

Responsibility & Performance

**July-September 2003
Results**


23 October 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	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

Main Events

- **North American cost reduction programme**
 - A further USD 65 million reduction of annual costs
 - Increase EPS EUR 0.04 by mid 2005
 - Reduction of workforce 12 % (700 employees) by mid 2005
 - Total number of employees reduced from 7 300 at the time of the acquisition to 5000 by mid 2005
- **Corbehem mill restructuring programme**
 - Number of employees is reduced by 160-170
 - Variable-cost reduction plan
 - EUR 60 million investment in PM 5 will increase capacity by 55 000 tonnes

Main Events (cont.)

- **New sawmill to be built in Latvia**
 - EUR 50 million investment
 - Total capacity 350 000 m³
 - Start-up in November 2004

- **Veracel**
 - Mill construction proceeding according to plan
 - Foundation stone laid in October 2003
 - Most important machinery supply contracts agreed

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Financial Figures

Summary Financials



EUR million	2002	III/02	I-III/02	I-III/03	I/03	II/03	III/03
Sales	12 783	3 109	9 571	9 144	3 099	3057	2 987
EBITDA ¹⁾	2 172	578	1 698	1 344	501	400	443
Operating profit ¹⁾	926	255	720	458	211	107	140
Profit before tax ¹⁾	735	197	592	324	129	87	107
Net profit	-222	-999	-700	189	85	56	47
EPS, EUR ¹⁾	0.57	0.15	0.45	0.25	0.10	0.07	0.09
EPS, basic, EUR	-0.25	-1.12	-0.78	0.22	0.10	0.07	0.06
CEPS, EUR ¹⁾	1.97	0.51	1.68	1.29	0.43	0.41	0.44
ROCE, % ¹⁾	7.1	7.9	7.2	5.1	7.1	3.6	4.6
Debt/Equity	0.37	0.53	0.53	0.47	0.46	0.47	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 23 million in Q3/2003
 - Impact is expected to decrease in coming quarters
- Major net cash flows (2002):
 - USD +800
 - GBP +800
 - (EUR million equivalent)

