Our company, *our choices*

Annual Report 2007

Christiane Yoshinaga
Employee

Robert Dobkowski
Employee

Jouko Karvinen
CEO

Hannu Honkanen
Employee

José Videgain
Employee

Lisa McCartney
Consumer

Patrick Holm
Customer

Anna Jalkanen
Forest Owner

Ingrid Engström
Employee

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Stora Enso is an integrated paper, packaging and forest products company, producing newsprint and book paper, magazine paper, fine paper, consumer board, industrial packaging and wood products.

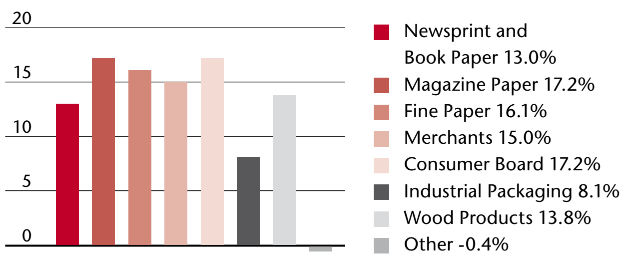
Stora Enso's sales totalled EUR 13.4 billion in 2007. The Group has some 38 000 employees in more than 40 countries on five continents; and an annual production capacity of 13.1 million tonnes of paper and board and 7.5 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Stora Enso's shares are listed in Helsinki and Stockholm.

Stora Enso serves primarily business-to-business customers, through its own sales and marketing network. Customers include publishers, printing houses and merchants, as well as the packaging, joinery and construction industries – and are mainly concentrated in Europe and Asia.

The Group has production facilities in Western and Eastern Europe, as well as Russia, Latin America and Asia. Modern production capacity, combined with efficient raw material and energy sourcing and efficient processes, ensure excellent continuity of production.

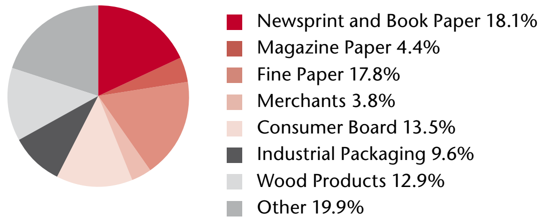
Stora Enso is committed to sustainability. Economic, environmental and social responsibility underpins our thinking and our approach to every aspect of doing business. The Group builds accountability into its operations by being transparent and engaging in open dialogue with its stakeholders. Group-wide targets and clear governance are used to monitor and measure how well Stora Enso performs in terms of sustainability.

Sales by segment in 2007

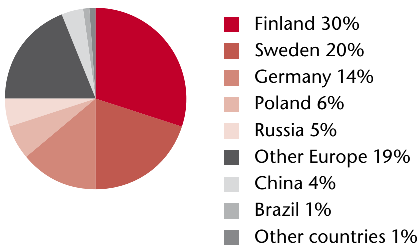


Operating profit by segment in 2007

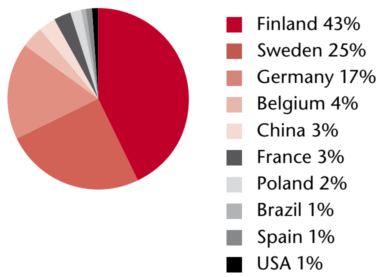
excluding non-recurring items



Employee distribution by country in 2007



Paper and board capacity by country in 2008



Key figures	2006	2007	Change %
Continuing operations			
Sales, EUR million	12 957.2	13 373.6	3.2
Operating profit, EUR million	741.5	246.2	-66.8
excluding non-recurring items, EUR million	884.4	1 171.7	32.5
% of sales	6.8	8.8	28.4
Profit before tax and minority interests, EUR million	711.2	77.3	-89.1
excluding non-recurring items, EUR million	691.1	1 002.8	45.1
Net profit for the period (attributable to Company shareholders), EUR million*	585.0	-215.0	-136.8
Capital expenditure, EUR million	535.6	783.8	46.3
Interest-bearing net liabilities, EUR million*	4 243	2 955	-30.4
Capital employed, EUR million	10 199	10 503	2.8
Return on capital employed (ROCE), %	7.3	2.4	-67.1
excluding non-recurring items, %	8.7	11.3	29.9
Return on equity (ROE), %*	7.7	-2.7	-135.1
Debt/equity ratio*	0.54	0.40	-25.9
Deliveries of paper and board, 1 000 tonnes	12 489	12 477	-0.1
Deliveries of wood products, 1 000 m^3	6 551	6 348	-3.1
Average number of employees	41 036	39 239	-4.4

Share information	2006	2007	Change %
Continuing operations			
Earnings/share, EUR	0.88	0.09	-89.8
diluted, EUR	0.88	0.09	-89.8
excluding non-recurring items, EUR	0.69	0.99	43.5
Cash earnings/share, EUR	2.24	2.05	-8.5
diluted, EUR	2.24	2.05	-8.5
excluding non-recurring items, EUR	1.84	2.01	9.2
Dividend/share, EUR*	**0.45**	**0.45****	**0.0**
Equity/share, EUR*	9.89	9.48	-4.1
Payout ratio, excluding non-recurring items, %	65	45**	-30.3
Market capitalisation, EUR million, 31 December*	9.5	8.1	-14.7

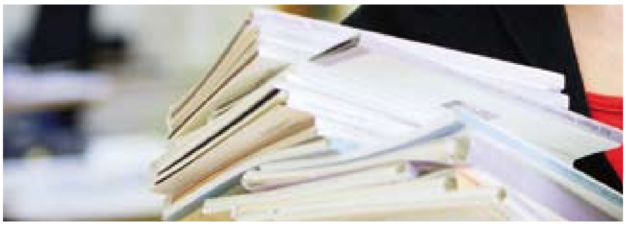
** Total operations*
*** Board's dividend proposal*

Business areas in brief

Newsprint and Book Paper
Stora Enso Newsprint and Book Paper produces newsprint, improved newsprint, directory and book paper for publishers and printing houses. The book and directory paper range includes paper for hardback and paperback books, telephone directories and timetables.

Magazine Paper
Stora Enso Magazine Paper offers a wide range of paper for magazines and advertising applications. Uncoated magazine paper is mainly used in periodicals and advertising material, such as inserts and flyers. Coated magazine paper is used in special interest and general interest magazines.

Fine Paper
Stora Enso Fine Paper produces graphic and office paper. Office paper grades include copy paper, printing paper, envelope paper, paper used in schools, notebooks and blocks, business forms for continuous stationery and digital printing paper. Graphic paper grades are tailored to the high quality printing needs of printers and publishers.



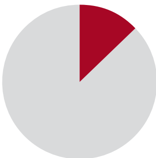
Merchants
Stora Enso's paper merchant, Papyrus, is a customer-oriented European merchant network. Papyrus offers a range of paper, board, graphic products and e-service solutions to the graphic industry, resellers, offices and the public and industrial sectors.

Consumer Board
Stora Enso Consumer Board is a specialist producer of liquid packaging board, food service board, graphical board and carton board for use in packaging food, beverages, cigarettes, pharmaceuticals, media products, household products, cosmetics and luxury items.

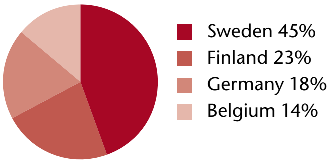
Industrial Packaging
Stora Enso Industrial Packaging produces corrugated packaging, containerboard, cores and coreboard, laminating paper, paper sacks, and sack and kraft paper. It operates in every stage of the value chain, from recycling and pulp production to packaging production.

Wood Products
Stora Enso Wood Products focuses on the construction and joinery industries and provides mass-customised, engineered fit-to-use products for manufacturing processes. It also supplies a wide range of sawn and processed wood products to timber retailers, merchants and importer-distributors.

Share of Group sales, 13.0%

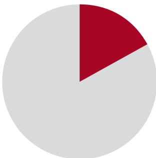


Capacity by country in 2008

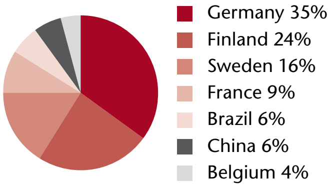


Market share, %	Europe	Latin America	Asia
Newsprint	21	0	2

Share of Group sales, 17.2%

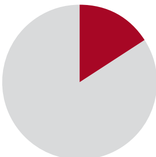


Capacity by country in 2008



Market share, %	Europe	Latin America	Asia
Magazine Paper	19	42	8

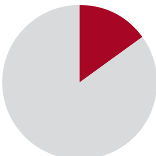
Share of Group sales, 16.1%



Capacity by country in 2008

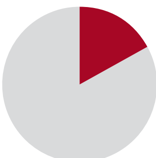
Market share, %	Europe	Asia
Graphic Paper	12	2
Office Paper	13	0

Share of Group sales, 15.0%



Market share, %	Europe
Papyrus	15

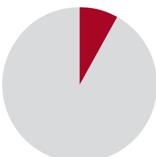
Share of Group sales, 17.2%



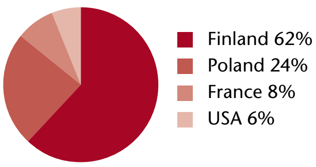
Capacity by country in 2008

Due to the fact that Consumer Board consists of various products, a general market share for that business area is not applicable.

Share of Group sales, 8.1%



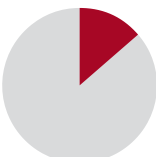
Capacity by country in 2008*



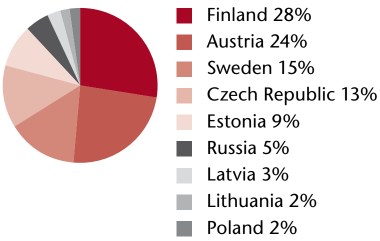
Due to the fact that Industrial Packaging consists of various products, a general market share for that business area is not applicable.

** Excluding corrugated packaging*

Share of Group sales, 13.8%



Capacity by country in 2008



Market share, %	Europe	World
Wood Products	4	2

From choices *to action*

Dear Shareholder,

2007 will go into Stora Enso's history as a year of change for the company. After 12 months with the company, nine as CEO, I would like to share with you my views on the year, the achievements of the Stora Enso team, the challenges we have faced and will continue to face and how we see our path forward in 2008 and beyond.

So much has been talked about the challenges of the forest products industry that I will try to be brief there, and focus on what are we doing about those challenges. That is what we are all here for; to face reality and do our utmost to make the company perform.

As somebody coming from a very different industry, I have been asked time and time again whether I have been surprised. In most areas inside the company, I have not. The challenges of the market situation or the criticality of optimising major capital expenditure with limited cash-generating ability have existed for a long time. Our challenge is not to accept that things will continue as they have been, but to make the choices that will give you, our shareholders, a good return on your investment, the return that we have promised you for a long time.

Improved performance is key for every unit

I reconfirmed Stora Enso's 13% ROCE target on my first day as CEO. That was a conscious decision on my part, and is supported by the Board of Directors.

First off, I do not think that starting a discussion on targets would add any value right now. We have struggled for years to cover our 9.1% cost of capital. Second, I believe that it is critical for all of our employees to understand that the starting-point of value creation is cost-of-capital returns, not returns just above zero.

I want all of us to focus on two things: improving our returns above our cost of capital, and, for those businesses already in the mid-teens or above, to focus their efforts on growth. We want to grow businesses that are performing clearly above Group-target returns, as this will improve our overall returns. I have asked those businesses that have not been able to generate returns above their cost of capital to focus on improving their returns, not growth. In that order.

We should also remember the importance of cash generation in our financial targets. Stora Enso maintains an internal benchmark that our cash flow should exceed our average capital expenditure and dividends on a three-year rolling basis. We have been in line with this target over the past three years. Our debt-to-equity ratio target has remained 0.80 or less. In the end of 2007 debt-to-equity ratio was 0.40.

Wood shortages and a weak US dollar

Our sales in 2007 increased slightly compared to 2006, to EUR 13 373.6 million, mainly due to healthy performance in Wood Products for a large part of the year and good demand

and higher prices in Industrial Packaging throughout the year.

Our operating profit in 2007, excluding non-recurring items, was EUR 1 171,7 million, which included forest valuations of EUR 267 million for Bergvik Skog, Tornator and Veracel. Non-recurring items for the year totalled EUR 925.5 million, and the operating profit for the year was EUR 246.2 million.

Operationally, profits increased considerably in Wood Products during the early part of the year, thanks to an exceptionally good market situation, but this rapidly deteriorated from the end of the third quarter onwards. Operating profit in Industrial Packaging improved, thanks to good market demand in this area. Fine Paper operating profit increased compared to 2006 due to higher prices in office paper.

Profits in Consumer Board fell considerably during 2007, because of a shortage of birch pulpwood in Finland and exploding imported wood costs. Profits were also lower in Magazine Paper due to a continued difficult market situation and increased raw material costs. In Newsprint and Book Paper, profit was lower than that in 2006 after a very strong first half and weaker conditions during the second half

Our ROCE, excluding non-recurring items, non-operational items and forest revaluation gains from associated companies increased to 8.7%, compared to 8.6% in 2006. This is an improvement, but we are still quite a long way from our target of 13%. We will need to improve here in the months and years to come.

The year also brought a few challenges that none of us really expected in terms of the extent of their impact.

The continued weakening of the US dollar put increasing pressure on our margins, both directly and indirectly through the repatriation of European overseas volumes and the additional pressure of increasing dollar-based imports into European markets. This will remain a challenge in 2008 as well. Our estimates for cost inflation in 2007 also proved over-optimistic, specifically on fibre costs. A short winter limited availability of wood and led to temporary shut-downs and lost margins at some of our stand-alone pulp mills in Finland and elsewhere.

To my delight, we were able to respond rapidly to the very weak wood situation, by increasing domestic sourcing in Finland by around 20% or three million cubic metres. We reduced wood imports by slightly more than 20% due to availability problems and dramatic price increases. Whereas shut-downs at stand-alone mills cost us margin points, we were able to

Jouko Karvinen,
CEO

keep all our integrated sites up and running and serve our most important paper and board customers – a mission-critical task in terms of our future.

The ongoing dispute concerning higher Russian export duties, together with weak harvesting conditions, caused a dramatic increase in the cost of wood imported from both Russia and the Baltic countries – to the point where the last cubic metres of wood cost us so much that it does not make any financial sense to use this raw material. This was the key reason for us to announce plans to reduce capacity in Finland and Sweden, to cut our volumes of imported wood and safeguard the future of our larger sites through the use of more domestic wood.

As I write this letter to you, we still do not know how and if the duty issue will be resolved. All the parties, from the Finnish and Swedish governments to the European Union, are doing everything they can to find a solution that would safeguard at least some level of economic viability for using imported wood in Nordic mills. As I have said publicly for some time, we need a solution relatively fast, as the 80% duty scheduled by the Russian Federation is now less than a year away. I sincerely hope that when we meet at the Annual General Meeting I will have more definitive news to report, as implementation of the full duty would require us to take further capacity cuts in Finland.

Our actions to initiate change

As I will discuss below, we initiated a restructuring programme in the fourth quarter, driven by marginal wood costs and profitability in some paper units. I wish to be clear with you that the sites now going through the difficult process of closing are not the only mills that would have needed to improve rapidly. Our business areas have committed to improvement plans and schedules for every unit that operated at below the cost of capital returns in 2007. We cannot continue with operations that destroy value.

We decided that the best solution for the future of Stora Enso was to find a partner to buy our North American operations. We had a clear choice. Either to continue investing or even accelerate investments in North America to try and get operations there to generate significantly better returns and put a stop to below-target performance that has also been below the cost of capital, or find a partner capable of creating synergies with their other businesses to create a true regional leader. The rapid three-month transaction, in a very challenging environment that we concluded just days before Christmas demonstrates that the sale is all about building a winning formula in North America. This is important for Stora Enso as a minority shareholder in the new company that has been created.

As so much has been written about the financials involved in the history of Stora Enso in North America, I would like to say here that I sincerely believe that the price we got from NewPage for our businesses there is a fair one. The divestment and our remaining minority shareholding, will give us the opportunity to focus on and invest in selected units in other parts of the world, to ensure that they either stay at value-creating return levels or rapidly return to them. We cannot change history. Today, I believe, the divestment was the right thing for all our stakeholders.

In parallel with our divestment of North American operations, we initiated a reshaping of our Group organisation. We cut one management layer in paper and board, creating a shorter link between operations and markets to senior management and adding more transparency to our businesses, as the number of reporting segments has increased. In addition, business area functions were streamlined at the same time.

The new Group Executive Team (GET) started work immediately it was created to push Stora Enso towards our goals. The fact that almost the entire team is made up of long-time

Stora Enso executives – with an excellent range of capabilities and track record in running major businesses – is very positive for me, especially as I am from outside the industry.

One of the first things that the new team had to face was a difficult restructuring programme. On 25 October, we announced the planned closure of the Kemijärvi and Norrsundet stand-alone pulp mills, the Summa Mill, as well as one paper machine at the Anjala Mill. The reasons for these planned closures are clear: to reduce our purchases of excessively expensive imported wood and safeguard our access to reasonably priced domestic pulpwood for our larger sites. In the case of Summa, the mill's long-term profitability problems were also a factor, as we do not see that these can be corrected in the overall market overcapacity situation. The Anjala Mill will discontinue production of coated magazine paper due to overcapacity in that segment and we have decided to invest EUR 29 million to convert the machine in question to produce higher margin book paper. We also announced that we intended to reduce 300 people in our corporate and country headquarter organisations, to reflect the needs of a smaller company and reduce cost levels.

In parallel we announced that the Kotka Mill, which produces specialty paper grades, is for sale – because we have decided to exit these segments.

The reaction from stakeholders to our plans has been extensive, especially in Finland and particularly in regard to the Kemijärvi Mill, which, although only a small part of the overall programme, is located in an economically challenged area. The situation at Kemijärvi has been difficult for all parties, as the importance of safeguarding the supply of raw material to our large mills in Oulu, Veitsiluoto and Uimaharju has not been fully understood. As these mills, with a combined workforce more than 10 times larger than that of the Kemijärvi Mill, are critical to many of our businesses, I remain convinced that our plan is the right one – not only for Stora Enso and its shareholders, but also for the vast majority of our employees. And that is where my responsibility lies – in addition to helping find alternatives for the employees affected.

We have received, and are actively seeking, interest from partners willing to work with us to find economically viable alternative uses for the sites affected, offer significant employment and support our strategy of using the more cost-effective domestic wood at our larger sites. At the end of January 2008 we were able to announce the first cooperative initiatives in Kemijärvi and Kymenlaakso. Offers based on continuing current pulping operations at the Kemijärvi and Norrsundet mills do not interest us, however, because we do not want these units to compete with our remaining operations for pulpwood. Stora Enso has a very capable wood supply organisation and, if we believed that we could access cost-effective wood that would satisfy our needs without closing these two mills, we would have continued operating them ourselves – obviously.

We will only be able to communicate specifics on the solutions that we find for these mills and their economic and employment impact after we have reached final agreements with the relevant partners. Together with our employee representatives, we have a common goal to find economically viable alternatives that support the overall future of Stora Enso, whilst making it possible for people unwilling or unable to relocate find employment with company support. It is time to pull together and work together to find the best possible future alternatives in a challenging situation.

> **"We want to grow businesses that are performing clearly above Group-target returns, as this will improve our overall returns. I have asked those businesses that have not been able to generate returns above their cost of capital to focus on improving their returns, not growth. In that order."**

These were the top initiatives we made public in 2007. We have also continued to work on our portfolio analysis, in terms both of our business and our geographical reach. Work on our low-cost fibre strategy in Latin America, as well as studies on an integrated plantation and pulp mill in China and, more recently, on a large integrated pulp and paper mill in Russia, have progressed, although no major capital commitments have yet been made. We are also analysing how to secure a supply of low-cost containerboard to our corrugated packaging converting plants.

This work on large new investments is critical for our future, even when we are facing short-term challenges in our home markets in Europe. Let me assure you that both the Board of Directors and myself are committed to doing our homework well prior to large commitments with a probable lifespan of 30 years or more. Our success in Veracel has been a good example of homework well done, and we will use the lessons of this project in others to come.

As you may have noticed, we have not included our mission and vision statement or our values in this Annual Report. This is because we are in the process of reformulating them to better match Stora Enso's future and inspire the change we see as essential in the way we do things for the Group's improved future.

Focusing on innovation as well as profit improvement

Stora Enso remains committed to product innovation, alongside improving our profit performance – whether in fibre-based packaging for media discs, intelligent packaging for the pharmaceutical industry, or biodiesel produced from wood-based residuals as a sustainable alternative to fossil fuels.

Substituting CO_2-neutral, biomass-based fuels for fossil energy reduces greenhouse gas emissions. We have a long way to go to make some of these significant businesses, and in many cases we will need strong partners, but let me assure you that I am committed to pushing these efforts even more determinedly in the future.

As a part of that effort, we have now organised business innovation into a New Business Creation function, with its own funding at Group level. My entire business experience has been about winning with innovation – and I firmly believe that innovation has a central role to play in forest products too.

Using wood only from sustainable sources is very important to us. Thanks to our traceability system, we know where all the wood we use comes from. We are also working to increase our use of wood from forest management-certified land. A very positive development took place in this area in Russia, where five Stora Enso-owned subsidiaries achieved FSC certification for their forest lease areas. In other regions, we are working with our stakeholders to develop forest certification models for small forest owners. The role of small and private forest owners will continue to be very crucial in our future, if we want to increase our focus on certified forests.

Climate change is an area where innovation obviously has a lot to offer. A study completed by NCASI (a paper industry technical research organization) indicates that carbon emissions from the global forest industry are basically neutral, due to sequestration in forests and products. What is even more exciting for our future is that the study also indicates that reduced emissions and product substitution opportunities will further enhance our industry's carbon profile. Our advantage is that wood and paper products are recyclable and have a lower carbon footprint than many competing products. Using more wood, paper and board products will help society reduce CO_2 emissions significantly.

Internally, we already use a high level of bioenergy 66%. In Finland and Sweden, our industry contributes 80% of the overall national use of renewable energy, which is five times higher than the European Union average – so we are already making a positive difference in this area.

Stora Enso conducted an extensive study in 2007 to define our carbon footprint. This will be an important tool for identifying business case opportunities in Stora Enso's value chain to further reduce emissions; and we have established a target to reduce our CO_2 intensity by 20% from a 2006 baseline by 2020.

You may ask how we will be able to do this, given our relatively good level at the moment. Let me give you a few examples. In addition to the biodiesel project that I mentioned earlier, we are also conducting energy efficiency reviews at our production units, we have committed ourselves to further increasing our use of biomass as an energy source internally, and will increase our use of combined heat and power (CHP). As part of this commitment, we decided to make two significant investments in new multifuel boilers in 2007, at the Langerbrugge Mill in Belgium and the Maxau Mill in Germany. These investments will improve both energy efficiency and energy self-sufficiency at the mills, and increase the proportion of bioenergy we use internally.

With all these efforts ongoing, you may ask what the future Stora Enso will look like. We are reviewing structural alternatives and industry consolidation opportunities. I would like to emphasise that finding the right solutions here will not be simple. If it was, the changes would have happened a long time ago.

Questions regarding fibre, energy and other critical factors go way beyond pulp- and papermaking, and have to be thought through very carefully by all parties involved. And most importantly, while we continue to seek alternatives that will add value to our shareholders, we must not lose a moment in improving our performance today – be it in terms of operational efficiency, quality, cost or anything else. To wait for structural solutions to solve the future would be foolish.

Making change happen through people

We have started on a journey – a journey to improved and sustainable returns. But also a journey to become a company that is leading change, making change happen, not waiting for others to change or for better times. This journey will be based on a solid foundation of good, talented people who are keen to work together to make a better tomorrow – people who want and deserve the highest ethical standards and a safe working environment, who want to win, and win fairly.

Speaking of safety, work-related fatal accidents are our biggest challenge by far. We deeply regret that five fatalities occurred during the course of our operations and three happened at Veracel in Brazil in 2007. All fatalities are unacceptable, and the units where these accidents occurred have redoubled their efforts.

In conclusion, I would like to say a sincere thank you to everyone who has helped Stora Enso start out on our journey forward. Your dedication and commitment have been, and will be the foundation for our future.

2008 is unlikely to be any less challenging than 2007. In fact, economic uncertainties are on the increase, as we saw in the latter part of last year. Our job in 2008, as in 2007, will be to live with these realities and put all our energy into improving Stora Enso and its performance.

Helsinki, 12 February 2008

Jouko Karvinen, CEO

From action *to a new beg*

ginning

The world's growing forests play a central role in mitigating the effects of global warming, which is why Stora Enso's sustainable business model begins in the forest. Good forest management is essential – not only to securing Stora Enso's future, but to securing all our futures.

As a Procurement Supervisor for Stora Enso's wood supply chain in South East Finland, Hannu Honkanen has a very 'hands on' involvement with these issues in his day-to-day work.

"The forests where we source our wood from are the lifeblood of our business today and into the future, as well as the lifeblood for the planet's well-being of course – above all.

"It's easy to talk about wood being a renewable natural resource, as everyone understands the basic principle of growth and regeneration in the natural world. But trees here in the Northern Hemisphere are not like wheat, they're not ready for harvesting every summer. You need a much longer term perspective, which is why we have to assure that growth exceeds logging.

"Forestry in Finland has long been based on active forest management. One example of this is always planting more saplings than the number of trees felled. This has proved very successful in ensuring that the volume of wood in our forests has continued to grow over the years, despite higher usage of wood.

"It's also important that planting is done intelligently, to take account of the natural landscape and maintain local biodiversity. Promoting biodiversity is also a priority for Stora Enso in the very different world of our plantations in Latin America, and underpins our commitment to never felling rainforest to plant eucalyptus."

Being able to trace where each delivery of wood comes from is essential, to ensure that Stora Enso can live up to its promises on sustainability.

"We only procure wood from sustainable sources and independent forest certification systems like FSC and PEFC verify that this is the case. They also enable us to establish a system called chain-of-custody, extending all the way from my job in wood procurement through our mills to the end-customers of our products."

Hannu Honkanen,
Procurement Supervisor

From a new beginning
to a firm foun

ndation

Forests, by their nature, are long-term investments, both financially and environmentally – and their owners tend to have an emotional attachment to their land. Forests are also a very versatile resource, as they provide the raw material for a huge variety of needs.

Anna Jalkanen, a young journalist from Helsinki, recently inherited around 70 hectares of mainly pine forest in Joroinen in central Finland from her grandfather, together with her sister.

"Although I'm a city girl, born and bred, there's something special about receiving an inheritance like this. It's a concrete link with the past, for one thing, as it's been in our family for well over a hundred years. It's also part of our national heritage as Finns, the 'green gold' that's been so important in our history and economy over the years.

"You can't look at it just as another possession, I see it much more as something that's been entrusted to us, that we need to look after and be able to pass on to future generations with a good conscience."

Under the forest management agreement that Anna and her sister have with Stora Enso, their land is divided into some 40 blocks, covering different types and ages of tree, together with a small area left essentially untouched.

"We had two areas where the mature trees were felled in spring 2007, and some more will be felled this winter. New saplings will go in this spring, and we left some trees for natural reseeding as well. Felling, thinning, and replanting are all part of the natural cycle.

"Replanting is important not only to replace what's been felled, but also because young, growing trees bind more carbon from the atmosphere than older trees. Trees do this throughout their lives, so when we sell our biggest logs for timber, for example, those trees have stored carbon over their entire life and will continue to do so in the products they're used in. A wooden house, for example, can store carbon for more than 100 years.

"Living around 300 kilometres away, I don't visit our forest that often, mostly in the summer – but it's good to know that it's being well looked after, and that it's playing its part in ensuring a better environment for both our generation and the ones to come."

Anna Jalkanen,
Forest Owner

From a firm foundation
to a sustaina

ble life

Consumers are often the last link in the long chain that starts when saplings are planted and trees harvested. When it comes to day-to-day issues, such as packaging, they have to ask themselves what impact their choices are likely to have. As almost all Stora Enso's products are recyclable, choosing wood-based products is better for the environment.

This is one of the questions that Lisa McCartney and her family near Düsseldorf in Germany – her husband, Steve, and her young son and daughter, Sam and Josie – face almost every day, particularly when shopping.

While Lisa appreciates the benefits of good packaging, she prefers to see it used where it has something concrete to offer in terms of protecting delicate or sensitive items, for example.

"When it comes to things like fresh fruit and vegetables, and meat as well, I always prefer to buy loose produce rather than prepacked," she says. "I also favour other items with recyclable or reusable packaging. I feel that a lot of products are simply 'over-packaged', with lots of different materials, so I try to avoid them when I can."

But shopping is only part of the story. When things have been unpacked, products used, or food has been prepared, the consumer needs to dispose of what is left over.

"We in Germany are pretty well-organised when it comes to recycling and waste disposal. Products are clearly marked to help you identify what they're made of, for example. And the local community provides colour-coded bins so you know where to put what, and they're collected on different timetables depending on what they contain.

"At home, we've also got a cupboard in the kitchen with separate containers for organic waste, glass, paper and cardboard, plastic, and so on. That helps all of us, and I think it's good for getting the kids used to the idea of recycling and doing it themselves. That way, they get a feeling early on for what the 'environment' is all about.

"Recycling is important, of course, but it's not enough on its own. We also need to think about the cars we drive, how we travel generally, and even things like how we insulate our homes, if we want to make our own contribution count. That's not being an eco-fanatic or anything, it's just good common sense."

Lisa McCartney,
Consumer


Dr.Oetker
Onken
Joghurt Mild
400 g

We offer a comprehensive range of newsprint and book paper, which we produce cost-effectively close to our customers.

Stora Enso Newsprint and Book Paper produces newsprint and directory and book paper for publishers and printing houses. Products include a wide range of standard newsprint and improved newsprint grades, including tinted paper for sports and business sections or supplements. Our book and directory paper range includes paper for hardback and paperback books, telephone directories and timetables.

Focusing on being close to customers

Stora Enso Newsprint and Book Paper's 13 paper machines in four countries, supported by a comprehensive sales network, enable it to provide excellent customer service and ensure that customers are offered the best product for their needs. We select the optimum machine in terms of quality, overall service and delivery distance for each customer. Since profitability suffers when large amounts of newsprint and book paper are transported long distances, mills focus on local customers and just-in-time deliveries.

Some Asian countries are emerging as interesting markets for Stora Enso Newsprint and Book Paper, as consumption and literacy rates rise there, but the Chinese market remains characterised by relatively low volumes in the business area.

Freesheets are increasing their share of the market in a number of countries, although their success varies widely. In Denmark and Spain, for example, freesheets have more than a 50% share of total daily circulation, but less than 1% in Germany.

Aiming to be an efficient, low-cost and sustainable producer

Stora Enso Newsprint and Book Paper aims to improve its overall profitability by becoming the most efficient low-cost producer in its markets. We plan to achieve this goal by enhancing our asset structure, optimising cooperation between production, sales and customers, improving our logistics systems, and giving greater attention to collecting recovered paper.

Stora Enso Newsprint and Book Paper is committed to increasing the use of recovered paper at its mills, and aims to use recovered paper as close as possible to where it is collected. Our advantage is that all our major newsprint mills are located in or close to densely populated areas of Central Europe. Two of these, the Langerbrugge Mill in Belgium and the Sachsen Mill in Germany, run on 100% recovered paper. The average recycled content of standard newsprint in 2007 was 72%.

The majority of the recovered paper used by Stora Enso Newsprint and Book Paper comes from household collection. Although the average European paper collection rate has reached quite a high level – 64% – there is still potential to increase collection rates in France, the UK, and Southern and Eastern Europe in particular. Given the increasing competition for recovered paper and its rising cost – mainly due to the strong growth in exports to China – we are focusing on securing volumes in areas close to our mills.

2007 in focus

Stora Enso signed a definitive agreement to sell its North American paper operations to NewPage in September 2007. The transaction was completed in December 2007, and included the Port Hawkesbury Mill in Canada, which produced 190 000 tonnes of newsprint annually.

As a result of restructuring, the Summa Mill in Finland, with an annual capacity 415 000 tonnes of newsprint, uncoated magazine paper and book paper, was permanently shut down at the end of January 2008. The mill's customers will be served by Stora Enso's other mills in Finland, Sweden and Western Europe.

A project is under way at the Langerbrugge Mill in Belgium to enhance energy efficiency by enabling a more competitive fuel mix to be used for combined heat and power generation. Once completed, as scheduled, in the second quarter of 2010, the investment will increase the mill's self-sufficiency in electricity from 10% to over 50%, and in steam from 50% to 100%.

"I travel most of the time and prefer newspapers for their flexibility. It's hard to see a full migration away from print media taking place unless it becomes considerably easier to read and listen to stories on electronic devices."

Spencer Lake
Managing Director of Debt Capital Markets
HSBC, United Kingdom

Our range is designed for cost-conscious customers in the publishing, printing and retail industries – who expect quality.

Stora Enso Magazine Paper offers a wide range of paper for magazines and advertising applications to publishers, printing houses and retailers. Uncoated magazine paper is mainly used in periodicals and advertising material, such as inserts and flyers, as well as mass-circulation TV magazines and catalogues; while our coated matt, silk and glossy magazine paper is popular with special and general interest magazines. Other end-uses include supplements, home shopping catalogues and magazine covers.

Capturing new growth

Stora Enso Magazine Paper mills represent a solid asset base and are located close to customers. While Europe remains a highly important market for us, China and Latin America are becoming increasingly attractive, particularly China and Brazil, where magazines are seeing the fastest end-use growth. Although these markets are growing rapidly, volumes there are still relatively low.

In November 2007, a new super-calendered (SC) paper machine started up in the Chinese province of Shandong with our local joint venture partner, Shandong Huatai Paper. The Stora Enso Dawang Mill has an annual capacity of 200 000 tonnes of uncoated magazine paper, produced from 100% recovered paper, which will be used to meet the growing market for offset printing paper in China.

Stora Enso continues to be the leading producer of coated magazine paper in Brazil, with an annual production capacity of 205 000 tonnes of light-weight coated (LWC) paper at the Arapoti Mill. In October 2007, Stora Enso sold 20% of its stake in the mill to a Chilean company, Arauco, to form a joint venture to develop the LWC business more effectively in partnership with a local South American expert.

Investing in energy efficiency

In line with its overall goal of increasing energy efficiency, Stora Enso Magazine Paper launched a project at the end of 2007 to reduce fuel costs at the Maxau Mill in Germany and increase the mill's use of bioenergy. When completed in the second quarter of 2010, the mill will be more self-sufficient in electricity and be able to make use of a more competitive fuel mix through combined heat and power generation. The project will also cut the mill's fossil CO_2 emissions, supporting the Group's efforts to mitigate climate change.

2007 in focus

Poor product prices, higher costs and a weak US dollar resulted in Stora Enso Magazine Paper failing to meet its targets in 2007. We aim to increase profitability by strengthening our asset position and focusing on core magazine paper grades in selected markets, and by completing our restructuring process, closing assets and taking mill-specific actions to improve our cost position.

In response to increasing customer demand for certified products, all magazine paper mills in Europe were in the process of implementing chain-of-custody certification during the year.

As part of the agreement to sell Stora Enso's North American paper operations to NewPage, completed in December 2007, 605 000 tonnes of SC paper capacity at the Port Hawkesbury Mill in Canada and the Duluth Mill in the USA, and 675 000 tonnes of mechanical coated paper capacity at the Biron, Niagara and Whiting mills in the USA have been divested.

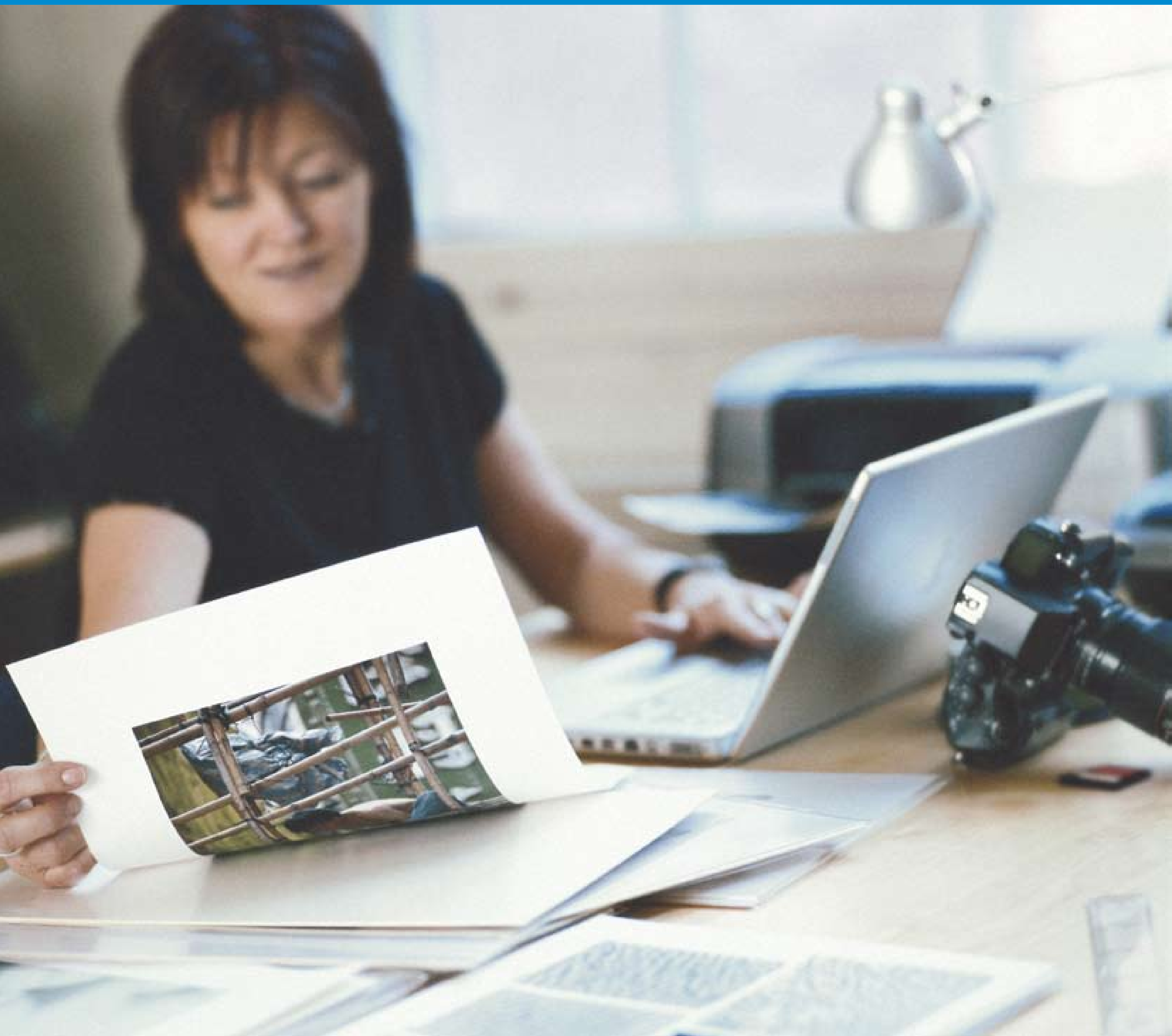
The Reisholz Mill in Germany, with an annual capacity of 215 000 tonnes of SC paper, was closed at the end of 2007.

In Finland, the Summa Mill, with an annual capacity of 80 000 tonnes of uncoated magazine paper, was permanently shut down at the end of January 2008; its customers will be served by Stora Enso's other mills in Finland, Sweden and Western Europe. The plan is to divest the Kotka Mill in Finland, with an annual production capacity of 170 000 tonnes of special coated magazine paper, as soon as practically possible. We plan to convert one paper machine at the Anjala Mill, with an annual production capacity of 155 000 tonnes of coated magazine paper, to produce book paper; magazine paper production at the mill is scheduled to come to an end at the beginning of the second quarter of 2008.

"I believe that there will be two types of magazines in the future: mass-circulation inexpensive freesheet magazines and high-quality magazines printed on high-quality paper targeted for specific readers."

José Videgain, Sales Director
Newsprint & Book Paper and Magazine Paper
Stora Enso, Spain

We believe that quality, reliability and competitive pricing never go out of fashion in fine paper.



Stora Enso Fine Paper produces graphic and office paper at its mills in Europe and China for printers and publishers, merchants, envelope converters, OEM manufacturers and office suppliers, many of who are our long-term partners. A proportion of output is distributed through Stora Enso's Papyrus merchant network.

Office paper grades include copy paper, printing paper, envelope paper, paper used in schools, notebooks and blocks, business forms for continuous stationery and digital printing paper. The graphic paper range includes multicoated paper for art books, annual reports and luxury magazines, coated paper for magazines, catalogues and brochures, and uncoated graphic paper for stationery and manuals.

Focusing on the customer

The supply and demand situation in Western Europe and North America has improved, thanks to reductions in production capacity. In China, in contrast, fine paper production capacity is being increased to meet rapidly increasing local demand.

Wherever Stora Enso Fine Paper operates, it always prioritises focusing on customer needs, in areas such as availability and quality. Whatever the product, our customers can always rely on us to supply a quality product. All products are designed to guarantee first-class printing quality and reliability in a world of changing customer needs.

By focusing on markets in Europe, China and Russia that are close to our mills, Stora Enso Fine Paper can offer customers deliveries within 24 hours from when they place an order, and keep transport costs down. Our Lumipaper Service Centres in Belgium and the United Kingdom cut reels to sheets according to the folio sizes requested by merchants and printing houses, further helping to ensure fast delivery times to customers.

Integration is good for the environment

Stora Enso Fine Paper operates from an integrated fine paper and pulp base at all its fine paper mills in Veitsiluoto, Varkaus, Imatra and Nymölla, and also to some extent in Oulu as well, where long fibre production is integrated with paper production and low-cost short fibre imported from Veracel in Brazil. This integrated approach makes it possible to utilise a high proportion of biomass fuels and reduce the carbon footprint of products.

All Stora Enso Fine Paper's office paper products are authorised to carry the Nordic Swan label. When Veracel's plantations in Brazil achieve FSC forest management certification in 2008, some graphic paper products will be labeled appropriately.

2007 in focus

Stora Enso Fine Paper aims to be the most profitable fine paper producer in Europe and China, with a large market share in its target markets and a superior customer service offering. In line with this, Stora Enso Fine Paper is looking to reduce production costs and ensure that all its machines produce the products most appropriate to their capabilities.

Stora Enso Fine Paper completed its asset restructuring programme in 2007. Production ended on PM 7 and PM 8 at the Berghuizer Mill in the Netherlands in April and October respectively, eliminating 245 000 tonnes of annual uncoated fine paper capacity. Approximately 80 000 tonnes of products for customers previously served from Berghuizer are now supplied by the Nymölla Mill in Sweden. Annual capacity at Nymölla remains unchanged, at 485 000 tonnes, and some investments have been made in higher value-added products.

Stora Enso signed a definitive agreement to sell its North American paper operations to NewPage in September 2007. The transaction was completed in December 2007, and included the Wisconsin Rapids and Kimberly mills that produced 900 000 tonnes of coated fine paper.

An investment announced in May 2007 will increase copy paper sheet cutting capacity at the Veitsiluoto fine paper mill in Finland by around 140 000 tonnes to 510 000 tonnes a year, making it Europe's largest sheeting plant for this type of paper. Envelope paper production will be transferred from Veitsiluoto to the Varkaus Mill in 2008, to allow Veitsiluoto to focus on copy paper under the Group's mill specialisation programme and enable the Group as a whole to react faster to European market developments.

The Oulu Mill will commission a new folio sheeting line in May 2008, which will enable us to further optimise our supply chain from mill to customers.

"In China, the fine paper market has been growing rapidly in recent years, and demand is estimated to reach 60 million tonnes by 2010."

Cindy Zhang, Manager
Office Administration and Communication
Stora Enso, China

Business areas

We share a common commitment to customer focus and high quality standards at Papyrus – whether we're talking about products, service or logistics.

Stora Enso's paper merchant, Papyrus, is a customer-oriented organisation with a presence in 22 European countries and a network of 38 warehouses. Papyrus offers a range of paper, board, graphic products and e-service solutions to the graphic industry, resellers, offices and the public and industrial sectors; as well as additional services, such as technical and design support.

Strong focus on customers

Papyrus' role in the value chain is to balance the needs of customers and suppliers. More than 65 000 customers benefit from Papyrus' offering today, in the shape of excellent product availability, fast deliveries and a product range that addresses many different needs. Suppliers in their turn – with less flexibility, longer lead times and a preference for more standardised products – get efficient access to a large customer base.

As part of its strategy to increase efficiency and improve its service, Papyrus launched a project to build a new 27 000 m^2 Scandinavian Central Warehouse at the Port of Göteborg in Sweden in 2007. This new facility will further improve product range and availability for customers in the region, and offer suppliers the potential for a more streamlined supply chain. Construction work is scheduled to start in the first quarter of 2008, and the warehouse is expected to be fully operational at the beginning of 2010.

Against a background of increasing customer awareness of sustainability-related issues – especially in the office paper area, where customers want more certified products – Papyrus is working towards achieving comprehensive chain-of-custody for its operations in Europe.

Building a strong online service

Papyrus' e-service offers customers a comprehensive and easy-to-use website and the means to simplify a number of daily routines. In particular, the online service enables them to know immediately whether the product they want is in stock, and gives them the possibility to order dummies and track deliveries.

Building on these benefits Papyrus is looking to increase the proportion of products it sells online, to 15% over the next three years.

Opportunities for growth

As part of efforts to expand operations both through geographical growth and line extension, Papyrus is in the process of extending its offering to hygiene and packaging products in the Nordic region.

Papyrus has a strong position in Northern and Central Europe and is well positioned to take part in the growth in that area. New operations were established in Slovenia and Romania in 2007 to strengthen the company's presence in Eastern and Central Europe.

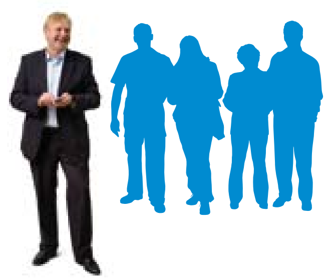
2007 in focus

After expanding operations in 2004 and 2005, Papyrus has streamlined its organisation significantly, and continued to integrate its business processes and tools during 2007. This has also resulted in a more efficient network of warehouses. Papyrus aims to continue working to further improve its profitability in 2008, and expects to see benefits coming from this in both 2008 and 2009.

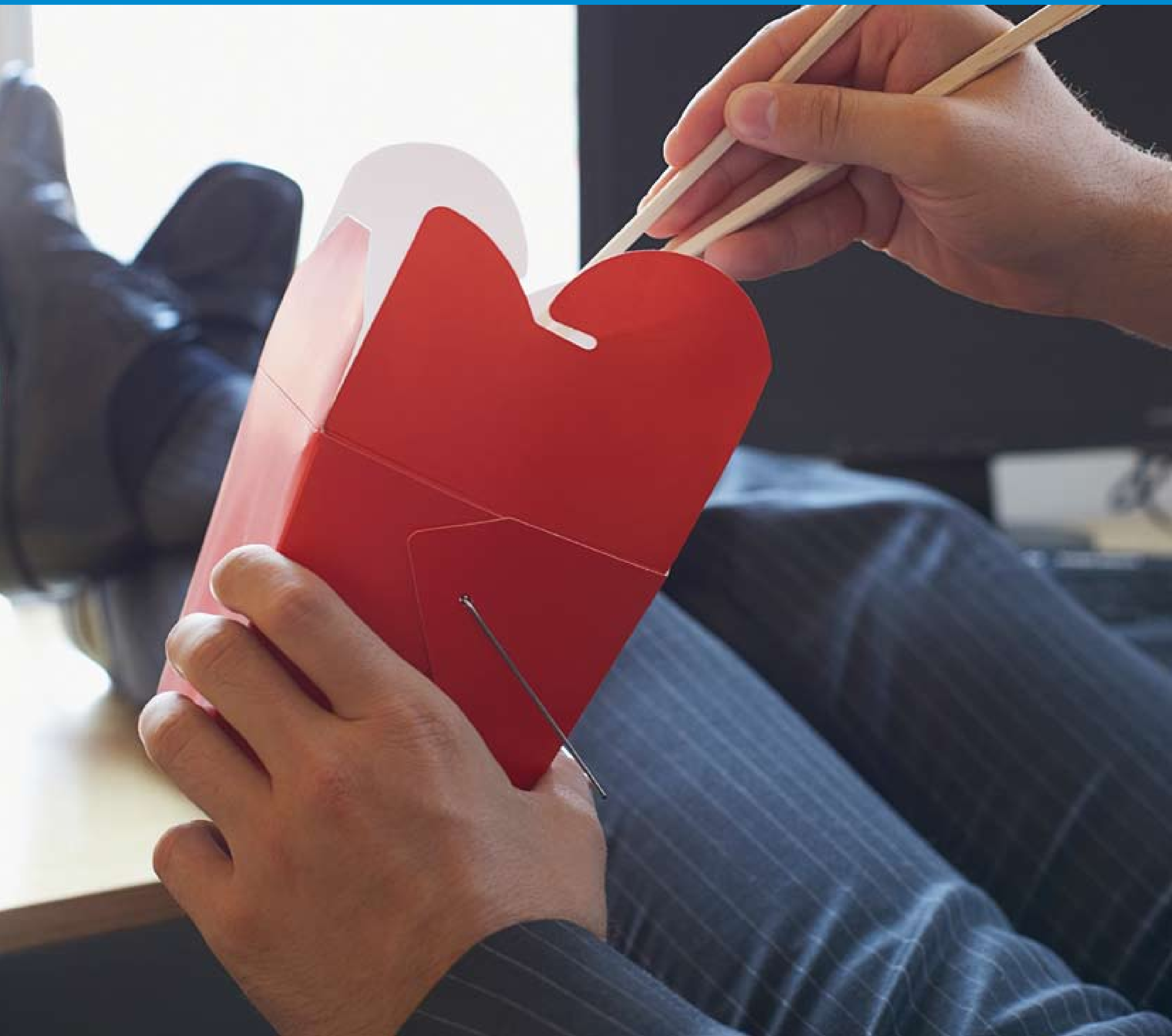
In addition to the Papyrus brand, Papyrus operates under the Schneidersöhne, Papeteries de France, Sihl+Eika, Scaldia and Classen-Papier brands in different markets. Despite these various brands, the underlying brand platform is the same everywhere, and will feature a more integrated visual identity in the future. Papyrus also intends to further strengthen its product portfolio by focusing on its own pan-European product brands and harmonising its product range across different markets.

"We're an international company working with global customers. And the most important things we need from a paper supplier today are just-in-time deliveries and price competitiveness."

Patrick Holm, President and CEO
Elanders AB, Sweden



Our premium-quality materials and innovative solutions help our customers optimise the performance of their packaging.



Stora Enso Consumer Board is a specialist producer of liquid packaging board, food service board, graphical board and carton board for use in packaging food, beverages, cigarettes, pharmaceuticals, media products, household products, cosmetics and luxury items.

Working closely with customers

Understanding our customers' business is a critical factor in developing innovative packaging solutions and acting as a proactive partner for our customers. Stora Enso Consumer Board is committed to vertical innovation and working closely with customers to meet their packaging requirements as effectively as possible. Vertical innovation includes cooperation with both converters and major brand owners. Operating in this way also opens up new opportunities for promoting a more efficient use of raw materials and taking better advantage of the benefits of fibre-based packaging.

Being a leader in terms of quality is integral to our commitment to customer satisfaction and profitable growth. Business-driven innovations, systematic product development and an efficient use of our asset base all contribute to high-quality products.

Meeting marketing and sustainability expectations

Customers expect a lot from consumer board products and use them in many different ways. To meet this range of requirements in different end-use areas, we need to be able to offer the right combination of board properties, grade and weight to ensure optimum performance for each and every application.

Visual appearance and product safety are key priorities for everyone in the value chain. For major brands, for example, consumer board products enable packaging to be used as an efficient marketing tool and support overall marketing efforts. Product safety requirements are met by having certified and product safety hygiene managements systems in place at our mills. The fact that we offer local customer service and can respond rapidly to customers' changing needs are key success factors for Stora Enso Consumer Board.

Sustainability has also become an increasingly important and demanding priority for consumer board products. Our fibre-based products offer an attractive alternative to many competing materials in this respect, thanks to their recyclability and lower impact on climate change, due to the renewable raw material and high amount of bioenergy used in their production.

Producing more with less

Customers increasingly require lighter packaging materials. This is achieved by using modern technology in the production process, utilising raw materials efficiently and continuously finding new ways to use less material and reduce overall packaging needs. This work has been particularly successful in the liquid packaging board area, where Stora Enso has significantly reduced its raw material use per tonne of board.

World-class pulp mills

Stora Enso Consumer Board products are manufactured at six modern, well-managed mills in Finland, Sweden, Germany and Spain, with a total annual production capacity of 2.8 million tonnes. Some of our mills are integrated sites, producing both pulp and board. Integrated mills are very energy efficient and represent a valuable production-related expertise resource.

2007 in focus

Stora Enso Consumer Board's global business continued to be relatively stable during 2007, although profitability was lower than in 2006, mainly due to a steep rise in wood costs and unfavourable swings in exchange rates in the second half of the year.

An investment project was launched to upgrade and modernise the two board machines and one of the chemi-thermo-mechanical pulping (CTMP) plants at the Fors Mill in Sweden. This will improve the quality of the board manufactured at the mill and enable Fors to provide a higher quality offering to its customers. It will also bring a small increase to the mill's production capacity.

"At Nestlé, our environmental sustainability priorities for packaging include source reduction, support for recovery and recycling and the use of appropriate renewable raw materials. As a customer, we can see that these sustainability areas are really at the heart of Stora Enso's business and their solid actions speak for themselves!"

Anne Roulin, Head of Packaging and Design
Nestlé, Switzerland

Our operations cover the entire value chain, enabling us to offer our customers a wide range of innovative and cost-efficient packaging products.

Stora Enso Industrial Packaging produces corrugated packaging, containerboard, cores and coreboard, laminating paper, paper sacks, and sack and kraft paper.

Corrugated packaging products vary significantly in size, printing and other technical characteristics, from sales applications for consumer goods to transport packaging for industrial products. Sales applications are often offset-printed microflute products for the electronics, food and beverage industries; while transport solutions are typically flexo-printed and vary from standard boxes to heavy-duty boxes, and are used for industrial chemicals, televisions, machines and spare parts.

Stora Enso subsidiary Corenso United is one of the world's leading producers of cores and coreboard, used by manufacturers of paper and board, textile yarn, plastic film and flexible packaging.

Multipurposing

As customer requirements in terms of the structure, material, graphical design and size of their packaging vary widely, customised solutions are often required, which calls for close co-operation with customers in developing innovative packaging ideas.

Fast response times, just-in-time deliveries and cost efficiency are very important. This is why, for example, Stora Enso has established operations in the rapidly growing packaging markets of Central and Eastern Europe and expanded its network of production units there. In addition to protecting goods during transportation, well-designed corrugated packaging can also help build a brand, provide product information and act as a retail display.

As corrugated packaging materials are recyclable, they offer an excellent solution from a sustainability point of view. All Corenso products are also recyclable and their raw materials contain 90% recycled fibre. Corenso also offers post-use recycling solutions to its customers and their end-users.

Involved in the entire value chain

Stora Enso Industrial Packaging operates in every stage of the value chain, from recycling and pulp production to packaging production. In addition to packaging, we offer our customers design for packings and packing systems, as well as packaging machines. Being involved in this way gives us good control over manufacturing costs, provides supply stability for customers and helps us plan the future development of the business to meet customer expectations.

To secure the availability of recycled fibre for our own raw material needs, Stora Enso is involved in paper collection and operates the largest recycling company in Poland, with approximately 17% of the local market, and, for example, owns a 30% stake in Paperinkeräys Oy, Finland's largest paper collection business.

2007 in focus

Stora Enso Industrial Packaging continued to grow and increase its profitability in 2007. This was mainly the result of improved cost efficiency following on from new investments and profit improvement measures, and more favourable market conditions, particularly in corrugated board and containerboard. Ongoing investment projects will add further capacity to respond to growing market demand.

The corrugated packaging plant investment at Lukhovitsy in Russia proceeded according to schedule, and the aim is to start up production during the first quarter of 2008. An investment project was started at the Balabanovo plant in the second quarter of the year, and it will make Stora Enso the first foreign packaging company to invest in modern offset printed corrugated packaging production in Russia. The project is scheduled for completion in the second quarter of 2008.

An investment project to establish heavy-duty box production capacity at the Łódź plant in Poland was also started. The new unit will strengthen our position and coverage as a supplier of value-added products when it comes fully on stream in the first quarter of 2008. To further strengthen our position in Poland, the Group acquired the shares in Stora Enso Poland (formerly Intercell S.A.) previously held by the State of Poland, bringing our holding to 95%.

In Hungary, Stora Enso launched an offset-printed microflute packaging project at Komarom to meet growing local demand for value-added corrugated packaging. The project is scheduled for completion in the third quarter of 2008.

Corenso United has been focusing on increasing core production and expanding into new end-use segments. A new core plant was started up at Foshan in China in 2007, to complement the existing Hangzhou plant, as part of this programme. A project to build a new core plant at Tychy in southern Poland was started at the end of 2007.

The conversion of a paper machine in Wisconsin Rapids to produce coreboard is proceeding according to plan, and the rebuild is expected to be completed during the first quarter of 2008.

"I find it motivating to be able to serve our customers as individuals and offer them the best solutions for their packaging needs. Building a common future with our customers is a key thing for us."

Robert Dobkowski, Foreman at the Ostrołęka Mill
Stora Enso, Poland

We are steadily increasing the share of value-added products at Stora Enso Timber to meet customer needs and enhance wood's overall attractiveness as a building material.

Business areas

Stora Enso Wood Products or Stora Enso Timber as we are known in the marketplace, provides product and service solutions to wood product industries and trade customers worldwide. We focus on the construction and joinery industries and provide mass-customised, engineered fit-to-use products for manufacturing processes. Stora Enso Timber also supplies a wide range of sawn and processed wood products to timber retailers, merchants and importer-distributors, and provides raw materials to the pulp and panel industries and the energy sector.

Wood – an ideal construction material

Europe and Asia represent Stora Enso Timber's largest markets, which we supply from mills in Austria, the Czech Republic, Estonia, Finland, Germany, Latvia, Lithuania, the Netherlands, Poland, Russia and Sweden. Demand for our products is mainly driven by the construction market. The long-term outlook for wood products remains favourable, driven by factors such as steady population growth and rising living standards.

Wood and engineered wood products are ideal materials for construction, as they are cost-competitive and innovative. Wood is also recognised for its good sustainability credentials, and our products are based on renewable raw material from sustainably managed forests. With a favourable carbon footprint that contributes to mitigating climate change, wood is the material of choice among an increasing number of consumers.

Adding more value

To meet changing customer requirements, Stora Enso Timber is moving towards complete product and service solutions that will add greater value, through a mixture of process improvements and product innovations. Value-added products already account for half of our total annual production capacity of 7.5 million cubic metres. Stora Enso Timber is the market leader in market segments such as glued laminated products in Japan, and joinery components in the Nordic countries.

Further expansion will take place during 2008, when a new component mill is due to start up at the Uimaharju Sawmill in Finland, and the existing component mills at Ala in Sweden and Honkalahti in Finland will be expanded.

A new cross-laminated timber mill will start up at Bad St. Leonhard, Austria in spring 2008, producing massive wooden elements for the Central European construction market. A new ThermoWood plant is being constructed at the Bad St. Leonhard site to expand our production of heat-treated wood for high-durability applications. These projects represent a total investment of EUR 35 million.

Expanding into pellets

Stora Enso Wood Products already utilises bark to heat its drying kilns, and a significant amount of sawdust and shavings to generate energy. We are now extending our efforts by adding in-house pelleting capacity. This will leverage the high growth prospects of the European bioenergy sector and also increase the added value of our wood products.

Stora Enso Wood Products will start up its first two pellet plants in Russia during spring 2008, and additional units in Sweden and the Czech Republic later in the year. A total of some EUR 20 million has been invested in this area so far.

2007 in focus

Stora Enso Wood Products already has over 30% of its production capacity in Eastern and Central Europe and Russia, and aims to continue developing its presence in these countries. We acquired the Murow Sawmill in Poland in 2006, and expanded capacity at both our Russian sawmills, Nebolchi and Impilahti, in 2006–2007. We have invested some EUR 40 million at these sites, and we expect favourable local building and construction demand, together with the region's competitive manufacturing costs, to provide further opportunities for growth.

As part of the ongoing review of its asset base, Stora Enso decided to close the Sauga Sawmill in Estonia in summer 2007, and divest its sawmill at Arapoti in Brazil in the late autumn. The divestment of the Kotka Sawmill in Finland is also being evaluated as part of the Group's planned exit from paper operations in Kotka.

"A well-managed forest is important to me, as it ensures the future of an important resource and contributes to a better environment as well."

Anna Jalkanen, Forest Owner
Finland

We are committed to offering our people exciting opportunities throughout their careers – and ensuring that Stora Enso is a focused and highly motivated organisation.

Stora Enso launched a new emphasis on the importance of performance management across the Group in 2007, with the aim of creating a more focused and motivated organisation where everyone knows their role and understands how they contribute to the achievement of business goals. Everyone's targets, priorities and responsibilities will be more clearly discussed and jointly agreed on, which should increase employees' motivation and commitment to decisions and result in more efficient operations. There will be a common performance management development process within the company, to be implemented in 2008.

Recruiting talent

It is increasingly crucial for Stora Enso to find and recruit the right talents to meet the Group's current and future needs. This includes increased and focused activities which target universities globally, and also means involvement in different projects, internships and thesis work. In addition, Stora Enso is creating a new joint recruitment and development programme in Sweden known as "2015" which is a model to supply long-term recruitment needs at different mills. The objective is to secure the right mixture of competent employees, reduce recruitment costs, and strengthen Stora Enso's attractiveness as an employer. The programme will be fully implemented during 2008.

Leadership development

Ensuring that employees are offered exciting development opportunities and an attractive and challenging working environment are key issues for Stora Enso, and that is why leadership development was highlighted in 2007. Actions included talent reviews and assessments and training initiatives, as well as a new performance management review process, which will be introduced in 2008. Successor planning, young talent development, job rotation and development discussions will be priorities. Stora Enso's Management Audit programme plays an important part in assessing talent and creating individual development and succession plans. We also offer employees Group-wide leadership development programmes and country-level training programmes covering all levels of the organisation. The Go! programme – an international rotation initiative started two years ago – targets young talent. In addition, Stora Enso's Brazilian operations established a new training programme in 2007, open globally to all Stora Enso's employees. The aim of the programme is to ensure the right mixture of competent people to develop Stora Enso's business in Brazil.

Structural changes in 2007

2007 saw a number of structural changes that had a direct impact on the Group's employees and their well-being. A total of 675 people were affected by major mill closures; and the divestment of eight North American paper mills reduced workforce by 4 350 employees. Decisions on further restructuring, mainly in Finland and Sweden, announced in October 2007 will also affect about 1 700 employees, including about 300 in Group administrative functions and shared services.

Our people

Mill closures and reductions in the workforce are difficult to make, but crucial in order to safeguard the long-term profitability of the Group and the future of its employees. Human Resources has a key role to play in these changes, in areas such as setting up support programmes for affected personnel. The focus here is on re-employment, either inside or outside the Group. Measures vary from identifying employment opportunities and providing outplacement services to further education and retirement plans.

Stora Enso follows a consistent approach in workforce reductions, tailored to the legal requirements and redundancy practices of the countries in which it operates. To ensure that reductions are handled in a responsible manner, Stora Enso has defined a set of Group-wide guidelines covering workforce reductions. Affected employees should feel that they have been treated fairly, and remaining employees should feel that they would be treated in the same way if they were affected. A dialogue with all stakeholders is crucial.

Supporting employees in difficult times

Stora Enso permanently closed down the Berghuizer Mill in the Netherlands and the Reisholz Mill in Germany at the end of 2007, following decisions taken in 2006 as part of the Asset Performance Review. The priority during the closure processes has been to develop support for the employees affected and maintain employee motivation.

A social plan between employees and the Works Council and labour unions was signed at the Reisholz Mill in March 2007. Feedback indicates that all parties felt they were well-treated and were satisfied with the support package, and only very few of the 378 employees took their case to court to claim better compensation.

At the Berghuizer Mill, the closure announcement resulted in a demonstration involving some 2 000 local people outside the site. Negotiations between the 297 mill employees and the Works Council and labour unions were started immediately after the announcement. They proved successful, and a social plan was signed in January 2007. By the end of the year, trust, dialogue and a better atmosphere had been restored, and the quality of output improved.

As part of their social plans, both mills will offer their employees outplacement services after the closures to help them find new jobs in 2008.

Towards the end of 2007, Stora Enso announced major restructurings in Finland and Sweden, and launched support packages for the mills affected. In Finland, it was decided to close the Kemijärvi and Summa mills and one book paper machine at the Anjala Mill. This process is expected to be completed during 2008, and will affect about 1 000 employees. The announcement of the closures resulted in a one-day strike at all Finnish mills in October.

The EUR 10 million support package for the mills affected in Finland was developed in close cooperation with local employment authorities and the government representatives. This package will complement the support pledged by the Finnish government and possible EU regional support funds. The extension of the re-employment period from the statutory 9 months to 24 months forms an important part of the package. Start-up assistance for new businesses will be provided together with local Employment and Economic Development Centres, authorities and consultants Ernst & Young. If employees find new jobs when they are serving out their notice, they will be provided with assistance to start their new job and will continue to receive their normal salary until

"Our training programme in Brazil offers an excellent opportunity for people who are motivated and interested in learning about our business and building an international career."

Christiane Yoshinaga, Human Resource Manager
Stora Enso, Brazil

the end of their employment. The package also includes extended occupational health care for one year after the end of employment and re-training.

In January 2008, Stora Enso announced that two companies will hire 200 Stora Enso employees affected by restructuring measures. Anaika Group will purchase part of the Kemijärvi Mill site and employ 100 people in engineering works and at a gluelam beam mill. Empower Oy will offer 100 maintenance jobs to employees affected by restructuring measures in Kymenlaakso.

In Sweden, the biggest restructuring decision in 2007 was the closure of the Norrsundet Mill, which employs around 300 people, and the closure of the research centre in Falun with around 80 employees. Close dialogue was established with the local communities and other stakeholders immediately after the announcement. A support package has been designed to help people find new jobs and support the establishment of new companies in the regions concerned. Employees affected are given priority in the internal job market and opportunity to retrain for new jobs inside the Group in Sweden e.g. through the new "2015" programme.

Centralisation of HR services

Stora Enso centralised a number of HR services from units to larger service centres during 2007 to generate increased efficiency, simplified and better quality processes, help make better use of expertise, increase cooperation and transparency, and make HR process development easier. The number of HR jobs at mills has been reduced, and new ones created in centralised functions.

Payroll services, for example, have been harmonised and centralised to Shared Service Centres in Germany, Finland and Sweden. In Sweden, HR administration will be centralised to one Shared Service Centre in Falun and HR expertise functions will be shared between units from 2008 onwards. All HR services in Finland will be centralised at six regions from 2008 onwards. Each region will have its own HR manager with clear responsibilities and accountability, reporting directly to the country HR manager.

Key HR indicators	2005	2006	2007
Average number of employees*	41 392	41 036	39 239
Number of employees at year-end	41 958	39 436	37 997
Sales/employee at year end, EUR	270 335	328 563	351 965
Personnel turnover**,***, %	4.0	5.6	5.1
Training days/employee**	2.8	3.1	3.4
Absenteeism due to sickness and accidents**, % (of total theoretical working hours)	4.5	4.5	4.4****

** Continuing operations ** Source: HR statistics *** Based on the number of permanent employees who left Stora Enso voluntarily. **** Includes North American data for the first three quarters of 2007.*

Key HR indicators

The average number of Stora Enso employees decreased by 4% in 2007, to 39 239, mainly due to the divestment of North American operations in December 2007. Personnel turnover decreased slightly but remained relatively stable. The number of training days per employee was 3.4 which is virtually the same as in 2006.

Diversity

Stora Enso sees a good mix of people with different backgrounds, competencies and experience as essential for its businesses. Diversity in our workforce needs to reflect the countries where we do businesses. With a diverse workforce, we can respond more effectively to business demands and customer requirements everywhere. Diversity in age, gender, nationality or other areas is important, but it is people's qualifications and experience that ultimately matters.

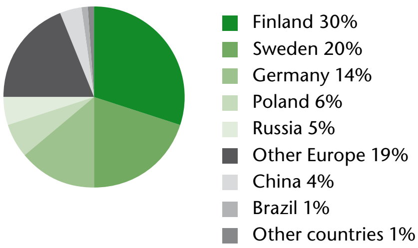
Stora Enso's social targets for 2007 included two gender diversity targets. One of these was to continue with the WISE (Women in Stora Enso) network meetings and to establish a pilot mentor programme for network members. The WISE network consists of 21 selected women within Stora Enso. The activities of the network continued during 2007 according to its action plan, and a mentor programme was established. Starting in 2008, women in the WISE network will receive advice on their careers and development from Group Executive Team members during a one-year-period. We expect the programme to send a strong message to women in Stora Enso that they really have equal career opportunities. WISE activities will be expanded in 2008 to strengthen our gender work.

The other Group-level diversity target for 2007 was to train female candidates for management vacancies as part of the 2007 Management Audit Process. Compared to 2006, there was a clear increase in the number of women identified as early career talents in the Management Audit programme in 2007. The share of women in Stora Enso's Management Programme, Executive Programme and Talent Programme was 30%.

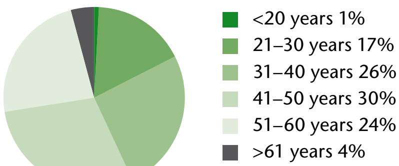
Compared to its industry peers, Stora Enso is about average in terms of gender diversity in Europe. The share of women in the Group increased from 18 to 21%. The share of women who were recruited to permanent positions was 22% (21%) in 2007, with 32% (40%) of them having a bachelor's degree or higher qualification.

Read more about
- *Group-level diversity targets on p. 58*
- *Restructuring actions on pp. 36–37*
- *Health and safety on pp. 80–81*

Employee distribution by country in 2007



Age distribution in 2007



Source: HR statistics

Women in Stora Enso*	2005	2006	2007	
Share of women, %	19	18	21	
Board of Directors, %	10	20	22	(2 women)
Group Executive Team, %	11**	13**	10	(1 woman)
Top 240 managers, %	-	-	8	
Management audit: early career talents, %	26	27	34	

** Source: HR statistics ** The Group Executive Team replaced the Executive Management Group in September 2007.*

Restructuring is sometimes necessary to safeguard long-term profitability.

Restructuring

Stora Enso announced in October 2007 that it is planning to close down the Summa Mill, shut down one paper machine producing book paper at the Anjala Mill and close the Kemijärvi and Norrsundet mills in response to cost increases and to safeguard the Group's long-term profitability. The closures will reduce annual capacity by 505 000 tonnes of newsprint and magazine paper and 550 000 tonnes of pulp. It is estimated that 1 100 people will be affected in Finland and around 300 in Sweden.

Stora Enso also plans to divest its mills at Kotka in Finland. The laminating paper business and special coated magazine paper operations there will be divested as part of moves to further focus the portfolio. Stora Enso will consider selling sawmilling operations at Kotka as well if a satisfactory offer is received. The mills at Kotka employ about 650 people. The divestment plan also includes laminating paper businesses in Tainionkoski and Malaysia.

To reduce costs and streamline the Group's administration following the recent reorganisation, the divestment of North American operations and the reductions detailed above, Stora Enso intends to reduce around 300 positions in administrative functions and shared services in the UK, Finland, Sweden and Germany, out of a current total staff of approximately 850.

Stora Enso concluded co-determination negotiations with employees at the Summa, Kemijärvi and Anjala mills and Helsinki headquarter office in January 2008. As the challenging operational environment facing these sites had not changed, Stora Enso decided to proceed with the closures.

"Our decision to close down the mills at Summa and Kemijärvi has received a lot of attention. We still believe that we have to continue on the course defined in our plans announced on 25 October 2007, as our view on domestic wood availability has not changed, nor have the markets in the paper area changed. We must safeguard the future of the company as a whole and Stora Enso in Finland," says CEO Jouko Karvinen.

Reactions

Stora Enso's October announcement received extensive coverage in the media and from the authorities in Sweden and Finland. The print media in Sweden reported the news 144 times, and radio and TV 111 times (as of mid-November). Politicians, trade union representatives and Stora Enso employees also commented on the announcement.

"Many of our stakeholders have been critical and questioned the decision, while others have seen it as unavoidable if the

Stora Enso's October announcement received a lot of attention from the media. Reporters interview machine operator Pekka Suuronen at the Summa Mill.

industry is to get back on the right track," says Christer Ågren, Executive Vice President, HR & IT and Country Manager Sweden.

The Finnish media reacted strongly to the announcement, and print publications reported the news an estimated 1 300 times (as of mid-November). While the decisions have been considered harsh, commentators have expressed understanding of the reasons behind them. News of the government's decision to allocate funds to help the areas hit by the closures, and of its decision not to intervene, has also been prominent.

Blogs written by journalists at a number of major Finnish publications have expressed some understanding of the decisions, but also fears about the future of the forest products industry in Finland. Many writers have speculated that Finnish salary costs and/or Stora Enso's acquisition of Consolidated Papers, Inc. and unprofitable North American operations were factors in the decisions. Commenting on calls for the State to intervene, Jyri Häkämies, the minister responsible for State ownership policy, was quoted in the Aamulehti newspaper as saying that the government's approach is to act through the AGM and that the boards of directors of these companies are responsible for business decisions.

Employees reacted to the Finnish announcement by staging a one-day strike at all mills in Finland in October.

Following Stora Enso's announcement, a number of other forest companies have announced reductions based on the same need to respond to cost increases and overcapacity.

