

Stora Enso
Moderator: Keith Russell
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Operator: Please stand by, we are about to begin. Good day, ladies and gentlemen, and welcome to today's Stora Enso Q1 2006 Results 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 Keith Russell, Senior Vice President, Investor Relations. Please go ahead, sir.

Keith Russell: Thank you. Hello and welcome everyone to our conference call covering the first quarter. Many of you will have noticed that yesterday we actually announced an important joint venture agreement in China concerning a publication paper and for that reason our CEO, Jukka Härmälä actually could not join this call. He actually went to Beijing to sign that agreement in the presence of the Finnish Prime Minister and Jukka is still on his way back from China. So today this event will be led by Hannu Ryöppönen, our CFO – who in a moment will run through the results and lead the Q&A.

Just a word on the format for today: we assume that all of you have now seen our press release covering the results and also for those listening on the conference call, the slides that we will use in this presentation are available on the investors section of our website. Hannu will begin now with a brief presentation covering the key highlights using those slides and then turn over to Q&A in the usual way when I know the operator will come back and remind you how to ask a question. And I think we have about 45 or 50 minutes today for this event. Before we begin I'd just like to remind you of the forward looking statement which is slide number 2 in the package.

So with that introduction, I'll turn the microphone now over to Hannu Ryöppönen. Thank you.

Hannu Ryöppönen: Thank you, Keith, and good afternoon from a sunny Helsinki. Spring is in the air in Finland and things are looking good, and one could say the same about our Q1 results, that they were certainly a healthy and good performance and progress, but obviously very clearly not satisfactory in terms of the long-term performance expectations but a good move in the right direction, and I think that will be sufficient as a general comment.

What I now want to do is go through the slide pack, trying to remember to mention which slide I am on and then a few comments. I will go then slide by slide, not even a full description but maybe just a few highlights I would like to comment on and to make a great deal aware of if you haven't already sort of gone through it all. So I hope you will bear with me and then we'll go to the Q&A. I will spend a bit more time on the market outlook statement as I move forward.

Anyway I am in the pack and slide 3, 'Highlights for Q1', and here the only thing I wanted to comment on is on operating profit where we have the number 120.9 in the Q4 '05 field, 194.1 in Q1 '06. Here the last – the next to last actually – bullet point about the operating profit including a fair valuation of our share-based options, I'd like to note specifically that the minus 17.6 are a negative impact on our operating profit while actually our share price went up during the period. And as you can see on the next bullet where we have a corresponding – or even better – result coming into our financial line, which I'll come back to briefly. We reported this way – we have done it before, I just want to clarify that in fact our operating performance in fact should be 194 plus the 17 or so to really come to a comparable figure and the same figure for the fourth quarter was also about 2 million better.

Not much more I want to say on the highlights; I'll come back to a few on the actual financial ones. The non-recurring items, not much to say – we'll try to spell them out for you, what they are and how they hit the P&L.

First quarter event: I'd like to stop a moment on Grycksbo and Linghed, commenting here that these are the first events in our APR programme and successfully completed very much in line with our own expectations, how it would go and in that respect history...and we work on the APR which I'll come back to. We also have successfully launched and then in April completed the dollar exchange bond transaction, and through that adding actually about \$500 million of cash to our position and thereby our debt position as such as well.

As Keith already alluded to, Jukka's absence from today's call – we signed the joint venture agreement in China yesterday Huatai Paper for an SC machine up to 200,000 tonnes and also here we're trying to really focus on creating a operation based on the Chinese cost structure rather than necessarily taking a European model as far as the machine and the civil works are concerned but thinking we can achieve that and I think we have a good partner for that in this Huatai group.

There was also including then events after the period on slide 6. Then on the summary financials, which is slide 8, I'd actually like to highlight maybe the return on capital level which in the first quarter was 6.5. As I said earlier unsatisfactory on a long term basis but a good improvement to where we have been in the last few years even. Debt to equity ratios remained pretty much unchanged. Slightly up, obviously due to the dividend levels declared and booked in the first quarter and even with that one at the 350 million level we pretty much maintained the leverage for the group.

