

Responsibility & Performance

April- June 2003 Results

24 July 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.

Highlights

	I/2003	II/2003
Sales, EUR million	3 099	3 057
Operating Profit, EUR million	211.1	106.7
EPS, EUR	0.10	0.07
Cash EPS, EUR	0.43	0.41
Debt/Equity	0.46	0.47

There were no non-recurring items in the periods under review

- Profits negatively impacted by:
 - Geopolitical factors and subdued economic activity across global markets
 - Production losses and fixed cost increases related to Midsummer holiday stoppages
 - Direct and indirect effects of declining US dollar

Main Events

- **Veracel**

- Decision was taken by associated company Veracel to construct a 900 000 tonnes p.a.pulp mill in Bahia, Brazil, based on own eucalyptus
- Stora Enso is entitled to 50 % of the output, to be used as 'captive' pulp
- Production start up: mid 2005

- **Langerbrugge**

- Successful start up of world's largest newsprint machine of 400 000 tonnes – based entirely on recovered paper
- Main measures in Newsprint asset restructuring have now been taken

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Financial figures

Summary Financials

EUR million	2002	II/02	H1/02	H1/03	I/03	II/03
Sales	12 783	3 233	6 462	6 156	3 099	3057
EBITDA ¹⁾	2 172	518	1 121	900	501	400
Operating profit ¹⁾	926	190	464	318	211	107
Profit before tax	-343	206	395	216	129	87
Net profit	-222	138	299	142	85	56
EPS, EUR ¹⁾	0.57	0.15	0.30	0.16	0.10	0.07
EPS, basic, EUR	-0.25	0.12	0.33	0.16	0.10	0.07
CEPS, EUR ¹⁾	1.97	0.48	1.03	0.84	0.43	0.41
ROCE, % ¹⁾	7.1	5.6	6.9	5.3	7.1	3.6
Debt/Equity	0.37	0.46	0.46	0.47	0.46	0.47

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 34.8 million in Q2/2003
- Major net cash flows (2002):
 - USD +800
 - GBP +800
 - (EUR million equivalent)

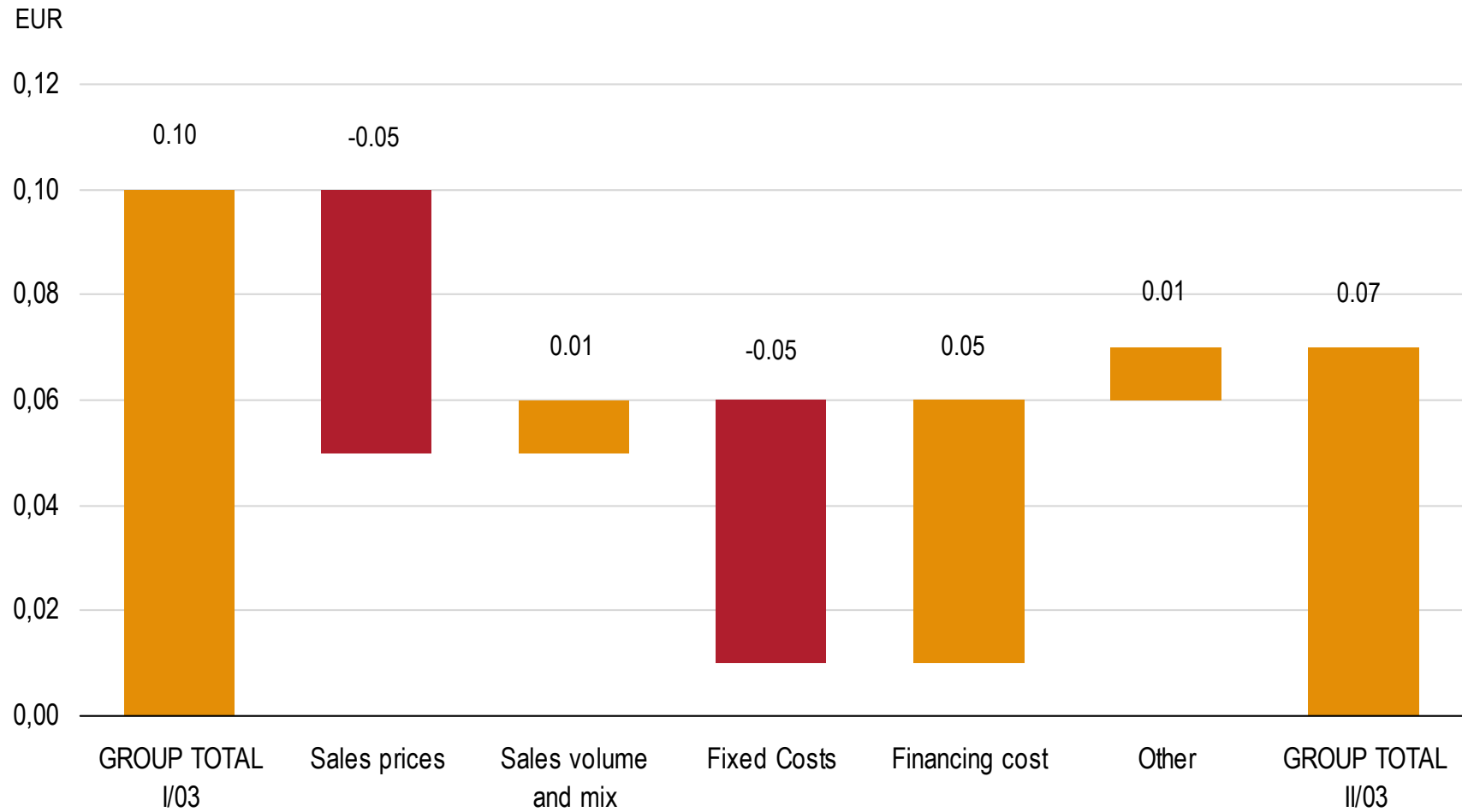
Indirect Impact of Euro Strength

- Imports increasing somewhat to Europe
- Packaging Boards experiencing increased competition versus US dollar based suppliers in its overseas sales
- US dollar price increases in magazine grades are supported by stronger Euro, but mitigated by increased imports from Europe

