

Paper, packaging & forest products

Financial Results 2006

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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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Fourth Quarter 2006 Results

Financial Highlights Q4 2006

	IV/05	I/06	II/06	III/06	IV/06
Sales (EUR million)	3 636.1	3 607.7	3 616.3	3 638.1	3 731.8
Operating profit* (EUR million)	120.9	194.1	182.2	195.2	186.0
Operating profit (EUR million)	-309.9	170.9	188.9	18.0	246.0
EPS (EUR)	-0.30	0.29	0.05	0.07	0.33
EPS* (EUR)	0.13	0.20	0.05	0.18	0.13
Cash EPS* (EUR)	0.50	0.54	0.39	0.52	0.49
Debt/Equity	0.70	0.72	0.69	0.62	0.54

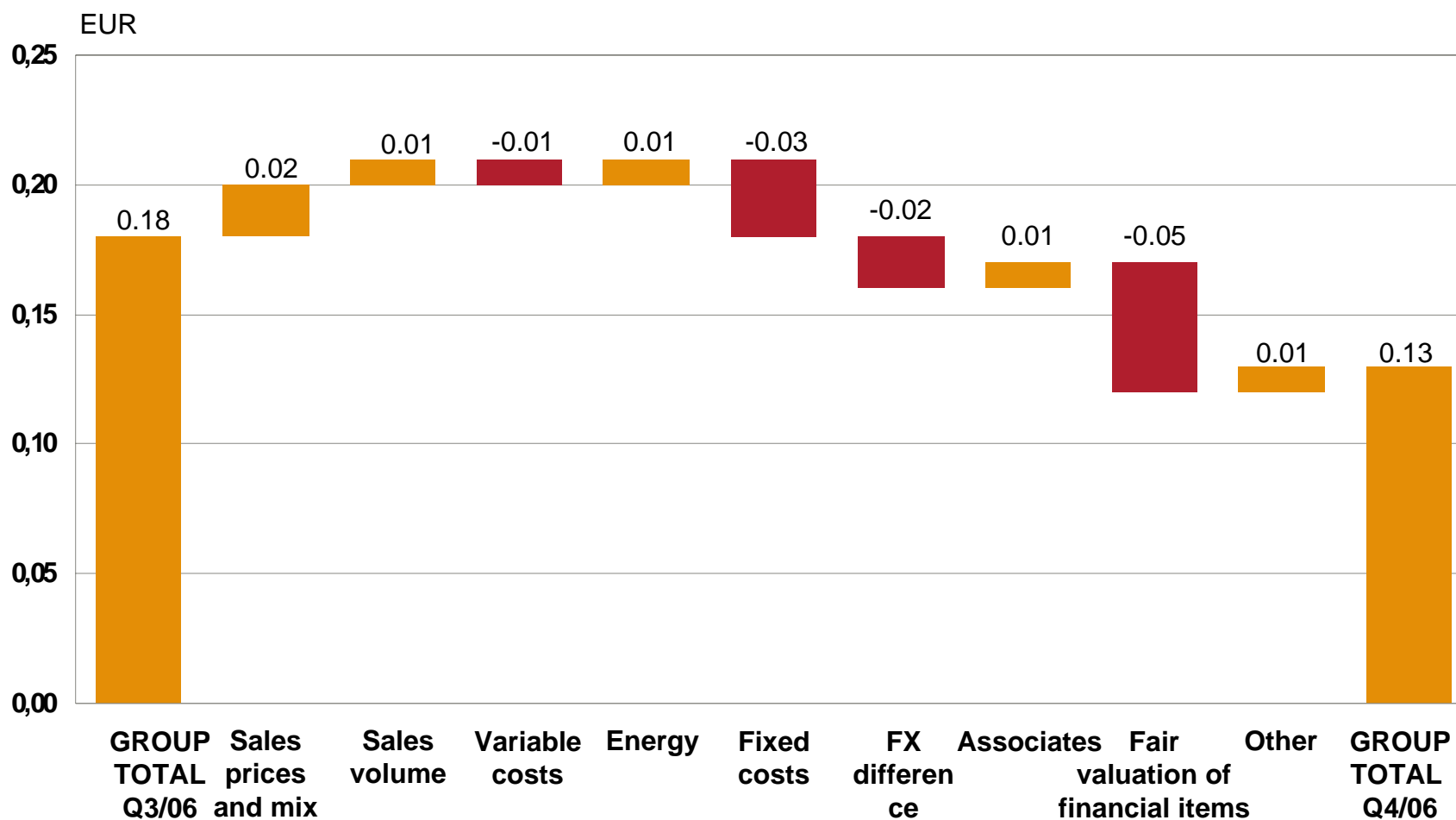
*excluding non-recurring items

** excluding amortisation

- Sales volumes increased
- Some price increases were realised
- Operating profit excluding non-recurring items largely unchanged
- Balance sheet continued to strengthen
- Profit 2007 target of EUR 300 million achieved ahead of schedule

