

Paper,
packaging &
forest products

Annual General Meeting

26 March 2008

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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CEO's report

Stora Enso Annual General Meeting

CEO's report

- **2007 highlights**
- Financial performance
- Structural changes
- Proactive actions
- Building our future
- Way forward

Highlights 2007



- Financial performance burdened by fibre costs and weak USD
- EPS excluding NRI and forest valuations maintained
- North America and Papyrus (2008) divested
- Structure simplified
- Industry-experienced Group Executive Team
- Proactive response to rapid increases of imported fibre cost
- Continued investment in low-cost fibre and emerging markets

A year of challenging environment

A year of change

A year of actions to build our future and earnings power

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Income statement

Continuing operations



EUR million	2006	2007	Change EUR million	Change %
Sales	12 957.2	13 373.6	416.4	3.2
Operating profit excluding NRI and forest revaluations	871.8	906.0	34.2	3.9
Operating profit – IFRS	741.5	246.2	-495.3	-66.8
Net profit excluding NRI	550.7	780.0	229.3	41.6
Net profit – IFRS	700.4	71.5	-628.9	-89.8
ROCE excl. NRI & FV	8.6	8.7	n/a	1.2
EPS, EUR excluding NRI and forest revaluations	0.69	0.69	n/a	0.0
EPS, EUR excluding NRI	0.69	0.99	n/a	43.5
EPS, EUR	0.88	0.09	n/a	-89.8

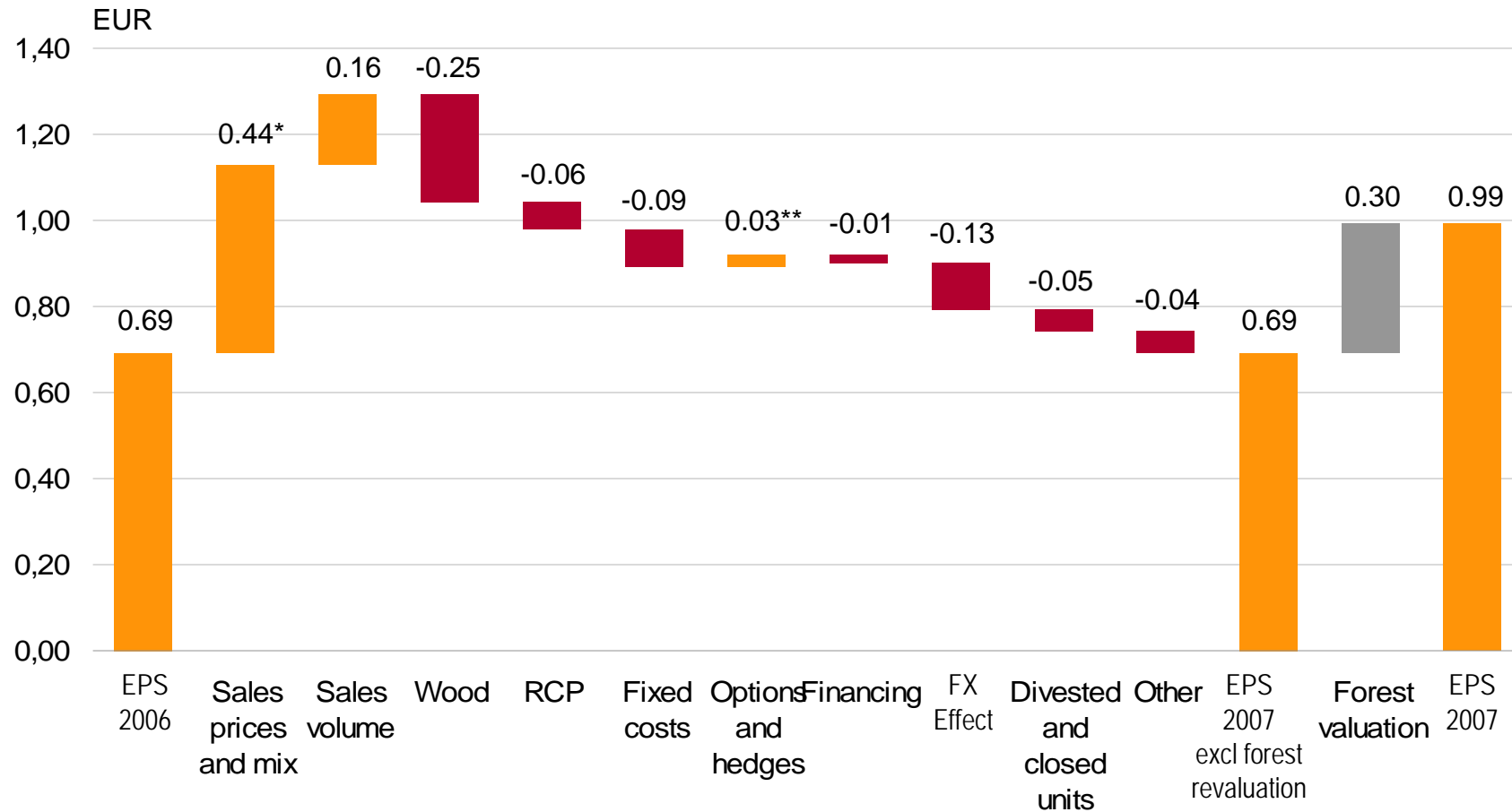
Capital Structure



EUR million	2006	2007	Change EUR million	Change %
Fixed assets and other long-term investments	11 234.7	8 493.2	-2 741.5	-24.4
Associated companies	805.2	1 154.5	349.3	43.4
Working capital	979.6	1 473.5	493.9	50.4
Operating capital	13 019.5	11 121.2	-1 898.3	-14.6
Tax liabilities	-873.4	-618.6	254.8	29.2
Capital employed	12 146.1	10 502.6	-1 643.5	-13.5
Equity	7 799.6	7 476.1	-323.5	-4.1
Minority Interest	103.5	71.9	-31.6	-30.5
Net debt	4 243.0	2 954.6	-1 288.4	-30.4
Financing total	12 146.1	10 502.6	-1 643.5	-13.5
Debt/Equity ratio	0.54	0.40	n/a	-25.9

