

Responsibility & Performance

Stora Enso's Key Strategic Issues

Jukka Härmälä, CEO

Stockholm, 4 December 2003

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.

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Stora Enso in Brief

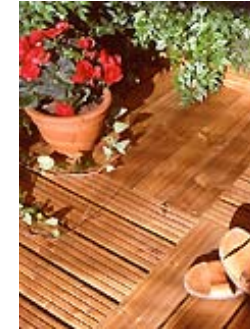
Stora Enso in Brief



Paper



Packaging

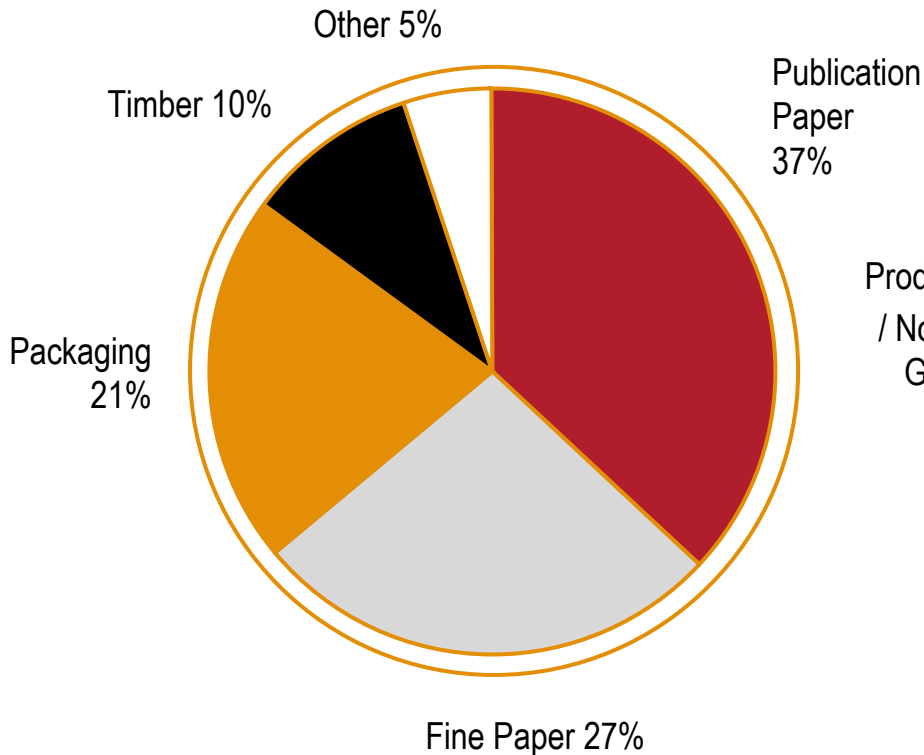


**Forest
Products**

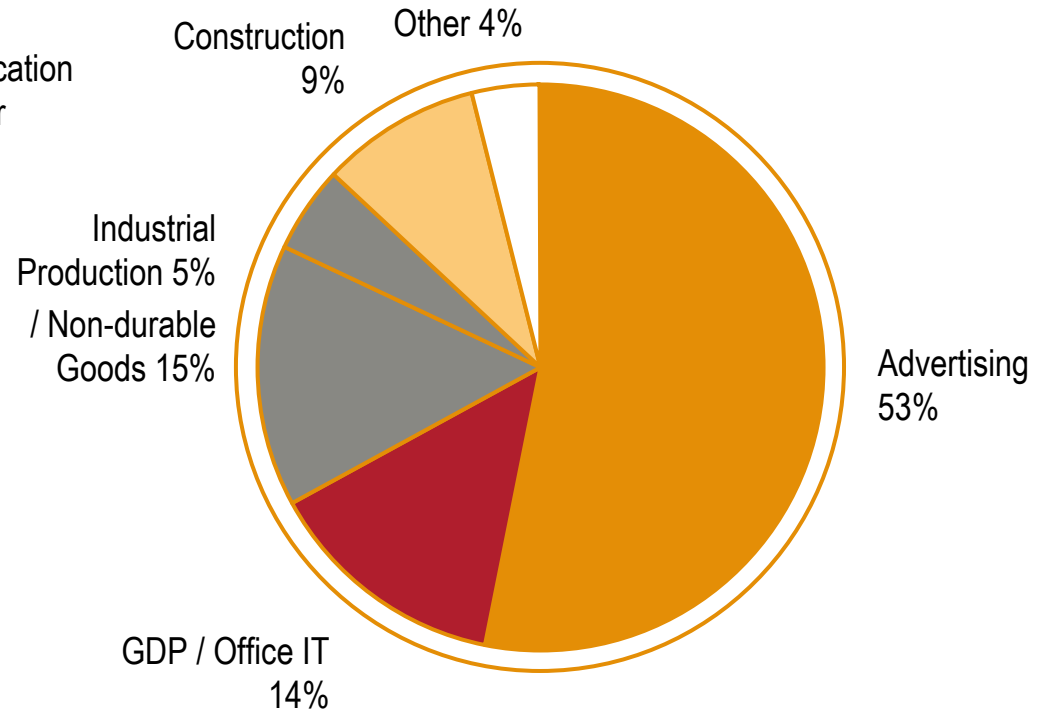
- A world leader
 - 15 million tonnes of paper and board
 - 6.7 million m³ of sawn and processed wood products
- Three core product areas
 - Paper, Packaging and Forest Products
- Sales: EUR 12.8 billion
- Approximately 42 500 employees in 40 countries
- Market capitalisation: EUR 9.7 billion
- Shares listed on Helsinki, Stockholm and New York stock exchanges

Core Business Drivers

Stora Enso, Sales 2002



Core Business Drivers



Total: EUR 12.8 billion

Stora Enso's Competitive Position



	Market Share		Market Position	
	Europe	Global	Europe	Global
Publication Papers				
Magazine	21%	17%	2	2
Newsprint	24%	7%	1	4
Fine Papers				
Graphic	14%	9%	3	3
Office	13%	4%	2	6
Packaging Boards ¹⁾	17%	6%	1	2
Timber ²⁾	4%	2%	1	2

1) Including only Consumer Boards

2) Sylvester included only in market shares and market positions


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**Financial Highlights and
Market Outlook**