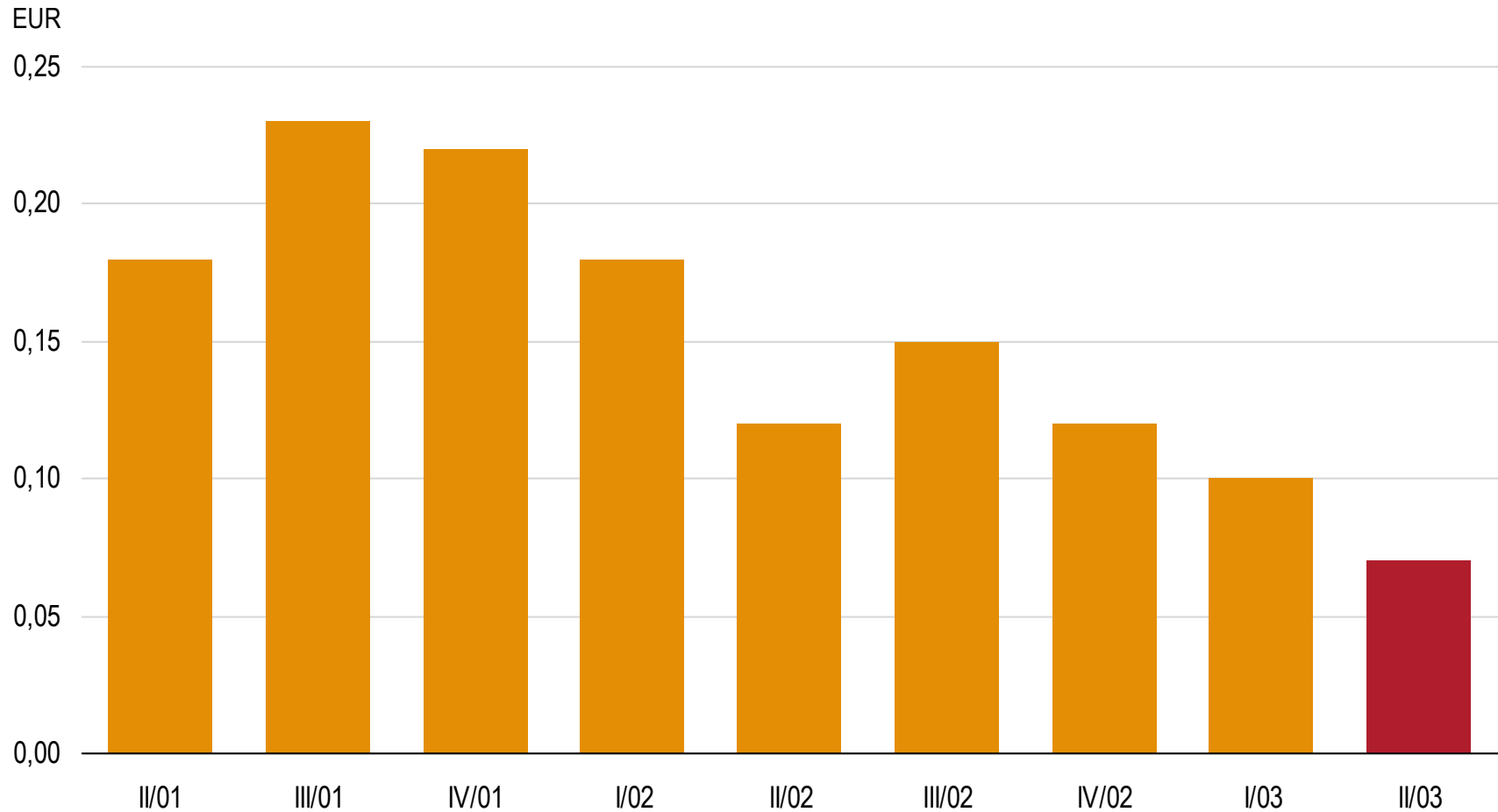
Net Financial Items

EUR million	II/02	III/02	IV/02	I/03	II/03
Net interest	-54.8	-53.0	-49.3	-34.6	-51.5
Foreign exchange profit/loss	10.9	13.2	0.4	2.9	7.9
Valuation of financial instruments (non cash)	-16.1	-20.0	-11.0	-44.1	30.0
Other financing items	16.0	3.6	-0.9	-5.5	2.3
Total	-44.0	-56.2	-60.8	-81.3	-11.3

