

Focus on the future

Stora Enso Conference Call

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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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Introduction

Strategic frame, Profit 2007 and APR

- The pulp and paper industry and Stora Enso as a company are suffering from poor profitability
- Stora Enso's actions:
 - EUR 300 million profit improvement program (“Profit 2007”)
 - Initiation of Asset Performance Review (“APR”)
 - Planned closures and divestments of several production units with poor profitability track record and negative outlook
 - Safeguarding the competitiveness of our European platform with continued development of our core assets in Europe
 - Investments in new growth markets

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**Financial Results
for Q3 2005 and
Market Outlook**

Highlights Q3 2005

	III/2004	II/2005	III/2005
Sales, EUR million	3 033.1	3 187.3	3 219.2
Operating profit*, EUR million	139.1	17.7	106.2
EPS*, EUR	0.11	0.00	0.08
EPS, EUR	0.16	-0.01	0.08
Cash EPS*, EUR	0.46	0.35	0.44
Debt/Equity	0.42	0.58	0.62
ROCE*, %	5.1	0.6	3.7

- Paper and board deliveries increased
- Publication paper prices increased in North America
- Profitability was negatively impacted by:
 - Finnish labour dispute EUR 40 million
 - Investment and maintenance stoppages EUR 20 million
 - Non-cash EUR 10 million valuation of share-based compensation

