

# Global Local. Responsible

## Results

April - June 2002

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.

# Highlights



	I/2002	II/2002
Operating Profit	€ 274.0 million	€ 241.8 million
EPS	€ 0.18	€ 0.15
EPS <sup>1)</sup>	€ 0.18	€ 0.12
Cash EPS <sup>1)</sup>	€ 0.55	€ 0.48

1) excluding non-recurring items

- Results were heavily influenced by:
  - weak market for some products
  - seasonal effects
  - maintenance-related increase in fixed costs
- Trading conditions, especially in the USA, were difficult
- Decreases in sales prices affected magazine, newsprint and coated fine papers
- Good cash flow further strengthened the balance sheet

# Summary financials



€ million

	2001	1-6/01	1-6/02	I/02	II/02
Sales	13 509	7 025	6 462	3 229	3 233
EBITDA <sup>1)</sup>	2 763	1 496	1 121	603	518
Operating profit <sup>1)</sup>	1 495	869	464	274	190
Profit before tax	1 223	668	447	241	206
Net profit	926	438	299	161	138
EPS, € <sup>1)</sup>	0.94	0.49	0.30	0.18	0.12
CEPS, € <sup>1)</sup>	2.34	1.18	1.03	0.55	0.48
ROCE, % <sup>1)</sup>	10.8	12.4	6.9	7.8	5.6

1) excluding non-recurring items

# Stora Enso North America January - June 2002



Operating profit (excl. goodwill amortisations)	\$ -105 million (€ -117 million)
Cash flow (after investing activities)	\$ 25 million (€ 28 million)

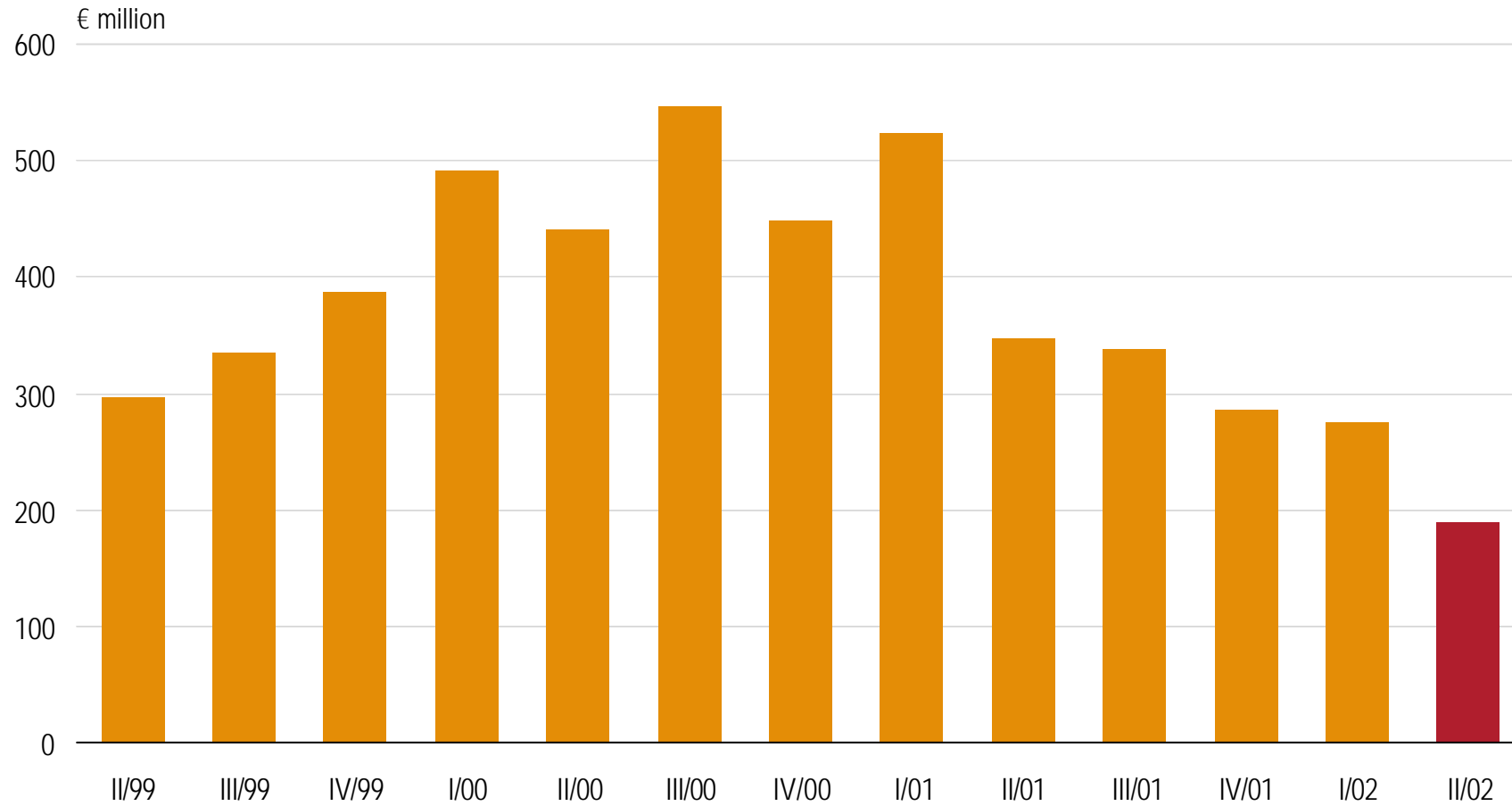
- Graphic paper demand remained weak despite increased GDP growth
- Performance was depressed by lower print advertising volume and sales prices
- Synergies amounted to \$ 45 million (€ 50 million)
- Market-related downtime totalled 194 000 tonnes
- The division has realised major cost-cutting initiatives, including:
  - a reduction of about 1 500 (20%) in the workforce
  - shutting down unprofitable machines and operations