Change in EPS (Continuing operations)

1-12/06 – 1-12/07



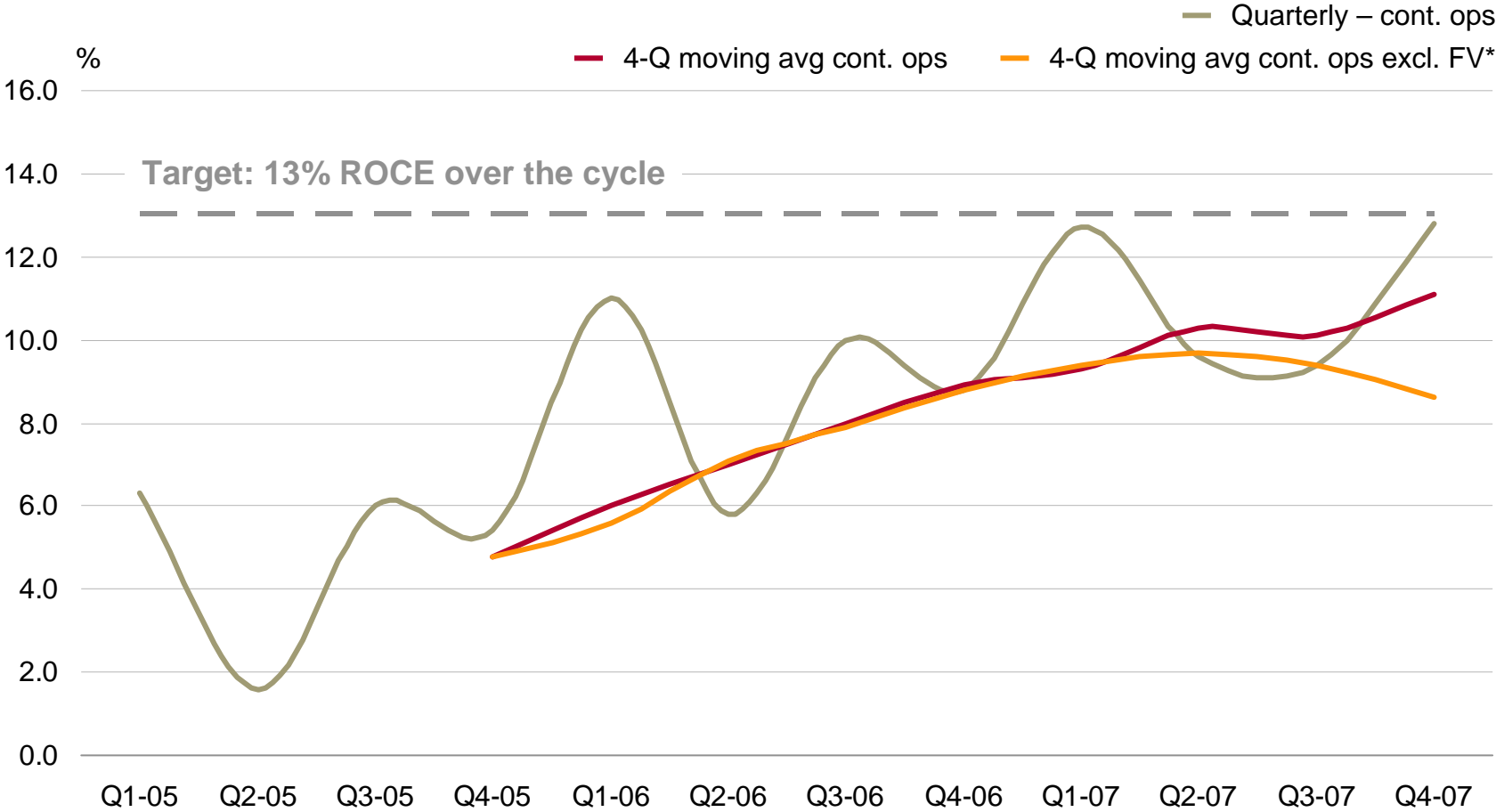
Excluding non-recurring items

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

* Sales prices and mix excluding FX effect

Improvement path

ROCE Q1/2005 – Q4/2007

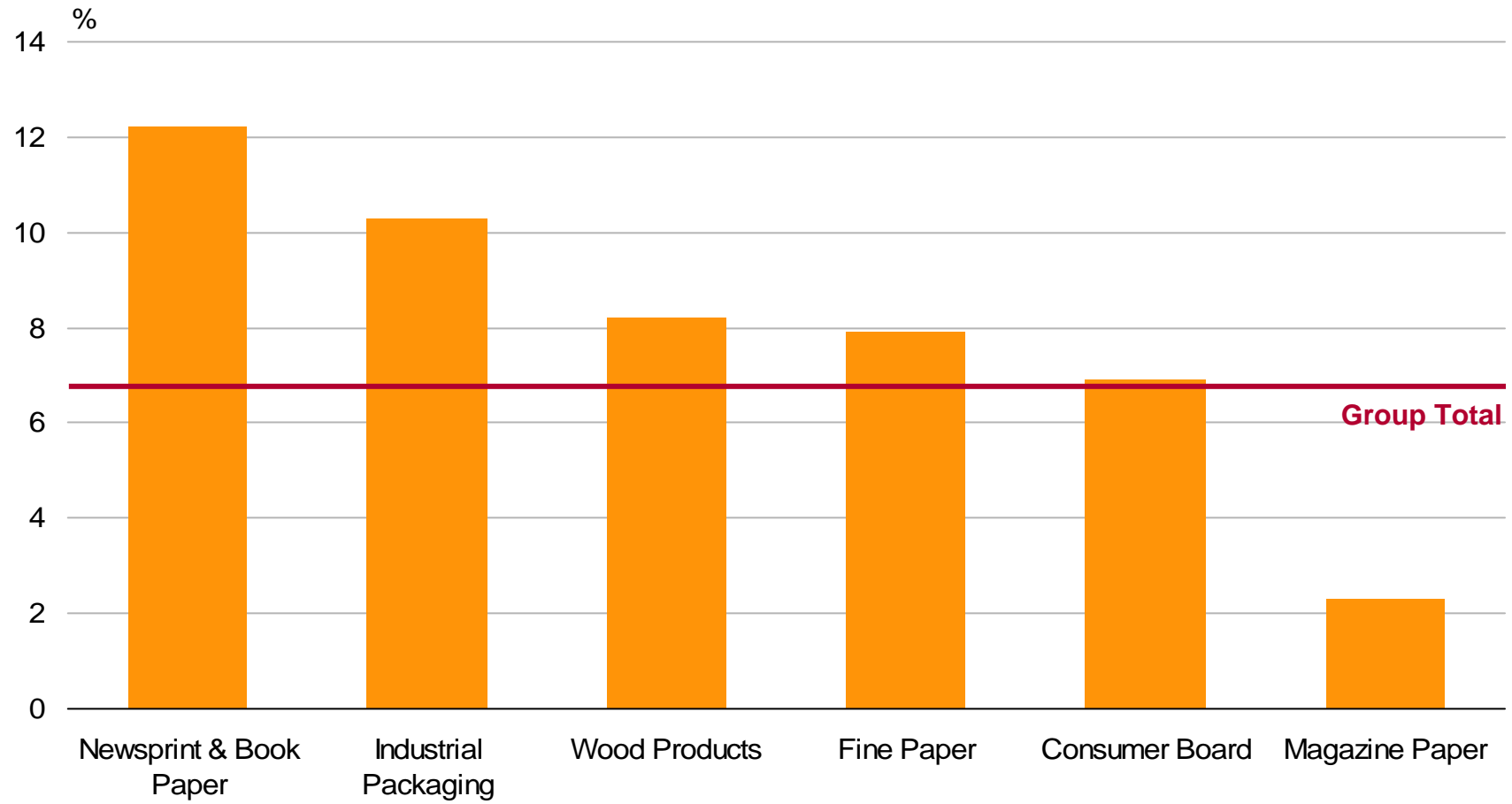


Based on EBIT excluding non-recurring items

* FV = excluding forest valuation & non-operational items

Q3/07 includes one time forest revaluation gain in Tornator of EUR 48m; Q4/07 includes one time forest revaluation gain of EUR 219m in Bergvik, Tornator & Veracel

2007 EBIT % by business area



EBIT excluding non-recurring items and forest revaluations

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Structural Changes

Focus and Choices



- Sold: North-America (2007) and Papyrus (2008)
- Removed one layer within organisation
- Significant increase in reporting transparency
- Objective: 35% cut in Group staffing

- Increased domestic wood sourcing in Finland by 20%
- Reduced Russian wood imported to Finland by same amount
- Launched restructuring plans

North America 2000 through 2007



CASH FLOW		No Sale - Impairment	
	EUR million		EUR million
Initial Investment	-4 974	Impairment of Goodwill	-201
Cumulative Cash Flow	814	Impairment of Fixed Assets	-528
Total Prior Divestment	-4 160	Total Impairment in Q3/2007	-729
Divestment	2 162		
Total	-1 998		

Cumulative Cash Flow:

EBITDA – CAPEX for the period 8/2000-12/2007, excluding Port Hawkesbury