Support measures

Stora Enso announced on 7 November 2007 that it would work with the local authorities to help employees affected in Finland to find alternative employment in existing or new businesses above and beyond the statutory requirement in redundancies of this type. Stora Enso has allocated EUR 10 million for these support measures.

"We are providing financial support to retrain employees made redundant, to help them find alternative employment or start new businesses. We will also pay relocation expenses during the statutory re-employment period and one month's salary for resettlement. Employees will be able to start new jobs immediately if they find work during their term of notice, and will receive their salaries until it ends. In addition, we will offer extended occupational health care services for one year to employees that have been made redundant. People's concern for their jobs is very understandable. Stora Enso has asked consultants Ernst & Young to evaluate the initiatives presented and to identify new, economically viable solutions for the Kemijärvi and Kymenlaakso regions," says Aulis Ansaharju, Executive Vice President of Stora Enso Fine Paper and Country Manager Finland.

A similar programme has been launched in Sweden adapted to local conditions and the expected need to run Norrsundet throughout 2008. Support activities will focus on creating new jobs, rather than providing financial support. Employees affected will be provided with individual training to help them find alternative employment in existing or new businesses in the regions in question. Stora Enso will provide financial support for training, new businesses and relocation, and grant leaves of absence for people to seek new employment. A group has been created for the local authorities and the Norrsundet Mill employees to facilitate developing new businesses and/or enlarging existing ones in the mill area.

Stora Enso announced on 25 January 2008 that it has signed a letter of intent with the Anaika Group to sell part of the Kemijärvi Mill site to Anaika to enable it to start engineering works and gluelam beam operations. When in full operation, this is expected to employ 100 people directly and provide substantial indirect employment in the region. Stora Enso has also signed a letter of intent to outsource the maintenance operations of its Anjala and Kotka mills to Empower Oy, which will offer approximately 100 jobs to Stora Enso employees affected by restructuring measures. In addition, around 200 current Stora Enso maintenance employees not affected by the ongoing restructuring will be transferred to Empower, strengthening local employment opportunities.

Unit, Country	Product/Service	Capacity reduction	Planned personnel reduction	Actual reduction*	When
Anjala Mill, Finland	Magazine paper	155 000 tonnes	170	170	Q2, 2008
Kemijärvi Mill, Finland	Pulp	250 000 tonnes	214	214	End of April 2008
Kotka Mill, Finland (planned divestment)	Laminating paper Imprex Special coated magazine paper Wood products	160 000 tonnes 18 000 tonnes 170 000 tonnes 250 000 m³	650		As soon as practicable
Norrsundet Mill, Sweden	Pulp	300 000 tonnes	325		End of 2008
Summa Mill, Finland	Newsprint, uncoated magazine paper, book paper	350 000 tonnes**	450	450	End of January 2008
Administrative functions, Finland, Sweden, Germany, the UK	Finance, HR, R&D, Communications, Support		300		Last actions estimated to be completed early 2009

** Actual personnel reduction as of January 2008. ** 270 000 tonnes of standard and improved newsprint and 80 000 tonnes of uncoated magazine paper. Additionally, 65 000 tonnes of book paper transferred to Anjala Mill.*

We believe in sound corporate governance and strive to apply best practices and the highest standards.

The duties of the various bodies within Stora Enso Oyj ("Stora Enso" or the "Company") are determined by the laws of Finland and by the Company's corporate governance policy, which complies with the Finnish Companies Act and the Finnish Securities Market Act. The rules and recommendations of the Helsinki, Stockholm and New York stock exchanges are also followed, where applicable. This corporate governance policy is approved by the Board of Directors ("Board").

Governance Bodies

The Board and the Chief Executive Officer (CEO) are responsible for the management of the Company. Other governance bodies have an assisting and supporting role.

Stora Enso prepares annual and interim financial accounts conforming to International Financial Reporting Standards (IFRS). These reports are published in Finnish, Swedish and English. Annual reports are also published in German. In addition, Stora Enso makes an annual reconciliation with US GAAP (Form 20-F) as required by the US Securities Exchange Commission (SEC).

The Company's head office is in Helsinki, Finland. It also has an international office in London, United Kingdom and head office functions in Stockholm, Sweden.

Stora Enso has one or two official auditors, as decided by the shareholders at the Annual General Meeting (AGM).

To the maximum extent possible, corporate actions and corporate records are taken and recorded in English.

Objectives and composition of governance bodies

The decision-making bodies with responsibility for managing the Company are the Board and the CEO. The Group Executive Team (GET) supports the CEO in managing the Company.

Day-to-day operational responsibility rests with the GET members and their operation teams supported by various staff and service functions.

Board of Directors (Board)

Stora Enso is managed by the Board under international corporate governance principles.

According to the Company's Articles of Association, the Board comprises 6–11 ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the Board shall have a majority of independent directors. To be considered "independent", the Board must resolve that a director has no material relationship with the Company other than as a director. Currently, the Board has nine ordinary members, who are independent and not affiliated with Stora Enso.

All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The shareholders at the AGM decide the remuneration of the Board members (including the remuneration of the members of the Board Committees).

The Board supervises the operation and management of Stora Enso and decides on significant matters relating to strategy, investments, organisation and finance.

The Board is responsible for overseeing management and for the proper organisation of Company operations. It is likewise responsible for overseeing the proper supervision of accounting and control of financial matters.

The Board has defined a working order, the principles of which are published in the annual report and on the Company's website.

The Board elects a Chairman and a Vice Chairman from among the Board members and appoints the CEO, Deputy CEO, Chief Financial Officer (CFO) and other GET members. The Board approves the main organisational structure of the Company.

The Board reviews and determines the compensation of the CEO.

The Board evaluates its performance annually. The Board also reviews the corporate governance policy annually and amends it when required.

The Board's work is supported through its committees – the Financial and Audit Committee and the Compensation Committee. Each committee's chairman and members are appointed by the Board annually.

The Board meets at least five times a year. The Board members meet regularly without management in connection with the Board meetings.

In 2007

The Board had nine members and convened 12 times during the year. On average, members attended 86% of the meetings.

Board remuneration, EUR	2005	2006	2007
Chairman	135 000	135 000	135 000
Vice Chairman	85 000	85 000	85 000
Board Member	60 000	60 000	60 000

Board interests as of 31 December 2007	A shares	R shares
Claes Dahlbäck, Chairman	2 541	19 529
Ilkka Niemi, Vice Chairman	-	-
Gunnar Brock	-	4 000
Lee A. Chaden	-	3 500*
Dominique Hériard Dubreuil	-	1 000
Birgitta Kantola	-	3 500
Jan Sjöqvist	508	1 943
Matti Vuoria	-	9 000
Marcus Wallenberg	2 541	4 715

**) ADRs representing R shares*

Chief Executive Officer (CEO)

The CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board. It is the duty of the CEO to ensure that the Company's accounting methods comply with the law and that financial matters are handled in a reliable manner.

The Board approves the main organisation, including the functions reporting to the CEO. Currently the CEO is directly in charge of the following functions, which also report to him/her: Business Areas, Deputy CEO & CFO, Corporate Communications, Legal Services, HR & IT, Technology and Operations Improvement, and the Russia & Asia Pacific and Latin America regions. The CEO is also responsible for preparatory work with regard to Board meetings. In addition, he/she supervises decisions regarding key personnel and other important operational matters.

The Deputy CEO & CFO, who is responsible for Finance, Strategy and Purchasing, also acts as deputy to the CEO as defined in the Finnish Companies Act.

Group Executive Team (GET)

The GET is chaired by the CEO. The GET members are appointed by the CEO and approved by the Board. Currently, they are the CEO, Deputy CEO & CFO, and the heads of Business Areas, Technology & Investments and HR & IT.

The GET's tasks and responsibilities are: review of key day-to-day operations and operational decisions, key leadership issues, investment planning and follow-up, control of mergers and acquisitions and divestments, preparation of strategic guidelines, sustainability tasks, allocation of resources and preparatory work with regard to Board meetings.

The GET meets regularly every month, and as required.

In 2007

The GET had ten members and convened four times following its formation in September 2007. Before the reorganisation in September 2007, instead of the GET there was an Executive Management Group (EMG) with eight members which convened twelve times during January–September 2007. The Management Group (MG) was also disbanded as part of the reorganisation in September.

Working order of the Board

The working order describes the working practices of the Board. A summary of key contents is presented below.

Board meetings

- occur regularly, at least five times a year, according to a schedule decided in advance;
- special Board meetings shall, if requested by a Board member or the CEO, be held within 14 days of the date of request;
- agenda and material shall be delivered to Board members one week before the meeting.

Information

- the Board shall receive information monthly concerning financial performance, the market situation and significant events within the Company's and the Group's operations;
- Board members shall be informed about all significant events immediately.

Matters to be handled at Board meetings

- matters specified by the Finnish Companies Act;
- approval of business strategy;
- organisational and personnel matters
  - decisions concerning the basic top management organisation;
  - decisions concerning the composition of the Group Executive Team;
  - remuneration of the CEO;
  - appointment and dismissal of the CEO, Deputy CEO, CFO and other GET members;
  - appointment of Board Committees (including chairmen);
- economic and financial matters
  - review of annual budget;
  - approval of loans and guarantees;
- investment matters
  - approval of Group's investment policy;
  - approval of major investments;
- other matters
  - report of the CEO on the Group's operations;
  - reports of the Compensation Committee and Financial and Audit Committee by the chairmen of the respective committees. The Nomination Committee's recommendations and proposals shall be reported to the Board by the Chairman of the Board.
  - approval and regular review of Corporate Governance and the charters of the Board Committees;
  - annual self-assessment of Board work and performance;
- other matters submitted by a member of the Board or the CEO.

Board Committees

The tasks and responsibilities of the Board Committees are defined in their charters, which are approved by the Board. All the committees evaluate their performance annually, are allowed to use external consultants and experts when necessary and shall have access to all information needed. Each committee's chairman and members are appointed by the Board annually.

Financial and Audit Committee

The Board has a Financial and Audit Committee to support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions. It regularly reviews the system of internal control, management and reporting of financial risks and the audit process. It makes recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries.

The Committee comprises 3–5 Board members, who are independent and not affiliated with the Company. At least one Committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Financial and Audit Committee meets regularly at least four times a year. The Committee members meet the external and internal auditors regularly without the management being present.

The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board. The tasks and responsibilities of the Financial and Audit Committee are defined in its charter, which is approved by the Board. Financial and Audit Committee members may receive compensation solely based on their role as directors. The compensation is decided upon by the shareholders at an AGM.

Summary of charter

Main tasks

- to support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions;
- to review the system of internal control, management and reporting of financial risks and the audit process regularly;
- to make recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries.

Composition

- 3–5 Board members who are independent and not affiliated with the Company;
- at least one Committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company;

- Financial and Audit Committee members may receive compensation based solely on their role as Directors, such compensation to be decided by the shareholders at an AGM.

Meetings and reporting to the Board

- the Financial and Audit Committee meets regularly at least four times a year;
- regular participants in the Committee's meetings
  - external auditors;
  - CFO and SVP Internal Audit
  - Legal Counsel acting as secretary to the Committee;
  - other persons such as CEO, SVP Finance, General Counsel, Chief Accounting Officer and Group Controller invited by the Chairman;
- the Committee members meet the external and internal auditors regularly without the management being present;
- the Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board.

In 2007

The Financial and Audit Committee comprised five members in 2007: Jan Sjöqvist (Chairman and appointed Financial Expert), Lee A. Chaden, Claes Dahlbäck, Birgitta Kantola and Ilkka Niemi. The Committee convened eight times. In addition to the regular tasks based on the Committee's charter, during 2007 the Committee focused on selection of the external auditor.

Remuneration

Chairman EUR 20 000 per annum and member EUR 14 000 per annum as decided by the AGM

Compensation Committee

The Board has a Compensation Committee which is responsible for recommending, evaluating and approving executive nominations and compensations (including CEO), evaluating the performance of the CEO, and making recommendations to the Board relating to management compensation issues generally, including equity incentive compensation plans. The Board appoints the CEO and approves his/her compensation.

The Committee comprises 3–4 Board members, who are independent and not affiliated with the Company. The Compensation Committee meets regularly at least once a year. The Chairman of the Committee presents a report on each Compensation Committee meeting to the Board. The tasks and responsibilities of the Compensation Committee are defined in its charter, which is approved by the Board.

Summary of charter

Main tasks

- responsible for recommending, evaluating and approving executive nominations and compensations (including CEO);
- to evaluate the performance of the CEO;
- to make recommendations to the Board relating to management compensation issues;
- the Board appoints the CEO and approves his/her compensation.

Composition

- 3–4 Board members who are independent and not affiliated with the Company.

Meetings and reporting to the Board

- regularly at least once a year;
- the Chairman presents a report on each Compensation Committee meeting to the Board.

In 2007

The Compensation Committee comprised four members in 2007. The members were Claes Dahlbäck (Chairman), Dominique Hériard Dubreuil, Ilkka Niemi and Matti Vuoria. The Committee convened 6 times.

During 2007, the main tasks were to prepare organisational changes and top management appointments, the CEO's compensation, top management remuneration, and short-term and long-term incentive structures.

Remuneration

Chairman EUR 10 000 per annum and member EUR 6 000 per annum as decided by the AGM

Nomination Committee appointed by the shareholders

At the AGM, shareholders appointed a Nomination Committee to prepare proposals concerning:

- the number of members of the Board;
- the members of the Board;
- the remuneration for the Chairman, Vice Chairman and members of the Board;
- the remuneration for the Chairman and members of the committees of the Board.

The Nomination Committee comprises four members:

- the Chairman of the Board;
- the Vice Chairman of the Board;
- two members appointed annually by the two largest shareholders (one each) according to the share register of 1 October.

The Chairman of the Board convenes the Nomination Committee. A Nomination Committee member who is also a member of the Board may not be Chairman of the Nomination Committee. The Nomination Committee presents its proposal for the Annual General Meeting to the Board annually before 31 January.

The Nomination Committee has a charter approved by the General Counsel.

In 2007

The Nomination Committee comprised four members in 2007: the Chairman of the Board (Claes Dahlbäck), the Vice Chairman of the Board (Ilkka Niemi) and two other members appointed by the two largest shareholders, namely Pekka Timonen (Finnish State) and Marcus Wallenberg (Knut and Alice Wallenberg Foundation).

This deviates from the Helsinki Stock Exchange's recommendation that a Nomination Committee should be a Board Committee. Pekka Timonen was elected Chairman of the Committee at its first meeting. During 2007, the main tasks of the Committee were to prepare the proposal for the AGM concerning Board members and their remuneration. The Nomination Committee convened twice during the year.

Remuneration
Remuneration of EUR 3 000 per annum is paid to members who are not members of the Board as decided by the AGM.

Internal processes for investments, sustainability, disclosure and R&D

Investments

The Investment Committee is chaired by the EVP Investments, Technology & Operations Improvement. In addition to its Chairman, the Committee comprises 4–6 GET members, the Head of Strategy and the Head of Investments, who is Secretary of the Committee.

The tasks and responsibilities of the Investment Committee are: to recommend pre-feasibility and feasibility studies and implementation proposals for approval by the CEO and the Board, to review long-term investment plans at Group and Business Area level, to set the annual investment framework based on a three-year framework plan, to approve the annual replacement allocation and development funds for the Business Areas, annually to approve the Group premises used for investment profitability calculations and to review investment post-completion audits.

The Investment Committee meets at least six times a year and as required.

In 2007

The Investment Committee examined several major investment proposals and made recommendations on funds available for investment for consideration by the GET.

Important items on the agenda in 2007 were the energy projects at the Langerbrugge Mill in Belgium and the Maxau Mill in Germany. Additionally, the Investment Committee audited eight major projects started up in 2004 and 2005 to collect and share experience for future investment projects.

The Investment Committee had eight members until August 2007. Since the restructuring in early September, the Committee has had nine members. The Investment Committee convened ten times in 2007.

Sustainability

The EVP Wood Products is responsible for sustainability and chairing the Sustainability Action Team (SAT), which prepares sustainability information and decisions for the GET. The SAT members are appointed by the CEO.

The GET is responsible for the following sustainability tasks: formulating corporate policy and strategy in environmental and corporate social responsibility matters, ensuring that these policies and strategies are well established and respected throughout the Group, coordinating and following up relations and communication with stakeholders such as governmental and non-governmental organisations, taking initiatives for the development of relevant management procedures and producing the annual Sustainability Report.

The SAT meets quarterly to review sustainability issues and performance.

In 2007

The major sustainability items on the Group agenda during 2007 included a new Sustainability Policy, a new target for reducing process water discharges, a new corporate stakeholder engagement process and a decision to define Stora Enso's carbon footprint and develop benchmark information.

Disclosure

The Disclosure Committee supervises the reliability of the Company's financial reporting and disclosure processes. The Committee is chaired by the General Counsel, and the other permanent members are the SVP Internal Audit, VP Risk Management, SVP Chief Accounting Officer and VP Investor Relations and Financial Communications. Other members are nominated by the CEO as required. The Disclosure Committee reports to the CEO and the CFO. The Disclosure Committee has a charter approved by the CEO and the CFO.

The Disclosure Committee meets regularly as required.

In 2007

The main tasks in 2007 were reviewing the Group's stock exchange and press releases, interim reviews and annual report, including the US version 20-F. The Disclosure Committee had five members and convened ten times.

R&D

The R&D Steering Group is chaired by the EVP Technology and Operations Improvement. The members of the R&D Steering Group, representing the R&D organisation and operational functions, are appointed by the CEO.

The tasks of the R&D Steering Group are: to secure a Group perspective on R&D in the Group (relevance, quality, efficiency), to initiate R&D policy and strategy at Group level, to monitor Group R&D, to develop funding and budget proposals and to supervise Company-financed R&D.

In order to facilitate these tasks, the R&D Steering Group must monitor technology and future-oriented product development.

The R&D Steering Group meets regularly as required.

In 2007

Important items on the agenda in 2007 were increasing Group-level activities in facilitating innovation and technology development, especially in the area of bioenergy, facilitating Group research programme planning, and implementation of the National Research Agendas, particularly in Sweden and Finland. The R&D Steering Group had 13 members and convened once in 2007.

Other supervisory bodies and norms

Auditors

The shareholders at the AGM annually elect one or two auditors for Stora Enso. The Financial and Audit Committee monitors the auditor selection process and gives its recommendation as to who should serve as auditor to the Board and to the shareholders at the AGM. The auditor(s) shall be an authorised public accounting firm or firms, which then appoint(s) the responsible auditor.

Internal Auditing

Stora Enso has a separate internal auditing organisation. The role of Internal Auditing is to provide independent, objective assurance and consulting services that add value and improve the Group's operations. Internal Auditing helps the Group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

To ensure the independence of the Internal Auditing department, its personnel report to the SVP Internal Audit, who reports functionally to the Financial and Audit Committee and CEO, and administratively to the CFO. The SVP Internal Audit is appointed by the CEO. The CEO shall seek approval of the appointment from the Financial and Audit Committee and support for it from the External Auditors.

Internal Auditing conducts regular audits at mills, subsidiaries and other Company units, implementing an annual audit plan approved by the Financial and Audit Committee, including any special tasks or projects requested by management and the Financial and Audit Committee.

Insider guidelines

The Company complies with the insider guidelines of the OMX Nordic Exchange Helsinki. The Company's internal insider guidelines are published and distributed throughout the Group.

The Company expects the management and all its employees to act in the way required of an insider. All unpublished information relating to the Company's present and future business operations shall be kept strictly confidential.

Public insiders

According to Finnish Securities Markets Act (SMA) public insiders or persons subject to disclosure requirement are members of the Board, the CEO and Deputy CEO, and the auditors and the person with main responsibility for the audit. The CEO has decided that other public insiders are the members of the GET and persons responsible for Legal Services, Investor Relations, Treasury, Communications and Financial Communications and Corporate Strategy.

The list of public insiders is approved by the CEO. The Company's public insider register is publicly available and is maintained by the Finnish Central Securities Depository.

Company-specific insiders

Company-specific insiders are persons who regularly receive inside information or who could have an opportunity to gain access to insider information through the nature of their work and who are not in the public insider register. Company-specific insiders are the Business Area Management Teams, the personal assistants/secretaries to the members of the GET and Business Area Management Teams, the persons responsible for Legal Services, Investor Relations, Financial Services, Communications and Financial Communications and Corporate Strategy. Representatives of the employees and the members of the Financial Communications, Corporate Accounting and Corporate Strategy teams are also regarded as company-specific insiders.

The company-specific insider register is a non-public permanent register. Persons are informed of their inclusion in the company-specific insider register are informed by letter or e-mail. The list of persons included in the continuously updated company-specific insider register is approved by the General Counsel.

Project-specific insider register

When a large project such as a merger or acquisition is under preparation, persons who are involved in that project and receive inside information are also considered insiders. In these cases a separate project-specific insider register is established. The General Counsel or his/her deputy will decide case-by-case in which projects such a register shall be established.

A project-specific insider register is a temporary register. Persons included in a project-specific insider register are informed either by letter or e-mail.

Closed period

During the closed period insiders are not allowed to trade in the Company's securities. The period starts when the reporting period ends. The dates are published in the financial calendar at www.storaenso.com/investors.

US capital markets rules and requirements

In relation to Section 302 of the Sarbanes-Oxley Act of 2002, Stora Enso has introduced procedures that require the respective management of the business areas and subsidiaries to certify the internal controls over the financial reporting process. These procedures and certifications provide the basis on which the CEO and the CFO of Stora Enso certify the consolidated financial statements with the Securities and Exchange Commission.

Stora Enso has delisted its American Depositary Receipts (ADRs) from the New York Stock Exchange and the last day of trading was 28 December 2007. Pursuant to delisting, on 7 January 2008 Stora Enso filed a Form 15F with the Securities and Exchange Commission to deregister and terminate its reporting obligations under the US Securities Exchange Act of 1934. The deregistration and termination of reporting obligations is expected to take effect in April 2008.

Following delisting from the New York Stock Exchange, an annual report on Form 20-F will no longer have to be filed, so no Annual Report on Form 20-F will be published for the fiscal year 2007.

Board of Directors

Claes Dahlbäck

Chairman of Stora Enso's Board of Directors since December 1998
Independent member of the Board

- Born 1947. M.Sc. (Econ.), Ph.D. h.c. Swedish citizen.
- Member of STORA's Board of Directors from May 1990 and Chairman of the Board from May 1997 until the merger with Enso in 1998. Chairman of Stora Enso's Compensation Committee since 23 December 1998, and a member of the Financial and Audit Committee since 22 March 2005. Member of the Nomination Committee.
- Senior Advisor to Investor AB and Foundation Asset Management Sweden AB. Chairman of investment committees of EQT Funds. Member of the Board of Goldman Sachs Group, Inc.
- President and CEO of Investor AB 1978–1999. Executive Vice Chairman of the Board of Investor AB 1999–2001 and Chairman of the Board 2002–2005. Vice Chairman of the Board of Skandinaviska Enskilda Banken 1997–2002. Member of the Board of Ericsson 1993–1996 and ABB 1991–1996.
- Owns 2 541 A and 19 529 R shares in Stora Enso.

Ilkka Niemi

Vice Chairman of Stora Enso's Board of Directors since March 2005
Independent member of the Board since March 2001

- Born 1946. M.Sc. (Econ.). Finnish citizen.
- Member of Stora Enso's Financial and Audit Committee since 19 March 2002, and the Compensation Committee since 18 March 2004. Member of the Nomination Committee.
- Senior advisor and independent consultant on international finance. Chairman of the Board of Motiva Oy 2001–2006, and a member of the Board of Aker Yards Finland Pty Ltd since 2003.
- CEO and member of the Board of the Finnish State Guarantee Board 1989–1997. Member of the Board and representative of the Nordic countries and the Baltic countries at the World Bank 1997–2000. Chairman of the Finnish Accounting Standards Board 1993–1996.
- Owns no shares in Stora Enso.

Gunnar Brock

Independent member of Stora Enso's Board of Directors since March 2005

- Born 1950. M.Sc. (Econ.). Swedish citizen.
- President and CEO of the Atlas Copco Group. Chairman of Mölnlycke Healthcare AB. Member of the Board of Lego AS and Teknikföretagen. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
- CEO of Thule International 2001–2002. President and CEO of Tetra Pak Group 1994–2000.
- Owns 4 000 R shares in Stora Enso.

Lee A. Chaden

Independent member of Stora Enso's Board of Directors since March 2004

- Born 1942. MBA, B.Sc. (Ind. Eng.). American citizen.
- Member of Stora Enso's Financial and Audit Committee since 22 March 2005.
- Executive Chairman of Hanesbrands Inc. Member of the Board of Carlson Companies Inc. and several civic and non-profit organisations.
- Executive Vice President of Sara Lee Corporation and CEO of Sara Lee Branded Apparel 2004–2006, Executive Vice President of Global Marketing and Sales of Sara Lee Corporation 2003–2004 and Corporate Senior Vice President of Human Resources 2001–2003. CEO of Sara Lee Branded Apparel-Europe 1999–2001.
- Owns ADRs representing 3 500 R shares in Stora Enso.

Dominique Hériard Dubreuil

Independent member of Stora Enso's Board of Directors since March 2006

- Born 1946. B.A. (Law), M.A. (Public Relations). French citizen.
- Member of Stora Enso's Compensation Committee since 21 March 2006.
- Chairman of the Board of Rémy Cointreau. Chairman of Vinexpo Overseas and a member of the Board of Comité Colbert, Institut National de la Recherche Agronomique

From the left: Claes Dahlbäck, Ilkka Niemi, Gunnar Brock, Lee A. Chaden, Dominique Hériard Dubreuil

(INRA) and Fédération des Exportateurs de Vins et Spiritueux de France (FEVS).
- Chairman of the Executive Committee of Rémy Cointreau 2000–2004.
- Owns 1 000 R shares in Stora Enso.

Birgitta Kantola

Independent member of Stora Enso's Board of Directors since March 2005

- Born 1948. LL.M. Finnish citizen.
- Member of Stora Enso's Financial and Audit Committee since 22 March 2005.
- Vice Chairman of the Board of Fortum Corporation. Member of the Board of Varma Mutual Pension Insurance Company, Nordea Bank AB, OMX AB, Vasakronan AB, Civitas Holding AB and Åbo Akademi University.
- Vice President and CFO of International Finance Corporation (World Bank Group), Washington D.C. 1995–2000. Executive Vice President of Nordic Investment Bank 1991–1995.
- Owns 3 500 R shares in Stora Enso.

Jan Sjöqvist

Independent member of Stora Enso's Board of Directors since December 1998

- Born 1948. M.Sc. (Econ.). Swedish citizen.
- Member of STORA's Board of Directors from March 1997 until the merger with Enso in 1998. Chairman of Stora Enso's Financial and Audit Committee since 20 March 2003 and Financial Expert of the Financial and Audit Committee since 21 April 2004.
- Chairman of the Board of Concordia Bus AB and ODEN Anläggningsentreprenad AB, and a member of the Board of Green Cargo AB and Aspen AB.
- Managing Director of Swedia Networks AB 2002–2004 and President and CEO of NCC AB 1993–2001. Member of the Board of Swedia Networks AB 2001–2004, SSAB Swedish Steel 2000–2003 and NCC AB 1988–2001.
- Owns 508 A and 1 943 R shares in Stora Enso.

Matti Vuoria

Independent member of Stora Enso's Board of Directors since March 2005

- Born 1951. LL.M., B.Sc. (Arts). Finnish citizen.
- Member of Stora Enso's Compensation Committee since 22 March 2005.
- President and CEO of Varma Mutual Pension Insurance Company. Vice Chairman of the Board of Sampo plc. Member of the Board of Danisco A/S and Wärtsilä Oyj Abp.
- Executive Vice President of Varma Mutual Pension Insurance Company between January 2004 and May 2004. Executive Chairman of the Board of Fortum Corporation 1998–2003. Vice Chairman of the Board of Danisco A/S 2002–2005 and a member of the Board 1999–2002.
- Owns 9 000 R shares in Stora Enso.

Marcus Wallenberg

Independent member of Stora Enso's Board of Directors since December 1998

- Born 1956. B.Sc. (Foreign Service). Swedish citizen.
- Vice President of Stora Feldmühle AG, a STORA subsidiary, from August 1990 until June 1993. Member of STORA's Board of Directors from March 1998 until the merger with Enso in 1998. Member of Stora Enso's Financial and Audit Committee between 29 December 2000 and 22 March 2005. Member of the Nomination Committee.
- Chairman of the Board of Skandinaviska Enskilda Banken AB, AB Electrolux, Saab AB and the International Chamber of Commerce (ICC). Vice Chairman of the Board of Ericsson AB, and a member of the Board of AstraZeneca PLC, Thisbe AB and the Knut and Alice Wallenberg Foundation.
- President and CEO of Investor AB 1999–2005 and Executive Vice President 1993–1999. Member of the Board of Skandinaviska Enskilda Banken 2002–2005 and 1995–1999, Scania AB 1994–2005, Ericsson AB 1996–1998 and Saab AB 1992–1998.
- Owns 2 541 A and 4 715 R shares in Stora Enso.

***Jukka Härmälä**, member of Stora Enso's Board of Directors since December 1998 until his resignation on 29 March 2007.*

To be considered 'independent', the Board must resolve that a director has no material relationship with the Company other than as a director.

From the left: Birgitta Kantola, Jan Sjöqvist, Matti Vuoria, Marcus Wallenberg

Group Executive Team

Jouko Karvinen

Chief Executive Officer (CEO) of Stora Enso

- Born 1957. M.Sc. (Eng.). Finnish citizen.
- Joined Stora Enso in January 2007.
- President and CEO, Philips Medical Systems, USA, from June 2002 to November 2006. Appointed to the Board of Management, Royal Philips Electronics, the Netherlands, in April 2006.
- Before joining Philips, was employed by ABB Group Limited from 1987, head of the Automation Technology Products Division, served in several international positions and was a member of the ABB Executive Committee 2000–2002.
- Member of the Board of the Finnish Forest Industries Federation.
- Owns 13 213 R shares in Stora Enso and has 157 646 (2001–2007) option/synthetic options in Stora Enso.

Hannu Ryöppönen

Deputy CEO and CFO, responsible for Finance, Strategy and Purchasing

- Born 1952. B.A. (Business Adm.). Finnish citizen.
- Joined Stora Enso as SEVP and CFO in September 2005. Deputy CEO and CFO as of 29 March 2007. Member of Stora Enso's Investment Committee. Member of the Board of Directors of several associated companies.
- Member of the Executive Board and CFO of Royal Ahold 2003–2005. CFO of Industri Kapital Group, London 1999–2003 and CFO of Ikea Group, Denmark 1985–1998.
- Chairman of the Board of Altor private equity funds (Altor 2003 GP Limited and Altor Fund II GP Limited). Member of the Board of the Value Creation Investment Limited Company.
- Owns 21 479 R shares and has 50 000 (2001–2007) options/ synthetic options in Stora Enso.

Christer Ågren

Executive Vice President, HR & IT, Country Manager Sweden

- Born 1954. B.A. (Business Adm.). Swedish citizen.
- Joined STORA in 1993. SVP, HR at STORA 1993–1998, EVP, Corporate HR & TQM, Stora Enso between December 1998 and April 2005. Stora Enso Country Manager Sweden from 1 April 2006.
- Chairman of the Board of the Swedish Forest Industries Federation, Arbio AB, PRI Pensionstjänst AB and Hewitt Löneanalyser AB. Member of the Board of Svenskt Näringsliv, CEPI and the Universum Communications of Sweden AB.
- Owns 7 072 R shares and has 120 000 (2001–2007) options/ synthetic options in Stora Enso.

Hannu Alalauri

Executive Vice President, Magazine Paper

- Born 1959. M.Sc. (Chem.), eMBA. Finnish citizen.
- Joined the Chemical Division of the Oulu Mill (former Oulu Oy) in 1985. VP of the Varkaus Fine Paper Mill 1996–1999. SVP, Stora Enso Office Papers 1999–2000. SVP, Stora Enso Graphic Papers 2000–2004. Managing Director of Stora Enso Packaging Corrugated Business 2004–2005, SVP, HR Finland and HR Packaging Boards Division 2006–2007. Member of the board of several subsidiaries and associated companies.
- Chairman of the Supervisory Board of POHTO Institute for Management and Technological Training. Member of the Business Advisory Board of BioFund Oy Ltd.
- Owns 3 869 R shares and has 45 000 (2001–2007) options/ synthetic options in Stora Enso.

Aulis Ansaharju

Executive Vice President, Fine Paper, Country Manager Finland

- Born 1951. M.Sc. (Paper tech.), MBA. Finnish citizen.
- Joined the company in 1975. Mill Manager, Enso-Gutzeit Oy Tervakoski Mill 1990–1992. Mill Manager, Enso Oy Imatra Mills 1993–1996. VP and SVP in Corporate HR in Enso Oy and Stora Enso Oyj 1996–2000. SVP, Fine Paper in Stora Enso North America 2000–2003. SVP, Business Development, Stora Enso Fine Paper 2003–2004. SVP, Graphic Papers, Stora Enso Fine Paper 2004–2007. Member of Stora Enso's Investment Committee.
- Owns 2 270 R shares and has 71 250 (2001–2007) options/ synthetic options in Stora Enso.





From the left: Jouko Karvinen, Hannu Ryöppönen, Christer Ågren, Hannu Alalauri, Aulis Ansaharju

Mats Nordlander

Executive Vice President, Consumer Board, Merchants and Market Services

- Born 1961. Dipl.Eng. Swedish citizen.
- Joined the company in 1994. General Manager, Papyrus Sweden AB (previously Pappersgruppen AB) 1994–1998. SVP, Marketing and Supply, Papyrus AB 1998–2002. VP, Marketing and Sales, Stora Enso Fine Paper, London, 2002–2003. President, Papyrus AB 2003–. Member of the Board of Directors of several subsidiaries and associated companies.
- Member of the Swedish Industrial Board of the Axcel private equity fund, member of the Board of the German-Swedish Chamber of Commerce.
- Owns 2 523 R shares and has 45 000 (2001–2007) options/synthetic options in Stora Enso.

Veli-Jussi Potka

Executive Vice President, Industrial Packaging

- Born 1959. M.Sc. (Econ.). Finnish citizen.
- Joined Enso-Gutzeit in 1983. Corporate Controller for Enso Group Oyj and Stora Enso Oyj 1993–2000. Managing Director, Stora Enso Packaging Oy 2000–2004. SVP, Business Development, Stora Enso Packaging Boards between April 2004 and April 2005. SVP, Industrial Packaging business area 2005–2007. Member of Stora Enso's Investment Committee. Member of the Board of Directors of several subsidiaries and associated companies.
- Owns 2 520 R shares and has 93 750 (2001–2007) options/synthetic options in Stora Enso.

Bernd Rettig

Executive Vice President, Technology and R&D, Operations Improvement, Logistics, Investments, Energy and Country Manager Germany

- Born 1956. M.Sc. (Eng.). German citizen.
- Joined STORA in 1982. Managing Director of Stora Reisholz GmbH 1992–1996. Managing Director of Stora Enso Kabel GmbH 1996–1999. SEVP, Magazine Paper between April 1999 and May 2003. SEVP, Publication Paper between May 2003 and October 2007. Chairman of Stora Enso's Investment Committee, Investment Working Group and R&D Steering Group.
- President of the German Pulp and Paper Association, Verband Deutscher Papierfabriken e.V. (VDP).
- Owns 5 050 R shares and has 155 000 (2001–2007) options/synthetic options in Stora Enso.

Elisabet Salander Björklund

Executive Vice President, Wood Products, Wood Supply, Pulp Supply, Sustainability

- Born 1958. M.Sc. (For.). Swedish citizen.
- Joined STORA in 1995. Managing Director of Stora Timber AB 1995–1999. Director, Business Unit Nordic Redwood, Stora Enso Timber 1999–2000. Director, Raw Material & Fibre Products, Stora Enso Timber 2000–2003. EVP, Stora Enso Wood Supply Europe between 2003–2005. SEVP, Forest Products 2005–2007. Chairman of Stora Enso's Sustainability Action Team. Member of Stora Enso's Investment Committee. Member of the Board of Directors of several subsidiaries.
- Vice Chairman of the Board of the Swedish Road Administration. Member of the Board of Clas Ohlson AB. Member of the Board of the Swedish Forest Industries Federation.
- Owns 15 818 R shares and has 92 500 (2001–2007) options/synthetic options in Stora Enso.

Juha Vanhainen

Executive Vice President, Newsprint and Book Paper

- Born 1961. M.Sc. (Eng.). Finnish citizen.
- Joined Stora Enso Oulu in 1990. Various production and project management positions, Stora Enso, Oulu Paper Mill 1993–1998. General Manager and Mill Director, Stora Enso Fine Paper, Oulu Mill 1999–2003. SVP, Office Paper, Stora Enso Fine Paper, London 2003–2007. Member of Stora Enso's Investment Committee. Member of the Board of Directors of several subsidiaries and associated companies.
- Owns 2 646 R shares and has 76 250 (2001–2007) options/synthetic options in Stora Enso.

Jukka Härmälä*, Chief Executive Officer, retired on 31 August 2007.*
Jussi Huttunen*, Senior Executive Vice President, Market Services, left Stora Enso on 24 July 2007.*
Kai Korhonen*, Senior Executive Vice President, Stora Enso Packaging Boards, resigned his duties as of 31 August 2007 but continued to undertake special assignments for the CEO as Senior Advisor to the CEO until the end of 2007.*
Pekka Laaksonen*, Senior Executive Vice President, Stora Enso Fine Paper, resigned on 14 August 2007.*

Options/synthetic options were issued annually between 1999 and 2007.
Enso-Gutzeit became Enso in May 1996.
STORA and Enso merged in December 1998.





From the left: Mats Nordlander, Veli-Jussi Potka, Bernd Rettig, Elisabet Salander Björklund, Juha Vanhainen

Shares and shareholders

Share capital

In accordance with the Articles of Association, the minimum share capital of Stora Enso Oyj (hereafter "Company" or "Stora Enso") is EUR 850 million and the maximum EUR 3 400 million within which limits the share capital may be increased or decreased without amending the Articles of Association. The nominal value of the shares is EUR 1.70 per share. On 31 December 2007 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 342.2 million.

Changes in share capital 1998–2007

	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (FIM million)	Share capital (EUR million)
Enso Oyj, 1 Jan 1998	116 729 125	194 361 705	311 090 830	3 110.9	-
Conversion of A shares into R shares, 7–11 Sep 1998	-1 357 954	1 357 954	-	-	-
Conversion of STORA A and B shares into Stora Enso Oyj A and R shares, 23 Dec 1998	128 023 484	320 465 375	448 488 859	1 374.0	-
Stora Enso Oyj, 31 Dec 1998	**243 394 655**	**516 185 034**	**759 579 689**	**7 595.8**	-
Conversion of A shares into R shares, 6–24 Sep 1999	-34 443 467	34 443 467	-	-	-
Warrants exercised and registered during the year	-	30 000	30 000	-	-
Stora Enso Oyj, 31 Dec 1999	**208 951 188**	**550 658 501**	**759 609 689**	**7 596.1**	-
Warrants exercised and registered during the year	-	246 000	246 000	-	-
Conversion of share capital into euro denomination, 4 May 2000	-	-	-	-	1 291.8
Share issue (Consolidated Papers, Inc.), new R shares in ADR form, 11 Sep 2000	-	167 367 577	167 367 577	-	284.5
Conversion of A shares into R shares, 16–27 Oct 2000	-14 454 732	14 454 732	-	-	-
Stora Enso Oyj, 31 Dec 2000	**194 496 456**	**732 726 810**	**927 223 266**	-	**1 576.3**
Warrants exercised and registered during the year	-	2 700 733	2 700 733	-	-
Cancellation of repurchased shares, 9 Apr 2001	-910 600	-22 260 100	-23 170 700	-	-39.4
Conversion of A shares into R shares, 17–28 Sep 2001	-9 312 271	9 312 271	-	-	-
Stora Enso Oyj, 31 Dec 2001	**184 273 585**	**722 479 714**	**906 753 299**	-	**1 541.5**
Warrants exercised and registered during the year	-	1 158 000	1 158 000	-	-
Cancellation of repurchased shares, 3 Apr 2002	-813 200	-7 319 800	-8 133 000	-	-13.8
Conversion of A shares into R shares, 16–27 Sep 2002	-1 143 700	1 143 700	-	-	-
Stora Enso Oyj, 31 Dec 2002	**182 316 685**	**717 461 614**	**899 778 299**	-	**1 529.6**
Warrants exercised and registered during the year	-	78 000	78 000	-	-
Cancellation of repurchased shares, 31 Mar 2003	-93 800	-35 500 000	-35 593 800	-	-60.5
Conversion of A shares into R shares	-1 011 805	1 011 805	-	-	-
Stora Enso Oyj, 31 Dec 2003	**181 211 080**	**683 051 419**	**864 262 499**	-	**1 469.3**
Warrants exercised and registered during the year	-	789 000	789 000	-	-
Cancellation of repurchased shares, 5 Apr 2004	-8 100	-27 800 000	-27 808 100	-	-47.3
Conversion of A shares into R shares, Jan–Nov 2004	-2 154 457	2 154 457	-	-	-
Stora Enso Oyj, 31 Dec 2004	**179 048 523**	**658 194 876**	**837 243 399**	-	**1 423.3**
Cancellation of repurchased shares, 31 Mar 2005	-16 300	-24 250 000	-24 266 300	-	-41.3
Conversion of A shares into R shares, Dec 2004–Nov 2005	-872 445	872 445	-	-	-
Stora Enso Oyj, 31 Dec 2005	**178 159 778**	**634 817 321**	**812 977 099**	-	**1 382.1**
Cancellation of repurchased shares, 31 Mar 2006	-38 600	-23 400 000	-23 438 600	-	-39.9
Conversion of A shares into R shares, Dec 2005–Nov 2006	-18 061	18 061	-	-	-
Stora Enso Oyj, 31 Dec 2006	**178 103 117**	**611 435 382**	**789 538 499**	-	**1 342.2**
Conversion of A shares into R shares, Dec 2006–Nov 2007	-624 084	624 084	-	-	-
Stora Enso Oyj, 31 Dec 2007	**177 479 033**	**612 059 466**	**789 538 499**	-	**1 342.2**

Shares and voting rights

The Company's shares are divided into A and R shares. All shares entitle holders to an equal dividend but different voting rights. Each A share and each ten R shares carry one vote at the AGM. However, each shareholder has at least one vote.

On 31 December 2007 Stora Enso had 177 479 033 A shares and 612 059 466 R shares in issue, of which the Company held no A shares and 918 512 R shares with a nominal value of EUR 1.6 million. The holding represents 0.12% of the Company's share capital and 0.04% of voting rights.

The total number of Stora Enso shares in issue was 789 538 499 and the total number of votes 238 684 980.

Share listings

Stora Enso shares are listed on the OMX Nordic Exchanges in Helsinki and Stockholm. Stora Enso shares are quoted in Helsinki in euros (EUR) and in Stockholm in Swedish krona (SEK).

American Depositary Receipts (ADRs)

Stora Enso delisted its American Depositary Receipts (ADRs) from the New York Stock Exchange and the last trading day was 28 December 2007. Stora Enso now maintains a sponsored Level I ADR facility, and following the delisting from the NYSE, Stora Enso's ADRs are traded on the International OTCQX. There were no material changes to the relationship between the Company and the ADR holders, nor in the rights of ADR holders. The clearing, settlement and trading of ADRs is not affected by the delisting from the NYSE.

The ratio between Stora Enso ADRs and R shares is 1:1, i.e. one ADR represents one Stora Enso R share. Deutsche Bank Trust Company Americas acts as depositary bank for the Stora Enso ADR programme. The trading symbol is now SEOAY and the CUSIP is 86210M106.

Share registers

The Company's shares are entered in the Book-Entry Securities System maintained by the Finnish Central Securities Depository (APK), which also maintains the official share register of Stora Enso Oyj.

On 31 December 2007, 133 261 352 of the Company's shares were registered in the Swedish Securities Register Centre as VPC shares and 98 875 470 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by book-entry system, 31 December 2007

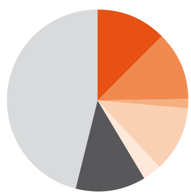
Number of shares	A shares	R shares	Total
FCSD-registered (Finnish Central Securities Depository)	103 011 538	454 390 139	557 401 677
VPC-registered (Swedish Central Securities Depository)*	74 467 495	58 793 857	133 261 352
Deutsche Bank administered ADRs*	0	98 875 470	98 875 470
FCSD waiting list	0	0	0
FCSD joint account	0	0	0
Total	**177 479 033**	**612 059 466**	**789 538 499**

** VPC-registered shares and ADRs are both nominee registered in the FCSD*

Ownership distribution, 31 December 2007

	% of shares	% of votes	% of shareholders
Finnish institutions	12.6	20.8	2.1
Finnish State	12.3	25.0	0.0
Finnish private shareholders	1.7	1.6	32.3
Swedish institutions	11.7	30.2	2.1
Swedish private shareholders	3.1	2.6	58.6
ADR holders	12.5	4.1	3.6
Under nominee names (non-Finnish/non-Swedish shareholders)	46.1	15.7	1.3

% of shares held



Share distribution, 31 December 2007

By size of holding, A shares	Shareholders	%	Shares	%
1–100	2 086	37.53	113 109	0.06
101–1 000	2 855	51.37	1 113 673	0.63
1 001–10 000	578	10.40	1 472 286	0.83
10 001–100 000	31	0.56	662 662	0.37
100 001–1 000 000	3	0.05	1 121 386	0.63
1 000 001–	5	0.09	172 995 917	97.48
Total	**5 558**	**100.00**	**177 479 033**	**100.00**

By size of holding, R shares	Shareholders	%	Shares	%
1–100	4 233	26.01	283 580	0.05
101–1 000	9 273	56.98	3 973 705	0.65
1 001–10 000	2 470	15.18	6 739 276	1.10
10 001–100 000	219	1.35	6 088 857	0.99
100 001–1 000 000	67	0.41	22 483 926	3.67
1 000 001–	12	0.07	572 490 122	93.54
Total	**16 274**	**100.00**	**612 059 466**	**100.00**

According to the Finnish Central Securities Depository (APK)

Conversion

According to the Articles of Association, holders of Stora Enso A shares may convert these shares into R shares at any time. Conversion of shares is voluntary.

During the year a total of 624 084 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 14 December 2007.

Incentive programmes

Share-based programmes

Stora Enso operates two share-based programmes, covering all participants in long-term incentive plans. The programmes are synthetic share awards under which designated employees may receive shares already issued (not new shares). Part of the award is linked to the performance of the company.

Option/synthetic option programmes

Stora Enso has seven option/synthetic option programmes outstanding for key personnel during 2007. Options/synthetic options were issued in each year from 2001 to 2007. Depending on local circumstances, holders may receive either cash compensation or the right to purchase shares already issued.

Stora Enso North America Option Programme

Following the transaction with NewPage Corporation, the liability for the Stora Enso North America Option Programme has been extinguished.

Management interests at 31 December 2007

At the end of 2007, members of Stora Enso Oyj's Board of Directors and the CEO owned or controlled an aggregate total of 65 990 Stora Enso shares, of which 5 590 were A shares.

Stora Enso's activities in capital markets during 2007

Stora Enso's Investor Relations (IR) activities cover equity and fixed-income markets to ensure full and fair valuation of the Company's shares, continual access to funding sources and stable bond pricing. Investors and analysts in Europe, North America and parts of Asia are met on a regular basis.

In 2007 the Investor Relations team conducted more than 220 individual and group meetings with professional equity investors, whilst maintaining regular contact with equity research analysts at investment banks and brokerage firms. There were also around 100 meetings with fixed-income analysts and investors. In addition, site visits were arranged for members of the investment community. During the year, IR and senior management also gave presentations at 13 equity and fixed-income investor conferences in Scandinavia, Continental Europe, the United Kingdom and North America.

One of the main IR events of the year is the Annual Investor Day. In 2007, the focus of the event, held in early November was on the Group's Fine Paper business area. It was hosted over two days, starting with presentations by senior management in Helsinki, followed by a day trip to the fine paper mill in Oulu in Northern Finland. The event was attended by 45 representatives of equity and fixed-income markets, including analysts, fund managers and institutional shareholders. The tour of its facilities confirmed Oulu Mill's position as a leading low-cost producer of coated fine paper.

These shares represent 0.01% of the Company's share capital and 0.01% of the voting rights. The CEO holds 157 646 options/synthetic options.

At the end of 2007 members of the Group Executive Team owned a total of 76 460 shares. These shares represent 0.01% of the share capital and 0.00% of the voting rights. The members of the Group Executive Team hold 906 396 options/synthetic options.

Shareholdings of other Group-related bodies at 31 December 2007

E.J. Ljungberg's Education Foundation owned 1 880 540 A shares and 2 331 804 R shares, E.J. Ljungberg's Foundation owned 39 534 A shares and 101 579 R shares, Mr. and Mrs. Ljungberg's Testamentary Fund owned 5 093 A shares and 13 085 R shares and Bergslaget's Healthcare Foundation owned 626 269 A shares and 1 609 483 R shares.

Read more about
- *the option programmes on pp. 189–191*
- *Board and Group Executive Team ownerships on pp. 143-146*

Shareholders

At the end of 2007 the Company had approximately 63 300 registered shareholders, of which about 39 000 were Swedish shareholders and about 2 300 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 580 million (73%) of the Company's shares were registered in the name of a nominee.

The free float of shares excluding shareholders with holdings of more than 5% of shares or votes is approximately 583 million shares, which is 74% of the total number of shares issued. The largest single shareholder in the Company is Foundation Asset Management.

Major shareholders as of 31 December 2007

	By voting power	A shares	R shares	% of shares	% of votes
1	Foundation Asset Management	63 123 386	4 500 000	8.6	26.6
2	Finnish State	55 595 937	41 483 501	12.3	25.0
3	Social Insurance Institution of Finland	23 825 086	2 775 965	3.4	10.1
4	Varma Mutual Pension Insurance Company	15 412 117	140 874	2.0	6.5
5	Ilmarinen Mutual Pension Insurance Company	3 486 740	9 302 421	1.6	1.9
6	MP-Bolagen i Vetlanda AB (Werner von Seydlitz)	3 603 000	2 102 000	0.7	1.6
7	Erik Johan Ljungberg's Education Fund	1 880 540	2 331 804	0.5	0.9
8	Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3	0.3
9	Kaleva Mutual Insurance Company	618 789	0	0.1	0.3
10	The State Pension Fund	0	5 300 000	0.7	0.2
11	Lamar Mary (ADRs)	0	4 000 000	0.5	0.2
12	Mutual Insurance Company Etera	0	3 485 000	0.4	0.1
13	OP-Delta Investment Fund	0	2 981 700	0.4	0.1
14	Mutual Insurance Company Pension-Fennia	0	2 933 750	0.4	0.1
15	Foundation for Knowledge and Competence Development	250 000	100 000	0.0	0.1
	Total	**168 421 864**	**83 046 498**	**31.9**	**74.0**
	Nominee registered shares	75 047 031	504 139 860	73.4	52.6

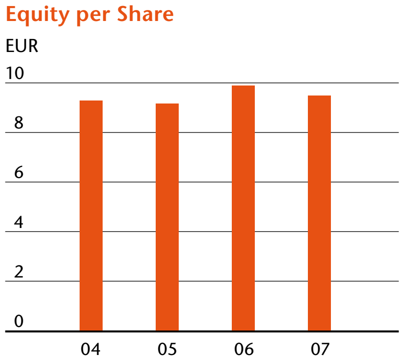
The list has been compiled by the Company on the basis of shareholder information obtained from the Finnish Central Securities Depository (APK), Swedish Securities Register Centre (VPC) and a database managed by Deutsche Bank Trust Company Americas. This information includes only directly registered holdings, thus certain holdings (which may be substantial) of shares held in nominee or brokerage accounts cannot be included. The list is therefore incomplete.

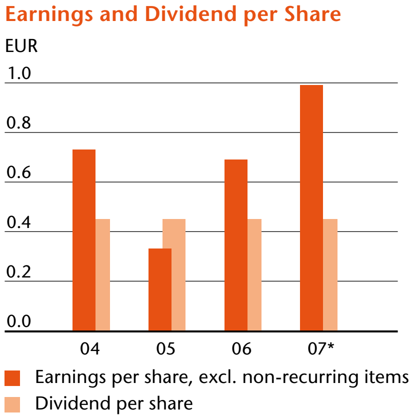
Major changes in shareholdings

In September 2007 the Group was informed that the shareholding of the affiliated investment advisers of Franklin Resources, Inc. had fallen under 5% of the paid-up share capital.

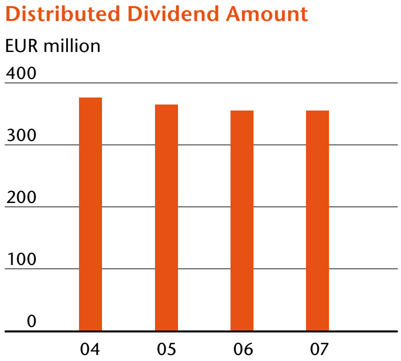
In October 2007 the Group was informed that the shareholding of NWQ Investment Management Company, LLC had fallen below 5% of the paid-up share capital.

In November 2007 the Group was informed that the shareholdings of the Knut and Alice Wallenberg Foundation and the Marianne and Marcus Wallenberg Foundation had been transferred to Foundation Asset Management (FAM), which thereby held a total of 26.6% of the paid-up share capital.





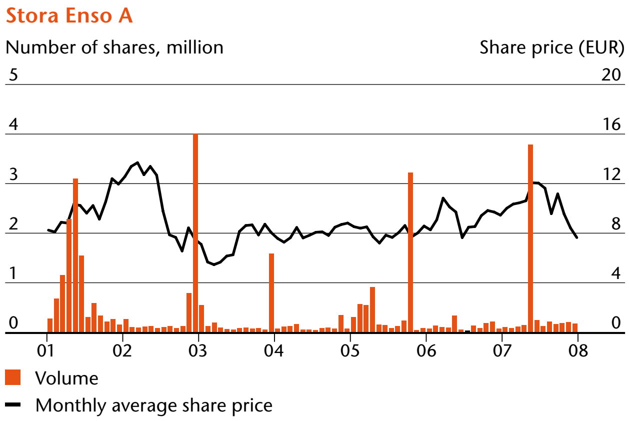
** Board's dividend proposal*

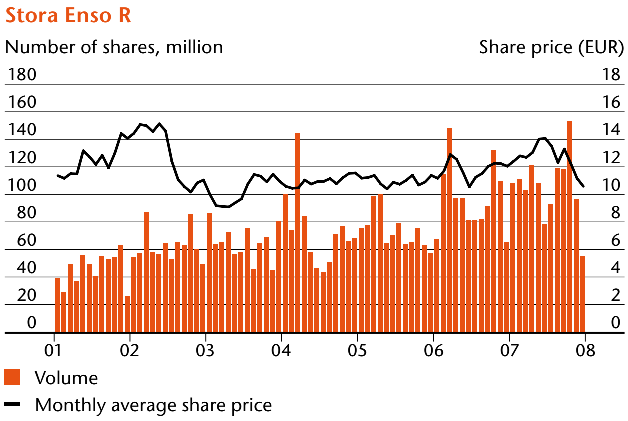


Share price performance and volumes

Helsinki

The Stora Enso R (STERV) share price decreased during 2007 by 15% (an increase of 5% in 2006). During the same period the OMX Helsinki Index rose by 21%, the OMX Helsinki Benchmark Index rose by 1% and the OMX Helsinki Materials Index decreased by 20%.



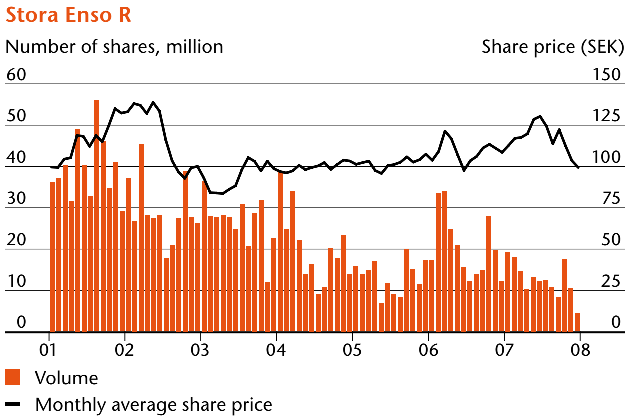


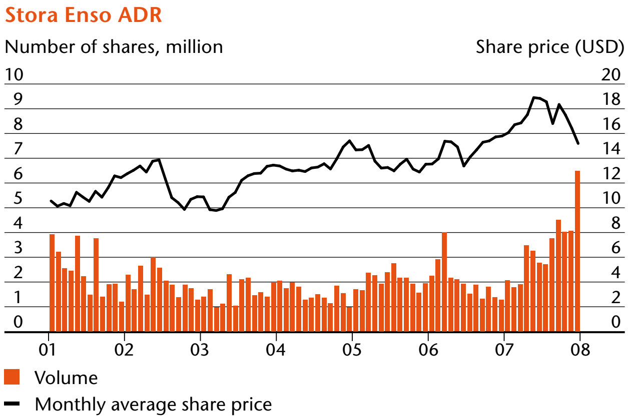
Stockholm

The Stora Enso R (STE R) share price decreased during 2007 by 10% (an increase of 0.5% in 2006). During the same period the OMX Stockholm 30 Index decreased by 6% and the OMX Stockholm Materials index by 17%.

New York

Stora Enso's ADRs were listed on the New York Stock Exchange until 28 December 2007. On the NYSE the Stora Enso ADR (SEO) share price decreased during 2007 by 6% (an increase of 17% in 2006). During the same period the Standard & Poor's Paper index rose by 1%.





Share prices and volumes 2007

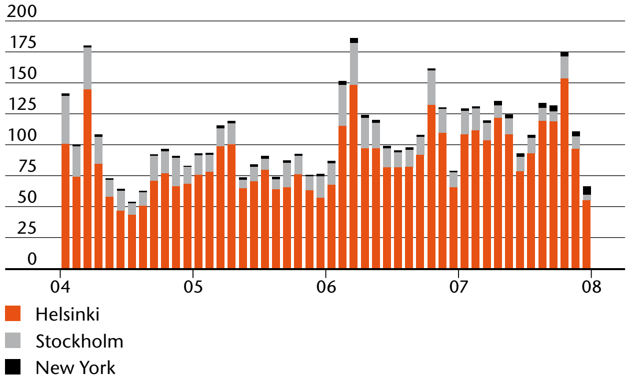
		Helsinki, EUR	Stockholm, SEK	New York, USD
	A share	14.65	136.00	-
High	R share	14.56	137.25	19.35
	A share	9.80	94.25	-
Low	R share	9.99	94.00	14.29
	A share	10.19	96.75	-
Closing, 31 Dec 2007*	R share	10.24	97.25	14.85
	A share	-17%	-11%	-
Change from previous year	R share	-15%	-10%	-6%
	A share	5 408 510	3 213 507	-
Cumulative trading volume	R share	1 263 657 910	150 759 937	40 642 000

**The closing price for New York is from 28 December 2007, which was the last trading day for Stora Enso's share on the New York Stock Exchange.*

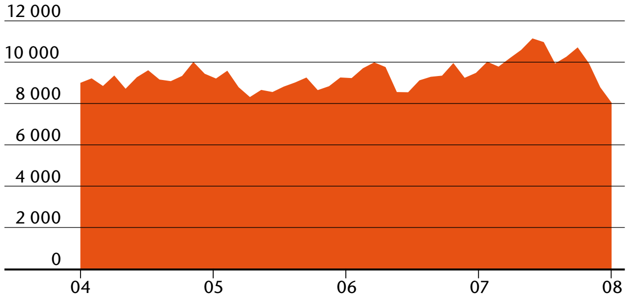
The volume-weighted average price of the R share over the year was EUR 12.69 in Helsinki (EUR 11.89 in 2006), SEK 117.55 in Stockholm (SEK 110.70 in 2006) and USD 17.21 in New York (USD 14.79 in 2006).

The cumulative trading volume of the R share in Helsinki was 1 263 657 910 shares (87% of total), in Stockholm 150 759 937 shares (10% of total) and in New York (until 28 December 2007) 40 642 000 shares (3% of total). Total market capitalisation at OMX Nordic Exchange Helsinki at the year-end was EUR 8.1 billion.

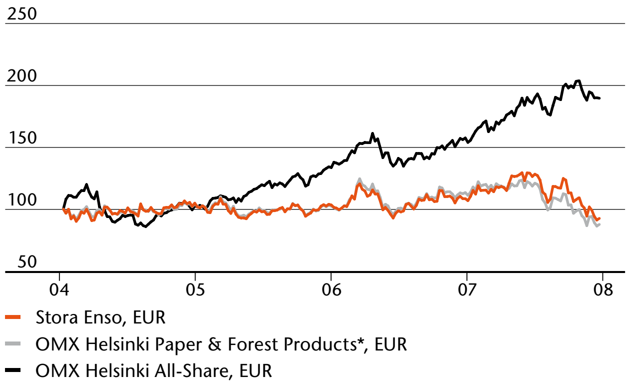
Monthly R share trading volumes 2004–2007



Market capitalisation on OMX Nordic Exchange Helsinki



Stora Enso R share versus OMX Helsinki Indices



** From 1 October 2005 onwards. Until 30 September 2005 HEX Forest Industry Index, which was discontinued.*

Stora Enso is included in at least the following indices

- OMX Helsinki
- OMX Helsinki 25
- OMX Helsinki Cap
- OMX Helsinki Benchmark
- OMX Helsinki Benchmark Cap
- OMX Helsinki Materials
- OMX Helsinki Paper & Forest Products

- OMX Stockholm
- OMX Stockholm Materials
- OMX Stockholm Paper & Forest Products

- OMX Nordic
- OMX Nordic Large Cap

- DJ STOXX Global 1800
- DJ STOXX 600
- DJ STOXX Large 200
- DJ STOXX 600 Basic Resources
- DJ EURO STOXX
- DJ STOXX Nordic
- DJ STOXX TMI Value
- DJ STOXX Sustainability

- EIE (Ethical Index Europe)

- FTSE Eurofirst 100
- FTSE Nordic 30
- FTSE4Good

- MSCI Finland
- MSCI Europe
- MSCI World

Key share data 1998–2007 (for calculations see p. 195)

According to OMX Nordic Exchange Helsinki	1998	1999	2000	2001	2002	2003	2004	2005**	2006**	2007**
Earnings/share, EUR*	0.24	0.98	1.77	1.02	-0.27	0.16	0.91	0.09	0.88	0.09
– diluted, EUR*	0.24	0.98	1.76	1.02	-0.27	0.17	0.91	0.09	0.88	0.09
– excl. non-recurring items, EUR*	0.59	0.89	1.32	0.93	0.55	0.24	0.25	0.33	0.69	0.99
Cash earnings/share, EUR*	1.79	2.18	3.16	2.42	2.50	1.57	2.04	1.34	2.24	2.05
– diluted, EUR*	1.79	2.18	3.13	2.42	2.50	1.57	2.04	1.34	2.24	2.05
– excl. non-recurring items, EUR*	1.80	2.09	2.61	2.33	1.97	1.63	1.67	1.46	1.84	2.01
Equity/share, EUR*	6.94	7.84	9.41	9.90	9.22	9.49	9.29	9.16	9.89	9.48
Dividend/share, EUR*	0.35	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45***
Payout ratio, excl. non-recurring items, %*	59	45	34	48	82	180	180	73	65	45
Dividend yield, %*										
A share	4.6	2.3	3.5	3.2	4.5	4.1	3.9	3.9	3.7	4.4
R share	4.6	2.3	3.6	3.1	4.5	4.2	4.0	3.9	3.8	4.4
Price/earnings ratio (P/E), excl. non-recurring items*										
A share	12.8	19.8	9.7	15.1	17.7	44.0	46.2	40.9	22.4	11.6
R share	13.0	19.4	9.5	15.3	17.6	42.7	45.1	40.9	21.8	11.6
Share prices for the period, EUR****										
A share										
– closing price	7.57	17.60	12.86	14.20	10.10	11.00	11.55	11.46	12.30	10.19
– average price	9.14	11.21	12.01	12.24	11.24	10.63	11.11	11.05	12.10	12.71
– high	11.77	17.60	18.70	15.50	16.00	12.48	12.15	12.19	13.80	14.65
– low	5.40	6.45	8.95	10.10	8.50	8.25	10.00	9.51	10.16	9.80
R share										
– closing price	7.67	17.31	12.60	14.38	10.05	10.68	11.27	11.44	12.00	10.24
– average price	8.35	11.84	11.27	12.57	12.86	10.23	10.89	10.98	11.89	12.67
– high	11.86	17.70	19.00	15.67	16.13	12.42	12.11	12.17	13.58	14.56
– low	5.30	6.60	8.70	10.12	8.41	8.30	9.60	10.05	10.01	9.99
Market capitalisation at year-end, EUR million****										
A share	1 842	3 677	2 501	2 617	1 841	1 993	2 068	2 042	2 191	1 809
R share	3 959	9 532	9 232	10 389	7 211	7 295	7 418	7 262	7 337	6 267
Total	5 801	13 209	11 733	13 006	9 052	9 288	9 486	9 304	9 528	8 076
Number of shares at the end of period, (thousands)****										
A share	243 395	208 951	194 496	184 274	182 317	181 211	179 049	178 160	178 103	177 479
R share	516 185	550 659	732 727	723 638	717 462	683 051	658 195	634 817	611 435	612 059
Total	759 580	759 610	927 223	907 912	899 779	864 262	837 244	812 977	789 538	789 538
Trading volume, (thousands)										
A share	12 749	28 349	12 917	10 737	5 875	2 937	1 203	6 290	1 403	5 409
% of total number of A shares*****	-	12.1	6.7	5.8	3.2	1.6	0.7	3.5	0.8	3.1
R share	87 113	259 287	396 783	548 547	751 909	780 890	880 002	888 511	1 165 656	1 263 658
% of total number of R shares*****	-	49.3	55.4	75.8	104.8	114.3	133.7	104.0	190.6	206.5
Average number of shares (thousands)										
– basic*	759 574	759 580	812 040	901 506	889 606	851 128	829 935	798 687	788 578	788 599
– diluted*	759 822	760 628	813 488	902 296	889 956	851 326	830 546	799 218	788 863	788 751

** Proforma STORA and Enso figures for 1998 ** 2005–2007 EPS, CEPS and payout ratio are for continuing operations. *** Board of Directors' proposal to the AGM **** Figures based on market information are calculated from Enso Oyj's figures before 29 December 1998 ***** 1998 figures are not available due to the merger on 29 December 1998, figures before 1998 are based on Enso Oyj's figures.*

Trading codes, lots and currencies

	Helsinki	Stockholm	International OTCQX
A share	STEAV	STE A	-
R share	STERV	STE R	-
ADRs	-	-	SEOAY
Segment	Large Cap	Large Cap	-
Industry	Materials	Materials	-
Lot	-	200	-
Currency	EUR	SEK	USD
ISIN, A share	FI0009005953	FI0009007603	-
ISIN, R share	FI0009005961	FI0009007611	-

Reuters	STERV.HE
Bloomberg	STERV FH EQUITY

German stock market quotations (Freiverkehr)

	Symbol	CUSIP number	Place of listing
A share	ENUA	870 734	Berlin, Munich
R share	ENUR	871 004	Berlin, Frankfurt, Stuttgart, Munich

Debt investors

Funding strategy

Stora Enso's funding strategy is based on the Group's financial targets. Stora Enso should have access to sufficient competitively priced funding at any time to be able to pursue its strategy and achieve its financial targets.

In order to achieve this, the emphasis is on capital markets funding. Stora Enso strives to build confidence and a track record with fixed-income investors by being informative and transparent.

The debt structure of Stora Enso is focused on capital markets, whereas banks are utilised primarily to provide back-up facilities. To balance exposures, funding is obtained in the currencies of the Group's investments and assets (primarily USD, EUR and SEK). Commercial paper markets are used for short-term funding and liquidity management.

Rating strategy

Stora Enso considers the maintenance of two investment grade ratings an important target. The present rating and outlook from Moody's, Standard & Poor's (S&P) and Fitch are shown below.

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BBB- (negative) / A3	22 Oct 2007
Moody's	Baa3 (negative) / P3	21 Sep 2007
Fitch	BBB- (stable) / F3	21 Sep 2007 (unsolicited)

Stora Enso's goal is to ensure that rating agencies continue to be comfortable with Stora Enso's strategy and performance. The company's strategy is to maintain liquidity well in line with the comfort level of the agencies. Review meetings are arranged with the Stora Enso management annually, and regular contact is kept with the rating analysts.

Debt structure as at 31 December 2007

	EUR Eurobond	USD Global bond	SEK Medium-Term Note	Other
Public issues	EUR 517 million 2014 EUR 500 million 2010	USD 469 million 2011 USD 508 million 2016 USD 300 million 2036	SEK 2.0 billion 2008 SEK 4.3 billion 2009 SEK 500 million 2015	
Private placements	EUR 100 million	USD 50 million	SEK 40 million	JPY 10 billion
Financial institutions	EUR 165 million	USD 653 Million		
Debt programmes and credit facilities				
Commercial Paper Programmes	Finnish Commercial Paper Programme EUR 750 million		Swedish Commercial Paper Programme SEK 10 billion	
EMTN (Euro Medium Term Note Programme)	EUR 4 billion			
Back-up facility	EUR 1.4 billion Syndicated Multi-Currency Revolving Credit Facility 2012*			

** Undrawn committed credit facility EUR 1.4 billion (Jan 2008)*

Read more about
- *the Group's financial targets on pp. 6–11*
- *debt and loans on pp. 172–175 and on www.storaenso.com/debt*
- *funding risk and debt repayment schedule on pp. 94–100*

For us at Stora Enso, sustainability means caring for the environment, people and the communities where we operate.

Main events of the year

Stora Enso's sustainability work continued actively in 2007. One major achievement was the roll-out of our new Sustainability Policy, which was approved in December 2006, together with the related internal communications work. The implementation of this ambitious policy is a challenging and ongoing process that will establish a robust framework for future activities. The new policy highlights economic responsibility in addition to the previously prioritised environmental and social aspects of sustainability.

Another important task for the year was to continue with the sustainability strategy project initiated in 2006. This project aims to identify strategic sustainability issues, and to further integrate sustainability issues into Stora Enso's overall business strategy. The project was successfully completed, resulting in the definition of strategic sustainability issues to be introduced into business area strategies during 2008.

In addition to policy and strategic sustainability work, Stora Enso focused on the following areas of environmental and social responsibility:

Increasing the amount of certified wood

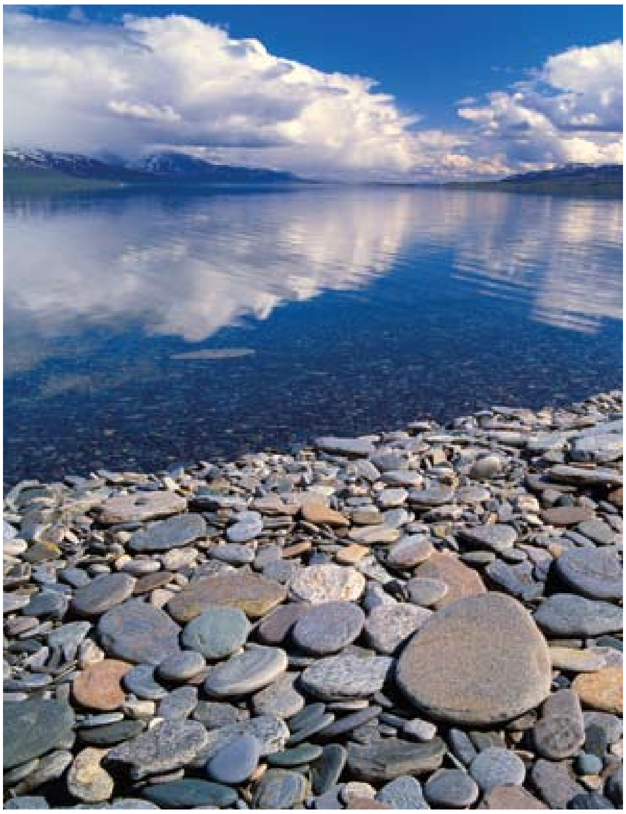
Stora Enso continued working to increase the share of wood used at mills covered by certification schemes, and already 61% (55%) of purchased wood came from certified forests in 2007. Thanks to our own traceability systems, we know the origin of all of the wood we purchase, even if it is uncertified. In 2007, 91% of the wood passing through our traceability systems was also covered by third-party certification.

Working to mitigate climate change

Stora Enso conducted a major carbon footprint study focusing on the carbon footprint of all its operations in 2007. Based on the results of this study, a new Group-level CO_2 reduction target was devised, and approved by the CEO at the end of the year. Stora Enso is now committed to reduce its CO_2 emissions per saleable tonne of pulp, paper and board by 20% from 2006 levels by 2020.

Stepping forward with business ethics

In autumn Stora Enso took a significant step forward in business ethics. Our business practice principle was expanded to reflect business experiences and tighter regulatory requirements, and a new set of business practice guidelines was launched. The expanded principle now sets wider general standards for ethical behaviour, and the new guidelines offer detailed information on how to apply the principle in various situations with different stakeholders. An e-learning tool will be developed during 2008 to provide further guidance for our employees on these issues.



Health and safety still a challenge

The reporting year proved to be challenging in the field of health and safety. In spite of continuous efforts to reduce accident and absenteeism rates, overall performance was not satisfactory. Most regrettably, five fatalities occurred in connection with Stora Enso's operations and three happened in Veracel. Every single fatality is considered absolutely unacceptable, and Stora Enso will continue to strive to improve health and safety performance in 2008.

