



# *Financial Results*

## *April–June 2008*

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*Helsinki*

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by “believes”, “expects”, “anticipates”, “foresees”, or similar expressions, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group’s targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group’s patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group’s products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group’s principal geographic markets or fluctuations in exchange and interest rates.

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# Overview

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# Overview

## Q2 2008

- Profits decreased for the third consecutive quarter
  - High inflation in wood, fuel and electricity costs
  - Cost reduction & pricing actions only partially compensating
  - Wood Products particularly weak
- Restructuring plans announced Q4 2007 being implemented but clearly not enough
- Further product price increases announced
- Additional capacity reduction plans to be announced in Q3

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# Summary financials

## Continuing operations

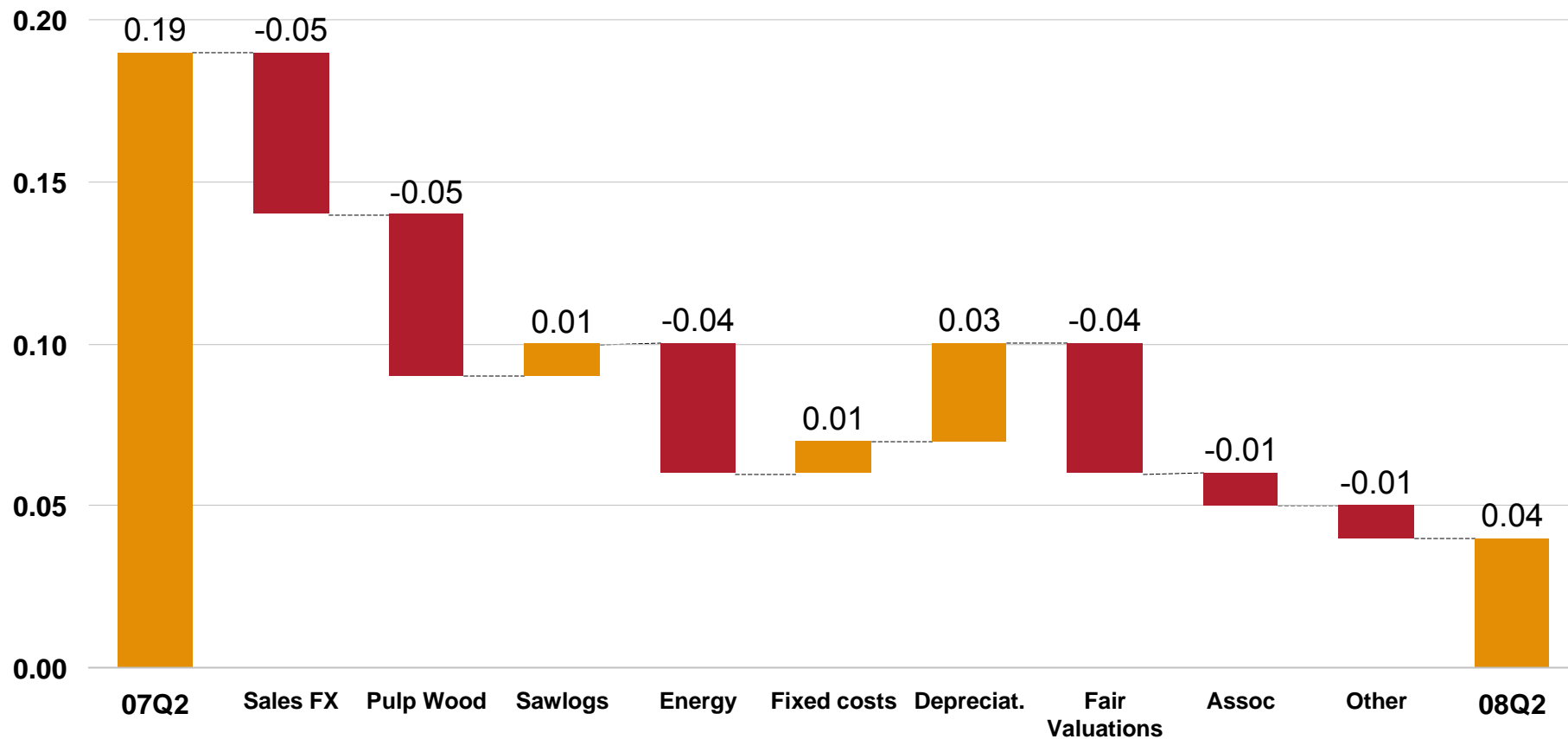
EUR million	I/08	II/07	II/08	Change Q208/Q207	% Change Q208/Q207
Sales	2 832	2 990	2 872	-118	-3.9
EBITDA, excl. NRI	276	431	237	-194	-45.0
Operating profit, excl. NRI and FV	140	223	94	-129	-137.2
Profit before tax, excl. NRI	83	191	32	-159	-83.2
Earnings per share, excl. NRI (EUR)	0.08	0.19	0.04	-0.15	-78.9
Cash earnings per share, excl. NRI (EUR)	0.30	0.45	0.26	-0.19	-42.2
ROCE, excl. NRI (%)	5.0	9.7	2.8		-71.1