Divestment:

Total Enterprise Value disposed including assumed liabilities of EUR 314 million (USD 450 million) and USD/EUR hedge gains of EUR 408 million.

Divestment of Papyrus



Rationale

- No material EPS impact
- Focus business portfolio
- Enable Papyrus to continue to develop successfully
- Our independence in supporting all distribution channels
- Debt to equity reduced from 0.40 to 0.32

Financial impacts

Sales reduction	EUR 1 525 million
EBITDA reduction excluding NRI	EUR 66 million
EBIT reduction excluding NRI	EUR 45 million
Capital employed reduction*	EUR 600 million

* Part of the capital employed reduction relates to a release in working capital for Stora Enso's continuing operations which is expected to be fully realised by the end of the third quarter of 2008

Simplified & lean organisation

Financial administrative costs to be reduced by setting up a Group-wide shared service centre

Organisation layer removed

- From 4 divisions to 7 business areas
- Increased transparency

New Group Executive Team

- Group Executive Team members average more than 20 years industry experience

HQ and staff function downsizing

- Objective: 35% reduction
- R&D organisation consolidation to one centre in Sweden

Build up of shared services

- Financial administrative costs to be reduced by setting up a shared service centre

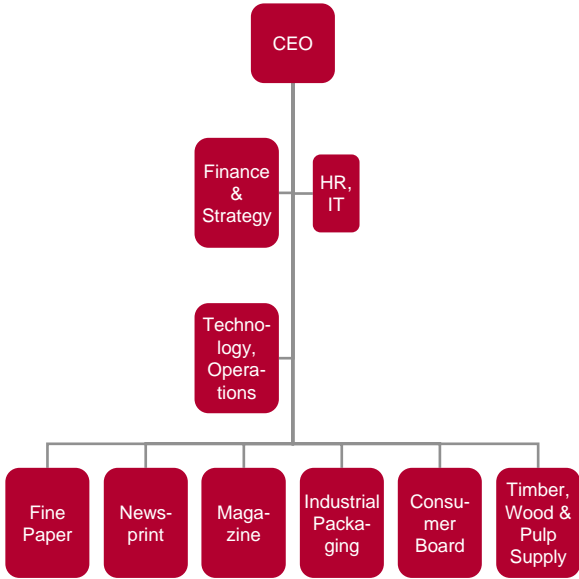
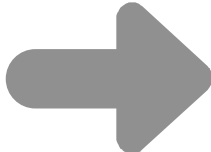
Simplified organisation