Sustainability performance in 2007

Stora Enso continues to report on sustainability performance against Group-level sustainability targets. These targets have been established to ensure effective sustainability management at all organisational levels.

During 2007 the majority of the targets were either completely or partially achieved. All of the targets set for 2007 are listed below, with notes on their achievement and references to the sections of this report where progress towards each target is described in more detail.

Sustainability targets for 2007	Achievement
Common targets	
• internally communicate and roll out Sustainability Policy	● (see p. 57)
• identify strategically important sustainability issues	● (see p. 57)
• improve supplier compliance with Stora Enso's sustainability standards	◍ (see p. 62)
• develop the enforcement and monitoring of the Stora Enso Code of Ethics	◍ (see p. 76)
Wood and pulp supply	
• 91% third-party certification of wood traceability system	● (see p. 61)
Production units	
• reduce SO_2 emissions by 15% by 2009 from the baseline year 2004	● (see p. 75)
• reduce Chemical Oxygen Demand (COD) by 10% by 2009 from the the baseline year 2004	● (see p. 75)
• reduce waste to landfill by 10% by 2009 from the the baseline year 2004	● (see p. 75)
• reduce process water discharge by 10% by 2010 from the the baseline year 2005	● (see p. 75)
• increasing trend in the power-to-heat ratio of internal energy production	● (see p. 68)
• conduct energy efficiency reviews at each pulp, paper and board mill at least once in a two-year cycle	● (see p. 69)
Our people	
• to train female candidates for management vacancies, and to establish a pilot mentoring programme for Women in Stora Enso (WISE)	● (see p. 35)
• 100% of the Group's employees covered by social management systems by the end of 2007	○ (see p. 76)
• 100% coverage of OHS management systems at production units	○ (see p. 80)
• lost-time accident rate in each unit in the upper quartile within the national forest industry	○ (see p. 81)
• absenteeism rate in each unit lower than the national forest industry average	○ (see p. 81)

● *achieved / in line with the target*
◍ *partially achieved*
○ *not achieved*

Sustainability targets for 2008

Common targets

- introduce strategic sustainability issues into business area strategies
- further develop training and monitoring related to the Stora Enso Code of Ethics
- improve supplier compliance with Stora Enso's sustainability standards

Wood and pulp supply

- new Wood Supply units and Pulp Supply to ensure third-party certification for their traceability systems (see p. 61).

Climate change

- reduce Group-level CO_2 intensity from pulp, paper and board mills by 20% by 2020 from the baseline year 2006 (see p. 70)
- increasing trend in the power-to-heat ratio of internal energy production
- conduct energy efficiency reviews at each pulp, paper and board mill at least once in a two-year cycle

Production units

- reduce SO_2 emissions by 15% by 2009 from the baseline year 2004
- reduce chemical oxygen demand (COD) by 10% by 2009 from the baseline year 2004
- reduce waste to landfill by 10% by 2009 from the baseline year 2004
- reduce process water discharge by 10% by 2010 from the baseline year 2005

Our people

- increase the share of women in management and executive positions and strengthen gender work by expanding the Women in Stora Enso (WISE) network
- 100% of the Group's employees covered by social management systems by the end of 2009
- all production units covered by OHS management systems by the end of 2008
- lost-time accident rate in each unit in the top 25% within the national forest industry by the end of 2008
- absenteeism rate in each unit lower than the national forest industry average by the end of 2008

Sustainability targets for 2008

At the end of the year Stora Enso defined a set of sustainability targets for 2008, including two new targets for issues not previously covered by specific targets. A key target launched in 2008 is a Group-level goal to reduce CO_2 intensity by 20% from 2006 levels by 2020. Another new target is related to the third-party certification of our wood and pulp traceability systems.

External recognition

Dow Jones Sustainability Indexes

Stora Enso was among the top three sustainability performers in the forest and paper industry, and the only one to be included on the pan-European DJSI STOXX index in 2007.

In the evaluation, Stora Enso's sustainability performance continued to be above the industry average, and our environmental performance was considered to top of the industry. Stora Enso received the highest possible score (100%) for advanced environmental performance, which covers direct and indirect greenhouse gas emissions and fuel consumption. We also had top scores within the industry for environmental reporting, sustainable forest management, product stewardship and climate strategy.

Regarding issues where improvements were recommended in the corresponding DJSI assessment in 2006, Stora Enso has clearly improved in codes of conduct, compliance, corruption and bribery, and the Group's approach to stakeholder engagement and systematic supply chain management. In spite of many positive developments, scores for human capital development and talent attraction and retention remained weak. Stora Enso will consequently continue to strive for improvements in these areas.

The Dow Jones Sustainability Indexes assesses the economic, environmental and social aspects of some of the world's largest companies. Stora Enso has been included in DJSI STOXX continuously since 2001.

Climate Disclosure Leadership Index

Stora Enso was ranked the best paper and forest products company in the Nordic region regarding carbon emission disclosure in 2007. Stora Enso was included in the Carbon Disclosure Project's first Nordic report, which listed top companies that perform best on climate change strategy and reporting greenhouse gas emissions.

The Carbon Disclosure Project is an independent non-profit organisation that gathers information on business risks and opportunities related to climate change, and sets standards for carbon disclosure methodology and processes. In 2007, the Carbon Disclosure Project asked the world's 2 400 largest companies to provide information on their carbon emissions, their responses to climate change impacts, and their use of energy and future plans.

FTSE4Good Index

Stora Enso has been listed by FTSE4Good continuously since 2001. The FTSE4Good Index series focuses on human rights, and is widely used by socially responsible investors.

Ethibel Excellence Index

Stora Enso is included in the Ethibel Excellence Index that consists of some 280 companies from Europe, North America and Asia Pacific showing above average performance in terms of social and environmental responsibility.

All our wood comes from sustainable sources.

Sustainable forestry, which guarantees the continuing availability of wood in the future, is the fundamental basis of all Stora Enso's operations. We document the origin of all wood and use independent auditors to check that our wood comes from legal and acceptable sources. Stora Enso observes legislative controls, uses modern harvesting technologies, and applies traceability systems and forest certification systems to integrate sustainable practices into all wood purchases. Our own plantations are always sustainably established and managed, and we never convert natural forests into plantations.

Global wood and pulp supply

The total amount of wood (roundwood, chips and sawdust) procured and delivered to Stora Enso's mills totalled 45.8 million m^3 in 2007. Most of this wood was procured from external suppliers. Stora Enso has divested its forest holdings in Finland and Sweden, and currently owns large areas of land only in Latin America.

Stora Enso owns productive plantations in Bahia, Brazil through a 50% stake in Veracel pulp mill, a joint venture with Aracruz. We also have plantation projects in southern Brazil, Uruguay and China, as well as trial plantations in Laos and Thailand. Some 5% of the wood used by the Group originated from plantations in 2007.

For reasons related to quality and logistics some 20% of Stora Enso's chemical pulp was purchased from external suppliers. Consequently, some of our own surplus chemical pulp was sold on external markets. Mechanical pulp was produced internally in sufficient volumes. Pulp deliveries from Veracel to Stora Enso totalled 0.5 million tonnes in 2007 and were mainly shipped to Oulu, Uetersen and Suzhou mills.

We always know where our wood comes from

Stora Enso uses internal traceability systems to check that all wood has been harvested in compliance with national legislation and according to the Group's principles. These systems cover roundwood, chips, sawdust and externally purchased pulp. In practice, this means that the origin of wood is documented and the wood is tracked all the way from the forest to the mill. To ensure that all this happens according to Stora Enso's requirements, external audits are conducted as part of the traceability systems.

In 2007, 91% of the wood and pulp passing through these systems was also covered by third-party certification schemes such as chain-of-custody, controlled wood, EMAS and/or ISO 14001. The Group-level target for 2007 to reach 91%

Forests, plantations and lands owned by Stora Enso*
As of 31 December 2007

Unit	Hectares	Forest management certification system
Veracel plantations and lands, Bahia, Brazil	214 600, of which 86 700 planted	CERFLOR, FSC certification audit ongoing
Plantations and lands, Uruguay	57 000, of which 10 000 planted	
Plantations and lands, Rio Grande do Sul, Brazil	45 400, of which 8 900 planted	
Trial plantations, Thailand	1 200	
Wood Supply Baltic, Latvia	1 100	
Wood Supply Baltic, Lithuania	560	FSC

** Including units where Stora Enso's shareholding is at least 50%.*

Forests and plantations leased and managed by Stora Enso
As of 31 December 2007

Unit	Hectares	Forest management certification system
Olonetsles, Russia	222 500	FSC certification audit ongoing
Ladenso, Russia	154 000	FSC
Russkiy Les, Russia	152 000	FSC
Plantations and lands, Guangxi, China	91 000, of which 47 000 planted	
KLPP, Russia	52 800	FSC
Terminal, Russia	42 800	FSC
STF Strug, Russia	22 500	FSC
STF Gdov, Russia	22 300	FSC
Trial plantations, Laos	200, of which 170 planted	

certification of traceability was achieved. However, all Wood Supply units already have third-party certification of traceability systems in place. The target for year 2008 is that all new Wood Supply units and Pulp Supply are to ensure that they have third-party certification for their traceability systems.

Promoting forest certification

Stora Enso promotes forest management certification, and is working to increase the amount of wood originating from certified forests. The forest certification systems relevant for Stora Enso include FSC, PEFC, CSA, SFI, ATFS and CERFLOR. In 2007, 61% of the wood purchased by Stora Enso came from certified forests.

Stora Enso runs group forest management certifications for forest owners in Finland, Estonia, Lithuania and Sweden, in order to increase the amount of certified wood by mitigating the high cost of forest certification for small private forest properties.

Stora Enso Wood Supply Russia is working to get FSC chain-of-custody certification and expects to be certified in early 2008. Veracel's plantations in Brazil are currently being FSC-certified, and expect to be granted the certificate in early 2008.

Sustainability requirements for suppliers and contractors

Stora Enso expects all suppliers and contractors to act in full compliance with its policies and principles. Stora Enso's regional wood supply units have now resolved to implement minimum sustainability requirements throughout their operations around the world. This means that these important principles are now applied throughout the company. All Stora Enso units will now ensure through their management and monitoring systems that their suppliers and contractors meet the relevant minimum sustainability requirements.

Forest disputes

Stora Enso has been involved in several disputes concerning forests during 2007. The main conflicts are described below.

Upper Lapland, Finland

The prolonged land use conflict in Upper Lapland in the municipality of Inari continued in 2007. The conflict concerns two main issues: the need to balance reindeer herding with forestry, and the land-use and ownership rights of the indigenous Sámi people. The lands under dispute, 90 000 hectares, are owned by the Finnish State and managed by the State enterprise Metsähallitus. Stora Enso is no longer directly involved in the dispute, as Stora Enso does not accept wood from the disputed areas except in cases where an agreement has been reached between Metsähallitus and the local reindeer herders' cooperative.

Forest Lapland, Finland

Some environmental organisations have criticised loggings conducted by the Finnish State enterprise Metsähallitus in Forest Lapland in the municipalities of Kittilä, Salla, Savukoski and Sodankylä, and called for more forests to be protected. The conflict concerns a total area of some 27 000 hectares of forest, including some areas where logging was conducted on a small scale during 2007.

In Forest Lapland close to half a million hectares, or 43% of the region's forests are already legally protected, meaning that no commercial logging is allowed in these areas. Metsähallitus also maintains clear maps and records of ecologically valuable sites in unprotected forests, to safeguard such valuable features. Stora Enso believes that the ecological values of forests in Forest Lapland have already been adequately safeguarded through the high levels of conservation and sustainable forest management practices.

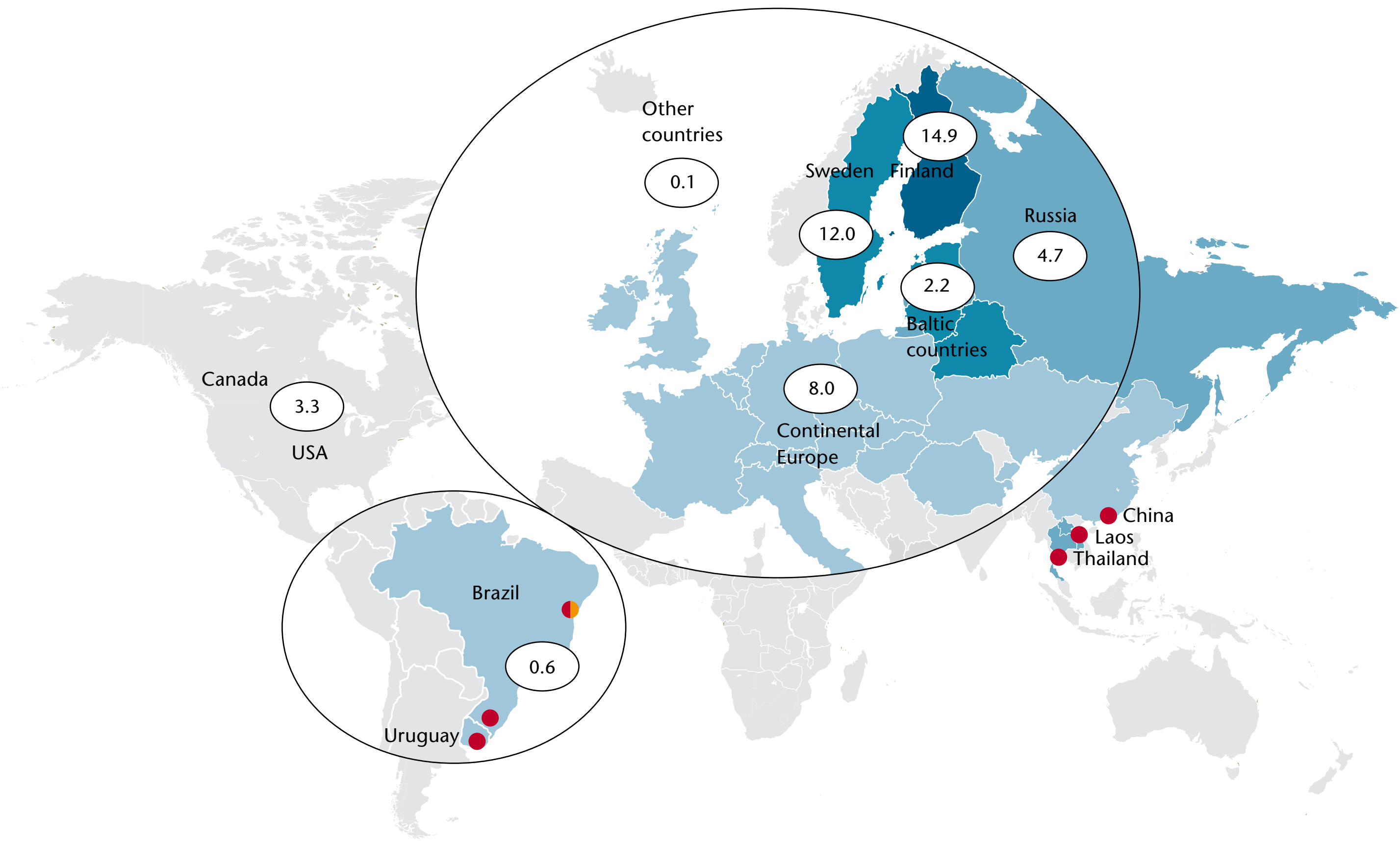
An FSC Controlled Wood audit was carried out in Forest Lapland during the summer. As part of this Metsähallitus audit, checks were made to ensure that delivered wood can be traced back to its origins, and the procedures were found to be in compliance with FSC Controlled Wood rules. We therefore consider that Metsähallitus's operations in Forest Lapland are fully in line with Stora Enso's principles. We will nevertheless continue to carefully follow the ongoing debate concerning land use in this region.

Canada's boreal forests

In September Greenpeace blockaded a pulp shipment in Quebec, Canada that was being supplied by SFK Pulp to Stora Enso. Greenpeace accused SFK Pulp of supporting destructive logging practices in Canada's boreal forests, and asked SFK Pulp to only accept FSC-certified wood. SFK Pulp receives its wood raw material from Abitibi-Consolidated, who were also accused by Greenpeace of unsustainable logging.

Stora Enso sees that pulp supplied by SFK Pulp meets its sustainability principles and verifiably originates from certified forests. The Group will therefore continue to use pulp supplied by SFK Pulp. Stora Enso will nevertheless hold further discussions with SFK Pulp on the issues highlighted by environmental organisations, and ensure that the supplier's pulp continues to meet Stora Enso's requirements.

Stora Enso's global wood flows in 2007



The amount of wood used at Stora Enso mills totalled 45.8 million m³ (solid under bark) in 2007.

Total amount of wood (roundwood, chips and sawdust) procured within these areas and delivered to Stora Enso mills (million m³, solid under bark)

Stora Enso's plantation project

Veracel joint venture plantation

Read more about

- *Stora Enso's plantations and plantation projects on pp. 64–67*

We always follow sustainable principles when establishing and managing our plantations.

Stora Enso's sustainability strategy in new growth markets is to be the most sustainable forest products company. Our sustainability work is largely driven by our comprehensive Sustainability Policy and global sustainability principles. These principles apply everywhere we operate. Stakeholder interest in these areas is mainly in tree plantations, where sustainability risks may seem less predictable than at the mills.

Sound plantation management

Stora Enso's tree plantations have been established and are managed to produce raw material for the pulp and paper industry.

Stora Enso believes that sustainably managed plantations can enhance the welfare of local communities and support conservation of native ecosystems, while also being profitable. Stora Enso's firm commitment to sustainable plantation establishment and management is expressed in our plantation principles. Plantations are established on lands which have previously been used for crop cultivation or cattle ranching. Stora Enso does not plant areas with high conservation value status, and never converts natural forests into plantations. Plantations are always established in consultation with local residents and stakeholders.

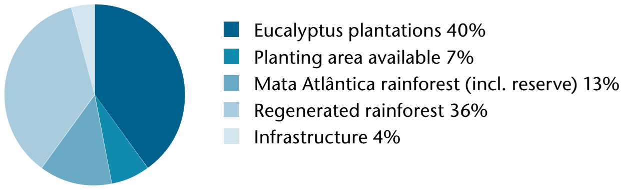
Environmental and social impact assessments (ESIA) are a vital part of the planning of all new plantation projects. ESIA is a tool that helps Stora Enso to assess the potential impacts of future operations, and also result in useful recommendations on ways to minimise possible negative impacts.

Veracel creating best practices in Brazil

Stora Enso's joint venture company Veracel comprises a state-of-the-art pulp mill and associated eucalyptus plantations located in southern Bahia, Brazil.

Bahia has ideal conditions for growing eucalyptus. Favourable sunshine, temperature and rainfall patterns mean that planting can be carried out year round, and trees grow approximately seven times faster than in Nordic forests. Veracel has resolved that its plantations will only occupy half of the lands it has acquired. Veracel has a unique plantation setup where only flat areas are planted and the original vegetation is allowed to regenerate naturally in valleys. In addition, each year steps are taken by Veracel to commence restoration of some 400 ha of local rainforest, helping conserve local biodiversity.

Land use of Veracel



The key items of Veracel's sustainability agenda include adopting a best practise approach to plantation management, using best environmental practices at the pulp mill, establishing a strong commitment to social responsibility, and maintaining active stakeholder dialogue. Veracel has set out its own independent sustainability agenda, which has been agreed with its owners and is actively being pursued.

In 2007, Veracel started to prepare its plantations for FSC forest management certification, which is due to be granted in the beginning of 2008. The plantations have already been certified according to the ISO 14001 environmental management system and the Brazilian CERFLOR forest management certification system.

The results of a socio-economic impact study conducted by the Brazilian economic institute FGV in 2006 have helped Veracel to quantify the socio-economic impacts in surrounding communities, and better understand the link between company operations and regional development.

Veracel is currently looking for ways to involve local communities in setting their own priorities for local development projects that also meet Veracel's criteria for social investments. Veracel has also been cooperating with UNICEF in a citizenship programme that helps to prevent child exploitation. The company has supported several programmes related to education, the multiple use of wood, beekeeping, family farming, environmental education, sustainable piassava palm management, and the eradication of leprosy and tuberculosis.

The Forests Dialogue in Brazil

In 2007, The Forests Dialogue in Brazil brought together Veracel, environmental organisations and forest companies including Stora Enso. The first phase of this significant Brazilian stakeholder dialogue on sustainable forestry created a common vision for protecting biodiversity in the last remnants of natural Mata Atlântica rainforest in coastal regions of Brazil.

Veracel's plantations form a unique mosaic landscape with rainforest in Brazil.

Stora Enso protects high conservation value grasslands in South America.

Participants in the dialogue have constructively shared information and set up action plans to address two commonly agreed topics: tree farming and land use planning. They also agreed on criteria for sustainable tree farming programmes that would create social and economic benefits for participating farmers and also prevent damage to rainforest. Participants also agreed on the actions that the companies and non-governmental organisations could jointly take to enhance regional land use planning.

The next phase of The Forests Dialogue in Brazil will examine active projects and strengthen local stakeholder forums.

Projects in Southern Brazil and Uruguay

Stora Enso has two ongoing plantation projects in the southern Brazilian state of Rio Grande do Sul and the central regions of Uruguay. The land purchases in these countries began in 2005. In entering these new areas, Stora Enso has concentrated on gaining an understanding of local conditions in order to create a proactive long-term sustainability agenda, and adopt best environmental practices.

In early 2007 Stora Enso initiated environmental and social impact assessments (ESIA) in both regions to thoroughly investigate regional economic, social and environmental conditions towards these ends. In Rio Grande do Sul the ESIA was finalised in late 2007, with a public hearing held in December 2007. In Uruguay, the ESIA is expected to be completed in early 2008.

Work is also being carried out in both locations to build up an integrated management system for environmental issues, quality and occupational health and safety. The ESIAs and the new management systems will particularly facilitate effective measures to address and monitor issues related to biodiversity, water protection and soil conservation. Uruguay is further along in establishing a third-party-certified management system, which will be ready for auditing in 2008.

Stora Enso also aims to have forest management certification in place by the time the trees reach harvesting maturity. Both plantation projects give a high priority to their socio-economic contributions to local society. The plantations are located in remote areas where other prospects for economic development are limited. Stora Enso stresses that strategically designed plantation projects can provide new opportunities for local communities and help reverse economic decline and rural depopulation.

Another important area is the management of contractors. Most plantation operations are outsourced, so care needs to be taken to ensure outsourced activities fully comply with Stora Enso's sustainability requirements. This work involves helping to build up contractors' skills and competence.

Partnerships promoting sustainability in China

Stora Enso began establishing eucalyptus plantations in the southern part of Guangxi province, China in 2002. In 2004 United Nations Development Programme China was commissioned to compile an ESIA on the plantation project. The ESIA was published in 2006, identifying key areas for improvement and thus forming the basis for the project's sustainability agenda. Sustainability work during 2007 focused on four areas: community development and engagement, supply chain development, biodiversity conservation and sustainability management.

The Guangxi plantations are very important for local communities, so Stora Enso can play a strong role in community development. Villages can apply for financial support from the Stora Enso Community Development Fund, which focuses on projects related to education and local infrastructure. Stora Enso has also been working during 2007 to establish a network of rural telecentres in cooperation with UNDP China, China's Ministry of Science and Technology and the local authorities. These telecentres aim to improve livelihoods by giving farmers access to information on markets or better farming or forestry practices, for instance. Telecentres are also used to spread information on biodiversity conservation, hygiene and HIV/AIDS. They also provide a communication channel for local communities to give feedback to Stora Enso. The first telecentres will be opened in early 2008.

Stora Enso is enhancing the work of contractors in Guangxi by setting standards, monitoring performance, and supporting contractors who have the potential to expand their business. In 2007 Stora Enso formed a partnership with International Finance Corporation (IFC) in a business linkages programme, which aims to support small and medium-sized enterprises. Stora Enso's contractors are trained and supported in technical skills, business management, and environmental and health and safety management. A pilot programme including ten contractors was launched in late 2007.

Stora Enso works with UNDP China to reduce poverty and develop local villages in Guangxi province.

In 2007 Stora Enso continued trials involving the planting of native tree species, and also initiated a new biodiversity conservation partnership together with UNDP China, China's State Ocean Administration and the Beihai Mangrove Research Institute. Work has already begun on a survey of flora and fauna in coastal areas of Guangxi, whose results will be used in the planning of conservation targets and actions in 2008.

Stora Enso is currently building a solid foundation for the management of quality, environment and occupational health and safety at the plantations in Guangxi, with the aim of setting up a third-party-certified integrated management system. Surveys and studies conducted during 2007 have examined chemicals and impacts on water, aiming to create a basis for future environmental monitoring. Stora Enso's plantations are being used as a pilot site by China's National Forest Certification scheme, and Stora Enso is also actively participating in the development of FSC forest certification in China.

Trial plantations ready for planting in Laos

In 2007, Stora Enso started a plantation project in the southern province of Sawannaketh, Laos. In the first feasibility phase, up to 2 000 ha of eucalyptus and acacia will be planted. The project involves close cooperation between Stora Enso, local communities and the authorities.

Stora Enso has established a sustainability action plan that defines priority areas and the main actions needed to ensure sustainability practises during the initial pilot phase.

During the feasibility study following sustainability actions will be conducted:

- Areas for plantations will be identified through participatory processes involving local people and authorities.
- Existing forests including secondary forest areas are not to be used as plantation land.
- In all areas to be used for plantations, Stora Enso will clear unexploded ordnance down to a depth recommended by experts.
- Socio-economic baseline studies, agro-forestry tests, an environmental and social impact assessment (ESIA) and land surveys will be undertaken.

The results of the feasibility study will used as a basis for decisions on the possible further expansion of plantation operations in Laos.

Read more about
- *Stora Enso's global wood and pulp supply on pp. 60–63*

By reducing our carbon dioxide emissions, we are helping to mitigate climate change. Wood-based products play a unique role here by storing carbon.

Climate change is a global problem widely attributed to the use of fossil fuels. The Earth is warming as greenhouse gases accumulate in the atmosphere, strengthening the greenhouse effect.

Carbon dioxide (CO_2) is both the main contributor to climate change, and the most significant greenhouse gas for the forest products industry.

Stora Enso recognises that climate change is a serious global challenge requiring actions by companies, governments and society. Climate change is seen as more than an environmental problem, as its expected impacts will affect society in general.

Stora Enso believes that economic growth and sustainable development must be the drivers for actions to mitigate climate change. Most of our greenhouse gas emissions are related to the energy we purchase and produce to operate manufacturing processes at our mills. Innovative energy solutions and practices that are cleaner, more efficient and economically viable must play a key role in addressing the challenge of climate change.

Storing carbon in products

Stora Enso is well-positioned to address climate change, as wood is a renewable resource. Sustainably managed forests and plantations remove carbon from the atmosphere, and this carbon is then further stored in wood, paper and board products. These wood and paper products are themselves recyclable, and can ultimately be burned as a carbon-neutral substitute for fossil fuels at the end of their life cycle.

As wood and paper products store carbon and can be recycled, their carbon footprint is lower than that of many competing products. In many cases wood and paper products can be used as substitutes for products based on fossil fuels or products with greater climate impacts through their life cycle.

Energy use and fuel mix

Stora Enso's energy procurement and generation policies focus on our long-term needs, and are consistent with our CO_2 reduction action plan.

Stora Enso purchases fuels and electricity from external suppliers, and also generates steam and electricity for internal use at production units. The self-sufficiency in electricity was 47% (46%) in 2007. The external procurement of electricity is based on various types of contracts. Approximately 75% of our electricity needs for the next 10 years are already covered by our own internal generation capacity and existing external contracts. Stora Enso owns nuclear power capacity in Finland through a 15.9% stake in Pohjolan Voima Oy.

High share of bioenergy

The share of bioenergy in Stora Enso's internal energy production remained high at 66% in 2007 (64%). The most important sources of bioenergy for Stora Enso are black liquor, bark, logging residues and internal residuals including de-inking sludge and bio-sludge. We are continuously looking for opportunities to increase the share of biomass in our fuel mix.

In 2007, Stora Enso decided to invest EUR 260 million in new multifuel boilers at the Langerbrugge Mill in Belgium and the Maxau Mill in Germany. These investments will improve both energy efficiency and energy self-sufficiency at the mills, while also increasing the share of bioenergy in internal energy production. The mills will in 2010 be able to reduce their fossil CO_2 emissions by a total of approximately 105 000 tonnes annually.

Working to boost energy efficiency

Stora Enso's energy efficiency target for 2004–2009 is to increase the power-to-heat ratio of internal energy production. Increases in power-to-heat ratio are driven by improved utilisation of the combined heat and power production potential of the mills. Energy efficiency improvements reduce costs, and they will also help us to achieve our new CO_2 reduction target. In 2007, the Group-level power-to-heat ratio was 18% (18%).

Our energy efficiency work was evaluated during 2007. The energy efficiency reviews conducted in previous years have led to improvements. Our mills in Finland and Sweden are also subject to governmental energy saving schemes, and they have made continuous improvements. In reponse to the escalating costs of energy and CO_2 emission credits Stora Enso has decided to further speed up energy efficiency improvements. During the years 2008–2010 a special efficiency team will work with our mills to find new ways to save energy. This should help the mills to cut their energy-related costs and emissions considerably. In 2006–2007, 35 energy efficiency reviews were conducted at Stora Enso production units (41 during 2005–2006).

Collaboration with Neste Oil

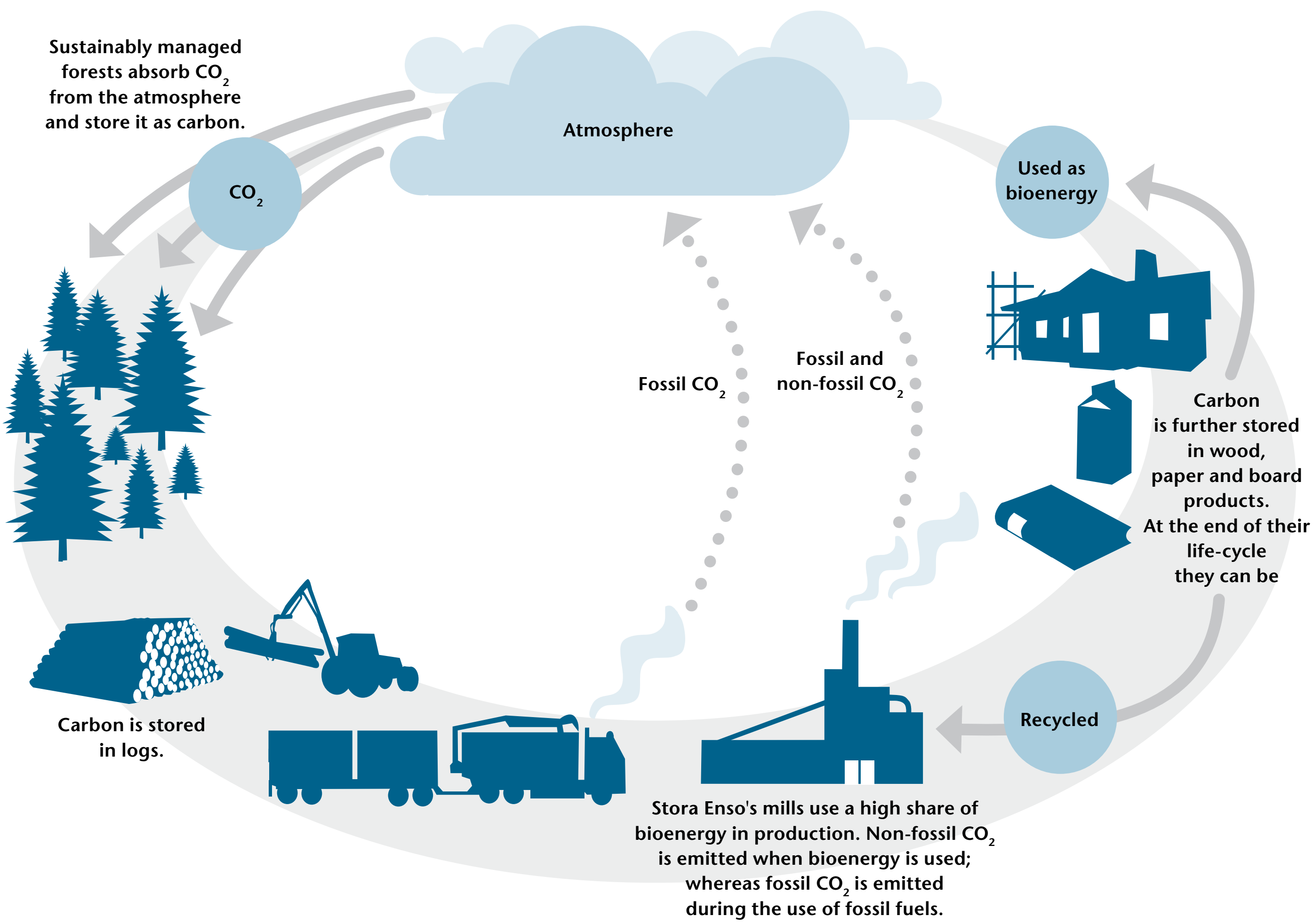
Stora Enso and the Finnish oil corporation Neste Oil formed a joint venture in 2007 to set up a biodiesel demonstration plant at Stora Enso's Varkaus Mill. The joint venture aims to test the production of biodiesel from wood-based residuals as a sustainable alternative to fossil fuels. The demonstration plant is expected to start up during 2008.

Following our carbon footprint

In 2007, Stora Enso conducted a major carbon footprint study focusing on the carbon footprint of all operations. The study was first based on CO_2 emission data for 2006 and updated with the emission data from 2007 in the beginning of 2008. The term carbon footprint is used to describe the overall greenhouse impact of an individual, an organisation, a single event or a product, usually expressed in CO_2 equivalent. Quantifying greenhouse gas emissions and their sources was the first step towards developing a CO_2 reduction action plan.

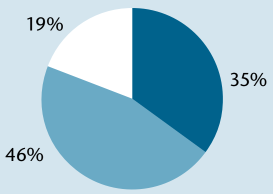
The boundaries of the carbon footprint study were based on the greenhouse gas protocol of the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Carbon cycle for the forest products industry



Climate change

Results of the carbon footprint study



Boundary	Fossil CO_2* (million tonnes) 2007
Scope 1	5.04
Scope 2	6.52
Scope 3	2.65
TOTAL	**14.21**

** Including CO_2 emissions from Stora Enso's North American operations that were divested in December 2007.*

Emission source	Boundary	Fossil CO_2* (million tonnes) 2005	2006	2007
Stationary combustion (direct)	Scope 1	5.53	5.56	4.97
Mobile combustion (direct)	Scope 1	N/A	0.07	0.07
Purchased electricity and heat (indirect)	Scope 2	6.61	5.95	6.52
Other (indirect)	Scope 3	N/A	2.65	2.65**

*** Estimate based on data from 2006 and production levels in 2007.*

Three different scopes were defined:
- Scope 1: Emissions from sources directly owned or controlled by Stora Enso, including on-site energy generation and processes, power boilers, lime kilns, paper drying, vehicles, engines and harvesting equipment
- Scope 2: Emissions from purchased electricity and heat consumed in Stora Enso's operations
- Scope 3: Emissions from other indirect sources, such as the harvesting, processing and transportation of raw materials, the transportation of finished products, the recycling and disposal of used products, and business travel.

Stora Enso's carbon footprint does not include the following:
- The final fate of products, e.g., energy generation, landfill and recycling
- Methane emissions from landfills, waste processing sites and waste water treatment plants
- Emissions from the production of suppliers' products and raw materials
- Emissions from harvesting operations and wood transportation at plantations at Veracel, Celbi and Arapoti
- The impacts of forests and our products as carbon sinks. Forests are not included in the study due to lack of standard methodologies, lack of data, site-specific conditions and year-to-year variability. The amounts of CO_2 that forests remove from or release into the atmosphere can vary greatly from year to year. A study by the US National Council for Air and Stream Improvement (NCASI) indicates that the carbon emissions from the global forest products industry are basically neutral, due to the removal of carbon from the atmosphere by growing forests and its storage in forest industry products.

Stora Enso's total estimated carbon footprint for 2007 was 14.21 million tonnes of CO_2 equivalent. This Group-level carbon footprint estimate includes the CO_2 emissions of Stora Enso's North American operations, which were divested in December 2007. The divestment will significantly reduce our total CO_2 emissions in 2008.

New CO_2 reduction target

With the involvement of all of Stora Enso's pulp, paper and board mills, a new Group-level CO_2 reduction target was devised, and approved by the CEO at the end of 2007. The target is based on Stora Enso's carbon footprint data from 2006. Stora Enso has established a goal to reduce CO_2 emissions per saleable tonne of pulp, paper and board by 20% from 2006 levels by 2020, including scopes 1 and 2. The baseline for this target is based on emission figures that exclude Stora Enso's former North American operations.

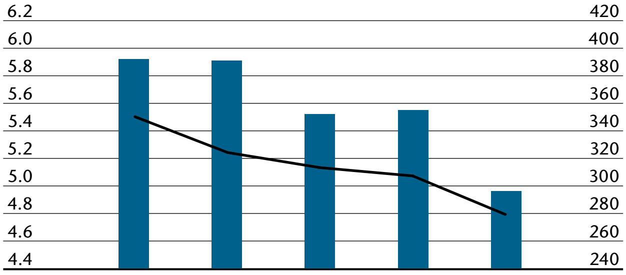
It is anticipated that this reduction will primarily be achieved through improvements in energy efficiency and productivity, as well as the increased use of carbon-neutral biomass and low-carbon fossil fuels.

Performance in 2007

Direct fossil CO_2 emissions

Stora Enso is continuing to make progress reducing direct fossil CO_2 emissions in absolute and specific terms through investments and projects designed to increase the use of biomass and improve the efficiency of energy production and consumption. Since 2003, the pulp, paper, board and converting production facilities have reduced their direct fossil CO_2 emissions by 20% per unit sales production.

Direct fossil CO_2 emissions [1)]



	03	04	05	06	07	03–07
million tonnes	5.92	5.91	5.52	5.55	4.96	-16%
kg/tonne	350	324	313	307	279	-20%

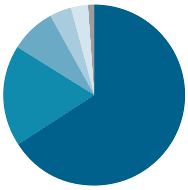
Stora Enso's absolute direct fossil CO_2 emissions from stationary combustion sources and mobile equipment at all production facilities decreased by 11% from 2006. The reductions were mainly due to investments in energy production assets, mill energy efficiency projects and the increased use of biofuels.

Indirect fossil CO_2 emissions

Estimates of Stora Enso's total indirect fossil CO_2 emissions related to purchased electricity increased in 2007 relative to 2006. The increase is mainly due to the full-year operation of the Port Hawkesbury Mill in 2007 following a labour dispute that left the mill idle for most of 2006.

Energy consumption in 2007

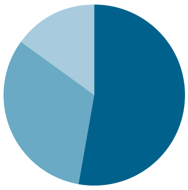
Fuels



- Biomass 66%
- Gas 18%
- Coal 8%
- Peat 4%
- Oil 3%
- Other fossil fuels 1%

Stora Enso's total annual fuel consumption was 209 200 (215 900) TJ in 2007.

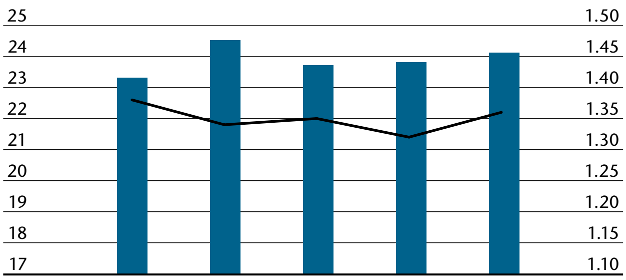
Electricity



- External purchasing 53%
- Internal generation 32%
- Pohjolan Voima Oy 15%

Stora Enso's own mills consumed 24.5 (23.9) TWh of electricity in 2007.

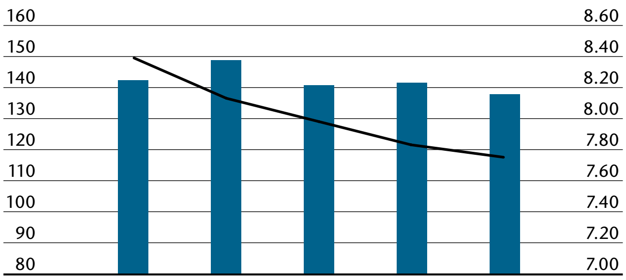
Electricity consumption [1)]



	03	04	05	06	07	03–07
TWh	23.3	24.5	23.7	23.8	24.1	3%
MWh/tonne	1.38	1.34	1.35	1.32	1.36	-1%

TWh (terawatt-hour) = 10^9 kilowatt-hours
MWh (megawatt-hour) = 10^3 kilowatt-hours

Heat consumption [1) 2)]



	03	04	05	06	07	03–07
PJ	142.1	148.6	140.5	141.3	137.6	-3%
GJ/tonne	8.39	8.13	7.98	7.83	7.75	-8%

PJ (petajoule) = 10^{15} joules
GJ (gigajoules) = 10^9 joules

1) From pulp, paper, board and converted product facilities. Normalised figures are reported per unit of sales production.

2) Excluding heat used for electricity generation.

Sustainability performance

We are constantly working to improve our resource use and environmental performance.

Stora Enso's production units are continuously looking for opportunities to reduce the use of non-renewable resources such as chemicals and fossil fuels. This "more with less" approach reduces both environmental impacts and costs.

Our production units are also working to minimise the environmental impacts of their operations, especially when it comes to air emissions, process water discharges and waste to landfill, which are all areas where Stora Enso has established Group-level environmental targets normalised for production.

Driving continuous improvement

The basis for the environmental work of Stora Enso's units has been defined in the Group's Sustainability Policy and a supporting set of environmental principles. The policy and principles are translated into practice through environmental management systems designed to make sure that all Stora Enso employees take active responsibility for continuous environmental improvements.

Stora Enso units have implemented third-party-certified environmental management systems to guide continuous improvements in their environmental performance. Since 2003, virtually all of Stora Enso's pulp, paper and board production units have been covered by ISO 14001 certification and/or EMAS registration. The only current exception is the Arapoti Mill in Brazil, which was acquired in 2006 and is working towards ISO 14001 certification. Stora Enso's policy is to have all newly acquired companies and units ISO 14001 certified and/or EMAS registered as soon as possible.

Environmental performance in 2007

Stora Enso's performance related to the Group environmental targets continued to improve during 2007. The greatest improvements were achieved for sulphur dioxide emissions to air, and discharges of oxygen-consuming chemicals into water (measured as Chemical Oxygen Demand – COD). The reasons for these improvements included environmental investments, process control improvements and changes in production levels at individual mills.

Developments that also had an impact on Stora Enso's environmental performance included the full-year operation of the Port Hawkesbury Mill following the labour dispute in 2006, and the closure of the Berghuizer Mill in October 2007.

Stora Enso finalised the divestment of North American paper operations to NewPage in December 2007, and consequently only 11 months of data from these mills is included in the performance figures for 2007.

Minimising air emissions

Most of Stora Enso's emissions to air result from the combustion of fossil fuels in order to produce energy for pulp and paper making processes. Stora Enso is striving to minimise air emissions by improving the efficiency of processes and energy use, by using more advanced control technologies, and by maximising the use of renewable energy.

Stora Enso continued to make good progress in reducing total sulphur (SO_2) emissions to air. The Group has already reached its target for SO_2 emissions, which was to reduce normalised emissions by 15% by 2009 compared with the baseline year 2004. Emissions are already 17% lower than in 2004.

Apart from the divestment of the North American operations, the main reasons for the decrease in sulphur emissions were:

- Reduced energy production at the Corbehem Mill due to the shutdown of two paper machines
- Reduction of sulphur content in white liquor at the Ostrołeka Mill
- Installation of a new flue gas scrubber at the Heinola Fluting Mill

Despite these improvements, some mills' normalised emissions increased, including the Skutskär Mill in Sweden, where production disturbances led to rises in emission levels.

Normalised emissions of both SO_2 nitrogen oxides and NO_X have declined over the period 2003–2007 by 20% for SO_2, and 13% for NO_X. Reductions in NO_X were linked to reduced production at individual mills.

Protecting vital water resources

Water is an essential element in our production processes. At Stora Enso 95% of the water needed for production is taken from rivers and lakes, and the remaining 5% is taken from municipal supplies and groundwater. Stora Enso is continuously working to reduce water use. Water is always carefully treated before it is released back into the natural environment. Effective water treatment can enable more water to be recycled for reuse within mills, and also ensure that all of the water released back into the environment is safe and clean.

Good progress has been made towards the Group-level target of a 10% reduction in normalised process water use by the end of 2010, with a 5% reduction from the baseline year 2005.

Discharges of COD were reduced in 2007, and Stora Enso continued to make good progress towards the target of reducing normalised COD by 10% by 2009 from the baseline year 2004. The current level is 9% below this baseline, and the decrease was largely due to investments in new waste water treatment systems at the Barcelona and Kemijärvi mills, as well as improvements at waste water treatment plants at the Skutskär and Nymölla mills. In contrast to these improvements, some mills increased their normalised discharges, including the Enocell Mill, where a wood shortage resulted in production disruptions.

Normalised discharges of Adsorbable Organic Halogen Compounds (AOX) remained stable in 2007. Over the last five years discharges of AOX have fluctuated within a good performance range.

Normalised discharges of both nitrogen and phosphorus decreased during 2007. Nitrogen and phosphorus are added as nutrient sources for the biological organisms in waste water treatment processes. Over the period 2003–2007, normalised discharges of both nitrogen and phosphorus have declined, by 18% for nitrogen, and 39% for phosphorus. Improvements at the Kemijärvi, Skutskär, Kvarnsveden and Nymölla mills were major contributors to the decrease in nitrogen releases. Improvements at the Corbehem and Kemijärvi mills were major contributors to the decrease in phosphorus discharges.

"My job is to make sure that all the water we release into Lake Vänern is safe and clean. Water quality measurements indicate that our hard work to improve the mill's water treatment has been successful. I regularly swim in the lake myself, and buy fish from local fishermen!"

Ingrid Engström,
Environmental Manager at the Skoghall Mill
Stora Enso, Sweden

Waste reduction a priority

The main solid wastes created during Stora Enso's production processes are wood residuals from wood handling and debarking operations, waste water treatment sludge, ash from energy production, and lime solids from pulp chemical recovery processes. Stora Enso strives to reduce the amounts of waste generated, and to seek innovative ways to reuse residuals. Such measures have resulted in a waste utilisation rate of 96% for the whole Group.

We are already meeting the Group-level target to reduce normalised waste to landfill by 10% by 2009 from the baseline year 2004. The current level is 21% down against this baseline, and efforts to achieve further reductions will continue.

The total amount of waste to landfill fluctuates from year to year. In 2007 waste to landfill increased compared to 2006, partly due to the increased generation of boiler ash at the Hylte Mill caused by the burning of stockpiled sludge accumulated during the previous year when the boiler was down for a rebuild.

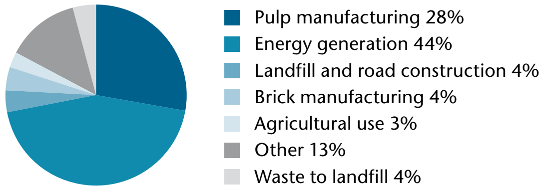
Hazardous waste on the decline

Stora Enso's production units created 5 170 tonnes of hazardous waste in 2007, down from 5 230 tonnes in 2006. Hazardous wastes from Stora Enso's manufacturing units generally include used oils, solvents, paints, laboratory chemicals, batteries and some spillages. Hazardous wastes may either be burned for energy recovery, or safely processed and disposed of at licensed hazardous waste facilities or incinerators. Hazardous wastes are reported on the basis of definitions applied in respective national regulations.

Compliance with environmental permits

Stora Enso's manufacturing units are regulated by environmental permits based on respective national, regional and local legislation. Compliance with these permits is continuously monitored by our units themselves, as well as by the appropriate environmental authorities.

Beneficial use of residuals and waste to landfill

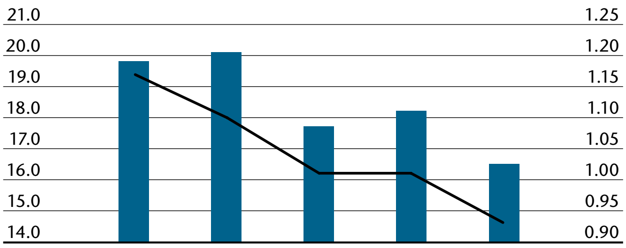


In 2007 most units fully complied with the requirements of environmental permits, and many performed considerably better than the minimum legal requirements. Whenever environmental incidents are identified, Stora Enso's policy is to promptly notify the appropriate authorities and initiate corrective actions to achieve compliance and prevent recurrence. All of the environmental incidents at Stora Enso mills in 2007 that resulted in major permit violations, claims for compensation, or significant media coverage are detailed at www.storaenso.com/compliance.

Mills ocassionally receive complaints from local residents, most commonly concerning noise and odour problems. These issues are promptly addressed and resolved to everyone's satisfaction wherever possible. Stora Enso was not obliged to pay any fines during 2007 to settle environmental incidents.

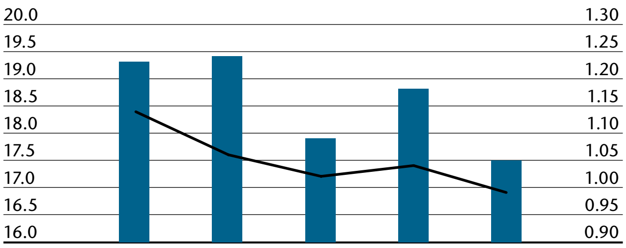
Read more about
- *Sustainability targets on p. 58*
- *Climate change and energy efficiency on pp. 68–71*
- *Sustainability data by unit on pp. 82–85*
- *Environmental costs, liabilities and investments on pp. 111–112*

Total sulphur as SO_2 [1]



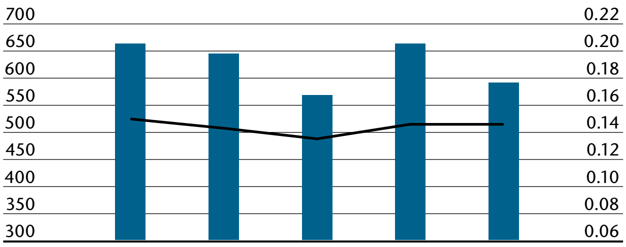
	03	04	05	06	07	**03–07**
1 000 tonnes	19.8	20.1	17.7	18.2	16.5	-16%
kg/tonne	1.17	1.10	1.01	1.01	0.93	-20%

NO_x [1]



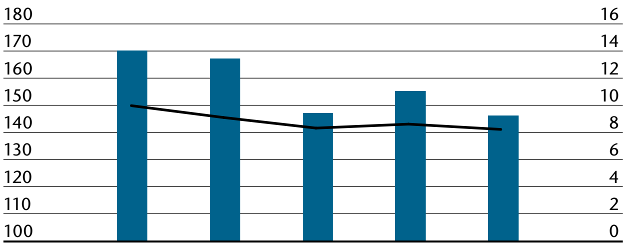
	03	04	05	06	07	**03–07**
1 000 tonnes	19.3	19.4	17.9	18.8	17.5	-9%
kg/tonne	1.14	1.06	1.02	1.04	0.99	-13%

AOX [1] [2]



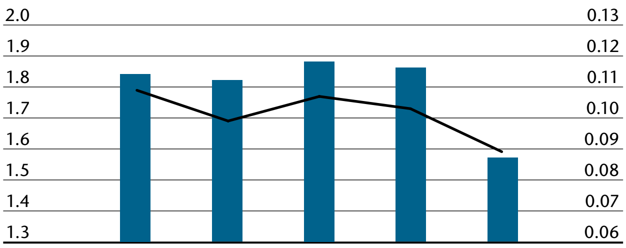
	03	04	05	06	07	**03–07**
tonnes	663	645	568	663	591	-11%
kg/tonne	0.150	0.143	0.135	0.146	0.146	-3%

COD [1]



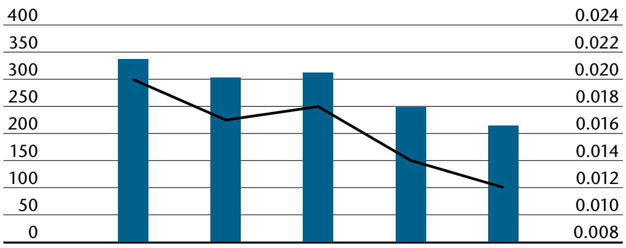
	03	04	05	06	07	**03–07**
1 000 tonnes	170	167	147	155	146	-14%
kg/tonne	10.0	9.1	8.3	8.6	8.2	-18%

Nitrogen [1]



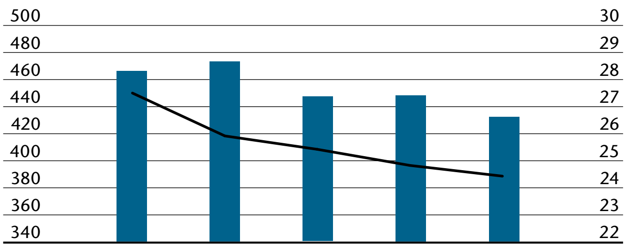
	03	04	05	06	07	**03–07**
1 000 tonnes	1.84	1.82	1.88	1.86	1.57	-14%
kg/tonne	0.109	0.099	0.107	0.103	0.089	-18%

Phosphorus [1]



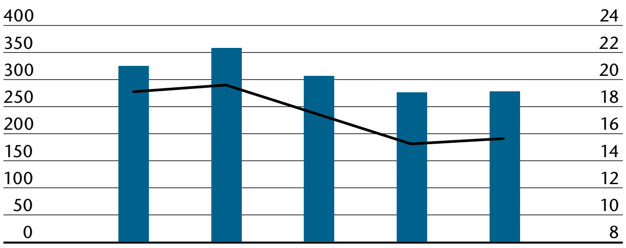
	03	04	05	06	07	**03–07**
tonnes	338	303	313	249	215	-36%
kg/tonne	0.020	0.017	0.018	0.014	0.012	-39%

Process water discharge [1]



	03	04	05	06	07	**03–07**
million m^3	466	473	447	448	432	-4%
m^3/tonne	27.5	25.9	25.4	24.8	24.4	-11%

Waste to landfill [1]



	03	04	05	06	07	**03–07**
1 000 tonnes	324	357	306	275	277	-14%
kg/tonne	19.1	19.6	17.4	15.2	15.6	-18%

[1] From pulp, paper, board and converted product facilities. Normalised figures are reported per unit sales production.
[2] From bleached chemical pulp production facilities only. Normalised figures are reported per unit bleached chemical pulp production.

Ethical business practices, human and labour rights and a responsible approach to workforce reductions are priorities for us.

Stora Enso's Group-wide social responsibility targets for 2007 included the enforcement of our Code of Ethics and broadening the coverage of our social management systems.

Code of Ethics compliance

Stora Enso's Code of Ethics compiles all of our major policies, principles and guidelines within a single document. The target for 2007 was to develop tools to support the enforcement and monitoring of the Code. This has involved updating our principles for social responsibility, particularly on business practice, and also defining guidelines to explain what we consider as fair and ethical behaviour in our everyday work. A new grievance channel for emloyees was also developed for complaints or concerns regarding violations of the Stora Enso Code of Ethics. The new business practice principle and guidelines have now been included in our internal auditing procedures. A major task in 2008 will be the creation of an e-learning tool for all employees to further improve enforcement.

Social management systems

Each Stora Enso unit was obliged to set out its own social responsibility action plan and define key performance indicators by the end of 2007. These internal social management systems help units to identify and manage the most significant social aspects of their operations. By the end of the year 54% of our units (accounting for over half of our employees) had prepared such management systems. Issues most commonly identified as crucial in units include employee safety and well-being, community involvement, internal and external communications, ethical business practices and supply chain management. The target for 100% unit coverage will be extended to the end of 2009.

Business practice

Stora Enso's business practice principle was revised in autumn 2007 to reflect business experience and tighter regulatory requirements. The new revised principle now explicitly mentions Competition Law Compliance, and addresses facilitation payments and political contributions. Other areas covered by the principle include fair and non-discriminatory co-operation with all stakeholders, avoiding conflicts of interest, and prohibiting anti-competitive or corrupt practices such as bribes or kickbacks.

To support the implementation of the revised business practice principle, Stora Enso also developed new business practice guidelines in 2007. These guidelines help our employees to understand in more practical terms what ethical business dealings with all stakeholders involve. The guidelines also give specific definitions and instructions regarding:

- facilitation payments
- charitable contributions and sponsorships
- gifts, hospitality and expenses
- business practises with agents and business partners, and
- political contributions.

The principle applies to every Stora Enso employee. All Stora Enso managers are responsible for monitoring and observing adherence to the business practice principle and guidelines.

To guide employees on how to act in these situations in accordance with our business practice principle, we are going to develop an e-learning tool during 2008. This tool will eventually be used by all Stora Enso employees. We have also integrated information on ethical business practices into our Group-wide training programmes. In addition, since autumn 2007 ethical business practices have also been included in annual internal audits.

For more information about the function-specific guidelines we have drawn up to support the implementation of our business practice principle. Read more at www.storaenso.com/businesspractice.

A new channel for reporting on violations

As part of the implementation of the business practice principle, a new grievance channel has been developed through which Stora Enso's employees are encouraged to report any violations of the Stora Enso Code of Ethics. This can now be done anonymously and confidentially, without the risk of being discharged, suspended or otherwise discriminated against. All such complaints are carefully examined, to ensure that the necessary actions are taken.

Competition law compliance

On 19 July 2007, following a jury trial in the US Federal District Court in Hartford, Connecticut, Stora Enso was found not guilty of charges of anti-competitive practices relating to the sale of coated magazine paper in the USA in 2002 and 2003. Coincident with this case Stora Enso has been named in a number of class action lawsuits filed in the USA. These lawsuits are still pending.

As a result of an investigation, the Finnish Competition Authority proposed in 2006 to the Finnish Market Court that a fine of EUR 30 million should be imposed on Stora Enso for violating competition laws in the purchasing of wood in Finland in the period from 1997 to 2004. Stora Enso considers the proposal groundless.

No provision has been made in Stora Enso's accounts for the above-mentioned investigations and lawsuits.

Stora Enso's Competition Law Compliance Programme, which was launched in 2002, based on previous Enso and Stora policies, is continuously kept up to date. The current version dates from August 2006. The programme clearly states Stora Enso's support of free and fair competition, and Stora Enso's commitment to comply with competition laws. This commitment is an integral part of Stora Enso Code of Ethics and Business Practice Principle. Stora Enso is continuing to take action to emphasise its commitment to compliance through corporate policies and training.

Community involvement

Stora Enso aims to create positive impacts in the communities where we operate. We do this by building partnerships and other collaborative relationships, by directly and indirectly promoting welfare generation, and by participating in and contributing to community activities.

Stora Enso represents an industry that has always played a significant role in its home countries' economic development. Stora Enso mills are often located in small communities, where they are major employers, tax-payers and business partners for local enterprises. To remain competitive in a globalising economy, however, Stora Enso continues to restructure its operations. This inevitably means some communities in our traditional areas of operation suffer as activities are discontinued or entire production units are closed.

Stora Enso's principles for social responsibility cover:

- **Business practice**
- **Communication**
- **Community involvement**
- **Responsible reduction in workforce**
- **Human and labour rights**

Many Stora Enso units have long traditions of cooperation with their surrounding communities. Activities vary from open house events to regular meetings with members of the community, support for local schools and the sharing of infrastructure.

Stora Enso sees philanthropy as encompassing projects that benefit both parties. Stora Enso takes an active role in community involvement through its strategic partnerships with UNICEF and UNDP, and forestry project cooperation with WWF.

UNICEF – promoting basic education

Stora Enso is UNICEF's first global corporate partner in basic education. Our five-year partnership, which was launched in April 2004, supports UNICEF's work to achieve basic education for all. The partnership is designed to work in two ways. At a global level, Stora Enso annually donates USD 250 000 from corporate funds to UNICEF that deploys these funds according to its current priorities. In 2007, Stora Enso's annual donation supported educational projects in Bangladesh, China, Nepal, Russia and Tanzania. The projects focused on developing child-friendly schools and providing education for working children, disabled children and children excluded from primary school.

We also aim to double our overall contribution to UNICEF's basic education work through national and local cooperation between Stora Enso business units and employee groups and their local UNICEF counterparts. Stora Enso's employees and mills were very active in this respect in 2007.

Social responsibility

UNDP – striving to reduce poverty
Partnerships between businesses and the United Nations Development Programme (UNDP) can greatly benefit both parties. For UNDP, such partnerships can contribute towards the achievement of the Millennium Development Goals (MDGs). In return UNDP helps Stora Enso build up vital dialogues with stakeholders, and improve transparency and accountability as part of corporate responsibility. In 2007, Stora Enso continued to work together with UNDP to fight poverty and reduce socio-economic and environmental inequalities in China.

WWF – working for sustainable forestry
In 2007, cooperation between Stora Enso and WWF included a number of projects in sustainable forestry, forest certification and the legality of wood, as well as biomass for energy prodution. Key projects were located in Russia, including the Pskov Model Forest Project and the Vologda Project, in which Stora Enso worked with WWF Russia and a group of experts to analyse Russia's new Forest Code. The project summary, which will be published in early 2008, will provide a valuable insight into Russia's current forest sector reform process.

Economic benefits for stakeholders
Stora Enso's operations contribute to local, regional and national economies on a very large scale. Our sales and purchases boost our customers' and suppliers' businesses. Our employees, our shareholders and local and national governments gain income through salaries, dividends and taxes. The related direct monetary flows indicate the extent of Stora Enso's economic impacts on different stakeholders.

Customers
Stora Enso mainly serves business-to-business customers, largely through its international sales and marketing network. In 2007, Stora Enso's total sales amounted to EUR 13 373.6 (EUR 12 957.2) million.

Suppliers
Stora Enso provides a reliable source of income for many small companies working as contractors and suppliers. In 2007, Stora Enso acquired materials and services valued at EUR 10 044.4 (EUR 9 338.3) million.

Employees
Stora Enso has some 38 000 employees in more than 40 countries on five continents. In 2007, personnel expenses totalled EUR 1 883.7 (EUR 1 890.5) million, of which EUR 1 408.4 (EUR 1 463.3) million was paid in wages and salaries, including incentive bonuses. Bonus schemes currently cover around 75–80% of all the Group's employees.

Shareholders
At the end of 2007, Stora Enso had approximately 63 300 shareholders. Shareholders are rewarded through dividends and possible increases in share prices. The total sum paid out in dividends during 2007 was EUR 355 (EUR 355) million. In 2007, the Stora Enso R share price decreased by 15% (+5%) on the OMX Nordic Exchange Helsinki.

Government bodies
Corporate taxes are a major source of income for governments. In 2007, net taxes paid by Stora Enso to governments around the world totalled EUR 111.6 (EUR 215.4) million.

Responsible reduction in workforce
According to Stora Enso's social responsibility principles, any reductions necessary in the workforce must be carried out with respect for individuals, and sensitivity to employees' needs. Our guidelines for responsible reductions in the workforce stress the importance of long-term planning, unbiased and non-discriminative restructuring, clear and open communications, and diversity in the workplace. Responsible reduction in workforce is important for us especially at this moment, when the Group is undergoing considerable restructurings.

Human and labour rights
Stora Enso supports the United Nations Universal Declaration of Human Rights and the the International Labour Organization's (ILO) Core Conventions. These international agreements form an important basis for our human and labour rights principles.

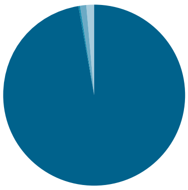
According to our principles for human and labour rights, we offer our employees a safe and healthy workplace, where diversity is considered as a strength, and all forms of harassment, discrimination, punishment or abuse are prohibited. Our employees have the right to organise, join associations and bargain collectively. We do not accept any form of involuntary or child labour. These principles also apply to our suppliers and form part of the minimum requirements.

Stora Enso also addresses human and labour rights in the principles for sustainable wood and fibre procurement and land management. We recognise the unique economic and cultural needs of indigenous peoples, their traditional uses of forests and their legitimate rights to their traditional lands and land use practices. As an example, Veracel Mill, a joint venture between Stora Enso and Aracruz Celulose, has a consultant helping Veracel to improve dialogue with Pataxó Indians in its vicinity.

The majority of Stora Enso employees are members of trade unions. It is not legally possible to collect union membership information from all of the countries where we operate, and therefore we do not have a Group-level indicator to describe the total number of unionised employees. Employee relations are managed at national level. Stora Enso has employee repre-

Customers

Sales by market

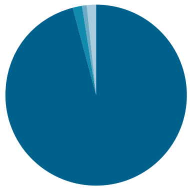


- Europe 97.4%
- North America 0.1%
- Asia Pacific 1.3%
- South America 1.2%

Total EUR 13 373.6 million
Continuing operations

Suppliers

Materials and purchases by market

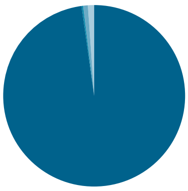


- Europe 96.1%
- North America 1.4%
- Asia Pacific 1.1%
- South America 1.4%

Total EUR 10 044.4 million
Continuing operations

Employees

Personnel expenses by region



- Europe 97.8%
- North America 0.4%
- Asia Pacific 0.8%
- South America 1.0%

Total EUR 1 883.7 million
Continuing operations

sentatives in several Group-level, business area and unit-level committees. A Works Council, consisting of personnel representatives and the relevant management representatives, holds annual meetings in Europe. The topics discussed in the meeting in May 2007 included the CEO's review and the Human Resources strategy. In 2007 the only labour dispute within Stora Enso took place in Finland, where employees at paper mills and sawmills went on a one-day strike in October in response to an announcement about restructuring decisions.

Ensuring human and labour rights

Stora Enso's work with social responsibility aims to guarantee that we can fulfill all these commitments. When planning operations in new areas, we ensure our adherence to human and labour rights by conducting social responsibility due diligence and by using participatory planning tools such as environmental and social impact assessments (ESIA) and stakeholder dialogue. We are also actively developing the monitoring, reporting and third-party verification of the performance related to our principles for sustainable wood and fibre procurement and land management.

We require our suppliers and contractors to follow human and labour rights by including related requirements in purchasing contracts. Enforcement is controlled through audits and questionnaires. We investigate all non-compliances and insist that the necessary corrective actions are carried out. If contractors or suppliers fail to rectify non-compliance, their contract with Stora Enso is terminated.

In 2008 our aim will be to identify the most important human rights impacts of our major projects, and to ensure that suitable policies are embedded in our local sustainability management practices. This will help us to promote human rights for the benefit of our stakeholders. Such measures also improve stakeholder dialogue and help to gain wider acceptance for our operations.

Read more about
- *Our people on pp. 32–35*
- *Restructuring actions on pp. 36–37*
- *Sustainability targets on p. 58*
- *Cooperation with UNDP China on pp. 66–67*
- *Health and safety on pp. 80–81*
- *The UN Global Compact on p. 88*
- *Risk management on p. 95–100*
- *Environmental investments on p. 112*

*Read more at **www.storaenso.com/businesspractice***

Improving health and safety is a top priority for Stora Enso.

Safety auditors observing manual logging practises in Russia.

The year 2007 proved to be challenging for Stora Enso's Occupational Health and Safety (OHS) work. The target for the year was that all production units should be covered by certified OHS management systems. By the end of the year, 80% of units were covered. We also aimed to ensure that the lost-time accident rate in each unit would be in the upper quartile within the respective national forest industry, and that the absenteeism rate in each unit would be lower than the national forest industry average. In Finland and Sweden where benchmark data was available, the accident target was met in 35% of units and the absenteeism target in 75% of units. All OHS targets will remain in place for 2008.

OHS certificates and safety audits

By the end of 2007, a total of 43 OHS management system certificates had been issued according to OHSAS 18001 or equivalent standards, covering 68 units. All audited units have effective OHS management systems and guidelines in place. However, there is still a need to better integrate OHS issues into everyday activities in order to improve our overall OHS performance.

Top OHS performer of the year

In 2007 the award for Stora Enso's unit with the best OHS performance went to the Langerbrugge Mill in Belgium, whose highly consistent OHS work and effective safety programmes are reflected in a very low incident rate. This award is part of our Business Excellence Award scheme.

OHS performance at the Arapoti Mill in Brazil has also been praised. Over the last two-and-a-half years there has been only one lost-time accident at the mill. The Arapoti Mill's excellent record is the result of proactive safety programmes and an exceptionally high level of management commitment to safety.

OHS initiatives at units

In 2007 the Skoghall Mill in Sweden initiated a team competition Stora Enso Pulse to encourage employees to improve their health and well-being. Altogether 225 employees participated in the contest. Wood Supply Continental Europe organised intensive health and safety training for all employees. The unit also conducted specialised felling courses for contractors to improve their safety standards.

Fatal accidents

Five fatalities occurred in connection with Stora Enso's operations in 2007.

On 1 March a contractor of Stora Enso Wood Supply Sweden was killed in an accident during manual felling operations, when he was struck by a large branch which had inadvertently been left on a tree that was being felled.

On 6 March a logger working for Russkiy Les, a subsidiary of Stora Enso Wood Supply Russia, died from secondary complications from injuries sustained during manual logging in the Boksitogorsk District. This fatal injury was the result of a failure to follow established procedures concerning safe distances between loggers. Safety rules were reviewed with all loggers emphasising the need for strict observance.

On 27 April a contractor of Stora Enso Wood Supply Baltic was killed in Lithuania in an accident during manual felling operations. This incident also resulted from a failure to keep a safe distance between loggers. The safety procedures were duly reviewed with all contract workers.

On 6 June an employee was accidentally run over by a lift truck at the Corbehem Mill in France. The unit has subsequently focused on safety more intensively, resulting in improved safety awareness and triggering substantial safety action plans. New procedures were introduced for all personnel working in the wood yard area.

On 29 September at the Murow Sawmill, Poland, a customer was accidentally crushed by lumber that fell off a forklift during unloading. Procedures have been reviewed with all drivers to prevent such accidents in future.

In addition, there were three fatalities in connection with Veracel's operations.

On 21 April a contractor was killed in a road accident near the Veracel Mill. The contractor had not been using his seat belt, and the mill has now taken action to train employees on defensive driving procedures, implement an inspection programme to verify seat belt usage and reassess the risks on the roads surrounding Veracel.

On 11 July a contractor died in a car accident on Veracel's forest road. The driver had not used his safety belt, and the outsourced company has resolved to retrain all its employees on road safety, and also to intensify the inspection of seat belt usage.

On 28 August a contractor was killed near Veracel Mill when a tractor trailer under repair fell on him. The mill has subsequently implemented an improved equipment support system for maintenance work, and also revised safety control procedures.

Accident rates

The corporate average lost-time accident rate stayed at virtually the same level as in 2006, while the total number of accidents in the workplace decreased in 2007. There are still marked differences in safety performance between countries, and between units within the same country. Unit-level safety improvement projects and actions must therefore be continued. Many accidents involve contractors and their employees. We have been working to improve the monitoring and reporting of accident rates among contractors' employees.

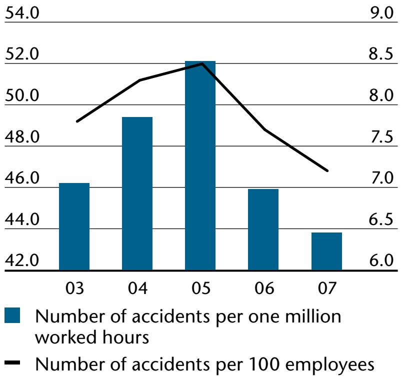
Absenteeism

The corporate absenteeism rate due to sickness and accidents was approximately the same in 2007 as in 2006. There are still marked differencies between countries and units, partly related to different cultures and compensation practices. North America had the best figures. Germany and Sweden perform more or less equally, while Finland has tended to suffer from relatively high absenteeism rates.

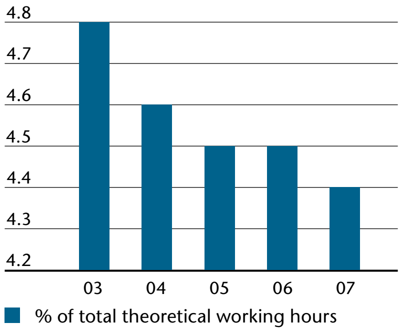
Country-specific accident and absenteeism rate graphs can be seen at www.storaenso.com/safetystatistics. These graphs also show how our performance compares with national forest industry average figures. Due to the investment of North American paper mills in December 2007 all OHS data regarding North America only covers the first three quarters of 2007.