Change in EPS

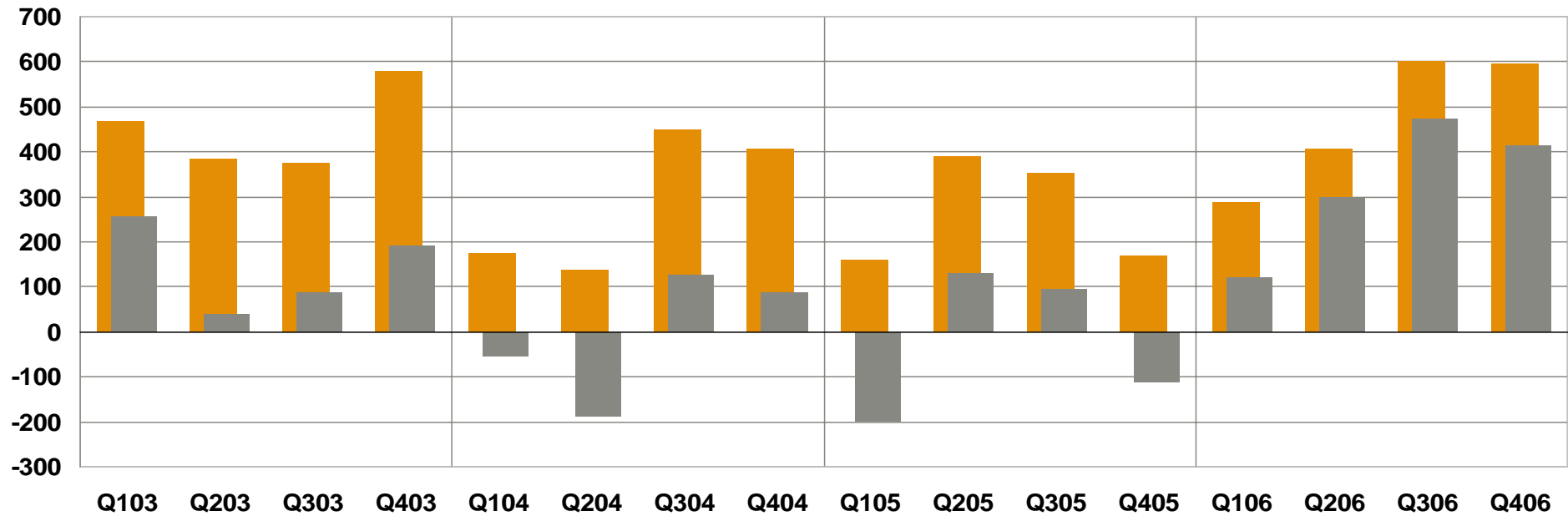
Q3/06 – Q4/06



Excluding non-recurring items

Operating Cash Flow

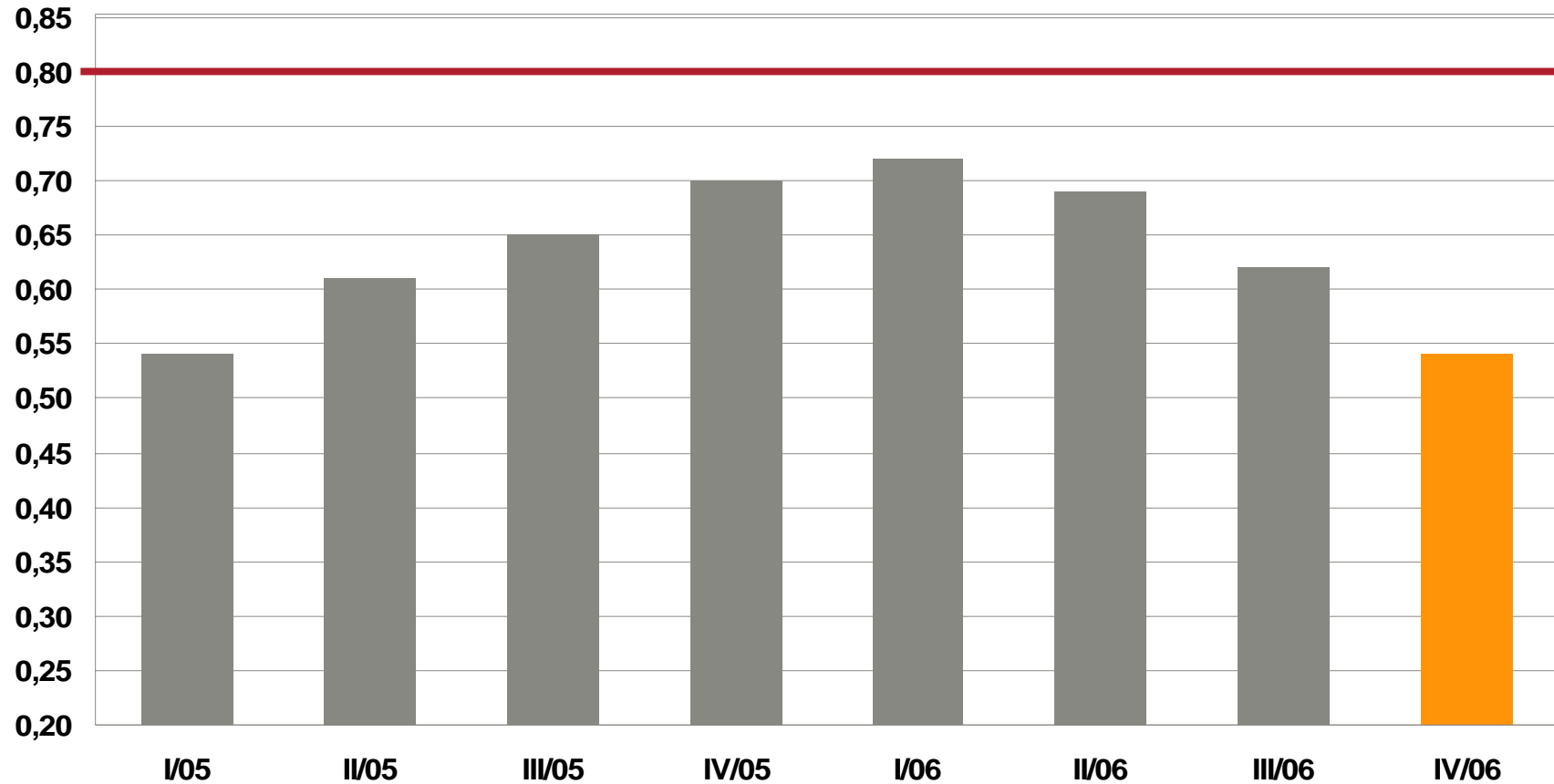
EUR million



- Cash flow from operations
- Cash flow after investing activities

Debt/Equity

2005 – Q4/06



Target ≤ 0.8

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Year 2006 Review

Key Annual Figures

	2004	2005	2006
Sales (1 000 tonnes)	14 410	14 150	14 618
Sales (EUR million)	12 396	13 188	14 594
EBITDA* (EUR million)	1 508	1 487	1 848
Operating profit* (EUR million)	427 **	358	758
Operating profit (EUR million)	826 **	-60	624
Earnings per share*, EUR	0.25	0.28	0.55
Earnings per share, EUR	0.91	-0.14	0.74
Cash earnings per share*, EUR	1.67	1.70	1.94
Net debt (EUR million)	3 052	5 084	4 234
Debt to equity	0.40	0.70	0.54
ROCE*, (%)	3.1	3.3	6.6