On the net financial items we are on page 9, just noting the option, hedge evaluation the 41.7 million as I mentioned so a positive impact here. This is moving, quarter by quarter with subject to the movement of the share price from the beginning of the quarter to the end of the quarter, both sides of this equation and hedge instrument, where we unfortunately cannot use efficient – have active hedging accounting principal. Then on – in other financial items obviously the gain of 130 million from the Sampo is the main driver there for the very positive number as such.

You then look at the earnings per share comparison as to the fourth quarter '05. As we can see sales price and mix development is very significant in driving the improvement from 0.13 to 0.20 per share and the main thing here is obviously in publication division and the price development there stands for about half of that total 4c movement. Sales volume slightly negative, here we have a reflection of the Veitsiluoto Sawmill in the volume number. Energy slightly also negative, this is primarily driven by energy prices and not anything new in terms of energy consumption or anything like that but that's the main reason why this has been moving somewhat.

On the other ones I would say that we'll start to gradually see a little bit of an impact from our Profit 2007 programme coming through where we will report more as we come into the second quarter reporting as to numbers and so on, but certainly starting to positively contribute to results. It is already fourth quarter but even more noticeably so now in the first quarter.

Then we come to the market outlook – sorry, I have the capital expenditure here before that and just to note on that one, on page 11 that the 800 million that we have guided for capex, we still stand behind and this should also be kept in mind as it includes the Huatai project. This has all been already planned into our targets for the year. And now to the near term outlook and just to remind you that this is an outlook for the second quarter, more or less – that's why we call it a near term outlook. During the first quarter, global paper demand expanded moderately, but the performance obviously here varies here between rate and regions. You'll see Europe was supposed by strong growth in Central and Eastern Europe and was actually performing somewhat better than North America.

We predict that both advertising and direct marketing expenditures are increasing. First of all World Cup in June in Germany is a major event in the media and advertising business and also print media and print media and so on should probably profit from this tournament and we obviously also expect the producers. However, notwithstanding these factors, we anticipate that

overall trading conditions in Europe may not continue to improve from that experienced in the first quarter. This means in clear text that we do not see a continued improvement compared to the first quarter, but we certainly don't see any dramatic declines either, we see more or less a sort of natural move overall with obviously a few exceptions in various strengths and quality.

Moving then on here to paper; in Europe, in newsprint we had a rather positive development in the market in the market with the first quarter compared to last year but the demand was seasonally weaker than in the previous quarter. The outlook remains positive as [unclear] and regional newspapers still continue to grow. The contract negotiations have been concluded and newsprint price as increased by a high single digit percentage and that's obviously all reflected in the first quarter. On the magazine side, uncoated magazine paper market was stronger than a year ago but demand for coated magazine paper remained almost unchanged. Due to seasonal factors demand in those grades was weaker than in the previous quarter. The demand we expect to continue at a good level, particularly in uncoated magazine paper. Price improvements were achieved but less than in newsprint. On the coated fine paper side, European demand increased strongly in the first quarter and even though it will seasonally slow down towards the summer holiday it is forecast to exceed last year's levels also in the second quarter. Prices were rather stable and are expected to remain unchanged during the second quarter.

On the uncoated fine paper side, European demand continued to grow, with copy paper being again the main contributor to that growth. Demand outlook for the second quarter remains favourable. Producer and customer inventories are at the normal levels. Prices increased slightly during the period and further increases have been announced for in particular volume copy paper in May.

If we then move over to the US; on the magazine side, demand for both uncoated and coated magazine paper was weaker than a year ago and declined also from the previous quarter. Demand is predicted to improve seasonally towards the summer and prices should remain stable.