Net Financial Items

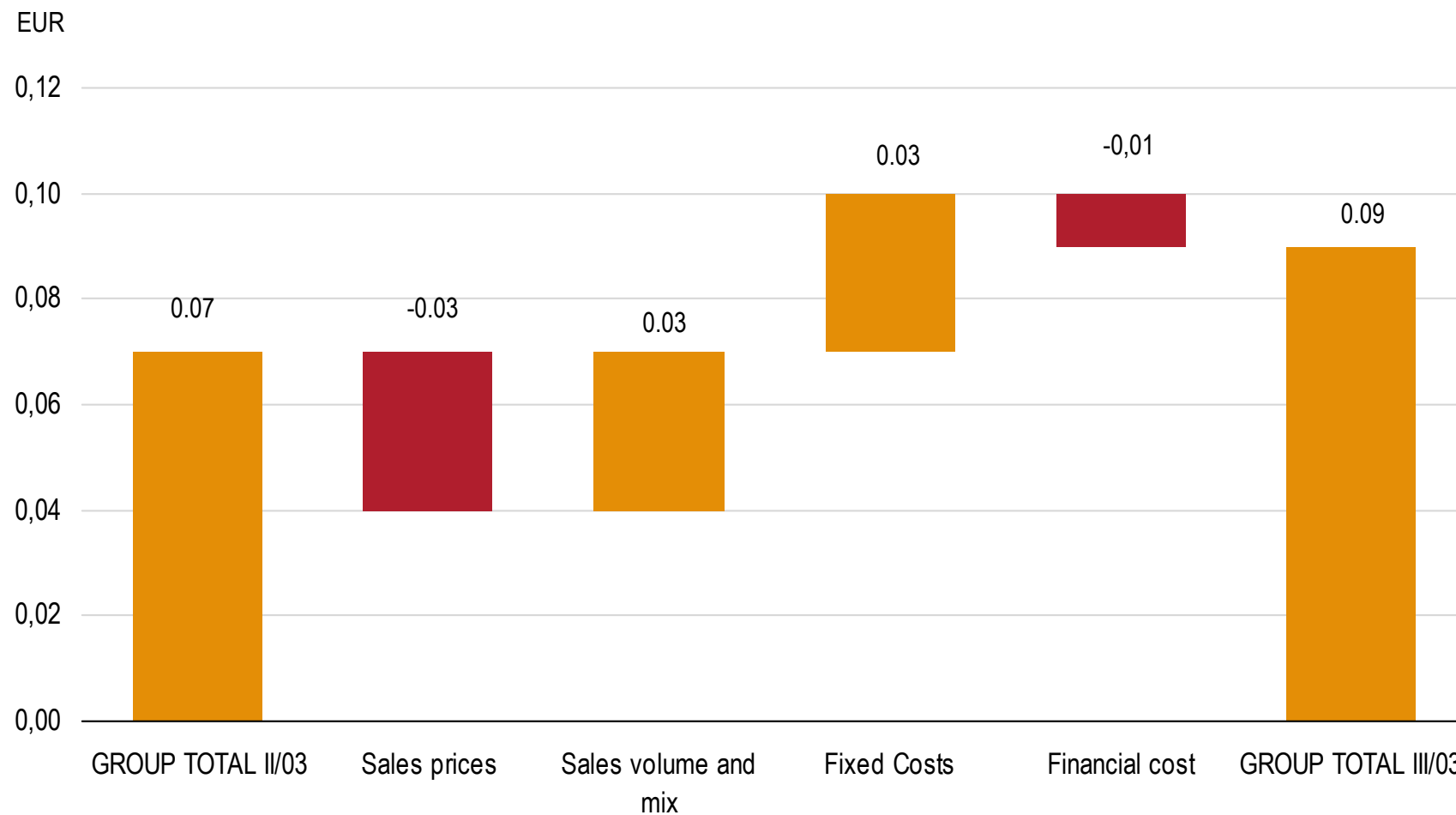
EUR million	II/02	III/02	IV/02	I/03	II/03	III/03
Net interest	-54.8	-53.0	-49.3	-34.6	-51.5	-49.9
Foreign exchange profit/loss	10.9	13.2	0.4	2.9	7.9	12.2
Valuation of financial instruments ^{*)}	-16.1	-20.0	-11.0	-44.1	30.0	16.8
Other financing items	16.0	3.6	-0.9	-5.5	2.3	-2.5
Total	-44.0	-56.2	-60.8	-81.3	-11.3	-23.4

^{*)}(non cash)

