

Responsibility & Performance

Annual General Meeting

18 March 2004

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.

Year 2003 in Brief

- Group's paper product prices declined
- Volumes increased moderately for the year
- The direct and indirect impact of the weakening US dollar, especially towards the end of the year

Main Events in 2003

- Completion of Sylvester acquisition
- New newsprint machine in Langerbrugge, Belgium
- Decision taken to build a pulp mill in Brazil
- Extension of North American Profit Enhancement Programme
- Corbehem mill restructuring programme decided
- Announcement of plan to sell Swedish forestlands
- Investment decision for Kvarnsveden SC-machine
- Investments at Skoghall (energy related) decided

Income Statement

EUR million	2002	2003
Sales	12 782.6	12 172.3
Expenses and other business income	-10 492.3	-10 488.2
Depreciation, amortisation and impairment charges	-2 441.9	-1 200.4
Operating profit	-151.6	483.7
Share of results of associated companies	14.6	-23.0
Financial income and expenses	-206.2	-237.7
Profit before tax and minority interests	-343.2	223.0
Direct tax	120.9	-70.6
Minority interests	0.1	-5.8
Profit for the period	-222.2	146.6
Operating profit for the period excl. non-recurring items	926.5	538.1
Profit for the period excl. non-recurring items	504.9	212.9

Balance Sheet

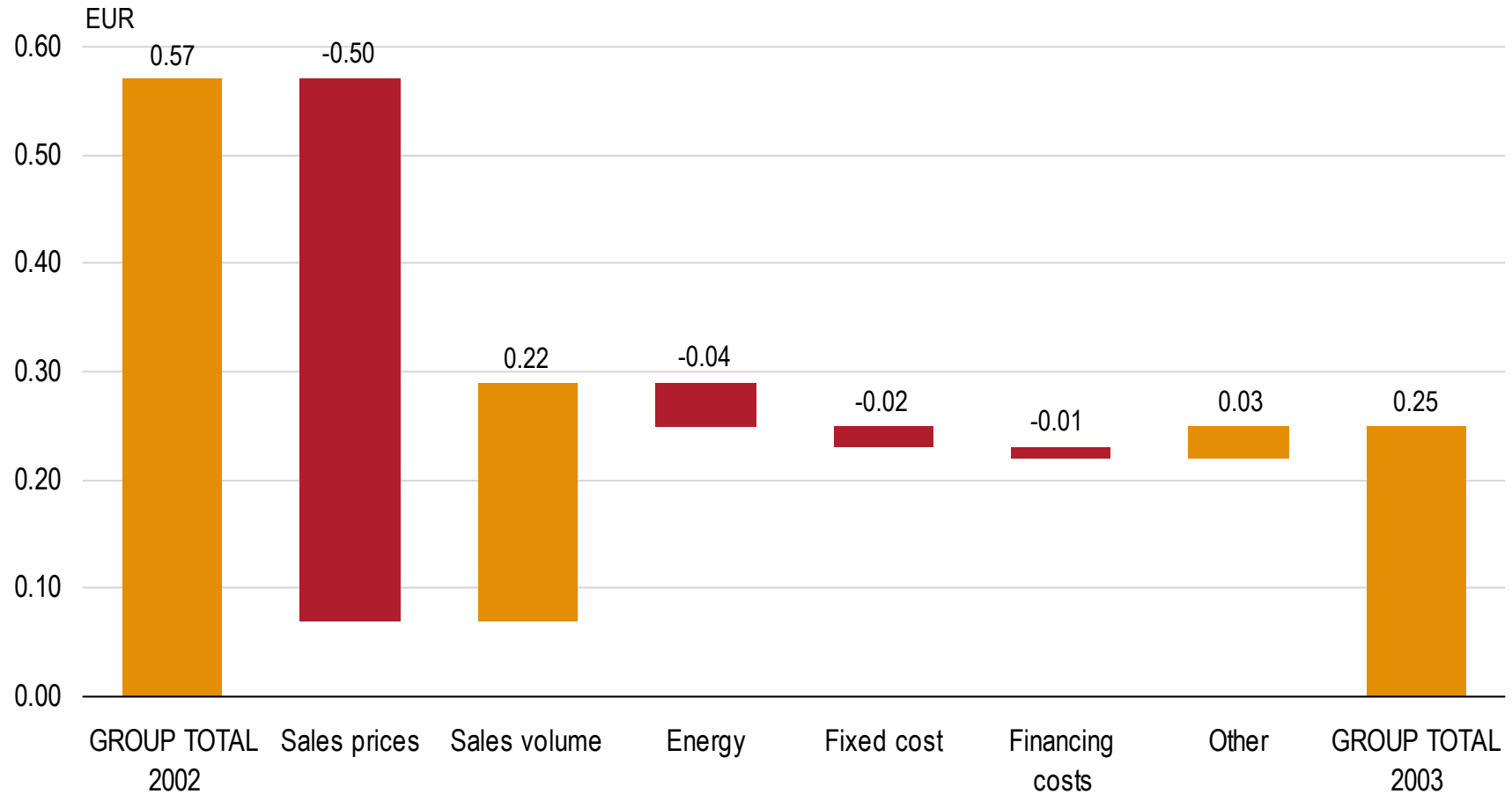
EUR million	2002	2003
Fixed assets and other long-term investment	13 244.7	13 449.5
Inventories	1 565.0	1 623.5
Receivables, investments, cash and bank	3 404.5	2 869.1
Shareholders' equity	8 156.9	8 083.7
Minority interests	30.4	60.3
Deferred tax	2 325.0	2 183.2
Interest-bearing liabilities	5 175.6	5 174.2
Operating liabilities	2 526.3	2 440.7
Balance sheet total	18 214.2	17 942.1
Interest-bearing net liabilities	3 266.8	3 919.0

