

Stora Enso  
**Divestment of North American Paper Operations  
to NewPage**

**Keith Russell**

**Senior Vice President, Investor Relations**

Thank you very much. Good afternoon, good morning everyone and thank you all very much for joining us today, especially on such short notice. Exactly six hours ago we released a very important press release regarding the divestment of our North American paper operations to NewPage. Obviously a very important step for us along this path of structural change that we've been promising now for a few months. We know many of you have been very anxious and eager for a concrete step forward and obviously we feel this is a very important step in that direction.

The format today will be our CEO Jouko Karvinen will start off giving you some background to the transaction - the rationale, what it means for Stora Enso and some of the transaction facts. Then he'll turn the microphone over to Hannu Ryöppönen our Deputy CEO and CFO for some of the more details on the transaction and particularly the financial implications of it. And then we'll come back to Jouko for some summarising comments before opening up for your questions.

We don't expect that the presentation will take very long so please bear with us. We should have plenty of time to take your questions via the operator. So with that short introduction I'll turn the microphone over now to Jouko Karvinen

**Jouko Karvinen**

**Chief Executive Officer**

Thank you Keith. Ladies and gentlemen, good morning, good afternoon and thank you for being with us here today.

I'm going to go straight to the subject – page 2. The rationale of the divestment of our North American paper operations. In the transaction the key objective is to create a leading North American coated paper producer by combining Stora Enso North America paper operations and

NewPage. We're trying to build a winner here and I think we have a very good chance of doing it. We are retaining a minority ownership. It will be a financial investment for us. That has two purposes; one to demonstrate to our partners that we sincerely believe this is a good business combination and two, it obviously will offer potential value for Stora Enso shareholders when we're successful. With that comes my personal view that this is also the best solution for our customers in North America as well as our employees.

Let me then move straight to page three – the Group objectives of Stora Enso. I have been now the CEO for about five months and 21 days and since day one I've said our number one, two and three objectives is to improve long-term earnings. That's the focus, not the sheer size or being in every market and too many business lines. This announcement today is the first step, the first proof point that we're serious and we're going to act upon the strategy.

When the transaction, after the regulatory approvals happens, our goal is the first quarter. This will obviously simplify the Group structure. It makes my focus, my senior management's focus better to the rest of the Group and that simplification I think is one of the keys to reach our objectives long-term.

Factually it also means that we're more focused in Europe with this. It is a significant home base for us but we also focused on growth markets with the footnote that growth always has to come with good returns. Tough discipline on any investment be it capital investment or any other type of investment returns to our shareholders the key matrix will always include; does it improve our cost leadership position? Does it not? But the point is we are making choices of the ballots we're going to win and we will make sure that we will win those. And again, the key objective is create value to our shareholders.

Slide four please – the key facts. We are divesting eight paper mills in publication, fine and speciality areas both in the United States and Canada. In a moment Hannu will share some of the more details on that. The capacity impact of some 2.7 million tonnes reduced. If you look at our combined tonnage of paper and board that is about 20% of it. The transaction involves about 4,300 plus of our employees. We did separate and decide to keep our Corenso special type of board operations as well as our ownership in the Kauling Company. Their business logic is more towards the other Corenso units in Europe and even in Asia. Not so much with the paper operations of North America. The key is to create this winning combination, to combine new company NewPage will be among the North American leaders in its field. 12 paper mills, 4.7 million tonnes, headquartered in Miamisburg, Ohio. The key here is cost synergies with primarily our local and regional more than global. And cost leadership is what this business is all about to reach good returns.

If I may then ask Hannu to take over from here to go through the specific details of the transactions. Hannu please.

## **Hannu Ryöppönen**

### **Deputy Chief Executive Officer and Chief Financial Officer**

Thank you Jouko. What I will do when I go through the numbers I will speak in dollars for the very simple reason is that dollar-based transaction. We have obviously Euro values at this time but the final result will be subject to foreign exchange rate at the time of closing and which I think Jouko said will take place. We estimate it to take place during the first quarter of next year.

So anyway, the transaction value of this total sale is \$2.520b as estimated today out of which we get \$1.5b in cash. We are extending a loan to the new company of \$200m and we then retain a 19.9% share ownership in the new entity. That is valued at approximately US\$370m. Further, NewPage also assumes net liabilities like health and pension liabilities to the tune of \$450m. As I mentioned, we expect that after regulatory approval this would be closed during the first quarter of 2008. That was page five.

