



# *Financial results*

## *Q4 and full year 2008*

Jouko Karvinen, CEO  
Markus Rauramo, CFO

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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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- Q4 and full year 2008 results
- Market outlook
- Summary



# Overview

- **Overview**
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## Overview of Q4 2008 results

- Aggressive production curtailments resulted in:
  - minimised inventories
  - substantial working capital reduction
  - poor earnings
- Cash flow remained strong
- Capital expenditure was further reduced
- Positioned for price increases in some grades in early 2009

# *Q4 and full year 2008 results*

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# Summary financials Q4 2008

## Continuing operations

EUR million	III/08	IV/07	IV/08	% Change Q408/Q407	% Change Q408/Q308
Sales	2 723	2 981	2 603	-12.7	-4.4
EBITDA, excl. NRI and FV	302	307	163	-46.9	-46.0
Operating profit, excl. NRI and FV	126	144	28	-80.6	-77.8
Profit before tax, excl. NRI	118	284	-81	-128.5	-168.6
Earnings per share, excl. NRI (EUR)	0.14	0.28	-0.08	-128.6	-157.1
Cash earnings per share, excl. NRI (EUR)	0.37	0.50	0.06	-88.0	-83.8
ROCE, excl. NRI (%)	5.4	12.8	-0.8	-106.3	-114.8
Debt/equity*	0.42	0.39	0.56	43.6	33.3

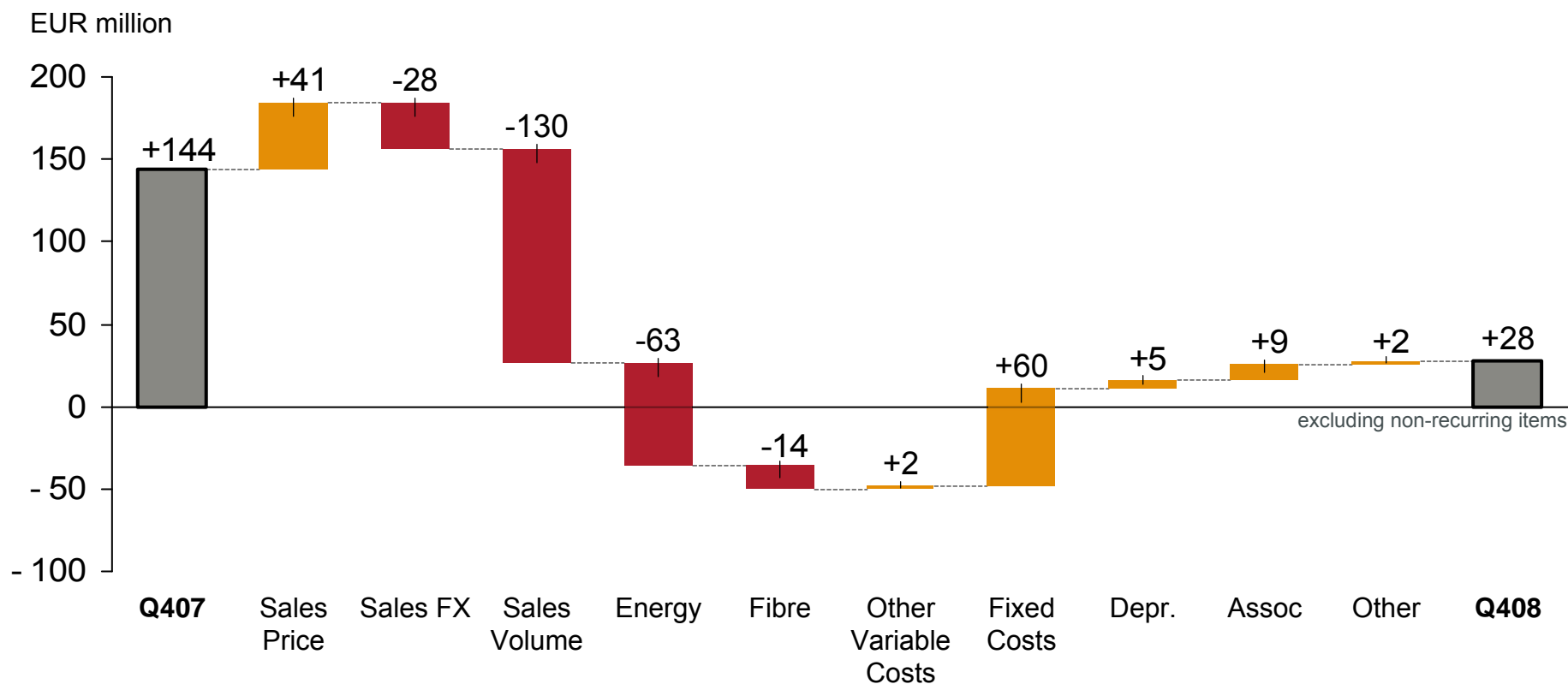
\*Total Operations

NRI = Non-recurring items

FV = Fair valuations and related items; include Total Return Swaps (TRS), synthetic options and CO2 emission rights, and valuations of biological assets mainly related to associated companies' forest assets

