

Paper, packaging & forest products

Financial Results April–June 2007

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26 July 2007

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Highlights

Q2 2007

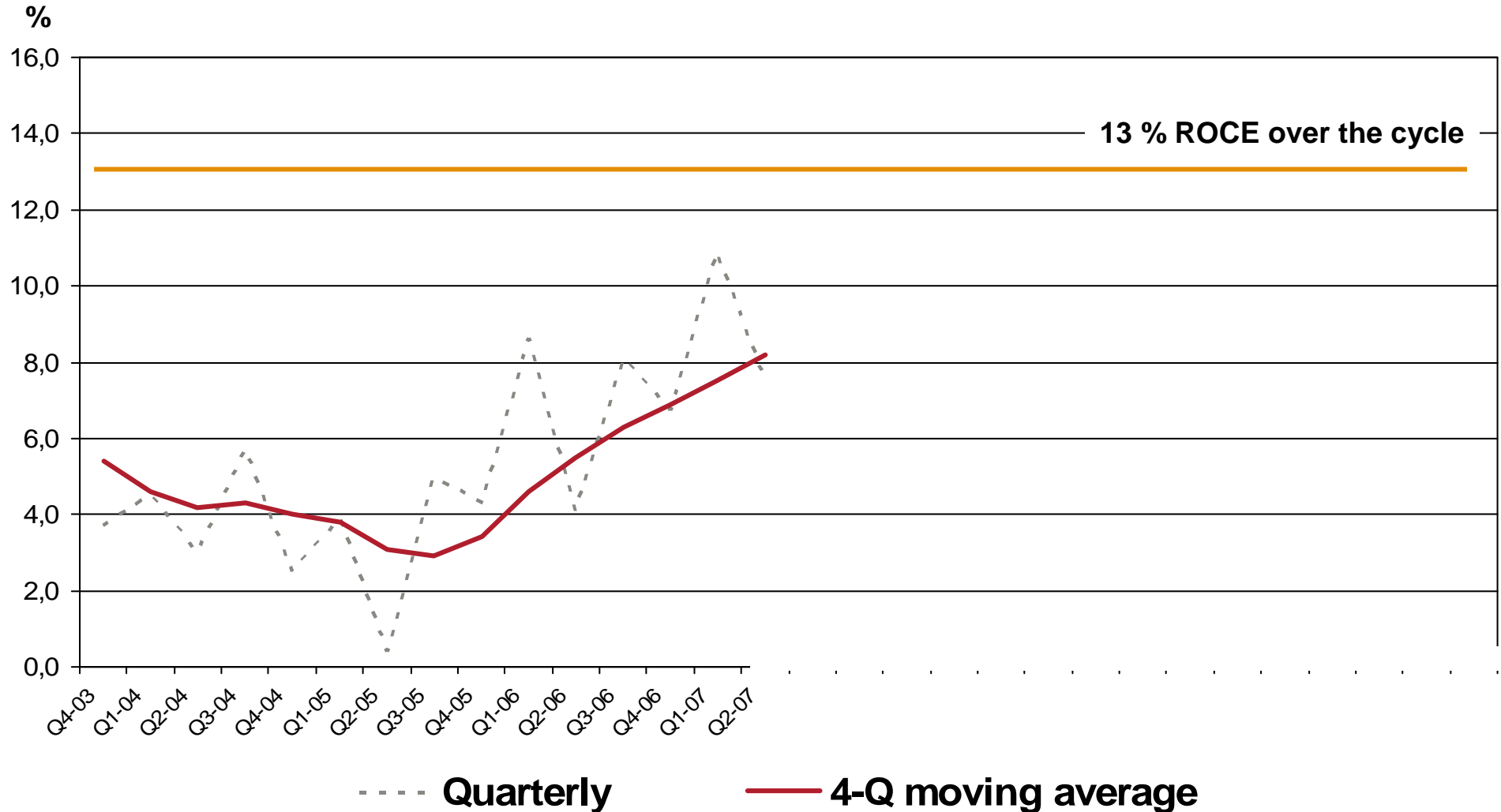


- Year-on-year improvement maintained
 - Publication Paper profitability deteriorated due to magazine paper business
 - Fine Paper earnings up more than 20%, excluding Celbi divestment
 - Packaging Board suffered from wood shortage
 - Wood Products had again an excellent performance

	II/06	II/07	% Change Q207/Q206
Revenues up (EUR million)	3 616.3	3 805.2	5.2
EBIT (ex. NRI) (EUR million)	118.2	216.7	83.3
ROCE (ex. NRI)	4.1	7.5	82.9