Earnings per Share and Cash Earnings per Share



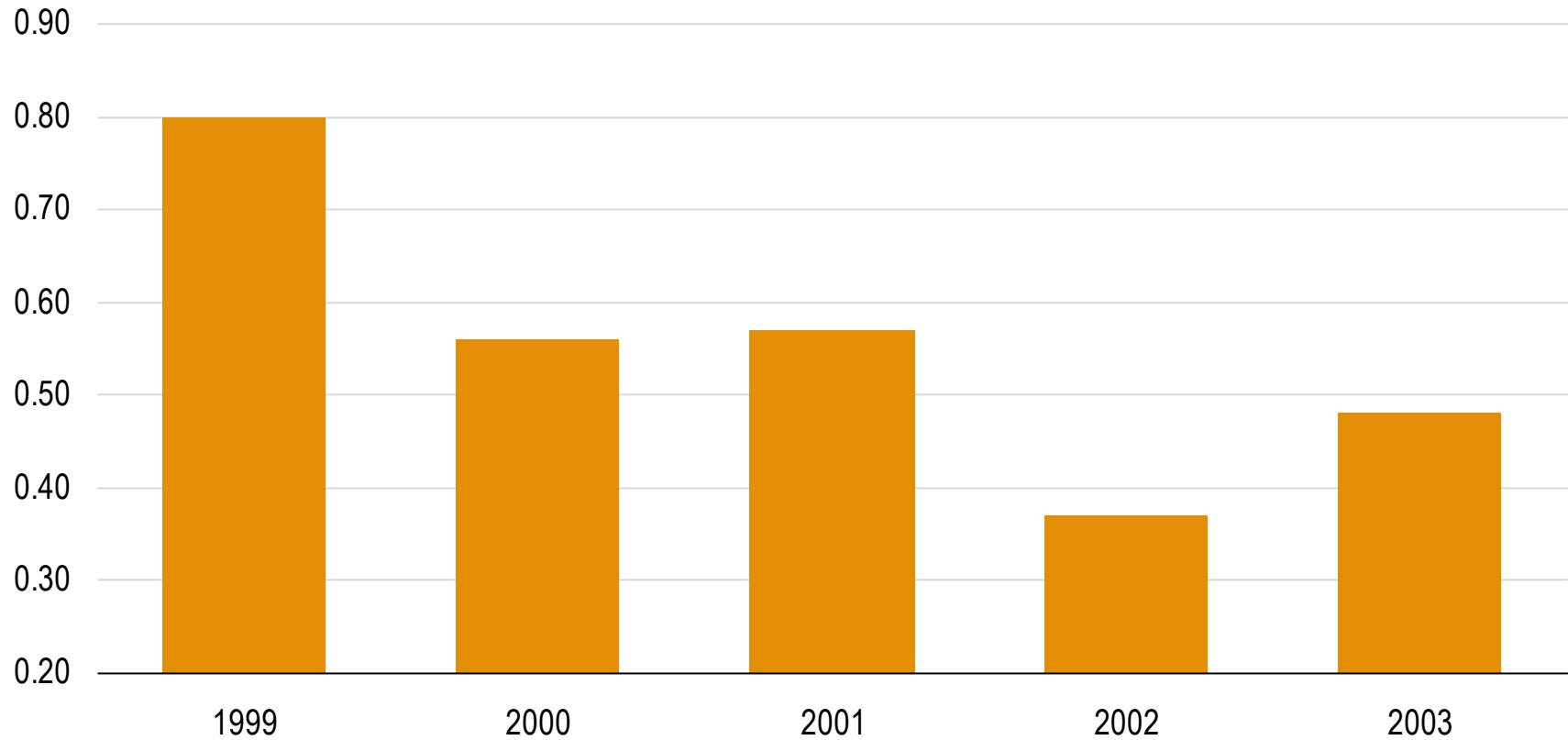
excluding non-recurring items

Change in EPS from 2002 to 2003



excluding non-recurring items

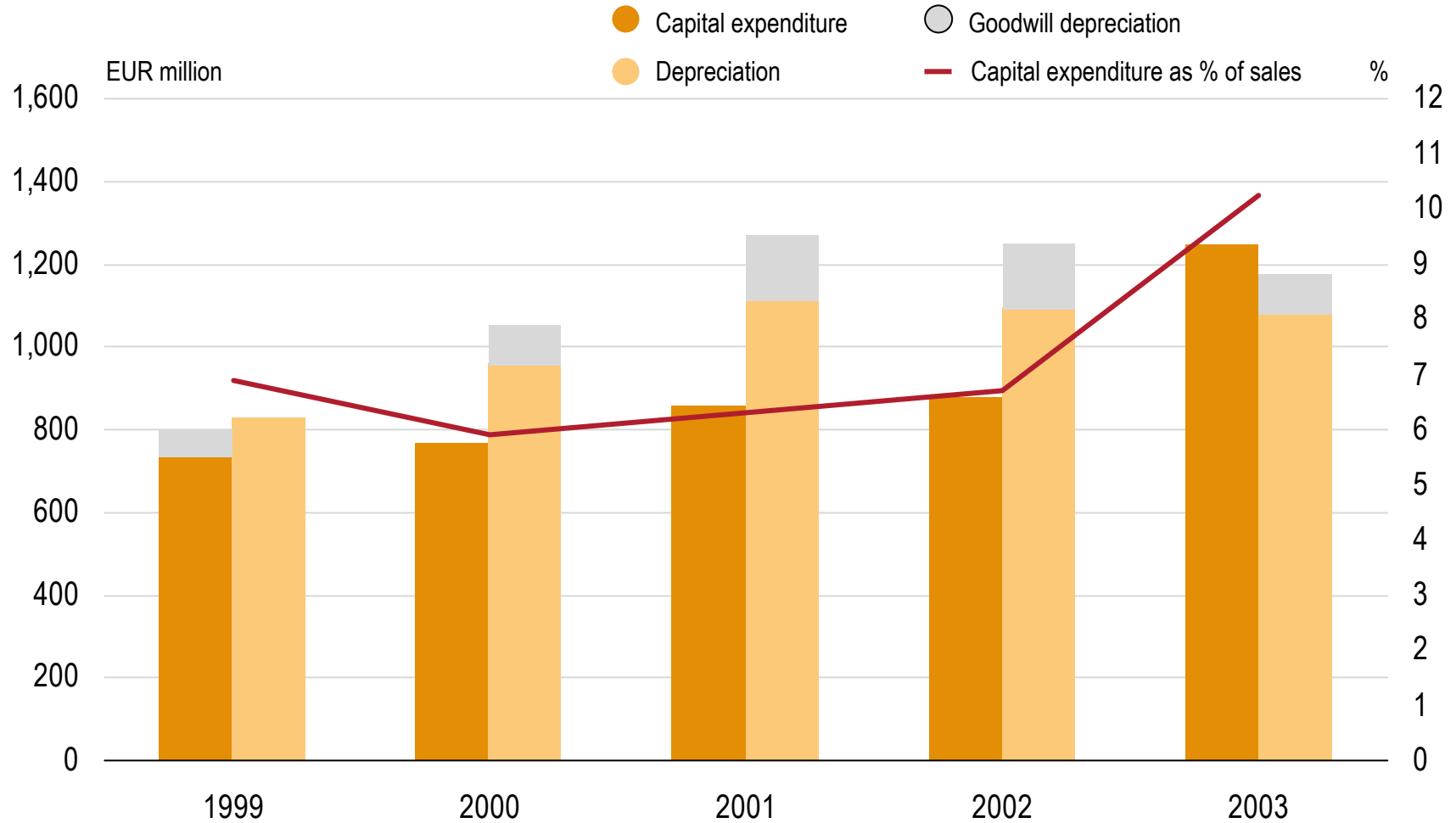
Debt/Equity



Target ≤ 0.8

restated debt/equity ratio

Capital Expenditure and Depreciation



Stora Enso North America Profit Enhancement Measures

- USD 145 Million improvement in profits
- Increase EPS with EUR 0.09 by mid 2005
- Total number of employees will be reduced from 7 300 (Feb 2000) to 5 000 by mid 2005
- Modifying the terms of the current labour agreements
- Eight strategic investment projects to improve productivity in North America
 - Increase asset quality
 - Improve product profile and quality
- Six machine closures completed since the acquisition in 2000

Responsibility & Performance

Outlook

Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper			
