

Creating Value

Financial Results 2003

4 February 2004

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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Year 2003 Review

Key Figures

	2001	2002	2003
Sales (1 000 tonnes)	12 858	13 149	13 551
Sales (EUR million)	13 509	12 783	12 172
EBITDA* (EUR million)	2 763	2 172	1 723
Operating income* (EUR million)	1 495	926	538
Earnings per share* (EUR)	0.94	0.57	0.25
Cash earnings per share* (EUR)	2.34	1.97	1.64
Net debt (EUR million)	5 127	3 267	3 919
Debt to equity	0.57	0.37	0.48
ROCE* (%)	10.8	7.1	4.6

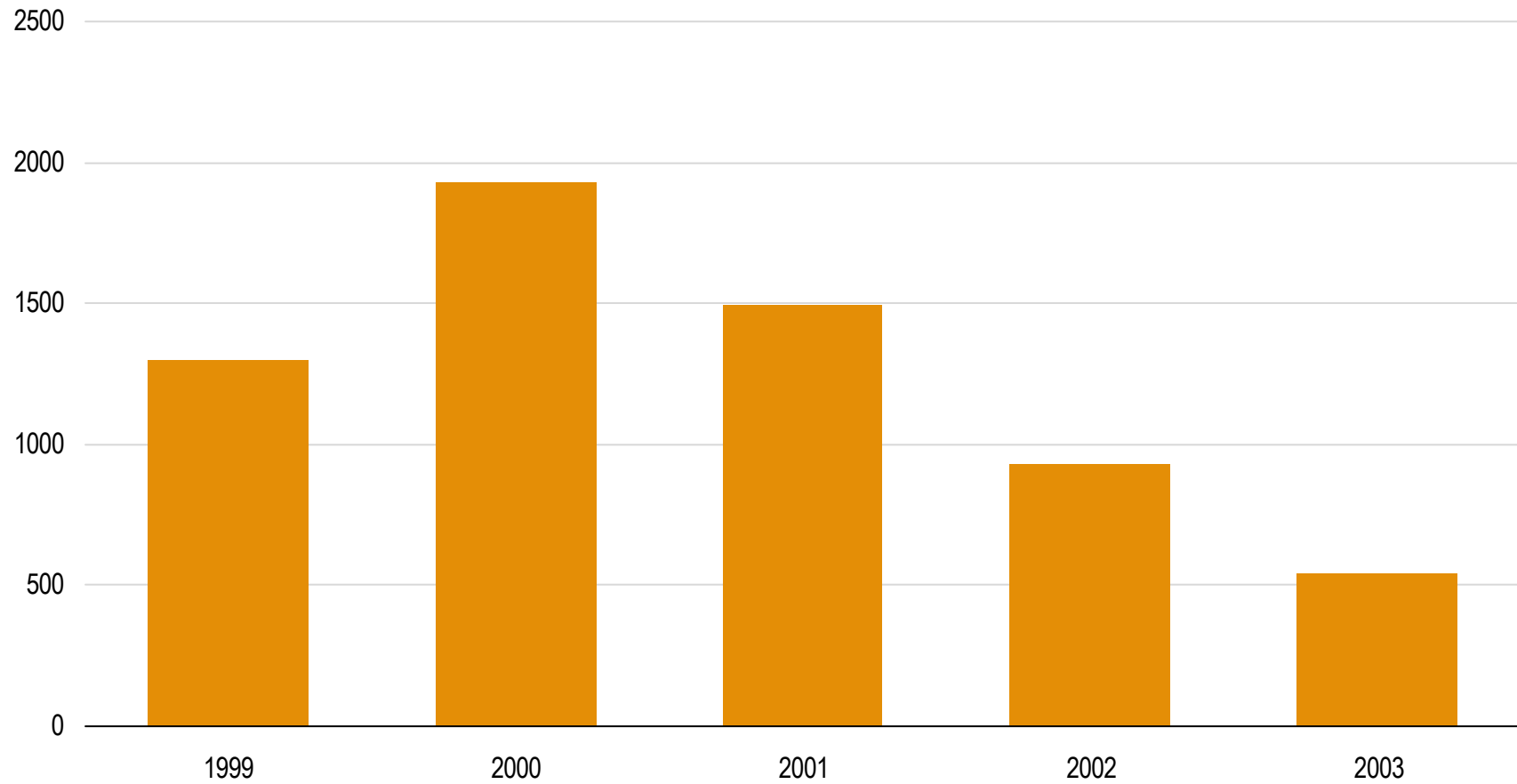
*excluding non-recurring items

Factors Affecting the Profitability in 2003

- Group's paper product prices declined
- Volumes increased moderately for the year
- The direct and indirect impact of the weakening US dollar, especially towards the end of the year
- Higher energy costs incurred, especially in North America and Germany