Improvement Path

Group ROCE Q4/2003-Q2/2007



Based on EBIT excluding non-recurring items (and goodwill amortisation in 2002-2004)

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Financial Results

Financial Results Q2 2007



	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales (EUR million)	3 855.4	3 616.3	3 805.2	5.2	-1.3
Operating profit* (EUR million)	307.3	118.2	216.7	83.3	-29.5
Operating profit (EUR million)	339.3	124.9	229.5	83.7	-32.4
EPS (EUR)	0.28	0.05	0.18	260.0	-35.7
EPS* (EUR)	0.26	0.05	0.16	220.0	-38.5
Cash EPS* (EUR)	0.59	0.39	0.48	23.1	-18.6
ROCE*	10.8	4.1	7.5	82.9	-30.6
Debt/Equity	0.61	0.69	0.55	-20.3	-9.8

*excluding non-recurring items

Operating Profit by Division

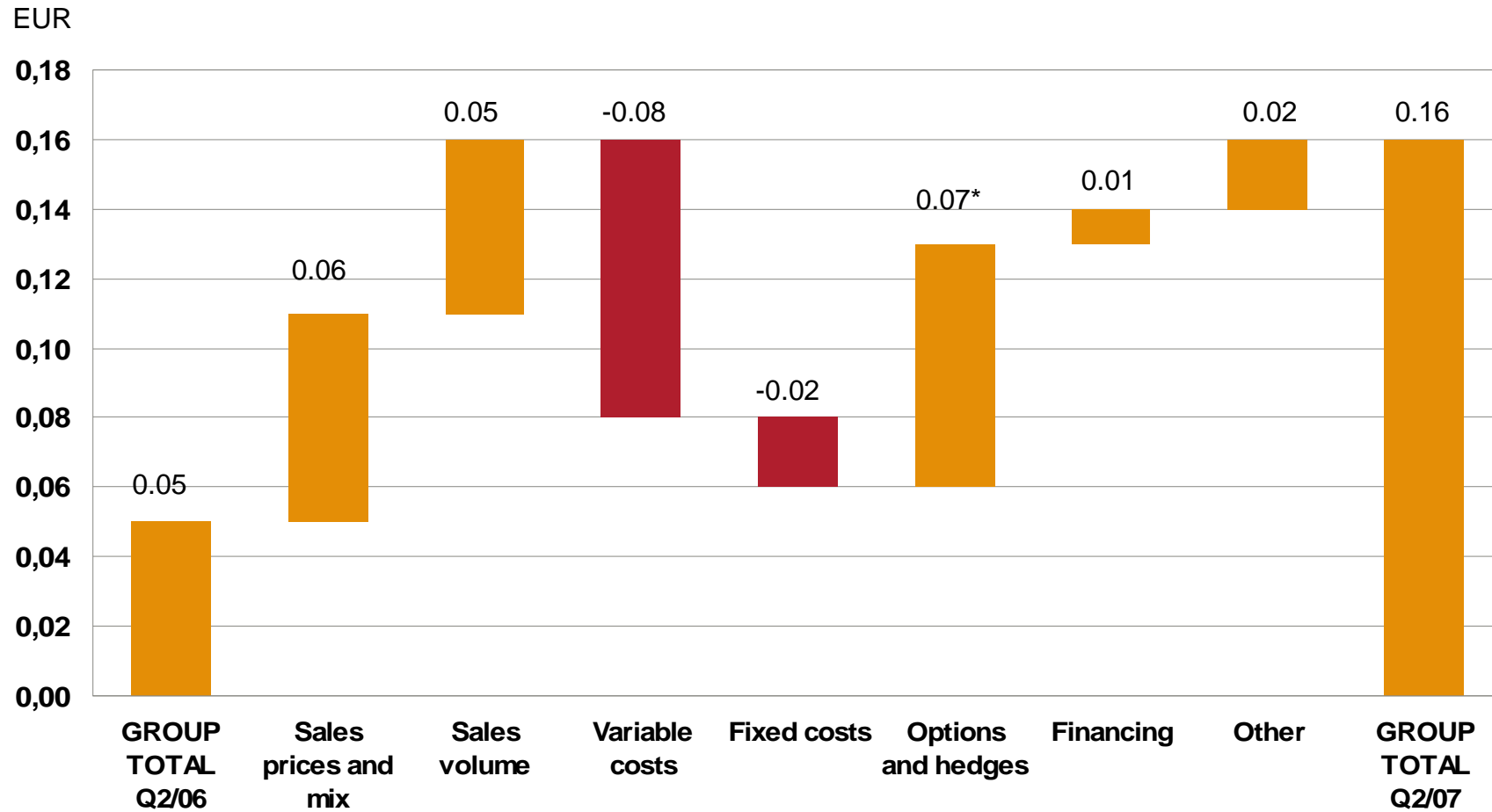


EUR million	III/06	IV/06	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Publication Paper	57.0	69.0	63.5	55.3	35.9	-35.1	-43.5
% of sales	4.6	5.6	5.1	4.8	2.9	-39.6	-43.1
Fine Paper	32.4	34.6	61.5	46.3	41.1	-11.2	-33.2
% of sales	4.5	4.8	8.3	6.3	6.0	-4.8	-27.7
Packaging Board	93.7	59.4	106.5	70.8	62.5	-11.7	-41.3
% of sales	10.3	6.8	11.6	8.0	6.9	-13.8	-40.5
Wood Products	21.4	19.0	53.7	14.9	57.8	n/m	7.6
% of sales	5.1	4.3	11.2	3.4	10.9	n/m	-2.7

excluding non-recurring items

Change in EPS

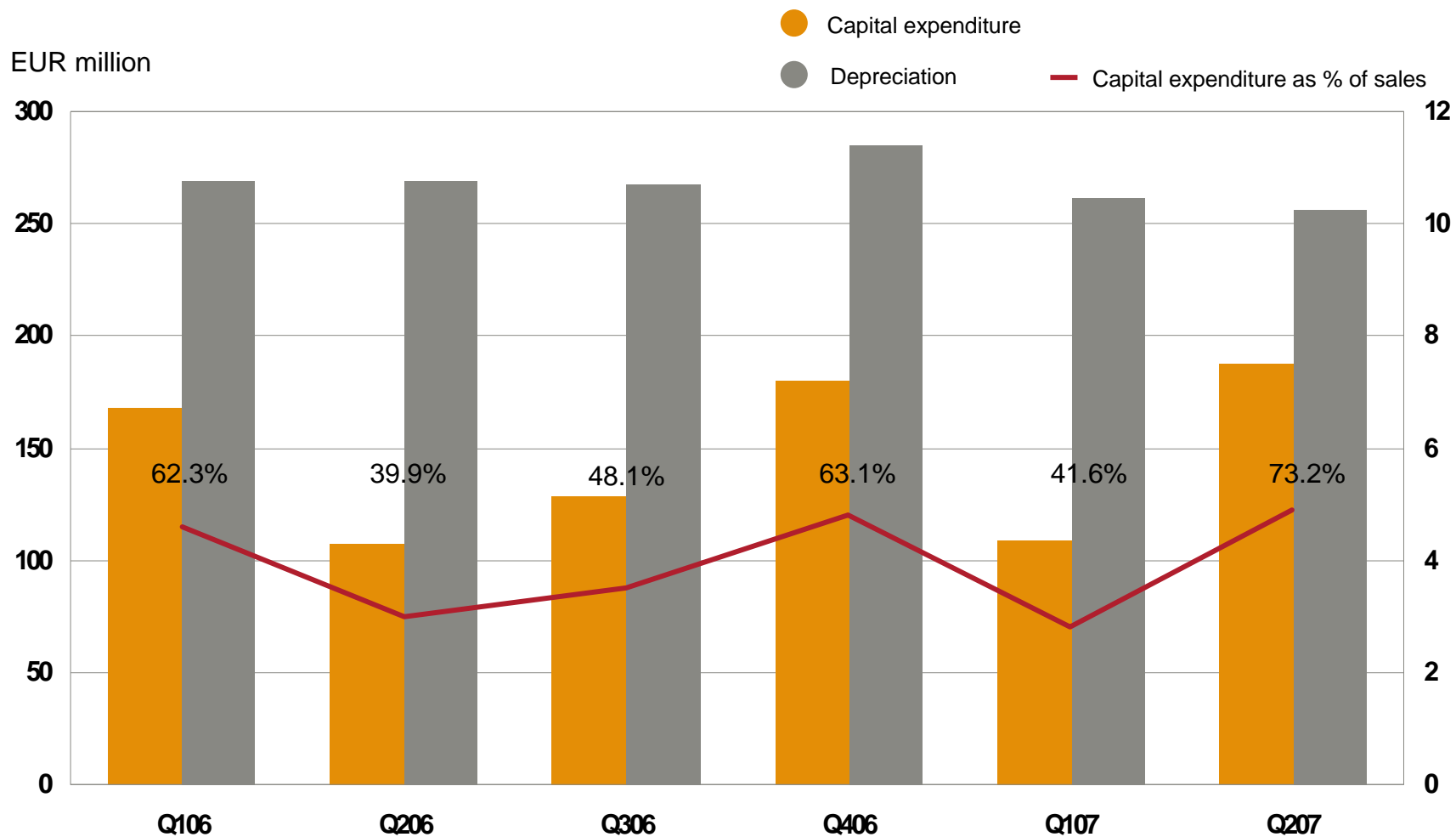
Q2/06 – Q2/07



* Options and hedges is a net of share-based compensation fair value movements and the impact of the hedging instruments