# Currency movements

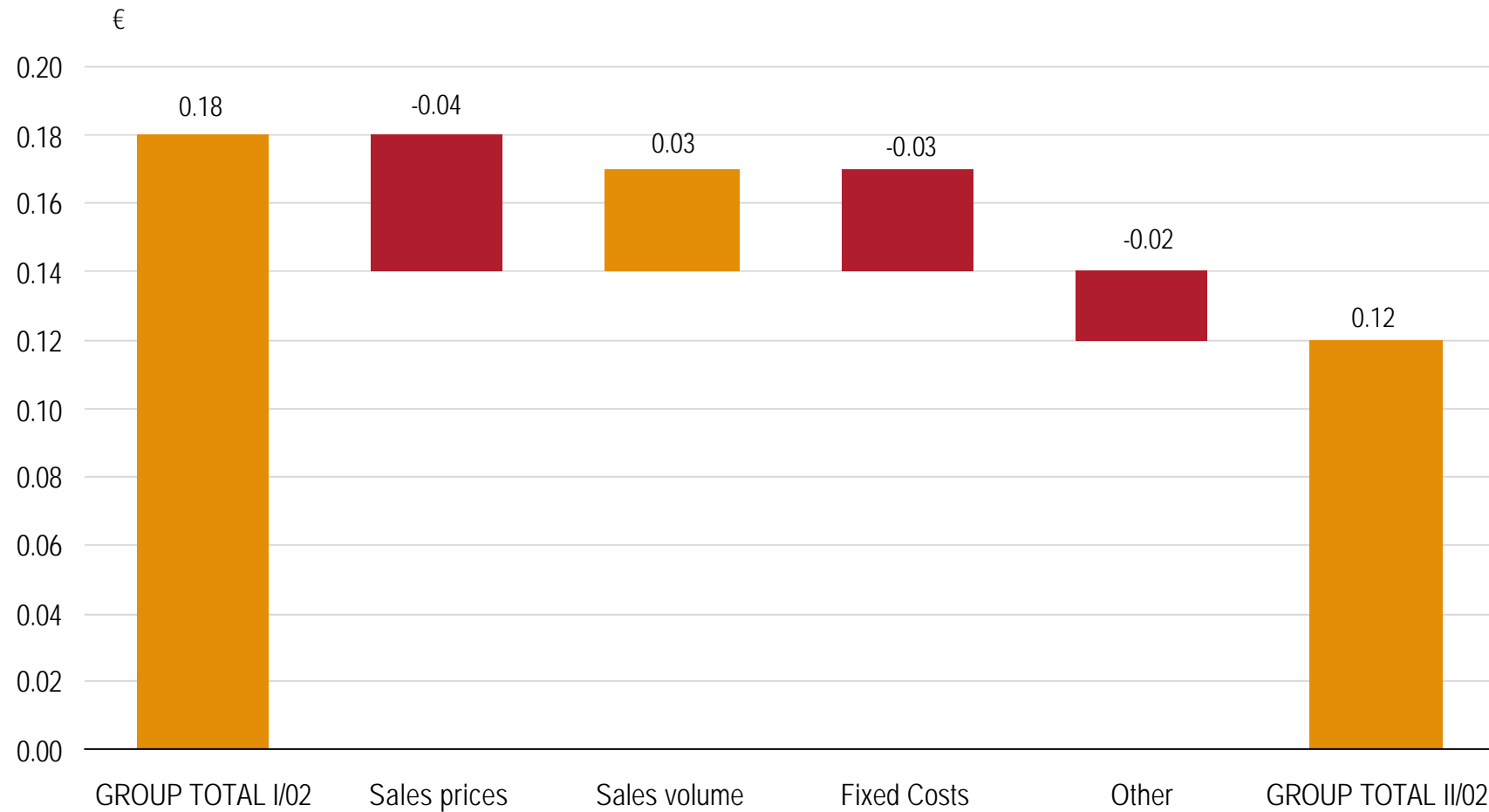


- Stora Enso currently hedges 50% of its dollar and sterling net cash flows
- The change in average currency rates in the second quarter reduced operating profit by € 7.8 million (net of hedges) and created net foreign exchange gain of € 10.9 million in financial items
- Closing rates of the second quarter had a material impact on the Balance Sheet :
  - Capital employed was € 687.5 million lower, and net interest-bearing debts € 585.2 million lower due to a weaker dollar
  - The effect, however, on equity was minor due to Stora Enso's policy of hedging equity translation risks

