

Responsibility & Performance

**April - June 2004
Results**

28 July 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

	I/2004	II/2004
Sales, EUR million	3 017.9	3 102.9
Operating profit ¹⁾ , EUR million	103.4	58.5
EPS, EUR	0.49	0.06
EPS ¹⁾ , EUR	0.06	0.06
Cash EPS ¹⁾ , EUR	0.41	0.43
Debt/Equity	0.39	0.42

- Bottom of the cycle seems to have been reached; outlook improving
- Higher deliveries and lower production
- Midsummer stoppages increased costs
- Rebuild of PM 97 at Kimberly mill affected operating profit by EUR -12 million
- Positive tax effect of EUR 0.02 on EPS due to new tax laws in Finland

Main Events

- The Group's activities in Russia were expanded:
 - Second sawmill at Nebolchi was started
 - Second corrugated packaging mill at Arzamas was started
- Exchange offer for EUR 850 million 2007 Bond was completed – to a 10-year maturity; EUR 475 million of the notes were exchanged

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Financial Figures

Summary Financials



EUR million	2003	II/03	H1/03	H1/04	I/04	II/04
Sales	12 172	3 057	6 156	6 121	3 018	3 103
EBITDA ¹⁾	1 711	397	894	757	394	363
Operating profit ¹⁾	526	104	312	162	103	59
Profit before tax ¹⁾	319	84	210	130	81	49
Net profit	138	54	137	459	407	52
EPS, EUR ¹⁾	0.24	0.06	0.16	0.12	0.06	0.06
EPS, basic, EUR	0.16	0.06	0.16	0.55	0.49	0.06
CEPS, EUR ¹⁾	1.63	0.41	0.84	0.84	0.41	0.43
ROCE, % ¹⁾	4.5	3.5	5.3	2.9	3.7	2.2
Debt/Equity	0.49	0.51	0.51	0.42	0.39	0.42