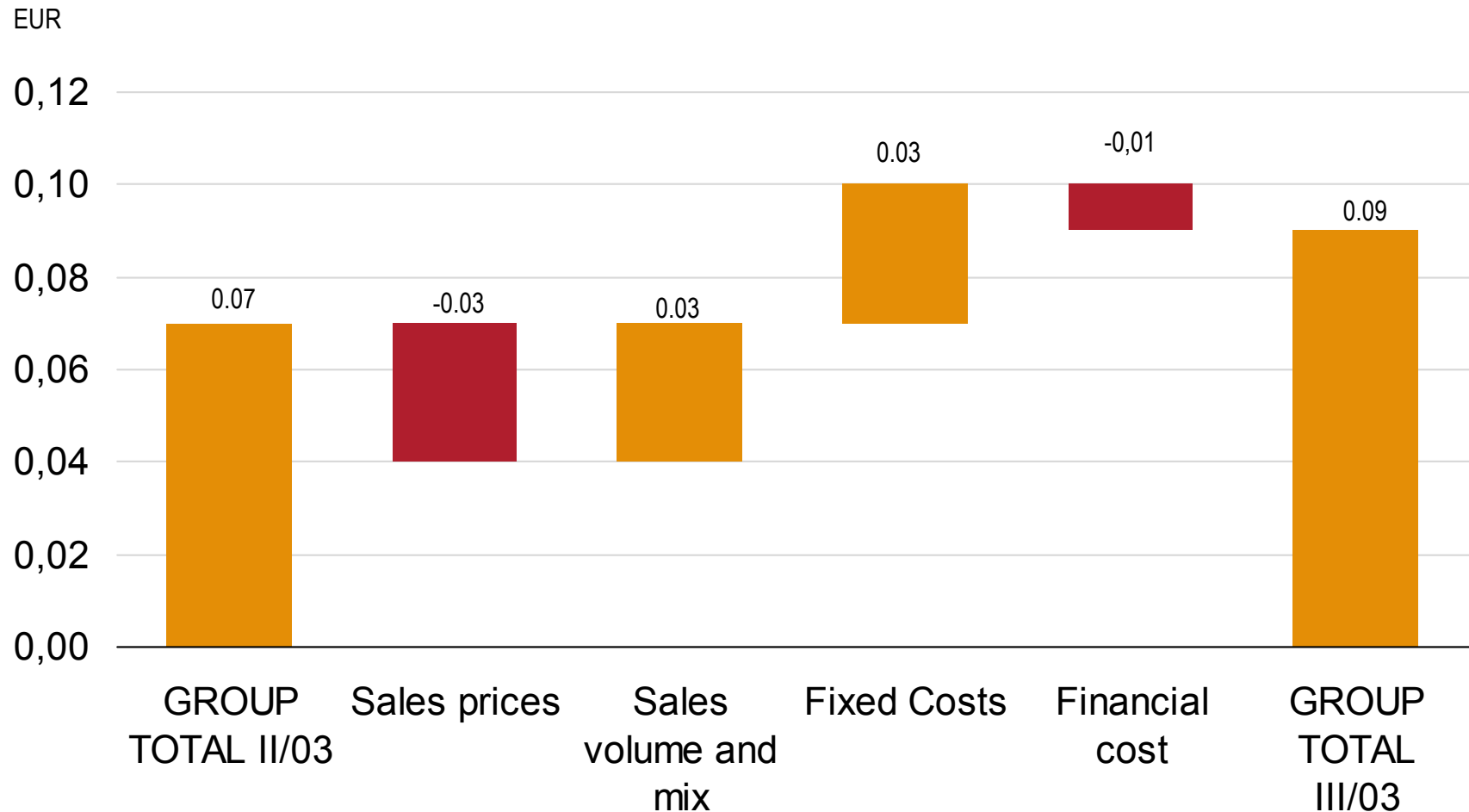
Highlights

	I/2003	II/2003	III/2003
Sales, EUR million	3 099	3 057	2 987
Operating Profit, EUR million *	211.1	106.7	139.8
EPS, EUR *	0.10	0.07	0.09
Cash EPS, EUR *	0.43	0.41	0.44
Debt/Equity	0.46	0.47	0.47

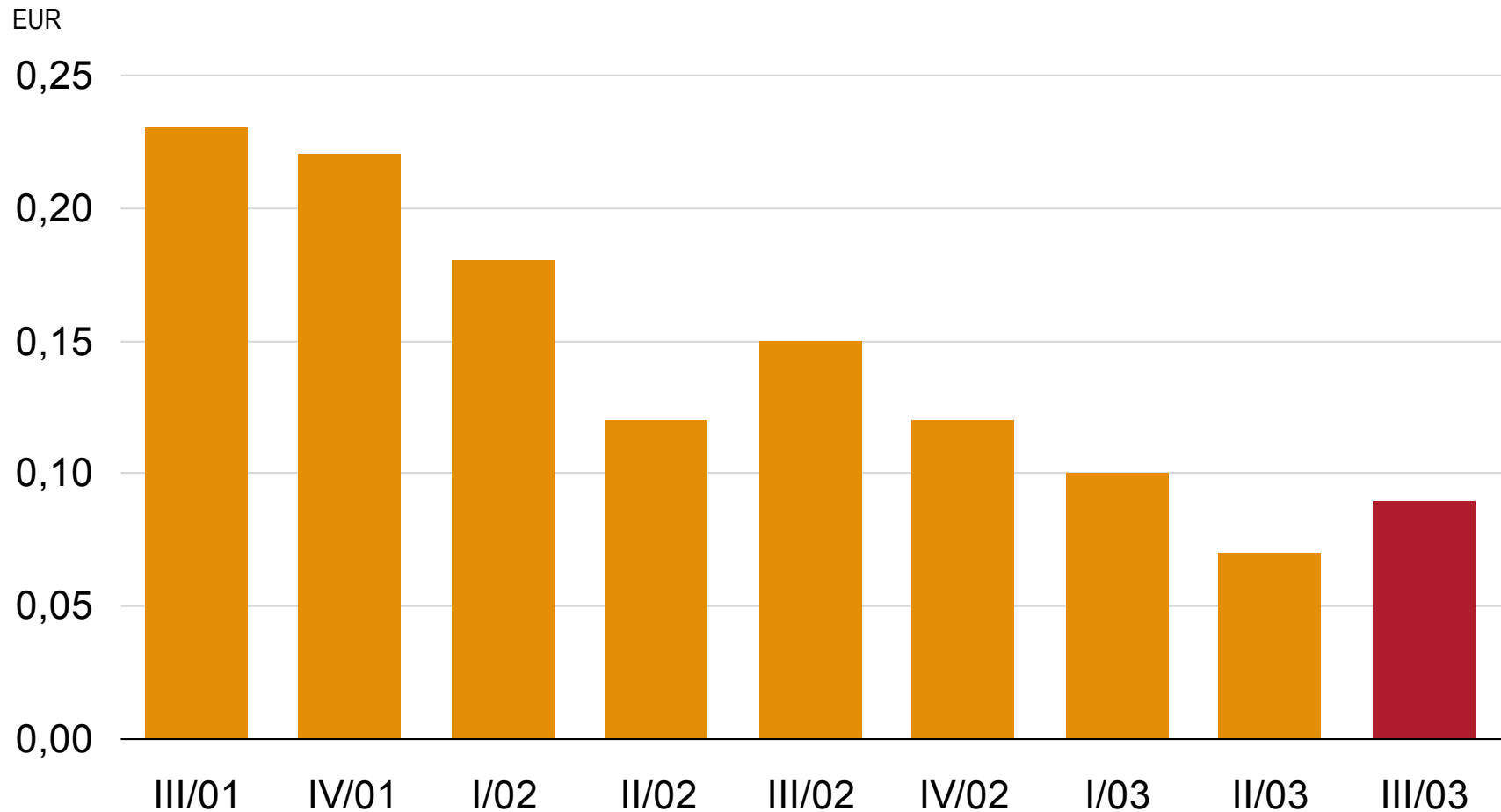
* Excluding non-recurring items

- Profitability improved
 - Production volumes increased  positive impact to unit costs
- Strong cash earnings and balance sheet
- Western Europe: lower margin overseas exports and sales to Eastern Europe increased deliveries
- North America: positive signs of recovery

