

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Stora Enso full-year 2009 results review conference call. My name is Liz and I will be your coordinator for today's conference. For the duration of the call, you will be on listen-only. However, at the end of the call you will have the opportunity to ask questions. (Operator Instructions). I will now hand over to your host, Ulla Paajanen, to begin today's conference. Thank you.

Ulla Paajanen-Sainio - *Stora Enso - Head of IR*

Thank you, Liz. Good afternoon, everybody, and welcome to Stora Enso's full-year 2009 conference call. I'm Ulla Paajanen-Sainio, Head of Investor Relations at Stora Enso. With me here today in the call are our CEO, Jouko Karvinen, and our CFO, Markus Rauramo. Jouko will give us a short presentation of the developments during the fourth quarter 2009 and then you will have the opportunity to ask questions.

Go ahead, Jouko.

Jouko Karvinen - *Stora Enso - CEO*

Thank you, Ulla. Thank you, everybody, for joining the call. We will, as I always promise, try to be brief so we will have plenty of time for questions.

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If you please go to the opening slide, where we talk about the earnings and the fourth quarter, the theme today is twofold. One, we are correcting what we need to correct and rebuilding the future. The earnings in the fourth quarter, the EUR138m, is not a good strong earning but it is a good improvement under the circumstances that somebody called the worst in the mankind's history. But seriously, obviously, a very difficult operating environment. Why? Because we started early is the short version.

The year-on-year cost improvement was EUR229m on the fourth quarter total costs - Markus will break it down in a minute for you - and the full year EUR767m. I think from the quality of the improvement, as you will hear in a minute, important is that it's not just fixed costs. The significant effect is permanent personnel reductions, which are tough, but it obviously gives us a strong starting point for 2010.

Cash flow, very proud of the team in that context. Yes, naturally, working capital improvements come when your volumes go down, but when we look at the actual inventory turns and working capital turns there is a clear improvement path. That's important. But even more important, like in many, many areas, I believe we are just starting the improvement. We have a lot, lot more to do and you will see quite a bit of that also in 2010, both on costs and working capital improvements.

If we take a couple of businesses, Consumer Board back on good earnings; time to push the growth on that. I will talk about the markets in a bit, but obviously the Consumer Board specifically, not only liquid but overall food packaging, quite a few other areas, short term, clearly more attractive than paper market but also strategically very interesting.

Newsprint, and I assume you'll want to talk about Newsprint a lot today, two important messages. The slide says 'Newsprint strong'. Why? Because if you look at the earnings in the fourth quarter, I think it was a strong performance. But even more important, also they are not done; they will improve. Also this year we're starting two of the power plant investments in the second quarter, in Langerbrugge and Maxau, which as examples will also improve their costs. And I think that's a very important message in the challenging situation we are facing.

Final bullet, first priority is pricing quality. It sounds like a broken record but it's a very important broken record. We have and we will take temporary curtailments to manage our pricing quality, to be selective on markets and customers we can serve profitably. And if that's what it takes, we will take permanent capacity reductions as well.

Let me stop there and hand over to Markus, and then I will get back to you with why this is all so important. It's not only because we enjoy telling you that. It is important because we believe this is the fundament of building our future.

Markus.

Markus Rauramo - Stora Enso - CFO

Okay. Thanks, Jouko. If we move on to page seven, look at the summary financials, I'll give a few highlights here.

So our operating profit in Q4 was EUR138m, up EUR110m from Q4 2008. Return on capital employed was, let's say, mildly satisfactory, 7.5%. And what we are especially happy about was our cash flow, almost EUR500m from operations and EUR400m after CapEx. Net gearing decreased to 0.51 in Q4. The full-year operating profit ended up being EUR321m and cash flow from operations very strong, EUR1.26b, over EUR800m after CapEx.

I am very impressed about our team achieving this result, and especially the cash flow, in an environment which was historically difficult and sales dropped almost 20%.

We have been working extremely hard on all fronts, not only on the Q4 EBIT but also working capital, cash flow, debt and liquidity. And I will now walk through what I consider to be the highlights of our performance in 2010 (sic).



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Moving on to page eight, if we look at the EBIT development by quarter, in 2009 our EBIT improved each quarter, from EUR3m in Q1 to EUR48m in Q2, EUR132m in Q3 and EUR138m in Q4. If we compare Q4 '08 and Q4 '09, they are very different. Sales price, FX and volume impact combined had a negative impact of EUR140m on our result. On the other hand, costs came down a total of EUR230m. Energy logistics, fiber, chemicals, other variable costs, had a positive impact of EUR190m. Personnel had a positive impact of EUR42m.

