

Responsibility & Performance

Stora Enso's Capital Expenditure Programme

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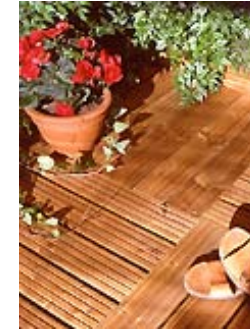
Stora Enso in Brief



Paper



**Packaging
Boards**



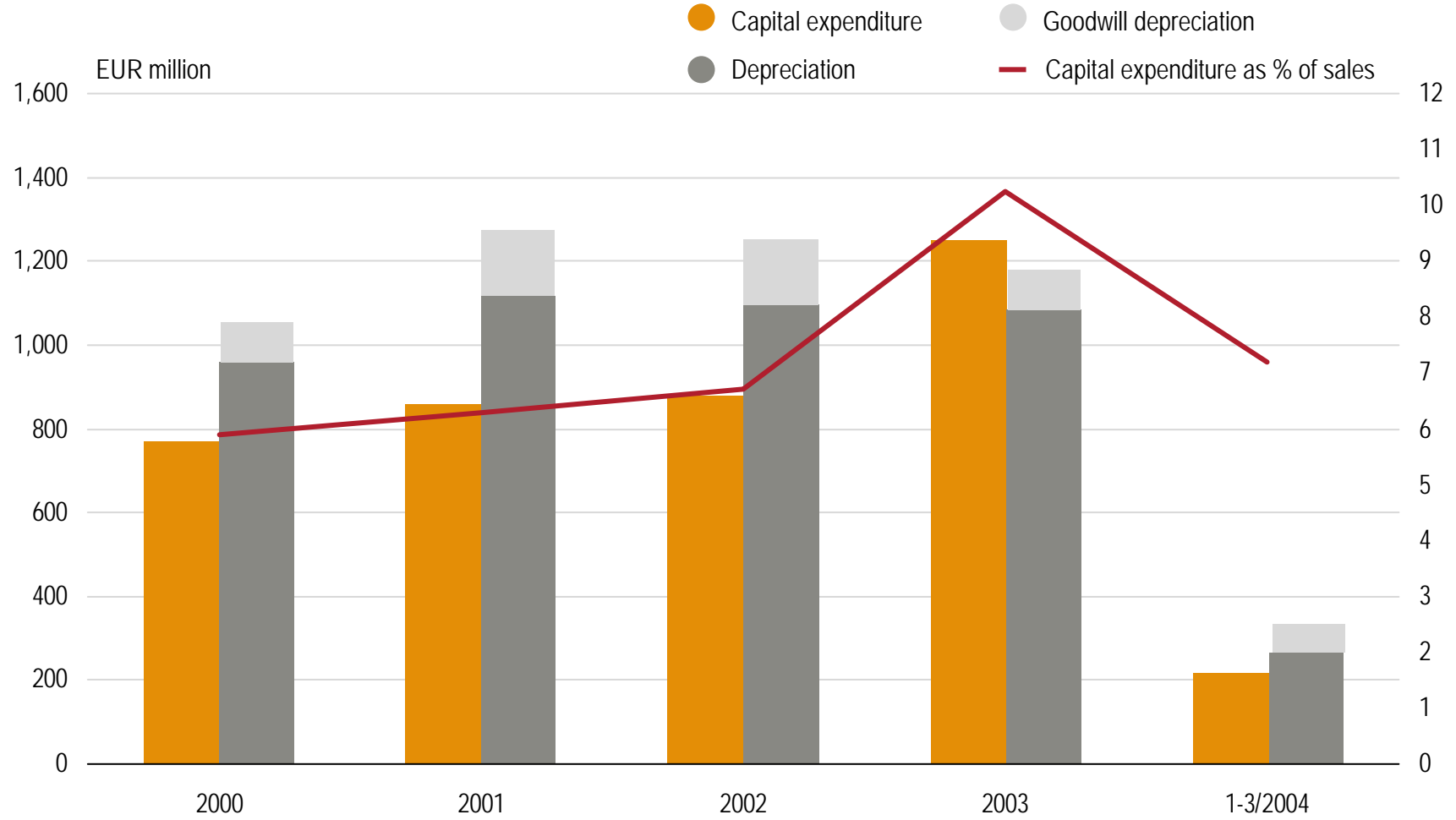
**Forest
Products**

- A world leader
 - 15.7 million tonnes of paper and board
 - 7.4 million m³ of sawn and processed wood products
- Three core product areas
 - Paper, Packaging Boards and Forest Products
- Sales: EUR 12.2 billion
- Approximately 43 000 employees in 40 countries
- Market capitalisation: EUR 9.0 billion
- Shares listed on Helsinki, Stockholm and New York stock exchanges

Principles for Increasing Shareholder Value