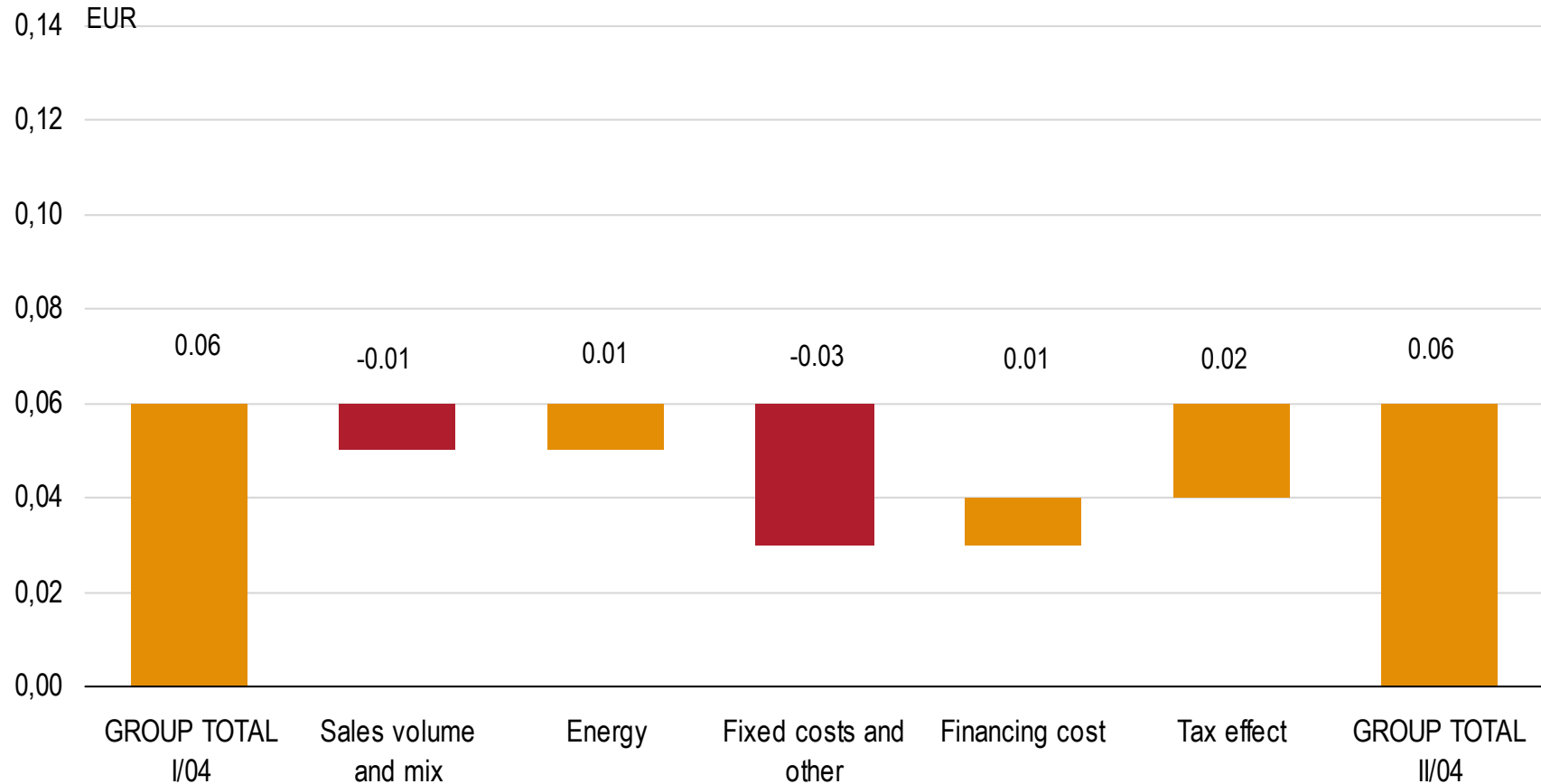
Net Financial Items

EUR million	II/03	III/03	IV/03	I/04	II/04
Net interest	-51.5	-49.9	-50.1	-42.0	-34.9
Foreign exchange profit/loss	7.9	12.2	-10.5	4.8	-1.6
Valuation of financial instruments	30.0	16.8	-4.6	13.6	5.9
Other financial items	2.3	-2.5	-2.5	3.3	4.4
Total	-11.3	-23.4	-67.7	-20.3	-26.2

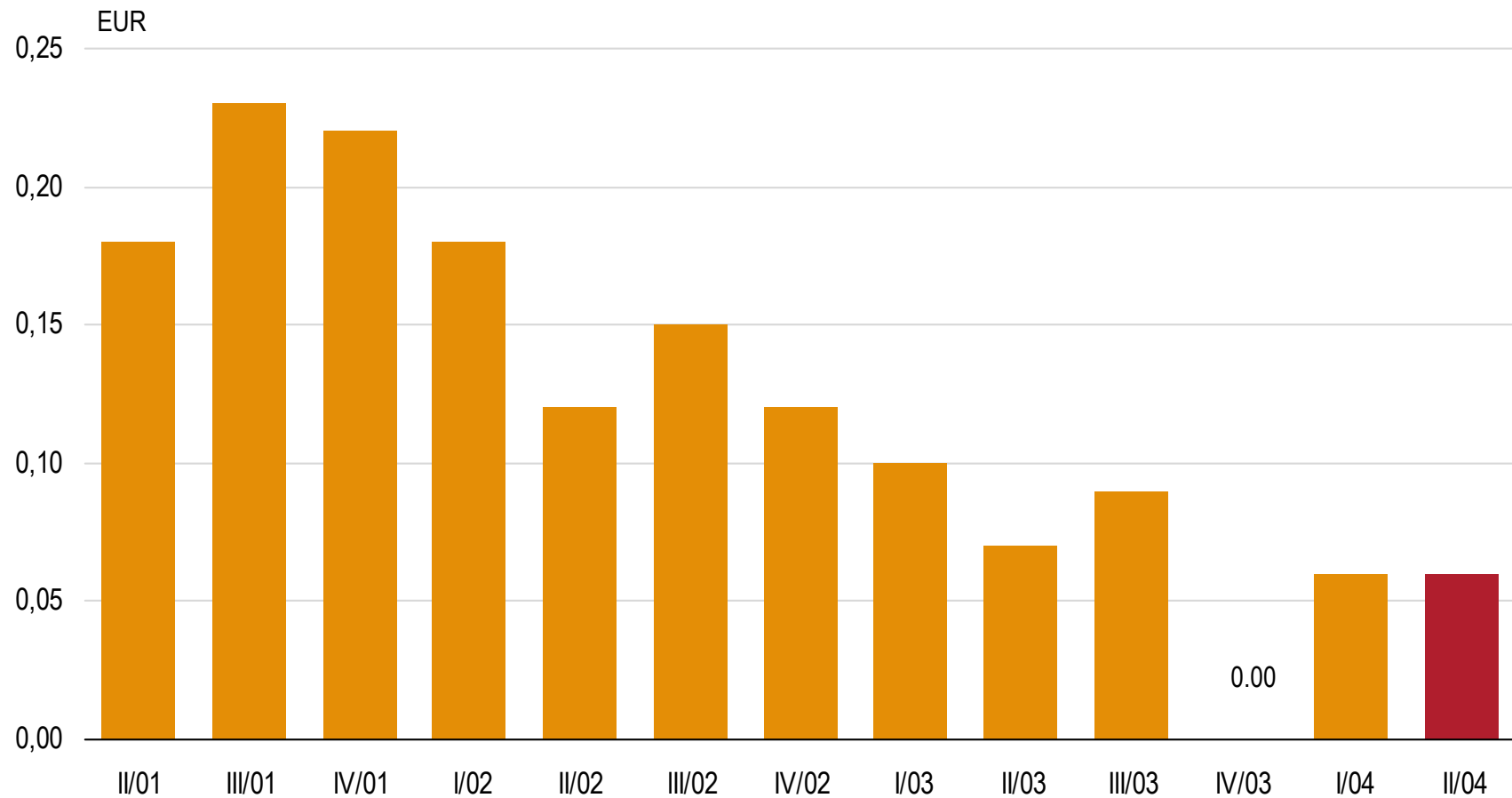
Market-related Curtailments

1000 tonnes	2003	Q1/03	Q2/03	Q3/03	Q4/03	Q1/04	Q2/04
Publication Papers	497	123	143	106	125	93	74
Fine Papers	176	64	32	37	43	12	8
Packaging Boards	109	15	25	27	42	20	16
Paper and Board Total	782	202	200	170	210	125	98
Europe	703	195	158	145	205	125	98
USA	79	7	42	25	5	-	-
Paper and Board Total	782	202	200	170	210	125	98

