



# Financial results Q1 2009

23 April 2009

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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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# Overview

Financial results Q1 2009

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# Overview of Q1 2009 results

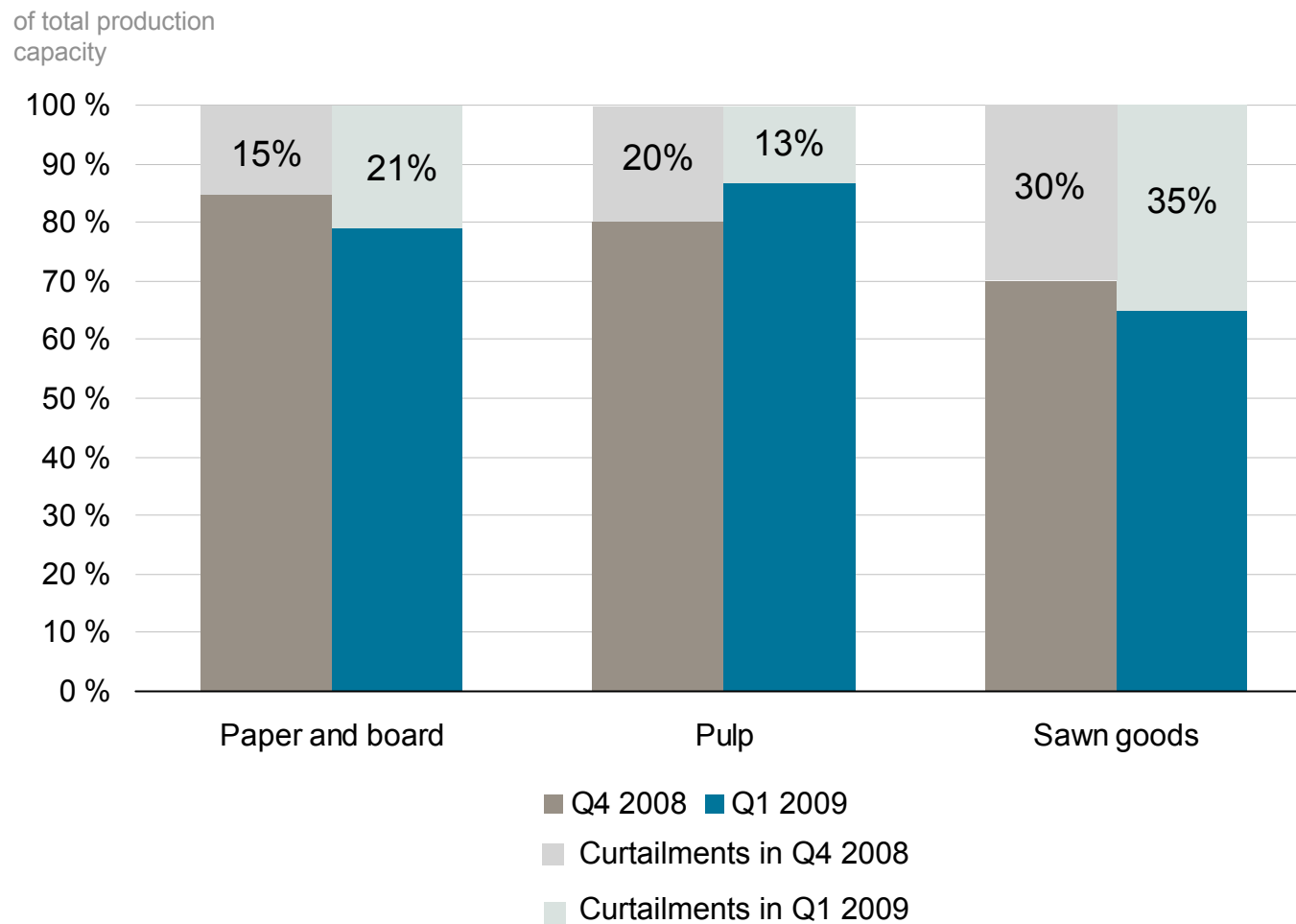
## year-on-year comparison

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- Cash flow from operations EUR 264 million
  - Strong working capital management
- Operating profit decreased to EUR 3 million
  - Production down 23%
  - Sales volume down 22%
  - Fixed costs reduced by EUR 78 million = 4 margin points
- Higher prices for
  - newsprint
  - magazine paper
  - coated fine paper
  - consumer board

# Capacity utilisation

## Q4 2008–Q1 2009



# Q1 2009 financial results

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# Summary financials Q1 2009

## Continuing operations

EUR million	I/09	IV/08	I/08	% Change Q109/Q108	% Change Q109/Q408
Sales	2 130	2 603	2 832	-24.8	-18.2
EBITDA, excl. NRI and FV	134	163	299	-55.2	-17.8
Operating profit, excl. NRI and FV	3	28	140	-97.9	-89.3
Profit before tax, excl. NRI	-82	-81	83	-198.8	-1.2
Earnings per share, excl. NRI (EUR)	-0.08	-0.08	0.08	-200.0	0.0
ROCE, excl. NRI (%)	-1.6	-0.8	4.9	-132.7	-100.0
Cash flow from operations	264	237	-27	n/m	11.4
Cash flow after investing activities	159	13	-161	198.8	n/m
Debt/equity*	0.55	0.56	0.50	10.0	-1.8