## Change in operating profit excl. NRI & Fair Valuations

Q4/07 – Q4/08, including closed units



## Key annual figures 2006–2008

EUR million	2006	2007	2008
Sales	11 460	11 849	11 029
EBITDA, excl. NRI and FV	1 628	1 570	1 027
Operating profit, excl. NRI and FV	839	861	388
Profit before tax, excl. NRI	674	970	152
Earnings per share, excl. NRI (EUR)	0.68	0.94	0.18
Cash earnings per share, excl. NRI (EUR)	1.79	1.94	0.99
ROCE, excl. NRI (%)	8.8	11.3	3.4
Debt/equity*	0.54	0.39	0.56

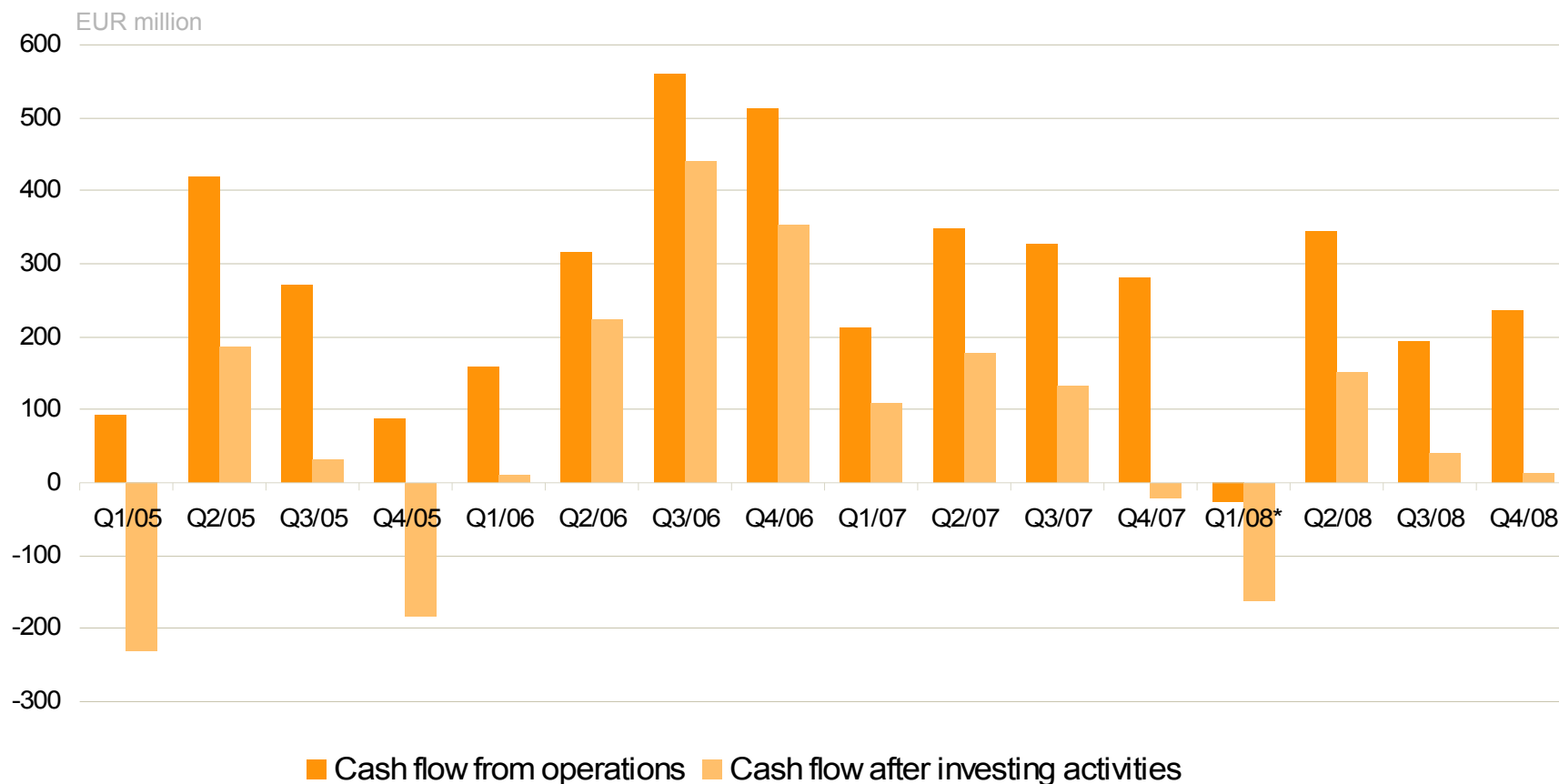
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# Operating cash flow