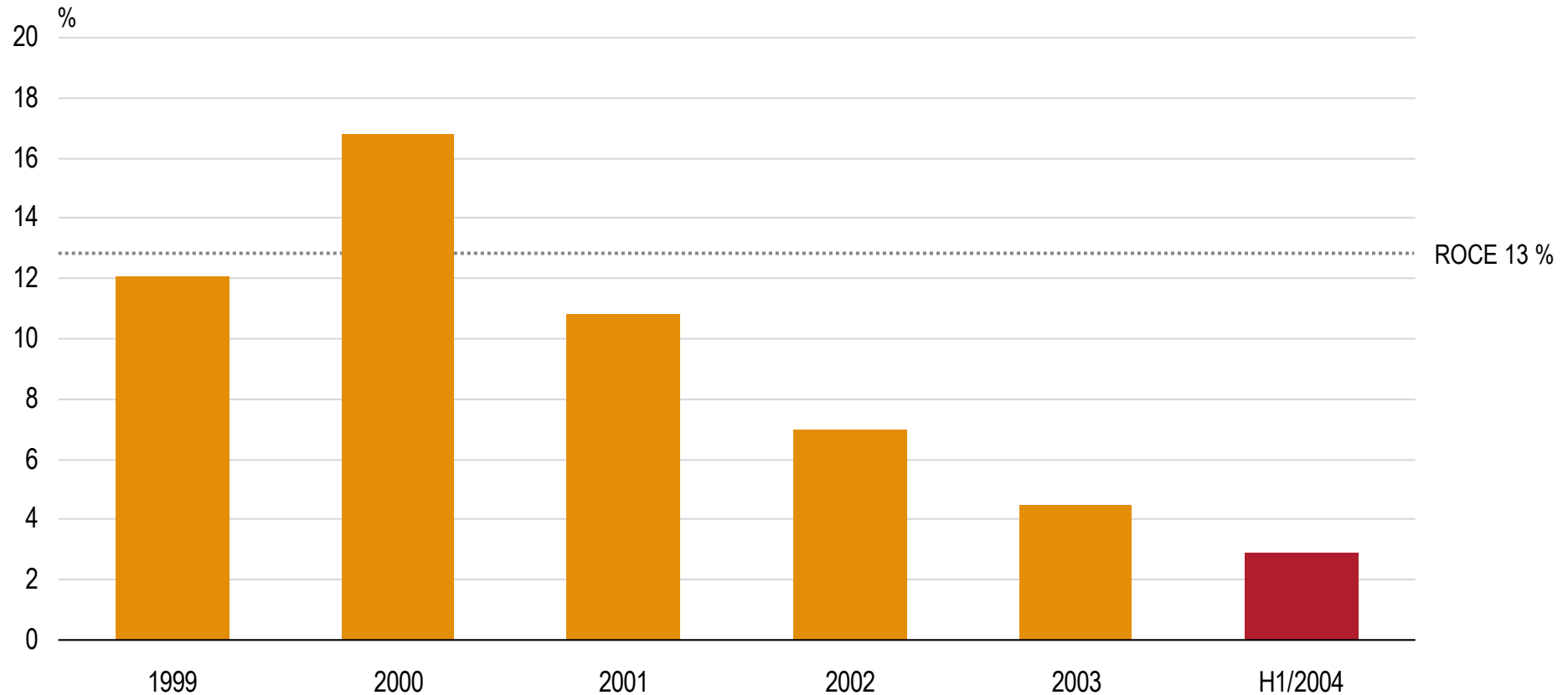
Change in EPS I/2004 vs II/2004



EPS by Quarter

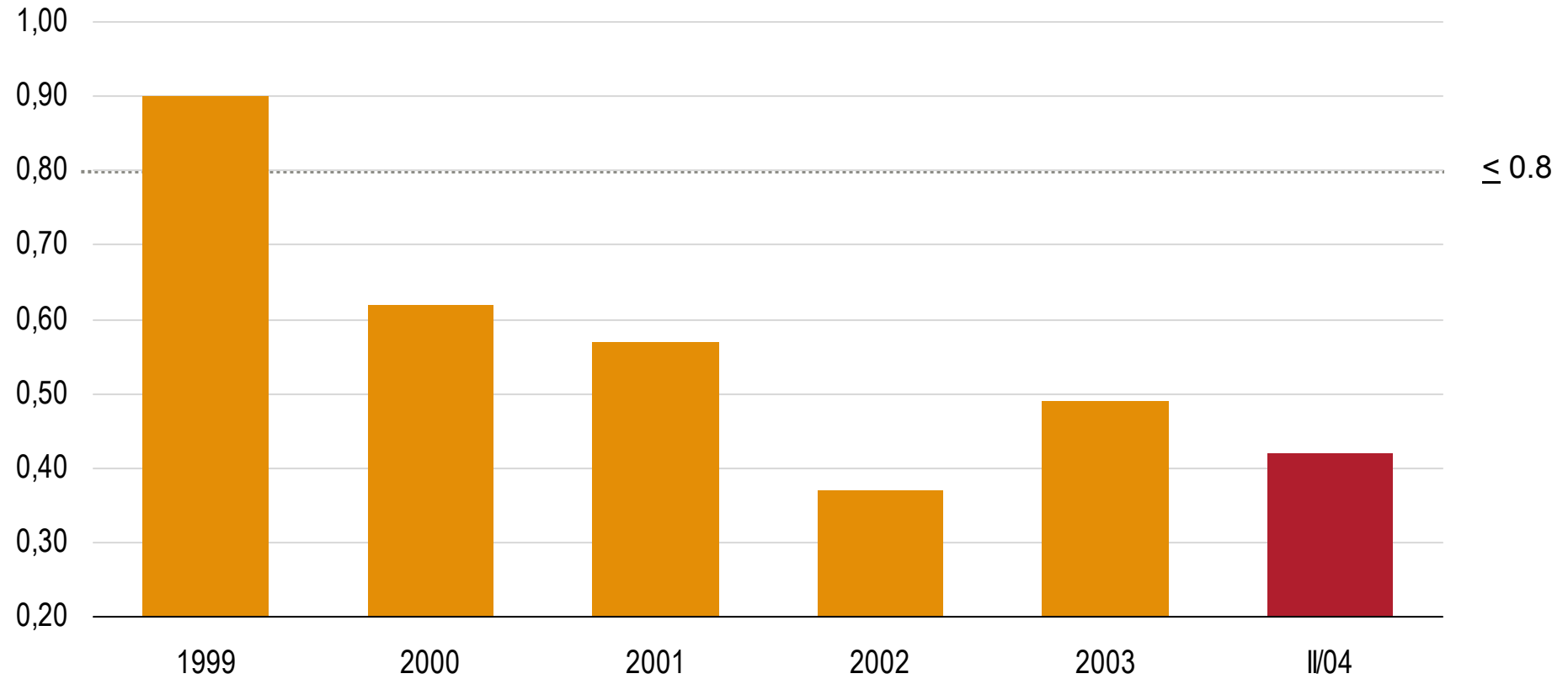


ROCE



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

Debt/Equity



Target ≤ 0.8

Share Buy-Back Programme

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

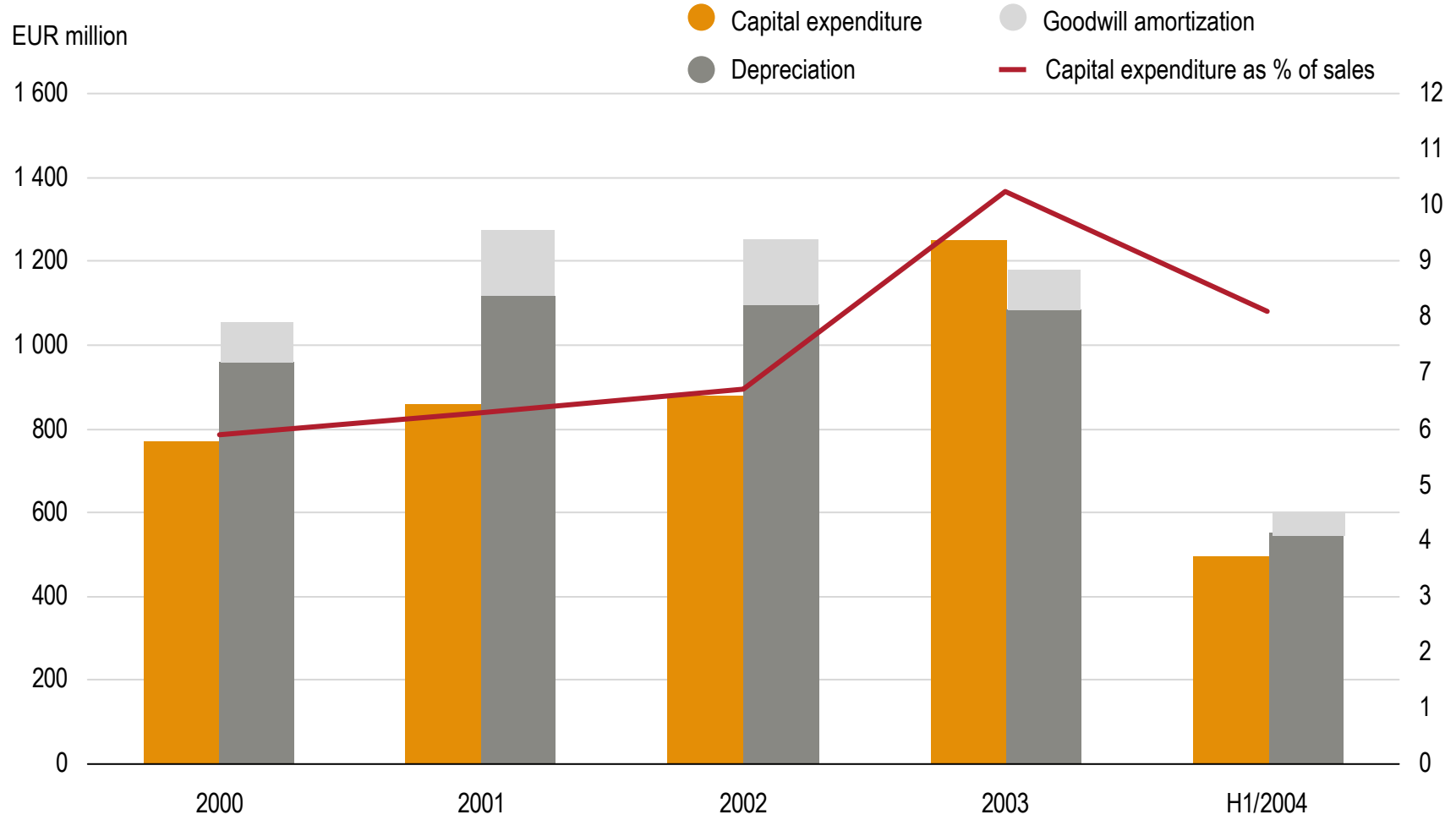
A shares	9 000 000
R shares	32 700 000

