

Stora Enso
Moderator: Kari Vainio, Jukka Härmälä, Hannu Ryöppönen, Bernd Rettig
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13:00

Operator: Please stand by, we are about to begin. Good day, ladies and gentlemen, and welcome to today's Analyst and Media webcast and conference call. For your information, this conference is being recorded. At this time, I would like to turn the call over to your host today, Mr Kari Vainio. Please go ahead, sir.

Kari Vainio: Hello everybody. This is Kari Vainio here, who runs the Corporate Communications, and welcome to our webcast for the representatives of both media and analysts. We will have today Jukka Härmälä and Hannu Ryöppönen answering your questions. If you feel that our voices sound a bit different from each other, that is because Jukka is in Helsinki and Hannu in our London office. We will start with a short presentation by Jukka, and after that we are ready for your questions. So Jukka, the podium is yours.

Jukka Härmälä: Yes, good afternoon. Jukka Härmälä here, and welcome to join us. You are all familiar with this programmes we introduced already in spring last year, which was then actually coming out with more details October last year whereby Profit 2007 and asset performance review with related items was published.

Now most of that, I would say all the decisions actually regarding these programmes have been taken except for the four mills, which were announced to be put under scrutiny, and today we have actually come to a point of deciding on how to go forward with the four of those. That is the background.

What I am going to use a little bit as a background material is the one you have hopefully all received or is available here, and when I am referring to a number of page, if you could please be kind enough to pick it up.

So to start the presentation. First of all, the four mills which were under scrutiny, there were Summa in Finland, Reisholz in Germany, Berghuizer in the Netherlands, and Uetersen in Germany – two from publication papers and two from fine paper. And, as the story is telling, we have come to a point to intend to close down Reisholz and Berghuizer, whereas Summa and Uetersen would continue their operations.

Let me go through page number six, where the information about what is happening is described. To start with first, the two mills which we are planning to be closed, and the closures are, of course, subject to local consultations, as is the practice in those two countries and also elsewhere. And the main criteria for going for the closing down is the lack of profitability, even though both of the units have been making good lots of progress internally. But in view of the current situation and the outlook for the businesses, just to mention typically the Germans already is known increased cost for energy and also for wood, do have an impact to the overall situation. These two units would be closed according to the plan, but subject to the consultation according to local practice by the end of next year.

The two mills which would continue the operations, Summa and Uetersen, they also have made a good lot of progress, internal progress, and also the alignment to the strategy of the divisions is well-defined and therefore, together with the ongoing closures, is happy and justified as a continuous operation for the both. And what is pretty clear is that the two must continue without putting capex money in, except for some maintenance related to these units, in the forthcoming foreseeable future.

Let's take an example. What has happened with the units? Remaining in our pack, I am going to page seven with Summa, where lots of internal things not normally the practice in Finland have been put through. We have been able to go for party operator maintenance, joint maintenance forces geographically in the area, and related issues. We have been able to agree on headcount reduction, quite a significant number here, and also to freeze salaries, contrary to the current agreement. Also, some of the salary structure changes have actually been agreed locally in order to lower the overall cost of workforce. And, what I could say today is that without these measures, this mill would definitely have been closed down – not to forget also the positioning in the new products which is coinciding with this very process.

Then a few words about the financials, I am now on page nine, and only to show how expensive it actually is to go for closing down units of this size, not being the biggest in this industry. Those provisions right down there, they add up to 270 million, which is to be recorded for the quarter now ended, the Q3. And out of this, approximately 180 million will have a cash impact over a maximum two-year period.

Partly we can actually offset the cash-negative impact by some income, and even significant income, from realisable assets, such as land, power generator related elements, from parts of the machinery, but to be able to evaluate the total sum here it is too early. That only will be seen once we go forward with the closures.

Then I am on page ten. What we have included here in this press release is something you can read as profits-related comments for the Q3 during which we have had planned as such a good lot of maintenance stoppages, and also market-related curtailments in the coated magazine paper, something which has been highly dependent on the markets.

The ongoing closing-down of Corbehem Mill two machines, they actually ceased operations already in the middle of summer, but a good lot of anger has been seen locally, striking and

related issues, which have not come to an end and have had a negative impact for the third quarter numbers as well.

