

Focus on the future

**Financial Results
April - June 2006**

26 July 2006

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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Highlights

Highlights Q2 2006



- Sales and operating profit broadly unchanged Q2 vs Q1
- Pre-tax profit negatively impacted by unrealised (non-cash) fair valuation items
- Cash flow after investing activities improved considerably
- Profit 2007 programme proceeding ahead of schedule
- Demand for most of the Group's products was somewhat softer than in the previous quarter

Financial Highlights Q2 2006



	I/06	II/06
Sales (EUR million)	3 607.7	3 616.3
Operating profit* (EUR million)	194.1	182.2
Profit before tax* (EUR million)	210.9	53.2
EPS (EUR)	0.29	0.05
EPS* (EUR)	0.20	0.05
Cash EPS* (EUR)	0.54	0.39
Debt/Equity	0.68	0.65

*excluding non-recurring items

- Operating profit impacted by:
 - Slightly lower deliveries, especially in coated magazine paper
 - Illegal strike in Finland (EUR -9 million)
 - Slightly higher maintenance related stoppages
- Profit before tax difference Q2 vs Q1 partially explained by:
 - Negative shift in unrealised fair valuation items (non-cash)

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Financials

Summary Financials



	2005	II/05	I/06	II/06
Sales (EUR million)	13 188	3 187	3 608	3 616
EBITDA* (EUR million)	1 487	298	463	451
Operating profit* (EUR million)	358	18	194	182
Operating profit (EUR million)	-94	6	171	189
Profit before tax* (EUR million)	273	0	211	53
Net profit (EUR million)	-126	-9	226	41
Earnings per share* (EUR)	0.28	0.00	0.20	0.05
Earnings per share, basic (EUR)	-0.16	-0.01	0.29	0.05
Cash earnings per share* (EUR)	1.70	0.35	0.54	0.39
ROCE* (%)	3.1	0.6	6.5	6.1
Debt/Equity	0.66	0.58	0.68	0.65

*excluding non-recurring items

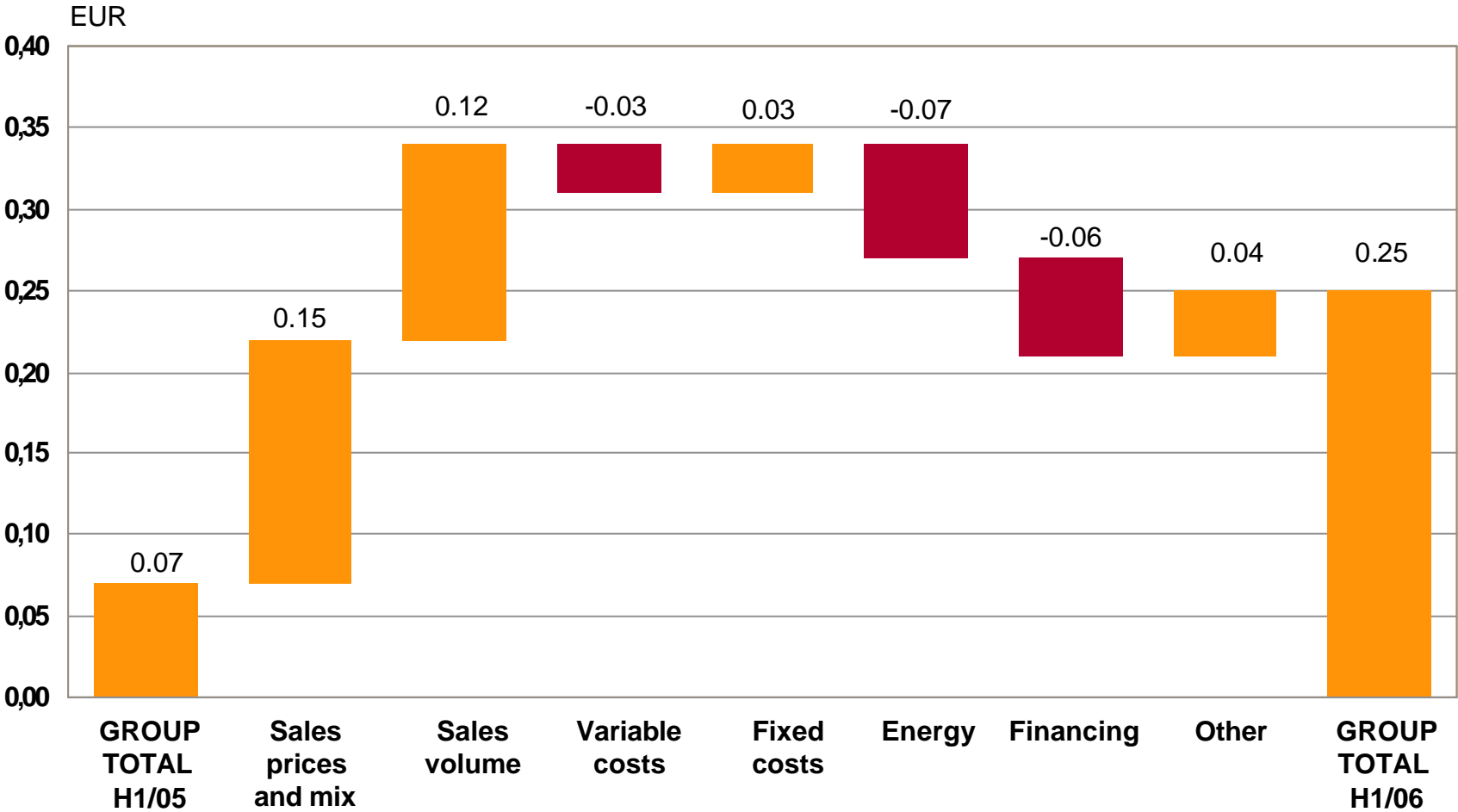
Net Financial Items



EUR million	Q2/2005	Q1/2006	Q2/2006
Interest income, deposits	5.7	4.8	5.0
Interest expenses, borrowings	-58.9	-66.5	-70.1
Interest rate swaps (incl. TRS interest)	10.5	17.5	5.4
Capitalised interest	2.5	-	-
Net Interest Expense	-40.2	-44.2	-59.7
Foreign Exchange Gains and Losses	11.2	-7.0	-11.1
Other Financial Items, of which	-5.6	166.4	-78.4
Capital gains, listed shares	4.9	136.7	-
Unrealised fair valuation of option hedges (TRS)	-5.8	41.7	-61.2
Unrealised fair valuation of other financial items	-7.1	-8.9	-10.7
Other items	2.4	-3.1	-6.5
Net Financial Items Total	-34.6	115.2	-149.2