Lost-time accidents

All accidents in the workplace



Absenteeism due to sickness and accidents



Sustainability performance

Sustainability data by unit in 2007

Unit	Number of employees [a]	Products	Production [b]	Recovered fibre [c]	Certificates				
					EMAS	ISO 9001	ISO 14001	OHSAS 18001	Chain-of-custody
Belgium									
Langerbrugge Mill	427	①	518 200	x		x	x		
Brazil									
Arapoti Mill	403	①	186 510			x		x	
Canada									
Port Hawkesbury Mill [g]	519	①	458 226			x	x	x	
China									
Dawang Mill [h]	90								
Suzhou Mill	580	②	179 300			x	x	x	
Estonia									
Tallinn Mill	45	⑤	5 274			x			
Tartu Mill	10	⑤	1 500			x			
Finland									
Anjalankoski Mill	436	①③	656 611		x	x	x	x	FSC/PEFC
Enocell Mill	228	④	469 462		x	x	x	x	FSC/PEFC
Heinola Fluting Mill	293	③	267 000	x	x	x	x	x	PEFC
Heinola Mill	212	⑤	40 121		x	x	x		
Imatra Mills	2 342 [j]	②③④	1 225 026		x	x	x	x	FSC/PEFC
Kemijärvi Mill	141	④	194 072		x	x	x		PEFC
Kotka Mill	413	①③⑤	328 200		x	x	x	x	PEFC
Lahti Mill	339	⑤	30 755		x	x	x		
Oulu Mill	735	②④	1 142 774		x	x	x	x	PEFC
Ruovesi Mill	96	⑤	9 132		x	x	x		
Summa Mill	265	①	372 054		x	x	x	x	FSC/PEFC
Tiukka Mill	59	⑤	6 797		x	x	x		
Varkaus Mill	483	①②③⑤	603 618	x	x	x	x	x	PEFC
Veitsiluoto Mill	881	①②④	909 167		x	x	x	x	PEFC/FSC
France									
Corbehem Mill	619	①	289 000		x	x	x		PEFC
Germany									
Baienfurt Mill	436	③	192 322		x	x	x	x	FSC/PEFC
Kabel Mill	1 047	①	540 060		x	x	x	x	FSC/PEFC
Maxau Mill	733	①	691 696	x	x	x	x	x	FSC/PEFC
Reisholz Mill [g]	338	①	145 700			x			PEFC
Sachsen Mill	323	①④	380 576	x	x	x	x	x	FSC
Uetersen Mill	460	②③	272 099	x	x	x	x	x	FSC/PEFC
Hungary									
Páty Mill	123	⑤	7 940			x	x		
Latvia									
Riga Mill	145	⑤	44 636			x			
Lithuania									
Kaunas Mill	62	⑤	7 910			x			
Malaysia									
Pasir Gudang Mill	42	⑤	8 008			x	x	x	
Netherlands									
Berghuizer Mill [g]	255	②	117 900						

Footnotes

a) Year average. Source: financial accounting database.
b) Saleable net production excl. inventory changes. Sawn timber is reported in m^3, other products in metric tonnes.
c) Mills using recovered fibre as raw material (fully or partly).
d) Reported on the basis of country-specific definitions applied in national regulations.
e) Total sulphur is reported as SO_2 (sulphur dioxide) and includes all sulphurous compounds.
f) All CO_2 figures are calculated using the WRI/WBCSD greenhouse gas protocol. Direct emissions from internal transport are excluded, indirect emissions from external transport and from purchased heat and electricity are excluded.
g) Divested or closed in 2007. Data only reflects period of ownership.
h) Started operation in November 2007. No data available.
i) Included in Grand Total only.
j) The figure includes service company personnel.
k) No energy production on site.
l) Process water is treated in an external facility.
m) See **www.storaenso.com/certificates**
n) Per production capacity. See **www.storaenso.com/certificates**

				Tonnes						1 000 m³
Waste to landfill, dry	Hazardous waste [d]	SO_2 [e]	NO_x as NO_2	CO_2 fossil [f]	CO_2 biomass [f]	COD	AOX	Phosphorus	Nitrogen	Process water discharge
4 737	56	7	127	18 440	176 824	1 458	0.8	1.8	10.1	6 781
7 960		0	205	155	56 737	593				3 958
94	0	147	231	19 135	249 197	4 719		39	2.3	13 200
	7	186	160	191 411		145		0.9	4.3	2 770
10										5
1										1
3 983	107	8	290	391 953	102 719	3 358	0	5.2	154.1	12 174
7 509	64	326	848	83 702	1 369 354	7 658	94.4	2.1	36.6	21 472
5 240	22	1 223	462	175 110	169 124	1 158		2.1	14.2	3 688
37	3		14	129						
10 990	282	172	2 044	180 224	2 760 544	22 746	189	11.2	224.2	68 782
2 985	44	202	483	41 929	554 953	4 935	30.7	6.4	53.7	17 396
3 054	103	46	365	262 137	312 281	2 466		6	48	9 460
73	8									
18 704	72	527	1 068	407 482	1 148 798	10 849	84.4	13.9	75.6	19 045
7	17		2	714						
2 860	39	30	167	17 347	186 835	2 544	0	6.4	93.7	6 747
				139						
4 724	425	361	782	136 780	680 557	5 524	19.4	7.3	95.1	16 200
4 006	31	964	1 110	382 126	1 161 816	12 490	47.4	8.9	88.7	13 382
2 198	145	685	336	197 404		788	1.4	7.3	0	6 788
0	41		5	5 035		407	0.4	0.9	7.5	4 484
0	95	[k]	20 [k]	25 118		1 276	0.3	3.1	15.5	8 220
1 362	829	6	228	208 866	99 207	2 617	0.9	6.1	14.5	6 799
	1	[k]	[k]			103 [l]	0.1 [l]	[l]	[l]	1 819
27	77	0	326	184 371	76 245	742	0.6	1.6	12.1	3 690
0	28	0	29	78 727		45 [l]	0.1 [l]	0 [l]	0.3 [l]	1 405
			1	622						1
60				2						25
10										1
10	0	0	0	1 230		0				
154	22		73	98 014		47	0	0.6	12.3	1 091

Products

① = newsprint and magazine paper
② = fine paper
③ = board and packaging paper
④ = market pulp
⑤ = converted products (e.g. cores, impregnated laminating paper, corrugated board)
⑥ = laminating paper
⑦ = wood products
⑧ = red paint pigment

Sustainability data by unit 2007

Unit	Number of employees [a]	Products	Production [b]	Recovered fibre [c]	Certificates: EMAS	ISO 9001	ISO 14001	OHSAS 18001	Chain-of-custody
Poland									
Łódź Mill	281	⑤	49 803			x	x	x	
Mosina Mill	70	⑤	5 939			x	x	x	
Ostrołęka Mill	1 056	③⑤	326 736	x		x	x	x	
Tychy Mill	208	⑤	52 111			x	x	x	
Russia									
Arzamas Mill	222	⑤	60 805			x			
Balabanovo Mill	355	⑤	81 579			x			
Spain									
Barcelona Mill	276	③	149 234	x	x	x	x		
Sweden									
Falu Rödfärg [i]	16	⑧	700		x	x	x		
Fors Mill	746	③	367 150		x	x	x	x	FSC/PEFC
Hylte Mill	841	①	779 353	x	x	x	x	x	
Jönköping Mill	257	⑤	29 722			x	x		
Kvarnsveden Mill	941	①	866 951		x	x	x		
Norrsundet Mill	200	④	274 993		x	x	x		FSC
Nymölla Mill	830	②④	422 079		x	x	x	x	FSC/PEFC
Skene Mill	208	⑤	40 654			x	x		
Skoghall Mill	1 004	③	691 991		x	x	x	x	FSC/PEFC
Skoghall Mill, Forshaga	136	⑤	83 659						FSC/PEFC
Skutskär Mill	311	④	533 695		x	x	x		FSC
Vikingstad Mill	65	⑤	19 529			x	x		
USA									
Biron Mill [g]	368	①	316 441	x		x	x	x	FSC
Duluth Mill [g]	261	①④	269 927	x		x	x	x	FSC
Kimberly Mill [g]	557	②③	540 089	x		x	x	x	FSC
Niagara Mill [g]	325	①	204 821	x		x	x	x	FSC
Stevens Point Mill [g]	222	③	131 385			x	x	x	
Whiting Mill [g]	316	①	171 369	x		x	x	x	FSC
Wisconsin Rapids Mill [g]	856	②③④	589 799	x		x	x		FSC
Water Quality Center [g]							x		
Water Renewal Center [g]							x	x	
Corenso									
Corenso, core factories	943	⑤	205 543		[m]	[m]	[m]	[m]	[m]
Pori Board Mill, Finland	113	③	109 539	x	x	x	x	x	
Soustre Mill, France	90	③	86 252	x		x	x	x	
Stora Enso Timber									
Sawmills	4 814	⑦	7 103 851		82% [n]	54% [n]	97% [n]	77% [n]	[m]
Total pulp, paper, board and converted products, tonnes			17 762 794						
Total wood products, m³			7 103 851						
Grand total									

Footnotes

a) Year average. Source: financial accounting database.
b) Saleable net production excl. inventory changes. Sawn timber is reported in m^3, other products in metric tonnes.
c) Mills using recovered fibre as raw material (fully or partly).
d) Reported on the basis of country-specific definitions applied in national regulations.
e) Total sulphur is reported as SO_2 (sulphur dioxide) and includes all sulphurous compounds.
f) All CO_2 figures are calculated using the WRI/WBCSD greenhouse gas protocol. Direct emissions from internal transport are excluded, indirect emissions from external transport and from purchased heat and electricity are excluded.
g) Divested or closed in 2007. Data only reflects period of ownership.
h) Started operation in November 2007. No data available.
i) Included in Grand Total only.
j) The figure includes service company personnel.
k) No energy production on site.
l) Process water is treated in an external facility.
m) See **www.storaenso.com/certificates**
n) Per production capacity. See **www.storaenso.com/certificates**

Tonnes										1 000 m^3
Waste to landfill, dry	Hazardous waste d)	SO_2 e)	NO_x as NO_2	CO_2 fossil f)	CO_2 biomass f)	COD	AOX	Phosphorus	Nitrogen	Process water discharge
101	5	0	2	2 423						14
74	13			415						10
5 754	4	48	69	15 171	270 580	729		1.5	15.3	5 352
37	3			2 367						
217	4	1	4	3 629	0					29
510	5	1	4	5 035	0					49
14 443	43		58	178 954		254				1 367
1	1	1		502						
90	104	3	93	6 554	304 699	2 370	0.4	1.2	21.1	4 303
47 174	138	4	208	38 933	200 069	1 730	1.1	4.2	37.1	7 046
20	13	4		2 072						
60	188	54	156	78 865	317 446	3 677	2.1	3.4	66.9	13 220
6 191	235	406	414	54 013	838 064	4 390	27	10	32	13 100
149	112	429	513	-25 073	793 222	11 836	0.6	8.9	50.1	31 846
33	2	0		5						
3 288	580	315	400	66 833	824 251	6 605	17.6	8	80.5	20 513
0	1			26						
11 211	25	695	758	41 508	1 498 741	8 745	60	16.8	117.9	22 228
12	1	3		1 351						
14 792	1	5 336	2 068	445 272	9 292	l)	l)	l)	l)	8 429
20 977	0	0 k)	0 k)	371		l)	l)	l)	l)	5 084
21 830	50	1 723	635	312 822		282	2.4	8.8	26	10 655
9 746	0	860	623	172 167	19 269	1 685	6.7	7.4	7.3	7 321
216	0	0	41	65 275		l)	l)	l)	l)	3 126
2 289	0	172	391	88 185	31 974	l)	l)	l)	l)	3 080
25 215	1	1 574	1 687	266 186	931 076	l)	l)	l)	l)	24 294
1 400	0	0	0	136		15 274	20.3	11.4	99.4	
2 624	0	0	0	109		1 048	0.6	2.9	50.4	
828	13			5 234						45
61	3	2	3	1 026		671		0.2	6.5	707
6 990	5			21 821		268				492
11 905	1 097	39	611	5 737	369 970	201		3	4	52
277 127	4 067	16 520	17 503	4 959 987	15 143 874	146 232	609	215	1 573	431 694
11 905	1 097	39	611	5 737	369 970	201		3	4	52
289 033	5 165	16 560	18 114	4 965 724	15 513 844	146 433	609	218	1 577	431 746

Sustainability performance

Products

① = newspaint and magazine paper
② = fine paper
③ = board and packaging paper
④ = market pulp
⑤ = converted products (e.g. cores, impregnated laminating paper, corrugated board)
⑥ = laminating paper
⑦ = wood products
⑧ = red paint pigment

Scope and glossary

Scope of the sustainability reporting

The scope of consolidated data on sustainability generally follows the principles of financial reporting. This means that the consolidated performance data includes the parent company, Stora Enso Oyj, and all companies in which it holds, directly or indirectly, over 50% of the voting rights. Associated companies are not included in the consolidated performance data. These companies represent undertakings in which the Group has significant influence, but which it does not control (see Notes to Consolidated Financial Statements on pp. 119–194).

The following limitations relate to the principles described above:

- Consolidated environmental performance data covers all production units unless otherwise specified. Sales offices, merchants and corporate functions are excluded.
- Data on social performance covers over half of the 39 239 people employed by Stora Enso on average over the year 2007. Corporate functions and discontinued operations are excluded.
- Consolidated Occupational Health and Safety (OHS) performance data covers 39 756 employees including data from North American operations for the first three quarters of 2007. Some smaller corporate functions and sales offices are not yet included in the Group's OHS statistics.
- Human Resources (HR) data derived from financial accounting (average number of employees and employee distribution by country) covers all employees on the payroll during the year. HR data derived from separately collected HR statistics covers permanent employees as of 31 December 2007.

Due to the fact that the joint venture at Veracel in Brazil, of which Stora Enso owns 50%, has attracted attention among stakeholders, the most significant stakeholder issues with relation to Veracel Mill and its associated plantations are also reported here. However, data from Veracel is not consolidated into the performance data for Stora Enso as a whole.

Environmental and social performance data is reported according to the Group's internal guidelines. The guidelines for environmental liabilities, capital expenditure and operating expenses are based on International Financial Reporting Standards (IFRS) and EU recommendations on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies. Emission factors used for calculating and reporting greenhouse gas emissions are consistent with the World Resource Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.

Environmental and HR performance data is checked internally before data consolidation. All performance data and related texts in this sustainability section of this report have been subjected to an external assurance process by an independent third party (see p. 89).

*Readers requiring more background material about Stora Enso's sustainability management or previous years' reports can visit **www.storaenso.com/sustainability***

*Several Stora Enso units produce unit-specific sustainability reports. These publications can be found at **www.storaenso.com/EMAS***

*For more information on Veracel's sustainability performance, please see the separate sustainability report at **www.veracel.com.br***

AOX
Adsorbable organic halogen compounds – a collective term for the amount of chlorine or other halogens bound to organic matter in waste water.

ATFS
American Tree Farm System – a US forest management certification system.

Biomass
Organic materials such as wood, logging residues and plants, which can be combusted to generate bioenergy.

Biofuels
Solid, liquid or gaseous fuels derived from renewable raw materials, such as bark, logging residuals, other plant material or black liquor.

BOD
Biological Oxygen Demand – a measure of the amount of oxygen consumed by micro-organisms in breaking down organic matter in effluent during a certain period.

CERFLOR
Sistema Brazileiro de Certificação Florestal – a Brazilian forest management certification system endorsed by PEFC.

Chain-of-custody
Certified chain-of-custody systems are used to ensure that wood comes from certified forests. They are established and audited according to rules set by the relevant forest management certification system, for example PEFC or FSC.

Chemical pulp
Pulp produced by using cooking chemicals which dissolve lignin, the natural glue in the wood, to release the cellulose fibres.

Combined heat and power
An efficient, clean, and reliable approach to generating power and thermal energy from a common fuel source.

CO_2
Carbon dioxide – a gas formed during combustion and certain natural processes. Trees utilise carbon dioxide as they grow, through photosynthesis.

COD
Chemical Oxygen Demand – a measure of the amount of oxygen required for the total chemical breakdown of organic substances in water.

Controlled wood
An FSC standard developed for the tracing of wood originating from forests that are not FSC-certified. This standard aims to ensure that FSC-certified products do not contain any wood from unacceptable sources.

CSA
The Canadian Standards Association's Programme for Sustainable Forest Management – a national standard endorsed by PEFC.

EMAS
Eco-Management and Audit Scheme – a voluntary environmental management system applicable in Europe, based on the EU EMAS Regulation.

ESIA
Environmental and Social Impact Assessment – a thorough study of the impact of an investment project on the environmental and social foundation of local communities.

Forest management certification system
A system through which an independent third-party institution assesses and certifies the forest management practises according to its own specific standards. Certification aims to verify that forest management practises are ecologically, socially and economically sustainable .

Fossil fuels
Solid, liquid or gaseous fuels formed in the ground over millions of years by chemical and physical changes in plant and animal residues under high temperature and pressure, e.g. oil, natural gas and coal.

FSC
Forest Stewardship Council – an international forest management certification system.

Greenhouse gases
A collective term for following gases: carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

ISO 14001
A global standard created for corporate environmental management systems by the International Organization for Standardization. Other ISO certifications cover issues including quality management (ISO 9001).

Mechanical pulp
Pulp produced by mechanically grinding logs or wood chips.

NGO
A non-governmental organisation.

Nitrogen
An element that is common as a gas in the atmosphere, and in nitrogen compounds in nutrients that are vital for all plants and animals. Nitrogen may be added as a nutrient to enhance biological waste water treatment processes. Excessive concentrations of nitrogen compounds in water bodies can lead to increased biological activity through eutrophication.

NO_x
A collective term for the nitrogen oxides formed during combustion, which can contribute to the acidification of soil and water.

OHSAS 18001
A global standard created for occupational health and safety management by the International Organization for Standardization.

PEFC
Programme for the Endorsement of Forest Certification schemes – an international forest certification system.

Phosphorus
An element common in nutrients that are vital for all plants and animals. Phosphorus may be added as a nutrient to enhance biological waste water treatment processes. Excessive concentrations of phosphorus compounds in water bodies can lead to increased biological activity through eutrophication.

Recovered paper
Used paper and board collected for re-use as fibre raw material.

SFI
Sustainable Forestry Initiative® program – a North American forest management certification programme endorsed by PEFC.

SO_2
Sulphur dioxide – a gas formed when fuels that contain sulphur, such as oil and coal, are burned. Sulphur dioxide contributes to the acidification of soil and water.

Sustainability
Stora Enso equates sustainability with corporate responsibility in the broadest sense, including economic, environmental and social responsibility.

Traceability
A system used by Stora Enso to trace wood all the way from the forest to wherever it first comes into Stora Enso's possession.

Stora Enso supports the ten principles of the UN Global Compact, which asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. The Global Compact's ten principles are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The table on the right lists the ten principles of the UN Global Compact, and states where information on how Stora Enso addresses these issues is included in this annual report.

Human Rights	Pages
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	36–37, 61–67, 76–81
Principle 2: Businesses should make sure that they are not complicit in human rights abuses.	61–62, 76–79
Labour Standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	76–79
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	76–79
Principle 5: Businesses should uphold the effective abolition of child labour.	61–62, 76–79
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	61–62, 76–79
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges.	95–100
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	58, 68–75, 82–85, 112
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	68–75, 82–85
Anti-Corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	76–77

*Read more at **www.unglobalcompact.org*** csrnetwork is a business focused, corporate social responsibility consultancy organisation, bringing together specialists from the fields of environmental management, social accounting, and sustainable development. www.csrnetwork.com

Scope and objectives

Stora Enso commissioned csrnetwork to undertake an independent assurance of its 2007 sustainability reporting and data.

The scope of our assurance work included:

- Information within the sustainability and human resources sections of the Stora Enso Annual Report 2007 (“Report”) (pp. 32–35 and 56–88), sustainability information presented in the Corporate Governance section (pp. 38–43) and CEO message (pp. 6–11) and data on non-compliance with the environmental permits and country-specific OHS data on the company website;
- Human Resources data and claims for the following indicators: gender, women in management, recruitment and HRD, age distribution, training days and education level, total number of accidents, absenteeism, employee satisfaction;
- Environmental data systems, data and claims except greenhouse gas emissions for carbon trading, environmental costs, liabilities and investments;
- Forestry data and claims;
- ‘Sustainability messages’ included in the CEO message and business area section of the Annual Report;
- Corporate Governance arrangements for sustainability management.

The scope of our work excluded:

- Data and claims for employee numbers, employee distribution and costs and investments in health and safety;
- Economic performance information including political contributions;

The objectives of the assurance process were to check claims and systems for collection of data, and to review the arrangements for the management and reporting of sustainability issues. The assurance process was conducted in accordance with the AA1000 Assurance Standard.

Responsibilities of the managers of Stora Enso and the assurance providers

The managers of Stora Enso have sole responsibility for the preparation of the Annual Report and the Stora Enso website. Our responsibility is to the management of Stora Enso, however our statement represents our independent opinion and is intended to inform all of Stora Enso’s stakeholders including the company management. We were not involved in the preparation of the Report. We have no other contract with Stora Enso and this is the fifth year that we have acted as independent assurance providers. We adopt a balanced approach towards all Stora Enso stakeholders and a Statement of Impartiality relating to our contract with Stora Enso will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract comprised Mark Line, Todd Cort, Katy Anderson, Richard Hughes, Anne Euler and Judith Murphy. Further information, including individual competencies relating to the team can be found at: www.csrnetwork.com

Basis of our opinion

Our work was designed to gather evidence on which to base our conclusions via the following activities:

- Telephone interviews with selected directors and senior managers responsible for management and stakeholder relationships in Stockholm, Helsinki and London to understand Stora Enso’s governance arrangements and management priorities;
- Discussion of Stora Enso’s approach to stakeholder engagement with relevant managers at the Group and site levels, although we undertook no direct engagement with stakeholders to test the findings from these discussions;
- Review of issues raised by external parties that could be relevant to Stora Enso’s policies;
- Two operational site visits to the Oulu Mill, Finland and Wood Supply Sweden’s offices in Falun, Sweden. Site-level sustainability data was reviewed during these visits. We also discussed local management arrangements at each site. In addition, we visited Veracel’s plantation and mill operations in Brazil, to investigate how Stora Enso influences a significant joint venture operation situated in a transitional economy.
- Review of 12-month sustainability data collated at the corporate level, and claims made in the Report. The external assurance team worked in parallel with, but independently from, Stora Enso’s internal data validation processes. We interviewed managers responsible for internal data validation, reviewed their work processes and undertook sample checks on consolidated sustainability data and also sustainability data submitted by the Oulu Mill and Wood Supply Sweden (data from Veracel’s operations are reported separately by Veracel and were not reviewed, although we examined how Stora Enso makes decisions regarding which specific disclosures to make about Veracel in the Annual Report).
- The English language version of the report was used as the basis for the assurance.

Observations:

Materiality

Nothing came to our attention to suggest that material issues have been omitted from the scope of the Report. We found evidence that appropriate systems are in place for monitoring and gathering information on relevant management arrangements and performance.

Stora Enso has developed its approach to the identification and reporting of material issues in 2007. The selection of material issues is now informed by a systematic assessment of issues against stakeholder and company priorities reflecting best practice in sustainability reporting.

Stora Enso has shown progress by combining the discussion of energy and climate targets, per our previous recommendation. To improve future management and reporting, we suggest that an integrated strategy be developed; addressing carbon reduction and energy supply, to achieve Group targets more effectively.

We recommend that Stora Enso should describe its fibre strategy and its criteria for entering new markets more clearly, explaining the sustainability context.

Completeness

On the basis of the method and scope of work undertaken and the information provided to us by Stora Enso:

For Occupational Health and Safety performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level. We are not aware of any errors that would materially affect the group data. However, the processes undertaken by the Group and regions for improving Occupational Health and Safety performance should be made more explicit in the Report, particularly in light of the five fatalities that occurred within the company in 2007. Given the three fatalities at Veracel over the last year, Stora Enso should explain more clearly its strategy for influencing performance amongst its JV operations.

For Raw Materials Data (including Wood Supply data) and Environmental Performance Data (including compliance data), Stora Enso made a significant step forward in data management at the end of 2007 through the introduction of a new Sustainability Data Management (SDM) system. We found three discrepancies in environment and wood supply data: 1) 6% of the CO_2 emissions from fossil fuel use at the Oulu Mill were omitted from SDM – this has been corrected; 2) A 4% error in the percent certified traceability systems was identified – this has been corrected; 3) A 2% discrepancy between 2006 waste data collated from the SDM and that reported last year was found – we anticipate that this issue will be resolved through improved tracking systems within the SDM.

For Social Performance and Employee Well-Being Data (including Employee Relations data), nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level. We are not aware of any errors that would materially affect the group data.

Responsiveness

With the recent restructuring of the Group and the arrival of a new CEO, we have seen a refocusing of sustainability priorities in line with last year’s Sustainability Policy. This has led to clearer messaging around sustainability at Group level. We look forward to seeing how this will impact on regional sustainability programmes – in particular, whether operations will be able to achieve sustainability targets more effectively.

We have seen good examples of mechanisms to drive sustainable practices in regional operations across the Group. There is room to integrate additional mechanisms such as internal audit practices or consistent standards on procurement and contracting to improve the consistency of these practices. Stora Enso should also consider integrating stakeholder feedback into its decision criteria for entering new markets.

csrnetwork ltd
U.K. February 2008

Mark Line, Director	Todd Cort, Consultant	Judith Murphy, Consultant

We are committed to achieving a ROCE of 13% over the cycle.

Key Figures

Key Figures 1998–2007

EUR million	1998	1999	2000	2001	2002	2003	2004	Continuing Operations 2005	2006	2007
Sales	10 490	10 636	13 017	13 509	12 783	12 172	12 396	11 343	12 957	13 374
% change on previous year	4.9	1.4	22.4	3.8	-5.4	-4.8	1.8	-8.5	14.2	3.2
Personnel expenses	1 805	1 738	2 023	2 246	2 308	2 298	*1 908	1 820	1 891	1 884
% of sales	17.2	16.3	15.4	16.6	18.1	18.9	15.4	16.0	14.6	14.1
EBITDA	1 877	2 328	3 472	2 743	2 288	1 672	1 907	1 140	1 721	1 455
Share of profits in associated companies	10	10	21	80	15	-23	39	67	88	341
Depreciation and impairments	1 111	850	1 040	1 116	1 397	1 085	1 082	998	1058	1476
Goodwill amortisation and impairments	65	62	88	152	1 069	116	90	-	9	74
Operating profit	711	1 426	2 365	1 555	-163	448	774	209	742	246
% of sales	6.8	13.4	18.2	11.5	-1.3	3.7	6.2	1.8	5.7	1.8
Non-recurring items (NRI)	-471	103	445	-8	-1 078	-54	399	-229	-143	-926
Operating profit excl. NRI	1 182	1 324	1 920	1 563	915	503	375	438	884	1 172
% of sales	11.3	12.4	14.7	11.6	7.2	4.1	3.0	3.9	6.8	8.8
Net financial expense	380	267	293	344	206	238	106	105	30	169
% of sales	3.6	2.5	2.3	2.5	1.6	2.0	0.9	0.9	0.2	1.3
Profit after net financial items	331	1 160	2 071	1 211	-369	211	668	104	711	77
% of sales	3.2	10.9	15.9	9.0	-2.9	1.7	5.4	0.9	5.5	0.6
Profit after net financial items excl. NRI	802	1 057	1 626	1 219	709	319	269	333	691	1 003
% of sales	7.6	9.9	12.5	9.0	5.5	2.6	2.2	2.9	5.3	7.5
Taxes	-146.0	-397	-642	-296	129	-67	98	29	11	6
Net Profit (attributable to Company shareholders) ***	185	758	1 415	918	-241	138	758	-111	585	-215
Dividend ***	268	304	407	404	392	388	376	365	355	355
Capital expenditure	896	740	769	857	878	1 248	980	1 079	536	784
% of sales	8.5	7.0	5.9	6.3	6.9	10.3	7.9	9.5	4.1	5.9
R&D expenditure	80	84	95	92	92	89	82	88	79	88
% of sales	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.6	0.7
Operating capital	12 854	12 655	16 616	16 538	13 291	13 864	12 108	11 091	11 027	11 121
Capital employed	11 641	11 142	12 550	14 222	12 926	12 094	11 538	10 037	10 199	10 503
Interest-bearing net liabilities ***	5 783	5 524	5 396	5 127	3 267	3 919	3 051	5 084	4 243	2 955
ROCE, %	6.1	12.8	18.8	10.9	-1.3	3.7	6.7	2.3	7.3	2.4
ROCE excl. NRI, %	10.2	11.9	15.3	10.9	7.2	4.2	3.3	4.7	8.7	11.3
Return on equity (ROE), % ***	3.3	12.8	19.7	10.4	-2.8	1.7	9.7	-1.4	7.7	-2.7
Equity ratio, % ***	36.0	38.4	40.6	43.8	44.3	44.7	47.8	41.0	45.3	49.3
Debt/Equity ratio ***	1.04	0.9	0.63	0.58	**0.37	0.49	0.40	0.70	0.54	0.40
Average number of employees	40 987	40 226	41 785	44 275	43 853	44 264	43 779	41 392	41 036	39 239

* Including income relating to the change in the Finnish disability pension scheme

** Adjusted with the initial valuation of IAS 41, Agriculture

*** Figures for 2005, 2006 and 2007 are also total operations figures, including continuing operations and discontinued operations

Financial performance

Quarterly Data

Deliveries by Segment

1 000 tonnes	2005	Q1/06	Q2/06	Q3/06	Q4/06
Newsprint and Book Paper	**2 780**	744	770	764	813
Magazine Paper	**2 709**	647	649	708	761
Fine Paper	**2 788**	805	751	736	730
Consumer Board	**2 398**	644	634	650	609
Industrial Packaging	**942**	252	252	255	247
Other	**56**	30	24	14	0
Total Paper and Board Deliveries Continuing Operations	**11 673**	**3 122**	**3 080**	**3 127**	**3 159**
Wood Products, 1 000 m^3	**6 741**	1 563	1 746	1 589	1 653
Corrugated Board, million m^2	**855**	226	239	248	261

Sales by Segment

EUR million	2005	Q1/06	Q2/06	Q3/06	Q4/06
Newsprint and Book Paper	**1 435.8**	406.6	421.5	427.2	448.7
Magazine Paper	**2 129.6**	533.6	526.7	570.7	589.3
Fine Paper	**2 086.5**	609.3	572.3	538.1	542.1
Merchants	**1 173.3**	496.3	452.6	450.1	508.2
Consumer Board	**2 094.2**	584.5	583.8	603.4	560.2
Industrial Packaging	**849.8**	225.8	241.1	245.3	258.5
Wood Products	**1 623.4**	389.1	425.8	417.8	440.3
Other and elimination	**-49.9**	-53.3	9.4	-40.4	-27.4
Continuing Operations Total	**11 342.7**	**3 191.9**	**3 233.2**	**3 212.2**	**3 319.9**
Discontinued Operations	**1 964.7**	475.4	442.8	486.2	462.4
Elimination	**-119.9**	-59.6	-59.7	-60.3	-50.5
Total	**13 187.5**	**3 607.7**	**3 616.3**	**3 638.1**	**3 731.8**

Operating Profit by Segment excluding NRI

EUR million	2005	Q1/06	Q2/06	Q3/06	Q4/06
Newsprint and Book Paper	**128.0**	55.9	57.6	61.0	57.6
Magazine Paper	**41.1**	24.0	12.3	12.0	22.4
Fine Paper	**56.4**	44.4	50.3	29.8	28.2
Merchants	**3.5**	9.6	2.9	7.7	12.5
Consumer Board	**191.7**	81.3	55.9	64.3	39.4
Industrial Packaging	**41.0**	18.5	18.1	26.1	22.3
Wood Products	**-6.4**	4.1	15.0	22.0	22.3
Other	**-16.8**	37.5	-67.0	23.3	13.1
Continuing Operations Total	**438.5**	**275.3**	**145.1**	**246.2**	**217.8**
NRI	**-229.2**	-23.2	6.7	-163.0	36.6
Operating Profit (IFRS)	**209.3**	**252.1**	**151.8**	**83.2**	**254.4**
Net financial items	**-104.9**	81.3	-67.3	-24.7	-19.6
Profit before Tax and Minority Interests	**104.4**	**333.4**	**84.5**	**58.5**	**234.8**
Income tax expense	**-28.7**	-91.3	-21.6	34.6	67.5
Net Profit from Continuing Operations	**75.7**	**242.1**	**62.9**	**93.1**	**302.3**
Discontinued Operation					
Loss after tax for the period from a Discontinued Operation	**-183.1**	-15.7	-22.0	-36.0	-37.5
Net Profit	**-107.4**	**226.4**	**40.9**	**57.1**	**264.8**

2006	Q1/07	Q2/07	Q3/07	Q4/07	2007
3 091	756	749	753	803	**3 061**
2 765	717	717	774	785	**2 993**
3 022	760	689	696	681	**2 826**
2 537	638	640	632	622	**2 532**
1 006	279	273	257	256	**1 065**
68	0	0	0	0	**0**
12 489	**3 150**	**3 068**	**3 112**	**3 147**	**12 477**
6 551	1 619	1 763	1 545	1 421	**6 348**
974	257	272	284	278	**1 091**

2006	Q1/07	Q2/07	Q3/07	Q4/07	2007
1 704.0	438.7	429.9	430.0	436.3	**1 734.9**
2 220.3	566.6	552.9	587.3	589.5	**2 296.3**
2 261.8	577.0	522.8	529.7	526.7	**2 156.2**
1 907.2	532.9	479.4	474.4	519.3	**2 006.0**
2 331.9	589.6	570.1	562.1	579.1	**2 300.9**
970.7	266.1	274.2	267.8	275.4	**1 083.5**
1 673.0	472.3	525.7	461.4	393.7	**1 853.1**
-111.7	-32.7	0.9	-78.2	52.7	**-57.3**
12 957.2	**3 410.5**	**3 355.9**	**3 234.5**	**3 372.7**	**13 373.6**
1 866.8	487.9	484.3	485.3	449.8	**1 907.3**
-230.1	-43.0	-35.0	-34.9	-24.5	**-137.4**
14 593.9	**3 855.4**	**3 805.2**	**3 684.9**	**3 798.0**	**15 143.5**

2006	Q1/07	Q2/07	Q3/07	Q4/07	2007
232.1	61.1	50.2	52.2	48.4	**211.9**
70.7	13.0	9.6	17.0	12.6	**52.2**
152.7	60.2	34.6	38.6	75.2	**208.6**
32.7	16.6	8.2	7.9	12.2	**44.9**
240.9	72.4	29.0	27.0	29.6	**158.0**
85.0	29.3	29.7	24.9	28.2	**112.1**
63.4	54.8	59.3	37.1	0.0	**151.2**
6.9	19.8	31.8	47.3	133.9	**232.8**
884.4	**327.2**	**252.4**	**252.0**	**340.1**	**1 171.7**
-142.9	-12.0	24.4	-549.4	-388.5	**-925.5**
741.5	**315.2**	**276.8**	**-297.4**	**-48.4**	**246.2**
-30.3	-38.7	-56.1	-26.9	-47.2	**-168.9**
711.2	**276.5**	**220.7**	**-324.3**	**-95.6**	**77.3**
-10.8	-69.3	-41.5	60.2	44.8	**-5.8**
700.4	**207.2**	**179.2**	**-264.1**	**-50.8**	**71.5**
-111.2	15.3	-35.3	-177.0	-86.9	**-283.9**
589.2	**222.5**	**143.9**	**-441.1**	**-137.7**	**-212.4**

Sensitivity Analysis

Prices for paper and board products have historically been cyclical, reflecting overall economic conditions and changes in capacity within the industry; along with volatility in raw material prices, mainly for wood, pulp and energy, and exposure to exchange rates, this affects the profitability of the paper, packaging board and wood products industries.

Group profit is affected by changes in price and volume, though the impact on operating profit depends on the segment. The table below shows the operating profit sensitivity to a +/- 10% change in either price or volume for different segments based on figures for 2007.

Operating Profit: Impact of Changes +/- 10%

EUR million	Price	Volume
Newsprint and Book Paper	173	73
Magazine Paper	230	75
Fine Paper	216	78
Merchants	201	30
Consumer Board	230	81
Industrial Packaging	108	67
Wood Products	185	58

Changes in exchange rates also have an impact on operating profit. The table below shows the effect on annual operating profit of a +/- 10% change in the value of the euro against the US dollar, Swedish krona and British pound. The calculation is made before currency hedges assuming that no changes other than a single currency exchange rate movement takes place.

Operating Profit: Currency Effect +/- 10%

EUR million	
USD	90
SEK	120
GBP	75

The main cost items for Stora Enso are personnel costs and the sourcing of fibre as logs, pulpwood and recovered paper and pulp. For example, a 1% change in personnel costs is EUR 21 million and a 1% change in fibre costs EUR 30 million per year. During the past year the main cost increase was in fibre cost, mainly for wood but also recovered paper. The most important cost items relative to total costs and sales are listed in the associated table.

Composition of Costs and Sales

Costs	% of Costs	% of Sales
Logistics & Commissions	10	9
Manufacturing Costs		
Fibre	25	23
Chemicals and fillers	9	8
Energy	8	7
Production Services and Material	11	10
Personnel	17	16
Other	12	11
Depreciation and Amortisation	**8**	**7**
Total costs/sales	**100**	**91**
Total costs/sales EUR million	**12 202**	**13 374**

About four percentage points of fibre costs are due to externally purchased pulp, which is compensated by sales of market pulp at Group level.

Risk Management

Risk taking is a natural part of business. In its daily work, the management continuously balances risks and opportunities associated with their business, and analyses the potential negative or positive outcomes.

Enterprise risk management involves continuous monitoring of identified material risks and prioritising of risks based on their likelihood at all levels in the organisation, and taking them into account in the strategic and business planning processes. It is also important to identify and manage related opportunities in an efficient manner.

The business areas are responsible for evaluating opportunities and managing risks to which they are exposed. Some specialist corporate functions, such as Treasury, property risk management and the Investment Committee, are responsible for setting up systems, routines and processes in their specific areas to measure and manage the possible realisation of risks and/or the impact of risks.

Stora Enso has established a Corporate Contingency Task Group (CCTG) comprising representatives from relevant Stora Enso functions to deal with unexpected situations and respond to unstructured events or crises. The CCTG's aim is to mitigate loss or damage that Stora Enso may incur outside normal operations, and its main responsibilities are crisis communication, business continuity and disaster recovery.

Risks can be specific to the Group, or related to the industry or a geographical market. Some risks can be managed by the Group, whereas others are outside its control. Stora Enso has identified a number of potential risks that could affect its future profitability and performance. General risks, such as GDP changes, are not included in the list of special risks for Stora Enso.

Stora Enso has categorised risks into four areas: 1) strategic risks, 2) operational risks, 3) hazard risks and 4) financial risks. In order to mitigate the impact of risks and achieve a more stable business, the Group has a policy for managing the risks. The most significant risks for Stora Enso are described below.

Despite the measures taken to manage risks and mitigate the impact of risks, there can be no assurance that such risks, if they occur, will not have a material adverse effect on Stora Enso's business, financial condition, operating profit or ability to meet all financial obligations.

Strategic Risks • Business environment risks • Business development risks • Supplier risks • Availability and acceptability of wood • Human resources risks • Climate change risks • Governance risks	**Operational Risks** • Market risks • Commodity and energy price risks • Labour market disruptions • Supply chain risks • IT security risks
Hazard Risks • Environmental risks • Antitrust risks • Property and business disruption risks • Product safety • Occupational health and safety risks • Personnel security risks • Natural catastrophes	**Financial Risks** • Currency risks • Funding risks • Interest rate risks • Counterparty risks • Customer credit risks

Strategic Risks

Business Environment Risks

Continued competition and supply/demand imbalances in the paper, packaging and wood products markets may have an impact on profitability. The paper, packaging and wood products industries are mature, capital intensive and highly competitive. Stora Enso's principal competitors include a number of large international forest products companies and numerous regional and more specialised competitors.

Economic cycles and changes in consumer preferences may have an adverse effect on demand for certain products, and hence on profitability. The ability to respond to changes in consumer preferences and develop new products on a competitive and economic basis calls for continuous market and end-use monitoring.

Increased input costs such as, but not limited to energy, fibre, other raw materials, transportation and labour may adversely affect profitability. Securing access to reliable low-cost supplies and proactively managing costs and productivity are of key importance.

Changes in legislation, especially environmental regulations, may affect Stora Enso's operations. Stora Enso follows, monitors and actively participates in the development of environmental legislation to minimise any adverse effects on its business. Tighter environmental legislation may affect fibre sourcing or production costs.

Business Development Risks
Business development risks are mainly related to Stora Enso's strategy. The Company aims to increase profitability through organic growth and selective mergers and acquisitions in its core businesses, mainly in growth markets, and through operational improvements in the existing production base.

Stora Enso aims to reduce the volatility of its business by making its portfolio less cyclical.

The value of investments in the growth markets may be affected by political, economic and legal developments in those countries. Stora Enso's operations in such countries are also affected by local cultural and religious factors, environmental and social issues and the ability to cope with local and international stakeholders. Stora Enso is also exposed to risk related to reorganisations and improvements in existing establishments.

For Stora Enso, development may partially be dependent on acquisitions or mergers. However, there are risks related to potential mergers and acquisitions, which Stora Enso manages through its corporate merger and acquisition guidelines and due diligence process. These guidelines ensure Stora Enso's strategic and financial targets, and risks related to environmental and social responsibility are taken into account.

Business development risks also include risks related to the supply and availability of natural resources, raw materials and energy.

In addition, a few significant shareholders might influence or control the direction of the business.

Supplier Risks
In many areas Stora Enso is dependent on suppliers and their ability to deliver a product at the right time and of the right quality. As the table "Composition of Costs and Sales" on p. 94 shows, the most important inputs are fibre, transport, chemicals and energy, and in capital investment projects machinery and equipment. For some of these inputs, the limited number of suppliers is a risk. The Group therefore uses a wide range of suppliers and monitors them to avoid situations that might jeopardise continued production or development projects.

Availability and Acceptability of Wood
Reliance on imported fibre may cause disruptions in the supply chain and oblige the Group to pay higher prices or alter manufacturing operations. Economic, political, legal or other difficulties or restrictions in Russia and the Baltic States, and increasing domestic demand for raw material due to further development of their forest products industries may halt or limit the supply of raw material from these countries.

Environmental and social responsibility in wood procurement and forest management is a prime requirement of stakeholders. Failing to ensure that the origin of wood used by the Group is acceptable could have serious consequences in markets. Stora Enso manages this risk through its Principles for Sustainable Wood and Fibre Procurement and Land Management, which set the basic requirements for all Stora Enso wood procurement operations. Traceability systems are used to document that all wood and fibre come from legal and acceptable sources. Forest management certification and chain-of-custody certification are other tools for managing risks related to the acceptability of wood.

Human Resources Risks
Developing a competent workforce and managing key talent throughout Stora Enso's global organisation are crucial to business development, especially at a time of restructuring and redundancies due to divestments and closures. Through a combination of surveys and other assessments, Stora Enso evaluates the competence levels of its workforce, and assesses its management talent pool. Stora Enso manages its competence and training risks through structured training programmes and has an annual succession planning process to manage the risk of loss of key talent.

Climate Change Risks
Stora Enso is committed to contributing to mitigating the effects of climate change by actively seeking opportunities to reduce the Group's carbon footprint. Risks related to climate change are managed via activities related to finding clean, affordable and safe energy sources for production and transportation, and reducing energy consumption. Additional measures include energy efficiency initiatives, use of carbon-neutral biomass, utilisation of combined heat and power, and sequestration of carbon dioxide in forests and forest products. Wood products provide an alternative to more carbon intensive products.

Governance Risks
Stora Enso is a large international Group containing a variety of operational and legal structures, so clear governance rules are essential. Stora Enso has well-defined Corporate Governance with bodies that have different tasks and responsibilities to ensure structured handling of all important issues regarding the development of the Group. One example is the Investment Committee, which analyses risks related to a new investment before any decision is taken.

Stora Enso's Communications Policy emphasises the importance of transparency, credibility, responsibility, proactivity and interaction. It was formulated from the communications practices of the Group, which follow laws and regulations applicable to the Company.

Operational Risks
Market Risks
The risks related to factors such as demand, price, competition, customers, suppliers and raw materials are regularly monitored by each business area and unit as a routine part of its business. These risks are also monitored and evaluated by the corporate functions Finance and Strategy to get a perspective of the Group's total asset portfolio and overall long-term profitability potential.

Product prices, which tend to be cyclical in this industry, are affected by changes in capacity and production within the industry. Customer demand for products, which also affects the product price level, is influenced by general economic conditions and inventory levels. Changes in prices differ between products and geographic regions.

Changes in raw material and energy costs can also affect profitability, as fibre accounts for some 25% and energy some 8% of Stora Enso's production costs. The table "Composition of Costs and Sales" on p. 94 shows Stora Enso's major cost items.

Commodity and Energy Price Risk

Reliance on outside suppliers for natural gas, coal and the majority of electricity consumed leaves the Group susceptible to changes in energy market prices and disturbances in the supply chain. In 2007, external suppliers covered about 40% of Stora Enso's electricity needs in Finland and Sweden. The corresponding figure in North America was 80% and in Continental Europe 60%.

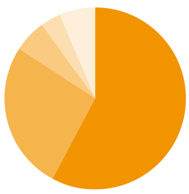
The Group applies consistent long-term energy risk management. The price and supply risks are mitigated through physical long-term contracts and financial derivatives. The Group hedges price risks in raw material and end product markets, and supports development of financial hedging markets.

Labour Market Disruptions

A significant portion of Stora Enso employees are members of labour unions. There is a risk that the Group may face labour market disruptions that could interfere with operations and have material adverse effects on the business, financial conditions and profitability, especially at a time of restructuring and redundancies due to divestments and closures. The majority of employees are represented by labour unions under several collective agreements in different countries where Stora Enso operates, so relations with unions are of high priority.

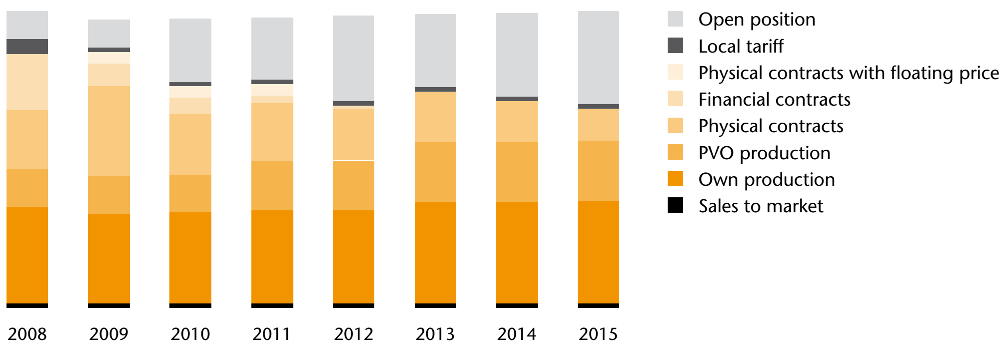
Labour negotiations in Sweden started in 2007 and they are expected to be concluded in 2008. Labour agreements in Finland and Germany will be negotiated in 2008.

Energy Spend Specification 2007



Electricity Consumption

Hedging Profile



Stora Enso has a long time-horizon in its electricity procurement: ~75% of forecast consumption is contracted until 2015.

Supply Chain Risks

Managing risks related to suppliers and subcontractors is important to Stora Enso. The ability of suppliers and subcontractors to meet quality stipulations and delivery times is crucial to the efficiency of production and investments. Suppliers and subcontractors must also comply with Stora Enso's sustainability requirements as they are part of Stora Enso's value chain, and their sustainability performance could harm Stora Enso and its reputation.

Information Technology (IT) Risks

Stora Enso operates in a business environment where information has to be available to support the business processes.

The Stora Enso Corporate IT function provides an Information Risk Management System to identify IT risks and regulatory requirements. Standardisation of business applications, IT infrastructure and IT processes (ITIL) is a very important cornerstone of IT risk management. These activities reduce risks related not only to internal control and financial reporting, but also to the operation of the whole production environment.

Hazard Risks

Environmental Risks

Stora Enso may face high compliance and clean-up costs under environmental laws and regulations, which could reduce profit margins and earnings. These risks are minimised through environmental management systems and environmental due diligence for acquisitions and divestments, and indemnification agreements where effective and appropriate clean-up projects are required. Clean-up projects are naturally related to mill closures.

Antitrust Risks

Stora Enso's Competition Law Compliance Programme is continuously kept up to date. The current version dates from August 2006. The programme clearly states Stora Enso's support of free and fair competition, and Stora Enso's commitment to complying with competition laws. This commitment is an integral part of Stora Enso's Code of Ethics and Business Practice Principle. Stora Enso is continuing to take action to emphasise its commitment to compliance through corporate policies and training. For details of competition law compliance, see p. 77.

Property and Business Disruption Risks

Protecting production assets is a high priority for Stora Enso to achieve the target of avoiding any unplanned production stoppages. This is done by structured methods of identifying, measuring and controlling different types of risk. Stora Enso Corporate Risk Management (CRM) handles these tasks together with insurance companies. Each year a number of technical risk inspections are carried out at production units. A Risk Management Policy, various risk assessment tools and specific loss prevention programmes are also used.

Planned stoppages for maintenance and other work are important in keeping machinery in good condition.

Striking a balance between accepting risks and avoiding, mitigating or transferring risks is a high priority. CRM is responsible for ensuring that the Group has adequate insurance cover and supports units in their loss prevention work. Optimising the total cost of risks is facilitated by the use of the Group's own captives.

Product Safety

Among the uses for Stora Enso paper and board are various food contact applications for which food and consumer safety issues are important. The mills producing these products have established or are working towards certified hygiene management systems based on risk and hazard analysis. In addition, all Stora Enso mills have certified ISO quality management systems.

Occupational Health and Safety (OHS) Risks

Stora Enso's target is that workplaces are free from accidents and work-related illnesses, and that employees are healthy and have good working ability. Workplace accidents cause human suffering and often temporary interruption of production and other operations. Safety can be improved and operational continuity ensured through adequate OHS management based on risk assessment. Stora Enso must also be prepared for major epidemics and even pandemics originating from the surrounding society.

Personnel Security Risks

Personnel security can never be compromised, so Stora Enso has to be aware of potential security risks and give adequate guidelines to people for managing risks related to, for example, travel, work and living in countries with security or crime concerns. Focusing on the security of key personnel is also important from a business continuity perspective.

Natural Catastrophes

Stora Enso has to acknowledge that natural catastrophes such as storms, flooding, earthquakes or volcanic activity may affect the Group's premises and operations. However, most of the Group's assets are located in areas where the probability of flooding, earthquakes and volcanic activity is low. The outcome of such catastrophes can be diminished by emergency and business continuity plans that have been proactively designed together with the relevant authorities.

Financial Risks

The objective of financial risk management is to decrease earnings volatility and increase predictability through the use of financial instruments. The Group has defined objectives and principles for financial risk management in the financial risk policy for Stora Enso. The policy is regularly reviewed and approved by Stora Enso's Board of Directors. Compliance is monitored by internal controls and Internal Audit.

Stora Enso is exposed to different kinds of market risk, such as currency risk, funding risk, interest rate risk and counterparty risk. Stora Enso measures financial risk on a daily basis at several levels using various methods.

Currency Risks

Stora Enso is exposed to transaction and translation risks. Transaction risk is the risk that earnings could be adversely affected by foreign exchange rate movements, whereas translation risk is the balance sheet exposure to those movements.

In respect of the exposure to exchange rate fluctuations of the value of the net assets comprising shareholders' equity, Group policy is to decrease this risk by funding investments in the same currency as net assets wherever this is possible and economically viable. The Group has therefore hedged exposures in USD, PLN, SEK and CZK under the IAS 39 hedge accounting rules for net investment in foreign entities. The following table shows the EUR equivalent amount of these hedges.

Translation Risk and Hedges as at 31 December 2007

EUR million	Euro Area	USA	Sweden	Czech Republic	Poland	Brazil	Other	Total
Capital employed, excluding associated companies	5 625	282	2 029	151	212	196	854	9 349
Associated companies	210	41	383			508	12	1 154
Net interest-bearing liabilities	-2 282	94	-482	26	75	8	-394	-2 955
Minority interests	-6		-3		-14	-27	-22	-72
Translation Exposure on Equity	**3 547**	**417**	**1 927**	**177**	**273**	**685**	**450**	**7 476**
Liability hedges*	467	-361	-106					
Other hedges*								
EUR/PLN	111				-111			
EUR/CZK	132			-132				
Translation Exposure after Hedges	**4 257**	**56**	**1 821**	**45**	**162**	**685**	**450**	**7 476**

* Long-term debt, forward contracts or currency options classified as hedges of investments in foreign assets

Relating to the transaction risk, the hedging policy of Stora Enso is to hedge 50% of the net transaction exposure in a specific currency. In addition to these operational hedges, Group exposures may be hedged under the authority of Senior Management.

Indirect currency effects, such as when a product becomes cheaper to produce elsewhere, have an impact on prices. If this change becomes permanent, structural adjustments may be needed.

Transaction Risk and Hedges in Main Currencies as at 31 December 2007

EUR million	EUR	USD	GBP	SEK	JPY	Other	Total
Sales during 2007	7 800	1 500	900	1 400	300	1 400	13 300
Costs during 2007	-7 300	-600	-200	-2 400	0	-1 200	-11 700
Net operating cash flow*	**500**	**900**	**700**	**-1 000**	**300**	**200**	**1 600**
Transaction Hedges as at 31 Dec		395	327	-742	85		
Hedging Percentage as at 31 Dec, %* **		44	47	56/74**	28		
Average Hedging % during 2007		31	32	40/53**	30		

* Continuing operations excluding NRI

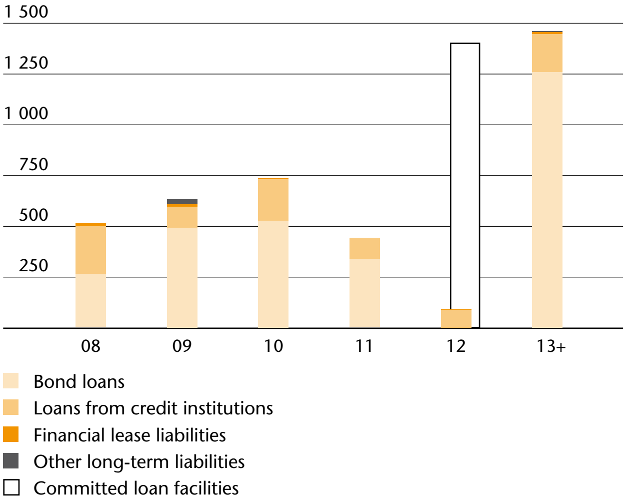
** 56% and 40% represent the hedging ratios including the profit margin of the Swedish production units. Hedging ratios 74% and 53% exclude the profit margin

*** next 12 months

Funding Risks
Stora Enso's funding policy states that the average maturity of outstanding loans and committed credit facilities covering short-term borrowings should be at least four years and at the most seven years. The policy further states that the Group must have committed credit facilities to cover planned funding needs, the current portion of long-term debt, commercial paper borrowings and other uncommitted short-term loans.

Debt Repayment Schedule as at 31 December 2007

EUR million



Stora Enso considers the maintenance of two investment grade ratings an important target; the present rating and outlook from Moody's and Standard & Poor's are shown on p. 55.

Interest Rate Risks
Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the industry, the Group has an interest rate risk policy to synchronise the interest cost with the earnings. The interest rate duration benchmark is 12 months with a deviation mandate of 3 to 24 months. In order to achieve this benchmark, fixed interest rates are swapped to floating using derivatives. A one percentage point parallel shift upwards in interest rates is equal to a EUR 31 million impact on net interest expenses provided that the duration and the funding structure of the Group stays constant during the year.

Counterparty Risks
Counterparty risk is the risk Stora Enso faces in transacting with financial counterparties. For financial contracts, risk is minimised by making agreements only with leading financial institutions and industrial companies that have a high credit rating. Funds can be invested in counterparties with a credit rating equal to or better than A1/P1 short-term or AA-/aa3 long-term rating. Counterparty risk is closely monitored, with the total exposure calculated on a regular basis.

Customer Credit Risks
Outstanding trade receivables represent a short-term credit risk. The Group has therefore established a Corporate Credit Policy setting out the internal rules and methods to evaluate customers. All customers are regularly assessed accordingly on their creditworthiness, with their receivables being carefully controlled.

Country risks are monitored on a continuous basis and credit granting is restricted in countries where the political and/or economic situation is unstable. Currently, 83% of the Group's trade receivables originates from the European Union and North America, which represent a very low risk.

Weighted Average Cost of Capital

The Group's weighted average cost of capital (WACC) represents the aggregate cost of debt and equity. The cost of equity represents a risk-free long-term interest rate of 4.2% with an added equity risk premium of 4%, giving an aggregate cost after tax of 8.2%. The pre-tax cost of equity is approximately 11.6% and, with a debt/equity ratio of 0.80 and using a spread of 1.7% on the debt, the WACC before tax is around 9.1%, being the figure comparable to return on capital employed (ROCE). The corresponding WACC after tax is 6.4%.

The rate of return required on all Stora Enso investments is defined in terms of WACC and must over time exceed WACC in order to create additional value. The return requirement level set above applies to the Stora Enso Group. For investments in some regions or countries a risk premium is added to the risk-free rate to take into account uncertainties and the additional risk of doing business there. Stora Enso also adjusts the return requirement for different businesses based on earnings volatility and perceived business risk.

All development investments in Stora Enso must meet the above requirements. The risk and return requirement for an investment is reviewed continuously by the Investment Committee. During 2007 the committee audited eight major projects started up in 2004 and 2005 to collect and share experience for future investment projects.

Read more about
- *Risk Management in Note 2 on pp. 126–128*
- *Financial Instruments in Note 27 on pp. 180–182*
- *Debt Investors and Funding Structure on p. 55*
- *Corporate Governance on pp. 38–47*
- *Investment Committee on p. 42*
- *Energy Efficiency on pp. 68–71*
- *Competition Law Compliance on p. 77*

Comparatives

Comparative figures in tables are given for the previous two years for both Balance Sheet and Income Statement items; comparatives in the text are given in brackets for the previous year unless otherwise stated.

Markets and Deliveries

Global demand for newsprint declined by 1% in 2007 as advertising spending and daily newspaper circulations decreased, especially in the USA where demand dropped by 10%. In Europe demand was unchanged. Asian demand excluding Japan was up 6%, with China contributing two-thirds of this increase.

Demand for printing and writing paper grew slowly in 2007 with global demand for the year 1% higher than in 2006. Growth in emerging markets such as Eastern Europe and China was strong, while demand in North America declined by 3%, mainly due to weakness in the economy. In Western Europe demand for printing and writing paper rose by over 2% and the demand for all sub-grades also increased, with coated magazine paper demand growing fastest by nearly 4%. Exports from Europe to other regions declined, especially in coated magazine paper.

Demand for cartonboard has remained steady and was stronger than in 2006 in Europe and North America. There was significant growth in demand in Eastern Europe and China.

Demand for wood products was strong in the first half of 2007, but the market became heavily oversupplied in the latter half of the year. The situation deteriorated further towards the end of the year as a result of weaker seasonal demand in Europe and continuing difficult market conditions in Japan and North America.

Estimated Consumption of Paper and Board in 2007

Tonnes, million	Europe	North America	Asia & Oceania
Newsprint	11.0	8.9	13.8
Uncoated magazine paper	6.4	6.1	2.1
Coated magazine paper	8.2	6.0	3.4
Uncoated fine paper	*9.7	12.3	23.1
Coated fine paper	*8.3	6.0	12.4
Cartonboard	**6.2	13.1	**18.5
Sawn softwood (million m^3)	104	113	n/a

* Excl. specialities

** Incl. folding boxboard, solid bleached and unbleached board, white lined chipboard, excl. liquid packaging board

Source: International softwood conference, PPPC, RISI, Stora Enso

The Group's paper and board deliveries from continuing operations totalled 12 477 000 tonnes in 2007, approximately the same as in the previous year. Production decreased by 88 000 tonnes to 12 459 000 tonnes. Deliveries of wood products decreased by 203 000 m^3 to 6 348 000 m^3. Market-related production curtailments totalled 179 000 (389 000) tonnes.

Deliveries by Segment from Continuing Operations

	Year Ended 31 December			Change	Curtailments	
1 000 tonnes	**2005**	**2006**	**2007**	**%**	**2006**	**2007**
Newsprint and Book Paper	2 780	3 091	3 061	-1	31	28
Magazine Paper	2 709	2 765	2 993	8	269	116
Fine Paper	2 788	3 022	2 826	-6	8	-
Consumer Board	2 398	2 537	2 532	0	68	35
Industrial Packaging	942	1 006	1 065	6	13	-
Other	56	68	-	-100	-	-
Total Paper and Board Deliveries	**11 673**	**12 489**	**12 477**	**0**	**389**	**179**
Wood Products, 1 000 m^3	6 741	6 551	6 348	-3		
Corrugated Board, million m^2	855	974	1 091	12		

Financial Results

The divested Stora Enso North America, Inc has been classified as a discontinued operation under IFRS and its net loss is reported in a single line after the net profit of continuing operations. Non-recurring items in continuing operations, mainly relating to fixed assets and goodwill impairment charges and restructuring provisions, totalled EUR 925.5 million. Valuation change of forest assets holdings in associated companies created non-cash gains of EUR 267 million.

Sales from continuing operations at EUR 13 373.6 million were EUR 416.4 million or 3.2% higher than in 2006, mainly due to clearly higher average prices for wood products and industrial packaging, and increased deliveries in Industrial Packaging and Magazine Paper as market demand improved. The acquisition of Arapoti Mill in September 2006 increased Magazine Paper deliveries by 121 000 tonnes compared with 2006, but this was largely offset by the divestment of Celbi Pulp Mill in July 2006 and permanent shutdown of Berghuizer Mill in 2007. Deliveries of wood products were 3.1% lower, mainly due to market-related production curtailments at sawmills in the fourth quarter of 2007.

Operating profit from continuing operations excluding non-recurring items increased by EUR 287.3 million to EUR 1 171.7 million and operating profit, excluding non-recurring items, non-operational items and valuation gains in forest assets in associated companies, increased by EUR 34.2 million to EUR 906.0 million. Operating profit increased significantly in Wood Products as the higher average sales prices more than offset the increase in average wood costs. Operating profit was clearly lower in Consumer Board, mainly due to higher wood costs and production curtailments at Enocell Pulp Mill. Operating profit was lower in Newsprint despite higher newsprint prices, because wood, recovered paper and energy costs rose. Magazine Paper operating profit was lower as sales prices decreased while recovered paper and wood costs increased. Operating profit was higher in Fine Paper because higher office paper prices more than offset the increase in wood costs and the divested Celbi Pulp Mill's EUR 29.1 million operating profit impact in the comparative year 2006. Industrial Packaging operating profit improved mainly due to higher prices and volumes.

Changes in exchange rates, related mainly to the weakening of the US dollar, decreased operating profit from continuing operations by some EUR 60 million net of currency hedges compared with 2006.

Operating profit from continuing operations including non-recurring items totalled EUR 246.2 (EUR 741.5) million. The non-recurring items in operating profit amounted to EUR -925.5 million, of which EUR -559.4 million relates to fixed assets and goodwill impairment charges recorded in September 2007. These impairment charges arose from a number of factors including the rising trend in wood costs, the poor outlook for magazine paper, rising interest rates and adverse currency movements. In October a further EUR -335.5 million of non-recurring items were recorded in respect of the planned restructuring in Kymenlaakso, Kemijärvi, Norrsundet and Group administration. At year-end, an additional EUR -53.0 million was recorded in respect of other provisions and write-downs due to various additional personnel reductions, site clearance and spare part write-downs. A positive non-recurring item of EUR 24.4 million resulted from profit on the sale of merchant warehouses and office properties in Sweden and Denmark in the second quarter.

Operating profit for 2007 includes a positive impact of EUR 267 million as a result of IAS 41 fair valuation of forest asset holdings, mainly due to higher estimated wood prices and increased harvesting volume estimates in the associated companies Bergvik Skog AB (EUR 163 million) in Sweden, Tornator Oy (EUR 65 million) in Finland and Veracel Celulose S.A. (EUR 39 million) in Brazil. These non-cash items are reported in the segments Fine Paper EUR 39 million and Other EUR 228 million.

Income Statement in Brief

	Year Ended 31 December			Change	Per Share, EUR		
EUR million	**2005**	**2006**	**2007**	**%**	**2005**	**2006**	**2007**
Continuing Operations:							
Sales	**11 342.7**	**12 957.2**	**13 373.6**	**3.2**	**14.20**	**16.43**	**16.96**
EBITDA excl. NRI	1 279.8	1 697.4	1 634.3	-3.7	1.60	2.15	2.07
Operating profit excl. NRI	438.5	884.4	1 171.7	-	0.55	1.12	1.47
Non-recurring items	-229.2	-142.9	-925.5	-	-0.29	-0.18	-1.17
Operating Profit	**209.3**	**741.5**	**246.2**	-	**0.26**	**0.94**	**0.31**
Net financial items	-104.9	-30.3	-168.9	-	-0.13	-0.04	-0.21
Profit before Tax	**104.4**	**711.2**	**77.3**	-	**0.13**	**0.90**	**0.10**
Income tax	-28.7	-10.8	-5.8	-	-0.04	-0.01	-0.01
Net Profit for the Period from Continuing Operations	**75.7**	**700.4**	**71.5**	-	**0.09**	**0.88**	**0.09**
Loss after tax for the period from a discontinued operation	-183.1	-111.2	-283.9		-0.23	-0.14	-0.36
Net Profit/ (Loss) for the Period from Total Operations	**-107.4**	**589.2**	**-212.4**		**-0.14**	**0.75**	**-0.27**
Minority interests	-3.7	-4.2	-2.3	-	0.00	-0.01	0.00
Net Profit attributable to Company Shareholders from Total Operations	**-111.1**	**585.0**	**-214.7**	-	**-0.14**	**0.74**	**-0.27**
Net Profit for the Period excl. NRI from Total Operations	**226.6**	**435.3**	**691.3**	-	**0.28**	**0.55**	**0.88**

Sales, Operating Profit and Return on Operating Capital by Segment from Continuing Operations

	Sales			Operating Profit			ROOC, % *		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	1 435.8	1 704.0	1 734.9	128.0	232.1	211.9	8.8	16.7	15.7
Magazine Paper	2 129.6	2 220.3	2 296.3	41.1	70.7	52.2	2.1	3.5	2.7
Fine Paper	2 086.5	2 261.8	2 156.2	56.4	152.7	208.6	2.5	7.1	9.8
Merchants	1 173.3	1 907.2	2 006.0	3.5	32.7	44.9	0.8	5.5	8.6
Consumer Board	2 094.2	2 331.9	2 300.9	191.7	240.9	158.0	9.2	11.9	8.4
Industrial Packaging	849.8	970.7	1 083.5	41.0	85.0	112.1	6.7	13.6	17.1
Wood Products	1 623.4	1 673.0	1 853.1	-6.4	63.4	151.2	-0.8	8.0	18.8
Other	-49.9	-111.7	-57.3	-16.8	6.9	232.8	-	-	-
Total excl. NRI	**11 342.7**	**12 957.2**	**13 373.6**	**438.5**	**884.4**	**1 171.7**	**4.7**	**8.7**	**11.3**
Non-recurring items	-	-	-	-229.2	-142.9	-925.5	-	-	-
Total	**11 342.7**	**12 957.2**	**13 373.6**	**209.3**	**741.5**	**246.2**	**2.3**	**7.3**	**2.4**

* ROOC = Return On Operating Capital, Group figures represent Return On Capital Employed ("ROCE")

External Sales by Destination and Origin from Continuing Operations

	Sales by Destination		Sales by Origin		Balance of Trade
EUR million	**2007**	**%**	**2007**	**%**	**2007**
Austria	330.4	2.5	413.0	3.1	82.6
Baltic States	227.6	1.7	338.2	2.5	110.6
Belgium	308.4	2.3	359.5	2.7	51.1
Czech Republic	182.9	1.4	246.5	1.8	63.6
Denmark	161.4	1.2	59.6	0.4	-101.8
Finland	908.5	6.8	4 198.4	31.4	3 289.9
France	914.0	6.8	403.2	3.0	-510.8
Germany	2 503.7	18.7	2 288.3	17.1	-215.4
Italy	424.6	3.2	15.2	0.1	-409.4
Netherlands	627.1	4.7	344.7	2.6	-282.4
Poland	377.4	2.8	267.7	2.0	-109.7
Portugal	45.3	0.3	-	-	-45.3
Spain	529.8	4.0	116.1	0.9	-413.7
Sweden	1 208.0	9.0	3 346.1	25.0	2 138.1
UK	1 011.9	7.6	47.6	0.4	-964.3
Russia	314.4	2.4	243.6	1.8	-70.8
Other Europe	964.4	7.1	233.9	1.8	-730.5
Total Europe	**11 039.8**	**82.5**	**12 921.6**	**96.6**	**1 881.8**
Africa	267.7	2.0	-	-	-267.7
Australia / New Zealand	129.7	1.0	5.3	0.0	-124.4
Brazil	181.4	1.4	306.7	2.3	125.3
Canada	7.8	0.1	-	-	-7.8
China (incl. Hong Kong)	241.4	1.8	102.1	0.8	-139.3
Japan	352.4	2.6	0.2	0.0	-352.2
Other Asia	332.4	2.5	9.9	0.1	-322.5
Middle East	348.8	2.6	-	-	-348.8
USA	268.0	2.0	27.6	0.2	-240.4
Other Latin America	170.3	1.3	-	-	-170.3
Others	33.9	0.2	0.2	0.0	-33.7
Total	**13 373.6**	**100.0**	**13 373.6**	**100.0**	**0.0**

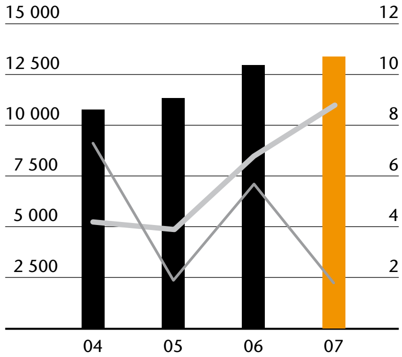
NRI by Quarter for Continuing Operations

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007
Operating Profit Includes					
Impairment of fixed assets and goodwill	-12.0	-	-559.4	-	-571.4
Fixed asset disposals	-	24.4	10.0	-	34.4
Reorganisation and restructuring	-	-	-	-335.5	-335.5
Other	-	-	-	-53.0	-53.0
Operating Profit Total	**-12.0**	**24.4**	**-549.4**	**-388.5**	**-925.5**
Tax Includes					
Tax impact of NRI	0.0	1.6	106.7	108.7	217.0
Tax Total	**0.0**	**1.6**	**106.7**	**108.7**	**217.0**
Impact on Net Profit	**-12.0**	**26.0**	**-442.7**	**-279.8**	**-708.5**

Continuing Operations

Sales and Operating Profit

EUR million %



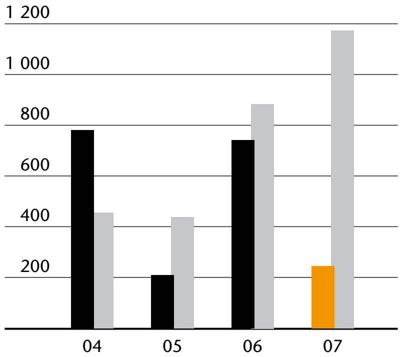
Sales

Operating profit as % of sales

Operating profit excl. NRI, as % of sales

Operating Profit

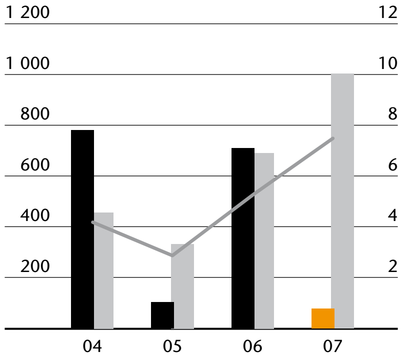
EUR million



Excluding NRI

Profit before Tax and Minority Interests

EUR million %

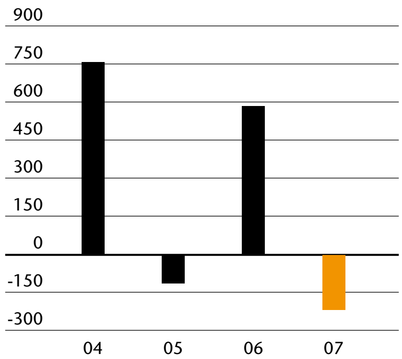


Profit before tax and minority interests excl. NRI, as % of sales

Excluding NRI

Profit for the Period *

EUR million

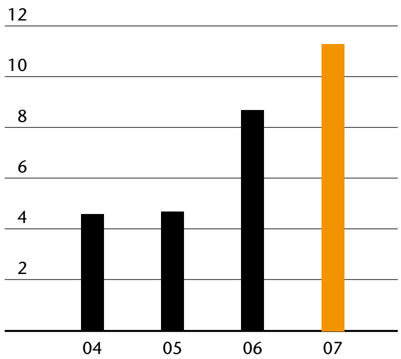


Total operations

* attributable to Company shareholders

Return on Capital Employed (ROCE)

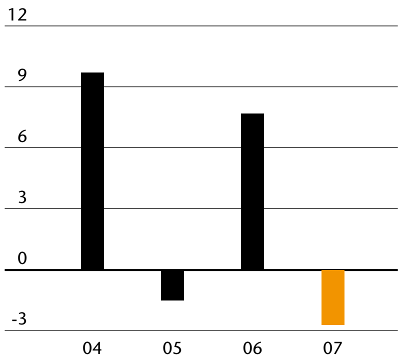
%



Excluding NRI

Return on Equity (ROE)

%



Total operations

NRI by Segment

EUR million	2005	2006	Q1/07	Q2/07	Q3/07	Q4/07	2007
Newsprint and Book Paper	-4.7	1.3	-	-	-	-110.0	-110.0
Magazine Paper	-101.0	-163.6	-	-	-218.0	-231.0	-449.0
Fine Paper	-40.4	58.5	-		-32.6	21.0	-11.6
Merchants	-7.4	0.4	-	24.4	-	-	24.4
Consumer Board	-16.3	-4.9	-	-	-186.8	-12.5	-199.3
Industrial Packaging	-2.6	1.7	-	-	-5.9	-1.0	-6.9
Wood Products	-52.6	-20.7	-12.0	-	-106.1	-	-118.1
Other	-4.2	-15.6	-	-	-	-55.0	-55.0
Continuing Operations Total	**-229.2**	**-142.9**	**-12.0**	**24.4**	**-549.4**	**-388.5**	**-925.5**
Discontinued operations	-188.1	9.2	44.0	-11.6	-	-28.3	4.1
Total Operating Profit	**-417.3**	**-133.7**	**32.0**	**12.8**	**-549.4**	**-416.8**	**-921.4**

Newsprint and Book Paper

Operating profit excluding non-recurring items was EUR 211.9 (EUR 232.1) million, a decrease of EUR 20.2 million on 2006 mainly due to increased recovered paper, wood and energy costs. Production curtailments totalled 28 000 (31 000) tonnes.

