

Paper, packaging & forest products

Financial Results July–September 2007

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Highlights Q3 2007

Earnings Improvement Stagnating

- Earnings negatively impacted by
 - higher wood costs
 - the weak US dollar
 - overcapacity in European magazine paper
- Planned actions announced today
 - permanent closures of two pulp mills
 - one paper mill plus one paper machine
 - one third reduction of administrative staff

From continuing operations	III/06	III/07	% Change Q207/Q206
Revenues up (EUR million)	3 212	3 235	0.7
EBIT (ex. NRI) (EUR million)	246	252	2.4
EBIT (ex. NRI & one-time valuation items) (EUR million)	217	207	- 4.4
ROCE (ex. NRI)	10%	9.4%	-0.6 pts

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Financial Results Q3 2007



	II/07	III/06	III/07	% Change Q307/Q306	% Change Q307/Q207
Sales (EUR million)	3 355.9	3 212.2	3 234.5	0.7	-3.6
Operating profit* (EUR million)	252.4	246.2	252.0	2.4	-0.2
Operating profit (EUR million)	276.8	83.2	-297.4	n/a	n/a
EPS (EUR)	0.22	0.12	-0.33	n/a	n/a
EPS* (EUR)	0.19	0.21	0.23	9.5	21.1
Cash EPS* (EUR)	0.46	0.49	0.48	-2.0	4.3
ROCE*	9.6	10.0	9.4	-6.0	-2.1
Debt/Equity	0.55	0.63	0.44	-30.2	-20.0

*excluding non-recurring items

Reconciliation of Operating Profit

Continuing Operations, EUR million

	<u>1-9/2006</u>	<u>1-9/2007</u>	<u>Change</u>	<u>Q3-06</u>	<u>Q2-07</u>	<u>Q3-07</u>	<u>YoY</u>	<u>QtQ</u>
Result from Operations, excl NRI	586	688		204	211	190		
Associated Companies, normal result	62	62		13	20	18		
Result from Operations Total, excl NRI	648	750	16 %	217	231	207	-4 %	-10 %
Non-operative Items	19	34		30	21	- 3		
Non-operative Items, Associated Companies		48				48		
Operating Profit, excl NRI	667	832	25 %	246	252	252	2 %	0 %
Non-Recurring Items	- 180	- 537		- 163	24	- 549		
Operating Profit, as reported	487	295	-39 %	83	277	- 297	n/m	n/m

Operating Profit by Business Area

Earnings Improvement Stagnating

EUR million	IV/06	I/07	II/07	III/06	III/07	% Change Q307/Q306	% Change Q307/Q207
Newsprint	57.6	61.1	50.2	61.0	52.2	-14.4	4.0
Magazine Paper	22.4	13.0	9.6	12.0	17.0	41.7	77.1
Fine Paper	28.2	60.2	34.6	29.8	38.6	29.5	11.6
Merchants	12.5	16.6	8.2	7.7	7.9	2.6	-3.7
Consumer Board	39.4	72.4	29.0	64.3	27.0	-58.0	-6.9
Industrial Packaging	22.3	29.3	29.7	26.1	24.9	-4.6	-16.2
Wood Products	22.3	54.8	59.3	22.0	37.1	68.6	-37.4
Other	13.1	19.8	31.8	23.3	47.3	103.0	48.78