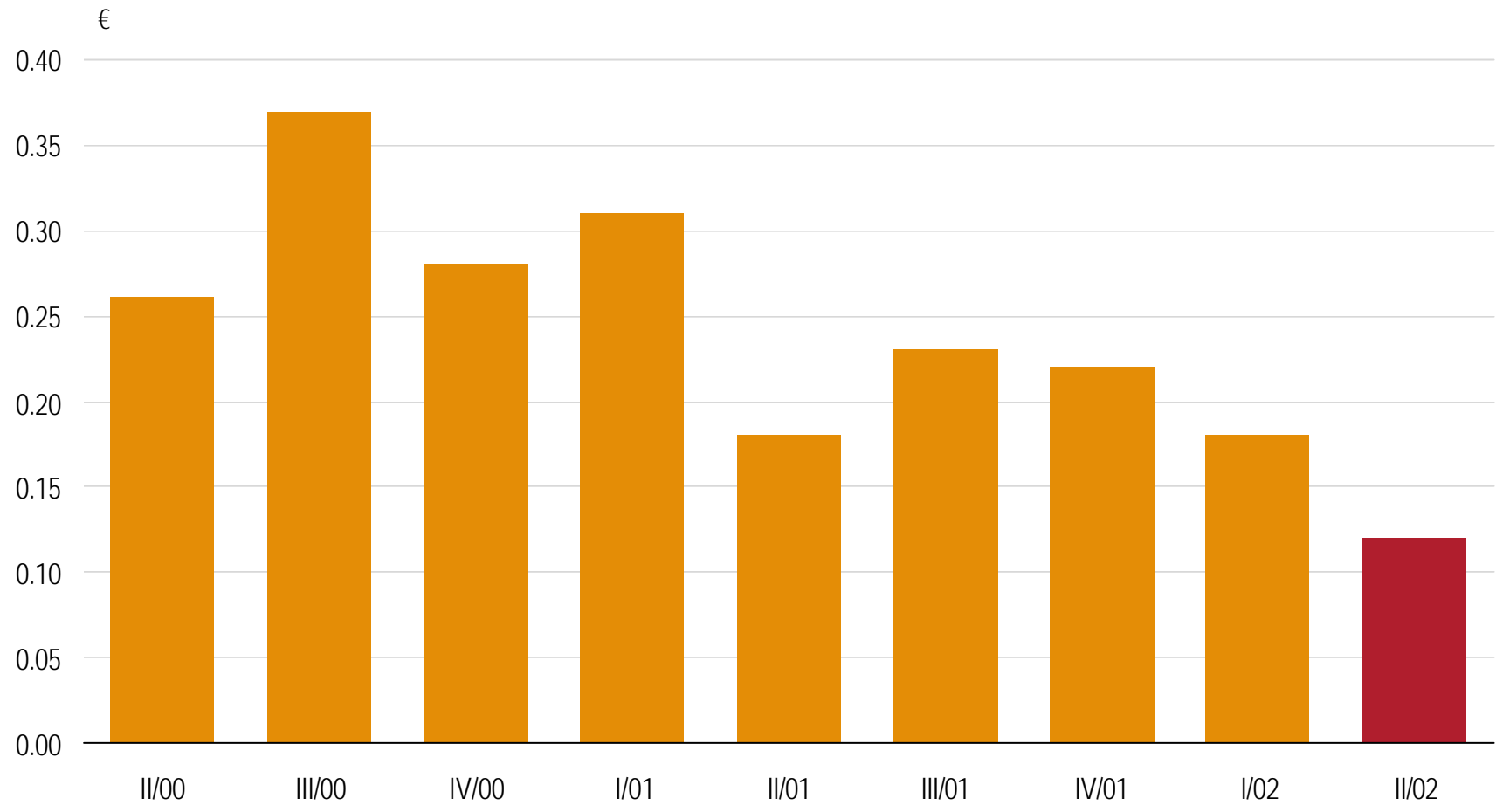
# Operating profit by quarter



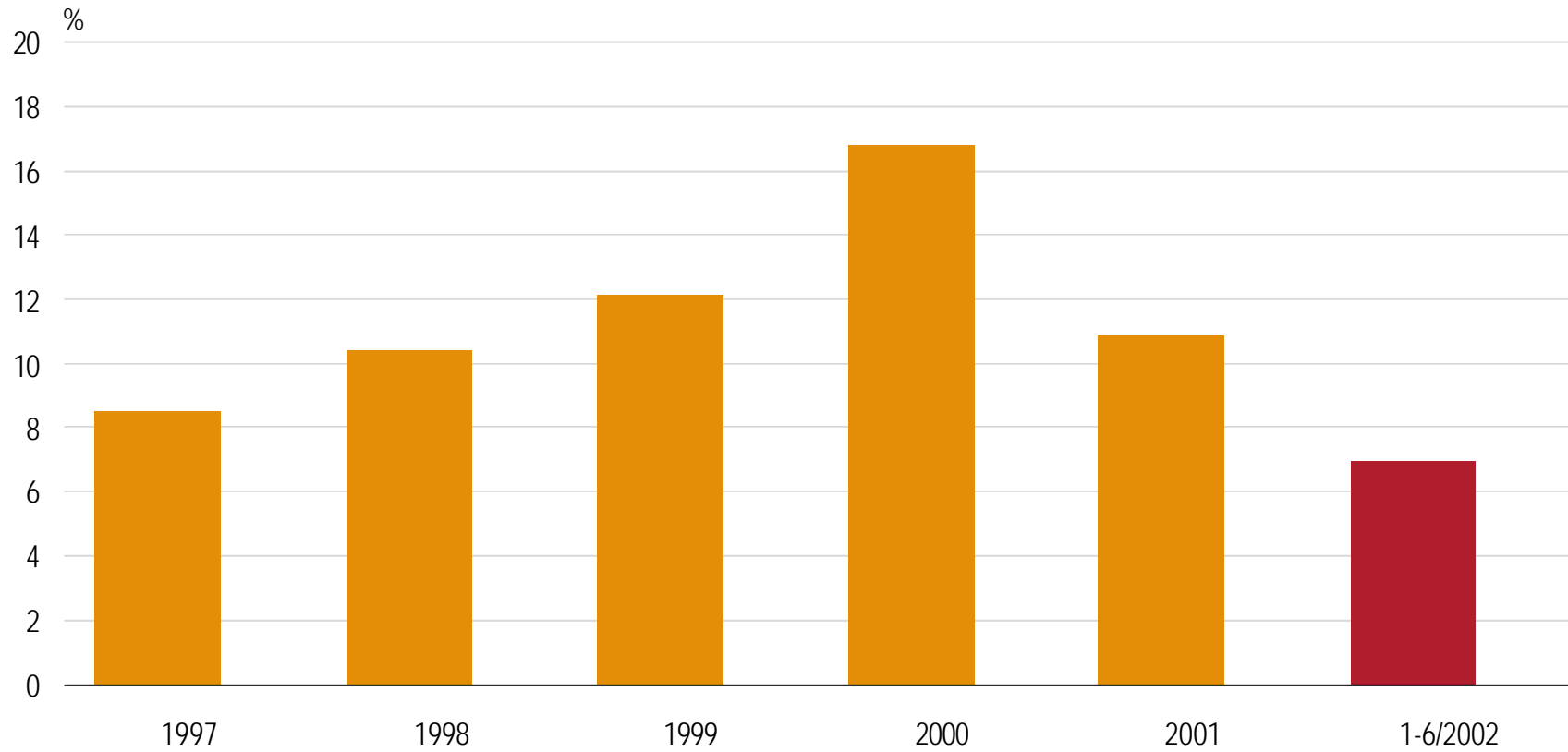
# Change in EPS I/2002 vs II/2002



# EPS by quarter

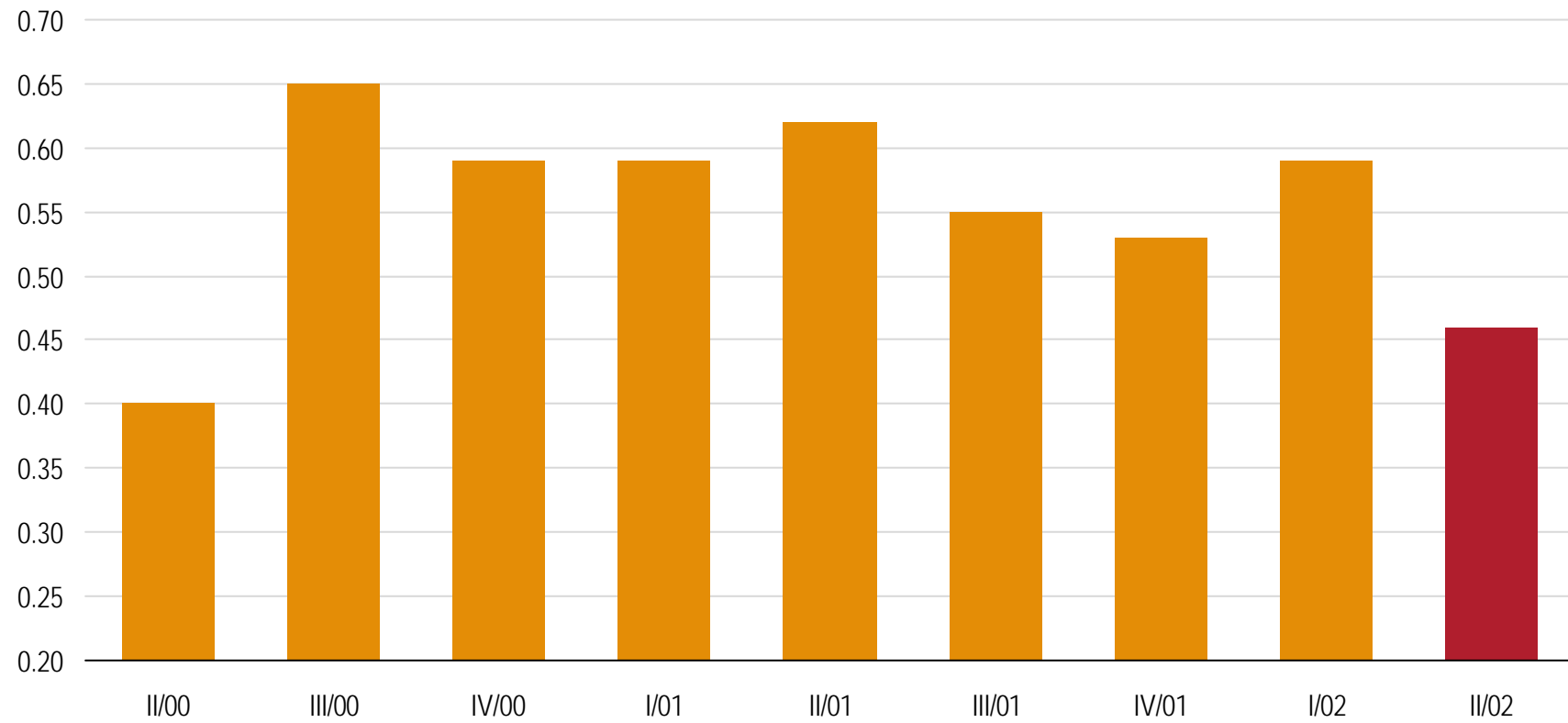


# ROCE



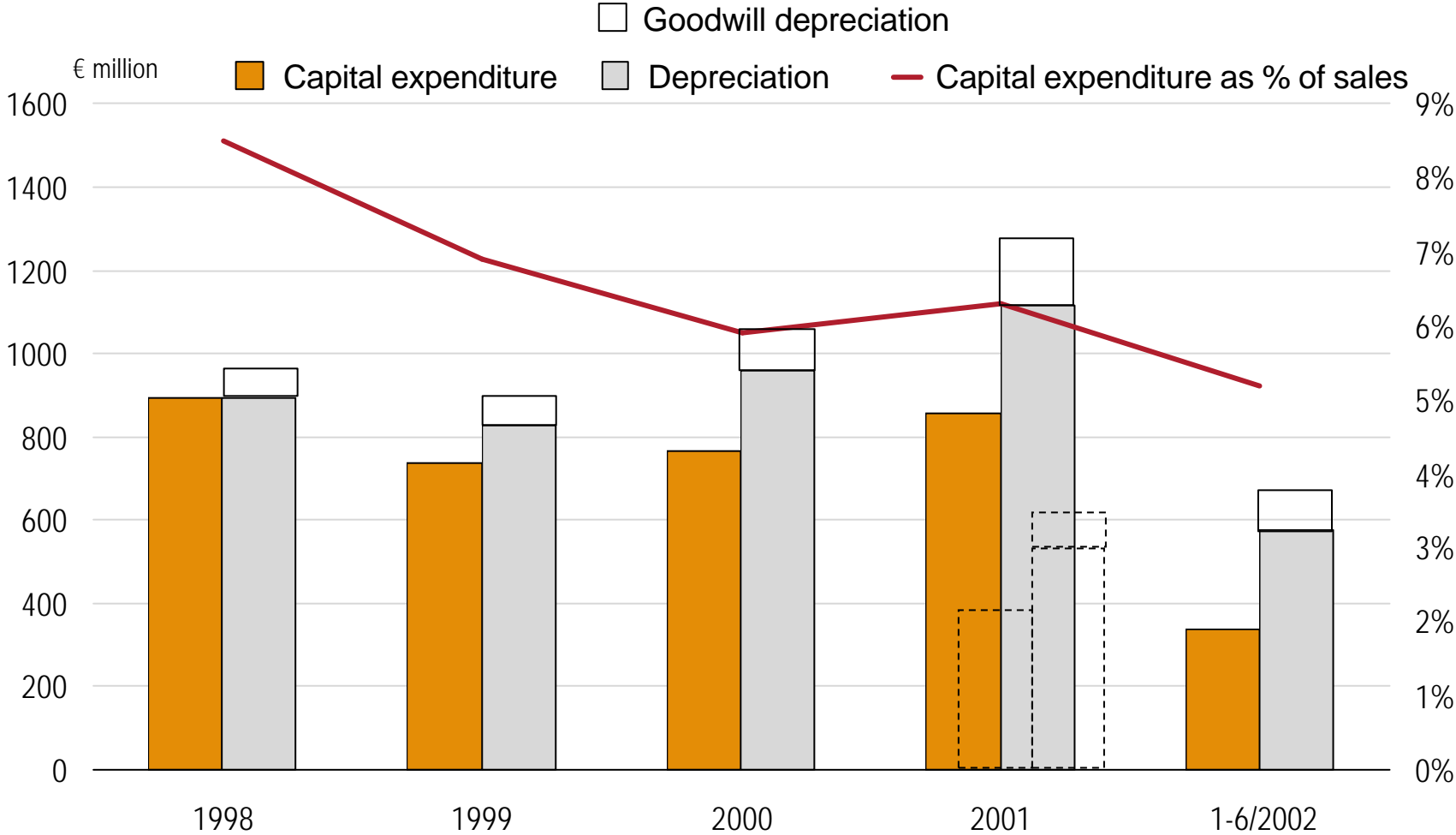
**Target  $\geq$  13% over the cycle**

# Debt/equity



**Target  $\leq 0.8$**

# Capital expenditure and depreciation



# Market-related production curtailments



(tonnes)	2001	I/2002	II/2002
<b>Magazine Papers</b>			
Europe	331 000	110 000	107 000
North America	229 000	62 000	75 000
<b>Newsprint</b>			
Europe	130 000	77 000	61 000
North America			7 000
<b>Fine Papers</b>			
Europe	504 000	20 000	30 000