SC	→	↗	Healthy order book; prices stabilising after early '04 drop
CMR	↘	↗	Demand improving; prices under pressure
Newsprint	→	↗	Demand improving; European contracts concluded with modest decline (ave. -3%)
Fine Papers			
WFC	→	↗	Prices stabilising; demand seasonally up
WFU	→	↗	Order books good; demand seasonally up; prices stabilising
Speciality Papers	→	↗	Demand up; very low inventories
Packaging Boards	→	→	Indirect effect of US dollar, seasonal pick-up expected end Q1
Wood Products	→	→	Strong supply, especially in redwood

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper			
SC	→	→	Demand stable, producer and customer inventories low; price increase announced
CMR	→	→	Order books good; prices low, but stable
Newsprint	↗	→	Announcement of \$ 50 price increase effective 1 February
Fine Papers			
WFC	→	→	Demand seasonally low; prices low, but stable
Speciality Papers	→	↗	Demand very strong; low inventories

Outlook Summary

- General economic outlook is positive, but it is not yet materially improving demand for forest products
- Volumes gradually rising, but product prices generally stable on low levels
- First half of 2004 will remain challenging for the forest products industry
- Major North American rebuild will negatively impact the first quarter result
- Completion of the sale of Swedish forests

Financial Effects of the Sale of the Swedish Forests

- Enterprise value SEK 14.9 billion (EUR 1.6 billion)
- Reduction in interest-bearing net liabilities SEK 10.0 billion (EUR 1.1 billion)
- Increase in equity SEK 3.3 billion (EUR 350 million)
- Capital gain is SEK 1.0 billion (EUR 113 million) in operating profit
- The equity ratio will improve from 0.48 to 0.33 as at 31 December 2003

Euro sums might fluctuate due to exchange rate changes.

