In this Presentation

• Major Structural Changes at Stora Enso
• Availability of Wood
• Changes in the Market
• Wood in Energy Production
• Summary
Major Structural Changes

- Sale of power assets outside mills
- Gruvön Mill → Billerud
- Sale of Tervakoski Mill
- Sale of Dalum Mill
- Arapoti acquisition
- Schneidersöhne Group acquisition
- Start-up of Veracel Pulp Mill (joint venture)
- Papeteries de France acquisition
- Scaldia Papier acquisition
- Intercell acquisition
- Sylvester acquisition
- Consolidated Papers acquisition
- Stora Enso merger

1998
- Sale of Tervakoski Mill
- Sale of Dalum Mill

1999
- Sale of power assets outside mills
- Gruvön Mill → Billerud

2000
- Divestment of Finnish forest holdings

2002
- Divestment of Swedish forest holdings
- Divestment of Finnantara plantation

2004
- Sale of Linghed Sawmill

2005
- Sale of Grycksbo Mill
- Closing of Saugan Sawmill
- Sale of Celbi Pulp Mill
- Sale of Pankakoski Mill
- Sale of Wolfsheck Mill

2006
- Divestment of SENA
- Closing of Hammarby Mill

2007
- Start-up of Veracel Pulp Mill (joint venture)
Availability of Wood
In all Baltic Sea Countries there are Additional Harvesting Potential

- Harvesting volumes only for Industrial wood
- Growth excludes protected areas
- Especially in Germany there is very big cutting potential
- Biological assets are not limiting additional harvesting
- Mobilizing volumes is very difficult especially in Germany
- In Poland most of the forests under State Forest Service, thus additional harvesting decisions are probably easier
In 2006 the industry used 56 mill. m$^3$ domestic wood, 19 mill. m$^3$ imported wood and 11 mill. m$^3$ sawmill chips, so the total use of wood raw material was 86 mill. m$^3$. 
Wood Flows in the Baltic Sea Area
Total trade more than 30 million m³ u.b.

- Volumes of 2006
- Numbers in Million m³
- Volumes from Russia to the Baltics from 2005

From other countries to Finland and Sweden

1.5

0.2

3.6

0.8

0.9

1.1

2.0

1.5

0.2

1.6

0.9

15.6

0.5

1.2

2.0

0.8

0.3

0.3

0.8

0.5

0.9
China is the Biggest Importer of Russian Roundwood

Russian roundwood exports totalled 51 mill. m³ in 2006
Chinese roundwood imports totalled 32 mill. m³ in 2006

SOURCE: UN
Veracel before...
... and after
### Forest Growth

– Comparison between Stora Enso Operations

<table>
<thead>
<tr>
<th>Area</th>
<th>Short Fibre</th>
<th>Pine</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth m³/ha (sub)</td>
<td>Chemical pulp yield tonne/ha</td>
</tr>
<tr>
<td>Veracel</td>
<td>52.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Uruguay</td>
<td>40.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Southern Finland</td>
<td>5.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Southern Sweden</td>
<td>5.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Forests in Sweden and Finland are mixtures, thus the same growth shown for short and long fibre.
Logs – Monthly Stumpage Price

Source: Finnish Forest Research Institute, 15 Oct 2007, Information Services
Pulpwood – Monthly Stumpage Prices

Source: Finnish Forest Research Institute,
15 Oct 2007, Information Services
Paper, packaging & forest products

Changes in the Market
Growth of Paper and Paperboard
Demand by Region 2000-2015

East Europe and China drive future growth aspirations

<table>
<thead>
<tr>
<th>Region</th>
<th>2000</th>
<th>2015</th>
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<tbody>
<tr>
<td>World</td>
<td>54</td>
<td>63</td>
</tr>
<tr>
<td>North America</td>
<td>325</td>
<td>320</td>
</tr>
<tr>
<td>Western Europe</td>
<td>207</td>
<td>264</td>
</tr>
<tr>
<td>China</td>
<td>30</td>
<td>51</td>
</tr>
</tbody>
</table>

Average 2.2 %/a

Source: Jaakko Pöyry Consulting
China’s Share of Global Paper & Board Capacity Growth has reached ~50%

Share of global capacity growth, all grades %

Source: Jaakko Pöyry Consulting
Advertising Spend Development – Europe

Adspend share development main media in Europe 1980-2009

% share

Source: Zenith adspend forecasts June 2007
Finnish Companies
– Newsprint Production Distribution

Capacity 1,000 tonnes
Uncoated Magazine Paper (SC) Example
World Trade Flows 2006

WORLD
Consumption: 6 830 (+4%)
Capacity: 7 585
Ratio: 90%

Europe (incl. Russia)
Consumption: 3 860 (+7%)
Capacity: 5 220
Ratio: 74%

North America
Consumption: 2 355
Capacity: 2 549

Latin America
Consumption: 0
Capacity: 98

Asia
Japan
Consumption: 0
Capacity: 26

Other Asia
Consumption: 0
Capacity: 105

Africa
Latin America
Consumption: 0
Capacity: 79

West Europe
Consumption: 5 175
Capacity: 3 455

East Europe
Consumption: 405
Capacity: 45

East Europe
Consumption: 26
Capacity: 101

Other Asia
Consumption: 0
Capacity: 120

Africa
Consumption: 120
Capacity: 0

North America
Consumption: 2 549
Capacity: 2 355

Latin America
Consumption: 98
Capacity: 0

Europe (incl. Russia)
Consumption: 3 860
Capacity: 5 220

Asia
Japan
Consumption: 26
Capacity: 0

Other Asia
Consumption: 105
Capacity: 0

Africa
Consumption: 120
Capacity: 0

World Consumption: 6 830
World Capacity: 7 585
World Ratio: 90%

Sources: Cepiprint/PPPC

in 1,000 tonnes
High Share of Bioenergy in the Forest Industry to start with

- Paper industry is the world’s largest producer and user of bioenergy
  - Biomass fuels are a by-product of the pulp and paper industry
  - A long value chain of wood and fibre products is resource, energy and carbon efficient
- The forest products industry derives a greater fraction of its energy requirements from biomass than any other industry.
  - 50% in OECD countries
Wood in Energy Production
Risks to the competitiveness of FBI as well as RES target if too much of the burden is placed on forest biomass by short-sighted and distortionary policy measures

Source: Finnish Forest Industries, 13.11.2007
We should remember that

1. The success of the forest industry automatically feeds the production of bio-energy.

2. Forest industry uses wood efficiently both for processing and bio-energy.

3. Burning a raw material that is suitable for processing would be a giant step backwards in sustainable development.

4. The Finnish forest industries' export products, paper and wood products that can be converted into energy at the end of their life cycle, are in fact a bio-energy pipeline to Central Europe and other parts of the world.

Source: Finnish Forest Industries, 10.10.2007
Summary

<table>
<thead>
<tr>
<th>Availability of wood in Finland</th>
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<tbody>
<tr>
<td>– Price of domestic wood</td>
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<td>– Price and amount of imported wood</td>
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<tr>
<td>– Competing ways to use wood (energy)</td>
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<td>– Share of extra forest protection</td>
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<td>– National forest programme</td>
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<tr>
<td><strong>Dwindling demand for certain paper qualities</strong> (economic growth)</td>
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<tr>
<td><strong>Price pressure in energy, incl. costs in logistics</strong></td>
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<tr>
<td><strong>Inflexibility in working communities</strong></td>
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=> Need to adjust the production volume and quality