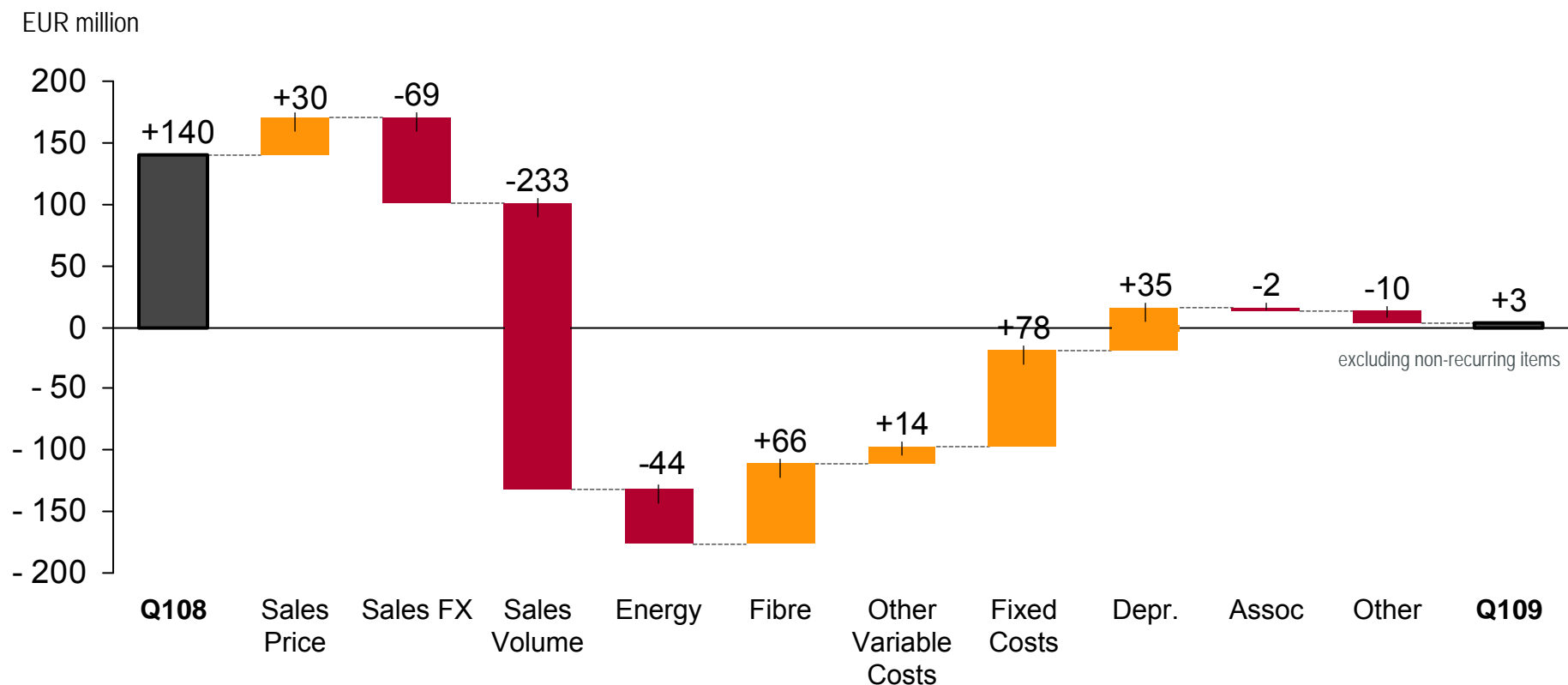
\*Total Operations

NRI = Non-recurring items

FV = Fair valuations and related items; include Total Return Swaps (TRS), synthetic options and CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies' forest assets

