



*Annual General Meeting*  
*21 March 2000*

# Strategy



- *To be the world's leading forest products company*
- *The company focuses on three core product areas: publication papers (magazine paper and newsprint), fine paper and packaging boards*
- *The target is to secure the generation of shareholder value and profitability from ongoing business through synergies, productivity improvement programmes and carefully selected investments*
- *Future growth will take place primarily through mergers and acquisitions*

# Income statement



<i>EUR million</i>	<b>1999</b>	<b>1998</b>	<b>1998 adjusted</b>
<i>Sales</i>	10 635.7	10 489.6	10 489.6
<i>Share of results of associated companies</i>	9.7	9.9	9.9
<i>Expenses and other business income</i>	-8 334.7	-8 629.5	-8 418.5
<i>Depreciation</i>	-892.6	-1 151.4	-891.4
<i>Operating profit</i>	1 418.1	718.6	1 189.7
<i>Financial income and expenses</i>	-266.6	-379.3	-368.1
<i>Profit before tax and minority interests</i>	1 151.5	339.4	821.6
<i>Direct taxes</i>	-394.5	-148.2	-219.7
<i>Minority interests</i>	-4.5	-0.2	-0.2
<b><i>Profit for the period</i></b>	<b>752.5</b>	<b>191.0</b>	<b>601.8</b>

# Balance sheet



<i>EUR million</i>	<b>1999</b>	<b>1998</b>
<i>Fixed assets and other long term investment</i>	11 900.7	11 695.1
<i>Inventories</i>	1 265.6	1 332.3
<i>Receivables, investments, cash and bank</i>	2 867.7	2 385.7
<i>Shareholders' equity</i>	5 953.2	5 266.3
<i>Minority interests</i>	202.0	278.8
<i>Deferred tax and tax liabilities</i>	1 752.5	1 512.1
<i>Interest-bearing liabilities</i>	6 345.0	6 557.5
<i>Operating liabilities</i>	1 781.3	1 798.4
<b><i>Balance sheet total</i></b>	<b>16 034.0</b>	<b>15 413.1</b>

## Key ratios



<i>EUR million</i>	<b>1999</b>	<b>1998</b>	<b>1998 <i>adjusted</i></b>
ROCE, %	12.3	6.2	10.2
ROE, %	12.9	3.4	10.6
Debt/equity	0.90	1.05	
Earnings per share, EUR	0.99	0.25	0.79
Equity per share, EUR	7.84	6.93	

## *Year 1999 in brief*

- *Market development*
  - *the year started with weak demand and prices*
  - *demand and prices strengthened gradually from April to the end of the year*
- *Improved profits*
  - *sales rose by 1.4% to EUR 10 636 million*
  - *operating profit was EUR 1 418 million (13.3% of sales) and profit before tax and minority interests EUR 1 151 million*

## *Year 1999 in brief*

- *Stora Enso's first year as a united entity*
  - *The organisation performed well and we achieved much more than we initially anticipated*
- *Targeted 1999 synergies more than doubled*
  - *Synergy benefits amounted to EUR 113 million, exceeding by over 100% the EUR 50 million targeted for 1999*
  - *Synergies were greatest in magazine paper, fine paper and timber products*
  - *The biggest sources of synergies were purchasing and logistics, sales and administration and production streamlining*
- *Key ratios well in line with financial targets*
  - *ROCE 12.3% (target > 13% over the cycle)*
  - *Debt/equity ratio 0.90 (target < 1.0)*
  - *Capital expenditure EUR 740 million, 16% less than depreciation*

## *Disposal of assets*

- *Release of capital EUR 350 million, capital gain EUR 80 million*
- *Sale of the technical office papers business*
- *Sale of the business operations and material assets of Tervakoski*
- *Sale of the Pure-Pak processing unit*
- *Sale of the Danish Dalum mill to a group of Danish investors*
- *Sale of Teollisuuden Sähkönnmyynti and C shares of PVO*
- *Sale of shares in Transfennica*

## *Events occurring after the closing of accounts*



- *Sale of Stockholm office building*
- *Decision to close down the Mölndal board machine in April 2000*
- *Agreements to acquire Finnish paper merchant Paperi-Dahlberg Oy and Norwegian paper merchant Carl Emil A/S*
- *Letter of intent to sell power assets outside mills to the Fortum Group companies*
- *Announcement of acquisition of Consolidated Papers Inc. in USA*

