

Focus on the future

**April - June 2005
Results**

27 July 2005

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 Q2 2005



	I/2005	II/2005
Sales, EUR million	3 144.9	3 187.3
Operating profit*, EUR million	112.7	17.7
EPS*, EUR	0.07	0.00
EPS, EUR	0.07	-0.01
Cash EPS*, EUR	0.41	0.35
Debt/Equity	0.51	0.58

- Demand increased moderately for newsprint and uncoated fine papers and decreased slightly in coated fine paper
- Profitability was impacted by:
 - Finnish labour dispute
 - Strengthening of US dollar
 - Resumption of production after Q1 2005 rebuilds
 - Higher proportion of sales in Europe

*) excluding non-recurring items

Finnish Labour Dispute Effects

- Q2 2005 effects of the labour dispute
 - Lost production of paper and board 850 000 tonnes
 - Operating profit was decreased by about EUR 150 million
- Q3 2005 effects of the labour dispute
 - Lost production of paper and board 100 000 tonnes
 - Operating profit will be decreased by about EUR 40 million
- The new three year agreement changes labour practises significantly and contributes to the long term competitiveness of the Finnish forest products industry
 - Continuous production over holiday periods now possible
 - Increased flexibility of outsourcing

Profit Improvement Programmes



- **Profit 2007**

- Profit improvement target of EUR 300 million from mid 2007 onwards
- Efficiency improvements in production, sales, logistics, working capital management, sourcing and administration
- Closures and disposal of units with especially high costs or low long-term earnings potential
- More information is planned to be announced with the third quarter 2005 results

- **North American Profit Enhancement Programme**

- Proceeding; the anticipated financial benefits of USD 145 million p.a. are expected to be reached during the second half of 2005
- Labour negotiations not totally completed
- Personnel currently 5 200

Main Events in Q2 2005

- **Closing of the acquisition of the French merchant Papeteries de France**
- **Signing of memorandum of understanding to acquire German merchant Schneidersöhne Group**
- **Temporary lay-off of the employees of Veitsiluoto Sawmill in Finland**
 - Operations are unprofitable due to high wood and labour costs
 - 92 employees laid-off until at least the end of 2005
- **Two new bond loans of SEK 2 billion and EUR 500 million successfully completed**

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North America H1 2005

Stora Enso North America Business Results



USD million	2004	H1/04	H2/04	H1/05
Sales (1 000 tonnes)	2 820	1 336	1 484	1 400
Sales	1 997	918	1 079	1 171
EBITDA*	142	17	125	106
EBITA*	-140	-130	-10	-33
Capital Expenditure	204	120	84	73
Cash flow after Capex	-61	-100	39	33
Market-related downtime (1 000 tonnes)	7		7	

- The North American operations are expected to reach EBITA break-even during the third quarter of 2005

*excluding non-recurring items

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Financial Figures

Summary Financials



EUR million	2004	II/04	I/05	II/05
Sales	12 396	3 103	3 145	3 187
EBITDA*	1 511	361	389	298
Operating profit*	339	56	113	18
Operating profit	709	56	113	6
Profit before tax*	272	47	84	0
Net profit	741	50	59	-10
EPS*, EUR	0.26	0.06	0.07	0.00
EPS, basic, EUR	0.89	0.06	0.07	-0.01
CEPS*, EUR	1.67	0.43	0.41	0.35
ROCE*, %	3.0	2.1	4.1	0.6
Debt/Equity	0.38	0.43	0.51	0.58