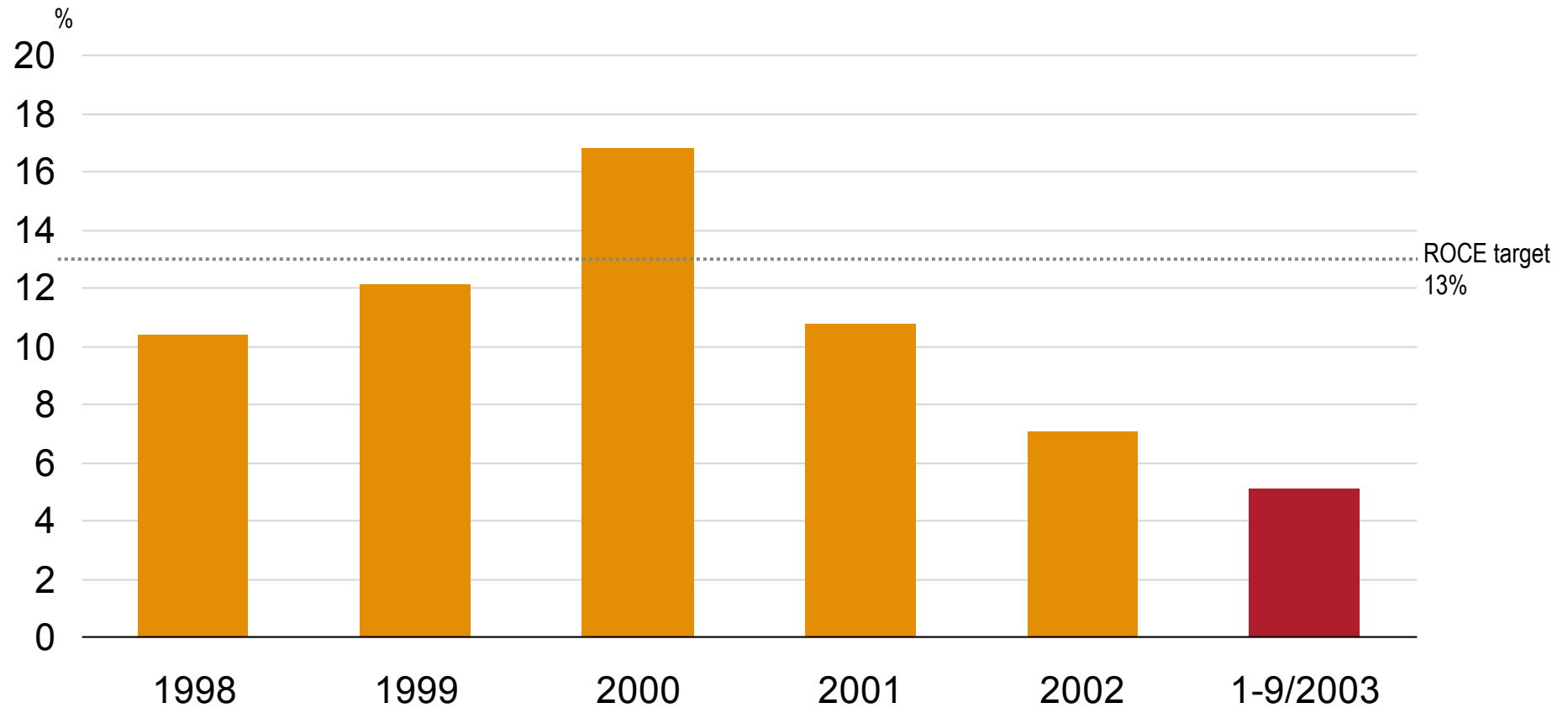
Change in EPS II/2003 vs III/2003



EPS by Quarter

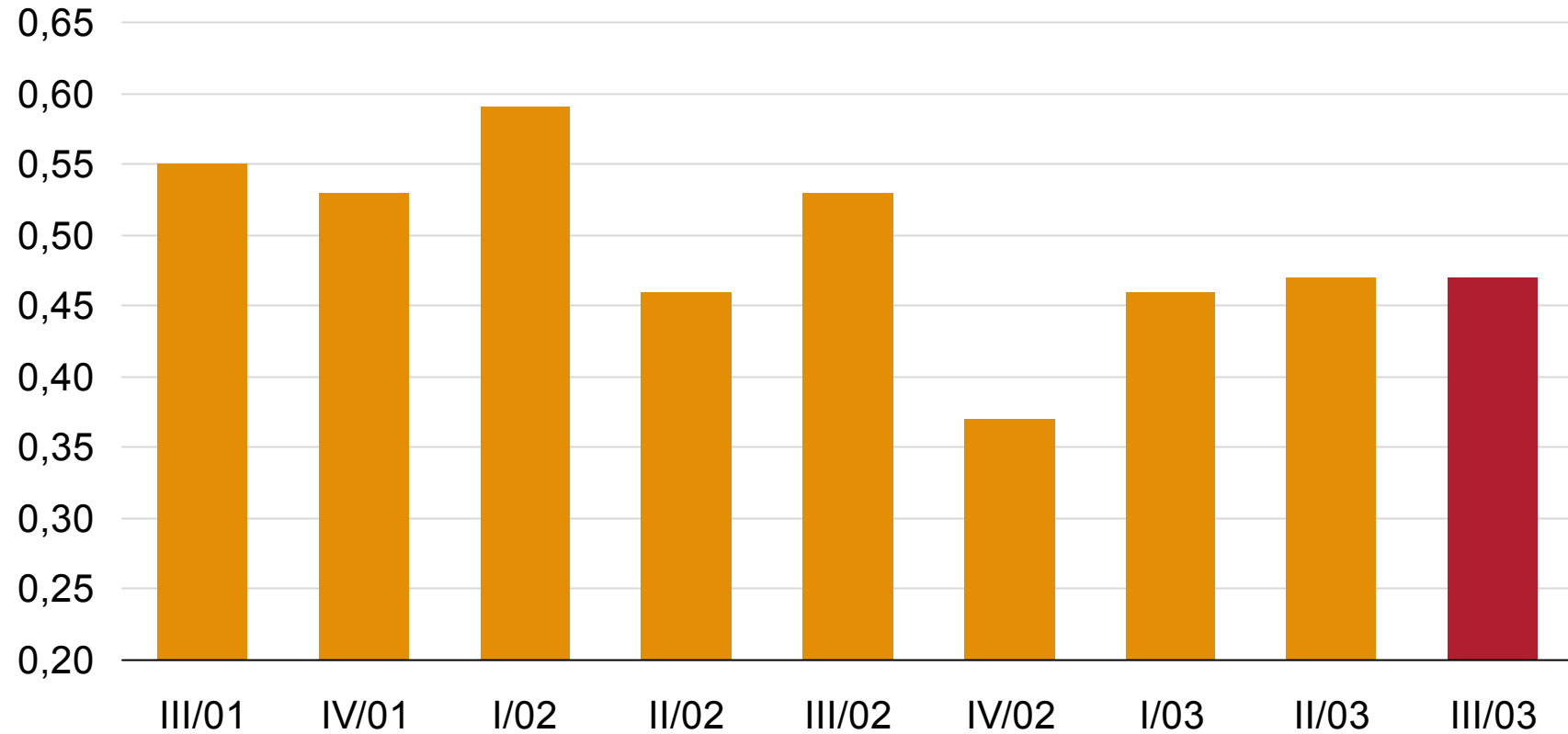


ROCE



Target \geq 13% over the cycle

Debt/Equity



Target ≤ 0.8

Share Buy-Back Programme

Current programme approved at 2003 AGM to continue through 19 March 2004. Allows repurchase up to:

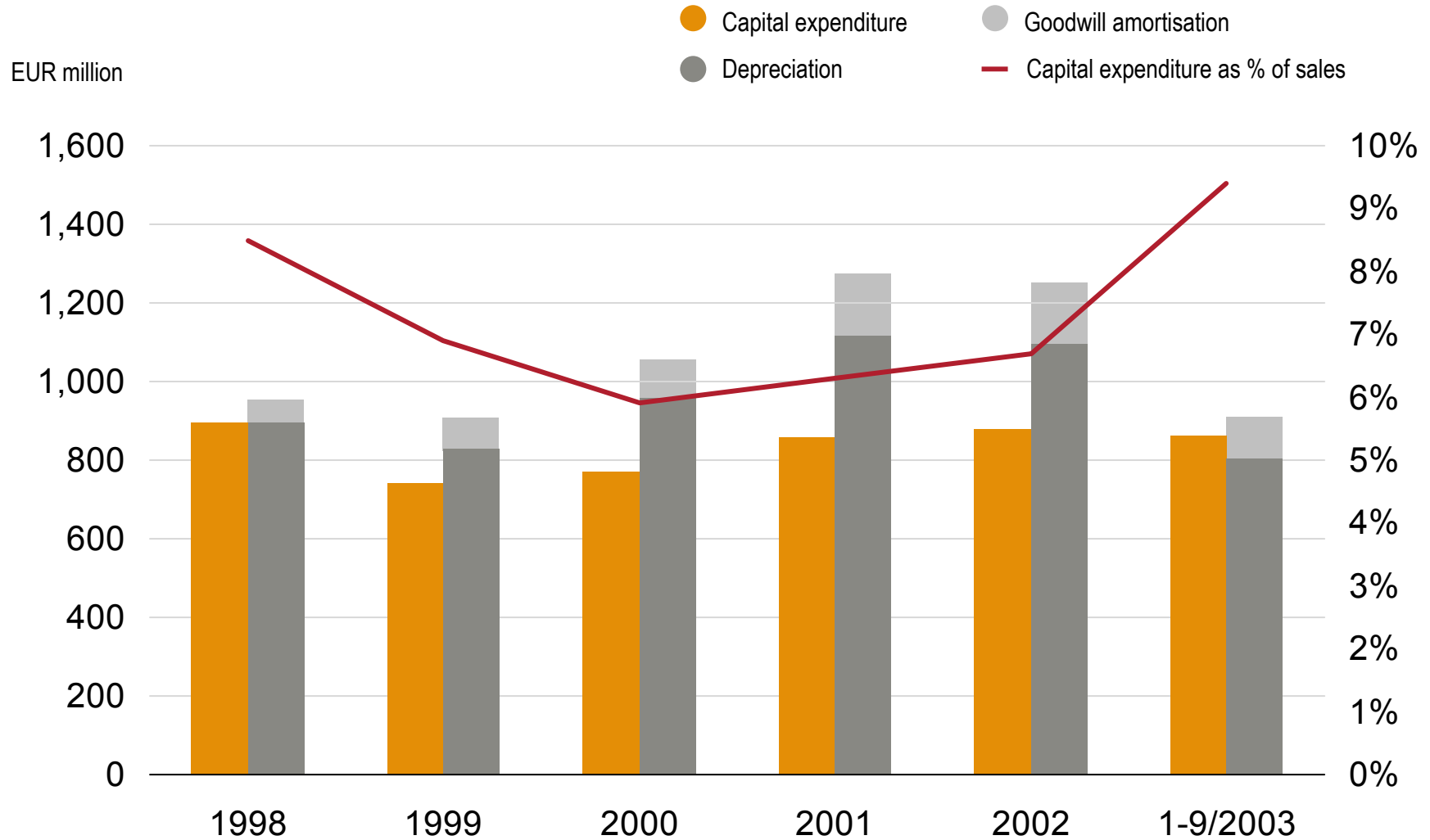
A shares	9 100 000
R shares	34 000 000

Status through 28 November 2003:

Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	7 100	EUR 9.96	0.08
R shares	20 117 900	EUR 9.52	59.2

	2001	2002	30 September 2003
Total shares in issue:	906 753 299	899 778 299	864 187 499

Capital Expenditure and Depreciation










Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper SC			Prices expected to improve based on D/S ratio
CMR			Demand improving; aim to raise prices
Newsprint			Demand improving; aim to raise prices; exports strong, utilisation rates increasing
Fine Papers WFC			Prices flat; producer stock remain high; seasonal improvement in demand
WFU			Demand seasonally improving; order books stable; imports increasing
Packaging Boards			Stable order book. Market related downtime mainly in consumer boards and industrial papers
Timber			Negative D/S ratio

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper SC			SC market strong
CMR			Seasonal improvement in market, price increases announced
Newsprint			Demand stable \$ 35 price increase effective 1 August is proceeding
Fine Papers WFC			High stock levels; demand flat; imports increasing

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Stora Enso's Currency Hedging

Currency Hedging

- Group's hedging policy: 25-75 % of net cash flow (benchmark: 50 %) hedged 12 months forward
- Operational cash flow hedges had a positive impact of EUR 23 million in Q3/2003 (EUR 84 million YTD)
 - Impact is expected to decrease in coming quarters
- Major net cash flows (2002):
 - USD +800
 - GBP +800
 - (EUR million equivalent)