From



To



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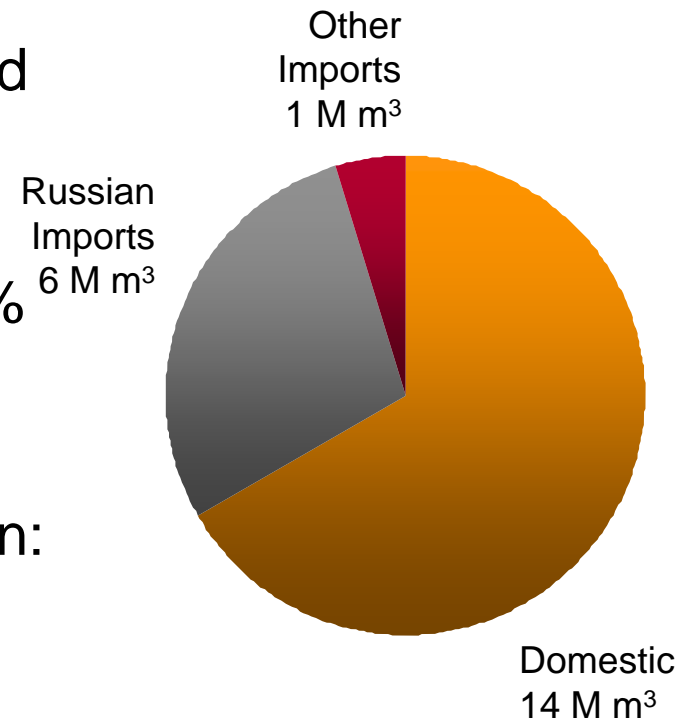
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Russian wood imported into Finland

The tough reality

- Starting point in 2006: a third of wood processed in Finland imported
- In two years fibre cost rose from 18% to 25% of Group's total costs
- Taking no action was never an option:
 - EUR 2.5 billion revenues
 - 3 500 jobs



Our objective – strategically independent of imported Russian roundwood

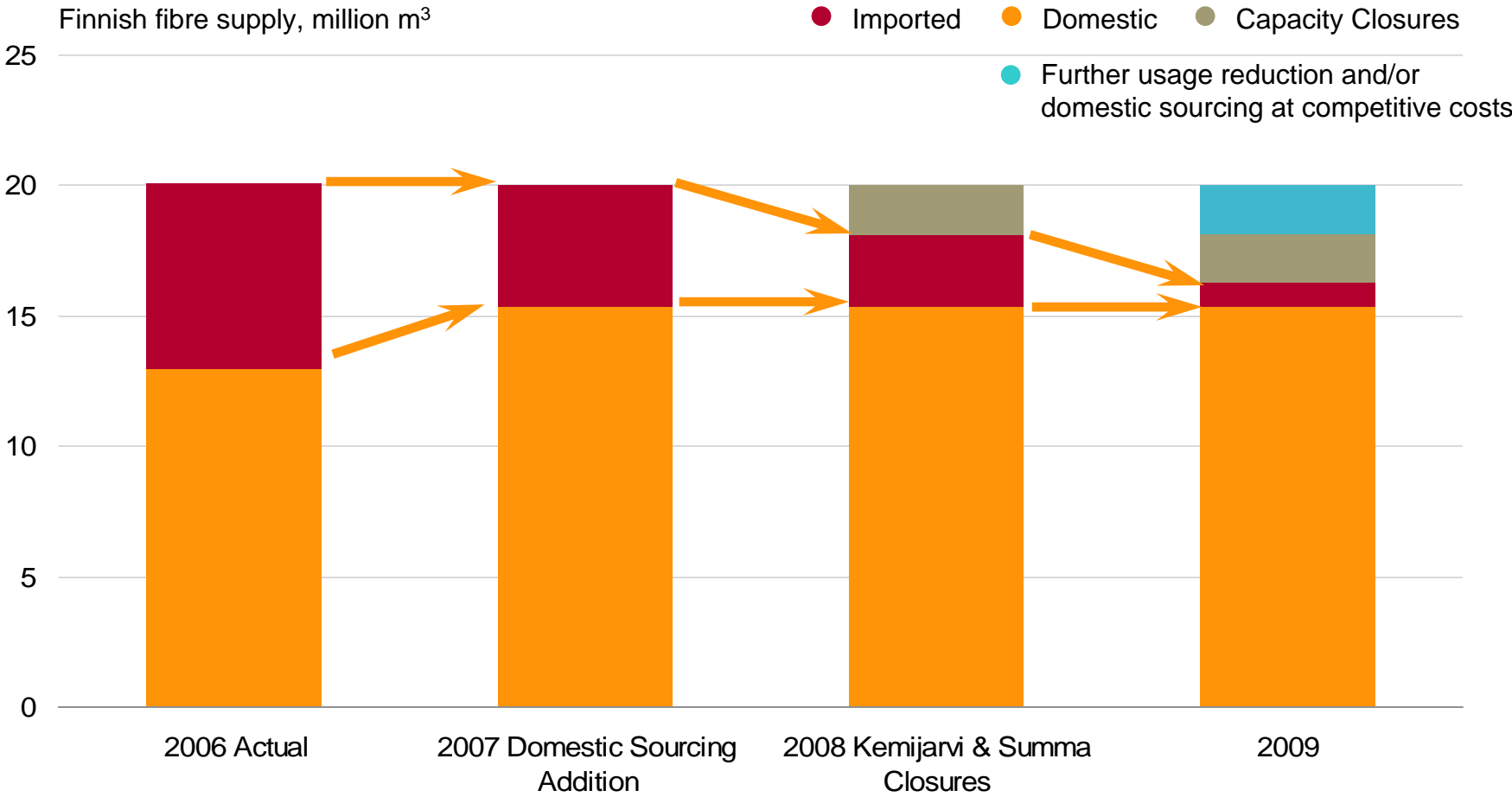
Response in Finland to potential full Russian duty