*excluding non-recurring items

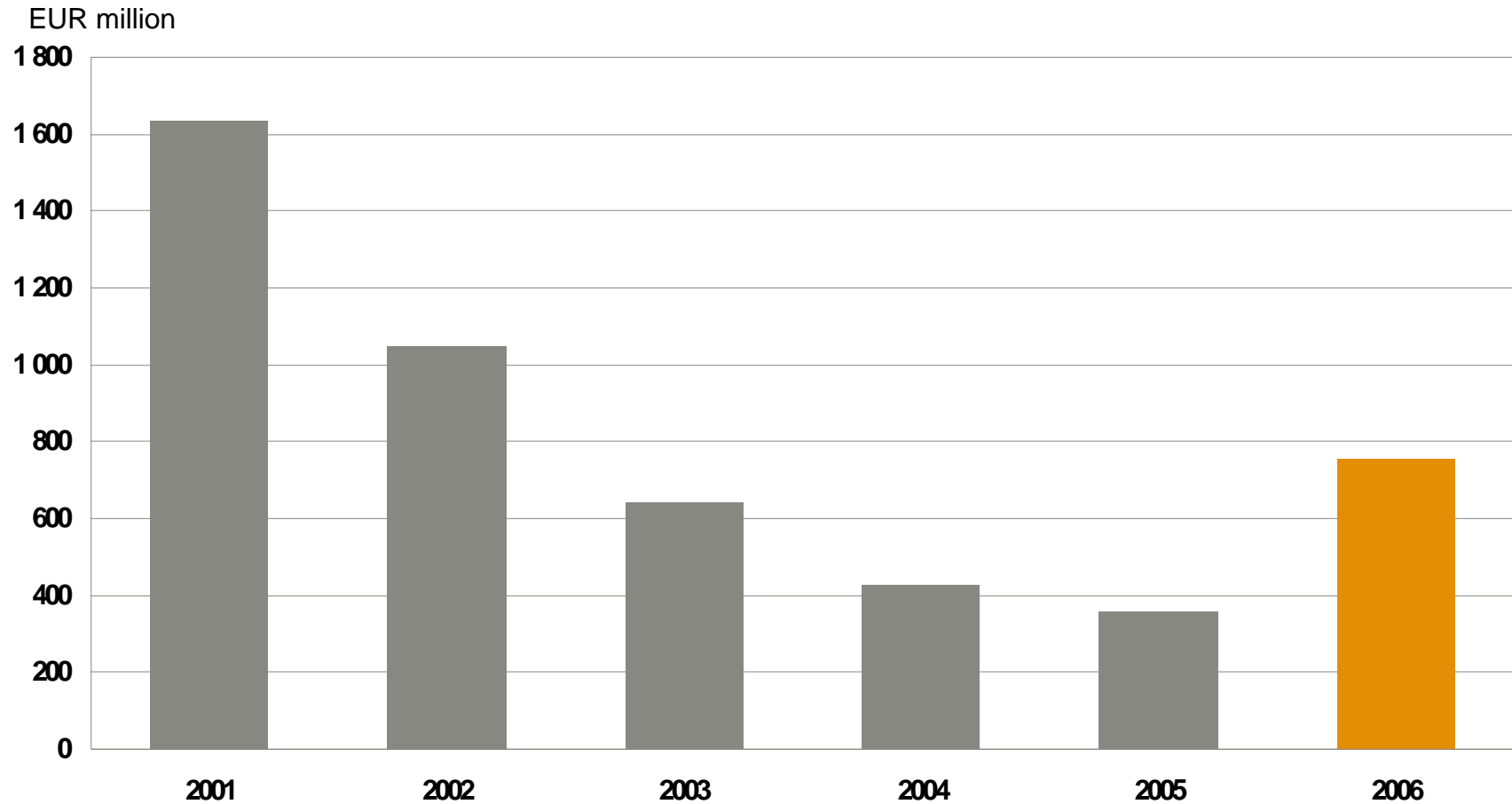
** excluding amortisation

Full year 2006 Highlights

- Sales increased due to higher prices and increased deliveries:
 - Schneidersöhne and Arapoti acquisitions increased sales, offset partly by Grycksbo, Pankakoski, Celbi and Wolfscheck divestments
- Operating profit improved:
 - Increased prices in Publication Paper and Wood Products
 - Improved sales volumes in Fine Paper and Packaging Boards
- Profit 2007 target of EUR 300 million achieved ahead of schedule

Comparison on the year-on-year figures were distorted by industry-wide labour dispute in Finland 2005. Operating profit in 2005 was negatively impacted by about EUR 190 million, based on full capacity utilisation.

