

Focus on the future

**Stora Enso
Press Conference**

27 October 2005, Helsinki

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Introduction

Jukka Härmälä, CEO

Stora Enso Press Conference



- ✓ *Introduction - Jukka Härmälä, CEO*
- ✓ *Financial results for third quarter 2005
- Hannu Ryöppönen, CFO*
- ✓ *Profit 2007 - Hannu Ryöppönen, CFO*
- ✓ *Asset Performance Review (APR) - Jukka Härmälä, CEO*
- ✓ *Summary - Jukka Härmälä, CEO*
- ✓ *Questions & Answers*

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

Hannu Ryöppönen, CFO

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

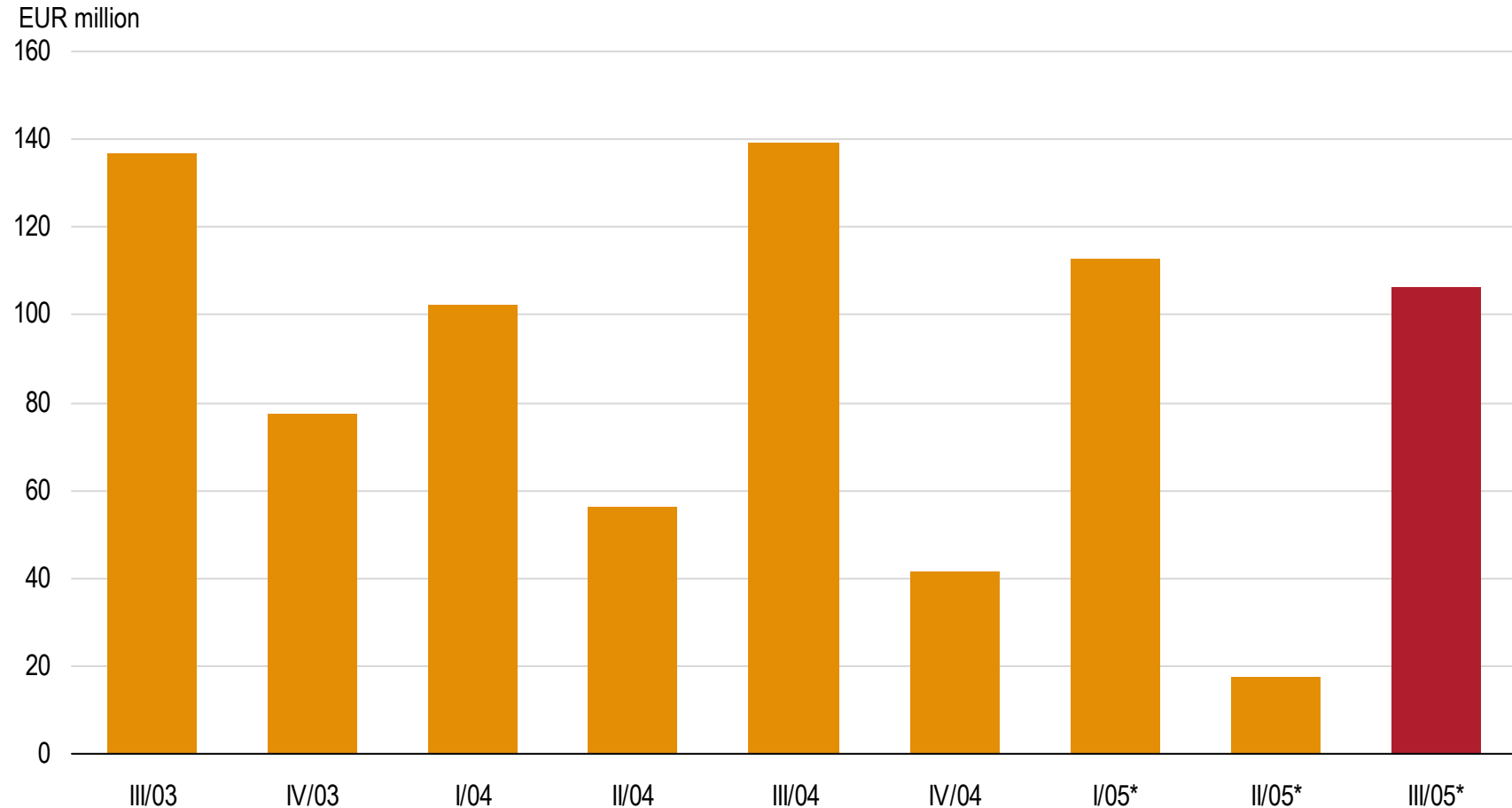
Net Financial Items

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

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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)**

