

# Responsibility & Performance

**January - March 2004  
Results**

28 April 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.

# Highlights

	IV/2003	I/2004
Sales, EUR million	3 028.8	3 017.9
Operating profit <sup>1)</sup> , EUR million	77.4	103.4
EPS, EUR	-0.05	0.49
EPS <sup>1)</sup> , EUR	0.00	0.06
Cash EPS <sup>1)</sup> , EUR	0.35	0.41
Debt/Equity	0.49	0.39

- Operating profit was improved by:
  - Higher production
  - Mix changes between segments
  - Seasonal improvement in Packaging Boards
- Operating profit was decreased by:
  - Declining prices
  - The rebuild of Wisconsin Rapids PM 16

# Main Events

- Stora Enso restructured its Swedish forestland ownership
  - Retaining 43.3 % ownership in Bergvik Skog
  - Financial effects:
    - Capital employed decreased by EUR 1 272.3 million
    - Wood Supply Europe's operating profit will decrease by EUR 100 million on annual basis
    - Annual EUR – 40 million effect on Group's result after net financial items

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## **Financial Figures**

# Summary Financials



<b>EUR million</b>	<b>2003</b>	<b>I/03</b>	<b>IV/03</b>	<b>I/04</b>
Sales	12 172	3 099	3 029	3 018
EBITDA <sup>1)</sup>	1 711	498	376	394
Operating profit <sup>1)</sup>	526	208	77	103
Profit before tax	211	126	-64	197
Net profit	138	83	-44	407
EPS, EUR <sup>1)</sup>	0.24	0.10	0.00	0.06
EPS, basic, EUR	0.16	0.10	-0.05	0.49
CEPS, EUR <sup>1)</sup>	1.63	0.43	0.35	0.41
ROCE, % <sup>1)</sup>	4.5	7.0	2.6	3.7
Debt/Equity	0.49	0.49	0.49	0.39

# Net Financial Items

<b>EUR million</b>	<b>I/03</b>	<b>II/03</b>	<b>III/03</b>	<b>IV/03</b>	<b>I/04</b>
Net interest	-34.6	-51.5	-49.9	-50.1	-42.0
Foreign exchange profit/loss	2.9	7.9	12.2	-10.5	4.8
Valuation of financial instruments	-44.1	30.0	16.8	-4.6	13.6
Other financial items	-5.5	2.3	-2.5	-2.5	3.3
<b>Total</b>	<b>-81.3</b>	<b>-11.3</b>	<b>-23.4</b>	<b>-67.7</b>	<b>-20.3</b>