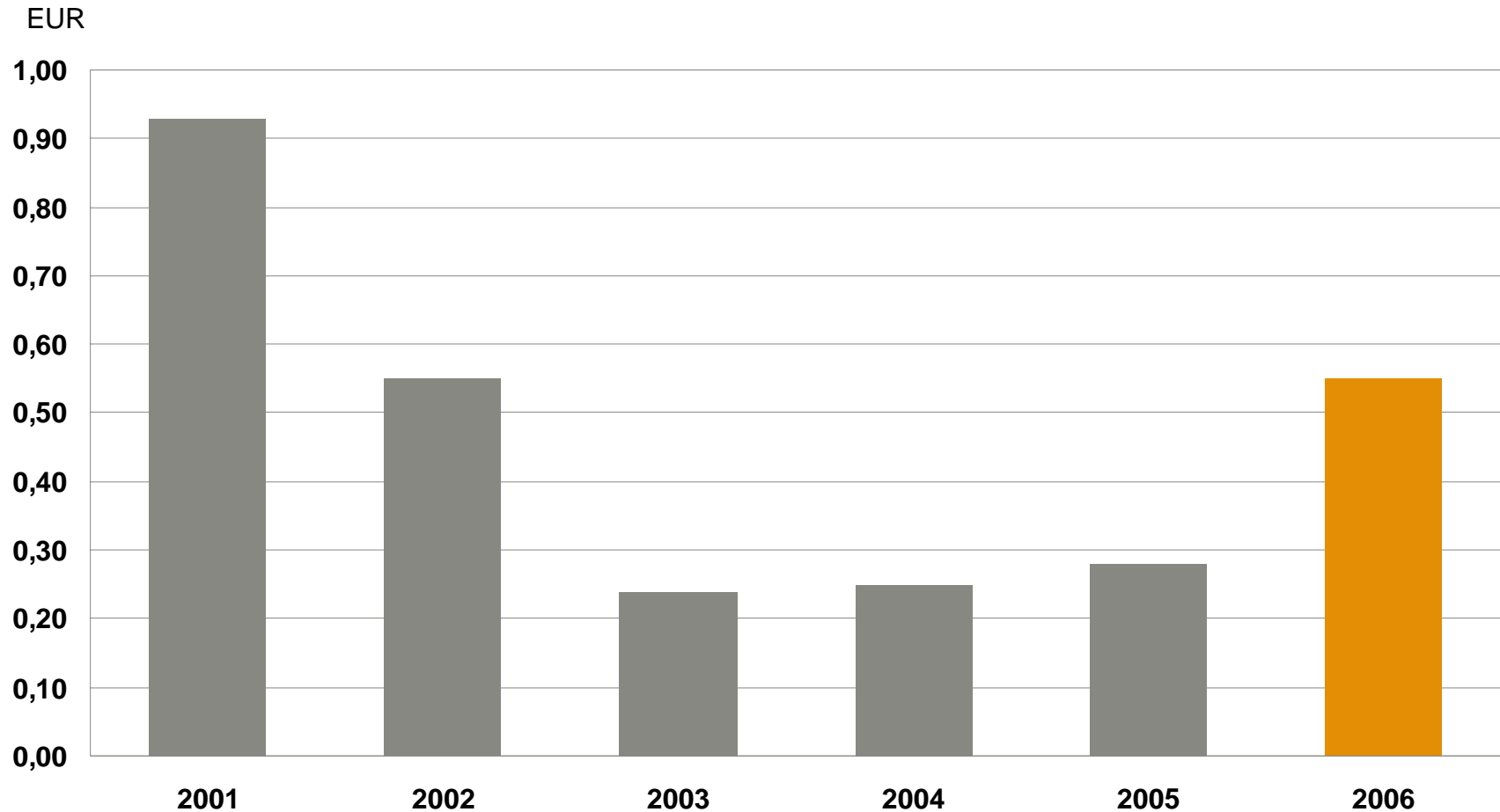
Operating Profit



Comparatives excluding amortisation

excluding non-recurring items

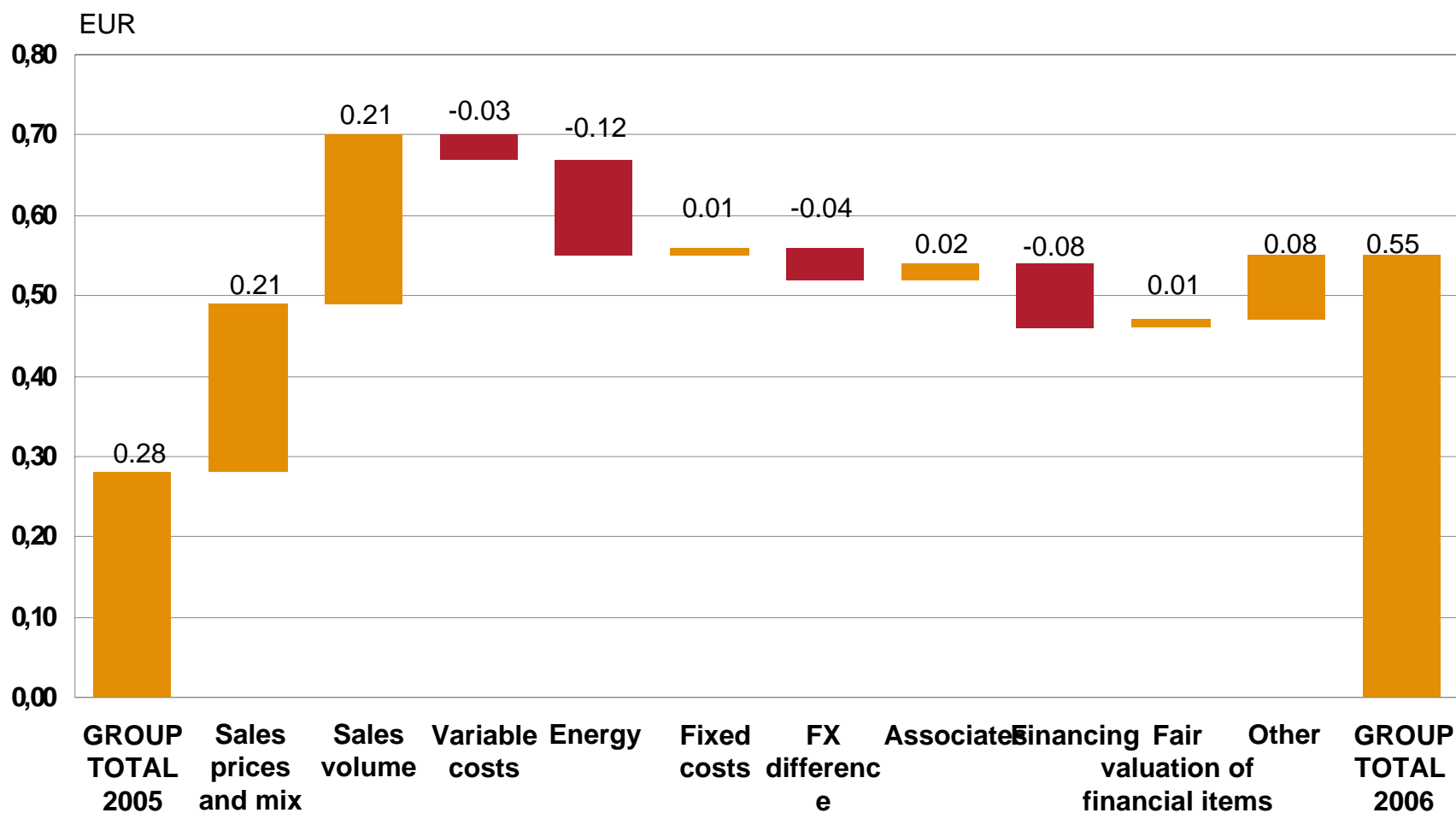
Earnings per Share (EPS)



