



Prudent financial management

Markus Rauramo, CFO
Investor Day, Stockholm
5 November 2008

Early actions resulting in strategic flexibility

- Portfolio selections and divestments
- Restructure production capacity
- Focus administration and support
- Active financial risk management
- Focus on cash flow and liquidity

➤ ***Strategic flexibility***

Financial risk management

- ***Financial risk management***
- *Focus on cash flow and liquidity*
- *Credit rating situation*
- *Balance sheet management*
- *Focusing administration & support*

Transaction risk and hedges as at 30 September 2008

EUR million	USD	GBP	SEK	JPY
Estimated annual net operating cash flow exposure	650	600	(1 100)	200
Transaction hedges as at 30 September 2008	325	303	(660)	100
Hedging percentage as at 30 September 2008, for the next 12 months	50%	51%	60%	50%

- Current hedging of FX risk in line with Group policy to hedge 50% of the forecasted net cash flow exposure of major currencies

Operating Profit: Currency effect +/- 10%*	EUR m
USD	90
SEK	(120)
GBP	75

*As at end of 2007

Internal control mechanisms for derivatives

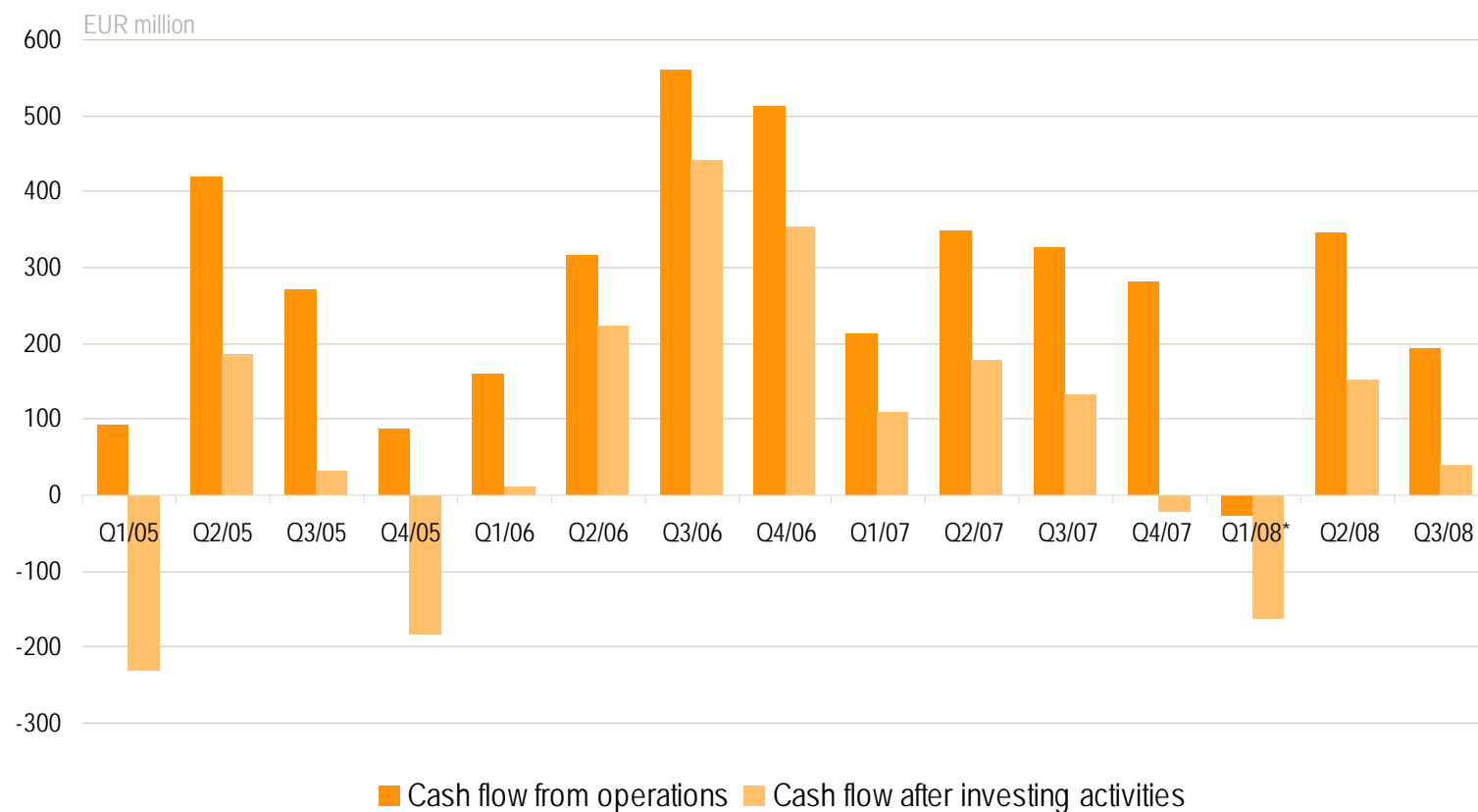
- Group Risk Policy and Treasury Internal Risk Policy
- Cash flow hedges accounted according to IAS 39 fulfilling 'highly probable' criteria
- Interest rate risk managed with swaps and swaptions - target duration is one year
- All financial transactions are business driven and non-levered
- Risk measures followed and verified on a daily basis independently by middle office
- Procedures audited by internal audit controls and external auditors