North America	166 000	24 000	26 000
<b>Packaging Boards</b>	180 000	42 000	20 000
<b>Total</b>	<b>1 540 000</b>	<b>335 000</b>	<b>326 000</b>

# Market outlook

- Market conditions for main markets will still remain challenging
- No positive signs of improvement are yet visible in print media advertising, especially in the USA
- Fairly good demand for consumer-related goods, such as:
  - office papers
  - consumer boards
  - timber products
- The general recovery seems to be slow and dependent on an upward trend in the US economy

# Share buy-back programme



- New buy-back programme approved in the March 2002 AGM, to repurchase up to:
  - 9 100 000 A shares
  - 35 500 000 R shares
  
- Through 30 June 2002,
  - 2 344 700 R shares, and
  - 26 200 A shareshave been purchased under this programme

# Summary



- Result influenced by demanding trading conditions and seasonal effects
- Market conditions are expected to remain challenging
- Upturn dependent on the situation in the US
- Good cash flow further strengthened the balance sheet
- Stora Enso North America's profit enhancement plan is under development
- Stora Enso will continue to adjust its capacity to market demand

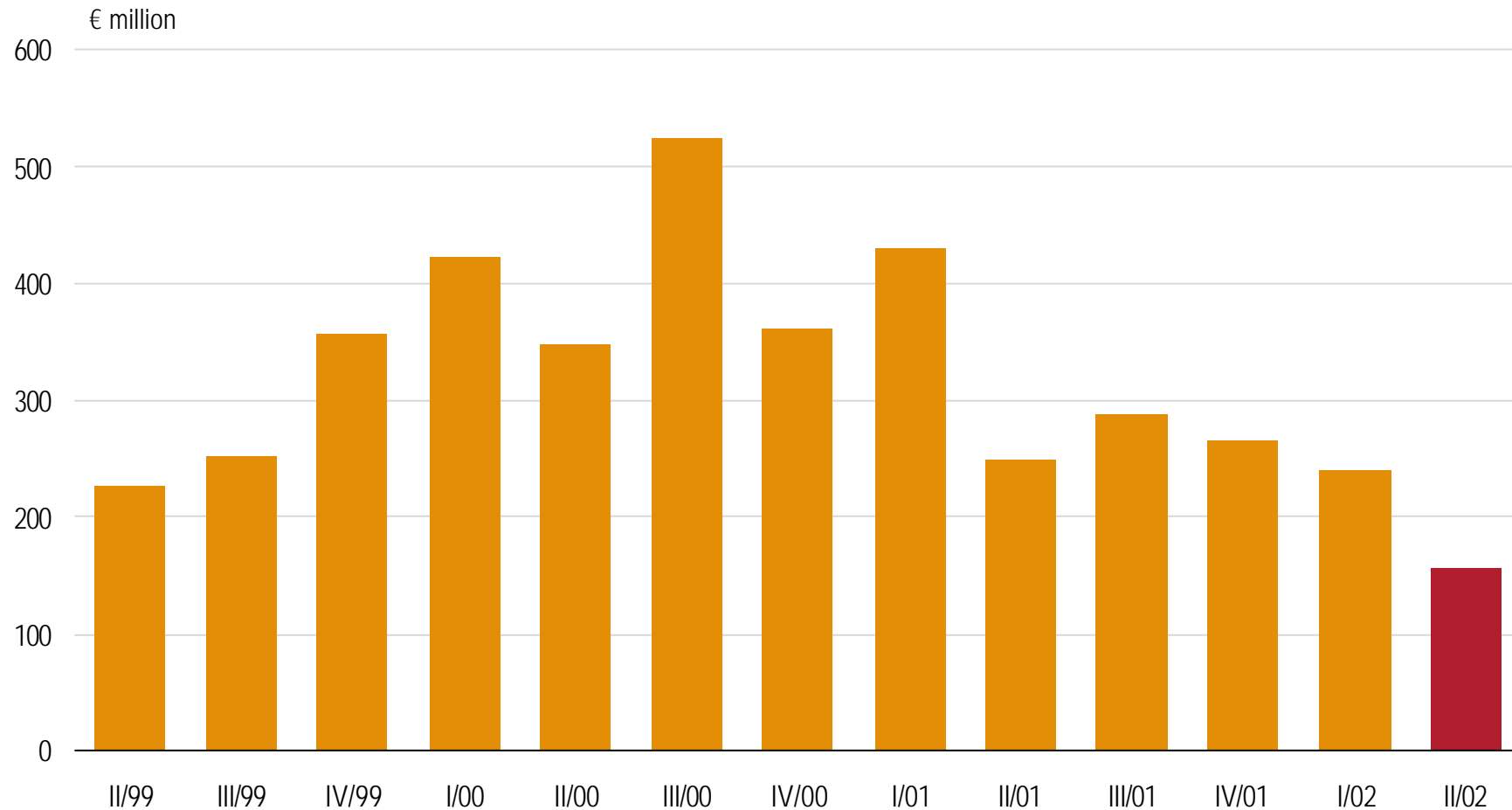
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# Operating profit of main product areas