Status through 13 July 2004:

Shares	No. of shares purchased:	Average purchase price:	% of authorisation
A shares	9 800	10.61	0.1
R shares	8 239 600	10.64	25.2

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

Capital Expenditure and Depreciation



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North America H1 2004

Stora Enso North America Business Results



USD million	2003	H1/03	H2/03	H1/04
Sales (1 000 tonnes)	2 707	1 345	1 362	1 336
Sales	1 887	933	954	918
EBITDA *1	95	39	56	17
EBITA *1	-184	-98	-86	-130
Capital Expenditure	182	74	109	120
Cash flow after Capex	-121	-71	-50	-100
Market-related downtime (1 000 tonnes)	79	49	30	0

*1 excluding non-recurring items

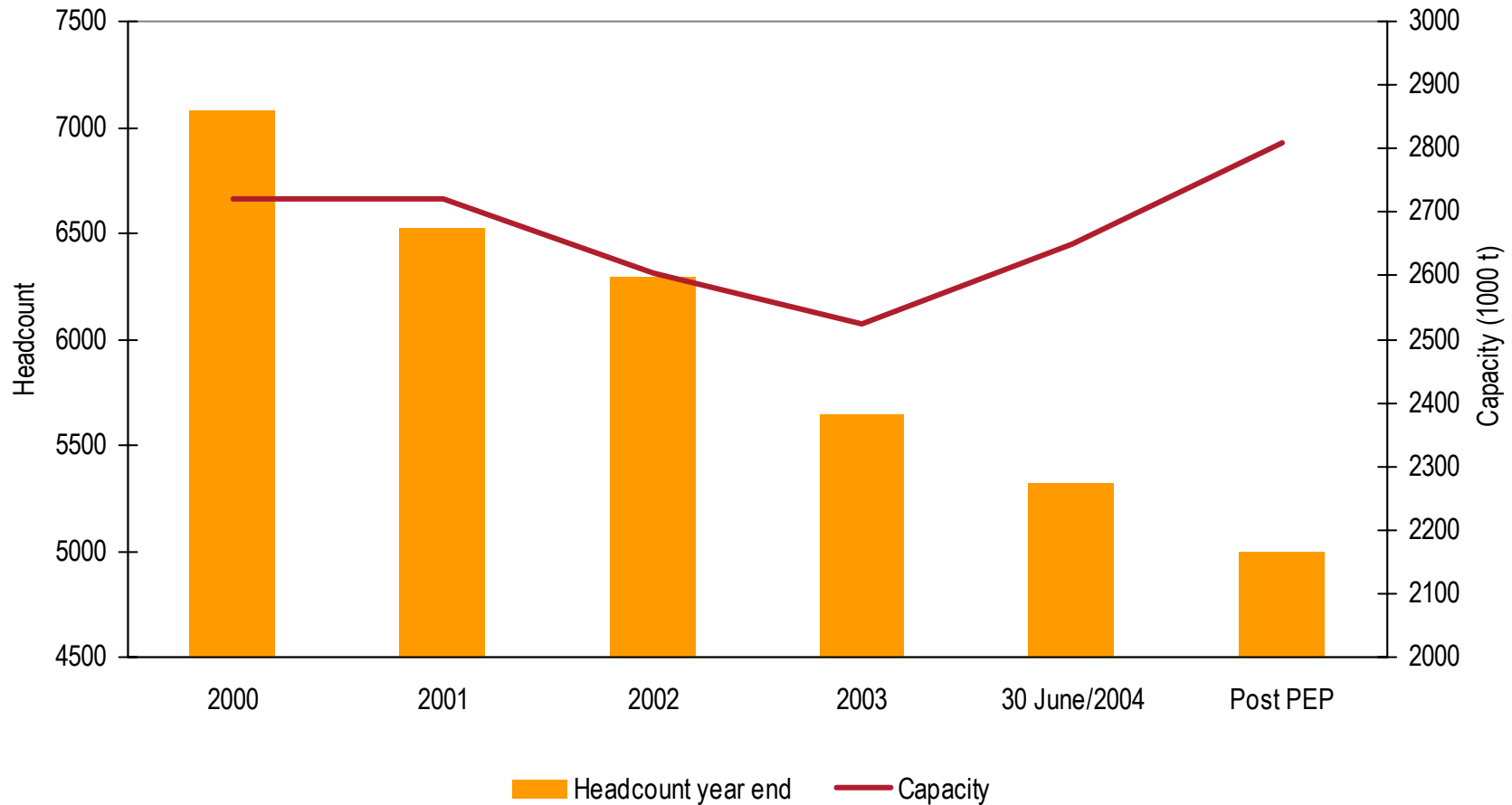
Stora Enso North America H1 2004 Results