excluding non-recurring items

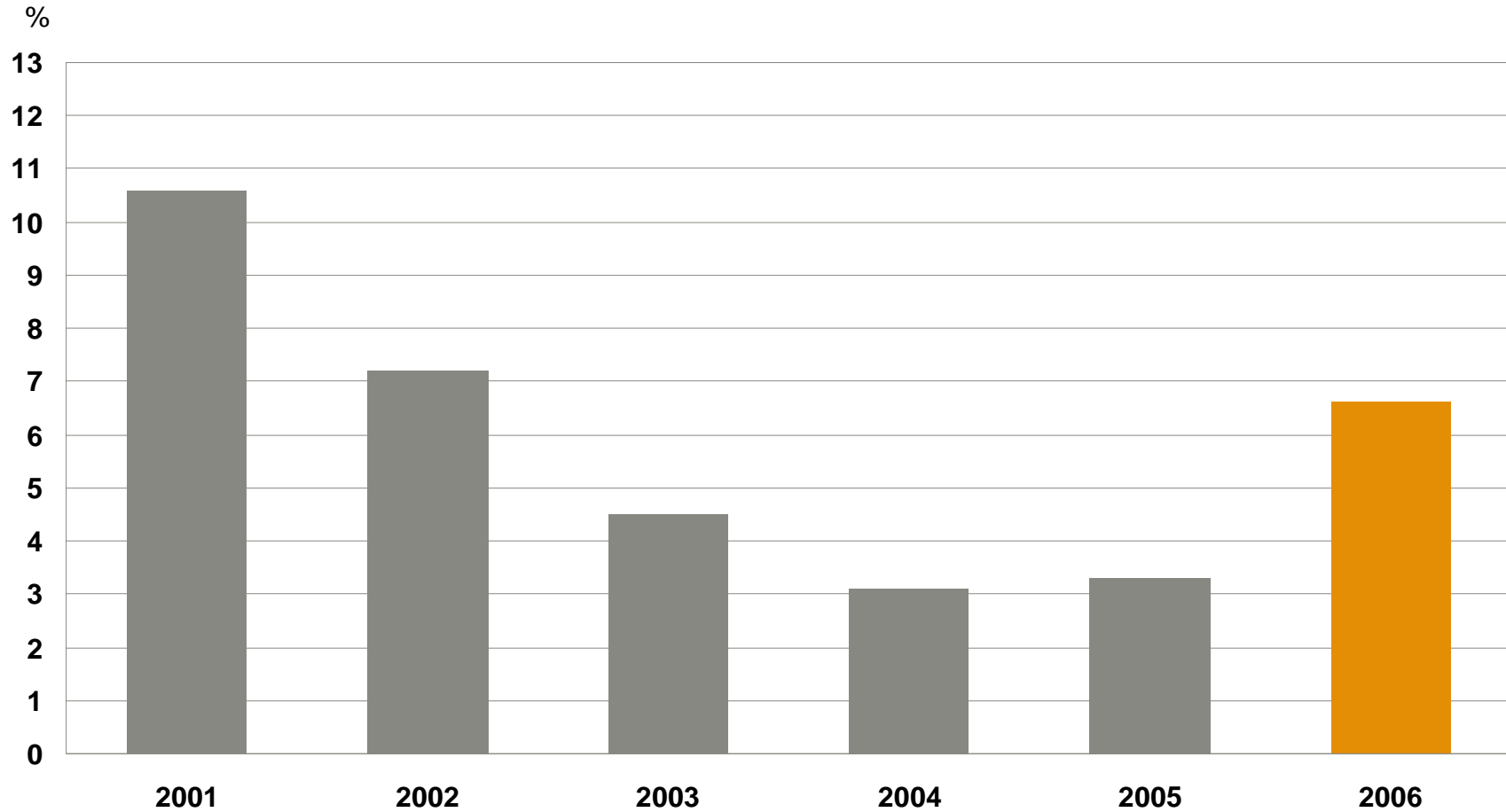
Change in EPS

1-12/05 – 1-12/06



Excluding non-recurring items

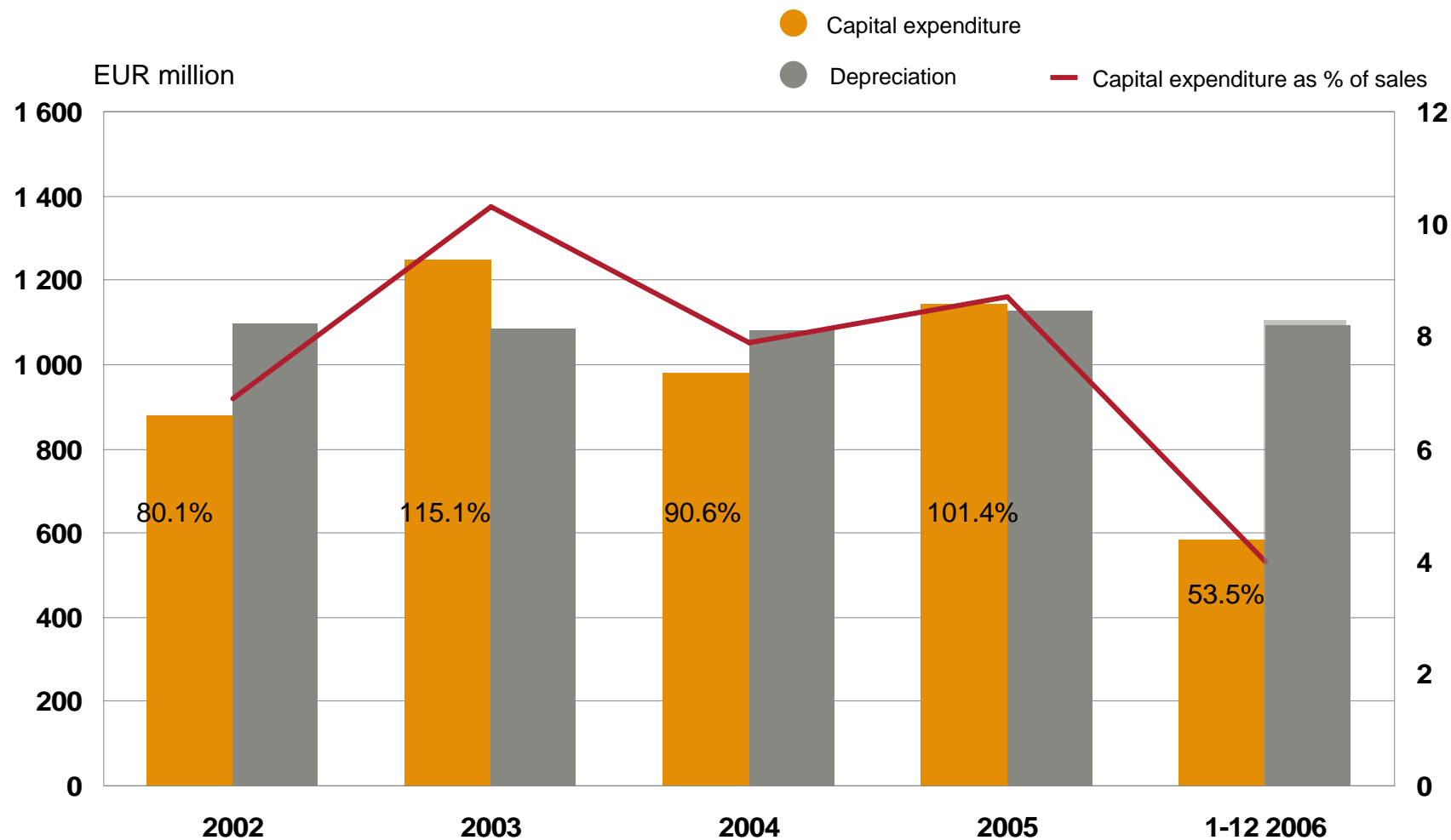
ROCE



Target $\geq 13\%$ over the cycle (current WACC 8.7 %)
excluding non-recurring items

Capital Expenditure and Depreciation

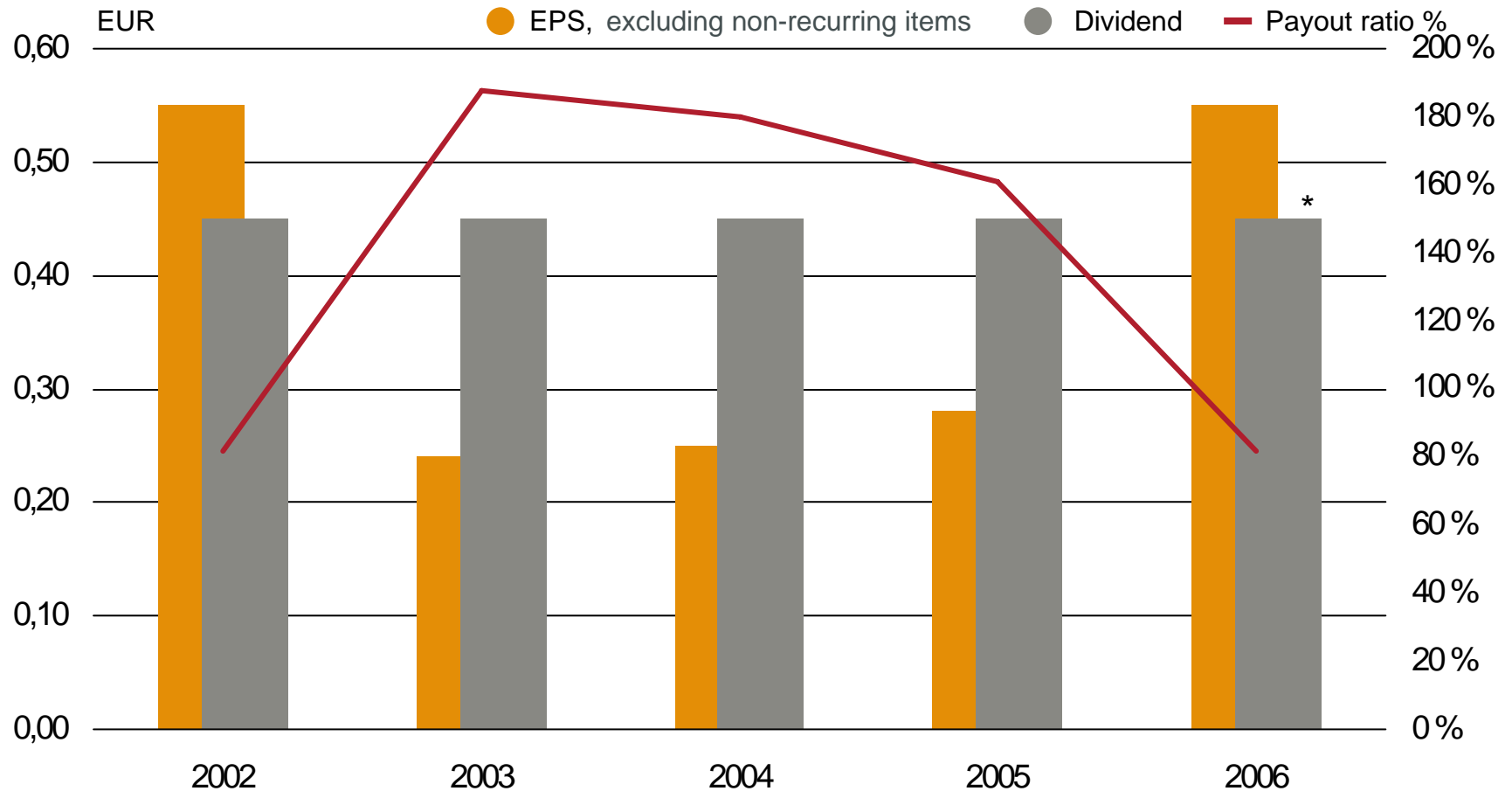
2002 – 2006



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Shareholder Information

Earnings Per Share and Dividend



*) Board proposal

Dividend Proposal

- Dividend proposal: EUR 0.45 per share
- Payout ratio: 82% excl. non-recurring items
- Total dividend payment: about EUR 355 million (assuming 788.6 million shares outstanding)
- Dividend yield: 3.8% (at a share price of EUR 12.00*)
- Record date: 3 April 2007
- Dividend payment date: 17 April 2007