Natural Currency Hedges via Diverse Manufacturing Base

- Natural currency hedge through manufacturing and sales in different countries

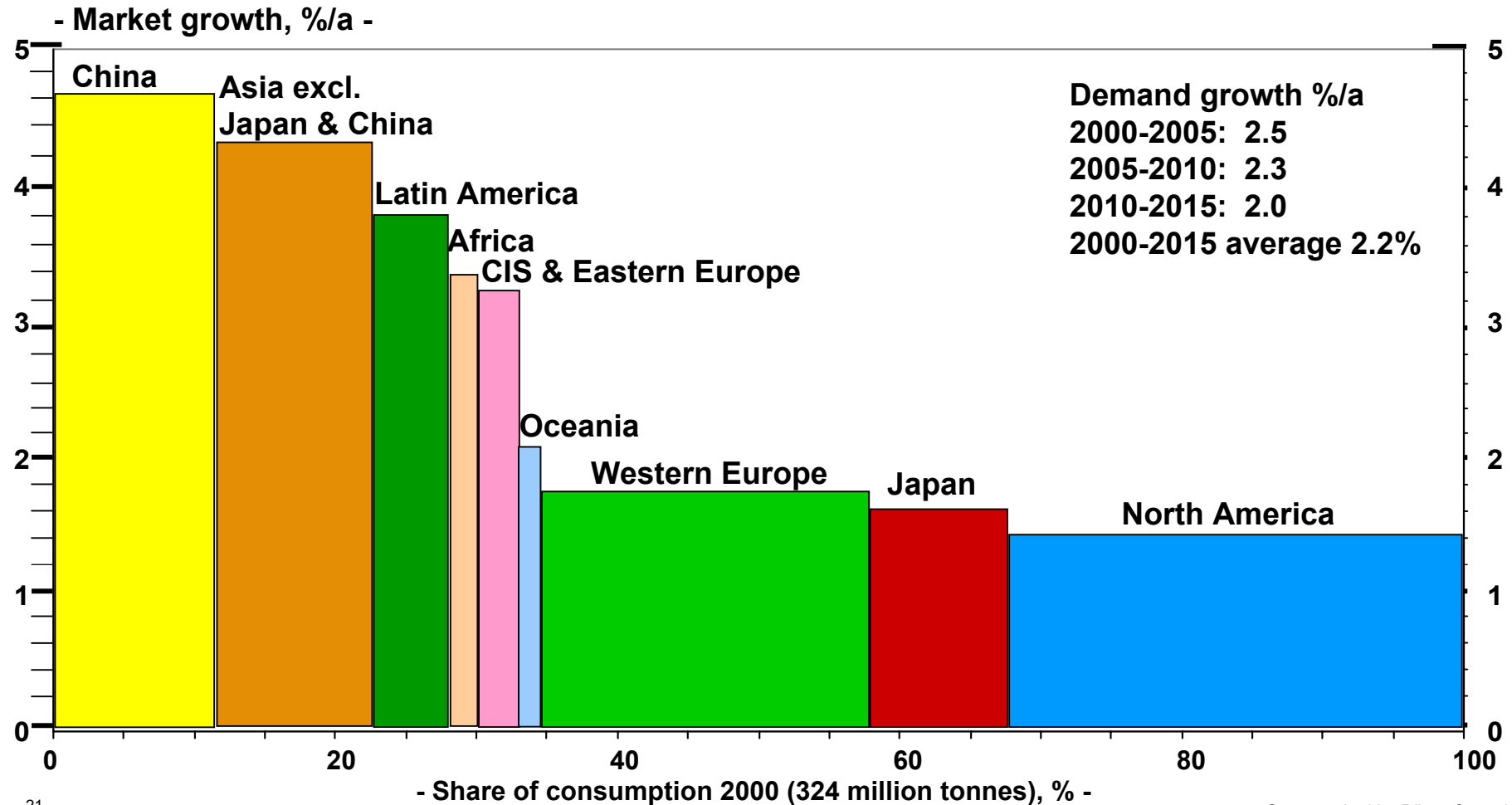
2002 EUR million	Sales	Costs
EUR	6 600	5 500
USD	3 200	2 400
SEK	1 100	2 100
GBP	1 000	200
CAD	200	300
Other	700	200
Total	12 800	10 700

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**Emerging Markets
Strategy**

Growth of Paper and Paperboard

Demand by Region 2000-2015



Emerging Markets Growth Strategy

- Appropriately cautious
 - Have a clear strategy for being there
 - Assess risks, existing and potential
 - Conservatively estimate reward
 - Find the right business model
 - Commit the appropriate level of capital
- Adhere to corporate social responsibility policy
- Maintain a long-term view in support of customers and financial targets

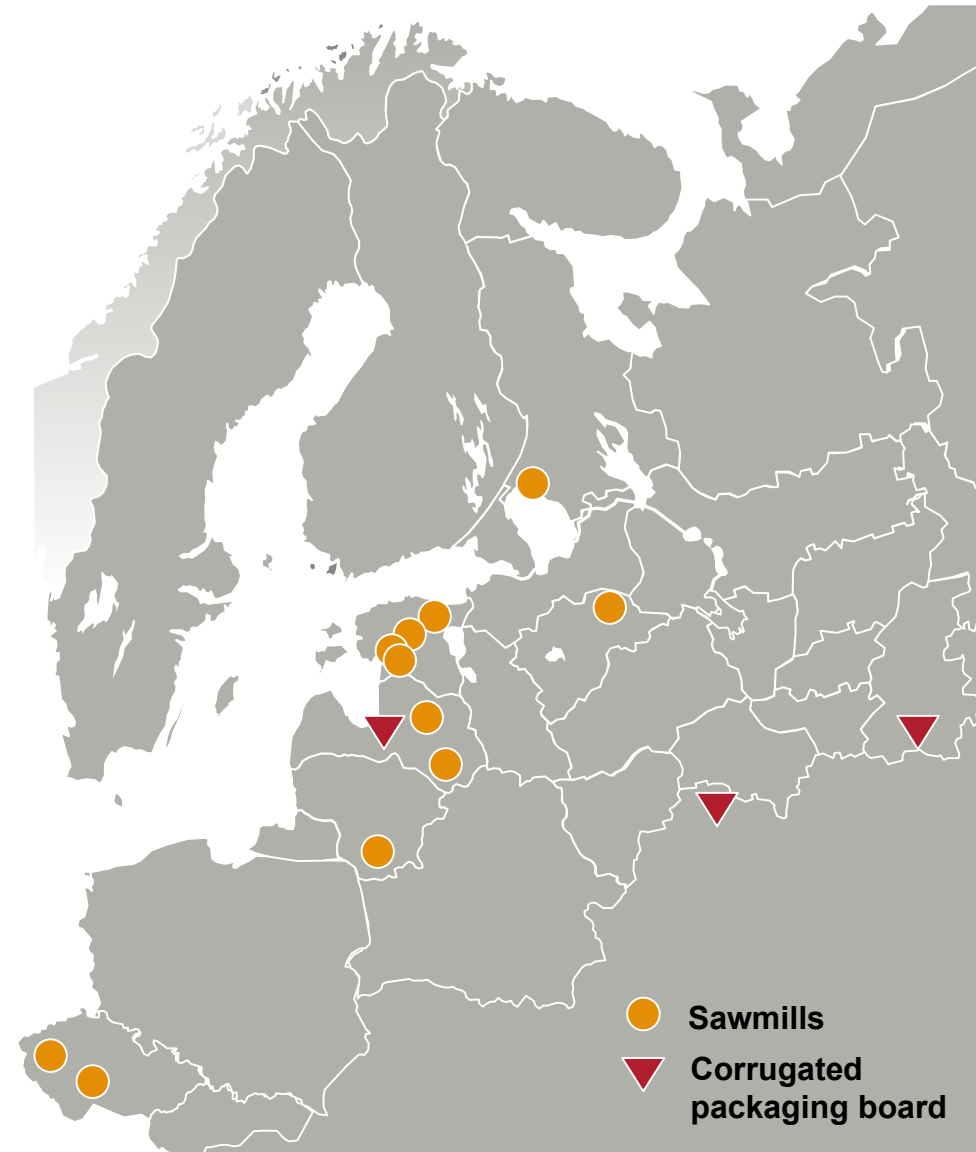
Wood Costs at Local Mills

(Euro/m³ sub)

	Scandinavia	Baltics	Russia	Brazil ⁽¹⁾	Wisconsin ⁽¹⁾
Long fibre for chemical pulp	33-41	24	20	-	39
Short fibre for chemical pulp	36-42	25	25	13	37