- Impacted by:
 - Rebuild of PM 16 at Wisconsin Rapids mill and PM 97 at Kimberly mill
 - Lost production: 60 000 tonnes
 - Need to sell lower priced start-up qualities
 - Total financial impact: USD -40 million

Profit Enhancement Programme

- Proceeding as planned
- Significant positive impact on the division's profitability will first be evident during H2 2004
 - Cost reductions
 - Asset improvements
 - Product-mix enhancements
- Reduction of workforce by 15 % (900 employees) since August 2002
 - Workforce will be reduced further with about 300 employees to roughly 5 000 by mid 2005
- Three paper machines are permanently closed with a total annual capacity of 185 000 tonnes (compensated by asset improvements)
- By mid 2005 onwards annual earnings estimated to improve by USD 145 million

Stora Enso North America Development of Capacity and Headcount



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Market Outlook











Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper SC	→	↗	Demand improving; prices stable at the low levels
CMR	→	↗	Demand improving; industry pricing power challenging due to market imbalance
Newsprint	→	↗	Demand improving moderately
Fine Papers WFC	↗	↗	Demand improving; price increases partially implemented
WFU	↗	↗	Demand improving; price increases announced
Speciality Papers	→	↗	Demand up; order books healthy
Packaging Boards	→	→	Firm demand outlook; moderate price increases in some grades
Timber	→	→	Rather steady demand outlook; whitewood in balance; redwood prices under pressure due to heavy supply

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper SC			Order books good; price increases implemented in SC A+; additional price increases announced
CMR			Good demand; price increases implemented; additional price increases announced
Newsprint			New price increases announced
Fine Papers WFC			Order books strong; price increases are being implemented; additional price increases announced
Speciality Papers			Demand strong; price increases implemented

Summary

- Deliveries improved
- Operating profit decreased due to lower production volumes and cost associated with Midsummer stoppages
- The rebuilds of PM 16 at Wisconsin Rapids mill and PM 97 at Kimberly mill had a negative effect of USD 40 million on Stora Enso North America's profitability during H1 2004
- The economic outlook in Europe is more positive than in the first quarter
 - Moderate recovery is increasing paper demand especially in fine papers
- In North America print advertising expenditure continues to improve – and hence the demand for paper
 - Competing paper imports have moderated
- Stora Enso North America's financial performance is forecasted to improve significantly during the second half of the year as a result of the Profit Enhancement Programme and more favourable market conditions

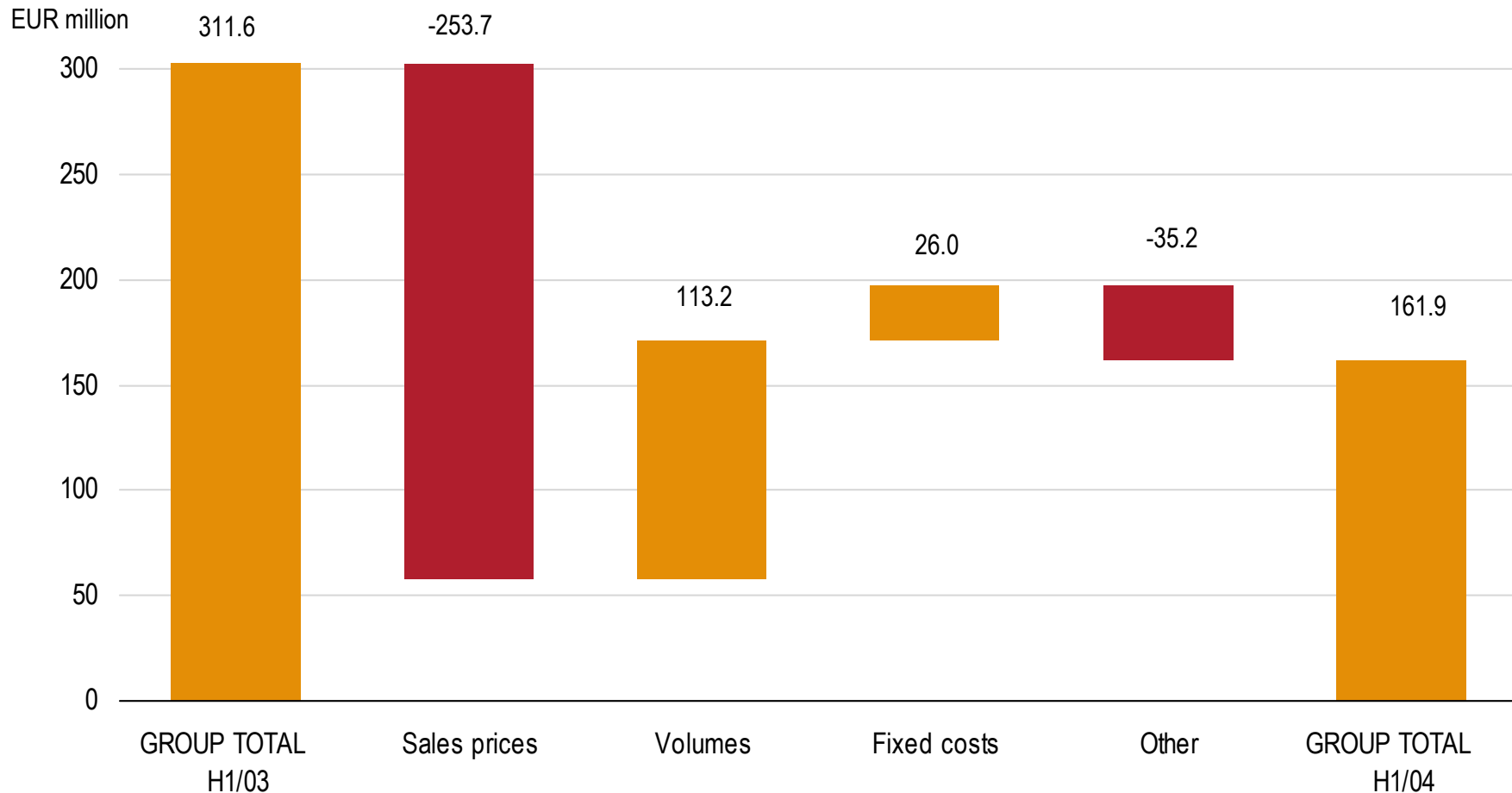
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Appendix