Change in EPS

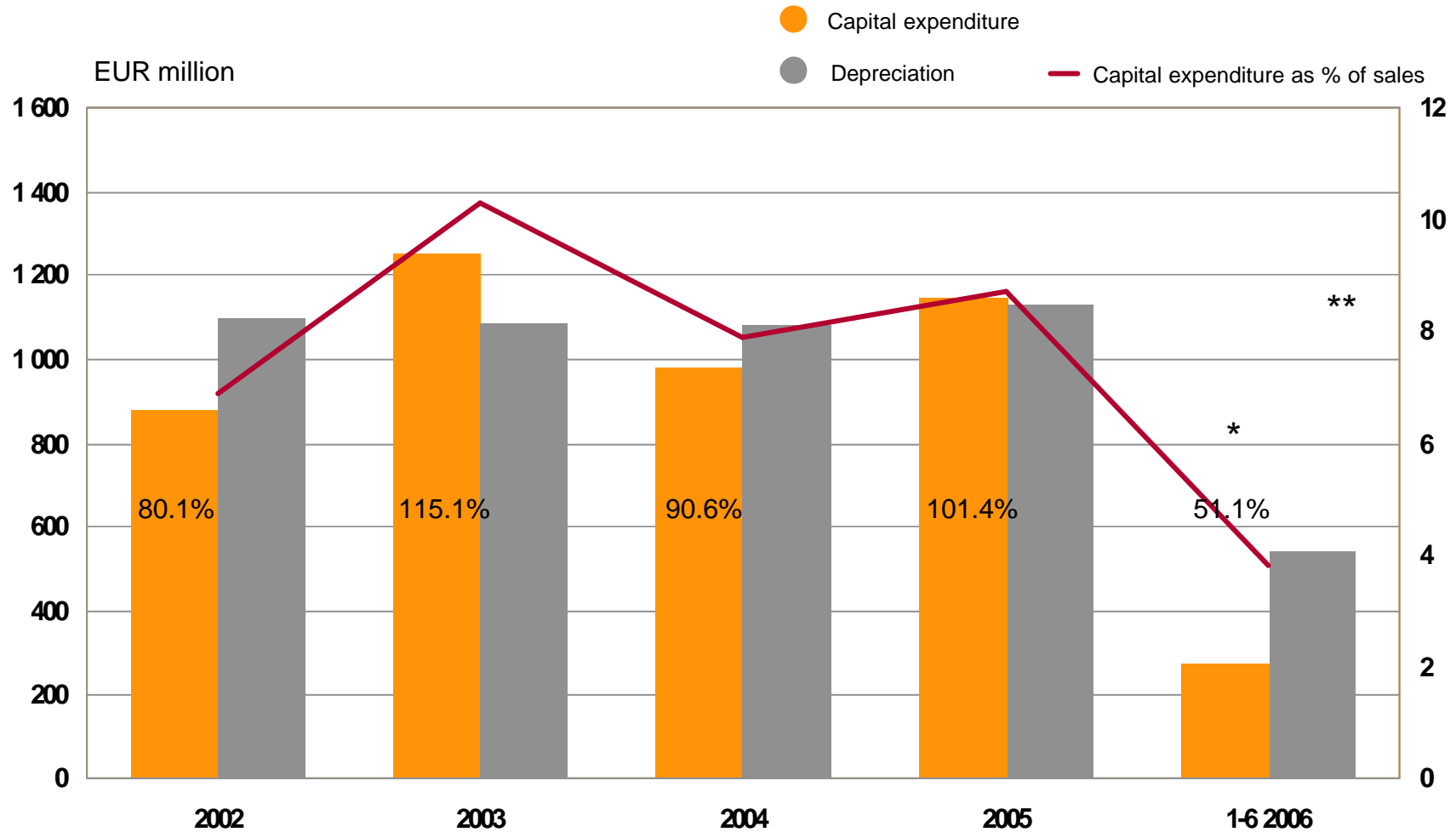
H1/05 – H1/06



Excluding non-recurring items

Capital Expenditure and Depreciation

2002 – H1/06



* Capex target EUR 800 million for 2006

** Est. Depreciation EUR 1 090 million for 2006

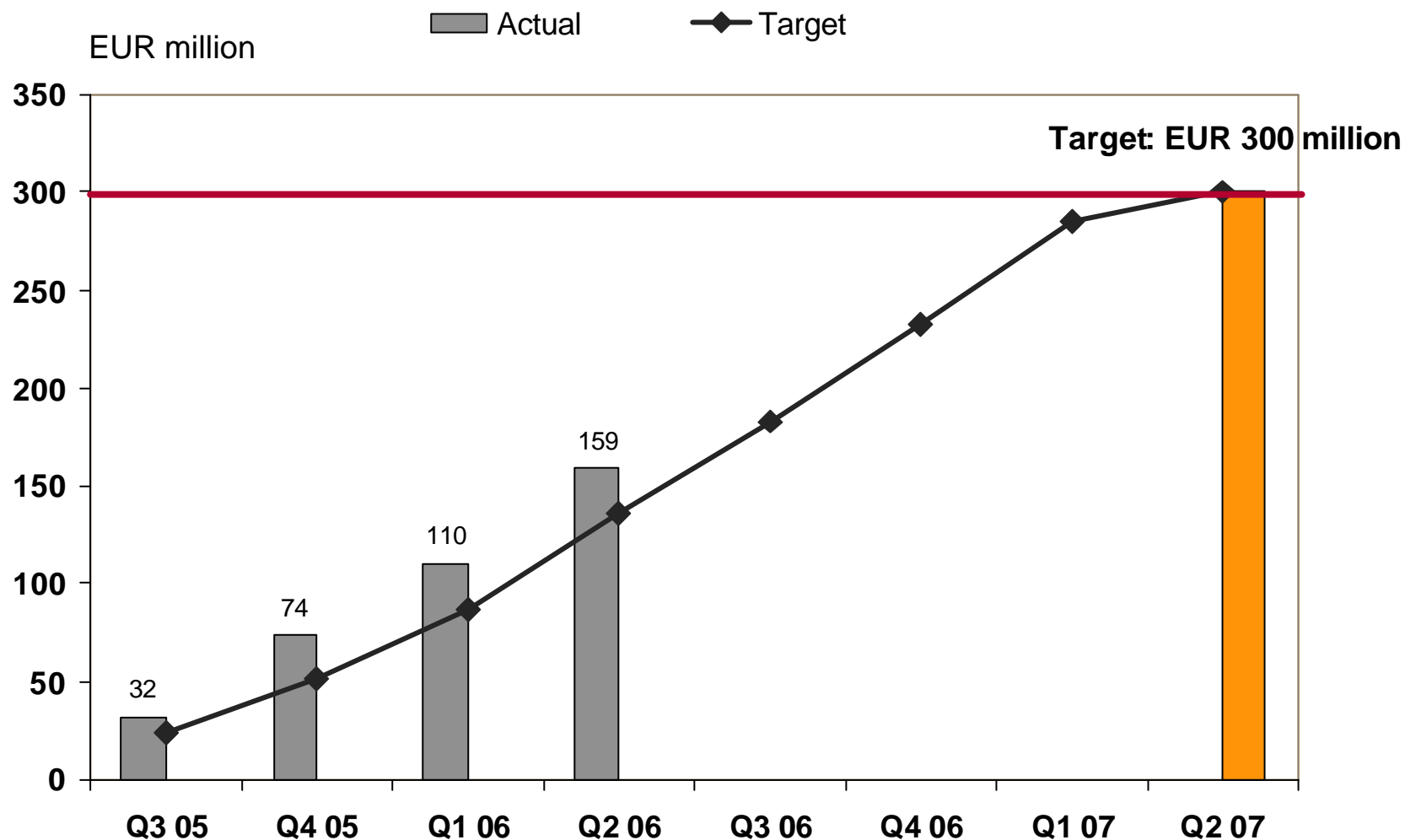
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Profit 2007