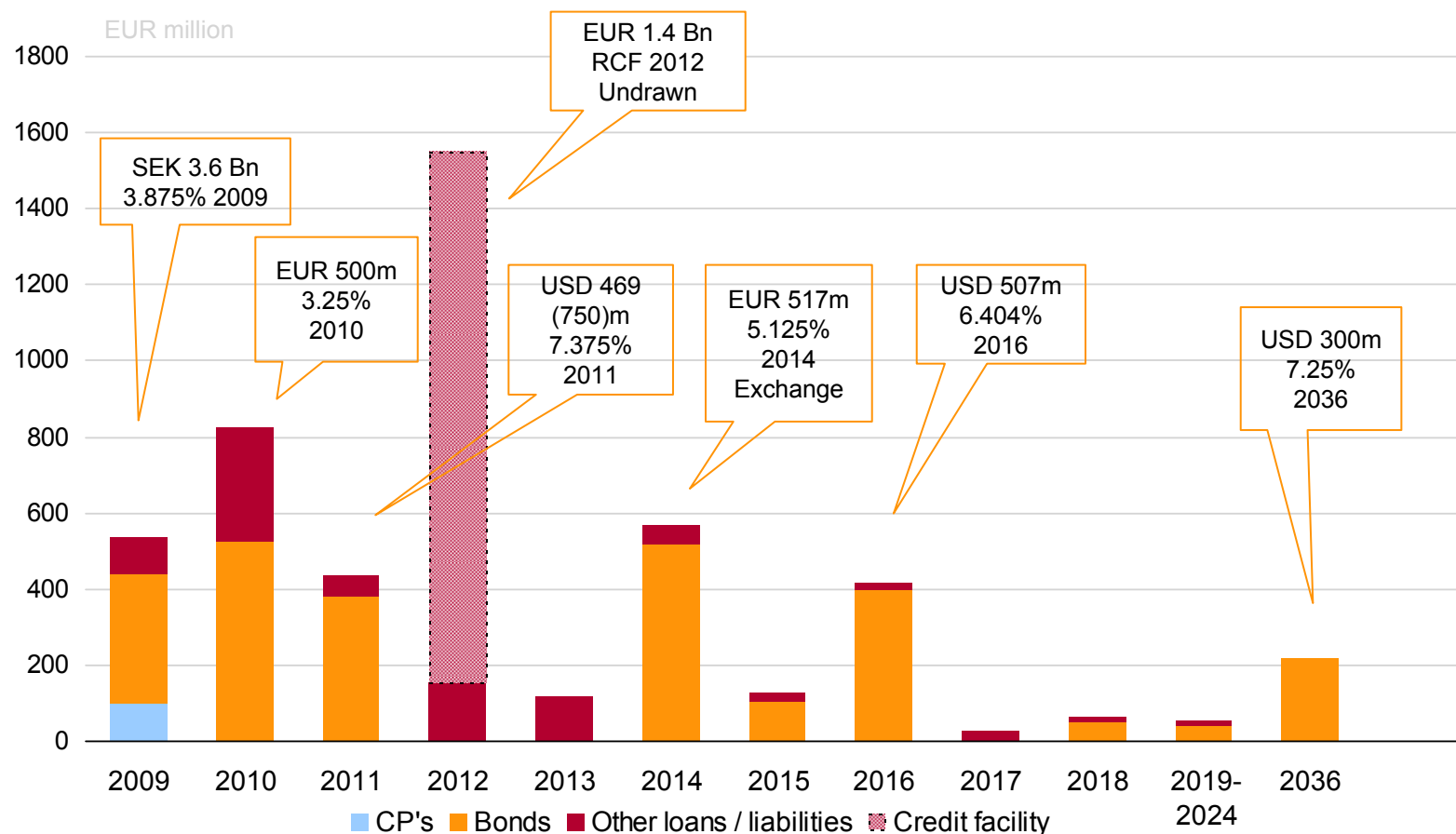
## Continuing operations



\* 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

## 31 December 2008



## Liquidity

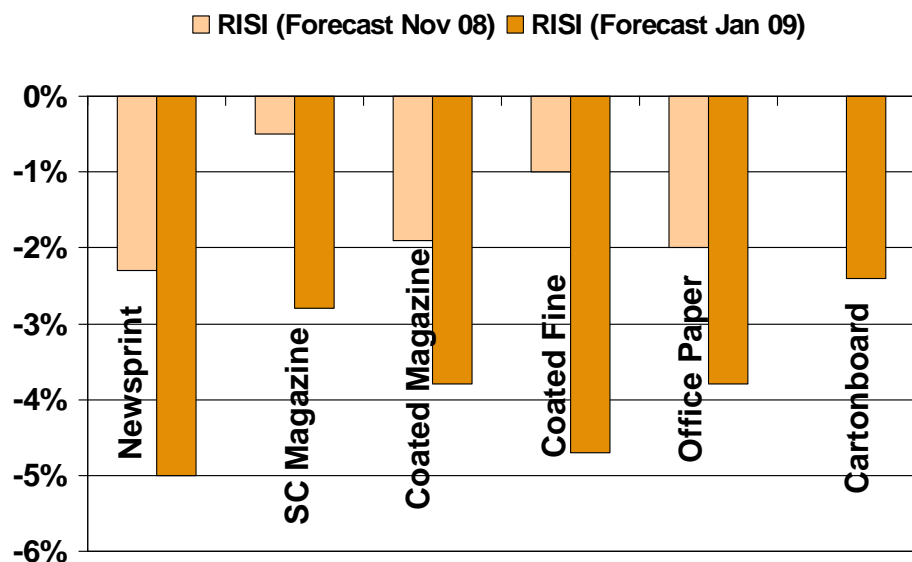
- Cash and cash equivalents as at end of Q4 2008 EUR 370 million
- Only EUR 100 million of commercial paper outstanding
- Debt maturities in 2009 EUR 570 million
- Committed credit facility EUR 1.4 billion fully undrawn
- Potential EUR 600 million available as Finnish pension commitment loans
- Budgeted working capital reduction; lower capex to improve cash flow
- IFC credit facility of USD 300 million – USD 100 million available

# *Market outlook*

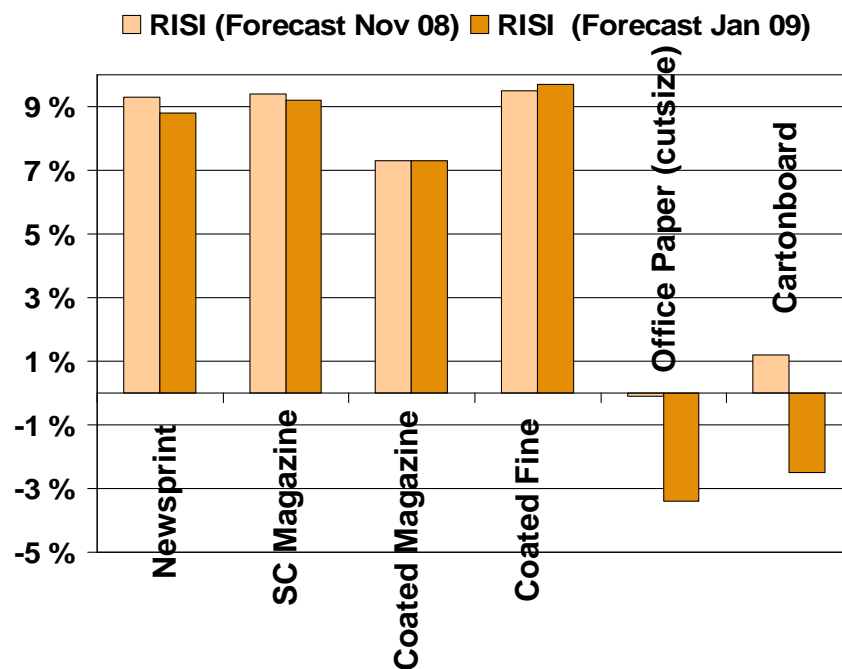
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# Price and demand forecasts 2009 – Europe (change % year-on-year)

## Demand



## Price



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## Preparing for a tough year ahead

Action	Impact
1. Divestment of North American operations and Papyrus	Balance sheet strengthened
2. Reduce short term debt	Liquidity improved
3. Remove Russian wood dependency	1 January 2009 zero impact of duties if chosen
4. Two restructuring programmes	1. Annual cost improvement of EUR 140–160 million 2. Annual operating profit improvement of EUR 140 million