Packaging boards; demand was good and better than a year ago and increased also from the previous quarter. Some price increases were implemented mainly in industrial packaging and specialty paper grades. Demand outlook in packaging board remains encouraging and some further price increases announcement have been made in, especially industrial grades. On the wood products side, demand for wood products recovered during the period, enabling some price increases, primarily though in Europe. Good demand is predicted to continue and some price increases have been announced. Despite the price increases the market environment is still challenging with still relatively low product prices and high raw material costs.

In Asia demand for coated fine paper is expected to improve seasonally and prices are expected to be rather stable.

That was our outlook as we see the second quarter for our various paper grades and the timber side. I just then have a short summary before we go into Q&A. We can see the sales price having the major impact to our results for the first quarter. We had the Port Hawkesbury standstill primarily which we don't know for how long it will continue, clearly, pulling down our results to the tune of some €5 million or so per month. Energy and energy related prices, somebody stood up predicting energy prices (I'd like to know) but we're obviously looking at this and if we have dramatic movement that will obviously change the picture but as we have said before, also we maintain our guidance on 2.5-3% cost development for this year. Capex certainly at the 800 million level is, that we feel is totally achievable during this year. And our Profit 2007 programme is developing according to plan as I mentioned and contributing positively to our numbers already now.

And in Europe we're saying that conditions may not strengthen further compared to first quarter, in other words, we don't see any continued strong development from the level of development in

the first quarter and we see this evolution and we have some seasonal factors in there as well but this is what we look at right now and feel comfortable with.

I think that's a short summary and then we'll go into Q&A. We'll take the first question.

Operator: Thank you. Ladies and gentlemen, today's question and answer session will be conducted electronically. If you would like to ask a question please press the * or asterisk key, followed by the digit 1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has been answered you may remove yourself from the queue by pressing *2. Once 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 Thomas Brodin of Citigroup. Please go ahead.

Thomas Brodin: Yes, two questions; one if you can give us an update on Kvarnsveden, on the performance there and any potential contribution to EBIT and the progress throughout 2006. And the second question is from the 2007 programme the cost take up that you have, if you're looking at between the fourth quarter and the first quarter, variable cost benefit 27 million and fixed cost 29 million, how much of that is attributable to this programme.

Hannu Ryöppönen: Thank you so much. On Kvarnsveden we do not give any specific guidance as to the development there, neither on profit nor otherwise. We are in the starting up phase and we are pretty much following the curve for the start up of Kvarnsveden as planned so there's really no particular news, it's according to plan.

And on the Profit 2007, we do not at this point, comment on particular numbers. We will give you more detail and also expectations when we come to the second quarter reporting. But it's very clear Thomas that we have a contribution here that started already during the fourth quarter and I

think as we have said before, this is likely to continue to escalate and is particularly significant, according to the plans we have anyway, in the second half of this year and early next year.

Thomas Brodin: So you can't give sort of a, a rough estimate at all, I mean ballpark, you have some kind of guidance?

Hannu Ryöppönen: No, I think you mentioned specific numbers and what I would say is that we can no longer, how do you say, ignore the positive contribution but I would not want to go into specific numbers at this stage. I also would like to see the development for a second, one more quarter before I would feel very comfortable in releasing specific numbers.

Thomas Brodin: And Kvarnsveden, you said it's according to schedule but you're happy with the performance?

Hannu Ryöppönen: Yes, oh yes, we are very happy with this and it's according to where we are planning to do it and in fact we have the big official inauguration of the new PM 12 this coming Friday.

Thomas Brodin: Okay thank you.

Operator: Thank you. Our next question comes from Myles Allsop of UBS. Please go ahead.

Myles Allsop: Hi. With your guidance for the trading conditions [might not] strengthen further.

Hannu Ryöppönen: Myles, could you speak up a little bit?

Myles Allsop: Okay, is that better?

Hannu Ryöppönen: Yes, a lot better.

Myles Allsop: Excellent. Just your outlook statement where you say trading conditions may not strengthen further, should we kind of look at sort of operating profits broadly remaining at the level with the first quarter for the rest of the year?