- Grow profitably - through M&As and organically via asset restructuring
- ROCE target: $\geq 13\%$ over the cycle; current WACC: 8.7%
- Debt/Equity ratio: ≤ 0.8
- **Capex: \leq annual depreciation over the cycle**
- Dividend policy: stable payout, on average one-half of net profit over the cycle
- Achieve top-quartile asset quality

Capital Expenditure and Depreciation



Capex by Division 2001-2003

EUR million	2001	2002	2003
Publication Paper	239.7	482.2	591.6
Fine Paper	193.7	134.6	219.1
Merchants (1)	5.0	0.0	25.6
Packaging	294.4	140.5	170.9
Wood Products	64.4	53.5	141.9
Wood Supply Europe	21.2	24.9	20.2
Other	38.7	41.9	78.9
Total	857.1	877.6	1 248.2

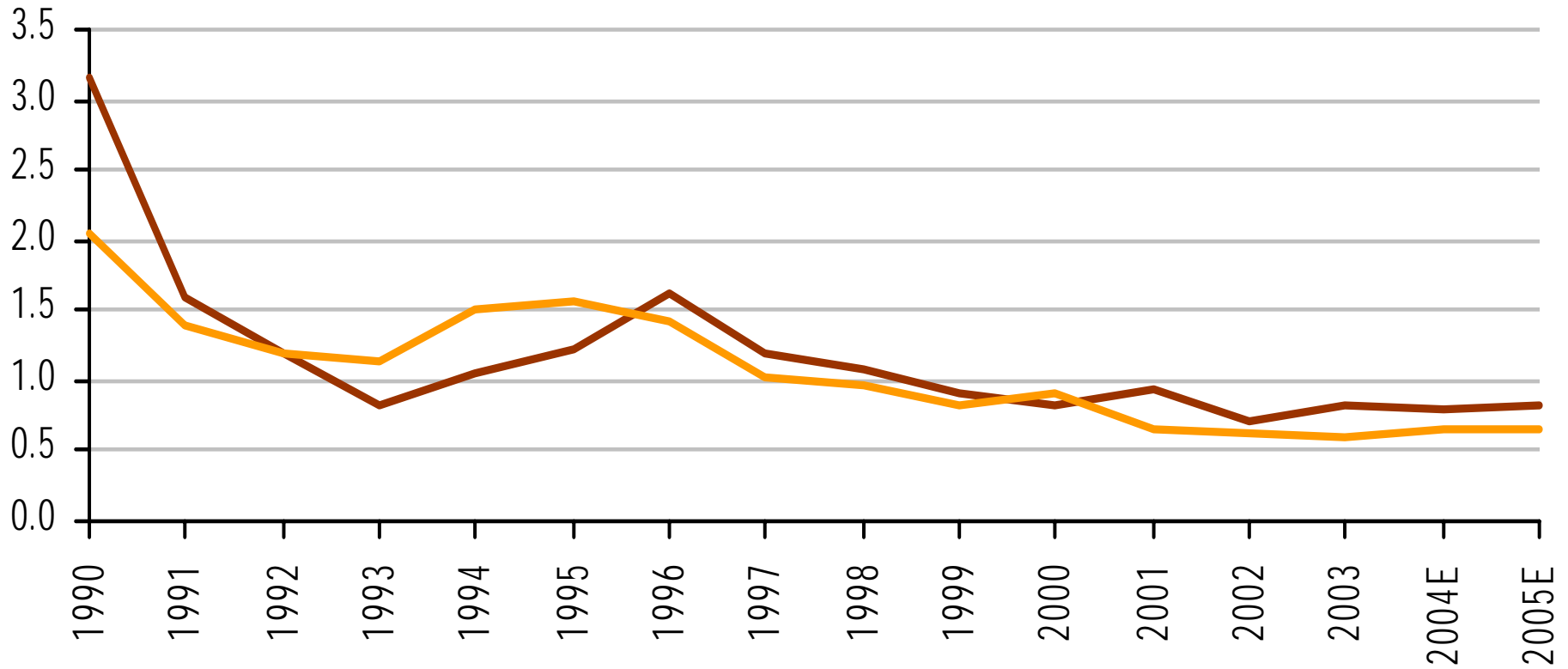
1) Includes finance lease on buildings of EUR 21.5 million