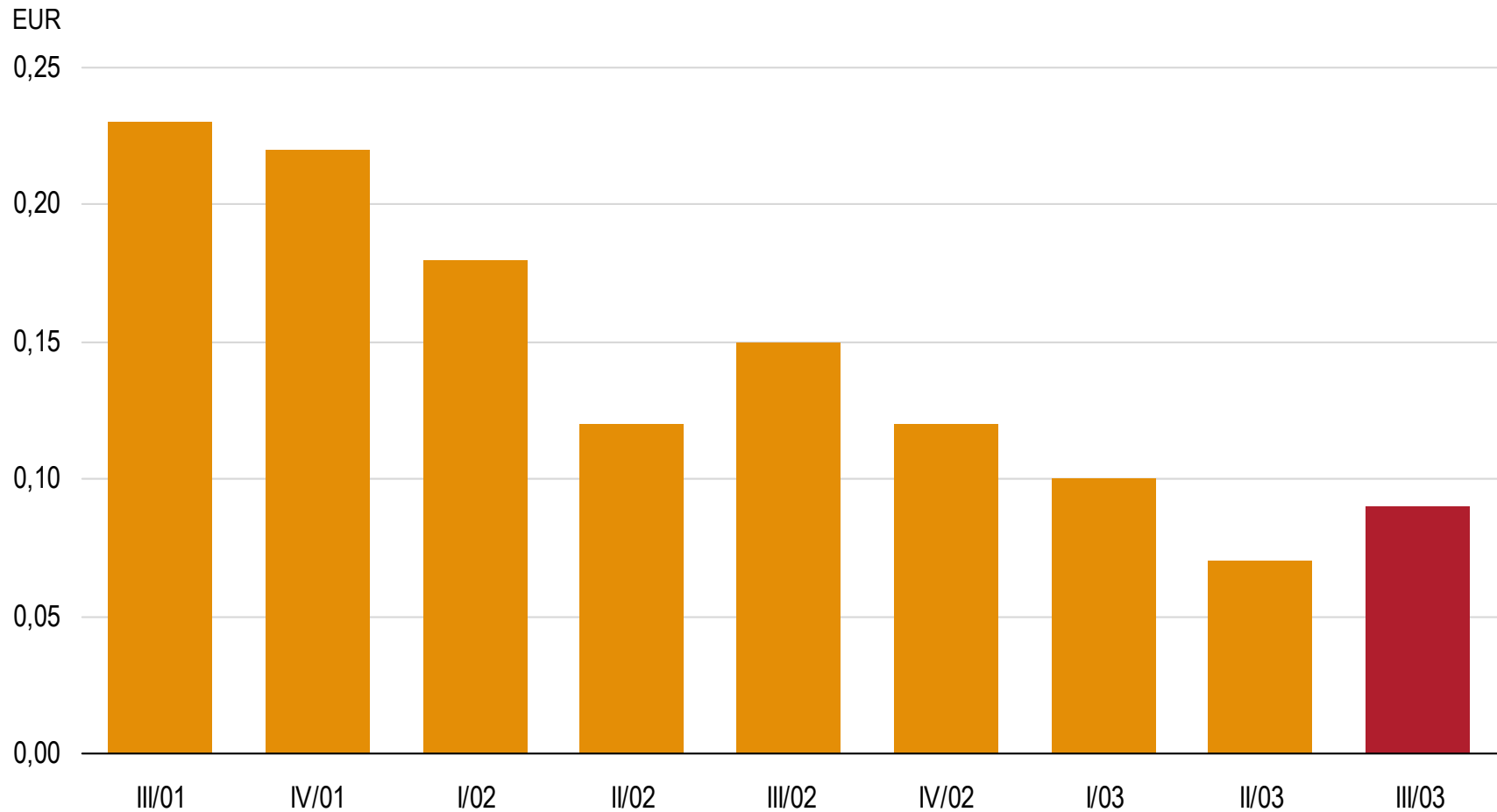
Operating Profit of Main Business Areas

EUR million	III/02	IV/02	I/03	II/03	III/03
Publication Paper	84	68	36	-5	40
% sales	7	6	3	-1	4
Fine Paper	70	56	80	41	24
% sales	9	8	11	5	3
Packaging Boards	116	78	92	67	89
% sales	15	11	12	9	13
Timber Products	10	12	7	15	-4
% sales	3	4	2	4	-1