No integrated mills down in 2007 – target for 2008 and beyond

- Actions taken or still in progress – from 1/3 to slightly over 10% dependency
 - Domestic sourcing increased by about 20% in 2007
 - Russian imports reduced by same amount
 - Closing down Kemijärvi & Summa reduces consumption by over 2 million m³
- Actions now
 - Plan investment at Imatra to enable flexible short and long fibre use
 - Continue to optimise short and long fibre mix to minimise costs
 - Adjust fibre use as required through
 - Sunila and smaller Enocell line temporary downtime
- No further permanent pulp capacity reduction decisions now
 - If full duty imposes and stays, decisions needed in early 2009

Any duty compromise beneficial to Stora Enso

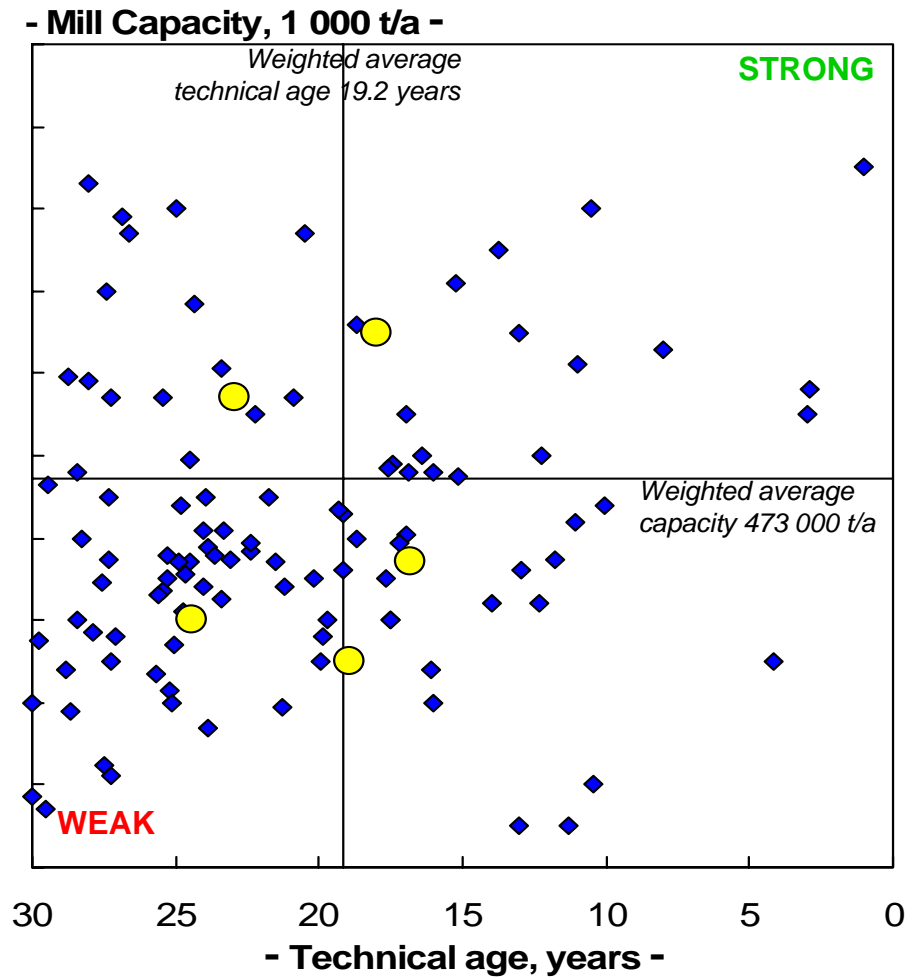
Responding to Russian wood cost hike



All figures for consumption after actions are completed

Industry structure

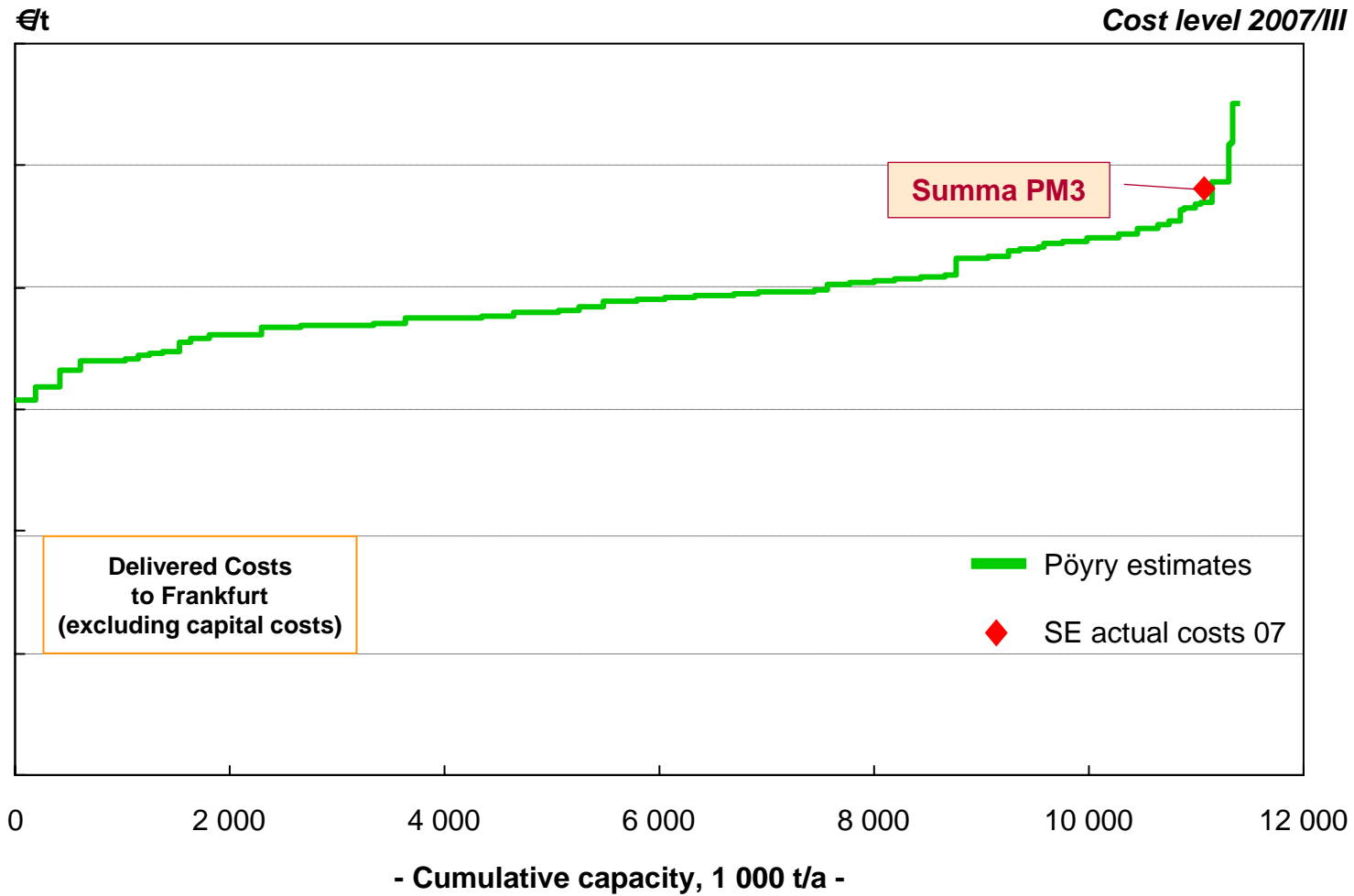
Global Bleached Softwood Kraft Pulp (BSKP) producers



