

Competitiveness through expansion



Stora Enso Timber maintains one of the most modern and competitive asset bases in the wood products business worldwide. Competitiveness is being enhanced through online further processing and expansion in Central and Eastern Europe. The most challenging projects in the short term are the integration of the Estonian wood products company Sylvester and sawmill investments in Russia.

One competitive advantage is a strong global market presence, particularly in Europe, Japan and North Africa. Stora Enso Timber is close to its customers, thanks to its global sales network. The main business segments are in the construction and joinery industries and trade, where wood products remain competitive and environmentally sustainable materials. The comprehensive product range is constantly being developed to meet the expectations of selected end-use segments.

Further-processing according to customers' needs

Markets and end-users favour more advanced, further-processed and engi-

neered products. The division has responded with a vast growth and turnaround programme in all operating regions over the past five years. Streamlining of production assets continues, with production efficiencies sought through mill specialisation and expansion of further-processing capacity and the share of customised products.

Securing a cost-competitive manufacturing base

The Baltic States and Russia are major emerging sources and markets for competitive high quality wood products, and important areas for wood raw material procurement for the

Group's other production sites, especially in Finland. Intensifying competition emphasises the need to secure a cost-competitive manufacturing base that will support expansion in Central and Eastern Europe.

Stora Enso Timber's strategy is to set up a competitive sawmilling base in Russia with the initial sawmill investments in 2002 in the Karelia and Novgorod regions. A competitive sawmilling base in the Baltic States is being developed through the acquisition of Sylvester and further greenfield investments. With the acquisition, Stora Enso will get five modern softwood mills and add 20% to the annual wood products capacity. Stora Enso



Plana and Zdirec – proofs of a successful strategy

The Plana and Zdirec sawmills in the Czech Republic reflect the strength of Stora Enso Timber's strategic aims of cost-competitive manufacturing in Eastern Europe and online further processing. Their good profitability is based on clear specialisation: Plana concentrates on standardised building products for the North American market and Zdirec on structural building components for the European market. Efficiency has been improved by a new shift work system resulting in increased capacity, log handling and personnel.

is keen to locate further new production capacity close to these raw material sources and markets, and recent investments provide a good platform for further growth.

Stable market conditions

Global demand is growing steadily by 1-2% per year in all wood product areas, and rapidly in target segments. Demand for further-processed products is expected to grow by 9% per year in Japan and 5% in Europe up to 2005.

Market conditions are expected to remain slightly positive through the first half of 2003, but profitability will be under pressure from currency effects and freight rates. The US market will not recover until the current oversupply eases. Low inventories and the coming spring season will keep European and Japanese markets stable. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	1 242.1	1 180.5	1 235.2	9.0
Operating profit, EUR million	73.3	12.6	46.8	5.1
% of sales	5.9	1.1	3.8	
Operating capital, EUR million	388.2	421.3	421.6	3.2
Return on operating capital, %	18.6	3.1	11.1	
Capital expenditure, EUR million	46.5	64.4	53.5	6.1
Average number of employees	3 593	3 644	3 745	8.5

*excluding goodwill

1 000 m ³	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003*
Sawn wood products	4 880	4 860	5 112	6 045
of which further-processed products	952	1 018	1 207	2 353

*excluding Sylvester

[Read more in the Web report](#)