Focus on cash flow and liquidity

- *Financial risk management*
- ***Focus on cash flow and liquidity***
- *Credit rating situation*
- *Balance sheet management*
- *Focusing administration & support*

Operating cash flow

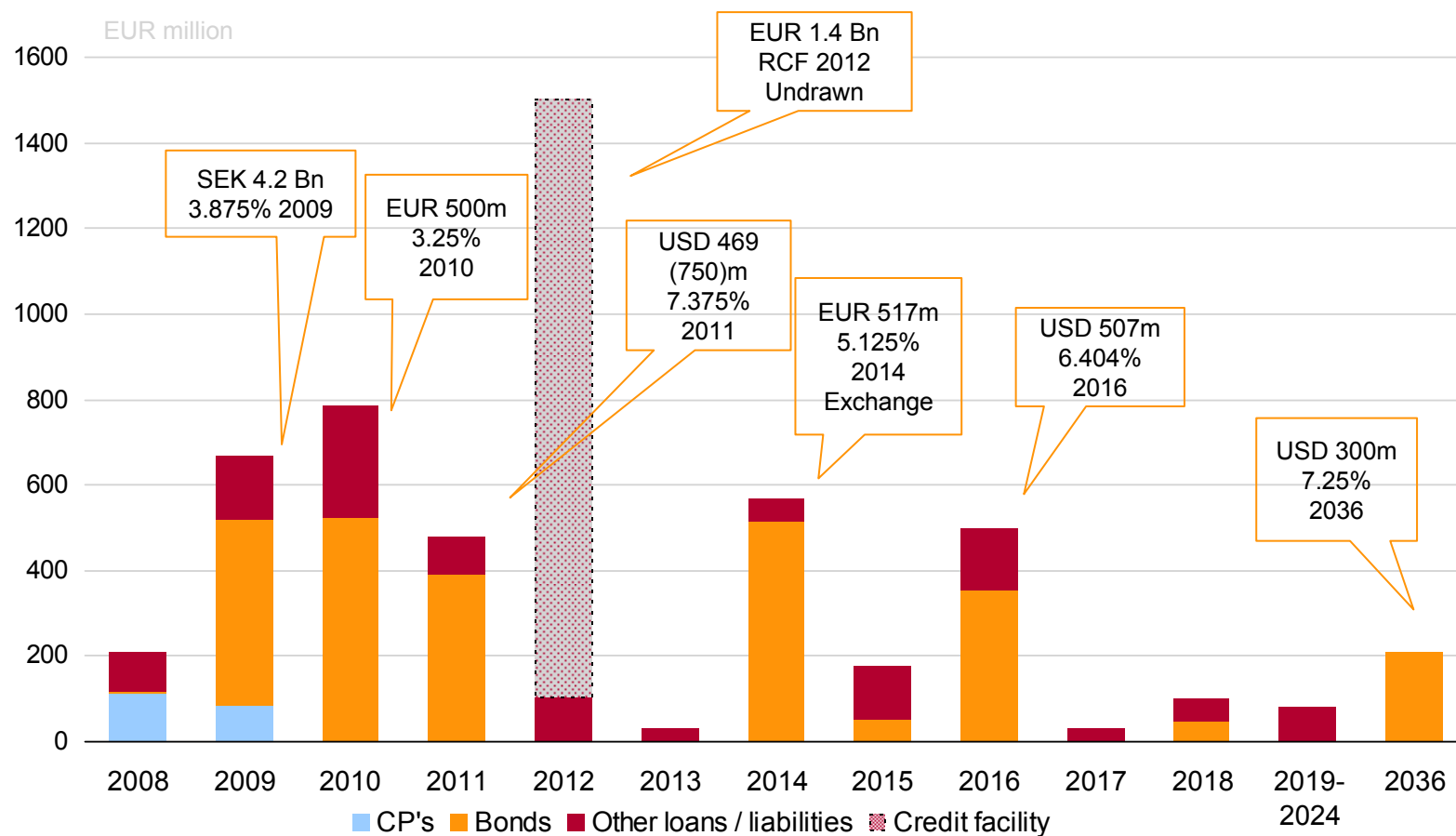
Continuing operations



* Including a one-time change in timing of payment of Finnish pension contributions of EUR 83 million and restructuring payments of EUR 64 million

Maturity Profile

30 September 2008



Liquidity

- Cash and cash equivalents as at end of Q3 2008 of EUR 392m
- Only EUR 200m of commercial paper outstanding
- Debt maturities in 2009 EUR 650m
- Committed credit facility EUR 1.4bn fully undrawn
- Potential EUR 600m available as Finnish pension commitment loans
- Budgeted working capital reduction; lower capex to improve cash flow
- IFC credit facility of USD 300m – USD 100m available
- Available-for-sale investments – potential EUR 450m

Credit rating situation

- *Financial risk management*
- *Focus on cash flow and liquidity*
- ***Credit rating situation***
- *Balance sheet management*
- *Focusing administration & support*