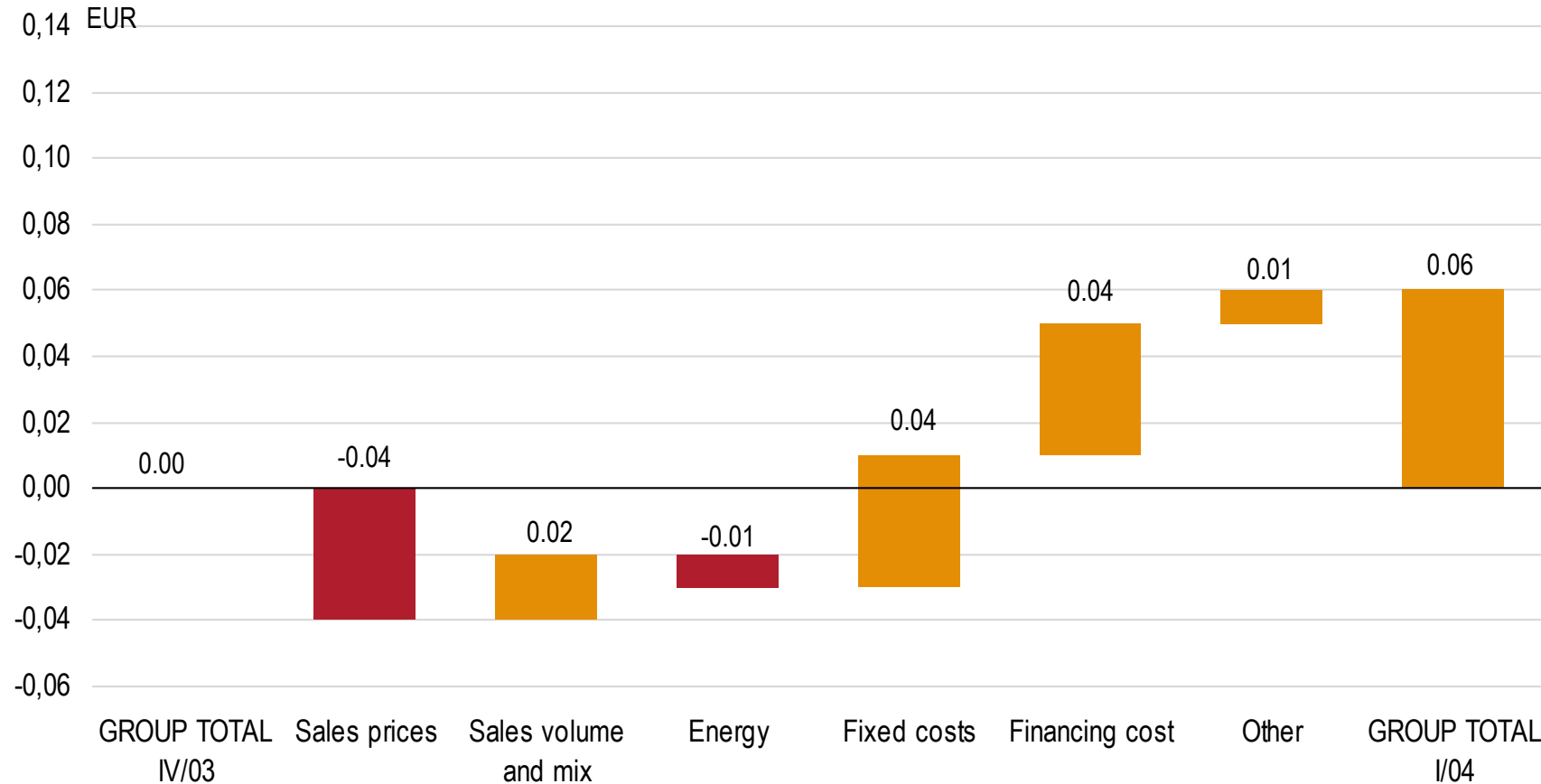
# Non-recurring Items Effect

<b>EUR million</b>	<b>I/2004 IAS</b>	<b>Swedish Forestland</b>	<b>I/2004 excl. non-recs.</b>
EBIT	<b>219.1</b>	115.7	<b>103.4</b>
PTP	<b>196.5</b>	115.7	<b>80.8</b>
Net profit	<b>406.9</b>	356.5	<b>50.4</b>
EPS, EUR	<b>0.49</b>	0.43	<b>0.06</b>