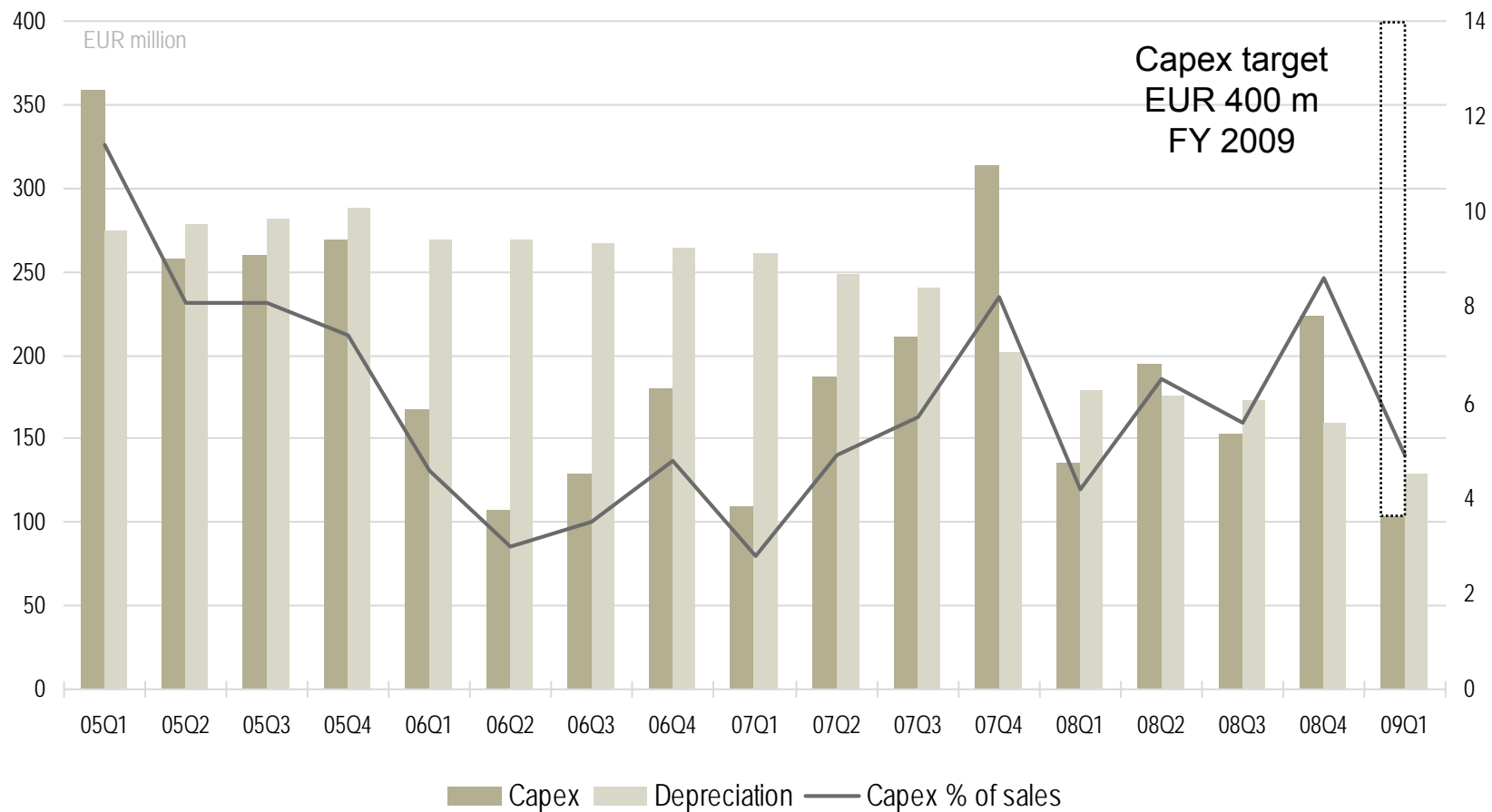
# Change in operating profit excl. NRI & fair valuations