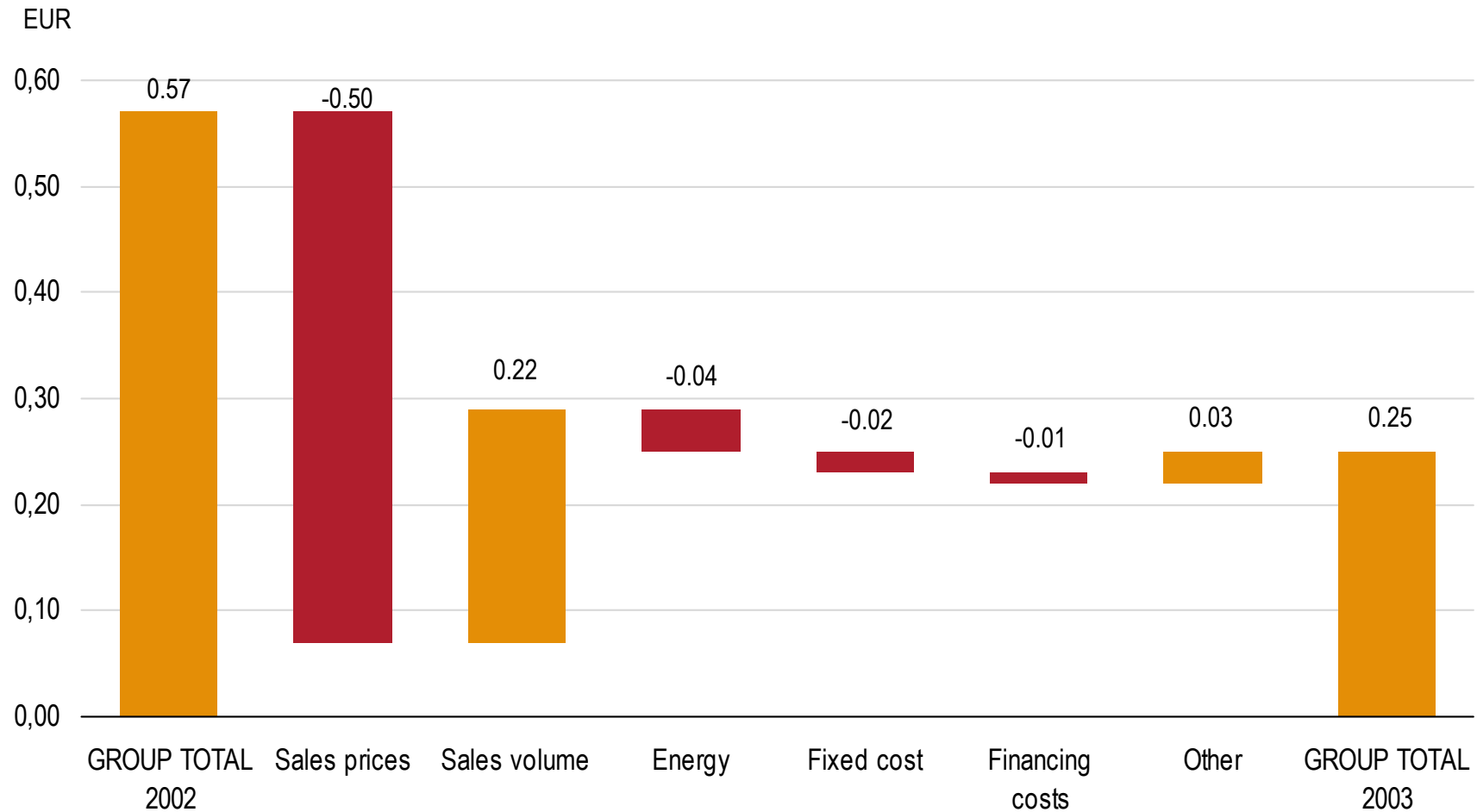
Operating Profit

EUR million



excluding non-recurring items

Change in EPS from 2002 to 2003

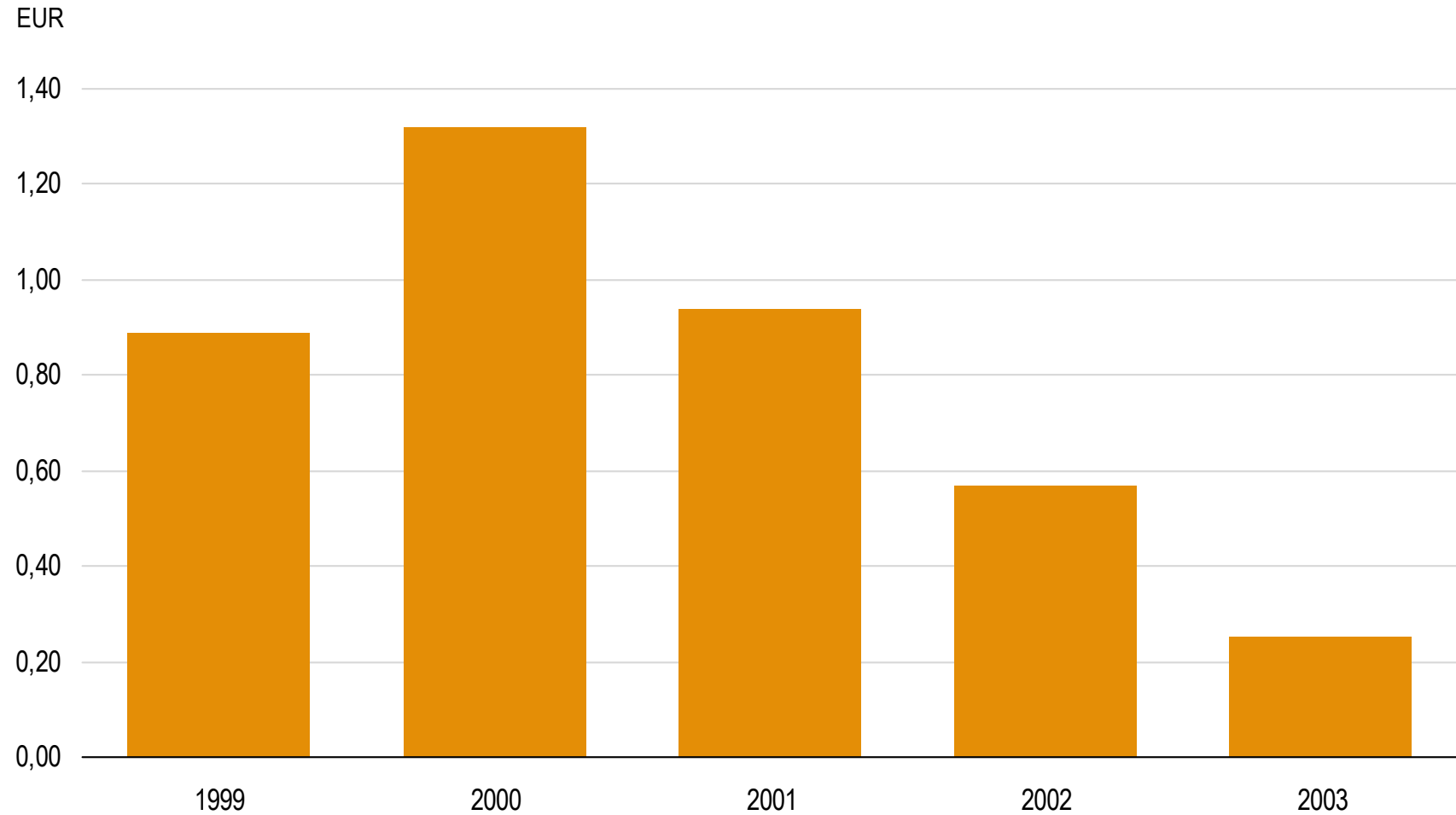


excluding non-recurring items

Market-related Production Curtailments

Tonnes	2002	2003	I/2003	II/2003	III/2003	IV/2003
Publication Paper						
Europe	715 000	448 000	116 000	114 000	95 000	123 000
North America	159 000	49 000	7 000	29 000	11 000	2 000
Fine Paper						
Europe	214 000	146 000	64 000	19 000	23 000	40 000
North America	60 000	30 000		13 000	14 000	3 000
Packaging	109 000	109 000	15 000	25 000	27 000	42 000
Total	1 257 000	782 000	202 000	200 000	170 000	210 000

EPS

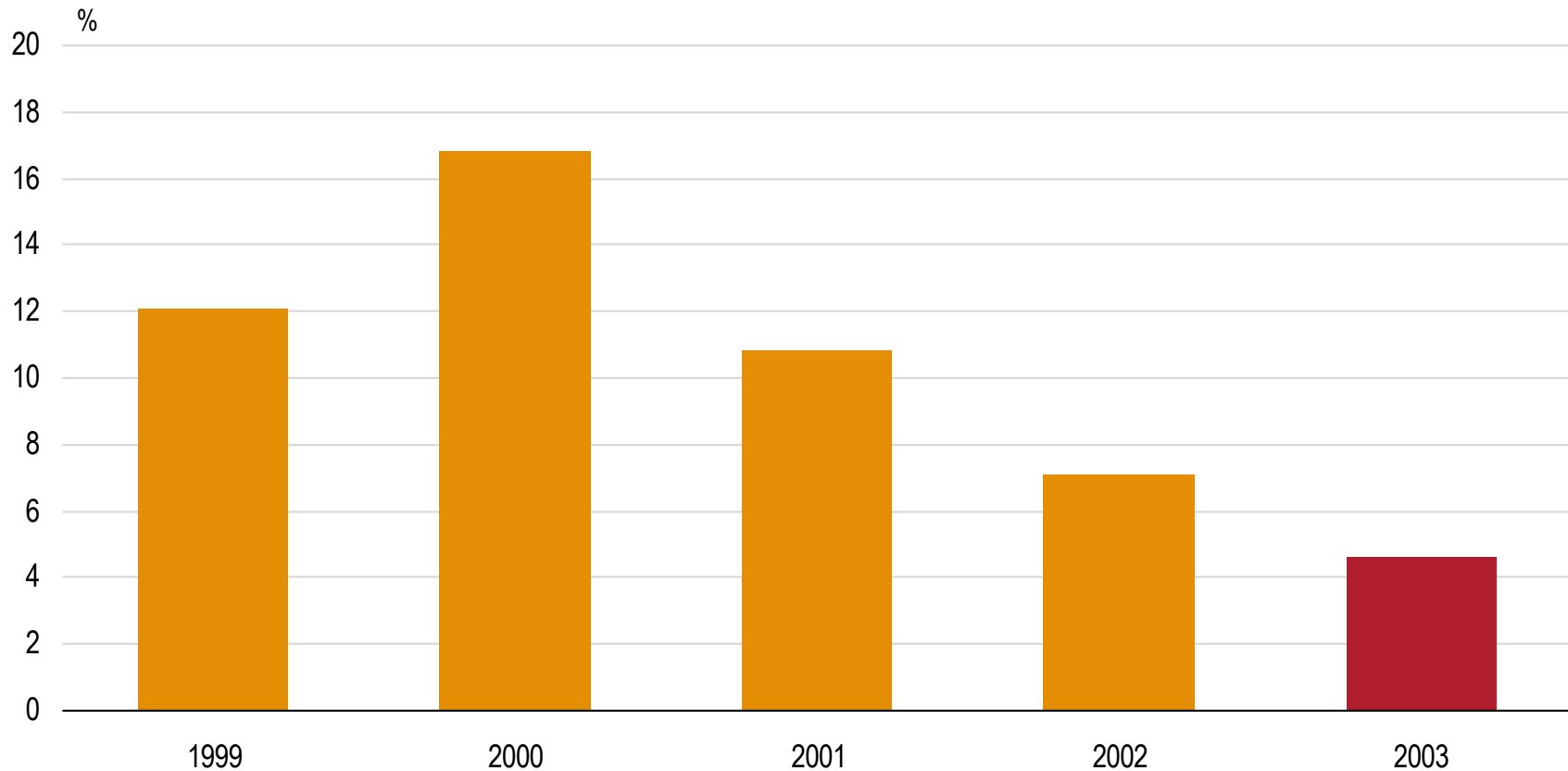


excluding non-recurring items

Non-recurring Items Effect

EUR million	2003 IAS	SENA Restructuring	Corbehem Restructuring	Forestlands in Canada	Cross Border Lease	2003 excl. non-recs.
EBIT	483.7	24.6	15.3	14.5	0.0	538.1
PTP	223.0	24.6	15.3	14.5	54.0	331.4
Net Profit	146.6	14.8	10.4	8.7	32.4	212.9
EPS, EUR	0.17	0.02	0.01	0.01	0.04	0.25

