



*Full Year Result
1999*

Key figures

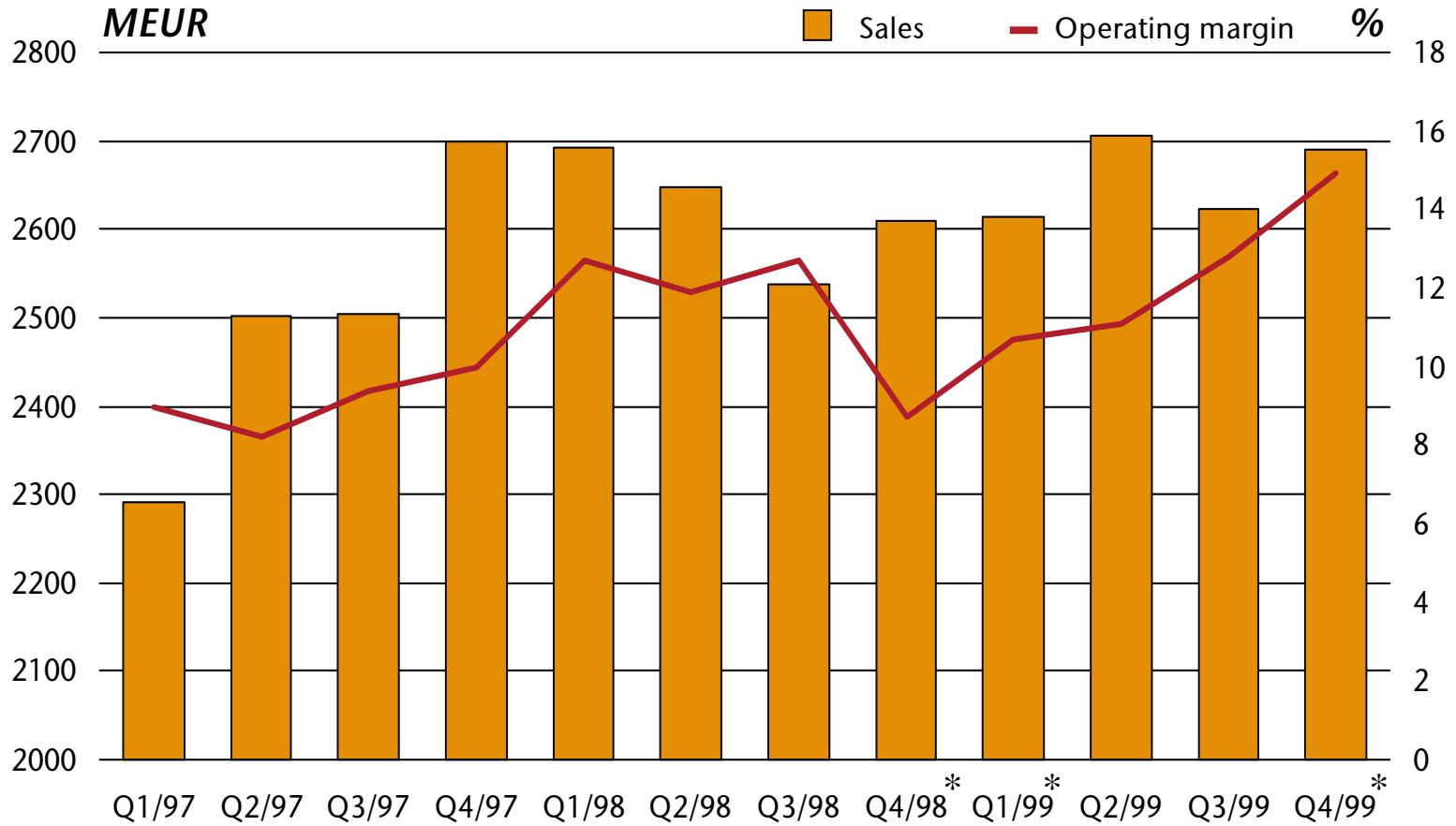


MEUR	1999[*]	1998	1998 Adjusted
<i>Sales</i>	10 635.7	10 489.6	10 489.6
<i>Operating profit</i>	1 418.1	718.6	1 189.7
<i>% of sales</i>	13.3	6.9	11.3
<i>Profit before tax and minority interest</i>	1 151.5	339.4	821.6
<i>Profit for the period</i>	752.5	191.0	601.8
<i>ROCE, %</i>	12.3	6.2	10.2
<i>Debt/Equity, times</i>	0.90	1.05	1.05
<i>Earnings per share, EUR</i>	0.99	0.25	0.79
<i>Dividend per share, EUR</i>	0.40 ^{**}	0.35	