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**Capital Expenditure in the
Forest Products Industry**

Paper & Forest Industry

Capex to Depreciation



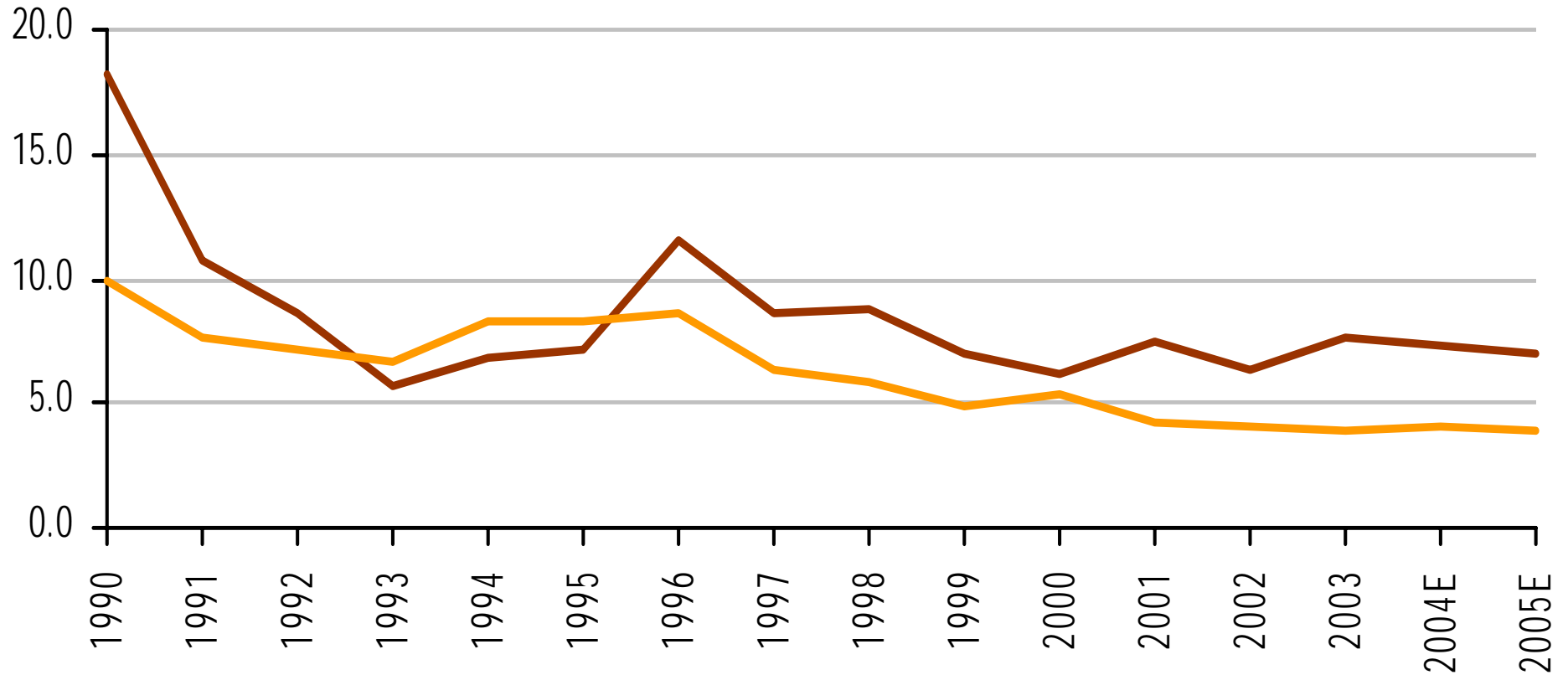
Source: UBS

absolute numbers in USD

— Europe — North America

Paper & Forest Industry

Capex to Sales



Source: UBS

— Europe — North America

absolute numbers in USD

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**Stora Enso's Asset
Restructuring Programme**

