North-West of Curitiba
- Distances (road), Arapotí ?
  - Curitiba: ~250 km
  - Sao Paulo: ~350 km

## Vinson Acquisitions (Inpapel) Product Portfolio and End-Uses



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**Investments in Russian Sawmilling**

**Peter Kickinger, EVP, Stora Enso  
Timber**

## Present Operations in Russia and Eastern Europe

### Corrugated packaging board

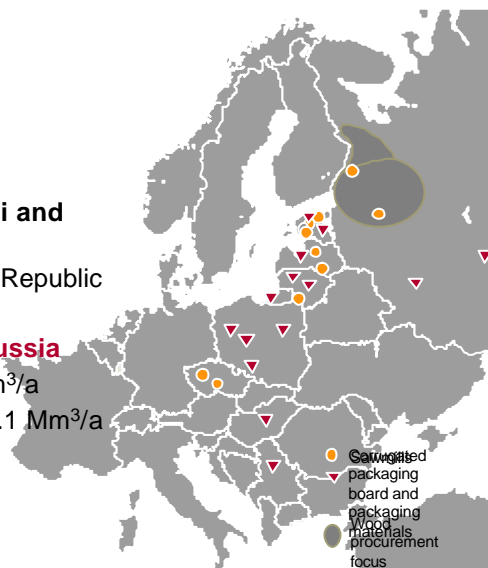
- Mills in Latvia, Poland and Russia

### Sawmilling

- 2 mills operating in Russia (**Nebolchi and Impilahti**)
- 9 mills in Baltic States and in Czech Republic

### Procurement / wood supply from Russia

- Procurement volume in 2005 7.7 Mm<sup>3</sup>/a
- 7 logging companies, total harvest 1.1 Mm<sup>3</sup>/a



## Nebolchi and Impilahti Sawmill Investments



### Strategic rationale

- Attractive raw material and production costs in Russia
  - low investment risk through existing, stabilised operations and competences
- Upgrading further processing and value-added capabilities
- Increasing wood chip flows to Finland, compensating for Asset Performance Review (APR) actions elsewhere
  - additional support through securing old & getting new cutting rights for Stora Enso
- Gaining access to the fast growing Russian building material markets
  - current "green lumber" concepts not viable for market entry
  - local production / sourcing required for any significant market development

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## Nebolchi and Impilahti Sawmill Investments



### Investment details

#### Nebolchi (EUR 31.5m)

- New kiln drying facilities
  - On-line planing (100 000m<sup>3</sup>/a)
  - Improved sorting
  - Pellet plant
  - Total capacity doubles to 220 000 m<sup>3</sup>/a
  - Personnel to increase from 91 to 148
- 
- Investments to start by the end of the year, to be completed by Q1 2008

#### Impilahti (EUR 12.5m)

- New kiln drying facilities
  - Pellet plant
  - Production capacity raised to 140 000 m<sup>3</sup>/a
  - Personnel to increase from 43 to 54
- 
- Investments to start during Q3, to be completed by Q3 2007

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**Q&A**

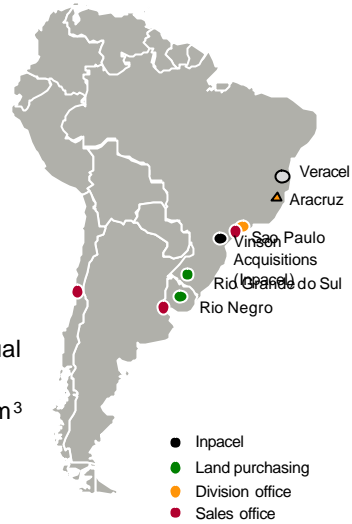
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**Appendix**