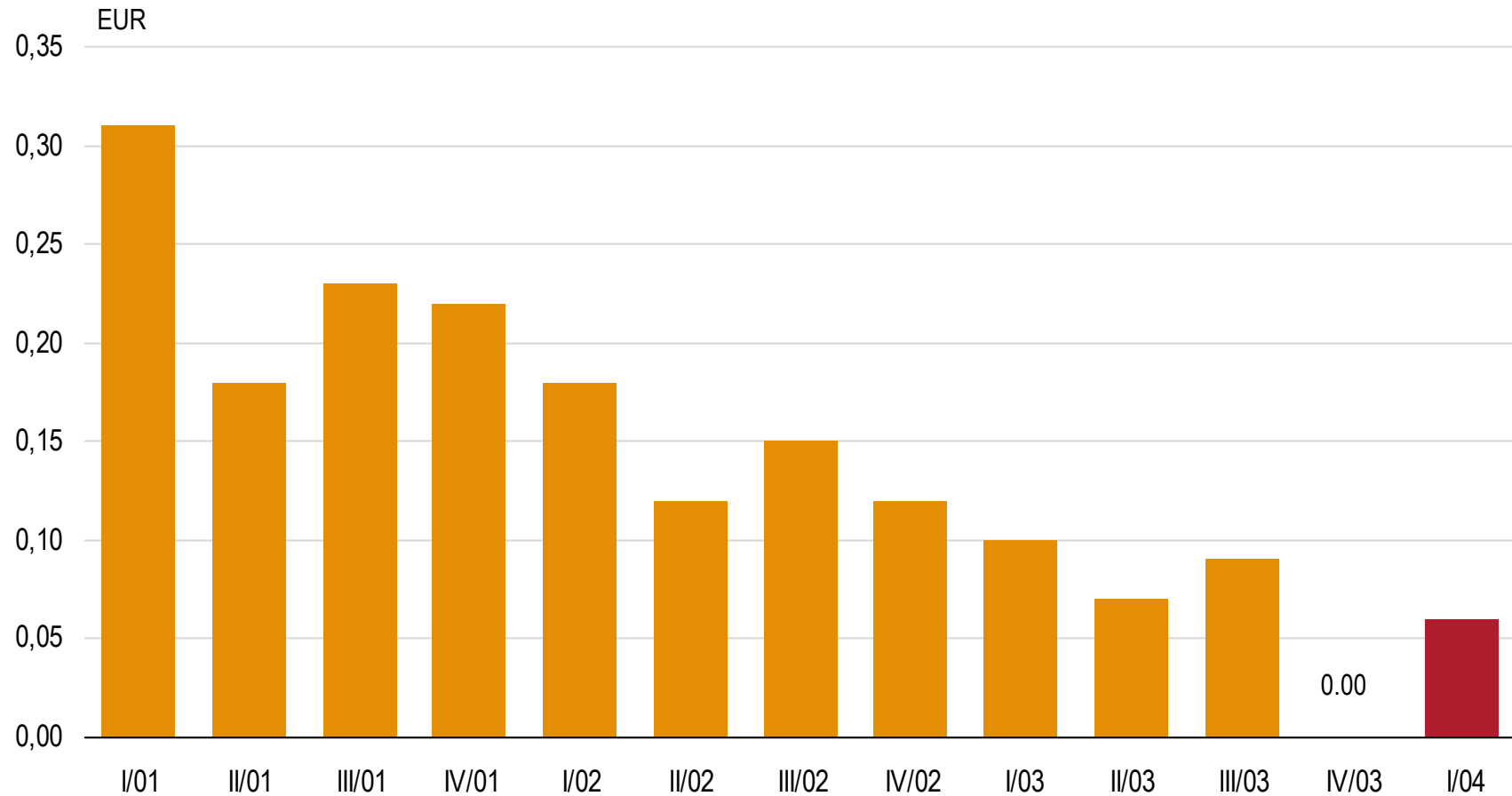
# Market-related Curtailments

<b>1000 tonnes</b>	<b>2003</b>	<b>Q1/03</b>	<b>Q2/03</b>	<b>Q3/03</b>	<b>Q4/03</b>	<b>Q1/04</b>
Publication Papers	497	123	143	106	125	93
Fine Papers	176	64	32	37	43	12
Packaging Boards	109	15	25	27	42	20
<b>Paper and Board Total</b>	<b>782</b>	<b>202</b>	<b>200</b>	<b>170</b>	<b>210</b>	<b>125</b>
Europe	703	195	158	145	205	125
USA	79	7	42	25	5	-
<b>Paper and Board Total</b>	<b>782</b>	<b>202</b>	<b>200</b>	<b>170</b>	<b>210</b>	<b>125</b>