This number is and will be impacted by the changes in production personnel and our payroll increase shifts and so on. And for example, in Q4 it is impacted by the startup of Sunila and Enocell Pulp Mills. And as this number doesn't necessarily give you the full picture because of this impact, I will just mention that our average headcount went down by 3,500 people if we exclude the maintenance outsourcing. Including that, it would be over 5,000 people from 2008 to 2009. So I think this part, regardless of how we show the number, you can regard as a very permanent reduction of fixed costs.

Q4 result was also impacted - I want to get your attention to - was also impacted, as we tell in our release, by large maintenance and rebuilds in consumables and magazine that we also alluded to already in the Q3 result and guidance for Q4, as well as the catch-up in the write-down of spare parts. They impact partially, showing the maintenance cost variation. So a couple of larger, you could say, items that will not repeat themselves in the same magnitude in this quarter.

Then, looking at working capital on page nine, something that we are happy about, that we have been able to get the focus of the whole team on this. We have reduced our operating working capital from EUR2.6b in 2008 to EUR1.6b at the end of 2009. And more importantly, we have improved the working capital to sales ratio from something like 23% in 2008 to about 19% in 2009. And our objective is to reduce working capital relative to sales even further in 2010. Of course, if sales increase significantly, that could have an impact on the absolute level, but in relative terms our goal and ambition is definitely to reduce the working capital to sales ratio.

If we move to page 10, you will see the cash flow from operations and same after CapEx. The cash flow has been very strong, as I mentioned before, and we have had a strongly positive operating cash flow and cash flow after CapEx in every quarter in 2009.

Finally, moving to page 11, we have steadily been decreasing our net debt throughout the year, by EUR530m from the end of 2008 to the end of 2009. And all of the previous actions that we have taken, if we look at page 12, plus the fact that we have successfully been issuing new money in different markets without covenants, has led to the situation where our liquidity is excellent at year-end.

At the end of 2009, we had EUR877m of cash against EUR850m of debt maturities in 2009 (sic) and EUR560m in 2010 (sic). Our EUR1.4b committed credit facility without covenants is fully undrawn. We have raised, as said, over EUR600m on new funding without covenants in 2009, and we have a good pipeline of new funding transactions also coming up.

One thing that we don't mention here on the slide is our capital repayment. I think this also -- of course we look at our earnings capacity going forward, but we also take into account the many expansion possibilities, the strategic expansion possibilities we have and the possible need for capital there, when we set our capital repayment levels.

Finally, the good liquidity and access to debt markets do enable us to do M&A, continue the restructuring if needed and pay the related costs on mill closures and so on, and especially implement our growth strategy, which Jouko will now talk more about.

So back to you, Jouko.



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Jouko Karvinen - Stora Enso - CEO

Thank you, Markus.

Let's go, then, to page 14. The other press release that came out today, which is that we've decided together with our partner Arauco to initiate a feasibility study with the location in Punta Pereira - I will show you a map in a minute - in Uruguay. It's a small step, obviously, today, but I think it is a very significant strategic direction. I'll try to tell you why.

We believe that with our experience of specifically our partnership with Fibria in Bahia in Brazil, which by the way, I will make a bet with any of you, is the single lowest-cost pulp mill in the world today, has given us tremendous foundation to build and expand that particular path. Timing is important. And I think what's important here is that our strategy is not a strategy on PowerPoint only. We actually have significant sales growth options in plantation based pulp, where we already have the land and where the trees are growing as we speak, and they by the way grow pretty fast.

There is a map of Uruguay there. I have the honor to join the boards of both our Brazilian and Uruguayan joint venture. A small country, a very welcoming country, well organized in terms of legislation and so forth. And my expectation is we are a very welcome guest, or I prefer saying neighbor there.

Punta Pereira is on the south west coast there, as you can hopefully see on the map. If you go to the next page, which is then basically titled Expansion Platforms, it shows four of our significant plantation efforts. Veracel, where you know there is an expansion possibility that we are discussing with Fibria as we speak. We have Uruguay now, with 0.25m hectares, and almost half of that planted and growing, and then we've got Guangxi.

To quantify, if and when all of these three projects, I mean not even counting Rio Grande do Sul, are realized, that's about 4m tonnes, 3.5m/4m tonnes of very low-cost pulp. And obviously, because it's a partnership, so two of them are -- that would mean more than 2m tonnes of low-cost pulp. So it's not only that we are there, it is that we have identified actually progressing growth options. That's what I think is important also about the news today of initiating the feasibility study in Uruguay.