Source: Pöyry

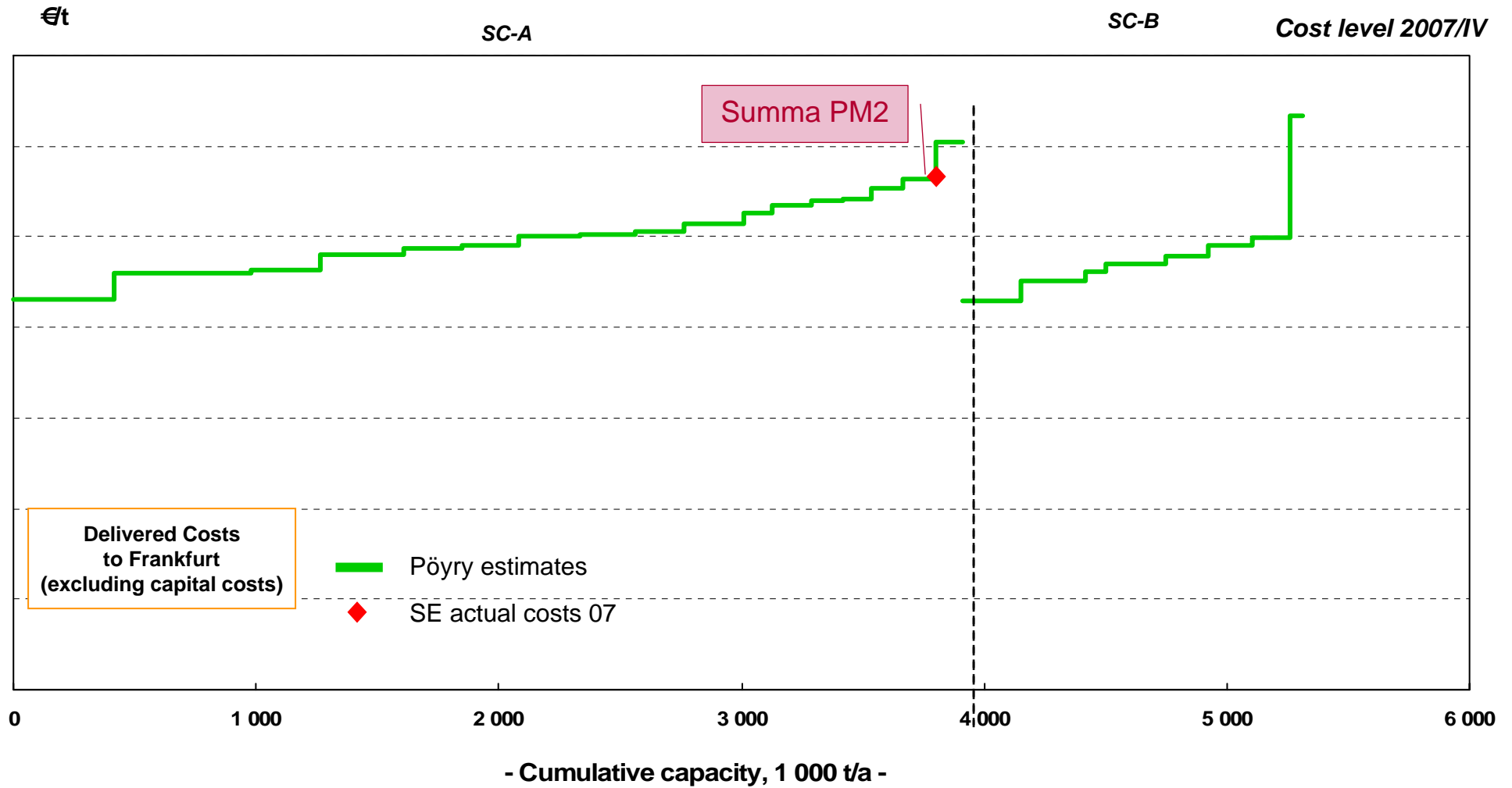
Cost competitiveness in Frankfurt

Standard newsprint 45 g/m² - Europe



Cost competitiveness in Frankfurt

SC-A/B 52 g/m² – Europe



Status at Norrsundet



- Unions agreed with our justification for plan to close
- Excellent 100% co-operation from all stakeholders focused on future employment
- Solutions today for 43% of employees affected
- 33 ideas under study
- Request for more to be sent out in April