Page six and seven describes very approximately the mill locations. I did not intend to go into them in any greater details than to say the combination of Stora Enso and North America and NewPage current operations complement each other on a geographic and logistics basis on the East Coast and Midwest of North America and strengthens the new company's role in the major population centres such as Chicago and also on the East Coast.

If we then look at the transactions impact on page eight. It is the stand-alone impact of this transaction where our sales would reduce with about €1.950b. The EBITDA reduction of €189m. The capital employed reduction ... again from the stand-alone transaction is €1.750b and as a debt to equity ratio impact from 0.64 to 0.42.

And then, as you know, we announced earlier this month an impairment charge of about €1.3b. Out of that one €800m belongs to the North American operations and therefore that charge from what they place. In reality the net impairment charge will hence be about €500m that will show up in the Q3 results as of now. From that stand-alone transaction we don't see any material impact on our annual profit given the result development that we've had in North America.

I could add here two aspects of both gross and EPS impact. I think the earnings per share impact from the impairment of €500m. That's about 0.06 in EPS and from the SENA transaction it will be the same 0.06, i.e. a positive impact of 0.12 from the two combined. And on ROCE a €500m impairment would have a positive impact of about 0.5 and the SENA sale of 0.9, i.e. a total impact on the ROCE from these two events in the quarter of 1.4. Somebody may here say well that is exactly what you reported last time with the €1.3b impairment charge. That is purely coincidental that it turns out that way. But these are the numbers are in any event.

I think I will stop there and hand over to Jouko

**Jouko Karvinen****Chief Executive Officer**

Thank you Hannu. Let me move on into the final page – page number nine please. I will be very short. The key message today is we believe we're creating two positive moves and one goal here. One; we're part of creating a stronger entity. An entity we believe will be a winner by joining forces with Stora Enso North American operations with the NewPage Company. That is critical. It's not to say a financial transaction it is to create a strong business that can be successful. And then two, which is obviously critical for me and my team (the Stora Enso Group Management) this is the first major step on our path to focus Stora Enso to make it sustainably a company with significantly better returns. This is the first step and not the last step. I know I'm repeating myself. The one thing there is no news. The objective has not changed. Our objective is improved long-term earnings of Stora Enso.

Thank you. Over to you Keith.

**Keith Russell****Senior Vice President, Investor Relations**

Thanks very much Jouko and Hannu. Operator, we are ready to start to take questions please.

**Question and Answer Session****Operator**

Thank you. The question and answer section will be conducted electronically. If you would like to ask a question, please press star one on your telephone keypad. 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 star two. Again, please press star one to ask a question. We will pause for just a moment to allow everyone to signal for questions.

The first question comes from Richard Nilsson from SEB Enskilda. Please go ahead.

**Richard Nilsson, SEB Enskilda**

Hi, I'm Richard Nilsson from SEB Enskilda. Congratulations on a good deal. I was wondering NewPage has quite aggressive synergies. I think \$265m. Do you know if they are considering any closures in North American markets?

**Jouko Karvinen**

This is Jouko, if I may take that first one. First of all, as you understand very well, for the next several months we're going to be operating as two separate companies until the regulatory approval process has been completed. So it will be way too early to discuss that and it should not really be my task. Once the approvals have been received, the closing has happened then we're financial invested and I think you should ask the management of the NewPage Company. I think I must say I'm very impressed. Obviously I've had the opportunity to meet the senior leadership there but I would have to delay the answer to that question and also relay that question to the leadership of NewPage.

**Richard Nilsson, SEB Enskilada**

Do you expect any negative synergies in your own operations as a result of this divestment?

**Jouko Karvinen**

Well, let me put it this way. We fully understand that when we now make the companies smaller, it's simply that if we don't do something, if we don't act on the fact then obviously we will get a negative cost synergy. But let me put it this way, I have been very clear and I am very clear that we will act upon that. We do understand that a smaller company needs even smaller administration costs which were too big to start with.

**Richard Nilsson, SEB Enskilada**

Great. Then finally also. You've been very clear sort of initially talking about months to quarters and then I know in the latest conference call you said in months we should expect actions. Now looking forward I guess to sort of the batting ground in Europe – would you dare to give us any timeframe on expected actions?