Then go quickly to the next page, which actually is just a simple breakdown of our sales and operating profit. The headline of the story is yes, we are a significant newsprint and publication paper company, but that's still about a third of the company. Two-thirds is something else. And it is obviously a good foundation also in the short-term challenges when the graphic grades are under price pressure. And we will talk about that more, even though I will not give you a number because we are negotiating prices and I am not going to negotiate the numbers through telling you.

But the point I am trying to make is that if you do the rough maths on the sales and the pricing, although short term, there is about 35% to 40% where through the overcapacity there is various degrees of pricing pressure. Well, believe it or not, there is about the equal amount where we see opportunities to slowly maybe somewhere and sometimes to improve pricing.

Let me then move very quickly to the market outlook graph that you may have read and have seen many times before, with the three-month rolling average demand change. And I won't spend a lot of time. The first slide talks about the publication grades, where the demand is still below zero -- I'm sorry, the demand change is below zero. And I think it is important when we look at derivative curves to remember that the borderline, so to say, is on zero. And given the fact the real root issue of the structural overcapacity in all of these grades, obviously the pricing pressure on various degrees is there.

If we go to the next page, talking about coated and uncoated fine paper, similar story even though the change in demand seems to be slowing down, but it's still below zero. And then the following page, where we talk about a couple of examples, folding boxboard and white lined chipboard, two key products in our consumer board market. There we are actually on a positive growth.



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So, two real messages here. It's good to be in fiber-based packaging, especially, as you see from the results, consumer board that we need to now make grow because it's a good capability, good earnings capability and so forth. But the other message also is we have not for three years and we will not wait for others to fix the surrounding. We will continue our path and continue doing things that it takes not only to survive but to build our future and being able to invest in future opportunities, so we can get more sustainable and better earnings.

If you go to page 22, then, this is the second last, I promise, it says we are going to stay on the path. What does it mean? Pricing is more important than market share. We're happy to lose marginally, not hugely but marginally, market share to make sure that we maximize our pricing quality. I claim we've done it before.

But what the slide doesn't say, and I think that's very important, we not only expect about a 1% cost deflation before our actions in 2010 versus 2009, but you should also understand that not everything that we have announced before has come true. So we expect a further -- and I will not give you an exact margin number, but we will see more than the cost deflation also in cost improvements in 2010 over 2009.

To give you a real example, which is a little maybe funny because I won't give you a number. I'm sure in two minutes we're going to talk about what's going on with newsprint pricing. Well, first you need to realize that that's the consequence of structural overcapacity and the ratios between overseas markets in Europe. But more important, I am convinced that even though the newsprint team, to use an example again, in 2009 made in my view a very strong earning, they are doing more. And some of the investments are starting to pay back in the power plants and so forth.

And I believe that a very significant material part of the pricing pressure will be able to compensate for that already in 2010. And then I don't need to tell you, once we finally get the capacity situation better in this region, that cost base is going to help us and make us even stronger.

Temporary curtailments, repeating myself, if that's what it takes we will also take further permanent capacity out. We're not going to waiver from that path that we have selected.

Final slide, with three words. We think we are stronger than a year ago. That to us is the biggest change. It's not that the environment has gotten easier. Demand may have gotten a little easier but the pricing pressures have increased. We hope that the cash flow, the cost and the balance sheet are proof points of that to you.

More important than strong is that we're improving. We're not done. Our cost base will improve further this year. And my simple message to my own people this morning was now that we've practiced for three years, including myself, maybe we should finally start putting the gas pedal down and get some more speed. Why? Because we want to be able to invest into our future, which then has to be profitable on a totally different level than our path. And I repeat, fiber-based packaging, low-cost pulp being two of the key areas.

I think I will stop there. Thank you so much for your attention. And I think I will hand over back to Ulla.

Ulla Paajanen-Sainio - *Stora Enso - Head of IR*

Thank you, Jouko. We are now ready for the Q&A session.

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QUESTIONS AND ANSWERS

Operator

Okay. Thank you, Ulla. (Operator Instructions). Your first question comes from Myles Allsop from UBS. Please go ahead.

Myles Allsop - UBS - Analyst

Just a few quick questions. First of all, could you give us a sense on the cost savings? Last quarter you were saying that the four programs were targeting EUR710m; you were 33% of the way through those. What percentage of the way through are you now and what should we expect to be realized in 2010?