*excluding non-recurring items

Net Financial Items

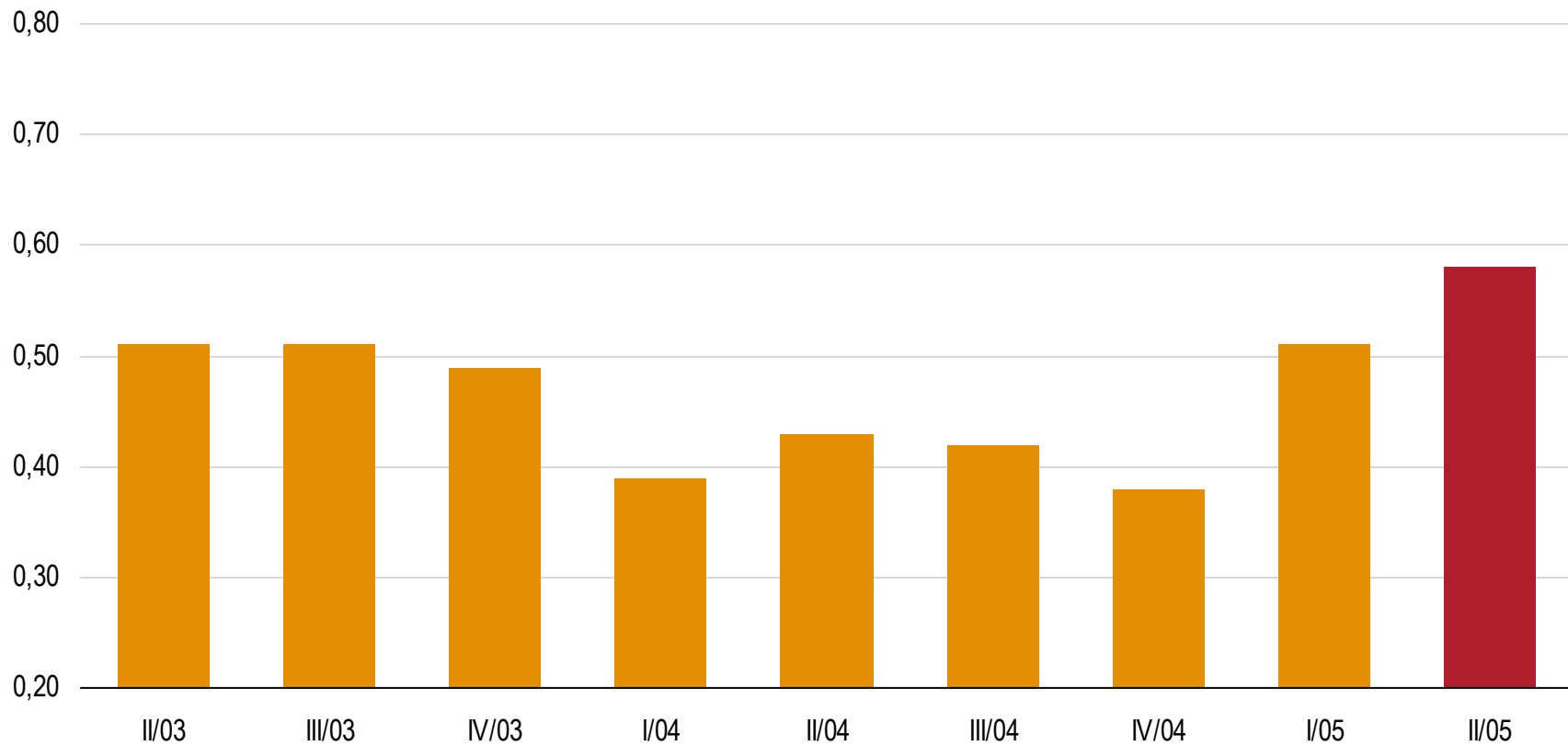


EUR million	II/04	III/04	IV/04	I/05	II/05
Net interest	-34.9	-31.8	-32.6	-27.6	-40.2
Foreign exchange profit/loss	-1.6	-1.5	-2.8	5.7	11.2
Valuation of financial instruments	5.9	5.7	7.1	-19.2	-12.8
Other financial items	4.4	0.6	-4.2	-2.0	7.2
Total	-26.2	-27.0	-32.5	-43.1	-34.6

- Higher interest cost owing to increased net debt in Q2 2005
- Estimated quarterly interest expense about EUR 37-40 million for Q3 and Q4 2005