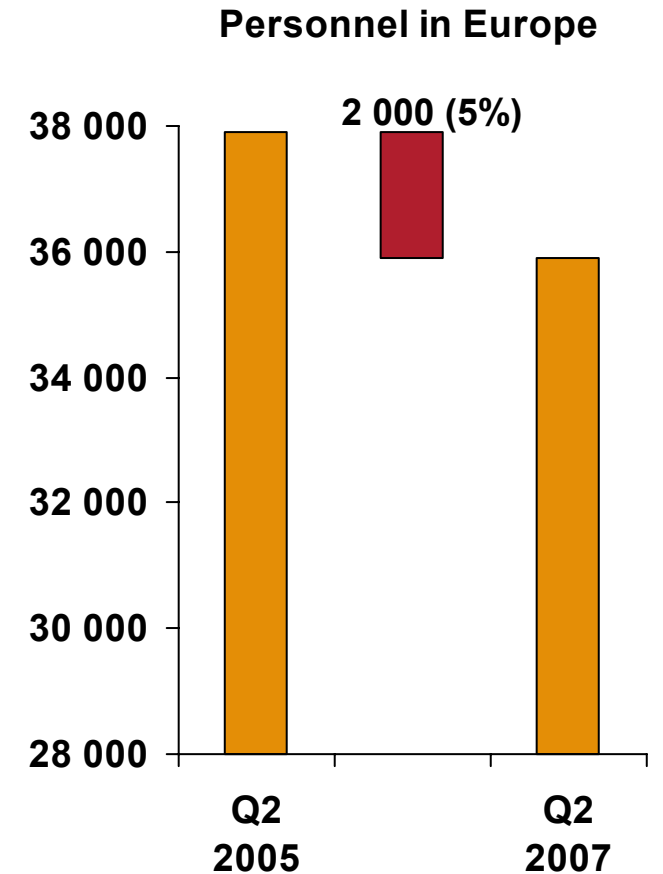
- Half of total improvement from reduced fixed costs
- Main part of the improvement will actualise in Q2 2006–Q2 2007
- Target is based on 2005 price and cost levels

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-collar
 - 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)

Jukka Härmälä, CEO

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)

Decision 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
- 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