Excluding non-recurring items

Capital Expenditure and Depreciation



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Market Outlook

Near-term Market Outlook

Europe	Demand Development	Price Development
Publication Paper	Stable outlook for newsprint; rather positive for magazine paper	Stable outlook for newsprint; magazine paper prices expected to stabilise
Fine Paper	Outlook remains positive with some seasonal slowdown due to summer holidays	Positive price outlook
Packaging Board	Positive demand outlook	Prices generally stable; slight improvement in some business segments predicted
Wood Products	Moderating demand after exceptionally strong H1 2007	Prices expected to moderate
North America		
Publication Paper	Demand outlook for newsprint remains negative and uncertain for magazine paper	Negative price outlook for newsprint; cautiously positive for magazine due to improving supply/demand balance
Coated Fine Paper	Demand outlook remains uncertain	Cautiously positive price outlook due to improving supply/demand balance

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Summary

Summary

- Year-on-year improvement trend continued under difficult operating conditions
- Wood Products, Fine Paper and Packaging Boards showed like-for-like improvement in profits
- Wood costs and availability: short-term – a great challenge
- Portfolio review is progressing as planned; decisions to be announced when appropriate

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Appendix

Summary Financials



EUR million	2006	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales (EUR million)	14 594	3 855	3 616	3 805	5.2	-1.3
EBITDA* (EUR million)	1 873	569	387	472	22.0	-16.9
Operating profit* (EUR million)	782	307	118	217	83.3	-29.5
Operating profit (EUR million)	648	339	125	230	83.7	-32.4
Profit before tax* (EUR million)	602	275	53	164	208.6	-40.2
Net profit (EUR million)	589	222	41	144	251.8	-35.3
Earnings per share* (EUR)	0.55	0.26	0.05	0.16	220.0	-38.5
Earnings per share, basic (EUR)	0.74	0.28	0.05	0.18	260.0	-35.7
Cash earnings per share* (EUR)	1.94	0.59	0.39	0.48	23.1	-18.6
ROCE* (%)	6.8	10.8	4.1	7.5	82.9	-30.6
Debt/Equity	0.54	0.61	0.69	0.55	-20.3	-9.8

*excluding non-recurring items

Net Financial Items

EUR million	Q1/2007	Q2/2006	Q2/2007	% Change Q207/Q206	% Change Q207/Q107
Interest income, deposits	6.4	5.0	5.5	10.0	-14.1
Interest expenses, borrowings	-68.0	-70.1	-63.1	10.0	7.2
Interest rate swaps	0.9	6.7	1.8	-73.1	100.0
Net Interest Expense	-60.7	-58.4	-55.8	4.5	8.1
Foreign Exchange Gains and Losses	3.6	-11.1	-0.1	99.1	n/a
Other Financial Items, of which	0.4	-15.7	-16.4	-4.5	n/a
Capital gains, listed shares	1.0	0.0	0.9	n/a	-10.0
Unrealised fair valuation of financial items	0.7	-10.7	-14.6	-36.4	n/a
Other items	-1.3	-5.0	-2.7	46.0	-107.7
Net Financial Items Total	-56.7	-85.2	-72.3	15.1	-27.5