Current credit rating situation

Moody's

- Long-term rating: Ba1
- Short-term rating: NP
- Outlook: Negative

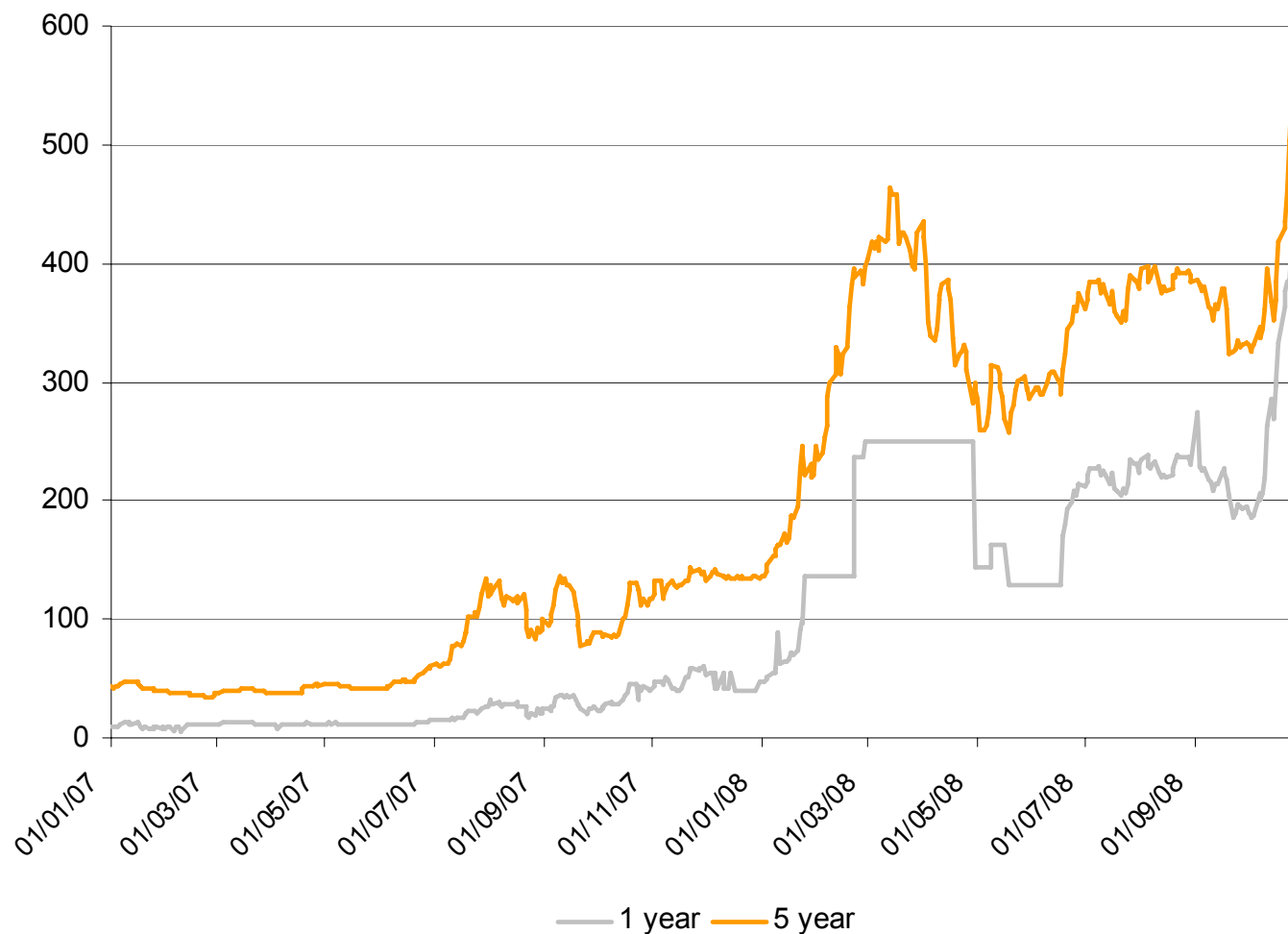
Last change 28 Oct 2008

Standard & Poor's

- Long-term rating: BBB-
- Short-term rating: A-3
- Outlook: Negative