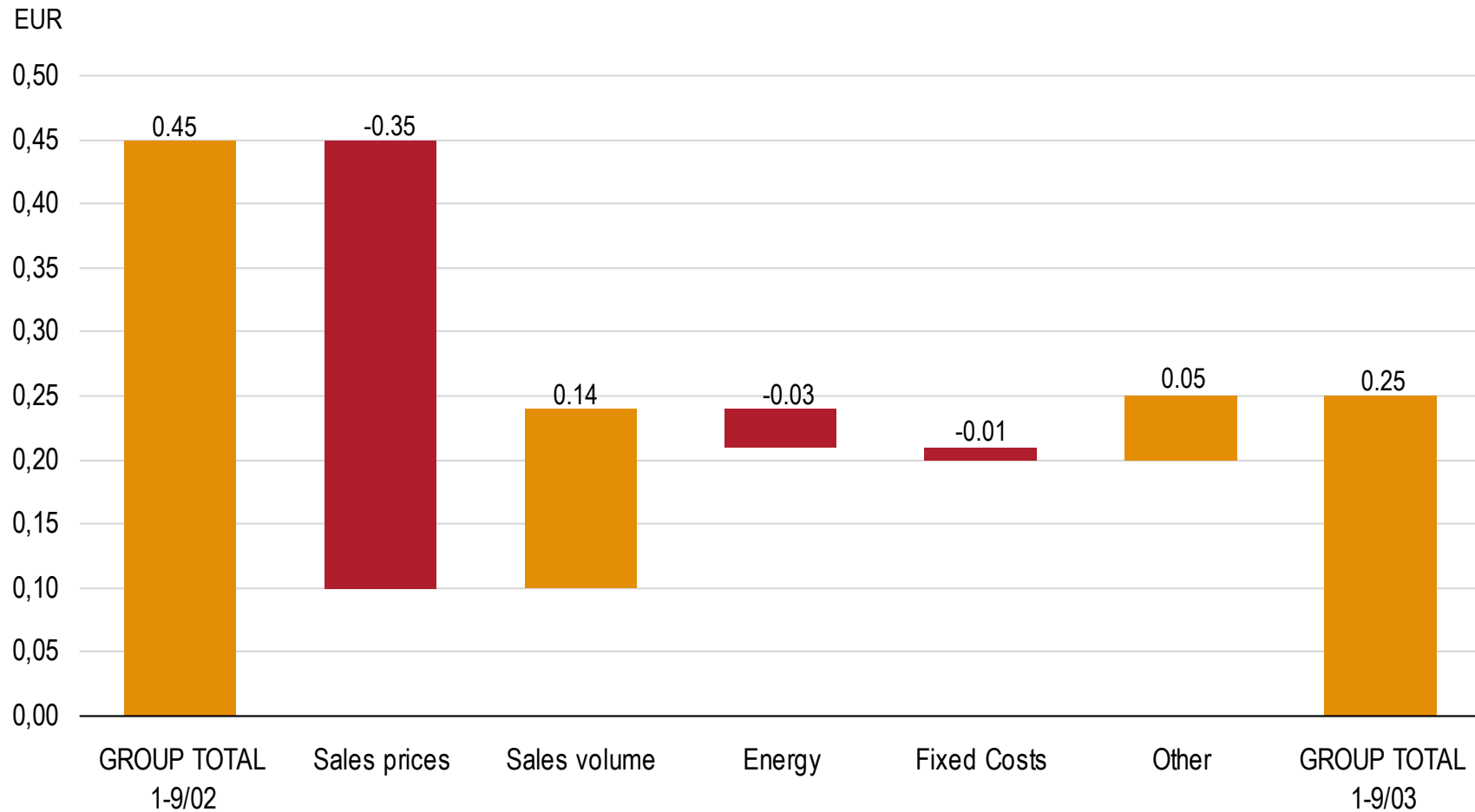
Change in EPS II/2003 vs III/2003