The market-related curtailments would most likely continue throughout the last quarter of the year, also the Corbehem-related dispute; time will show how we are able to solve. It looks pretty difficult with the political elements involved. And then, once we have finally be able to agree on Port Hawkesbury to be restarted, it is not really, to be understood the way that the mill would be 100% operationally immediately beginning of this very October. Start-up is going to happen gradually, with one machine first and then the other one only towards the end of the year. So that is how Port Hawkesbury is to be taken into account.

And then we have giving a summary of various non-recurring items, including also the announcement of today as there has been a real lot of various things, mostly already informed earlier, some smaller, new items included here as well.

So, all in all, to summarise what is now happening, this Profit 2007 and APR programme – I am on page 13 – from the decision point of view has come to an end, a lot is still to be put through, but we are working exactly according to what has been promised already some time last year.

And yet once we share that this is the end of those programmes, it is not the end of similar type of actions to be taken, hopefully not in the form of a published programme but we have got good off the one from this process and similar actions will be taken and be continued with from this point onwards. All in all, the criteria we apply to non-performing or underperforming units is, I would say, [picked up] than it had been in the past.

But if I would finish my presentation and now we, Hannu and me, we are ready for your potential questions, thank you.

Operator: Thank you, sir. The question and answer session will be conducted electronically. If you would like to ask a question, please press the star or asterisk key, followed by the digit 1 on your telephone keypads. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will take questions in the order received and we will take as many as time permits. If you find that your question has been answered, you may remove yourself from the queue by pressing *2. Again, please press *1 to ask a question. We will pause for just a moment to allow everyone to signal for questions.

Our first question comes from Charles Spencer with Morgan Stanley. Please go ahead.

Charles Spencer: Yes, afternoon. I have two questions: the first is on cost savings. Could you quantify the fixed cost savings from these closures and how much potentially could be retained on an ongoing basis if the other mills take up the tonnage which was sold from these mills which you are closing?

Jukka Härmälä: Well, what we are saying in the press release: we certainly try to serve our customers from other outlets. But to be able to give an exact answer as to fixed cost, I am not able to do it. Hannu, you could probably elaborate on this issue a little bit.

Hannu Ryöppönen: First of all, as we say, the operating profit impact from these two mills is very marginal in terms of where they have been performing recently, so that goes in that respect, without any major event going into next year then the volume transfers will take place and to mills where performance is better than in these two that we are closing, then there will be a net impact of that naturally, but we are not quantifying those numbers at this stage because it is also very much driven by how this will happen and exactly also customer reactions, et cetera to these decisions today.

Charles Spencer: Maybe I could as just a follow-up there before going on to my next question.

When UPM-Kymmene announced its closures earlier this year they quantified 200 million as the fixed costs which could be saved on an annual basis. These are mills of similar size; would you suggest that you could have similar savings?

Hannu Ryöppönen: I would not be ready at this point to comment and give you an amount relating to the fixed cost *per se*.

Charles Spencer: Ok. The second question is on Port Hawkesbury, can you discuss where the mill now sits on your cost curve? I imagine you probably don't want to talk about profitability on a mill-by-mill basis, but where is it on your cost curve relative to the industry or maybe internally post the renegotiated energy and labour?

Jukka Härmälä: This energy, labour taxes would, it's actually a variety of areas, cost elements. They... finally they are running into pretty much of an unprofitable situation, especially the newsprint production was showing negative numbers, and even though the machine for SCs really in the top quartile and, together with our [unclear] machine, the two best of the kind in the whole of North America, they were still underperforming. Now with the improved cost bases, they are certainly coming up, but nothing very fantastic could actually be reported. They have been climbing up but this Canadian dollar situation is certainly a burden we do face – no question about it.

Charles Spencer: Maybe take a follow-up if I could on that. Has the renegotiations you have made with all this energy, labour, wood, have you locked yourselves into any requirements to keep the mill open for an extended period of time if the currency were to even go further against you?

Jukka Härmälä: No, no promises have been given, profitability is the guideline.

Charles Spencer: Right, thank you.

Operator: Our next question comes from Lars Kjellberg with Credit Suisse. Please go ahead.