Markus Rauramo - Stora Enso - CFO

Okay. I can take that question. We have several programs, four programs that we have announced, starting all the way from Kemijarvi, Summa, Norssundet, and then going into our SG&A rationalization closure of Baienfurt, now the recent announcement of Varkaus' provisional closure, Imatra, and so on. And approximately you could say that 40% of the impact of these programs shows in our results today and about 60% is coming in 2010/2011.

And the reason why it takes time even though we push very hard to implement this as fast as possible is that of course all of these steps have not been fully implemented yet. But to the extent that we follow our plans, we are well on track with all of the programs. And of course you can see from the steps we have taken, for example from the mill closures, that in a material sense all the large steps have been taken and also the SG&A program is proceeding as planned.

Myles Allsop - UBS - Analyst

Okay. Then, UPM last week gave reasonably clear guidance for 2010, saying expected clean operating profit to be broadly flat year on year, or not materially different. Could we apply the same sort of logic to yourselves? Are you giving any kind of broad guidance for this year?

Jouko Karvinen - Stora Enso - CEO

Hi, Myles. This is Jouko. I will take this because I'm going to be so brief on it. No, we don't give earnings guidance for the year. I can only highlight that I think you need to watch. What we say, though, we say further cost improvements coming and willingness to cut more if needs to be. And then, obviously we also have to remember that our portfolio is quite different than some of your other comparisons. That's all I can say.

Myles Allsop - UBS - Analyst

Okay. And just thinking about the Uruguay, Veracel, the -- what sort of capital would you have to invest into the joint venture to push ahead with those projects? And with Uruguay, is the feasibility a one-year study or when would you press the button to start building that project, if you want to?

Jouko Karvinen - Stora Enso - CEO

Well, I'll start from the end of the question and I will take that because I'm a very new, very eager board member in both joint ventures. The feasibility study we will complete this year, meaning 2010, and it is the regular economic, operational, technical, but also very important environmental and social study. We started, personally, very clearly to make it a Uruguayan company.

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We even have a very Uruguayan name, but also building a relationship to the government and the new government. So we think that's very important. This is a huge project for a very small country.

So we are going to take our time. And I specifically promised in the board of the joint venture that we will not disclose even the range of the mill size yet because that comes later, and that's maybe my excuse not to give you a specific number on the investment. But the fact that it is a joint venture and an associated company for us obviously makes it clearly an easier effort than a standalone, wholly owned, and I think strategically that's one of the benefits we have, both in Brazil and Uruguay. We have more strategic options where the trees are growing than probably anybody else.

And one more thing, Markus will add a little on this, that I think that the Uruguayan effort from a pure fiber base is the furthest ahead in the world as an opportunity. But decision is not going to happen before we've done the feasibility study.

Markus, go ahead.

Markus Rauramo - *Stora Enso - CFO*

Okay. Myles, just one initial comment that of course we are not going to speculate, like Jouko said, on the size of a potential pulp mill. But let's say that just more like generically that the technique how we would, let's say, capitalize and run such a joint venture would be that there would be less than half equity and more than half debt. And then our share of the financing would be half of the equity, to look at what kind of capital strain would it put on us, just to give a rough idea.

Jouko Karvinen - *Stora Enso - CEO*

And you probably know better than I do the cost per tonne, if you build the best mill in the world.

Myles Allsop - *UBS - Analyst*

Yes. No, that's very helpful. And then, just one last question. You talk about structural overcapacity and then saying you'll close capacity if needed. I guess, having listened to a few companies today and earlier, everyone seems to say it's not for us to close capacity. Are we looking at a similar situation in 2010, where everyone's waiting and seeing and we don't address this oversupply for another 12 months? It's incredibly frustrating, I think, for many investors to see that the reaction is so slow.

Jouko Karvinen - *Stora Enso - CEO*

I agree with you. I'd have a worse word than frustrated, but it's not appropriate to use that, for myself here. But I hope we're the last call you're listening today, because this is different. We will close capacity permanently if we can't make money. And I will not wait and I will never say, as long as I'm here, that we've done our part and it's others part. I think that's the illness, if I use the polite word, of the industry. This industry hasn't by far done enough, and god we're late. Anyway, we will do more if needs to be.

Myles Allsop - *UBS - Analyst*

Okay. I'll pass it over now, thanks.

Operator

Thank you. Your next question comes from the line of Lars Kjellberg from Credit Suisse. Please go ahead.

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Lars Kjellberg - *Credit Suisse - Analyst*

Yes, hi. On the note of closing capacity, what is the status of the Imatra uncoated fine paper machine?