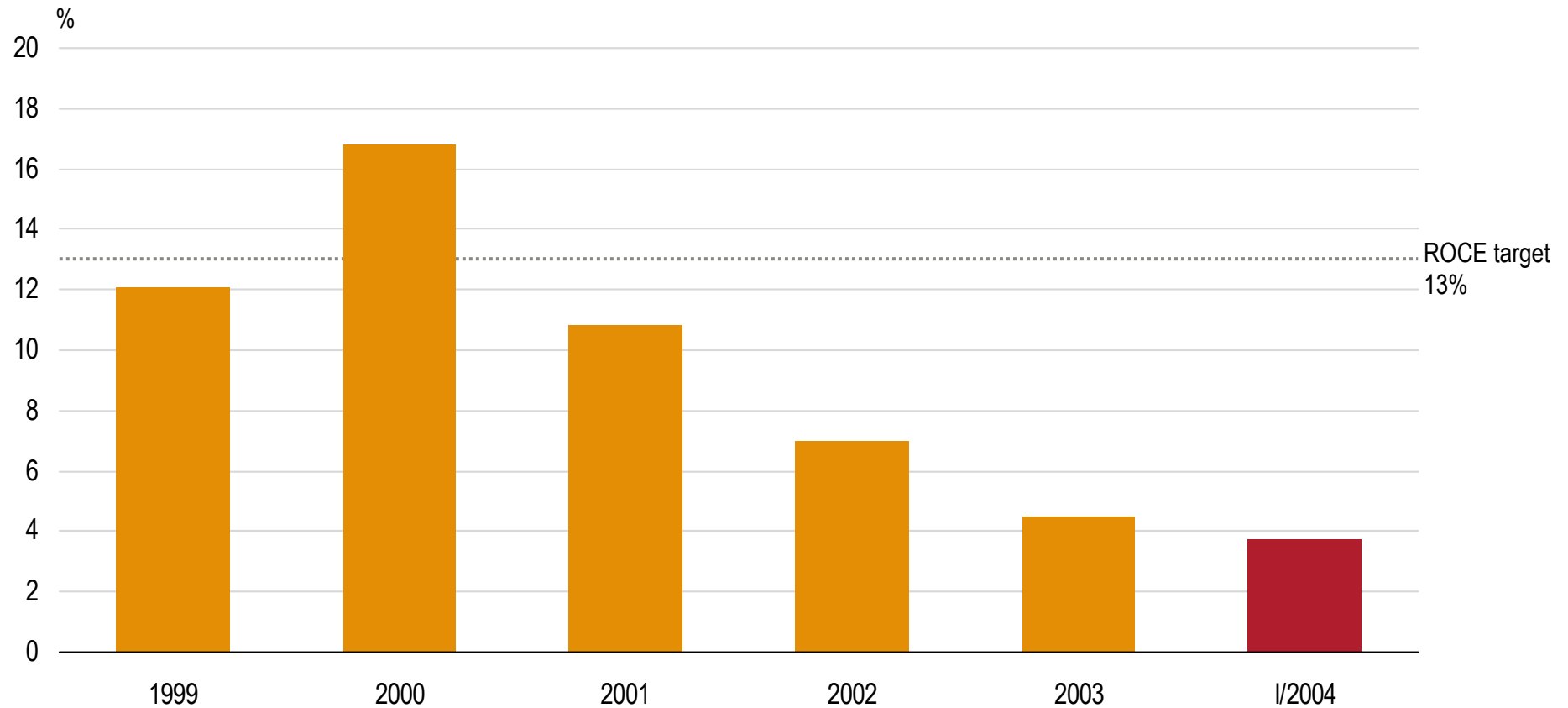
# Change in EPS IV/2003 vs I/2004



# EPS by Quarter

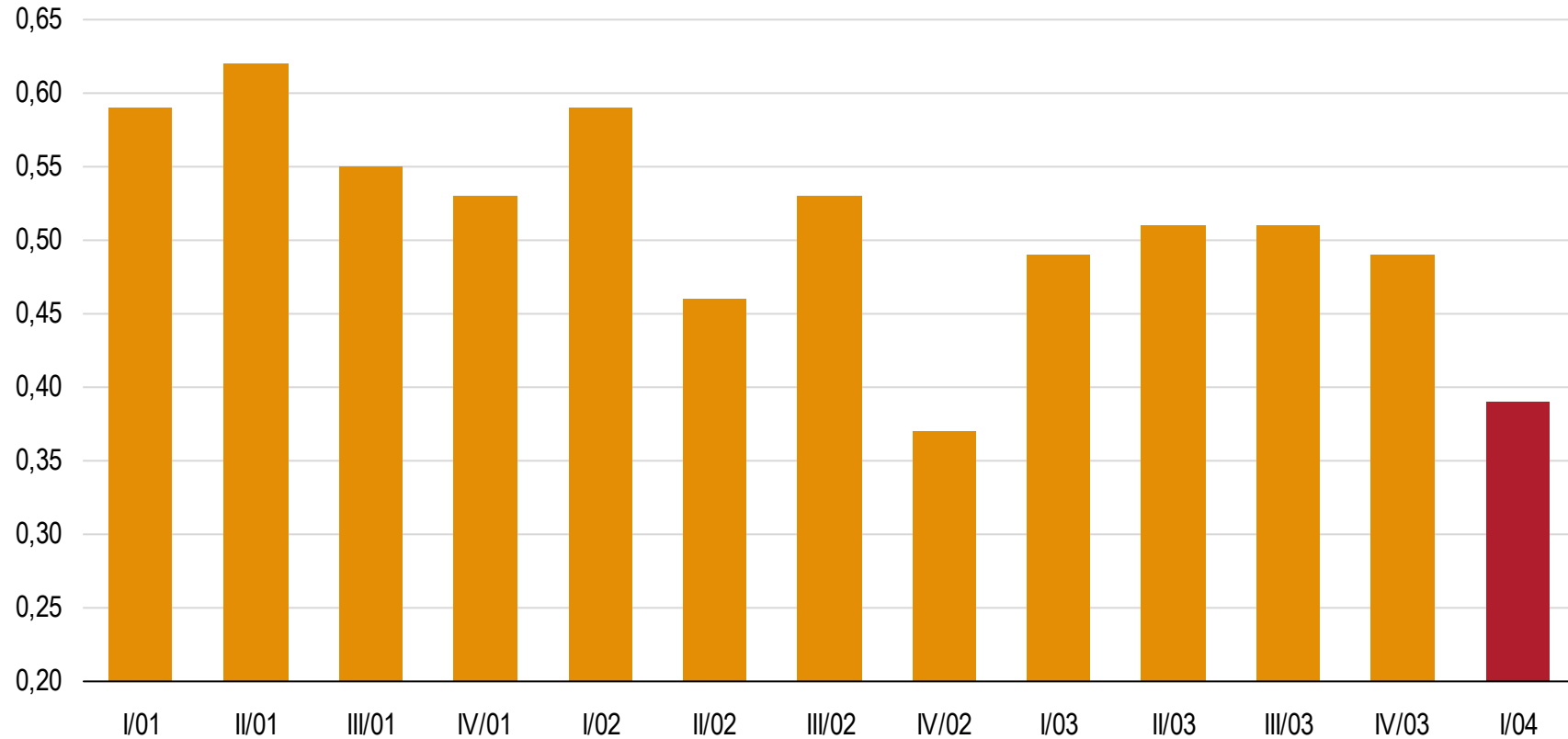


# ROCE



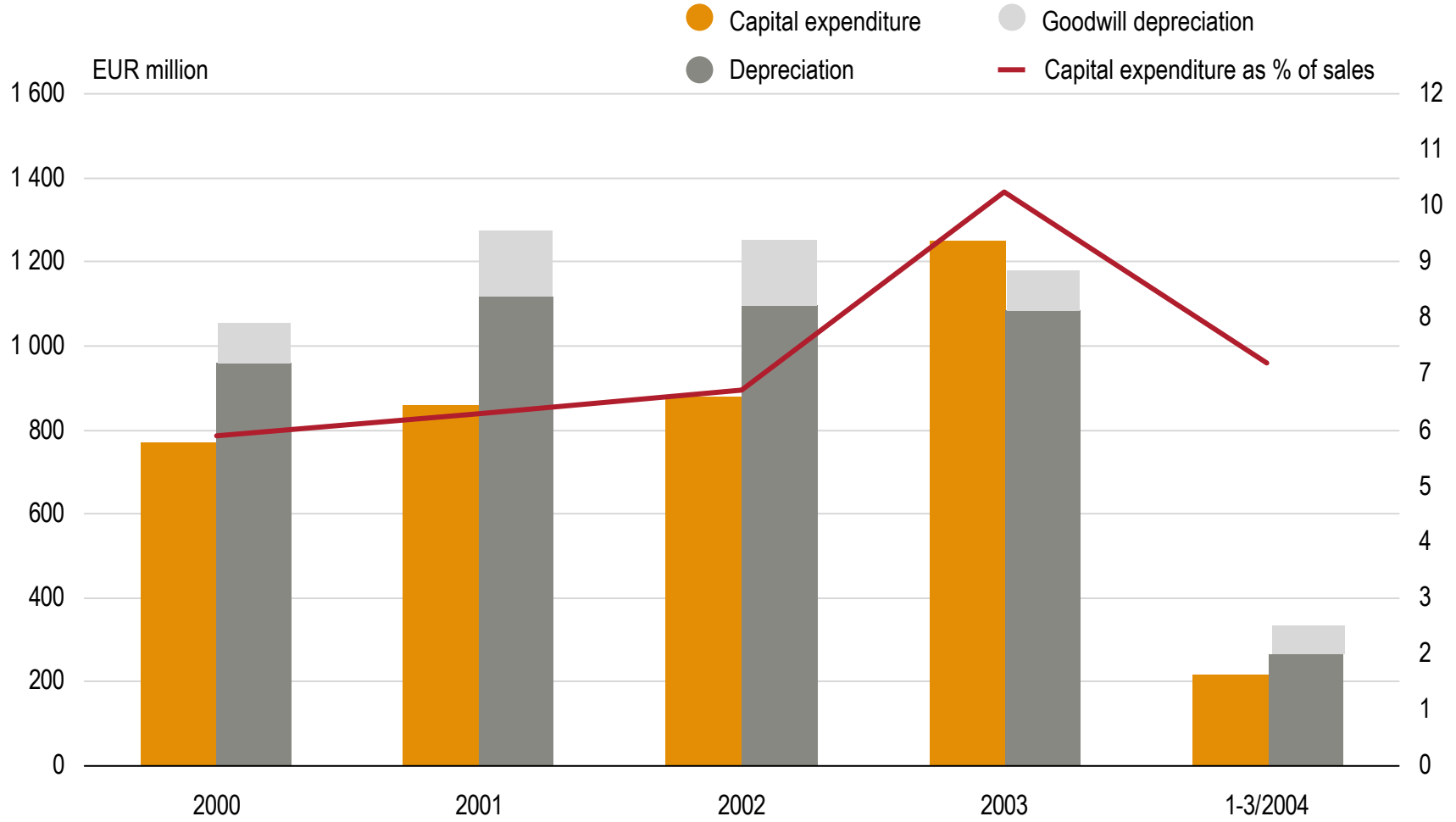
**Target  $\geq$  13% over the cycle (current WACC 8.7 %)**

# Debt/Equity



**Target  $\leq 0.8$**

# Capital Expenditure and Depreciation



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## **Market Outlook**











# Near-term Market Outlook

## Western Europe

	Price	Demand	Comments
Magazine Paper SC	→	↗	Healthy order book; prices stabilising after early '04 drop
CMR	→	↗	Demand improving; prices stabilising
Newsprint	→	↗	Demand improving moderately; European contracts concluded with modest decline (ave. -3%)
Fine Papers WFC	↗	→	Price increases announced; demand seasonally levelling off
WFU	→	→	Order books good; demand seasonally levelling off; prices stabilising
Speciality Papers	→	↗	Demand up; very low inventories
Packaging Boards	→	→	Weak US Dollar containing prices; seasonal demand pick-up
Timber	→	→	Steady demand outlook, but heavy supply; redwood prices falling