Long-term Measures Taken

- Asset restructuring
- Veracel; long term inexpensive fibre sourcing
- Investments in Baltics and Russia
- Divestment of non-core assets; energy and forestlands
- Profit enhancement in North America
- Continuous improvement of cost effectiveness in all units of the Group

Strengths of Stora Enso

- Strong balance sheet and cash flow
 - Future growth
 - Share buy-backs
 - Dividend
- Good credit ratings
- International organisation
- Broad product range
- Good customer relationships

Responsibility & Performance

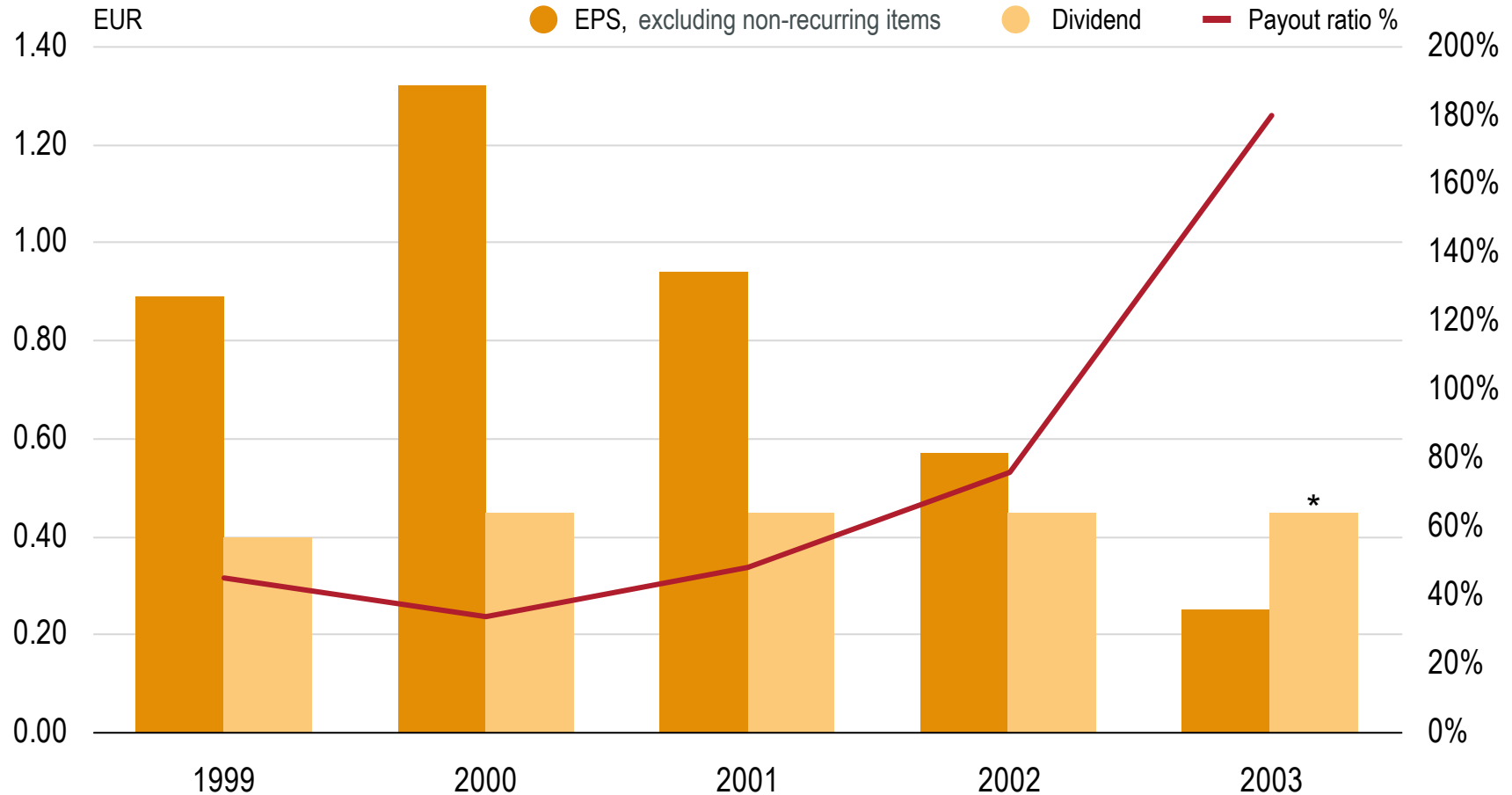
Responsibility & Performance

Dividend

Dividend Proposal

- Dividend proposal: EUR 0.45 per share
- Payout ratio: 180% excl. non-recurring items
- Total dividend payment: about EUR 377.1 million (assuming 838 million shares outstanding)
- Dividend yield: 4.2% (at a share price of EUR 10.68)
- Record date: 23 March 2004
- Dividend payment issued: 2 April 2004