Profit improvement programme
ahead of schedule

Profit 2007

Programme ahead of schedule



Profit 2007 Achievements by Q2 2006



Production costs

- ✓ Original target EUR 160 million
- ✓ **Achieved by Q2 EUR 104 million**

Target most likely to be exceeded by mid 2007

Support & administration costs

- ✓ Original target EUR 120 million
- ✓ **Achieved by Q2 EUR 40 million**

Slight delay expected in reaching the target by mid 2007

Sales & production mix

- ✓ Original target EUR 20 million
- ✓ **Achieved by Q2 EUR 15 million**

Target most likely to be exceeded by mid 2007

Target
EUR 300 million
(pre-tax)

**Achieved
EUR 159 million**

- Half of the total improvement from reduced fixed costs
- Target is based on 2005 price and cost levels

Profit 2007

Main measures and achieved savings by Q2 2006

Reduction in production costs: EUR 104 million

- Energy-saving programmes at various mills
- Reduced use of chemical pulp and recipe changes
- More efficient and globally co-ordinated purchasing

Reduction in support and administration costs: EUR 40 million

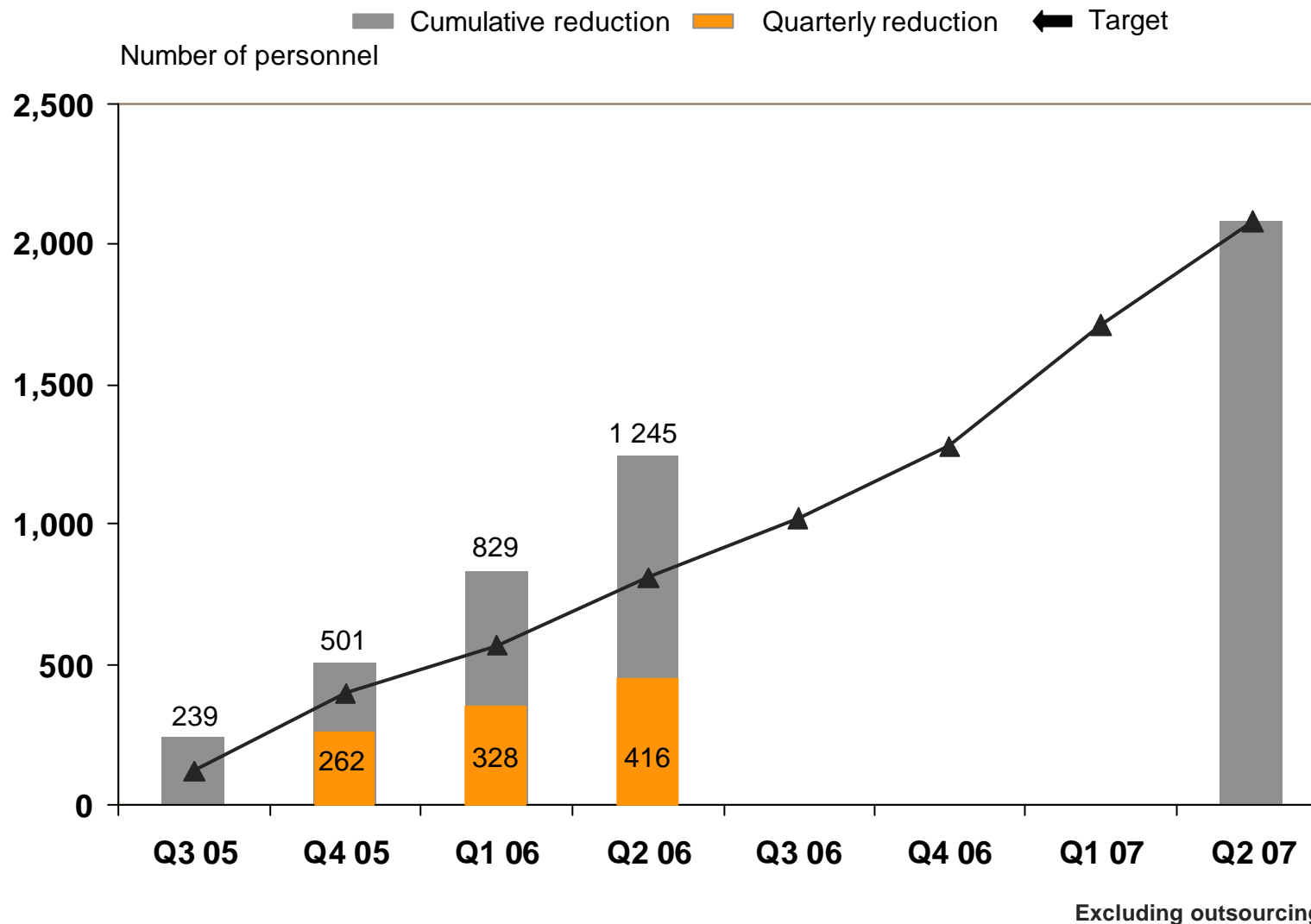
- Reorganisation of the sales network and logistical operations
- Establishment of Human Resources and Accounting shared services
- Integrating administration of various mills in Finland, Sweden and Germany
- Reorganising Financial Services (Treasury) by moving a major part of the operations from London to Helsinki and moving Fine Paper management from London to Helsinki