EUR million	2005	2006	2007
Sales	1 435.8	1 704.0	1 734.9
Operating profit*	128.0	232.1	211.9
% of sales	8.9	13.6	12.2
Operating capital 31 December	1 394.7	1 390.5	1 191.7
ROOC, %**	8.8	16.7	15.7
Average number of employees	3 363	2 945	2 813
Deliveries, 1 000 t	2 780	3 091	3 061
Production, 1 000 t	2 806	3 096	3 061
Market-related production curtailments 1 000 t	17	31	28

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Magazine Paper

Operating profit excluding non-recurring items was EUR 52.2 (EUR 70.7) million, a decrease of EUR 18.5 million on 2006 mainly due to decreased sales prices and increased recovered paper costs. Production curtailments totalled 116 000 (269 000) tonnes.

EUR million	2005	2006	2007
Sales	2 129.6	2 220.3	2 296.3
Operating profit*	41.1	70.7	52.2
% of sales	1.9	3.2	2.3
Operating capital 31 December	2 100.6	2 013.3	1 572.8
ROOC, %**	2.1	3.5	2.7
Average number of employees	5 312	5 292	5 216
Deliveries, 1 000 t	2 709	2 765	2 993
Production, 1 000 t	2 745	2 772	2 951
Market-related production curtailments 1 000 t	36	269	116

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Fine Paper

Operating profit excluding non-recurring items was EUR 208.6 (EUR 152.7) million, an increase of EUR 55.9 million on 2006 mainly due to the non-cash forest valuation gain of EUR 39 million in associated company Veracel and additionally due to increased sales prices for uncoated wood free office paper and increased graphic paper deliveries, partly offset by increased wood costs. Production curtailments totalled 0 (8 000) tonnes.

EUR million	2005	2006	2007
Sales	2 086.5	2 261.8	2 156.2
Operating profit*	56.4	152.7	208.6
% of sales	2.7	6.8	9.7
Operating capital 31 December	2 299.0	2 002.3	2 174.4
ROOC, %**	2.5	7.1	9.8
Average number of employees	5 288	4 550	3 845
Deliveries, 1 000 t	2 788	3 022	2 826
Production, 1 000 t	2 834	3 032	2 856
Market-related production curtailments 1 000 t	9	8	-

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Merchants

Operating profit excluding non-recurring items was EUR 44.9 (EUR 32.7) million, an increase of EUR 12.2 million on 2006 mainly due to increased sales volume and effective cost management.

EUR million	2005	2006	2007
Sales	1 173.2	1 907.2	2 006.0
Operating profit*	3.5	32.7	44.9
% of sales	0.3	1.7	2.2
Operating capital 31 December	666.9	535.9	500.7
ROOC, %**	0.8	5.5	8.6
Average number of employees	2 095	3 177	3 103

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Consumer Board

Operating profit excluding non-recurring items was EUR 158.0 (EUR 240.9) million, a decrease of EUR 82.9 million on 2006 mainly due to increased wood costs and production curtailments at the Enocell Pulp Mill. Board production curtailments totalled 35 000 (68 000) tonnes.

EUR million	2005	2006	2007
Sales	2 094.2	2 331.9	2 300.9
Operating profit*	191.7	240.9	158.0
% of sales	9.2	10.3	6.9
Operating capital 31 December	2 090.4	1 997.9	1 702.2
ROOC, %**	9.2	11.9	8.4
Average number of employees	5 086	4 857	4 519
Deliveries, 1 000 t	2 398	2 537	2 532
Production, 1 000 t	2 434	2 566	2 533
Market-related production curtailments 1 000 t	16	68	35

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Industrial Packaging

Operating profit excluding non-recurring items was EUR 112.1 (EUR 85.0) million, an increase of EUR 27.1 million on 2006 mainly due to increased sales prices and sales volume. Production curtailments totalled 0 (13 000) tonnes.

EUR million	2005	2006	2007
Sales	849.8	970.7	1 083.5
Operating profit*	41.0	85.0	112.1
% of sales	4.8	8.8	10.3
Operating capital 31 December	623.2	627.2	697.1
ROOC, %**	6.7	13.6	17.1
Average number of employees	5 843	5 795	5 907
Deliveries, 1 000 t	942	1 006	1 065
Production, 1 000 t	956	1 014	1 058
Market-related production curtailments 1 000 t	17	13	-

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Wood Products

Operating profit excluding non-recurring items was EUR 151.2 (EUR 63.4) million, an increase of EUR 87.8 million on 2006 due to increased sales prices, partly offset by increased wood costs.

EUR million	2005	2006	2007
Sales	1 623.4	1 673.0	1 853.1
Operating profit*	-6.4	63.4	151.2
% of sales	-0.4	3.8	8.2
Operating capital 31 December	819.8	780.2	763.6
ROOC, %**	-0.8	8.0	18.8
Average number of employees	5 060	4 841	4 876
Deliveries, 1 000 m^3	6 741	6 551	6 348

* Excluding NRI

** ROOC = 100% x Operating profit/Average operating capital

Other

Operating profit from continuing operations excluding non-recurring items increased to EUR 232.8 (EUR 6.9) million, mainly due to a non-cash forest valuation gain of EUR 228 million from associated companies Bergvik Skog and Tornator in 2007. Unallocated corporate overhead costs, wood supply, logistics, energy and sales network operations costs, and fair valuation, including hedging instruments of share-based payments, are presented in the segment Other.

The share of associated company results from continuing operations amounted to EUR 341.4 (EUR 88.0) million, with EUR 267 million coming from the change in forest assets fair valuations. The main contributions were from Bergvik Skog, Tornator and Veracel. Veracel is presented in the segment Fine Paper.

Net financial items from continuing operations were EUR -168.9 (EUR -30.3) million. The difference is mainly due to a non-recurring capital gain of EUR 163.0 million from the sales of shares in Sampo and Finnlines in 2006. Net interest expenses increased by EUR 7.1 million to EUR 162.5 (EUR 155.4) million, and the net foreign exchange loss on borrowings, currency derivatives and bank accounts was EUR 2.8 (EUR 25.1) million. The loss on the remaining financial items, excluding non-recurring capital gains of EUR 163.0 million in 2006, decreased to EUR -3.6 million from EUR -12.8 million, mainly due to unrealised changes in fair values of financial instruments.

Net Financial items from Continuing Operations

EUR million	2005	2006	2007
Net interest	-111.5	-155.4	-162.5
Foreign exchange profit/loss	14.3	-25.1	-2.8
Valuation of financial instruments	-16.8	-8.5	5.8
Other financial items	9.1	158.7	-9.4
Total	**-104.9**	**-30.3**	**-168.9**

Profit before tax and minority interests excluding non-recurring items increased by EUR 311.7 million to EUR 1 002.8 million. Profit before tax including non-recurring items was EUR 77.3 (EUR 711.2) million.

Net taxes from continuing operations totalled EUR 5.8 (EUR 10.8) million; taxes in 2006 were positively impacted by EUR 102.0 million of tax provisions released following the settlement of tax cases.

The profit attributable to minority shareholders was EUR 2.3 (EUR 4.2) million, leaving a loss of EUR 214.7 (profit EUR 585.0) million attributable to Company shareholders.

Earnings per share from continuing operations excluding non-recurring items were EUR 0.99 (0.69) and including non-recurring items EUR 0.09 (EUR 0.88). Earnings per share from total operations including non-recurring items were EUR -0.27 (EUR 0.74) Cash earnings per share from continuing operations were EUR 2.01 (EUR 1.84) excluding non-recurring items.

The return on capital employed from continuing operations was 11.3% (8.7%) excluding non-recurring items. The return on capital employed excluding non-operational items, forest asset valuations and non-recurring items was 8.7% (8.6%). Group capital employed was EUR 10 502.7 million on 31 December 2007, a net decrease of EUR 1 643.4 million mainly due to the divestment of Stora Enso North America, Inc, fixed asset and goodwill impairment charges, and restructuring in Kemijärvi, Summa and Norrsundet. Group working capital was EUR 1 473.7 million, an increase of EUR 494.1 million mainly due to to the decreased pension liabilities related to the divestment of Stora Enso North America.

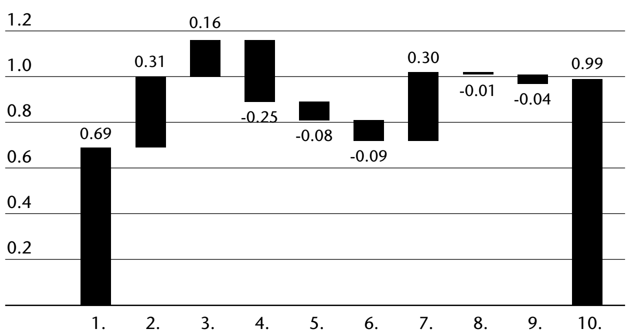
Key Figures – Continuing Operations

	2005	2006	2007
EPS (basic), EUR	0.09	0.88	0.09
EPS excl. NRI, EUR	0.33	0.69	0.99
Cash earnings per share (CEPS), EUR	1.34	2.24	2.05
CEPS excl. NRI, EUR	1.46	1.84	2.01
ROCE, %	2.3	7.3	2.4
ROCE excl. NRI, %	4.7	8.7	11.3
Return on equity (ROE), %*	-1.4	7.7	-2.7
Debt/equity ratio*	0.70	0.54	0.40
Equity per share, EUR*	9.16	9.89	9.48
Equity ratio, %*	41.0	45.3	49.3

* Total Operations

Continuing Operations

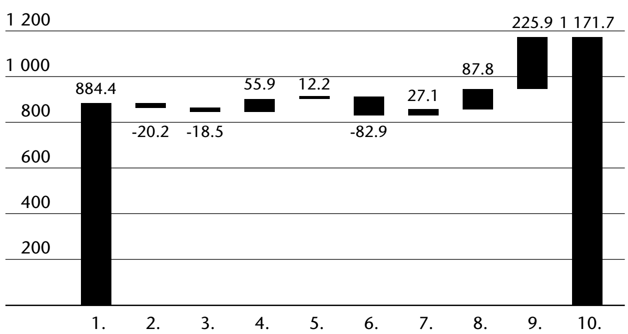
Change in EPS from 2006 to 2007



1. EPS 2006 2. Sales prices and mix 3. Sales volume 4. Wood costs 5. Other variable costs 6. Fixed costs 7. Associated Companies 8. Financing 9. Other 10. EPS 2007

Excluding NRI

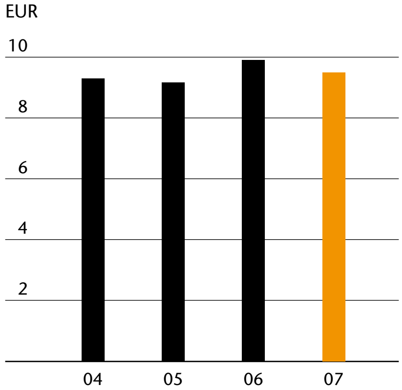
Change in Operating Profit



1. Operating Profit 2006 2. Newsprint and Book Paper 3. Magazine Paper 4. Fine Paper 5. Merchants 6. Consumer Board 7. Industrial Packaging 8. Wood Products 9. Other 10. Operating Profit 2007

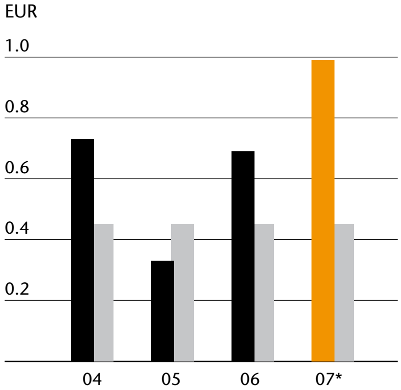
Excluding NRI

Equity per Share



Total operations

Earnings and Dividend per Share

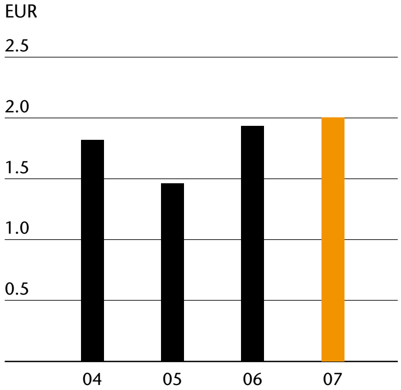


Earnings per share, excl. NRI

Dividend per share

* Board's dividend proposal

Cash Earnings per Share



Excluding NRI

Discontinued operations

On 21 December 2007 Stora Enso finalised the divestment of its North American subsidiary Stora Enso North America, Inc (SENA) to NewPage Corporation. Stora Enso North America is classified as a discontinued operation according to IFRS, so its net loss is reported as a single line after the net profit from continuing operations.

The operating profit from discontinued operations, excluding loss on disposal and other NRI, for 2007 was EUR -0.4 (EUR -14.9) million and EUR 3.7 (EUR -5.7) million including NRI. The loss on disposal before tax was EUR 28.3 million, net of positive cumulative exchange rate differences and equity hedges.

Financing

Cash flow from continuing operations decreased from EUR 1 713.7 million to EUR 1 224.8 million and cash flow after investing activities decreased from EUR 1 178.1 million to EUR 441.0 million. Cash flow was weak due to increased capital expenditure and increased operative working capital. Cash flow from discontinued operations after investing activities was EUR 95.8 (EUR 152.6) million.

Income Statement Summary of Discontinued Operations

	Year Ended 31 December		
EUR million	**Normal Operations**	**Disposal Charges**	**Net Result**
Operating profit	32.0	-28.3	3.7
Net financial expense	-97.3	-	-97.3
Loss before tax	-65.3	-28.3	-93.6
Taxes	-1.0	-189.3	-190.3
Loss for the Year	**-66.3**	**-217.6**	**-283.9**

Cash Flow by Segment

EUR million	**Newsprint and Book Paper**	**Magazine Paper**	**Fine Paper**	**Merchants**	**Consumer Board**	**Industrial Packaging**	**Wood Products**	**Other**	**Total**
Operating profit, excl. NRI	211.9	52.2	208.6	44.9	158.0	112.1	151.2	232.8	1 171.7
Adjustments and NRI	105.9	59.7	98.0	21.1	165.9	55.2	54.3	-269.1	291.0
Change in working capital	25.8	77.5	-47.0	1.7	-11.0	-19.4	-76.4	-189.1	-237.9
Cash Flow from Operations	**343.6**	**189.4**	**259.6**	**67.7**	**312.9**	**147.9**	**129.1**	**-225.4**	**1 224.8**
Capital expenditure	-61.0	-147.2	-161.1	-15.5	-81.4	-111.1	-74.6	-131.9	-783.8
Cash Flow after Investing Activities	**282.6**	**42.2**	**98.5**	**52.2**	**231.5**	**36.8**	**54.5**	**-357.3**	**441.0**
Discontinued operations	-	-	-	-	-	-	-	95.8	95.8
Group Total Cash Flow after Investing Activities	**282.6**	**42.2**	**98.5**	**52.2**	**231.5**	**36.8**	**54.5**	**-261.5**	**536.8**

At the end of the year, interest-bearing net liabilities were EUR 2 954.7 million, a decrease of EUR 1 288.3 million mainly due to the divestment of Stora Enso North America, Inc. Unutilised credit facilities and cash and cash-equivalent net reserves totalled EUR 2.3 billion.

Capital Structure

EUR million	**2005**	**2006**	**2007**
Fixed assets	11 616.8	11 234.7	8 493.2
Working capital	1 125.7	979.6	1 473.7
Associated companies	719.9	805.2	1 154.5
Operating Capital	**13 462.4**	**13 019.5**	**11 121.4**
Net tax liabilities	-1 064.6	-873.4	-618.5
Capital Employed	**12 397.8**	**12 146.1**	**10 502.7**
Equity attributable to Company shareholders	7 220.1	7 799.6	7 476.1
Minority interests	93.6	103.5	71.9
Net interest-bearing liabilities	5 084.1	4 243.0	2 954.7
Financing Total	**12 397.8**	**12 146.1**	**10 502.7**

Capital Employed

EUR million	Operating Capital		Net Tax Liabilities		Capital Employed	
Finland	3 961.1	35.6%	213.7	34.5%	3 747.4	35.7%
Sweden	2 825.4	25.4%	405.1	65.9%	2 420.3	23.0%
Germany	924.0	8.3%	-3.1	-0.5%	927.1	8.8%
Brazil	660.6	5.9%	-43.3	-7.0%	703.9	6.7%
Belgium	496.7	4.5%	15.6	2.5%	481.1	4.6%
USA	421.7	3.8%	-0.2	0.0%	421.9	4.0%
Russia	262.0	2.4%	-0.4	-0.1%	262.4	2.5%
China (incl. Hong Kong)	257.9	2.3%	0.2	0.0%	257.7	2.5%
Poland	236.2	2.1%	19.9	3.2%	216.3	2.1%
France	204.8	1.8%	1.8	0.3%	203.0	1.9%
Baltic States	203.1	1.8%	1.4	0.2%	201.7	1.9%
Other	667.9	6.1%	8.0	1.0%	659.9	6.3%
Total	**11 121.4**	**100.0%**	**618.7**	**100.0%**	**10 502.7**	**100.0%**

Shareholders' equity attributable to shareholders amounted to EUR 7 476.1 million or EUR 9.48 (EUR 9.89) per share. The decrease is mainly due to the dividend payment made in April. The net loss of all operations was offset by the non-cash increase in the valuation of Pohjolan Voima shares recorded directly in equity. The market capitalisation on the OMX Nordic Exchange Helsinki on 31 December 2007 was EUR 8.1 billion.

The debt/equity ratio at 31 December 2007 was 0.40 (0.54).

Capital Expenditure

Capital expenditure for 2007 totalled EUR 820.4 million, including North American operations and land acquisitions. Capital expenditure was 83.0% of scheduled depreciation and 6.1% of sales.

The main projects during the year were the super-calendered (SC) paper machine (PM 6) at Dawang Mill, China (EUR 76.6 million), which is a joint venture between Stora Enso and Shandong Huatai Paper, land acquisitions and plantations in South America (EUR 38.4 million), the third corrugated board plant in Russia (EUR 33.7 million), plantations at Guangxi in China (EUR 38.1 million), and woodhandling (EUR 32.7 million) and rebuilding PM 3 (EUR 50.9 million) at Varkaus Mill in Finland.

Several new investment projects were approved during 2007 in growth markets and mature markets.

Stora Enso is improving energy efficiency through investments totalling EUR 260 million at Langerbrugge Mill in Belgium and Maxau Mill in Germany. A new multifuel Circulating Fluidised Bed (CFB) boiler will be installed in the existing power plant at each mill. Both projects are scheduled to be completed in the second quarter of 2010. These projects will significantly reduce fuel costs while increasing the use of bioenergy at each mill.

At Anjalankoski Mill in Finland, Stora Enso is investing EUR 16.8 million to reduce energy costs by increasing packaging-derived fuel (PDF) and biomass combustion capacity. The project, which is scheduled for completion in autumn 2008, will reduce dependence on fossil fuels and increase the utilisation of recovered materials and biomass.

During 2007 Stora Enso formed a 50/50 joint venture with Neste Oil to develop technology to produce new-generation biofuels from wood residues. The first step in the joint venture is to build a demonstration plant at Stora Enso's Varkaus Mill in Finland.

The Group is investing EUR 15 million to upgrade board manufacturing at Imatra Mills in Finland to meet customers' developing quality requirements. As a consequence of this quality-driven investment, liquid packaging board (LPB) annual production capacity will increase by 10 000 tonnes. The project is scheduled to be completed in September 2008.

At Fors Mill in Sweden Stora Enso is investing to improve board quality and CTMP production. A total of EUR 29 million will be invested to upgrade and modernise the two board machines and chemo-thermomechanical pulping plant (CTMP). The project will be completed in two phases: BM 3 and the CTMP plant in January 2008, and BM 2 in January 2009.

Stora Enso is investing EUR 25 million in copy paper sheeting at the Group's Veitsiluoto Mill in Finland. The investment will increase the mill's copy paper sheet cutting capacity by about 140 000 tonnes to 510 000 tonnes per year, making it Europe's biggest copy paper sheeting plant. The project is scheduled to be completed by mid-2008.

Stora Enso's subsidiary paper merchant Papyrus is to build a new Scandinavian Central Warehouse in the Port of Göteborg in Sweden. The total project cost will be EUR 35 million and the warehouse is expected to be fully operational at the beginning of 2010. The new warehouse will give Scandinavian customers access to a wider product range with improved product availability.

During 2007 Stora Enso decided to expand its corrugated packaging business in Eastern Europe and Russia. An offset printed microflute packaging plant is being constructed at the Group's existing premises at Balabanovo in Russia at a cost of EUR 23 million. The project is scheduled to be completed in the second quarter of 2008. Stora Enso will also build an offset microflute packaging plant at Komarom in Hungary close to a key customer to enhance service levels. This project, costing about EUR 15 million, is scheduled to be completed in the third quarter of 2008. In Poland Stora Enso is building heavy-duty box production capacity in Łodź to respond to customer needs by offering new types of product to the Polish market. The new plant, costing EUR 8 million, is scheduled to be completed in first quarter of 2008.

The Group's total capital expenditure for 2008 is expected to be about EUR 900 million, including land acquisitions.

Changes in Group Composition during 2007

On 21 September 2007 Stora Enso signed a definitive agreement to sell its North American subsidiary Stora Enso North America, Inc to NewPage Holding Corporation. The combined company, to be called NewPage, will be among the North American leaders in its field. The transaction was finalised in December 2007.

The debt-free business value of the disposal transaction totalled USD 2 067.0 million, comprising USD 1 514.0 million of cash, a nominal USD 200 million of vendor notes fair valued at USD 171.0 million, 19.9% of the shares in the newly created holding company, NewPage Group Inc., valued at USD 370 million and USD 12.0 million of further receivables. The shares of the new company and the vendor notes are considered financial investments.

Research and Development

Stora Enso spent EUR 87.5 (EUR 79.4) million on research and development, equivalent to 0.7% of sales. The R&D figure may seem low relative to sales, but most development expenditure in the paper industry is related to the cost of capital investments in paper and pulp machines paid to suppliers, and the commissioning costs of new or modernised production lines.

R&D on paper products in 2007 concentrated on development of new products, major efforts to manage raw material costs through utilisation of discoveries in materials science and production efficiency improvements. R&D on packaging products continue to focus on product performance and developing new packaging solutions.

Environmental Issues

Stora Enso's environmental costs excluding depreciation were EUR 148.3 (EUR 156.7), the main items being EUR 37.7 million of environmental taxes, fees, refunds and permit-related costs, EUR 35.3 million of chemicals and materials and EUR 30.0 million of repairs and maintenance.

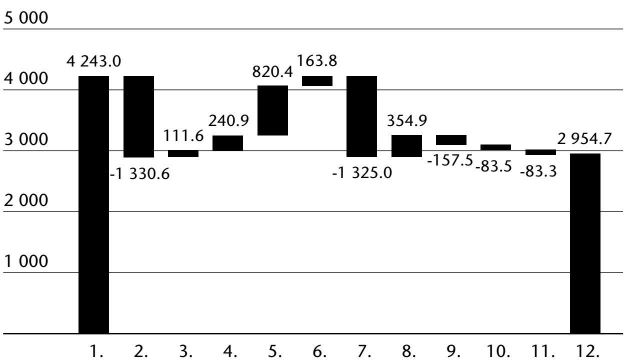
Environmental liabilities at 31 December totalled EUR 67.4 (EUR 41.6) million, mainly due to the removal of mercury and other contaminants from sites in Sweden and Finland. There are currently no active or pending legal claims concerning environmental issues which could have a material adverse effect on Stora Enso's financial position.

Financial performance

Total Operations

Change in Interest-bearing Net Liabilities

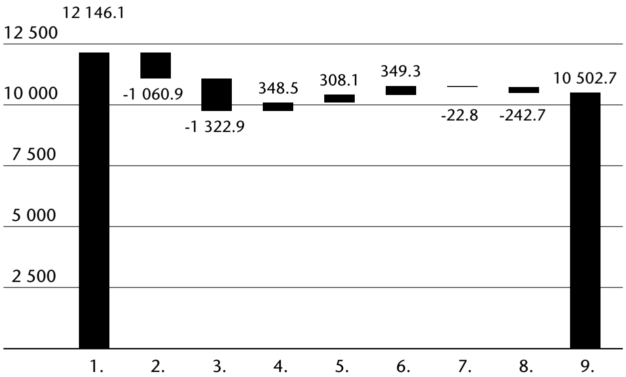
EUR million



1. Interest-bearing Net Liabilities 1 Jan 2007 2. Cash flow from operations 3. Taxes paid 4. Net interest paid 5. Capital expenditure 6. Acquisitions 7. Disposals 8. Dividend 9. Currency effect 10. Proceeds from sale of Fixed Assets 11. Other 12. Interest-bearing Net Liabilities 31 Dec 2007

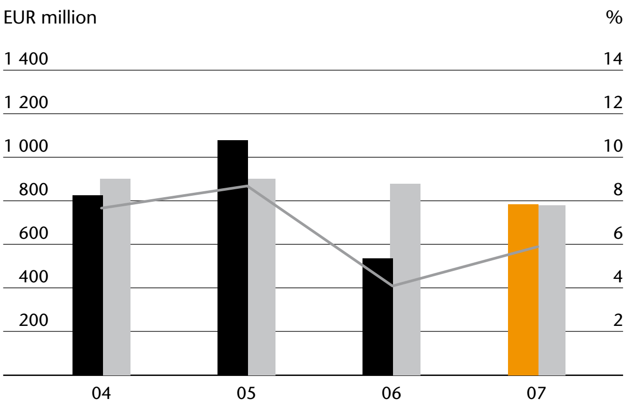
Change in Capital Employed

EUR million



1. Capital Employed 1 Jan 2007 2. Investing activities, net of depreciation 3. Acquisitions and disposals 4. Change in working capital 5. Change in net tax liabilities 6. Change in Associated Companies 7. Other 8. Translation differences 9. Capital Employed 31 Dec 2007

Capital Expenditure and Depreciation *

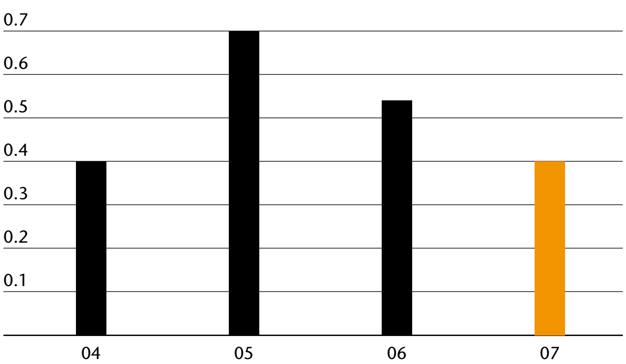


Continuing operations

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

* excluding NRI

Debt/Equity Ratio



Target ≤ 0.8

Environmental investments, which totalled EUR 37.0 (EUR 86.3) million, were mainly intended to improve air and water quality, enhance resource utilisation and minimise the risk of accidental spills.

A verified information on environmental matters is published in the Sustainability section of the Annual Report.

Personnel

On 31 December 2007 there were 37 997 employees, which is 5 890 less than at the end of 2006. The permanent closures of Berghuizer and Reisholz mills and the divestment of Stora Enso North America, Inc (4 152 employees) accounted for most of the decrease. The average number of employees in 2007 at 43 391 was 2 240 less than in 2006, partly because in addition to the above factors, Celbi, Pankakoski and Grycksbo mills, which were divested in 2006, contributed to the 2006 average number.

Personnel expenses from continuing operations totalled EUR 1 883.7 (EUR 1 890.5) million or 14.1% of sales. Wages and salaries were EUR 1 408.4 (EUR 1 463.3) million, pensions EUR 224.1 (EUR 196.5) million and other statutory employer costs EUR 210.3 (EUR 218.1) million.

Personnel

	2005	2006	2007
Average number of employees – Group total	46 166	45 631	43 391
Average number of employees – Continuing operations	41 392	41 036	39 239
Number of employees at the end of period	46 664	43 887	37 997
Total personnel expenses, EUR million – Group total	2 168.8	2 200.9	2 115.0
of which wages and salaries, EUR million	1 638.0	1 649.4	1 601.9
Total personnel expenses, EUR million Continuing operations	1 820.0	1 890.5	1 883.7
of which wages and salaries, EUR million	1 383.0	1 463.3	1 408.4

Read more about Human Resources on pp. 32–35.

Inspections by Competition Authorities

In 2007, following US Federal District Court trial, Stora Enso was found not guilty of charges by the US Department of Justice relating to the sale of coated magazine paper in the USA in 2002 and 2003. Coincident with this case, Stora Enso has been named in a number of class action lawsuits filed in the USA which still are pending.

As a result of an investigation, the Finnish Competition Authority has proposed to the Finnish Market Court that a fine of EUR 30 million should be imposed on Stora Enso for violating competition laws in the purchasing of wood in Finland in the period from 1997 to 2004. Stora Enso considers the proposal groundless.

No provision has been made in Stora Enso's accounts for the above-mentioned investigation and lawsuits.

Changes in Group Management

Stora Enso's Board of Directors appointed Jouko Karvinen, M.Sc. (Eng.), as the new CEO of Stora Enso. He joined the company on 1 January 2007 and took up the position of CEO following the Annual General Meeting (AGM) on 29 March 2007.

Jukka Härmälä left the position of CEO at the AGM on 29 March 2007. Following his special assignments period, former CEO Jukka Härmälä retired from Stora Enso at the end of August 2007.

On 29 March 2007 Stora Enso's Board of Directors appointed Hannu Ryöppönen as Deputy CEO in addition to his role as CFO.

Pekka Laaksonen, Senior Executive Vice President, Fine Paper and member of the Executive Management Group (EMG), accepted the position of CEO with Valio Ltd. He relinquished his duties with Stora Enso on 15 August 2007.

Kai Korhonen relinquished the position of Senior Executive Vice President, Packaging Boards and member of the Executive Management Group (EMG) on 31 August 2007. He continued to undertake special assignments for CEO Jouko Karvinen until the end of 2007.

Jussi Huttunen, Senior Executive Vice President, Market Services, left Stora Enso in July 2007.

Stora Enso has reorganised its operations from four divisions into the following seven current business areas: Fine Paper, Merchants, Consumer Board, Industrial Packaging, Magazine Paper, Newsprint and Book Paper, and Wood Products. Following this reorganisation, Stora Enso has a single management group called the Group Executive Team (GET). In addition to CEO Jouko Karvinen, the other GET members are:

- Hannu Ryöppönen, Deputy CEO and CFO
- Hannu Alalauri, EVP Magazine Paper
- Aulis Ansaharju, EVP Fine Paper, Country Manager Finland
- Mats Nordlander, EVP Consumer Board, Merchants and Market Services
- Veli-Jussi Potka, EVP Industrial Packaging
- Elisabet Salander Björklund, EVP Wood Products, Wood Supply, Pulp Supply and Sustainability
- Juha Vanhainen, EVP Newsprint and Book Paper
- Christer Ågren, EVP Human Resources and IT, Country Manager Sweden
- Bernd Rettig, EVP Technology and R&D, Operations Improvement, Logistics, Energy and Investments, Country Manager Germany.

Share Capital
By 31 December 2007 the Company had allocated 34 115 R shares under the terms of the Stora Enso North America Option Plan.

During the year a total of 624 084 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 14 December 2007.

At the year end Stora Enso had 177 479 033 A shares and 612 059 466 R shares in issue, of which the Company held no A shares and 918 512 R shares with a nominal value of EUR 1.6 million. The holding represents 0.12% of the Company's share capital and 0.04% of the voting rights.

Delisting from the New York Stock Exchange
On 7 December 2007 Stora Enso announced its intention to delist its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE) in the USA. The delisting took effect on 28 December 2007, and since 31 December 2007 Stora Enso's ADRs have been traded on the International OTCQX – a premium market tier that distinguishes leading international companies from other securities traded over-the-counter. The delisting was followed on 7 January 2008 by the filing of Form 15F with the US Securities and Exchange Commission (SEC) to deregister and terminate its reporting obligations under the Securities Exchange Act of 1934.

Events after the Period
On 10 January 2008 Stora Enso announced that it is investing EUR 29 million in converting a coated magazine paper machine (PM 2) at its Anjala Mill in Finland to produce coated and uncoated book paper. The project started in January 2008 and will be completed in the fourth quarter of 2008.

On 17 January 2008 Stora Enso announced that it had concluded the co-determination negotiations at Summa, Kemijärvi and Anjala mills, and the Helsinki Headquarters. As the reasons for the capacity and resource cuts announced on 25 October 2007 (excess capacity in standard and improved newsprint and uncoated magazine paper, and dramatic cost increases, especially for imported wood) had not changed in the meantime, Stora Enso had to take action to safeguard its cost and competitive position, and thereby the future of the Group.

As a result of the negotiations, the total number of personnel will be reduced by 985, compared with the initial planned reduction of 1 100 as announced in October 2007. Approximately 170 of these 985 have a fixed-term contract, approximately 255 are taking retirement, and the announced retraining and employment support is intended to assist the remaining approximately 560 people affected.

On 25 January 2008 Stora Enso announced that it had signed a letter of intent with Anaika Group to sell part of the Kemijärvi Mill real estate to Anaika Group to enable it to start a high quality engineering works and gluelam beam operations at the mill site. When in full production, Anaika Group's operations will employ about 100 people directly and provide substantial indirect employment in the region. Anaika Group will itself develop the production facilities.

On 28 January 2008 announced that Stora Enso's Hannu Alalauri, EVP Magazine Paper, and representatives of Huatai Paper and local government inaugurated Stora Enso's 200 000 tonnes per year super-calendered (SC) paper machine at Dawang Mill in Shandong province, China. The machine started production on 25 November 2007.

Near-term Market Outlook
In Europe demand for newsprint should remain steady; contract negotiations are still ongoing in Europe. Overseas prices for newsprint have increased in the first quarter.
The magazine paper market has strengthened and prices for coated and SC magazine paper are rising. Fine paper demand is expected to strengthen for seasonal reasons in the next few months, but no price changes are foreseen.

Normal seasonal strengthening in demand for consumer board is anticipated, although slightly less than a year ago. Markets outside Europe are very competitive due to unfavourable exchange rates, but a slight rise in prices in local currencies is predicted. Demand for industrial packaging products is forecast to remain firm, leading to some price increases.

Despite the ongoing recovery in demand in Japan, the general outlook for wood products demand remains depressed, and prices are likely to decline further. Judging by the current outlook, the already announced production curtailments will continue at least into the second quarter of 2008.

In Latin America demand for coated magazine paper is expected to remain firm with prices rising further. In China the outlook for fine paper demand and prices remains positive.

The Group's operational unit cost inflation is forecast to be 2.5–3.0% in 2008.

Annual General Meeting
The Annual General Meeting will be held at 16:00 (Finnish time) on Wednesday 26 March 2008 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for the financial year ending 31 December 2007. If the proposal is approved, the dividend payment will be issued on 10 April 2008 to shareholders entered on the dividend record date of 31 March 2008 in the register of shareholders maintained by the Finnish Central Securities Depository, Swedish VPC and Deutsche Bank Trust Company Americas.

Consolidated Income Statement

EUR million	Note	Year Ended 31 December 2005	2006	2007
Continuing Operations				
Sales	4	**11 342.7**	**12 957.2**	**13 373.6**
Other operating income	7	79.0	364.9	113.8
Changes in inventories of finished goods and work in progress		55.9	-15.9	82.6
Change in net value of biological assets	15	-6.7	-2.2	7.5
Materials and services		-6 499.7	-7 517.9	-8 214.3
Freight and sales commissions		-1 089.3	-1 240.3	-1 184.0
Personnel expenses	8, 31	-1 820.0	-1 890.5	-1 883.7
Other operating expenses	7	-921.2	-933.8	-840.1
Share of results in associated companies	16	67.1	88.0	341.4
Depreciation, amortisation and impairment charges	13	-998.5	-1 068.0	-1 550.6
Operating Profit	4	**209.3**	**741.5**	**246.2**
Financial income	10	238.6	276.3	167.4
Financial expense	10	-343.5	-306.6	-336.3
Profit before Tax		**104.4**	**711.2**	**77.3**
Income tax	11	-28.7	-10.8	-5.8
Net Profit for the Year from Continuing Operations		**75.7**	**700.4**	**71.5**
Discontinued Operations	6			
Loss after Tax for the Year from Discontinued Operations		**-183.1**	**-111.2**	**-283.9**
Net (Loss) / Profit for the Year from Total Operations		**-107.4**	**589.2**	**-212.4**
Attributable to:				
Equity holders of the Parent Company	21	-111.1	585.0	-214.7
Minority Interests	22	3.7	4.2	2.3
Net (Loss) / Profit for the Year		**-107.4**	**589.2**	**-212.4**
Earnings per Share				
Basic & diluted earnings / (loss) per share, Total Operations, EUR	33	-0.14	0.74	-0.27
Basic & diluted earnings / (loss) per share, Continuing Operations, EUR	33	0.09	0.88	0.09

Consolidated Statement of Recognised Income & Expense

EUR million	Note	Year Ended 31 December 2005	2006	2007
Defined benefit plan actuarial gains / (losses)	23	-60.2	135.1	17.3
Tax on actuarial movements	11, 23	27.0	-46.6	-6.3
Net fair value movements in Available-for-Sale assets	27	352.5	251.6	217.3
Currency hedges	27	-25.7	20.3	-4.3
Commodity hedges	27	105.6	-65.6	9.9
Associate hedges	27	1.7	11.1	5.1
Tax on Other Comprehensive Income Movements (OCI)	11, 27	-33.7	50.2	-3.2
Currency translation movements on equity net investments (CTA)	28	240.6	-86.4	-85.3
Equity net investment hedges	28	-201.4	118.0	53.7
Tax on equity hedges	11, 28	52.4	-30.7	-13.2
Income & Expense Recognised directly in Equity		**458.8**	**357.0**	**191.0**
Items from Equity Recognised in the Income Statement				
CTA	6,7,28	0.2	-5.8	508.1
Equity net investment hedges	6,7,28	-	-	-646.8
Tax on equity hedges	6,11,28	-	-	191.4
Net Income & Expense Recognised in Equity		**459.0**	**351.2**	**243.7**
Net Profit / (Loss) for the Year		-107.4	589.2	-212.4
Total Recognised Income & Expense for the Year		**351.6**	**940.4**	**31.3**
Attributable to:				
Equity holders of the Parent Company				
Continuing Operations		523.2	1 044.1	336.3
Discontinued Operations		-175.3	-107.9	-307.3
Total Operations		347.9	936.2	29.0
Minority Interests	22	3.7	4.2	2.3
Total Recognised Income & Expense for the Year		**351.6**	**940.4**	**31.3**

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated Balance Sheet

EUR million		Note	As at 31 December 2005	2006	2007
Assets					
Fixed Assets and Non-current Investments					
Goodwill	O	14	961.8	906.8	502.7
Other intangible fixed assets	O	14	194.1	170.4	159.1
Property, plant and equipment	O	14	9 936.8	9 153.6	6 476.7
		14	**11 092.7**	**10 230.8**	**7 138.5**
Biological assets	O	15	76.8	111.5	88.7
Emission rights	O		43.7	98.1	5.2
Investment in associated companies	O	16	719.9	805.2	1 154.5
Available-for-Sale: Listed securities	I	17	211.6	41.2	161.8
Available-for-Sale: Unlisted shares	O	17	403.6	794.3	1 260.8
Non-current loan receivables	I	20	127.6	149.2	126.5
Deferred tax assets	T	11	72.2	53.5	63.7
Other non-current assets	O	18	28.3	61.1	22.6
			12 776.4	**12 344.9**	**10 022.3**
Current Assets					
Inventories	O	19	2 150.5	2 019.5	1 992.6
Tax receivables	T	11	85.3	66.6	34.3
Short-term operative receivables	O	20	2 186.2	2 156.6	2 063.1
Interest-bearing receivables	I	20	280.9	185.5	227.8
Cash and cash equivalents	I		351.4	609.0	970.7
			5 054.3	**5 037.2**	**5 288.5**
Total Assets			**17 830.7**	**17 382.1**	**15 310.8**
Equity and Liabilities					
Equity Attributable to Parent Company Shareholders					
Share capital		21	1 382.1	1 342.2	1 342.2
Share premium			545.9	528.0	525.6
Reserve fund			238.9	238.9	238.9
Treasury shares		21	-259.9	-10.5	-10.2
Other comprehensive income		27	468.0	735.6	960.4
Cumulative translation adjustment		28	-127.1	-132.0	-115.6
Retained earnings			5 083.3	4 512.4	4 749.5
Net profit for the period			-111.1	585.0	-214.7
			7 220.1	**7 799.6**	**7 476.1**
Minority Interests		22	93.6	103.5	71.9
Total Equity			**7 313.7**	**7 903.1**	**7 548.0**
Non-current Liabilities					
Post-employment benefit provisions	O	23	888.3	763.1	327.3
Other provisions	O	25	142.6	308.3	135.9
Deferred tax liabilities	T	11	866.0	793.0	582.0
Non-current debt	I	24	4 353.9	4 081.0	3 354.8
Other non-current operative liabilities	O	26	204.7	193.7	170.2
			6 455.5	**6 139.1**	**4 570.2**
Current Liabilities					
Current portion of non-current debt	I	24	385.0	630.2	513.1
Interest-bearing liabilities	I	24	1 114.8	217.3	482.2
Bank overdrafts	I		201.9	299.4	91.4
Current operative liabilities	O	26	2 003.6	1 992.5	1 971.3
Tax liabilities	T	11	356.2	200.5	134.6
			4 061.5	**3 339.9**	**3 192.6**
Total Equity and Liabilities			**17 830.7**	**17 382.1**	**15 310.8**

Items designated "O" comprise Operative Capital

Items designated "I" comprise Interest-bearing Net Liabilities

Items designated "T" comprise Net Tax Liabilities

The accompanying Notes are an integral part of these Consolidated Financial Statements

Consolidated Cash Flow Statement

EUR million	Note	Year Ended 31 December 2005	2006	2007
Cash Flow from Operating Activities				
Net profit / (loss) for the period		-107.4	589.2	-212.4
Cash Flow from the Statement of Recognised Income & Expense				
Currency derivatives		-26.1	21.7	-3.7
Commodity hedges		107.2	-70.2	11.8
Net investment equity hedges		-56.0	-10.7	-4.5
Reversal of non-cash items:				
Taxes	11	-36.8	42.6	196.1
Depreciation, amortisation and impairment charges	13	1 427.7	1 257.7	1 881.3
Change in value of biological assets	15	6.7	2.2	-7.5
Change in fair value of options & TRS		-0.1	7.9	23.6
Share of results of associated companies	16	-67.2	-87.3	-342.7
Profits and losses on sale of fixed assets and investments	7	4.8	-201.2	-36.0
CTA & Equity hedges expensed	6,7,28	0.2	-5.8	-138.8
Net financial income	10	165.3	104.0	266.2
Associates company dividends received	16	11.6	5.6	31.8
Interest received		29.0	23.4	21.0
Interest paid		-175.9	-247.5	-261.9
Dividends received	10	4.5	1.3	0.4
Other financial items, net		-19.2	-11.5	-82.4
Income taxes paid	11	-209.0	-215.4	-111.6
Change in net working capital, net of businesses acquired or sold		-386.9	289.0	-330.9
Net Cash Provided by Operating Activities		**672.4**	**1 495.0**	**899.8**
Cash Flow from Investing Activities				
Acquisition of subsidiary shares		-323.9	-329.8	-71.4
Acquisition of shares in associated companies		-55.7	-19.4	-91.6
Acquisition of available-for-sale investments		-8.6	-5.2	-14.3
Capital expenditure		-1 129.6	-559.1	-770.2
Investment in biological assets		-15.7	-24.3	-50.2
Proceeds from disposal of subsidiary shares		1.6	466.5	330.1
Proceeds from disposal of shares in associated companies		-	0.3	0.4
Proceeds from disposal of available-for-sale investments	17	97.4	209.1	15.9
Proceeds from sale of fixed assets	14	14.5	30.0	83.5
Proceeds from (payment of) non-current receivables, net		98.3	-21.3	17.8
Net Cash Used in Investing Activities		**-1 321.7**	**-253.2**	**-550.0**
Cash Flow from Financing Activities				
Proceeds from new long-term debt		1 258.1	775.4	289.0
Repayment of long-term liabilities		-453.0	-550.2	-799.5
Proceeds from (payment of) current borrowings, net		518.8	-869.5	1 145.4
Dividends paid		-365.3	-354.9	-354.9
Minority equity injections less dividends	22	-0.2	6.6	7.0
Options exercised		-	-2.0	-2.4
Repurchase of own shares	21	-344.7	0.3	0.3
Net Cash Used in Financing Activities		**613.7**	**-994.3**	**284.9**
Net Increase (Decrease) in Cash and Cash Equivalents		**-35.6**	**247.5**	**634.7**
Cash and bank in acquired companies		10.2	1.6	0.3
Cash and bank in divested companies		-	-20.2	-110.8
Translation adjustment		27.2	-68.8	45.5
Cash and cash equivalents at beginning of year		147.7	149.5	309.6
Net Cash and Cash Equivalents at Year End		**149.5**	**309.6**	**879.3**
Cash and Cash Equivalents at Year End		**351.4**	**609.0**	**970.7**
Bank Overdrafts at Year End		**-201.9**	**-299.4**	**-91.4**
		149.5	**309.6**	**879.3**

Consolidated Balance Sheet

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

EUR million		Note	2005	2006	2007
			Year Ended 31 December		
Change in Net Working Capital consists of:					
Change in inventories			-254.7	94.3	-245.7
Change in interest-free receivables:	Current		-51.4	-0.2	-136.4
	Non-current		-3.4	-36.6	18.3
Change in interest-free liabilities:	Current		-7.1	35.7	220.8
	Non-current		-12.9	105.9	-161.3
Proceeds from (payment of) short-term interest-bearing receivables			-57.4	89.9	-26.6
			-386.9	**289.0**	**-330.9**
Acquisition of Group Companies		5			
Cash Flow on Acquisitions					
Purchase consideration on acquisitions			323.9	329.8	71.4
Cash and cash equivalents in acquired companies			-10.2	-1.6	-0.3
			313.7	328.2	71.1
Non-cash Transaction					
Associate shares held		16	4.9	-	-
Total Acquisition Value			**318.6**	**328.2**	**71.1**
Acquired Net Assets					
Operating working capital			171.4	47.3	-9.5
Operating fixed assets		14	388.3	283.1	10.7
Tax liabilities		11	-59.8	1.2	-0.2
Interest-bearing liabilities			-274.6	-4.5	-1.2
Minority interests		22	93.3	1.1	71.3
Total Net Assets Acquired			**318.6**	**328.2**	**71.1**
Disposal of Group Companies		5			
Cash Flow on Disposals					
Cash flow on disposal			1.6	466.5	330.1
Cash and cash equivalents in divested companies			-	-20.2	-110.8
			1.6	446.3	219.3
Non-cash Transaction					
Available-for-Sale securities		17	-	-	377.0
Associate shares		16	-	-	24.7
Minority interest acquired		22	-	-	-30.9
Total Disposal Value			**1.6**	**446.3**	**590.1**
Net Assets Sold					
Operating working capital			-	59.5	-126.0
Operating fixed assets		14	-	172.4	1 695.8
Biological assets		15	-	45.5	84.1
Interest-bearing assets less cash and cash equivalents			1.6	1.2	0.6
Tax liabilities		11	-	-18.0	-49.6
Interest-bearing liabilities			-	-12.0	-1 019.2
Minority interests		22	-	-0.2	-0.6
			1.6	248.4	585.1
Gain on sale		5,7,14	-	197.9	5.0
Total Net Assets Sold			**1.6**	**446.3**	**590.1**

The accompanying Notes are an integral part of these Consolidated Financial Statements

Changes in Group Shareholders' Equity

EUR million	Share Capital	Capital Reserves	Treasury Shares	OCI	CTA	Retained Earnings	Total
Balance at 1 January 2005	**1 423.3**	**1 009.2**	**-180.8**	**67.6**	**-218.9**	**5 525.0**	**7 625.4**
Repurchase of Stora Enso Oyj shares	-	-	-344.7	-	-	-	-344.7
Cancellation of Stora Enso Oyj shares	-41.2	-224.4	265.6	-	-	-	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-365.3	-365.3
Buy-out of minority interests	-	-	-	-	-	-43.2	-43.2
Net loss for the period	-	-	-	-	0.2	-111.1	-110.9
Net income recognised directly in equity	-	-	-	400.4	91.6	-33.2	458.8
Balance at 31 December 2005	**1 382.1**	**784.8**	**-259.9**	**468.0**	**-127.1**	**4 972.2**	**7 220.1**
Cancellation of Stora Enso Oyj shares	-39.9	-15.9	249.1	-	-	-193.3	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-354.9	-354.9
Options exercised	-	-2.0	0.3	-	-	-	-1.7
Buy-out of minority interests	-	-	-	-	-	-0.1	-0.1
Net profit for the period	-	-	-	-	-5.8	585.0	579.2
Net income recognised directly in equity	-	-	-	267.6	0.9	88.5	357.0
Balance at 31 December 2006	**1 342.2**	**766.9**	**-10.5**	**735.6**	**-132.0**	**5 097.4**	**7 799.6**
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-354.9	-354.9
Options exercised	-	-2.4	0.3	-	8.5	-8.5	-2.1
Buy-out of minority interests	-	-	-	-	-	4.5	4.5
Net profit for the period	-	-	-	-	52.7	-214.7	-162.0
Net income recognised directly in equity	-	-	-	224.8	-44.8	11.0	191.0
Balance at 31 December 2007	**1 342.2**	**764.5**	**-10.2**	**960.4**	**-115.6**	**4 534.8**	**7 476.1**

Capital Reserves include the Share Premium Account and the legal Reserve Fund

OCI = Other Comprehensive Income – see Note 27

CTA = Cumulative Translation Adjustment – see Note 28

Total Equity

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Equity attributable to parent company shareholders	7 220.1	7 799.6	7 476.1
Equity attributable to minority interests	93.6	103.5	71.9
Total Equity	**7 313.7**	**7 903.1**	**7 548.0**

Full details of minority equity are given in Note 22

Distributable Funds

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Retained earnings	4 972.2	5 097.4	4 534.8
Translation adjustment	-127.1	-132.0	-115.6
Treasury shares	-259.9	-10.5	-10.2
	4 585.2	4 954.9	4 409.0
Untaxed reserves in Retained Earnings	1 661.3	1 304.3	985.3
Distributable Funds	**2 923.9**	**3 650.6**	**3 423.7**

Note 1 Accounting Principles

Principal Activities

Stora Enso Oyj ("the Company") is a Finnish limited liability company organised under the laws of the Republic of Finland and with its registered address at Kanavaranta 1, 00160 Helsinki. Its shares are currently listed on the OMX Nordic Exchanges in Helsinki and Stockholm and, till 28 December 2007, the New York Exchange as well. The operations of Stora Enso Oyj and its subsidiaries (together "Stora Enso" or the "Group") are organised into business areas, being Magazine Paper, Newsprint and Book Paper, Fine Paper, Merchants, Consumer Board, Industrial Packaging, Wood Products and Other, the latter comprising Wood Supply and the supporting areas of Energy and Head Office, together with other corporate functions. The Group's main market is Europe, though with an expanding presence in the Far East and South America; prior to 21 December 2007, it also had a substantial presence in North America.

These Financial Statements were authorised for issue by the Board on 12 February 2008.

Basis of Preparation

The Consolidated Financial Statements of Stora Enso have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, including International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). However, the differences between full IFRS and EU-adopted IFRS do not impact these Financial Statements, being the consolidated Financial Statements of Stora Enso Oyj and its subsidiaries which have been prepared under the historical cost convention except as disclosed in the accounting policies below; for example, available-for-sale investments and derivative financial instruments are shown at fair value.

Use of Estimates

The preparation of Consolidated Financial Statements conforming to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the Financial Statements and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

Consolidation Principles

Stora Enso was formed as a combination of Enso Oyj and the former Stora Kopparbergs Bergslags Aktiebolag (publ.) in December 1998 and, as a result of the merger, the latter became a subsidiary of Stora Enso Oyj (formerly Enso Oyj). The Stora Enso merger was accounted for as a uniting of interests under IFRS.

The Consolidated Financial Statements include the parent company, Stora Enso Oyj, and all companies in which it holds, directly or indirectly, over 50% of the voting rights. The Financial Statements of companies, which Stora Enso controls through management agreements with majority shareholders, but in which Stora Enso holds less than 50% of the voting rights, are also consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether an entity is consolidated. The principal subsidiaries are listed in Note 30.

Associated Companies, where Stora Enso exercises significant influence, generally considered to be where the Group has voting rights of between 20% and 50%, are accounted for using the equity method, which involves recognising in the Income Statement the Group's share of the associate's profit or loss for the year less any impaired goodwill. These companies represent undertakings in which the Group has significant influence, but which it does not control; the most significant such companies are listed in Note 16. The Group's interest in an Associated Company is carried in the Balance Sheet at an amount that reflects its share of the net assets of the associate together with any remaining goodwill on acquisition. When the Group share of losses exceeds the carrying amount of an investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group is obliged to satisfy obligations of the investee which it has guaranteed or is otherwise committed to.

Joint ventures, where Stora Enso jointly controls an entity with other third parties, are also accounted for using the equity method as described above; the most significant such companies are listed in Note 16.

Acquired companies are accounted for under the purchase method whereby they are included in the Consolidated Financial Statements from their acquisition date, whereas, conversely, divestments are included up to their date of sale.

All intercompany transactions, receivables, liabilities and unrealised profits, as well as intragroup profit distributions, are eliminated. Accounting policies for subsidiaries and all equity accounted investments are adjusted where necessary to ensure consistency with the policies adopted by Stora Enso. Minority interests are presented as a separate component of equity.

Change in Accounting Policy

Share of results in Associated Companies, previously reported with financial items, are now reported in operating profit. Associated Companies supply the Group with wood, pulp and logistic services and therefore this change in accounting policy has been implemented to reflect the operational nature of these investments. The operating profit from continuing operations increases by EUR 341.4 million, EUR 88.0 million and EUR 67.1 million in 2007, 2006 and 2005, respectively, though the change has no impact on profit before tax. Comparative amounts disclosed for each prior year have been restated.

Minority Interests

Minority Interests are presented within the equity of the Group on the Balance Sheet. The profit or loss attributable to both Minority Interests and to equity holders of the parent company is presented on the face of the Income Statement after the profit for the period. Transactions between Minority shareholders and Group shareholders are now transactions within equity and are thus shown in the Statement of Changes in Shareholder Equity and Note 22 Minority Interests.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the transaction date, but at the end of the month, foreign currency-denominated receivables and liabilities are translated using the month-end exchange rate. Foreign exchange differences for operating items are recorded in the appropriate income statement account before operating profit, and, for financial assets and liabilities, are entered in the financial items of the Income Statement, except when deferred in equity as qualifying net investment hedges. Translation differences on non-monetary financial assets, such as equities classified as Available-for-Sale, are included in equity.

Foreign Currency Translations – Subsidiaries

The Income Statements of subsidiaries, whose functional and presentational currencies are not Euros, are translated into the Group reporting currency using the average exchange rates for the year, whereas the Balance Sheets of such subsidiaries are translated using the exchange rates at the reporting date. Exchange differences arising from the retranslation of the net investments in foreign entities, being non-Euro area foreign subsidiary and associated undertakings, and of financial instruments which are designated as and are hedges of such investments, are recorded directly in shareholders' equity in the Cumulative Translation Adjustment ("CTA"), as shown in the Consolidated Statement of Recognised Income & Expense and Note 28. The cumulative translation differences of divestments and liquidations are combined with their gain or loss on disposal. CTA is also expensed on the repayment of share capital, return of investment and any partial disposal of a business unit.

Derivative Financial Instruments & Hedging

Financial derivatives are initially recognised in the Balance Sheet at fair value and subsequently measured at their fair value on each Balance Sheet date, though the method of recognising the resulting gains or losses is dependent on the nature of the item being hedged. When derivative contracts are entered into, the Group designates them as either hedges of the fair value of recognised assets or liabilities ("fair value hedge"), hedges of forecast transactions or firm commitments ("cash flow hedge"), hedges of net investments in foreign entities or as derivative financial instruments not meeting the hedge accounting criteria.

Changes in the fair value of derivatives designated and qualifying as fair value hedges, and which are highly effective, are recorded in the Income Statement, along with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

Changes in the fair value of derivatives designated and qualifying as cash flow hedges, and which are effective, are recognised in equity to the Hedging Reserve within Other Comprehensive Income ("OCI"), the movements of which are disclosed in the Consolidated Statement of Recognised Income & Expense. The cumulative gain or loss of a derivative deferred in equity is transferred to the Income Statement and classified as revenue or expense in the same period in which the hedged item affects the Income Statement.

When a hedging instrument expires, is sold, terminated or exercised, has its designation revoked or it no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss deferred in equity at that time remains in equity and is accounted for as an adjustment to revenue or expense when the committed or forecast transaction is ultimately recognised in the Income Statement. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity, from the period when the hedge was effective, shall be recognised in the Income Statement immediately.

Certain derivative transactions, while providing effective economic hedges under Group risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and therefore changes in the fair value of such non-qualifying hedge instruments together with any ineffectiveness of hedge accounted instruments are accounted for at fair value through the Income Statement. Fair value changes of derivative instruments relating to sales, purchases and staff benefits are presented under operating profit and specified in Note 27 Financial Instruments and in Note 8 Staff Costs. Fair value changes from all other derivatives are recognised in the Income Statement under financial items.

Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges, the Group using either derivatives or borrowings for this purpose. Where the hedging instrument is a derivative, any gain or loss thereon relating to the effective portion of the hedge is recognised in equity in CTA, as disclosed in the Consolidated Statement of Recognised Income & Expense; the gain or loss relating to the ineffective portion is immediately recognised in the Income Statement. In addition, exchange gains and losses arising on the translation of a borrowing that hedges such an investment are also recognised in CTA, any ineffective portion being immediately recognised in the Income Statement.

At the inception of a transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all financial instruments designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Fair Value of Financial Instruments

The fair values of publicly traded derivatives, along with trading and available-for-sale securities, are based on quoted market prices at the Balance Sheet date; the fair values of interest rate swaps are calculated as the present value of the estimated future cash flows while the fair values of forward foreign exchange contracts are determined using forward exchange market rates at the Balance Sheet date. In assessing the fair values of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions at each Balance Sheet date. Quoted market prices or dealer quotes for identical or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair values for the remaining financial instruments. The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

Purchases and sales of financial instruments are recognised on the trade-date, which is the date on which the Group commits to purchase or sell the financial instrument. Financial instruments are derecognised when the rights to receive or the cash flows from the financial instruments have expired or have been transferred and the Group has transferred substantially all risks, rewards and obligations of the ownership of the financial instrument asset or liability.

Revenue Recognition
Sales comprise products, raw materials, services, less indirect sales tax and discounts, and are adjusted for exchange differences on sales in foreign currency. Sales are recognised after Stora Enso has transferred the risks and rewards of ownership to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods; usually, this means that sales are recorded upon delivery of goods to customers in accordance with agreed terms of delivery.

Stora Enso terms of delivery are based on Incoterms 2000, being the official rules for the interpretation of trade terms as issued by the International Chamber of Commerce. The main categories of terms covering Group sales are:
- "D" terms, under which the Group is obliged to deliver the goods to the buyer at the agreed destination, usually the buyer's premises, in which case the Point of Sale is the moment of delivery to the buyer.
- "C" terms, whereby the Group arranges and pays for the external carriage and certain other costs, though the Group ceases to be responsible for the goods once they have been handed over to the carrier in accordance with the relevant term. The Point of Sale is thus the handing over of the goods to the carrier contracted by the seller for the carriage to the agreed destination.
- "F" terms, being where the buyer arranges and pays for the carriage, thus the Point of Sale is the handing over of goods to the carrier contracted by the buyer.

Where local rules may result in invoices being raised in advance of the above, the effect of this revenue advancement is quantified and adjusted for.

Revenues from services are recorded when the service has been performed.

Shipping and Handling Costs
Where Stora Enso is responsible for arranging transport for its sales, such costs are not billed separately but are included in revenue in the value of the goods billed to customers; the shipping costs incurred are shown in cost of sales.

Research and Development
Research costs are expensed as incurred in Other Operating Expenses in the Consolidated Income Statement. Development costs are also expensed as incurred unless it is assured that they will generate future income, in which case they are capitalised as intangible assets and depreciated over the period of the income streams.

Advertising Costs
Advertising costs are expensed as incurred.

Computer Software Development Costs
Development costs or acquisition costs of new software clearly associated with an identifiable and unique product, which will be controlled by the Group and has probable benefit exceeding its cost beyond one year, are recognised as an intangible asset and depreciated over the software's expected useful life. Associated costs include staff costs of the implementation team and an appropriate portion of overhead, but exclude the cost of maintaining the software, which is expensed as incurred. Website costs are expensed as incurred.

Environmental Remediation Costs
Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do not contribute to current or future revenues, are expensed as incurred. Environmental liabilities are recorded, based on current interpretations of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Amounts accrued do not include third-party recoveries.

Discontinuing Operations and Assets Held for Sale
A discontinuing operation represents a separate major line of business, or geographical area, for which the assets less liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes, that has been disposed or is classified as Held for Sale. Assets are classified as such when it is highly probable that the carrying amount of the asset will be recovered through a sale transaction rather than continuing use.

The discontinued operation is presented as a single amount on the face of Income Statement in the year of disposal, or when it meets the Held-for-Sale criteria, and for comparative periods. This includes:
- The post-tax profit or loss from operations.
- The post-tax loss recognised in the re-measurement of the net assets to market value less costs to sell.
- When realised, the post-tax gain on disposal of the discontinued operation.
- All Cumulative Translation Adjustments ("CTA") relating to any foreign entities denominated in non-Euro currencies, together with the cumulative equity hedging results attached thereto.

Income Taxes
The Group income tax expense includes taxes of Group companies based on taxable profit for the period, together with tax adjustments for previous periods, the change in deferred income taxes and share of tax of Associated Companies. The Balance Sheet also includes amounts in current tax relating to the tax effect of equity hedging, as shown in the Income Tax Reconciliation in Note 11.

Deferred income taxes are provided using the liability method, as measured with enacted, or substantially enacted, tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. Principal temporary differences arise from depreciation on property plant and equipment, revaluation of net assets in acquired companies, fair valuation of available-for-sale investments and financial derivatives, inter-company inventory profits, untaxed reserves and tax losses carried forward; the latter is recognised as an asset to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised.

Temporary differences for accumulated depreciation and untaxed reserves (appropriations) are recorded in shareholders' equity and deferred tax liability in the Consolidated Balance Sheet, but under the Companies Act, such items in equity are excluded from distributable funds.

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group on an acquisition. Goodwill is computed as the excess of the cost of an acquisition over the fair value of the Group share of net assets of the acquired subsidiary / associated undertaking at the acquisition date and is allocated to those groups of cash generating units expected to benefit from the acquisition for the purpose of impairment testing. Goodwill arising on the acquisition of non-Euro foreign entities is treated as an asset of the foreign entity denominated in the local currency and translated at the closing rate.

Goodwill is not amortised but tested for impairment on an annual basis, or more frequently if there is an indication of impairment.

Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Intangible Assets

Intangible assets are stated at historical cost and are amortised on a straight-line basis over expected useful lives which usually vary from 3 to 10 years, though up to 20 years for patents. Intangible items acquired must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights and their fair value can be measured reliably.

Intangible assets recognised separately from goodwill in acquisitions consist of marketing and customer related or contract and technology-based intangible assets. Typical marketing and customer related assets are trademarks, trade names, service marks, collective marks, certification marks, customer lists, order or production backlogs, customer contracts and the related customer relationships. The contract and technology-based intangible assets are normally licensing and royalty agreements or patented technology and trade secrets such as confidential formulas, processes or recipes. The fair value determination of customer contracts and related relationships is derived from expected retention rates and cash flow over the customers' remaining estimated life time. The value of trademarks is derived from discounted cash flow analysis using the relief from royalty method.

Property, Plant and Equipment

Property, plant and equipment acquired by Group companies are stated at historical cost, augmented where appropriate by asset retirement costs; assets coming into the Group on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition. Depreciation is computed on a straight-line basis, as adjusted for any impairment and disposal charges; the Balance Sheet value represents cost less accumulated depreciation and any impairment charges. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the construction period.

Land is not depreciated as it is deemed to have an indefinite life, but otherwise depreciation is based on the following expected useful lives:

Asset class	Depreciation Years
Buildings, industrial	10–50
Buildings, office & residential	20–50
Groundwood mills	15–20
Hydro-electric power	40
Paper, board & pulp mills, main machines	20
Heavy machinery	10–20
Converting factories	10–15
Sawmills	10–15
Computers	3–5
Vehicles	5
Office equipment	3–5
Railway, harbours	20–25
Forest roads	10–35
Roads, fields, bridges	15–20
Intangible assets	3–20

Ordinary maintenance and repair charges are expensed as incurred, however, the costs of significant renewals and improvements are capitalised and depreciated over the remaining useful lives of the related assets. Retirements, sales and disposals of property, plant and equipment are recorded by deducting the cost and accumulated depreciation from the accounting records with any resulting terminal depreciation adjustments reflected in impairment charges in the Income Statement; capital gains are shown in Other Operating Income.

Impairment

The carrying amounts of most fixed assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment, whereas goodwill is tested annually. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use with an impairment loss being recognised whenever the carrying amount exceeds the recoverable amount.

A previously recognised impairment loss on plant and equipment is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years. For goodwill, however, a recognised impairment loss is not reversed.

Whilst intangible assets and property, plant and equipment is subject to impairment testing at the cash generating unit ("CGU") level, goodwill is subject to impairment testing at the level of CGU or groups of CGUs, which represents the lowest level within the Group that goodwill is monitored for internal management purposes.

Accounting for Leases

Leases of property, plant and equipment, where the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. Each lease payment is allocated between the capital liability and finance charges, so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being taken to the Income Statement over the lease period. Property plant and equipment acquired under finance leasing contracts are depreciated over the lesser of the useful life of the asset or lease period.

Leases of assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases and the lease payments are expensed on a straight-line basis over the lease periods. When an operating lease is terminated before the expiry of the lease period, any obligatory payment to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Lease termination benefits are recognised on a discounted basis.

Government Grants

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying value of the asset, the net cost being capitalised. Other government grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they were intended to compensate.

Biological Assets

IAS 41 Agriculture, requires that biological assets, such as standing trees, are shown on the Balance Sheet at market value. Group forests are thus accounted for at fair value less estimated point-of-sale costs at harvest, there being a presumption that fair values can be measured for these assets. Stora Enso also ensures that the Group's share of the valuation of forest holdings in Associated Companies are consistent with Group accounting policies.

The valuation of newly acquired and recently planted biological assets are carried at cost, which equates to fair value. The valuation of established forest assets is based on discounted cash flow models whereby the fair value of the biological assets is calculated using cash flows from continuous operations, that is, based on sustainable forest management plans taking into account growth potential. The yearly harvest made from the forecasted tree growth is multiplied by actual wood prices and the cost of fertiliser and harvesting is then deducted. The fair value of the biological asset is measured as the present value of the harvest from one growth cycle based on the productive forestland, taking into consideration environmental restrictions and other reservations. Biological assets that are physically attached to land are recognised and measured at their fair value separately from the land.

Emission Rights & Trading

The Group's participation in the European Emissions Trading Scheme, in which it has been allocated allowances to emit a fixed tonnage of carbon dioxide in a fixed period of time, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period. Emissions allowances recorded as intangible assets are recognised when the Group is able to exercise control and are measured at fair value at the date of initial recognition. If the market value of emission allowances falls significantly below the carrying amount, and the decrease is considered permanent, then an impairment charge is booked for allowances which the Group will not use internally. The liability to deliver allowances is recognised based on actual emissions; this liability will be settled using allowances on hand, measured at the carrying amount of those allowances, with any excess emissions being measured at the market value of the allowances at the period end.

In the Income Statement, the Group will expense, under Materials & Services, emissions made at the fair value of the rights at their grant date, together with purchased emission rights at their purchase price. Such costs will be offset under Other Operating Income by the income from the original grant of the rights used at their fair value at the grant date, together with income from the release or sale of surplus rights. The Income Statement will thus be neutral in respect of all rights consumed that were within the original grant, any net effect representing either the costs of purchasing additional rights to cover excess emissions, the sale of unused rights or the impairment of allowances not required for internal use.

Inventories

Inventories are reported at the lower of cost and net realisable value with cost being determined by the first-in first-out (FIFO) method or, alternatively, weighted average cost where it approximates FIFO. The cost of finished goods and work in progress comprises raw material, direct labour, depreciation, other direct costs and related production overhead but excludes interest expenses. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and sale.

Where market conditions result in the manufacturing costs of a product exceeding its net realisable value, a valuation allowance is made. Valuation provisions are also made for old, slow moving and obsolete finished goods and spare parts. Such valuation allowances are detailed in Note 12 Valuation Provisions and Note 19 Inventories and, in the Balance Sheet, are deducted from the carrying value of the inventories.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently at their anticipated realisable value, an estimate being made for doubtful receivables based on an objective review of all outstanding amounts at the year-end. Losses relating to doubtful receivables are recorded in the Income Statement within Other Operating Expenses. Trade Receivables are included in current assets under Short-term Operative Receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other liquid investments with original maturity of less than three months. Bank over-drafts are included in short-term borrowings under current liabilities.

Investments

The Group classifies its investments in marketable debt and equity securities, and investments in unlisted equity securities into three categories of trading, held-to-maturity and available-for-sale. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and are therefore fair valued through the Income Statement and presented as current assets, whereas investments with fixed maturity, which management has the intent and ability to hold to maturity, are classified as held-to-maturity, to be disclosed in non-current assets; during the period the Group held no investments in these categories. Investments intended to be held for an indefinite period of time, but which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the Balance Sheet date, in which case they are included in current assets. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments are initially recognised at fair value and subsequent gains and losses are booked to equity in OCI and, when they are sold, the accumulated fair value adjustments are then included in the Income Statement. The values of all investments, where the market value has been below the carrying value for more than a year, are reviewed at least annually for permanent impairment. If any impairment becomes apparent, then that part of the fair value reserve (OCI) represented by the impairment is transferred to the Income Statement.

Loan Receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded initially at fair value and are subject to regular and systematic review as to collectibility and available guarantees. If any loan receivable is estimated to be unrecoverable, a provision is made for the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loan receivables is included within net financial items. Loan receivables with a maturity of less than 12 months are included in current assets under Interest-bearing Receivables and those with maturities greater than 12 months, in Non-current Loan Receivables.

Debt

Debt is recognised initially at fair value, net of transaction costs incurred. In subsequent periods, it is stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and redemption value is recognised in the Income Statement over the period of the borrowings. Interest expenses are accrued for and recorded in the Income Statement for each period.

Debt with an original maturity greater than 12 months is classified as Non-current Debt on the Balance Sheet, though repayments falling due within 12 months are presented in Current Liabilities under Current Portion of Non-current Debt. Short-term commercial paper, bank and other interest bearing borrowings, where the original maturity is less than 12 months are presented in Current Liabilities under Interest-bearing Liabilities.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Environmental provisions for site reinstatement are made when a project starts production, the capitalised cost of the provision, along with the historic cost of the asset, being amortised over the useful life of the asset. Provisions are discounted back to their current net present value.

A restructuring provision is recognised in the period in which the Group becomes legally or constructively committed to the plan. The relevant costs are only those that are incremental to, or incurred as a direct result of, the exit plan, are the result of a continuing contractual obligation with no ongoing economic benefit or represent a penalty incurred to cancel the obligation.

Employee Benefits

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee administered funds. Such pension and post-retirement plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries. Group contributions to the defined contribution pension plans are charged to the Income Statement in the year to which they relate.

For defined benefit plans, accounting values are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Income Statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every year. The pension obligation is measured as the present value of estimated future cash outflows using interest rates of government securities that have maturity terms approximating the terms of the related liability.

The Group immediately recognises all actuarial gains and losses arising from defined benefit plans directly in equity, as disclosed in its Consolidated Statement of Income & Expense ("SORIE"). Past service costs are however identified at the time of any plan amendments and, where vested, are shown in the Income Statement, whilst unvested amounts are amortised systematically over the vesting period. On the Group Balance Sheet, the full liability for all plan deficits is recorded, as adjusted for any past service costs still to be amortised.

Executive Share Options and Share Awards

The costs of all employee-related share-based payments are charged to the Income Statement as personnel expenses over the vesting period. The synthetic option programmes 2000–2007 are hedged by Total Return Swaps ("TRS") which are settled with cash payments, allowing the Company to receive cash compensation to partially offset any change in the share price between the grant and settlement dates.

The fair value of employee services received in exchange for cash settled options is recognised at the fair value of the liability incurred and expensed rateably over the vesting period. The liability is remeasured at each Balance Sheet date to its fair value using estimates of the number of options that are expected to become exercisable and the latest fair valuations using the Black-Scholes model, with all changes recognised immediately in the Income Statement.

The fair value of employee services received in exchange for cash-settled share awards is recognised at the fair value of the liability incurred and expensed rateably over the vesting period. The liability is remeasured at each Balance Sheet date to its fair value using estimates of the number of share awards that are expected to be issued and the latest fair valuations by using the Stora Enso R-share closing price, with all changes recognised immediately in the Income Statement.