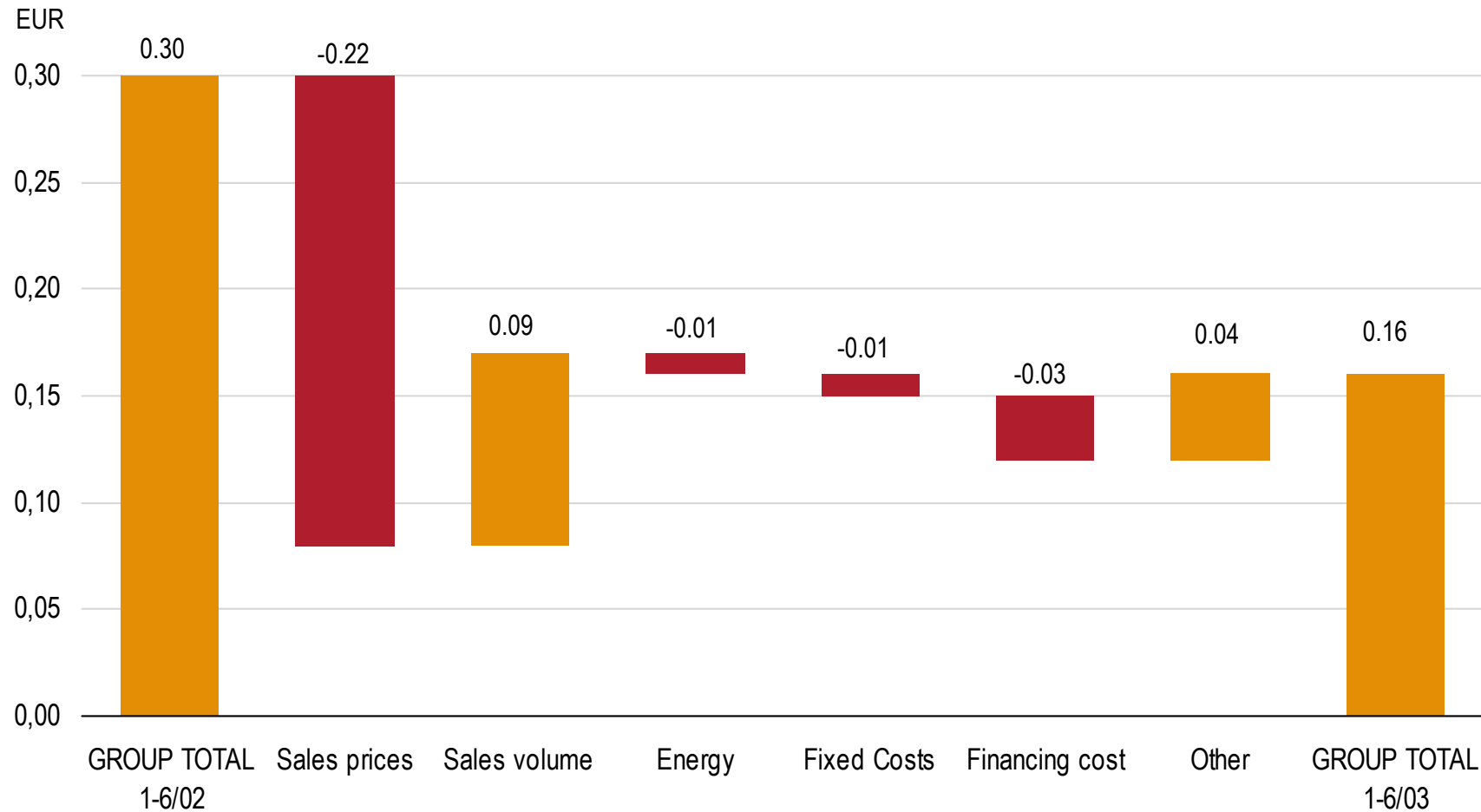
Change in EPS I/2003 vs II/2003



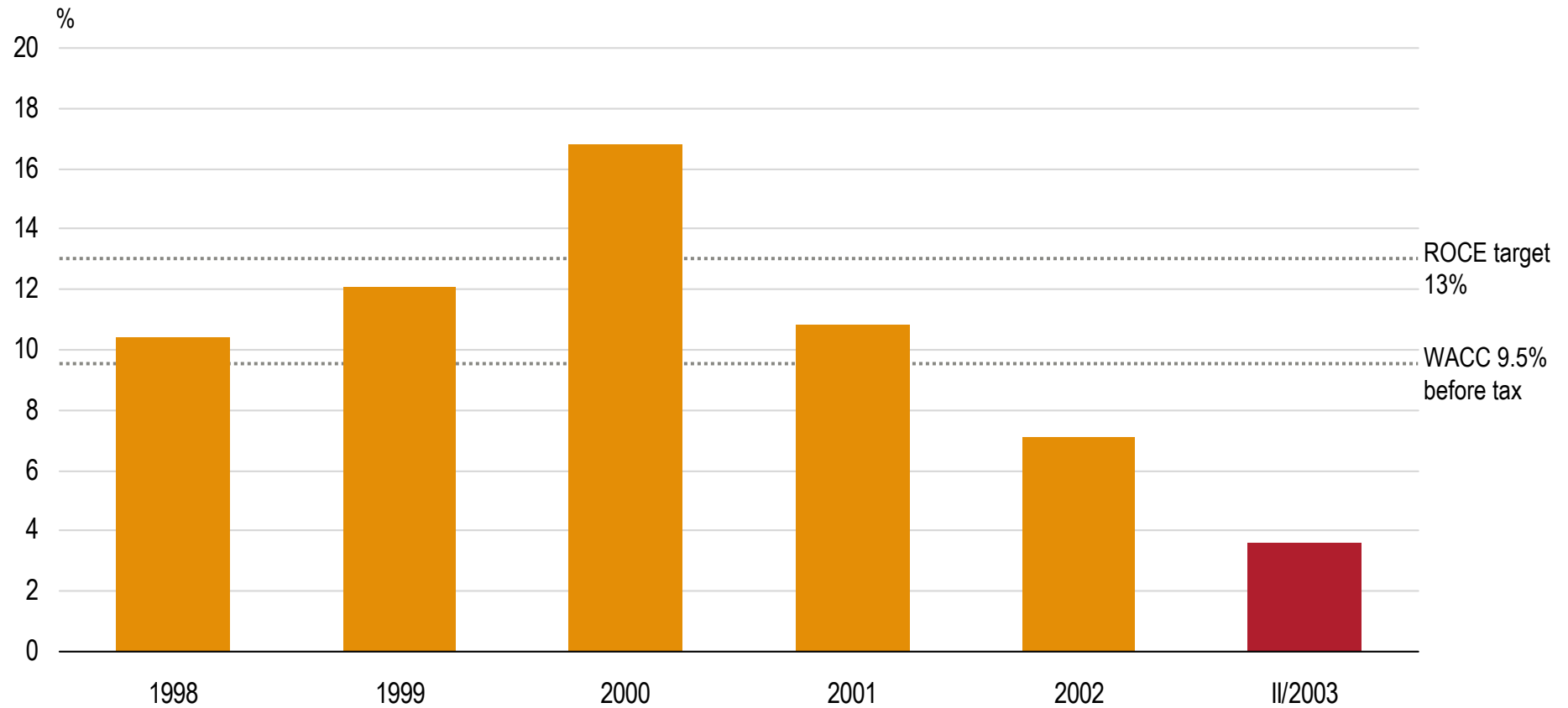
EPS by Quarter



Change in EPS 1-6/2003 vs 1-6/2002

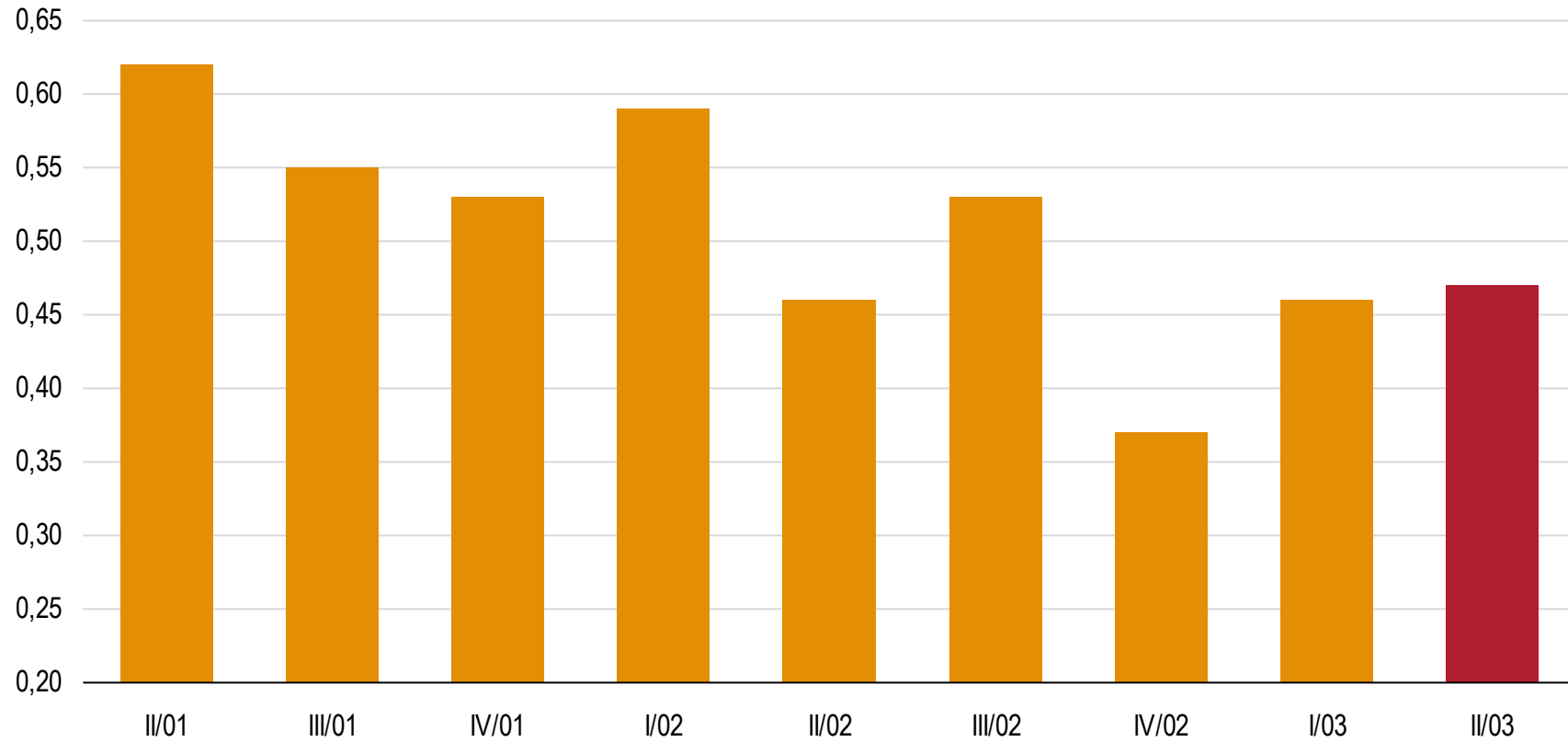


ROCE



