

Responsibility & Performance

**July-September 2004
Results**

27 October 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	III/2004
Sales, EUR million	3 017.9	3 102.9	3 033.1
Operating profit ¹⁾ , EUR million	103.4	58.5	131.6
EPS, EUR	0.49	0.06	0.16
EPS ¹⁾ , EUR	0.06	0.06	0.10
Cash EPS ¹⁾ , EUR	0.41	0.43	0.45
Debt/Equity	0.39	0.42	0.41

- Demand continues to strengthen
- Profitability improved:
 - Greater production volumes
 - In North America:
 - Higher product prices
 - Positive impact from the Profit Enhancement Programme

Main Events

- Acquisition of Dutch paper merchant Scaldia Papier
 - Debt free transaction value EUR 30 million
- Co-operation agreement signed with Cham Paper Group's mill in Norway, to support wall paper base production at Stora Enso's Wolfsheck mill

Events after the Period

- Divestment of Finnantara plantation in Indonesia
 - Book value EUR 21 million; minor gain booked
- Second phase of the North European Transport Supply System was approved
 - 15 % annual cost savings from the current level of EUR 80 million to be realized from 2007 onwards
- Modification of newsprint machine 4 press section at Langerbrugge mill
 - Metso, the responsible machine supplier, will undertake the modification
 - 40 000 tonnes of production will be lost in early 2005

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Financial Figures

Summary Financials



EUR million	2003	III/03	I-III/03	I-III/04	I/04	II/04	III/04
Sales	12 172	2 987	9 144	9 154	3 018	3 103	3 033
EBITDA ¹⁾	1 711	440	1 334	1 176	394	363	418
Operating profit ¹⁾	526	137	448	294	103	59	132
Profit before tax ¹⁾	319	104	314	245	81	49	115
Net profit	138	45	182	590	407	52	131
EPS, EUR ¹⁾	0.24	0.08	0.24	0.23	0.06	0.06	0.10
EPS, basic, EUR	0.16	0.05	0.21	0.71	0.49	0.06	0.16
CEPS, EUR ¹⁾	1.63	0.44	1.28	1.29	0.41	0.43	0.45
ROCE, % ¹⁾	4.5	4.6	5.0	3.5	3.7	2.2	4.9
Debt/Equity	0.49	0.51	0.47	0.42	0.39	0.42	0.41