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

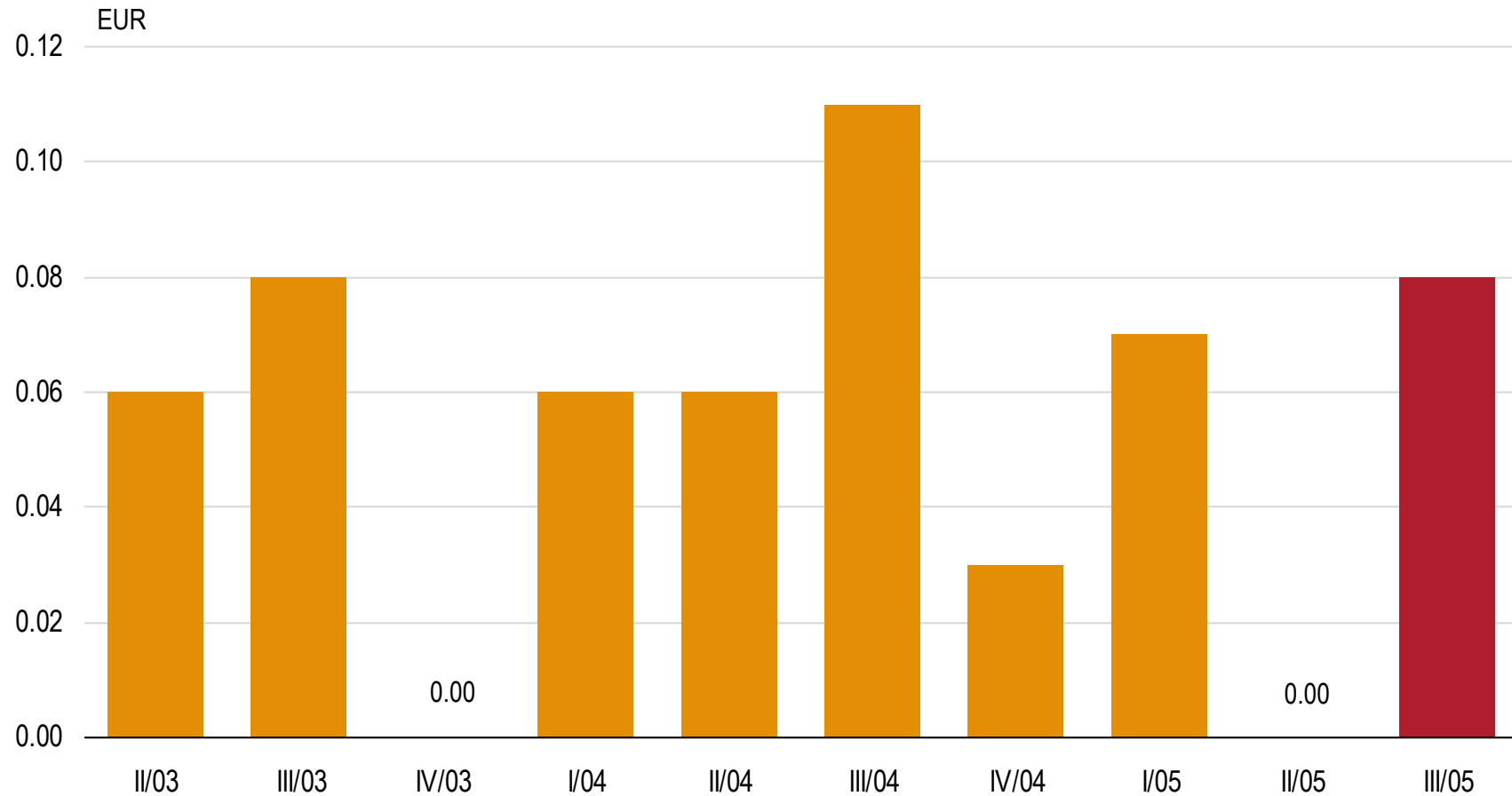
*excluding non-recurring items

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

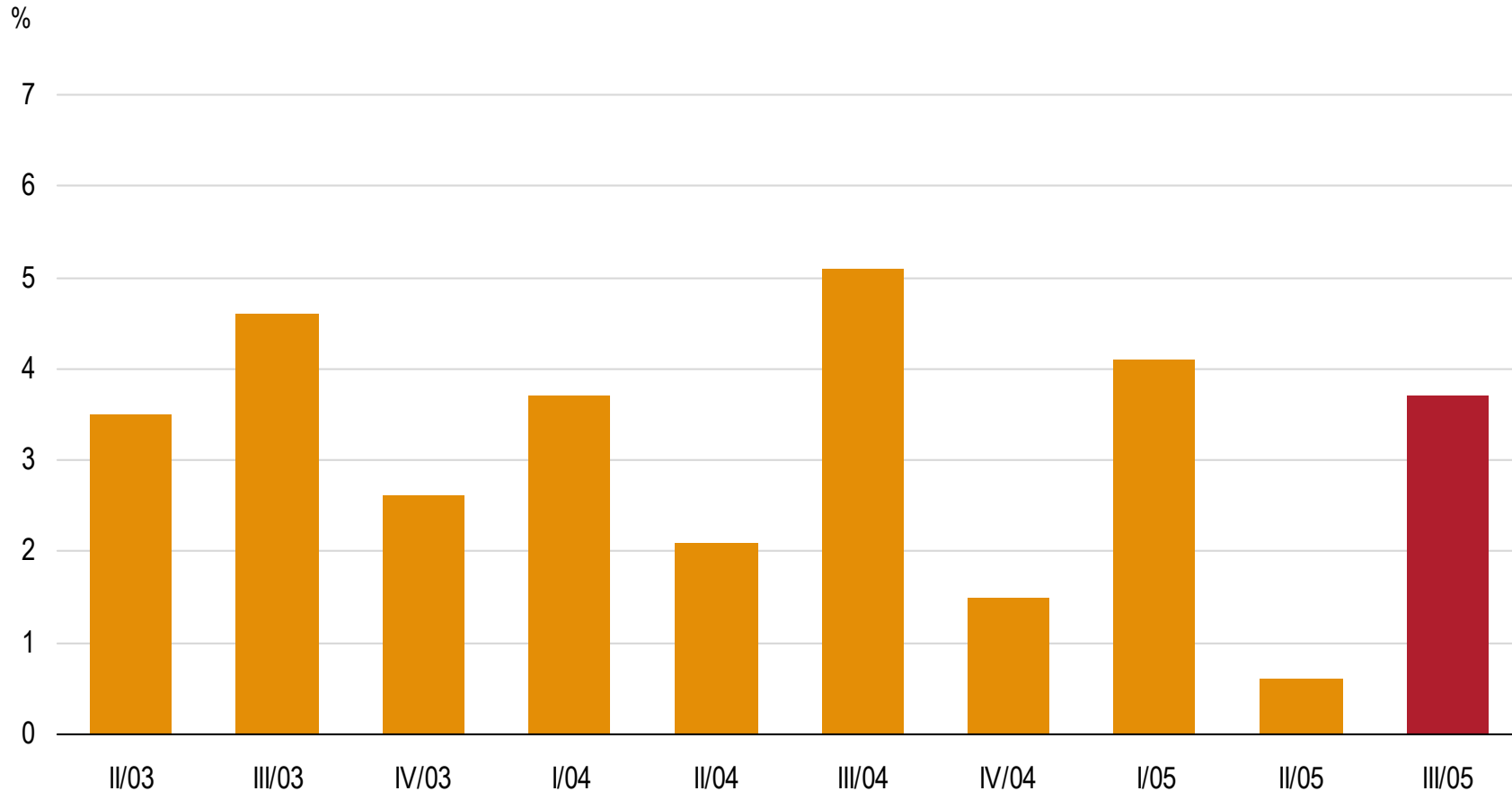