# Near-term Market Outlook

## North America

	Price	Demand	Comments
Magazine Paper SC			Demand increasing; producer and customer inventories low; price increases announced
CMR			Order books good; price increases announced
Newsprint			Announced price increases not fully implemented yet
Fine Papers WFC			Demand seasonally low; price increases announced
Speciality Papers			Demand very strong; low inventories; price increases announced

# Summary

- Operating profit improved moderately to EUR 103.4 million
- Demand generally improving; price increases announced
- Restructuring of Swedish forestland:
  - decreased capital employed by EUR 1 272.3 million
  - annual effect of EUR -40 million after net financial items
- Holiday season shutdowns and the rebuild of Kimberly PM 97 will adversely impact second quarter results
- Provided that market conditions continue to improve, results should benefit, but only in the latter part of the year

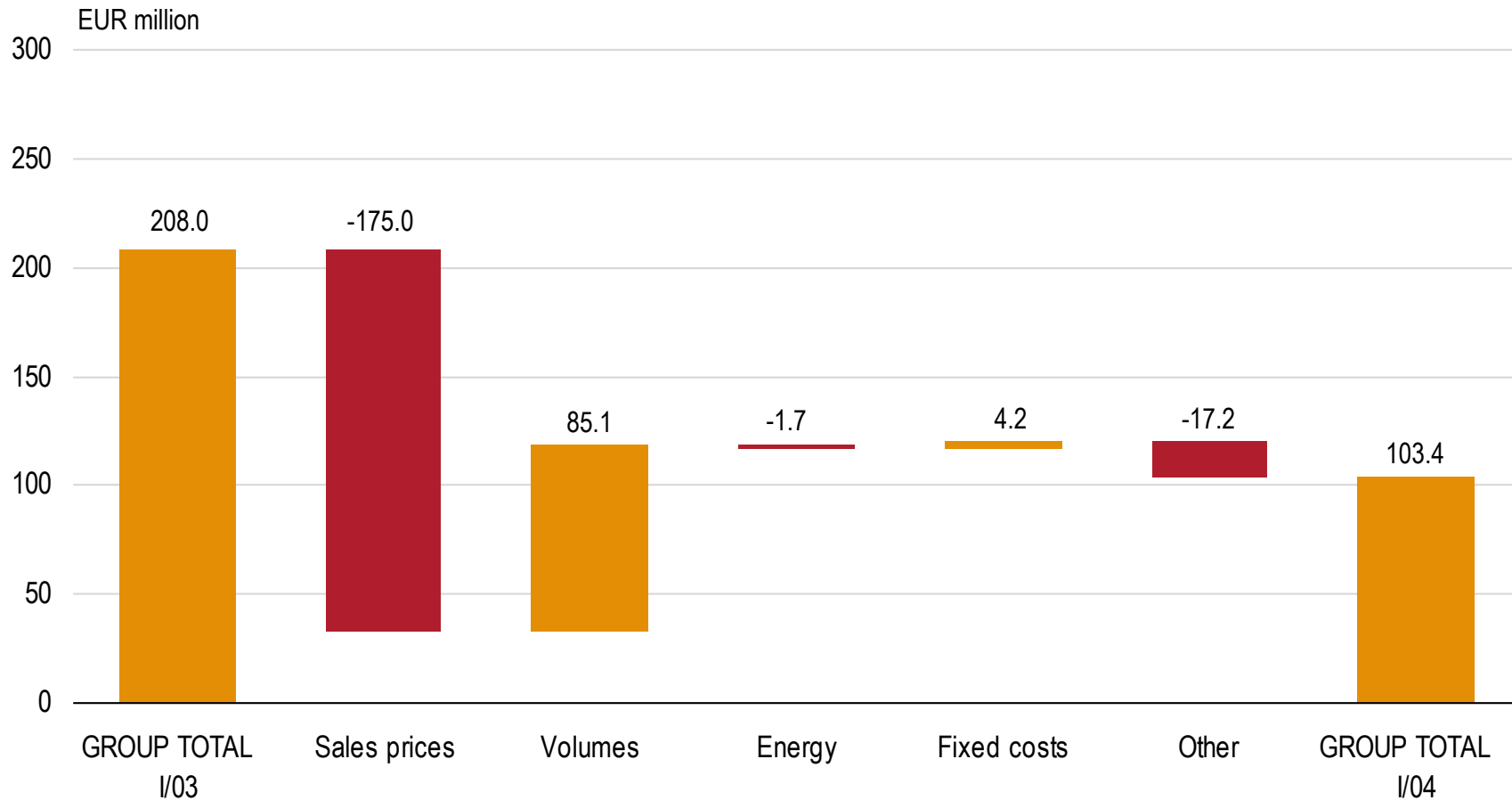
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## **Appendix**