*) excluding non-recurring items

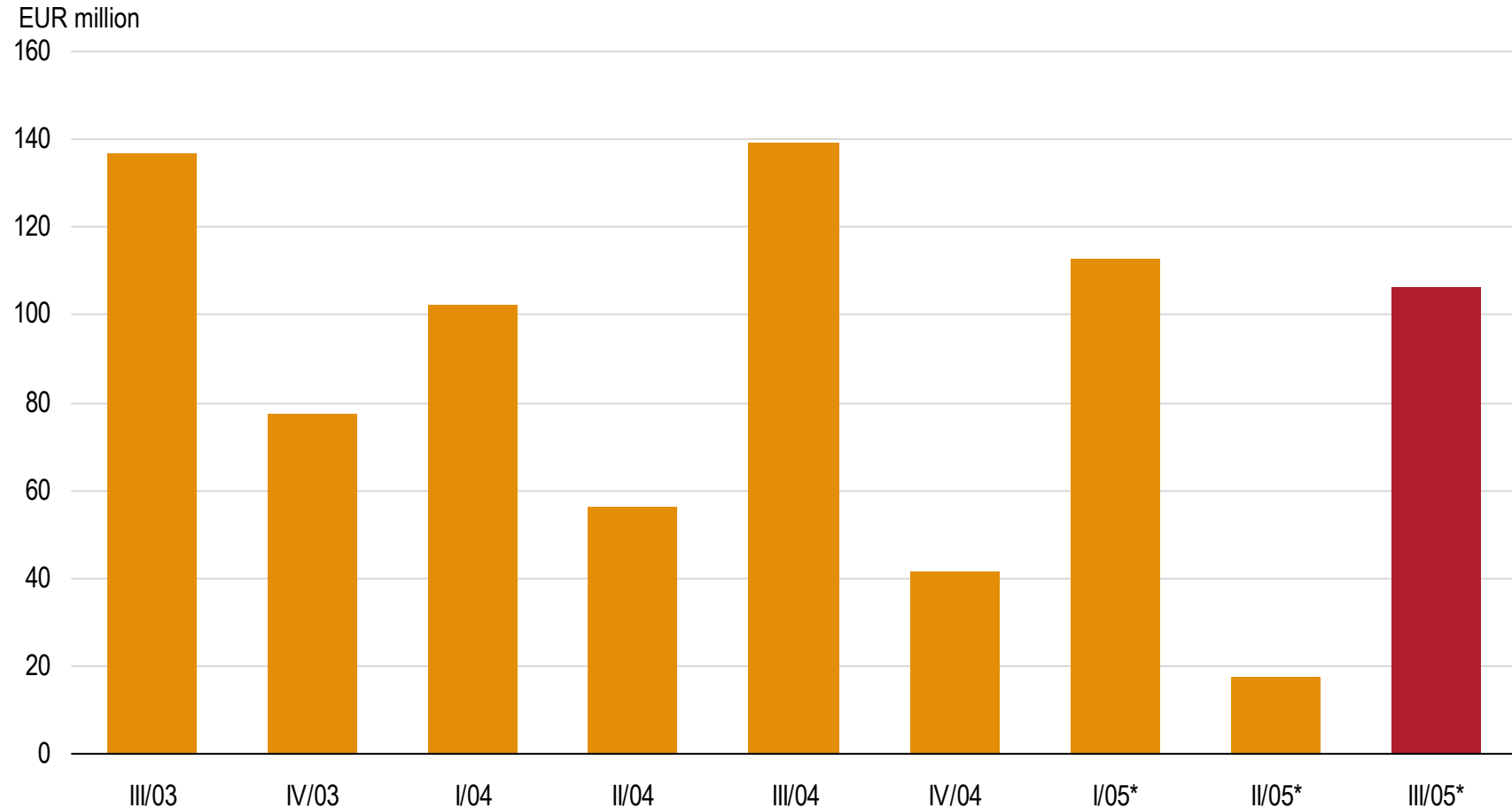
Net Financial Items

EUR million	III/04	IV/04	I/05	II/05	III/05
Net interest	-31.8	-32.6	-27.6	-40.2	-43.8
Foreign exchange profit/loss	-1.5	-2.8	5.7	11.2	-3.7
Valuation of financial instruments	5.7	7.1	-19.2	-12.8	27.6
Other financial items	0.6	-4.2	-2.0	7.2	-5.1
Total	-27.0	-32.5	-43.1	-34.6	-25.0

- Higher interest cost mainly due to acquisition of Schneidersöhne owing to increased net debt in Q3 2005
- Estimated quarterly interest expense about EUR 37-40 million for Q4 2005

excluding non-recurring items

Operating Profit by Quarter



excluding non-recurring items
*no goodwill amortisation in 2005

Summary Financials

EUR million	2004	III/04	II/05	III/05
Sales	12 396	3 033	3 187	3 219
EBITDA*	1 511	426	298	389
Operating profit*	339	139	18	106
Operating profit	709	213	6	106
Profit before tax*	272	122	0	93
Net profit	741	136	-10	66
EPS*, EUR	0.26	0.11	0.00	0.08
EPS, basic, EUR	0.89	0.16	-0.01	0.08
CEPS*, EUR	1.67	0.46	0.35	0.44
ROCE*, %	3.0	5.1	0.6	3.7
Debt/Equity	0.38	0.42	0.58	0.62

*excluding non-recurring items

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 12 October 2005:

Shares	Number of shares purchased:	Average purchase price:	% of authorisation
A shares	38 600	10.74	0.2
R shares	23 164 400	10.59	37.3

	2002	2003	2004	17 Oct 2005
Total shares in issue:	899 778 299	864 262 499	837 243 399	812 977 099

Near-term Market Outlook

Western Europe

	Price	Demand	Comments
Magazine Papers			
SC	→	↗	Increasing demand; prices forecasted to be stable
CMR	→	↗	Increasing demand; prices forecasted to be stable
Newsprint	→	↗	Demand improving, but prices stable for the rest of the year
Fine Papers			
WFC	→	↗	Demand improving seasonally; prices are expected to remain stable
WFU	↗	↗	Demand seasonally improving and prices are expected to increase
Packaging Boards	↗	→	Anticipated stable demand and some price increases
Wood Products	→	→	Market balanced; price outlook stable

Near-term Market Outlook

North America

	Price	Demand	Comments
Magazine Papers			
SC			Firm demand; price increase has been announced
CMR			Firm demand; price increase has been announced
Newsprint			Weak demand; price increase has been announced
Fine Papers			
WFC			Seasonal increase in demand; prices forecasted to remain stable