## Q1/08 – Q1/09, including closed units



# Capital expenditure and depreciation

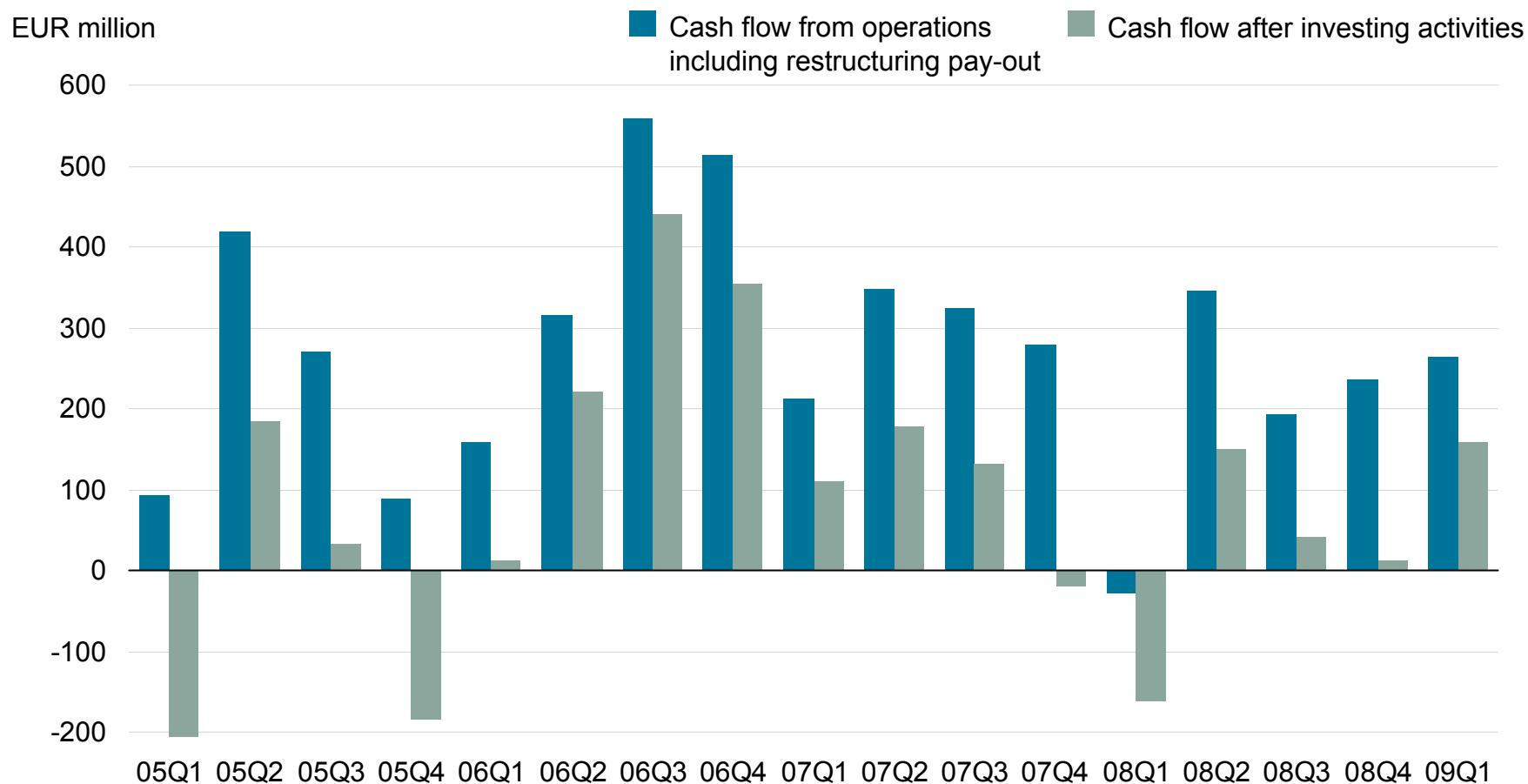
## Total Operations



Depreciation excluding Impairments of Goodwill and Fixed Assets

# Operating cash flow

## Continuing operations



## Strong liquidity – cash exceeds 2009 debt maturities

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- Cash and cash equivalents EUR 490 million at end of Q1 2009
- Debt maturities in 2009 EUR 450 million
- Committed credit facility EUR 1.4 billion fully undrawn, no covenants
- Potential EUR 600 million available as Finnish pension loans
- Budgeted working capital reduction; lower capex improves cash flow

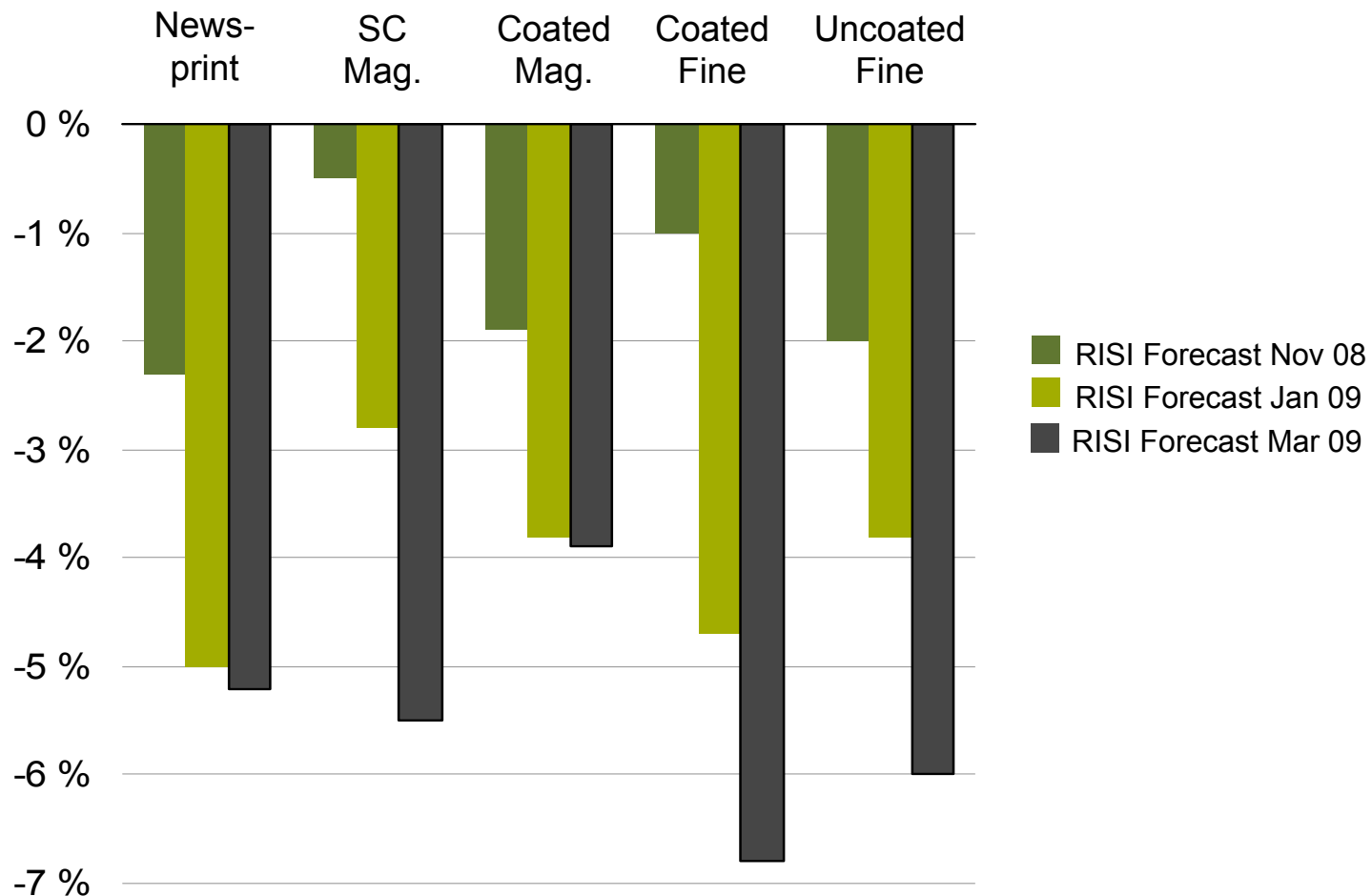
# Market outlook

## Financial results Q1 2009

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# Demand forecasts 2009 – Europe

(change % year-on-year)



## Q2 2009 outlook

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- More of the same as Q1 2009
- Forecast deflation excluding internal actions 4% for the full year 2009
  - Mainly through reduced fibre cost