excluding non-recurring items

Debt/Equity



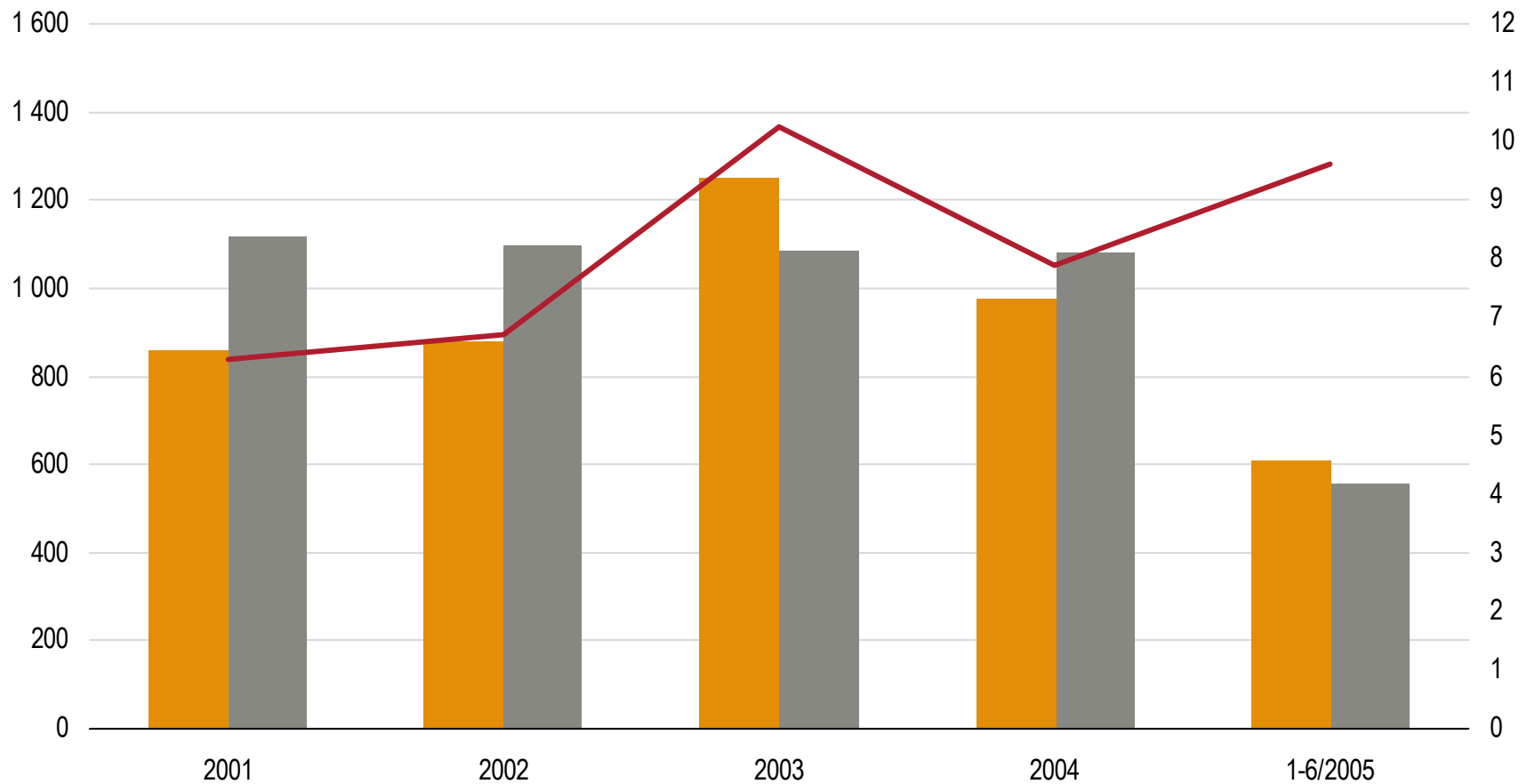
Target ≤ 0.8

Capital Expenditure and Depreciation



- Capital expenditure
- Depreciation
- Capital expenditure as % of sales

EUR million



Share Buy-Back Programme



Current programme approved by AGM 2005 to end 21 March 2006. Allows repurchase up to :