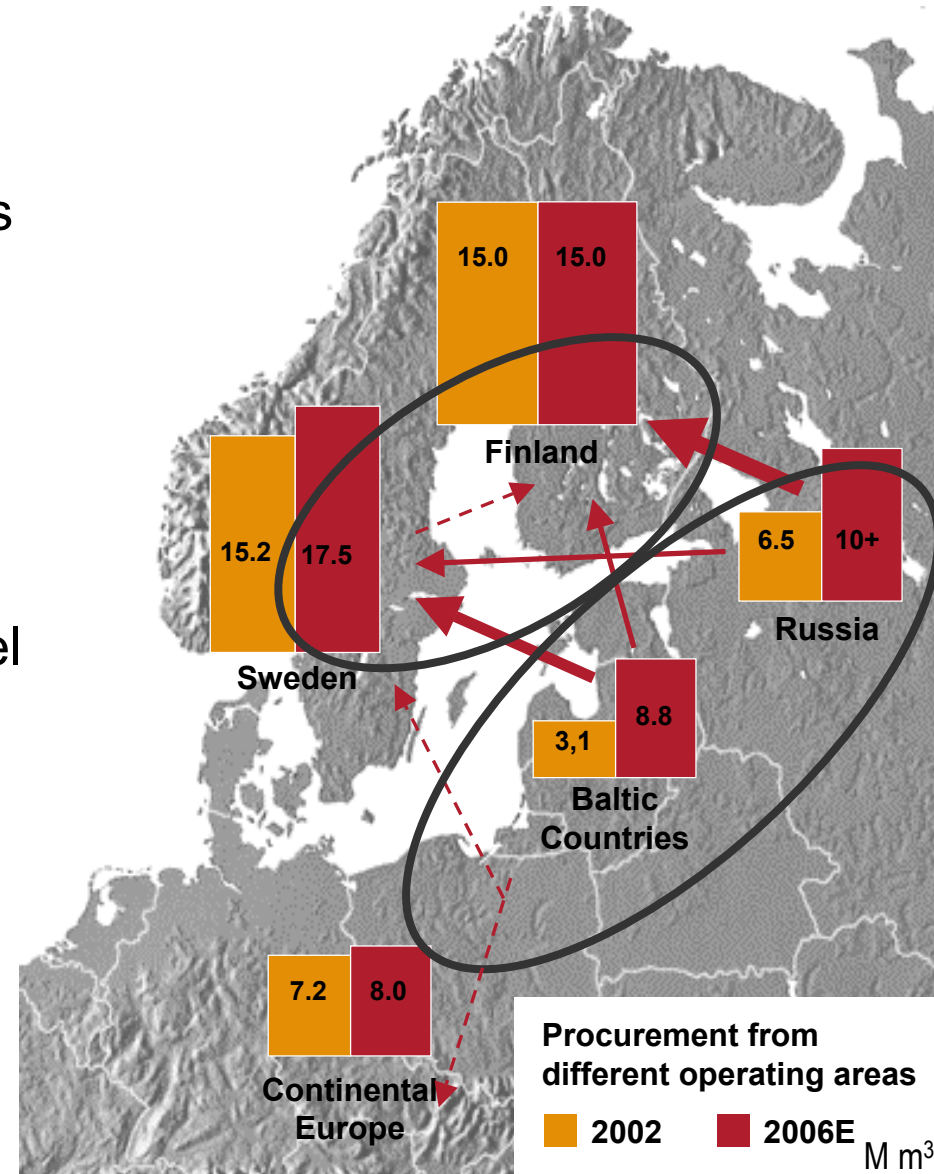
Present Operations in Russia and Eastern Europe

- Corrugated packaging board
 - mills in Riga and Balabanova
 - Arzamas mill under construction with start up in January 2004
- Acquisition of Sylvester
 - 5 sawmills in Estonia, Latvia, extensive procurement
 - mill has just started up in Alytus, Lithuania
 - mill under construction in Latvia
- Sawmilling in Russia
 - new sawmill in Impilahti, Karelia
 - Nebolchi mill in Novgorod region under construction, start up end 2003



Transforming Wood Supply for Competitive Advantage

- Competitive Western European assets
- Increasing Eastern European fibre supply
- Shape local wood markets with cross-border wood flows
- Integrate wood flows at European level
- Share and align supply processes



Emerging Opportunities in Russia and Eastern Europe

- Important source of raw wood; sawmilling and packaging investments
- Enter the Russian market with less capital-intensive investments, such as sawmills and packaging plants
 - gain experience in business environment and legislation
- Further sawmill investments in both in the Baltics and Russia to secure wood flows and bring down overall wood cost

Present Operations in South America

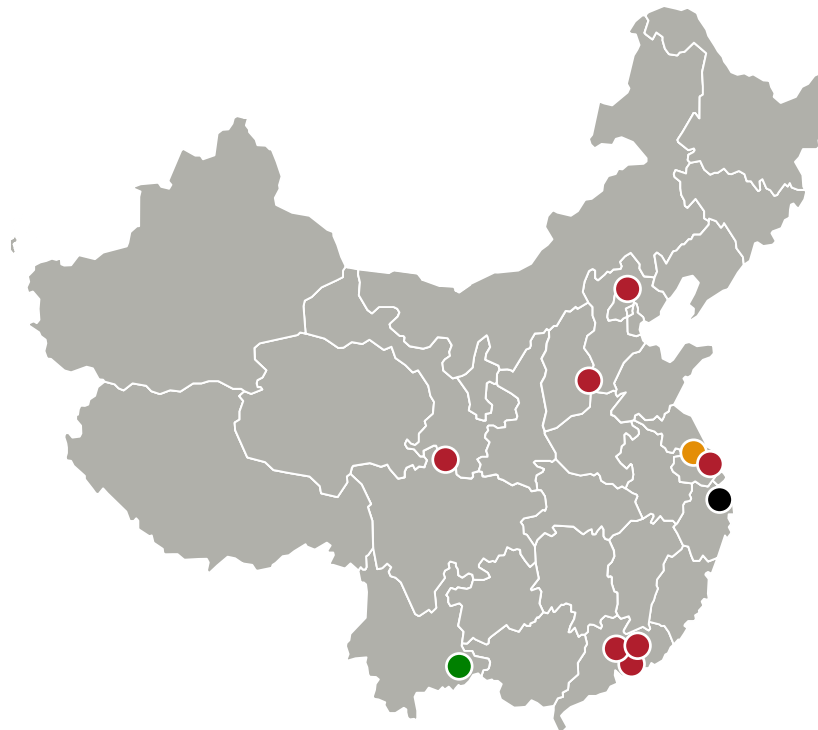
- Veracel – a Joint Venture together with Brazilian pulp maker Aracruz, based in Rio de Janeiro
 - A new pulp mill now under construction with 900 000 tonnes of annual capacity
 - Production from mid-2005
 - 70 000 hectares of eucalyptus plantations
 - Stora Enso's share of production intended for captive use
- South American division office in Sao Paulo
- Sales offices in Sao Paulo, Santiago and Buenos Aires



Emerging Opportunities in South America

- Attractive source of fibre
 - Will explore possible further investments
- M & A: few possible company targets
- Will continue to grow sales of imports from our European paper and board mills