excluding non-recurring items

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Near-term Market Outlook

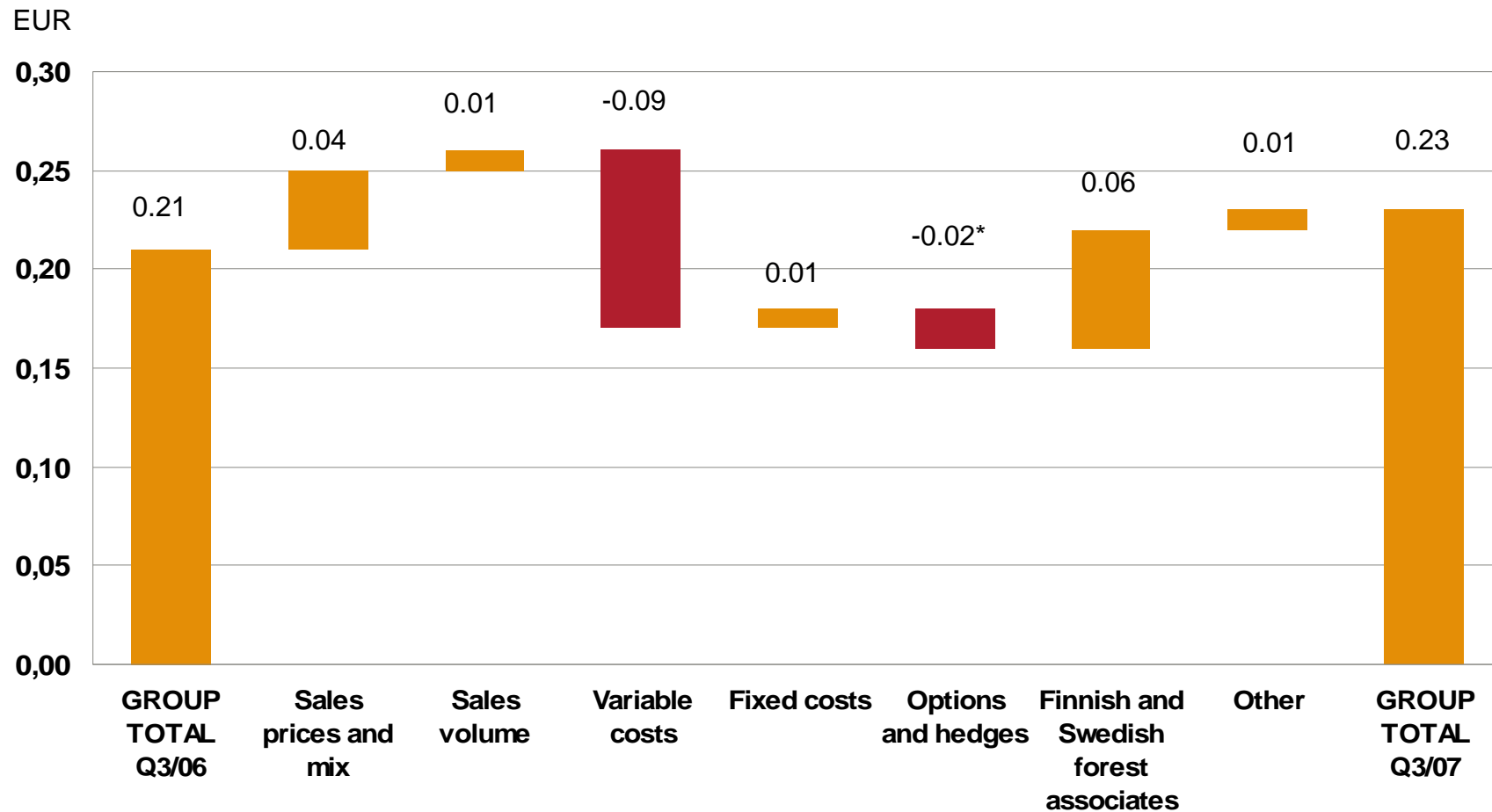
Business Area	Demand development	Price development
Newsprint	Flat demand expected.	Prices are expected to remain unchanged, according to annual agreements.
Magazine Paper	Benefits from improved seasonal demand, which is expected to remain firm.	Prices have stabilised and an increase for non-contractual coated magazine paper business is predicted. Uncoated magazine prices are expected to remain stable.
Fine Paper	Demand outlook is moderating.	Price increases are moderating.
Consumer Board	Flat demand is forecast.	Price rises are partly offset by weak U.S. dollar.
Industrial Packaging	Good demand is expected to continue.	Prices are improving slightly.
Wood Products	Market is oversupplied; outlook for deliveries is rapidly depressing.	Price outlook is rapidly depressing.

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Change in EPS Q3 2006 to Q3 2007