ROCE

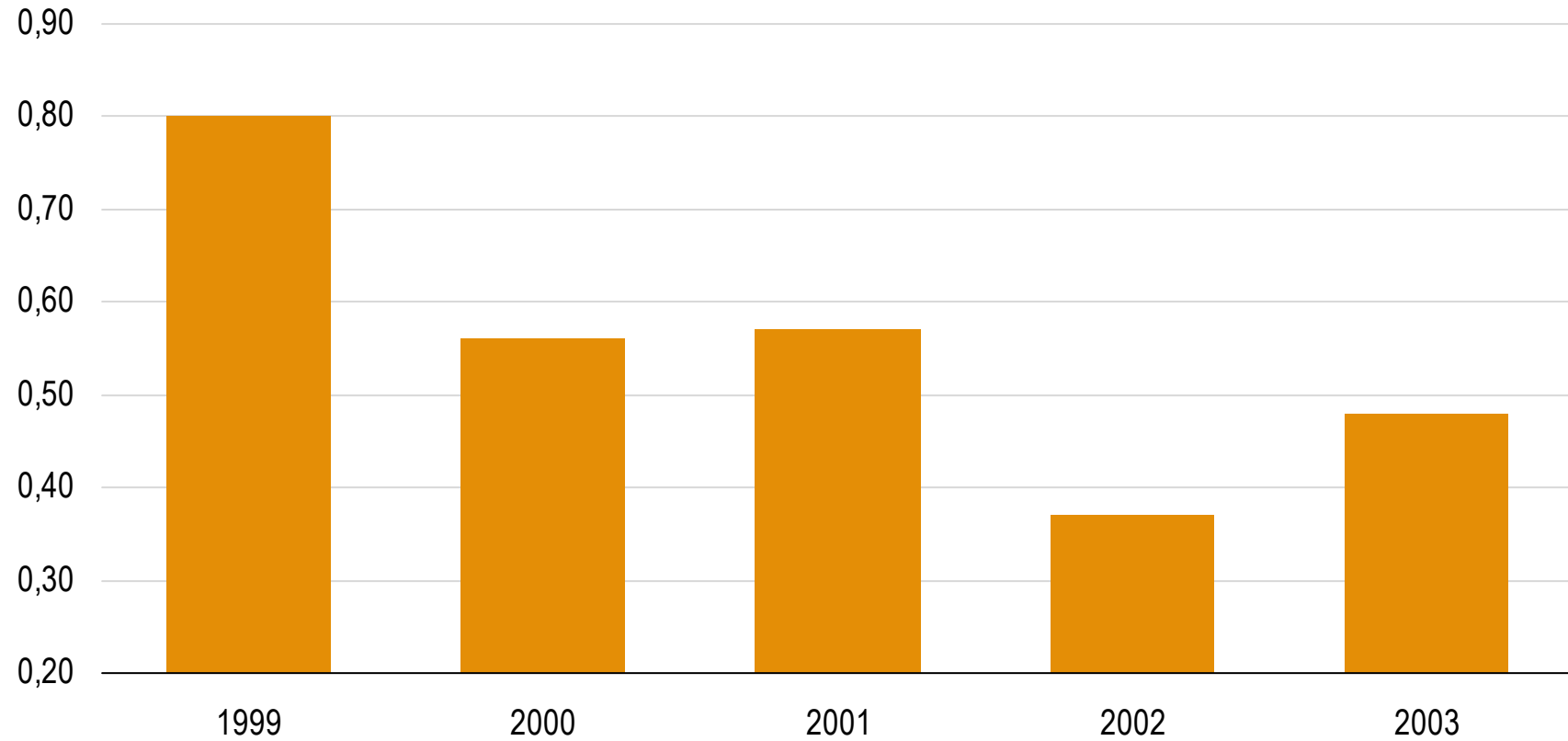


Target \geq 13% over the cycle

Present WACC = 8.7% before tax

excluding non-recurring items

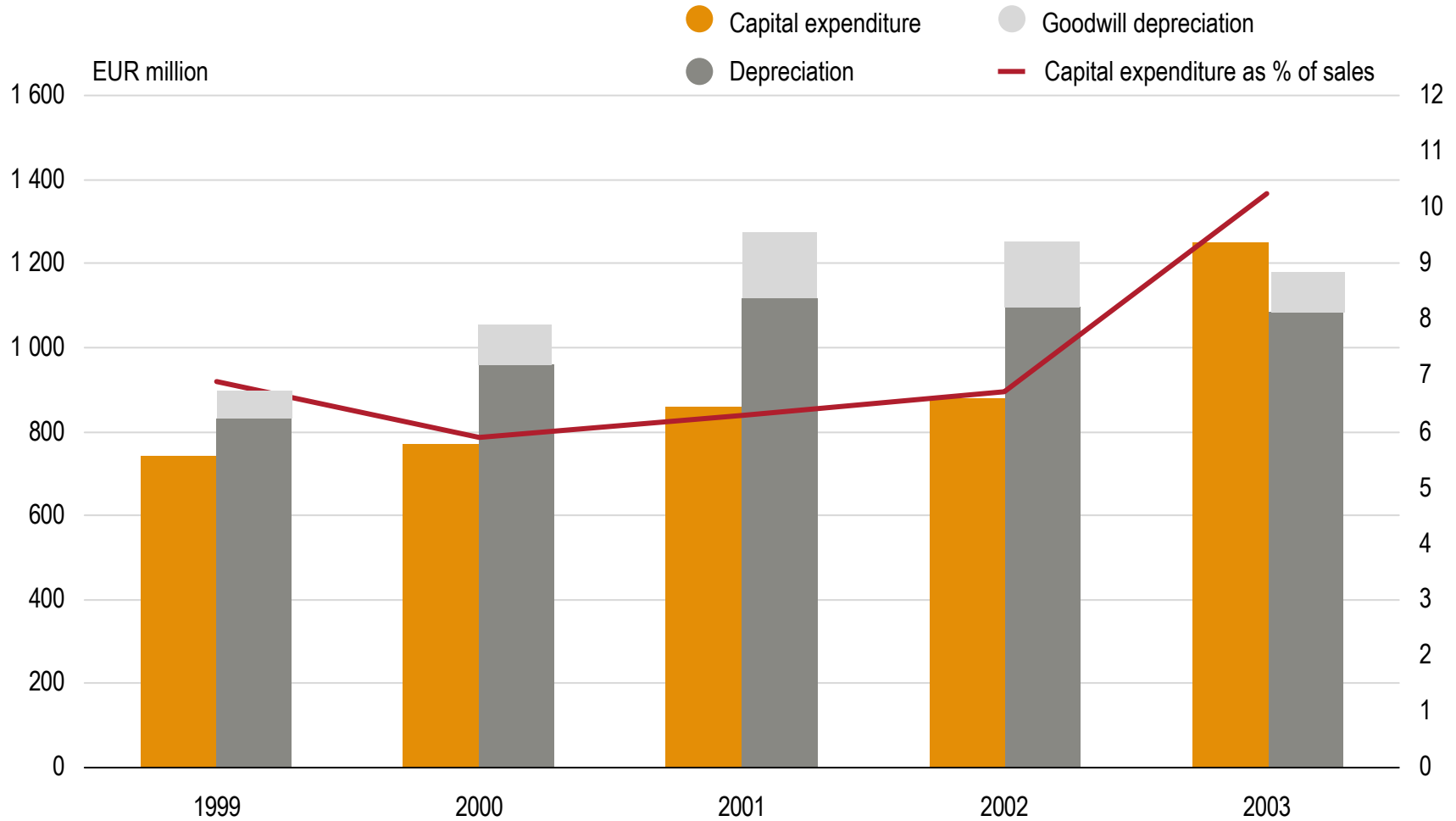
Debt/Equity



Target ≤ 0.8

restated debt/equity ratio

Capital Expenditure and Depreciation



Main Events in 2003

- **First Quarter:**
 - Closing of the acquisition of Sylvester sawmilling and wood procurement operations in Baltic States
- **Second Quarter:**
 - Decision taken by associated company Veracel to build 900 000 tonnes pulp mill to Brazil
 - New newsprint machine of 400 000 tonnes in Langerbrugge, Belgium became operational

Main Events in 2003 (cont.)