Hannu Ryöppönen: I think it's important to keep in mind that we are prominent on top line not on bottom line in these outlooks, but generally what we are trying to communicate is that the strong development we had, if you compare to fourth quarter last year, first quarter this year, or first quarter last year to first quarter this year, that type of relative movement is not what we expect to see. That's I think what we're trying to bring through and this obviously starts with the top line.

Myles Allsop: Okay, and then I was just wondering, when you were saying that you would give an update on the Profits 2007 in Q2, should we expect something of the asset performance review, or is that going to be a little bit later.

Hannu Ryöppönen: First of all, on the performance review, we may well by then have further news on our divestments, you know that divestment programme. We may not, those programmes are proceeding very much, the divestment proceeds according to plan and looking good at this stage of where they are progressing.

On the 'under scrutiny' list, which I think you primarily referred to, we have said that we will comment, not comment but make decisions on these during the second part of this year. We are also carrying through a fairly formal review of all of this during our second quarter. We have to keep in mind when we talk about the 'under scrutiny' list that there are two key aspects in how we're going to determine this, one is the actual performance of the mill and that particular mill and its products, overall strategic steps for us from a portfolio point of view, be it product or be it business portfolio point of view; and also we have not made any decision in any direction whether

we should keep, buy or sell. The comments I hear about people saying we shall sell, or we will sell are news to me, I am not aware of any decision in that direction.

Myles Allsop: Okay and with those sawmills under scrutiny, can you give us a sense as to how they've been performing in the six months since the review started?

Hannu Ryöppönen: No, we don't comment on individual mills.

Myles Allsop: Okay, then just on the cost rises 2.5-3%, is that kind of after the recent oil price moves? Are you still confident with that cost inflation level for '06?

Hannu Ryöppönen: Yes, we are. 2.5- 3, we maintain that guidance and feel comfortable with it. Now obviously that does not take into account an extremely dramatic increase in energy, oil prices and stuff that drives energy in general terms. So if we see a \$120 oil price at the end, the second part of this year, but obviously will indeed make us to rethink that number.

Myles Allsop: And then maybe a final on [unclear]: how are the negotiation progressing, and when do you expect our mills to be up and running again?

Hannu Ryöppönen: The latest information I have is that we have given a proposal to the unions and they are based on communication, and I think it's in public in Canada, they expect to come back to us before the end of this month, which is this coming weekend actually, and then we have to obviously to see what that would include and what that would result in, but we have a very difficult situation. We need to get that site and operation profitable and see long-term potential for that. It is obviously a complicated situation with unions, energy questions and so on, so difficult to predict right now the outcome.

Myles Allsop: Okay, thank you.

Operator: Thank you. Our next question comes from Lars Kjellberg of Credit Suisse. Please go ahead.

Lars Kjellberg: Thank you. Coming back to Port Hawkesbury, you mentioned that it's about 15 million hits. How do you calculate that? I do think the mill is actually loss-making. And would you consider to start to replace the volumes at Port Hawkesbury, on for example new clients if everything else stays down for another couple of weeks going into the strong period.

Hannu Ryöppönen: Could you repeat the last part of your question, I didn't quite hear it.

Lars Kjellberg: No, the last part was: if Port Hawkesbury remains down, would you see opportunities or the need for exporting paper from for example the new Kvarnsveden mill to supply the North American market?

Hannu Ryöppönen: Difficult to say because we don't know for how long it will be down, talking about [unclear] in particular. So on that part, we will have to wait and see how well the next few weeks will, what results will come out of further discussions, negotiations, conclusions around Port Hawkesbury. When it comes to the results development we have done so that we have taken the final guidance is based on the mill running more or less according to our budget, and that's the basis for it.

Lars Kjellberg: I understand. Looking at the mills under scrutiny, it is obviously a question of what you think how the capacity limitation in European in terms of excess capacity. I just wanted to pick your brain: what is your view in the various markets for need of capacity take-outs beyond what's already been announced?

Hannu Ryöppönen: It is very clear that in certain of these if we are looking to reach and achieve short-term impact we need further capacity solutions, I would say, to make a more balanced picture and it is always the one factor we are taking into account now looking at our own decisions.