Lars Kjellberg: Yes, a couple of questions on first of all the time of the closures. You mentioned Reisholz by the end of '07, Berghuizer I guess you are talking during 2007. First question: why does it take such a long time, the Corbehem clearly was [swifter], and why wait all the way to the end of '07 to advise what is given at Port Hawkesbury is now up and running?

Jukka Härmälä: Well, the timetable is highly dependent on the local consultation, and therefore we have only given out the best estimate as of today. In a couple of months' time we are much wiser from this point of view. The other thing was we are certainly to focus on really a smooth service of the customer base and being part of this very story.

Lars Kjellberg: Is that from your experience with Corbehem that you lost customers and now you want to do it differently, is that how we should interpret that?

Jukka Härmälä: It is a little bit different story with Corbehem, as we did not close down the whole mill, we kept one machine running and two machines were closed down. When you really get out of an outlet, it's a different type of procedure.

Lars Kjellberg: Ok, if you bring up Corbehem again, if you talk us through the issues. We understand some of this has been rumours in the press that [been recovery] is looking to acquire the mill. You have [said] do not want to sell them, there has been strike actions on the remaining machine and you're now [unclear] that that will most likely continue. Could you discuss a bit exactly what are the issue now and how should we look at Corbehem going forward?

Jukka Härmälä: Well, you are asking a difficult question, as so much of politics is involved and well, why we did close down the machines is because of the unprofitable production we have, and we have had also difficulties in understanding these plans established or introduced by somebody else, how on earth could they be running the capacity as we are not able to do it? So therefore what belongs to the story is to see whether somebody would be able to take over, do something else or whatever with the capacity but the plans which are being presented to us are not convincing at all but the process is, like said, very complicated, highly political and we have not seen the end of this story, unfortunately, at all.

Lars Kjellberg: Do you dare to guess the timeline at all when this is going to be finalised?

Jukka Härmälä: I guess it's better not to start guessing. We had discussions, very complete discussions even very recently and it looks as if a new round of political lobbying will continue. And locally we were actually coming out yesterday with a press release where, with more work, the same information was given out.

Lars Kjellberg: Ok, and with regards to the strike actions on the one remaining machine, is that operational now or is it down?

Jukka Härmälä: I think they are still striking today.

Lars Kjellberg: And that is still going on?

Jukka Härmälä: I'm not [exactly] very current situation, but they be striking and that's one of the problems also reflected to this numbers, to know how much and for how long and what are the market complications out of it.

Lars Kjellberg: Two further questions. Looking on your Q3 items that you are talking about, there has been a negative impact this quarter which we will soon end, I guess, or has just ended. Can you – do you want to quantify that at all, what does it mean in terms of sequential additional costs relative to the second quarter?

Jukka Härmälä: Hannu, would you like to say something?

Hannu Ryöppönen: No, we will not give you any further sort of guidance in terms of any absolute numbers in this case. We want to highlight these issues, you know the maintenance stoppage question is we are in a new phase this year all together and how they will fall and so on. So not prepared to quantify any of it, but we felt that this was appropriate to highlight. We have just to keep in mind that from a business perspective our main challenge is really the coated magazine question; the other ones are reasonably related to be the programmes and the maintenance stoppages and so on.

Lars Kjellberg: Ok. Just to clarify the final point, we talk about realisable assets from the mills now closed. You obviously said the power assets, land and then you mentioned machines; does that mean selling machines or parts of machines or how should we interpret that? What does that mean?

Hannu Ryöppönen: Well, I think land, power generation, ourselves explaining, and we are mostly deciding to the machinery. We don't have any plans as of today for that, but very easily parts – certain elements – could be perhaps utilised somewhere else, and so it is more a speculative comment than as an example, the way it should be taken.

Lars Kjellberg: But you do not intend to sell it, do you, a machine that could possibly move somewhere else and not get the side effect on the supply/demand balance, that's really what I'm referring to of course?

Hannu Ryöppönen: It's not currently on the agenda.

Lars Kjellberg: Thank you.

Kari Vainio: Lars, could I make one comment re: the Reisholz here, he said [Uetersen] is now operating. You have to keep in mind, Uetersen is still on it's start-up curve i.e. PM12 in other words, and we are also here discussing the top end of the SC paper qualities, and the customer service added to that also is a thing to keep in mind when you look at how quickly we, from a business point of view, can actually close down Reisholz.