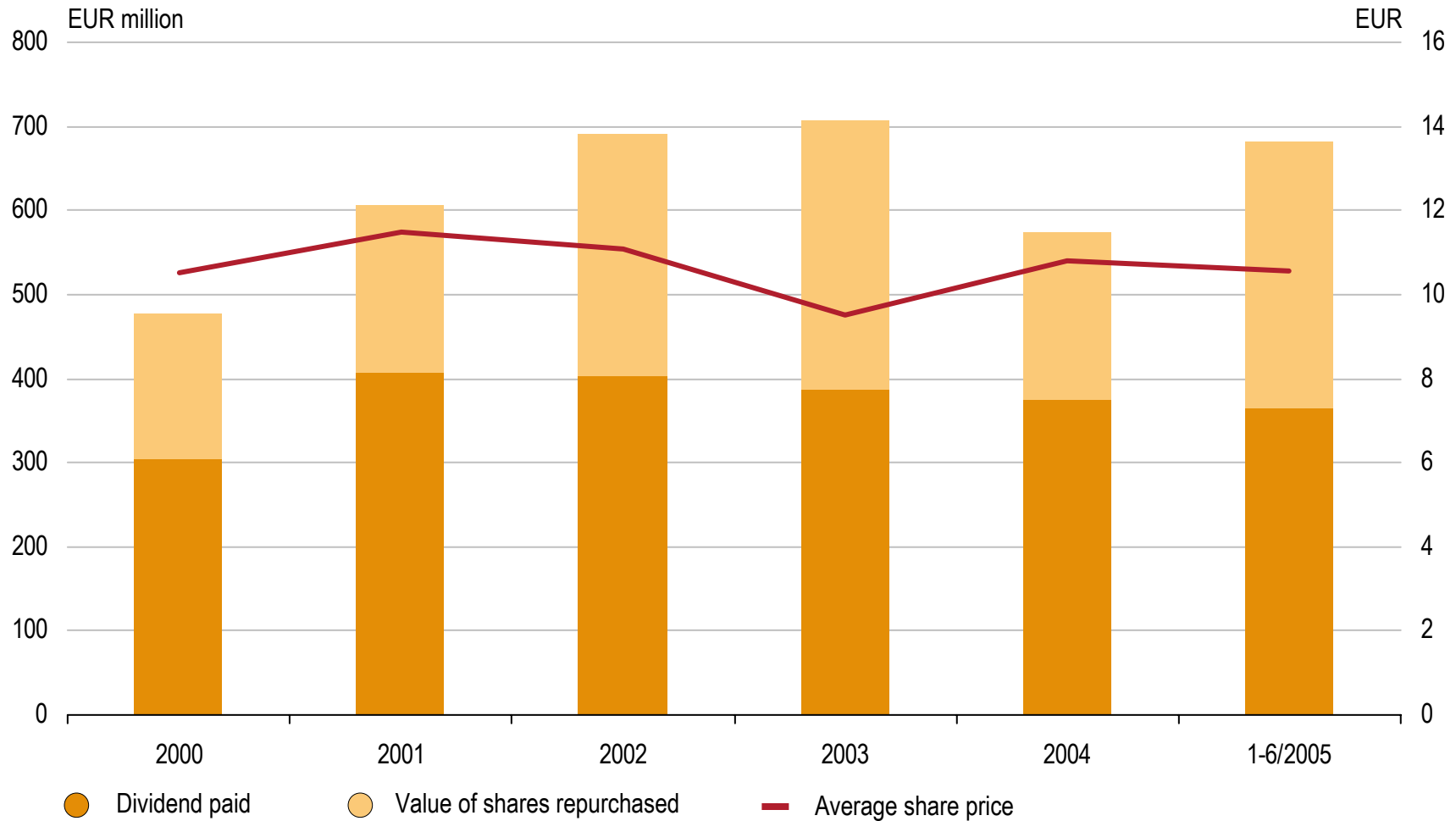
A shares	17 900 000
R shares	62 150 000

Status through 7 July 2005:

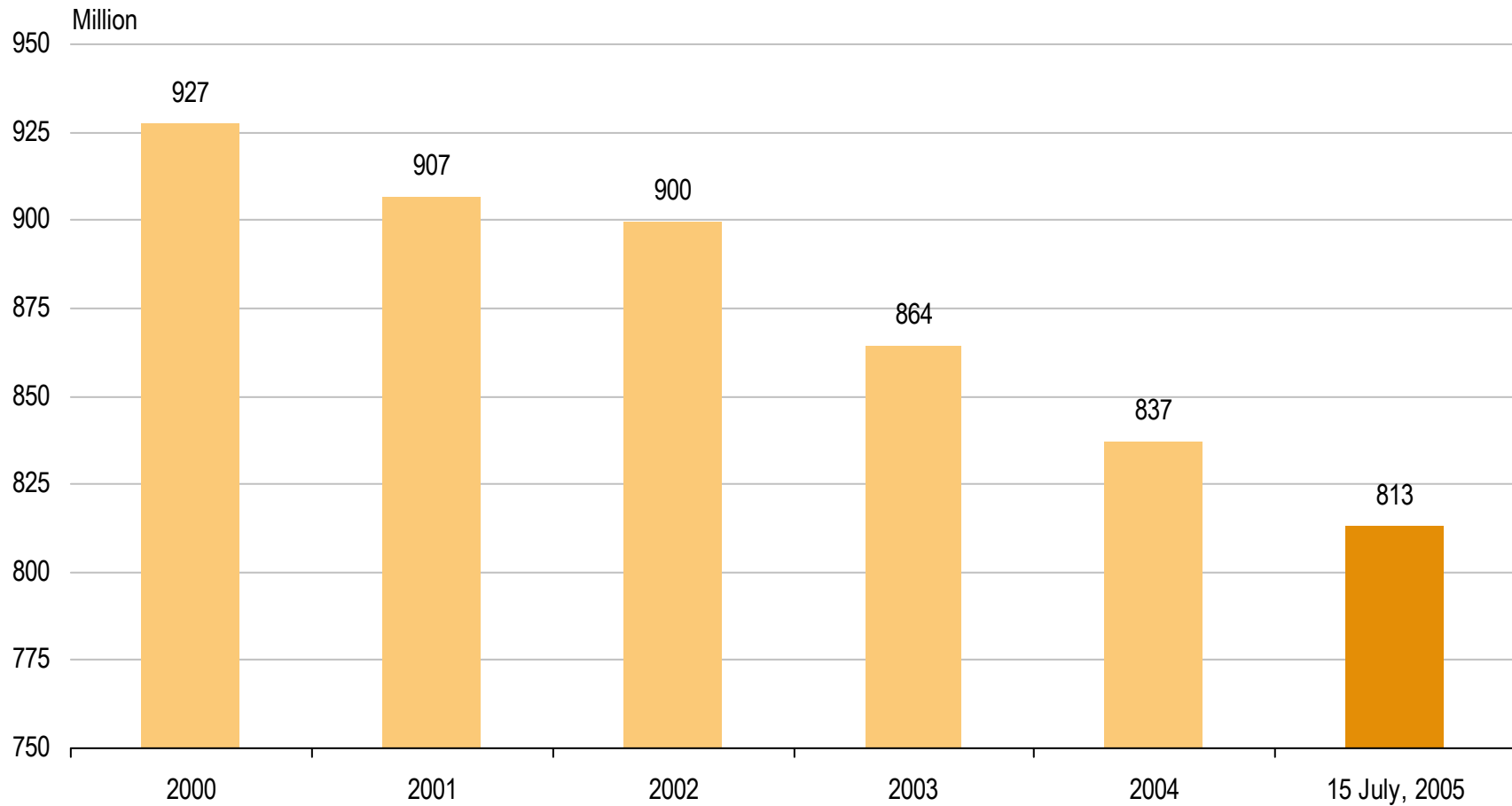
Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	35 600	10.74	0.2
R shares	20 797 100	10.55	33.5

	2002	2003	2004	15 July 2005
Total shares in issue:	899 778 299	864 262 499	837 243 399	812 977 099

Dividend and Share Repurchases



Shares Outstanding



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Market Outlook

Near-term Market Outlook

Western Europe



	Price	Demand	Comments
Magazine Papers			
SC	→	↗	Demand firm and prices stable
CMR	→	↗	Demand firm and prices stable
Newsprint	→	↗	Demand firm and prices stable
Fine Papers			
WFC	→	↗	Demand healthy; prices are expected to remain fairly stable
WFU	→	↗	Upturn in demand; price pressure easing
Packaging Boards	→	→	Anticipated stable prices and demand
Wood Products	→	↗	Market balance expected to remain good; improving price outlook

Near-term Market Outlook

North America



	Price	Demand	Comments
Magazine Papers			
SC	➔	➔	Improved demand; prices forecasted to rise mainly for non-contractual business
CMR	➔	➔	Improved demand; prices forecasted to rise mainly for non-contractual business
Newsprint	➔	➔	Demand rather weak; prices expected to rise due to favourable supply and demand balance
Fine Papers			
WFC	➔	➔	Seasonal pick-up in demand; prices should remain stable

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**Summary and
Conclusions**

Summary

- The Finnish labour dispute ended 1 July 2005
 - Significant changes in labour practises
 - In Q2 EBIT impacted negatively by about EUR 150 million
 - In Q3 EBIT expected to be impacted negatively by about EUR 40 million
- In Europe:
 - Demand for advertising-driven paper grades expected to remain good
 - Finnish labour dispute has decreased inventories in the value chain
- In North America:
 - Seasonal pick-up for magazine and coated fine paper demand; some price increases expected
- In Asia demand growing; prices under pressure due to new capacity