**Jouko Karvinen**

Respectful and I'm not joking. I will would dare but I will not because I'm trying to also stick to my day one principle which is that we'll talk to you very open and very transparently the day we have reached a conclusion and an action, for the very simple reason that any speculation does not help me to realise to execute this various plan. So I will sound like a broken record. It's still you have to wait months and quarters for further stats to come. You should not think that this first step by any means would be the last step but I would plea, give me a little more time. I've been here for five months and 21 days. We took the first step. There is more to come.

**Richard Nilsson, SEB Enskilada**

Great. Thank you and again, congratulations.

**Operator**

We will now take a question from Paul Waiters from Canadian Broadcasting. Please go ahead.

**Paul Waiters, Canadian Broadcasting**

Thank you very much. My question concerns the Port Hawkesbury operation. I was wondering what the value was of the Port Hawkesbury operation and I wonder if you have any comments on the labour situation that exists there considering you went through such a lengthy lock-out here in Nova Scotia. Thank you.

**Jouko Karvinen**

This is Jouko again. We will not disclose. You can imagine that we've also done on both sides due diligence, reverse due diligence, mill by mill and all of them in-depth but that information data is absolutely something we will not disclose. I guess the other thing I would like to say now, now that we have announced the intent to form this single company we will be a financial investor. It will be way too early to start talking about labour implications there (i.e. it would assume that already today the management of NewPage will probably comment more towards their overall goals and so forth and so on with the footnote that for the next several months we will operate like two competitors like always).

**Operator**

We now have a question from Lars Kjellberg from Credit Suisse. Please go ahead.

**Lars Kjellberg, Credit Suisse**

Starting off you sound a bit excited about this new company yet you are doing it as an asset for held for sale and as an investment. Why is that? Why not keep it as an associate and enjoy the upside?

**Jouko Karvinen**

This is Jouko again. We've talked a lot about the portfolio now and maybe it's conceptually. What it is you look at this individual business in a fairly detailed level and you look for alternative scenarios also in a fairly detailed level. Our conclusion in this situation was a) to make sure we win the battles we're in. In the remaining Stora Enso we need to focus, I need to focus and my management team need to focus and therefore a financial investment type of set-up in North America fits that bill. Two; we did want to retain the minority ownership to 20% because we also want to demonstrate two things. We do believe in this new entity and we do believe that the leadership of NewPage is very capable of making this new entity a success and with our minority ownership we look forward to returns from our investment there. It is a simple set-up from a

management point-of-view in terms of clarity and governance and I think that's also beneficial. That's where I would leave it now.

**Lars Kjellberg, Credit Suisse**

Okay. In terms of your balance sheet following this transaction it's got to look fairly strong I guess and one critical question when you restructure your business and now when you add a recently good pay for a transaction, you get cash coming in. What are your thoughts about how to redeploy that cash to create additional value for shareholders?

**Jouko Karvinen**

If I may start here but Hannu you get ready to maybe expand on this a bit. Let me just put it this way. Right now short-term we're going to use quite a bit of the cash. I will not give you the exact details on paying down our short-term debt. And then we will use the money also in terms of improving our ongoing business. And when I say improving it's very focused on improving our position in businesses where we have sustained strong returns. We're very selective and more selective than ever before. It's not going to be evenly spread. And two; to focus on any of the investment is creating cost leadership positions. That's the key.

Hannu can you maybe expand a bit?

**Hannu Ryöppönen**

Yes I would just like to reiterate first of all, more or less like Jouko was saying, this is not award check for future acquisitions but rather for growing the company organically primarily in the future. This creates an even stronger balance sheet in companies to go through the restructuring that we see as necessary and it's very very good news and welcome news in that sense.

**Lars Kjellberg, Credit Suisse**

Very good. One final question. We would just like a more detailed (hopefully you can answer). How did Stora Enso North America go to market? Did you use a lot of brokers or did you sell most of this product yourself?

**Jouko Karvinen**

I'm sorry you asked; how did we go to market in North-America?

**Lars Kjellberg, Credit Suisse**

Yes. Did you sell a lot through brokers or did you have your own sites?

**Jouko Karvinen**

Well we had like we have also in North America we have a great direct sales force in Stora Enso North America. The sales team, I think, have done very well but we also sell through merchants. The fact of the matter is that obviously for the products and business that we are now divesting that sales force will go with the new merged entity. At the same time we have a relatively actually fairly small business of some of our European grades being sold in North America. That part stays with Stora Enso and there are specific grades that we will operate as a Stora Enso company sales team so to say in North America. That's the way it works.

**Lars Kjellberg, Credit Suisse**

You wouldn't happen to have a split between own sales and sort of broker/merchant sales do you?