## Operating Profit by Business Area

EUR million	I/08	II/07	II/08	Change Q208/Q207	% Change Q208/Q207
Newsprint	26	50	28	-22	-44.0
% of sales	6.8	11.7	7.2		
Magazine Paper	27	8	14	6	75.0
% of sales	5.0	1.5	2.7		
Fine Paper	37	38	20	-18	-47.4
% of sales	6.8	7.4	3.7		
Consumer Board	43	29	23	-6	-20.7
% of sales	7.4	5.1	3.9		
Industrial Packaging	28	30	20	-10	-33.3
% of sales	10.0	10.8	7.0		
Wood Products	-23	59	-11	-70	-118.6
% of sales	-6.2	11.2	-2.7		

# Change in EPS – Continuing operations

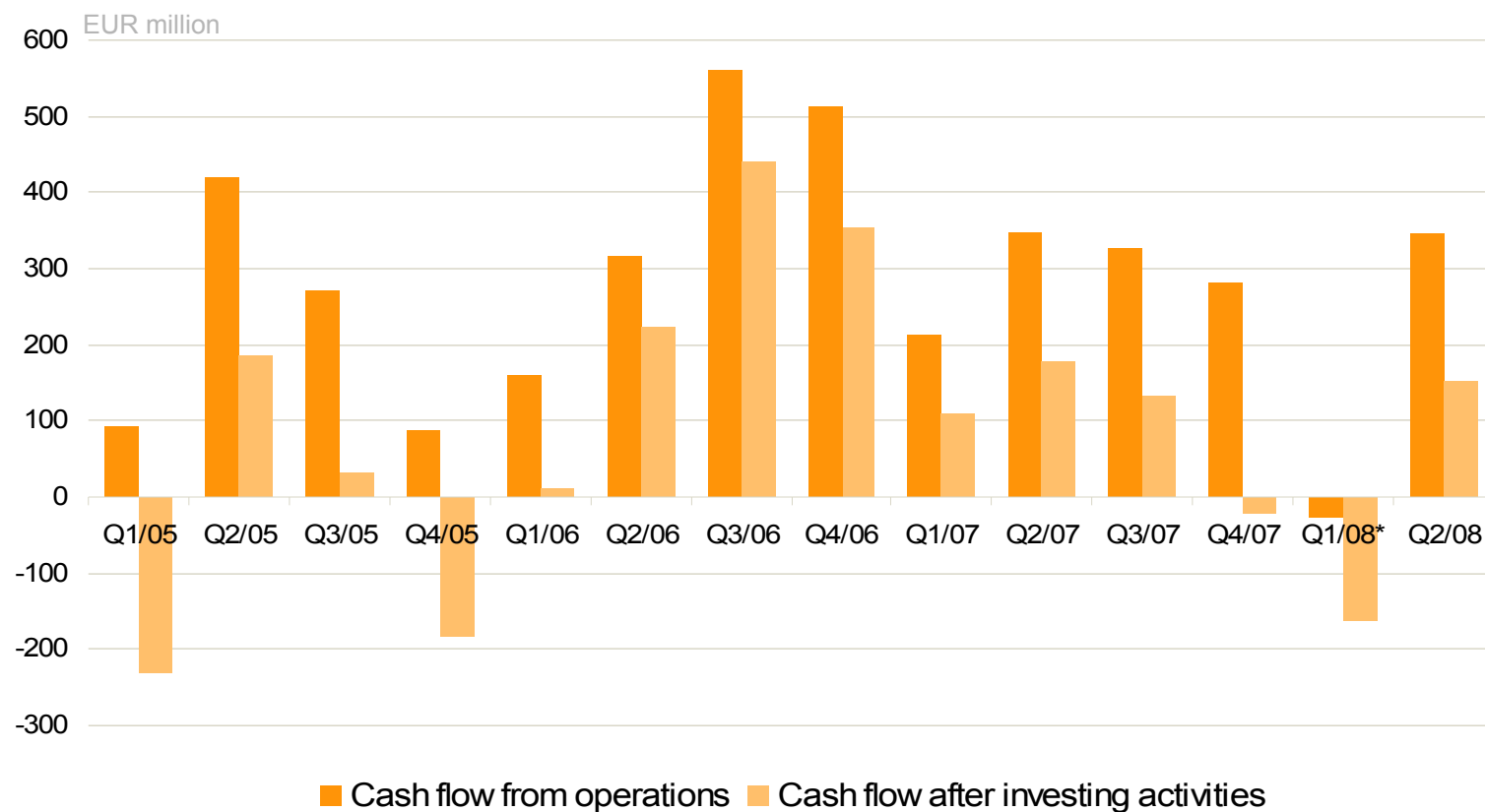
Q2/07 – Q2/08



excluding non-recurring items  
 \*Fair valuations include fair valuation of Total Return Swaps (TRS), synthetic options and CO2 emission rights and valuations of biological assets mainly related to associated companies' forest assets