## Present Operations in South America



- **Veracel Pulp Mill in Brazil (JV with Aracruz)**
  - Annual production capacity of 900 000 tonnes
  - 76 000ha of eucalyptus plantations
- **Land purchase programmes in Brazil and in Uruguay**
  - Brazil – Rio Grande do Sul (45 000ha)
  - Uruguay – Rio Negro (26 000ha)
- **Vinson Acquisitions (Inpacel)**
  - Coated Mechanical (LWC) mill with annual production capacity of 205 000 tonnes
  - Sawmill with annual capacity of 150 000m<sup>3</sup>
  - 50 000ha of timberland (30 000ha of productive plantations)



## Vinson Acquisitions (Inpacel) - Paper Mill Site



## Vinson Acquisitions (Inpacel) - Sawmill Site



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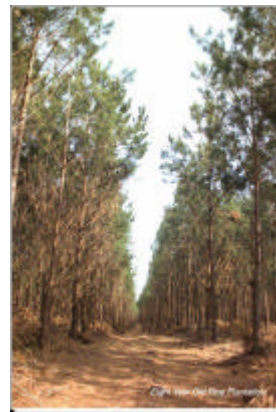
## Vinson Acquisitions (Inpacel) - Forest Plantations



1 month



4 years



8 years

Pine

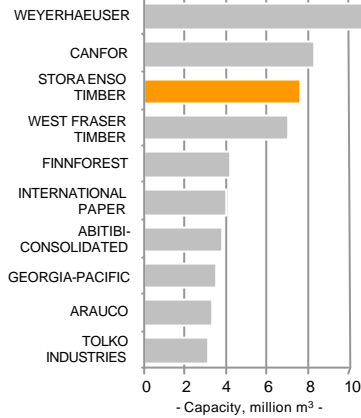
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## Stora Enso Timber

A global leader in wood products



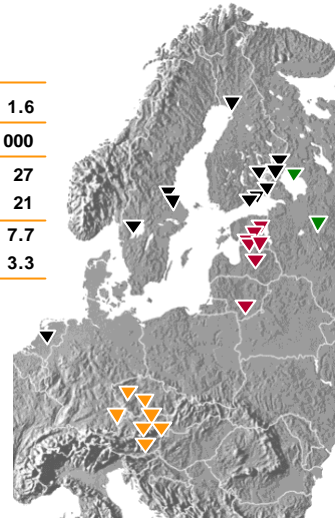
### Top 10 sawnwood producers globally, 1Q2006



### Key figures

|                                     |       |
|-------------------------------------|-------|
| Net sales in € billion              | 1.6   |
| Employees                           | 5 000 |
| # of production units               | 27    |
| # of FP plants                      | 21    |
| Sawn capacity, Mm <sup>3</sup>      | 7.7   |
| Further processing, Mm <sup>3</sup> | 3.3   |

- ▼ Central Europe PG
- ▼ Nordic PG
- ▼ Baltic PG
- ▼ Russian PG



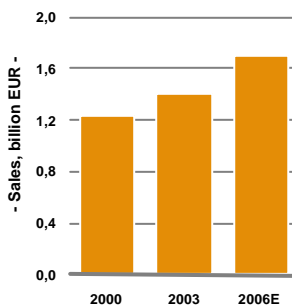
## Stora Enso Timber

Strategic roadmap



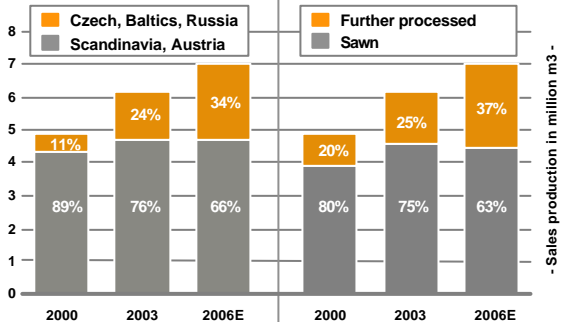
### Business growth

Acquisition of Sylvester, +35% in turnover #1 in Europe, #3 globally



### Leadership in Eastern Europe

1/3 of capacity in East, average production cost down



### Expansion in on-line further processing

Further processed +160% (Sawn +15%)