And also, if you want to share a bit the -- your logic about restarting Sunila, is that a function of that the wood based have actually improved in Finland sufficiently to supply that mill?

Jouko Karvinen - *Stora Enso - CEO*

Yes. I'll start and Markus may need to help me. Short answer on Imatra, it's going down end of March.

Lars Kjellberg - *Credit Suisse - Analyst*

Okay.

Jouko Karvinen - *Stora Enso - CEO*

Negotiated, decided, done. So that's going to go, one.

And two, why did we restart Sunila? And we tried to be very transparent about it. It's not a strategic study or decision. Given the balance and the Group wood cost situation, and the market pulp development, we said hey, if we can make money we'll make money. And we very clearly told the good people in Sunila that this is a limited time decision; we will review it later this spring. And to prove my point, we initiated even parallel a study to look for alternative business fees outside our industry if it would be a short flight. Well, it's just a cash generation effort, short term. We'll see how long it's going to go on, but you shouldn't worry that we've made a (inaudible) decision back.

Lars Kjellberg - *Credit Suisse - Analyst*

And if you will comment a bit on the wood availability in Finland, if that is in connection with Sunila or not at all?

Jouko Karvinen - *Stora Enso - CEO*

The wood costs obviously have developed well. Part of it is largely what is hugely short, slow or reduced purchasing volumes. The inventories have been used, as you can see them from our balance sheet and so forth. I'm pretty comfortable, but I'm not comfortable for very, very long, meaning that I don't see any immediate issues in terms of supply/demand balance on that side. And on the other side, if that starts to be an issue, we know exactly where and when to control that, in terms of using wood. So I guess we're comfortable that we won't have an issue where we would start having either total shortages or a huge cost explosion because we won't let that happen by that.

Markus Rauramo - *Stora Enso - CFO*

And if I just add to that that of course the restart of Sunila, if you look at the pulp price, what has happened there, I think that tells you the reason why Sunila is restarting, why we have difficulty from some other grades, if you just look at the price development there.

When it comes then to the different input factors, and I think this is a larger question, it's not only about wood availability and price. Let's say the competitiveness overall is a function then of logistic costs and operating costs, chemical costs, whatever.

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And I think the really problematic issue for Finland still that has to be solved is the balance between the different species, so the balance between short fiber and long fiber availability is the really big issue. And of course Sunila and Enocel are now running on long fiber.

Lars Kjellberg - *Credit Suisse - Analyst*

Okay. Just three more questions, if I may. Veracel versus Uruguay, if you want to comment on why one project is going ahead and the other one isn't.

Varkaus, the status.

And finally, what CapEx are you looking at for 2010?

Jouko Karvinen - *Stora Enso - CEO*

Markus is going to kick me soon because I always start and then he has to finish. But number one, the scientific, if I may call it, answer on Uruguay versus Veracel is that the fiber base, meaning growing enough fiber for a full-size mill, the fact of the matter is that Uruguay's further ahead. So that's not a discussion but just a fact. And that's, I think, the Uruguay. And our joint venture's Uruguayan fiber base is probably the furthest ahead of any project anywhere in the world.

We are -- and I only say this because it's obviously important to say that. I am, we are, discussing with Fibria on exact timing and optimization of the possible Veracel 2. But like I said, it's -- fundamentally, the scientific or the actual reason right now is the Uruguayan fiber base is further ahead, more trees growing. So that's one.

Varkaus, I think I was very clear today in the media against some unfortunate speculations in the Finnish media in the past few days about hope for Varkaus and I don't know what. I said specifically, looking at my understanding of both the uncoated fine paper market, its overcapacity situation, and the newsprint market which is also a product of Varkaus, now adding with the pricing pressure, I am less optimistic for paper making in Varkaus than I was six months ago. And the only positive there is that we've done an extraordinary effort, together with the ministry and the Varkaus people, on preparing for the possibility of a permanent closedown of basically the entire facility, still safeguarding our biodiesel test facility.

That's all I can say. I've been asked about 17,000 times today, when will we announce the firm plan. And I have said 2009, but I can assure you obviously we will not delay that unnecessarily. We need a little more clarity on both the demand situation and yes, I want to finish the price negotiations in the publication grade first.

And the third one was --

Markus Rauramo - *Stora Enso - CFO*

CapEx. CapEx I can take that. So for 2009, our CapEx ended up being EUR424m, so pretty much at where we had expected it to be. The -- I think the interesting thing there is where did we invest, where did we spend that money. And that really went into both insuring and improving our cost competitiveness and the future. So the main projects were the power plants and energy-related projects in Maxau, Langerbrugge, and also in cost strengthening the key good cash-generating assets we have, development of existing production. Key projects were in Imatra, Skoghall and in plantations in South America and China. That was about EUR40m of the total.