^{*}) Including non-recurring items EUR 103 million

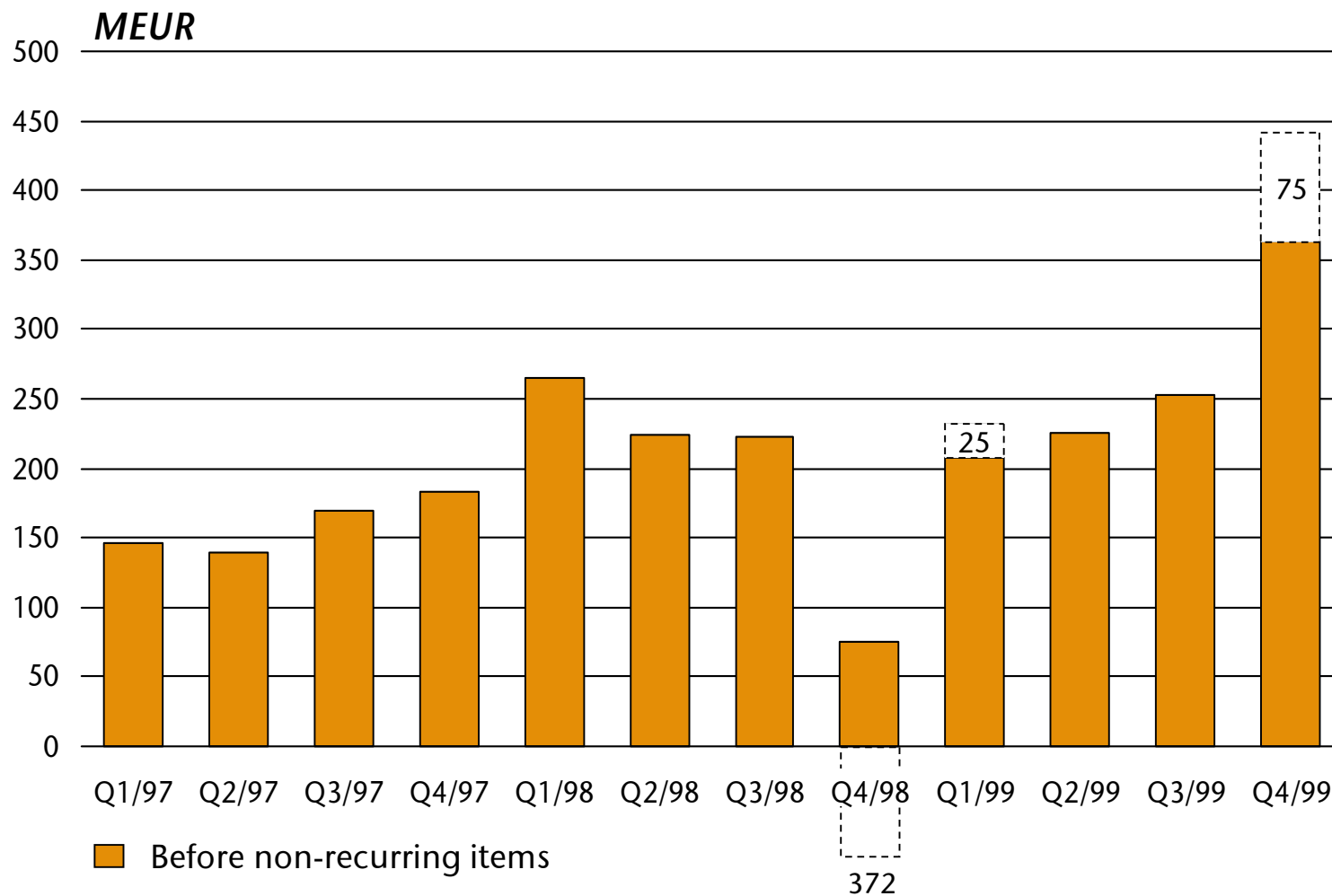
^{**}) Proposal

Sales and operating margin



*) Before non-recurring items

Profit before tax and minority items



Market related impact on result

- *The year started with weak demand and low prices, but the market strengthened towards the end of the year*
- *Limited number of capacity increases*
- *Closures of pulp capacity in North-America*

Company specific impact on result

- *Clear vision and values*
- *Synergies, performance improvement program and TQM*
- *Prerequisites in place:*
 - *modern machinery, integrated mills, global marketing network, competent personnel, environmental sustainability is part of business*