Lars Kjellberg: Do you dare to quantify how much excess capacity you think there is in coated fine paper, lightweight coated, et cetera?

Hannu Ryöppönen: I wouldn't be prepared to go into that during the telephone call.

Lars Kjellberg: One final question then. If you look on sequential costs on the variable side, what are you looking for now in terms of energy, transportation and chemicals? Would that be a substantial increase or have things now stabilised?

Hannu Ryöppönen: More or less actually stabilised would be the general comment. Again, subject to no sort of surprising development in energy price, oil prices and so on. We have not at any point really quantified specifically the portion, I think what I've said that on the 2.5-3% energy is a major contributor to that price increase, or that cost increase, sorry.

Lars Kjellberg: Okay, thank you.

Operator: Thank you. Charles Spencer of Morgan Stanley has our next question. Please go ahead.

Charles Spencer: Yes, afternoon, I have three questions actually. First on the packaging segment, you had quite a good set of results there and I wonder about the seasonality of that business looking into 2Q, which is normally softer due to previous summer stoppages. Your comments earlier led me to believe that maybe we'll see less of a seasonal effect this year.

Hannu Ryöppönen: Well, we have to keep in mind that the few stoppages obviously are no longer there as such, so as we have said before, second and fourth quarters will be looking different than have done historically, but that's I think fairly obvious to all of us. We don't see any dramatic seasonality in the packaging board performance overall, there might be certain grades and so on within it, but nothing really dramatic. We have successful been able to remove stoppages for maintenance purposes and so on more throughout the year, sort of optimising those rather than carrying on as before, even if we...and we used the flexibility that the new contracts has given us.

Charles Spencer: So is it fair to assume that 2Q in packaging will look, in terms of profitability, EBIT, will look similar to 1Q given your guidance of sort of pricing remaining at similar levels?

Hannu Ryöppönen: I'm not commenting. This is beyond the level of specific comment we would give, but the fact that we don't see any dramatic seasonality in this. It's obviously maybe some help in that respect.

Charles Spencer: Yes. The second question's on China, and I just wonder if your progress in forming a joint venture, moving it forward with a new paper machine in China, actually it's not a new machine but a transfer of machines that I guess you had in Germany at one point: is this a change of strategy and perception to China? Previously I remember the CEO talking about perception of oversupply in China and one of the reasons you weren't more ambitious in the past. Have you changed this view?

Hannu Ryöppönen: No, almost the contrary I would say. First of all the new machine, they are new, sorry the machines we are putting up in China is, the many parts of it based on a machine from Germany, that is actually the correct thing. Its components, significant components that go into it.

When it comes to the strategy, the [FC] paper that is being produced on this new machine when its up and running is a, what we see a growing rate in China so we are trying to hit actually a new market niche rather than building more capacity to already existing, the overcapacity in some case, in China.

Charles Spencer: Okay, and then last one is more of a financial, just checking on the share repurchases made in latest quarter, have there been any, it looked like your share cap to calculate the EPS went down.

Hannu Ryöppönen: I think that has to do with the, what you call it, cancellation of shares. There has been no share purchase activity whatsoever.

Charles Spencer: Okay, thank you.

Operator: Thank you. Richard Nilsson of Enskilda has our next question. Please go ahead.

Richard Nilsson: I have three questions relating to merchanting, various sellers, but just to continue on the running of the machines eventually during the second quarter. Will you, have you decided yet whether to operate during midsummer? Is that too early?

Hannu Ryöppönen: I cannot give you specific guidance on that but I see now reason why we should not operate during midsummer but if that is applied to all mills it's difficult for me to give a very clear guidance but the, as I have mentioned earlier, the planning of maintenance is now optimised in terms of only being signed for whatever reason, it is including cost and to me midsummer is not the cheapest time of the year to do maintenance work, but I cannot give you a specific that there would be no mills down at all, it could be down for other reasons as well, but nothing that I'm aware of that would be specifically focused on midsummer.