- **Third Quarter:**
 - Extension to North American Profit Enhancement Programme announced
 - Corbehem mill restructuring programme decided
- **Fourth Quarter:**
 - Announcement of plan to sell Swedish forestlands
 - Investment decision for Kvarnsveden SC-machine
 - Investments at Skoghall (energy related) decided

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North America H2 2003

Stora Enso North America Business Results



USD million	2002	2003	H1/03	H2/03
Sales (1 000 tonnes)	2 655	2 707	1 345	1 362
Sales	1 871	1 887	933	954
EBITDA *1	153	95	39	56
EBITA *1	-155	-184	-98	-86
Capital Expenditure	82	182	74	109
Cash flow after Capex	138 *2	-121	-71	-50
Market-related downtime (1 000 tonnes)	219	79	49	30

*1 excluding non-recurring items

*2 excluding forest asset sale

Stora Enso North America Activities During H2 2003

- Unsatisfactory financial performance continued in H2 2003
- Profitability was burdened by:
 - Historically low selling prices
 - High personnel costs relating to pensions and healthcare
 - Increased energy costs
 - Downtime from machine rebuilds
- Two paper machines were permanently closed with a total annual capacity of 94 000 tonnes

Stora Enso North America Activities During H2 2003 (cont.)

- In August an extension to the Profit Enhancement Programme was introduced which includes a further USD 65 million reduction of annual costs
 - Reduction of workforce: 12 % (700 employees) by mid 2005
 - Total number of employees will be reduced from 7 300 (Feb 2000) to 5 000 by mid 2005
 - Modifying the terms of the current labour agreements
- 31 December 2003 personnel totalled 5 669

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IV Quarter 2003 Results

Highlights

	I/2003	II/2003	III/2003	IV/2003
Sales, EUR million	3 099.1	3 057.0	2 987.4	3 028.8
Operating Profit ¹⁾ , EUR million	211.1	106.7	139.8	80.5
EPS, EUR	0.10	0.07	0.06	-0.05
EPS ¹⁾ , EUR	0.10	0.07	0.09	0.00
Cash EPS ¹⁾ , EUR	0.43	0.41	0.44	0.36
Debt/Equity	0.48	0.50	0.49	0.48

- Delivered volumes increased slightly
- Overseas sales margins lower due to weaker US dollar
- Competition increased in the European market
- Higher fixed costs

¹⁾ excluding non-recurring items

Weakened US Dollar against Euro



Factors Affecting the Profitability during the Fourth Quarter

- Higher fixed costs during the fourth quarter
 - EUR 13 million related to pension costs associated with the closing of UK companies
 - EUR 6 million paper union strike in Finland
 - EUR 6 million redundancy measures
 - EUR 6 million start-up delays
- Rapid weakening of US dollar since early November

Summary Financials



EUR million	2002	2003	I/03	II/03	III/03	IV/03
Sales	12 783	12 172	3 099	3 057	2 987	3 029
EBITDA ¹⁾	2 172	1 723	501	400	443	379
Operating profit ¹⁾	926	538	211	107	140	81
Profit before tax	-343	223	129	87	68	-61
Net profit	-222	147	85	56	47	-42
EPS, EUR ¹⁾	0.57	0.25	0.10	0.07	0.09	0.00
EPS, basic, EUR	-0.25	0.17	0.10	0.07	0.06	-0.05
CEPS, EUR ¹⁾	1.97	1.64	0.43	0.41	0.44	0.36
ROCE, % ¹⁾	7.1	4.6	7.1	3.6	4.6	2.7
Debt/Equity	0.37	0.48	0.48	0.50	0.49	0.48

¹⁾ excluding non-recurring items

Indirect Impact of Euro Strength

- European producers are increasing their sales to European markets
 - pressure on prices
 - increased competition
- Imports to Western Europe increasing
- Packaging Boards experiencing increased competition versus US dollar-based suppliers

Currency Hedging

- Group's hedging policy is to hedge a maximum 75 % of net cash flow in specific currency
- Operational cash flow hedges had a positive impact of EUR 22 million in Q4/2003
 - Impact is expected to decrease in coming quarters at present currency exchange rates
- Major net cash flows (2003):
 - USD +1 100
 - GBP +700
 - (EUR million equivalent)

Transaction Risk and Hedges in 2003

EUR million	EUR	USD	GBP	SEK	CAD	Other	Total
Sales 2003	6 200	3 100	900	1 100	100	800	12 200
Costs 2003	- 5 800	-2 000	-200	-1 900	-200	-400	-10 500
Net operating cash flow	400	1 100	700	-800	-100	400	1 700
Transaction hedges as at 31Dec		257	260	-218	-54		
Hedging percentage as at 31 Dec		23.4%	37.1%	27.3%	54.0%		
Average hedging percentage during 2003		37.8%	57.5%	42.2%	37.2%		