# Next steps

Financial results Q1 2009

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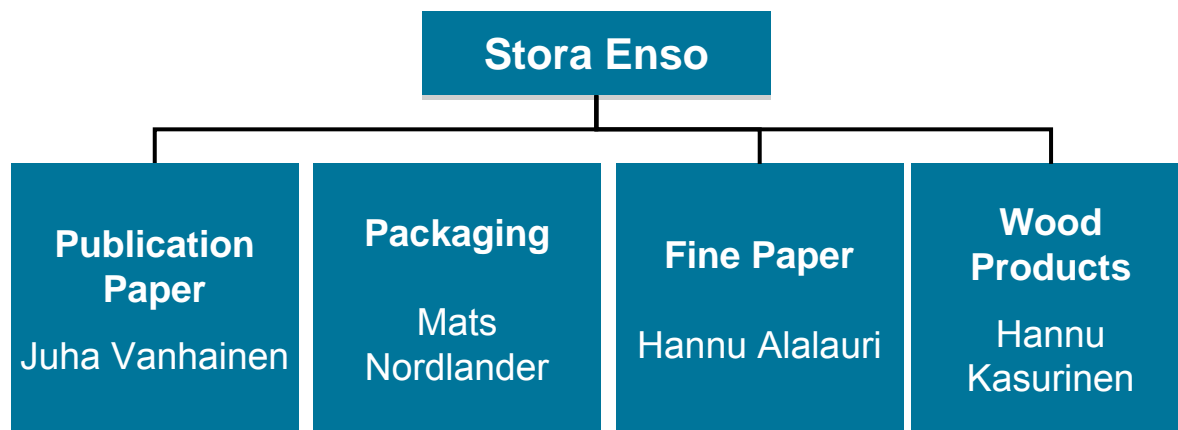
# Make Stora Enso a leaner, faster and more focused company

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- Build stronger businesses
- Significantly reduce complexity in decision making
- EUR 250 million annual cost reduction
  - Majority in 2009, rest in 2010
- The actions will affect up to 2 000 employees mainly through leaner management and administration structures

# New Business Area organisation

## New Business Area structure



## Merged BAs

- **Publication Paper**
  - Newsprint and Book Paper
  - Magazine Paper
- **Packaging**
  - Consumer Board
  - Industrial Packaging
- Current external segment reporting not changed

## Reductions of sawn wood capacity

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- Plan to permanently reduce capacity 120 000 m<sup>3</sup>
  - 50 people affected
  - Co-determination negotiations started at
    - Kitee, Varkaus, Puumerkki in Finland; and in Latvia
- Plans to take long-term production curtailments during Q2 2009
  - Świętajno sawmill in Poland
  - one sawing line in Ybbs sawmill in Austria
  - annual capacity reduction 220 000 m<sup>3</sup>
  - 120 people affected
- Together with earlier actions long term capacity reduction 800 000 m<sup>3</sup>
  - 11% of 2008 production capacity

# Stora Enso acquires remaining shares of Sunila Pulp Mill

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- Transaction price EUR 6 million
- Transaction expected to close by the end of Q2 2009, subject to approval by competition authorities
- Easier to optimise total pulp production as the sole owner of the mill
- Production at Sunila halted in 2009 for a long curtailment