Lars Kjellberg: Ok, thank you.

Operator: Our next question comes from Linus Larssen with ABN Amro. Please go ahead.

Linus Larsson: Thank you, good afternoon. On the publication paper side you are referring to market-related downtime and I wondered whether you could in any detail specify to what extent you have taken market-related downtime in the third quarter and that compared to the second quarter please.

Jukka Härmälä: We will publish the numbers once we are coming out with Q3 numbers, i.e. towards the end of this month.

Linus Larsson: And is it correctly understood that this is really only referring to the coated magazine paper part, or is it also other parts of your business?

Jukka Härmälä: It's coated magazine.

Linus Larsson: Ok, good. And then maybe you might be reluctant to answer this, but could you in any way give any guidance as regards to your maintenance in terms of days or, in any other ways, what kind of maintenance shutdowns you have had in the third quarter versus the second quarter please?

Jukka Härmälä: Hannu, please.

Hannu Ryöppönen: I think it's fair to say we take a general rule that we are probably, as we also commented I think on the two around this and we have both obviously there is the summer season, that we are in the same ballpark with both of these quarters as far as maintenance is concerns, possibly a little bit more in Q3 but not anything, any dramatic difference.

Linus Larsson: Ok, and then-

Jukka Härmälä: If I elaborate a little bit on this maintenance philosophy, and earlier when we had these compulsory shutdowns for Christmas and midsummer and got lots of maintenance, as much as possible actually was to be done to coincide with those compulsory stoppages. Now the units are trying to take the best possible timing, and therefore the maintenance unit by unit is actually extended all through the year. The big units integrate; the way we have now done is to concentrate most of the maintenance into one major stop and, as an example, a unit like Imatra where they have had a maintenance stop, the whole unit had been standing still for about a week, which of course is a major issue. Well-timed, but we have not been coming out to the public in advance when they should coincide, they've been partly based also on the events in the market place, so there is no, there's no fixed timetable very much in advance.

Linus Larsson: Ok and then just finally also on the magazine paper side, certain types in this have shown some slight price erosion in the beginning of the third quarter, has that also been the case in Stora Enso that you have seen some type slippage in the third quarter?

Jukka Härmälä: Well, coated magazine paper market has been pretty tough, leading in our case to this market-related curtailment and generally speaking I think you can say that there has been a [unclear]. When it comes down to the real numbers, again I am referring to the publishing of our Q3 report.

Linus Larsson: Thank you very much.

Operator: We will move now to Richard Nilsson with SEB Enskilda. Please go ahead.

Richard Nilsson: -on Corbehem, [CPS] say you need if there is a [certain] deadline for these negotiations to come to an end, and also hypothetically do you have the ability to close these machines if you want to or did they have the right to buy them at a certain price or someone saying that that is a reasonable price? And also, are there similar rules in other European countries, for example in Germany or the Netherlands? That's my first question.

Jukka Härmälä: Hannu, would you comment a little bit on this – I heard the question very badly here actually.

Richard Nilsson: Should I repeat it?

Jukka Härmälä: If you could, yes.

Hannu Ryöppönen: Your beginning was also somehow faint on the phone.

Richard Nilsson: Ok. Can you hear me better now?

Hannu Ryöppönen: Yes.

Richard Nilsson: Great. The question is regarding Corbehem, I was thinking is there a certain deadline for when these negotiations needs to come to an end? Also, do you have exactly the right to close these machines if you want to, or is there a certain independent valuator who can say that the price that someone is offering is fair and you need to sell them, and are there similar rules in other European countries regarding the right to sell assets being closed or proposed to be closed?

Jukka Härmälä: You have got your question coming through pretty well. Do I understand correctly that Bernd Rettig, the head of our publications paper division, is here on the line, Bernd are you there?

Bernd Rettig: Yes, I am on the line.

Jukka Härmälä: Could you please elaborate on this issue.