# Operating cash flow

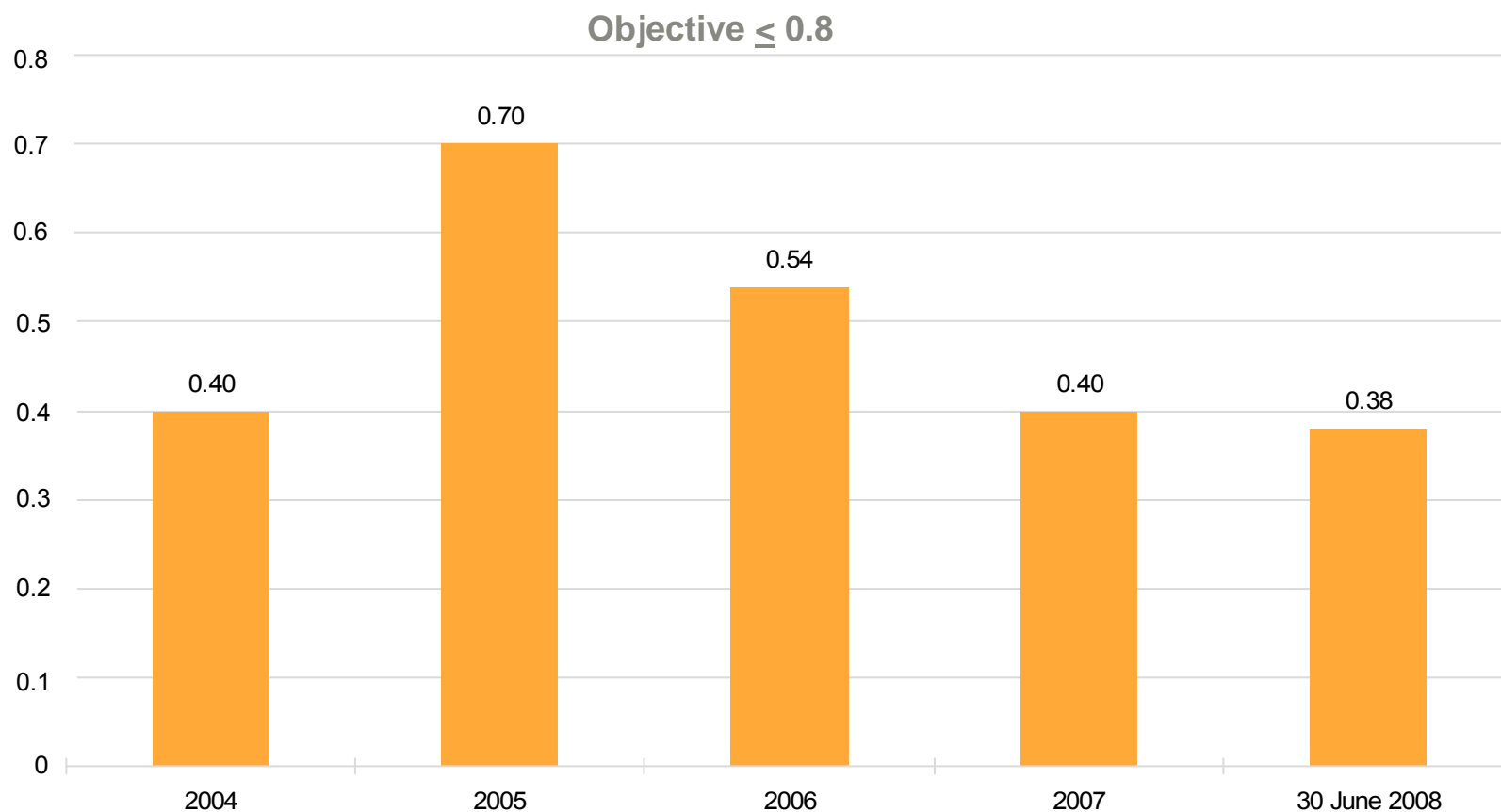
## Continuing operations



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

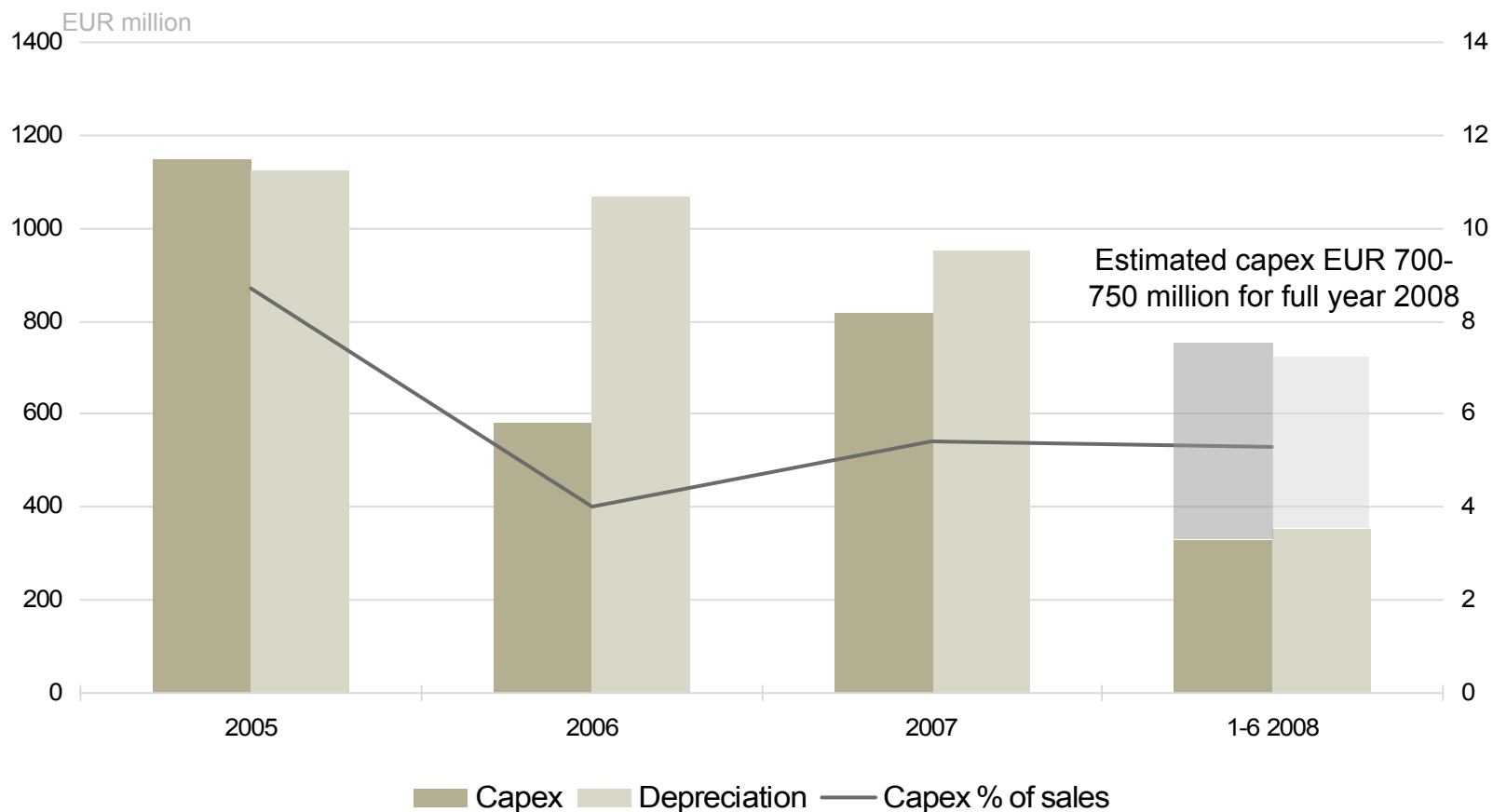
## Debt/Equity – Total operations

### 2004 – Q2/08



# Capital expenditure and depreciation

## 2005 – Q2/08

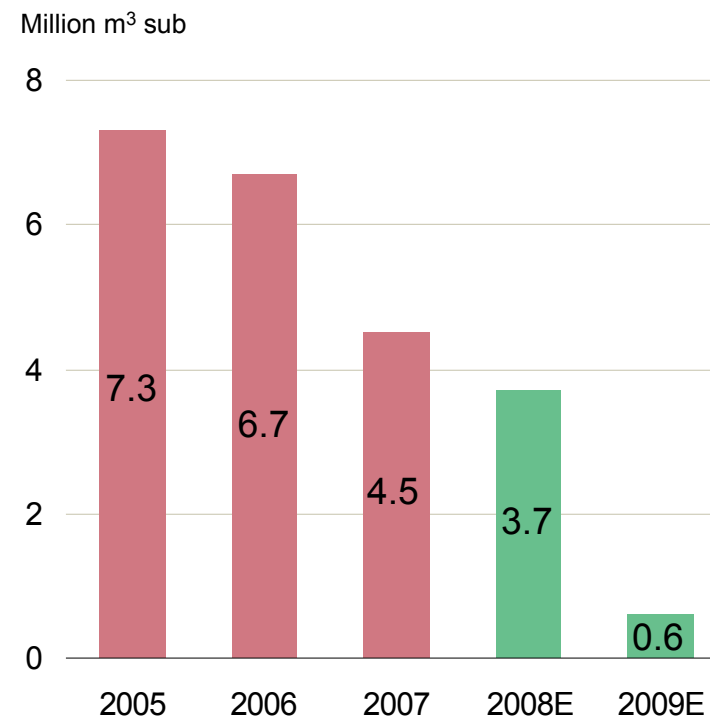


# Wood

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## Reduction in wood exports from Russia

- Reduction from 7.3 Mm<sup>3</sup> in 2005 to 4.5 Mm<sup>3</sup> in 2007
- Finnish domestic wood sourcing increased by 20% in 2007
- Roundwood flows from Russia will cease if full export duty is implemented in 2009
  - Will export only own sawmilling chips