# Capital expenditure



- Total capital expenditure in 1999 was EUR 740 million

## Major projects to improve quality and efficiency

<i>EUR million</i>	<i>Total</i>	<i>used in 1999</i>
• <i>Gruvön recovery boiler</i>	84	45
• <i>Imatra's new fibre line</i>	365	44
• <i>Maxau magazine paper machine no. 8</i>	84	34
• <i>Plana sawmill</i>	28	27
• <i>Grycksbo fine paper machine no. 10</i>	42	24
• <i>Veitsiluoto fine paper machine no. 2</i>	46	20
• <i>Fors board machine no. 3</i>	53	14

# Merger synergies



## Calculated EBIT impact

<i>EUR million</i>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<i>January 1999 (estimate)</i>	50	170	240	300
<b>Recorded 1999</b>	<b>113</b>			

*Efficiency programme proceeded as planned, and about EUR 30 million was realised during the year.*

## Outlook for 2000



- *Favourable economic outlook is expected to continue*
- *Producer pulp inventories are low and demand is strong; pulp prices are expected to strengthen*
- *Fine paper prices are expected to improve*
- *Demand in packaging boards is improving and expected to increase prices somewhat in most board qualities*
- *Prices of magazine papers and newsprint are expected to remain stable*
- *Redwood timber prices will improve*
- *Group profitability in 2000 is anticipated to improve*

## *Major challenges in 2000*



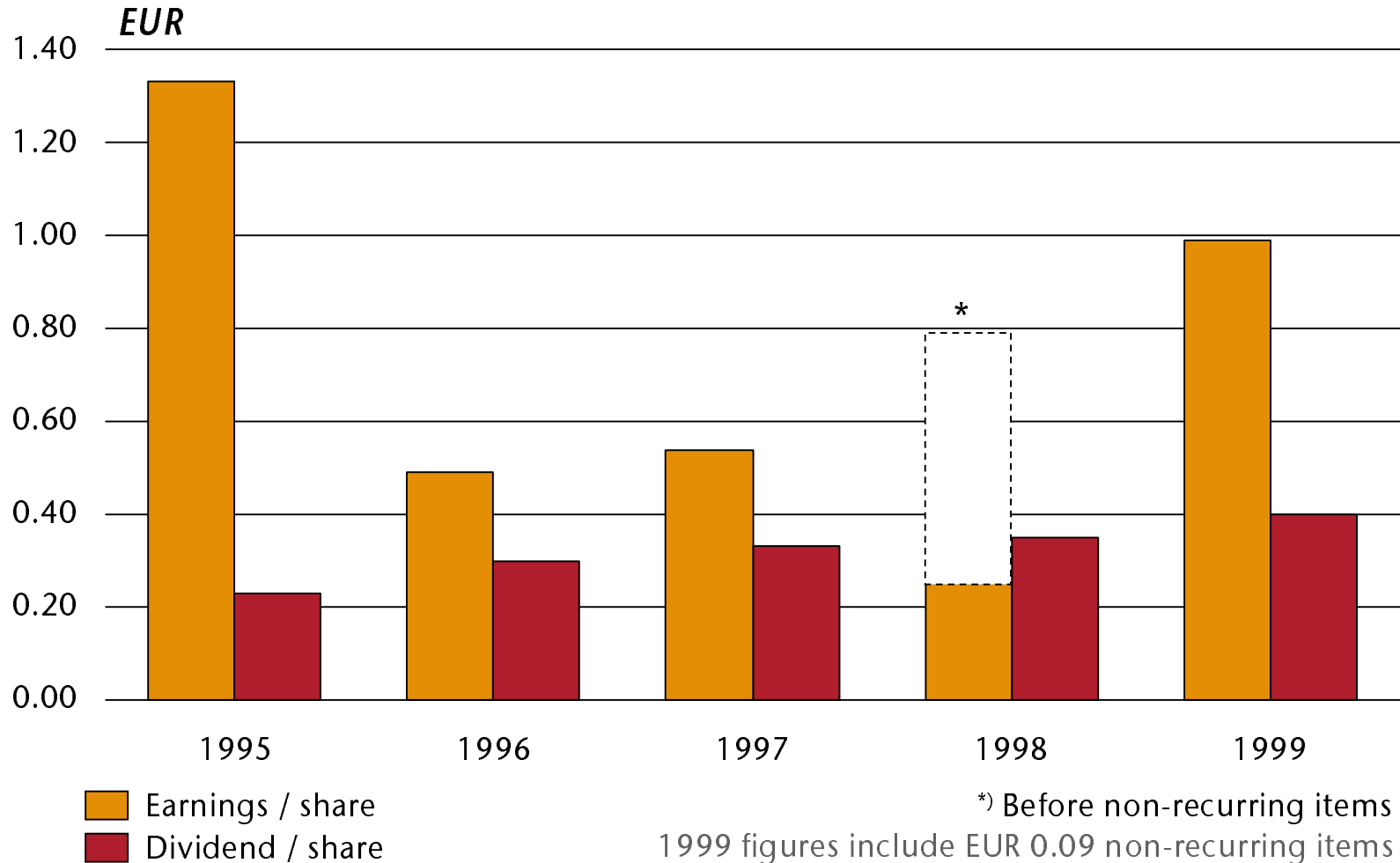
- *To complete Stora Enso merger with synergies*
- *To close the deal with Consolidated Papers and start integration process*
- *To continue further implementation of the Group strategies*
- *To enhance shareholder value creation*