1) excluding non-recurring items

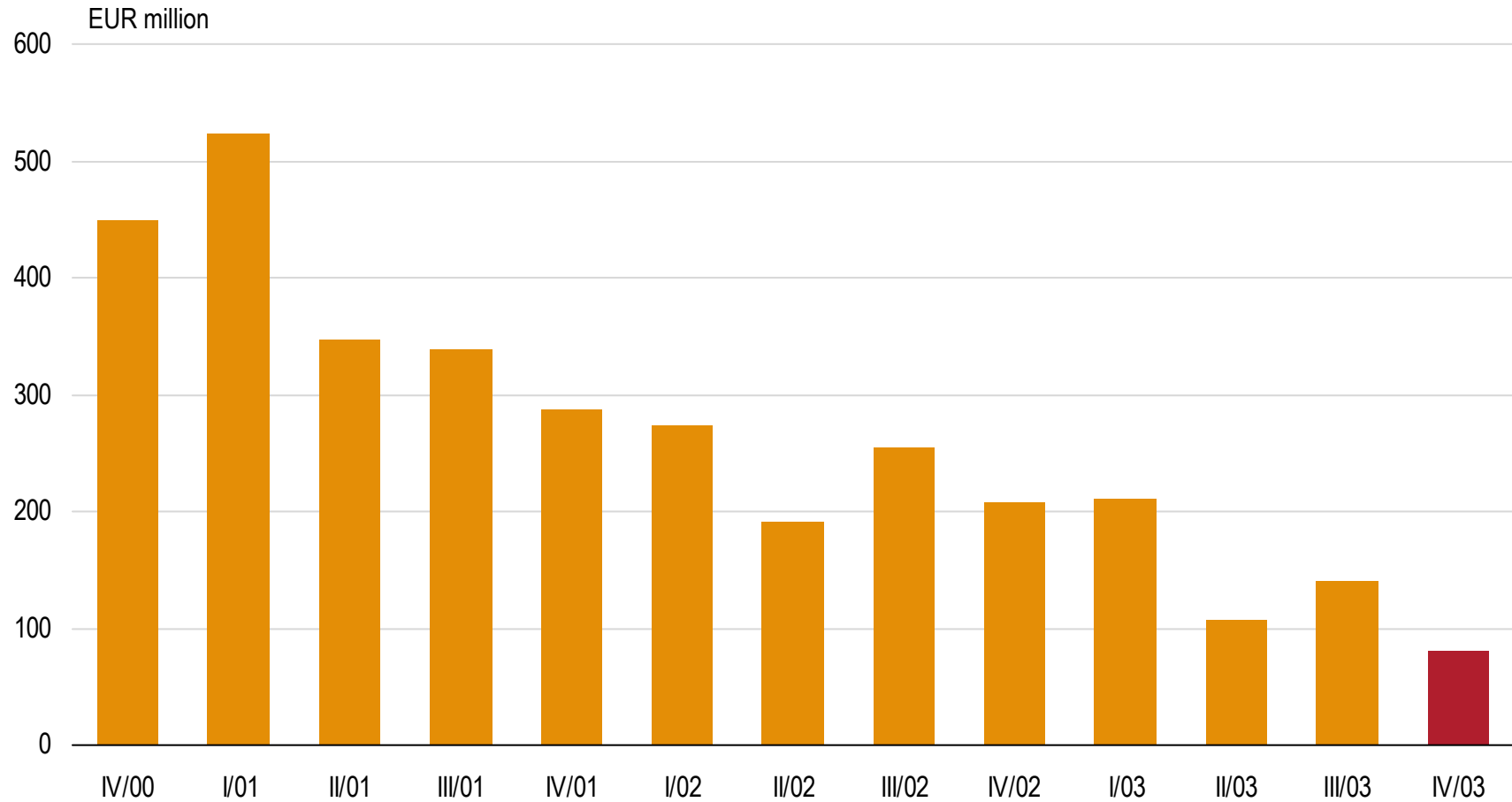
Net Financial Items



EUR million	I/03	II/03	III/03	IV/03
Net interest	-34.6	-51.5	-49.9	-50.1
Foreign exchange profit/loss	2.9	7.9	12.2	-10.5
Valuation of financial instruments	-44.1	30.0	16.8	-4.6
Other financial items	-5.5	2.3	-2.5	-2.5
Total	-81.3	-11.3	-23.4	-67.7