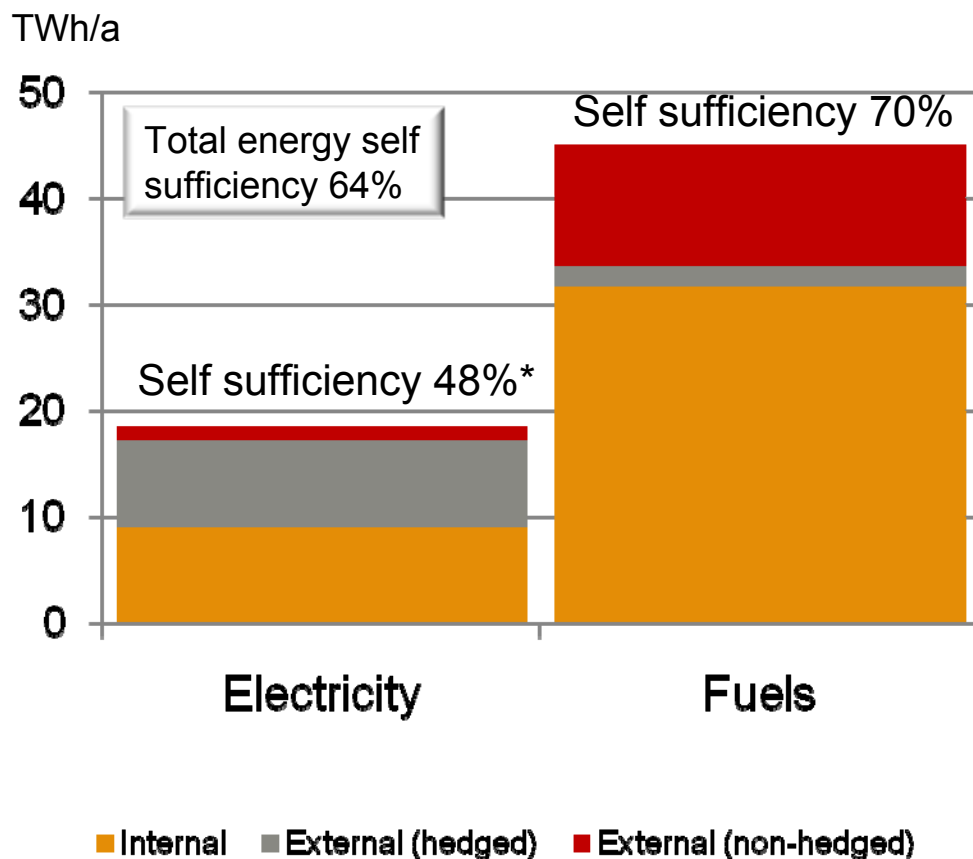


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# Energy balance

Excluding Summa, Norrsundet and Kemijärvi



Impact on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~8
Oil price	~35

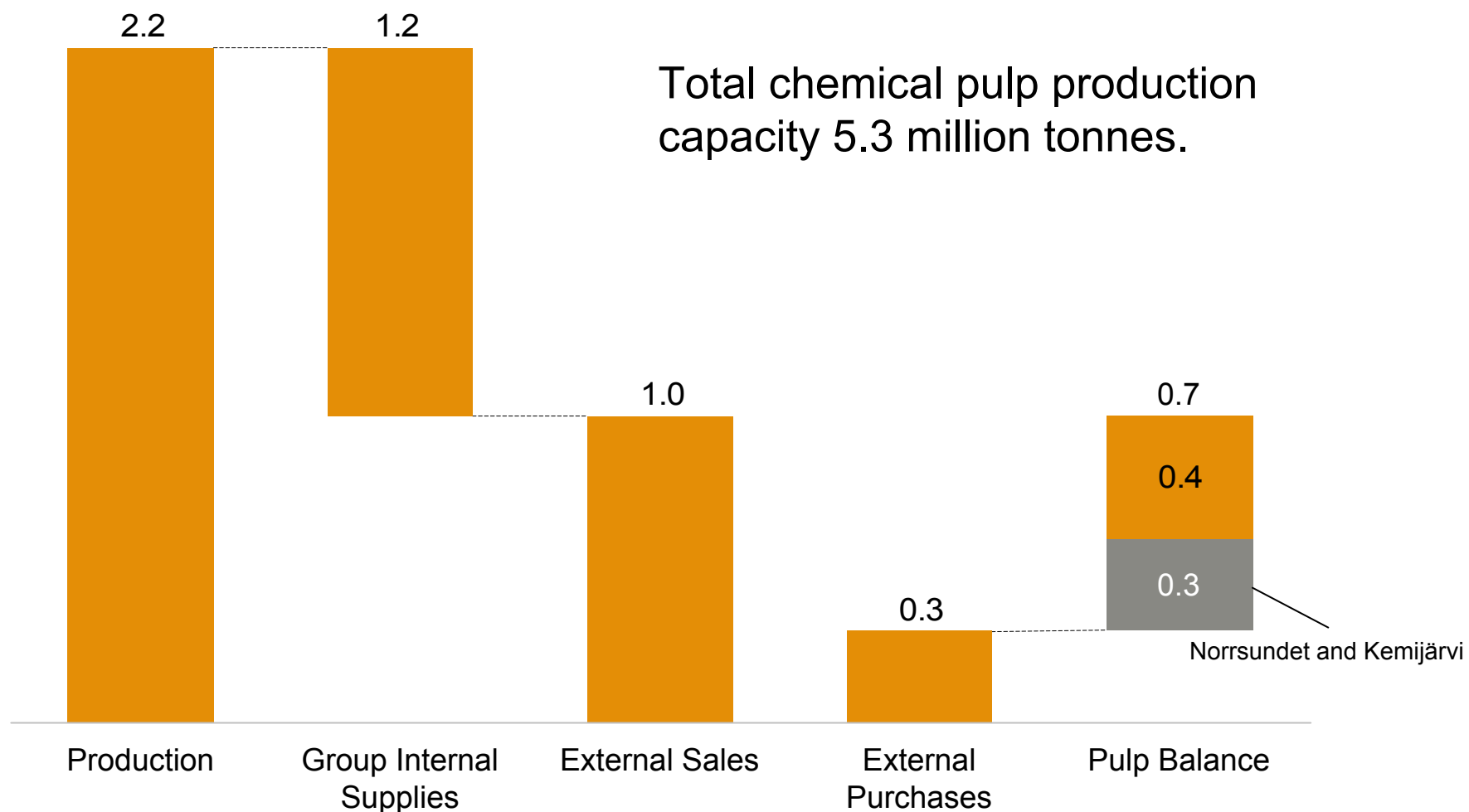
\*) Current situation with 92% hedging ratio for 2008-2009 and excluding any future procurement from Olkiluoto 3 Nuclear Power Plant.

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## Dried pulp flows

2008, million tonnes



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## Near-term market outlook

Business Area	Demand development (year-on-year)	Price development (sequential in local currency)
Newsprint and Book Paper	Weaker demand expected. Market should remain firm following improved supply/demand balance.	Prices in Q3 expected to remain unchanged on Q2.
Magazine Paper	Slightly stronger demand anticipated. Demand growth may slow down due to macroeconomic uncertainties.	Higher prices foreseen in Q3.
Fine Paper	Weaker demand expected, also affected by normal seasonal downturn.	Price rises for both coated and uncoated foreseen later in the year.
Consumer Board	Demand forecast to be much the same globally, slightly weaker in Europe, and seasonally somewhat weaker than in Q2.	Prices expected to start improving towards the end of the year for cartonboard.
Industrial Packaging	Outlook affected by weakening macroeconomic prognosis. Weaker demand foreseen in Q3.	Prices for RCP-based containerboard expected to continue to soften. Corrugated packaging prices expected to be stable.
Wood Products	Demand forecast considerably weaker in Q3 and also slightly weaker than in Q2.	Prices will remain under pressure.

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## Summary

- Inflation in wood, fuel and electricity costs clearly exceeding mitigating actions
  - Further product price increases announced
  - Additional temporary and permanent capacity reductions needed
- 2007 restructuring, wood sourcing +20% and N.A. divestment mandatory
- Annual unit cost inflation for 2008 still estimated to be 4%
  - Risk of a further increase
  - Own actions will compensate for 2.5% to 3%
- Operating profit excl. NRI and FV for Q3 2008 is expected to be somewhat below Q2 2008 level
- Maintaining the balance between cash preservation and investing in attractive growth opportunities

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