Non Operational Items

EUR million

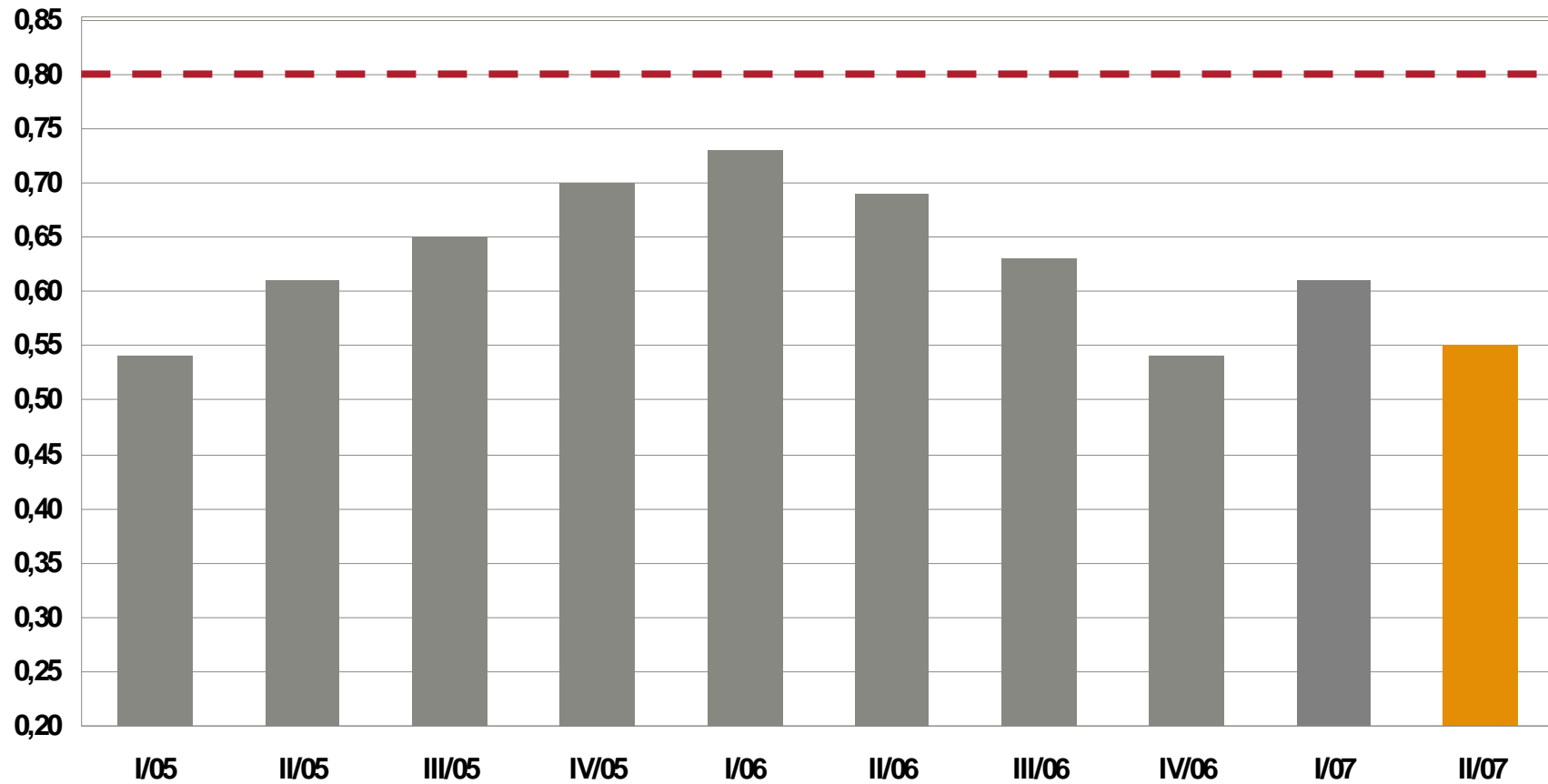
Non-Operational Items	<u>Q1-06</u>	<u>Q2-06</u>	<u>H1-06</u>	<u>Q3-06</u>	<u>Q4-06</u>	<u>Y2006</u>	<u>Q1-07</u>	<u>Q2-07</u>	<u>H1-07</u>
IFRS 2 option valuation	-17.6	17.6	0.0	-12.0	-4.9	-16.9	-12.0	-4.2	-16.2
Total Return Swaps	52.9	-64.0	-11.1	34.1	1.6	24.6	31.4	27.0	58.4
CO2 emission rights	0.0	1.7	1.7	7.7	-2.8	6.6	-3.7	-1.5	-5.2
Total	35.3	-44.7	-9.4	29.8	-6.1	14.3	15.7	21.3	37.0
Of which	<u>Q1-06</u>	<u>Q2-06</u>	<u>H1-06</u>	<u>Q3-06</u>	<u>Q4-06</u>	<u>Y2006</u>	<u>Q1-07</u>	<u>Q2-07</u>	<u>H1-07</u>
Cash	11.2	-2.8	8.4	-1.9	9.0	15.5	13.3	22.2	35.5
Non-Cash	24.1	-41.9	-17.8	31.7	-15.1	-1.2	2.4	-0.9	1.5
Total	35.3	-44.7	-9.4	29.8	-6.1	14.3	15.7	21.3	37.0