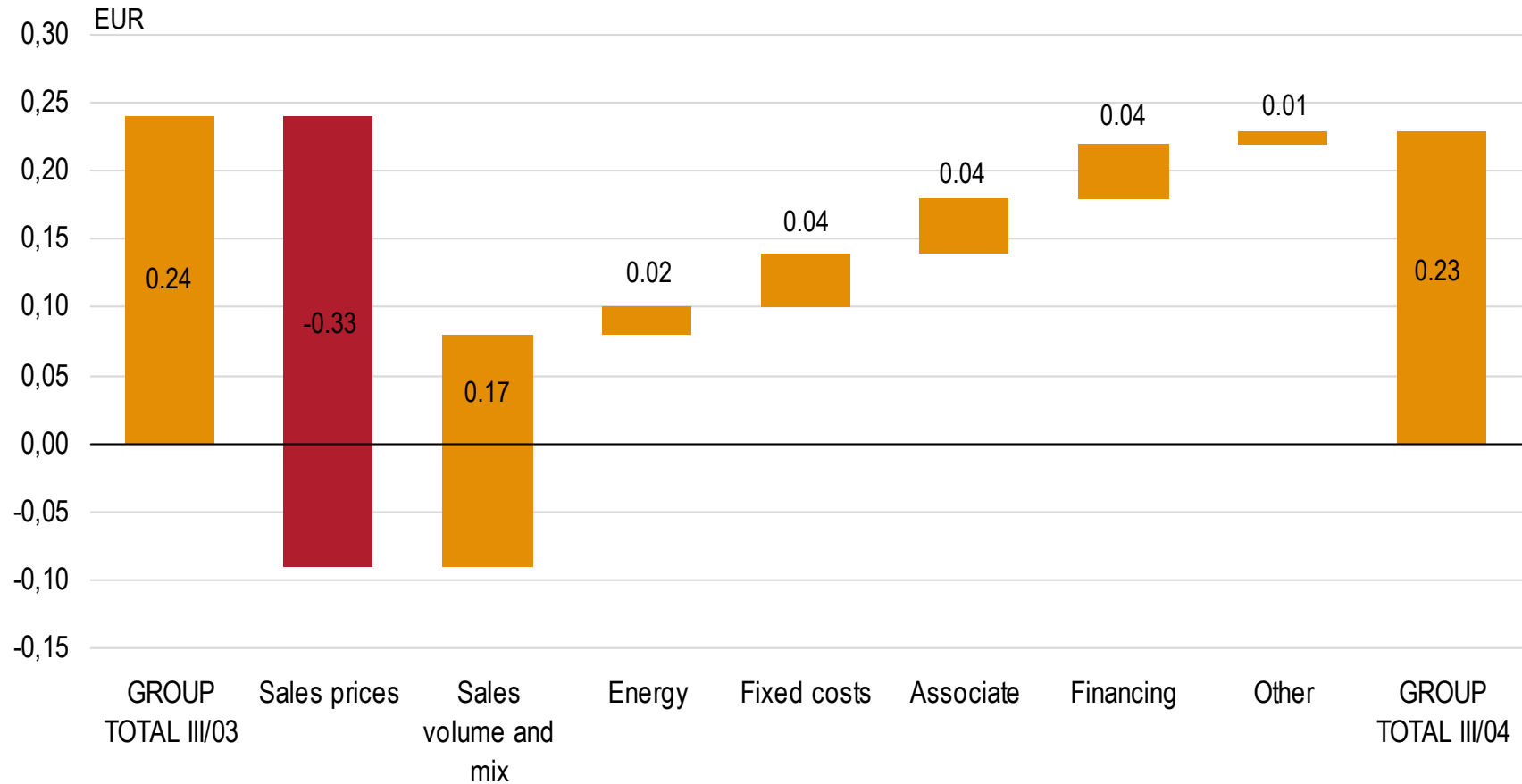
Net Financial Items

EUR million	II/03	III/03	IV/03	I/04	II/04	III/04
Net interest	-51.5	-49.9	-50.1	-42.0	-34.9	-31.8
Foreign exchange profit/loss	7.9	12.2	-10.5	4.8	-1.6	-1.5
Valuation of financial instruments	30.0	16.8	-4.6	13.6	5.9	5.7
Other financial items	2.3	-2.5	-2.5	3.3	4.4	0.6
Total	-11.3	-23.4	-67.7	-20.3	-26.2	-27.0