Key ratios well in line with targets



ROCE 12.3%; Target > 13% over the cycle

Debt/Equity 0.90; Target < 1.0, in 2000 ~ 0.8

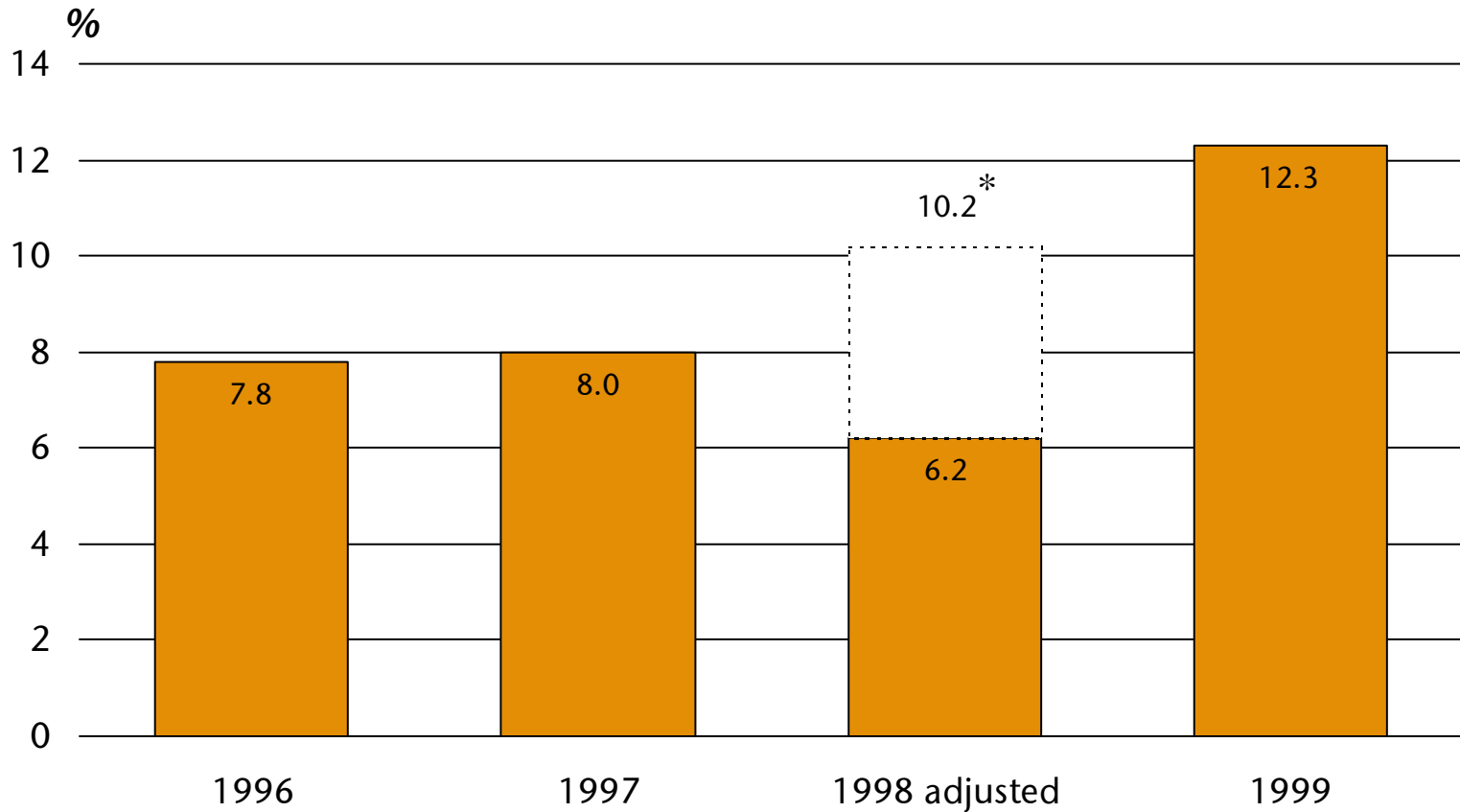
Pay-out ratio 40%; Target 1/3 of net profit over the cycle

Capital Expenditure;