Objectives and Rationale for the Programme

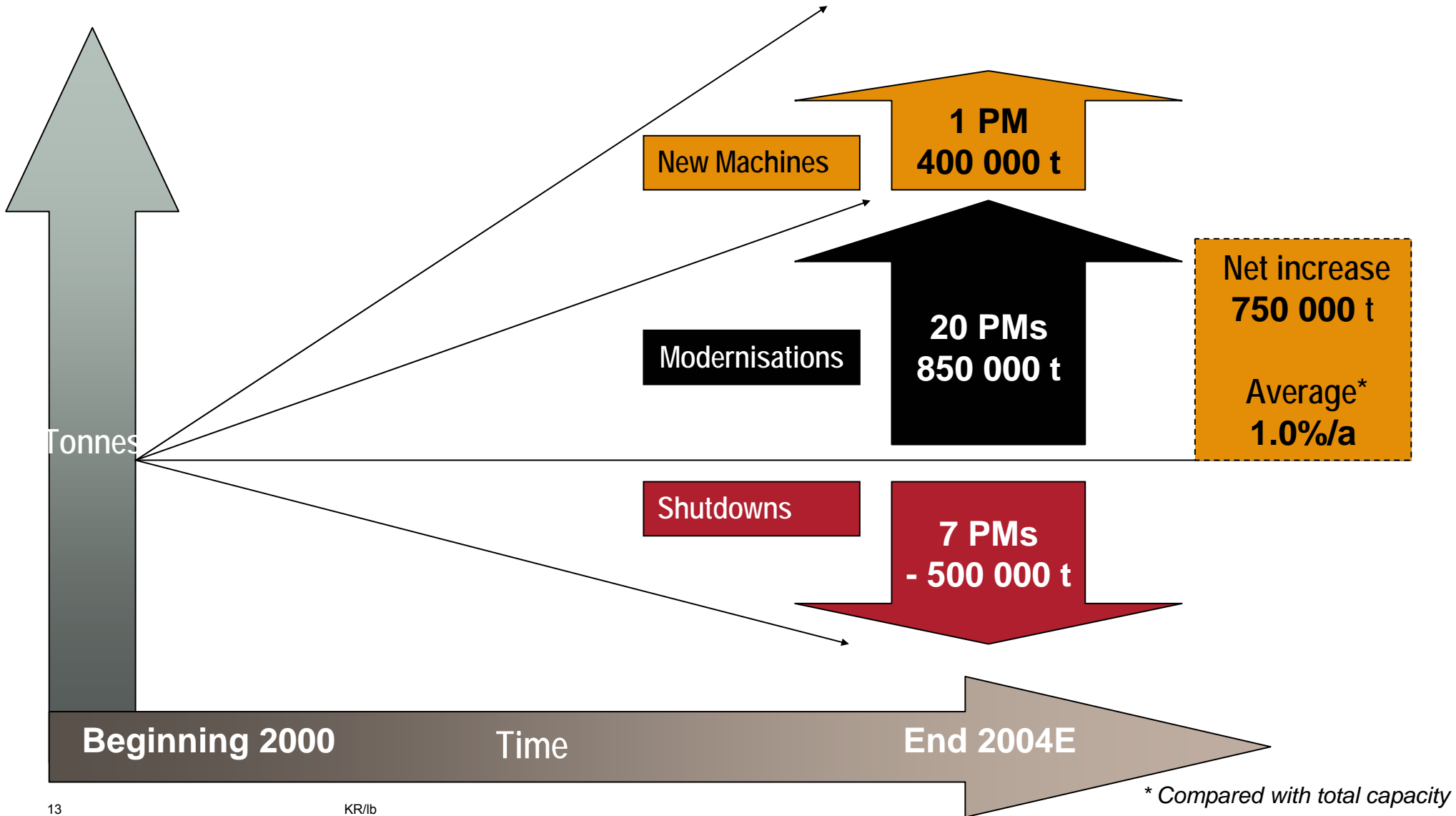
- Gradually improve the quality of the Group's production assets and their cost competitiveness
- Investments must support the Group's financial targets
- Investments are concentrated on the best of the Group's existing mills (not all), in order to boost asset quality
- Improve value offering to customers
- A long-term approach to boosting shareholder returns