5. CAPEX limitations	2008: EUR 200 million below original plan 2009: EUR 200 million below 2008, majority through working capital improvements
6. Pricing push	2008: Local currency price increases improved margins 2009: Improvements in Newsprint, Magazine Paper, Coated Fine Paper and Consumer Board
7. Drive for cash	Q4: EUR 200 million working capital (WC) improvement 2009: Majority of CAPEX funded through WC improvement

## Ready for 2009

- Production curtailments continue; inventories kept in check
- CAPEX budget reduced to EUR 500 million
- Unit cost inflation before own actions forecast at zero for full year
- Large-scale temporary lay-offs in Finland and further cost reduction measures being implemented
- Pricing and cash remain our priority

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# *Appendix*

## Operating profit by business area

EUR million	III/08	IV/07	IV/08	% Change Q408/Q407	% Change Q408/Q308
Newsprint	34	48	53	10.4	55.9
% of sales	8.3	11.0	12.8	16.4	52.6
Magazine Paper	27	16	20	25.0	-25.9
% of sales	5.0	2.7	3.7	35.4	-25.8
Fine Paper	33	36	-10	-127.8	-130.3
% of sales	6.1	6.8	-2.1	-130.2	-134.0
Consumer Board	38	30	4	-86.7	-89.5
% of sales	6.7	5.2	0.8	-84.7	-88.3
Industrial Packaging	20	28	6	-78.6	-70.0
% of sales	7.3	10.2	2.5	-75.7	-66.2
Wood Products	-14	0	-19	n/m	-35.7
% of sales	-3.9	n/m	-5.4	n/m	-42.5