Target \geq 13% over the cycle

Debt/Equity



Target ≤ 0.8

Share Buy-Back Programme

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

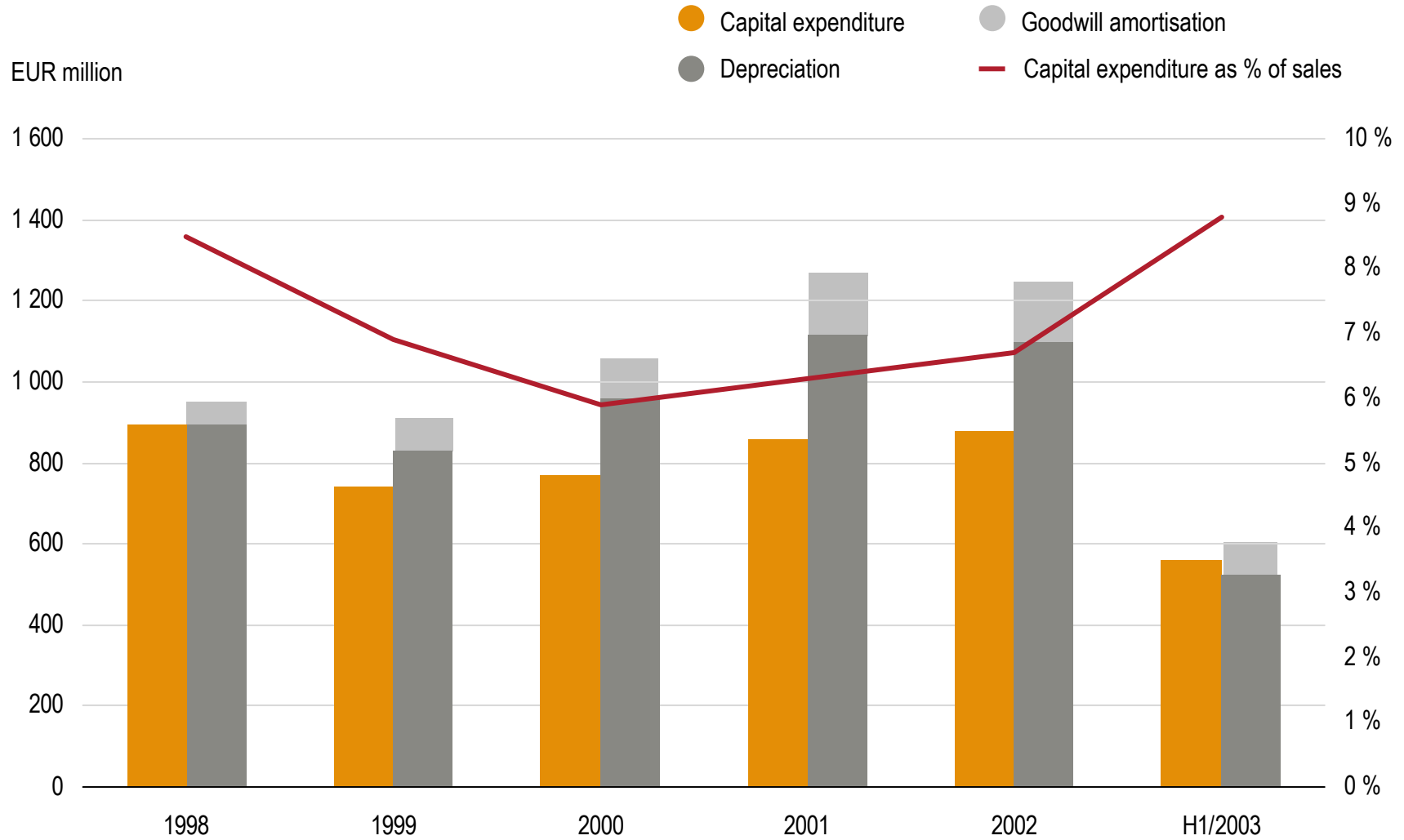
A shares	9 100 000
R shares	34 000 000

Status through 30 June 2003:

Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	3 300	EUR 9.14	0.04
R shares	16 706 100	EUR 9.24	49.1

	2001	2002	31 March, 2003
Total shares in issue:	906 753 299	899 778 299	864 187 499

Capital Expenditure and Depreciation



Deliveries and Production

1 000 tonnes/m³

Deliveries	2002	Q1/02	Q2/02	Q3/02	Q4/02	Q1/03	Q2/03
Publication Papers	6 807	1 638	1 636	1 703	1 830	1 654	1 678
Fine Papers	3 432	874	866	859	833	885	895
Packaging Boards	2 909	711	749	734	715	756	781
Paper and Board Total	13 148	3 223	3 251	3 296	3 378	3 295	3 354
Timber	5 112	1 203	1 344	1 252	1 313	1 283	1 644

Production							
Publication Papers	6 796	1 686	1 651	1 745	1 714	1 739	1 663
Fine Papers	3 477	888	866	876	847	894	889
Packaging Boards	2 973	751	742	740	741	788	763
Paper and Board Total	13 246	3 325	3 259	3 361	3 302	3 421	3 315
Timber	5 157	1 235	1 288	1 277	1 357	1 406	1 648

Curtailments

1000 tonnes	2002	Q1/02	Q2/02	Q3/02	Q4/02	Q1/03	Q2/03
Publication Papers	874	249	250	188	187	123	143
Fine Papers	274	49	58	73	94	64	32
Packaging Boards	109	37	18	10	44	15	25
Paper and Board Total	1 257	335	326	271	325	202	200
Europe	1 037	249	218	248	322	195	158
USA	220	86	108	23	3	7	42
Paper and Board Total	1 257	335	326	271	325	202	200

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North America H1 2003

Financial Results in North America



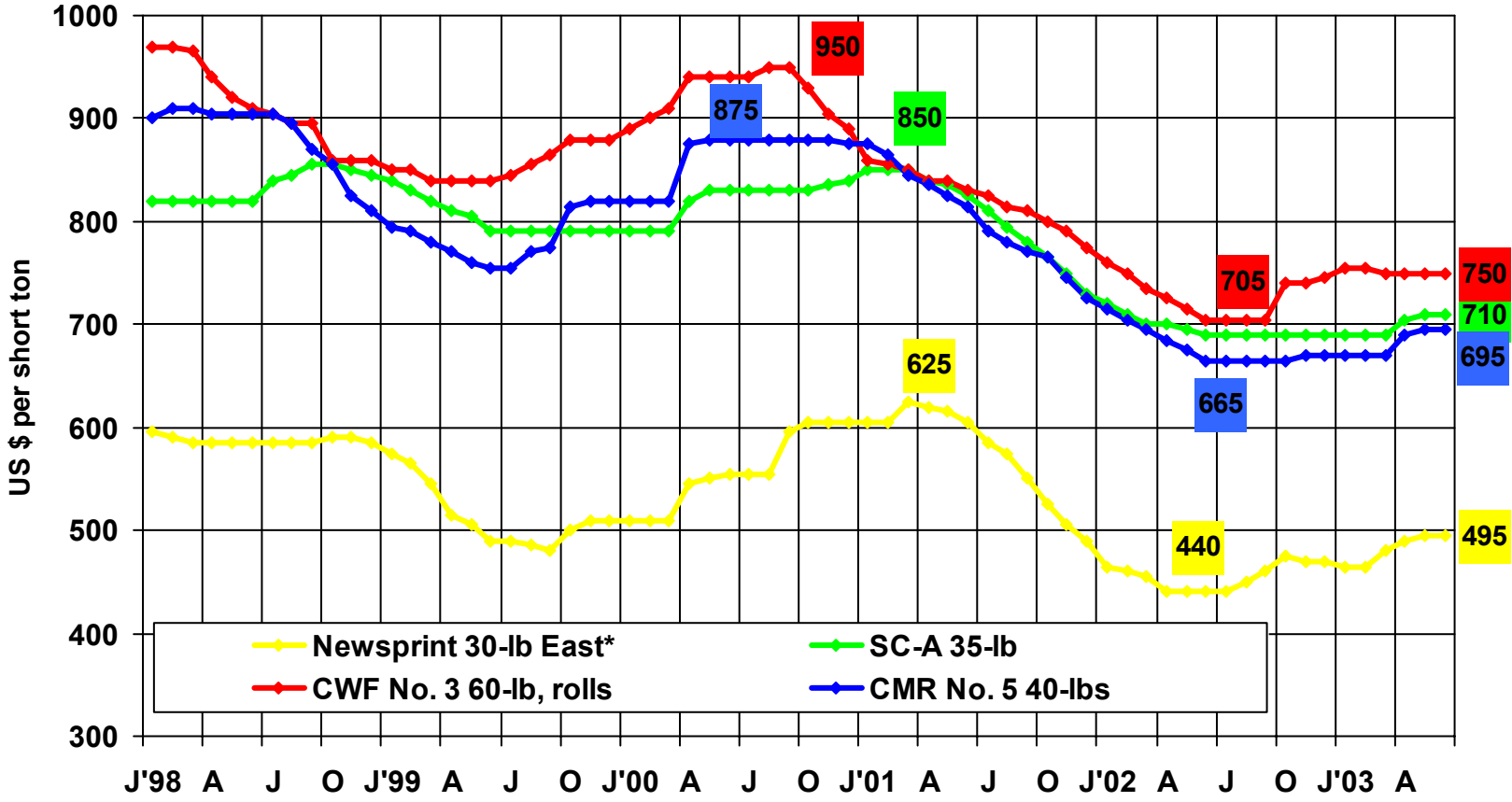
USD million	2002	H1/02	H2/02	H1/03
Sales	1 871	884	987	933
EBITDA ¹⁾	153	50	103	39
EBITA ¹⁾	-155	-105	-50	-98
Cash flow after Capex ²⁾	138	25	113	-71
Deliveries (1 000 tonnes)	2 655	1 229	1 426	1 345
Market-related downtime (1 000 tonnes)	233	194	39	49