Capital Allocation Model

A top-down model to determine how the Group allocates investment capital

Capex estimate (2002 - 2012)	% of total
New PMs and rebuilds	40
Pulp mills	10-15
Energy & Timber	5-10
Division funds (maintenance and improvements)	40
Total	100

Recent Asset Restructuring

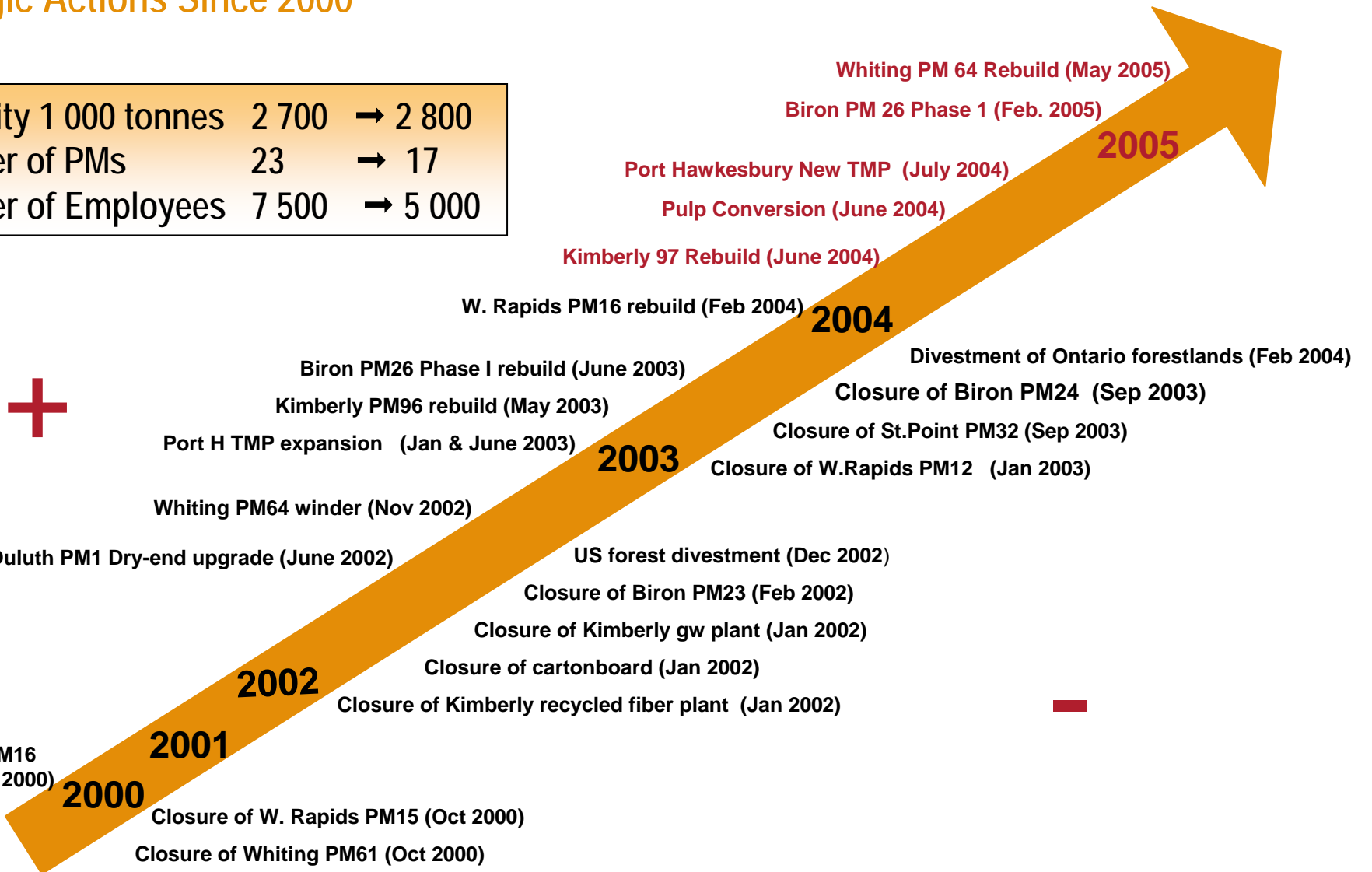


Stora Enso North America

Strategic Actions Since 2000



Capacity 1 000 tonnes	2 700	→	2 800
Number of PMs	23	→	17
Number of Employees	7 500	→	5 000



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**Investments in Low Cost
Fibre**

Veracel Overview (1)

- Stora Enso and Aracruz Celulose S.A. are joint shareholders, each with a 50 % stake
- New eucalyptus pulp mill in Bahia, Brazil with an initial production capacity of 900 000 tonnes per annum
- Construction budget: USD 870 million, plus USD 70 million for infrastructure
- USD 300 million has been invested to date in forestry operations and infrastructure

Veracel Overview (2)

- Construction began in 2003; first pulp prod. in mid 2005
- Veracel has 70 000 hectares of privately owned eucalyptus plantations
- The yield per hectare in Veracel is ~50 cubic metres per annum.
(Finnish forests in economic use yield approx. 3-4 cubic metres p.a.)

Location of Veracel



Rationale for Stora Enso's involvement



- The plantations provide:
 - wood at an extremely competitive cost
 - suitable land structure, and
 - superior logistic position
- Improve cost competitiveness and quality of Stora Enso's pulping assets
- Reduce fibre costs in Fine Paper Division
- Stora Enso's share of pulp; captive
- Secure access to high-growth wood fibre

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Forestland Restructuring

Restructuring Stora Enso Forestlands

- Stora Enso restructured its Finnish forestland ownership in December 2002
 - Retaining 41 % ownership in Tornator
- Stora Enso sold 300 000 hectares of its U.S. forestland in December 2002
 - The value of the sale was EUR 142 million
 - Capital gain was about EUR 51 million
- Combined financial effects:
 - Reduced debt/equity ratio with 0.08 at 30 September 2002
 - Capital employed decreased by EUR 500 million

Restructuring Stora Enso Forestlands (cont.)