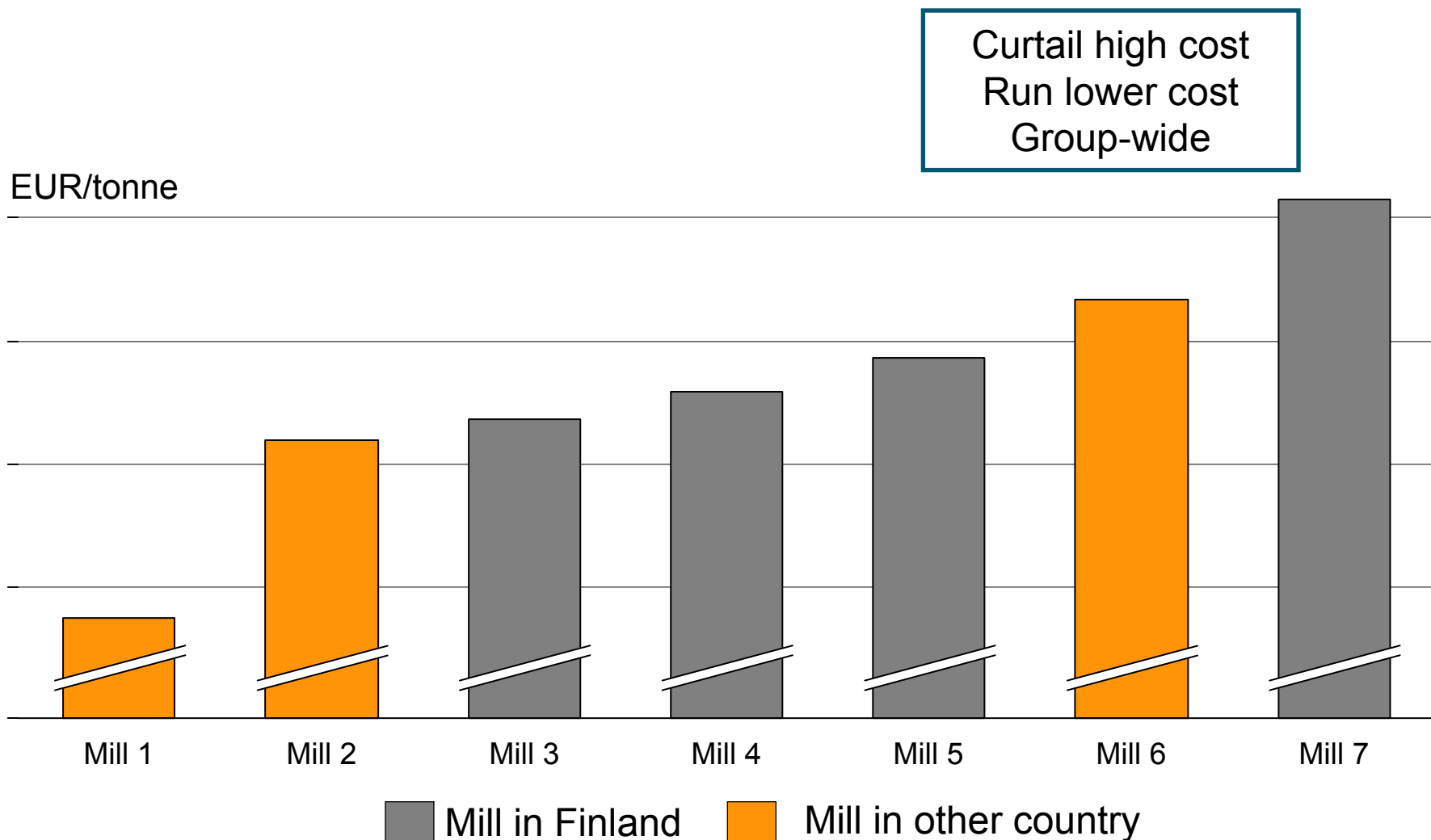
# Finland

Financial results Q1 2009

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# Comparative total production cost

## Example of one Stora Enso product segment



# Summary

Financial results Q1 2009

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# Summary

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- Q2 outlook: more of the same
  - curtailments of higher cost assets
  - focus on cash flow and margin quality
  - control of capital spending and expenses
- Reduce fixed costs by a further 2–3 margin points
- Assume no recovery short term
- We have the strength to ride out the storm