**Jouko Karvinen**

Okay right here on this call I don't have it. We can back to you within a few minutes.

**Operator**

We will now move to Myles Allsop from UBS. Please go ahead.

**Myles Allsop, UBS**

First of all I was wondering what the market share of the new NewPage will be in North America in Coated Magazine and Coated Fine just to get a sense as to how big the potential competition issues could be.

**Jouko Karvinen**

I'm sorry I had some trouble with the phone. Can I please ask you to repeat the question?

Certainly. I was wondering what market share the new NewPage will have in North America in Coated Magazine Paper and Coated Fine Paper so we can gauge how big the potential competition issues could be to get the deal approved.

**Jouko Karvinen**

Let me put it this way. I don't have that data right in front of me to be honest. But you can imagine that we have considered that amongst many many other factors and let me say this. Even though we obviously have already scheduled quite a few months for that process to go through we do not anticipate any significant issues in that respect.

**Myles Allsop, UBS**

There are financial guarantees if it gets blocked or gets blocked. There's no kind of backup you have there.

**Hannu Ryöppönen**

No we have no formal guarantee but this is very much a joint effort and Cerberus is driving that and NewPage obviously. The whole question we are a financial investor in this new company so market share and so on and so forth for the new entity really is not so much a question for us as it was for NewPage and the management there.

**Myles Allsop, UBS**

Okay. And are there any restrictions on you increasing the level of exports of Coated Paper from Europe to the US or has it just a kind of gentlemen's agreement?

**Jouko Karvinen**

This is Jouko. There is no gentlemen's agreement. I believe there cannot be any gentlemen's agreement. The clear governance of the new entities we will have eight board seats which will be a Stora Enso employee once the regulatory approvals have been reached and then we operate our (what do you want to call them import or export sales) as its own entity to sell in North American markets. That's the way it is and that's the way it has to be.

**Myles Allsop, UBS**

Okay. And what are the terms of the loan to the new NewPage?

**Hannu Ryöppönen**

It's Hannu here. We don't disclose those at this point. If they're fairly typical I would call vendor note that you would find in this type of a transaction. But we haven't disclosed and we will not disclose at this stage any further details.

**Myles Allsop, UBS**

And maybe just last of all, I mean think about the other big developments over the last sort of few weeks is the dollar weakness. Just sort of more generally, not specifically, about North American operations, how concerned are you about a Euro/Dollar exchange rate of 1.41 just as a kind of environment to live in.

**Hannu Ryöppönen**

It's Hannu here. As far as the Dollar/Euro rate is concerned when it comes to overall business, obviously a weaker dollar creates very tough competition from North America towards Europe as a consequence of that. For this transaction we now know with some certainty that we have a transaction and we can also then deal with the foreign exchange exposure as we see that we should take care of it in the sort of period from now to closing.

**Myles Allsop, UBS**

Does the recent move increase the urgency? I know the market's always kind of greedy for more actions and you've just done a massive transaction which is fantastic. Does it kind of speed up your thought process in terms of restructuring European operations and closing further capacity here?

**Jouko Karvinen**

This is Jouko. There is no direct connection. You can imagine that this particular action is not the only one that we've been working pretty hard in the last six months on but I will not speculate on any of the other ones. In terms of speed, what I said before I will repeat here. I have said inside and outside Stora Enso that also in Europe we are in a hurry to improve our cost positions. Not because I have to get many steps done so I can talk to you how many steps I've done. It's nothing to do with that. It is because I believe that the present European markets are in good shape. The economy is in good shape and getting certain things fixed it's going to be a lot more painful if we're going to end up doing it in a downturn. So that's the hurry. That's the thing I worry about every morning when I wake up. But I balance that with saying I will not, hopefully with my best efforts, we will not do anything just to do a thing or do a transaction to your very point. Everything we measure against what value does this create to our shareholders so that's the balance.

**Operator**

We will now move to Johan Sjöberg from Carnegie. Please go ahead.

**Johan Sjöberg, Carnegie**

Good afternoon. I have three questions. First of all, do you have any lockup on your ownership in NewPage? My second question is regarding the write-off to take place during the third quarter. Can you split how much is goodwill out of that? My final question is can you say something about the financial performance of Stora Enso in North America during the first half of 07 compared with the first half of 06?