- Stora Enso restructured its Swedish forestland ownership in March 2004
 - Retaining 43.3 % ownership in Bergvik Skog
 - Financial effects:
 - Capital employed decreased by EUR 1 272.3 million
 - Improved debt/equity ratio with 0.15 at 31 December 2003
 - Annual EUR – 40 million effect on Group's result after net financial items
- Stora Enso sold 146 000 hectares of its Canadian forestland in March 2004
 - Approximately EUR 18 million of operating capital was released

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Summary

Summary

Stora Enso capital expenditures must add value to the company, consistent with the Group's financial targets

Capital expenditures are based on a disciplined process:

- Current quality of assets and future opportunities
- Anticipated profitability gains
- Comprehensive feasibility studies
- Stringent internal review and approval
- Objective and transparent assessment
- Internal competition for funds

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Appendix

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**European Asset
Restructuring Programme**

Asset Restructuring

Publication Paper

- Restructuring programme for PM 5 at Corbehem Mill in France to be implemented during 2003-2006
 - Headcount reduction of 160-170 employees by 2006
 - Productivity and efficiency of assets to improve significantly
 - Investment to increase annual capacity by 55 000 to 305 000 tonnes of LWC in 2004
- Modernisation of PM 2 at Summa Mill in Finland
 - Capex of EUR 53m to be allocated equally between years 2004 and 2005
 - Scheduled to be completed in April 2005
- Investment decision to build a new SC-machine at Kvarnsveden
 - EUR 450 million total investment
 - Capacity 420 000 tonnes
 - Start-up late 2005
 - 130 000 tonnes of capacity will be closed down simultaneously by the shut down of PM 9

Asset Restructuring

Publication Paper *(Cont.)*

- Rebuild of PM 6 at Maxau Mill in Germany
 - Aim is to enhance productivity and competitiveness of SC-B paper
- PM 3 at Langerbrugge Mill to change from making mainly high-quality SC to exclusively SC-B paper after start-up of new PM in Kvarnsveden
 - Will allow Langerbrugge to maximise the usage of recycled fibre
- PM 5 at Wolfsheck Mill in Germany to cease non-competitive production of SC paper after start-up of new PM in Kvarnsveden
 - The mill will be further developed within Stora Enso
- Investment at Skoghall Mill
 - EUR 211 million to enhance the mill's energy supply
 - Evaporation plant start-up autumn 2005
 - Recovery boiler start-up in summer 2006

Asset Restructuring

Fine Paper

- Rebuild of PM 3 at Veitsiluoto Mill in Finland
 - Annual capacity increased from 115 000 to 290 000 tonnes
 - Capex: EUR 125 million
 - Completed in November 2003
- Modernising of PM 1 at Mymölla Mill in Sweden
 - Capex: EUR 23 million
 - Completed in 2004

Fine Paper – Mill Specialisation

Mill	2001	2005
Veitsiluoto (<i>FIN</i>)	Cutsize Envelope	Cutsize
Imatra (<i>FIN</i>)	Cutsize Business Forms Copier Reels	Business Forms
Varkaus (<i>FIN</i>)	Scholastic Business Forms	Envelope
Nymölla (<i>SWE</i>)	Cutsize Digi & Hires & Envelope	Cutsize
Berghuizer (<i>NL</i>)	Cutsize Sheeting	Specialisation Digi & Hires & Envelope

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**North American Asset
Restructuring Programme**

Profit Enhancement Programme in North America – announced 27.08.02

- Profit Enhancement Programme is proceeding according to plan
 - Kimberly Mill PM 96 and Biron Mill 26 rebuilds were successfully completed during Q2 2003
- When completed, workforce will have been reduced by 20% since year 2000
- Permanent closure of Wisconsin Rapids 12; Biron 24 to close by the end of 2003 (accelerated to 01.09.03)
- 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 – announced 26.08.03

- Fixed costs in North America continue to be too high
 - ➔ **a further USD 65 million of annual cost cuts**
- 700 additional employee reduction (12% of workforce)
- One additional permanent machine closure (=25k tns)
- Another machine closure brought forward to 01.09.03
- Restructuring charge (non-recurring) of USD 24 million in Q3 2003
- **These measures will benefit EPS by EUR 0.04 by mid 2005** (on top of EUR 0.05 from 2002 initiatives)

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