**STORAENSO**



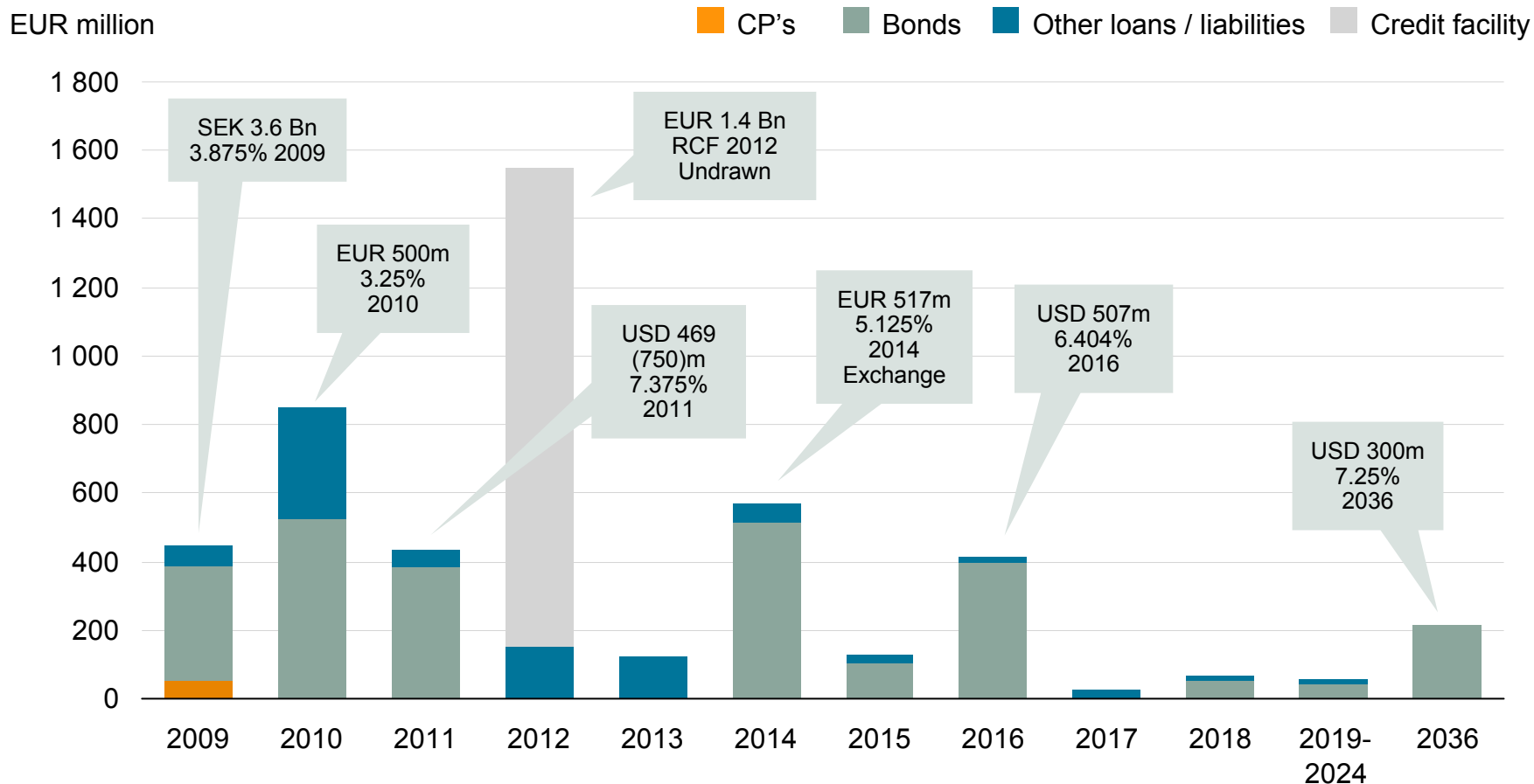
# Operating profit by business area

EUR million	I/09	IV/08	I/08	% Change Q109/Q108	% Change Q109/Q408
Newsprint	21	53	26	-19.2	-60.4
% of sales	6.8	12.8	6.7	1.1	-46.9
Magazine Paper	0	20	27	n/a	n/a
% of sales	n/a	3.7	4.9	n/a	n/a
Fine Paper	-6	-10	37	-116.2	40.0
% of sales	-1.4	-2.1	6.8	-120.5	32.7
Consumer Board	15	4	42	-64.3	275.0
% of sales	3.3	0.8	7.3	-55.4	312.8
Industrial Packaging	3	6	28	-89.3	-50.0
% of sales	1.5	2.5	10.2	-85.0	-38.5
Wood Products	-24	-19	-23	-4.3	-26.3
% of sales	-8.8	-5.4	-6.1	-45.2	-61.9

