



# *Financial Results*

## *July–September 2008*

Jouko Karvinen, CEO  
Markus Rauramo, CFO

*23 October 2008*

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

## Q3 2008

- Operating profit better than expected
  - Improvement from Q2
  - Poor cash flow
  - Early actions improved costs & strengthened balance sheet
- Deteriorating market conditions compensated by
  - Stronger USD and weaker SEK
  - Reduced overhead costs
  - Pricing improvements in majority of paper and board volumes
- Focus for Q4 and beyond
  - Maintain pricing discipline and quality
  - Cash generation through working capital reduction and CAPEX review

# *Financial results*

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# Summary financials

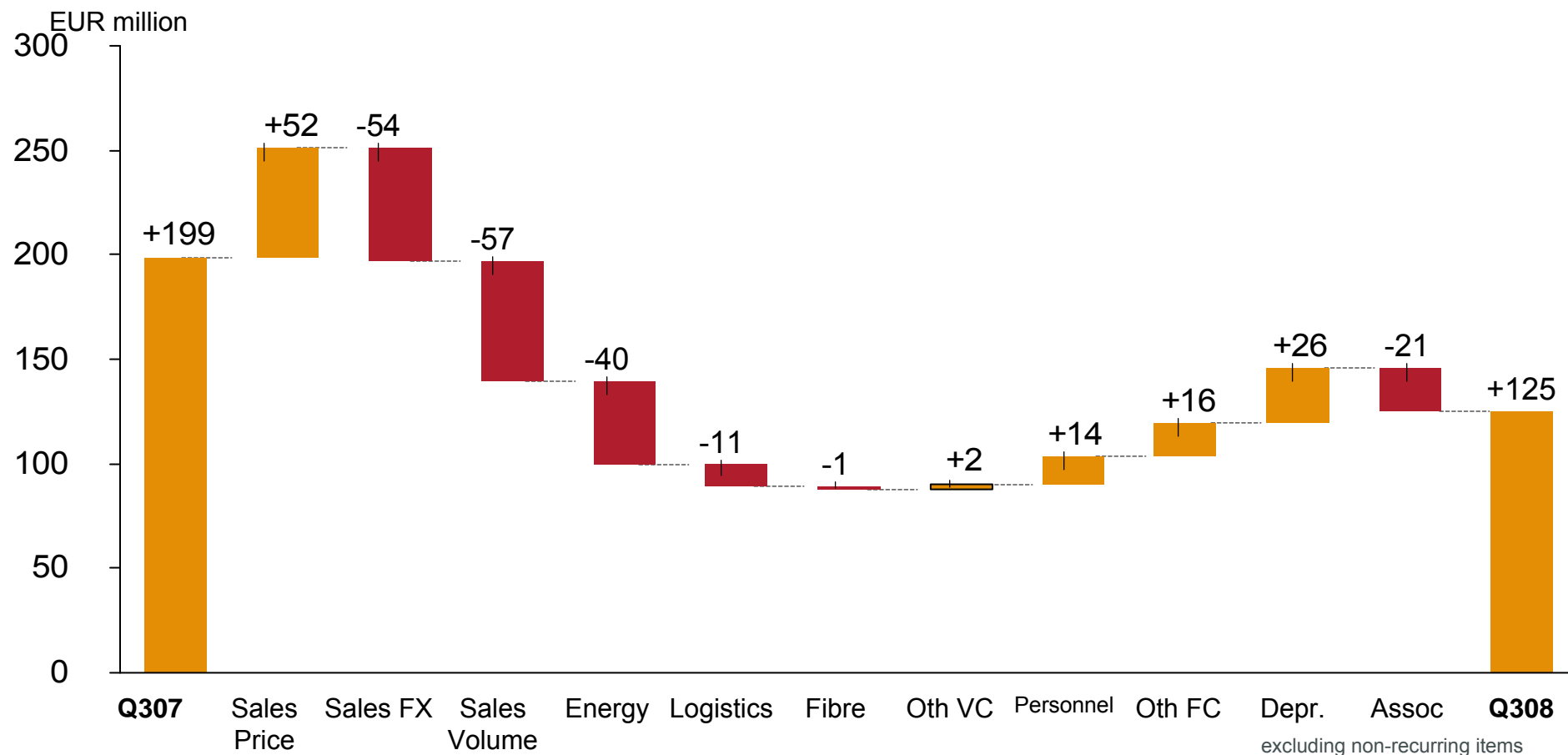
## Continuing operations

EUR million	II/08	III/07	III/08	% Change Q308/Q307	% Change Q308/Q208
Sales	2 872	2 877	2 723	-5.4	-5.2
EBITDA, excl. NRI	237	370	312	-15.7	31.6
Operating profit, excl. NRI and FV	94	199	126	-36.7	34.0
Profit before tax, excl. NRI	32	220	118	-46.4	268.8
Earnings per share, excl. NRI (EUR)	0.04	0.21	0.14	-33.3	250.0
Cash earnings per share, excl. NRI (EUR)	0.26	0.46	0.37	-19.6	42.3
ROCE, excl. NRI (%)	2.8	9.6	5.4	-43.8	92.9
Debt/equity*	0.38	0.57	0.43	-24.6	13.2