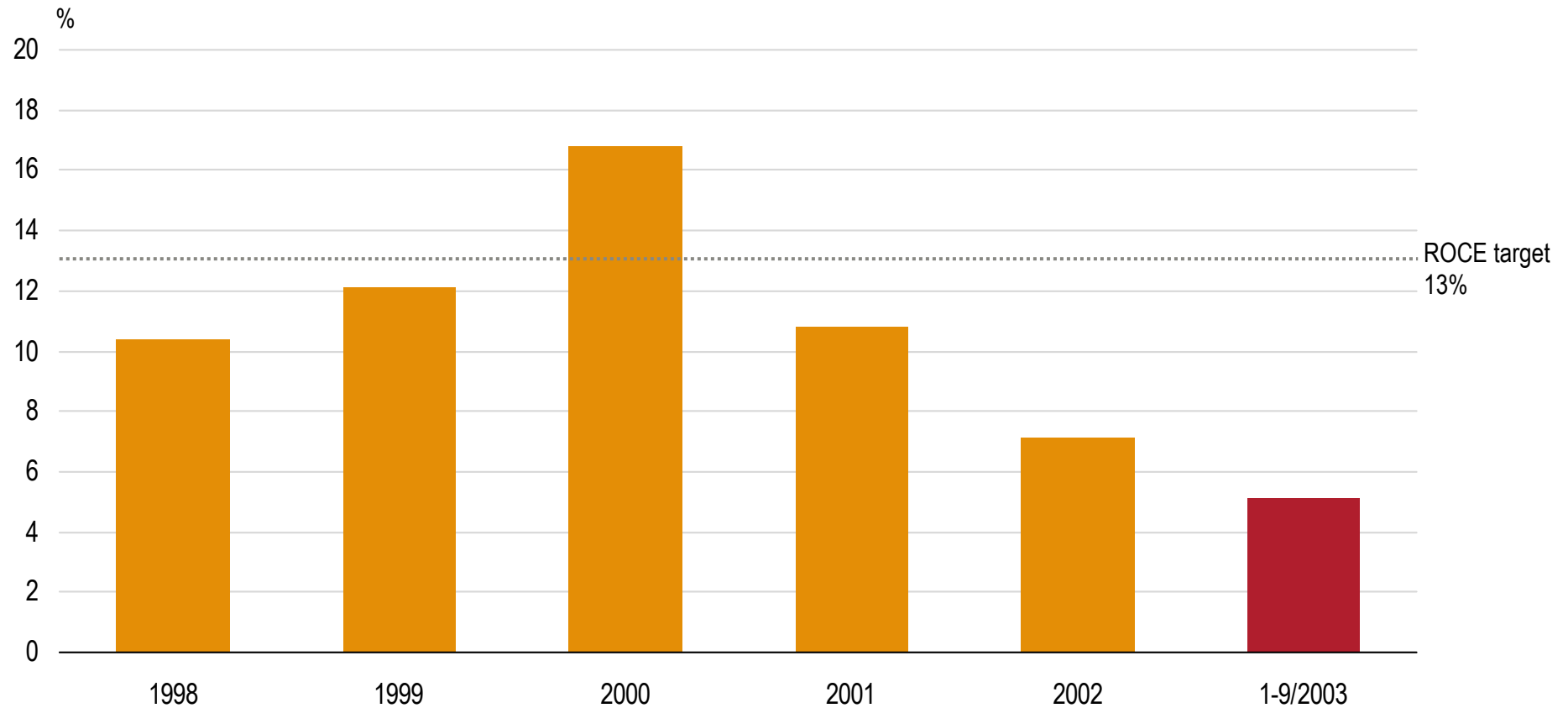
EPS by Quarter



Change in EPS 1-9/2003 vs 1-9/2002