Unbearable Variable Cost Increase

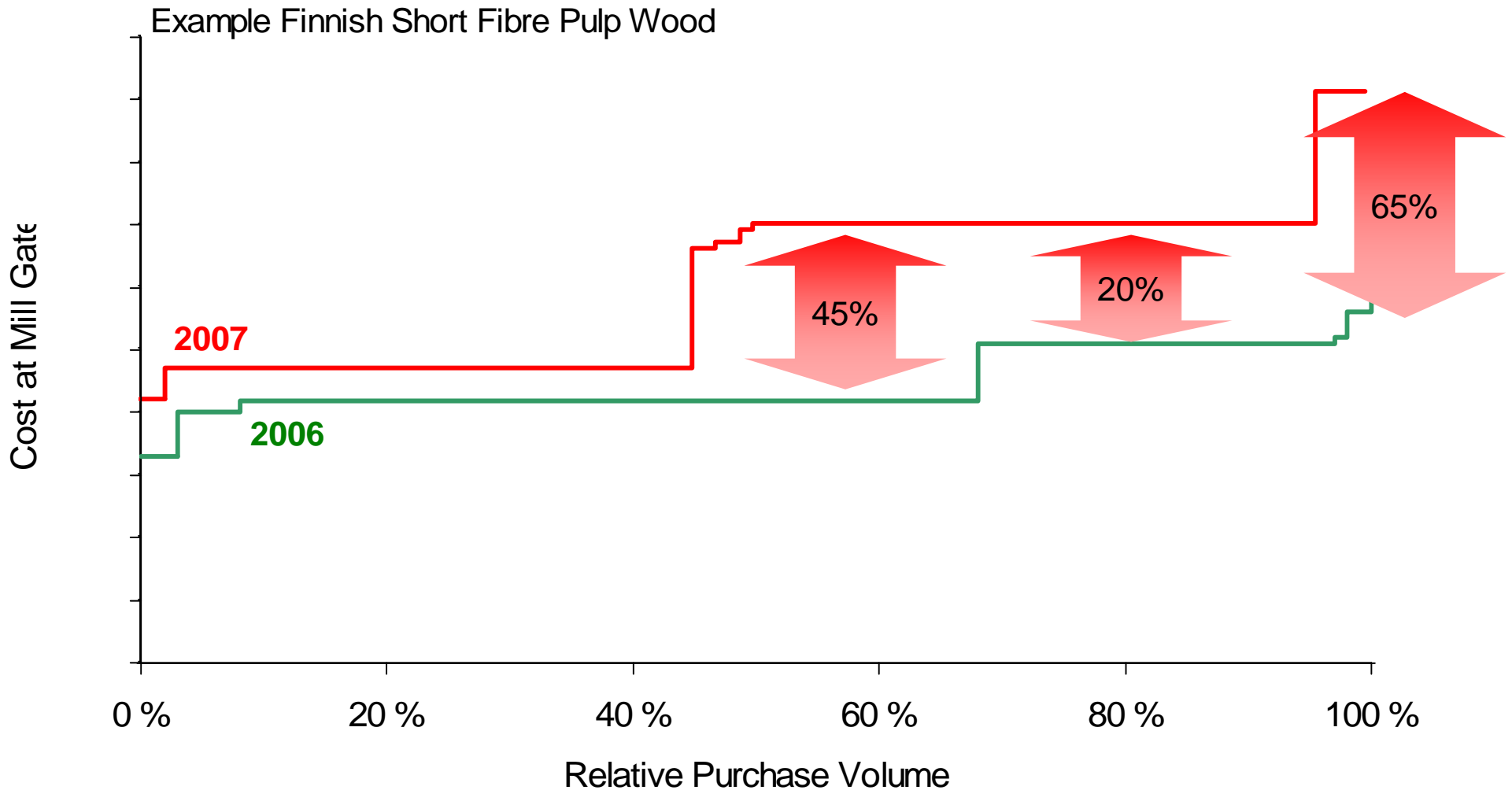


* Options and hedges is a net of share-based compensation fair value movements and the impact of the hedging instruments