Persons affected	325
Retirement (estimate)	40
New employer at mill site	Euromaint LOI 25
External employment	50
Employment in Stora Enso (Skutskär, Ala, Kopparfors)	25
Solutions found so far	140
Remaining persons affected	185

Figures based on assumption that new employer hires only Stora Enso staff

Status at Kemijärvi

- Decision for permanent closure at the end of April
- Agreement signed with Anaika
- Solutions today for 96% of employees affected
- 26 ideas under study
- Request for more sent out in March, responses by 4 April

Persons affected	214
Retirement (estimate)	55
New employer at mill site	100
External employment (engineering, maintenance)	15
Employment in Stora Enso (Oulu Kemi)	35
Solutions found so far	205
Remaining persons affected	9

Figures based on assumption that new employer hires only Stora Enso staff

Status at Summa and Anjala PM 1



- Production stopped at the end of January 2008
- Letter of Intent signed with Empower
- Solutions today for 51% of employees affected
- 57 ideas under study
- Request for more sent out in March, responses by 4 April

Persons affected	620
Retirement (estimate)	124
New employer at mill site	115
External employment (chemical sector etc.)	38
Employment in Stora Enso (Kotka, Imatra, Sunila, Anjala)	37
Solutions found so far	314
Remaining persons affected	306

Figures based on assumption that new employer hires only Stora Enso staff

Administration and R&D



- Restructuring at all locations is expected to be completed by end of June 2009
- Today solutions for 67% of employees affected

Persons affected	294
Retirement (estimate)	49
New employer at mill site	53
External employment	51
Employment in Stora Enso	43
Solutions found so far	196
Remaining persons affected	98

Restructuring summary



Within eight weeks of first restructuring decisions

- Solutions for 59% of people affected
- 116 more ideas already
- New interests requested from 37 parties

Persons affected	1 453
Retirement (estimate)	268
New employers at mill site	293
External employment	154
Employment in Stora Enso	140
Solutions found so far	855
Remaining persons affected	598

Working actively together creates solutions

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Focus areas in Latin America

Securing low-cost fibre sources

Veracel Pulp Mill

- One of the world's most cost-competitive pulp mills
- Short-fibre pulp shipped to Europe and China
- Exploring possibility of Veracel 2

Stora Enso Arapoti

- Co-operation with Chilean Arauco
- LWC, plantations

Land purchase programmes

- Uruguay: Rio Negro (57 000 ha)
- Brazil: Rio Grande do Sul (45 000 ha)



Russian pulp mill project

Providing Russian market with paper from Russian wood

Nizhny Novgorod

- Centrally located for primary market
- Pre-feasibility study announced in July 2007
- LOI sets out basic principles for further pre-investment work
- ▶ **Stora Enso's extensive experience of wood sourcing in Russia & pulp and paper production in several regions of the world**



Plantation project in Guangxi, China

Building a winning concept for fast growing paper & board market



- Currently 90 000 ha land purchased (50% eucalyptus), target 160 000 ha (80% eucalyptus)
- Mill site acquired in Beihai
- Land-use rights must develop to secure a sufficient fibre base
- Production optimised by establishing integrated pulp and paper/board production in the future



Bioenergy

Building for future opportunities

Stora Enso – Neste Oil JV

- Next-generation renewable crude diesel from forest residues
 - Stora Enso's expertise fully used in the form of wood sourcing - global possibilities
 - 5 MW pilot plant being built at Varkaus Mill; start-up by spring 2009
- ▶ **The paper industry is world's largest producer and user of bioenergy – 70% of Stora Enso's energy production**



Intelligent packaging – innovative new products



- Pharmaceutical non-compliance blamed for deaths of over 125 000 Americans annually
- Stora Enso offers innovative solutions to this problem



Fibre-based disc packaging

Paperboard compared with plastic

- Renewable and recyclable
- Lighter and smaller
- Fossil fuel CO₂ emissions only 10% of those for plastic
- Recent customers include SONY BMG and Elisa



Paint can made from coreboard

- Made of recycled paper
- Fibre-based frame 100% recyclable
 - Recycled for energy
- 45% lighter than traditional can
- Does not rust
- Less expensive



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Way forward

- ⇒ **Improve performance even during the brutal realities**
Don't wait for "better times" or for "others to do their share"
- ⇒ **Find structural opportunities to create shareholder value**
Don't sacrifice business logic or value creation to avoid external pressure
- ⇒ **Take action early and fully transparently – even if unpleasant**
Don't close for long temporary periods when a permanent solution is needed
- ⇒ **Work to help employees affected by necessary actions**
Don't stop re-employment efforts until all have been offered a solution