**Hannu Ryöppönen**

Sounds like questions for me. It's Hannu here. On the lockup we have no particular lockup in relation to the other owner. If one day there would be an IPO for instance, there probably would be a lockup for the existing owners but that is something that would be determined at that time given

the market conditions and so on. But right now we are in it together with Cerebus and will remain there.

As far as the split, we are not going to disclose this at this stage between fixed assets and goodwill in other words. So we may well come back to this when we do our Q3 but not right now.

On the relative performance during H1 also it is something that we would not really discuss in any great detail at this point for the North American business.

### **Johan Sjoberg, Carnegie**

But can you say something if profitability in North America has deteriorated during the first half of this year compared ... I mean you have to give some flavour. You mentioned the results or the impact during 2006 year returns, so has it been worse or better or anything like that?

### **Hannu Ryöppönen**

In general, as we all know, the development of the results have some positive impact prevalent on the Fine Paper side and again a very tough situation on the Magazine, Publication Papers side also, especially considering the continued strengthening also of the Canadian Dollar vis a vie the US Dollar. That obviously raised the Port Hawkesbury.

### **Jouko Karvinen**

This is Jouko. Can I step in to answer the question? There was an earlier question about our go to market. In North America we can say in rough terms now 50% direct/50% through merchants.

### **Operator**

We now have a question from Henri Alexaline from BNP Paribas. Please go ahead.

### **Henri Alexaline, BNP Paribas**

Good afternoon gentlemen and congratulations for this transaction. Maybe I will just ask three questions. The first one you said that the Group would be more focused on Europe and also some growth markets but you would invest with discipline in this market. Could you elaborate a bit? I think you referred earlier to it today to certain emerging markets like Russia, Eastern Europe or China. If you could tell us one of the ongoing projects in investment at the moment and why you believe you have a card to play in this market?

### **Jouko Karvinen**

Very good. This is Jouko. I will try to be brief but I will also try to give you some insight. I mean that term we all use by emerging markets obviously doesn't make that much sense here because if you look at the three specific examples you mentioned also. Latin America; our strategy there is primarily a low-cost fibre strategy. Veracell is a beautiful example that has nothing to do with me

but it's still a beautiful example of a successful execution of a low-cost fibre strategy. And that to continue a bit on that thought, that's why we also believe on our ongoing projects in Brazil and Uruguay. We know how to do it. We have proven that to get productivity at the cost leadership position out there, that's one example of a (shouldn't necessarily call it an emerging market) but of a specific strategy that goes beyond our traditional European market.

Two, Russia. We've been quite successful with [indiscernible]. Not usually but about 300 million call it disciplined in saw milling and board operations functioning well. We know how to operate in Russia and make good business out of it. That is one of the factors that have let us to do a pre-feasibility study only at this point for a pulp and paper integrate. Maybe a unique feature there's been many projects and so forth being talked about in Russia. I think what's unique about this it is ... with the idea that you use the Russian resources in Russia to create consumer products for Russian consumers which is exactly what the Federal Government has asked for. Its' very early in the game and trust me, we will be very disciplined on both the axis of the legislation and infrastructure requirements for a sound investment as well as the financial returns. That's the second example.

Again, the third one – China. Very different than Russia in my view and obviously very different in Latin America. There we are in a market which is yes, it's fast growing but it also has a lot of players. Quite a bit of traditional investment; recycled fibre, paper investment and so forth and so on. A place where I do not want to do something that somebody else or many other people have done five years ago which is why we've selected (we believe) a rather unique approach of creating a virgin fibre in China-based virgin fibre concept that would then be differentiating from anybody else there. So those sort of thee examples.

The game rules are very simple. Our discipline in both growth only but do they get the return? I can assure you that question is there every day in our minds.

### **Henri Alexaline, BNP Paribas**

Thank you for that. If I may, another question on the general market condition. I think we talked about the Euro/Dollar earlier and the depreciation of the Dollar. Could you maybe give us some idea of what you think about your energy may have been in a development with what we see on the oil barrel price now in excess of \$80. Do you still stick to your cost inflation for the year and if we add that in Q4 as well, do you think it will have a rather significant impact?

### **Jouko Karvinen**

I'll start. Hannu you may want to chip in a bit here. I won't get to the oil barrels and all of that. I think I'll specifically now address the European and Northern European situation. With a huge discussion on wood fibre costs and woods costs driven by the short winter and Russian duties we should not forget that we are this year the energy costs so far have not been that dramatic increase but last year it was. So my point is the industry is facing a very challenging situation. We've been very transparent about our cost inflation figures and the best I can then say before Hannu gets in is we are looking fairly aggressively also, what can we do to improve our cost positions? It's very cost-improvement driven capital investment ideas towards becoming less energy cost dependent.