Target: should not exceed the level of depreciation

EUR 740 million vs. depreciation EUR 893 million

Return on capital employed



Target > 13% over the cycle

*) Before non-recurring items

Key ratios well in line with targets



ROCE 12.3%; Target > 13% over the cycle

Debt/Equity 0.90; Target < 1.0, in 2000 ~ 0.8

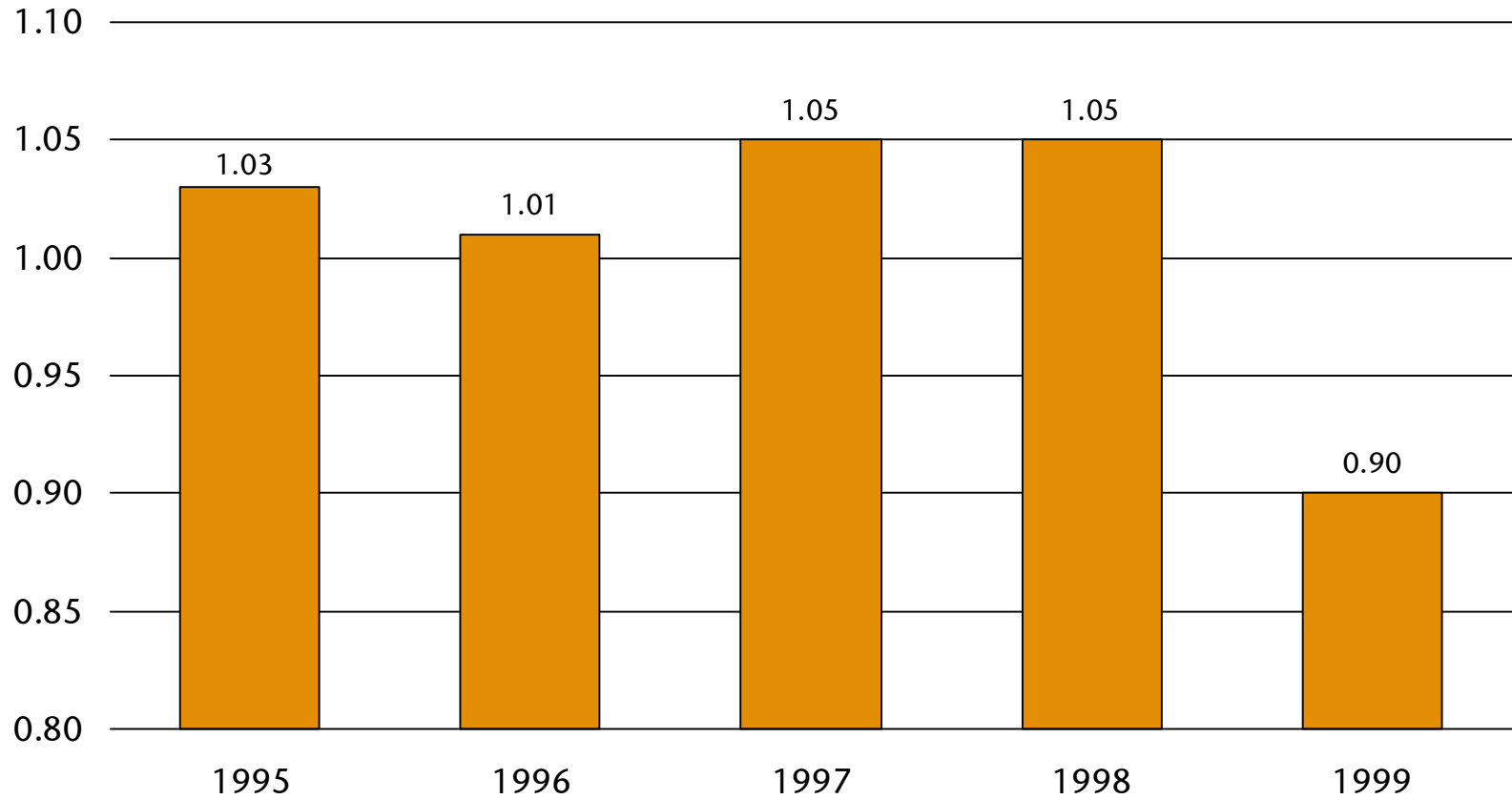
Pay-out ratio 40%; Target 1/3 of net profit over the cycle

Capital Expenditure;