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And for 2010, the target is approximately EUR400m. And this of course then excludes any large expansion project of the like of Uruguay or Veracel 2 or Guangxi. So that would be then it's own case, and of course we would look to be appropriately financing that, or even if it would be several of these projects, to make sure that we follow our financial targets.

Maybe one thing that a little bit ties into the CapEx is that, as I said in the beginning, we did also consider the dividend or the capital repayment of EUR0.20 per share in the light of that we do have really exciting pipeline of new projects to build the future. So when we are balancing the cash return and the future returns, we put that into context.

Lars Kjellberg - *Credit Suisse - Analyst*

Okay. Thank you.

Operator

Thank you. Your next question comes from Linus Larsson from SEB Enskilda. Please go ahead.

Linus Larsson - *SEB Enskilda - Analyst*

Yes, thank you. Good afternoon. Coming back to your cost guidance for 2010, you're talking about a 1% cost deflation. I wonder if you could shed some more light on that, which items you're seeing deflating and which items you're seeing inflating, and maybe in particular a word on wood costs in 2010, please.

Markus Rauramo - *Stora Enso - CFO*

Yes. Let me get back to that a little bit later, to give you some kind of guidance. But let's say that overall, if we had decreases in several areas in 2007 -- sorry, 2009, 2010 is more of a flat development across the board. There are some areas where I think otherwise we would be seeing maybe more increases, but our own efficiency programs that we have started already earlier, moving into more energy-efficient mixes and so on, plus the investments we have done, the picture would look different. But let's say that whereas last year we had very dramatic movements in the different cost items, the picture is much, much flatter this year.

Linus Larsson - *SEB Enskilda - Analyst*

Okay. And wood specifically, do you expect wood costs to be higher or lower in 2010?

Markus Rauramo - *Stora Enso - CFO*

Just looking at the list prices where we are today in Finland and Sweden, we see slight increases. But, how to put it, it is, in all honesty, it's a bit of guessing to start forecasting what -- where the pulp wood and so on prices will be for each grade in the fourth quarter of this year. So I think the best we can say now is that, let's say, on the spot market, prices have bottomed out and they have slightly increased. And then I think we'll -- still the end of the year is so much in ambiguity that we'll have better visibility as we go a few quarters ahead.

Linus Larsson - *SEB Enskilda - Analyst*

But I would assume -- not talking about wood costs specifically, but I would assume that there are a number of cost items where you are seeing cost curves turning up rather than down right now. Am I right?

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Jouko Karvinen - *Stora Enso - CEO*

Some of them are still heading down, first of all, because it's not a year-on-year change. So the only point I'm trying to make is it's very difficult to split 1% into four quarters and six different factors. So I think important message is that after the wonderful three-year experience we've had, I think we are a little -- we've learnt quite a bit about also making sure that we don't have cost explosions, like we had, for example, in 2007 when the Russian duty hit us. So I guess we stick to the 1% deflation. Markus, (multiple speakers).

Markus Rauramo - *Stora Enso - CFO*

No, I think that's exactly right. So the big picture is that it's 1% and then our own actions on top of that. But you know when you dig into the different parts, there are movements caused by our own actions, so we improve. But also, when you go into, for example, chemicals, it can be -- they can go up or down, depending on the specific item. So I think we'll leave it at that at this point.

Linus Larsson - *SEB Enskilda - Analyst*

Fair enough. And may I also ask about your consumer board division, if you could just give a little help about -- with some sort of an EBIT bridge between the third and the fourth quarter and what kind of a profitability level we are at right now.

Markus Rauramo - *Stora Enso - CFO*

Well, first of all, if I start with -- on the consumer board side, by just repeating what I said earlier, we had sizeable maintenance and rebuild stops in Imatra and Skoghall, which we pointed to already in -- already back in the Q3 release and guidance. And overall we see from Q3 to Q4 a slight improvement on the business side, pretty flat on the cost side. So -- and then you put on top the more like one-time items. So that's, I think, the picture. And overall, of course, it is stable. Prices are slightly on the increase. So, quite a stable or improving situation.

Linus Larsson - *SEB Enskilda - Analyst*

Sure. So the first quarter more in line with the third quarter, it sounds.

