

Asset restructuring enhances competitiveness



The vision of Stora Enso Magazine Paper is to be the preferred and most profitable magazine paper producer, focusing on customer service and cost efficiency, and to be the preferred employer in the industry. The size of the Group is a key factor, enabling it offer a comprehensive product range and service.

A leading market position demands a strong strategy and high-quality products and services. Competitiveness is being enhanced by developing an efficient asset structure and improving cost efficiency and productivity. Benchmarking and transfer of know-how between mills are enhancing profitability.

Close to customers and raw material

Access to competitive fibre resources and mechanical pulp produced within the Group provide a dependable basis for uninterrupted competitive production. Another strength is that the mills are located close to customers and raw material.

Implementation of best practices

Human resources development and best practices further enhance productivity. Attracting and retaining qualified and motivated personnel are essential to maintain high standards of performance and service.

Asset restructuring and acquisitions

To meet the changing needs of international customers, Stora Enso has launched an Asset Restructuring Programme in uncoated magazine papers. The programme will improve the quality and overall competitiveness of assets while meeting the growing quality and volume demands of customers. It includes targeted invest-

ments, machine specialisation and divestment of less-competitive production assets. Stora Enso is also looking for profitable acquisitions.

Long-term investment at Kvarnsveden

A major part of the programme is the new paper machine to be built at Kvarnsveden, which will produce high-quality super-calendered (SC) papers based on virgin fibre for use in magazines, catalogues and advertising material. This will be partially balanced by the divestment of the smaller Wolfsheck Mill.

The programme includes investments in SC-B qualities too. PM6 at



Enhancing customer service

Stora Enso is improving service for its diverse customer base through increased inter-division cooperation. Customer Relationship Management (CRM) optimises utilisation of the Group's whole product mix. Customers' needs are defined and new solutions offered or if necessary developed. Solutions include partnerships and stronger focus on technical support, logistics and new products.



the Maxau Mill, which also produces SC-B paper from recovered fibre, will be rebuilt to enhance its productivity and competitiveness. PM3 at Langerbrugge will change over from mainly high-quality SC to exclusively SC-B, allowing the mill to maximise the usage of recovered fibre.

Advertising the main demand driver

The main driving force for publication paper consumption is advertising volume, since 70% of magazine paper revenues depend on this.

The short-term outlook for printed advertising and magazine paper consumption remains stable volume-wise, but with ongoing price pressure due to overcapacity in LWC grades.

In North America, demand has been strengthening because of an increase in the number of advertising pages in magazines. Prices for coated magazine papers and SC papers are rather stable. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	2 818.8	3 449.0	3 036.8	22.2
Operating profit, EUR million	399.4	346.9	79.3	8.6
% of sales	14.2	10.1	2.6	
Operating capital, EUR million	3 529.9	3 314.0	3 050.0	23.0
Return on operating capital, %	15.5	10.1	2.6	
Capital expenditure, EUR million	115.1	148.5	151.0	17.2
Average number of employees	6 205	7 854	7 699	17.6
Production curtailments, tonnes	N/A	560 000	569 000	

*excluding goodwill

1 000 tonnes	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003
SC	864	1 377	1 363	1 660
LWC, MWC, HWC, MFC	2 357	2 452	2 507	2 775
Wallpaper base	48	42	38	65
Total	3 269	3 871	3 908	4 500

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