\* Total operations

# Change in Operating Profit excl. NRI & Fair Valuations

## Q3/07 – Q3/08, including closed units

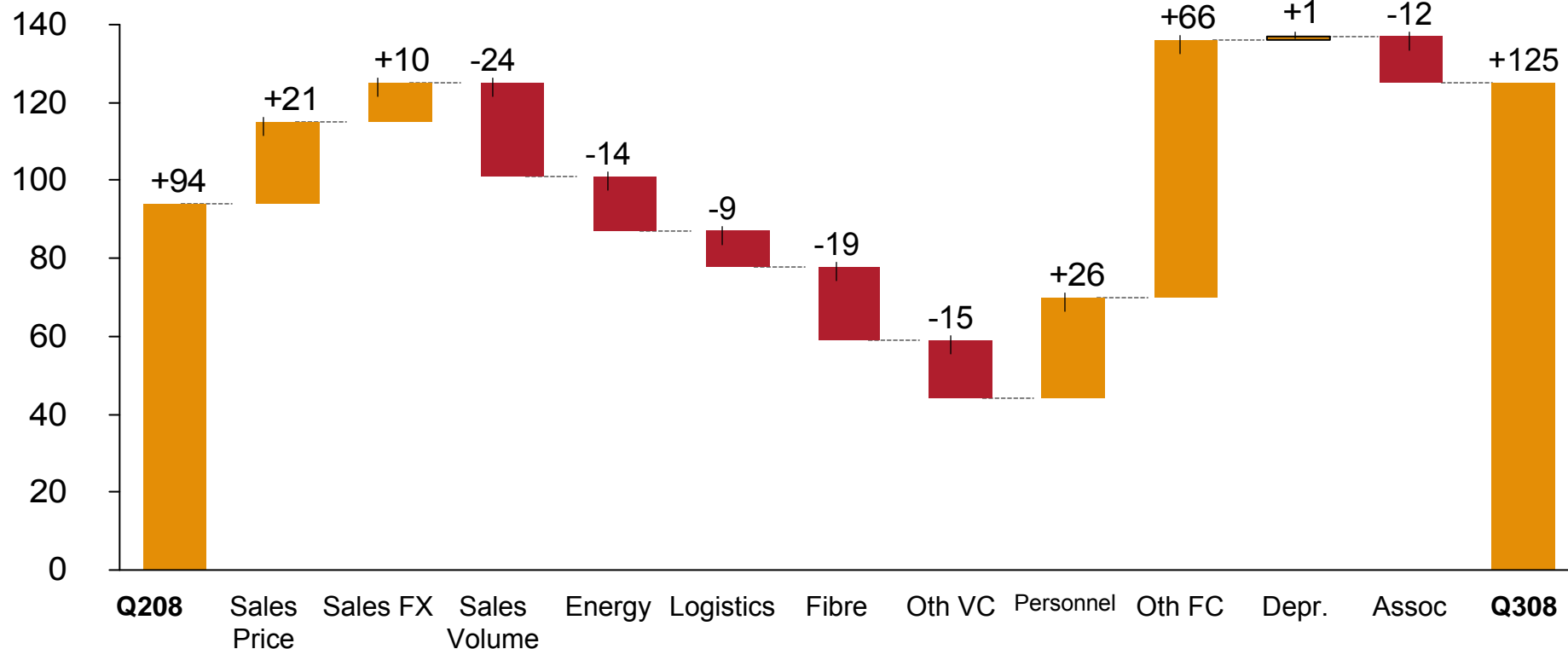


VC=Variable Costs  
FC=Fixed Costs

# Change in Operating Profit excl. NRI & Fair Valuations

## Q2/08 – Q3/08, including closed units

EUR million

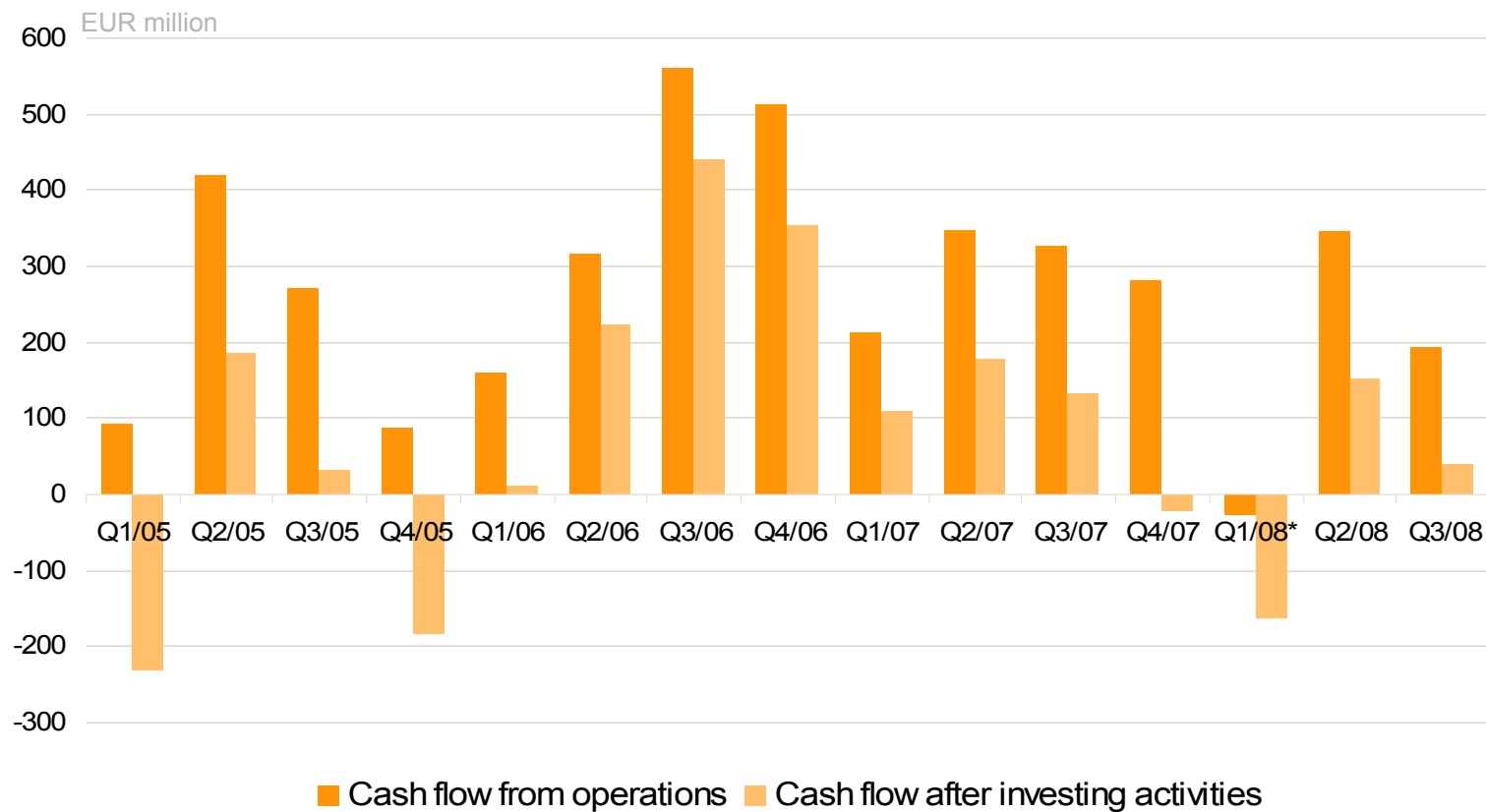


excluding non-recurring items

VC=Variable Costs  
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# Operating cash flow