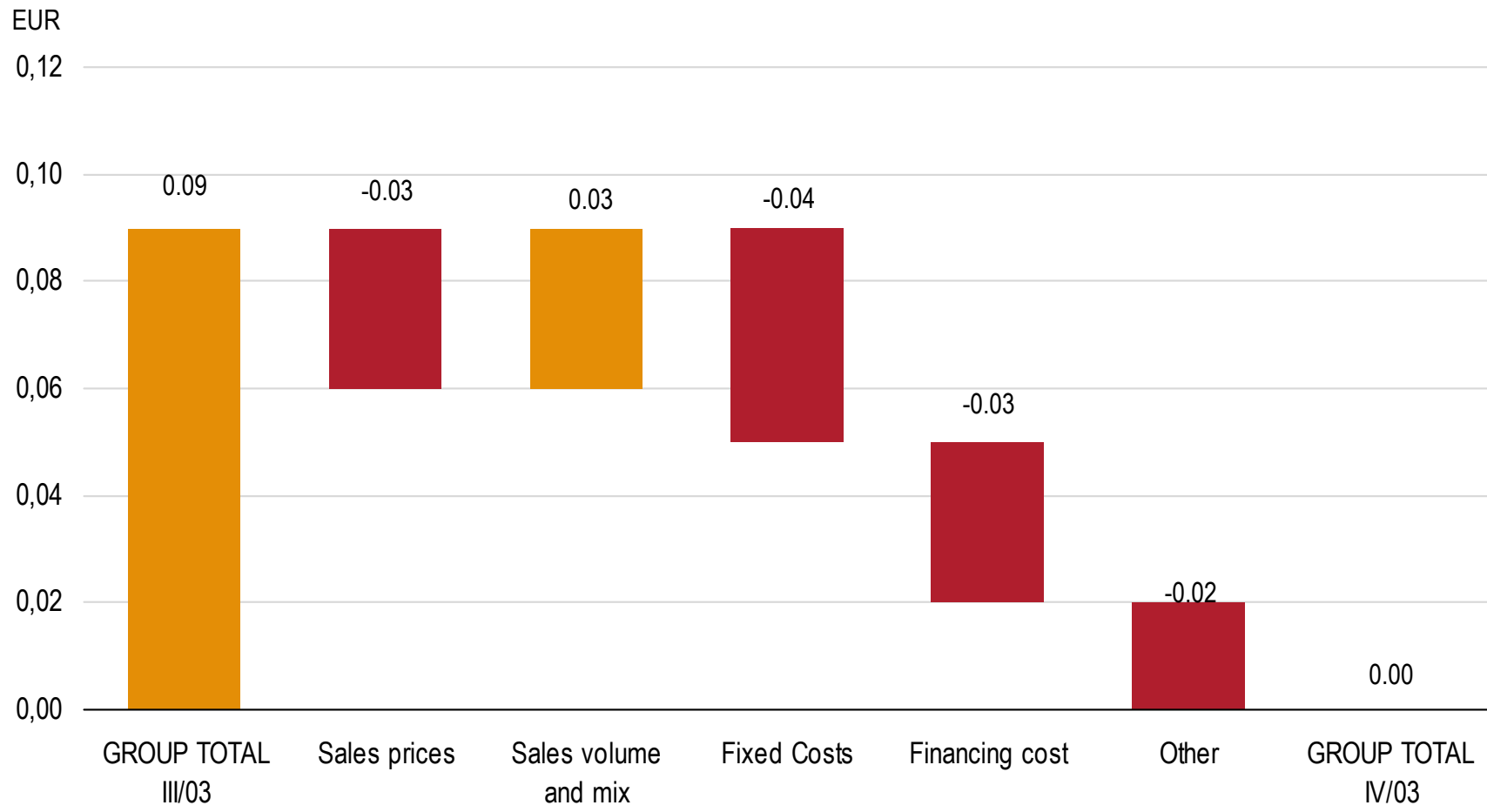
excluding non-recurring items

Operating Profit by Quarter



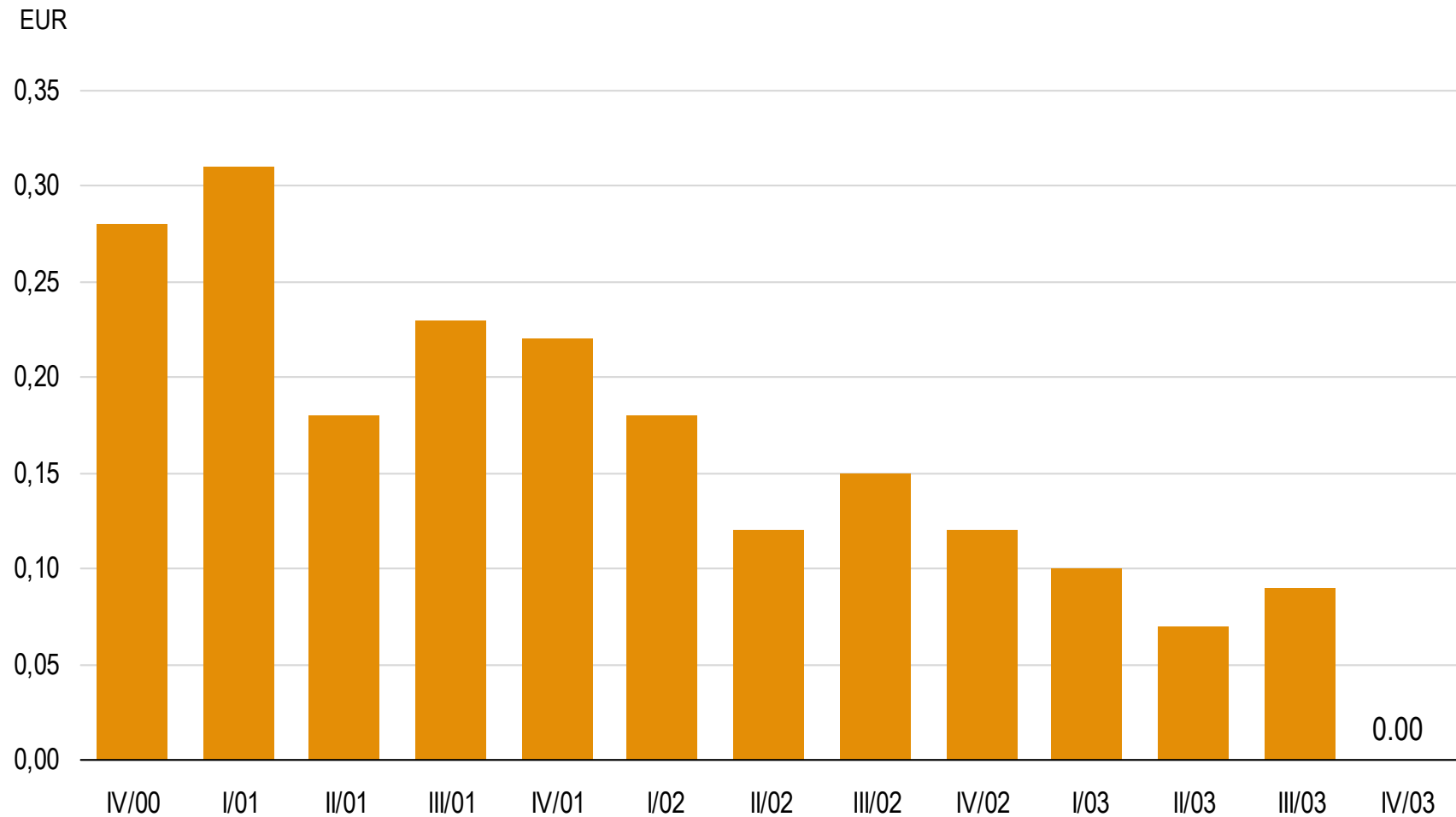
excluding non-recurring items

Change in EPS III/2003 vs IV/2003



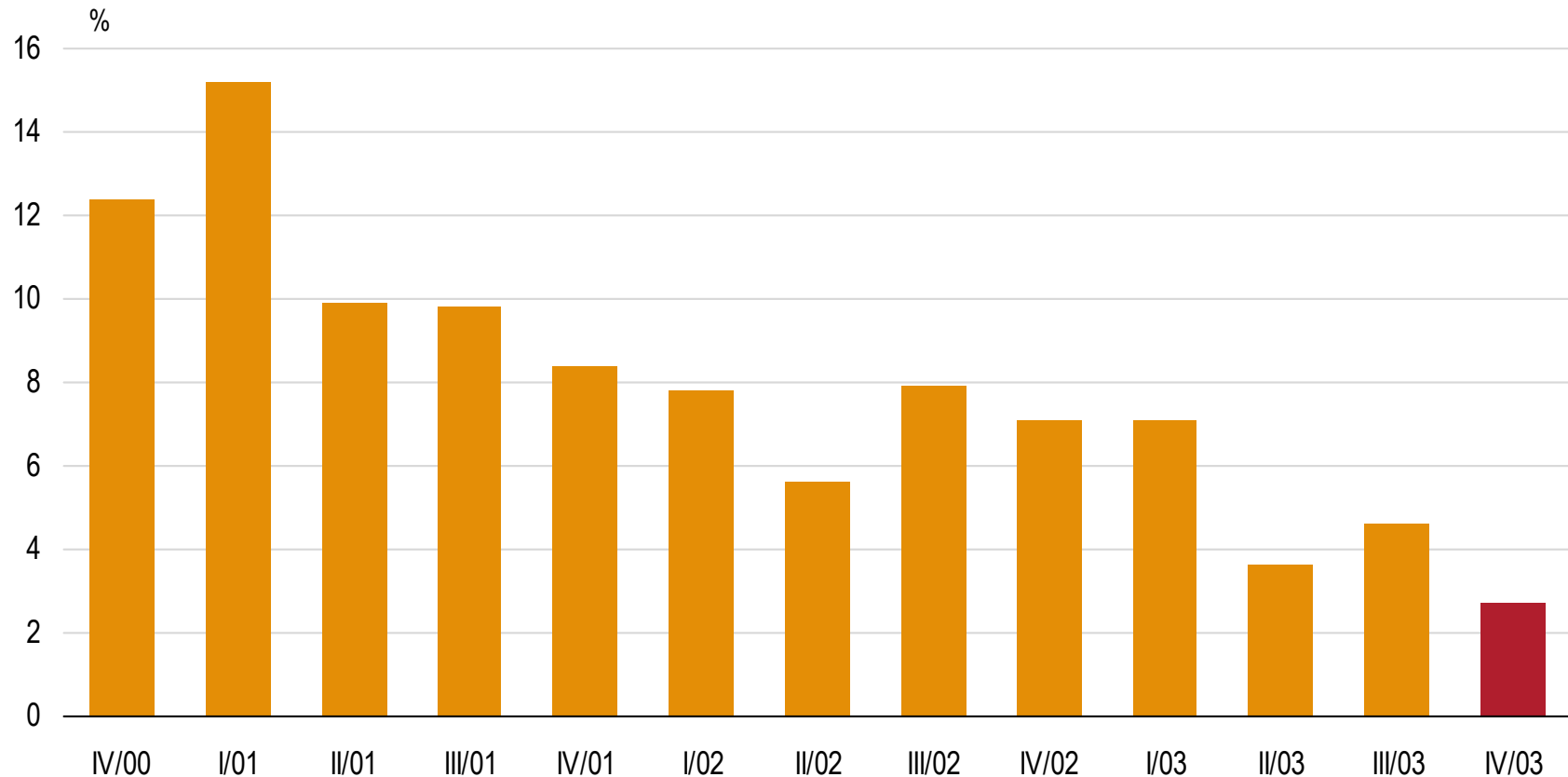
excluding non-recurring items

EPS by Quarter



excluding non-recurring items

ROCE by Quarter

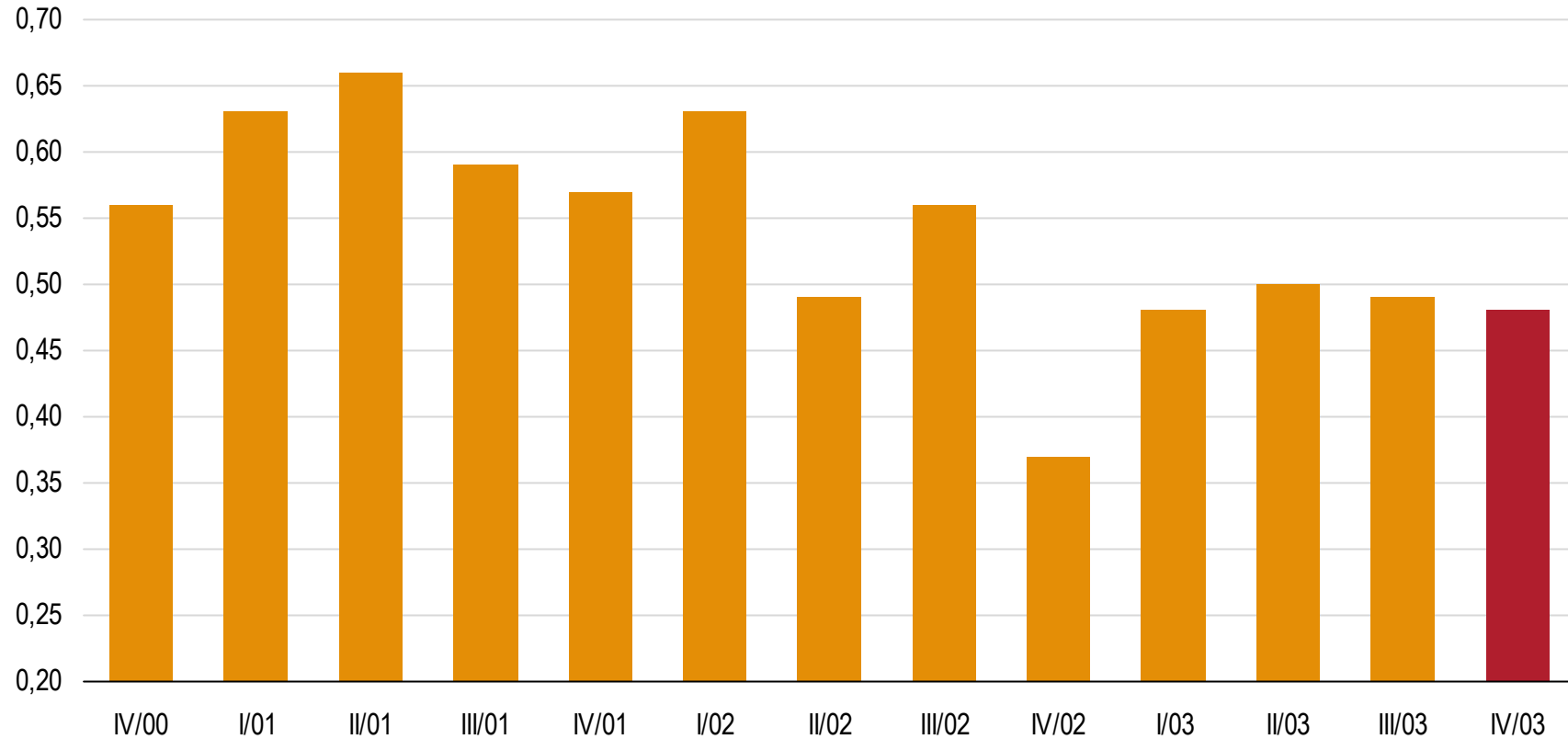


Target \geq 13% over the cycle

Present WACC = 8.7% before tax

excluding non-recurring items

Debt/Equity



Target ≤ 0.8

Main Events in the Quarter

- **Announcement of plan to sell Swedish forestlands**
 - Forestlands will be transferred to a company where Stora Enso will own 44.9 % of the equity
 - Cash proceeds EUR 1.2 billion, equity impact approximately EUR 0.3 billion