Present Operations in China



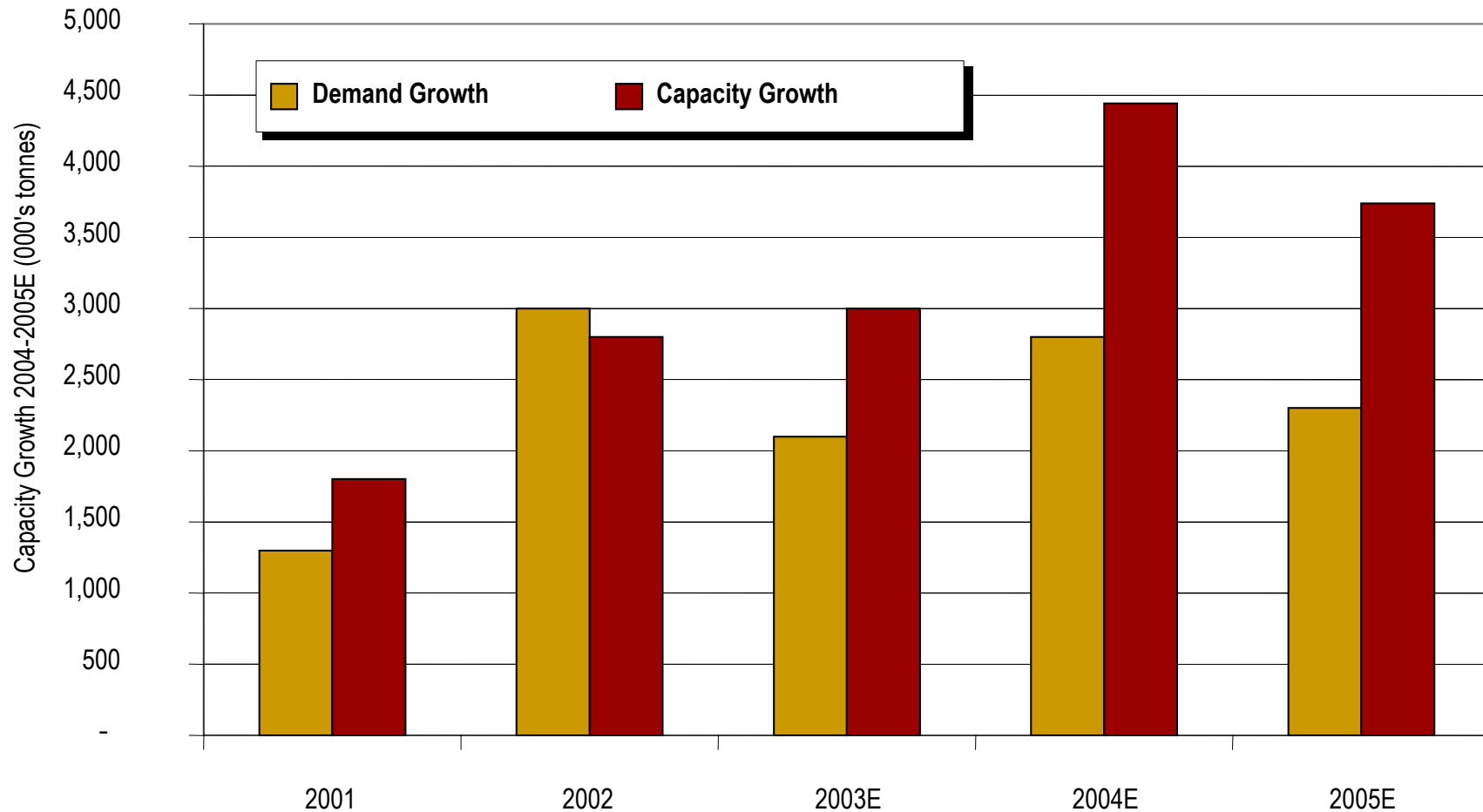
- Plantations
- Core board
- Fine paper mill
- Sales office

- Fine paper mill in Suzhou
 - Capacity 160 000 tonnes coated woodfree
 - Paper sold to Chinese market
 - Reliant on imported pulp
- Core factory in Hangzhou
 - Capacity 10 000 tonnes
 - Cores sold to different industries: plastics, paper, etc.
- Sales offices in Beijing, Chengdu, Guangzhou, Hong Kong, Shanghai, Shenzhen and Zhengzhou

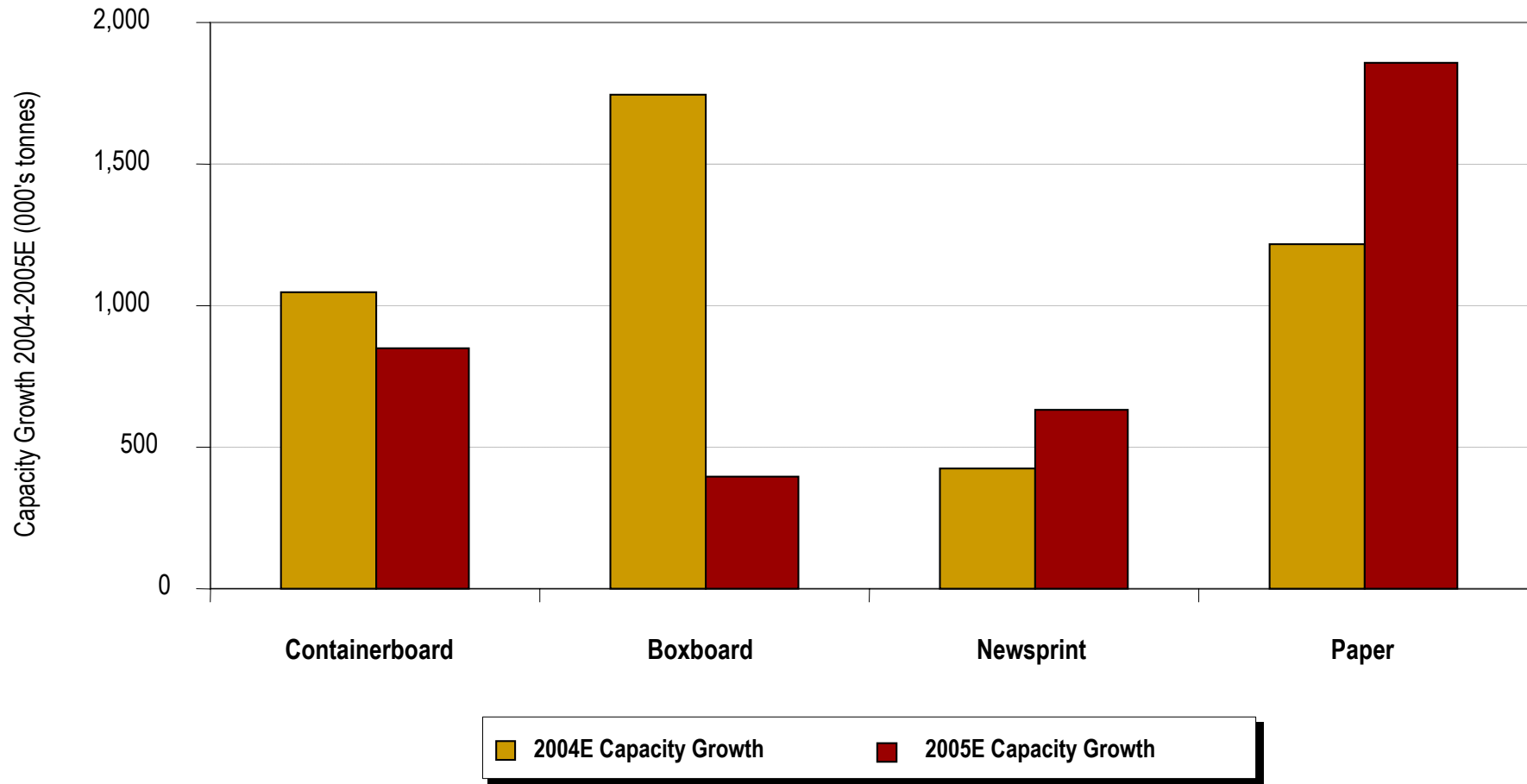
Emerging Opportunities in China

- Interesting market with growing paper demand, but growth starts from low levels
- Greenfield investments preferred
 - Prefeasibility study under way to explore these possibilities, including a possible second paper machine
- Plantation project underway and prefeasibility study for integrated pulp and paper operations in Southern China
- Considering wide-ranging possibilities consistent with Stora Enso's core businesses