Jouko Karvinen - *Stora Enso - CEO*

Listen, let me jump in. And I fully respect and understand that you'd like to get a direct answer on how does the first quarter profit of consumer board look like, but I think we -- I would plea that we stick to what Markus told about the third -- fourth quarter, parameters that we communicated a quarter ago, because we can go over them for a long time if you go through all the answers.

Linus Larsson - *SEB Enskilda - Analyst*

Sure. Fair enough.

Jouko Karvinen - *Stora Enso - CEO*

Thank you.

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Linus Larsson - *SEB Enskilda - Analyst*

Thank you very much.

Operator

Thank you. Your next question comes from Mikael Jafs from Cheuvreux. Please go ahead.

Mikael Jafs - *Cheuvreux - Analyst*

Yes. Hello. I have a question regarding your pulp projects. You are now starting out with a feasibility study in Uruguay. If we look upon the profitability of these projects, they are very high. Should we expect you to come with feasibility studies in China pretty soon or will that take longer?

Jouko Karvinen - *Stora Enso - CEO*

The -- how do I -- I'm trying to think because I don't want you to overreact to my comment. The feasibility study on its own is obviously a small investment of a few million, one. So when and where we do feasibility studies is basically a timing thing more than anything else. That's one answer.

And the second answer is, which is why I showed the world map, is that whether it's China, Brazilian expansion or Uruguay, I think the beauty of it is that we have a growing fiber base that will allow us to choose, obviously, against the ability to finance and so forth. And all three of them are very, very impressive, but I will try to stay away from trying to give you the steps on which. Uruguay you've heard from a fiber base point of view. But I would not want to give you a statement on -- between China and Brazil and so forth. So I'm going a little around the question.

Mikael Jafs - *Cheuvreux - Analyst*

Okay. I can understand that. And then, on the same with newsprint negotiations, when do you think they will be finalized?

Jouko Karvinen - *Stora Enso - CEO*

I can't give you a day, but I can tell you we are about halfway through, which is also why I'm very grateful that you have -- nobody of you has asked me well, when is it going to be. I was very displeased when I saw the recent report because I can assure you that my sales force has been guided to fight back at the expense of margin or market shares. The recent report announcing something wasn't very helpful -- hasn't been very helpful in the negotiations. And so there's going to be quite a few more weeks before we're done. And then obviously our goal at some point is to report how much better did we do, how well did we beat the recent report. We'll see.

Mikael Jafs - *Cheuvreux - Analyst*

Thank you.

Operator

Your next question comes from Johan Sjoberg from Carnegie. Please go ahead.

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Johan Sjoberg - *Carnegie - Analyst*

Yes. Good afternoon. What is your best guess when it comes to how big a portion of the European newsprint industry that you foresee to be cash cost negative in 2010, considering where you see prices landing right now?

My second question has to do with magazine paper. How do you view that market? I would assume that is equally as weak as in newsprint.

And my third question is on tax rate for 2010.

Jouko Karvinen - *Stora Enso - CEO*

Okay. I'll save the tax rate for Markus, plus taking my other answers. I won't answer directly how much is going to be cash negative. I will say two things. The underlying issue obviously is that first, a year ago, when the pricing negotiations, including ours, led to a price increase, which is, to say the least, not the case this year, number one, the overseas market pricing was clearly stronger then so that was a big factor there. And that disappeared last summer.

As far as we're concerned, like I said, we stay on our path and we don't want cash-negative business so we'll curtail that and then we'll see how that develops or impacts the overall pricing, depending on the behavior of the rest, which I can't and should not comment. But I do want to repeat that we're very, very conscious and stick to our path, which is we're here to make money and not just newsprint. That's one.

And sorry, what was the second question?

Johan Sjoberg - *Carnegie - Analyst*

Yes, regarding the magazine paper market. That has been slipping throughout 2009 and it looks like it's slipping now also.

Jouko Karvinen - *Stora Enso - CEO*

Well, if you look at the demand curves that I share with you, not so much a pretty picture. My reading is, based on everything I see, that coated is tougher than uncoated. Also, if you look at the PPPC structural overcapacity data and so forth, which is kind of good news for us because we're relatively clearly stronger, both capacity and so forth in uncoated. And I don't agree with you that it is going to be as tough as newsprint, but it's tough enough.

Markus Rauramo - *Stora Enso - CFO*

The third question was about taxes. So in 2009 our statutory rate would have been 28%. The accounting tax, effective tax rate was 1%, so not a very impressive result with EUR886m of losses and plus EUR8m of tax. That was due to a lot of disallowable expenses, write-down of NewPage shares and vendor notes, write-downs of Finnish tax losses and so on. So we ended up at 1%. Don't expect that going forward, if we make profits. Statutory tax rate for 2010 will be somewhere around 25%, 28%, depending of course on where we make profits. There will be volatility when earnings levels are low and effective tax rate then normally would be somewhat lower than the statutory tax rate.