Improvement in sales and product mix: EUR 15 million

- Improvements in product portfolios at various mills
- Better customer focus and pipeline management

Profit 2007

Personnel reductions



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Market Outlook

Near-term Market Outlook

Western Europe



	Demand	Price	Comments
Magazine Papers			
Uncoated Magazine	↗	→	Good demand; prices expected to be stable
Coated Magazine	→	→	Stable demand expected; prices expected to be stable
Newsprint	↗	→	Good demand; prices expected to be stable
Fine Papers			
Uncoated Fine Paper	↗	↗	Favourable demand outlook; price increases announced
Coated Fine Paper	→	→	Seasonally normal demand anticipated; prices expected to be stable
Packaging Boards	→	→	Anticipated stable demand and prices
Wood Products	→	↗	Stable demand outlook; some price increases expected in Q3

Note: Near-term = outlook for next 2 -3 months

Near-term Market Outlook

North America



	Demand	Price	Comments
Magazine Papers			
Uncoated Magazine			Modestly improving demand; prices expected to remain stable
Coated Magazine			Modest demand; prices expected to remain stable
Newsprint			Demand remains weak; prices expected to remain stable
Fine Papers			
Coated Fine Paper			Good demand; some price increases expected

Note: Near-term = outlook for next 2-3 months

Outlook



- Outlook for paper markets is generally positive
- Profit 2007 proceeding ahead of schedule
- Port Hawkesbury Mill standstill expected to continue until a new agreement with the local energy company has been reached
- Higher energy prices and interest rates, as well as concerns over geopolitical events, may create a more unpredictable operating environment for the Group

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Appendix

Second Quarter Events



- The wholly owned subsidiary Corenso United Oy Ltd signed an agreement with Foshan Huaxen Packaging Co., Ltd to purchase the assets of its core manufacturing plant in Nanhai, Guangdong Province, China
- JV agreement signed with Shandong Huatai Paper to form publication paper company- total investment approximately USD 100 million (EUR 83 million)
- Completion of an offer to exchange USD 750 million 7.375 % notes due 2011 in to new notes due 2016
- A two-day illegal strike in Finland in May
- Announcement of expansion of corrugated board business in Russia through a new mill with an annual production capacity of 150 million m²
- Signing of agreement to sell Celbi Pulp Mill to Alrti for EUR 428 million
- Signing of a new loan agreement with International Finance Corporation, increasing loan facility to USD 300 million

Events after the Period



- On 21 July Stora Enso signed an agreement to sell Pankakoski Mill in Finland to a group of private investors lead by Dr Dermot Smurfit and including Landsdowne Capital Limited for EUR 20 million. Expected to be completed in Q3 2006.