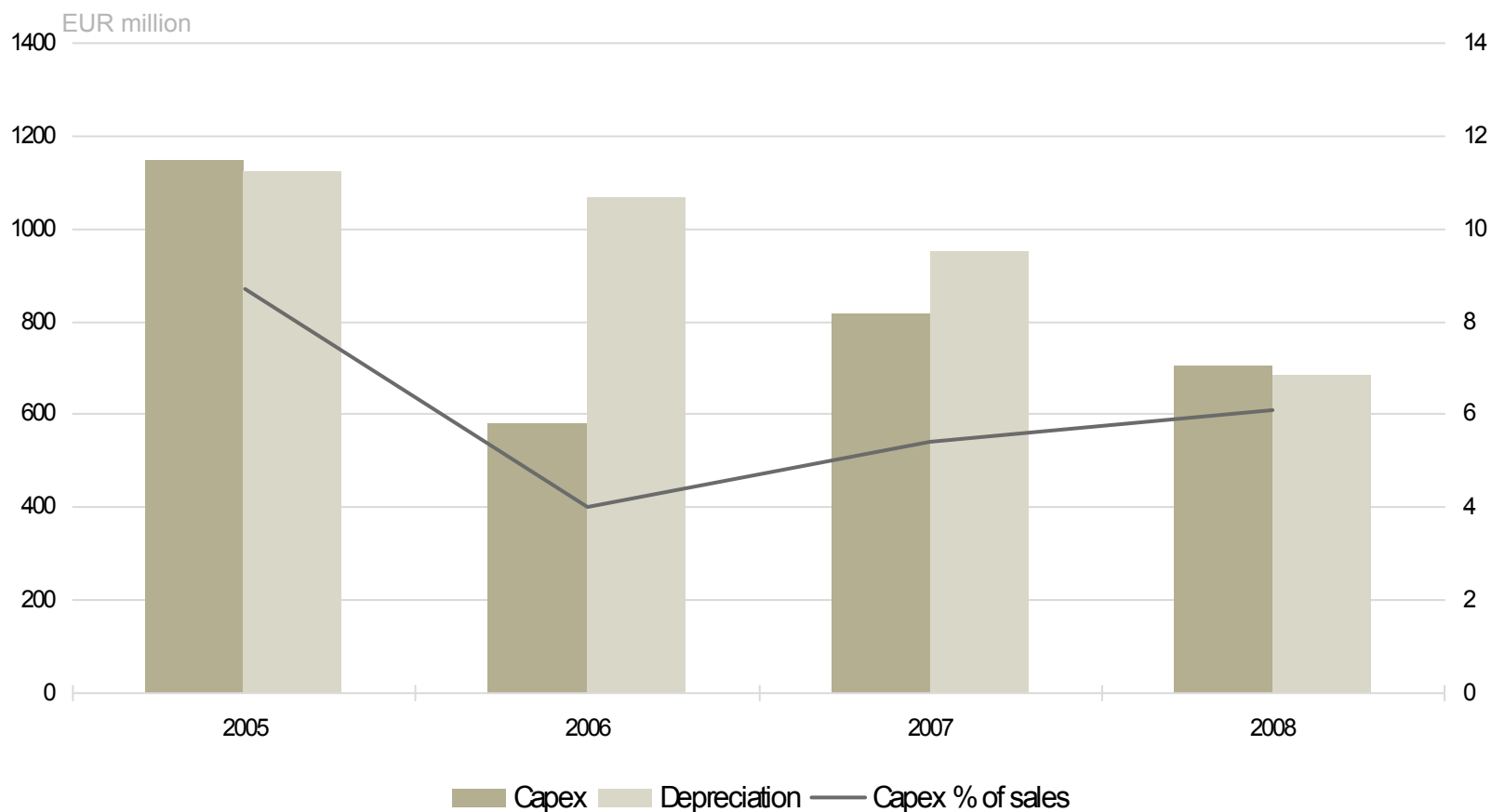
excluding non-recurring items

## Composition of costs 2007–2008

	2007	2008	
			<b>6.6 %</b>
			Impact on margin % -unit
<b>Sales</b>			<b>-6.5</b>
<b>Variable costs</b>	<b>64 %</b>	<b>67 %</b>	<b>-0.6</b>
Fibre	25 %	28 %	-1.8
Chemicals and Fillers	9 %	10 %	-0.6
Energy	8 %	10 %	-1.4
Production Service and Material	12 %	9 %	2.9
Logistics & Commissions	10 %	10 %	0.3
<b>Fixed costs</b>	<b>28 %</b>	<b>27 %</b>	<b>1.7</b>
Personnel	16 %	15 %	1.3
Other	12 %	12 %	0.4
<b>Depreciation</b>	<b>8 %</b>	<b>6 %</b>	<b>1.9</b>
<b>Total costs</b>	<b>100 %</b>	<b>100 %</b>	<b>3.0</b>
<b>Total costs (excl. NRIs), EUR million</b>	<b>11 085</b>	<b>10 723</b>	
<b>Operating profit excl NRI and fair valuations, % of sales</b>			<b>3.1 %</b>