Target: should not exceed the level of depreciation

EUR 740 million vs. depreciation EUR 893 million

Debt/equity



In year 2000 ~ 0.8

Key ratios well in line with targets



ROCE 12.3%; Target > 13% over the cycle

Debt/Equity 0.90; Target < 1.0, in 2000 ~ 0.8

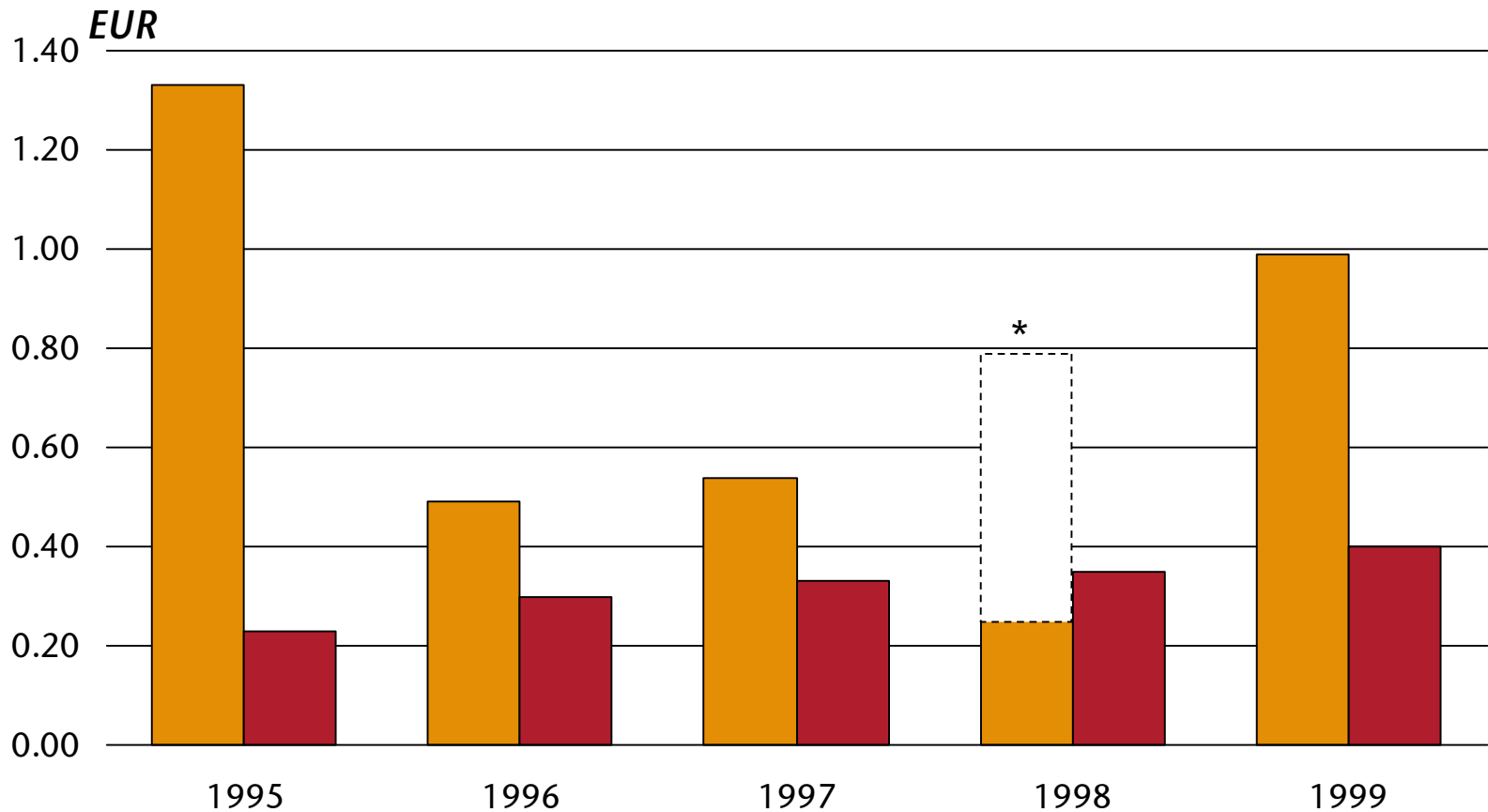
Pay-out ratio 40%; Target 1/3 of net profit over the cycle

Capital Expenditure;

Target: should not exceed the level of depreciation

EUR 740 million vs. depreciation EUR 893 million

Earnings and dividend per share



- Earnings / share
- Dividend / share

*) Before non-recurring items

Target is to pay out 1/3 of net profit over the cycle.

In 1999 figure is included non-recurring items of EUR 0.09

Key ratios well in line with targets



ROCE 12.3%; Target > 13% over the cycle

Debt/Equity 0.90; Target < 1.0, in 2000 ~ 0.8

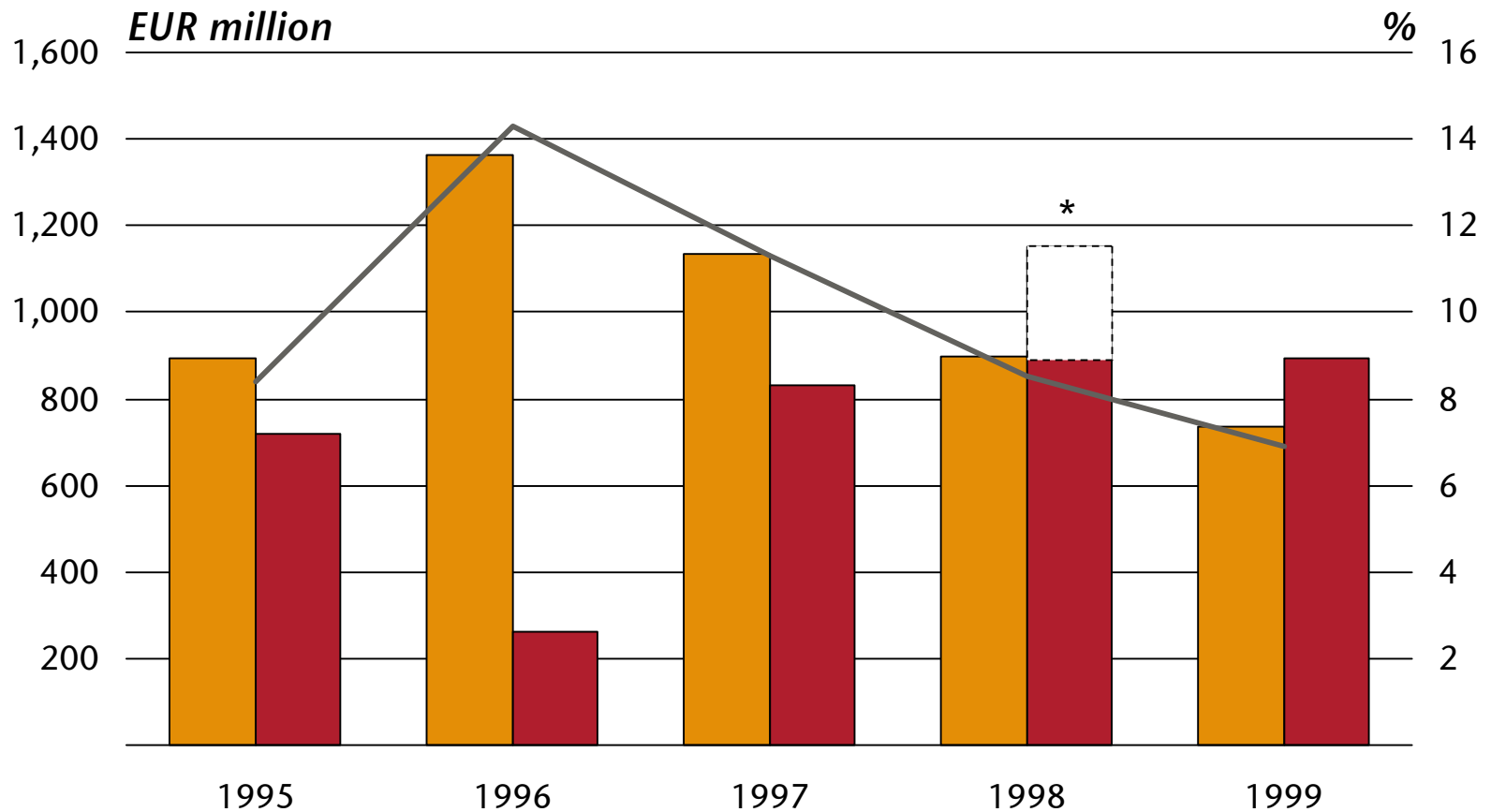
Pay-out ratio 40%; Target 1/3 of net profit over the cycle