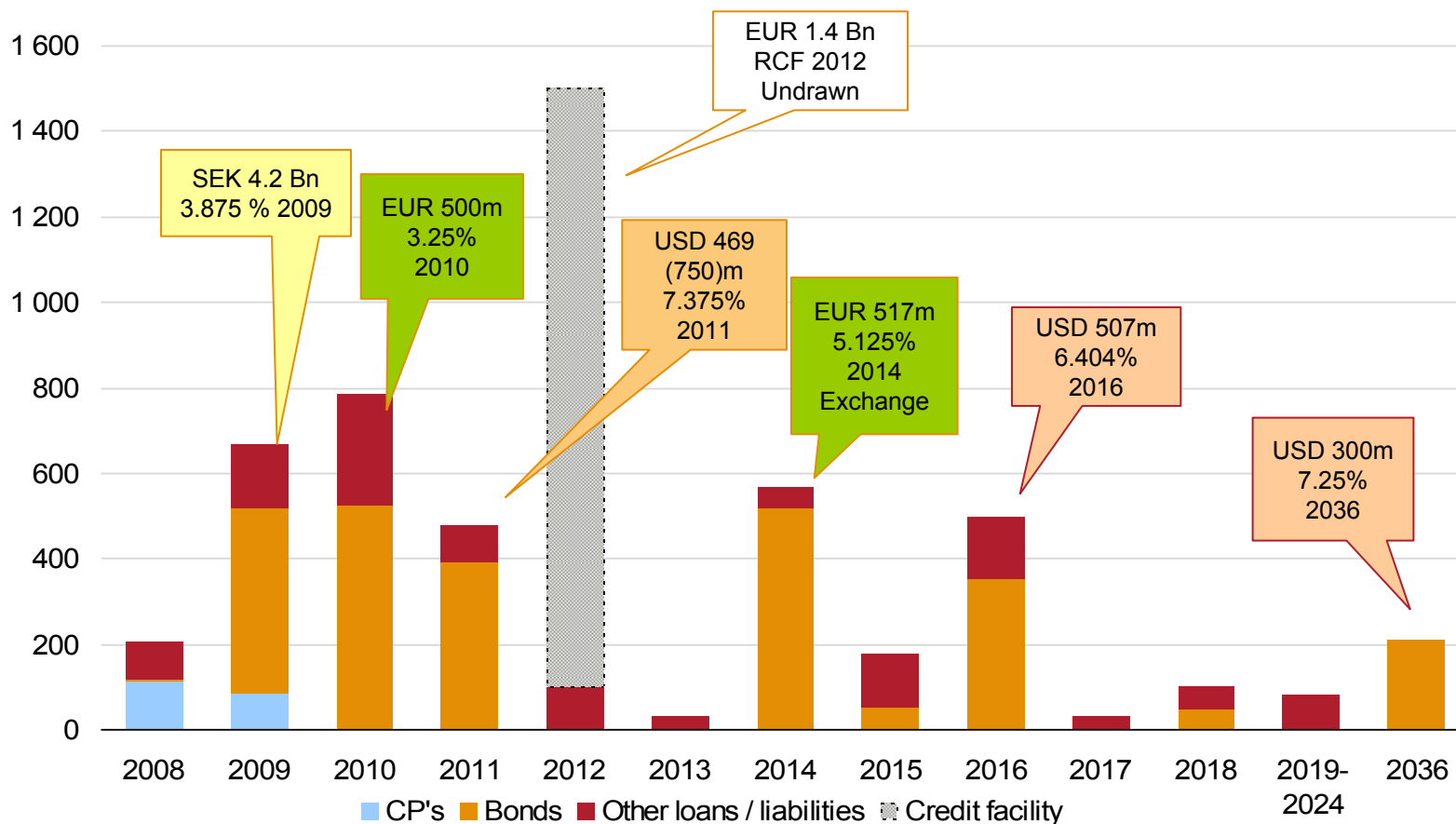
## Continuing operations



\* 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

EUR million

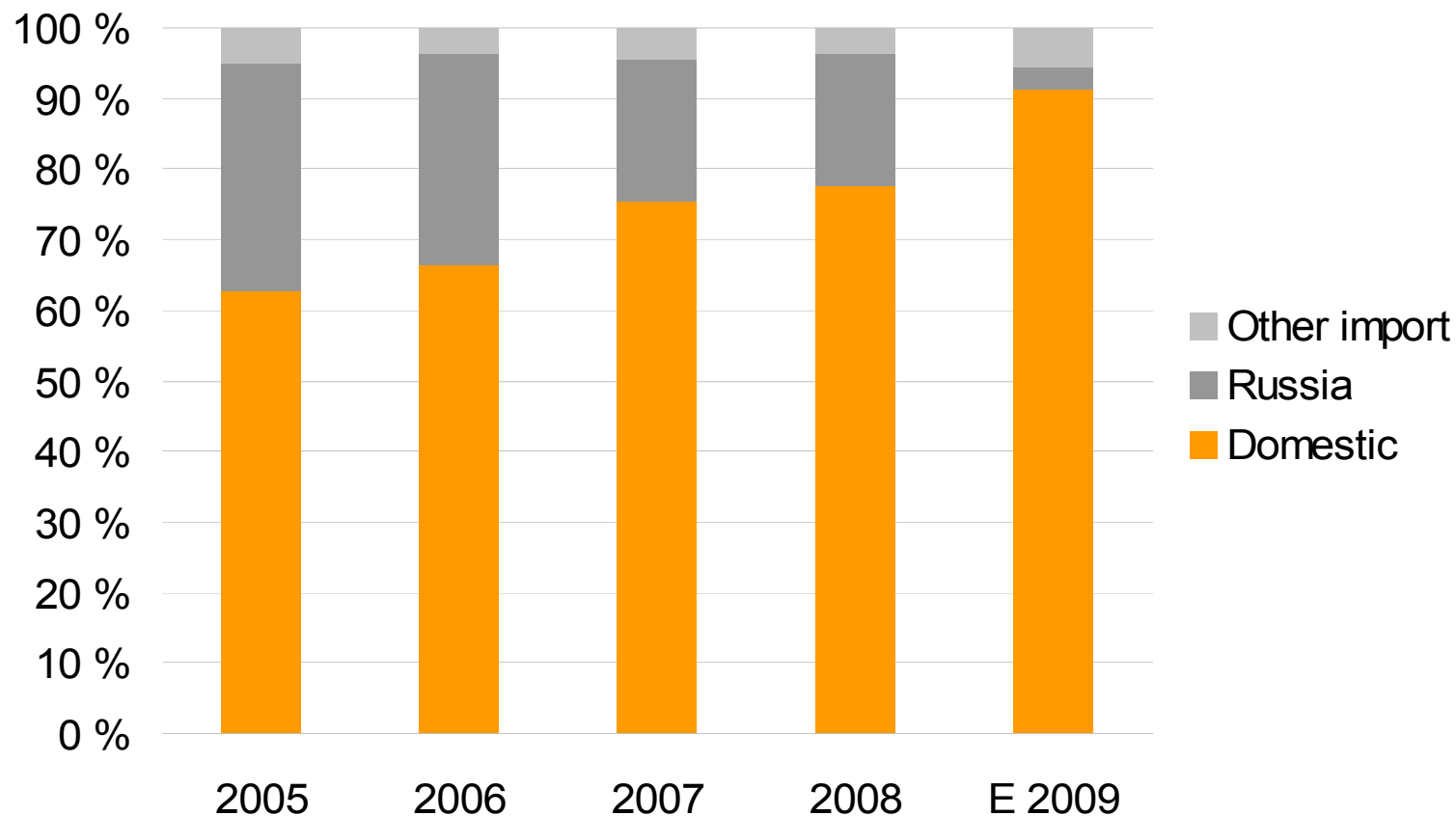


As of 30th September 2008