excluding non-recurring items

EPS by Quarter



excluding non-recurring items

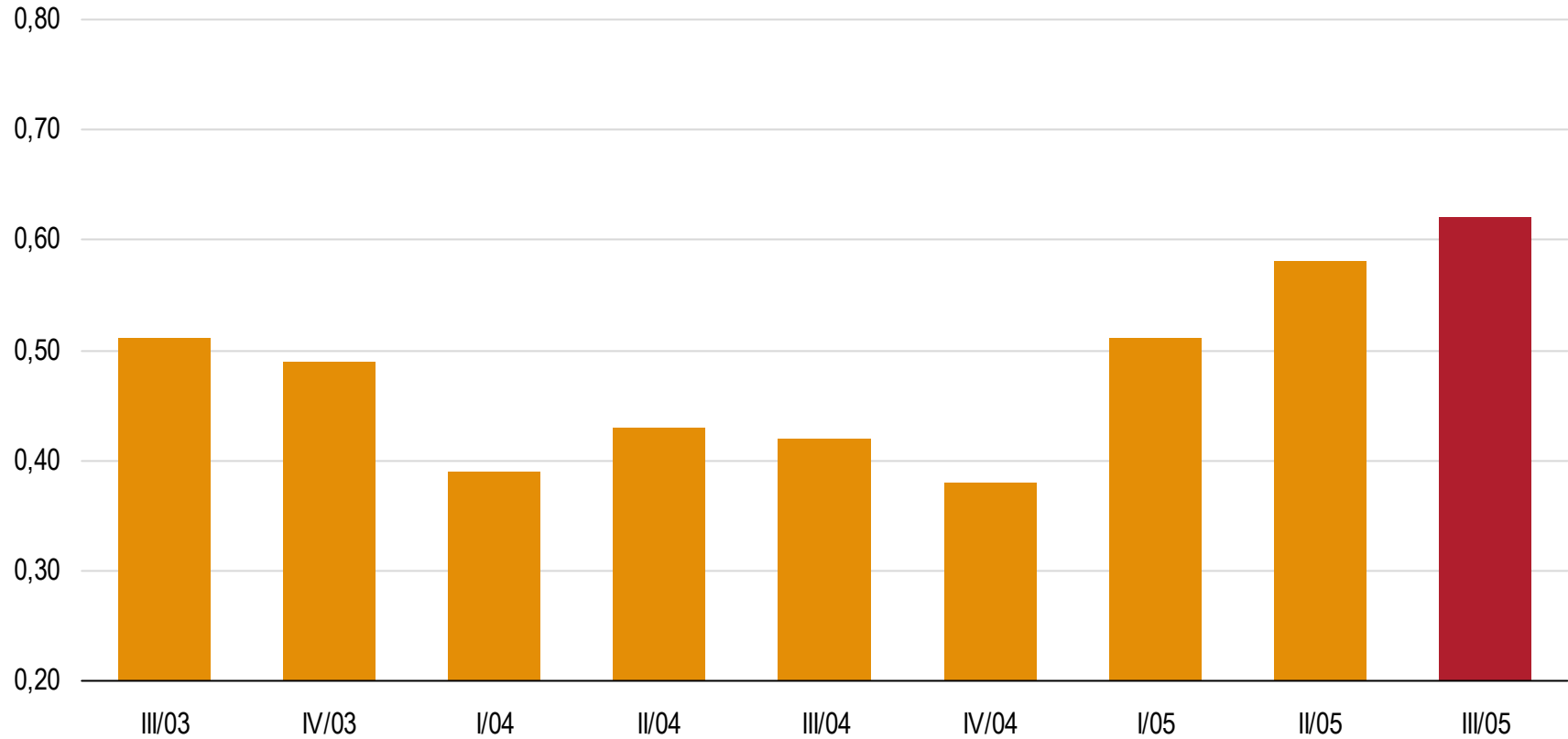
ROCE by Quarter



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

excluding non-recurring items