¹⁾ excluding non-recurring items

²⁾ excluding forest asset sale

Prices have failed to improved materially since peaking in 2000

Monthly Average Transaction Prices



*Note: Newsprint prices in U.S. \$ per metric tonne

Profit Enhancement Programme in North America

- Profit Enhancement Programme is proceeding according to plan
 - Kimberly Mill PM 96 and Biron Mill 26 rebuilds were successfully completed during Q2 2003
- Workforce reduced by 20 % since year 2000
- Permanent closure of Wisconsin Rapids 12; Biron 24 to close by the end of 2003
- The programme will be completed in the mid 2005; from then onwards the EPS effect will be + 0.05

Further Cost Cutting Measures in North America

- Fixed costs in North America continue to be too high
 - ➔ **further cost-cutting steps will be taken**
- These measures will be announced before the end of the third quarter 2003

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Outlook

Outlook

- Global economic activity remains muted
- In Europe advertising spending is still not increasing
- North American advertising spending is beginning to recover from the Iraq War-impacted levels
- Increasing imports affecting the supply/demand balance in the USA
- Consumer confidence in Asia is recovering from the temporary effects of SARS

Outlook (cont.)

- Overcapacity in Europe continues to negatively impact pricing in coated printing papers
- Uncoated fine paper and recovered fibre-based board prices under pressure in Europe
- Additional cost cutting measures within the company will be effected
- The Group's capital expenditure plans for 2003 and 2004 are being adjusted not to exceed the level of depreciation










Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper	→	→	SC is expected to be stable
SC	→	→	
CMR	↘	↗	Demand slowly improving; D/S ratio imbalance puts pressure on prices
Newsprint	→	→	No strong sign of improvement in demand
Fine Papers	↘	→	Price pressure; producer stock remain high
WFC	↘	→	
WFU	↘	→	Demand will seasonally be slow; order books good; imports affecting prices
Packaging Boards	→	→	Stable order book. Market related downtime mainly in recovered-fibre-based grades
Timber	→	→	Oversupply in whitewood; redwood normal

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper			A modest recovery forecasted; some further price increases expected in H2
SC			A modest recovery forecasted; some further price increases expected in H2
CMR			Some signs of improvement in Demand; \$50 price increase partially implemented; new price increases announced
Newsprint			
Fine Papers			Demand levelling off; high stock levels
WFC			
Timber			Housing activity continues; prices slightly improved

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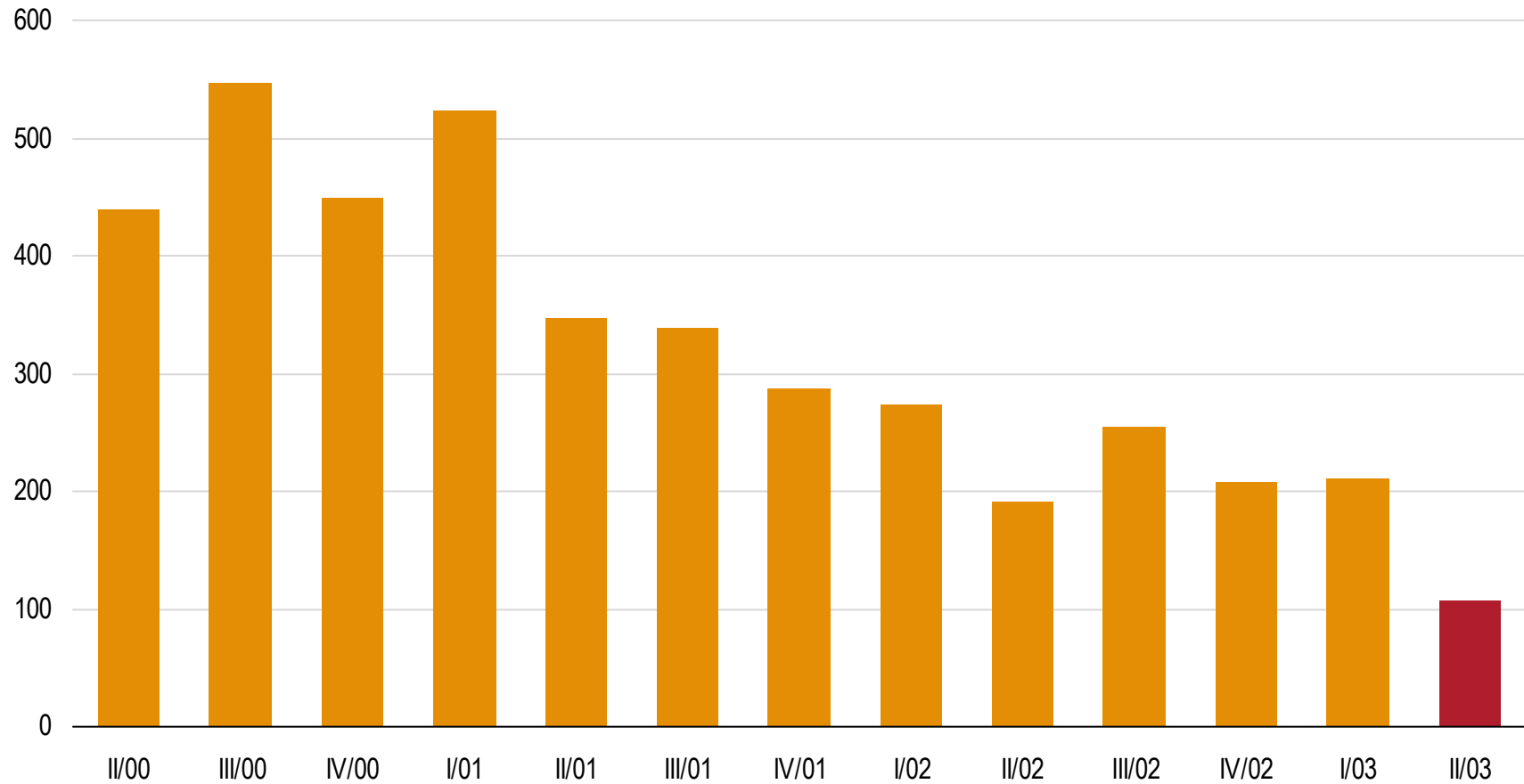
Appendix