# Wood

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## Wood sourcing to Stora Enso mills in Finland



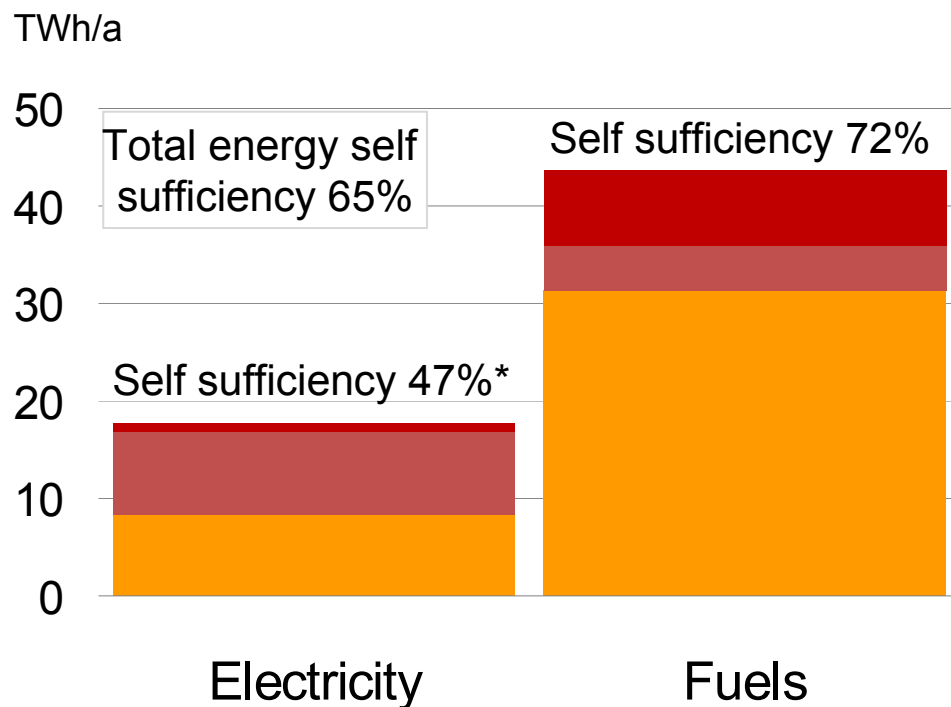
Based on realised and planned wood deliveries to Stora Enso's mills  
Sunila not included