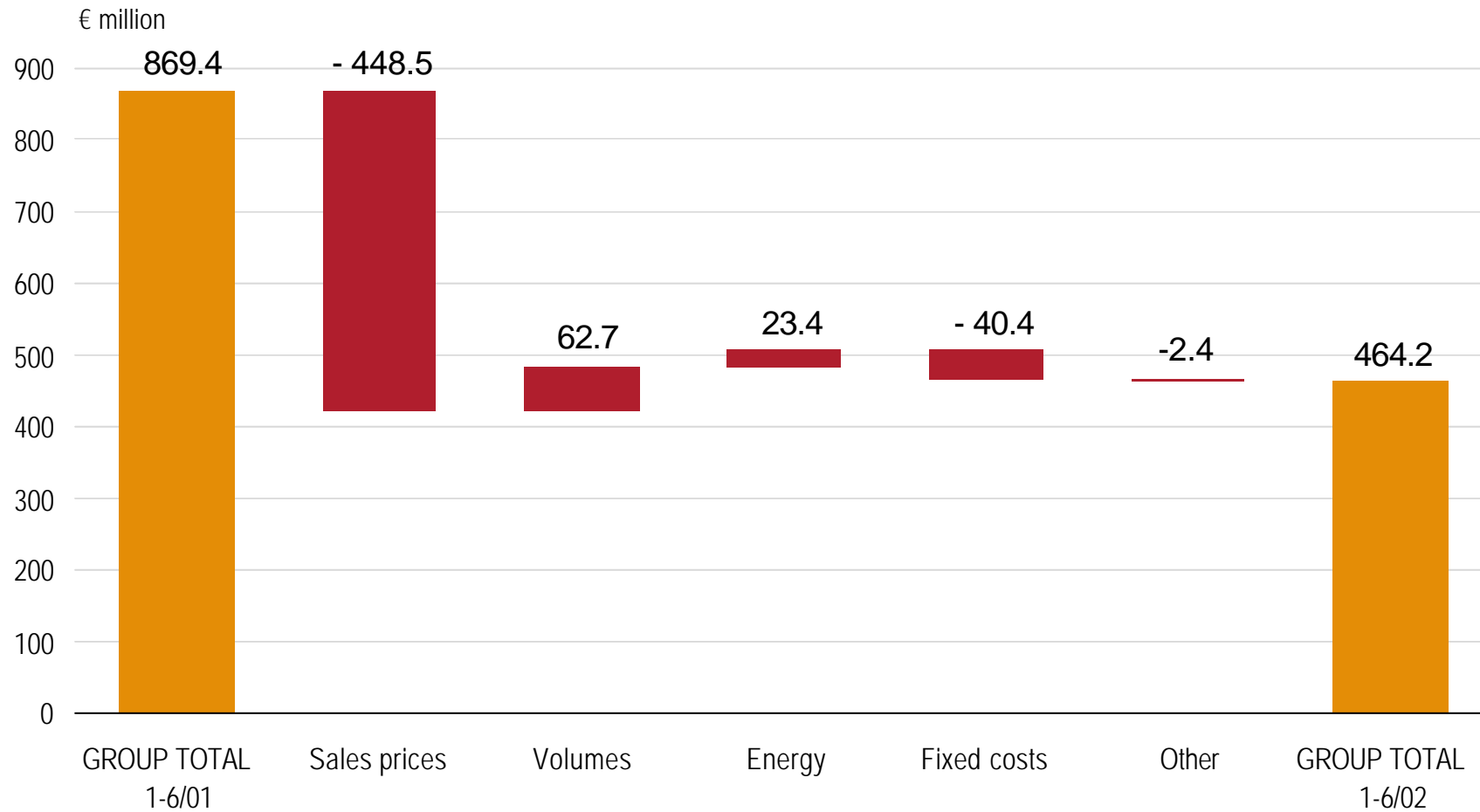


€ million	II/00	III/00	IV/00	I/01	II/01	III/01	IV/01	I/02	II/02
Magazine paper	91	139	78	114	72	84	77	32	2
Operating profit % sales	16	19	8	13	9	10	9	4	0
Newsprint	43	81	82	134	126	129	120	73	61
Operating profit % sales	10	18	17	27	26	27	26	18	15
Fine paper	147	194	198	168	82	71	74	93	73
Operating profit % sales	19	22	19	16	9	8	9	11	9
Packaging boards	91	131	104	115	90	98	43	101	71
Operating profit % sales	12	17	14	16	13	15	7	13	9
Timber	22	17	11	6	8	3	-3	11	14
Operating profit % sales	7	6	4	2	3	1	-1	4	4