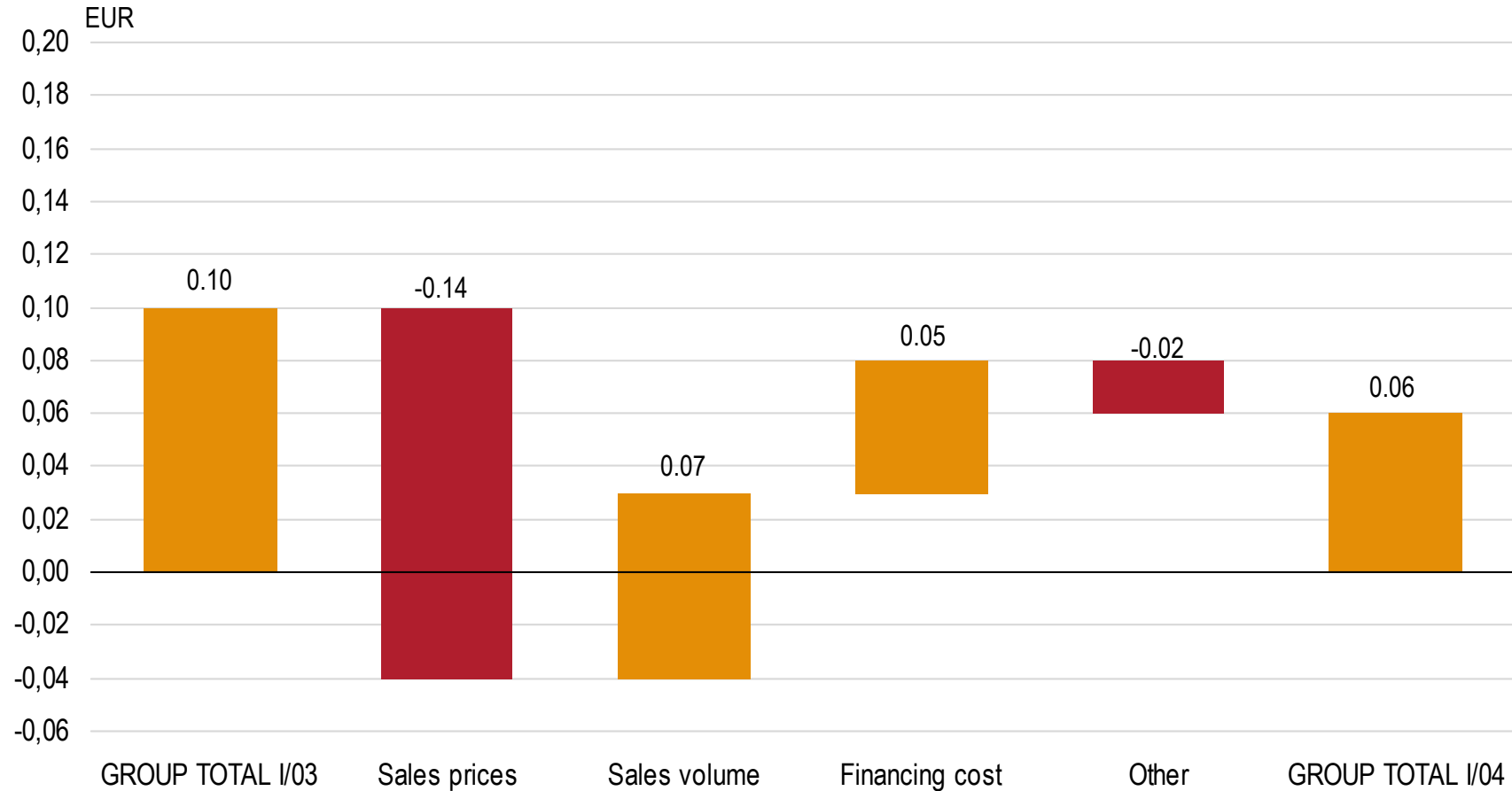
# Operating Profit of Main Business Areas

<b>EUR million</b>	<b>I/03</b>	<b>II/03</b>	<b>III/03</b>	<b>IV/03</b>	<b>I/04</b>
Publication Paper	35.6	-6.0	39.2	42.3	8.7
% sales	3.4	-0.6	3.6	3.8	0.9
Fine Paper	80.7	40.3	23.1	9.4	18.1
% sales	9.5	5.1	2.9	1.2	2.3
Packaging	89.4	65.5	87.4	50.1	82.1
% sales	12.8	9.2	12.6	7.6	11.9
Wood Products	7.0	14.9	-4.7	9.3	11.4
% sales	2.2	3.9	-1.4	2.6	3.1