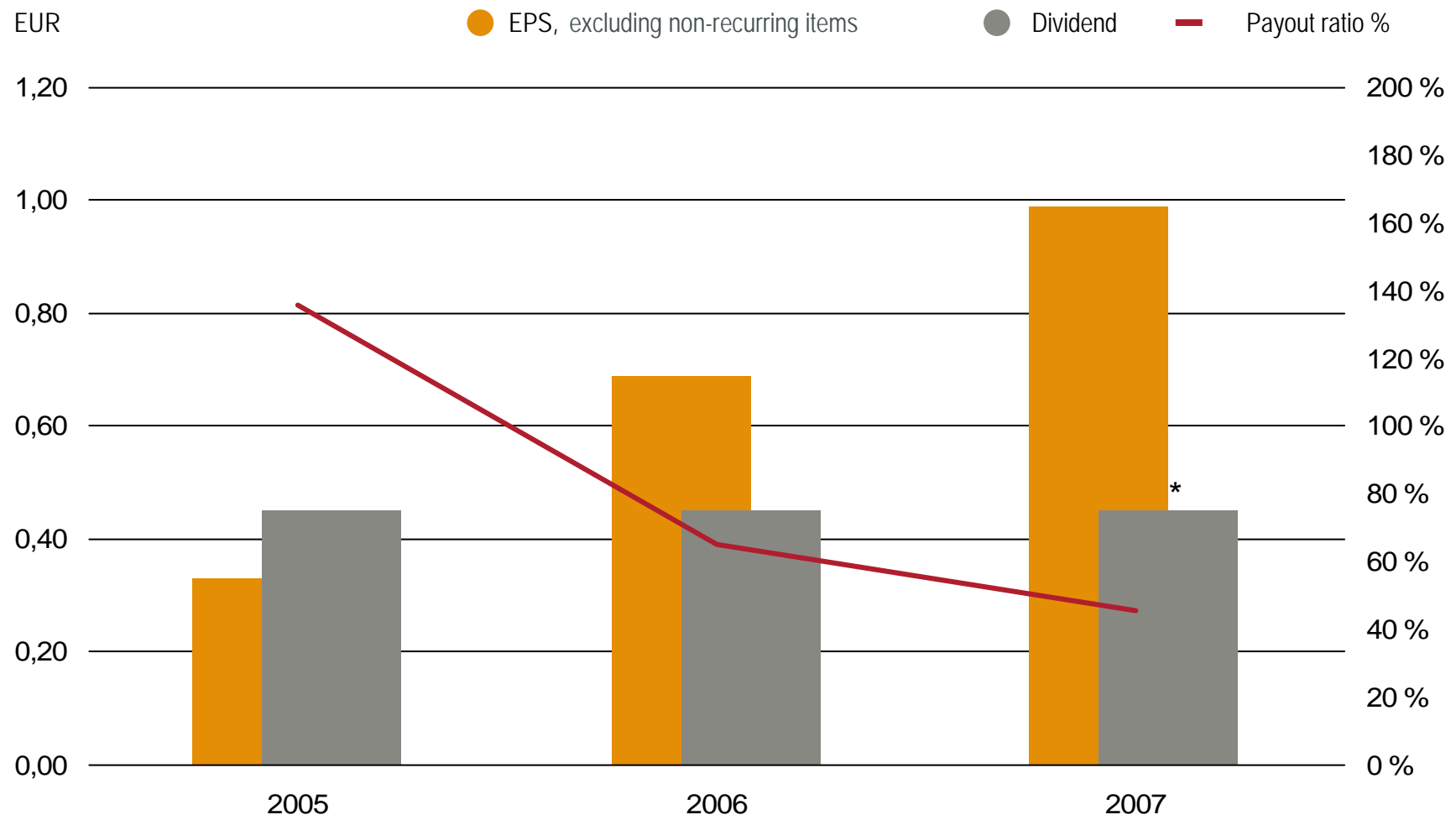
Keep all shareholders equal, and strive for more value

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Dividend

Earnings per share and dividend (Cont. Operations) STORAENSO

2005 – 2007



*Board proposal

Dividend proposal



- Dividend proposal: EUR 0.45
 - Payout ratio: 45.5% excl. non-recurring items
 - Total dividend payment: about EUR 355 million (assuming 788.6 million outstanding shares)
 - Dividend yield: 5.0% (at a share price of EUR 9.00)
- Record date: 31 March 2008
- Payment date: 10 April 2008

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Remuneration

Remuneration for the Members of the Board of Directors



Proposal for the year 2007	
Chairman	EUR 135 000
Deputy Chairman	EUR 85 000
Members	EUR 60 000

- The Nomination Committee also proposes that 40% of the remuneration shall be paid in Stora Enso Series R shares purchased from the market.

Remuneration for the Members of the Board Committees



Proposal for the year 2007	
Financial and Audit Committee	
Chairman	EUR 20 000
Members	EUR 14 000
Compensation Committee	
Chairman	EUR 10 000
Members	EUR 6 000

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Proposed Board Members

Proposed Members of the Board of Directors



- Gunnar Brock
- Claes Dahlbäck
- Dominique Hériard Dubreuil
- Birgitta Kantola
- Ilkka Niemi
- Jan Sjöqvist
- Matti Vuoria
- Marcus Wallenberg
- Juha Rantanen

Juha Rantanen

- CEO and President of Outokumpu Group
- Master of Science degree in Economics from Helsinki School of Economics and a Master of Business Administration from International Management Institute, Geneva
- Extensive experience of leading international business management and Finnish industry



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Auditor

Election of Auditors



- The Board of Directors proposes to the AGM that Authorised Public Accountants **Deloitte & Touche Oy** be elected to act as the independent auditor of the Company until the end of the following AGM.
- This change in independent auditors was recommended by the company's Financial and Audit Committee, based on the results of an extensive tender and interview process, during which four qualified accounting firms were evaluated.
- The competitive process was needed to secure the best audit process taking into account also changes in Stora Enso's structure. Current auditors PricewaterhouseCoopers also participated on equal terms.

Election of Auditors



- Committee's key objective was to ensure a fair and transparent selection process by openly sharing selection criteria with prospective audit firms.

- Factors considered in evaluating potential audit firms included:
 - International expertise and global organisation
 - Audit team credentials, performance and cohesion
 - Technical competences
 - Audit approach and co-ordination of the audit process
 - The level of audit fees (there was no significant difference)

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Nomination Committee

Appointment of Nomination Committee



Duties

- The Nomination Committee proposes that the AGM appoint a Nomination Committee to prepare proposals concerning (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chairman, Vice Chairman and members of the Board of Directors and (d) the remuneration for the Chairman and members of the committees of the Board of Directors.

Members:

- The Chairman of the Board of Directors
- The Vice Chairman of the Board of Directors
- Two members appointed by the two largest shareholders (one each) according to the register of shareholders on 1 October 2008

Remuneration for 2008

- EUR 3 000/year (payable only to non-board members)

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**Amendment to the Articles of
Association**

Amendment to the Articles of Association



Proposal to amend the articles of association

- Reducing the number of the Auditors to one entity which shall be Certified Public Account Firm approved by Finnish Central Chamber of Commerce
- Removing references to minimum and maximum capital and maximum number of shares
- Revising the matters to be included on the agenda of the Annual General Meeting
- Technical changes relating to new companies act

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