Hannu do you want to add something?

**Hannu Ryöppönen**

Yes. Thanks. We have about a quarter to run in real terms for this year. Most of our cost factors are contractually or otherwise more or less locked in for that remaining period. Naturally there are marginal costs that could go up but they would not have a significant impact within obviously reasonable events happening on the cost structure for the remainder of this year, i.e. the next quarter.

**Henri Alexaline, BNP Paribas**

Okay thank you for that. Maybe just one last question. A financial question in terms of debt to equity number that you gave us at 42% following that transaction. Does that include both the transfer of some liabilities to the new NewPage and also does it also include what you referred to as some short-term debt repayment?

**Jouko Karvinen**

The answer on both your two examples is no. The assumption of the liabilities are off balance sheet assumptions of pension ... primarily pension and health benefit liabilities. And as far as short-term debt repayment that is not considered as such in the overall transaction at this point because that has not yet in a way taken place.

**Operator**

We will now take a question from Olof Grenmark from Handelsbanken. Please go ahead.

**Olof Grenmark, Handelsbanken**

Yes good afternoon. First of all when you announced these new business areas a few weeks ago you said we would get performer figures for the North American division on October 15th. Is that still the case?

**Hannu Ryöppönen**

Yes that is still the case. We will come out with that around the 15<sup>th</sup> as we said before. That is on the historic numbers. In other words up to and including the second quarter of this year.

**Olof Grenmark, Handelsbanken**

Okay thanks. And then also a question to Mr Karvinen. You said then last time that we would see a change within a month and not quarters. I just wondered if you could tell us if it was this large move that you were referring to.

**Jouko Karvinen**

This was one of them.

**Olof Grenmark, Handelsbanken**

Okay thank you very much. That's all from me.

**Operator**

We will now take a question from Timo Jaakkola from Ohman Equities. Please go ahead.

**Timo Jaakkola, Ohman Equities**

First, congratulations on a great deal. Most of my questions have already been answered but one more. As a major shareholder with nearly 20% in NewPage going forward, what do you know of NewPage's plans for IPO or otherwise future developments. Do they plan to acquire even more? What do you think? How do they you and you together see the situation?

**Jouko Karvinen**

This is Jouko. I will give you a brief answer. Given the fact that we've just launched it we will have to go to regulatory approvals I wouldn't be able to comment. Yes we have a view but I could not and I will not disclose any of that. When the time comes I think it's up to the NewPage management. Like I said before, I've had a chance to meet them and I'm very convinced with their leadership they will do the right thing for the business. We will be a financial investor and therefore I will have to refer you in any case to them rather than trying to speculate on their behalf.

**Operator**

We will now take a question from Paul Griffiths from Merrill Lynch.

**Paul Griffiths, Merrill Lynch**

Can you confirm that NewPage has fully committed financing for this? Secondly are there any break-up fees associated with it should either decide to back out?

**Hannu Ryöppönen**

It's Hannu here. I don't think we will comment on any details of fees or not fees and the transaction in itself. But the deal is set in place and we feel that the arrangements are very good around it including the arrangements for NewPage to pay for the 1.5 billion in the first place. So this is a signed deal and from that perspective we do not expect this to be a problem.

**Paul Griffiths, Merrill Lynch**

But is that to say that NewPage has underwritten financing to raise that 1.5 billion cash payment.

**Jouko Karvinen**

The answer is yes. Jouko says.

**Paul Griffiths, Merrill Lynch**

And secondly, can you comment a bit more on your credit in the sense that you recently entered the Crossover Index. Moodys just came out and confirmed your Baa3 rating but kept a negative outlook which keeps you in the Crossover Index. So over time will there be an effort to improve your credit situation, especially the Moody's rating, to get out of the Crossover and reduce the volatility of your spread?

**Hannu Ryöppönen**

It's Hannu here. You have to remember there are two factors in this and I think as Moody's also said in a way, they have one view of the industry. What we have done here is very positive for us. If they eventually will do something to our rating it remains to be seen. We see it as a player of strengthening, i.e. our direction is to stabilise and improve our position to certainly getting out a negative outlook but that is not our decision. But it is a combination of what we do and also what the industry overall develops that will drive that factor. We are not fully in control of that destiny.