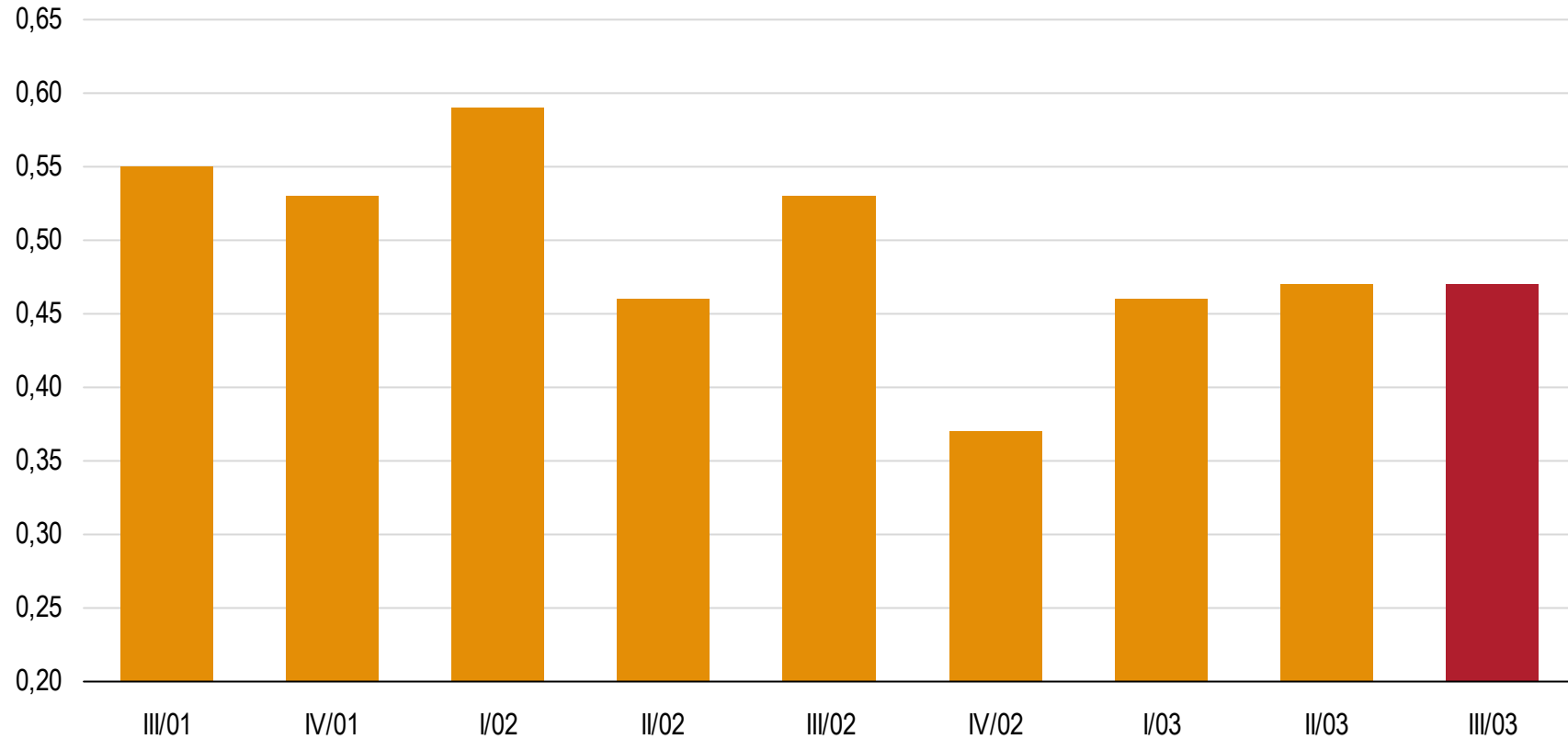


ROCE



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:

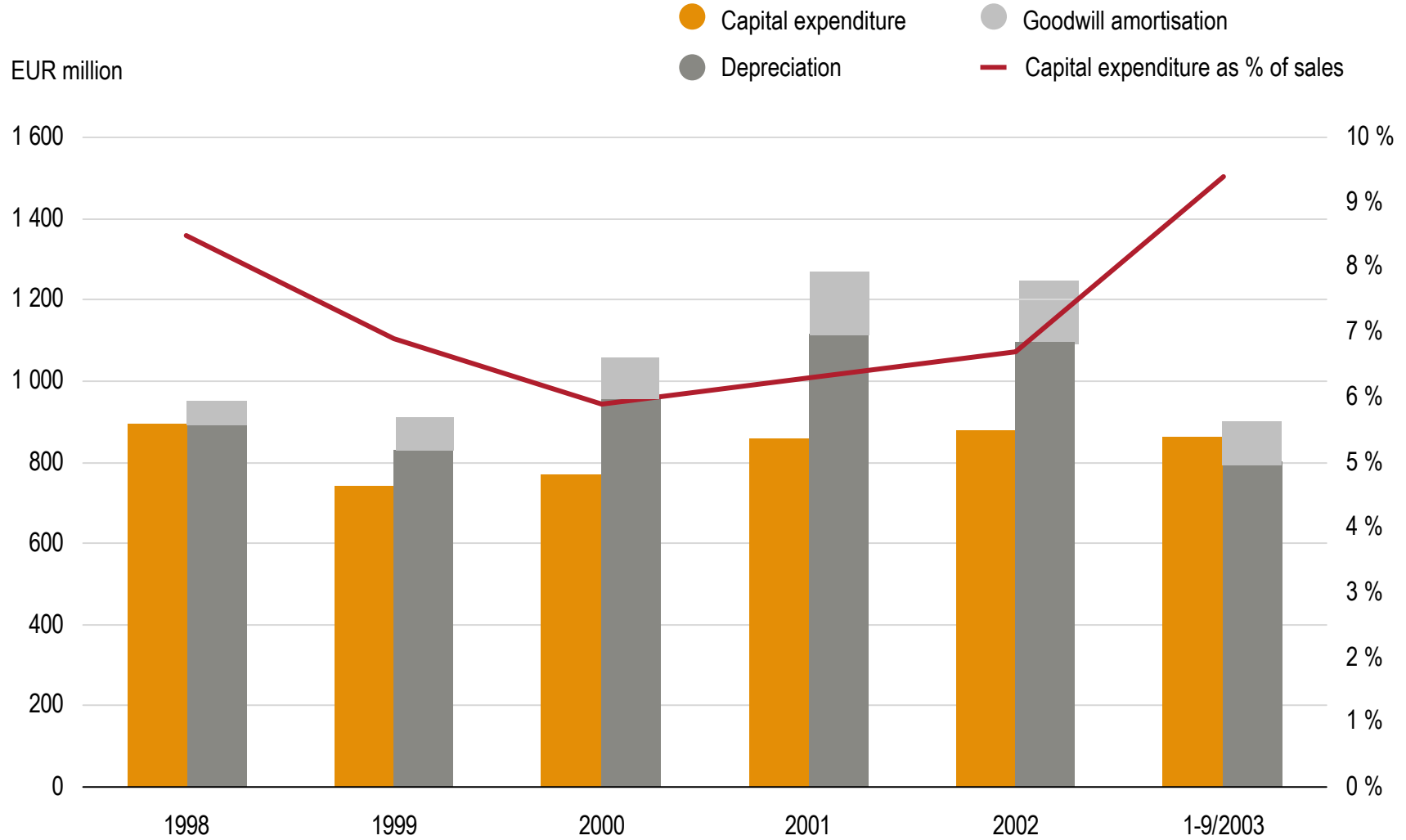
A shares	9 100 000
R shares	34 000 000

Status through 1 October 2003:

Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	7 000	EUR 9.94	0.07
R shares	19 168 100	EUR 9.43	56.4

	2001	2002	30 September 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	Q3/03
Publication Papers	6 807	1 638	1 636	1 703	1 830	1 654	1 678	1 763
Fine Papers	3 432	874	866	859	833	885	895	894
Packaging Boards	2 909	711	749	734	715	756	781	755
Paper and Board Total	13 148	3 223	3 251	3 296	3 378	3 295	3 354	3 412
Timber	5 112	1 203	1 344	1 252	1 313	1 283	1 644	1 337

Production								
Publication Papers	6 796	1 686	1 651	1 745	1 714	1 739	1 663	1 812
Fine Papers	3 477	888	866	876	847	894	889	922
Packaging Boards	2 973	751	742	740	741	788	763	767
Paper and Board Total	13 246	3 325	3 259	3 361	3 302	3 421	3 315	3 501
Timber	5 157	1 235	1 288	1 277	1 357	1 406	1 648	1 440

Curtailments

1000 tonnes	2002	Q1/02	Q2/02	Q3/02	Q4/02	Q1/03	Q2/03	Q3/03
Publication Papers	874	249	250	188	187	123	143	106
Fine Papers	274	49	58	73	94	64	32	37
Packaging Boards	109	37	18	10	44	15	25	27
Paper and Board Total	1 257	335	326	271	325	202	200	170
Europe	1 037	249	218	248	322	195	158	145
USA	220	86	108	23	3	7	42	25
Paper and Board Total	1 257	335	326	271	325	202	200	170

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Outlook

Outlook

- In Europe:
 - Recovery is still not clearly apparent
 - Demand for advertising driven paper grades remains moderate; fine paper prices have downward pressure
 - Demand stable for Packaging Board Products
- In North America:
 - Recovery evident, although somewhat slow and irregular in forest products
 - Price increases being implemented in certain grades

Outlook (cont.)

- Asia:
 - Fine paper markets recovered from the effects of SARS
 - Markets still competitive
 - GDP growing swiftly especially in China
- Challenging market conditions have prompted the Group to strengthen its cost savings initiatives
- Capex in 2003-2004 period in line with the Group's depreciation charges











Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper SC	→	→	Demand and prices stable
CMR	→	→	Demand slowly improving; D/S ratio imbalance puts some pressure on prices
Newsprint	→	→	Demand and prices stable; exports strong; utilisation rates increasing
Fine Papers WFC	↘	→	Price pressure; 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	→	→	Oversupply in whitewood; redwood normal

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
Timber			Housing activity continues; prices peaked in September and are now declining

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