Last change 22 Oct 2007

Stora Enso CDS development

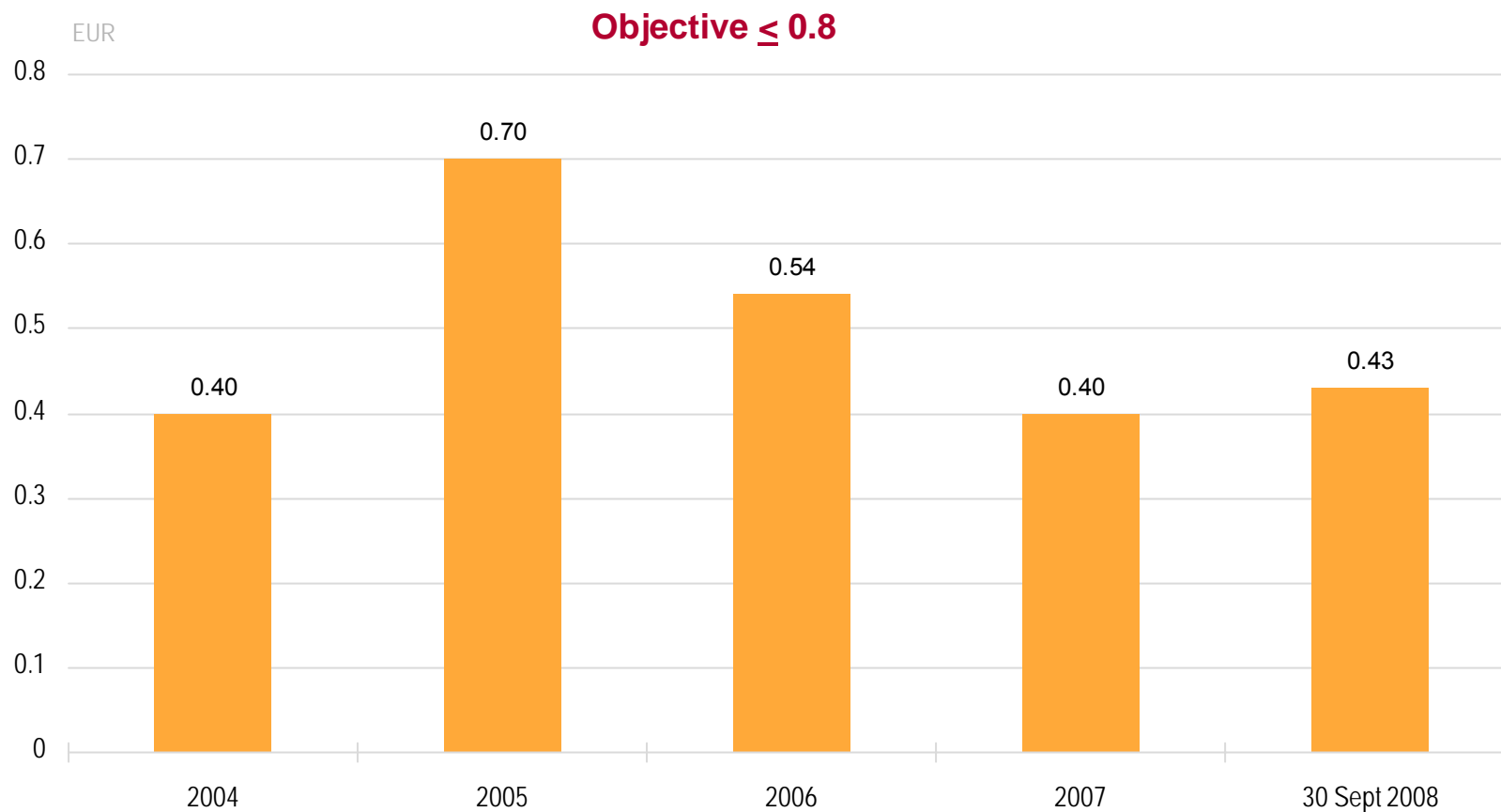


Balance sheet management

- *Financial risk management*
- *Focus on cash flow and liquidity*
- *Credit rating situation*
- ***Balance sheet management***
- *Focusing administration & support*