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**Stora Enso Creates Platform
for Stronger Financial
Performance**

Identified Profit Improvement Actions

• **Production costs** **EUR 160 million (53%)**

- ✓ Raw material & energy costs
- ✓ Maintenance costs
- ✓ Production personnel & other

• **Support & administration costs** **EUR 120 million (40%)**

- ✓ Shared services
- ✓ Review of headquarter operations
- ✓ Integration of administration

• **Sales & production mix** **EUR 20 million (7%)**

- ✓ Product & market mix changes
- ✓ Improved efficiency

**EUR 300 million
(before tax)**

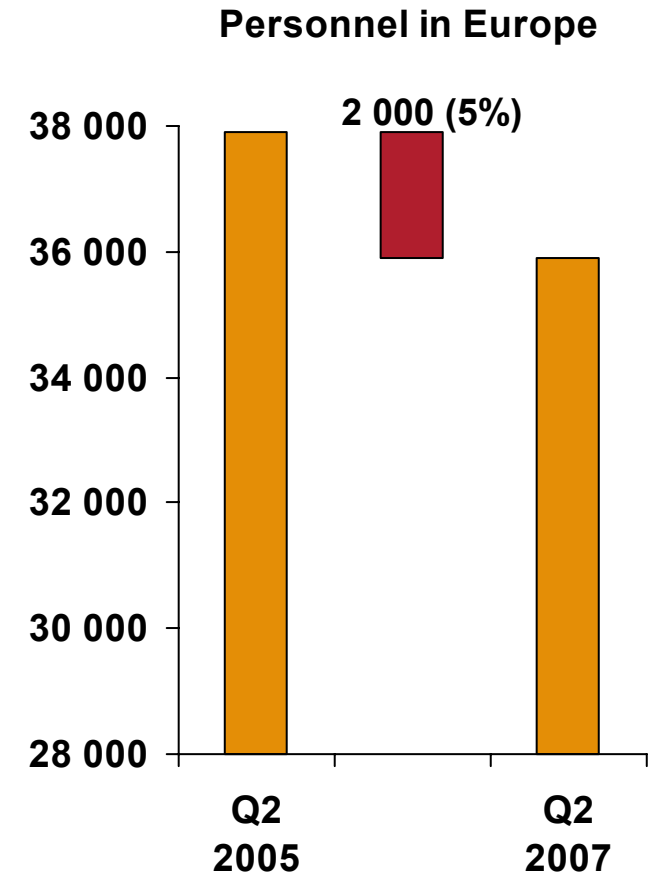
- Half of total improvement from reduced fixed costs
- Main part of the improvement will actualise in Q2 2006–Q2 2007
- Target is based on 2005 price and cost levels

Personnel Reductions

- Currently identified personnel reductions 2 000 persons
 - Slightly more than half from Nordic countries, the rest from other Europe
 - 50/50 ratio between blue- and white-collars
 - Early retirement & pension arrangements
 - Redundancies

- Actions and implementation by:
 - Best practices, shared service centres, outsourcing and review of organisations

- Additional potential through outsourcing under investigation (600–700 persons)



Excl. Merchants

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**Asset Performance
Review (APR)**

Asset Performance Review (APR)

Year 2006

Estimated impact of planned closures

- Capacity reduction 400 000 tonnes
- Net sales reduction EUR 220 million
- Increased EBIT EUR 10 million
- Working capital released EUR 30 million
- Estimated provisions EUR 300 million in Q4 2005, of which EUR 50 million will have a cash impact
- Personnel reduction 730

Planned divestments of six units

- Paper and board capacity 530 000 tonnes, pulp 305 000 tonnes, sawing capacity 340 000 m³
- Sales reduction about EUR 490 million

Asset Performance Review (APR)