Change in Accounting Policy

The TRS, previously reported in other financial items, are now reported in Operating Profit under Personnel Expenses, with an effect on operating profit of EUR 13.7 million in 2005, EUR 24.6 million in 2006 and a loss of EUR 11.8 million in 2007, though the change has no impact on profit before tax. Comparative amounts disclosed for each prior year have been restated.

Restricted Equity

The components of restricted equity include the share premium account, the translation adjustment for foreign subsidiaries (CTA), Other Comprehensive Income (OCI) and the legal reserves required by law in certain countries where subsidiaries are incorporated.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted earnings per share has been computed by applying the "treasury stock" method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or if later, on issue and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options.

The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the common stock during the period. The warrants and options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the warrants and options.

Dividend

The dividend proposed by the Board is not deducted from distributable shareholders' equity until approved by the shareholders at the Annual General Meeting.

New and Amended Standards Effective in 2007

The Group has adopted IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures which are mandatory for the Group's accounting periods beginning on or after 1 January 2007. This standard requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

The following amendments and interpretations are effective for the Group's accounting periods beginning 1 January 2007, but were either not relevant or not material to Group operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivatives;
- IFRIC 10, Interim Financial Reporting and Impairment

New and Amended Standards and Interpretations not yet Effective in 2007

- IAS 1 (Revised), Presentation of Financial Statements, is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. This will have no effect on Group reporting.
- Amendment to IFRS 2, Share-based Payments, clarifies that only service and performance conditions are vesting conditions. All other features need to be included in the grant date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. No impact on Group reporting is foreseen.
- IFRS 3 (Revised), Business Combinations, the revised standard continuing to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through the Income Statement. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest, though all transaction costs will be expensed. Only the last point is expected to affect Group reporting, but not materially.
- IAS 23 (Revised) Borrowing Costs, effective for accounting periods beginning on or after 1 January 2009, eliminates the option to expense all borrowing costs when incurred. This revision will have no impact on Stora Enso's financial statements as it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control such that they will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost such that any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The Group already uses the Economic Entity Model and thus this revised standard will have no effect.
- IFRS 8, Operating Segments replaces IAS 14 and requires an entity to adopt the 'management approach' to reporting the financial performance of its operating segments, under which the segment result in Financial Statements will reflect how the Group reports segments internally for management purposes. The main change will be that segment operating result will exclude share of results from associates, non-recurring items, share-based payments fair valuation adjustments, TRS, emission rights and biological asset fair valuation movements. It is mandatory for the Group's accounting periods beginning or after 1 January 2009, but will be early adopted by the Group in the first quarter of 2008.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, addresses how to apply IFRS 2 – Share-based Payments to share-based payment arrangements involving an entity's own equity instruments. It is mandatory for the Group's accounting periods beginning on or after 1 January 2008, but is not expected to have any impact on the Group's accounts.
- IFRIC 12, Service Concession Arrangements is not applicable to Group operations.
- IFRIC 13, Customer Loyalty Programmes is not applicable to Group operations.
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction addresses whether refunds or reductions in future contributions should be regarded as available, how a minimum funding requirement might affect the availability or reductions in future contributions and when a minimum funding requirement might give rise to a liability. It is mandatory for the Group's accounting periods beginning or after 1 January 2008, but is not expected to have a significant impact on the Group's accounts as Defined Benefit Scheme net assets amounted to only EUR 5.8 million at 31 December 2007.

Note 2 Risk Management

Risk Management Principles and Process

Stora Enso is exposed to a number of financial market risks that the Group is responsible for managing under policies approved by the Financial and Audit Committee of the Board of Directors. The overall objective is to have cost-effective funding in Group companies as well as to manage financial risks in order to decrease earnings volatility with the use of financial instruments. The main exposures for the Group are funding risk, interest rate risk, currency risk and commodity price risk, especially for fibre and energy.

Group Financial Policy governs all financial transactions in Stora Enso. This policy, and any future amendments, take effect when approved by the Finance and Audit Committee of the Board of Directors and all policies covering the use of financial instruments must comply with it. Stora Enso Financial Services Risk Policy refines the guidance into more detailed instructions and becomes effective when the Group Treasurer has signed it. The major financial market risks are detailed below.

Interest Rate Risk

Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the economy, the Group has an interest rate risk policy to synchronise interest costs with earnings over the business cycle by swapping long-term fixed interest rates to short-term floating interest rates. The Group's duration benchmark is 12 months, though the Treasury has a deviation mandate of between 3 and 24 months. However, the duration can be extended to 48 months with approval from the CFO.

As of 31 December 2007, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 31 (EUR 28) million, assuming that the duration and the funding structure of the Group stays constant during the year. This simulation calculates the interest effect of a 100 basis point parallel shift in interest rates on all floating rate instruments from their next reset date to the end of the year. In addition all short-term loans maturing during the year are assumed to be rolled over, thus being artificially prolonged from maturity to the year end using the new higher interest rate. The total Group floating rate interest-bearing net liability position, excluding cash and cash equivalents but including floating legs of interest rate swaps, were some EUR 4.0 (EUR 3.9) billion, the average interest reset period being some 2.9 (3.5) months. The average interest reset period for Group net interest-bearing liabilities, including all interest rate derivatives but excluding cash and cash equivalents, was some 1.0 (1.2) years. A one percentage point parallel change up or down in interest rates would also result in fair valuation losses or gains of some EUR 3 (EUR 7) million, presented under Other Financial Items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting. Note 27 Financial Instruments summarises the nominal and fair values of the outstanding interest rate derivative contracts.

Currency Transaction Risk

The Group is exposed to currency risk arising from exchange rate fluctuations against its functional and reporting currency, the Euro. Currency transaction risk is the impact of exchange rate fluctuations on the Group Income Statement, being the effect of currency rates on expected future cash flows, Group policy for this being to hedge a 50% of the forecasted major currency cash flows. The geographical location of Stora Enso's production facilities, the sourcing of raw material and sales outside the Euro area comprise the principal foreign exchange transaction exposure, mainly denominated in Swedish krona, US dollar and British pound sterling.

The table below shows the direct effect on annual EBITDA of a +/- 5% to 10% change in the Euro and Swedish krona value against the US dollar and British pound; the calculation is made net of currency cash flow hedges and assumes that no changes other than a single currency exchange rate movement takes place. In addition, as Swedish mills have substantial sales invoiced in Euros, the annual average impact of +/- 5% change in SEK/EUR rates has been evaluated as well. Indirect currency effects, such as a product becoming cheaper to produce elsewhere, have an impact on prices and product flows, but have not been considered in this computation. The calculations are based on realised flows from continuing operations in 2006 and 2007, hedging levels at the year and the assumption that the currency cash flow hedging levels and structures would have stayed constant during the year. Hedging instruments used were foreign exchange forward contracts and foreign exchange options.

Annual EBITDA: Currency Effects of a +/- 5% to 10% Movement

	As at 31 December 2006			As at 31 December 2007		
EUR million	Before Hedges	Hedges	Net Impact	Before Hedges	Hedges	Net Impact
10% change in the EUR/USD rate	-/+ 70–80	+/- 20–25	-/+ 50–60	-/+ 50–60	+/- 20–25	-/+ 30–40
10% change in the EUR/GBP rate	-/+ 40–50	+/- 10–15	-/+ 30–40	-/+ 45–55	+/- 15–20	-/+ 30–40
10% change in the SEK/USD rate	-/+ 35–40	+/- 5–10	-/+ 30–35	-/+ 30–35	+/- 10–15	-/+ 20–25
10% change in the SEK/GBP rate	-/+ 20–25	+/- 5–10	-/+ 15–20	-/+ 25–30	+/- 10–15	-/+ 15–20
5% change in the SEK/EUR rate	-/+ 35–40	+/- 10–15	-/+ 25–30	-/+ 35–40	+/- 20–25	-/+ 15–20

In addition, if the Euro and Swedish Krona would move by 10% against USD and GBP, with all other variables held constant, EBITDA for the year would change by some EUR 28 (EUR 26) million, mainly as a result of foreign exchange gains and losses on the one-time retranslation of US dollar-denominated trade receivables. Basically, if the production currency strengthens against the selling currency, lower profits result; in 2007 both the Euro and the Swedish krona appreciated materially against the US dollar and British pound. The currency breakdown of short-term operative receivables have been shown in Note 20 Receivables.

The majority of derivatives hedging forecast foreign currency sales and costs qualify for hedge accounting and therefore their fair value changes are presented in Shareholder's Equity under OCI: Hedging Reserve. It is estimated that if the Euro and Swedish krona would move by 10% against USD and GBP, with all other variables held constant, such as the time-value of the option hedges and the interest rate component of the forward contracts, then the OCI Hedging Reserve, before taxes, at the year end would have been some EUR 71 (EUR 46) million different as a result of a one-time revaluation of outstanding cash flow hedge accounted currency derivatives, EUR 39 (EUR 25) million coming from USD hedges and EUR 32 (EUR 21) million coming from GBP hedges. The corresponding nominal hedging levels in currencies were USD 579 (USD 330) million and GBP 235 (GBP 138) million.

The Group target is to hedge, though not necessarily follow hedge accounting for, all foreign currency denominated interest-bearing loan receivables and borrowings, except those which used for hedging of net investment in foreign currencies, either for subsidiary, associated company or available-for-sale investments.

Currency Translation Risk

Translation risk is the danger that fluctuations in exchange rates will affect the value of Stora Enso's net foreign currency denominated assets and liabilities. Translation risk should be reduced by funding assets, whenever economically possible, in the same currency as the asset.

The Balance Sheets of foreign subsidiaries, associates and foreign currency denominated available-for-sale investments are translated into Euros using exchange rates prevailing at the reporting date, thus exposing consolidated Group equity to fluctuations in currency rates. The resulting translation differences, along with other movements such as the translation rate difference on the Income Statement, are recorded directly in Shareholders' Equity, though these cumulative differences ("CTA") materialise though the Income Statement on the disposal, in whole or in part, of the foreign entity.

The table below shows the effect on consolidated equity of a +/- 5% to 10% change in the value of the Euro against the US dollar, Swedish krona, and Brazilian real at 31 December. The calculation includes the effects of currency hedges of net investments in foreign entities and assumes that no changes occur other than a single currency exchange rate movement on 31 December each year. The exposures used in the calculations are the foreign currency denominated equity and the hedging levels at 31 December, with the hedging instruments being foreign currency forward contracts, currency options and foreign currency denominated borrowings. Full details of actual CTA movements and hedging results are given in Note 28 Cumulative Translation Adjustment & Equity Hedging.

Consolidated Shareholder's Equity: Currency Effects Before Tax of a +/- 5% to 10% Movement

	As at 31 December 2006			As at 31 December 2007		
EUR thousand	Before Hedges	Hedges	Net Impact	Before Hedges	Hedges	Net Impact
5% change in the EUR/SEK rate	120	29	91	96	5	91
10% change in the EUR/USD rate	71	71	0	42	36	6
10% change in the EUR/BRL rate	70	-	70	69	-	69
Total Effect from Above	**261**	**100**	**161**	**207**	**41**	**166**

Liquidity and Refinancing Risk

Funding risk arises from the difficulty of obtaining finance for operations at a given point in time. Stora Enso's funding policy states that the average maturity of outstanding loans and committed credit facilities covering short-term borrowings should be at least four years and not more than seven years. The policy further states that the Group must have committed credit facilities to cover planned funding needs, the current portion of long-term debt, commercial paper borrowings and other uncommitted short-term loans.

Refinancing risk, being that maturing debt could not be refinanced in the market, is mitigated by limiting the maturing long-term debt in any one year to some EUR 500 million. In order to secure access to funding, debt ratings are an important prerequisite, thus to ensure Stora Enso has the correct rating and that the rating agencies have the correct information about the Group and it's performance, frequent meetings with the agencies are arranged at the management level. Note 24 Debt summarises the repayment schedule of long-term debt and the maturity analysis for financial liabilities that shows the remaining contractual maturities.

Financial Transactions Counterparty Credit Risk

Financial counterparty risk is Stora Enso's exposure on financial contracts arising from a deteriorating in the counterparties' financial health. This risk is minimised by:

- Entering into transactions only with leading financial institutions and with industrial companies that have a high credit rating.
- Investing in liquid cash funds only with financially secure institutions or companies.
- Requiring parent company guarantees when dealing with any subsidiary of a rated company.

Ratings for external counterparties should be above or equal to A- for banks and BBB for industrial companies dealing in commodities, and ISDA/FEMA or equivalents are signed with the counterparty. Any other counterparty not meeting the requirements presented above has to be approved by CEO.

Raw Material and Energy Price Risk

Group earnings are exposed to commodity and energy price volatility. The recent increase in oil prices has adversely impacted various material inputs such as energy, chemicals and transportation, which account for some 30% of total Group production costs.

Financial energy hedges are part of the total energy price risk management in the Group, whilst commodity risks are measured and hedged if economically possible. A 10% movement in energy and raw material prices would result in a EUR 34.9 (EUR 6.7) million change in the fair value of energy and raw material hedging contracts. The majority of these fair value changes, after taxes, are recorded directly in Equity under Hedging Reserves, until the contracts mature and the result is entered in the Income Statement. These estimates represent only the sensitivity of the financial instruments to market risk and not the Group exposure to raw material and energy price risks as a whole, since the actual purchases are not financial instruments within the scope of the IFRS 7 disclosure requirements. The maturity of the energy and commodity contracts is between one month and five years, as compared to between one month and nine years in 2006.

The greater part of Group energy price risk has been covered by entering into long-term physical fixed price purchase agreements, as detailed in Note 29 Commitments and Contingencies, Purchase Agreement Commitments. The Group also has a 15.6% holding, valued at EUR 994.0 (EUR 780.0) million, in Pohjolan Voima Oy, a privately owned group of companies in the energy sector which produces electricity and heat for its shareholders in Finland. Whilst the price of electricity adversely affects Group profitability and thus the carrying value of Finnish mills, it has the opposite effect on the value of this Group shareholding. A 10% movement in the estimated long-term electricity price would have an impact of some EUR 180 million on the valuation of the shares in Pohjolan Voima, the movement being recorded in equity.

In addition, in an effort to mitigate the worst commodity risk exposures, the Group has major associate interests in forest companies in Finland, Sweden and Brazil, thus if prices increase for fibre in these three countries, so do the results from these Group interests.

End Product Price Risk

Prices for paper and board products have historically been cyclical, reflecting overall economic conditions and changes in capacity within the industry, which affect the profitability of the paper, packaging board and wood products industries. End product price risks are hedged if economically viable and possible. A 10% movement in end product prices would result in a EUR 4.9 (EUR 2.6) million change in the fair value of the end product hedging contracts. The majority of these fair value changes, after taxes, are recorded directly in Equity under Hedging Reserves, until the contracts mature and the result is entered in the Income Statement. These estimates represent only the sensitivity of the financial instruments to market risk and not the Group exposure to end product price risks as a whole, since the paper, board and wood products sales are not financial instruments within the scope of IFRS 7 disclosure requirements.

Share Price Risk

Stora Enso utilises Total Return Swaps (“TRS”) to partially hedge exposures to changes in the share price of synthetic options granted under the Option Programmes for Management (see Notes 8 and 31), which are settled with cash payments. While these TRS instruments allow the Group to partially stabilise future cash flows related to the settlement of outstanding synthetic options, they result in certain market risks relating to Group share price developments. Group TRS instruments do not qualify for hedge accounting, and periodic changes to their fair value are recorded in the Income Statement.

As of 31 December 2007 there were TRS instruments outstanding covering 17 850 000 (28 262 400) underlying Stora Enso Oyj R shares recorded at a net fair value loss of EUR 34.3 (EUR 7.0 gain) million, as disclosed in Note 27. The settlement periods of the TRS instruments match the life of the associated synthetic options, mature between 2008 and 2013 and allow for earlier settlement at the Group’s election. A 10% fall in the share price of Ordinary R Shares would result in a decrease in the net fair value of the TRS instruments of EUR 18.3 (EUR 33.9) million, recorded in the Income Statement under Personnel Expenses, based on a closing share price at the year end of EUR 10.24 (12.00) on the OMX Nordic Exchange Helsinki.

The Group has certain investments in publicly traded companies (Note 17 Available-for-Sale Investments). The market value of these equity investments was EUR 45.9 (EUR 41.2) million at the year end. These securities have an exposure to fluctuations in equity prices, thus a 10% fall in equity prices would result in a EUR 4.6 (EUR 4.1) million loss in the equity value, though this would not impact the Income Statement until such time as they were sold. As of 31 December 2007 there were no outstanding financial derivative contracts designated as hedges of investments in publicly traded companies. Market value changes in these investments are recorded, after taxes, directly under Shareholders’ Equity in the Available for-Sale Reserve.

The Group has a 15.6% holding, valued at EUR 994.0 (EUR 780.0) million, in Pohjolan Voima Oy, a privately owned group of companies in the energy sector. As the value of these shares is dependent on energy prices, the risk involved is detailed above under Raw Material and Energy Price Risk.

On the divestment of Stora Enso North America Inc., described in more detail in Note 6, part of the sales consideration consisted of 19.9% of the shares in the newly established privately owned company, NewPage Group Inc. This holding was classified as an Available-for-Sale investment in Unlisted Shares and is recorded at a fair value of USD 370.0 (EUR 251.3) million at 31 December 2007. As these shares are not publicly traded, alternative valuation techniques, such as discounted cash flow analysis and industry-specific multiples are employed to arrive at the estimated US dollar market value, hence the valuation is subject to uncertainty. The USD currency exposure against the Euro is included in the Currency Translation Risk section.

Supply Risk

Group manufacturing operations depend on obtaining adequate and timely supplies of raw materials, principally of wood, energy and chemicals. The result of operations could be adversely affected if the Group were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

Group companies may at times be substantially dependent on a limited number of key resource suppliers due to availability, locality, price, quality and other constraints; additionally, suppliers may sometimes extend lead times, limit supplies or increase prices due to capacity constraints or other factors. In an attempt to mitigate supply risk, the Group works closely with its key suppliers around the world and also produces some of its key resources in-house.

Customer Credit Risk
Credit insurance has been obtained for customers in the main market areas of Western Europe, Canada and the United States. In other market areas, measures to reduce credit risks include letters of credit, prepayments and bank guarantees. The Group has also obtained export guarantees, covering both political and commercial risks, which are used in connection with individual customers outside the OECD area. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for Stora Enso. The Age Analysis of Trade Receivables is given in Note 20 Receivables.

Capital Risk Management
Stora Enso's debt structure is focused on capital markets, whereas banks are primarily used to provide back-up facilities. Group objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may, subject to shareholder approval as appropriate, vary the dividend paid to shareholders, buy its own shares on the market, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of a target debt-to-equity ratio of 0.80 or less, indicating a strong Balance Sheet, and financial flexibility. Stora Enso also considers the maintenance of two investment grade ratings an important target. Currently there are investments grade ratings from Moody's and Standard & Poor's and also unsolicited investment grade from Fitch. Debt-to-equity ratios are shown below:

Financial performance

Capital Structure

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Interest-Bearing liabilities	6 055.6	5 227.9	4 441.5
Interest-Bearing assets	971.5	984.9	1 486.8
Interest-bearing Net Debt	**5 084.1**	**4 243.0**	**2 954.7**
Total Equity	**7 220.1**	**7 799.6**	**7 476.1**
Debt / Equity Ratio	**0.70**	**0.54**	**0.40**

Note 3 Critical Accounting Estimates & Judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make subjective estimates and assumptions that affect the amounts reported. Estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates. Management believes that the accounting policies below represent those matters requiring the exercise of judgment where a different opinion could result in the greatest changes to reported results.

Fixed Assets
For material fixed assets in an acquisition, an external advisor is used to perform a fair valuation of the acquired fixed assets and to assist in determining their remaining useful lives. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable, though different assumptions and assigned lives could have a significant impact on the reported amounts.

The carrying amounts of fixed assets are reviewed at each Balance Sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Triggering events for impairment reviews include, among others:

- A permanent deterioration in the economic or political environment of customers or Group activities;
- Significant under-performance relative to expected historical or projected future performance; and
- Material changes in strategy affecting Group business plans and previous investment policies.

If any such indications exist, the recoverable amount of an asset is estimated as the higher of the net selling price and the value in use, with an impairment charge being recognised whenever the carrying amount exceeds the recoverable amount.

Goodwill
Under IFRS, goodwill is tested by Cash Generating Unit ("CGU") or by group of CGUs at least on an annual basis and any impairment is measured using the discounted cash flow valuation method. This method uses future projections of cash flows from each of the reporting units in a CGU or group of CGUs and includes, among other estimates, projections of future product pricing, production levels, product costs, market supply and demand, projected maintenance capital expenditures and an assumption of the weighted average cost of capital. A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital.

Stora Enso performs annual impairment tests in the third quarter of each year, though additional tests may be carried out if triggering events occur. The impairment test involves a comparison by CGU or group of CGUs of the fair value of the net operating assets, including goodwill, with their carrying amounts, the fair value being determined based on a discounted cash flow valuation. If a carrying amount exceeds the fair value, then assets within the CGU or group of CGUs are considered to be impaired, primarily the goodwill and then the fixed assets, until the carrying value equates to the fair value.

The Group has evaluated the most sensitive estimates which changes could have a material effect on the fair value of the assets or goodwill and therefore could lead to an impairment. These estimates are expected sales prices of the products, expected inflation rate of the product costs and discount rate. The Group performs sensitivity analysis on the most critical estimates.

Available-for-Sale Instruments

The fair value of publicly traded securities are based on quoted market prices at the Balance Sheet date, whereas the fair value of other securities, mainly energy-related investments, are assessed using a variety of methods such as discounted cash flow models, comparable trading and precedent transaction multiples; these three methods create a range of the fair values the average of which is then used. The discounted cash flow model energy-related investments includes future projections of electricity prices, production costs, inflation and capital expenditures, the projected net annual cash flows being discounted with the weighted average cost of capital. Trading multiples are based on listed securities price-earnings ratios in the same industry.

Derivatives

As an international producer and seller of paper and forest products, Stora Enso is exposed to foreign exchange rate movements, thus, in accordance with Group policy 50 percent of the upcoming 12 months net exposure in a specific currency is hedged. The Group policy for translation risk exposure aims to minimise this risk by funding investments in the same currency as the net assets, whenever possible and economically viable.

Stora Enso applies hedge accounting for cash flows related to external sales, however, derivative financial instruments that do not fulfil the criteria for hedge accounting are fair valued with the effect appearing in operating profit in the Income Statement.

Prices for paper and wood products are cyclical in nature and consequently earnings are exposed to commodity price volatility, thus Stora Enso hedges its end product markets. The Group has implemented a commodity risk management framework in the areas of fibre and energy procurement whereby subsidiaries are responsible for measuring their open commodity price risks and hedging these through the Group Treasury. All financial derivatives used in hedging Group exposure to commodity and energy price risk are accounted for under IAS 39 and, where possible, hedge accounting is applied, though where instruments do not fulfil hedge accounting criteria, they are fair valued with the effect appearing in operating profit in the Income Statement.

Income Taxes

Deferred income taxes are provided using the liability method, as measured with enacted or substantially enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. Principal temporary differences arise from depreciation on property, plant and equipment, fair valuation of net assets at acquisitions, fair valuation of available-for-sale investments and derivative financial instruments, intercompany inventory profits and tax losses carried forward which are recognised as assets to the extent that it is probable that future taxable profits will be available against which unused tax losses may be utilised.

Tax assets and liabilities are reviewed on a periodic basis and balances are adjusted as appropriate. Management considers that adequate provision has been made for future tax consequences based upon current facts, circumstances and tax law. However, should any tax positions be challenged and not prevail, different outcomes could result and have a significant impact on the amounts reported in the consolidated financial statements.

Post-Retirement Benefits

The Group operates a number of defined contribution and defined benefit plans worldwide, the assets of which are generally held in trustee administered funds. Payments to defined contribution pension plans are charged to the Income Statement in the year to which they relate and no further liability arises. However, for defined benefit plans, accounting costs are assessed using the projected unit credit method under which the cost of providing pensions and other benefits is charged to the Income Statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan each year; the full cost of the benefit is thus matched to the periods in which service is rendered.

The defined benefit obligation (“DBO”) is measured as the present value of estimated future cash outflows using interest rates of government securities that have maturity terms approximating the terms of the related liability. Pension assets are fair valued and the difference between that and the DBO represents the unfunded liability on the Balance Sheet. Any past service costs will remain off Balance Sheet to the extent that they are unrecognised and are spread forward over the average remaining vesting period of the affected employees.

The determination of the Group pension obligation and expense is subject to the selection of certain assumptions used by actuaries in calculating such amounts, including, among others, the discount rate, the expected rate of return on plan assets, the annual rate of increase in future compensation levels and estimated lifespans. Amounts charged in the Income Statement are determined by independent actuaries, however, where actual results differ from the initial estimates, together with the effect of any change in assumptions or other factors, these differences are recorded directly in equity, as disclosed in the Statement of Recognised Income & Expense.

Biological Assets

Most Group interests in biological assets are held in associated companies, though there are some smaller holdings owned directly as well. Biological assets, in the form of free standing trees, are accounted for under IAS 41, which requires that the assets be measured at fair value less costs to sell. Fair value is determined using discounted cash flows from continuous operations based on sustainable forest management plans taking into account the growth potential of one cycle. These discounted cash flows require estimates in growth, harvest, sales price and costs and changes in these premises are included in the Income Statement, for directly owned interests, on the line for Change in Net Value of Biological Assets and, for those assets shown on the Balance Sheets of Associates, on the line for Share of Results in Associated Companies. It is therefore important that the management of both the Group and the Associates make appropriate estimates of future price levels and trends for sales and costs, as well as undertaking regular surveys of the forest to establish the volumes of wood available for cutting and their current growth rates.

Note 4 Segment Information

The Group evaluates the performance of its operating segments and allocates resources to them based on their operating performance, which is equivalent to the segment result. Segment sales include intersegment sales valued at arm's length prices.

Stora Enso changed its organisational structure in September 2007 so that its business segments are organised into seven Business Areas dealing with external customers and a further one for other operations, these being the basis on which the Group reports its primary segment information. The activities of the reportable segments are:

Magazine Paper
Magazine Paper offers a wide range of paper for magazines and advertising applications. Uncoated magazine paper is mainly used in periodicals and advertising material, such as inserts and flyers. Coated magazine paper is used in special interest and general interest magazines.

Newsprint and Book Paper
Newsprint and Book Paper produces newsprint, improved newsprint, directory and book paper for publishers and printing houses. The book and directory paper range includes paper for hardback and paperback books, telephone directories and timetables.

Fine Paper
Fine Paper produces graphic and office paper. Office paper grades include copy paper, printing paper, envelope paper, paper used in schools, notebooks and blocks, business forms for continuous stationery and digital printing paper. Graphic paper grades are tailored to the high quality printing needs of printers and publishers.

Merchants
Stora Enso's paper merchant, Papyrus, is a customer-oriented European merchant network which offers a range of paper, board, graphic products and e-service solutions to the graphic industry, wholesale, offices and the public and industrial sectors.

Consumer Board
Consumer Board is a specialist producer of liquid packaging board, food service board, graphical board and carton board for use in packaging food, beverages, cigarettes, pharmaceuticals, media products, household products, cosmetics and luxury items.

Industrial Packaging
Industrial Packaging produces corrugated packaging, containerboard, cores and coreboard, laminating paper, paper sacks, and sack and kraft paper. It operates in every stage of the value chain, from recycling and pulp production to packaging production.

Wood Products
Wood Products focuses on the construction and joinery industries and provides mass-customised, engineered fit-to-use products for manufacturing processes. It also supplies a wide range of sawn and processed wood products to timber retailers, merchants and importer-distributors.

Other
The biggest component of segment Other is Wood Supply, formerly a reportable segment in its own right, though this was changed in 2007 as they had limited external sales; Wood Supply procures and supplies wood to the mills, sourcing this from both the Group's two Scandinavian forest Associates and from external parties. The other parts of the Segment consist of Market Services, being the Sales Network and Logistics, along with Energy and Head Office / Corporate functions.

Sales by Segment

EUR million	External	Internal	Total	External	Internal	Total	External	Internal	Total
	Year Ended 31 December								
	2005			2006			2007		
Newsprint and Book Paper	1 358.1	77.7	1 435.8	1 623.6	80.4	1 704.0	1 652.0	82.9	1 734.9
Magazine Paper	1 934.0	195.6	2 129.6	1 951.3	269.0	2 220.3	2 104.9	191.4	2 296.3
Fine Paper	1 813.9	272.6	2 086.5	1 891.5	370.3	2 261.8	1 705.1	451.1	2 156.2
Merchants	1 162.1	11.2	1 173.3	1 906.2	1.0	1 907.2	2 004.8	1.2	2 006.0
Consumer Board	1 947.2	147.0	2 094.2	2 139.0	192.9	2 331.9	2 122.7	178.2	2 300.9
Industrial Packaging	773.8	76.0	849.8	879.5	91.2	970.7	987.0	96.5	1 083.5
Wood Products	1 532.6	90.8	1 623.4	1 571.8	101.2	1 673.0	1 743.9	109.2	1 853.1
Other	702.3	2 544.2	3 246.5	778.0	2 966.0	3 744.0	927.2	3 275.5	4 202.7
Elimination of internal sales	-	-3 296.4	-3 296.4	-	-3 855.7	-3 855.7	0	-4 260.0	-4 260.0
Continuing Operations	**11 224.0**	**118.7**	**11 342.7**	**12 740.9**	**216.3**	**12 957.2**	**13 247.6**	**126.0**	**13 373.6**
Discontinued: North America	1 963.5	-118.7	1 844.8	1 853.0	-216.3	1 636.7	1 895.9	-126.0	1 769.9
Total Operations	**13 187.5**	**0.0**	**13 187.5**	**14 593.9**	**0.0**	**14 593.9**	**15 143.5**	**0.0**	**15 143.5**

Sales includes external service income of EUR 33.5 (EUR 21.7, 21.8) million.

Segment Share of Operating Profit and Associated Companies

	Year Ended 31 December								
	Operating Profit (incl. Associates)			Share of Results in Associated Companies			Investment in Associated Companies		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	124.8	233.4	101.9	-	-	-	0.3	0.3	0.3
Magazine Paper	-62.4	-92.9	-396.8	-1.8	10.1	1.3	44.8	52.4	49.5
Fine Paper	15.5	211.2	197.0	-0.1	12.5	44.9	307.9	329.0	482.2
Merchants	-4.1	33.1	69.3	0.2	-	0.1	1.2	1.2	1.2
Consumer Board	173.5	236.0	-41.3	-	-	-	-	-	-
Industrial Packaging	39.0	86.7	105.2	-0.2	0.4	0.2	2.7	3.1	2.7
Wood Products	-55.6	42.7	33.1	-4.0	0.6	0.5	0.8	1.0	1.0
Other	-21.4	-8.7	177.8	73.0	64.4	294.4	361.8	418.2	617.6
Continuing Operations	**209.3**	**741.5**	**246.2**	**67.1**	**88.0**	**341.4**	**719.5**	**805.2**	**1 154.5**
Discontinued: North America	-188.2	-5.7	3.7	0.1	-0.7	1.3	0.4	-	-
Total Operations	**21.1**	**735.8**	**249.9**	**67.2**	**87.3**	**342.7**	**719.9**	**805.2**	**1 154.5**

Fixed Assets, Capital Expenditure and Depreciation & Impairment by Segment

	Year Ended 31 December								
	Fixed Assets			Capital Expenditure			Depreciation/Impairment		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	1 207.3	1 206.3	1 024.5	79.2	64.5	61.0	141.5	140.5	215.9
Magazine Paper	1 861.7	1 805.5	1 428.8	487.6	77.5	147.2	223.2	233.3	506.2
Fine Paper	1 666.6	1 393.7	1 363.8	94.5	77.8	161.1	189.8	220.1	154.5
Merchants	338.8	326.3	292.1	6.7	14.7	15.5	15.5	24.1	21.0
Consumer Board	1 773.1	1 694.5	1 379.7	149.5	97.8	81.5	197.6	211.5	365.2
Industrial Packaging	505.2	488.4	536.6	73.8	46.0	111.1	59.4	61.2	62.8
Wood Products	635.3	602.8	503.8	41.2	32.9	74.6	113.6	81.0	172.8
Other	508.1	521.9	609.2	130.5	100.1	81.6	57.9	96.3	52.2
Continuing Operations	**8 496.1**	**8 039.4**	**7 138.5**	**1 063.0**	**511.3**	**733.6**	**998.5**	**1 068.0**	**1 550.6**
Discontinued: North America	2 596.6	2 191.4	-	66.6	47.8	36.6	429.2	189.7	330.7
Total Operations	**11 092.7**	**10 230.8**	**7 138.5**	**1 129.6**	**559.1**	**770.2**	**1 427.7**	**1 257.7**	**1 881.3**

Goodwill by Segment (included in Fixed Assets)

	Year Ended 31 December								
	Goodwill			Acquisitions			Amortisation/Impairment		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	22.5	22.5	22.5	-	-	-	-	-	-
Magazine Paper	107.5	100.5	60.5	-	-	-	-	7.0	20.0
Fine Paper	116.3	113.5	113.1	75.2	-	-	-	2.0	-
Merchants	52.7	54.6	54.7	38.8	2.0	-	-	-	-
Consumer Board	8.0	8.0	8.0	-	-	-	-	-	-
Industrial Packaging	23.5	23.0	21.4	-	-	-	-	-	-
Wood Products	154.1	157.2	105.0	-	-	-	-	-	54.1
Other	-	-	117.5	-	-	-	-	-	-
Continuing Operations	**484.6**	**479.3**	**502.7**	**114.0**	**2.0**	**-**	**-**	**9.0**	**74.1**
Discontinued: North America	477.2	427.5	-	-	-	-	8.0	-	158.9
Total Operations	**961.8**	**906.8**	**502.7**	**114.0**	**2.0**	**-**	**8.0**	**9.0**	**233.0**

Assets and Liabilities by Segment

	As at 31 December					
	Assets			Liabilities		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	1 618.2	1 629.2	1 422.7	343.3	345.3	353.5
Magazine Paper	2 549.7	2 572.9	2 154.4	498.9	581.9	540.0
Fine Paper	2 620.9	2 219.1	2 360.2	418.2	464.5	397.5
Merchants	856.2	888.4	828.4	344.6	348.5	273.8
Consumer Board	2 393.2	2 314.8	2 007.9	468.1	476.9	419.2
Industrial Packaging	779.2	807.5	939.4	177.5	176.0	234.5
Wood Products	1 026.6	962.7	963.6	214.2	215.9	242.9
Other	2 865.4	3 371.8	4 634.2	6 945.6	5 840.2	5 301.4
Continuing Operations	**14 709.4**	**14 766.4**	**15 310.8**	**9 410.4**	**8 449.2**	**7 762.8**
Discontinued: North America	3 121.3	2 615.7	-	1 106.6	1 029.8	-
Total Operations	**17 830.7**	**17 382.1**	**15 310.8**	**10 517.0**	**9 479.0**	**7 762.8**

Operating Capital by Segment

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Newsprint and Book Paper	1 440.8	1 441.7	1 224.3
Magazine Paper	2 115.3	2 037.4	1 616.2
Fine Paper	2 320.6	1 899.0	2 067.2
Merchants	659.3	670.1	644.0
Consumer Board	2 125.0	2 035.0	1 743.0
Industrial Packaging	625.2	628.6	701.8
Wood Products	851.1	826.8	803.1
Other	953.9	1 488.5	2 321.8
Continuing Operations	**11 091.2**	**11 027.1**	**11 121.4**

Reconciliation to Total Assets

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Operating Capital			
Continuing Operations	11 091.2	11 027.1	11 121.4
Discontinued: North America	2 371.2	1 992.4	-
Total Operating Capital	**13 462.4**	**13 019.5**	**11 121.4**
Gross-up for operating liabilities	3 239.2	3 257.7	2 604.6
Interest-bearing receivables	971.5	984.8	1 486.8
Tax receivables	157.6	120.1	98.0
Total Balance Sheet Assets	**17 830.7**	**17 382.1**	**15 310.8**

Operating capital ("O" items) is designated thus on the Balance Sheet and represents the sum of fixed and biological assets, emission rights, unlisted shares, other non-current assets, inventories, short-term operative receivables and liabilities, provisions and other long-term operative liabilities.

Average Personnel

Segment	Year Ended 31 December 2005	2006	2007
Newsprint and Book Paper	3 363	2 945	2 813
Magazine Paper	5 312	5 292	5 216
Fine Paper	5 288	4 550	3 845
Merchants	2 095	3 177	3 103
Consumer Board	5 086	4 857	4 519
Industrial Packaging	5 843	5 795	5 907
Wood Products	5 060	4 841	4 876
Other	9 345	9 579	8 960
Continuing Operations	**41 392**	**41 036**	**39 239**
Discontinued: North America	4 774	4 595	4 152
Total Operations	**46 166**	**45 631**	**43 391**
Year End Personnel	**46 664**	**43 887**	**37 997**

Location	Year Ended 31 December 2005	2006	2007
Baltic States	1 806	1 776	1 684
Finland	13 596	12 879	12 187
France	1 345	1 307	1 094
Germany	5 165	5 786	5 330
Poland	1 936	1 848	2 072
Russia	1 927	2 199	1 875
Sweden	8 696	8 128	7 705
Other Europe	5 445	5 262	4 870
Europe	**39 916**	**39 185**	**36 817**
Brazil	19	272	770
China (incl. Hong Kong)	955	1 097	1 312
North America	5 118	4 922	4 332
Other	158	155	160
Total	**46 166**	**45 631**	**43 391**

External Sales by Destination and Origin

	As at 31 December								
	Sales By Destination			Sales By Origin			Balance of Trade		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Austria	298.0	304.1	330.4	361.5	353.0	413.0	63.5	48.9	82.6
Baltic States	165.8	202.9	227.6	321.7	323.0	338.2	155.9	120.1	110.6
Belgium	277.9	298.2	308.4	267.9	336.0	359.5	-10.0	37.8	51.1
Czech Republic	136.2	156.7	182.9	161.5	215.3	246.5	25.3	58.6	63.6
Denmark	255.7	248.3	161.4	61.8	58.1	59.6	-193.9	-190.2	-101.8
Finland	814.0	903.7	908.5	3 559.2	4 261.6	4 198.4	2 745.2	3 357.9	3 289.9
France	926.8	925.4	914.0	460.9	398.2	403.2	-465.9	-527.2	-510.8
Germany	1 893.0	2 399.1	2 503.7	1 894.8	2 313.9	2 288.3	1.8	-85.2	-215.4
Italy	383.8	414.0	424.6	6.5	15.0	15.2	-377.3	-399.0	-409.4
Netherlands	586.5	631.0	627.1	311.7	351.8	344.7	-274.8	-279.2	-282.4
Poland	228.6	299.5	377.4	175.3	202.3	267.7	-53.3	-97.2	-109.7
Portugal	65.7	45.4	45.3	134.2	94.9	-	68.5	49.5	-45.3
Russia	193.2	236.8	314.4	167.9	205.8	243.6	-25.3	-31.0	-70.8
Spain	483.1	521.8	529.8	111.5	117.0	116.1	-371.6	-404.8	-413.7
Sweden	1 081.6	1 133.6	1 208.0	3 025.6	3 144.4	3 346.1	1 944.0	2 010.8	2 138.1
UK	858.6	890.4	1 011.9	34.5	33.6	47.6	-824.1	-856.8	-964.3
Other Europe	772.7	895.7	964.4	104.6	212.9	233.9	-668.1	-682.8	-730.5
Total Europe	**9 421.2**	**10 506.6**	**11 039.8**	**11 161.1**	**12 636.8**	**12 921.6**	**1 739.9**	**2 130.2**	**1 881.8**
Africa	138.6	162.3	267.7	-	-	-	-138.6	-162.3	-267.7
Australia / New Zealand	120.3	112.2	129.7	9.2	9.8	5.3	-111.1	-102.4	-124.4
Brazil	35.1	107.9	181.4	26.3	197.3	306.7	-8.8	89.4	125.3
Canada	14.0	15.7	7.8	-	-	-	-14.0	-15.7	-7.8
China (incl. Hong Kong)	255.7	270.0	241.4	99.6	67.0	102.1	-156.1	-203.0	-139.3
Japan	280.2	345.6	352.4	-	5.9	0.2	-280.2	-339.7	-352.2
Other Asia	350.7	354.9	332.4	13.0	9.9	9.9	-337.7	-345.0	-322.5
Middle East	193.6	406.1	348.8	-	-	-	-193.6	-406.1	-348.8
USA	394.0	479.2	268.0	29.0	30.3	27.6	-365.0	-448.9	-240.4
Other Latin America	110.6	159.8	170.3	-	-	-	-110.6	-159.8	-170.3
Others	28.7	36.9	33.9	4.5	0.2	0.2	-24.2	-36.7	-33.7
Continuing Operations	**11 342.7**	**12 957.2**	**13 373.6**	**11 342.7**	**12 957.2**	**13 373.6**	**0.0**	**0.0**	**0.0**
Discontinued Operations	1 844.8	1 636.7	1 769.9	1 844.8	1 636.7	1 769.9	-	-	-
Total Operations	**13 187.5**	**14 593.9**	**15 143.5**	**13 187.5**	**14 593.9**	**15 143.5**	**0.0**	**0.0**	**0.0**

Total Assets, Capital Employed and Equity by Location

	As at 31 December								
	Total Assets			Capital Employed			Shareholders' Equity		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Austria	197.6	224.8	205.9	144.4	162.9	145.4	91.0	98.0	113.3
Baltic States	303.7	270.7	226.3	291.5	249.5	201.7	157.0	142.6	68.9
Belgium	591.6	574.4	556.2	525.3	506.9	481.1	246.5	289.6	273.1
Czech Republic	153.9	164.8	164.4	141.8	133.6	137.1	142.0	154.6	177.1
Denmark	58.9	58.3	42.7	47.7	51.0	38.3	174.5	176.6	121.5
Finland	5 355.0	5 633.8	5 820.2	3 839.1	3 884.0	3 747.4	1 512.9	1 591.0	2 088.0
France	431.2	381.3	308.7	237.2	232.4	203.0	-18.9	144.5	44.9
Germany	2 008.4	1 736.2	1 561.2	992.2	986.2	927.1	637.7	670.9	638.2
Netherlands	196.1	149.9	125.4	121.7	21.1	41.2	61.5	-43.8	261.1
Poland	266.6	293.8	352.0	190.0	190.4	216.3	147.1	158.0	272.7
Portugal	226.3	0.5	0.3	201.2	-	-	240.9	0.4	0.2
Russia	182.9	204.0	301.5	163.1	177.6	262.4	55.3	51.9	76.3
Spain	121.4	121.7	112.2	80.2	83.4	77.5	77.0	75.0	72.2
Sweden	3 593.5	3 611.9	3 592.1	2 314.2	2 363.4	2 420.3	1 941.4	2 394.7	1 927.4
Other Europe	222.4	212.0	232.2	117.1	121.3	147.7	130.7	128.7	141.2
Total Europe	**13 909.5**	**13 638.1**	**13 601.3**	**9 406.7**	**9 163.7**	**9 046.5**	**5 596.6**	**6 032.7**	**6 276.1**
Brazil	343.7	738.2	732.7	340.6	699.2	703.9	343.4	699.8	684.8
Canada	508.1	344.8	-	320.2	272.7	-	381.5	234.3	-
China (incl. Hong Kong)	259.4	265.2	314.9	201.0	227.5	257.7	100.3	103.4	50.9
USA	2 725.6	2 341.2	459.7	2 095.8	1 729.3	421.9	762.7	704.7	416.7
Other Latin America	29.0	27.4	54.5	16.2	24.2	50.5	28.5	26.7	53.5
Other	55.4	27.2	147.7	17.2	20.4	22.2	7.1	-2.0	-5.9
Total Operations	**17 830.7**	**17 382.1**	**15 310.8**	**12 397.7**	**12 137.0**	**10 502.7**	**7 220.1**	**7 799.6**	**7 476.1**
Continuing operations	14 689.0	14 766.4	15 310.8	10 036.7	10 199.4	10 502.7	6 126.1	6 913.1	7 476.1
Discontinued operations	3 141.7	2 615.7	-	2 361.0	1 937.6	-	1 094.0	886.5	-
Total Operations	**17 830.7**	**17 382.1**	**15 310.8**	**12 397.7**	**12 137.0**	**10 502.7**	**7 220.1**	**7 799.6**	**7 476.1**

Total capital employed represents operating capital less net tax liabilities.

Fixed Assets, Capital Expenditure and Depreciation & Impairment by Location

	Year Ended 31 December								
	Fixed Assets			Capital Expenditure			Depreciation/Impairment		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Austria	120.2	117.6	127.3	8.1	6.2	18.8	27.4	7.1	8.8
Baltic States	204.4	180.5	92.8	16.1	11.6	7.3	19.2	34.1	93.2
Belgium	486.0	468.8	446.6	12.0	7.1	13.5	36.3	34.3	35.3
Czech Republic	117.1	119.6	117.2	4.8	4.0	2.5	6.2	7.5	6.0
Finland	2 928.8	2 702.4	2 249.5	201.9	157.1	266.1	411.5	377.1	712.4
France	201.0	184.2	118.4	49.9	5.7	4.1	56.2	20.2	68.7
Germany	1 283.7	1 100.7	946.2	49.9	45.0	28.5	143.9	226.7	180.7
Netherlands	75.5	24.2	41.5	3.1	6.6	0.5	10.8	45.3	-16.9
Poland	171.5	165.3	178.4	32.5	10.5	23.1	16.9	19.6	20.7
Portugal	127.1	0.1	0.1	9.8	8.0	-	9.9	5.8	-
Russia	119.5	133.3	204.1	30.1	29.8	90.8	9.0	12.2	14.8
Spain	68.5	64.1	58.0	6.5	2.6	4.0	6.9	6.9	8.0
Sweden	2 234.3	2 200.4	1 971.8	554.9	166.9	137.4	216.4	242.9	261.9
Other Europe	125.1	118.1	93.3	17.1	8.6	8.3	15.8	11.7	10.8
Total Europe	**8 262.7**	**7 579.3**	**6 645.2**	**996.7**	**469.7**	**604.9**	**986.4**	**1 051.4**	**1 404.4**
Brazil	32.5	250.4	116.2	29.0	13.3	5.9	0.1	5.9	103.0
Canada*	344.9	290.9	-	-15.5	5.1	9.1	110.6	25.3	26.9
China (incl. Hong Kong)	158.5	164.4	181.0	22.6	18.8	84.8	8.9	8.2	41.1
USA	2 272.4	1 918.5	29.7	83.2	43.0	43.3	320.6	165.6	305.0
Other Latin America	14.4	20.7	42.9	13.2	8.6	21.8	-	0.1	0.1
Other	7.3	6.6	123.5	0.4	0.6	0.4	1.1	1.2	0.8
Total Operations	**11 092.7**	**10 230.8**	**7 138.5**	**1 129.6**	**559.1**	**770.2**	**1 427.7**	**1 257.7**	**1 881.3**
Continuing operations	8 496.1	8 039.4	7 138.5	1 063.0	511.3	733.6	998.5	1 068.0	1 550.6
Discontinued operations*	2 596.6	2 191.4	-	66.6	47.8	36.6	429.2	189.7	330.7
Total Operations	**11 092.7**	**10 230.8**	**7 138.5**	**1 129.6**	**559.1**	**770.2**	**1 427.7**	**1 257.7**	**1 881.3**

* Negative capital expenditure is as a result of grant receipts.

Financial performance

Goodwill by Location (included in Fixed Assets)

	Year Ended 31 December								
	Goodwill			Acquisitions			Impairment		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Austria	43.0	43.0	43.0	-	-	-	-	-	-
Baltic States	54.2	54.2	-	-	-	-	-	-	54.1
Belgium	12.0	12.0	12.0	-	-	-	-	-	-
Czech Republic	56.9	60.0	62.0	-	-	-	-	-	-
Finland	59.0	57.0	57.0	55.0	-	-	-	2.0	-
Germany	185.0	180.0	160.0	39.0	2.0	-	-	7.0	20.0
Sweden	33.6	34.8	33.4	20.0	-	-	-	-	-
Other Europe	9.7	9.7	9.7	-	-	-	-	-	-
Total Europe	**453.4**	**450.7**	**377.1**	**114.0**	**2.0**	-	-	**9.0**	**74.1**
USA	487.4	436.6	8.1	-	-	-	8.0	-	158.9
Other	21.0	19.5	117.5	-	-	-	-	-	0
Total Operations	**961.8**	**906.8**	**502.7**	**114.0**	**2.0**	-	**8.0**	**9.0**	**233.0**
Continuing operations	611.7	612.7	502.7	114.0	2.0	-	-	9.0	74.1
Discontinued operations	350.1	294.1	-	-	-	-	8.0		158.9
Total Operations	**961.8**	**906.8**	**502.7**	**114.0**	**2.0**	-	**8.0**	**9.0**	**233.0**

Note 5 Acquisitions and Disposals

The main acquisition in 2007 consisted of the buy-out of the Polish State's minority holding in Stora Enso Poland, formerly Intercell. Material acquisitions in previous years consisted of the Arapoti Group in Brazil in 2006, the Schneidersöhne Group in 2005 in Germany and the Intercell Group in 2004 in Poland.

The major disposal in 2007 consisted of the sale of nearly all the Group's North American business area and thus its divestment represents a discontinued operation, full details of which are given in Note 6 Discontinued Operations.
In addition, the Group disposed part of the Brazilian business it acquired in 2006, though at the time of the acquisition, the intention was to share the business interest with a local partner and this has now been achieved. In 2006 four companies were disposed, being Celbi Pulp Mill in Portugal, Pankakoski Mill in Finland, Grycksbo Mill in Sweden and the Lübeck Sheeting Plant in Germany.

Acquisitions

In 2007 Stora Enso spent EUR 71.4 (EUR 329.8) million on share acquisitions, of which EUR 64.3 million related to buying out the Polish State's interest in Stora Enso Poland SA; in 2006 nearly all the expenditure was accounted for by the EUR 320.0 million cost of the Brazilian Arapoti Group, EUR 143.3 million being recouped in 2007 from the onward sale of part of the business.

Acquisitions by Segment

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Magazine Paper	2.2	181.3	-
Fine Paper	83.7	-	-
Merchants	140.7	0.3	-
Industrial Packaging	27.0	1.0	64.3
Wood Products	69.2	8.3	-
Other	6.1	138.9	7.1
Total	**328.9**	**329.8**	**71.4**

Acquisition of Group Companies

EUR million	Year Ended 31 December 2005	2006	2007
Acquired Net Assets			
Cash and cash equivalents	10.3	1.6	0.3
Other operating working capital	171.4	47.3	-9.5
Tangible fixed assets	187.9	213.6	-
Intangible fixed assets	86.4	8.4	10.7
Biological assets	-	61.1	-
Tax liabilities	-59.8	1.2	-0.2
Net interest-bearing liabilities	-274.6	-4.5	-1.2
Minority interests	93.3	1.1	71.3
Fair Value of Net Assets in Acquired Companies	**214.9**	**329.8**	**71.4**
Goodwill	114.0	-	-
Total Purchase Consideration	**328.9**	**329.8**	**71.4**

In August 2007 Stora Enso acquired 28% of the shares in Stora Enso Poland SA from the State of Poland at a price of EUR 64.3 million, thus taking its holding up to 95%. The remaining 5% of shares, formerly owned by the Polish State, are being distributed to current and retired employees of the company, though Stora Enso intends to purchase these as soon as feasible. In December 2004 Stora Enso had originally acquired 67% of the company for EUR 133.3 million, thus, with the current purchase, the Group's investment now comes to EUR 197.6 million. The Stora Enso Poland group currently employs 1 833 staff, had sales in 2007 of EUR 236.9 million and an operating profit of EUR 33.6 million.

Apart from the Polish buy-out, other share acquisitions in 2007 totalled EUR 7.1 million, of which EUR 7.0 million also related to minority buy-outs. The acquisition accounting for last year's acquisition of the Arapoti Group in Brazil was also concluded in 2007 with only minor adjustments to values, though the incremental effect on Group turnover for the year was EUR 104.7 million.

Acquisitions in 2006

In September 2006 Stora Enso finalised its 100% acquisition of the Arapoti Group in Brazil from International Paper Inc. The EUR 320.0 million deal comprised a paper mill producing coated mechanical paper, a sawmill and some 50 000 hectares of land, of which approximately 30 000 hectares were productive plantations. The acquired entities are at Arapoti, in the state of Paraná, near major markets in Southern Brazil. The paper mill was the main focus in the acquisition and has been incorporated into Stora Enso's Magazine Paper business area. The light-weight coated (LWC) production line, which includes a fully integrated thermo-mechanical pulp (TMP) mill, currently has an annual capacity of 205 000 tonnes, employs 388 people and had a turnover in 2007 of EUR 133.9 million. The sawmill and the forest business were initially incorporated into Stora Enso's Wood Products and Wood Supply business areas, however, in September 2007 Stora Enso agreed a deal to develop the Arapoti businesses jointly with Arauco, a major Chilean forest products company, by which 20% of the paper machine ownership, 80% of the forest company and 100% of the sawmill were transferred. Further details are disclosed below.

The other EUR 9.8 million of acquisitions in 2006 related to a small Polish Wood Supply business, sundry additional costs relating to previous acquisitions and small minority buy-outs of EUR 1.1 million.

Acquisitions in 2005

In August 2005 Stora Enso finalised its acquisition of 100% of the German-based paper merchant group Schneidersöhne, in an all-cash acquisition which valued the business at EUR 441.6 million, being the equity purchase price of EUR 202.7 million and debt of EUR 238.9 million. Goodwill amounted to EUR 116.0 million, of which EUR 41.0 million was carried within the Merchant segment and EUR 75.0 million allocated to Fine Paper on account of synergies to be achieved through increased future sales channelled through the Group's paper wholesale arm. Schneidersöhne had operations in 11 countries, the biggest markets being Germany and Switzerland, which formed a separate business unit for Papyrus with external sales of EUR 974.7 million in 2007.

In April 2005 the Group completed its acquisition of Papeteries de France SA from International Paper Corp. for EUR 12.4 million as part of the Group strategy to develop its Papyrus merchant business; the business was merged into the Papyrus France in 2007. In July 2005 Stora Enso Timber AG in Austria bought out its 51% partner in its former associate Holzwerke Wimmer GmbH in Germany and its subsidiary at Zdírec in the Czech Republic for a purchase price of EUR 5.2 million. In December 2005 Wood Supply acquired another subsidiary in Russia in a deal worth EUR 6.1 million, the rationale being to enhance Group fibre supply. In addition, there was one other small acquisition in Belgium of EUR 2.2 million which was also intended to ensure fibre supply to Langerbrugge Mill.

Disposals

In 2007 Stora Enso divested nearly all the Group's North American business area, whilst in South America the Group disposed part of the Brazilian business it acquired in 2006, though at that time, the intention was to involve a local partner and this has now been achieved. The sale of the North American interests realised EUR 556.7 million, as detailed in Note 6, whilst the South American transaction netted EUR 143.3 million as disclosed on the following page.

In 2006 Stora Enso sold several businesses, for a net consideration after costs of EUR 466.5 million, as part of its Asset Performance Review. Whilst two disposals triggered fixed asset impairments, the disposal of the Celbi Pulp Mill in Portugal resulted in a gain of EUR 197.9 million.

Disposal of Group Companies

EUR million	Year Ended 31 December 2005	2006	2007
Net Assets Sold			
Cash and cash equivalents	-	20.2	110.8
Other operating working capital	-	59.5	-126.0
Fixed assets	-	172.4	1 695.8
Biological assets	-	45.5	84.1
Interest-bearing assets less cash and cash equivalents	1.6	1.2	0.6
Tax liabilities	-	-18.0	-49.6
Interest-bearing liabilities	-	-12.0	-1 019.2
Minority interests	-	-0.2	-0.6
Net Assets in Divested Companies	**1.6**	**268.6**	**695.9**
Income Statement capital gain	-	197.9	5.0
Total Disposal Consideration Received in Cash & Kind	**1.6**	**466.5**	**700.9**

In September 2007 Stora Enso reached agreement with Arauco, a leading forest products company in South America, to sell some of the businesses of Stora Enso Arapoti. Accordingly, Arauco will in future have a 20% interest in the Group's Brazilian paper business whilst, conversely, Stora Enso will have a 20% interest in the forest holdings, the 20% approximating the proportion of the fibre production that would be required by the paper machine; the Arapoti Sawmill was transferred in its entirety to Arauco. The transaction itself had a neutral effect on operating profit, though it did trigger the release of CTA currency gains of EUR 7.1 million caused by the appreciation of the Brazilian real since the acquisition a year before.

In 2006, as part of the Asset Performance Review, mills under scrutiny were evaluated with reference to their financial performance and strategic fit within the Group. In some cases, major steps to restructure the Group resulted in substantial disposals, either by asset sale or by disposal of the companies themselves, as shown below:

- In March 2006 Stora Enso sold its Grycksbo Mill in central Sweden, for a net sales price of EUR 37.4 million, recording a fixed asset impairment of EUR 23.9 million and a CTA charge of EUR 2.2 million on account of accumulated currency losses. Grycksbo Mill was a non-integrated producer of on-machine coated wood free paper with annual capacity of around 250 000 tonnes and employed around 500 staff.
- In June 2006 Stora Enso sold its sheeting operations at Lübeck in Germany to OKAB Convert AB (OKAB); the sale had no material impact on Group financial figures.
- In July 2006 Stora Enso sold its Pankakoski Mill for EUR 5.2 million, though the Group's interest-bearing net liabilities decreased by some EUR 20 million, and a fixed asset impairment of EUR 15.8 million was recorded. The mill was part of Packaging Boards, employed about 200 people and produced speciality paperboards for packaging and graphical end-users with a total annual capacity of around 100 000 tonnes.
- In August 2006 Stora Enso completed the sale of Celulose Beira Industrial (Celbi) SA, its main asset being Celbi Pulp Mill, to Altri, a Portuguese company with steel, pulp and paper operations. The net sales value was EUR 423.5 million and resulted in a capital gain of EUR 197.9 million. Group interest-bearing liabilities were reduced by the equivalent of the sales value, as the mill was debt-free, and the divestment decreased working capital by some EUR 30 million. Celbi Pulp Mill had an annual production capacity of about 305 000 tonnes of high quality short-fibre eucalyptus pulp, with annual sales of some EUR 140 million, of which about EUR 55 million were internal.

There was only one minor divestment in 2005, which realised its net asset worth of EUR 1.6 million.

Note 6 Discontinued Operations

On 21 December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc ("SENA"), its North American subsidiary, to NewPage Corporation ("NewPage"). SENA represented nearly all the Group's North American business area and its sale represents a discontinued operation, thus necessitating a change in the presentation of the Group's previously published financial statements to separate the results of the ongoing business from the discontinued parts.

The North America business operations moving to NewPage include the Group's papermaking operations in Biron, Kimberly, Niagara, Stevens Point, Whiting and Wisconsin Rapids, all in Wisconsin, Duluth in Minnesota and Port Hawkesbury in Nova Scotia, Canada. SENA was a leading US producer of coated, supercalendered and specialty paper, newsprint and pulp from both fresh and recycled fibre. The business area had an annual production capacity of 2 745 000 tonnes of paper, generating external revenues in 2007 of USD 2.4 (EUR 1.8) billion, and employed about 4 350 staff.

The debt-free business value of the disposal transaction totalled USD 2 067.0 million, comprising cash of USD 1 514.0 million, a nominal USD 200 million loan note fair valued at USD 171.0 million, 19.9% of the shares in the newly created holding company, NewPage Group Inc., valued at USD 370 million and further receivables of USD 12.0 million.

Business Value of Disposal Transaction

Million	USD	EUR
Basic cash price	1 500.0	1 045.4
Estimated working capital adjustment	14.0	9.8
Cash paid	1 514.0	1 055.2
Final working capital adjustment	7.1	4.8
Deferred consideration	4.9	3.4
Adjusted cash price	**1 526.0**	**1 063.4**
Loan note	171.0	119.2
Shares	370.0	257.9
Total Business Value	**2 067.0**	**1 440.5**

Group Equity Value of Disposal Transaction

Million	USD	EUR
Total business value	2 067.0	1 440.5
Less financial items	1 240.0	864.2
Equity value	827.0	576.3
Costs	29.0	19.6
Net Equity Value Received by Stora Enso Oyj	**798.0**	**556.7**

The equity value of the net consideration received, after costs, amounted to EUR 556.7 million, resulting in a net disposal loss to the Group of EUR 28.3 million; this comprised a loss on remeasurement to fair value, an impairment of EUR 158.9 million offset by net currency gains of EUR 130.6 million. As the carrying value of the SENA equity exceeded its realisable value, the transaction resulted in a USD 217.8 (EUR 158.9) million loss in remeasurement to fair value being recorded in September as a goodwill impairment so that the value of the equity to be disposed matched the consideration to be received. However, the disposal also triggered all cumulative translation differences ("CTA"), together with the hedging thereof, both previously deferred in equity, to crystallise through the Income Statement. Whilst the CTA since 2000 generated losses of EUR 509.7 million, the hedging of the equity exposure had produced gains of EUR 640.3 million, thus a net currency gain of EUR 130.6 million resulted. However, whilst hedging gains were fully taxable, the losses being hedged received no tax deduction and thus the tax charge on the net currency gains of EUR 130.6 million amounted to EUR 189.3 million; the tax effect was not envisaged when hedging commenced as, at that date, both CTA losses and hedge income were fully taxable.

Income Statement Summary of Discontinued Operations

	As at 31 December		
EUR million	Normal Operations	Disposal Charges	Net Result
Operating profit	32.0	-28.3	3.7
Net financial expense	-97.3	-	-97.3
Loss before tax	-65.3	-28.3	-93.6
Taxes	-1.0	-189.3	-190.3
Loss for the Year	-66.3	-217.6	-283.9

The cash consideration for the business discharged the estimated financial liabilities of SENA, as shown in the Group reporting, with the balance of USD 274.0 (EUR 191.0) million being remitted to Stora Enso Oyj in Finland as an equity payment. However, from the US perspective, defined benefit pension and health care obligations of USD 431.4 (EUR 293.0) million were also deemed to be financial liabilities, but these were assumed by NewPage; in Group reporting this liability was disclosed as a long-term operative liability. The sales agreement also provided for a final adjustment to the consideration to be made once the closing working capital and financial liabilities were computed; this amounts to USD 7.1 (EUR 4.8) million and, when agreed with NewPage, should be received within ninety days. Deferred consideration from third parties, in respect of certain excluded items, is also receivable in the sum of EUR 3.4 million.

The balance of the consideration comprised a loan note and 19.9% of the shares in the newly created holding company, NewPage Group Inc. The USD 200 million loan note was valued at USD 171.0 million by reference to similar securities, with quoted market prices, issued by NewPage, whilst the USD 370 million value of shareholding was determined based on its estimated market value based on recent transactions. Both the loan note and shares are deemed to be dollar denominated Available-For-Sale assets in the Group Balance Sheet at the year end, with carrying values of EUR 115.9 million and EUR 251.3 million respectively.

Detailed on the following page are the Income Statement for the Group for the past three years showing the financial results and the cash flows from both the ongoing and the discontinued operations of the Group.

Income Statement Effects of the Discontinued Operations

EUR million	Continuing Operations 2005	Continuing Operations 2006	Continuing Operations 2007	Discontinued Operations 2005	Discontinued Operations 2006	Discontinued Operations 2007	Total Operations 2005	Total Operations 2006	Total Operations 2007
	Year Ended 31 December								
Sales	**11 342.7**	**12 957.2**	**13 373.6**	**1 844.8**	**1 636.7**	**1 769.9**	**13 187.5**	**14 593.9**	**15 143.5**
Other operating income	79.0	364.9	113.8	1.1	-	131.2	80.1	364.9	245.0
Changes in finished goods inventories	55.9	-15.9	82.6	15.8	18.4	-44.9	71.7	2.5	37.7
Change in net value of biological assets	-6.7	-2.2	7.5	-	-	-	-6.7	-2.2	7.5
Materials and services	-6 499.7	-7 517.9	-8 214.3	-1 060.1	-987.5	-1 116.6	-7 559.8	-8 505.4	-9 330.9
Delivery costs & sales commissions	-1 089.3	-1 240.3	-1 184.0	-141.2	-117.5	-132.2	-1 230.5	-1 357.8	-1 316.2
Personnel expenses	-1 820.0	-1 890.5	-1 883.7	-348.8	-310.4	-231.3	-2 168.8	-2 200.9	-2 115.0
Other operating expenses	-921.2	-933.8	-840.1	-70.7	-55.0	-43.0	-991.9	-988.8	-883.1
Share of result in associated companies	67.1	88.0	341.4	0.1	-0.7	1.3	67.2	87.3	342.7
Depreciation and impairment charges	-998.5	-1 068.0	-1 550.6	-429.2	-189.7	-330.7	-1 427.7	-1 257.7	-1 881.3
Operating Profit / (Loss)	**209.3**	**741.5**	**246.2**	**-188.2**	**-5.7**	**3.7**	**21.1**	**735.8**	**249.9**
Net financial items	-104.9	-30.3	-168.9	-60.4	-73.7	-97.3	-165.3	-104.0	-266.2
Profit / (Loss) before Tax	**104.4**	**711.2**	**77.3**	**-248.6**	**-79.4**	**-93.6**	**-144.2**	**631.8**	**-16.3**
Income tax	-28.7	-10.8	-5.8	65.5	-31.8	-190.3	36.8	-42.6	-196.1
Net Profit / (Loss) for the Year	**75.7**	**700.4**	**71.5**	**-183.1**	**-111.2**	**-283.9**	**-107.4**	**589.2**	**-212.4**

Cash Flow Effects of the Discontinued Operations

EUR million	Continuing Operations 2005	Continuing Operations 2006	Continuing Operations 2007	Discontinued Operations 2005	Discontinued Operations 2006	Discontinued Operations 2007	Total Operations 2005	Total Operations 2006	Total Operations 2007
	Year Ended 31 December								
Cash Flow from Operating Activities									
Net profit / (loss) for the period	75.7	700.4	71.5	-183.1	-111.2	-283.9	-107.4	589.2	-212.4
Cash Flow from the Statement of Recognised Income & Expense	28.9	-59.9	3.6	-3.8	0.7	-	25.1	-59.2	3.6
Taxes	28.7	10.8	5.8	-65.5	31.8	190.3	-36.8	42.6	196.1
Depreciation and impairment charges	998.5	1 068.0	1 550.6	429.2	189.7	330.7	1 427.7	1 257.7	1 881.3
Change in value of biological assets	6.7	2.2	-7.5	-	-	-	6.7	2.2	-7.5
Change in fair value of options & TRS	-0.1	5.9	27.1	-	2.0	-3.5	-0.1	7.9	23.6
Associated companies results	-67.1	-88.0	-341.4	-0.1	0.7	-1.3	-67.2	-87.3	-342.7
Sale of fixed assets and investments	5.4	-201.1	-35.6	-0.6	-0.1	-0.4	4.8	-201.2	-36.0
CTA & Equity hedges expensed	0.2	-5.8	-8.2	-	-	-130.6	0.2	-5.8	-138.8
Net financial income	104.9	30.3	168.9	60.4	73.7	97.3	165.3	104.0	266.2
Associates company dividends received	10.3	5.6	31.6	1.3	-	0.2	11.6	5.6	31.8
Interest received	23.1	18.6	13.9	5.9	4.8	7.1	29.0	23.4	21.0
Interest paid	-111.4	-176.8	-175.2	-64.5	-70.7	-86.7	-175.9	-247.5	-261.9
Dividends received	4.5	1.3	0.4	-	-	-	4.5	1.3	0.4
Other financial items, net	-18.0	-10.5	-57.2	-1.2	-1.0	-25.2	-19.2	-11.5	-82.4
Income taxes paid	-207.8	-214.1	-106.2	-1.2	-1.3	-5.4	-209.0	-215.4	-111.6
Change in net working capital	-317.5	279.5	-272.9	-69.4	9.5	-58.0	-386.9	289.0	-330.9
Net Cash Provided by Operating Activities	**565.0**	**1 366.4**	**869.2**	**107.4**	**128.6**	**30.6**	**672.4**	**1 495.0**	**899.8**
Cash Flow from Investing Activities	**-1 303.4**	**-205.5**	**-548.3**	**-18.3**	**-47.7**	**-1.7**	**-1 321.7**	**-253.2**	**-550.0**
Cash Flow from Financing Activities	**661.0**	**-1 002.2**	**344.0**	**-47.3**	**7.9**	**-59.1**	**613.7**	**-994.3**	**284.9**
Net Increase (Decrease) in Cash	**-77.4**	**158.7**	**664.9**	**41.8**	**88.8**	**-30.2**	**-35.6**	**247.5**	**634.7**

Note 7 Other Operating Income and Expense

Sales of Group companies, other than the North American disposal detailed in Note 6 Discontinued Operations, realised capital gains of EUR 5.0 (EUR 189.9) million. The overall CTA foreign currency position for the year on continuing operations showed a net gain of EUR 1.7 (EUR 5.8) million, though this was increased by EUR 6.5 (EUR 0.0) million on account of hedging results. CTA gains on company disposals and liquidations amounted to EUR 17.5 (EUR 8.0) million, with no related hedging as the gains were mainly in countries where equity hedges were not in place. CTA losses on disposals amounted to EUR 15.8 (EUR 2.2) million, though with related hedge gains of EUR 6.5 (EUR 0.0) million, the loss was reduced to EUR 9.3 million.

Capital gains of EUR 30.2 (EUR 10.7) million arose on the sale of fixed assets. The Papyrus merchant business sold warehouses in Sweden and Denmark, realising a capital gain of EUR 24.4 million, and other property sales generated gains of EUR 5.8 million, mainly in London.

The Group has expensed EUR 6.6 (EUR 103.5) million, under Materials & Services, on account of actual CO_2 emissions, EUR 1.7 million, and the revaluation of surplus rights held at the year end, EUR 4.9 million, thus ensuring the Income Statement correctly reflects the cost of assets used in production. This is offset under Other Operating Income by an equivalent credit of EUR 1.7 (EUR 103.5) million from the original grant of those rights, hence the Income Statement is neutral in respect of actual emissions. Stora Enso emissions in 2007 were less than the allowances granted, thus sale proceeds from surplus rights came to EUR 6.3 (EUR 8.6) million. As the price of the rights dropped to only 2 cents a tonne, the surplus rights held at the year end had a negligible market value, though in 2006 these generated a fair value gain of EUR 4.9 million. The differences in the above values between 2007 and 2006 is due to the state of the EU emissions regime whereby estimates of emissions differed dramatically from actual levels of pollution, thus excess rights were issued to the market, resulting in a drop in price per tonne from a high of EUR 31 per tonne in April 2006 to the current year-end value of 2 cents; this explains the drop in the cost of emissions in the year by EUR 101.8 million.

The Group also generates other income from its environmentally friendly power-generation in Sweden and Belgium where it uses renewable resources and is thus entitled to Green Certificates for onward sale to generators that consume non-renewable resources. The income from this amounted to EUR 38.6 (EUR 24.4) million.

As discussed in Note 6, Stora Enso finalised the divestment of Stora Enso North America, Inc, its North American subsidiary, to NewPage Corporation in December 2007. All cumulative translation differences ("CTA") relating to the business, together with the hedging thereof, crystallised through the Income Statement resulting in a net currency gain of EUR 130.6 million. Other sundry income amounted to a further EUR 0.6 million to give a total EUR 131.2 million for the year, as reported in the associated table for Discontinued Operations.

In August 2006 Stora Enso completed the sale of its Celbi Pulp Mill and plantation for EUR 423.5 million, resulting in a capital gain of EUR 197.9 million, of which EUR 189.8 million represented the goodwill realised and a further EUR 8.0 million the CTA profit on currency variations arising through its immediate Swedish parent company. Whilst there are no capital losses on the disposals of Group companies, the sale of the Grycksbo Mill in Sweden did trigger a CTA charge of EUR 2.2 million.

Other Operating Income & Expense

EUR million	2005	2006	2007
	Year Ended 31 December		
Other Operating Income			
Emission rights	38.0	117.0	8.0
Sale of Green certificates	21.2	24.4	38.6
Capital gains on sale of fixed assets	1.4	10.7	30.2
Capital gains on sale of Group companies	-	189.9	5.0
CTA on disposals, net of hedging	-	8.0	17.5
Gain on sale of unlisted shares	1.0	0.6	1.5
Insurance compensation	2.8	2.4	1.0
Rent	8.0	8.6	8.9
Subsidies	6.6	3.3	3.1
Total: Continuing Operations	**79.0**	**364.9**	**113.8**
Total: Discontinued Operations	1.1	-	131.2
Total Operations	**80.1**	**364.9**	**245.0**
Other Operating Expenses include			
Research and Development	88.0	79.4	87.5
Rents paid	86.9	91.5	95.7
Credit losses	2.6	8.1	13.4
Loss on sale of long-term investments	7.9	-	1.0
CTA on disposals, net of hedging	0.2	2.2	9.3
Materials and Services include			
Actual emissions and fair value loss on rights	36.4	103.5	6.6

Aggregate fees for professional services of an accounting nature rendered to the Group amounted to EUR 9.9 (EUR 9.2) million, of which EUR 7.6 (EUR 6.1) million related to the principal independent auditor, PricewaterhouseCoopers, as shown below. Audit fees relate to the audit of the annual financial statements or ancillary services normally provided in connection with statutory and regulatory filings. Audit-related fees are incurred for assurance and associated services that are reasonably related to the performance of the audit or review of financial statements. Tax fees are incurred on account of tax compliance, advice and planning.