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# Energy balance 2009

Excluding Summa, Norrsundet, Kemijärvi and Baienfurt

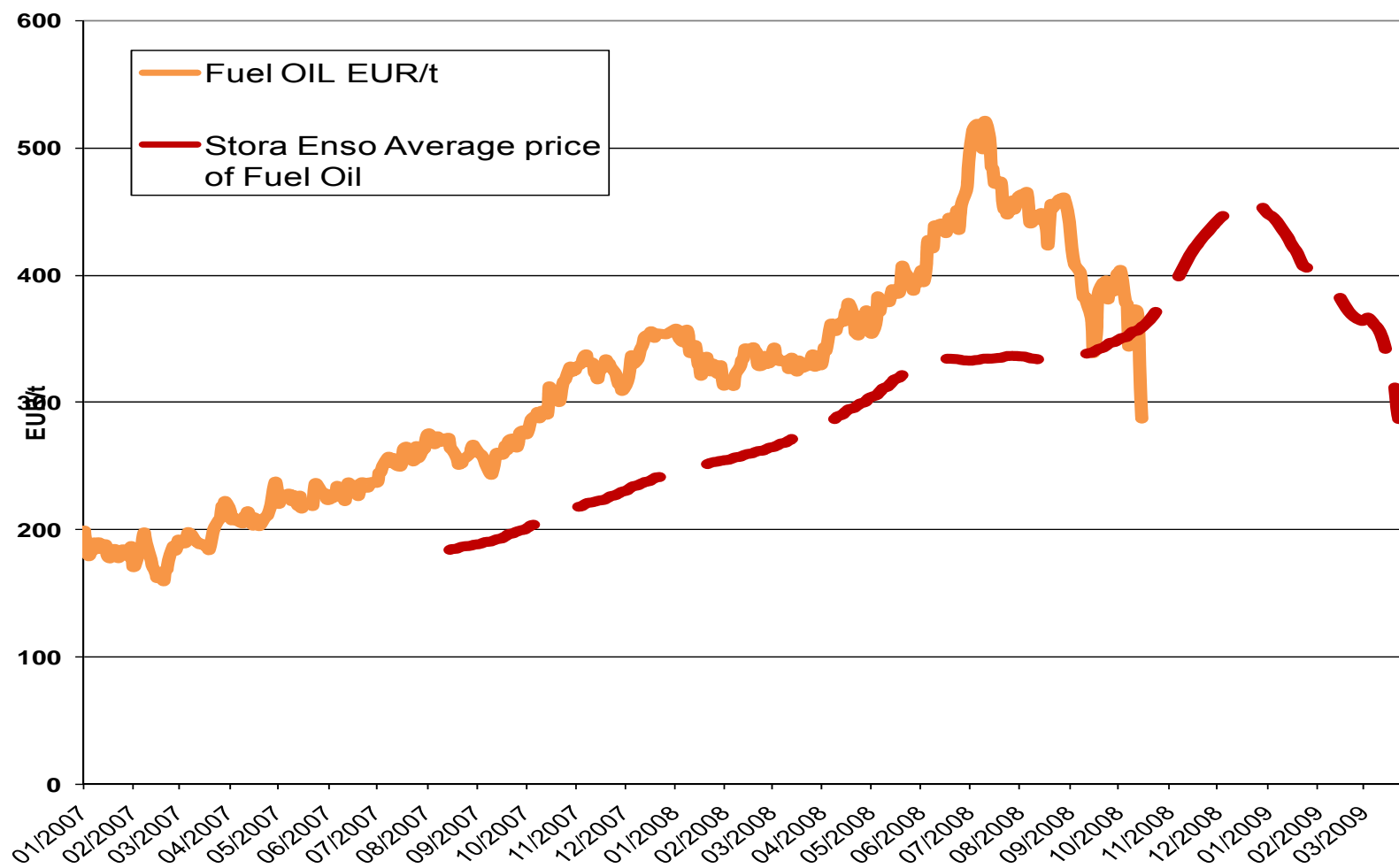


Impact on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~ 6
Oil price	~18

■ Internal 
 ■ External (hedged) 
 ■ External (non-hedged)

\*) situation for 2009

## Time lag of oil factor in Stora Enso gas contracts



# *Market outlook*

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## Near-term outlook

Business Area	Demand development (year-on-year)	Price development (sequential in local currency)
Newsprint and Book Paper	Demand in Europe predicted to be weaker than a year earlier, market expected to be fairly well balanced.	Prices expected to remain stable. Intend to increase prices in Europe in early 2009.
Magazine Paper	Weaker demand than in strong Q4 of 2007 foreseen.	Prices expected to remain stable. Intend to increase prices in Europe in early 2009.
Fine Paper	Demand in Europe expected to be weaker than a year earlier.	No change foreseen in uncoated prices but some improvement in coated in Q4. Intend to increase coated fine paper prices in early 2009.
Consumer Board	Demand forecast to be weaker than a year earlier.	Some price improvement forecast in Q4, as announced price increases are implemented.
Industrial Packaging	Weaker demand for most grades predicted than a year earlier	Prices forecast to decrease slightly.
Wood Products	Outlook remains poor and demand in Q4 likely to be weaker than a year earlier.	Persistent oversupply likely to keep prices under pressure in many markets.

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## Summary Q3 Release

- Early actions in past 18 months start to show results
  - Critical in deteriorating market outlook
  - Paper and board earnings flat year on year
  - Need rapid action in Wood Products
- Focus on pricing
  - Price increases in selected grades
  - Defend margins by product and customer mix
  - Could lead to curtailments - limiting Q4 earnings
- Focus on cash generation
  - CAPEX 2008 down to EUR 650 to 700 million
  - Replan 2009 investments
  - Working capital down already by 1 Jan 2009
- Plan for the worst; adjust upwards if opportunities arise