Bernd Rettig: About Corbehem I have to say this is more or less the public issue in the political affair and the problem you have, you have a lot of discussion and trouble and also pressure from the political side to continue operations, whoever it will take, which will also mean you are sitting somehow in a legal trap that these guys can put some pressure on your social plan you already have decided and agreed upon. So there is a chance that it will be opened up again. And then of course you push and you try to fix certain limits and timelines, but it's almost impossible to succeed in getting a firm conclusion out of this. We had, like Jukka said, quite lately another discussion with the politicians and with this local union and we put our cards on the table and said: this is what we are willing to give, and if somebody wants to step in, he could, but I don't expect that there is something. The business case the company has presented is extremely weak and we don't see any chance that this looks like, but I would say at least for me in France you never know what will happen.

Richard Nilsson: Do you have other similar systems in other European countries?

Bernd Rettig: I think what you have to do, in Netherlands you have to discuss very openly and very deeply with unions and with government how to continue this process and what are you allowed, when to publish so you have to really negotiation what it is all about, but not that I knew that it's that complicated like in France. In Germany, it's more or less the decision between you and the unions to decide upon the thing and there the politics are mostly out. Of course we do also have some public opinions, and you will have pressure from politicians locally but it is more or less your affair and not a public or a state affair like it seems to be in France.

Richard Nilsson: Great. I just have two more questions, I see that you are taking an impairment related to your timber assets in Germany and Estonia. I was wondering, do these relate to your annual impairment tests and was this the outcome of that, so there are no further impairments to be expected from Stora Enso this year?

Jukka Härmälä: That is correct.

Richard Nilsson: Ok. Also, on the – you have a number of non-recurring items in the third quarter; are there any special tax issues we should take into consideration? I assume for example at Celbi capital gains, that is a [tax-free] for the company, but are the others normal tax laws?

Hannu Ryöppönen: Should I maybe comment on that. We are – in certain cases here the tax situation can be very complex and there are different opportunities how you can be treated by the tax authority locally. There are no really big issues in all of this, it's that if you are sort of alert from a tax point of view, at least the way we see the situation right now, but subject to also how possible tax authority reactions are to our way of treating certain items anyway can change that picture, but nothing really major as I see it now.

Richard Nilsson: Ok. Apart from Celbi being tax-free?

Hannu Ryöppönen: Yes, yes.

Richard Nilsson: Ok, great. Thank you.

Hannu Ryöppönen: Before going to the next question, when it comes to the closing down of the units, what I have already been coming across in Finland is the question of whether there was politics involved when letting Summa to continue the operation. Out of these four mills under scrutiny, we have not been approached any outsiders, no politicians no nothing and the criteria which has been applied is purely business and nothing else, so just to kind of try to avoid any misunderstandings which seem to have been popping up already by now. No country, no flag, no nationality, no nothing, no political elements, purely business.

Operator: Your next question comes from Carl Lerenius with [Global] Investments. Please go ahead.

Carl Lerenius: Yes, thank you. I have some questions on the maintenance stoppages in the third and fourth quarter, could you specify if that's mainly on the pulp side that we are taking maintenance stoppages, then also if you have some more planned maintenance stoppages in the beginning of the next year. And then also, I guess you wouldn't answer this, but just on the EBIT side including this non-recurring items, could you maybe say if you are going to be above the zero line there? And then also on Port Hawkesbury a question there, why are you actually selling that given their costs are coming down and we see the newspaper market weakening somewhat in North America and also actually quite far away from reaching your cost of capital targets over there?

Jukka Härmälä: Ok Hannu, why don't you come in.

Hannu Ryöppönen: Actually we talked about the maintenance, I think what we're saying is that the maintenance stoppages now are primarily rated to Q3. We are not at this point aware of anything significant or unusual or so happening in Q4, but as Jukka said, these maintenance stoppages can also be driven with the situations changing in the market and it might be opportune to take it at certain times, so they're not always absolutely sort of cast in stone for the next twelve months or so.

Carl Lerenius: But it is mainly on the pulp side which you have normally taken in the second quarter which is now coming in the third quarter, the main pulp, or...?

Hannu Ryöppönen: I am not aware of it being specifically pulp-related, Jukka referred to Imatra for instance, there is a big integrated, but obviously overhaul and maintenance of the entire unit.

Carl Lerenius: Ok.

Hannu Ryöppönen: When you talked about – could you repeat your question about the EBIT and the non-recurring?