Principal Independent Auditor's Fees & Services

EUR million	2005	2006	2007
	Year Ended 31 December		
Audit fees	3.6	4.9	6.3
Audit-related fees	0.8	0.2	0.3
Tax fees	1.0	0.9	0.4
Other fees	0.2	0.1	0.6
Total	**5.6**	**6.1**	**7.6**

Note 8 Staff Costs

Personnel Expenses

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Wages and salaries	1 383.0	1 463.3	1 408.4
Board Remuneration (Note 9)	0.7	0.7	0.7
Group Executive Team ("GET") Remuneration (Note 9)	8.9	8.8	10.6
Pensions (see below)	213.1	196.5	224.1
Share-based remuneration (Note 31)	9.6	18.2	-1.3
Total return swaps ("TRS")	-13.7	-24.6	11.8
Other statutory employer costs	213.5	218.1	210.3
Other voluntary costs	4.9	9.5	19.1
Total: Continuing Operations	**1 820.0**	**1 890.5**	**1 883.7**
Total: Discontinued Operations	348.8	310.4	231.3
Total Operations	**2 168.8**	**2 200.9**	**2 115.0**

Pensions

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Defined benefit plans	19.9	31.8	26.7
Defined contribution plans	191.9	162.2	197.3
Other post-employment benefits	1.3	2.5	0.1
Pension Costs: Continuing Operations	**213.1**	**196.5**	**224.1**
Pension Costs: Discontinued Operations	27.4	35.7	-29.4
Pension Costs: Total Operations	**240.5**	**232.2**	**194.7**

In previous periods, the option expense was shown as an operative item under Personnel Expenses in the Income Statement, whilst the Total Return Swaps (TRS) were disclosed under financial items. However in 2007 the TRS were reclassified as operative items and are now shown under personnel costs alongside the option result to which they relate. Following this reclassification, both the risk and the result from hedging of that risk appear in the same section of the Income Statement. The effect on operating profit was EUR -13.7 million in 2005, EUR -24.6 million in 2006 and a gain of EUR 11.8 million in 2007, with a matching reduction in financial expense in 2005 and 2006 and an increase of EUR 11.8 million in 2007. TRS instruments do not qualify for hedge accounting and therefore all periodic changes to their fair value are recorded in the Income Statement. On the Balance Sheet, TRS are similarly reclassified from financial to operative items. Income Statement, Balance Sheet and Note comparatives for 2005 and 2006 have been adjusted for this change in presentation. Full details of the TRS are given in Note 31.

The overall impact of the share-based programmes on total operations, as mitigated by the TRS, amounted to a gain of EUR 3.2 million in 2006 and a cost of EUR 8.8 million in 2007. The cash and fair value result on the share-based programmes was an expense of EUR 21.4 million in 2006 and a gain of EUR 3.0 million in 2007. Conversely, the cash and fair value result of the TRS was a gain of EUR 24.6 million in 2006 and an expense of EUR 11.8 million in 2007. These items are presented as operative amounts in the Income Statement under Personnel Costs.

Note 9 Board & Executive Remuneration

Board & Board Committee Remuneration

EUR thousand	Year Ended 31 December 2005	2006	2007
Board Members at 31 December 2007			
Claes Dahlbäck, Chairman	145.0	156.0	159.0
Ilkka Niemi, Vice Chairman	89.5	102.5	105.0
Gunnar Brock	45.0	60.0	60.0
Lee A. Chaden	67.0	72.3	74.0
Dominique Hériard Dubreuil	-	49.5	66.0
Birgitta Kantola	50.3	72.3	74.0
Jan Sjöqvist	70.0	75.0	80.0
Matti Vuoria	47.3	65.2	66.0
Marcus Wallenberg	62.5	60.0	60.0
Former Board Members			
Krister Ahlström	23.3	-	-
Harald Einsmann	63.7	15.7	-
Barbara Kux	16.7	-	-
Paavo Pitkänen	16.7	-	-
Jukka Härmälä, CEO (retired 29 March 2007)	-	-	-
Total Remuneration as Directors	**697.0**	**728.5**	**744.0**

Board Share Interests & Committee Membership at 31 December 2007

Board of Directors	A Shares Held	R Shares Held	Committee Memberships (1) Chairman
Claes Dahlbäck, Chairman	2 541	19 529	Compensation(1), Nomination, Financial & Audit
Ilkka Niemi, Vice Chairman	-	-	Compensation, Nomination, Financial & Audit
Gunnar Brock	-	4 000	-
Lee A. Chaden (ADRs)	-	3 500	Financial & Audit
Dominique Hériard Dubreuil	-	1 000	Compensation
Birgitta Kantola	-	3 500	Financial & Audit
Jan Sjöqvist	508	1 943	Financial & Audit(1)
Matti Vuoria	-	9 000	Compensation
Marcus Wallenberg	2 541	4 715	Nomination
Total	**5 590**	**47 187**	

A member of the Board of Directors may not be appointed as Chairman of the Nomination Committee, that office being held by Pekka Timonen, the nominee of the Finnish State in its position as the largest shareholder.

Group Executive Team ("GET") Remuneration & Share Interests

Shown on pages 143–146 are details of total executive remuneration, share and share option interests and bonus schemes for the GET, with further information provided in respect of the Chief Executive Officer ("CEO"). The actual cash, or cash equivalent, received in the year is disclosed in the remuneration tables below for options and share awards that vested in the year. Additional information relating to the cost of options and share awards, as calculated in accordance with International Financial Reporting Standards, is also disclosed in the text.

The aggregate cost of GET remuneration in 2007 amounted to EUR 10.6 (EUR 8.8) million, as shown on the following page along with details of executive contracts.

Group Executive Team Remuneration in 2007

EUR thousand	Year Ended 31 December 2007 CEO	Former CEO to 31 Aug	Other Executives	GET Total	Annualised figures for former CEO
Remuneration					
Annual salary	804	868	4 290	5 962	1 261
Local housing (actual costs)	160	112	54	326	270
Other benefits (taxable sums representing fair value)	15	7	121	143	18
Bonus (variable salary)	-	257	633	890	257
Share programmes	277	433	662	1 372	433
	1 256	**1 677**	**5 760**	**8 693**	**2 239**
Pension Costs					
Mandatory company plans	-	-	195	195	-
Stora Enso voluntary plans	411	-	1 302	1 713	-
	411	**-**	**1 497**	**1 908**	**-**
Total Compensation	**1 667**	**1 677**	**7 257**	**10 601**	**2 239**

In respect of the former CEO Jukka Härmälä, actual amounts paid are shown above to his retirement date of 31 August 2007, with a column added for annualised values for comparative purposes with the previous year.

Group Executive Team Remuneration in 2006

EUR thousand	Year Ended 31 December 2006 CEO	Other Executives	GET Total
Remuneration			
Annual salary	1 105	3 242	4 347
Local housing (actual costs)	79	61	140
Other benefits (taxable sums representing fair value)	19	207	226
Bonus (variable salary)	78	346	424
Share programmes	259	1 433	1 692
	1 540	**5 289**	**6 829**
Pension Costs			
Mandatory company plans	-8	181	173
Stora Enso voluntary plans	-	1 409	1 409
International pension plan	302	-	302
	294	**1 590**	**1 884**
Total Compensation	**1 834**	**6 879**	**8 713**

If the CEO had not participated in the International Pension Plan described on p. 145, the corresponding numbers for 2006 would have been Salary EUR 1 240 and Bonus EUR 213.

Executives other than CEO

GET members have short-term incentive plans up to a maximum 50% of annual fixed salary, these being paid the year after in the table above. This bonus is composed of three parts, with up to 35% being tied to return on capital employed, up to 35% to EBITDA and the remaining part linked to other financial targets and key individual objectives. The payout in 2007, relating to 2006, was EUR 632 919 (EUR 346 488). GET members may retire at sixty with pensions consistent with local practices in their respective home countries. Contracts of employment provide for notice of six months prior to termination, with severance compensation of twelve months basic salary if the termination is at the company's request; executives appointed before 2007 receive a further optional twelve months salary depending on employment.

GET members participate in a number of long-term incentive plans. Under the accounting rules for share-based payments, the non-cash charge for the executive options and restricted share awards amounted is calculated at the vesting value of shares and options granted in the year, plus any fair value movement in the year on previous awards. The accounting charges will not agree to the actual cash costs on a year-to-year basis, though the totals will match when they have all been vested, cashed, expired or lapsed. The figures on page 146 refer to individuals who were executives at either the time of grant or settlement.

Option-based Programmes for Management

The GET was not eligible for options in 2007, though in 2006, executives were granted 225 000 options with an estimated value at the grant date of 1 March 2006 of EUR 398 250. During the year, 265 000 (664 000) options were exercised, realising a cash value of EUR 281 250 (EUR 1 017 164).

Share-based Programmes for Management

GET members were not eligible for the Restricted Share Award in 2007, though in 2006 they received Restricted Share Awards of 37 500 shares, the value at the grant date of 1 March 2006 being EUR 448 125. During 2007 the number of shares settled on executives from previous awards amounted to 30 740, having a cash value at the 1 March 2007 settlement date of EUR 380 561 based on the share price of EUR 12.38 at that date.

GET members received Performance Share Awards, under the Senior Executive section, of 445 500 shares, the valuation at the grant date of 20 December 2007 being EUR 4 477 275, based on the share price at the date of grant of EUR 10.05 and assuming targets are met. As these grants cover both 2007 and 2008, it is not expected that a further grant of Performance Shares will be made in 2008. In 2006, executives were granted 37 500 Performance Shares under the Management section of the Plan, the valuation at the grant date of 1 March 2006 being EUR 448 125. During 2007, no shares from previous Performance Share Awards were settled on executives as the performance targets had not been attained and thus 21 750 (25 945) shares previously awarded lapsed.

As a result of the departure of Pekka Laaksonen on 15 August and Jussi Huttunen on 24 July, the following options and share awards, lapsed in 2007:

- 276 000 Options
- 6 750 Restricted Share Awards
- 6 750 Performance Share Awards

Related Party Transaction

During 2007 one executive purchased a company-owned residential property, the price having been assessed by independent professional valuers before the transaction was agreed.

Chief Executive Officer – Jouko Karvinen

The CEO was employed from 1 January 2007 and took office following the 2007 Annual General Meeting on 29 March 2007, his contract being approved by the Board on his appointment. It has a notice period of 6 months, with a severance payment of 12-months salary on termination by the company, but with no contractual payments on any change of control. Benefits include housing, a company car and pension provision under a company defined contribution plan that has acceptance from the UK Inland Revenue. An additional pension contribution was made in 2007, as compensation for pension benefits lost by the CEO on leaving his former employment. The CEO retires at sixty.

The CEO was not eligible for a bonus payment in 2007, though he is entitled to a short-term incentive plan, decided on by the Board each year, giving a maximum 50% of annual fixed salary. The plan for 2007 will be paid out in 2008 and was 35% related to return on capital employed, 35% to EBITDA and 30% to personal key targets.

On his appointment, the CEO received share awards and stock options to partially replace similar awards lost on leaving his former employer, details being shown below. He is also eligible to participate in the Senior Executive section of the Performance Share Plan, though no award was made in 2007.

Option Programmes for Management 2007

The CEO was granted 157 646 options on joining Stora Enso, the estimated value at the grant date of 2 January 2007, as calculated by the option pricing model, being EUR 365 000. During the year, the CEO did not exercise any options.

Share-based Programmes for Management

The CEO received a Restricted Share Award of 55 987 shares on joining, the value at 2 January 2007 being EUR 678 003 at the grant date. During the year the number of shares settled on the CEO from this award amounted to 22 395, having a cash value of EUR 277 250 at the 1 March 2007 settlement date based on the share price of EUR 12.38 at that date.

Former Chief Executive Officer – Jukka Härmälä

Jukka Härmälä was employed as CEO until the 2007 Annual General Meeting on 29 March 2007 and subsequently as Senior Adviser until his retirement at 31 August 2007. His contract had been approved by the Board on his appointment following the merger of Enso Gutzeit Oyj and Stora Kopparberg Bergslags AB in December 1998. The benefits include housing and company car.

The base salary for the former CEO was unchanged in local currency in 2007. In addition to his basic salary, he was paid a bonus of EUR 257 261 (EUR 213 229) amounting to 44% (38%) of maximum bonus.

Pension benefits accrued under the Finnish TEL system and a defined benefit company voluntary plan providing a pension of 66% of his average pensionable salary for the last four years; pensionable remuneration unchanged from 2006 at EUR 1 042 439. In 2005 and 2006, the former CEO also participated in a defined contribution international pension plan, the terms and conditions of his employment being amended to allow Stora Enso to make contributions, though without changing the overall level of his remuneration. Contributions to this plan ceased in 2006 after the company paid EUR 302 400 into the International Pension Plan on Jukka Härmälä's behalf.

Jukka Härmälä was entitled to a short-term incentive plan, decided on by the Board each year, giving a maximum 50% of annual fixed salary; no plan was offered for 2007. The plan for 2006, paid out in 2007, was 25% related to the Group's return on capital employed, 25% related to the Group's EBIT and 50% being related to personal key targets. The former CEO also has interests in various long-term incentive plans.

Option Programmes for Management (1999–2007)

Jukka Härmälä did not receive any options in 2007, though in 2006, he was granted 60 000 options with an estimated value at the grant date of 1 March, as calculated by the option pricing model, of EUR 106 200. During the year, the former CEO exercised 220 000 (112 500) options from previous years, receiving a cash value of EUR 309 100 (EUR 175 500).

Share-based Programmes for Management

Jukka Härmälä did not receive a Restricted Share Award in 2007, though in 2006, he was awarded 10 000 shares, the value at the grant date of 1 March 2006 being EUR 119 500. During 2007, the number of shares settled on the CEO from previous awards amounted to 10 000 (7 000), having a cash value at the 1 March 2007 settlement date of EUR 123 800 (EUR 83 650) based on the share price of EUR 12.38 (EUR 11.95) at that date.

There was no award of Performance Shares to Jukka Härmälä during the year, though in 2006 he was granted 10 000 shares, the value of which, assuming targets are met, at the grant date of 1 March 2006, was EUR 119 500. In 2007 no Performance Share Awards were settled on the CEO from previous grants as the performance targets had not been attained and thus 10 000 (7 000) shares previously awarded lapsed.

Related Party Transaction

During 2007 Jukka Härmälä acquired a boat, car and items of artwork previously owned by Stora Enso. These transactions have been reviewed and the prices paid reflect fair market price at the time of acquisition.

Group Executive Team Share Interests and Options

Executives in Office at the Year End	R Shares Held	Synthetic Options 2001–2007	Performance Share Awards	Committee Memberships [1] Chairman
Christer Ågren	7 072	120 000	57 500	
Hannu Alalauri	3 869	45 000	33 874	
Aulis Ansaharju	2 270	71 250	28 874	Investment
Jouko Karvinen, CEO	13 213	157 646	33 592	
Mats Nordlander	2 523	45 000	59 500	
Veli-Jussi Potka	2 520	93 750	27 124	Investment
Bernd Rettig	5 050	155 000	67 500	Investment [1], R&D [1]
Hannu Ryöppönen, Deputy CEO & CFO	21 479	50 000	148 980	Investment
Elisabet Salander Björklund	15 818	92 500	77 250	Investment, Sustainability [1]
Juha Vanhainen	2 646	76 250	27 124	Investment
Total, Serving Officers	**76 460**	**906 396**	**561 318**	

The following Executive Officers also Served in 2007	Position	Shares Held at Cessation	Synthetic Options 2001–2007	Performance Share Awards	Effective Date of Cessation
Jukka Härmälä	CEO	19 088	400 000	18 000	29 March
Jussi Huttunen	SEVP	2 434	-	-	24 July
Kai Korhonen	SEVP	2 434	112 500	6 750	31 August
Pekka Laaksonen	SEVP	15 500*	-	-	14 August
Total, Former Officers		**39 456**	**512 500**	**24 750**	

* A Shares

Note 10 Net Financial Items

Financial Income & Expense

EUR million	Year Ended 31 December 2005	2006	2007
Financial expense	-343.5	-306.6	-336.3
Financial income	238.6	276.3	167.4
Net Financial Expense	**-104.9**	**-30.3**	**-168.9**
Represented by			
Interest expense			
Bank borrowings	-168.8	-218.8	-232.5
Finance leases	-6.9	-6.0	-4.6
Interest capitalised	7.1	-	0.8
Interest income	57.1	69.5	73.8
Dividend income	4.5	1.3	0.4
Exchange gains and losses			
Currency derivatives	-132.4	22.5	-72.7
Borrowings and deposits	146.7	-47.6	69.9
Other financial income			
Fair value hedges	0.8	-	-
Other fair value changes	0.3	1.2	14.3
Others (incl. Listed Securities)	22.1	181.8	8.2
Other financial expense			
Fair value hedges	-	-6.3	-2.8
Other fair value changes	-17.9	-3.4	-5.7
Others (incl. Listed Securities)	-17.5	-24.5	-18.0
Total: Continuing Operations	**-104.9**	**-30.3**	**-168.9**
Total: Discontinued Operations	-60.4	-73.7	-97.3
Total Operations	**-165.3**	**-104.0**	**-266.2**

Gains and losses on derivative financial instruments are shown in Note 27.

Exchange gains and losses, shown above for currency derivatives, relate to instruments that are fair valued through the Income Statement as they do not meet hedge accounting criteria. Fees charged, such as for unused committed credit facilities, guarantees and rating agencies, are included in other financial expenses and were EUR 5.2 (EUR 6.8) million. Costs on long-term debt issues are capitalised as part of Non-current debt, being EUR 9.0 (EUR 10.4) million, and amortised by using the effective interest rate method, through the Income Statement, EUR 1.4 (EUR 1.6) million, over the period of the debt.

In December 2007, immediately before it was sold, Stora Enso North America bought back its bonds, being Long-Term Private Placements, with a nominal value of USD 254.0 (EUR 172.5) million, resulting in a loss presented in Discontinued Operations, of USD 47.4 (EUR 34.5) million.

Total Foreign Exchange Gains & Losses in the Income Statement

EUR million	Year Ended 31 December 2005	2006	2007
Sales	54.1	-43.3	-26.4
Costs and expenses	-0.5	3.5	2.6
Net financial items	14.3	-25.1	-2.8
Total: Continuing Operations	**67.9**	**-64.9**	**-26.6**
Total: Discontinued Operations	-3.8	2.0	4.3
Total Operations	**64.1**	**-62.9**	**-22.3**

In 2007 the Group realised gains on the sale of Listed Securities of EUR 3.8 million, this being the normal level to be expected based on its greatly reduced current portfolio following the disposals made in 2006, when the Group sold the majority of its holdings in Listed Shares as part of its programme to concentrate its resources on core businesses. In 2006 Stora Enso Oyj sold its 1.54% holding in Sampo Oyj for EUR 155.4 million, followed by shares in Nordea AB for EUR 10.1 million and finally the holding in Finnlines PLC for EUR 35.5 million Total capital gains on the sale of listed securities, shown above within Other Financial Income, amounted to EUR 175.1 million. The Group did however suffer a loss of EUR 2.9 million on other holdings, leaving it with a net capital gain in 2006 on the disposal of Listed Securities of EUR 172.2 million.

Note 11 Income Taxes

Profit before Tax & Income Tax Expense: Continuing Operations

EUR million	Year Ended 31 December 2005	2006	2007
Finnish Companies			
Profit / (loss) before tax and Minority Interests	-180.0	251.9	-414.6
Current tax expense	57.8	-3.0	7.9
Associated company tax	3.8	6.0	22.6
Total current tax	61.6	3.0	30.5
Deferred tax expense	-118.7	72.3	-147.9
Total tax	-57.1	75.3	-117.4
Non-Finnish Companies			
Profit before tax and Minority Interests	284.4	459.3	491.9
Current tax expense	203.2	55.9	92.2
Associated company tax	15.4	17.0	74.2
Total current tax	218.6	72.9	166.4
Deferred tax expense	-132.8	-137.4	-43.2
Total tax	85.8	-64.5	123.2
Total Tax: Continuing Operations	**28.7**	**10.8**	**5.8**

Income Tax Rate Reconciliation: Continuing Operations

EUR million	Year Ended 31 December 2005	2006	2007
Tax at domestic rates applicable to profits in the country concerned	24.6	165.2	21.6
Non-deductible expenses and tax exempt income	-31.0	-30.7	-43.4
Losses where no deferred tax benefit is recognised	36.1	51.1	29.1
Sale of Celbi Mill	-	-55.4	-
Provisions released on settlement of tax cases	-	-119.9	-19.5
Change in tax rates and change in tax laws	-1.0	0.5	18.0
Income Taxes in the Income Statement	**28.7**	**10.8**	**5.8**
Effective Tax Rate on Continuing Operations	**27.5%**	**1.5%**	**7.5%**
Underlying tax rate on normal Continuing Operations	**27.5%**	**26.2%**	**26.5%**

In 2006 two items had a material impact on the effective tax rate, these being provisions released due to the settlement of tax cases, with a positive impact of EUR 119.9 million, and the tax-exempt capital gain on the sale of the Celbi Pulp Mill in Portugal, with a benefit of EUR 55.4 million. The effective tax rate in 2007 is not representative due to the small values involved, though the tax rate for the losses in Finland and the profits elsewhere in the continuing business gives an underlying rate of 26.5%.

Profit before Tax & Income Tax Expense: Discontinued Operations

EUR million	Year Ended 31 December 2005	2006	2007
Loss before tax	-248.6	-79.4	-93.6
Current tax expense	65.0	4.0	8.0
Associated company tax	-	-	1.0
Total current tax	65.0	4.0	9.0
Deferred tax expense	-130.5	27.8	-8.0
Tax on equity hedging previously deferred in equity	-	-	189.3
Total Tax on Discontinued Operations	**-65.5**	**31.8**	**190.3**

In December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc, its North American subsidiary holding its US and Canadian interests, triggering two non-cash materially adverse tax consequences:

- In order for the actual sales consideration to match the equity disposed, a remeasurement to fair value, recorded as a goodwill impairment of EUR 158.9 (USD 217.8) million, was expensed, for which no tax deduction was available in the USA.
- The sale itself resulted in a loss of EUR 509.7 million being charged through the Income Statement on account of accumulated currency effects deferred in equity, for which tax relief was not available. However, the gains of EUR 640.3 million made by the parent company on the hedging of these contingent losses were fully taxable, as seen by the tax charge in the adjacent table of EUR 189.3 million.

Income Tax Balance Sheet Reconciliation

	Current Tax			Deferred Tax			Total Tax		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
At 1 January	190.6	270.9	133.9	1 104.8	793.8	739.5	1 295.4	1 064.6	873.4
Translation difference	6.6	0.3	-5.9	13.6	-3.6	-18.2	20.1	-3.2	-24.1
Companies acquired	9.1	0.7	-0.2	50.7	-2.0	0.3	59.8	-1.3	0.1
Companies divested	-	-10.2	-37.2	-	-7.8	-12.4	-	-18.0	-49.6
OCI	-	-	-	33.7	-50.2	4.0*	33.7	-50.2	4.0
Pensions actuarial movement	-	-	-	-27.0	46.6	6.3*	-27.0	46.6	6.3
Equity hedging (Note 28)	-52.4	30.7	13.2	-	-	-191.4*	-52.4	30.7	-178.2
Income Statement									
Continuing operations	280.2	75.9	196.9	-251.5	-65.1	-191.1	28.7	10.8	5.8
Discontinued operations	65.0	4.0	9.0	-130.5	27.8	181.3	-65.5	31.8	190.3
Tax in Associates	-19.2	-23.0	-97.8	-	-	-	-19.2	-23.0	-97.8
Tax paid	-209.0	-215.4	-111.6	-	-	-	-209.0	-215.4	-111.6
At 31 December	**270.9**	**133.9**	**100.3**	**793.8**	**739.5**	**518.3**	**1 064.6**	**873.4**	**618.6**
Liabilities	356.2	200.5	134.6	866.0	793.0	582.0	1 245.3	1 051.7	716.6
Assets	-85.3	-66.6	-34.3	-72.2	-53.5	-63.7	-180.7	-178.3	-98.0
Net Tax	**270.9**	**133.9**	**100.3**	**793.8**	**739.5**	**518.3**	**1 064.6**	**873.4**	**618.6**

* Deferred in equity

OCI = Other Comprehensive Income – see Note 27

The Group has recognised a deferred tax asset for its net operating loss carry-forwards and established a valuation allowance against this amount based on an analysis of the probability for set-off against future profits in the relevant tax jurisdictions. At 31 December 2007 Stora Enso had losses carried forward, mainly attributable to foreign subsidiaries, of EUR 798 (EUR 1 570) million of which some EUR 695 (EUR 774) million had no expiry date, EUR 30 (EUR 79) million expire during the years 2008–2012 and the remainder expire thereafter. Tax loss carry-forwards are netted against deferred tax liabilities within each jointly taxed group of companies and are only shown separately as an asset to the extent that they exceed such liabilities.

No deferred tax liability has been recognised for the undistributed earnings of Finnish subsidiaries as such earnings may be transferred to the Parent Company without tax consequences. In accordance with IAS 12 Taxes, the Group does not provide for deferred taxes on undistributed earnings of non-Finnish subsidiaries.

Reconciliation of Deferred Tax Balances in 2007

EUR million	As at 1 Jan 2007	Translation Difference	Acquisitions and Disposals	Income Statement Continuing Operations	Income Statement Discontinued Operations	SORIE (deferred in equity)	As at 31 Dec 2007
Fixed asset depreciation differences	1 178.6	-57.3	-177.9	-180.2	-52.0	-	711.2
Untaxed reserves	16.2	-0.6	-0.3	-0.7	-	-	14.6
Pension provisions	-177.0	13.1	92.1	18.5	19.5	6.3	-27.5
Other provisions	-78.9	-0.5	0.9	-41.8	0.4	-	-119.9
Fair value gains less losses	-12.5	0.2	-21.9	4.0	23.0	-	-7.2
Unrealised internal profits	-7.9	-	-	0.8	-	-	-7.1
Tax losses carried forward	-425.1	16.3	195.5	4.2	-4.6	-	-213.7
Other	-38.4	3.1	45.6	-36.4	10.5	-	-15.6
Less valuation allowance (Note 12)	258.6	8.3	-146.1	38.4	-4.8	-	154.4
	713.6	**-17.4**	**-12.1**	**-193.2**	**-8.0**	**6.3**	**489.2**
Taxes Deferred in Equity							
Available-for-sale investments (OCI)	4.2	-0.1	-	-	-	1.2	5.3
Derivative financial instruments (OCI)	21.7	-0.7	-	-	-	2.8	23.8
Equity hedges (CTA)	-	-	-	2.1	189.3	-191.4	-
Change in Net Deferred Tax	**739.5**	**-18.2**	**-12.1**	**-191.1**	**181.3**	**-181.1**	**518.3**
Shown on the Balance Sheet as							
Liabilities	793.0	-18.6	-12.4	-180.2	181.3	-181.1	582.0
Assets	-53.5	0.4	0.3	-10.9	-	-	-63.7
	739.5	**-18.2**	**-12.1**	**-191.1**	**181.3**	**-181.1**	**518.3**

OCI = Other Comprehensive Income – see Note 27

SORIE = Consolidated Statement of Recognised Income & Expense

CTA = Cumulative Translation Adjustment – see Note 28

Reconciliation of Deferred Tax Balances in 2006

EUR million	As at 1 Jan 2006	Translation Difference	Acquisitions and Disposals	Income Statement Continuing Operations	Income Statement Discontinued Operations	SORIE (deferred in equity)	As at 31 Dec 2006
Fixed asset depreciation differences	1 272.7	-18.2	-19.0	-47.0	-9.9	-	1 178.6
Untaxed reserves	14.4	0.1	-	1.7	-	-	16.2
Pension provisions	-222.3	0.2	-0.4	5.5	-6.6	46.6	-177.0
Other provisions	-63.4	0.8	2.2	-18.5	-	-	-78.9
Fair value gains less losses	-6.3	1.0	-3.7	-2.7	-0.8	-	-12.5
Unrealised internal profits	-8.2	-0.3	-	0.6	-	-	-7.9
Tax losses carried forward	-472.6	29.4	-	23.1	-5.0	-	-425.1
Other	-3.6	1.1	11.1	-59.9	12.9	-	-38.4
Less valuation allowance (Note 12)	207.0	-17.7	-	32.1	37.2	-	258.6
	717.7	**-3.6**	**-9.8**	**-65.1**	**27.8**	**46.6**	**713.6**
Taxes Deferred in Equity							
Available-for-sale investments (OCI)	40.8	-	-	-	-	-36.6	4.2
Derivative financial instruments (OCI)	35.3	-	-	-	-	-13.6	21.7
Change in Net Deferred Tax	**793.8**	**-3.6**	**-9.8**	**-65.1**	**27.8**	**-3.6**	**739.5**
Shown on the Balance Sheet as							
Liabilities	866.0	-7.2	-7.8	-82.2	27.8	-3.6	793.0
Assets	-72.2	3.6	-2.0	17.1	-	-	-53.5
	793.8	**-3.6**	**-9.8**	**-65.1**	**27.8**	**-3.6**	**739.5**

OCI = Other Comprehensive Income – see Note 27

SORIE = Consolidated Statement of Recognised Income & Expense

Under current IFRS rules, all deferred tax is shown as non-current even though a proportion will be reversed within twelve months.

Note 12 Valuation Provisions

Provisions for doubtful accounts, obsolete inventories, low inventory market values and tax valuation allowances are shown below:

Valuation and Qualifying Accounts

	Stock Obsolescence					
EUR million	Spare parts	Finished Goods	Stock Valuation	Doubtful Accounts	Deferred Tax	Total Allowances
Carrying Value at 1 January 2005	**19.6**	**10.6**	**7.2**	**39.7**	**129.3**	**206.4**
Translation difference	0.5	0.3	0.2	0.9	17.7	19.6
Companies Acquired	2.5	-	2.6	13.9	4.6	23.6
Charge in Income Statement: Continuing	15.3	2.9	4.4	4.5	73.2	100.3
Reversal in Income Statement: Continuing	-9.0	-3.2	-4.2	-10.7	-44.6	-71.7
Income Statement: Discontinued Operations	1.3	2.9	0.4	-1.0	26.8	30.4
Carrying Value at 31 December 2005	**30.2**	**13.5**	**10.6**	**47.3**	**207.0**	**308.6**
Translation difference	-0.4	-0.3	-0.3	-0.1	-17.7	-18.8
Companies Acquired	0.4	1.1	-0.4	-3.3	-	-2.2
Charge in Income Statement: Continuing	1.6	10.9	1.0	5.2	46.4	65.1
Reversal in Income Statement: Continuing	-5.3	-10.8	-4.5	-7.1	-14.3	-42.0
Income Statement: Discontinued Operations	1.6	0.2	2.0	0.3	37.2	41.3
Carrying Value at 31 December 2006	**28.1**	**14.6**	**8.4**	**42.3**	**258.6**	**352.0**
Translation difference	-0.2	-0.2	-0.2	0.3	8.3	8.0
Companies Acquired & Disposed	-3.0	-1.4	-1.8	-2.1	-146.1	-154.4
Charge in Income Statement: Continuing	47.4	11.4	4.3	5.2	49.1	117.4
Reversal in Income Statement: Continuing	-6.4	-6.6	-3.0	-6.0	-10.7	-32.7
Income Statement: Discontinued Operations	0.3	-1.4	-1.7	-0.2	-4.8	-7.8
Carrying Value at 31 December 2007	**66.2**	**16.4**	**6.0**	**39.5**	**154.4**	**282.5**

In 2007 the Group impaired its fixed assets, mainly plant and equipment, by EUR 900.6 million as a result of deteriorating market conditions and fibre supply in certain business areas. As a result of these machinery impairments, spare parts were also written down by EUR 45.0 million in those business areas to reflect their lower value in use, EUR 33.5 million relating to mills being retained and a further EUR 11.5 million on account of mills being closed.

As of 31 December 2007, provisions related to trade receivables totalled EUR 39.5 (EUR 42.3) million, calculated on an individual basis assessing that portion of each doubtful account that is expected to be recovered. The ageing of the receivables under the doubtful accounts is shown in the adjacent table.

Ageing Analysis of Doubtful Accounts

EUR million	2006	2007
Less than 3 months	9.5	3.9
3 to 6 moths	5.8	4.8
Over 6 months	27.0	30.8
Total	**42.3**	**39.5**

Note 13 Depreciation and Fixed Asset Impairment Charges

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Depreciation: Continuing Operations			
Intangible fixed assets	32.1	36.0	35.4
Buildings and structures	115.3	116.0	112.8
Plant and equipment	733.4	713.0	638.7
Other tangible fixed assets	23.4	23.6	26.5
Total	**904.2**	**888.6**	**813.4**
Impairment and disposal losses: Continuing Operations			
Intangible fixed assets	-	5.1	21.4
Land	-	26.6	-
Buildings and structures	17.0	26.5	53.3
Plant and equipment	81.8	116.0	583.0
Other fixed assets	1.0	1.2	38.8
Goodwill	-	9.0	74.1
Total	**99.8**	**184.4**	**770.6**
Reversal of Impairment: Continuing Operations			
Intangible fixed assets	-	-	-1.0
Land	-	-	-11.6
Buildings and structures	-	-	-6.1
Plant and equipment	-5.5	-5.0	-14.7
	-5.5	**-5.0**	**-33.4**
Depreciation & Impairment Charges: Continuing Operations	**998.5**	**1 068.0**	**1 550.6**
Depreciation & Impairment Charges: Discontinued Operations			
Depreciation	211.5	189.7	167.3
Impairment of fixed assets	209.7	-	4.5
Impairment of goodwill and remeasurement to fair value	8.0	-	158.9
Total	**429.2**	**189.7**	**330.7**
Total Operations	**1 427.7**	**1 257.7**	**1 881.3**

Total impairments during 2007 amounted to EUR 900.6 million, of which EUR 737.2 million related to continuing operations and EUR 163.4 million to the discontinued North American operations. The annual impairment tests were conducted in August, however, following the September agreement to sell the Group's North American business area, a revised figure of EUR 535.0 million was expensed on account of continuing operations and EUR 158.9 million on account of discontinued operations, the latter as a result of the net assets to be disposed being remeasured to fair value. In October further substantial reorganisations were announced, with several mill closures and divestments, resulting in further impairments of EUR 202.2 million. Reversals of previous impairments amounted to EUR 33.4 million and the disposal of fixed assets, mainly buildings, resulted in capital gains (reported in Note 7 Other Operating Income) of EUR 30.2 million.

On 21 September 2007 Stora Enso signed an agreement to sell its North American subsidiary, comprising its Canadian interests and nearly all its US business. The estimated fair value of the consideration was then computed and a remeasurement to fair value was made in order to match the value of the net assets in the business to be disposed with their estimated market value. This impairment was then adjusted to USD 217.8 (EUR 158.9) million when the divestment was finalised in December. A further impairment of EUR 4.5 million had also been charged during the year in North America and these impairments are reported as part of Discontinued Operations. The rest of the Note below relates to Continuing Operations.

In the first quarter of 2007, the looming supply problem relating to Russian logs triggered an impairment of EUR 12.0 million when it became necessary to close the Sauga Sawmill in Estonia. The Russian supply problem deteriorated as the year progressed, mainly caused by the planned implementation of an 80% export duty on wood exports, translating into an additional cost of at least EUR 50 per cubic meter, and was then taken into account in impairment testing performed in late August. This impairment testing became a comprehensive review of the Group's ongoing business as a result of numerous factors, in addition to the Russian supply problems impacting the Baltic States and Finland:

- The business review resulted in Stora Enso reorganising its operations from the existing four Divisions into eight separate Business Areas. The main changes were that Packaging Boards was split into its component parts of Consumer Board and Industrial Packaging, Publication Paper was divided back into Newsprint and Magazine Paper and the North American business area was restored prior to its divestment. The creation of the new business areas resulted in new groups of cash generating units ("CGU") to be tested for goodwill impairment.
- Soaring energy costs.
- New EU regulations on biofuels tightening the fibre supply and price situation all over Europe as countries increasingly use wood as a renewable fuel source.
- Deteriorating market conditions, especially in Magazine Paper.
- Rising interest costs.
- Adverse currency movements.

Impairments were calculated with a Value-in-Use method for each CGU based on the following main assumptions:

- Pre-tax discount rates ranging from 8.5% to 11.8%, depending in which countries or continents the CGUs mainly operate. By comparison, the Group's pre-tax Weighted Average Cost of Capital ("WACC") is 9.1%.
- Sales price estimates in accordance with internal and external specialist analysis.
- Inflation estimates of approximately 2% p.a.
- Current cost structure to remain unchanged.
- For goodwill testing, a five-year future period was used after which the perpetuity value was based on zero growth rates, whereas for the fixed asset tests, the period was the remaining expected economic lifetime of the asset.

The total cost of the 2007 impairment testing process, as charged in September, amounted to EUR 535.0 million, of which EUR 20.4 million related to intangible fixed assets, EUR 440.5 million to tangible fixed assets, mainly plant & machinery, and EUR 74.1 million for goodwill.

Further to the annual impairment testing process, on 25 October the Group announced the result of its strategic review whereby it intended to cut annual capacity by some 505 000 tonnes of paper and 550 000 tonnes of pulp, reduce staffing in mills by some 1 400 and bring fibre supply and demand into balance in Finland. This entails the planned permanent closure of the Summa paper mill, one magazine paper machine at the Anjala Mill and the Kemijärvi pulp mill, plus the divestment of the mills at Kotka, which employ another 650 people. In addition, it is also planned to close the Norrsundet pulp mill in Sweden. This package of measures resulted in further fixed asset impairments being charged in the final quarter of the year of EUR 202.2 million.

During 2007, the closures of both the Reisholz magazine paper mill in Germany and the Berghuizer fine paper mill in the Netherlands proceeded as planned. A contract for the sale of the land in Germany was signed in September, resulting in the reversal of EUR 12.6 million of the previous year's impairment, though the sale will not be completed until early 2009 when the clearance of the land has been completed. Whilst the sale of the land and equipment at the Berghuizer Mill is still pending, the current indications are that the land, buildings and certain power assets do indeed have more value than initially estimated and thus impairments of EUR 19.5 million have been reversed in order to recognise this additional value.

Segment Impairment Less Reversals

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Newsprint and Book Paper	-2.8	3.6	82.6
Magazine Paper	31.4	47.5	330.1
Fine Paper	10.6	57.1	13.0
Merchants	2.2	0.5	-
Consumer Board	5.0	18.6	187.0
Industrial Packaging	0.3	0.3	5.9
Wood Products	47.0	22.3	118.1
Other	0.6	29.5	0.5
Total: Continuing Operations	**94.3**	**179.4**	**737.2**
North America:			
Discontinued Operations	217.7	-	163.4
Total Operations	**312.0**	**179.4**	**900.6**

Country Impairment Less Reversals

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Estonia	0.2	15.0	57.8
Finland	26.6	15.2	390.6
France	28.1	-	50.7
Germany	8.9	88.9	60.7
Netherlands	-	36.5	-18.5
Sweden	8.7	20.3	49.6
Other	21.8	3.5	146.3
Total: Continuing Operations	**94.3**	**179.4**	**737.2**
North America:			
Discontinued Operations	217.7	-	163.4
Total Operations	**312.0**	**179.4**	**900.6**

Total impairments during 2006 amounted to EUR 179.4 million, of which EUR 18.7 million resulted from annual impairment tests, EUR 148.5 million from the Asset Performance Review (APR) and EUR 12.2 million due to obsolete assets and terminated projects. The impairment testing resulted in goodwill in Fine Paper being written down by EUR 2.0 million and Wood Products fixed assets in Germany and Estonia suffering a loss of EUR 21.7 million.

As part of the APR programme in 2006, certain mills were divested in their entirety (see Note 5 Acquisitions & Disposals), whilst other mills were subject to asset sales; it was also announced that the Berghuizer Mill in the Netherlands and the Reisholz Mill in Germany would be closed. Fine Paper's Grycksbo Mill in Sweden and Packaging Boards' Pankakoski Mill in Finland were sold at a loss, thereby requiring an impairment of the operating fixed assets therein prior to sale of EUR 23.9 million and EUR 15.8 million respectively so that the sale proceeds matched the net assets disposed. Publication Paper's Wolfsheck Mill in Germany was sold in an asset sale, resulting in its fixed assets being written down by EUR 25.8 million, of which EUR 7.0 million related to goodwill. The Linghed Sawmill in Sweden was also subject to an asset sale, though its fixed assets had already been impaired by EUR 8.4 million in 2005 in anticipation of the sale. The Hammarby coating mill in Sweden was closed, along with PM 1 at Varkaus Mill in Finland and PM 31 at Stevens Point Mill in the USA, though in all these cases the appropriate impairments had been made in 2005. In October 2006, following the announced closures of Fine Paper's Berghuizer Mill and Publications Paper's Reisholz Mill, fixed asset impairments of EUR 36.0 million and EUR 54.0 million respectively were booked.

In 2005 total impairments amounted to EUR 312.0 million, of which EUR 297.8 million resulted from annual impairment tests and EUR 14.2 million due to obsolete assets.

Note 14 Fixed Assets

Fixed Asset Summary

EUR million	Property Plant & Equipment	Intangible Fixed Assets	Goodwill	Total Fixed Assets
	Year Ended 31 December 2007			
Acquisition Cost				
At 1 January	**21 589.4**	**406.6**	**2 617.6**	**24 613.6**
Translation difference	-429.2	-2.9	-142.1	-574.2
Reclassifications	-38.5	38.5	-	-
Companies acquired	11.0	-	-	11.0
Additions	752.9	17.3	-	770.2
Disposals	-3 837.7	-36.0	-1 051.6	-4 925.3
At 31 December	**18 047.9**	**423.5**	**1 423.9**	**19 895.3**
Accumulated Depreciation, Amortisation and Impairment				
At 1 January	**12 435.8**	**236.2**	**1 710.8**	**14 382.8**
Translation difference	-225.1	-2.1	-103.6	-330.8
Disposals	-2 229.9	-27.6	-919.0	-3 176.5
Depreciation: Continuing operations	778.0	35.4	-	813.4
Impairment: Continuing operations	642.7	20.4	74.1	737.2
Depreciation: Discontinued operations	165.2	2.1	-	167.3
Impairment: Discontinued operations	4.5	-	158.9	163.4
At 31 December	**11 571.2**	**264.4**	**921.2**	**12 756.8**
Net Book Value at 31 December 2007	**6 476.7**	**159.1**	**502.7**	**7 138.5**
Net Book Value at 31 December 2006	**9 153.6**	**170.4**	**906.8**	**10 230.8**
Net Book Value at 31 December 2005	**9 936.8**	**194.1**	**961.8**	**11 092.7**

Property, Plant & Equipment

EUR million	Land and Water	Buildings and Structures	Plant and Equipment	Other Tangible Assets	Assets in Progress	Total
	Year Ended 31 December 2007					
Acquisition Cost						
At 1 January	**428.8**	**3 351.3**	**17 131.6**	**480.6**	**197.1**	**21 589.4**
Translation difference	-29.7	-41.8	-341.3	-5.3	-11.1	-429.2
Reclassifications	8.2	21.3	46.6	24.7	-139.3	-38.5
Companies acquired	-	0.4	-	10.5	0.1	11.0
Additions	26.1	51.4	386.4	10.2	278.8	752.9
Disposals	-58.4	-300.4	-3 430.7	-27.4	-20.8	-3 837.7
At 31 December	**375.0**	**3 082.2**	**13 792.6**	**493.3**	**304.8**	**18 047.9**
Accumulated Depreciation and Amortisation						
At 1 January	**25.3**	**1 603.7**	**10 536.5**	**270.3**	-	**12 435.8**
Translation difference	-	-19.2	-205.4	-0.8	-	-225.4
Companies acquired	-	0.1	0.2	-	-	0.3
Disposals	-8.7	-123.8	-2 071.2	-25.3	-0.9	-2 229.9
Depreciation: Continuing operations	-	112.8	638.7	26.5	-	778.0
Impairment: Continuing operations	-11.6	47.2	567.4	38.8	0.9	642.7
Depreciation: Discontinued operations	-	7.2	158.0	-	-	165.2
Impairment: Discontinued operations	-	-	4.5	-	-	4.5
At 31 December	**5.0**	**1 628.0**	**9 628.7**	**309.5**	**0.0**	**11 571.2**
Net Book Value at 31 December 2007	**370.0**	**1 454.2**	**4 163.9**	**183.8**	**304.8**	**6 476.7**
Net Book Value at 31 December 2006	**403.5**	**1 747.6**	**6 595.1**	**210.3**	**197.1**	**9 153.6**
Net Book Value at 31 December 2005	**377.7**	**1 831.9**	**7 284.8**	**222.6**	**219.8**	**9 936.8**

Stora Enso performs annual impairment tests for all fixed assets, including goodwill. In 2007 this was conducted in August and resulted in write-downs of EUR 535.0 million, mainly as a result of supply problems relating to Russian logs, high power costs and the poor business situation affecting Magazine Paper. In October further substantial reorganisation plans were announced, with several mill closures, resulting in additional impairments of EUR 202.2 million in continuing operations. A further impairment of EUR 158.9 (USD 217.8) million was recorded on the announcement of the divestment of the North American operations in order to match the value of the net assets in the business to be disposed with their estimated market value. Total impairments in 2007 therefore totalled EUR 900.6 million, full details of which are disclosed in Note 13 Depreciation & Fixed Asset Impairments.

In 2006 impairments came to EUR 179.4 million, of which EUR 148.5 million related to the Asset Performance Review, whilst in 2005, weakened market conditions resulted in assets being subject to impairment in the sum of EUR 312.0 million.

Impairment tests are carried out on each separate cash generating unit and are based on the discounted cash flow valuation method; this incorporates future projections of cash flows and, among other estimates, projections of future product pricing, production levels, product costs, market supply and demand, projected maintenance and an assumption of a pre-tax weighted average cost of capital.

The Group's Fixed Assets at 31 December 2007 include capitalised balances for unamortised computer software development costs, interest (at 6% to 11%) on the construction of qualifying assets and finance lease assets. In the table below, it can be seen that capitalised finance leases have dropped by EUR 83.3 million to EUR 36.0 million at the year end; EUR 47.4 million of this is explained by the sale of the North American operations, whilst additional depreciation charges for the year are as a result of the various impairments made in the year.

Financial performance

Capitalised Values

	As at 31 December								
	Computer Software			Capitalised Interest			Finance Leases		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
At 1 January	67.6	73.6	60.5	70.8	76.7	75.1	126.5	130.6	119.3
Translation difference	0.8	-0.3	-	0.7	-0.1	-1.0	9.5	-6.8	-6.4
Acquisitions and disposals	2.1	1.0	-3.0	5.6	7.9	-11.0	-	-	-47.4
Capitalised in the year	26.8	12.7	29.3	7.1	-	0.8	4.7	8.8	1.9
Depreciation	-23.7	-26.5	-22.3	-7.5	-9.4	-9.7	-10.1	-13.3	-31.4
At 31 December	**73.6**	**60.5**	**64.5**	**76.7**	**75.1**	**54.2**	**130.6**	**119.3**	**36.0**

Computer software includes capitalised own software at the year end of EUR 17.2 (EUR 11.9) million; additions during the year were EUR 14.1 (EUR 2.3) million and depreciation was EUR 8.6 (EUR 5.5) million.

Fixed Asset Additions

Acquisitions of Group companies in 2007 included fixed assets therein of EUR 10.7 million with no goodwill. In 2006, as a result of one material acquisition in Brazil, total acquisitions of Group companies amounted to EUR 329.8 million with the value of the operating fixed assets therein coming to EUR 222.0 million, again, with no goodwill. Total acquisitions of Group companies in 2005 amounted to EUR 328.9 million, the acquisition value of the operating fixed assets being EUR 388.3 million, of which EUR 114.0 million related to goodwill; this goodwill related to the merchant acquisition of the Schneidersöhne Group in Germany and much of it was allocated to Fine Paper units in consideration of the synergies to be achieved through additional turnover.

Capital expenditure for the year in Stora Enso Oyj and its subsidiaries amounted to EUR 770.2 (EUR 559.1) million, of which EUR 733.6 (EUR 511.3) million related to continuing operations; there are no significant projects in Associates. Although no major new projects were commenced in 2007, the larger items in the year are listed below:

- The biggest investment in 2007 was the new magazine paper mill in China, which was ready for commercial production at the year end. In April 2006 Stora Enso signed an agreement with Shandong Huatai Paper to form a publication paper company in China, the Group holding 60% of the venture. The total investment is estimated to be EUR 100 million, of which EUR 16.8 million was expended in 2006 and a further 76.6 million in 2007.
- In September 2006 Stora Enso commenced the construction of its third corrugated packaging plant in Russia, at Lukhovitsy, near Moscow, to be completed in early 2008. The capital expenditure is estimated at EUR 54 million, of which EUR 4.5 million was expended in 2006 and a further 33.7 million in 2007.
- Also in Russia, Industrial Packaging is further developing its Balabanovo Mill with the addition of a microflute plant in a EUR 23 million project, of which EUR 12.8 million was expended in 2007.
- In August 2006 Wood Products announced that it was investing EUR 31.5 million in its Nebolchi Sawmill and EUR 12.5 million in its Impilahti Sawmill, both in Russia, in order to enhance the competitiveness of its sawmilling business and wood procurement in Russia. The projects started in late 2006 and are scheduled for completion in early 2008, the expenditure in 2007 being EUR 31.1 million.
- In South America, the Group expended a further EUR 38.4 (EUR 17.5) million on land for plantations in southern Brazil and Uruguay, giving aggregate holdings to date of 45 000 hectares in Rio Grande do Sul in Brazil and 57 000 hectares in Uruguay. The value of the forest land acquired is now EUR 90.0 (EUR 61.3) million and the trees planted thereon, EUR 19.9 (EUR 6.2) million.

- Stora Enso's major project in Finland in 2007 was Fine Paper's EUR 54.8 million rebuild of PM 3 at the Varkaus Mill, of which EUR 50.9 million was expended during the year. The project will increase mill specialisation within the business area and is scheduled for completion in early 2008, thereby increasing the mill's annual production capacity by about 95 000 tonnes to 315 000 tonnes of uncoated fine paper.
- Also at Varkaus, wood handling facilities are being upgraded in a EUR 47 million project of which EUR 32.7 million was incurred during the year. The project started in May 2006 and involves replacing the existing four-line woodhandling equipment with a modern two-line debarking, chipping and screening facility.
- Stora Enso is investing EUR 25 million in a new copy paper sheeter, two packaging lines and a new machine hall at its Veitsiluoto fine paper mill in Finland. The project, which will increase mill specialisation within the business area, started in June 2007 and will be completed within 12 months. This investment will increase the mill's copy paper sheet cutting capacity by about 140 000 tonnes to 510 000 tonnes per year, making it Europe's biggest copy paper sheeting plant, though capacity of the mill itself will be virtually unchanged. Envelope paper production is also being transferred from the Veitsiluoto Mill to the Varkaus Mill in 2008, thus allowing Veitsiluoto to focus on copy paper under the Group's mill specialisation programme.
- Consumer Board's major project was at Fors Mill in Sweden. In 2006 it started to enhance its BM 2 and rebuild boiler 3 in a EUR 34 million project, of which EUR 10.0 million was incurred in 2007. Stora Enso then announced a EUR 43 million investment to improve board quality and chemi-thermomechanical pulping (CTMP) production whereby it will upgrade and modernise the two board machines (BM 2 and BM 3) and the CTMP plant 2 to improve quality and pulp production. The project is scheduled to be completed by January 2008 for BM 3 and the CTMP investment, and in January 2009 for BM 2. The investment will improve the quality of the board manufactured at the mill, in order to meet customers' changing quality needs, and will moderately increase production capacity.

The following major projects were announced in 2007 and will have a material impact of Fixed Assets when they are completed:

- Stora Enso and the Nizhny Novgorod regional administration in Russia signed a letter of intent in December 2007 setting out the basic principles for further pre-investment work for a proposed paper and pulp mill in the region. The objective of the project is to manufacture paper for Russian consumers from Russian wood in Russia.
- In April 2007 Stora Enso signed a mill site land acquisition agreement with Beihai City Government in Guangxi, China, under which Stora Enso will be provided with a total of 250 hectares of industrial land for possible future use as a mill site. The mill site is by the sea in the Tieshangang Industrial Zone of Beihai City, in the north of Beibu Gulf in the South China Sea near Vietnam, and the purchase price will be some EUR 27 million. Stora Enso's Board of Directors has taken no formal decision concerning investment in a mill at Beihai, however, this acquisition would facilitate any future investment. A prerequisite for any investment decision is that the acquisition of land use rights, for the Group's plantations at Guangxi, develops in a way that will secure a sufficient fibre base. It is intended to create a sustainable managed fibre base of 160 000 hectares to support the establishment of an integrated pulp and paper/board mill. Stora Enso's development of the plantations in Guangxi began in 2002 and is detailed in Note 15 Biological Assets.
- Stora Enso is to improve energy efficiency through investments totalling EUR 260 million at the Langerbrugge Mill in Belgium and the Maxau Mill in Germany, both projects scheduled to be completed in the second quarter of 2010. These investments will significantly reduce fuel costs, while increasing the use of bioenergy, and are intended to reduce annual carbon dioxide emissions by some 105 000 tonnes. At both mills, new multifuel Circulating Fluidised Bed (CFB) boilers will be installed in the existing power plant with the aim of combining heat and power generation with a competitive fuel mix. Once completed, these installations will increase electricity self-sufficiency at the two mills.

Much of the capital expenditure on Fixed Assets in 2006 related to the projects detailed above in 2007. Other projects in 2006 which did not run on into the next year include:

- Stora Enso's new paper machine at Kvarnsveden Mill in Sweden, which produces high-quality super-calendared magazine paper (SC paper), was officially inaugurated in April 2006. PM 12 started up in November 2005 and has an annual production capacity of 420 000 tonnes of paper produced from fresh fibre. Capital expenditure in on this project totalled EUR 463.0 million at the end of 2006.
- A Newsprint project, commenced in 2005, was the rebuild of boiler 2 at the Hylte Mill in Sweden at a cost of some EUR 41 million, of which EUR 27.0 million was spent in 2006.
- The only major project for Consumer Board in 2006 was the Energy 2005 project at Skoghall Mill in Sweden which substantially reduced oil consumption at the mill, increased electricity self-sufficiency and reduced emissions; the EUR 200 million project was substantially completed in September 2006, EUR 34.3 million being spent that year.
- Consumer Board also invested another EUR 17.8 million at Fors Mill in Sweden.

In 2005 Publication Paper had a number of projects in France, Sweden, Finland and the USA, the biggest of which was the new EUR 470 million paper machine at Kvarnsveden in Sweden that was finished later in the year. Fine Paper completed various projects in early 2005, their major project in the rest of the year being enhancements to the paper machine at Suzhou in China. The major project for Consumer Board was the Energy 2005 project at the Skoghall Mill in Sweden, though they also invested in their recently acquired Polish interest, Stora Enso Poland SA.

Fixed Asset Disposals

EUR million	Year Ended 31 December 2005	2006	2007
Acquisition cost	291.2	1 253.4	4 925.3
Accumulated depreciation	278.8	1 061.6	3 176.5
Net book value of disposals	12.4	191.8	1 748.8
Capital gains on disposals	2.1	200.5	35.6
Disposals Proceeds	**14.5**	**392.3**	**1 784.4**
Represented by			
Cash sales proceeds	14.5	30.0	83.5
Group company disposals	-	362.3	1 700.9
Total Fixed Asset Disposals	**14.5**	**392.3**	**1 784.4**

Divestments of Group companies in 2007 resulted in the disposal of fixed assets of EUR 1 695.9 million, the principal items being:

- The divestment of the Group's North American operations, the fixed asset disposal value being EUR 1 631.5 million after a disposal-related impairment charge of EUR 158.9 million.
- The 80% disposal of the Arapoti plantation operation in Brazil, acquired in 2006 along with the paper machine, though with the intention of an onward sale of the forest. The fixed assets disposed amounted to EUR 36.9 million.

The greater part of other disposals was accounted for by the sale of merchant warehouses in Sweden and Denmark, realising a capital gain of EUR 24.4 million, and other property sales with gains of EUR 5.9 million, mainly in London. Sale of Group companies, other than in the Americas, realised capital gains of EUR 5.0 million, representing goodwill realised.

The principal disposals in 2006, further to the Group Asset Performance Review, related to the divestments of:

- Fine Paper's Celbi pulp mill and plantation in Portugal, and the Grycksbo Mill in Sweden.
- Publication Paper's Wolfsheck Mill in Germany in an asset sale.
- Packaging Board's Pankakoski Mill in Finland.

The Fixed Assets in the disposed companies amounted to EUR 172.4 million, and although Grycksbo, Wolfsheck and Pankakoski mills were sold at a loss, thereby requiring an impairment of the operating Fixed Assets therein prior to sale of EUR 65.5 million, there was a profit generated on the Celbi disposal of EUR 189.8 million. The closures of both Berghuizer and Reisholz mills were also announced, the Fixed Assets of which were fully impaired at a cost of EUR 90.0 million, as disclosed in Note 13. Overall, the Group made a profit of EUR 34.3 million on its Fixed Asset divestments linked to the APR in the year.

Fixed asset disposals in 2005 comprised only minor sales in the normal course of operations.

Note 15 Biological Assets

Most Group interests in biological assets are held in Associates in Brazil, Finland and Sweden, thus the values directly disclosed in the financial statements for growing forests are very limited. Whilst the Group's indirect share of forest assets, held by Associates, amounts to EUR 1 792 million for the standing trees, the amount directly disclosed on the Group Balance Sheet from subsidiary companies amounts to only EUR 88.7 million, as shown below.

Biological Assets

EUR million	As at 31 December 2005	2006	2007
Carrying value at 1 January	**64.6**	**76.8**	**111.5**
Translation difference	3.2	-3.0	3.6
Additions	15.7	24.3	50.2
Companies acquired	-	61.1	-
Disposals	-	-45.5	-84.1
Change in fair value (biological growth & price effects)	6.6	4.5	26.2
Decrease due to harvest (agricultural produce)	-13.3	-6.7	-18.7
Carrying Value at 31 December	**76.8**	**111.5**	**88.7**

In September 2007 the Group divested 80% of its interest in the Arapoti plantations in Brazil, acquired in 2006, though it had always been the intention to find a local partner with whom to develop the Arapoti business; this divestment represented half of Stora Enso's directly owned biological assets at the date of sale. The Group retained a 20% interest in the Arapoti plantation operation, this approximating the proportion of the fibre production required by the paper machine, 20% of which was also divested. As a result of the deal with Arauco, a leading South American forest products group, Stora Enso will in future be reporting its forest interest in Arauco Florestal Arapoti S.A., as an Associate Company rather than directly on its Balance Sheet as a Biological Asset. The company owns 50 000 hectares in the State of Paraná in southern Brazil, near to major markets, though only some 30 000 hectares are productive plantations as the rest of the land has been set aside, mostly for environmental reasons.

Celbi Pulp Mill in Portugal, which represented some 60% of the then existing Group holdings in biological assets, was divested in August 2006.

Stora Enso has continued to expand its plantations in China with a view to ensuring secure fibre sources for potential developments, the longer term aim being to establish an integrated pulp and paper mill in Guangxi. The land is leased, thus has no carrying value in the books, but the value of the biological assets thereon now amounts to EUR 68.8 (EUR 41.7) million.

In late 2005 the Group started to acquire land in the south of Brazil and in Uruguay with the intention of establishing new plantations. By the end of 2007 the Group had acquired some 45 000 hectares, excluding Arapoti, in Brazil and another 57 000 hectares in Uruguay, of which 19 000 hectares have been planted. The value of the forest land acquired is now EUR 90.0 (EUR 61.3) million and the trees, EUR 19.9 (EUR 6.2) million.

Following the divestment of the Swedish forests in 2004, biological income has not been material, nevertheless, periodic changes resulting from growth, price and other factors are entered in the Income Statement. The result for 2007 includes EUR 26.2 (EUR 4.5) million in respect of changes in fair value, representing growth and price effects (biological transformation), less EUR 18.7 (EUR 6.7) million for harvesting (agricultural produce), resulting in a net gain of EUR 7.5 (EUR -2.2) million, most of which came from the Arapoti plantations before their disposal.

At 31 December 2007 Stora Enso's biological assets had a fair value of EUR 88.7 (EUR 111.5) million and were located by value in China (78%), Brazil (15%) and Uruguay (7%). In addition, the Group has four Associated Companies where forest accounting is taken into account in computing their results:

- Bergvik Skog AB, the 43.3% owned Swedish associate, had forests at a fair value of EUR 3 047.2 (EUR 2 751.8) million. Forest land values are in addition to this figure at EUR 93.2 (EUR 96.7) million, the book values being low due to their historical nature.
- Tornator Oy, a 41% owned associate which acquired the Group's Finnish forest interests in 2002, had forest assets at a fair value of EUR 832.4 (EUR 663.3) million, with another EUR 57.5 (EUR 57.5) million relating to the land, again, this being the historic cost.
- Veracel Celulose S.A., a 50% owned associate in Brazil, also has substantial forest plantations, fair valued at EUR 238.2 (EUR 247.2) million, with a growing cycle of only seven years. Veracel owns some 214 000 hectares of forest land valued at cost of EUR 104.4 (EUR 85.1) million.
- Arauco Florestal Arapoti, the newly demerged, now 20% owned, southern Brazilian associate, has biological assets at a carrying value of EUR 66.0 million along with forest land at cost of EUR 32.8 million.

In 2007 the share of results from the three main forest Associated Companies amounted to EUR 333.4 (EUR 67.2) million, of which some EUR 287.8 million was derived from changes in the forest valuations themselves, as shown by the table above.

Group Share of Associated Companies Forest Valuations in 2007

	As at 31 December			
EUR million	**Price**	**Growth**	**Harvest**	**Total**
Bergvik Skog	71.1	186.5	-78.9	178.7
Tornator	65.6	27.5	-23.4	69.7
Veracel	37.7	15.0	-13.3	39.4
	174.4	**229.0**	**-115.6**	**287.8**

The biggest contribution to Group results came from the forest growth reported in Sweden. During the year, extensive surveys were undertaken, the main conclusion of which was that growth had been under-estimated for a number of years, not least as a result of climatic changes leading to longer growing seasons. This meant that there was more wood in the forests than originally thought, thus more available to cut immediately and the higher growth rates meaning that there would also be additional wood to cut in future years. The aggregate of these factors resulted in substantial gains in the IAS 41 valuation which appear through the Income Statement as Associated Company income, though the aggregate value per hectare for the Swedish forests still remained slightly below that for Finland.

In Finland, the tight supply conditions for domestic wood had a material effect on prices, which in turn generated considerable valuation gains. The same pattern of increasing fibre prices was also apparent in the Veracel valuations in Brazil. The downside of all these valuation gains in forest Associates is that Group mills using the fibre suffer increased prices that they have been unable to pass on to customers, thus operating profits have been hit in the main reportable segments leading to very considerable fixed asset impairments and mill closures. Further details of the results of the Forest Associates are given in Note 16 Associated Companies & Joint Ventures.

Note 16 Associated Companies & Joint Ventures

The Group's share of results in Associated Companies, previously reported with financial items, is now reported in operating profit in order to reflect the operational nature of these investments, especially the forest Associates. There is no goodwill in respect of Associated Companies, either held on the Balance Sheets of those companies or in the ownership of them. The Associated Companies are all stated at their equity accounting values, though in respect of Tornator Oy and Bergvik Skog AB, there are also provisions for unrealised gains of EUR 44.2 million and EUR 73.3 million respectively shown in Note 26 Operative Liabilities.

The principal addition in 2007, 2006 and 2005 related to the Group's Brazilian interests where Stora Enso and its Brazilian partner, Aracruz Celulose S.A., have established a 215 000 hectare eucalyptus plantation and constructed a 1 000 000 tonnes per year pulp mill for their jointly owned associate company Veracel Celulose S.A.; each company has a 50% stake and is entitled to half of the mill's output. Equity injections in the year came to EUR 91.3 (EUR 19.2) million, the Group's share of the profit before tax was EUR 44.9 (EUR 12.4) million, inclusive of forest valuation gains of EUR 39.4 (EUR 3.5) million, and the year-end carrying value amounted to EUR 482.2 (EUR 328.9) million. Veracel was financed partly through equity, some EUR 965 (EUR 665) million, and partly through debt, some EUR 460 (EUR 635) million, giving a total project value of EUR 1 425 (EUR 1 300) million. The principal assets and liabilities of the business are shown in the associated table. The mill commenced production in May 2005 and in 2007 shipped 525 576 (498 638) tonnes, out of a total of 1 069 520 (983 924) tonnes, to Stora Enso, with an invoice value of EUR 147.0 (EUR 143.4) million.

In September 2006 Stora Enso finalised its 100% acquisition of the Arapoti Group in Brazil, though the intention was to develop the business in conjunction with a local partner. Accordingly, in September 2007 Stora Enso reached agreement with Arauco, a leading forest products company in South America, to sell some of the operations of Stora Enso Arapoti, principally an 80% interest in the forest company, now renamed Arauco Florestal Arapoti S.A. The 20% holding retained by the Group approximates the proportion of the fibre production that would be required by the paper machine, an 80% ownership of which was retained by the Group. At the year end, the carrying value of the Associate holding amounted to EUR 25.7 million.

In March 2004, 56.7% of Stora Enso's Swedish forest holding company, Bergvik Skog AB, was divested to institutional investors, leaving the Group with a minority shareholding of 43.3% valued at cost of EUR 169.3 (SEK 1 527) million. In 2007 the carrying value increased to EUR 382.6 (EUR 247.6) million, mainly as a result of the revaluation of the forest holdings in accordance with IAS 41. The Group share of the result before tax amounted to EUR 203.7 (EUR 44.7) million, the main contributory factors in this increased profit being forest growth, net of harvest, of EUR 107.6 million and price increases of EUR 71.1 million (see Note 15 Biological Assets).

Stora Enso's Finnish forest holdings were divested into an Associate, Tornator Oy, in 2002. As with other similar Associates, forest valuations in 2007 resulted in a greatly increased Group share of their result, increasing from EUR 10.0 million before tax in 2006 to EUR 84.9 million in 2007, of which EUR 69.7 was accounted for by IAS 41 forest valuations. The carrying value at the year end amounts to EUR 147.1 (EUR 105.1) million, full details of Group share of their abridged Balance Sheet being shown below.

Carrying Values of Associates

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Historical Cost			
At 1 January	566.7	614.4	635.8
Translation difference	-2.7	2.9	-10.2
Additions	55.7	19.4	91.6
Associated companies in Acquisitions & Disposals	1.2	-	24.7
Disposal proceeds	-	-0.3	-0.4
Income Statement – Profit on disposal	-	-0.6	-
Subsidiary transfers & disposal adjustment	-6.5	-	6.2
Historical cost at 31 December	**614.4**	**635.8**	**747.7**
Equity Adjustment to Investments in Associated Companies			
At 1 January	1.4	105.5	169.4
Translation difference	64.5	-5.9	25.4
Share of results before tax	67.2	87.3	342.7
Dividends received	-11.6	-5.6	-31.8
Income taxes	-19.2	-23.0	-97.8
OCI (Note 27)	1.7	11.1	5.1
Subsidiary transfers & disposal adjustment	1.5	-	-6.2
Equity Adjustment at 31 December	**105.5**	**169.4**	**406.8**
Carrying Value of Associated Companies at 31 December	**719.9**	**805.2**	**1 154.5**

Principal Associated Companies

		As at 31 December			
		%	**EUR million**		
Company	**Domicile**	**2007**	**2005**	**2006**	**2007**
Veracel Celulose S.A.: pulp mill & plantation	Brazil	50.0	307.7	329.0	482.2
Bergvik Skog AB: forest	Sweden	43.3	200.0	247.6	382.6
Tornator Oy: forest	Finland	41.0	97.6	105.1	147.1
Sunila Oy: pulp mill	Finland	50.0	40.0	46.7	44.2
Thiele Kaolin Company Inc: China clay	USA	38.2	43.2	45.0	41.4
Arauco Florestal Arapoti S.A.: plantation *	Brazil	20.0	-	-	25.7
Steveco Oy: stevedores	Finland	34.3	5.6	7.8	8.3
Mitsubishi HiTec Paper Group (Bielefeld & Flensburg): office papers	Germany	24.0	6.8	4.4	2.7
			700.9	785.6	1 134.2
Others			19.0	19.6	20.3
Carrying Value of Associated Companies at 31 December			**719.9**	**805.2**	**1 154.5**

* Acquired as a subsidiary in 2006

Associated Company Balances

	As at 31 December		
EUR million	2005	2006	2007
Receivables from Associated Companies			
Long-term loan receivables	124.4	133.2	112.1
Trade receivables	19.2	17.3	42.2
Short-term loan receivables	3.4	3.7	4.0
Prepaid expenses and accrued income	0.8	0.7	0.8
Liabilities due to Associated Companies			
Trade payables	27.0	29.8	25.4
Accrued liabilities and deferred income	4.0	7.4	13.3

Associated Company Transactions

	Year Ended 31 December		
EUR million	2005	2006	2007
Sales to associated companies	146.1	177.6	183.4
Interest on associated company loan receivables	18.0	10.9	9.0
Purchases from associated companies	223.4	307.1	343.2

The Group engages in transactions with Associated Companies, such as sales of wood material and purchases of wood, energy and pulp products. All agreements in Europe are negotiated at arm's length and are conducted on terms that the Group considers customary in the industry and generally no less favourable than would be available from independent third parties. The agreement for the supply of eucalyptus pulp from Brazil, however, provides for sales to the Group with a rebate agreed with the other 50% partner.

Total loans to Associates came to EUR 116.1 (EUR 136.9) million of which EUR 84.3 (EUR 91.1) million was due from Bergvik Skog and a further EUR 26.3 (EUR 45.5) million from Tornator. Interest income on associate loans totalled EUR 9.0 (EUR 10.9) million, of which EUR 7.0 (EUR 7.0) million came from Bergvik Skog and EUR 1.8 (EUR 3.8) million from Tornator.

Group Share of Associate Income Statements by Year

	Year Ended 31 December		
EUR million	2005	2006	2007
Turnover	449.8	545.8	577.4
Cost of sales	-379.8	-406.8	-459.9
Trading profit	70.0	139.0	117.5
IAS 41 Valuation (Note 15)	54.2	20.2	287.8
Operating profit	124.2	159.2	405.3
Net financial items	-57.0	-71.9	-62.6
Net Profit before Tax in the Group Income Statement	**67.2**	**87.3**	**342.7**
Tax shown in the Group Income Statement	-19.2	-23.0	-97.8
Net Profit for the Period	**48.0**	**64.3**	**244.9**

Group Share of Associate Balance Sheets

		As at 31 December		
EUR million		2005	2006	2007
Assets				
Tangible fixed assets		788.7	733.2	767.7
Intangible fixed assets		4.0	3.2	2.5
Total Fixed Assets		**792.7**	**736.4**	**770.2**
Biological assets		1 448.8	1 543.8	1 791.8
Operative receivables:	Long-term	34.8	59.5	41.9
	Short-term	103.8	89.7	104.5
Inventories		55.1	57.2	54.8
Cash		46.0	43.2	40.7
Total Assets		**2 481.2**	**2 529.8**	**2 803.9**
Liabilities				
Operative Liabilities:	Long-term	84.1	33.1	44.7
	Short-term	123.9	116.8	104.0
Debt:	Long-term	1 122.5	942.8	974.2
	Short-term	57.4	260.0	88.3
Tax liabilities		373.4	371.9	438.2
Total Liabilities		**1 761.3**	**1 724.6**	**1 649.4**
Net Equity on the Group Balance Sheet		**719.9**	**805.2**	**1 154.5**
Represented by				
Capital & Reserves		737.2	811.4	1 155.6
OCI (see Note 27)		-17.3	-6.2	-1.1
Equity Accounting Value of Associates		**719.9**	**805.2**	**1 154.5**

Group Share of Associate Income Statements by Company

EUR million	Arapoti	Bergvik	Sunila	Tornator	Veracel	Others	Total
	Year Ended 31 December 2007						
Turnover	0.8	118.9	82.7	26.0	151.4	197.6	577.4
Cost of sales	-0.5	-54.2	-80.4	-5.4	-132.8	-186.6	-459.9
Trading profit	0.3	64.7	2.3	20.6	18.6	11.0	117.5
IAS 41 Valuation (Note 15)	-	178.7	-	69.7	39.4	-	287.8
Operating profit	0.3	243.4	2.3	90.3	58.0	11.0	405.3
Net financial items	0.0	-39.7	-0.9	-5.5	-13.1	-3.4	-62.6
Net Profit before Tax	**0.3**	**203.7**	**1.4**	**84.8**	**44.9**	**7.6**	**342.7**
Tax	0.2	-57.0	-0.4	-21.8	-15.8	-3.0	-97.8
Net Profit for the Period	**0.5**	**146.7**	**1.0**	**63.0**	**29.1**	**4.6**	**244.9**

Group Share of Associate Balance Sheets by Company

EUR million		Arapoti	Bergvik	Sunila	Tornator	Veracel	Others	Total
		As at 31 December 2007						
Assets								
Tangible fixed assets		8.0	51.1	54.8	26.3	528.9	98.6	767.7
Intangible fixed assets		-	0.1	-	0.1	-	2.3	2.5
Total Fixed Assets		**8.0**	**51.2**	**54.8**	**26.4**	**528.9**	**100.9**	**770.2**
Biological assets		13.2	1 318.3	-	341.3	119.0	-	1 791.8
Operative receivables:	Long-term	1.5	-	0.4	-	30.1	9.9	41.9
	Short-term	5.2	13.2	14.6	5.4	25.3	40.8	104.5
Inventories		0.1	2.1	10.0	0.2	23.1	19.3	54.8
Cash		0.5	8.7	1.7	17.7	0.3	11.8	40.7
Total Assets		**28.5**	**1 393.5**	**81.5**	**391.0**	**726.7**	**182.7**	**2 803.9**
Liabilities								
Operative Liabilities:	Long-term	-	13.5	-	0.1	4.6	26.5	44.7
	Short-term	0.1	53.3	19.9	11.1	7.7	11.9	104.0
Debt:	Long-term	-	562.4	10.3	179.1	185.1	37.3	974.2
	Short-term	2.6	6.8	1.4	2.9	44.0	30.6	88.3
Tax liabilities		0.1	374.9	5.7	50.7	3.1	3.7	438.2
Total Liabilities		**2.8**	**1 010.9**	**37.3**	**243.9**	**244.5**	**110.0**	**1 649.4**
Net Equity on the Group Balance Sheet		**25.7**	**382.6**	**44.2**	**147.1**	**482.2**	**72.7**	**1 154.5**
Represented by								
Capital & Reserves		25.7	384.9	44.2	146.0	482.2	72.6	1 155.6
OCI (see Note 27)		-	-2.3	-	1.1	-	0.1	-1.1
Equity Accounting Value of Associates		**25.7**	**382.6**	**44.2**	**147.1**	**482.2**	**72.7**	**1 154.5**

Note 17 Available-for-Sale Investments

The Group classifies its investments into the three categories of trading, held-to-maturity and available-for-sale; at the Balance Sheet date the Group held only available-for-sale investments. All available-for-sale investments are considered to be non-current assets unless they are expected to be realised within twelve months.