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Appendix

Reporting Veracel

- Veracel is reported as an associated company according to the equity accounting method
 - Stora Enso's share of Veracel's pre-tax profit is shown as part of "associated company" line
 - Veracel reports in Brazilian reals and Stora Enso in euros
 - Impact of currency changes
- Stora Enso buys the pulp from Veracel according to the "cost plus" method and invoices its mills at market price of pulp
 - The result is included in Fine Paper segment

Operating Profit of Main Business Areas

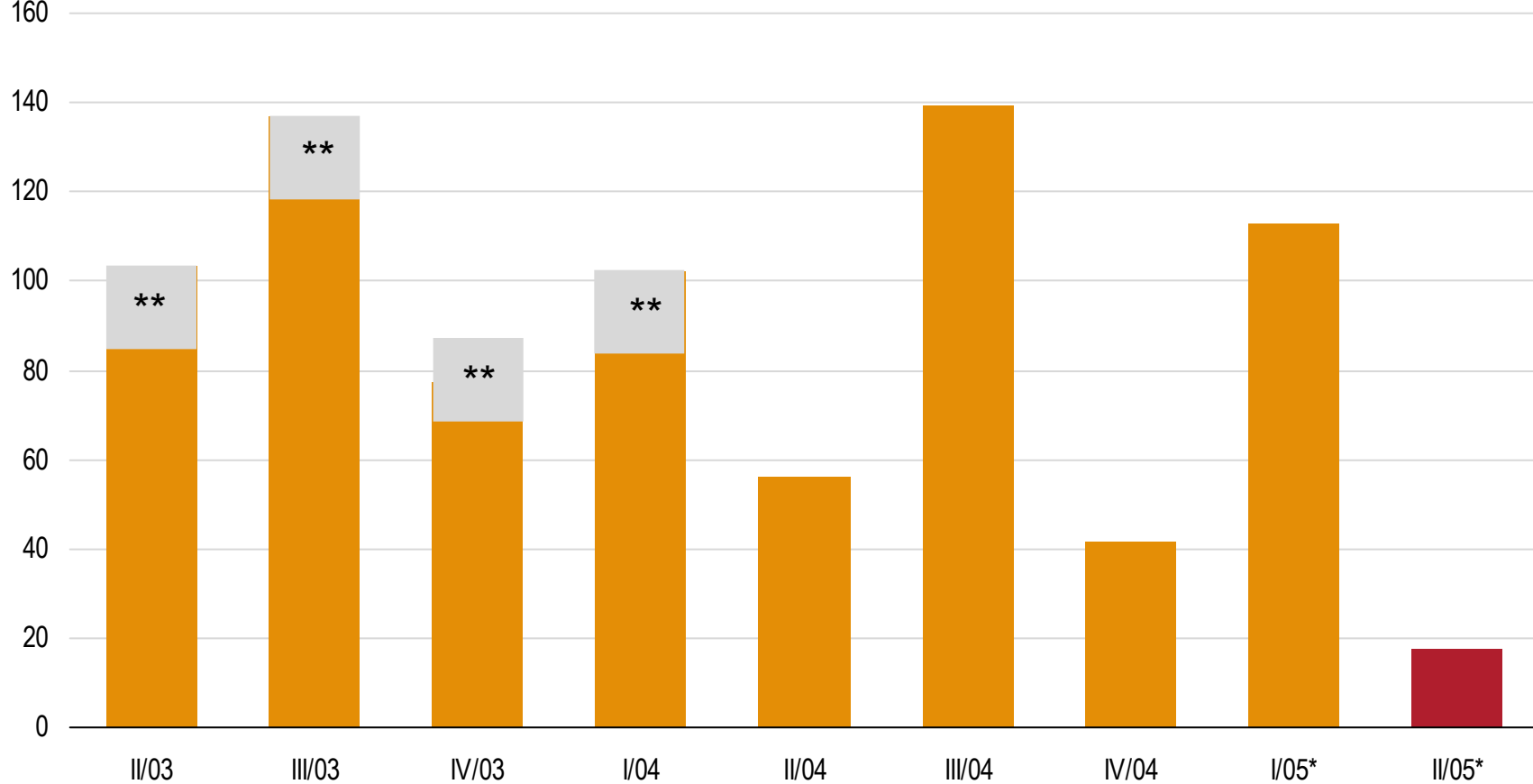
EUR million	II/04	III/04	IV/04	I/05	II/05
Publication Paper	-3.8	48.2	38.2	20.0	31.1
% sales	-0.4	4.4	3.3	1.9	2.7
Fine Paper	4.6	27.9	13.7	47.8	-14.1
% sales	0.6	3.5	1.7	5.7	-2.3
Packaging Boards	67.7	84.8	43.0	73.7	11.9
% sales	9.6	12.6	6.1	10.2	1.5
Wood Products	21.3	10.9	-8.9	-4.0	9.9
% sales	5.1	2.8	-2.3	-1.1	2.3