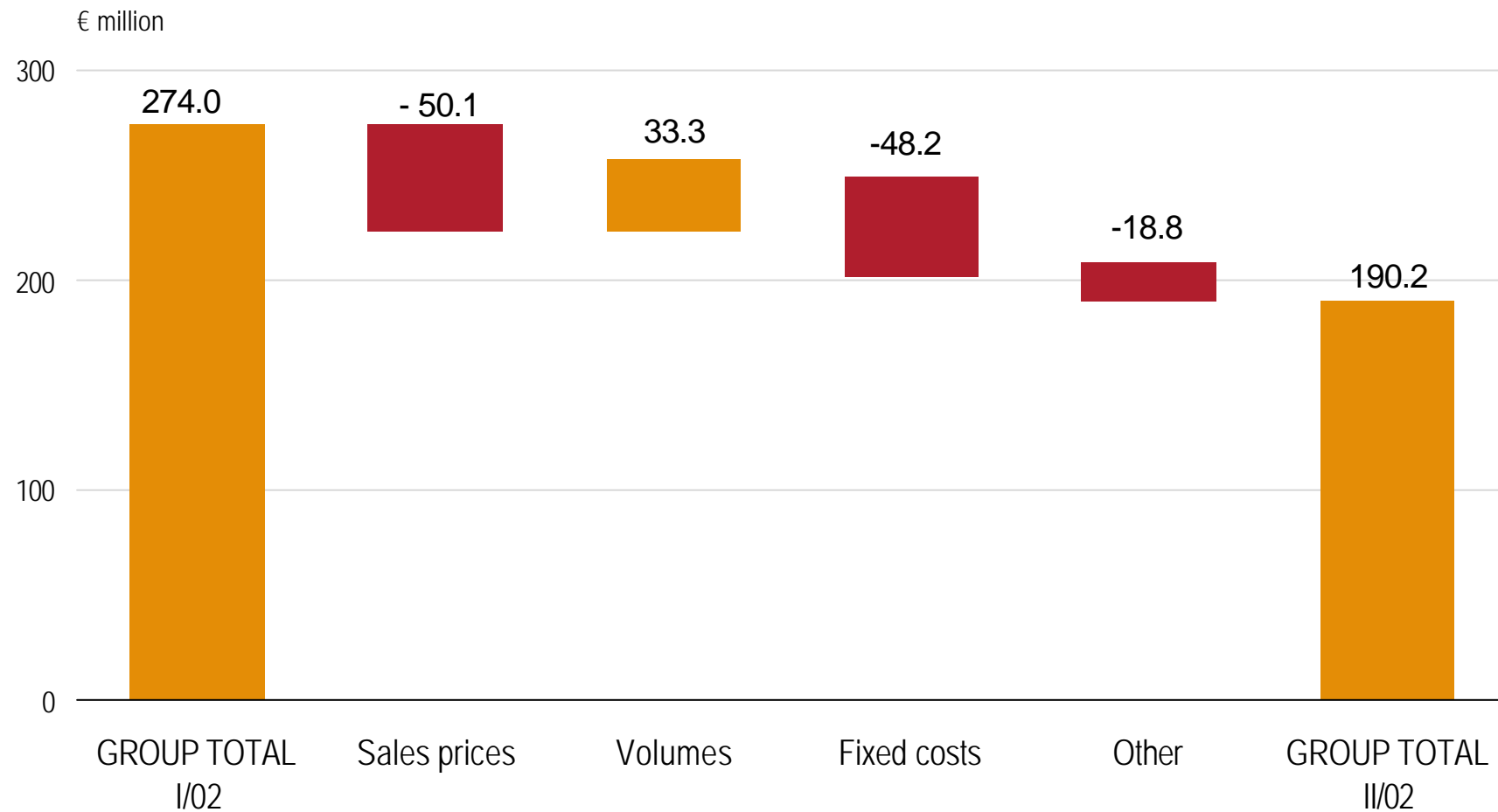
# Profit before tax and minority interests by quarter