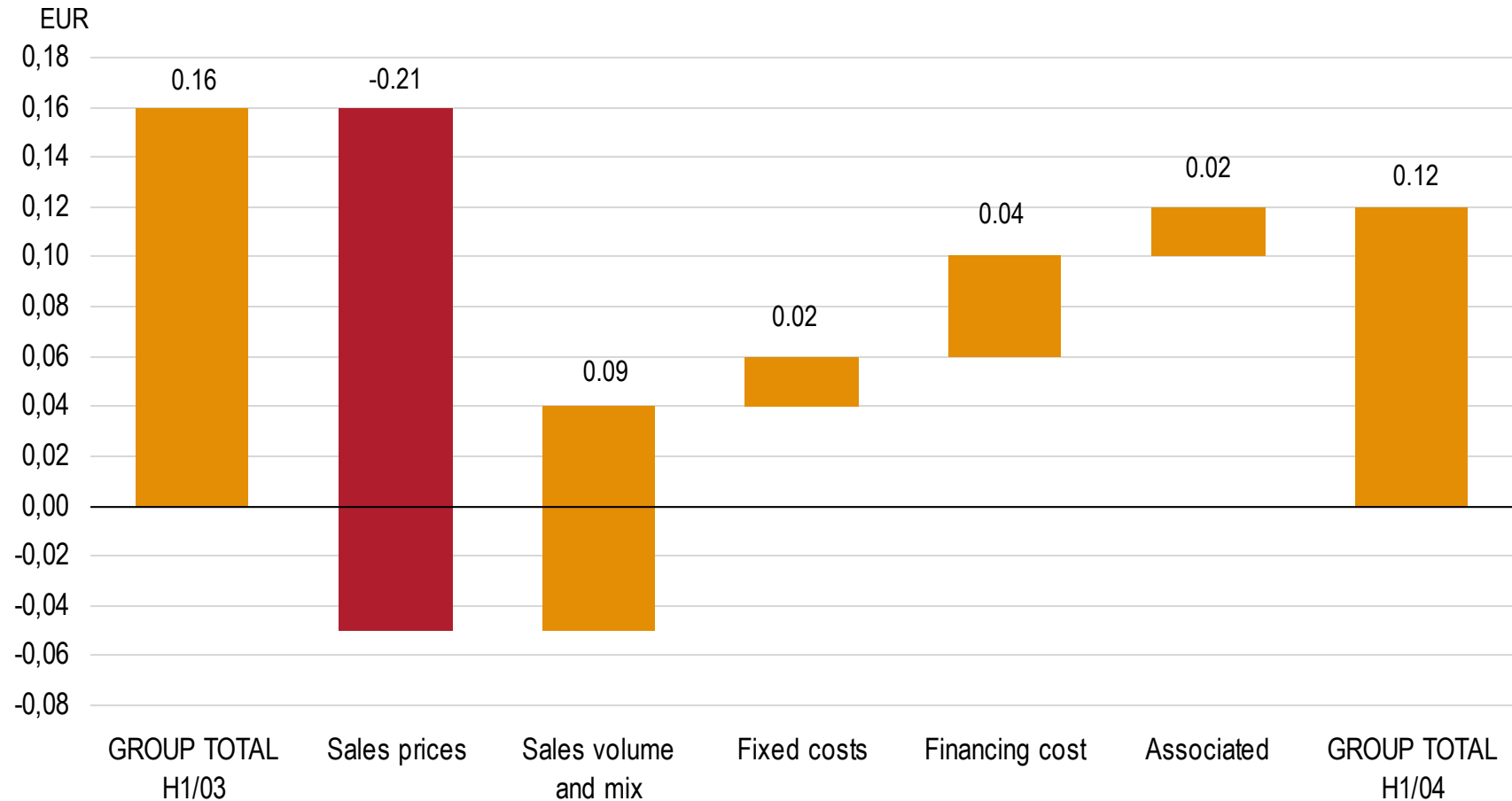
Operating Profit of Main Business Areas

EUR million	II/03	III/03	IV/03	I/04	II/04
Publication Paper	-6.0	39.2	42.3	8.7	-3.8
% sales	-0.6	3.6	3.8	0.9	-0.4
Fine Paper	40.3	23.1	9.4	18.1	4.6
% sales	5.1	2.9	1.2	2.3	0.6
Packaging	65.5	87.4	50.1	82.1	67.7
% sales	9.2	12.6	7.6	11.9	9.6
Wood Products	14.9	-4.7	9.3	11.4	21.3
% sales	3.9	-1.4	2.6	3.1	5.1

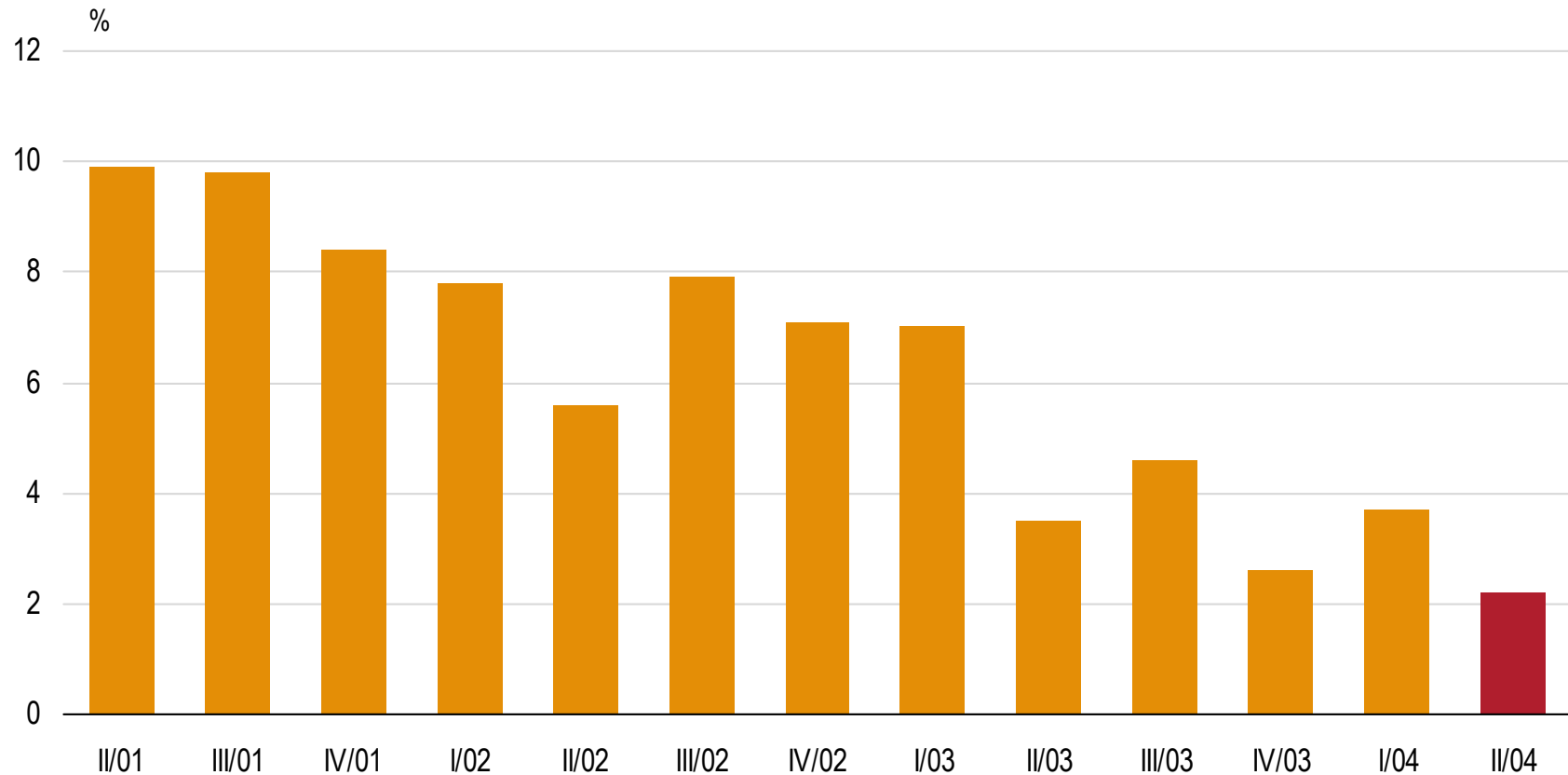
Change in Group Operating Profit from H1/2003 to H1/2004



Change in EPS H1/2003 vs H1/2004



ROCE by Quarter



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

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