Capital Expenditure;

Target: should not exceed the level of depreciation

EUR 740 million vs. depreciation EUR 893 million

Capital expenditure and depreciation



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

*) non-recurring write downs

Merger synergies



Calculated EBIT impact EUR m

	1999	2000	2001	2002
<i>June 1998 (projected)</i>	-	72	145	217
<i>January 1999 (estimate)</i>	50	170	240	300
Recorded -99	113			

Synergy benefits



- EUR 113 million
- Main sources of synergy

	%	est.98
- purchasing and logistics	50	25
- sales and administration	23	15
- production streamlining	17	25
- Synergies were greatest in
 - Fine paper EUR 30 million
 - Timber products EUR 23 million
 - Magazine paper EUR 19 million

THE TARGETED EUR 300 million likely to be reached EARLIER THAN BY THE END OF 2002 AS ESTIMATED

Restructuring of business

Disposals

- *Technical office papers*
 - *Tervakoski Oy*
 - *Dalum Mill*
 - *Pure-Pak processing unit*
 - *Teollisuuden Sähkömyynti and C shares in PVO*
 - *Shares in Transfennica*
 - *Sale of head office in Stockholm*
 - *Sale of major part of power assets*
- ➔ ***About EUR 2.2 billion capital released***

Magazine paper

<i>EUR million</i>	1999	1998	I/99	II/99	III/99	IV/99
<i>Sales</i>	1950.4	1851.8	436.5	482.0	493.6	538.3
<i>Operating profit</i>	287.7	276.3	59.3	73.4	78.7	76.3
<i>of sales, %</i>	14.8	14.9	13.6	15.2	15.9	14.2
<i>ROOC, %</i>	13.9	14.2				

- *Sales rose by 5% due to higher deliveries from Port Hawkesbury.*
- *Operating profit rose by 4 % .*
- *Synergies amounted to EUR 19 million.*
- *European mills operated at 94 % of capacity*
- *In 2000, demand expected to remain strong. Small price increases in the beginning of the year should be possible.*

EUR million	1999	1998	I/99	II/99	III/99	IV/99
Sales	1641.8	1693.7	410.6	389.1	410.5	431.6
Operating profit	299.1	302.9	73.6	62.0	86.6	76.9
of sales, %	18.2	17.9	17.9	15.9	21.1	17.8
ROOC, %	19.9	19.4				

- *3% decline in sales is due to slightly lower prices vs 1998*
- *Operating profit was EUR 299 million*
- *Synergies amounted to EUR 10 million*
- *Mills operated at 95 % of capacity*
- *In 2000, the good demand/ supply balance is expected to continue. In Europe consumption is estimated to grow by 2% and capacity to increase by 1%*

Fine papers

<i>EUR million</i>	1999	1998	I/99	II/99	III/99	IV/99
<i>Sales</i>	2163.2	2003.8	525.8	518.5	522.5	596.4
<i>Operating profit</i>	195.2	191.6	41.9	40.9	44.0	68.7
<i>of sales, %</i>	9.0	9.6	7.9	7.9	8.4	11.5
<i>ROOC, %</i>	8.6	8.6				

- *Sales rose by 8%.*
 - *Operating profit rose by 2 % .*
 - *Synergies amounted to 30 million*
 - *Mills operated at 95 % of capacity*
 - *Prices rose by 5-8% at the beginning of 2000.*
- Good performance of fine paper industry at the beginning of 2000 is anticipated to continue.*