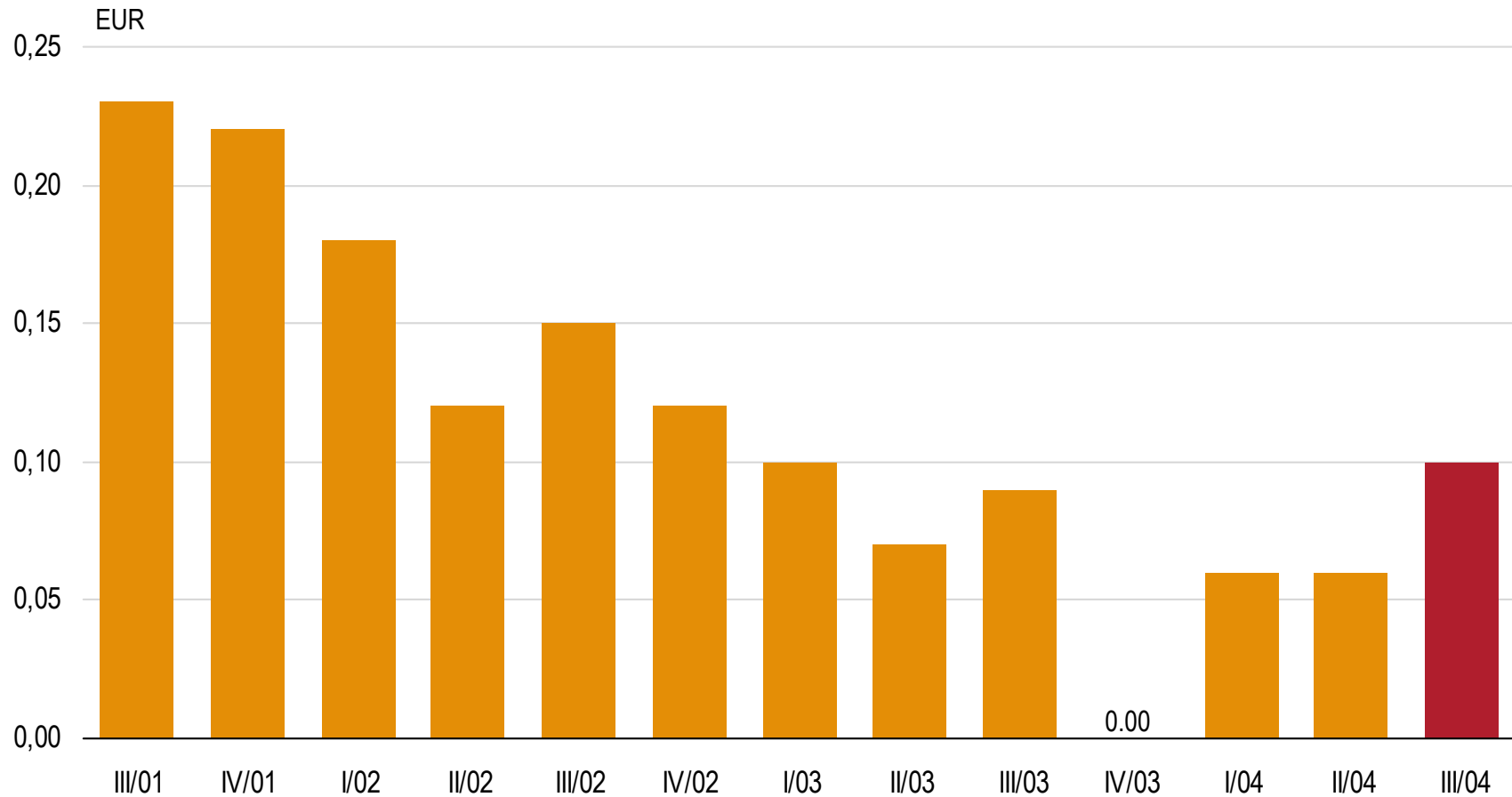
Market-related Curtailments

1000 tonnes	2003	Q1/03	Q2/03	Q3/03	Q4/03	Q1/04	Q2/04	Q3/04
Publication Papers	497	123	143	106	125	93	74	21
Fine Papers	176	64	32	37	43	12	8	3
Packaging Boards	109	15	25	27	42	20	16	37
Paper and Board Total	782	202	200	170	210	125	98	61
Europe	703	195	158	145	205	125	98	61
USA	79	7	42	25	5	-	-	-
Paper and Board Total	782	202	200	170	210	125	98	61