* STERV closing rate, 29 December 2006

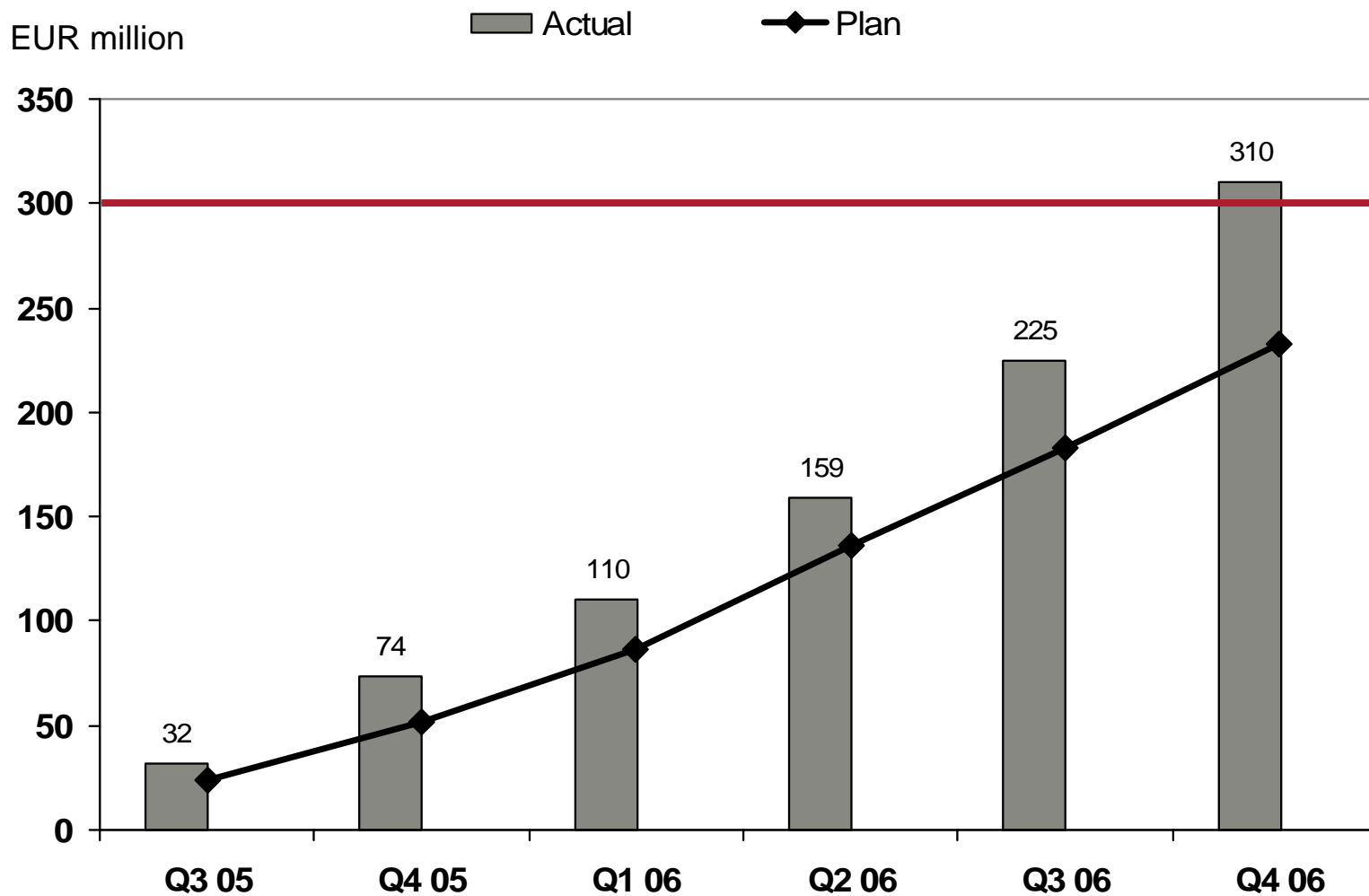
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Profit 2007

Profit improvement programme
targets reached

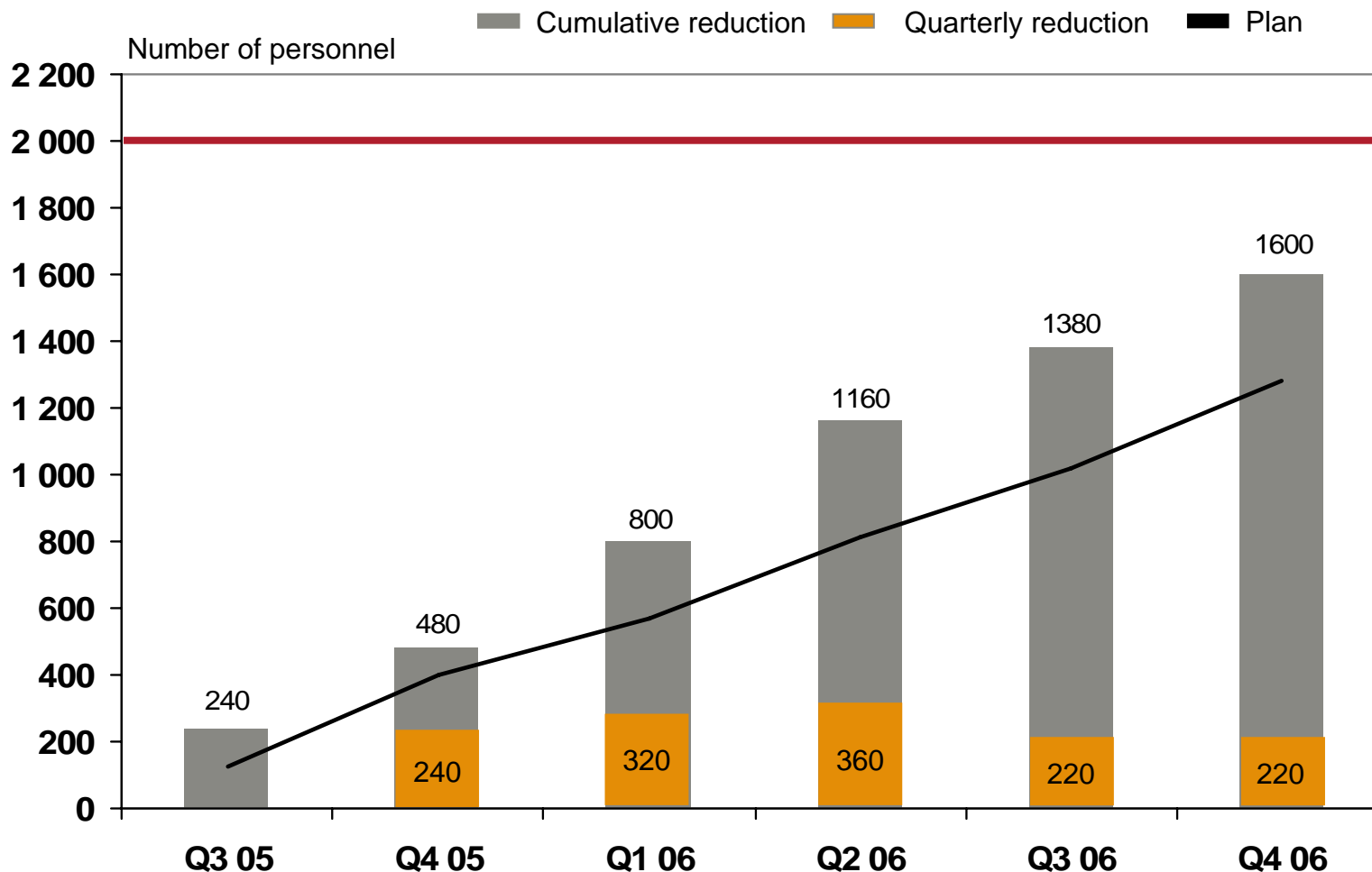
Profit 2007

EUR 300 million target reached



Profit 2007

Personnel reductions Q4 2006



In addition, 180 of the 600–700 potential personnel outsourcing opportunities identified have been implemented.