***[www.storaenso.com](http://www.storaenso.com)***

# *Appendix*

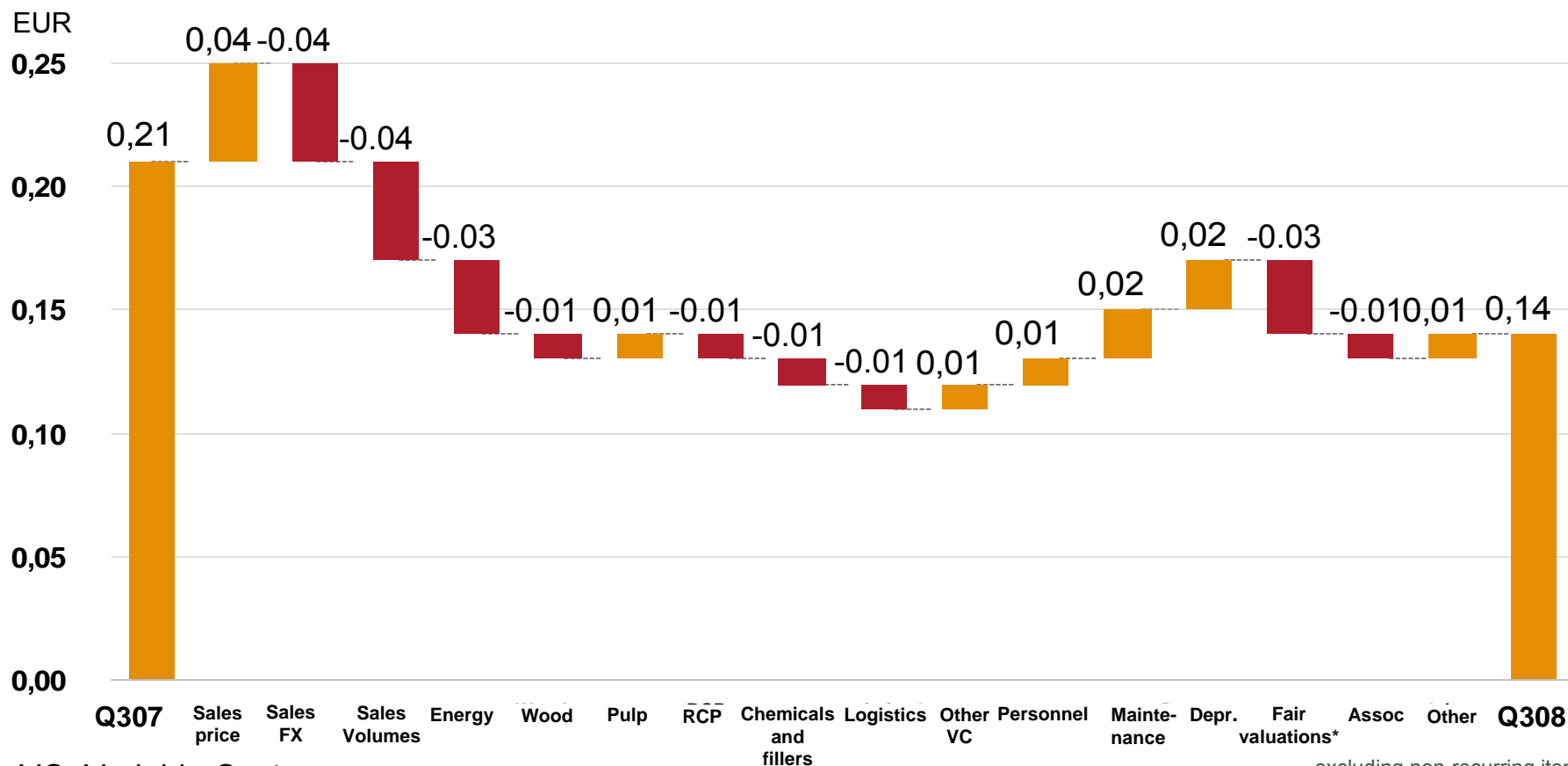
## Operating Profit by Business Area

EUR million	II/08	III/07	III/08	% Change Q308/Q307	% Change Q308/Q208
Newsprint	28	52	34	-34.6	21.4
% of sales	7.2	12.1	8.3	-31.4	15.3
Magazine Paper	15	18	27	50.0	80.0
% of sales	2.7	3.0	5.0	66.7	85.2
Fine Paper	20	34	33	-2.9	65.0
% of sales	3.7	6.5	6.1	-6.2	64.9
Consumer Board	23	27	38	40.7	65.2
% of sales	3.9	4.8	6.7	39.6	71.8
Industrial Packaging	20	25	20	-20.0	0.0
% of sales	7.0	9.2	7.3	-20.7	4.3
Wood Products	-11	37	-14	-137.8	-27.3
% of sales	-2.7	8.0	-3.9	-148.8	-44.4