excluding non-recurring items

Operating Profit by Quarter

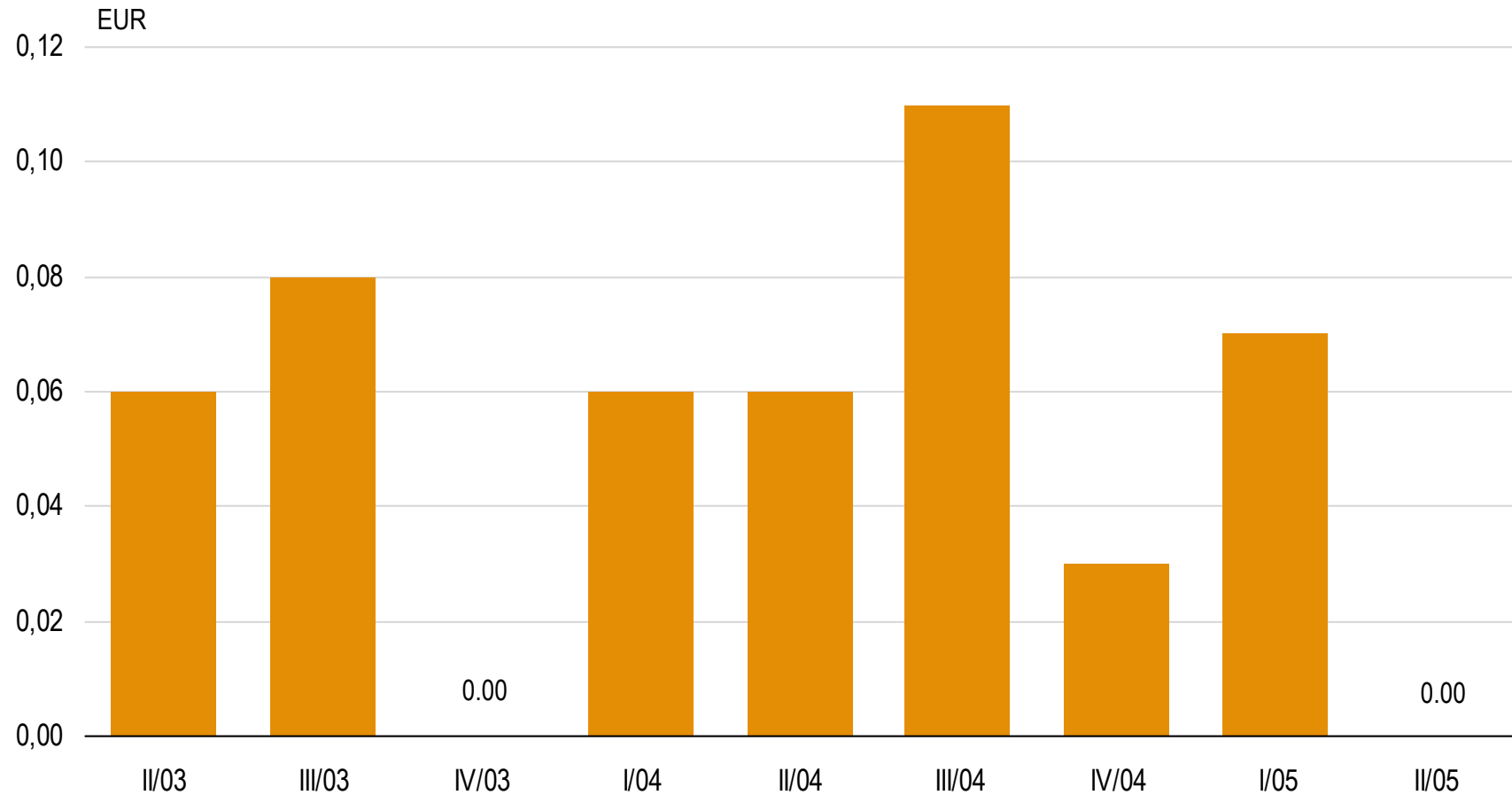


EUR million



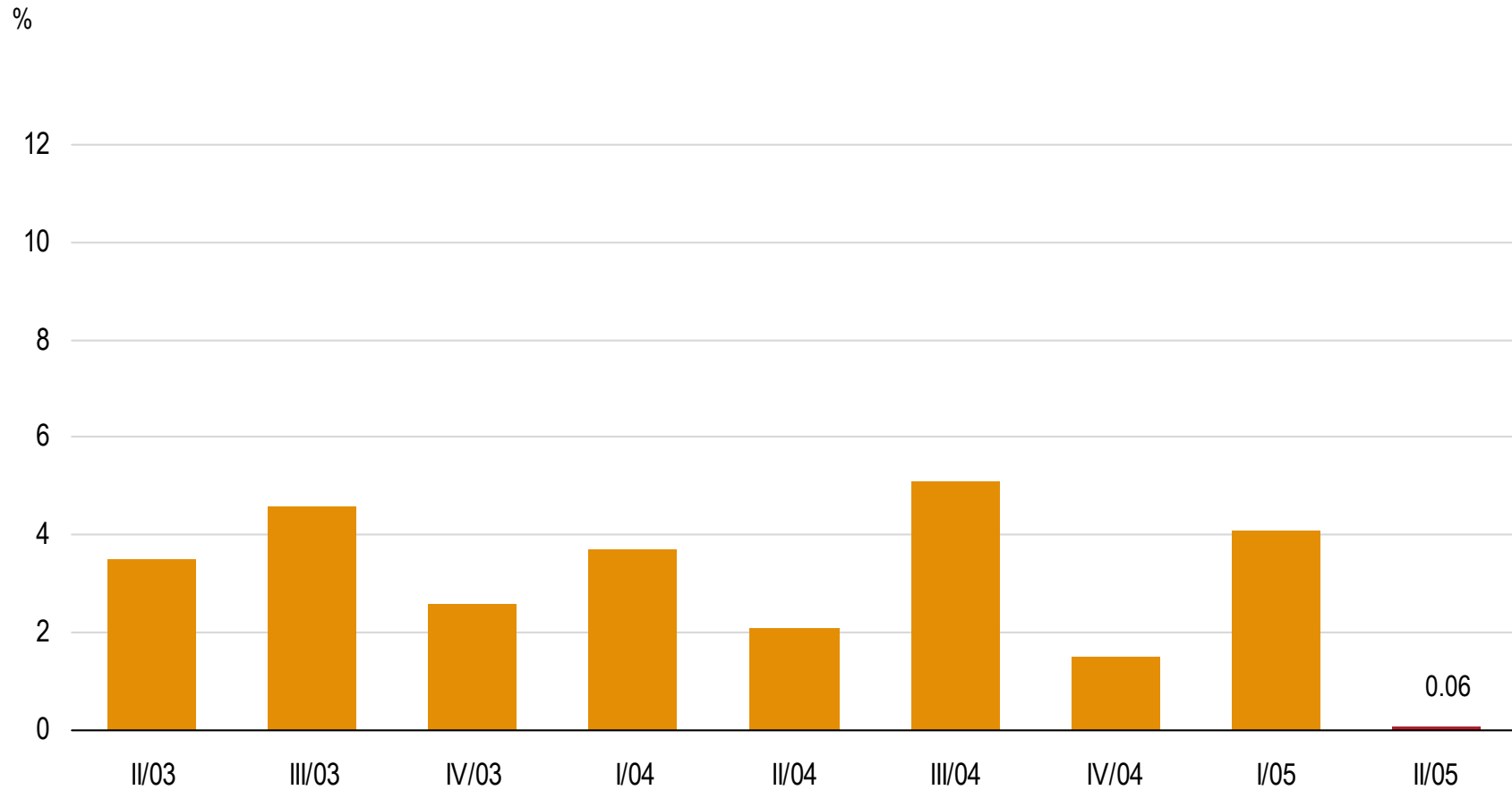
excluding non-recurring items
*no goodwill amortisation in 2005
** structural effect from Swedish forestland

EPS by Quarter



excluding non-recurring items

ROCE by Quarter



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

excluding non-recurring items

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