Non-Recurring Items Effect During Q2

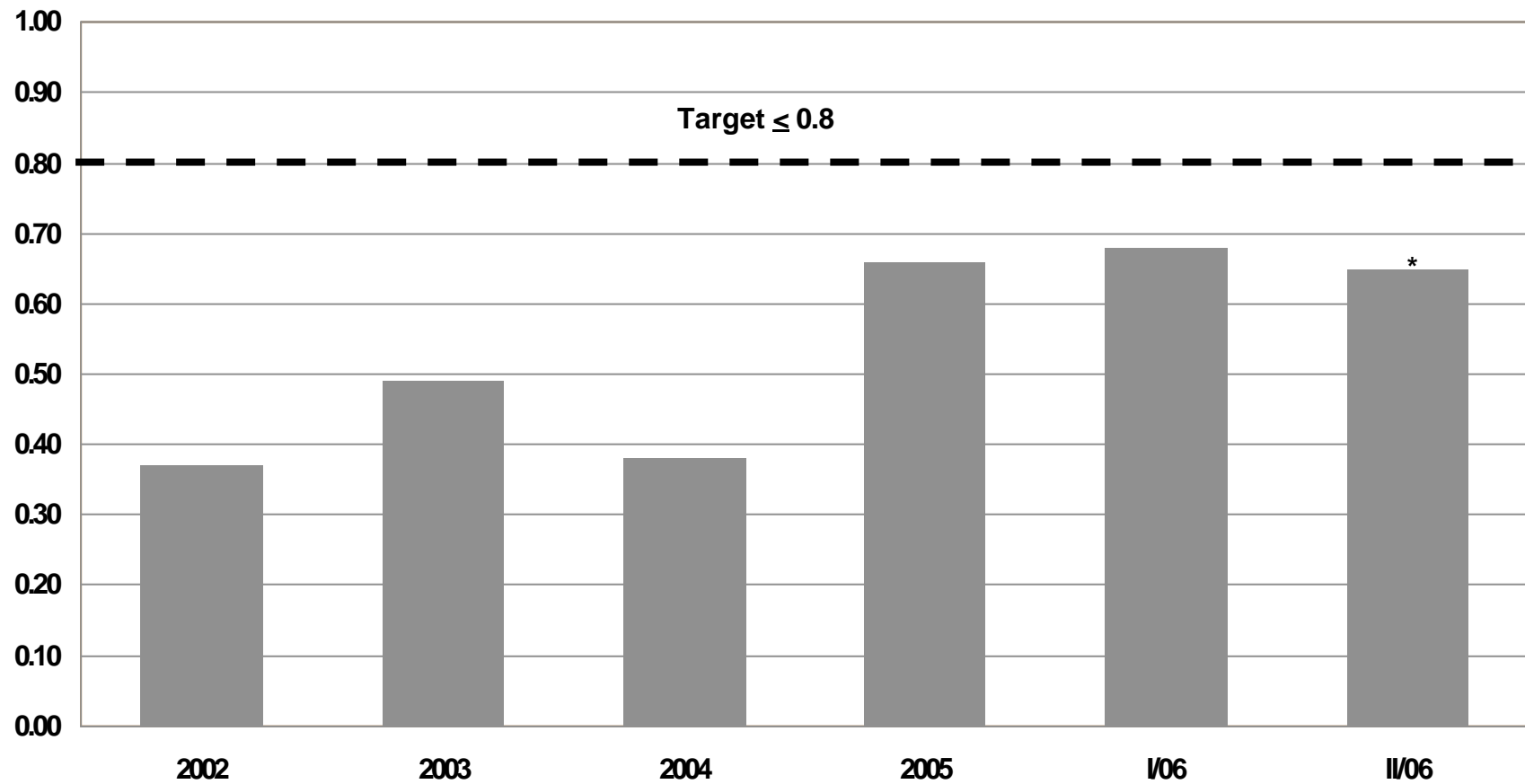


	Excluding non-recurring items	Non-recurring items	IFRS
EBITDA (EUR million)	451.2	6.7	457.9
EBIT (EUR million)	182.2	6.7	188.9
Profit after financial items (EUR million)	53.2	6.7	59.9
Net profit* (EUR million)	36.5	2.1	38.6
EPS (EUR)	0.05	-	0.05

*Attributable to Company shareholders

Debt/Equity

2002 - Q2/06



* Interest-bearing net liabilities EUR 4 927m
Shareholder's equity EUR 7 530m

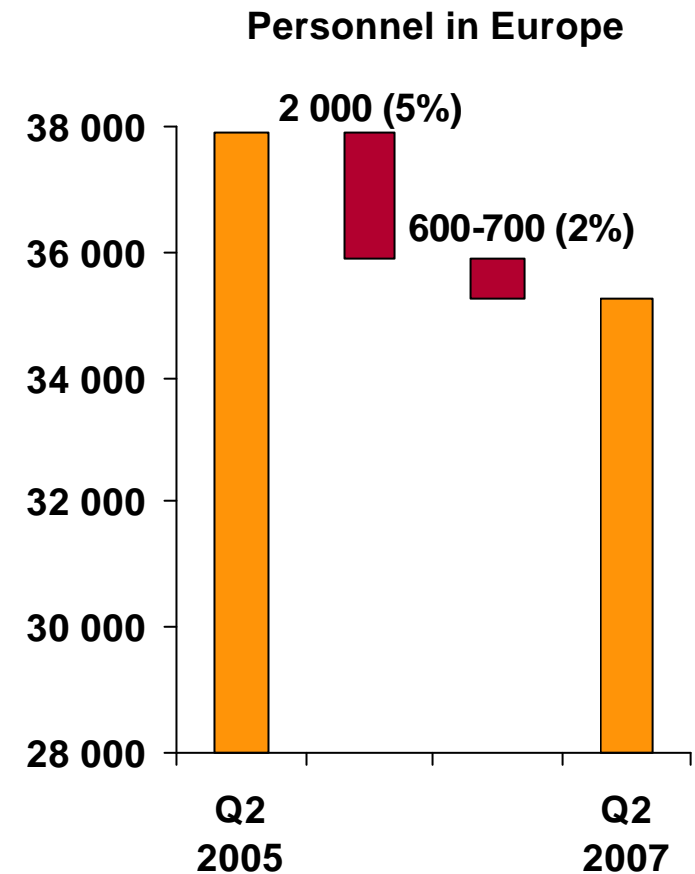
Profit 2007

Personnel reductions

- Anticipated personnel reductions 2 000 people during the programme
 - Reductions by Q2: 1 245 people
 - 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 personnel outsourcing opportunities under investigation (600–700 persons)
 - 90 positions outsourced by Q2



Excl. Merchants

Operating Profit by Division



EUR million	II/05	III/05	IV/05	I/06	II/06
Publication Paper	31.5	67.9	72.3	70.3	55.3
% of sales	2.8	5.8	5.6	6.0	4.8
Fine Paper	-13.6	-1.2	28.9	52.7	46.3
% of sales	-2.2	-0.2	3.9	6.8	6.3
Packaging Boards	11.9	73.5	62.6	99.5	70.8
% of sales	1.5	9.3	7.5	11.4	8.0
Wood Products	9.9	-1.8	-7.2	3.8	14.9
% of sales	2.3	-0.5	-1.8	1.0	3.4

excluding non-recurring items

Publication Paper



EUR million	2005	II/05	III/05	IV/05	I/06	II/06	% Change II/I
Sales	4 675.9	1 125.3	1 166.0	1 280.2	1 171.0	1 145.2	-2.2
Operating profit	193.3	31.5	67.9	72.3	70.3	55.3	-21.3
% of sales	4.1	2.8	5.8	5.6	6.0	4.8	
ROOC, %*	4.4	2.8	5.9	6.4	6.3	5.1	
Deliveries, 1 000 t	7 008	1 708	1 734	1 881	1 666	1 662	-0.2
Production, 1 000 t	7 087	1 587	1 849	1 892	1 717	1 674	-2.5

*) 100% x Operating profit/Operating capital
excluding non-recurring items

In Europe:

- Demand for uncoated magazine paper was considerably stronger than a year ago; newsprint demand only slightly stronger; demand for coated magazine paper more or less unchanged
- Prices were higher than a year ago, especially in newsprint, but similar to previous quarter in all grades

In North America:

- Demand for all publication paper grades was weaker than a year ago, but virtually unchanged to the previous quarter
- Prices were higher than a year ago in newsprint; unchanged in uncoated and coated magazine paper. Prices for all publication grades were similar to the previous quarter

Fine Paper



EUR million	2005	II/05	III/05	IV/05	I/06	II/06	% Change II/I
Sales	2 690.3	618.3	625.4	737.9	776.3	738.9	-4.8
Operating profit	62.2	-13.6	-1.2	28.9	52.7	46.3	-12.1
% of sales	2.3	-2.2	-0.2	3.9	6.8	6.3	
ROOC, %*	2.2	-1.9	-0.2	4.2	7.6	6.7	
Deliveries, 1 000 t	3 521	808	811	942	994	945	-4.9
Production, 1 000 t	3 554	715	914	982	1 029	944	-8.3

*) 100% x Operating profit/Operating capital
excluding non-recurring items

In Europe:

- Demand was stronger than a year ago but weaker than the previous quarter. Deliveries were lower than the previous quarter, due to the Grycksbo divestment
- Uncoated fine paper prices increased slightly, whereas coated fine paper prices were stable

In North America:

- Demand for coated fine paper was good; stronger than a year earlier, and similar to the previous quarter
- Coated fine paper prices increased slightly during the quarter

Packaging Boards



EUR million	2005	II/05	III/05	IV/05	I/06	II/06	% Change II/I
Sales	3 190.2	768.2	788.7	838.8	869.0	881.8	1.5
Operating profit	220.0	11.9	73.5	62.6	99.5	70.8	-28.8
% of sales	6.9	1.5	9.3	7.5	11.4	8.0	
ROOC, %*	7.3	1.5	9.6	8.3	13.4	9.6	
Deliveries, 1 000 t	3 621	873	890	929	959	971	1.3
Production, 1 000 t	3 678	715	1 009	952	1 005	958	-4.7

*) 100% x Operating profit/Operating capital
excluding non-recurring items

- Market demand was unchanged on the previous quarter and higher than a year ago
- Operating profit was down 28.8%, mainly due to lower production volumes, higher fixed costs and the impact of the illegal strike in Finland
- Some price increases were achieved, mainly in industrial packaging grades and US dollar markets

Wood Products



EUR million	2005	II/05	III/05	IV/05	I/06	II/06	% Change II/I
Sales	1 588.3	433.7	398.0	389.7	377.1	437.8	16.1
Operating profit	-3.1	9.9	-1.8	-7.2	3.8	14.9	n/m
% of sales	-0.2	2.3	-0.5	-1.8	1.0	3.4	
ROOC, %*	-0.5	5.5	-1.0	-4.2	2.3	8.8	
Deliveries, 1 000 m ³	6 741	1 855	1 639	1 706	1 563	1 746	11.7

*) 100% x Operating profit/Operating capital
excluding non-recurring items

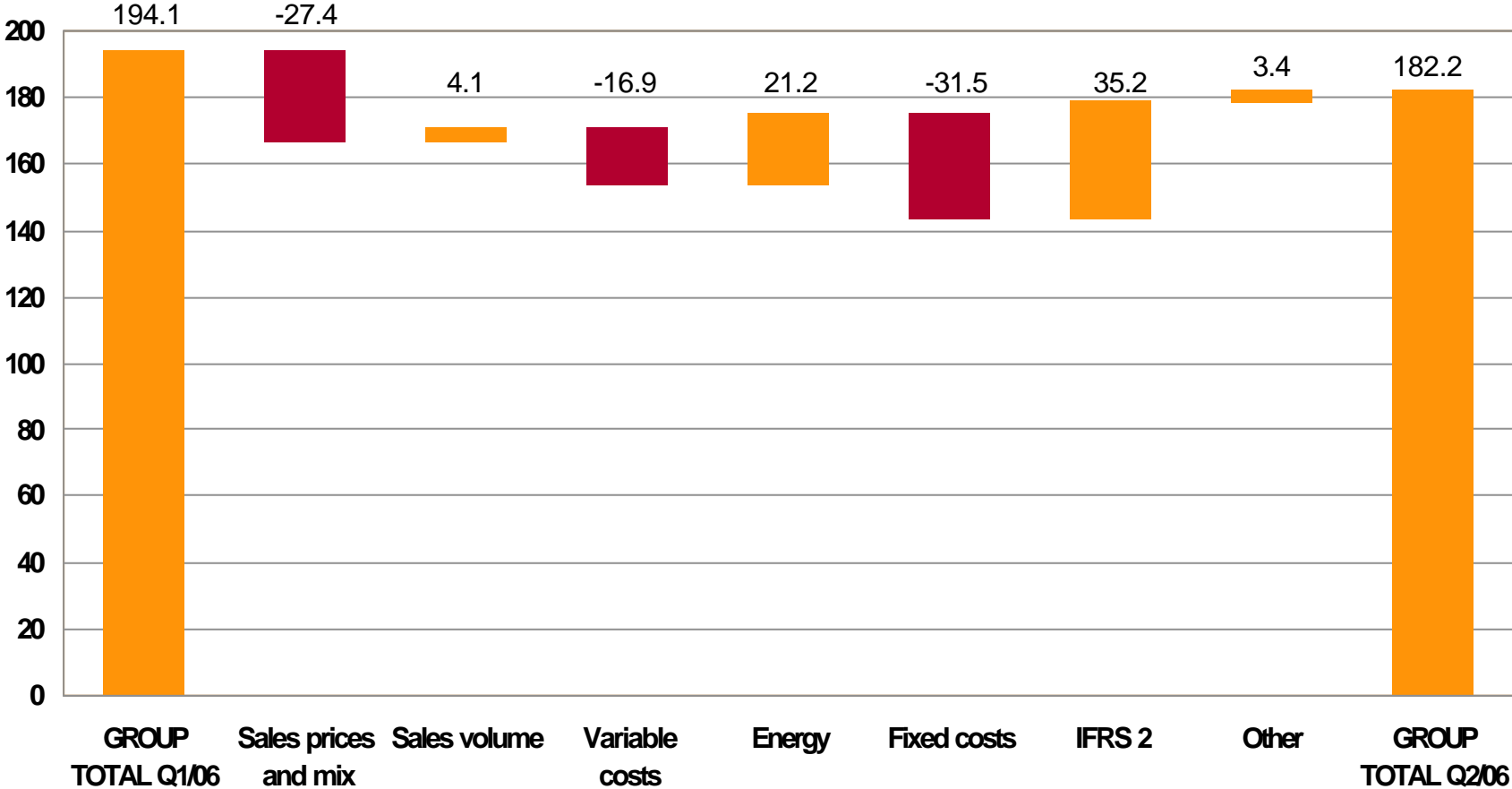
- Sales were up 16.1%, mainly due to seasonal variations in production and invoicing volumes
- Operating profit was EUR 14.9 million, up on the previous quarter mainly due to cost savings and higher sales prices – compensating for higher raw material costs
- Demand was satisfactory in Europe, Asia, North Africa and the Middle East, due to seasonal strength in building activity
- In the USA prices decreased as housing starts declined