**Paul Griffiths, Merrill Lynch**

But at the same time Moody's has been very clear about targets that you would need to hit in order to improve your rating. Are you factoring that into your planning at all?

**Hannu Ryöppönen**

Yes we are and we obviously are fully aware of that and also in a dialogue with Moodys or Standard and Poors related to all of this. But also if they move their targets due to an industry development that's obviously something that we cannot do much about independently but our aim is to remain clearly an investment grade company for our future and that's all we can really say at this stage. And our aim is clearly that respect.

**Operator**

We will now move to Thomas Williams from Merger Markets. Please go ahead.

**Thomas Williams, Merger Markets**

Congratulations on the deal. I just wanted to clarify as far as the next steps are concerned going forward (I know you've already said there's not too much you can say about it) but I just wanted to rule out a sale or disposal of the Magazine Paper part of the business if you could.

**Jouko Karvinen**

Sorry could you please repeat the question.

**Thomas Williams, Merger Markets**

Just going forward as far as your next steps are concerned (I noticed there is not much detail you can give) but could you rule out that there would be no disposal of the Magazine Paper business of Stora Enso?

**Jouko Karvinen**

Sorry I had difficulty in hearing. I'll very respectfully say that I will not rule out anything. Please bear with me people. I'm not trying to be difficult and it's got nothing to do with Magazine Papers specifically. But any speculation in the media has been more than enough thank you on that. I mean if I would have done everything the media has told me to do in the past five months I would have sold the company three times already. My point is for me to be able to execute the right transactions at the right values I don't need speculation and therefore respectfully I will not give any further comments or directions in that respect.

The answers for the various issues and various businesses that have been open, Magazine performance development is not to my liking but you should not think we're as digital as ... there's only one solution. There's many tools to make things better. If you accept that, I'll leave it at that now.

**Operator**

We will now move to Franz Stefan from BBC Radio. Please go ahead.

**Franz Stefan, BBC Radio**

You commented earlier on the value of the Canadian Dollar. Yesterday it matched the American Dollar for the first time in 30 years. I'm wondering strategically what that means for the plant in Nova Scotia?

**Hannu Ryöppönen**

It's Hannu here. Maybe I could comment. That is a question you have to direct to the NewPage management. We don't have a view on what they intend to do with that mill. We will operate it until the deal closes and then it is up to them.

The Canadian Dollar strengthening is obviously something that is a tough thing for the Canadian industry as such and therefore it obviously is a negative for Port Hawkesbury.

**Franz Stefan, BBC Radio**

And a second question. You recently modified Port Hawkesbury to the glossier magazine style paper. Where does that place that plant strategically within the group of plants that you are divesting as part of this deal?

**Jouko Karvinen**

This is Jouko. To be very honest, after my 5½ months I can't really give you a clear answer on that. And again, I know you won't like this, but in a few months hopefully I think the relevant question is where that product portfolio and not in the overall NewPage portfolio because that's where I'm sure the NewPage management will already have their strategic thoughts and choices.

**Hannu Ryöppönen**

Maybe I could add one comment to that. It's Hannu here. That is that Port Hawkesbury has been pretty much 100% supplying the North American market so that's the way we see it and have seen it and then what happens in the future is for NewPage to decide.

**Operator**

We will now have a question from Brian Cummings from Stora Enso. Please go ahead.

**Brian Cummings, Stora Enso**

Good morning. Just a quick question regarding the electrical utility Consolidated Water Power Company. Is that also included in this transaction?

**Jouko Karvinen**

This is Jouko. I understand yes it is.

**Operator**

We will now take a question from Claes Rasmuson from Swedbank. Please go ahead.

**Claes Rasmuson, Swedbank**

Good afternoon. I have a follow-up question regarding the write-downs. You initially said that the major part of the write-downs were related to the restructuring and then part due to market conditions and so on. How has this deal affected the write-downs with respect to these two sort of issues that you discussed initially?

**Jouko Karvinen**

There is no change as such to those comments. As we have said today 800 million of the 1.3 relates to North America and therefore is no longer relevant for impairment charging. The 500 primarily then in Europe obviously have the same conditions attached to it as we have said before. So no change in that.

**Claes Rasmuson, Swedbank**

Okay so does that mean that it's still the market conditions things that account for Europe?

**Jouko Karvinen**

I think we said market conditions and restructuring. Remember we published a new organisation the other week.

**Claes Rasmuson, Swedbank**

Second question – how has your US Dollar exposure changed with this deal? Previously you've guided that a 10% change to the dollar would change earnings by 135 million so what's it going to be now do you think?