Debt/Equity

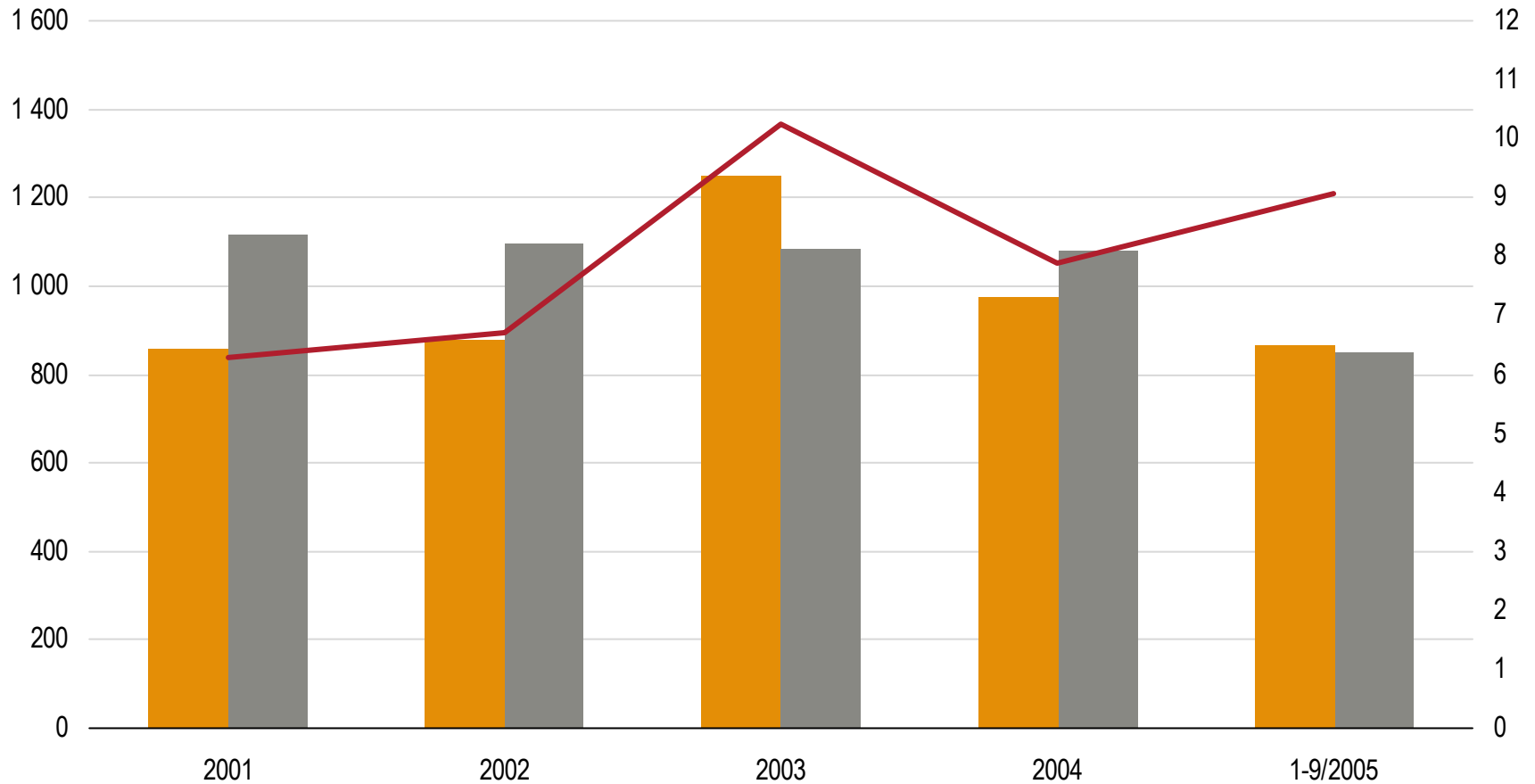


Target ≤ 0.8

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

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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