Richard Nilsson: Ok, and then merchanting operations posted quite a nice set of numbers, is this now a representative quarter going forward with the Schneidersöhne acquisition?

Hannu Ryöppönen: No, this is still early days.

Richard Nilsson: Okay!

Hannu Ryöppönen: The integration, keep in mind that we also had an acquisition in France, we had another one in The Netherlands, so the integration was actually the combination of these three now being integrated together with the existing or with the [Papyrus] organisation. The integration work is proceeding very well in line with the plan. It's got reduction of offices, warehouses, streamlining of IT systems, obviously reduction in personnel combined with that; a fairly huge operation with a number of sub-projects, moving ahead very well, according to plan and I would say that that will phase out towards the, maybe even during the first quarter next year but certainly will pretty much be a theme for this year anyway.

Richard Nilsson: Great, and then lastly, when do you plan to take a decision on whether to build Veracel number 2, or have you taken a decision whether to...?

Hannu Ryöppönen: No, we have not made a decision as this point. We are right now discussing with our joint venture partner, Aracruz, how we should between the two of us handle this and keep a joint venture. This is still very much a joint venture arrangement and I would expect those discussions to be finalised by autumn at the latest, hopefully earlier. Then comes the planning phase for this and the feasibility studies will really make the final decision, but I would expect forthcoming during this year. And keep in mind that before that Veracel 2 can, if the decision is made, be up and running, we need to buy more land, we need to plant new eucalyptus trees and actually they need to grow up to a reasonable size before we actually will have good enough to run a Veracel 2. So we are quite a few years away from getting Veracel 2 started and up and

running. Having said that, it looks very, Veracel is operating very well and moving from one sort of performance record to another and the 1.2 million total capacity looks quite achievable, but also that is related to some extent, to some potential further land purchases on a more medium-term basis.

Richard Nilsson: Has there been any delay in the timing of the decision due to the fact that you have announced that you're moving ahead with some of your own preliminary projects in southern Brazil?

Hannu Ryöppönen: No. There's no, they are totally – well I can't say they are totally unrelated that would be wrong but they are certainly not related in the sense of who, which should come first and so on. And keeping in mind that in both south Brazil and Uruguay we are in the process of buying land and deciding on what to plant, so we are even quite far from creating any wood supply from those, if indeed we would ever decide to build pulp mills there.

Richard Nilsson: Great, thank you.

Operator: Thank you. Our next question comes from Mikael Jafs of Cheuvreux. Please go ahead.

Mikael Jafs: Yes, hello. Most of my questions have been answered but then I have one thing that I would like you to elaborate on, and that is, now, you are selling some mills and have some mills on the selling list, could you please sort of elaborate a bit on why not just close it? I know that you're saying that they are different and they're not competing with your other capacity, the ones that you are selling, but still, aren't there sort of negative effects from not closing those? If you please could talk a couple of words on that.

Hannu Ryöppönen: Certainly. I think you have almost said it, but we see the impact and obviously we have to look at our own sort of performance and impact in the first place, that the indirect

impacts are minimal to zero even in some cases to our sense, continued portfolio. Naturally keeping in mind that Selby is a very different animal altogether as a pulp mill and also a more strategic disposal than necessarily a disposal of weak performers or certain portfolio components that they would like to exit. That's one clear aspect of it, so we do not see this as a major situation. When we then come to the 'under scrutiny' list which we have discussed before today, the situation is very different and will have to be very carefully considered as to what our decision will be in terms of the future of those. As I said, both in relation to the long-term potential performance, financial performance, and also how that capacity or that particular product or even business would fit into our portfolio strategically long term.

Michael Jaff: Okay, thank you very much.

Operator: Thank you. Our next question comes from Linus Larsson of ABN Amro. Please go ahead.

Linus Larsson: Thank you, good afternoon. Just a question relating to your maintenance planning and I wonder whether such quarter was a normal quarter or whether it was more or less maintenance shuts in the first quarter if you compare it to the fourth or what you expect for the second quarter this year.