Short-term actions

Division	Mill	Action	Capacity	Grade	Country
Publication Paper	PM3 & PM4 Corbehem Mill	Planned closure	250 000 t	LWC	France
	Wolfsheck Mill	Divestment	155 000 t	Changing from SC to other paper grades	Germany
Fine Paper	PM 1 Varkaus Mill	Planned closure	95 000 t	WFC	Finland
	Grycksbo Mill	Divestment	280 000 t	WFC	Sweden
	Celbi Mill	Potential divestment	305 000 t	Short-fibre pulp	Portugal
Packaging Boards	Hammarby Mill	Planned closure	35 000 t	Plastic coating	Sweden
	PM31 Stevens Point Mill	Planned closure	25 000 t	Coated specialities	USA
	Pankakoski Mill	Divestment	95 000 t	FBB, WPB, SBS	Finland
Forest Products	Veitsiluoto Sawmill	Divestment	300 000 m ³	Redwood	Finland
	Linghed Sawmill	Divestment	40 000 m ³	Redwood	Sweden

Summary of closures and divestments, subject to local rules and regulations

Asset Performance Review (APR)

Decisions within one year

Four mills under scrutiny

- Summa Mill, Finland (MF, newsprint, improved newsprint, 405 000)
- Reisholz Mill, Germany (SC, 215 000)
- Berghuizer Mill, Netherlands (WFU, 235 000)
- Uetersen Mill, Germany (WFC, coated specialities 270 000)

- Performance of the mills will be evaluated using a range of financial and operational measures, with long-term profitability the key criterion

- All options are open for the future of these mills

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Summary

Summary

- Disappointing result in Q3 2005
- Slight improvement in paper markets expected for Q4 2005
- Programmes introduced for stronger financial performance
 - Profit 2007 EUR 300 million pre-tax profit improvement
 - APR Programme significant closures and divestments
- Result outlook for Q4 2005
 - EBIT excluding non-recurring items anticipated to be higher in Q4 than Q3
 - Results impacted by EUR 300 million provisions
- Focus on long-term competitiveness in Europe
- Investments in new growth markets

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Questions & Answers

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Appendix

Profit 2007

Main actions under implementation

Reducing production costs

- Energy-saving programmes at various mills
- Reduced use of chemical pulp and recipe changes
- More efficient purchasing through negotiating globally and combining purchases
- Streamlining of Kotka Mill by reorganising production
- Reorganisation of Forest Products division
- Reorganisation of packaging production at Lahti and Heinola mills in Finland

Reducing support and administration costs

- Human Resources and Accounting shared service centres
- Integrating administration of:
 - Skutskär and Norrsundet mills in Sweden
 - Summa, Kotka and Anjala mills in Finland
 - Veitsiluoto and Kemijärvi mills in Finland
 - Kabel and Reisholz mills and Düsseldorf office in Germany
- Reorganising Financial Services (Treasury) by moving a major part of the operations from London to Helsinki