excluding non-recurring items

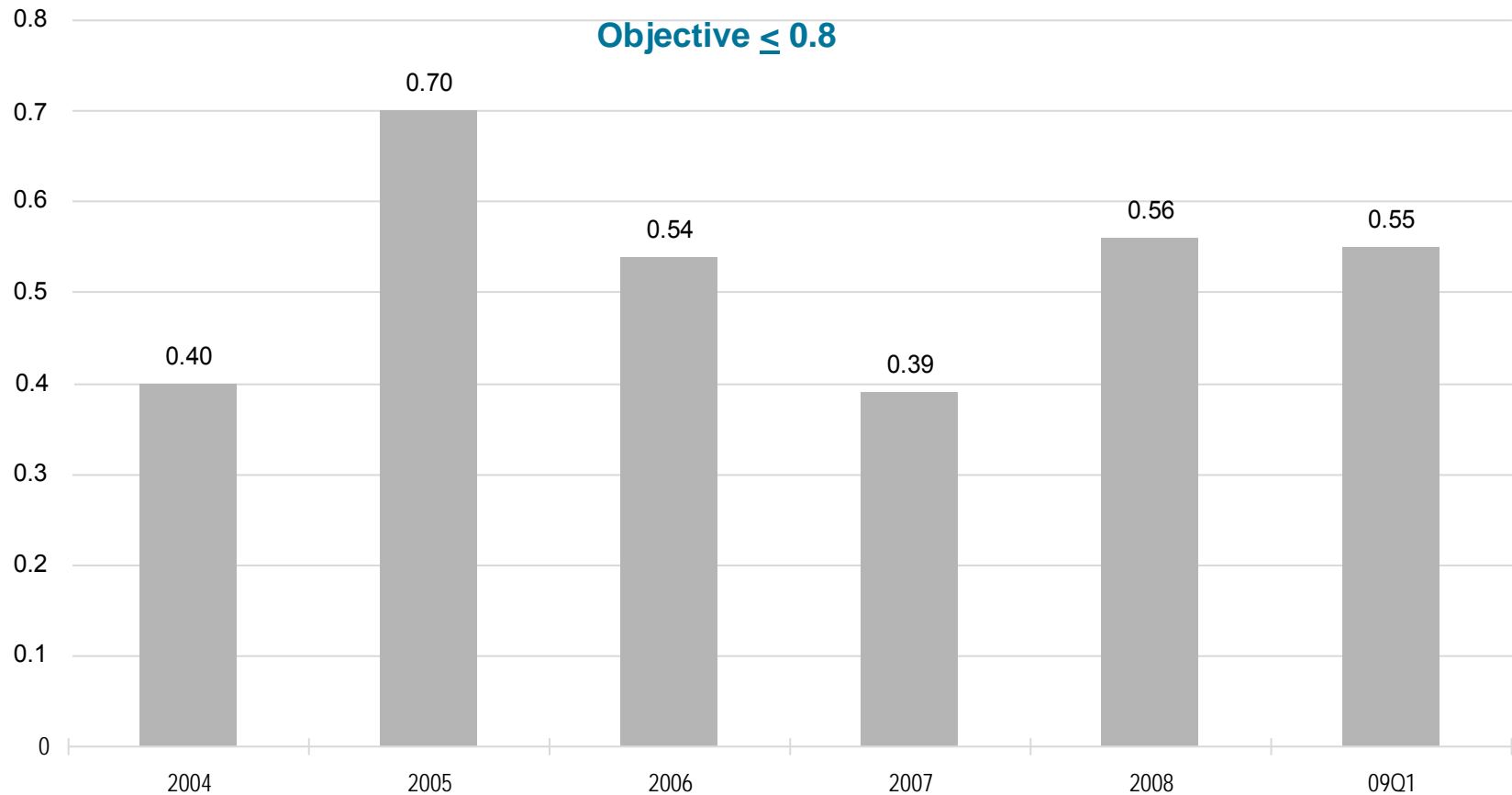
# Maturity profile

## 31 March 2009



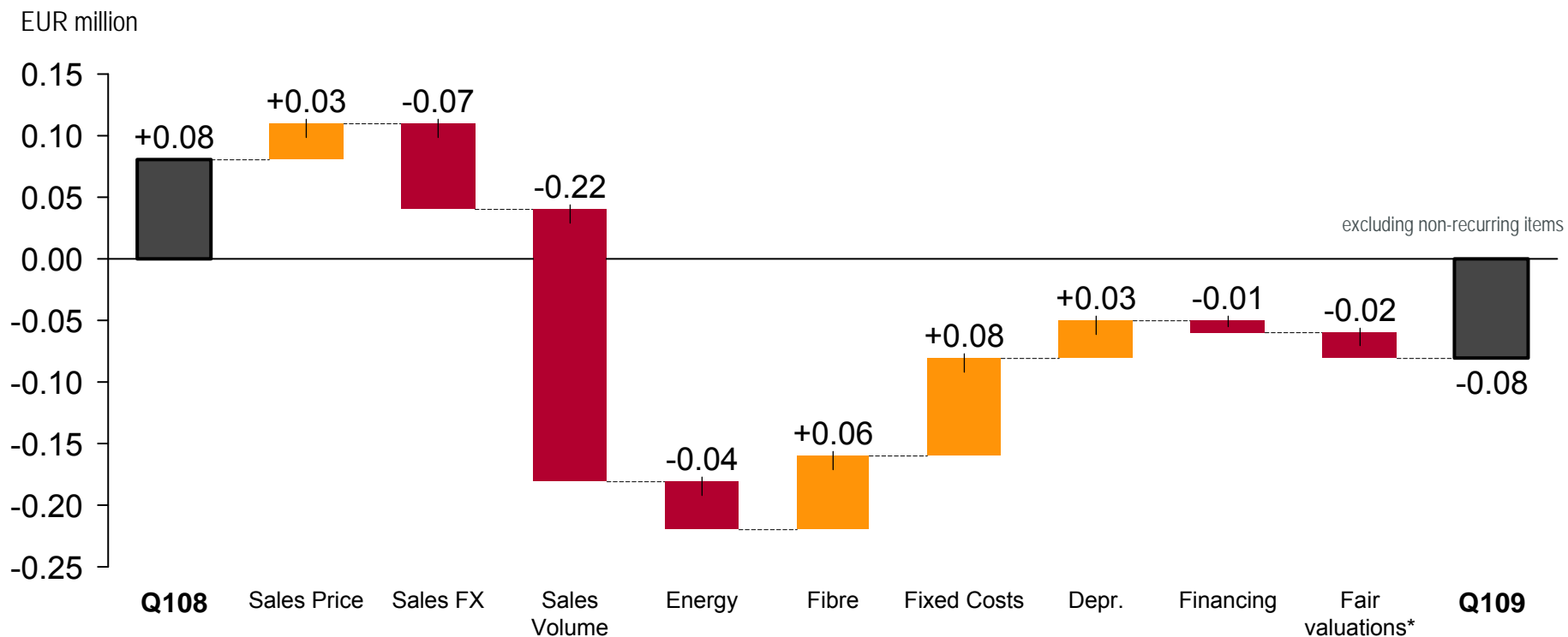
# Debt/Equity – Total operations

## 2004–Q1 2009



# Change in EPS

## Q1/08–Q1/09, 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	I/09	IV/08	I/08	% Change Q109/Q108	% Change Q109/Q408
<b>Net interest expense</b>	<b>-32.0</b>	<b>-42.9</b>	<b>-41.3</b>	<b>23%</b>	<b>25%</b>
<b>Foreign exchange gains and losses</b>	<b>-23.6</b>	<b>-16.4</b>	<b>-8.7</b>	<b>- 171%</b>	<b>- 44%</b>
<b>Other financial items, of which</b>	<b>8.4</b>	<b>-2.1</b>	<b>8.1</b>	<b>4%</b>	<b>Na</b>
PIK notes	5.6	6.4	4.1		
Fair valuation of interest rate swaps*	2.2	4.3	1.6		
Fair valuation of long-term debt	3.2	-9.6	0.1		
Other items	-2.6	-3.2	2.3		
<b>Total net financial items</b>	<b>-47.2</b>	<b>-61.4</b>	<b>-41.9</b>	<b>- 13%</b>	<b>23%</b>

\* Not hedge accounted interest rate swaps.

# Transaction risk and hedges – Continuing Operations as at 31 March 2009

EUR million	USD	GBP	SEK	JPY
Estimated annual net operating cash flow exposure	550	500	-1 000	120
Transaction hedges as at 31 March 2009	375	300	-675	85
Hedging percentage as at 31 Mar. 2009 for the next 12 months	68%	60%	68%	71%

- USD and GBP hedges for 2009 increased to 70–75%

Operating Profit: Currency effect +/- 10%*	EUR m
Based on expected 2009 net operating cash flows	
USD	55
SEK	-100
GBP	50

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

# Capacity reductions in 2008

Mill	Date	Grade	Capacity reduction, t
Summa Mill	Jan 2008	Newsprint, uncoated mag, book paper	415 000
Anjala Mill PM1	Feb 2008	Coated magazine paper	155 000
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
Varkaus Mill coreboard machine	Dec 2008	Coreboard	100 000
<b>Total tonnes, paper and board</b>			<b>1 550 000</b>
<b>Total m<sup>3</sup>, sawn goods</b>			<b>170 000</b>