 - Use of proceeds could include actions in emerging markets such as Russia, China and South America
- **Investment decision to build a new SC-machine at Kvarnsveden**
 - Part of Stora Enso Asset Restructuring Programme
 - EUR 450 million total investment
 - Capacity 420 000 tonnes
 - Start-up late 2005
 - 130 000 tonnes of capacity will be closed down simultaneously

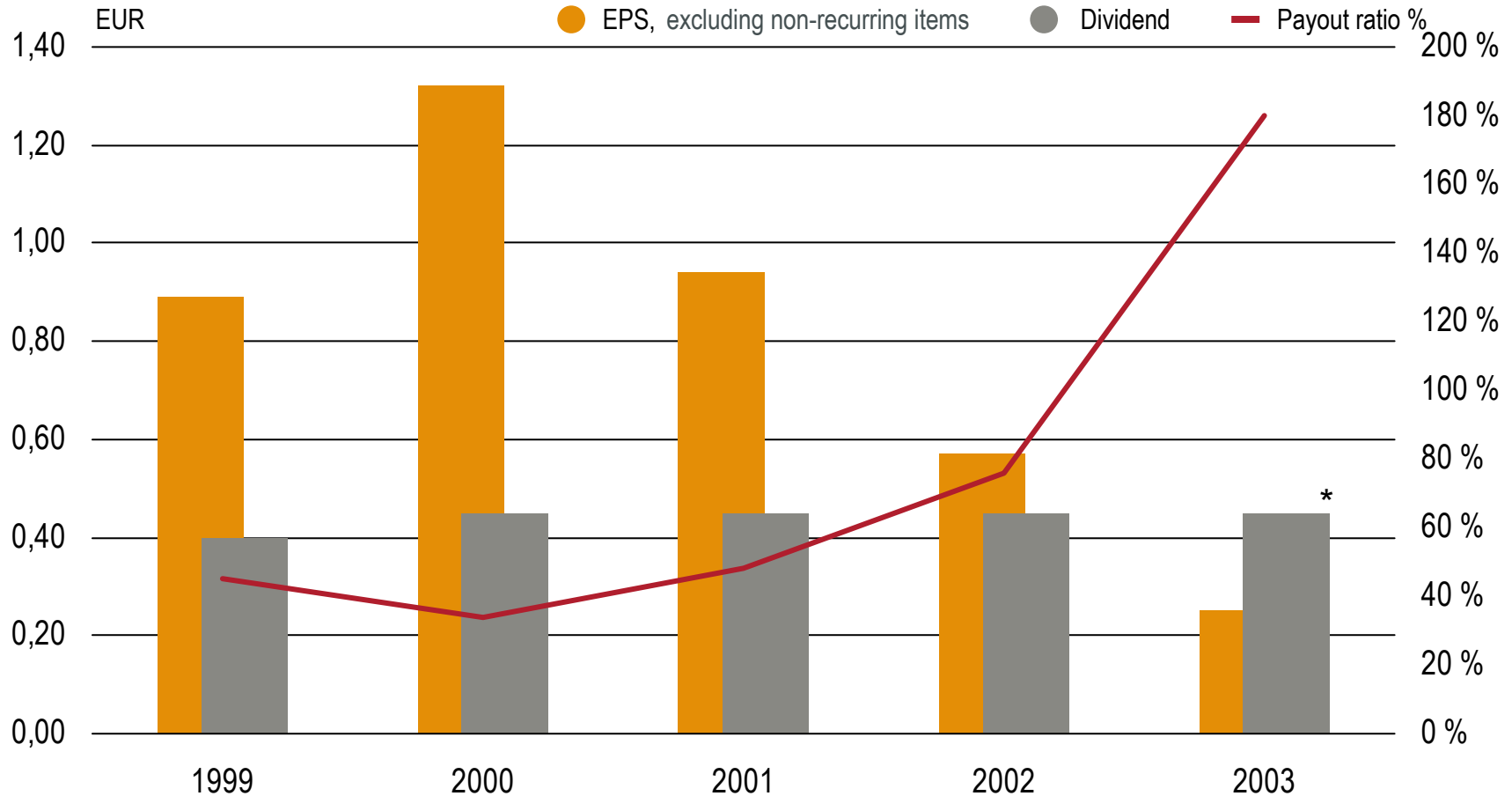
Main Events in the Quarter (cont.)

- **Veracel**
 - Construction proceeding according to plan
 - Debt financing arrangements were finalised
- **Investment at Skoghall**
 - EUR 211 million to enhance the mill's energy supply
 - Evaporation plant start-up autumn 2005
 - Recovery boiler start-up in summer 2006