Target excluding outsourcing

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Market Outlook

Near-term Market Outlook

Western Europe

	Demand Development	Price Development
Magazine Papers		
Uncoated	Economic growth is expected to stimulate consumption; some seasonal slowing expected in Q1	Price negotiations for contracts renewing in early 2007 are still continuing
Coated	Sector will remain competitive; some seasonal slowing expected in Q1	Price negotiations for contracts renewing in early 2007 are still continuing
Newsprint	Economic growth is expected to stimulate consumption; some seasonal slowing expected in Q1	Price negotiations for contracts renewing in early 2007 are still continuing
Fine Papers		
Uncoated	Demand outlook remains healthy; demand and shipments expected to be up on a year ago	Higher prices are anticipated
Coated	Healthy demand and an increase in shipments is expected	Price increases have been announced
Cartonboard	Demand is forecast to be generally good across grades	Prices are expected to remain stable
Wood Products	Favourable demand, despite some seasonal slowing in the construction sector	Some further firming of prices is expected

Near-term Market Outlook

North America



	Demand Development	Price Development
Magazine Papers		
Uncoated	Some seasonal weakness is expected	Prices are expected to remain under pressure and further decline is predicted
Coated	Markets are expected to remain soft at least in the short term	Price erosion is expected to continue
Newsprint	Demand is expected to continue declining	Prices are expected to remain weak
Fine Papers		
Coated	Demand is expected to improve somewhat	Prices are expected to remain unchanged

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Summary

Summary

- In 2006 sales and operating profit improved
- Profit 2007 annual pre-tax profit improvement target of EUR 300 million was reached
- APR-related closures and divestments implemented and decisions made
- Operational cost inflation is forecasted to be 2–2.5%
 - Increased wood costs the main reason
- Dividend unchanged EUR 0.45

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Appendix

Summary Financials



EUR million	2005	2006	I/06	II/06	III/06	IV/06
Sales (EUR million)	13 188	14 594	3 608	3 616	3 638	3 732
EBITDA* (EUR million)	1 487	1 848	463	451	463	471
Operating profit* (EUR million)	358	758	194	182	195	186
Operating profit (EUR million)	-60	623.8	171	189	18	246
Profit before tax* (EUR million)	273	602.5	211	53	197	141
Net profit (EUR million)	-107	589	226	41	57	265
Earnings per share* (EUR)	0.28	0.55	0.20	0.05	0.18	0.13
Earnings per share, basic (EUR)	-0.14	0.74	0.29	0.05	0.07	0.33
Cash earnings per share* (EUR)	1.70	1.94	0.54	0.39	0.52	0.49
ROCE* (%)	3.3	6.6	6.7	6.4	7.0	6.7
Debt/Equity	0.70	0.54	0.72	0.69	0.62	0.54

*excluding non-recurring items

Net Financial Items

EUR million	Q1/2006	Q2/2006	Q3/2006	Q4/2006
Interest income, deposits	4.8	5.0	5.2	6.5
Interest expenses, borrowings	-66.5	-70.1	-69.6	-69.8
Interest rate swaps (incl. TRS interest)	17.5	5.4	4.0	2.8
Capitalised interest	-	-	-	-
Net Interest Expense	-44.2	-59.7	-60.4	-60.5
Foreign Exchange Gains and Losses	-7.0	-11.1	4.0	-11.0
Other Financial Items, of which	166.4	-78.4	48.0	34.5
Capital gains, listed shares	136.7	-	-2.1	37.6
Unrealised fair valuation of option hedges (TRS)	41.7	-61.2	36.0	-7.4
Unrealised fair valuation of other financial items	-8.9	-10.7	15.7	-5.2
Other items	-3.1	-6.5	-1.6	9.5
Net Financial Items Total	115.2	-149.2	-8.4	-37.0

Non-recurring Items Effect During 2006

	Excluding non-recurring items	Non-recurring items	IFRS
EBITDA (EUR million)	1 848.2	33.3	1 881.5
EBIT (EUR million)	757.5	-133.7	623.8
Profit after financial items (EUR million)	602.5	29.3	631.8
Tax effect	-163.0	120.4	-42.6
Net profit* (EUR million)	435.3	149.7	585.0
EPS (EUR)	0.55	0.19	0.74

*Attributable to Company shareholders

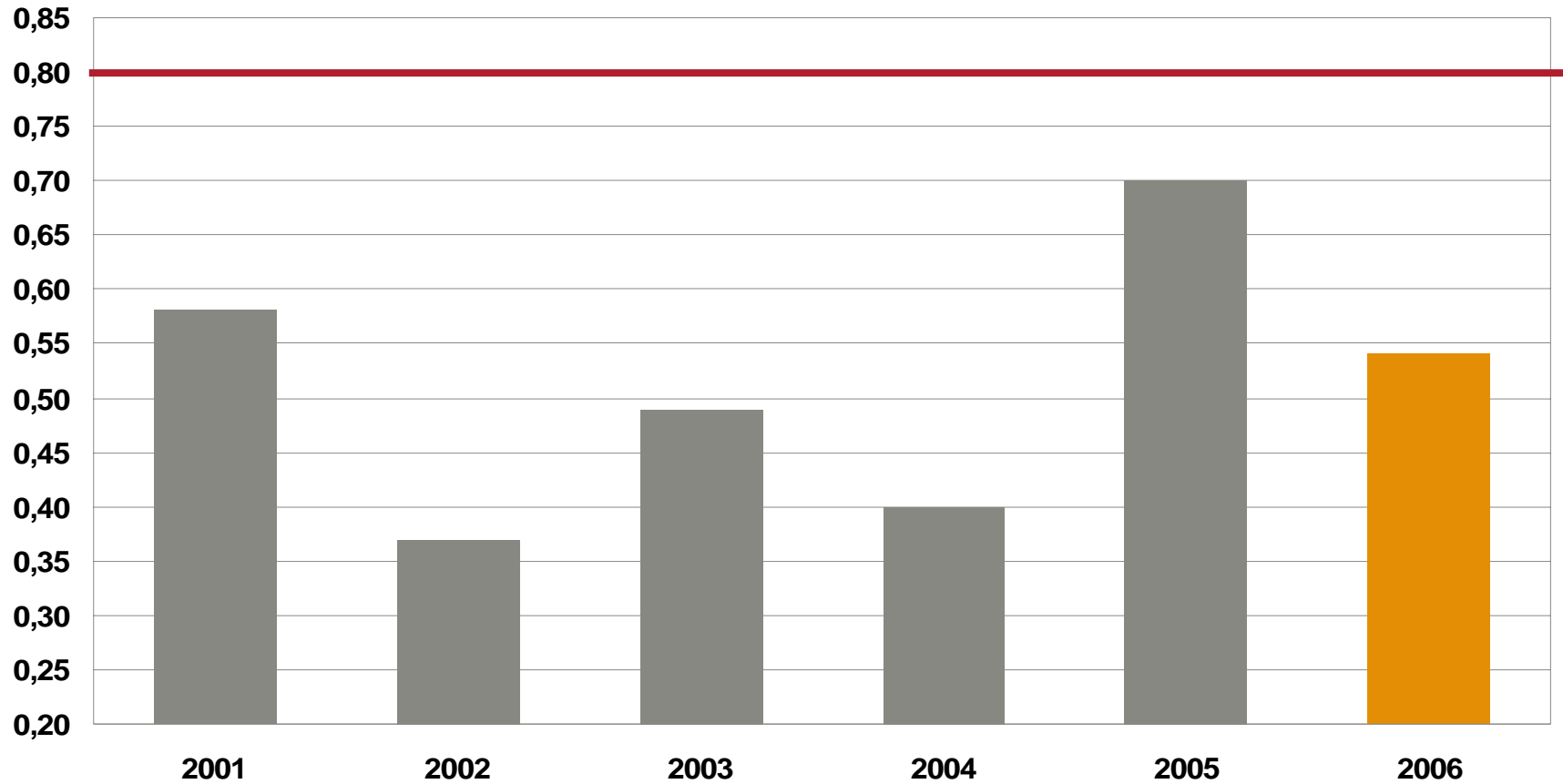
Composition of Costs in 2006, Excluding Non-Recurring Items