Johan Sjoberg - *Carnegie - Analyst*

Great. Thank you very much.

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Operator

Thank you. Your next question comes from the line of Ross Gilardi from Merrill Lynch. Please go ahead.

Ross Gilardi - *Merrill Lynch - Analyst*

Good afternoon. I just had a couple of questions. First, just on uncoated fine paper prices, you and several others have commented that the pricing environment, at least for now, seems to have stabilized. I'm just curious why you think that is. Is it just that a lot of the production is not integrated and pulp prices are soaring? And do you think prices would -- could still hold if we saw some loss of momentum in the pulp markets?

Jouko Karvinen - *Stora Enso - CEO*

On our side, I think that is one of the factors clearly that's pushing it. I think the other one is that the levels we have been on have been unacceptable to start with. And forecasting is difficult. I'm relatively calm about that right now because I think, even though there was the shock of the new capacity and so forth, even though it's secondary to the demand, the underlying demand is clearly healthier than it is in some of the publishing and commercial printing grades are.

Ross Gilardi - *Merrill Lynch - Analyst*

Do you think we're even within remote striking distance of a price increase that could possibly be successful right now or still away -- in that grade?

Jouko Karvinen - *Stora Enso - CEO*

If I could think again how to answer that because I'm very cautious with trying to communicate things the wrong way. But let me put it this way. When I look at the overall industry earnings level and so forth, I think the need is definitely there, like I said, in the underlying demand on the consumer side. I think there is more reason to believe that than somewhere else. But I wouldn't want to -- no, I promised to make a bet on something today, but this isn't necessarily a bet I would make right now. We need a little more time to see how well it sticks.

Markus Rauramo - *Stora Enso - CFO*

And Ross we -- as we said before, we don't really communicate our pricing negotiations or increases, let's say, with anyone else than our customers. But to just elaborate a little bit more on the dynamics side, I would agree with you that of course the pulp prices, they support the fact that integrated players will be under pressure, and the fact that we have been on a very low level on the pricing. And then the difference, I think the biggest difference, actually, is that the pricing cycle is so short that we will see -- we'll see that impact of changes in demand and supply track much faster than in some of the other paper and board grades.

Ross Gilardi - *Merrill Lynch - Analyst*

Okay. Thank you. And I just had one last one. You had some Board changes that were announced today, including several departures. Were these departures -- had they been expected for quite some time now or were these unexpected?

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Jouko Karvinen - *Stora Enso - CEO*

Well, first of all, I don't think this is necessarily a subject for the CEO of the Company who reports to the Board to comment. I think you'd have to talk to the Chairman of the Nomination Committee more. But now that I get the opportunity, I think it's actually a very positive movement in many, many ways, if you look at the facts. Claes Dahlback has been a wonderful boss and a Chairman for me. I've been able to do everything and more than I ever thought with the Company, always looking forward, never looking back. So he has been and he will be a great friend.

Gunnar Brock, our new Chairman Elect, great guy, superb track record in the industry. And I've had a three years chance to work with him in the Board, which I think is very exciting. My core team knows him very well and I think we will be going forward even faster.

And then one more thing that I want to specifically mention, the nominated Board candidate from Brazil. I think, if you care to look through her CV, she will be absolutely valuable for us in our future efforts to grow in Latin America, very good addition.

So not that I'm answering your question, but I'm saying it's been a great Board. Now it's going to be even a more great Board, and that's what I want.

Ross Gilardi - *Merrill Lynch - Analyst*

Okay. Thanks very much.

Operator

Okay. Thank you. We have no further questions, so I shall hand the call back now to Ulla.

Ulla Paajanen-Sainio - *Stora Enso - Head of IR*

Okay. Thank you, everybody, for the good questions. And Jouko will -- I will hand it over for Jouko for a while.

Jouko Karvinen - *Stora Enso - CEO*

And Ulla told me to be very short, so -- I know it gets boring, but I hope to talk to you all and listen to you all in about 90 days, about. And the only thing you remember from any of the calls today, remember this. We've done about 30% of what we can do and we have 300% to go.

Thank you very much for your time.

Ulla Paajanen-Sainio - *Stora Enso - Head of IR*

Okay. Thanks, everybody.

Operator

Thank you, ladies and gentlemen, for attending today's conference. You may now replace your handsets.

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