# Dividend



- *Earnings per share EUR 0.99*
- *Dividend proposal EUR 0.40 per share*
  - *pay-out ratio 40%*
  - *dividend yield 2.3% (R share) per 31 December 1999.  
(3.5% on 20 March, 2000)*
- *Record date for the dividend 24 March 2000*
- *Dividend payment day 5 April 2000*
  - *dividends will be paid in euros in Finland and in  
Swedish crowns in Sweden*

# Earnings and dividend per share



# *Proposed distribution of profit*



<b><i>Board proposal</i></b>	<b><i>EUR million</i></b>
<i>Profits from previous periods</i>	424.9
<i>Profits for the financial period</i>	340.8
<i>To be placed at the disposal of the Board of Directors</i>	-1.0
<i>Dividend of EUR 0.40 per share to 759,855,689 shares</i>	-303.9
<b><i>Retained earnings after distribution of dividend</i></b>	<b>460.8</b>

***Main board proposals to the Annual General Meeting  
on 21 March 2000***

- *To amend the minimum and maximum share capital of the company into Euro denomination so that a minimum share capital is EUR 850 million and the maximum share capital is EUR 3,400 million*
- *To abolish the nominal value of the shares*
- *To amend the provision in paragraph 6 concerning the authorisation to sign for the company*

## *Proposal - the share capital*

- *To change the share capital into euro denomination and to increase the share capital through a bonus issue of 13,769,143.87 euros by transferring the mentioned funds from the reserve fund to the share capital*
- *As a result of the share issue the counter value of share will be 1.70 euros*
- *The share capital will be increased from 1,277,985,527.43 euros to 1,291,754,671.30 euros*
- *No new shares are issued in the bonus issue and the number of shares does not change*

## *Proposal - to acquire own shares*



- The Board of Directors has the right to acquire in the relation of the share classes not more than 10,446,000 A shares of the company and not more than 27,541,000 R shares of the company with funds that can be used for the distribution of profits, however in a manner that the aggregate counter-value of the shares owned by the company or its subsidiaries or the voting power thereof does not exceed five (5) percent of the share capital or the voting power of the shares of the company.*
- Shares may be acquired otherwise than in proportion to the holdings of the shareholders by purchasing shares at a public trade for the market price at the public trade at the time of the acquisition.*

## *Proposal - to acquire own shares*



- *Shares can be acquired in order to improve the capital structure of the company, to be used in financing acquisitions or other transactions, or otherwise to be disposed of or redeemed. The redemption of shares requires a separate decision of a General Meeting of Shareholders to decrease the share capital of the company.*

## *Proposal - to dispose of own shares*



- *The Board of Directors has the right to dispose of not more than 10,446,000 A shares and not more than 27,541,000 R shares acquired by the company.*
- *The Board of Directors is authorised to decide on to whom and on the procedure on which own shares are to be disposed of. Shares can be disposed of by derogation from the pre-emptive right of a shareholder to acquire shares, in possible business acquisitions or other transactions or they can be sold at a public trade.*