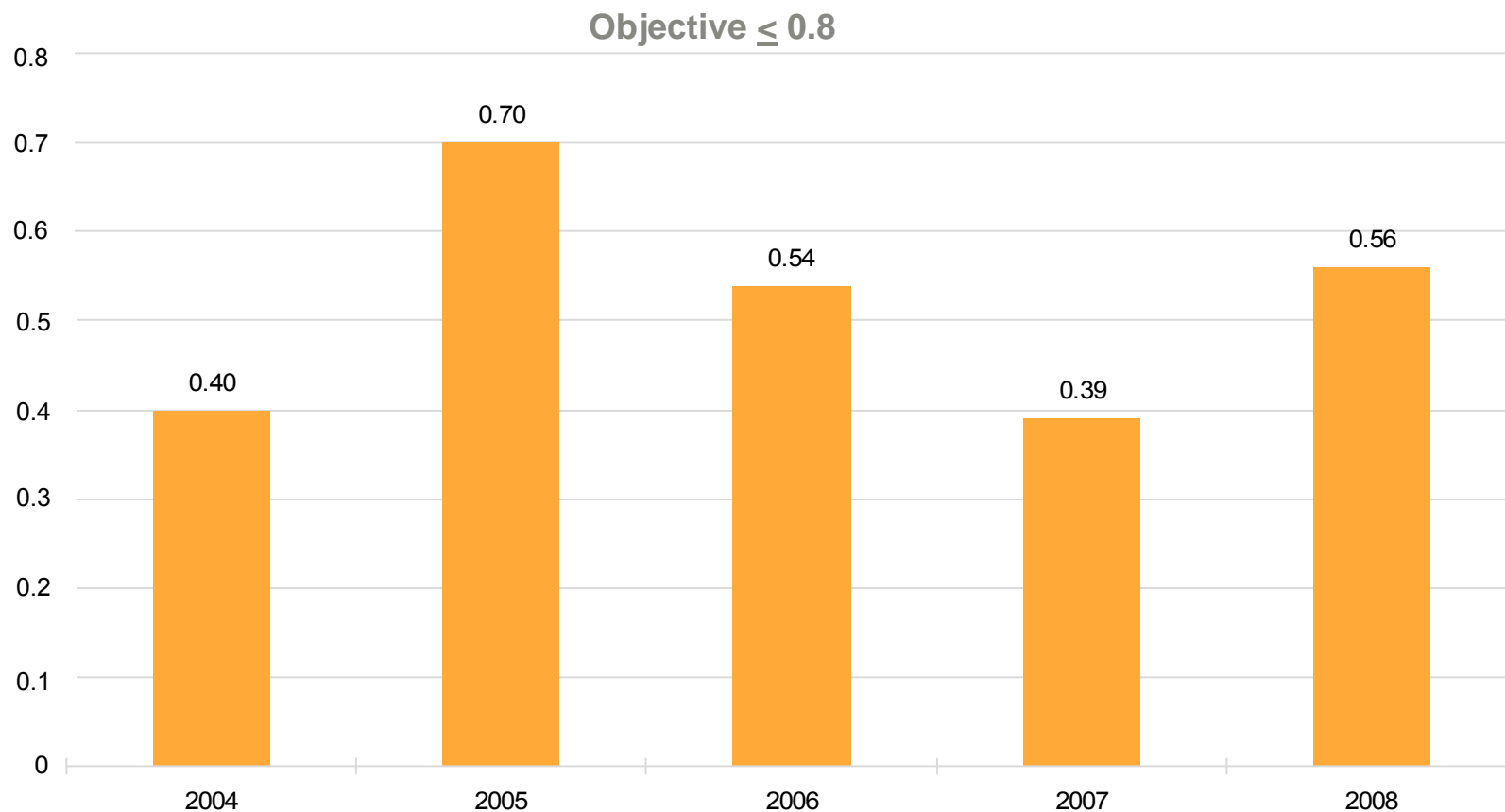
# Capital expenditure and depreciation

## 2005 – 2008



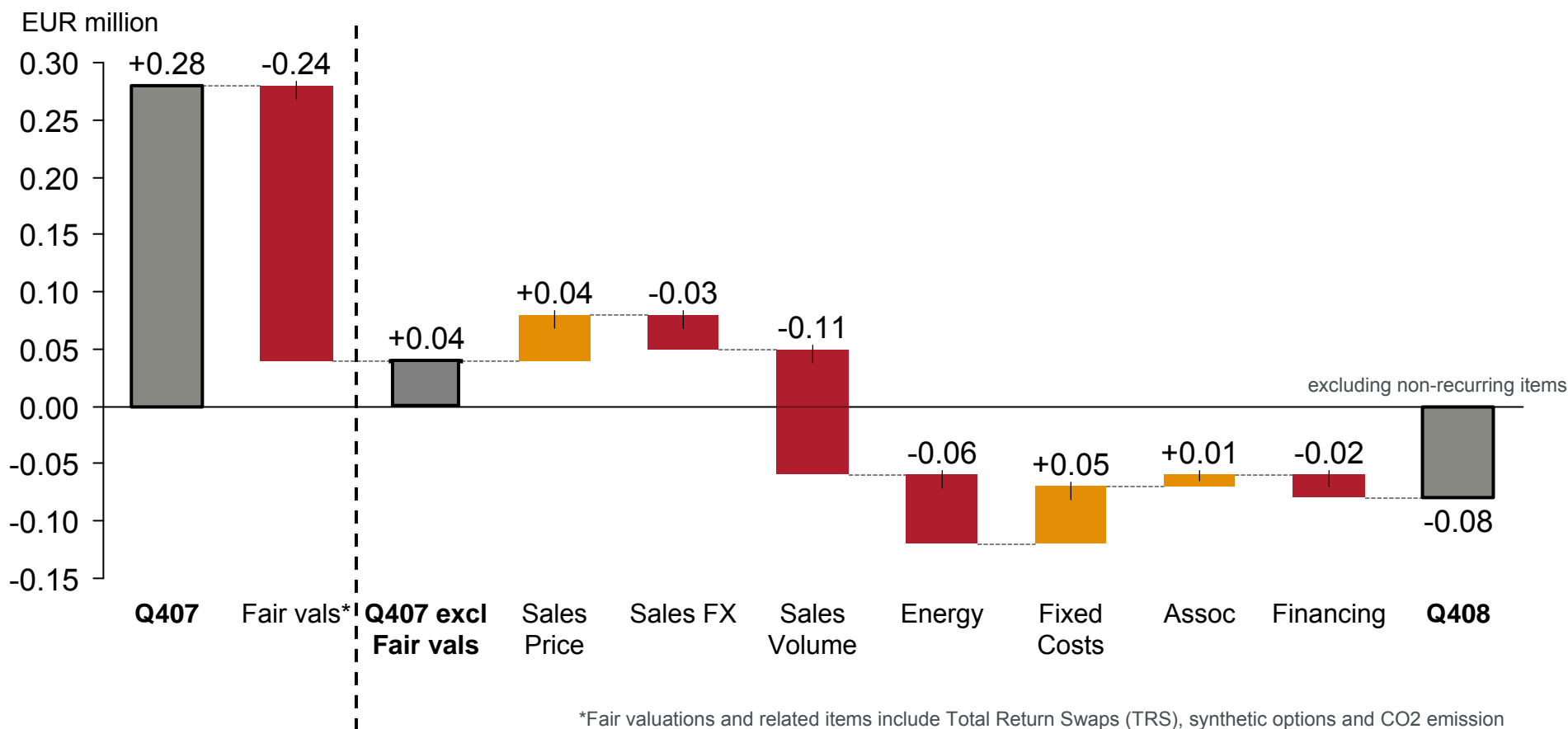
Total Operations  
 Depreciation excluding Impairments of Goodwill and Fixed Assets

## Debt/Equity – Total operations 2004 – 2008



# Change in EPS

Q4/07 – Q4/08, including closed units



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

# Change in EPS

Q3/08 – Q4/08, including closed units



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

## Net Financial Items – Continuing Operations

EUR million	III/08	IV/07	IV/08	% Change Q408/Q407	% Change Q408/Q308
<b>Net interest expense</b>	<b>-40.1</b>	<b>-39.2</b>	<b>-42.9</b>	<b>-9%</b>	<b>-7%</b>
<b>Foreign exchange gains and losses</b>	<b>5.6</b>	<b>-5.4</b>	<b>-16.4</b>	<b>Na</b>	<b>Na</b>
<b>Other financial items, of which</b>	<b>11.5</b>	<b>0.9</b>	<b>-2.1</b>	<b>Na</b>	<b>Na</b>
Capital gains, listed shares	0.0	0.1	-0.3		
Unrealised fair valuation of financial items*	4.5	4.1	4.3		
Other items	7.0	-3.3	-6.1		
	<b>-23.0</b>	<b>-43.7</b>	<b>-61.4</b>	<b>-41%</b>	<b>-167%</b>

\* Mainly due to fair valuation of not hedge accounted interest swaps.