Earnings per Share and Dividend



*) Board proposal

Proposed Distribution of Profit

	EUR million
Profits from previous periods	3 014.1
Purchase of own shares	-258.0
Profit for the financial period	1 981.7
Dividend of EUR 0.45 per share to be distributed on 864 484 499 shares	-389.0
Retained earnings after distribution of dividend	4 348.8

Responsibility & Performance

Responsibility & Performance

Remuneration

Remuneration for Members of the Board of Directors

Proposal for the year 2004

Chairman	EUR 135 000
Vice chairman	EUR 85 000
Members (payable only to non-executive board members)	EUR 60 000

- All board remuneration payable only for non-executive board members

Remuneration for Members of the Board Committees

Proposal for the year 2004

Financial and Audit Committee

Chairman	EUR 10 000
Members	EUR 7 000

Compensation Committee

Chairman	EUR 5 000
Members	EUR 3 000

Nomination Committee

Chairman	EUR 5 000
Members	EUR 3 000

Responsibility & Performance

Responsibility & Performance

**Proposed Board
Members**

Proposed Members of the Board of Directors

- Krister Ahlström
- Lee A. Chaden
- Claes Dahlbäck
- Harald Einsmann
- Björn Hägglund
- Jukka Härmälä
- Barbara Kux
- Ilkka Niemi
- Paavo Pitkänen
- Jan Sjöqvist
- Marcus Wallenberg

Lee A. Chaden

- American, born 1942
- B.Sc. (Purdue University) and MBA (University of California, Berkley)
- Executive Vice President of American based Sara Lee Corporation
 - responsible for corporation's global marketing and sales practices
- Joined Sara Lee in 1991
- Extensive experience of top management positions at Sara Lee and other consumer goods companies

Responsibility & Performance

Responsibility & Performance

Auditor

Proposed Auditor

PricewaterhouseCoopers Oy,
Authorised Public Accountants

Responsibility & Performance

Responsibility & Performance

Share Capital

Reduction of Share Capital by Cancellation of Shares

- Authorisation of AGM 2003
 - not more than 9 100 000 Series A shares
 - not more than 35 800 000 Series R shares
- Shares repurchased by the Company to be cancelled
 - 8 100 Series A shares
 - 27 800 000 Series R shares
- Number of shares and share capital after cancellation
 - 181 164 733 Series A shares
 - 655 586 666 Series R shares
 - Share capital EUR 1 422.5 million
(EUR 1 469.8 million before cancellation)

Authorisation to Repurchase Shares in the Company

- Repurchase of shares in the Company by using distributable equity
- Not more than 9 000 000 Series A shares and not more than 32 700 000 Series R shares (however, not exceeding 5% of the votes or share capital)
- In public trading at the market price prevailing at the time of the repurchase
- Shares repurchased can be used
 - to develop the capital structure
 - for the financing of acquisitions or other transactions or
 - to be otherwise disposed of or cancelled
 - cancellation requires a separate decision of a shareholders' meeting
- Authorisation is valid until 17 March 2005

Authorisation to Dispose of Shares in the Company

- Not more than 9 000 000 Series A shares and not more than 32 700 000 Series R shares
- The Board shall be authorised to decide to whom and in which manner the shares are to be transferred:
 - in business acquisitions and other arrangements or in public trading
 - by derogation from the pre-emptive rights of shareholders
- The Board shall decide on the transfer price and on the basis for the calculation
- Shares can be disposed of for other consideration than cash
- The Board shall be authorised to decide on all other terms and conditions of the disposal
- Authorisation is valid until 17 March 2005

Responsibility & Performance

To view Stora Enso's
annual report for 2003, visit
www.storaenso.com