excluding non-recurring items

# Change in EPS

Q3/07 – Q3/08, including closed units



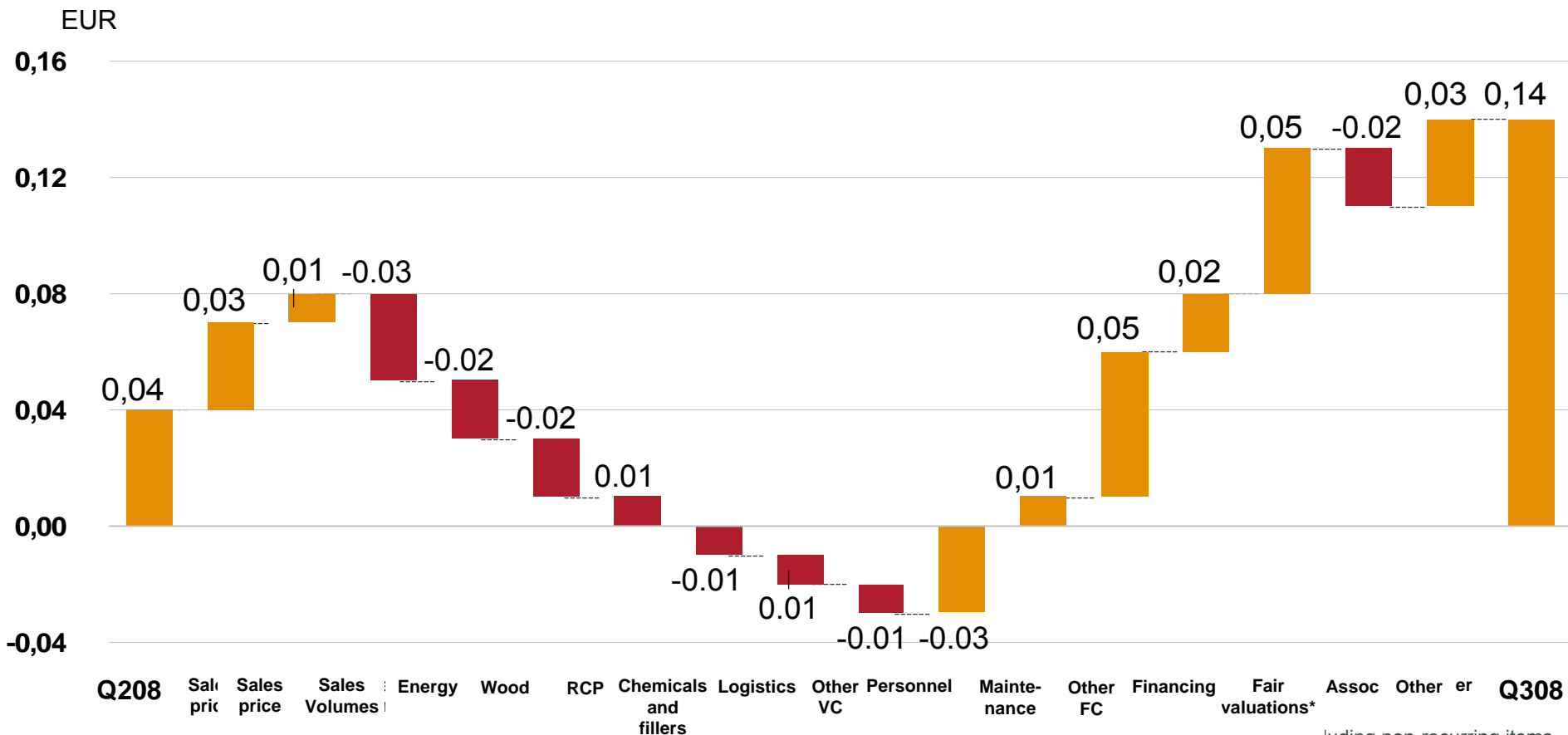
VC=Variable Costs

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\*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 excluding non-recurring items

# Change in EPS

Q2/08 – Q3/08, including closed units

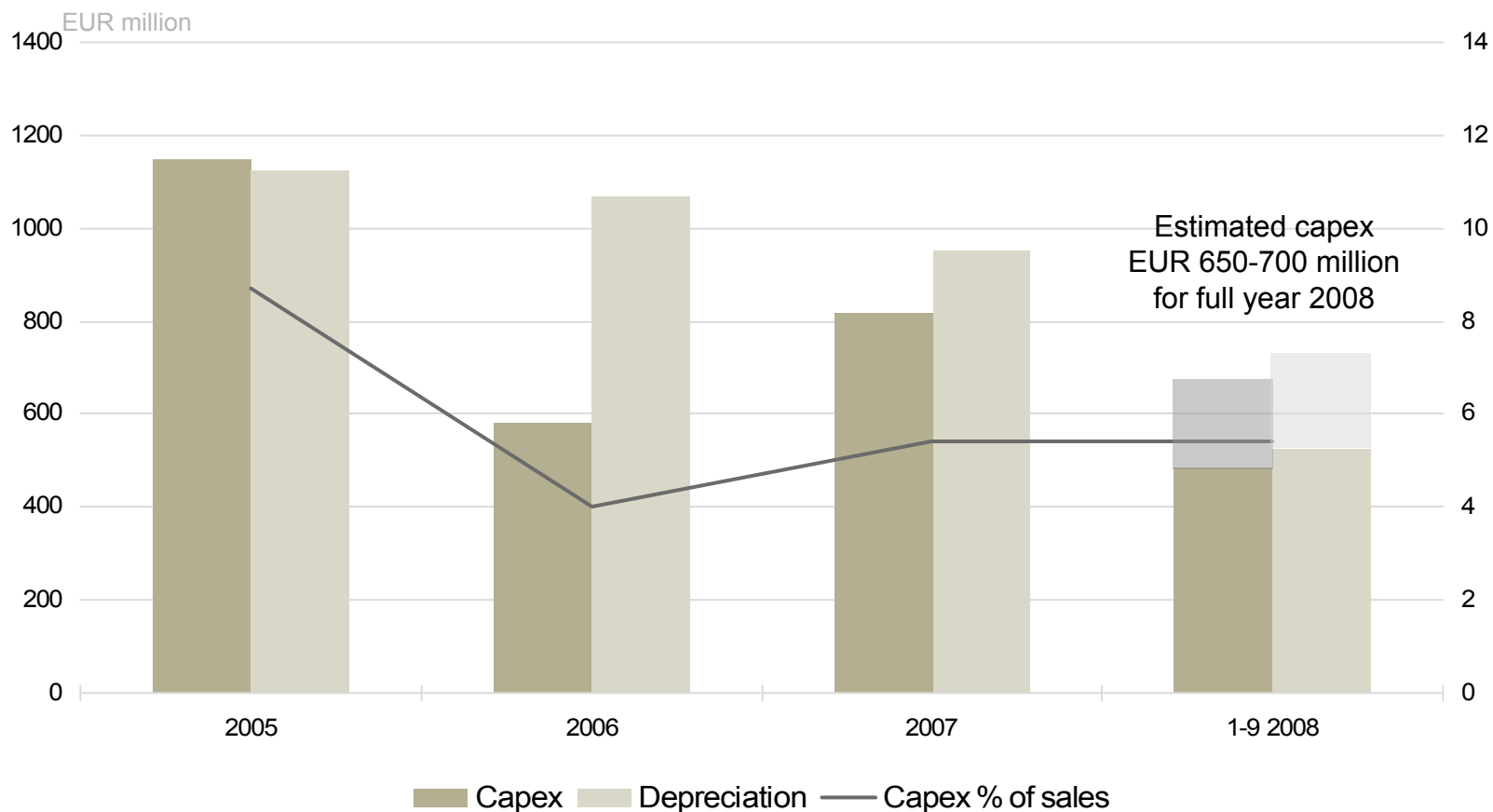


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# Capital expenditure and depreciation