Operating Profit of Main Business Areas

EUR million	II/02	III/02	IV/02	I/03	II/03
Publication Paper	63	84	68	36	-5
% sales	6	7	6	3	-1
Fine Paper	73	70	56	80	41
% sales	9	9	8	11	5
Packaging Boards	71	116	78	92	67
% sales	9	15	11	12	9
Timber Products	14	10	12	7	15
% sales	4	3	4	2	4

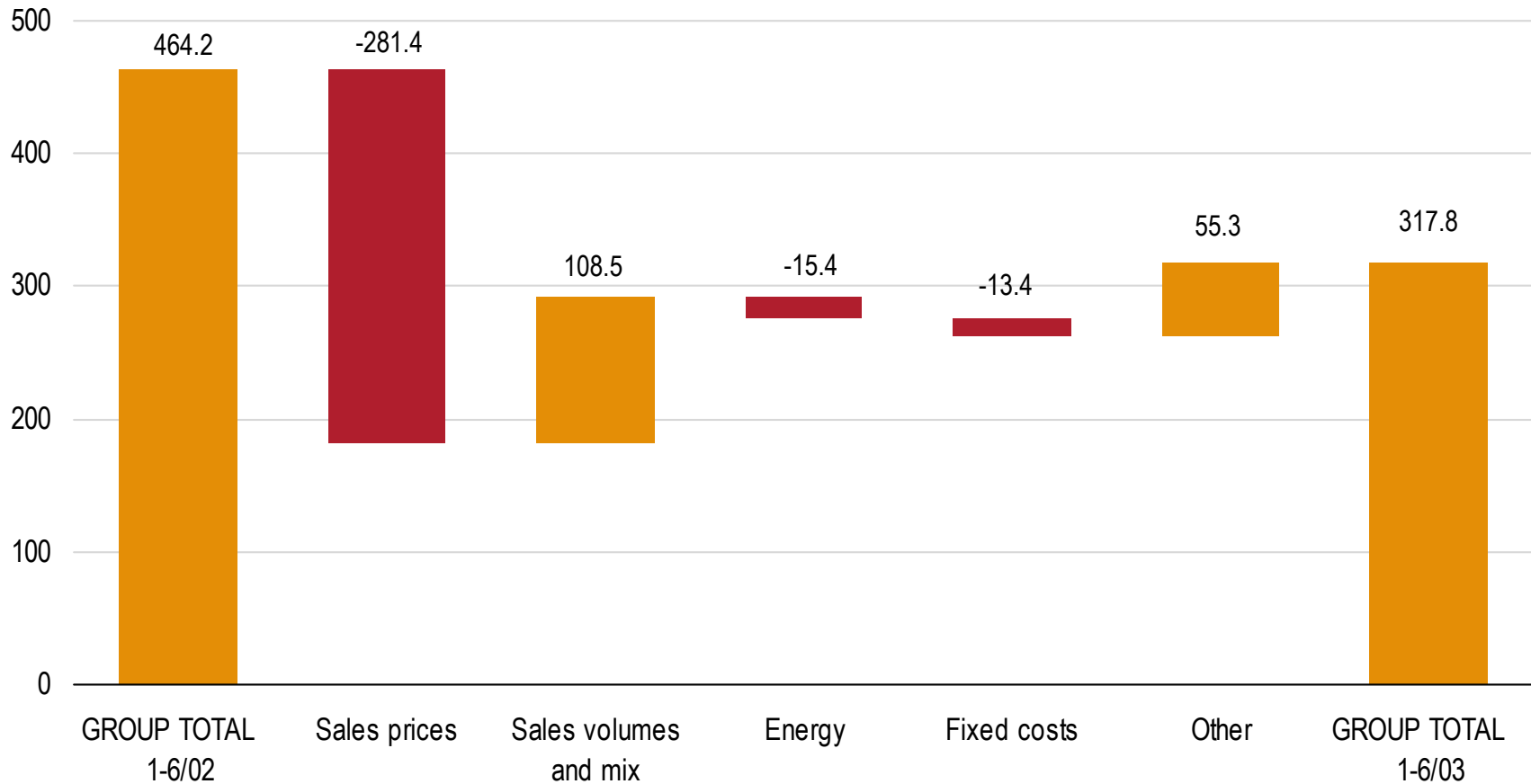
Operating Profit by Quarter