Packaging boards



<i>EUR million</i>	1999	1998	I/99	II/99	III/99	IV/99
<i>Sales</i>	2341.5	2396.9	564.8	595.4	576.9	604.4
<i>Operating profit</i>	187.9	209.3	46.8	42.2	54.7	44.0
<i>of sales, %</i>	8.0	8.7	8.3	7.1	9.5	7.3
<i>ROOC, %</i>	8.0	8.8				

- *Sales declined 2 % and operating profit 10 % due to to weak demand and low prices*
- *Synergies amounted to 11 million.*
- *Mills operated at 89 % of capacity.*
- *In 2000, demand and prices are likely to strengthen somewhat in most board qualities.*

Market pulp

<i>EUR million</i>	1999	1998	I/99	II/99	III/99	IV/99
<i>Sales</i>	957.8	846.6	208.3	223.8	253.2	272.5
<i>Operating profit</i>	94.9	9.7	-4.1	12.5	36.8	49.7
<i>of sales, %</i>	9.9	1.1	-2.0	5.6	14.5	18.2
<i>ROOC, %</i>	8.1	0.8				

- *Sales rose by 13 % and operating profit by EUR 85 million due to increases in prices and deliveries.*
- *Synergies amounted to EUR 9 million*
- *Current list prices are USD 630 for long and EUR 580 for short fibre pulp. Prices are expected to strengthen somewhat during 2000 due to good demand of paper and board.*

Timber products



<i>EUR million</i>	1999	1998	I/99	II/99	III/99	IV/99
<i>Sales</i>	1140.0	733.9	247.8	306.3	294.6	291.3
<i>Operating profit</i>	40.2	11.1	5.0	14.5	10.4	10.3
<i>of sales, %</i>	3.5	1.5	2.0	4.7	3.5	3.5
<i>ROOC, %</i>	9.3	3.3				

- *Sales rose by 55 % due to strong deliveries and Holzindustrie Schweighofer*
- *Operating profit was EUR 29 million higher than in 1998.*
- *Synergies amounted to EUR 23 million*
- *In 2000, markets for whitewood and central european timber will strengthen further. Redwood prices have bottomed out and expected to gradually strengthen.*

Events after closing of accounts

- *Sale of Stockholm Office at EUR 23 million profit*
- *Decision to close down the Mölndal board machine (45 000 tonnes)*
- *Agreements to acquire Finnish paper merchant Paperi-Dahlberg and Norwegian paper merchant Carl Emil A/S.*
- *Letter of intent to sell power assets outside mills for EUR 1 850 million*

Sale of power assets

- *Letter of intent signed to sell main part of the power assets outside mills in Finland and Sweden*
- *Totalling 1 511 MW of electricity generation, regional electricity distribution networks in central Sweden and power sales contracts in Sweden*
- *Sales price EUR 1 850 million*
- *Capital gain EUR 540 million before tax*
- *Expected to be entered in the books in the second quarter*
- *The proceeds will be used mainly to pay back debt and to buy back own shares*
- *Electricity self sufficiency is about 50 % after the deal.*

Open issues

Pohjolan Voima (PVO) shares

- *Sale of PVO shares still in process*
- *Current share ownership in PVO 16.6 %*
- *Sales and operating profit of energy will be reported as discontinued operations until the completion of the sale of the power assets.*

Veracel project

- *Search for industrial partner*
- *Stora Enso is prepared to lower, it's share to about 30-35 %*
- *Part of fibre strategy to have access to increased amount of short fibre at low cost*
- *Investment until now USD 125 million*
- *If built the pulp is for own use*
- *Today we buy eucalyptus*

Indonesian reforestation on hold while looking for a solution

Gruvön

- *Restructuring going on to improve profitability, after which further decisions are made*

Outlook for 2000

- *Favorable economic outlook is expected to continue*
- *Producer pulp inventories are at their lowest and demand is strong. Pulp prices are expected to strengthen somewhat.*
- *Fine paper prices are expected to improve*
- *Demand in packaging boards is improving and expected to strengthen the prices somewhat in most board qualities*
- *Prices of magazine papers and newsprint are expected to remain stable*
- *Redwood timber prices will improve*
- *Group profitability in 2000 is anticipated to improve*



Additional

Productivity improvement program



<i>EUR million</i>	<i>Recorded EBIT impact 1999</i>	<i>Objective to be reached by 2001</i>
<i>Business improvement (productivity program)</i>	30*	150
<i>Recent major investments (strategic growth)</i>	57	200
Total	87	350

*) going rate by end of 1999
54 EUR million

Capital expenditure



Total capital expenditure was EUR 740 million (896 million)