Non-recurring Items Effect During Q2 2007

	Excluding non-recurring items	Non-recurring items	IFRS
EBITDA (EUR million)	472.5	12.8	485.3
EBIT (EUR million)	216.7	12.8	229.5
Profit after financial items (EUR million)	164.2	12.8	177.0
Tax effect	-39.1	6.0	-33.1
Net profit (EUR million)	125.1	18.8	143.9
EPS (EUR)	0.16	0.02	0.18

Debt/Equity

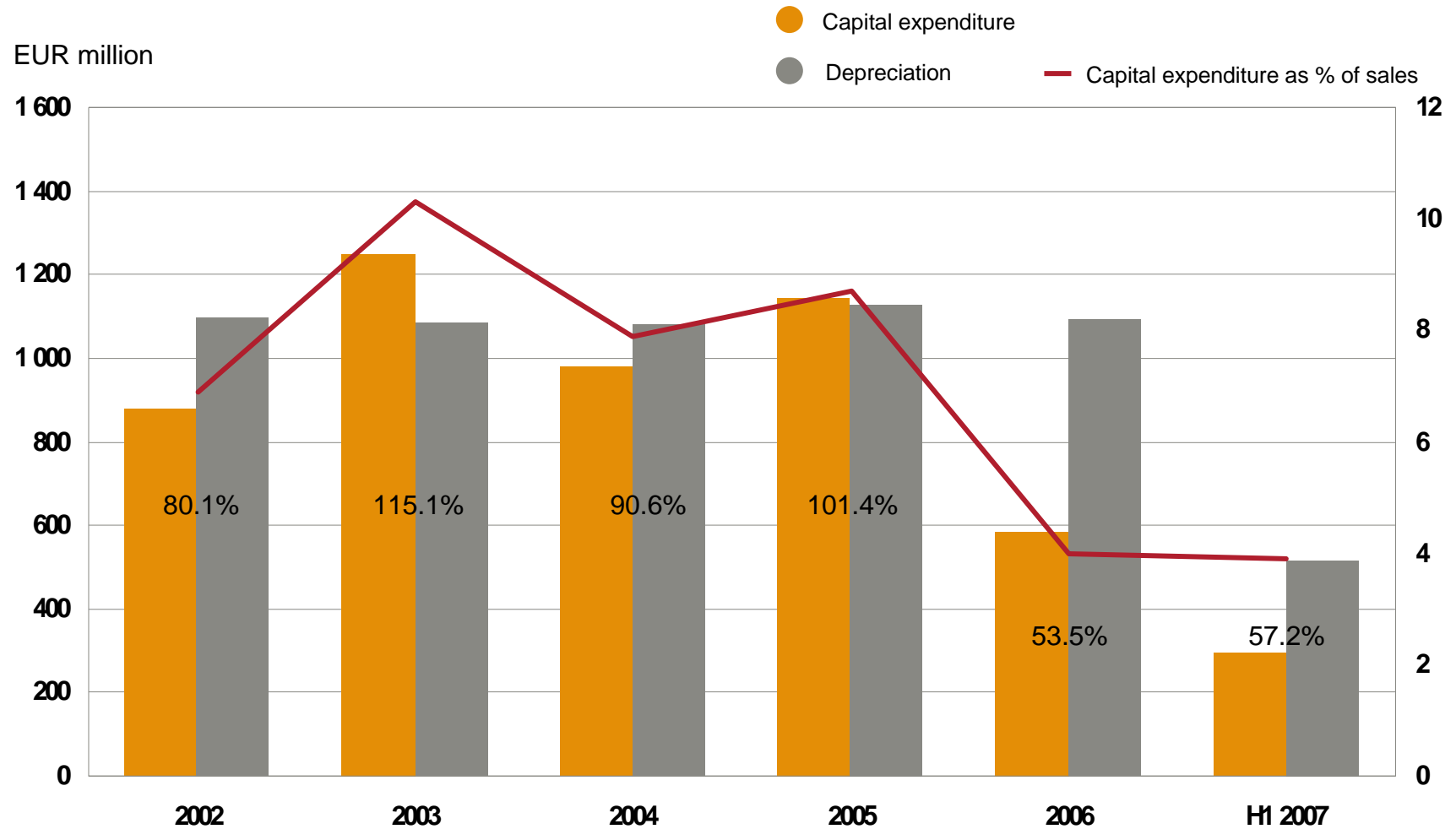
2005 – Q2/07



Objective ≤ 0.8

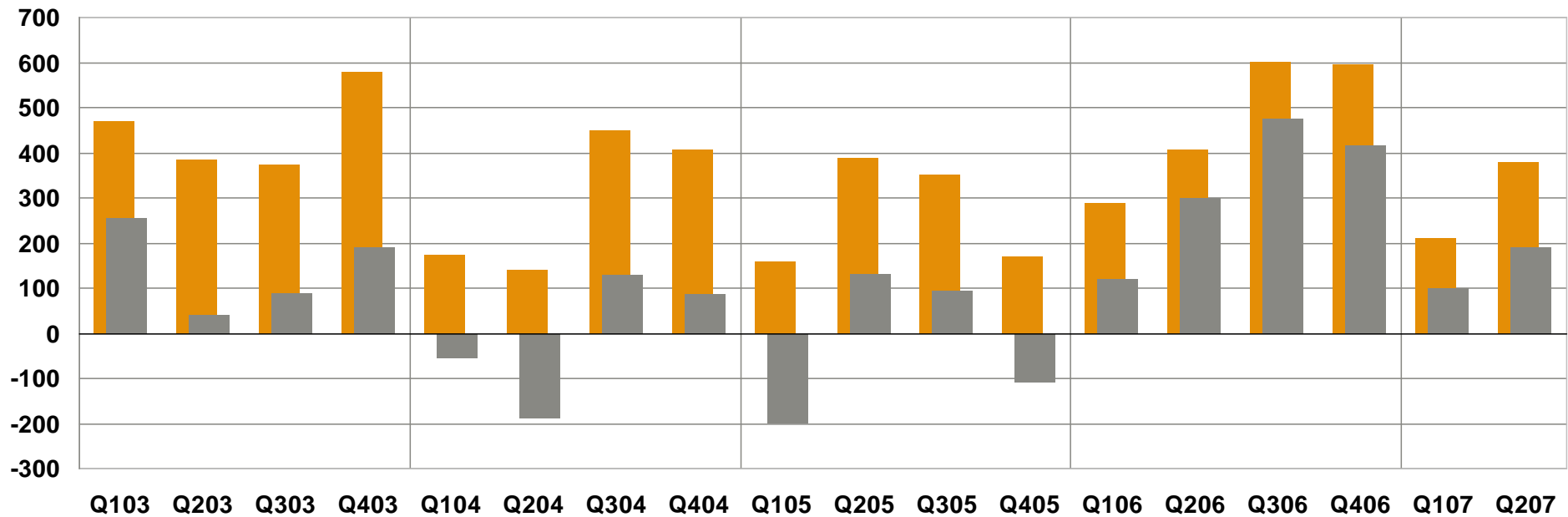
Capital Expenditure and Depreciation

2002 – H1 2007



Operating Cash Flow

EUR million



- Cash flow from operations
- Cash flow after investing activities

Publication Paper

EUR million	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales	1 240.5	1 145.2	1 217.4	6.3	-1.9
Operating profit*	63.5	55.3	35.9	-35.1	-43.5
% of sales	5.1	4.8	2.9	-39.6	-43.1
ROOC, %**	6.5	5.4	3.7	-31.5	-43.1
Deliveries, 1 000 t	1 824	1 662	1 834	10.3	0.5
Production, 1 000 t	1 882	1 674	1 842	10.0	-2.1

*) excluding non-recurring items

***) 100% x Operating profit/Operating capital

In Europe:

- Compared with Q2/2006, demand for all publication paper grades was stronger than a year ago. Prices were higher for newsprint and lower for magazine paper.
- Compared with the previous quarter, demand for newsprint strengthened but demand for magazine paper weakened. Prices were virtually unchanged for all grades, but the non-contractual business has recently been facing increasing price pressure.

In North America:

- Compared with Q2/2006, demand was clearly weaker for newsprint, clearly stronger for uncoated magazine paper and almost unchanged for coated magazine paper.
- Compared with the previous quarter, demand for all publication paper grades improved slightly. Newsprint prices declined further, but magazine paper prices remained fairly stable.