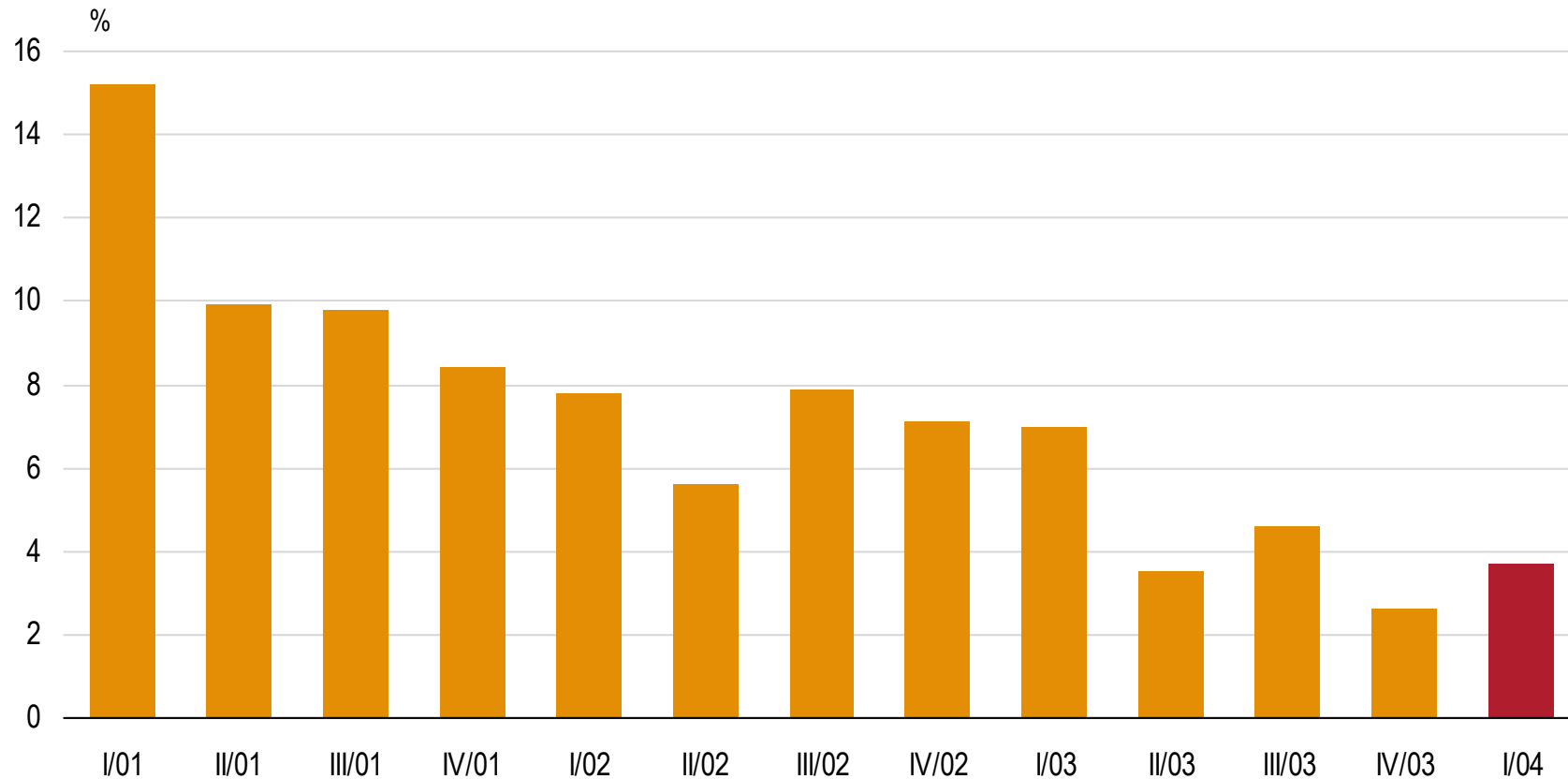
# Change in Group Operating Profit from I/2003 to I/2004



# Change in EPS I/2003 vs I/2004



# ROCE by Quarter



**Target  $\geq$  13% over the cycle (current WACC 8.7 %)**

# US Dollar against Euro



# Share Buy-Back Programme

Current programme approved by 2004 AGM to end 17 March 2005. Allows repurchase up to :

A shares	9 000 000
R shares	32 700 000

## Status through 14 April 2004:

Shares	No. of shares purchased:	Average purchase price:	% of authorisation
A shares	500	10.87	0.01
R shares	1 808 400	10.61	5.53

	2001	2002	2003	15 April 2004
Total shares in issue:	906 753 299	899 778 299	864 262 499	837 243 399

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