Costs	% of costs
Variable costs	67 %
Fibre	20 %
Chemicals and Fillers	9 %
Energy	9 %
Production Service and Material	12 %
Logistics & Commisions	13 %
Other Variable	4 %
Fixed costs	25 %
Personnel	16 %
Other	9 %
Depreciation and impairment	8 %
Total costs	100 %
Total costs, EUR million	13 836

Transaction Risk and Hedges in 2006

EUR million	EUR	USD	GBP	SEK	JPY	Other	Total
Sales 2006	7 300	3 500	800	1 300	300	1 400	14 600
Costs 2006	-7 100	-2 000	-200	-2 300	0	-1 100	-12 700
Net operating cash flow	200	1 500	600	-1 000	300	300	1 900
Transaction hedges as at 31 Dec		250	194	-334	0		
Hedging percentage as at 31 Dec		17%	32%	33%	0%		
Average hedging percentage during 2006		24%	28%	45%	6%		

Debt/Equity



Target ≤ 0.8

Main Events in 2006

First quarter:

- Disposal of Grycksbo Fine Paper Mill and Linghed Sawmill as part of the Asset Performance Review (APR)
- Decision to restart operations at Veitsiluoto Sawmill in Northern Finland at lower production volume in spring 2006

Second quarter:

- 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)
- 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

Main Events in 2006 (cont.)

Third quarter:

- Pankakoski Mill sold to an international group of investors for EUR 20 million
- Stora Enso reached an agreement to acquire 100% of the shares in Vinson Indústria de Papel Arapoti Ltda. and Vinson Empreendimentos Agrícolas Ltda. from International Paper, which have been combined to form Stora Enso Arapoti, for USD 420 million (EUR 333 million)
- Investment announcement of EUR 31.5 million in Nebolchi Sawmill and EUR 12.5 million in Impilahti Sawmill
- Divestment of Wolfscheck Mill to Rohner AG as an asset sale

Fourth quarter:

- Intention to close down Reisholz Mill and Berghuizer Mill announced
- Stora Enso initiated exclusive discussions with the aim of joint-venture ownership regarding certain assets of Stora Enso Arapoti in Brazil with Arauco
- Investments were announced in Finland: EUR 32.4 million in Anjala Mill and EUR 25.3 million in Oulu Mill, in Austria: EUR 16.8 million in Bad St. Leonhard Sawmill
- Stora Enso sold all its 2 209 340 shares in Finnlines Plc for EUR 35.5 million
- Corenso will rebuild and restart PM 12 for coreboard production at Wisconsin Rapids Mill
- Investment announcement of EUR 54.8 million in Varkaus Mill

Publication Paper

EUR million	2005	2006	I/06	II/06	III/06	IV/06	% Change IV/III
Sales	4 675.9	4 773.4	1 171.0	1 145.2	1 226.7	1 230.5	0.3
Operating profit*	193.3	251.6	70.3	55.3	57.0	69.0	21.1
% of sales	4.1	5.3	6.0	4.8	4.6	5.6	
ROOC, %**	4.7	6.2	6.8	5.4	5.7	7.0	
Deliveries, 1 000 t	7 008	6 929	1 666	1 662	1 741	1 860	6.8
Production, 1 000 t	7 087	6 955	1 717	1 674	1 721	1 843	7.1

*) excluding non-recurring items

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

In Europe:

- Demand stronger than previous year in newsprint and uncoated magazine paper but weaker in coated magazine paper; demand stronger in all publication paper grades than previous quarter
- Prices higher than previous year in newsprint and virtually unchanged in magazine paper; prices generally stable compared to the previous quarter, except for price erosion in coated magazine paper

In North America:

- Demand clearly weaker than previous year in newsprint but stronger in magazine paper; compared to previous quarter demand for newsprint improved, demand for uncoated magazine paper experienced double-digit growth as coated magazine paper demand weakened
- Prices higher than previous year in newsprint but unchanged in uncoated magazine paper, and coated magazine paper prices declined during the year; compared to previous quarter newsprint and magazine paper prices declined slightly

Fine Paper

EUR million	2005	2006	I/06	II/06	III/06	IV/06	% Change IV/III
Sales	2 690.3	2 956.3	776.3	738.9	722.8	718.3	-0.6
Operating profit*	62.2	166.0	52.7	46.3	32.4	34.6	6.8
% of sales	2.3	5.6	6.8	6.3	4.5	4.8	
ROOC, %**	2.4	7.1	8.2	7.2	5.4	6.4	
Deliveries, 1 000 t	3 521	3 839	994	945	954	946	-0.8
Production, 1 000 t	3 554	3 861	1 029	944	941	947	0.6

*) excluding non-recurring items

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

In Europe:

- Fine paper demand stronger than in the previous quarter same quarter previous year and previous quarter; uncoated fine paper demand marginally weaker than previous year but stronger than previous quarter
- Uncoated fine paper prices rose and coated fine paper prices unchanged in the previous quarter; compared to the previous year uncoated fine paper prices rose slightly but coated fine paper prices were stable

In North America:

- Demand for coated fine paper stronger than previous year but weakened slightly compared to previous quarter
- Coated fine paper prices rose during the year; compared to previous quarter prices for reels declined while sheet prices were stable Coated fine paper prices declined slightly during Q4

Packaging Boards

EUR million	2005	2006	I/06	II/06	III/06	IV/06	% Change IV/III
Sales	3 190.2	3 531.5	869.0	881.8	909.0	871.7	-4.1
Operating profit*	220.0	323.4	99.5	70.8	93.7	59.4	-36.6
% of sales	6.9	9.2	11.4	8.0	10.3	6.8	
ROOC, %**	7.6	11.5	13.9	10.0	13.5	8.6	
Deliveries, 1 000 t	3 621	3 850	959	971	991	929	-6.3
Production, 1 000 t	3 678	3 883	1 005	958	970	950	-2.1

*) excluding non-recurring items

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

- Compared to previous quarter demand was seasonally lower but the market for industrial packaging grades was stronger; demand was similar to the previous year
- Prices were unchanged in the previous quarter and the previous year

Wood Products

EUR million	2005	2006	I/06	II/06	III/06	IV/06	% Change IV/III
Sales	1 588.3	1 676.4	377.1	437.8	418.5	443.0	5.9
Operating profit*	-3.1	59.1	3.8	14.9	21.4	19.0	-11.2
% of sales	-0.2	3.5	1.0	3.4	5.1	4.3	
ROOC, %**	-0.5	9.2	2.3	8.9	12.7	11.6	
Deliveries, 1 000 m ³	6 741	6 572	1 563	1 746	1 593	1 670	4.8

*) excluding non-recurring items

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

- Demand for wood products increased in Europe, Asia, North Africa and the Middle East compared to the previous quarter, demand in Europe was clearly better than a year ago
- Buoyant demand and low stock levels supported further price increases in these markets in the previous quarter; prices were higher compared to the previous year

North America

- Demand for wood products was still weak compared to previous quarter; demand decreased significantly compared to previous year
- Prices depressed compared to previous quarter and decreased significantly compared to previous year

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**To view Stora Enso's full year results
for 2006, visit www.storaenso.com**