**Hannu Ryöppönen**

If you take North America which has been pretty much a dollar based operation altogether both in terms of its costs as well as its revenue, so there's really no major impact. I cannot give you 100% certainty on that. We are just making sure that that is the case but I'm pretty much sure that North America as a dollar-based operation independently disappearing doesn't change the rest of the exposure.

**Claes Rasmuson, Swedbank**

Okay so it's still going to be quite a large net dollar exposure?

**Hannu Ryöppönen**

Correct.

**Operator**

We now have a question from Lars Kjellberg from Credit Suisse. Please go ahead.

**Lars Kjellberg, Credit Suisse**

I just wanted to follow up and clarify one thing. In your statement you said the EBITDA in 06 was €189m and the exchange that you give would be equivalent to 237. In NewPage you're talking about an EBITDA of 295. Quite a difference between the two. Can you clarify what the difference is?

**Jouko Karvinen**

Pretty much. We can come back to this but we are reporting under IFRS and NewPage is reporting on the US GAAP. I believe that the big portion of this comes from that difference.

**Lars Kjellberg, Credit Suisse**

Please come back if there is anything else. Thank you.

**Operator**

We will now have a question from Roberto [Potosi] from [Sogen]. Please go ahead.

**Roberto [Potosi, Sogen]**

Yes I would just like clarification on your presence on your rating, on your commitment to investment grade. It sounds like your debt reduction is going to be permanent than if you are committed to that investment grade rating and possibly even to an improvement of your rating or at least a stabilisation of the outlooks. Why are you saying that then you are going to reduce shortened debts for now?

**Hannu Ryöppönen**

It's Hannu here. Well the first thing that happens is that we reduce debt as we see it today and that's what we expect to do and will do. Secondly, when you look at your rating there are two components in it. One is obviously your balance sheet and the cashflow you generate from your business. If we can improve that, that is the driver both in my mind long-term as to your rating and that is I think that you can also see in Moody's commentary that they are focusing on what will be our long-term cashflow generating from operations. So balance sheet is one thing. Cashflow earnings and cashflow generation is the other one in assessing overall investment grade.

**Roberto [Potosi, Sogen]**

So the improvement in your balance sheet at least these improvements we can consider them permanent after this transaction?

**Hannu Ryöppönen**

I have not yet known about anything being permanent as such. But that is the fact when the transaction is done and as we see it today we want to, as I said earlier, have a strong position in which to do the restructuring and this certainly is a transaction in that direction. So the side effect from it, apart from the very good business reason is why we would do this.

**Roberto [Potosi, Sogen]**

Another question. Do you intend to play a significant role in the consolidation and the farther consolidation of the European paper industry?

**Jouko Karvinen**

This is Jouko. It's an interesting way, if I may say, of asking it, but it's a significant role. I, myself and Hannu and the senior management we are obviously very focused on improving the long-term returns and earnings of Stora Enso. We do believe that from an industry point-of-view there is still need to capacity adjustments. There is need to be very good at marginal costing to understand how your cost situations vary based on marginal costs rather than average costs. And we also believe of restructuring in fairly non-consolidated markets is more difficult and will not on its own change the shape of the industry. If you want to read that as we want to be a driver, then there's nothing wrong with that with the footnote that obviously we have to make sure we do sensible things and very disciplined. Transactions are not done just to do transactions. You better know what you're doing. And I dare to say that I'm personally very convinced that today's example of the North American market, which is a consolidation move, makes business sense and will create a winning unit. And hopefully that will be also demonstration to all of you that we not only put together strategies but we also execute them and hopefully that will be useful in the steps coming in the future.

**Keith Russell**

Operator it's Keith Russell here. I think we're coming up to an hour. Perhaps we have time just for one more question.

**Operator**

We have no further questions at this time.

**Keith Russell**

Fine then. Perhaps just turn back to Jouko for a concluding comment.

**Jouko Karvinen**

Thank you very much everybody for bearing with us for a full hour. I hope we've been able to share some of our thoughts with you. I hope that the news of today is a demonstration that we're dead serious about reshaping the company, doing the right thing for our shareholders. And finally,

whereas I absolutely refuse to speculate about the future, I look forward to a few other meetings like this. Thank you very much.

**Operator**

Thank you ladies and gentlemen. That will conclude today's conference call. Thank you for your participation. You may now disconnect.

[end]