EUR million



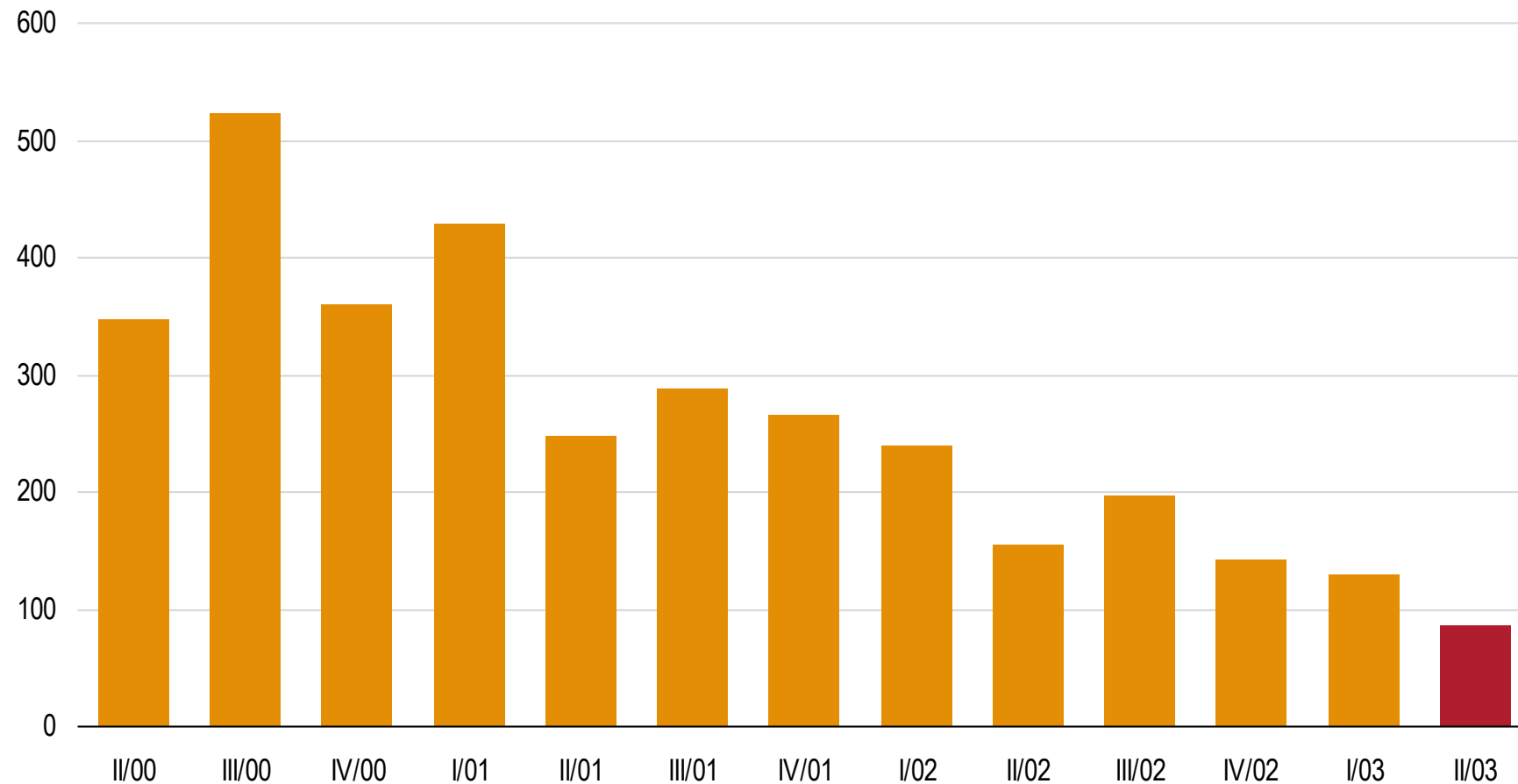
Change in Group Operating Profit from 1-6/2002 to 1-6/2003

EUR million

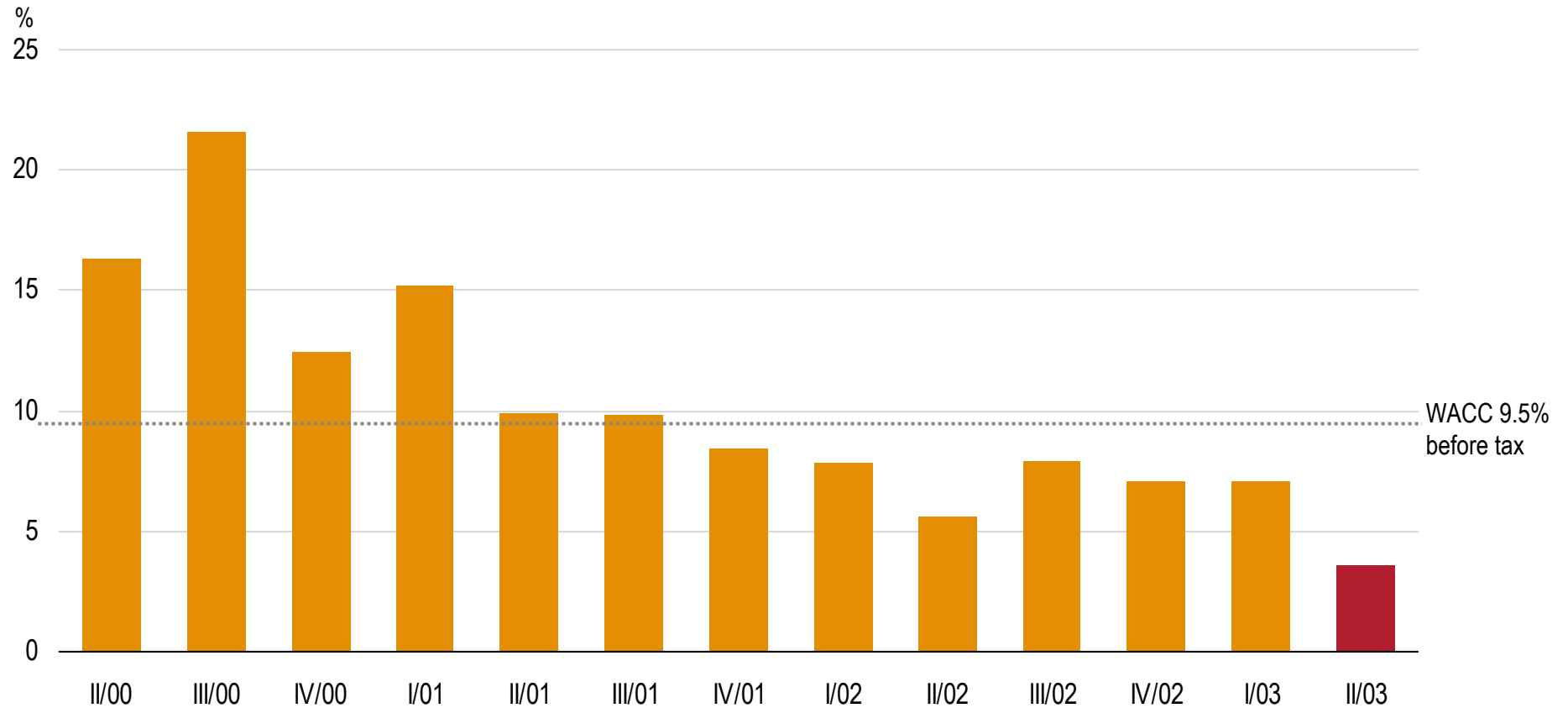


Profit Before Tax and Minority Interests by Quarter

EUR million



ROCE by Quarter



Target \geq 13% over the cycle

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