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Shareholder Information

Earnings Per Share and Dividend

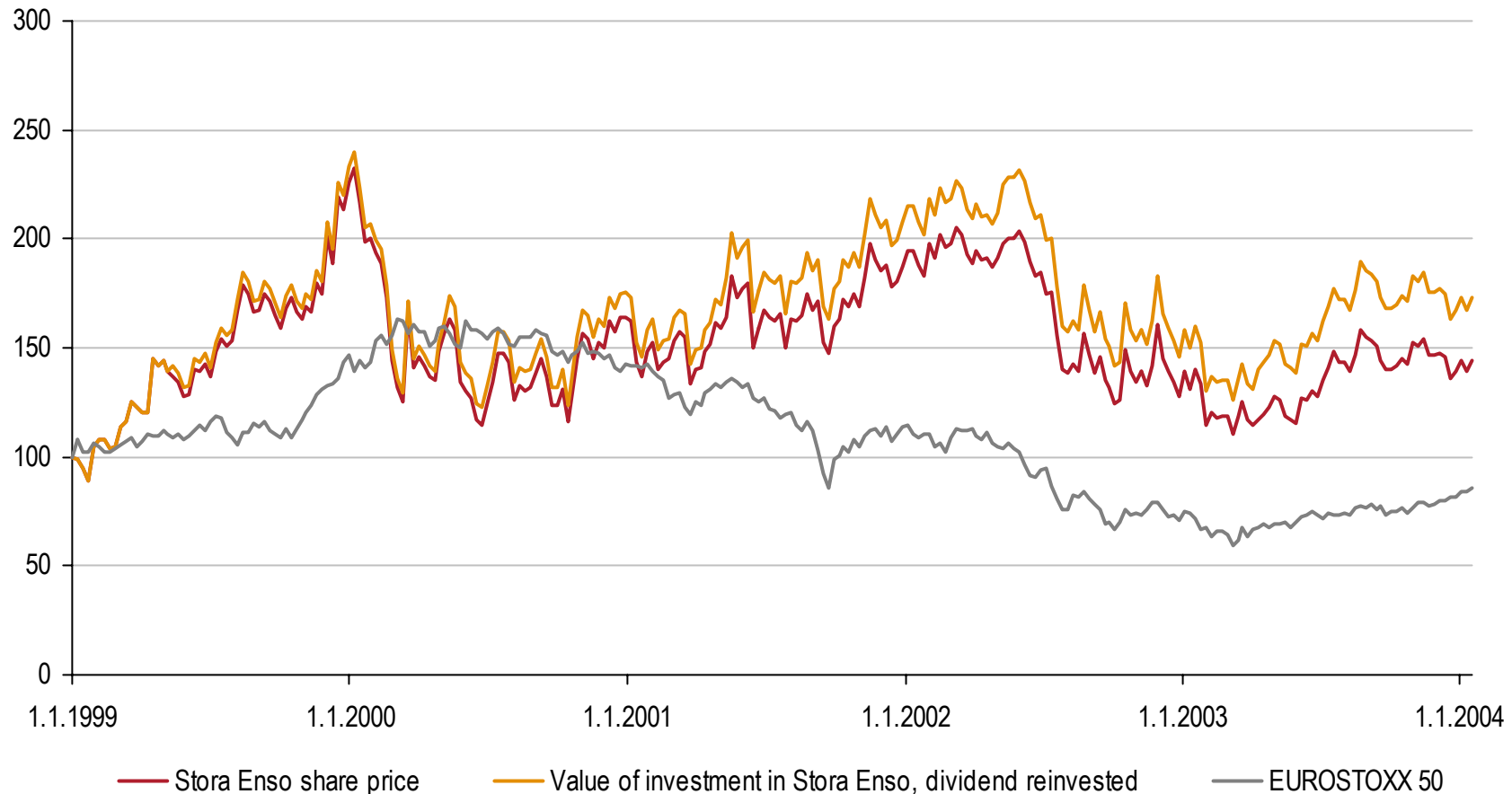


*) Board proposal

Dividend Proposal

- Dividend proposal: EUR 0.45 per share
- Payout ratio: 180 % excl. non-recurring items
- Total dividend payment: about EUR 377.1 million (assuming 838 million shares outstanding)
- Dividend yield: 4.2 % (at a share price of EUR 10.68)
- Record date: 23 March 2004
- Dividend payment issued: 2 April 2004

Total Shareholder Return



- EUROSTOXX 50 index annual average return -3% (-14% from the beginning of 1999)
- Stora Enso share price annual return 8% (44% from the beginning of 1999) (excluding dividend)
- Investment to Stora Enso shares and reinvesting the dividend to Stora Enso shares average annual return 11% (73% from the beginning of 1999)

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 16 January 2004:

Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	8 100	10.11	0.09
R shares	26 426 600	9.82	77.7











	2001	2002	2003
Total shares in issue:	906 753 299	899 778 299	864 262 499

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Market Outlook

Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper SC			Strong order book, price pressure
CMR			Demand improving; prices under pressure
Newsprint			Demand improving; prices still under negotiation
Fine Papers WFC			Prices flat; demand seasonally up
WFU			Order books fair; demand seasonally improving; pricing challenging
Packaging Boards			Indirect effect of US dollar
Timber			Negative D/S ratio

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper SC	→	→	Demand stable, producer and merchant inventories low
CMR	→	→	Order books strong
Newsprint	↗	→	Announcement of \$ 50 price increase effective 1 February
Fine Papers WFC	→	→	Demand satisfactory; prices stable

Summary

- General economic outlook is positive, but it is not yet materially improving demand for forest products
- Volumes gradually rising, but product prices generally stable or down owing to the impact of the weak US dollar
- First half of 2004 will remain challenging for the forest products industry
- Rebuild of Wisconsin Rapids 16, part of the North American Profit Enhancement Programme, will negatively impact the first quarter result
- Proceeds from the sale of Swedish forests will be received during the first quarter

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Appendix

Operating Profit by Product Area



EUR million	IV/02	I/03	II/03	III/03	IV/03
Publication Paper	68.2	36.4	-5.2	39.9	43.0
% sales	5.6	3.4	-0.5	3.7	3.9
Fine Paper	54.9	81.3	40.9	23.7	10.1
% sales	6.8	9.5	5.2	3.0	1.3
Packaging	79.6	90.5	66.6	88.5	51.3
% sales	11.9	12.9	9.4	12.8	7.8
Wood Products	11.8	7.3	15.2	-4.4	9.5
% sales	3.8	2.3	3.9	-1.3	2.6

excluding non-recurring items

Publication Paper

EUR million	2002	2003	I/03	II/03	III/03	IV/03	Change % III/IV
Sales	4 715.6	4 295.7	1 058.3	1 042.8	1 086.3	1 108.3	2.0
Operating profit	320.1	114.1	36.4	-5.2	39.9	43.0	7.8
% of sales	6.8	2.7	3.4	-0.5	3.7	3.9	
ROOC, %*	7.5	2.9	3.7	-0.5	4.0	4.3	
Deliveries, 1000 t	6 807	6 954	1 654	1 678	1 763	1 859	5.4
Production, 1000 t	6 796	7 011	1 739	1 663	1 812	1 797	-0.8

In Europe:

- Newsprint demand fairly stable, magazine paper demand increased
- SC-paper prices unchanged, CMR prices declined slightly
- Euro prices under pressure due to weaker US dollar

In North America:

- Magazine paper demand weaker year on year as well as quarter on quarter
- SC paper prices were low but stable
- Newsprint and coated magazine prices somewhat higher

*100% x Operating profit/Operating capital

Fine Paper

EUR million	2002	2003	I/03	II/03	III/03	IV/03	Change % III/IV
Sales	3 427.4	3 197.7	852.3	793.9	788.5	763.0	-3.2
Operating profit	303.7	156.0	81.3	40.9	23.7	10.1	-57.4
% of sales	8.9	4.9	9.5	5.2	3.0	1.3	
ROOC, %*	7.7	4.4	8.8	4.5	2.7	1.2	
Deliveries, 1000 t	3 432	3 591	885	895	894	917	2.6
Production, 1000 t	3 477	3 624	894	889	922	919	-0.3

In Europe:

- European deliveries seasonally quite strong
- Prices in euros decreased due to competition and significant overseas sales denominated in US dollars

In North America:

- Coated fine paper demand weaker year on year as well as quarter on quarter
- Prices under pressure during the quarter

Asia:

- Asian fine paper markets seasonally strong

*100% x Operating profit/Operating capital

Packaging Boards

EUR million	2002	2003	I/03	II/03	III/03	IV/03	Change % III/IV
Sales	2 720.2	2 761.6	699.0	711.4	691.1	660.1	-4.5
Operating profit	354.7	296.9	90.5	66.6	88.5	51.3	-42.0
% of sales	13.0	10.8	12.9	9.4	12.8	7.8	
ROOC, %*	13.5	11.5	13.9	10.2	13.5	7.9	
Deliveries, 1000 t	2 909	3 006	756	781	755	714	-5.4
Production, 1000 t	2 973	3 050	788	763	767	732	-4.6

- Demand and prices were quite stable
- Prices of some grades declined marginally
 - bleached boards and laminating papers

*100% x Operating profit/Operating capital

Wood Products

EUR million	2002	2003	I/03	II/03	III/03	IV/03	Change % III/IV
Sales	1 235.2	1 400.0	316.5	385.6	335.5	362.4	8.0
Operating profit	46.8	27.6	7.3	15.2	-4.4	9.5	NM
% of sales	3.8	2.0	2.3	3.9	-1.3	2.6	
ROOC, %*	11.1	5.1	6.1	10.9	-2.7	5.6	
Deliveries, 1000 m ³	5 112	5 822	1 283	1 644	1 337	1 558	16.5
Production, 1000 m ³	5 157	6 168	1 406	1 648	1 440	1 674	16.3

- Demand stable
- Prices at low levels
- Record high production volumes in Europe and increasing supply from Russia

*100% x Operating profit/Operating capital

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results for 2003, visit
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