## Transaction risk and hedges – Continuing Operations as at 31 December 2008

EUR million	EUR	USD	GBP	SEK	JPY	Other	Total
Sales during 2008	6 360	1 570	690	1 160	250	1 000	11 030
Costs during 2008	-6 300	-670	-110	-2 110	0	-1 150	-10 340
<b>Net Operating Cash Flow</b>	<b>60</b>	<b>900</b>	<b>580</b>	<b>-950</b>	<b>250</b>	<b>-150</b>	<b>690</b>
Transaction hedges as at 31 Dec. 2008		355	207	-730	119		
As % of 2008 operating cash flow		39%	36%	77%	48%		
Average hedging % during 2008		50%	47%	58%	52%		

- Cash flow hedges in SEK has been increased to current levels due to currency weakness
- GBP and JPY hedges have been adjusted according to policy of 50% in January

Operating Profit: Currency effect +/- 10%* Based on expected 2009 net operating cash flows	EUR m
USD	66
SEK	100
GBP	49

\*Before currency hedges assuming no other changes other than a single currency rate movement occurs.

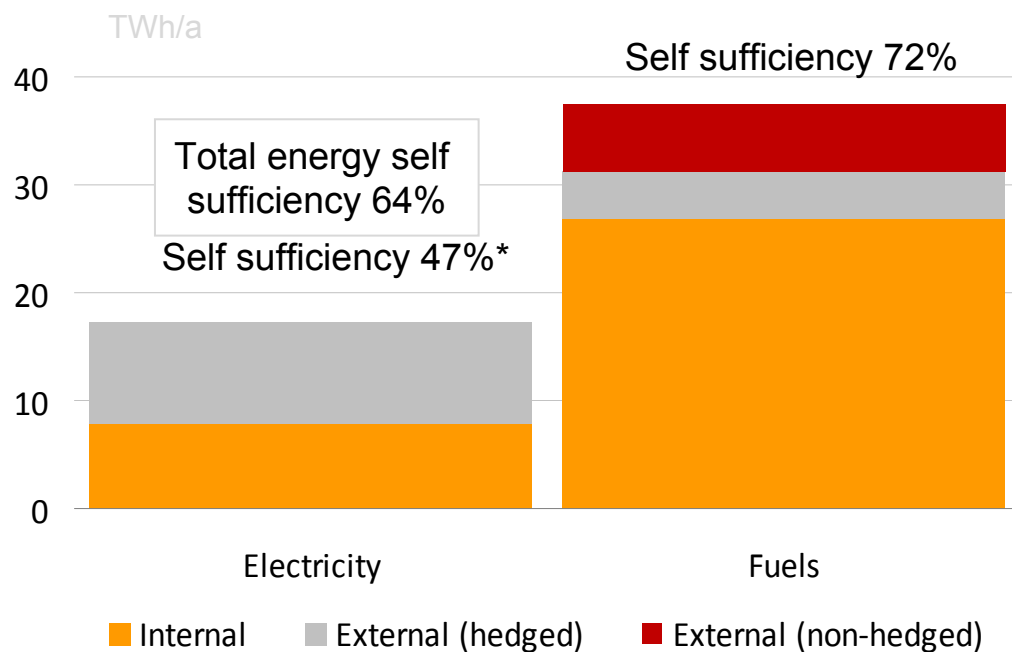
## Inventory levels

Per Business Area (including raw materials, finished goods and other inventories)

EUR million	End Q4 08	End Q3 08	End Q4 07	% Change Q4 08/Q3 08	% Change Q4 08/Q4 07
Newsprint & Book Paper	124.7	150.4	157.0	-17.1	-20.6
Magazine Paper	203.9	269.0	252.8	-24.2	-19.4
Fine Paper	296.8	308.6	296.9	-3.8	-0.01
Consumer Board	308.6	361.5	345.3	-14.6	-10.6
Industrial Packaging	111.1	129.1	110.6	-13.9	0.4
Wood Products	195.3	217.3	231.3	-10.2	-15.6
Other	453.2	474.6	467.7	-4.5	-3.2
<b>Group Total</b>	<b>1 693.6</b>	<b>1 910.5</b>	<b>1 861.5</b>	<b>-11.4</b>	<b>-9.1</b>

# Energy balance 2009

Excluding Summa, Norrsundet, Kemijärvi and Baienfurt



Impact on operating profit from 10% change in:	EUR million p.a.
Electricity market price	<5
Oil price	~15

\*) situation for 2009

## Capacity reductions in 2008

Mill	Date	Grade	Capacity reduction, t
Summa Mill	Jan 2008	Newsprint, un-coated mag, book paper	415 000
Anjala Mill PM1	Nov 2008	Book paper	120 000
Baienfurt Mill	End 2008	FBB	190 000
Kabel Mill PM 3	End 2008	Coated magazine	140 000
Paikuse Sawmill	End 2008	Sawn goods	170 000 m <sup>3</sup>
Kemijärvi Pulp Mill	April 2008	Long-fibre (SW) pulp	250 000
Norrsundet Pulp Mill	Dec 2008	Long-fibre (SW), pulp	300 000
		<b>Total tonnes</b>	<b>1 415 000</b>
		<b>Total m<sup>3</sup></b>	<b>170 000</b>