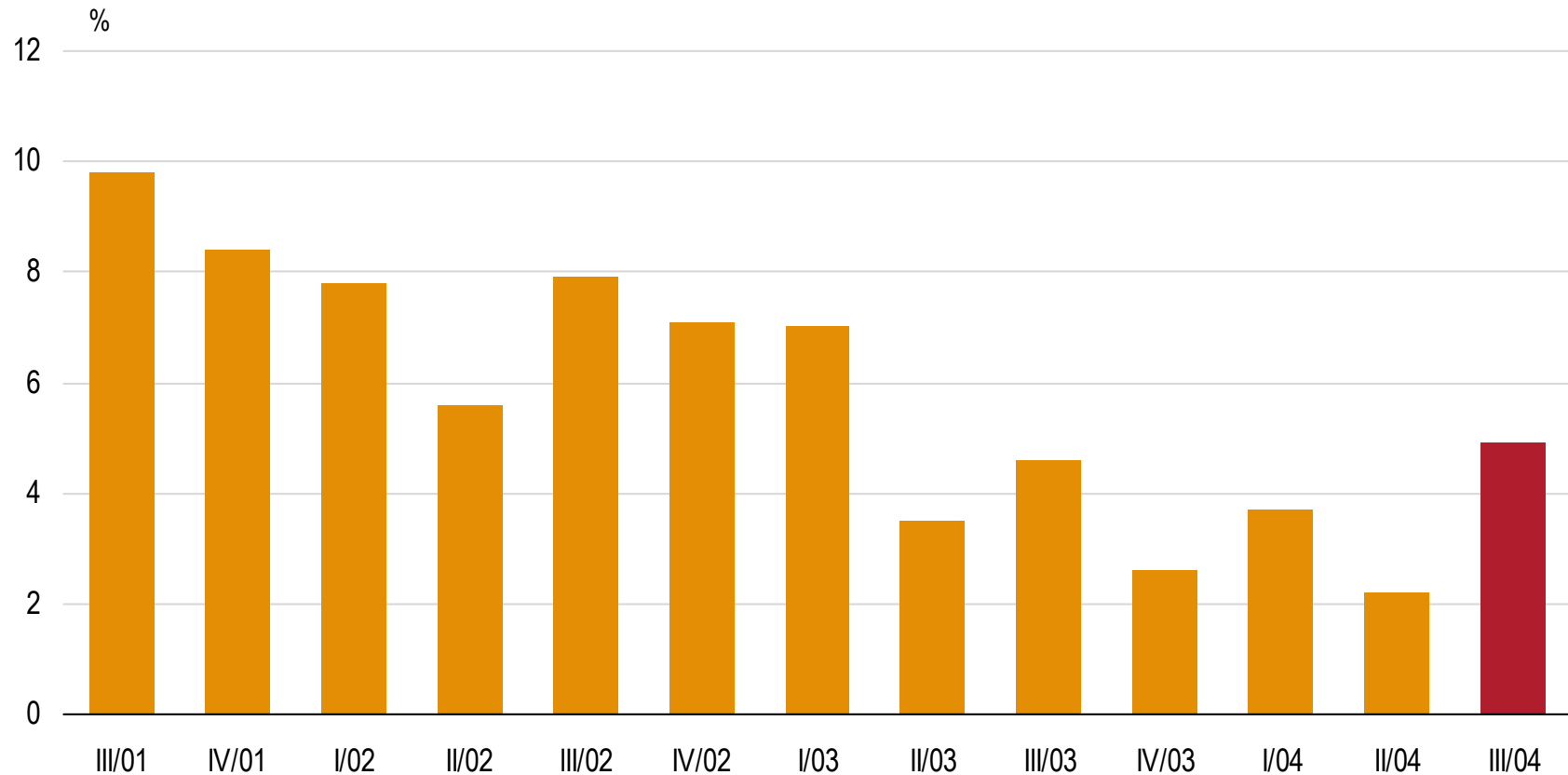
Change in EPS I-III/2003 vs I-III/2004



EPS by Quarter

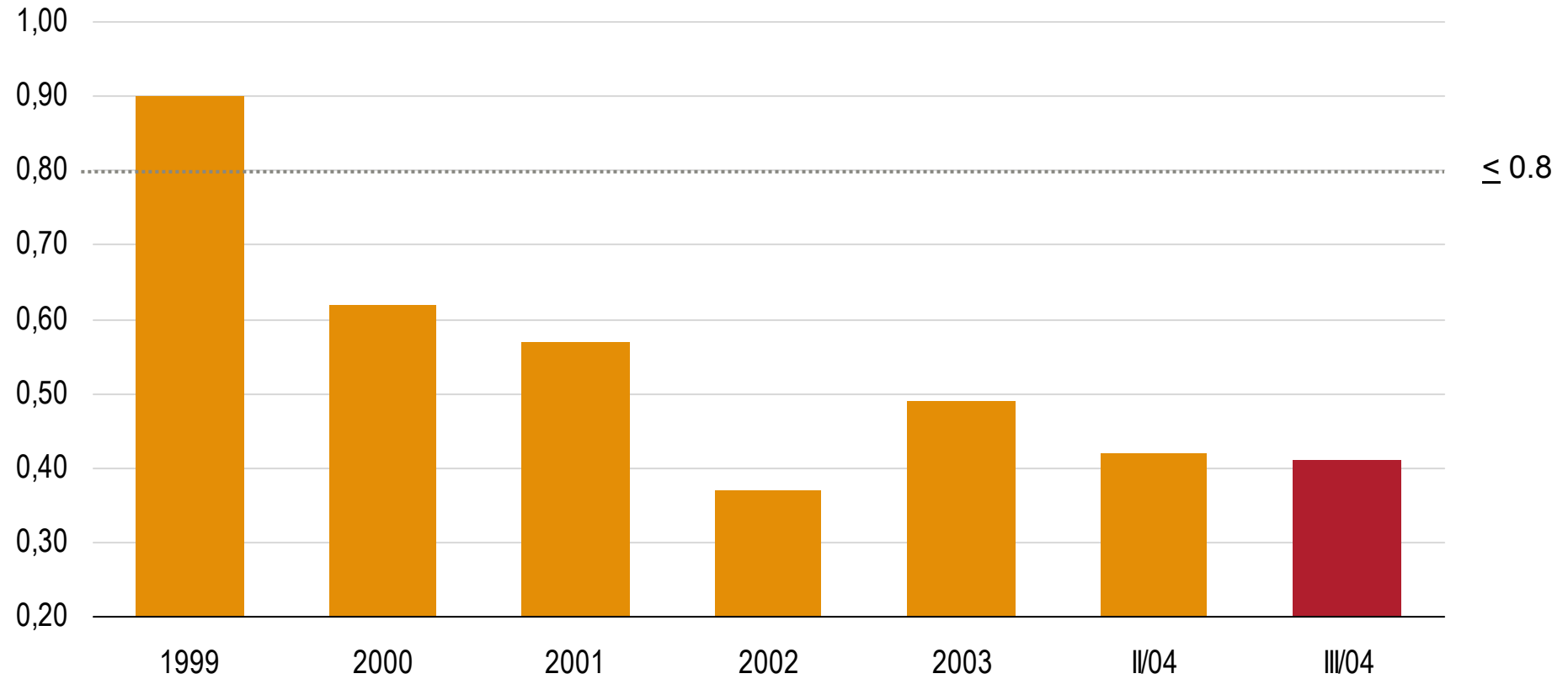


ROCE by Quarter



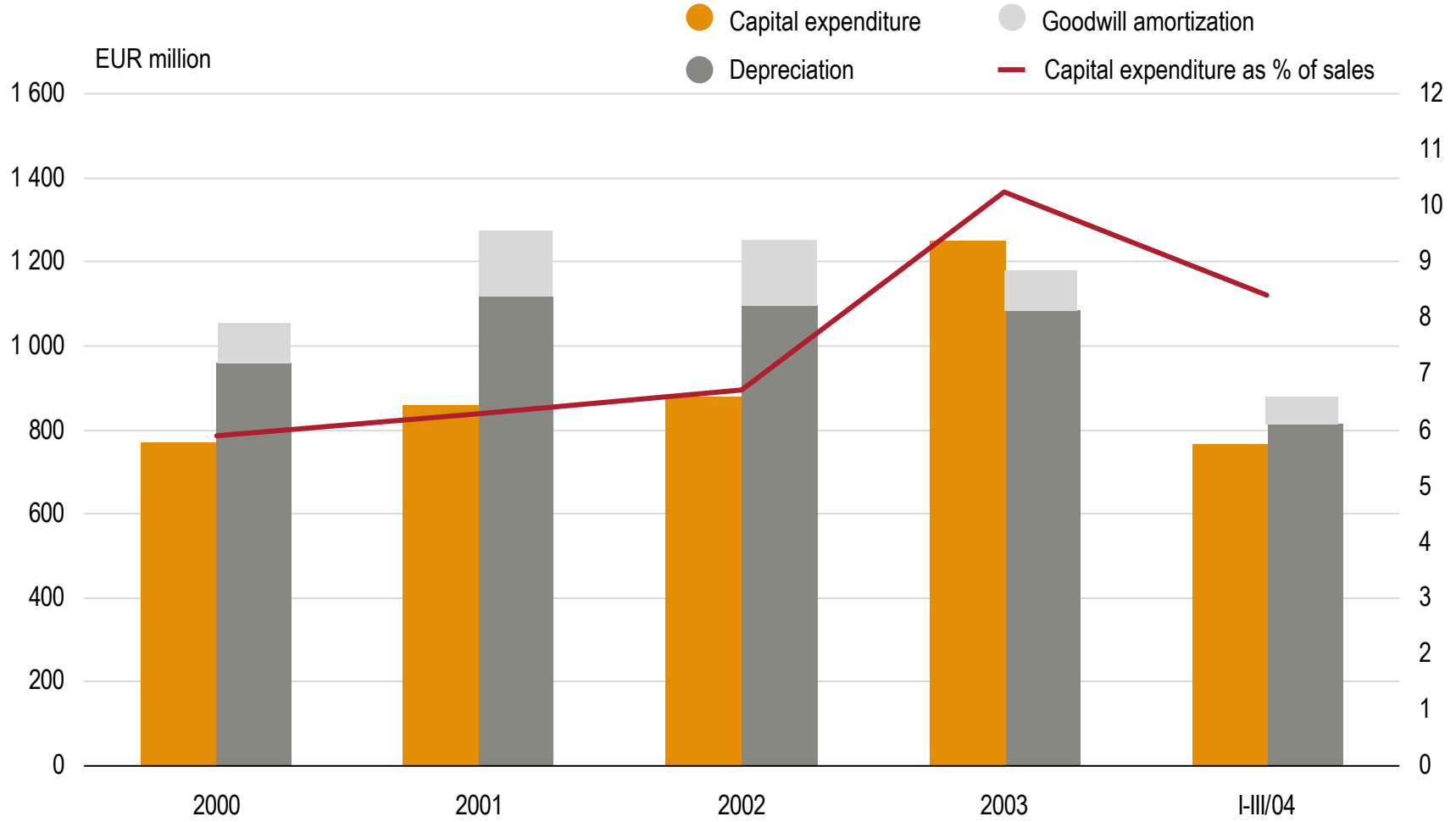
Target \geq 13% over the cycle (current WACC 8.7 %)

Debt/Equity



Target ≤ 0.8

Capital Expenditure and Depreciation



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 5 October 2004:

Shares	No. of shares purchased:	Average purchase price:	% of authorisation
A shares	12 300	10.65	0.1
R shares	12 926 600	10.69	39.5

















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

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Market Outlook











Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Paper SC			Demand continues to improve; prices expected to increase Q1 2005