Hannu Ryöppönen: Very good question actually and I think it's fair to say that first quarter may be more of a, call it, a full run quarter, also for as I said previous in there in Helsinki, you know, seasonal is better on each of the maintenance work in the northern hemisphere in the summer period so there's a certain factor in that that one should keep in mind as well. It is not dramatic or significant but it is certainly worth keeping in mind.

Linus Larsson: And is that comment relevant for all segments or particularly for any certain part of the business?

Hannu Ryöppönen: I don't think we can pinpoint anything that would be either included or excluded in that respect. It's more a location, that's the other answer to the question, than necessarily that an individual mill and obviously subject to local requirements for maintenance and so on.

Linus Larsson: Okay, great and then coming back to energy costs, I believe in the past you have given some kind of guidance for the energy cost increase in 2006 versus 2005 and I believe you pinpointed that to somewhere between 10-15%, and I wonder whether you could give us an update on that figure?

Hannu Ryöppönen: You're absolutely correct. We did mention that and we feel at this point in time with the development during the first quarter, we see no reason to really alter that and I think even we talked about somewhere around 1-1.1 billion in terms of the overall energy bill that we have.

Linus Larsson: Ok, and then finally, the Fine Paper division reported quite a good improvement on the EBIT line and I wonder to what extent did Veracel contribute to that development?

Hannu Ryöppönen: Veracel always contributed into our results on two lines, on the associated company line where it was the significant contributor during the first quarter and also into fine paper. However, we do not disclose, we think it would be incorrect to disclose specific details on an individual mill's performance; also how you calculate contribution can be discussed when you talk about our internal, and also the price that has been agreed and so forth, also approved by the authorities in Brazil and the way we and Aracruz take out from, at what price we take it out can be discussed for quite some time. But yes, Veracel has a positive contribution both to the paper division, Fine Paper division's bottom line as well as obviously a significant [contribution] in the associated company line.

Linus Larsson: Yes, and then just so I get it right: for the second quarter in the Fine Paper division we believe that pulp prices are moving up and maybe also the volume contribution from Veracel could increase somewhat, would that be a further positive to the Fine Paper side, notwithstanding what you say regarding the seasonality in Fine Paper deliveries?

Hannu Ryöppönen: I'm hesitating a little bit, if the slight movement as such in market pulp would really contribute per se, the way we handle transport pricing, but I can't comment on the volume, that's a volume development, its no longer so significant as it was during the second part of last year when we were building up performance they had reached their so called designed volumes and therefore I think your theory about the market pulp development is correct but I'm not hundred percent sure that it really impacts because we do not have market pulp really anywhere. It would come out either in associated line or in the Fine Paper division, I think, numbers as such. And volume more than anything else.

Linus Larsson: That's great, excellent. Thanks.

Operator: Thank you, Claes Rasmuson of Standard & Poor's has our next question. Please go ahead.

Claes Rasmuson: Yes, good afternoon. I had a question regarding this high contribution on associated companies from the forestry in Sweden and Veracel and how you look upon that sort of going forward, if we should expect sort of such a high number in the future as well?

Hannu Ryöppönen: I think starting with Veracel, there we hopefully will see a steady and good growing importance of that and also as we trim the existing operating partner there to improve further is a fair assumption. When it comes to [Tornato and Varivig] the picture is somewhat different because there are a number of issues that can impact: seasonality, for instance in Finland anyway, the harvesting conditions have been excellent during the first quarter so for

obviously better reasons and so on. So it's more erratic than Veracel in that case. That goes for [Varivig] as well as they're always things that can impact on harvesting but in a different way.

Claes Rasmuson: Ok, thank you.

Operator: Thank you, Olof Grenmark of Handelsbanken Capital Market has our next question.
Please go ahead.

Olof Grenmark: Yes, good afternoon. Returning to your near-term outlook where you said it was the trading conditions for the first time, you said that it was related to the top line, could you please clarify what you mean in terms of prices and volume?