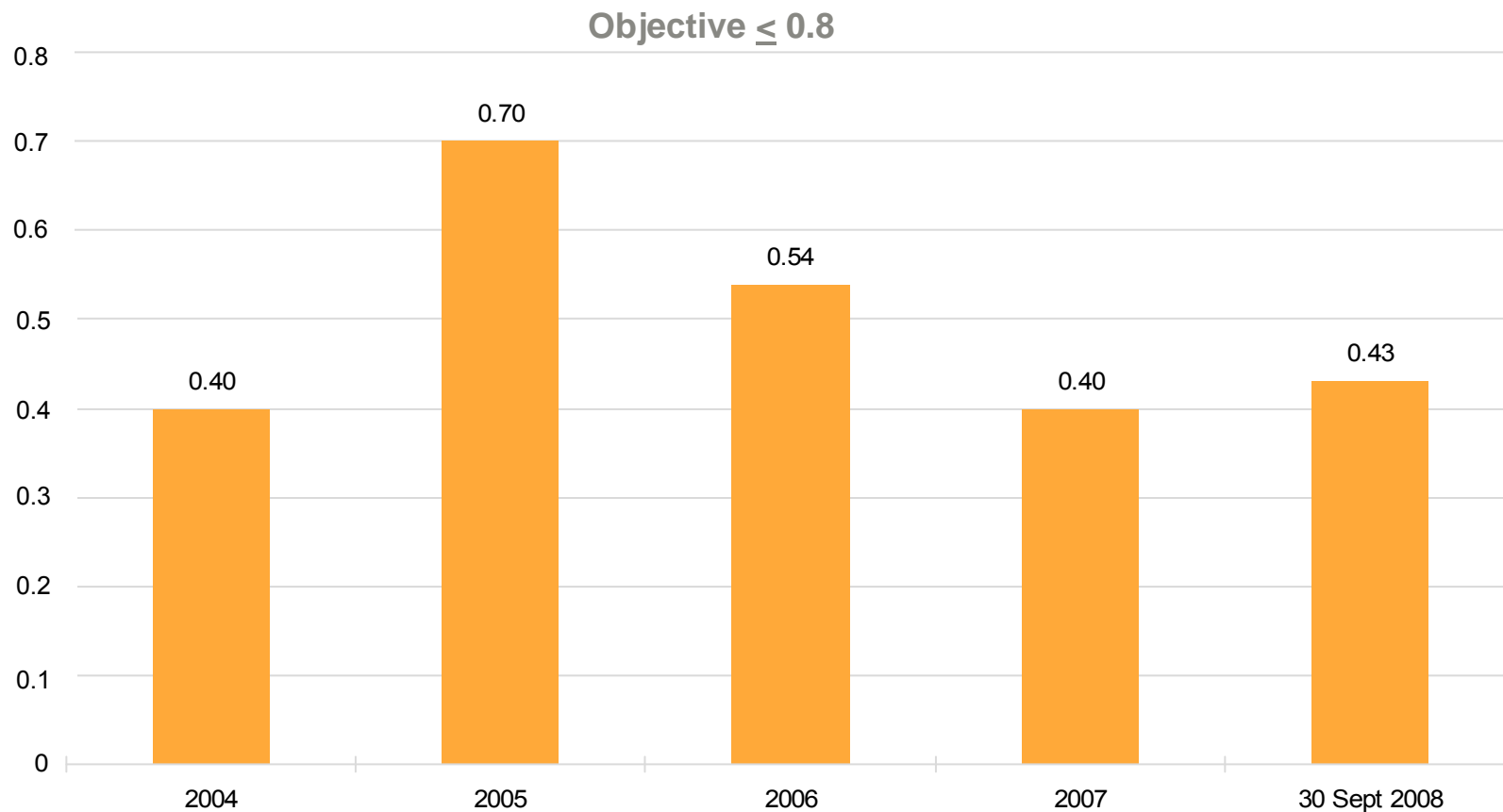
## 2005 – Q3/08



Total Operations  
 Depreciation excluding Impairments of Goodwill and Fixed Assets

## Debt/Equity – Total operations

### 2004 – Q3/08



## 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
- Unfavourable exchange rate trends decreased operating profit in Q3 2008 net of currency hedges by approximately EUR 48 million compared with Q3 2007
- Indirect impacts are much more difficult to estimate
  - Impact on trade flows
  - Customer profitability

## Net financial items – Continuing Operations

EUR million	II/08	III/07	III/08	% Change Q308/Q307	% Change Q308/Q208
Interest income, deposits	14.6	21.8	12.6		
Interest expenses, borrowings	-51.8	-57.6	-49.1		
Interest rate swaps	0.8	-0.1	1.1		
<b>Net interest expense</b>	<b>-36.4</b>	<b>-35.9</b>	<b>-35.4</b>	<b>1%</b>	<b>3%</b>
<b>Foreign exchange gains and losses</b>	<b>4.2</b>	<b>-0.5</b>	<b>5.6</b>	<b>na</b>	<b>na</b>
<b>Other financial items, of which</b>	<b>-8.7</b>	<b>12.5</b>	<b>6.8</b>	<b>na</b>	<b>na</b>
Capital gains, listed shares	0.3	1.8	0.0		
Unrealised fair valuation of financial items*	-8.3	10.8	7.4		
Other items	-0.7	-0.1	-0.6		
	<b>-40.9</b>	<b>-23.9</b>	<b>-23.0</b>	<b>4%</b>	<b>44%</b>

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