Fine Paper

EUR million	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales	738.6	738.9	684.9	-7.3	-7.3
Operating profit*	61.5	46.3	41.1	-11.2	-33.2
% of sales	8.3	6.3	6.0	-4.8	-27.7
ROOC, %**	11.4	7.2	7.6	5.6	-33.3
Deliveries, 1 000 t	966	945	894	-5.4	-7.5
Production, 1 000 t	951	944	924	-2.1	-2.8

*) excluding non-recurring items

***) 100% x Operating profit/Operating capital

In Europe:

- Compared with Q2/2006, coated fine paper demand was stronger, but prices were unchanged. In uncoated fine paper demand was somewhat better, prices were higher.
- Compared with the previous quarter, coated fine paper demand was weaker following the normal seasonal trend. Coated fine paper prices rose slightly. In uncoated fine paper, demand was seasonally weaker than in the previous quarter, but prices continued to rise.

In North America:

- Compared with Q2/2006, coated fine paper demand was clearly weaker, but prices were unchanged.
- Compared with the previous quarter, coated fine paper demand was weaker than but prices were unchanged.

Packaging Board

EUR million	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales	919.8	881.8	909.0	3.1	-1.2
Operating profit*	106.5	70.8	62.5	-11.7	-41.3
% of sales	11.6	8.0	6.9	-13.8	-40.5
ROOC, %**	15.4	10.0	9.1	-9.0	-40.9
Deliveries, 1 000 t	1 000	971	1 000	3.0	0.0
Production, 1 000 t	1 000	958	979	2.2	-2.1

*) excluding non-recurring items

***) 100% x Operating profit/Operating capital

- Compared with Q2/2006, cartonboard demand was better in Europe. Market prices increased mainly in recovered fibre grades, but also in primary fibre cartonboard. Prices for consumer board were lower due to exchange rate trends. Volumes and prices for industrial packaging and speciality papers were higher than a year ago.
- Compared to the previous quarter, cartonboard demand in Europe was unchanged. Cartonboard market prices improved slightly. Prices for consumer board were unchanged. Volumes and prices for industrial packaging and speciality papers were similar to the previous quarter.

Wood Products

EUR million	I/07	II/06	II/07	% Change Q207/Q206	% Change Q207/Q107
Sales	479.8	437.8	530.7	21.2	10.6
Operating profit*	53.7	14.9	57.8	n/m	7.6
% of sales	11.2	3.4	10.9	n/m	-2.7
ROOC, %**	32.9	8.9	33.9	n/m	3.0
Deliveries, 1 000 m ³	1 666	1 746	1 797	2.9	7.9

*) excluding non-recurring items

***) 100% x Operating profit/Operating capital

- Compared with Q2/2006 markets improved steadily over the year except in the USA, where the booming housing market of recent years turned down during the second half of 2006. In all other markets good demand and rapid raw material cost escalation supported a steady improvement in market prices following several years of weakness.

Second Quarter Events

- Signing of mill site land acquisition agreement with Beihai City Government in Guangxi, China. The agreement provides Stora Enso a total of 250 hectares of industrial land for possible future use as a mill site. The purchase price of EUR 27 million will be paid in the third quarter of 2007.
- Investment of EUR 25 million in a new copy paper sheeter, two packaging lines and a new machine hall at Veitsiluoto fine paper mill in Finland.
- Announcement of starting co-determination negotiations concerning possible temporary lay-offs of personnel at Kemijärvi pulp mill in Finland due to the shortage of wood.
- Announcement to upgrade and modernise two board machines (BM 2 and BM 3) and chemi-thermomechanical pulping (CTMP) plant 2 at Fors Mill in Sweden to improve quality and pulp production.

Second Quarter Events (cont.)

- Announcement to invest EUR 16.8 million to reduce energy costs by increasing packaging-derived fuel (PDF) and biofuel combustion capacity at Anjalankoski Mill.
- Stora Enso's subsidiary paper merchant Papyrus sold warehouses and office properties in Sweden and Denmark to the Swedish listed property company Kungsleden. A capital gain of approximately EUR 24.4 million has been recorded.
- Papyrus is to build a new 27 000 m² Scandinavian Central Warehouse in the Port of Gothenburg in Sweden. The total capital expenditure in the project will be EUR 35 million.
- Sauga Sawmill in Estonia was permanently shut down in June. The closure is expected to have a slightly positive impact on the full year operating profit.

Events after the Period

- Announcement of a quality-driven investment of EUR 15 million to upgrade board manufacturing at Imatra mills in Finland.
- Kai Korhonen, Senior Executive Vice President, Packaging Board and member of the Executive Management Group (EMG), has chosen to retire and leave his duties at Stora Enso.
- Stora Enso has decided to start a pre-feasibility study for a pulp and paper mill complex in Nizhny Novgorod, Russia which will be undertaken in close co-operation with the Russian government.
- Jussi Huttunen, Senior Executive Vice President, Market Services left Stora Enso to pursue new opportunities.