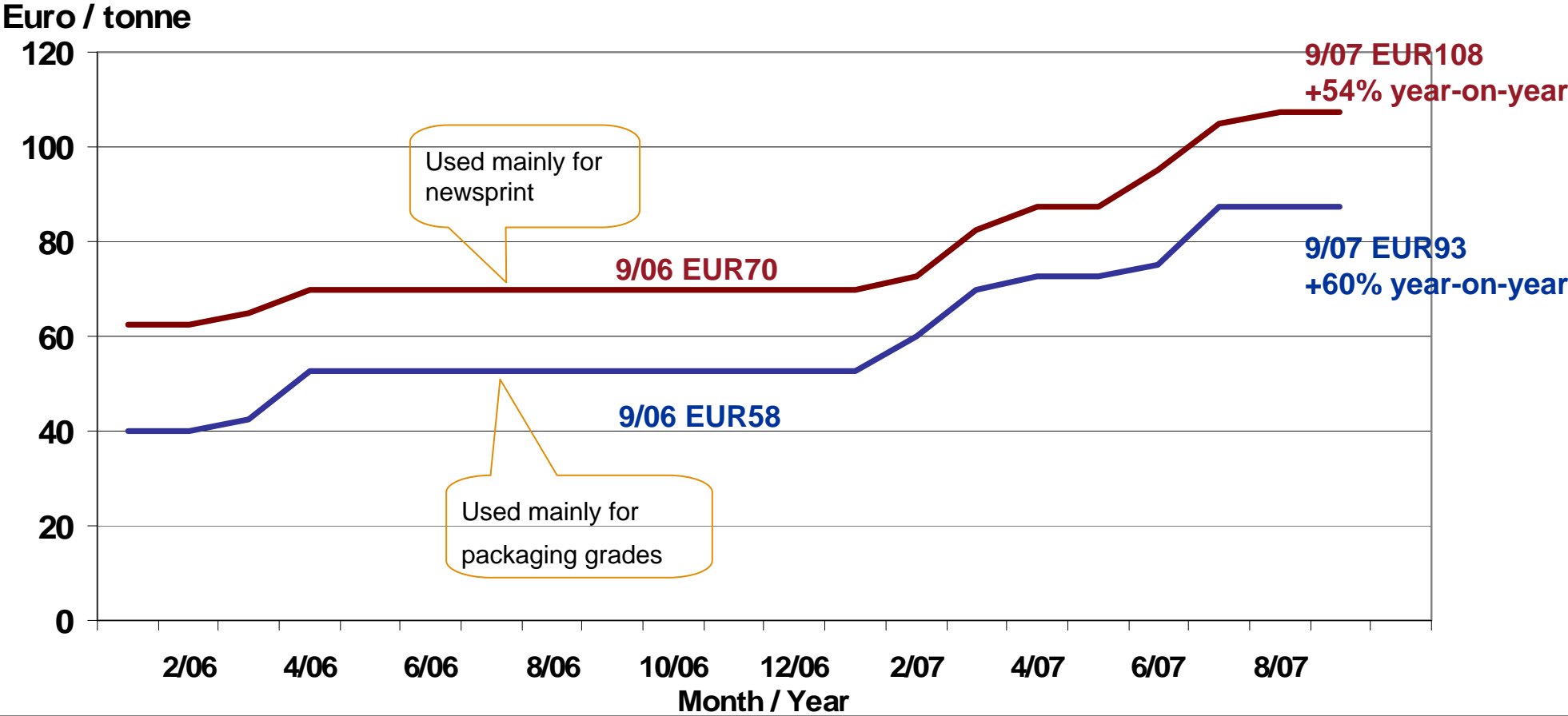
Excluding non-recurring items

Average Wood Costs up 15 to 25%

Marginal Wood Cost Up 45 to 65%



Recovered Paper Prices in Germany 2006–2007 STORAENSO



— Mixed paper

— Deinking (news and pams)

Source: Euwid

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Rationale for Actions

- Safeguard long-term profitability
 - against dramatically increasing costs
- Capacity reductions: key criteria
 - Marginal wood cost reduction
 - Asset quality, including investment needs
 - Optimisation of fibre flows for short and long fibre
 - Track record and future ability to exceed cost of capital
- Solution to Russian wood export duties and reversal of wood cost development critical
 - to avoid further capacity reductions in Finland

Affected Units



Planned Closures and Divestments

Planned Closures

Mill	Products	Annual capacity, tonnes	Time of planned closure
Summa Mill	Newsprint, uncoated magazine and book paper	415 000	During Q1 2008
Anjala Mill PM1	Book paper	120 000	After conversion of Anjala PM2 to book paper
Kemijärvi Mill	Long-fibre (softwood) pulp	250 000	During Q2 2008
Norrsundet Mill	Long-fibre (softwood) pulp	300 000	At the latest by the end of Q2 2009

In addition, immediately after Q1 2008, Anjala Mill PM2, which produces 155 000 tonnes of coated magazine paper will cease production of magazine paper and be converted to produce book paper.

Planned Divestments

Mill	Products	Annual capacity	Time of planned divestment
Kotka Mill	Laminating papers, special coated magazine paper	348 000 tonnes	As soon as practicable
Kotka Sawmill	Sawn goods	250 000 m3	If satisfactory offer received

Planned Reorganisation of Administrative Functions

Unit/Function	Location	Number of employees	Time of planned action
Corporate and country level staff	Finland, Sweden, the UK and Germany	90	
Shared Service Centres	Finland, Sweden and Germany	150	Planning the change starts early 2008, with intended implementation within a year
Research Centres	Sweden	60	

Estimated On-going Financial Impact

Planned Closures & Personnel Reductions

External sales reduction	EUR 370 million
Capital employed reduction	EUR 300 million
Total personnel reduction	1 700 people
Net annualised cost improvement*	EUR 140–160 million
Provisions and fixed asset write downs**	EUR 380 million, of which EUR 160 million has cash impact over the restructuring period from 2007 to Q2 2009

*Will have full annual impact in 2009.

** As non-recurring items, anticipated in financial results for Q4 2007.

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Summary

- Earnings negatively impacted by
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 - the weak US dollar
 - overcapacity in European magazine paper
- Actions announced today, impacting 1 700 employees
 - planned permanent closures 550 000 tonnes of pulp production and 505 000 tonnes of newsprint & magazine paper capacity
 - intended sale of one specialty paper mill
 - one third planned reduction of administrative staff
- Solution to Russian wood export duties and reversal of wood cost development critical
 - to avoid further capacity reductions in Finland
- Annualised Group operating cost improvement
 - EUR 140 to 160 million, full annual impact in 2009

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