Major projects to improve quality and efficiency

- *Gruvön recovery boiler* EUR 45 million
- *Imatra's new fibre line* EUR 44 million
- *Maxau magazine paper machine no.8* EUR 34 million
- *Plana sawmill* EUR 27 million
- *Grycksbo fine paper machine no. 10* EUR 24 million
- *Veitsiluoto fine paper machine no. 2* EUR 20 million
- *Fors board machine no. 3* EUR 14 million

Operating profit of main product areas



<i>EUR million</i>	<i>I/ 98</i>	<i>II/ 98</i>	<i>III/ 98</i>	<i>IV/ 98</i>	<i>I/ 99</i>	<i>II/ 99</i>	<i>III/ 99</i>	<i>IV/ 99</i>	<i>III-IV/ change</i>
<i>Magazine paper</i>	63.9	51.2	80.7	80.5	59.3	73.4	78.7	76.3	-3%
<i>Newsprint</i>	63.6	67.2	97.0	75.1	73.6	62.0	86.6	76.9	-11%
<i>Fine paper</i>	70.5	52.1	38.5	30.5	41.6	40.9	44.0	68.7	+56%
<i>Packaging boards</i>	74.5	61.7	65.0	8.1	46.8	42.4	54.7	44.0	-20%
<i>Timber</i>	-2.2	2.5	5.4	5.4	5.0	14.5	10.4	10.3	-1%
<i>Market pulp</i>	8.8	14.2	7.4	-20.7	-4.1	12.5	36.8	49.7	+35%
<i>Merchants</i>	3.3	-0.7	0.0	-0.6	0.5	-0.9	0.5	1.0	+100%
<i>Energy</i>	37.4	26.5	19.9	30.7	40.0	22.1	12.3	28.3	+130%
<i>Forest</i>	28.8	27.4	23.6	31.2	25.8	35.9	33.6	45.8	+36%

Major investment decisions

- *Imatra pulping line*
 - *to replace fibre line 1* *EUR 365 million*
- *Modernisation of three sawmills in Sweden* *EUR 49 million*

Income statement



<i>EUR million</i>	1999	1998	1998 adjusted
Sales	10 635.7	10 489.6	10 489.6
<i>Share of results of associated companies</i>	9.7	9.9	9.9
<i>Expenses and other business income</i>	-8334.7	-8 629.5	-8 418.4
<i>Depreciation</i>	-892.6	-1 151.4	-891.4
Operating profit	1418.1	718.6	1 189.7
<i>Financial income and expenses</i>	-266.6	-379.3	-368.1
Profit before taxes and minority interests	1151.5	339.4	821.6
<i>Direct taxes</i>	-394.5	-148.2	-219.7
<i>Minority interests</i>	-4.5	-0.2	-0.2
Profit for the period	752.5	191.0	601.8

Balance sheet



EUR million	1999	1998
<i>Fixed assets and other long term investment</i>	11 900.7	11 695.1
<i>Inventories</i>	1 265.6	1 332.3
<i>Receivables, investments, cash and bank</i>	2 867.7	2 385.7
<i>Shareholder's equity</i>	5 953.2	5 266.3
<i>Minority interests</i>	202.0	278.8
<i>Deferred tax</i>	1 752.5	1 512.1
<i>Interest bearing liabilities</i>	6 345.0	6 557.5
<i>Operating liabilities</i>	1 781.3	1 798.4
<i>Balance sheet total</i>	16 034	15 413.1
<i>ROCE, %</i>	12.3	6.2
<i>Debt/equity, times</i>	0.90	1.05

Major shareholders as of 30 December 1999



	<i>% of votes</i>	<i>% of shares</i>
1. <i>Finnish State</i>	24.1	18.0
2. <i>Investor AB</i>	24.1	10.3
3. <i>Social Insurance Institution of Finland</i>	9.2	3.6
4. <i>Sampo-Varma Group</i>	7.7	2.7
5. <i>Fourth General Pension Fund</i>	3.1	2.1
6. <i>Robur</i>	2.1	7.2
7. <i>Franklin Resources Inc. *)</i>	1.7	4.9
8. <i>Skandia Life</i>	1.0	0.8
9. <i>Erik Johan Ljungberg's Training Fund</i>	0.9	0.9
10. <i>Knut and Alice Wallenberg Foundation</i>	0.7	0.5
11. <i>Enso Oy Eläkesäätio (pension fund)</i>	0.5	0.2
12. <i>SPP Insurance Company</i>	0.3	1.0
13. <i>Bergslaget's Sick and Healthcare Foundation</i>	0.3	0.3
14. <i>Handelsbanken's Pension Fund</i>	0.3	0.2
15. <i>Gamla livförsäkringsaktiebolaget</i>	0.3	0.3
16. <i>Pohjola Life Assurance Company Ltd.</i>	0.3	0.1
17. <i>MP-Bolagen i Vetlanda AB</i>	0.3	0.2
18. <i>Finnish Cultural Foundation</i>	0.2	0.1
19. <i>Mutual Insurance Company Pension-Fennia</i>	0.2	0.2
20. <i>Svenska Handelsbanken Ab</i>	0.2	0.1

*) On 23 November