CMR			Demand continues to improve; prices expected to increase Q1 2005
Newsprint			Demand continues to improve; prices expected to increase Q1 2005
Fine Papers WFC			Demand strong; price increases expected in Q4 2004
WFU			Demand strong; price increases expected in Q4 2004
Speciality Paper			Prices expected to be stable
Packaging Boards			Firm demand outlook; moderate price increases
Timber			Steady demand outlook; prices expected to be stable

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Paper SC			Demand remains strong; further price increases for spot customers, contract prices up Q1 2005
CMR			Demand remains strong; further price increases for spot customers, contract prices up Q1 2005
Newsprint			Demand stable; price increases partially implemented
Fine Papers WFC			Demand remains strong; further price increases expected Q4 2004
Speciality Papers			Demand slowing down seasonally; price increases implemented

Summary

- Demand strong in all paper grades both in Europe and North America
 - In Europe:
 - Price increases for publication papers expected in Q1 2005
 - Fine paper price increases are being partially implemented in Q4 2004
 - In North America:
 - Magazine paper prices to be increased for the spot customers in the fourth quarter and for contract customers in the beginning of next year
 - Further fine paper price increases to be expected in the fourth quarter
- North American Profit Enhancement Programme began to improve results
- Further weakening of the U.S. dollar and increasing oil prices may have a negative effect on the outlook
- The annual holiday shutdowns, mainly in Finland, will once again have a negative impact on the Group's fourth quarter results