Improving sales and production mix

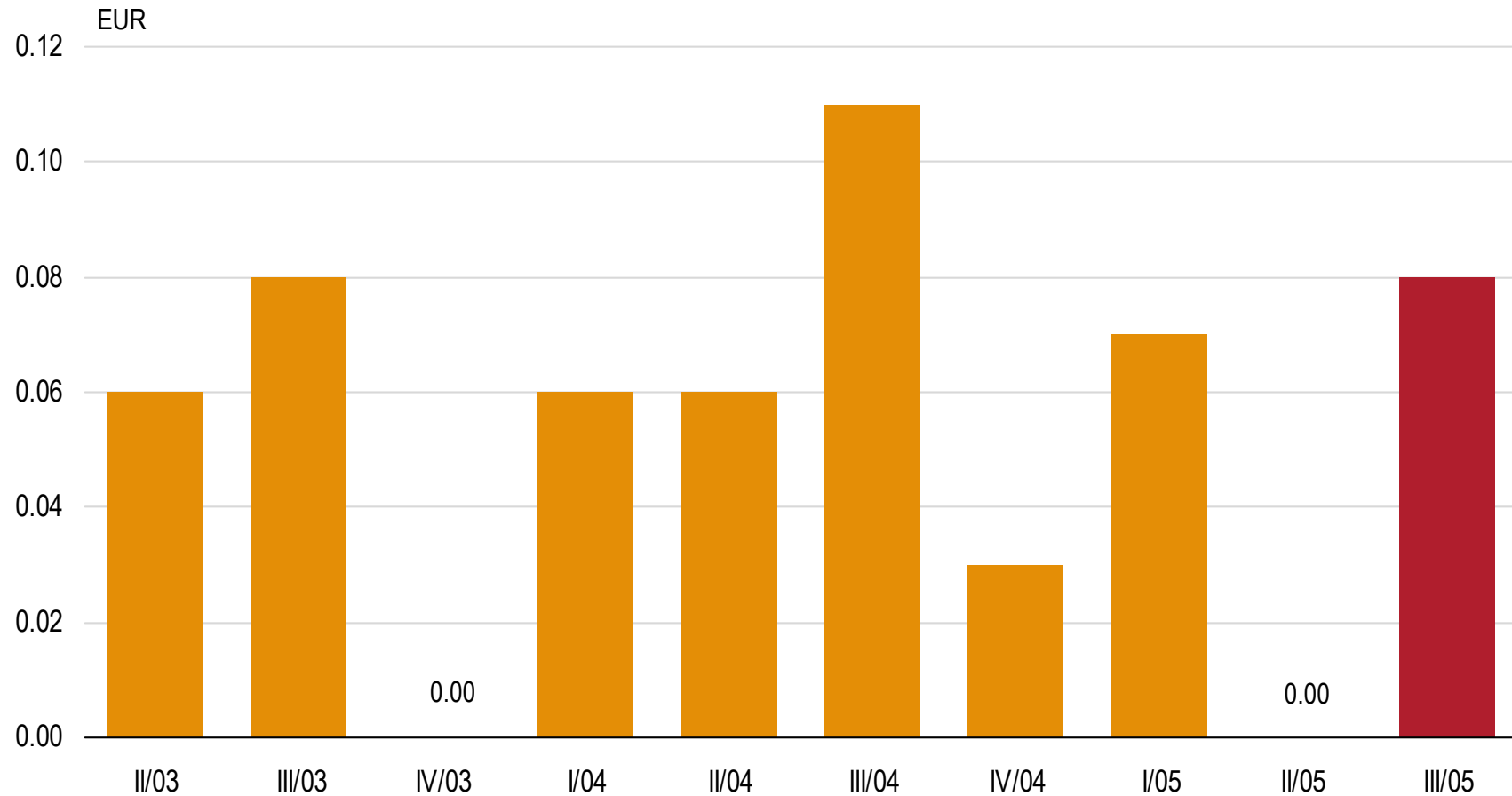
- Increased focus

Operating Profit of Main Business Areas

EUR million	III/04	IV/04	I/05	II/05	III/05
Publication Paper	46.4	40.7	21.1	31.1	67.9
% sales	4.1	3.3	1.9	2.7	5.8
Fine Paper	29.7	14.6	48.4	-14.1	-1.2
% sales	4.4	2.2	6.9	-2.3	-0.2
Packaging Boards	84.8	39.6	72.0	11.9	73.5
% sales	11.4	5.2	9.1	1.5	9.3
Wood Products	10.9	-8.9	-4.0	9.9	-1.8
% sales	2.8	-2.3	-1.1	2.3	-0.5