Carl Lerenius: Yes, I was just wondering could you maybe say is it going to be above zero including the non-recurring items. And I guess, with all the maintenance stoppages and so on it is going to be quite a big impact in the third quarter.

Hannu Ryöppönen: To take two or three as such, and they are all inclusive, also the non-cash valuation related to options and so on, as it stands right now we may well end up with a negative number for the quarter.

Carl Lerenius: Ok.

Jukka Härmälä: Then you had a question on Port Hawkesbury, this newsprint machine, and if I remember it now correctly, unless the plans would have been having any kind of a last-minute change, we were to actually getting it back on stream sometime ... say beginning of December. Bernd, you are the one actually to say the last word here.

Bernd Rettig: Yes, you are right Jukka, we have the intention now to start that, or the on the way to start up number two machine which has been done this week, and we want to start up number one machine late November or at the middle November to late November, probably the first paper will come out early December. So what we were stating there when we see the demand for newsprint is climbing quite significantly month after month in North America, and also with the cost positions in the Canadian dollar there it should not be very tough to reach cost of capital over there.

Hannu Ryöppönen: Of course, it will be difficult to make 13% with this machine with the actual US dollar to Canadian dollar rate. On the other side, we think with the things we have in mind producing much more improved use or not the standard use on this machine and some other grades and more or less just producing for the Canadian market and then use we are not too long with this machine. Of course, we always said locally it will depend on the currency and on the market how we perform in the future with this machine. There is no guarantee that this will run for the next five years or whatever.

Carl Lerenius: Ok, thank you very much.

Operator: We will take our next question from Nitin Dias with JP Morgan. Please go ahead.

Nitin Dias: Good afternoon, gentlemen. A question related to market-related curtailments. I mean, is that, are you slowing down production just in order to manage the demand in the market?

Jukka Härmälä: Well, there is nothing new about the market-related curtailments. We have been not having a period when running pretty much full with most of the capacity, and now for the coated magazine, due to the market situation, this curtailment can be taken and will most likely continue to take up. And as to quantifying any single, I said before, when coming out with our Q3 numbers then we will come back to the specifics what has happened.

Nitin Dias: Ok, so if I understand you right, the coated magazine pricing has not changed from the past from Q2 or Q1, any [unclear], and is this a market-wide phenomenon or is it you are facing such a situation?

Hannu Ryöppönen Well, we have chosen capacity management the way which has been described, yes.

Nitin Dias: Ok. And just to clarify one more point. You said Q3 EBIT will be negative most probably next for the quarter. Was that before or after exceptionals?

Hannu Ryöppönen That is after all non-recurrings, everything else included.

Nitin Dias: Thank you.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question during today's question and answer session please press *1 on your telephone keypad. We now have a follow-up question from Charles Spencer with Morgan Stanley. Please go ahead.

Charles Spencer: Yes, thanks. I have two questions actually. Just on the guidance that you mentioned regarding EBIT. It includes all the non-recurring items at the bottom of page three of press release. I guess which totals to €173 million if I doing the maths right. And this would imply that 3Q EBIT of four items would be down from Q2. Am I hearing that right? Because pricing is roughly flat Q-on-Q is it not?

Jukka Härmälä: No, you missed, I think, one item and that is the evaluations of the options that go into our EBIT as well. And so, in that respect, your total maths is not totally correct, and also I came to a slightly higher number on the non-recurrings, but only about €5 or 6 million or so. So, the ... counting back to what would be the EBIT number for the Q3, there are two more elements to it. It suffices to say though that obviously Q3, as it has been evolving, has been very much one that probably will be along the same lines as Q2 result development – if you take an operating EBIT, that is.

Charles Spencer: Ok, that's sort of what I was thinking. And then, finally, Jukka, maybe you could just describe how you see the supply/demand conditions in the European printing and writing paper market, sort of how the perceived oversupply might be changing as a result of these closures you are making, and whether you think the markets at the end of '07 will be in balance or more is needed from you and other players?

Jukka Härmälä: We are coming back on the market-related issues only at the time when we publish our numbers for the third quarter.

Charles Spencer: Would you... Ok, so you will have more to say about that in the third quarter?