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Appendix

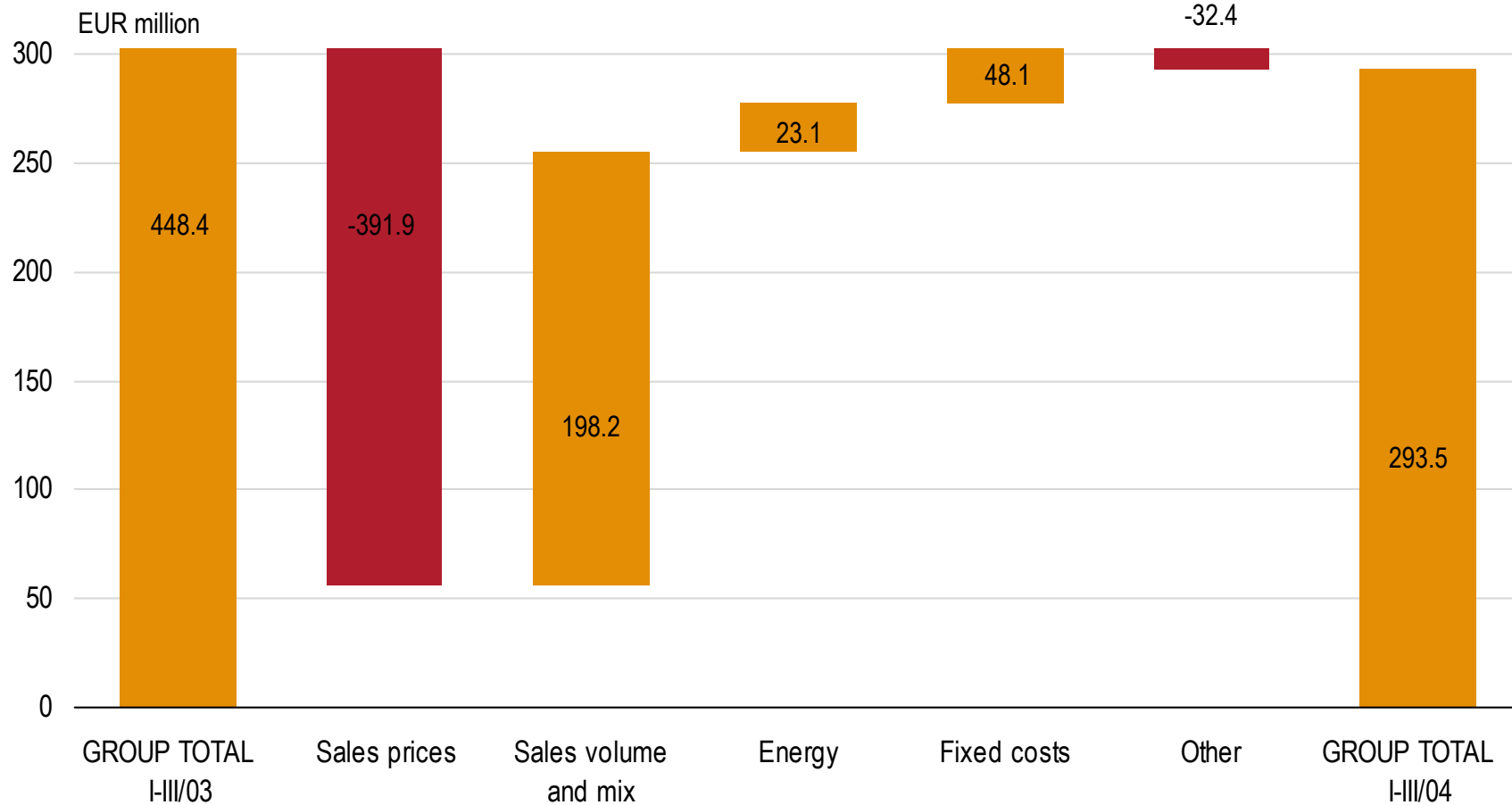
Operating Profit of Main Segments

EUR million	III/03	IV/03	I/04	II/04	III/04
Publication Paper	39.2	42.3	8.7	-3.8	48.2
% sales	3.6	3.8	0.9	-0.4	4.4
Fine Paper	23.1	9.4	18.1	4.6	27.9
% sales	2.9	1.2	2.3	0.6	3.5
Packaging	87.4	50.1	82.1	67.7	84.8
% sales	12.6	7.6	11.9	9.6	12.6
Wood Products	-4.7	9.3	11.4	21.3	10.9
% sales	-1.4	2.6	3.1	5.1	2.8