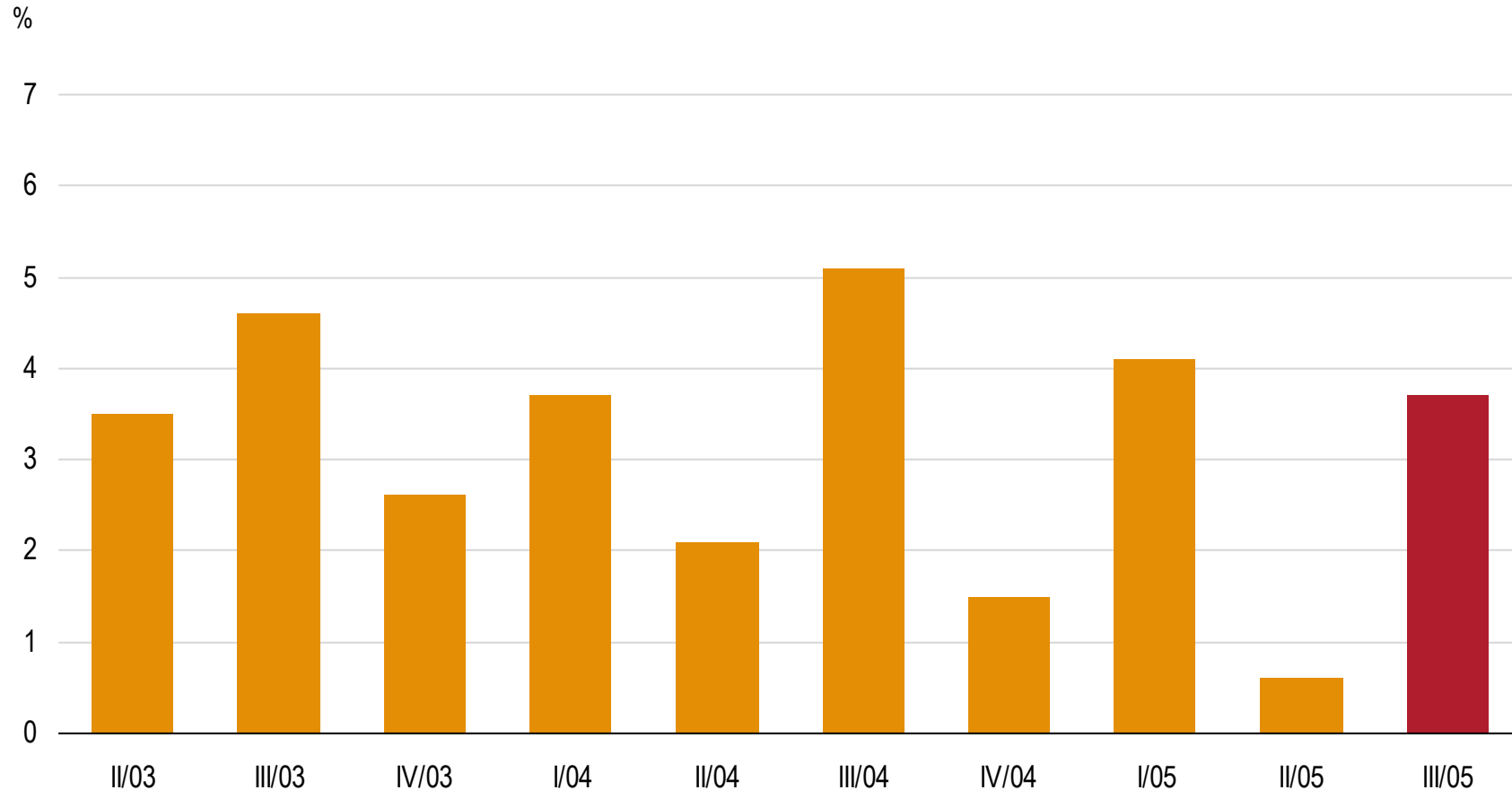
excluding non-recurring items

EPS by Quarter



excluding non-recurring items

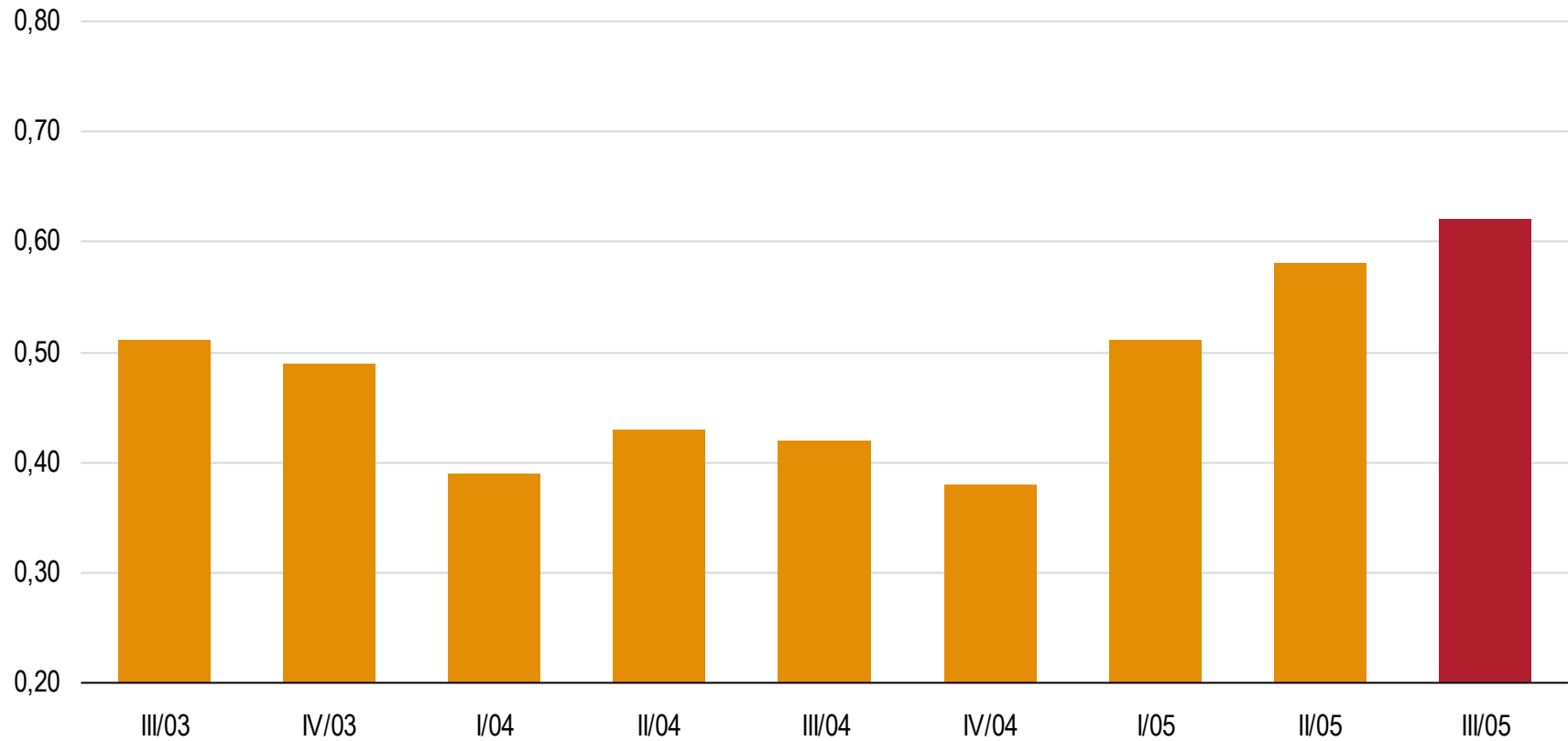
ROCE by Quarter



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

excluding non-recurring items

Debt/Equity

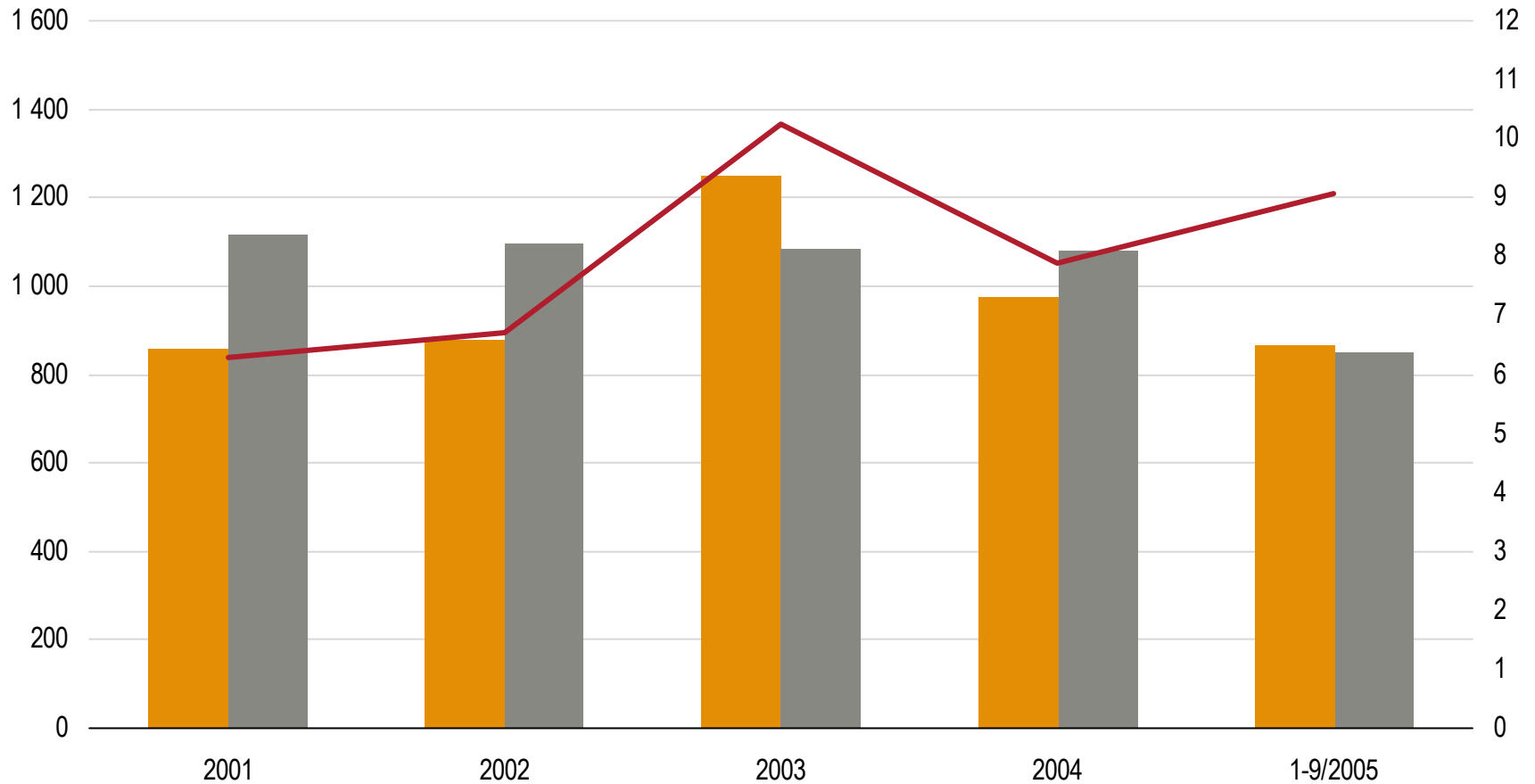


Target ≤ 0.8

Capital Expenditure and Depreciation

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

EUR million



Main Events in Q3 2005

- **Letter of intent signed in order to start liquid packaging board production in joint venture in China**
 - Final agreement expected to be signed during Q4 2005
- **Closing of the acquisition of the German paper merchant Schneidersöhne Group**
 - Acquisition price on a debt-free basis EUR 450 million
- **Land purchases in Brazil and Uruguay**
 - Plan to establish around 200 000 hectares of plantations
 - Estimates to spend up to USD 100 million during 2005 for acquisition of land and initial investments in nursery and infrastructure

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