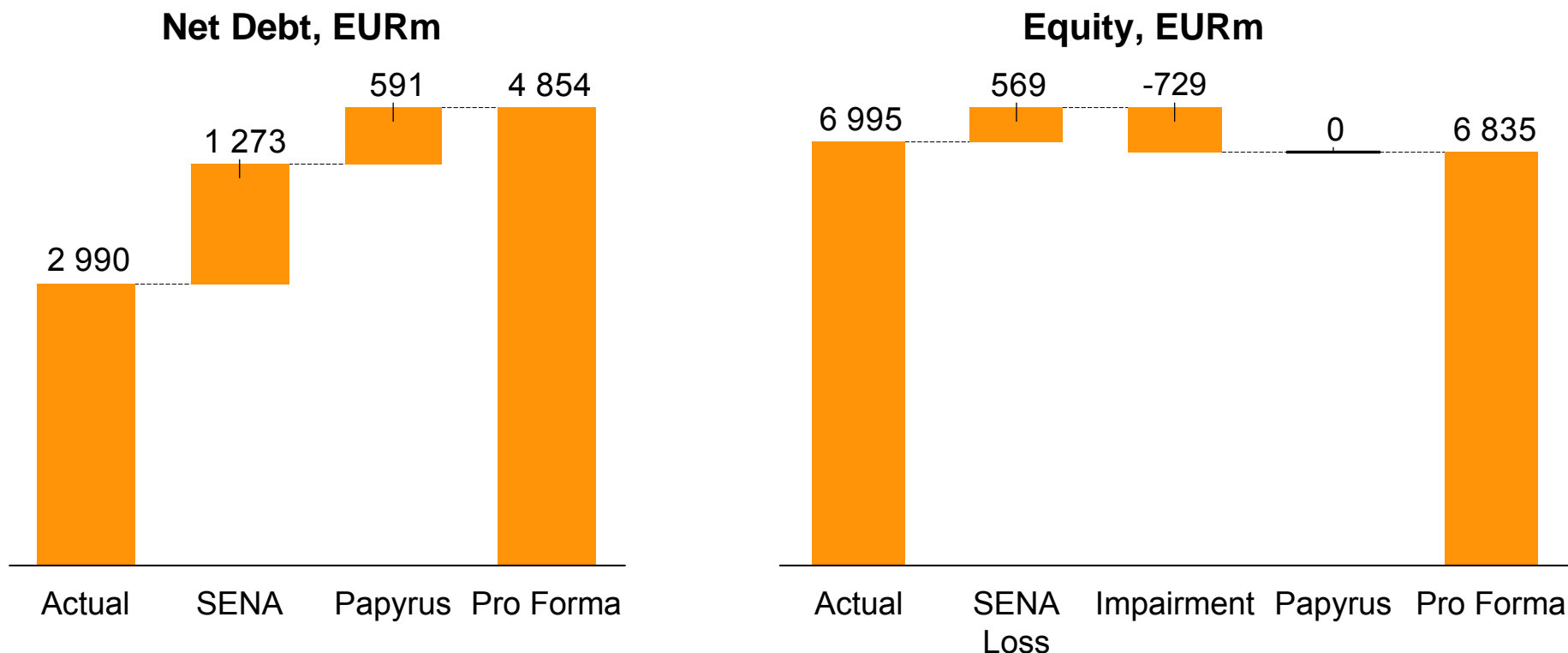
Debt/Equity – Total operations

2004 – 30 September 2008



SENA and Papyrus Impact on Debt/Equity

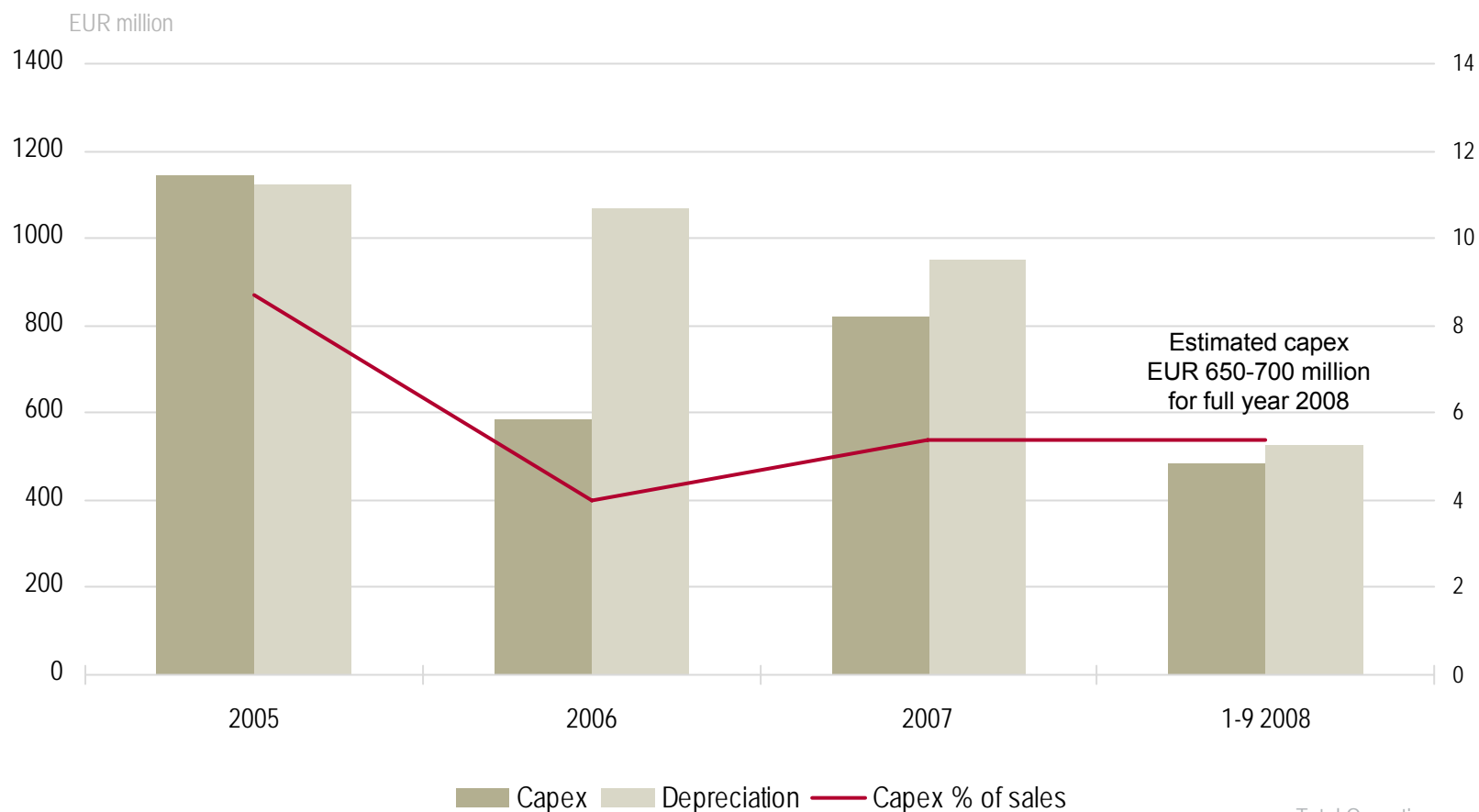
Pro Forma 30 Sep 2008



Current Debt/Equity of 0.43 would have been 0.71 without the divestments of SENA and Papyrus

Capital expenditure and depreciation

2005 – Q3 2008



Total Operations
Depreciation excluding Impairments of Goodwill and Fixed Assets

Focusing administration & support

- *Financial risk management*
- *Focus on cash flow and liquidity*
- *Credit rating situation*
- *Balance sheet management*
- ***Focusing administration & support***

Finding the justification

Improving effectiveness

- One layer has been eliminated
- Costs have been reduced
- Performance management and scrutiny have been strengthened
- Restructuring initiated and ongoing

Aligning to business needs

- Profitability and growth outlook
- Restructuring will focus Stora Enso
- Emphasis on business line accountability

Purpose

- *'Blank sheet'* approach – how can support optimally meet the business needs?
- *All positions and activities must be justified*

Design of new model

1. Increase efficiency → headcount and cost reduction
2. Focus on essential activities
3. Mills share competencies and functions
4. Management resources and roles to be shared across the organisation

We are acting – Capgemini outsourcing

- Most of our financial transaction processing outsourced to Capgemini centres in Poland and India
- Significant cost reduction, while improving the quality of financial operations
- Captive shared services centralised in one centre in Finland
- One of the most comprehensive restructurings of financial administration in the Nordic countries

Summary

Summary

- Balance sheet strengthened
- Prudent financial policies in place and followed
- Access to liquidity
- Focus on cash flow
- **Strategic flexibility**