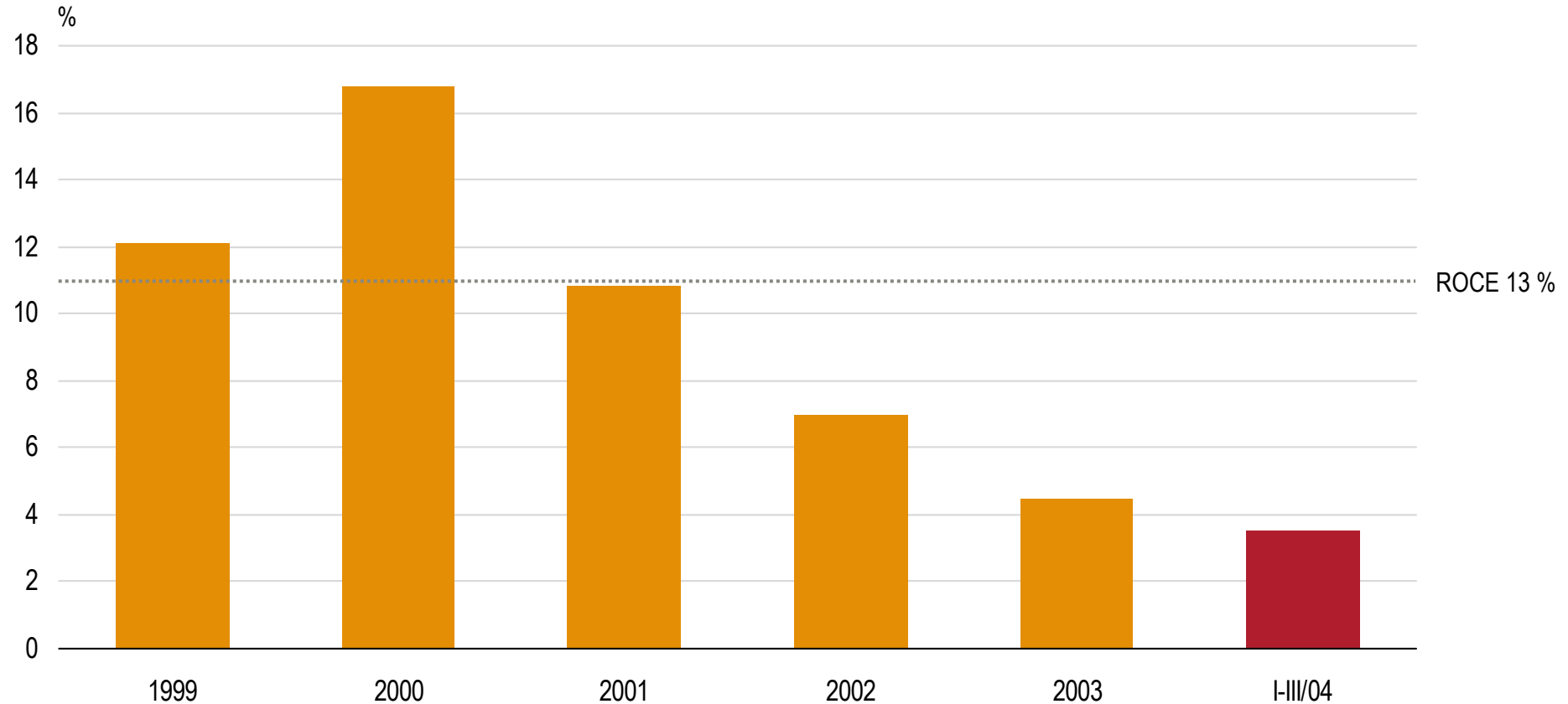
Non-recurring Items by Segments

EUR million	III/04
Publication Paper	30.8
Fine Paper	41.5
Other	1.8
Total	74.1

Change in Group Operating Profit from I-III/2003 to I-III/2004



ROCE



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

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