Change in Operating Profit

Q1/06 - Q2/06



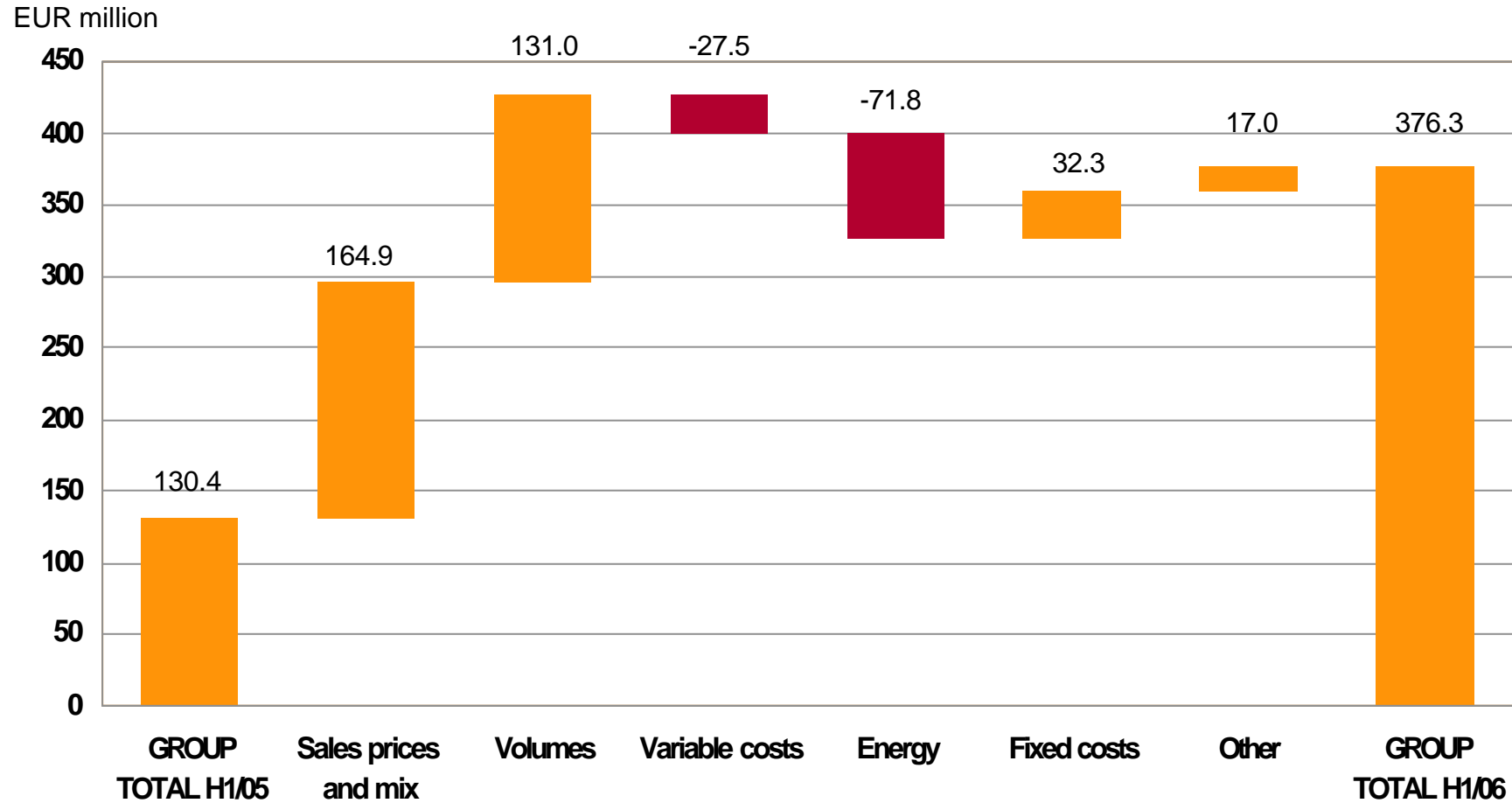
EUR million



excluding non-recurring items

Change in Operating Profit

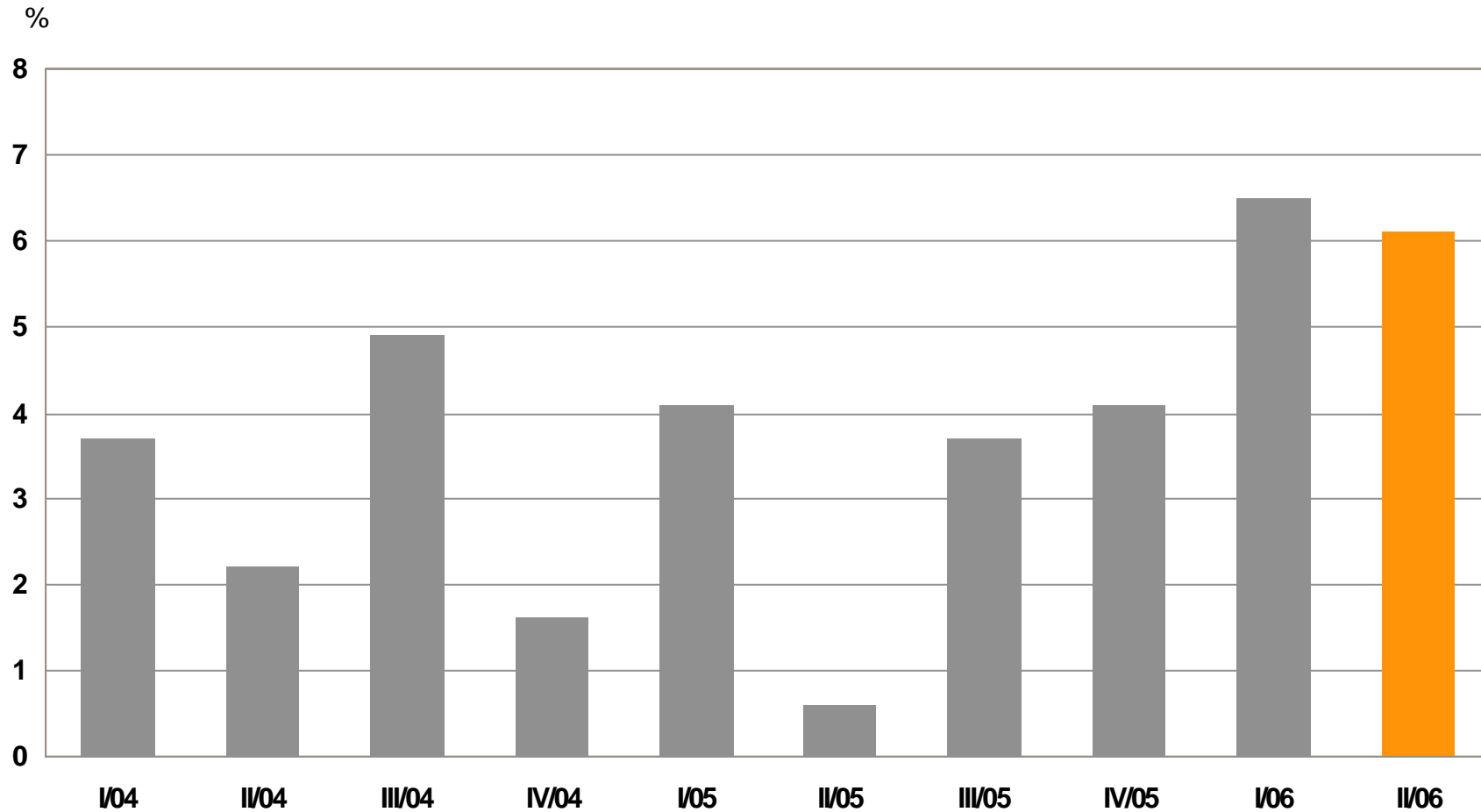
H1/05 – H1/06



excluding non-recurring items

ROCE by Quarter

2004 - Q2/06

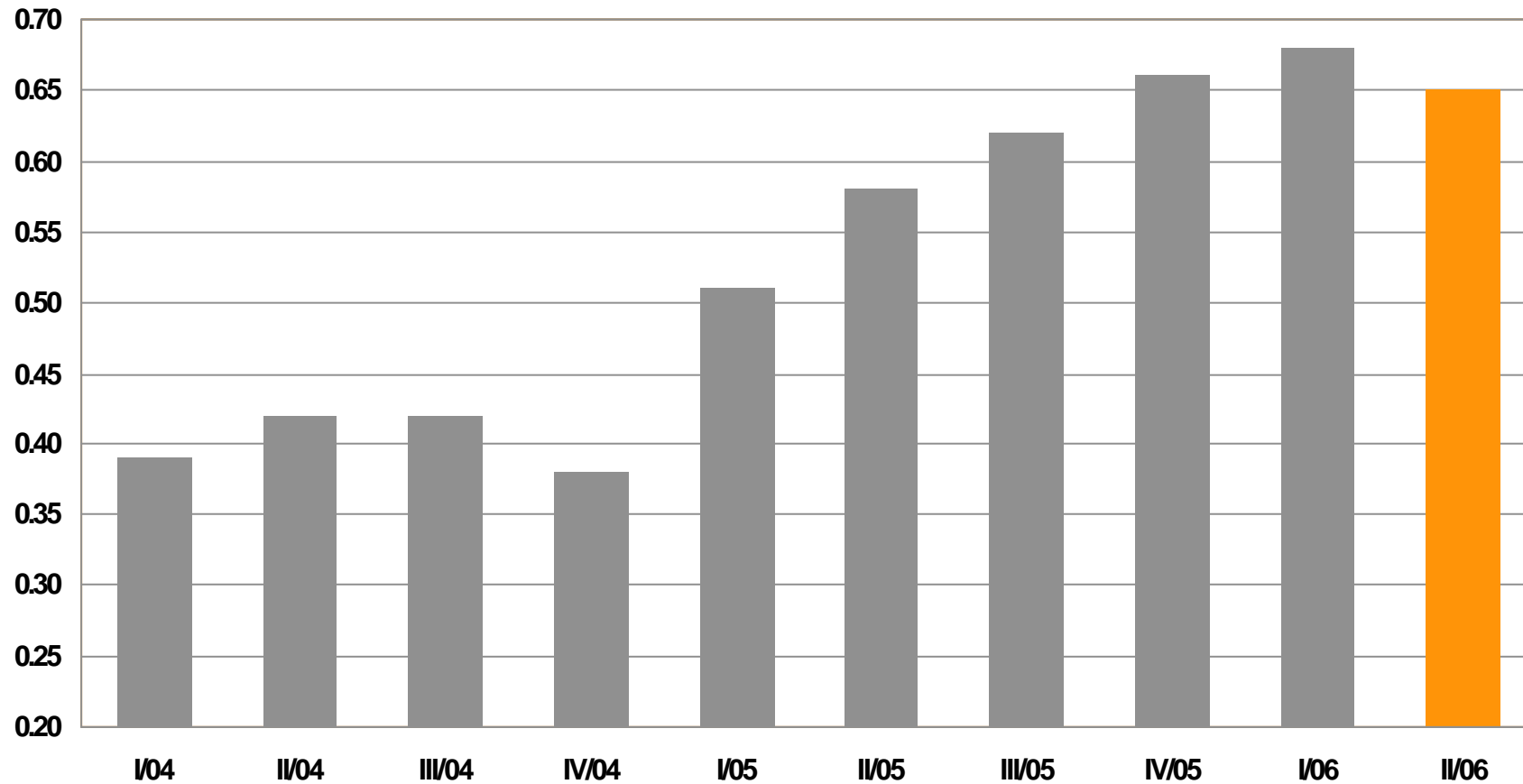


Target $\geq 13\%$ over the cycle (current WACC 8.7%)

excluding non-recurring items

Debt/Equity

2004 - Q2/06



Target ≤ 0.8

Asset Performance Review (APR)

Short-term Actions



Division	Mill	Action	Capacity	Grade	Country
Publication Paper	PM3 & PM4 Corbehem Mill	Production stopped in June 2006	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	Decided closure end of 2006	95 000 t	WFC	Finland
	Grycksbo Mill	Divestment*	280 000 t	WFC	Sweden
	Celbi Mill	Divestment**	305 000 t	Short-fibre pulp	Portugal
Packaging Boards	Hammarby Mill	Closed	35 000 t	Plastic coating	Sweden
	PM31 Stevens Point Mill	Closed	25 000 t	Coated specialities	USA
	Pankakoski Mill	Divestment**	95 000 t	FBB, WPB, SBS	Finland
Forest Products	Linghed Sawmill	Divestment*	40 000 m ³	Redwood	Sweden

* *Divestment completed*

** *Divestment announced, to be completed during Q3*