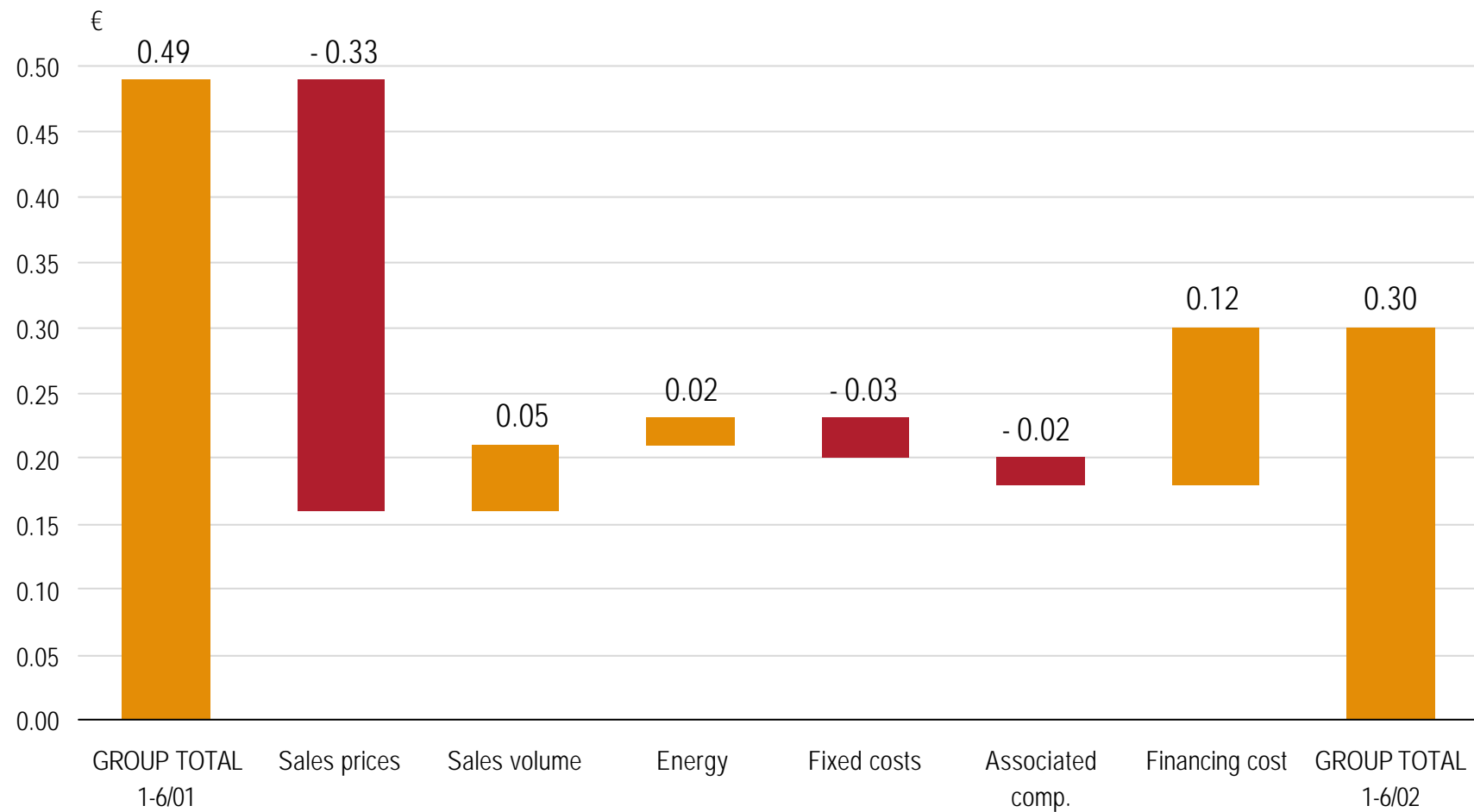
# Change in group operating profit from 1-6/01 to 1-6/02



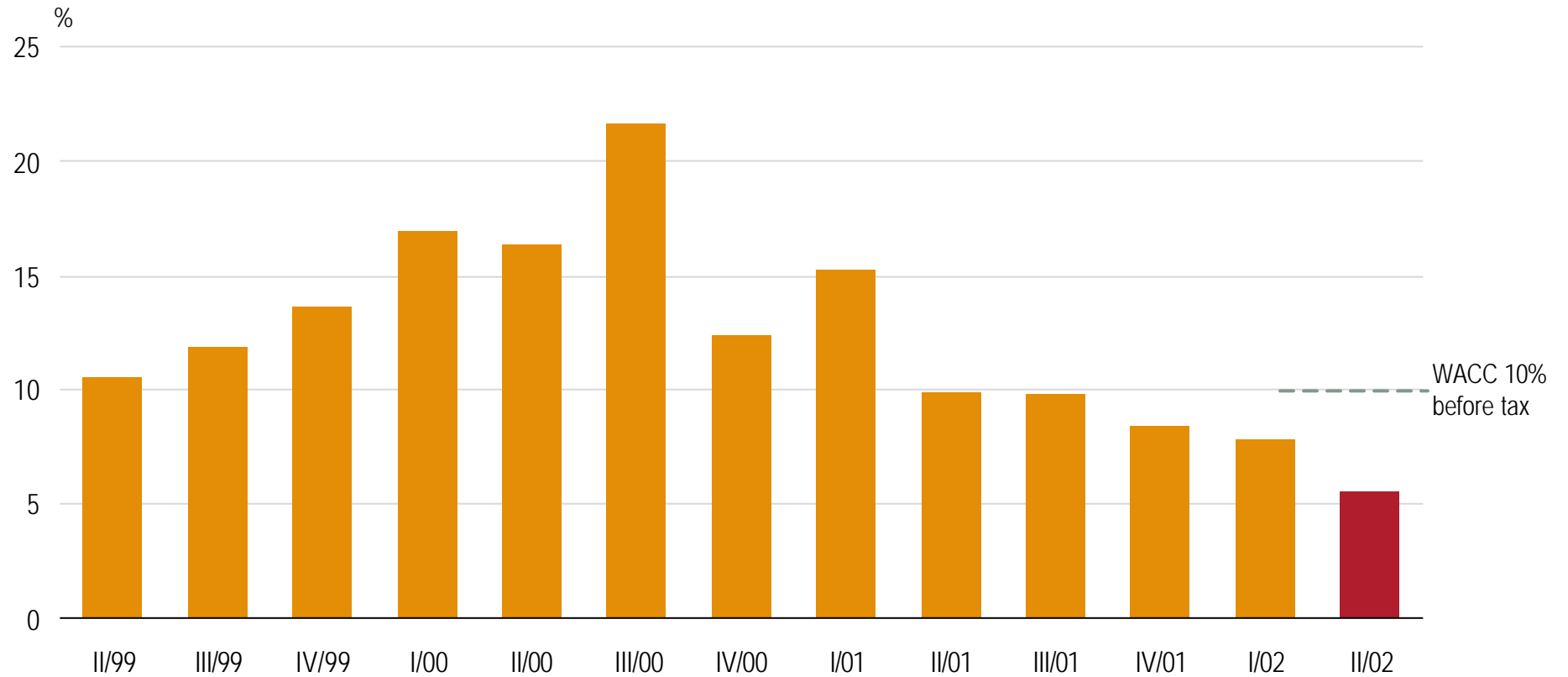
# Change in group operating profit from I/01 to II/02



# Change in EPS from 1-6/01 to 1-6/02



# ROCE by quarter



**Target  $\geq$  13% over the cycle**