Jukka Härmälä: Yes. Actually, this is not the time to go through market-related information. So, once we are out in Q3 that will be an ample time to deliberate on the issue.

Charles Spencer: I guess what I'm getting at is if you look at operating rate levels today, and assume that you were going to be closing this 500,000 tonnes roughly, do you think operating rates in a year's time will be high enough to get pricing to be improving in the market? Are you able to say whether there's enough capacity closing in the system, or is more needed?

Jukka Härmälä: I will get back on this issue late October.

Charles Spencer: Right, thank you.

Operator: We will take our next question from [Berezhny Meyer] with Bear Stearns. Please go ahead.

Question: Oh yes, good afternoon. I have got some additional questions on slide five, where you indicate that there's mills under scrutiny, and it's actually referring a bit to the same sort of questions as the previous caller. And what I am trying to understand is the current utilisation of the two plants that you intend to close by the end of next year, and also the capacity you have to absorb that production in your system, or, you know, how much could potentially migrate to competitors. If you intend, as you mention there, to produce the paper currently produced by these two mills in your mills does that require any additional capital expenditure or training or recruitment or anything like this? And I have a second question which is you mentioned earlier on that you could dispose of some of the assets including land, equipment etc. You said it was too early to estimate the proceeds you could get from these, but maybe you could indicate roughly the carrying book value of these assets please.

Jukka Härmälä: Bernd, could you please?

Bernd Rettig: On your first question about the transfers and volumes and so on, these mills have been operating at pretty good capacity levels at the moment. What the future will bring in terms of the

final [moment it] is transferred, customer reactions and so on, I would not feel very comfortable to predict right now. Then your second part, I think, of that question, any possible additional investment and other activities. It is something we are reviewing right now can we use current capacities and machine technique and so on. It is possible that there will be some additional investment needed in one or two mills, but it is too early to either comment on possible amounts or the timing of that, suffice to say that we are not talking about huge investments in terms of any sort rebuild nature or anything like.

And then, could you repeat your second question?

Question: Yes, of course. It's the...you mentioned in the very beginning of your presentation that some of the assets in these two mills, like land and equipment, could be disposed of and you said it was too early to estimate the proceeds you could get, but maybe you could tell us what the book value of these assets is, just a ball park figure?

Hannu Ryöppönen: Well, if you take from the non-recurring items, and you take the non-cash component of that you would come to pretty much close anyway in relation to the book values of these two mills.

Question: Ok, thank you very much.

Operator: Our final question today comes from Mikael Jáfs at Cheuvreux. Please go ahead.

Mikael Jáfs: Yes, hello, this is Mikael Jáfs from Cheuvreux in Stockholm. I would like to get back to the comment you made, Jukka, just ahead of the Q&A session started where you talked about some similar actions might well be taken in the future, and then I'm not sure whether I got that or understood that correctly. Do you mean that you will sort of put more mills under scrutiny, or

have you sort of now learned a way how to sort of push the single mill to perform better, if you perhaps could elaborate a little bit on that?

Jukka Härmälä: Well, I think in the normal course of business one should be highly positivist on the possibilities of how much internally one could include the operations. But, as in this process has shown, from time to time you really have to introduce a little bit more dramatic ... or take more dramatic measures by way of introducing a programme or programmes. What this has actually shown very clearly, and using Finland again as an example. Without really imposing a real threat to the unit, things just don't always move and probably here we have learnt, and this has of course been discussed already during this very process, how to implement same type of attitude to the mills which are not being officially on this kind of list under scrutiny. And therefore, its well known in the organisation that if the process has not come to an end. It will continue, and we definitely have good examples out of which we can learn, and this process is on without having a particular programme with a heading. Let's see how we continue, and whether we publish anything at any time.

Mikael Jáfs: Thank you very much for the clarification.

Operator: As there are no further questions in the queue, I would like to turn the call back over to you for any additional or closing remarks.

Jukka Härmälä: Ok, thank you for joining us today. I guess we have been pretty much clearing the table for the forthcoming announcement on Q3 numbers. And like already said several times, this programme related decisions have now been pretty much made, but also what we can realise from the published numbers today we are talking about lengthy processes and costly processes. No easy, quick solutions do really exist. And, with these words I think we can actually conclude this meeting. Thank you for your attendance today.