Hannu Ryöppönen: Well, forgive me, I missed the middle of your question.

Olof Grenmark: Yes, well, if I recall right, you used this wording, 'trading conditions' for the first time in the near term outlook, earlier during the question and answer session, you said that it was related to the top line, could you please clarify how we should interpret this in terms of prices and volumes?

Hannu Ryöppönen: I mean the trading conditions, trading conditions to us means really top line connected sort of conditions, i.e. how are the demand and supply developing overall and what we're trying to say and what our expectation and view is that we see a more even development during the second quarter compared to first quarter.

Olof Grenmark: In both prices and volume?

Hannu Ryöppönen: It's a mixed bag obviously and they're different but generally because keeping in mind that newsprint prices obviously pretty much an annual event so its also, but prices we had which on newsprint, we have had from 1st January to almost 100%, obviously would then be sort

of flat for second quarter compared to first quarter. And then you have a few variations with seasonality and so on in various grades but in general terms that is I think what we are trying to say.

Olof Grenmark: Okay, thank you and then secondly, you answered that energy cost, we should expect, still expect roughly 10-15% rise 2006 versus 2005, would it be possible to get a figure for the energy cost increase in Q1 relative to the previous quarter, Q4 2005?

Hannu Ryöppönen: I think it is indeed yes, it's the change from the fourth quarter.

Olof Grenmark: Okay, it is there so how much was it roughly, do you have that?

Hannu Ryöppönen: 2 cents per share.

Olof Grenmark: 2 cents, thank you. Okay, that's all for now.

Operator: Thank you, our next question comes from Timo Jaakkola of Öhman. Please go ahead.

Timo Jaakkola: Yes, hi. You sold your [Sanda] shares and had a nice profit in the first quarter, I was just wondering if you're planning to do something similar with other items and where do you think you will find excess capital to be released in the short term?

Hannu Ryöppönen: Well, in terms of having how you say, clearly most operational assets we don't have, [Sanda] was by far the biggest item in that and there we sold, clearly no real reason to hold on to them, we I think (one has to lucky once in a while) hit the market fairly well with our sale, that was in the short term anyway and we see a better use for that money elsewhere.

When it comes to other shareholdings we have a bit left in Nordea I think and a few other ones but we are gradually looking to reduce. On Finnlines we are at this point not a seller, we are still assessing this also from a more strategic point of view in terms of our transportation and so on. So releasing further cash from what I would say from non-operational assets is not likely to be any significant amount over the next few quarters. We are more focusing on our capex, on our working capital, and these type of items and also our future investment levels in terms of actual, absolute investment for new projects than anything else.

Timo Jaakkola: Ok, do you have any old properties say in old Finnish industrial towns where you've operated for ages, which you could sell?

Hannu Ryöppönen: We have a few but also there we have had little by little – I shouldn't call it a clean up operation but we have certainly been divesting, obviously no need for, for instance accommodation for employees and so on. That being a project that has been going on very slowly but fairly minor amount of our total of actual non-operational, we have 52 million out of Finland, which is just about 34 so we've got even on the balance sheet, 12-13 billion, it's not significant.

Timo Jaakkola: Ok thanks.

Operator: Thank you. That will conclude today's conference, question and answer session, sorry. I would now like to hand the call back over to Mr Russell for any additional or closing remarks.

Keith Russell: Maybe I will turn back to Hannu with a brief summary I think and wrap up, thank you.

Hannu Ryöppönen: Well, thank you all for listening to us today. We feel good about our first quarter, we have done a good job, we have had help from the market and we will focus going forward on improving our own internal business, creating a profitable or platform for a profitable growth going

forward, this is the part that is important to us and we are seeing clear signs of this happening with our Profit 2007 programme and so on. So, we hope that when we come back next time we certainly will give you more details around those programmes and where we are on various items and until then, thank you very much and good afternoon.

Operator: Thank you. Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation, you may now disconnect.