Total Chinese Demand and Capacity Growth 2001-2005E



Chinese Capacity Growth by Grade 2004-2005E



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North America

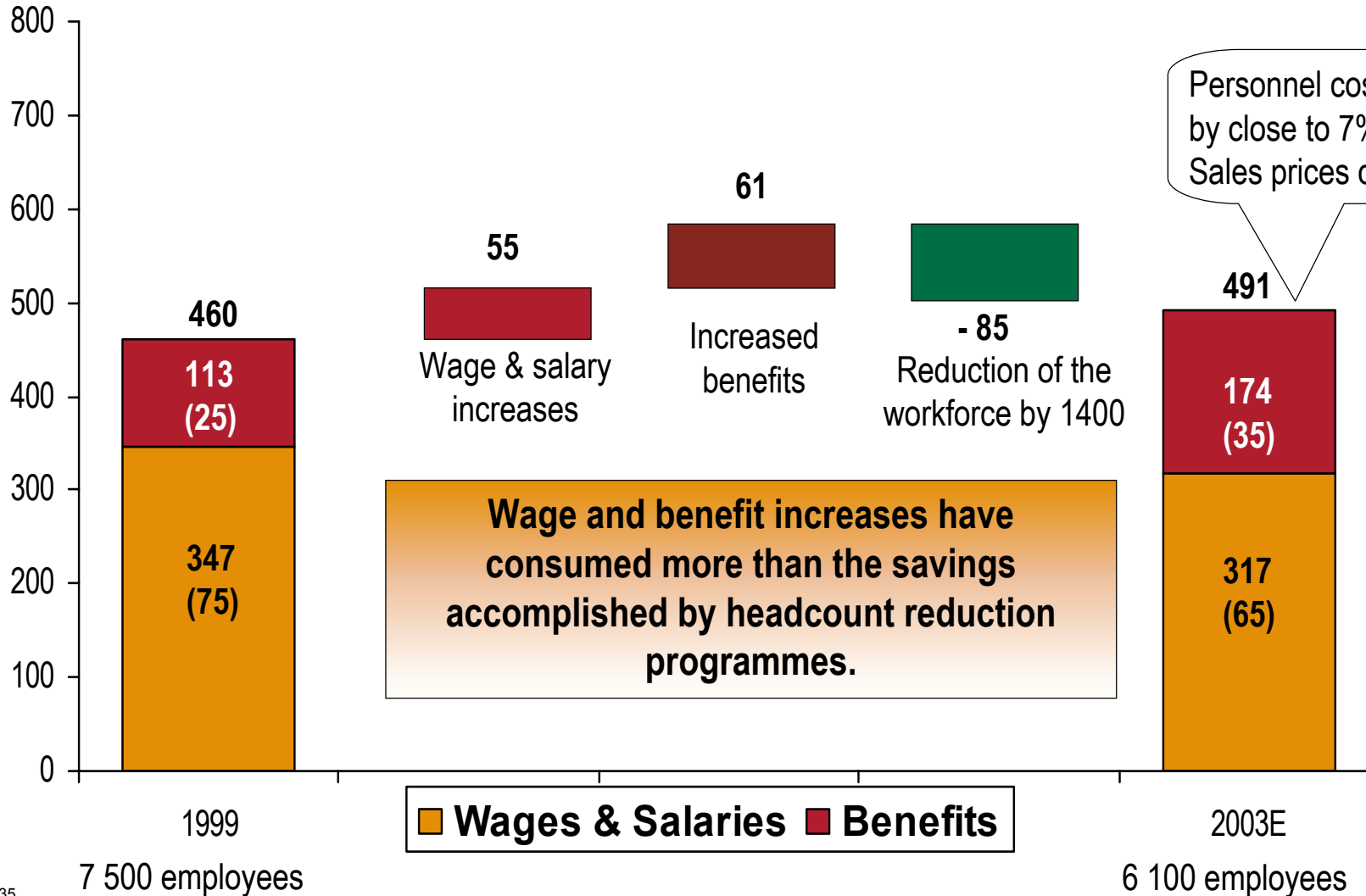
The Challenging US Marketplace Since 2000

- Advertising pages down 14%
- Coated paper imports up 24%
- Depressed product prices on both nominal and real basis
- Personnel benefit costs up significantly due to increasing pension and health-care costs
- Energy prices up 16%

Personnel Cost Development

SENA 1999-2003E

USD million



Stora Enso North America

Improvement with a Sense of Urgency

- Introduced Profit Enhancement Programme August 2002, to be fully implemented by mid-2005
 - Convert pulp mill entirely to hardwood pulp
 - USD 250 million CapEx to rebuild three machines, modify others
 - Permanent closure of two machines
 - Workforce reduced
 - Total cost reduction = USD 85 million per annum

Stora Enso North America

Improvement with a Sense of Urgency (*cont.*)

- Profit Enhancement Programme expanded August 2003
 - Permanent closure of additional machine
 - Additional fixed-cost reductions of USD 65 million per annum
 - Additional workforce reductions, bringing total reduction to 33% since acquisition
- EUR 0.09 EPS benefit to be realised by mid 2005

Profitable Growth in North America



- Stora Enso North America remains a platform for growth
- Profit Enhancement Programme will lead to profitability
- Synergistic, profitable acquisition opportunities sought
- With valuations at unreasonably high levels and a lack of motivated sellers, current options are limited

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Mergers & Acquisitions

M&A Strategy Guided by Discipline

- Must support core business development
- Provide customer, production or other synergies
- EPS and CEPS accretive, post synergies, after year one
- In the near term, it must surpass our weighted average cost of capital (= @8.5% pre-tax)
- In the longer term, it must clearly support our continuing ROCE target of 13% over the cycle

M&A Options by Region

Europe:

- High market shares lead to limited alternatives
- More likely candidates: fine papers and industrial packaging boards

North America:

- “Open field”
- Current valuations not supported by asset quality
- Lack of motivated sellers

Asia/China:

- Few potential targets; greenfield investments preferred; forestry project started

South America/Brazil:

- Few company targets; attractive source of fibre (Veracel project)

Russia and the Baltic Region:

- Important source of raw wood; sawmilling and packaging investments underway
- Few potential targets

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Visit www.storaenso.com for more information.