Summary of Values

EUR million	2005	2006	2007
	Year Ended 31 December		
Acquisition cost at 1 January			
Listed – Listed securities	137.2	55.5	25.6
Unlisted – Shares in other companies	132.7	124.2	122.8
Investments classified as available-for-sale	269.9	179.7	148.4
OCI in opening balance	83.0	435.5	687.1
Available-for-Sale investments at 1 January	**352.9**	**615.2**	**835.5**
Translation difference	-0.1	0.2	-10.1
SENA Divestment	-	-	376.9
Additions	8.6	5.2	14.3
Change in fair values accounted for as OCI	352.5	251.2	217.7
Disposal proceeds	-97.4	-209.1	-15.9
Income Statement – Profit / (loss)	-1.3	172.8	4.2
Carrying Amount at 31 December	**615.2**	**835.5**	**1 422.6**

Unrealised Gains and Losses in Marketable Equity Securities

EUR million	2005	2006	2007
	Year Ended 31 December		
Unrealised holding gains	436.2	687.1	905.3
Unrealised holding losses	-0.7	-	-0.9
Net unrealised holding gains (OCI)	**435.5**	**687.1**	**904.4**
Cost	179.7	148.4	518.2
Market value	**615.2**	**835.5**	**1 422.6**
Net unrealised holding gains (OCI)	435.5	687.1	904.4
Deferred tax	-40.8	-4.2	-5.3
Unrealised holding gains shown in equity as OCI	**394.7**	**682.9**	**899.1**
Change for the year in unrealised holding gains shown in equity as OCI	**339.9**	**288.2**	**216.2**

No holdings have had a market value below carrying value for more than 12 months, therefore no impairment is appropriate in 2007.

The fair value of publicly traded securities are based on quoted market prices at the Balance Sheet date whereas the fair value of other securities are assessed using a variety of methods and assumptions based on market conditions existing at each Balance Sheet date; quoted market prices or dealer quotes for similar or identical securities may be obtained, alternatively, other techniques such as option pricing models and estimated discounted values of future cash flows, may also be used.

On 21 December 2007 Stora Enso finalised the divestment of Stora Enso North America, Inc, its North American subsidiary, to NewPage Corporation. The equity value of the net consideration received for the shares, after costs, amounted to EUR 556.7 million, of which EUR 191.0 million was received in cash. The balance of the consideration comprised a loan note and 19.9% of the shares in the newly created holding company, NewPage Group Inc. The USD 200 million loan note was valued at USD 171.0 million by reference to similar securities with quoted market prices issued by NewPage Corporation, whilst the value of shareholding was determined based on its estimated market value, being USD 370 million. Both the loan note and shares are dollar denominated Available-for-Sale investments in the Group Balance Sheet at the year end, with carrying values of EUR 115.9 million and EUR 251.3 million respectively.

The Group holds a 15.6% interest in Pohjolan Voima Oy, a privately owned group of companies in the energy sector which produces electricity and heat for its shareholders in Finland. The company trades with its members, prices paid to Pohjolan Voima for electricity being based on production costs, which are generally lower than market prices. The holding is fair valued quarterly using three methods, the discounted cash flow model, trading and precedent transaction multiples. The valuation incorporates margin estimates from Nordpool market prices and actual cost, with some small adjustments, and has taken into account the progress on the new nuclear power plant at Olkiluoto since the previous year; the WACC used for discounted cash flow analysis was 6.1%. As a result of the rise in energy prices in the last three years, these unlisted shares experienced a substantial increase in value. The valuation in 2007 amounted to EUR 994.0 (EUR 780.0) million, against a book value of EUR 108.5 (EUR 108.5) million, the revaluation of EUR 885.5 (EUR 671.5) million being taken to OCI. No deferred tax is appropriate as under Finnish tax regulations, holdings above 10% are exempt from tax on disposal proceeds.

In 2006 the Group sold the majority of its holdings in Listed Shares as part of its programme to concentrate its capital resources on core businesses. Total sales receipts for Listed Securities came to EUR 207.9 million and the related capital gains amounted to EUR 175.1 million, though the Group made an impairment of EUR 2.9 million on other shares, leaving it with a net capital gain of EUR 172.2 million. In 2005 the comparative figures were sales of EUR 95.4 million, mainly in respect of Advance Agro as detailed below, with net capital gains of EUR 5.3 million.

In 2005 Stora Enso signed an agreement to divest its 18.8% ownership of Advance Agro Public Company Limited of Thailand for USD 80.4 million, which resulted in a loss at the prevailing exchange rate of EUR 2.6 million over its carrying value of EUR 69.1 million. The transaction involved three payments into an escrow account, whereupon the contents would then be passed to the Group, thus a current Available-for-Sale financial asset of EUR 68.2 (USD 80.4) million was shown under current Interest-bearing Receivables in the 2005 Balance Sheet (see Note 20). In August 2006 the final payment was made in full and the transaction completed.

Principal Available-for-Sale Investments

	As at 31 December 2007			
EUR million	**Holding %**	**Number of Shares**	**Acquisition Cost**	**Market Value**
Listed Securities				
ABN Amro growth funds	n/a	various	7.6	8.5
Billerud AB, Sweden	0.2	61 500	0.4	0.6
Nordea growth funds, Finland	n/a	various	8.3	11.1
Packages Ltd, Pakistan		4 047 744	2.7	17.1
Other growth funds	n/a	various	7.7	8.6
Total Listed Securities			**26.7**	**45.9**
Unlisted financial security: NewPage Loan Note		USD 200 million	116.2	115.9
Total Listed Shares & Marketable Securities			**142.9**	**161.8**
Unlisted Shares				
Pohjolan Voima Oy	15.6	5 382 438	108.5	994.0
NewPage Group Inc	19.9	11 251 326	251.3	251.3
Others	n/a	various	15.5	15.5
Total Available-for-Sale Investments at 31 December 2007			**518.2**	**1 422.6**
Total Available-for-Sale Investments at 31 December 2006			**148.4**	**835.5**
Total Available-for-Sale Investments at 31 December 2005			**179.7**	**615.2**

The difference of EUR 904.4 (EUR 687.1) million between the initial fair value at acquisition and balance sheet date market value of the available-for-sale investments represents the OCI Reserve as shown in Note 27. Euro denominated assets comprise 72.6% (98.2%) of Available-for-Sale investments.

Note 18 Other Non-Current Assets

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Pension assets (Note 23)	-	15.7	5.8
Other non-current operative assets	28.3	45.4	16.8
Total	**28.3**	**61.1**	**22.6**

Note 19 Inventories

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Materials and supplies	554.3	424.1	474.8
Work in progress	73.9	72.0	90.7
Finished goods	1 090.0	1 064.0	980.3
Spare parts and consumables	333.4	369.8	298.8
Other inventories	5.4	5.0	10.5
Advance payments & cutting rights	147.8	135.7	226.1
Obsolescence provision – spare parts	-30.2	-28.1	-66.2
Obsolescence provision – finished goods	-13.5	-14.6	-16.4
Market value provision	-10.6	-8.4	-6.0
Total	**2 150.5**	**2 019.5**	**1 992.6**

Note 20 Receivables

Short-term Operative Receivables

EUR million	As at 31 December 2005	2006	2007
Trade receivables	1 792.7	1 765.6	1 683.2
Provision for doubtful debts	-47.3	-42.3	-39.5
Prepaid expenses and accrued income	118.0	163.3	150.7
TRS Hedges	28.3	28.7	2.6
Other receivables	294.5	241.3	266.1
Total	**2 186.2**	**2 156.6**	**2 063.1**

Due to their short-tem nature, the carrying amounts of the above receivables are a reasonable approximation to the fair value. Any longer term Receivables, falling due after one year, are included in non-current receivables.

Credit losses amounted to EUR 13.7 (EUR 9.2) million net of a reduction in the Doubtful Receivables Provision of EUR 1.0 (EUR 1.6) million – see Note 12 Valuation Provisions for details. All provisions for Doubtful Receivables are made on an individual basis, with no round sum allowances appropriate, and are regularly reviewed for changes in the financial position of customers. The Group credit exposure on short-term receivables, both of an operative and financial nature, is their carrying value as the Group has neither credit insurance nor holds third party guarantees. Such credit enhancements are not considered necessary as, if the Group has concerns as to the financial state of a customer, advance payment or letters of credit are required, the latter of which must be irrevocable and drawn on banks. At the year end, the total amount of Letters of Credit awaiting maturity amounted to EUR 19.5 million.

Currency Breakdown of Short-term Operative Receivables

EUR million	As at 31 December 2006	2007
EUR	1 164.1	1 175.3
USD	325.9	243.8
SEK	263.8	255.6
GBP	121.3	119.6
Other currencies	281.5	268.8
Total	**2 156.6**	**2 063.1**

The majority of the USD and GBP denominated operative receivables are held in Group companies which have EUR and SEK as their functional currencies. As at 31 December 2007, trade receivables of EUR 219.5 (EUR 212.9) million were overdue, but for which no provision had been made. These relate to number of different countries and unrelated customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Age Analysis of Trade Receivables

EUR million	As at 31 December 2006	2007
Less than 30 days overdue	172.6	180.9
31 to 60 days overdue	23.8	25.6
61 to 90 days overdue	7.8	6.3
91 to 180 days overdue	2.0	1.9
Over 180 days overdue	6.7	4.8
Total: Overdue Accounts	**212.9**	**219.5**
Trade Receivables within their credit terms	1 510.4	1 424.2
Total	**1 723.3**	**1 643.7**

Interest-bearing Receivables

EUR million	As at 31 December 2005	2006	2007
Derivative financial instruments (see Note 27)	167.3	147.0	185.2
Associate Company loans	127.8	136.9	116.1
Current Available-for-Sale financial asset – (see Note 17)	68.2	-	-
Other loan receivables	45.2	50.8	53.0
	408.5	**334.7**	**354.3**
Current Assets: Receivable within 12 months	280.9	185.5	227.8
Non-current Assets: Receivable after 12 months	127.6	149.2	126.5
Total	**408.5**	**334.7**	**354.3**

Annual interest rates for loan receivables at 31 December 2007 ranged from 3.0% (2.15%) to 10.0% (10.0%). Due to the nature of the Group financial assets, their carrying value is considered to approximate their fair value with the exception of the Associate Company loan to Bergvik Skog AB which has a fair value at year end currency rates of EUR 87.5 (EUR 96.6) million against a carrying value of EUR 83.4 (EUR 87.6) million. Current interest bearing receivables includes accrued interest of EUR 37.7 (EUR 34.6) million of which EUR 24.0 (EUR 24.8) million relate to interest rate swaps.

Note 21 Shareholders' Equity

Under the Articles of Association, the minimum issued share capital of the Company is EUR 850 million and the maximum EUR 3 400 million, within the limits of which it may be increased or reduced without amendment to the Articles; the minimum number of shares that may be issued is 500 million and the maximum number 2 000 million. The A shares entitle the holder to one vote per share whereas R shares entitle the holder to one vote per ten shares with a minimum of one vote, though the nominal value of both shares is the same. The maximum number of A shares is 500 million and R shares, 1 600 million, the aggregate not exceeding 2 000 million. The A shares may be converted into R shares at any time at the request of a shareholder. At 31 December 2007 the Company's fully paid-up share capital as entered in the Finnish Trade Register was the same as in 2006 at EUR 1 342.2 million.

The current nominal value of each issued share is EUR 1.70, unchanged from the previous year. There were no share repurchases in 2006 and 2007, nor were there any share cancellations in 2007.

At 31 December 2007 Stora Enso Oyj held shares with an acquisition cost of EUR 10.2 (EUR 10.5) million, comprising 918 512 (952 627) R shares. The nominal value of the shares was EUR 1.6 (EUR 1.6) million, representing 0.1% (0.1%) of the share capital and 0.04% (0.04%) of voting rights.

At the end of 2007 Directors and Group Executive Team members owned 5 590 (21 090) A shares and 123 647 (89 178) R shares, representing less than 0.1% of the total voting rights of the Company; full details of Director and Executive interests is shown in Note 9 Board & Executive Remuneration. A full description of Company Option Programmes is shown in Note 31 Employee Bonus & Equity Incentive Schemes, however none of these have impacted on the issued share capital since March 2004.

At 31 December 2007 shareholder equity amounted to EUR 7 476.1 (EUR 7 799.6) million against a market capitalisation on the OMX Nordic Exchange Helsinki of EUR 8.1 (EUR 9.5) billion; the market values of the shares were EUR 10.19 (EUR 12.30) for A shares and EUR 10.24 (EUR 12.00) for the R shares.

Financial performance

Change in Share Capital

	A Shares	R Shares	Total
At 1 January 2005	**179 048 523**	**658 194 876**	**837 243 399**
Cancellation of repurchased shares 31 Mar	-16 300	-24 250 000	-24 266 300
Conversion of A shares to R shares	-872 445	872 445	-
At 31 December 2005	**178 159 778**	**634 817 321**	**812 977 099**
Cancellation of repurchased shares 21 Mar	-38 600	-23 400 000	-23 438 600
Conversion of A shares to R shares	-18 061	18 061	-
At 31 December 2006	**178 103 117**	**611 435 382**	**789 538 499**
Conversion of A shares to R shares 15 Feb	-450	450	-
Conversion of A shares to R shares 13 Jul	-284 857	284 857	-
Conversion of A shares to R shares 14 Sep	-3 400	3 400	-
Conversion of A shares to R shares 15 Nov	-324 175	324 175	-
Conversion of A shares to R shares 14 Dec	-11 202	11 202	-
At 31 December 2007 and 31 January 2008	**177 479 033**	**612 059 466**	**789 538 499**
Number of votes as at 31 December 2007	**177 479 033**	**61 205 946**	**238 684 979**
Share Capital at 31 December 2007, EUR million	**301.7**	**1 040.5**	**1 342.2**
Share Capital at 31 December 2006, EUR million	**302.8**	**1 039.4**	**1 342.2**
Share Capital at 31 December 2005, EUR million	**302.9**	**1 079.2**	**1 382.1**

Nominal Value for all Shares is EUR 1.70.

The shares in issue at 31 January 2008 represent the total shares eligible to vote at the forthcoming Annual General Meeting.

Treasury Shares

	Number of Shares in 2007			Cost in EUR million		
	A Shares	R Shares	Total	2005	2006	2007
Shares held at 1 January	-	952 627	952 627	180.8	259.8	10.5
Total shares repurchased in the year	-	-	-	345.0	-	-
Shares cancelled	-	-	-	-265.6	-249.1	-
Shares allocated to Option Programmes	-	-34 115	-34 115	-0.3	-0.2	-0.3
Total Shares held at 31 December	-	**918 512**	**918 512**	**259.9**	**10.5**	**10.2**

At 31 December 2007 the Group's distributable equity amounted to EUR 3 423.8 (EUR 3 650.6) million, being Retained Earnings of EUR 4 534.8 (EUR 5 097.4) million less EUR 1 111.1 (EUR 1 446.8) million for non-distributable translation differences, treasury shares and untaxed reserves.

Note 22 Minority Interests

In August 2007 Stora Enso acquired 28% of the shares in Stora Enso Poland SA from the State of Poland at a price of EUR 64.3 million, thus reducing the remaining Minority holding to 5%, being shares held by current and retired employees of the company, though Stora Enso intends to purchase these as soon as feasible. Stora Enso had originally acquired 67% of the company in December 2004 when the value of the minority interest was EUR 69.4 million, though as a result of this buy-out, the current Balance Sheet value of the minority has dropped to EUR 14.2 million from EUR 78.2 million in 2006. At acquisition there was another small minority of EUR 0.5 million within the group itself, though this was disposed in 2007 when a subsidiary in Serbia was sold.

In September 2006 Stora Enso finalised its 100% acquisition of the Arapoti Group in Brazil, though the intention was to develop the business in conjunction with a local partner. Accordingly, in September 2007, Stora Enso reached agreement with Arauco, a leading forest products company in South America, to sell some of the Arapoti operations. Arauco will in future have a 20% interest in the Group's Brazilian paper business, Stora Enso Arapoti Industria de Papel SA, this interest being worth EUR 27.3 million at the end of 2007.

In June 2007 Wood Supply Sweden bought out the minority in Sydved Energileveranser for EUR 6.2 million so that the Group could further develop the business in the Swedish bio energy market.

In April 2006 Stora Enso signed an agreement with Shandong Huatai Paper to form a magazine paper company, Stora Enso Huatai (Shandong) Paper Co Ltd, in which Stora Enso holds 60%. The paper machine was ready to go into commercial production in January 2008 with an annual production capacity up to 200 000 tonnes of super-calendered (SC) magazine paper, the fixed asset investment having been some EUR 90 million. At the end of 2007 the value of the Minority Interest of Shandong Huatai Paper amounted to EUR 15.5 (EUR 7.7) million.

In 2005 Stora Enso acquired UPM-Kymmene Oyj's 29% minority shareholding in Corenso United Oy Ltd at a cost of EUR 22.3 million, with a charge against Retained Earnings of EUR 7.2 million. Other small Minorities still remaining within certain Corenso subsidiaries amounted to EUR 4.4 (EUR 4.2) million at the end of 2007.

In 2005 Stora Enso Timber Oy exercised its option to buy-out the 34% Minority in its Baltic subsidiary, Stora Enso Timber AS and make its Baltic operations 100% owned; other Minorities in timber businesses in Australia and Germany were also extinguished. The total purchase consideration for these buy-outs came to EUR 58.9 million, resulting in a charge of EUR 29.4 million against Retained Earnings.

In July 2005 Stora Enso China Holdings AB increased its ownership of Suzhou Mill from 80.9% to 96.5% by acquiring the 15.6% holding of the Suzhou Handicraft Co-operative in Suzhou Papyrus Paper Company Ltd. The acquisition cost was EUR 8.5 million with a charge to Retained Earnings of EUR 7.4 million. The remaining Minority of 3.5% is owned by the Suzhou New District Economic Development Group and amounted to EUR 0.4 million at the end of 2007.

Minority Interests

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
At 1 January	136.1	93.6	103.5
Translation difference	4.1	0.4	4.5
Minority Interests in companies acquired, less disposed	0.9	-0.2	-0.6
Buy-out of Minority Interests	-94.2	-1.1	-71.3
Charge / (gain) to Retained Earnings on buy-outs	43.2	0.1	-4.5
Partial disposal of subsidiary company	-	-	30.9
Share of profit for the year	3.7	4.1	2.4
Dividends	-1.8	-1.1	-1.8
Equity injections	1.6	7.7	8.8
At 31 December	**93.6**	**103.5**	**71.9**

Principal Minority Interests

		As at 31 December		
EUR million		**2005**	**2006**	**2007**
Intercell SA Group	Poland	75.6	78.2	14.2
Stora Enso Arapoti Industria de Papel SA	Brazil	-	-	27.3
Corenso United Oy Group	Finland	4.9	4.2	4.4
FPB Holding GmbH & Co. KG (the former Feldmühle Group)	Germany	0.8	0.6	0.6
Fortek Oy	Finland	4.0	4.6	4.2
Stora Enso Huatai Paper Co Ltd	China	-	7.7	15.5
Others	-	8.3	8.2	5.7
		93.6	**103.5**	**71.9**

Note 23 Post-Employment Benefits

The Group has established a number of pension and other benefit plans for its operations throughout the world, the cost of which amounted to EUR 194.7 (EUR 232.2) million in the year, as shown in Note 8. The majority of plans are Defined Contribution schemes, the charge for which amounted to EUR 201.7 (EUR 166.0) million, though there remain a minority of Defined Benefit schemes which generated a gain in 2007 of EUR 7.0 million, compared to an expense in 2006 of EUR 66.2 million, as result of past service costs being credited to the Income Statement following agreements in the USA to cap health care costs.

The retirement age for the management of Group companies has been agreed at between 60 and 65 years, though members of the Group Executive Team have the right to retire at 60. The retirement age for other staff either follows national retirement ages or is determined by local labour agreements. In the case of the latter, there may be certain pre-retirement liabilities accruing to the company to cover the income of the early retirees between the age at which they ceased working and the national retirement age.

Whereas the majority of Income Statement charges relate to Defined Contribution schemes, the Balance Sheet liability for this amounts to only EUR 3.1 (EUR 2.9) million as most of the cost is discharged at the same time as monthly salary payments are made.

Net unfunded Defined Benefit deficits are shown in full on the Balance Sheet and amount to EUR 321.5 million in 2007, steeply down from the previous year's liability of EUR 724.1 million. The year-on-year Balance Sheet liability dropped by EUR 402.6 million in 2007, though EUR 293.0 million of this occurred with the divestment of the Group's North American operations in December 2007 and another EUR 46.6 million was due to US past service costs being credited to the Income Statement. The positive economic outlook at the end of 2006 also led to reduced actuarial charges being expensed in the Income Statement in 2007 and this, together with the normal level of contributions paid during the year, accounted for the remainder of the reduction in Group liabilities. The entries for both defined benefit obligations in the Income Statement, EUR 7.0 million, and in equity via the Statement of Recognised Income & Expense ("SORIE"), EUR 17.3 million, were positive in 2007, as compared to 2006 when the Income Statement charge amounted to EUR 66.2 million, though the SORIE was in credit by EUR 135.1 million.

Group policy for funding deficits is intended to satisfy local statutory funding requirements for tax deductible contributions, together with adjusting to market rates the discount factors used in the actuarial calculations. However, the emphasis of the Group is to provide Defined Contribution schemes for its post-employment benefits, thus all aspects of the provision and accounting for Defined Benefit schemes are being evaluated.

Prior to 1 January 2006, the Group had applied the corridor method to recognise Defined Benefit Scheme actuarial gains and losses in the Income Statement over the expected average remaining working lives of employees in the plan, subject to any curtailments. However, as of 1 January 2006 Stora Enso adopted the Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, whereby all actuarial gains and losses were recognised on the Balance Sheet directly in equity. This change in accounting policy was recognised retrospectively in accordance with the transitional provisions of the amendment, and comparatives were restated.

The Group immediately recognises all actuarial gains and losses arising from Defined Benefit plans directly in equity, as disclosed in its Consolidated Statement of Income & Expense ("SORIE"). This treatment does not extend to past service costs, thus the Balance Sheet liability for a Defined Benefit Plan will only match the underlying surplus or deficit in the scheme itself when there are no past service costs. Such costs are identified at the time of a plan amendment and, where vested, are shown in the Income Statement, whilst unvested amounts are amortised systematically over the vesting period. Past service costs represent changes in the terms of benefits, thus where a labour agreement may result in increased benefits, to the extent that they are payable immediately, they are expensed immediately. However, if the increased benefits are not payable for a number of years, such as on future retirements, the average vesting period is calculated and the cost is then expensed over that period. The same principles apply when agreements reduce or cap the costs of future benefits. The Group only had such plan amendments in North America, but with the divestment of the North American operations in December 2007, no further amounts are included in the Balance Sheet. The Income Statement for the discontinued North American operations did however benefit by EUR 46.6 million on account of past service costs in 2007 following union agreements to cap health care costs.

On the Group Balance Sheet, the full liability for all plan deficits is recorded, as adjusted in previous years for any past service costs still to be amortised. The Group Balance Sheet thus fully reflects the actual surplus or deficits in its Defined Benefit Plans, thereby aligning the net liability on Balance Sheet with the actual reality in the Plans.

The financial effect of the divestment of the North American operations on defined benefit costs can be seen from the tables below, where the impacts are split between Continuing Operations and Discontinuing Operations for:

- The pension actuarial movements recognised directly in equity – SORIE.
- The Income Statement.

Actuarial Gains & Losses Recognised Directly in Equity (SORIE)

	Year Ended 31 December								
	Total Operations			Continuing Operations			Discontinued Operations		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Actuarial gains / (losses)	-60.2	135.1	17.3	8.1	67.5	13.6	-68.3	67.6	3.7
Deferred Tax thereon	27.0	-46.6	-6.3	8.3	-20.5	-4.9	18.7	-26.1	-1.4
Total Included in Personnel Expenses	**-33.2**	**88.5**	**11.0**	**16.4**	**47.0**	**8.7**	**-49.6**	**41.5**	**2.3**

Defined Benefit Costs For Continuing and Discontinued Operations

	Year Ended 31 December								
	Total Operations			Continuing Operations			Discontinued Operations		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Current service cost	45.3	45.6	29.2	22.3	22.4	14.0	23.0	23.2	15.2
Interest cost	104.6	104.8	108.9	40.3	38.2	51.4	64.3	66.6	57.5
Expected return on plan assets	-74.3	-88.1	-97.3	-13.6	-26.0	-37.4	-60.7	-62.1	-59.9
Past service cost recognised in year	-3.4	4.3	-45.2	0.9	0.1	1.4	-4.3	4.2	-46.6
Settlements	-28.7	-0.4	-2.6	-28.7	-0.4	-2.6	-	-	-
Total Included in Personnel Expenses	**43.5**	**66.2**	**-7.0**	**21.2**	**34.3**	**26.8**	**22.3**	**31.9**	**-33.8**

Details of the pension arrangements, assets and investment policies in the Group's main operating countries are shown below.

Defined Benefit Plan Summary by Country

	As at 31 December 2007						
EUR million	**Canada**	**Finland**	**Germany**	**Sweden**	**USA**	**Other**	**Total**
Defined Benefit Obligations ("DBO")	-	378.9	269.1	249.3	-	192.0	1 089.3
Fair value of plan assets	-	364.3	4.3	238.0	-	161.2	767.8
Net Liability in Defined Benefit Plans	**-**	**14.6**	**264.8**	**11.3**	**-**	**30.8**	**321.5**

	As at 31 December 2006						
	Canada	**Finland**	**Germany**	**Sweden**	**USA**	**Other**	**Total**
Defined Benefit Obligations ("DBO")	242.2	371.7	281.7	260.9	946.5	289.7	2 392.7
Fair value of plan assets	199.2	344.6	3.5	241.9	635.2	244.2	1 668.6
Net Liability in Defined Benefit Plans	**43.0**	**27.1**	**278.2**	**19.0**	**311.3**	**45.5**	**724.1**

Canada
The Group's Canadian pension schemes were demerged in December 2007 when Stora Enso North America, Inc was divested. The Balance Sheet liability at that time amounted to EUR 31.6 million, as compared to a liability at 31 December 2006 of EUR 43.0 million.

Finland
The Group mainly funds its Finnish pension obligations through Defined Contribution schemes, the charge in the Income Statement being EUR 94.5 (EUR 78.5) million. By contrast, the remaining obligations covered by Defined Benefit schemes resulted in a charge of EUR 4.1 (EUR 5.2) million. Pension cover since 2001 has been entirely arranged through local insurance companies. The total defined benefit obligation amounts to EUR 378.9 (EUR 371.7) million and the assets to EUR 364.3 (EUR 344.6) million, leaving a net liability of EUR 14.6 (EUR 27.1) million. As state pensions in Finland provide by far the greatest proportion of pensions, Group liabilities are proportionately much smaller than in comparable countries.

Plan assets in Finland are managed by insurance companies, but details of the exact structure and investment strategy surrounding plan assets is not available to participating employers as the assets actually belong to the insurance companies themselves. The assets are managed in accordance with local statutory requirements under which they are obliged to pay guaranteed sums irrespective of market conditions.

Germany
German pension costs amounted to EUR 42.1 (EUR 37.4) million, of which EUR 26.9 (EUR 22.1) million related to Defined Contribution schemes and EUR 15.2 (EUR 15.3) million to Defined Benefits. The total defined benefit obligation is EUR 269.1 (EUR 281.7) million, nearly all of which is unfunded as total assets come to only EUR 4.3 (EUR 3.5) million. Defined Benefit pension plans are mainly accounted

for on Balance Sheet through book reserves, with some minor plans using insurance companies or independent trustees. Retirement benefits are based on years worked and salaries received during the pensionable service, the commencement of pension payments being coordinated with the national pension scheme retirement age. Pensions are paid directly by the companies themselves to their former employees, this amounting to cash costs of EUR 20.3 (EUR 20.6) million; the security for the pensioners is given by the legal requirement that the book reserves held on Balance Sheet are insured up to certain limits.

Sweden

In Sweden most blue-collar workers are covered by Defined Contribution schemes, the charge in the Income Statement being EUR 50.5 (EUR 42.4) million, with Defined Benefit schemes covering mainly white collar staff and costing EUR 4.1 (EUR 4.5) million. Contributions paid during the year, however, amounted to EUR 17.2 (EUR 14.3) million.

Cover for Defined Benefit schemes was arranged through both insurance companies and book reserves in accordance with the Swedish "PRI/FPG System" until the set up of a new pension foundation in July 2005, whereupon EUR 212.0 million was paid over to enable the Foundation to undertake its own investments and book reserves were no longer maintained. Whereas previously the Swedish pension liabilities had been unfunded and carried on the Balance Sheets of the individual Swedish units, with the new foundation, the great majority of the liability was removed from the Group Balance Sheet as pension obligations became funded, EUR 232.4 (EUR 243.7) million of the total obligations now being funded, leaving unfunded schemes of EUR 16.9 (EUR 17.2) million and an overall net liability of EUR 11.3 (EUR 19.0) million. In common with Finland, the greater part of Swedish pension provision comes from state pensions, especially for those with Defined Contribution schemes. Stora Enso has undertaken to pay over all local legal pension liabilities for the main ITP scheme to the foundation, thus the remaining liability in 2007 mainly relates to other small schemes, though in the past the Balance Sheet liability was largely accounted for by the difference in the actuarial basis between Swedish local rules and IFRS.

The long-term investment return target for the Foundation is a 3% real return after tax, with investment policy defining long-term strategic allocation targets as to: property, up to 10%, Equity, up to 30%, and the balance in debt.

United States

The Group's US pension schemes were demerged in December 2007 when Stora Enso North America, Inc was divested, the Balance Sheet liability at that time amounting to EUR 261.4 million, as compared to a liability at 31 December 2006 of EUR 311.3 million. US pension and health care liabilities had been highly material in the context of Stora Enso, the defined benefit obligation in 2006 having been EUR 946.5 million with assets of EUR 635.2 million.

Other Countries

Total defined benefit obligations in the remaining countries amounted to EUR 192.0 (EUR 289.7) million and, with assets amounting to EUR 161.2 (EUR 244.2) million, the net liability came to EUR 30.8 (EUR 45.5) million. Only in the UK were there material obligations, being EUR 105.8 (EUR 120.3) million, but with a net unfunded deficit of only EUR 5.8 (EUR 17.2) million. A substantial obligation of EUR 118.5 million had previously existed in the Netherlands in respect of Berghuizer Mill, though on the closure of the mill in 2007, most of these obligations have now been absorbed into the main part of this industry scheme; the small surplus attributable to the mill, under Dutch law, reverted to the main fund on the closure.

Financial performance

Pension and Post-Employment Benefit Provisions

EUR million	As at 31 December 2005	2006	2007
Defined benefit pension plan liabilities	513.2	401.2	316.8
Other post-employment benefit liabilities	375.1	361.9	10.5
	888.3	763.1	327.3
Defined benefit plan assets (Note 18)	-	15.7	5.8
Total	**888.3**	**747.4**	**321.5**

Balance Sheet Receivables & Payables

	As at 31 December								
	Net Defined Benefit Plan Liability			Defined Benefit Plan Assets			Defined Benefit Plan Liabilities		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Present value of funded obligations	1 834.7	1 729.7	792.8	-	356.8	233.6	1 834.7	1 372.9	559.2
Present value of unfunded obligations	738.8	663.0	296.5	-	-	-	738.8	663.0	296.5
Defined Benefit Obligations ("DBO")	2 573.5	2 392.7	1 089.3	-	356.8	233.6	2 573.5	2 035.9	855.7
Fair value of plan assets	1 710.2	1 668.6	767.8	-	369.9	239.4	1 710.2	1 298.7	528.4
Net Funding in Defined Benefit Plans	**863.3**	**724.1**	**321.5**	-	**-13.1**	**-5.8**	**863.3**	**737.2**	**327.3**
Unrecognised prior service cost	25.0	23.3	-	-	-2.6	-	25.0	25.9	-
(Asset)/Liability in the Balance Sheet	**888.3**	**747.4**	**321.5**	-	**-15.7**	**-5.8**	**888.3**	**763.1**	**327.3**

Amounts Recognised on the Balance Sheet – Plans

	As at 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Present value of funded obligations	1 834.7	1 729.7	792.8	1 805.6	1 729.7	792.5	29.1	-	0.3
Present value of unfunded obligations	738.8	663.0	296.5	398.2	314.4	286.1	340.6	348.6	10.4
Defined Benefit Obligations ("DBO")	2 573.5	2 392.7	1 089.3	2 203.8	2 044.1	1 078.6	369.7	348.6	10.7
Fair value of plan assets	1 710.2	1 668.6	767.8	1 681.1	1 651.2	767.5	29.1	17.4	0.3
Net Liability in Defined Benefit Plans	**863.3**	**724.1**	**321.5**	**522.7**	**392.9**	**311.1**	**340.6**	**331.2**	**10.4**
Unrecognised prior service cost	25.0	23.3	-	-9.5	-7.4	-	34.5	30.7	-
Net Liability in the Balance Sheet	**888.3**	**747.4**	**321.5**	**513.2**	**385.5**	**311.1**	**375.1**	**361.9**	**10.4**

Amounts Recognised in the Income Statement

	Year Ended 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Current service cost	45.3	45.6	29.2	37.1	35.9	26.9	8.2	9.7	2.3
Interest cost	104.6	104.8	108.9	85.8	84.9	96.5	18.8	19.9	12.4
Expected return on plan assets	-74.3	-88.1	-97.3	-72.8	-87.1	-96.7	-1.5	-1.0	-0.6
Past service cost recognised in year	-3.4	4.3	-45.2	0.9	12.0	-0.1	-4.3	-7.7	-45.1
Settlements	-28.7	-0.4	-2.6	-28.7	-0.5	-2.6	-	0.1	-
Total Included in Personnel Expenses	**43.5**	**66.2**	**-7.0**	**22.3**	**45.2**	**24.0**	**21.2**	**21.0**	**-31.0**

Benefit Plan Reconciliation

	As at 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Net liability at 1 January	1 076.8	888.3	747.4	764.6	513.2	385.5	312.2	375.1	361.9
Translation difference	-17.0	4.7	-32.2	-37.2	21.9	-1.5	20.2	-17.2	-30.7
Acquisition & Disposals	7.7	-6.7	-293.0	7.7	-6.7	-24.7	-	-	-268.3
Net expense in Income Statement	43.5	66.2	-7.0	22.3	45.2	24.0	21.2	21.0	-31.0
Actuarial (gains) & losses recognised in equity	60.2	-135.1	-17.3	25.2	-130.5	-6.7	35.0	-4.6	-10.6
Contributions paid	-283.2	-68.1	-75.4	-270.2	-55.7	-64.5	-13.0	-12.4	-10.9
Settlements	0.3	-1.9	-1.0	0.8	-1.9	-1.0	-0.5	-	-
Net Liability in the Balance Sheet	**888.3**	**747.4**	**321.5**	**513.2**	**385.5**	**311.1**	**375.1**	**361.9**	**10.4**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December									
	Canada		Finland		Germany		Sweden		USA	
EUR million	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
Discount rate %	5.3	5.7	4.5	5.0	4.5	5.2	4.3	5.0	5.8	6.0
Expected return on plan assets %	7.0	7.0	4.5	4.4	4.3	4.5	5.0	6.0	8.0	8.1
Future salary increase %	2.2	2.1	4.0	4.0	2.2	2.2	3.0	3.0	4.5	4.5
Future pension increase %	0.0	0.0	2.1	2.1	1.3	1.7	2.0	2.0	0.0	0.0
Average current retirement age	59.9	59.8	64.0	64.0	65.0	65.0	65.0	63.7	60.0	59.8
Weighted average life expectancy	83.3	83.6	88.0	87.0	84.2	85.3	84.4	86.7	83.1	83.1

Return on Plan Assets by Country

EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
	Year Ended 31 December 2007						
Actual return on plan assets	-2.3	2.7	0.1	4.2	35.5	8.6	48.8
Estimated return used in actuarial calculations	14.4	14.5	0.1	11.9	45.5	10.9	97.3
Actuarial Loss for the Year Recognised in Equity	**-16.7**	**-11.8**	**-**	**-7.7**	**-10.0**	**-2.3**	**-48.5**

EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
	Year Ended 31 December 2006						
Actual return on plan assets	22.0	10.5	0.2	19.0	79.9	14.1	145.7
Estimated return used in actuarial calculations	13.6	1.4	0.1	11.0	48.5	13.5	88.1
Actuarial Gain for the Year Recognised in Equity	**8.4**	**9.1**	**0.1**	**8.0**	**31.4**	**0.6**	**57.6**

Defined Benefit Plan Summary by Country

EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
	As at 31 December 2007						
Present value of funded obligations	-	378.9	8.5	232.4	-	173.0	792.8
Present value of unfunded obligations	-	-	260.6	16.9	-	19.0	296.5
Defined Benefit Obligations ("DBO")	-	378.9	269.1	249.3	-	192.0	1 089.3
Fair value of plan assets	-	364.3	4.3	238.0	-	161.2	767.8
Net Liability/(Asset) in the Balance Sheet	**-**	**14.6**	**264.8**	**11.3**	**-**	**30.8**	**321.5**
Represented by							
Defined Benefit Pension Plans	-	14.6	264.8	11.3	-	20.4	311.1
Other Post-Employment Benefits	-	-	-	-	-	10.4	10.4
Net Liability/(Asset) in the Balance Sheet	**-**	**14.6**	**264.8**	**11.3**	**-**	**30.8**	**321.5**

Defined Benefit Plan Summary by Country

EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
	As at 31 December 2006						
Present value of funded obligations	216.4	371.7	7.7	243.7	622.7	267.5	1 729.7
Present value of unfunded obligations	25.8	-	274.0	17.2	323.8	22.2	663.0
Defined Benefit Obligations ("DBO")	242.2	371.7	281.7	260.9	946.5	289.7	2 392.7
Fair value of plan assets	199.2	344.6	3.5	241.9	635.2	244.2	1 668.6
Net Liability in Defined Benefit Plans	**43.0**	**27.1**	**278.2**	**19.0**	**311.3**	**45.5**	**724.1**
Unrecognised prior service cost	-7.4	-	-	-	30.7	-	23.3
Net Liability / (Asset) in the Balance Sheet	**35.6**	**27.1**	**278.2**	**19.0**	**342.0**	**45.5**	**747.4**
Represented by							
Defined Benefit Pension Plans	14.2	27.1	278.2	19.0	13.3	33.7	385.5
Other Post-Employment Benefits	21.4	-	-	-	328.7	11.8	361.9
Net Liability / (Asset) in the Balance Sheet	**35.6**	**27.1**	**278.2**	**19.0**	**342.0**	**45.5**	**747.4**

The two main financial factors affecting Group pension liabilities are changes in interest rates and inflation expectations, thus the aim of asset investment allocations is to neutralise these effects and to maximise returns. The expected return on plan assets was determined by considering the long-term expected returns available on the assets underlying current investment policies in Group pension foundations and trusts. The assumptions reflect a combination of historical performance analysis and the forward looking views of financial markets as revealed through the yield on long-term bonds and price earnings ratios of the major stock indices.

Plan Assets

	As at 31 December					
	2005		2006		2007	
EUR million	**Value**	**%**	**Value**	**%**	**Value**	**%**
Equity	800.5	46.8	758.2	45.4	318.3	41.5
Debt	524.6	30.7	594.3	35.6	243.1	31.7
Associate Companies debt	113.2	6.6	106.0	6.4	94.4	12.2
Cash	138.9	8.1	55.7	3.3	48.1	6.3
Others	133.0	7.8	154.4	9.3	63.9	8.3
Total Pension Fund Assets	**1 710.2**	**100.0**	**1 668.6**	**100.0**	**767.8**	**100.0**

Pension Plan assets do not include any real estate or other assets occupied by the Group or the Company's own financial instruments.

The breakdown of Finnish pension assets, EUR 364.3 (344.6) million, is not disclosed separately as actual asset allocations can only be estimated based on known target values published by the insurance companies concerned.

Plan Assets by Country

	Canada		Sweden		USA		Other		Total	
	2006	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
Equity	114.4	-	67.0	71.4	337.8	-	239.0	246.9	758.2	318.3
Debt	75.2	-	22.2	15.4	215.2	-	281.7	227.7	594.3	243.1
Associate Companies debt	-	-	106.0	94.4	-	-	-	-	106.0	94.4
Cash	8.0	-	35.8	36.9	0.5	-	11.4	11.2	55.7	48.1
Others	1.6	-	10.9	19.9	81.7	-	60.2	44.0	154.4	63.9
Total Pension Fund Assets	**199.2**	**-**	**241.9**	**238.0**	**635.2**	**-**	**592.3**	**529.8**	**1 668.6**	**767.8**

In 2008 contributions of EUR 60.0 million are expected to be paid, representing normal payments for the Continuing Operations of the Group. In 2007 contributions of EUR 75.4 (EUR 68.1) million were paid, of which EUR 58.5 (EUR 52.5) million related to Continuing Operations.

Note 24 Debt

In May 2007 Stora Enso signed a new EUR 1.4 billion syndicated credit facility agreement with a group of 15 banks. The facility, which has a maturity of five years at a margin of 0.225% p.a. over Euribor, is for general corporate purposes and replaced the previous EUR 1.75 billion syndicated facility.

In March 2006 Stora Enso launched an exchange offer for its 7.375% USD Notes due in 2011 with an issue of new Notes. The result of the exchange offer was that USD 281.2 (EUR 191.0) million of principal in the old notes, some 37.5%, were validly tendered and at settlement the new 6.404% Notes 2016 were delivered to participating note holders. In April Stora Enso then offered to sell for cash additional Notes 2016 that were fully fungible with the new 2016 Notes, the take-up being a further USD 207.9 (EUR 141.2) million additional 10-year Notes due on 15 April 2016. The Group also sold 30-year Notes in a separate tranche, this issue being increased from USD 250 million to USD 300 million due to strong demand; the maturity of these 7.25% Notes is 15 April 2036. The new Notes sold for cash raised in aggregate USD 507.9 (EUR 345.0) million in principal.

In June 2006 Stora Enso signed a new loan agreement with International Finance Corporation (IFC) increasing its loan facility to USD 300 (EUR 203.8) million, to be used to finance current operations and future investments in China. The increased facility includes a USD 100 million IFC loan and a USD 200 million syndicated B loan. Stora Enso's first agreement with IFC was for a USD 75 (EUR 50.9) million loan signed in June 2005.

In January 2005 Stora Enso Oyj signed a five-year EUR 1.75 billion multi-currency revolving credit facility at 0.275% over Euribor, which replaced a previous EUR 2.5 billion facility signed in 2003. In May the Company issued a three-year SEK 2 billion benchmark bond and in June a five-year EUR 0.5 billion benchmark bond paying fixed interest of 3.25%, both bonds being issued to enhance the Group debt structure and take advantage of favourable market conditions.

Borrowings have various maturities, the latest being in 2036, and have either fixed or floating interest rates ranging from 1.0% (1.0%) to 10.0% (10.0%). The majority of Group loans are denominated in Euros, Swedish kronas and US dollars. At 31 December 2007 the Group's unused committed credit facilities totalled EUR 1.4 (EUR 1. 75) billion, nothing of which was short-term.

In December 2007, immediately before Stora Enso North America was sold, it bought back its bonds, with a nominal value of USD 254.0 (EUR 172.5) million, resulting in a loss presented in Discontinued Operations, of USD 47.4 (EUR 34.5) million. In 2006 no bonds were bought back, whilst in 2005 Stora Enso bought back bonds with a nominal value of SEK 410 (EUR 43.7) million, resulting in a loss in financial items of SEK 35.7 (EUR 3.8) million.

The breakdown of net interest-bearing liabilities, including internal items, and operating capital by principal country/area is detailed on the next page:

Country/Area Breakdown

	As at 31 December					
	Net interest-bearing Liabilities			Operating Capital		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Euro area	3 263.3	3 051.7	2 282.8	7 718.3	7 196.6	7 017.3
Sweden	369.7	-0.3	482.2	2 779.3	2 830.9	2 817.3
USA	1 333.1	1 058.9	-94.0	2 154.7	1 822.3	322.5
Canada	-61.3	-8.6	-	283.5	226.0	-
China	101.9	102.5	166.2	200.6	215.2	235.9
Other	77.4	38.8	117.5	335.7	728.5	728.4
Total	**5 084.1**	**4 243.0**	**2 954.7**	**13 472.1**	**13 019.5**	**11 121.4**

Long-term Debt

	As at 31 December					
	Repayable within 12 Months			Repayable after 12 Months		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Bond loans	279.7	502.4	263.7	3 334.5	3 211.4	2 618.9
Loans from credit institutions	92.6	116.4	235.8	884.9	705.4	681.1
Financial lease liabilities	8.6	11.0	13.6	176.1	161.5	34.2
Other long-term liabilities	0.2	0.2	-	5.2	8.4	28.0
Fair value of derivatives hedging debt	3.9	0.2	-	-46.8	-5.7	-7.4
Total Long-term Debt	**385.0**	**630.2**	**513.1**	**4 353.9**	**4 081.0**	**3 354.8**

Repayment Schedule of Long-term Debt

	As at 31 December						
EUR million	**2008**	**2009**	**2010**	**2011**	**2012**	**2013+**	**Total**
Bond loans	263.7	481.3	514.8	356.8	-	1 266.0	2 882.6
Loans from credit institutions	235.8	101.3	204.9	101.8	88.1	185.0	916.9
Financial lease liabilities	13.6	14.1	4.3	2.2	1.5	12.1	47.8
Other long-term liabilities	-	24.1	0.4	0.4	0.4	2.7	28.0
Fair value of derivatives hedging debt	-	10.5	10.9	-19.8	-1.6	-7.4	-7.4
Total Long-term Debt	**513.1**	**631.3**	**735.3**	**441.4**	**88.4**	**1 458.4**	**3 867.9**
Current Liabilities: Repayable within the next 12 months							**513.1**
Non-current Liabilities: Repayable after 12 months							**3 354.8**

Due to the short-term nature of most Group financial liabilities, their carrying value is considered to approximate their fair value. However, the fair value of non-current term debt, exclusive of the current part, has a fair value of EUR 3 401.9 (EUR 4 189.8) million as against a carrying value of EUR 3 354.8 (EUR 4 081.0) million.

The table below shows Group contractual undiscounted financial liabilities, to be settled on a net cash basis, classified under principal headings based on the remaining period to contractual maturity at the Balance Sheet date. Forward rates have been used when the contractual finance charges were estimated.

Contractual Maturity Repayments of Interest-Bearing Liabilities, Settlement Net

EUR million	2008	2009	2010	2011	2012	2013+
Non-Current debt, carrying amounts	513.1	631.3	735.3	441.4	88.4	1 458.4
Less FV adjustments to carrying amounts	-	-0.8	-0.6	-20.7	0.1	-8.4
Estimated contractual finance charges	193.6	152.6	118.6	96.4	89.9	591.6
Contractual repayments on Non-Current Debt	706.7	783.1	853.3	517.1	178.4	2 041.6
Current Interest-bearing liabilities, carrying amounts	334.1	-	-	-	-	-
Contractual finance charges	4.9	-	-	-	-	-
Bank overdrafts	91.4	-	-	-	-	-
Total Contractual Repayments at 31 December 2007	**1 137.1**	**783.1**	**853.3**	**517.1**	**178.4**	**2 041.6**
Total Contractual Repayments at 31 December 2006	**1 290.4**	**757.8**	**809.1**	**764.5**	**517.6**	**2 455.0**

Currency Breakdown of Long-term Debt

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
EUR	1 824.7	1 375.2	1 434.4
USD	1 676.8	1 769.1	1 266.0
SEK	734.2	816.7	554.6
Other currencies	118.2	120.0	99.8
Total	**4 353.9**	**4 081.0**	**3 354.8**

Bonds Loans in Non-current Debt

Issue/ Maturity Dates	Description Of Bond	Interest Rate %	Currency Of Bond	Nominal Value Issued 2007	Outstanding As at 31 December 2006	Outstanding As at 31 December 2007	Carrying Value As at 31 December 2006	Carrying Value As at 31 December 2007
All Liabilities are held by the parent company				**Currency million**			**EUR million**	
Fixed Rate								
1993–2019	Series C Senior Notes 2019	8.60	USD	50.0	50.0	50.0	37.9	34.0
1997–2017	Euro Medium Term Note	4.105	JPY	10 000	10 000	10 000	63.7	60.6
1998–2008	Swedish Fixed Real Rate	4.00	SEK	105	40	40	4.4	4.3
2001–2011	Global 7.375% Notes 2011	7.375	USD	750.0	468.8	468.8	392.8	356.8
2004–2014	Euro Medium Term Note	5.125	EUR	517.6	517.6	517.6	498.7	487.4
2004–2009	Swedish Medium Term Note	3.875	SEK	4 640	4 640	4 640	506.1	481.4
2005–2010	Euro Medium Term Note	3.25	EUR	500.0	500.0	500.0	485.8	489.7
2006–2016	Global 6.404% Notes 2016	6.404	USD	507.9	507.9	507.9	377.8	352.4
2006–2036	Global 7.254% Notes 2036	7.254	USD	300.0	300.0	300.0	223.9	199.9
2006–2015	Swedish Fixed Real Rate	3.50	SEK	500	500	500	58.7	56.8
Loans matured and extinguished in 2007							661.2	-
Total Fixed Rate Bond Loans							**3 311.0**	**2 523.3**
Floating Rate								
1998–2008	Euro Medium Term Note	Libor+0.35	USD	30.0	30.0	30.0	22.8	20.4
1998–2008	Euro Medium Term Note	Libor+0.33	USD	40.0	40.0	40.0	30.4	27.2
2000–2010	Euro Medium Term Note	Euribor+0.8	EUR	25.0	25.0	25.0	25.0	25.0
2005–2008	Swedish Medium Term Note	Stibor+0.28	SEK	2 000	2 000	2 000	221.2	211.8
2006–2018	Euro Medium Term Note	Euribor+0.96	EUR	25.0	-	25.0	25.0	25.0
2006–2018	Euro Medium Term Note	Euribor+0.72	EUR	50.0	-	49.9	49.9	49.9
Loans matured and extinguished in 2007							28.5	-
Total Floating Rate Bond Loans							**402.8**	**359.3**
Total Bond Loans							**3 713.8**	**2 882.6**

Interest-bearing Liabilities

EUR million	As at 31 December 2005	2006	2007
Current loans	1 056.4	179.6	402.6
Derivative financial instruments (see Note 27)	58.4	37.7	79.6
Total Interest-bearing Liabilities	**1 114.8**	**217.3**	**482.2**

Current loan payables includes accrued interest of EUR 67.9 (EUR 80.1) million. Group short-term loans are denominated in Euros, 76% (39%), Chinese renminbi, 15% (51%), and Swedish kronas, 9% (1%), with maturities ranging from payable on demand up to 12 months.

As of 31 December the Group had committed loan facilities EUR 1.4 (EUR 1.75) billion expiring in 2012 (2010).

Finance Lease Liabilities

At 31 December 2007 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 36.0 (EUR 119.3) million were included in machinery and equipment; the depreciation and impairment thereon was EUR 31.4 (EUR 13.3) million. The aggregate leasing payments for the year amounted to EUR 21.3 (EUR 23.3) million, the interest element being EUR 9.8 (EUR 13.6) million. No material new leasing commitments have been contracted in recent years, though some small Russian leases were taken out in the period 2005 to 2007. There was however a substantial reduction in finance lease liabilities in 2007 as a result of the divestment of the North American operations.

Financial performance

Finance Lease Liabilities

EUR million	As at 31 December 2005	2006	2007
Minimum lease payments			
Less than 1 year	21.9	23.6	17.0
1–2 years	21.8	23.3	16.1
2–3 years	21.7	21.4	5.0
3–4 years	21.1	10.8	3.0
4–5 years	10.5	9.3	2.2
Over 5 years	188.3	167.2	15.8
	285.3	255.6	59.1
Future finance charges	-100.6	-83.1	-11.3
Present Value of Finance Lease Liabilities	**184.7**	**172.5**	**47.8**
Present Value of Finance Lease Liabilities			
Less than 1 year	8.6	11.0	13.6
1–2 years	9.3	12.5	14.1
2–3 years	10.2	11.6	4.3
3–4 years	10.1	1.5	2.2
4–5 years	0.4	-0.2	1.5
Over 5 years	146.1	136.1	12.1
	184.7	**172.5**	**47.8**

Note 25 Other Provisions

Other Provisions

EUR million	Environmental	Reorganisation	Other Obligatory	Total Provisions
Carrying value at 1 January 2006	**44.1**	**149.8**	**43.4**	**237.3**
Translation difference	1.1	-0.4	0.1	0.8
Emission Rights	-	-	56.6	56.6
Companies acquired	-	-1.8	-	-1.8
Charge in Income Statement: Continuing Operations				
New provisions	-	206.5	0.7	207.2
Increase in existing provisions	0.3	13.6	1.5	15.4
Reversal of existing provisions	-	-18.9	-1.8	-20.7
Charge in Income Statement: Discontinued Operations	1.5	-1.0	-	0.5
Payments	-5.4	-62.6	-2.3	-70.3
Carrying Value at 31 December 2006	**41.6**	**285.2**	**98.2**	**425.0**
Translation difference	-1.6	-2.4	-	-4.0
Emission rights	-	-	-93.0	-93.0
Companies disposed	-	-2.1	-	-2.1
Charge in Income Statement: Continuing Operations				
New provisions	12.1	142.9	0.3	155.3
Increase in existing provisions	20.9	1.5	1.1	23.5
Reversal of existing provisions	-1.0	-16.4	-1.1	-18.5
Charge in Income Statement: Discontinued Operations	1.7	4.3	-	6.0
Payments	-6.3	-150.8	-1.9	-159.0
Carrying Value at 31 December 2007	**67.4**	**262.2**	**3.6**	**333.2**
Allocation between Current and Non-current Liabilities				
Current Liabilities : Payable within 12 months	3.1	193.2	1.0	197.3
Non-current Liabilities : Payable after 12 months	64.3	69.0	2.6	135.9
Total at 31 December 2007	**67.4**	**262.2**	**3.6**	**333.2**
Current Liabilities : Payable within 12 months	3.7	111.0	2.0	116.7
Non-current Liabilities : Payable after 12 months	37.9	174.2	96.2	308.3
Total at 31 December 2006	**41.6**	**285.2**	**98.2**	**425.0**

Environmental Remediation

Provision for environmental remediation amounted to EUR 67.4 (EUR 41.6) million at 31 December 2007 and largely related to the removal of mercury and other contaminants from sites in Sweden and Finland; details of the principal provisions are:

- Following an agreement between Stora Enso and the City of Falun, the Group is obliged to clean-up pollution to the area caused by the Kopparberg mine; the provision amounted to EUR 10.0 (EUR 10.4) million.
- A provision of EUR 4.6 (EUR 5.3) million remains for removing mercury from the harbour basin at Skutskär.
- The site of Skoghall Mill contains ground pollutants that must be eliminated, the provision for which has been increased during the year by EUR 11.2 million and now amounts to EUR 18.4 (EUR 8.5) million.
- There are a further six cases in Finland where the total provision now amounts to EUR 25.6 (EUR 9.1) million; the largest relates to pollution in the vicinity of Pateniemi Sawmill, being EUR 14.4 (EUR 5.0) million. A charge of EUR 7.3 million was also made during the year on account of the initial estimates of remediation at sites to be closed.

Other Obligatory Provisions

The principal provision used to relate to Emission Rights, representing the rights granted to the Group which need to be surrendered to the authorities on 1 April the year after to cover actual emissions made in the year. In 2006 the year-end provision was EUR 93.0 million, but by the end of 2007 the price of the rights had collapsed to a mere 2 cents a tonne, thus the valuation of the year end liability on a FIFO basis comes to only EUR 5.2 million and is now recorded in current operative liabilities. Other provisions amounted to EUR 3.6 (EUR 5.2) million.

Reorganisation Provisions

In October 2007 the Group announced the result of its strategic review whereby it intended to cut annual capacity by some 505 000 tonnes of paper and 550 000 tonnes of pulp, reduce staffing by some 1 700 and bring fibre supply and demand into balance in Finland. This entails the planned permanent closure of the Summa Paper Mill, one magazine paper machine at Anjala Mill and the Kemijärvi Pulp Mill. In addition, the Norrsundet Pulp Mill in Sweden is also planned to be closed and smaller restructurings carried out elsewhere. This package of measures resulted in a Reorganisation Provision of EUR 130.6 million being charged in the last quarter of the year, along with a write down of EUR 202.2 million for the fixed assets at the mills concerned.

Substantial restructuring packages had also been put together in previous years. In April 2005 the Group announced a profit improvement programme (“Profit 2007”) to increase annual profits before tax by EUR 300 million, mainly in Europe, to be achieved from mid-2007 onwards. This was followed by the Asset Performance Review ("APR") programme in October 2005 intended to reduce capacity by about 400 000 tonnes in the short term and strengthen the Group's financial performance. The total restructuring provision relating to these initiatives in 2005, the originating year for the plans, was EUR 134.9 million and, with other minor restructuring provisions totalling EUR 7.0 million, this gave a 2005 total cost of EUR 141.9 million. In 2006 the total costs were EUR 200.2 million, principally relating to the APR. Plant closures resulted in provisions being charged of EUR 183.0 million with a further EUR 14.2 million on account of business divestments in the form of asset sales; the remaining net costs of EUR 3.0 million related to Profit 2007.

The Balance Sheet liability at the end of 2007 for Reorganisation Provisions amounted to EUR 262.2 million, of which EUR 41.4 million related to the 2005 scheme, Profit 2007, EUR 58.0 million to the 2006 Asset Performance Review and EUR 162.8 million to the steps taken in 2007. The provisions cover the costs of closing down operations, demolition, clearance and site restoration and redundancy costs in reducing staff numbers by 2 526 overall.

Details of all company disposals are given in Note 5 Acquisitions & Disposals, details of fixed asset impairments relating to reorganisations are shown in Note 13, Depreciation and Fixed Asset Impairment Charges, and details of Reorganisation Provisions are shown below.

Reorganisation Provisions by Segment

	Year Ended 31 December			As at 31 December		
	Income Statement			Balance Sheet		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Newsprint and Book Paper	3.8	-1.3	17.8	3.7	1.1	18.8
Magazine Paper	65.5	111.7	85.6	66.7	164.3	147.6
Fine Paper	28.2	72.2	-9.6	28.5	87.8	53.6
Merchants	3.9	5.6	1.5	5.1	5.3	2.1
Consumer Board	14.2	-1.5	3.8	14.0	7.7	6.8
Industrial Packaging	2.3	-0.9	-0.1	3.1	1.4	1.3
Wood Products	6.0	0.1	-0.3	4.0	2.3	0.7
Other	14.5	15.4	29.2	12.6	9.3	31.3
Total: Continuing Operations	**138.4**	**201.3**	**127.9**	**137.7**	**279.2**	**262.2**
North America: Discontinued Operations	3.5	-1.1	4.3	12.1	6.0	-
Total Operations	**141.9**	**200.2**	**132.2**	**149.8**	**285.2**	**262.2**

Reorganisation Provisions By Country

	Year Ended 31 December			As at 31 December		
	Income Statement			Balance Sheet		
EUR million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Finland	20.0	-8.9	73.1	20.8	8.4	79.9
France	49.6	13.4	6.5	51.9	54.4	33.9
Germany	24.2	116.9	6.5	20.9	114.0	40.0
Netherlands	12.6	77.0	-8.5	13.1	83.7	52.5
Sweden	21.7	2.1	49.5	20.6	15.5	53.3
Others	10.3	0.8	0.8	10.4	3.2	2.6
Total: Continuing Operations	**138.4**	**201.3**	**127.9**	**137.7**	**279.2**	**262.2**
North America : Discontinued Operations	3.5	-1.1	4.3	12.1	6.0	-
Total Operations	**141.9**	**200.2**	**132.2**	**149.8**	**285.2**	**262.2**

In 2007 a comprehensive review of Group operations was initiated by the new management such that all mills were scrutinised with reference to their financial performance and strategic fit within the Group. Key drivers were the soaring costs of both fibre and energy, adverse currency movements and rising interest rates, as well as the remoteness of mills from the main markets. In some cases, sufficient measures were taken to improve financial performance, including personnel reductions and revised local labour agreements, as well as concentrating on higher value-added products and mill specialisation. In other cases, major steps to restructure the Group resulted in substantial reorganisation provisions. Group turnover is not expected to be materially impacted as the pulp mills affected primarily supplied internally and customers of the paper mills can be serviced from other Group mills. All Reorganisation Provisions made in 2007 in Finland and Sweden are carried in full on the year-end Balance Sheet as the restructuring is scheduled for 2008 and co-determination negotiations with the staff need to be concluded first before anything can be implemented. Details of the mills affected in 2007 are described on the following page.

Kemijärvi Pulp Mill
Kemijärvi Pulp Mill in northern Finland is planned to be permanently closed down by the end April 2008 with 214 job losses. This is necessary to safeguard the supply of domestic pulpwood to Veitsiluoto and Oulu mills and reduce excessively expensive wood imports to Finland. The closure will reduce the annual consumption of wood by 1.4 million cubic metres and electricity by 140 GWh, with long-fibre pulp capacity being reduced by 250 000 tonnes. The fixed assets have been impaired by EUR 67.1 million and a provision of EUR 16.0 million expensed.

Summa Paper Mill
Summa Mill in Kymenlaakso, southern Finland, was closed down in January 2008, with 450 job losses, as a result of persistent losses in recent years and poor long-term financial prospects, the principal problem being that the mill had become uncompetitive due to its use of expensive virgin wood fibre, mostly imported. Closure of Summa Mill will reduce annual capacity by 270 000 tonnes of standard and improved newsprint and 80 000 tonnes of uncoated magazine paper. Wood consumption will be reduced by 1 million cubic metres, releasing the pulpwood from domestic sources for use at other Group mills. Electricity consumption will be reduced by 1 000 GWh per year. The mill was split between the Magazine Paper and Newsprint and Book Paper business areas, with provisions of EUR 5.4 million and EUR 15.7 million and fixed asset impairments of EUR 22.2 million and EUR 75.0 million being expensed respectively.

Anjala Mill
Paper Machine (PM) 1 at Anjala Mill, with an annual capacity 120 000 tonnes of book paper, will be permanently shut down in November 2008 with 170 job losses. A provision of EUR 13.8 million has been made and fixed asset impairments totalled EUR 20.7 million.

Finland Other
There will also be 122 job losses in Group service companies in the Kymenlaakso area, which encompasses Kotka, Summa and Anjala mills, and there will be a further 29 redundancies at the Helsinki Headquarters. Provisions of EUR 19.0 million have been provided for administrative and service restructuring, mainly for redundancy costs.

Norrsundet Pulp Mill
It is planned that Norrsundet Pulp Mill in Sweden will be permanently closed in late 2008 in order to conserve the scarce wood supply for other mills in the area. A provision of EUR 37.8 million has been expensed and the fixed assets impaired by EUR 48.0 million. 192 staff worked at the mill at the end of 2007.

Sweden Other
Head office functions, research & development and service companies in Sweden have expensed provisions of EUR 8.7 million, mainly to cover redundancy costs. In addition, Skoghall Mill has a provision of EUR 3.5 million to cover a limited number of redundancies.

Corbehem Mill
In 2005 Corbehem Mill made a reorganisation provision of EUR 47.3 million relating to the proposed closure of its PM 3 and PM 4 machines and then expensed an additional EUR 9.9 million in 2006. The number of employees has dropped from 856 before the restructuring to 387 at the end of 2007, though further redundancies of some 43 employees are now envisaged. As a result of the restructuring now being undertaken, mainly in the service department and following the closure of the old coal-fired power plant, further costs of EUR 5.6 million have been expensed in 2007.

Reisholz Mill
Reisholz Mill, which employed 378 staff and produced supercalendered (SC) papers in Magazine Paper, closed in the last quarter of 2007. It had an annual production capacity of 215 000 tonnes with external sales of EUR 94.1 (EUR 113.1) million, though it is assumed that the closure should not materially affect Group turnover as it is intended that most customers be supplied from other Group mills. Stora Enso had recorded total provisions and write-downs in 2006 of EUR 157.0 million, of which EUR 103.0 million consisted of the Reorganisation Provision to cover estimated redundancy, site restoration and other costs. No adjustment to the provision was required in 2007 and the remaining Balance Sheet liability at the end of 2007 was EUR 32.5 million.

Berghuizer Mill
Berghuizer Mill, formerly part of Stora Enso's Fine Paper business area, closed in late 2007 due to its lack of profitability, and most of the 297 staff were made redundant. The annual production capacity of the mill, which produced wood free uncoated fine paper such as copy and printing paper, was 235 000 tonnes with an external turnover of EUR 104.0 million and EUR 178.1 million respectively for 2007 and 2006. Group turnover is not expected to be materially effected by the closure as the intention is to continue to supply most of the customers from other Group mills, principally Fine Paper's Nymölla Mill in southern Sweden. In 2006 Stora Enso recorded total Group provisions and write-downs of EUR 116.0 million, of which EUR 80.0 million had been set aside as a Reorganisation Provision. However, in 2007 it became apparent that the site restoration costs would be materially less than anticipated and thus EUR 8.8 million of the provision was reversed, leaving EUR 52.2 million as a remaining liability at the end of the year.

In 2006 the Asset Performance Review, initiated the previous year, continued with major steps to restructure the Group resulting in substantial disposals and reorganisation provisions:
- Divestment of Linghed Sawmill in Sweden in March, being an asset sale by Wood Products.
- Divestment of Grycksbo Mill in Sweden in March, being a company disposal by Fine Paper.
- Closure of Speciality Papers PM 31 at Stevens Point Mill in USA in March.
- The closure of Hammarby Mill in Sweden in May by Consumer Board.

- The June sale of Stora Enso Lübeck in Germany, being a company disposal by Consumer Board.
- Magazine Paper's PM 3 and PM 4 at Corbehem Mill in France ceased production at the end of June.
- The divestment of Pankakoski Mill in Finland in July, this being another company disposal by Consumer Board.
- The sale in August of the Celbi Group of companies in Portugal, being a company disposal by Fine Paper of its eucalyptus pulp mill.
- The September disposal of Wolfsheck Mill in Germany.
- Closure of PM1 at Varkaus Mill in Finland in December 2006 by Fine Paper.
- The transfer of the former Maxau PM 6 to China.
- The announced Magazine Paper closure of Reisholz Mill.
- The announced Fine Paper closure of Berghuizer Mill.

Details of the major Group restructuring and related provisions in 2005 and 2006 are described below, the majority of 2005 items relating to Profit 2007 and the APR in 2006.

Magazine Paper

In 2006 provisions of EUR 111.7 million were expensed, of which EUR 103.0 million related to Reisholz Mill in Germany. Additional provisions of EUR 9.9 million were made at Corbehem Mill in France relating to personnel reductions of some 45 staff on top of 398 announced redundancies in 2005.

In 2005 the total restructuring provision was EUR 65.5 million, of which EUR 57.4 million related to redundancy plans for 760 employees in various mills and EUR 8.1 million to dismantling costs of paper machines to be closed and the termination of rental agreements. In the APR, a major restructuring provision was recorded at Corbehem Mill in France, where it was decided to close PM 3 and PM 4 by the end of June 2006. Other significant provisions were recorded at Reisholz Mill in Germany.

Fine Paper

In 2006 Fine Paper announced the planned closure of its Berghuizer Mill in the Netherlands and thus set aside EUR 80.0 million as a Reorganisation Provision. In the previous year, the total restructuring provision was EUR 28.2 million, of which EUR 23.7 million related to the planned redundancies of 240 employees, mainly at Berghuizer Mill, Uetersen Mill in Germany, Varkaus Mill in Finland and Celbi Pulp Mill in Portugal.

Merchants

Restructuring provisions of EUR 5.6 million in 2006 related to rationalisation and redundancy programmes, mainly in Belgium, France, Germany and Sweden, principally as a result of various acquisitions. In 2005 restructuring costs of EUR 3.9 million related to redundancy plans, mainly in the Netherlands, Hungary, Germany and France.

Consumer Board

In 2006 Consumer Board recorded a net credit of EUR 1.5 million on the reversal of provisions made the previous year as disposals and redundancies were achieved at slightly less cost than anticipated. The original 2005 restructuring provision of EUR 14.2 million related to redundancy plans, mainly at Hammarby and Skoghall mills in Sweden, and at Imatra, Kotka, Heinola and Pankakoski mills in Finland, these being achieved by June 2006.

Other Operations

In 2006, provisions totalled EUR 15.4 million, though EUR 14.2 million related to the disposal costs of the former Publication Paper's Wolfsheck Mill in Germany. Total restructuring provision in 2005 amounted to EUR 14.5 million, of which EUR 7.9 million related to redundancy plans for 90 employees, mainly in the Corporate Sales Network and in certain corporate staff functions.

Note 26 Operative Liabilities

Non-current Operative Liabilities

EUR million	As at 31 December 2005	2006	2007
Provision for unrealised profit	117.7	120.5	117.5
Accruals	30.7	13.5	12.4
Share-based payments (Note 31)	30.5	47.4	26.7
Other payables	25.8	12.3	13.6
Total	**204.7**	**193.7**	**170.2**

The provision for unrealised profit relates to that part of the gains on sale of Tornator Oy in 2002 and Bergvik Skog AB in 2004 that were deemed to relate to the proportion of shares retained in these new Associates, being EUR 44.2 and EUR 73.3 million respectively.

Current Operative Liabilities

EUR million	As at 31 December 2005	2006	2007
Advances received	3.5	6.2	7.0
Trade payables	962.4	913.9	803.4
Other payables	226.1	214.8	220.6
TRS Hedges	28.3	19.6	36.0
Accrued liabilities and deferred income	688.6	721.3	707.0
Current portion of provisions	94.7	116.7	197.3
Total	**2 003.6**	**1 992.5**	**1 971.3**

Accrued liabilities and deferred income consist mainly of personnel costs, customer discounts, and other accruals. Trade payables and payroll accruals amounting to EUR 1 057.9 (EUR 1 186.0) million are classified as financial instruments according to IAS39.

Note 27 Financial Instruments

Shareholders' Equity – Other Comprehensive Income ("OCI")

Certain derivatives are designated as cash flow hedges and measured to fair value with the fair value movements being recorded in the separate equity category of OCI: Hedging Reserve. The other component of OCI is the Available-for-Sale Reserve, representing the difference between the balance sheet fair value of investments and their initial fair value at aquisition (see Note 17). Movements in the year for these two reserves, together with the balances at the year end, are as shown below.

OCI Reserves

	Hedging Reserve				Available-for-Sale	Total OCI
EUR million	Currency Derivatives	Commodity Hedges	Associate Hedge	Total	Available-for-Sale Reserve	Total OCI Reserves
OCI at 1 January 2006	-2.5	93.1	-17.3	**73.3**	394.7	**468.0**
Net change in OCI in the year	14.6	-46.3	11.1	**-20.6**	288.2	**267.6**
OCI at 31 December 2006	**12.1**	**46.8**	**-6.2**	**52.7**	**682.9**	**735.6**
OCI at 1 January 2007						
Gains and losses from changes in fair value	16.7	63.9	-6.2	**74.4**	687.1	**761.5**
Deferred taxes	-4.6	-17.1	-	**-21.7**	-4.2	**-25.9**
	12.1	**46.8**	**-6.2**	**52.7**	**682.9**	**735.6**
Net change in OCI in 2007						
Gains and losses from changes in fair value	-4.3	9.9	5.1	**10.7**	217.3	**228.0**
Deferred taxes	1.3	-3.4	-	**-2.1**	-1.1	**-3.2**
	-3.0	**6.5**	**5.1**	**8.6**	**216.2**	**224.8**
OCI at 31 December 2007						
Gains and losses from changes in fair value	12.4	73.8	-1.1	**85.1**	904.4	**989.5**
Deferred taxes	-3.3	-20.5	-	**-23.8**	-5.3	**-29.1**
Total	**9.1**	**53.3**	**-1.1**	**61.3**	**899.1**	**960.4**

The gain on derivative financial instruments designated as cash flow hedges that was realised from OCI through the Income Statement amounted to EUR 18.3 (EUR 133.4) million, of which EUR 29.8 (EUR 25.3) million was presented as an adjustment to sales and EUR -11.5 (EUR 108.1) million to materials and services.

The hedging reserve includes the Group's 43.3% share in interest rate swaps, showing a deferred loss of EUR 2.3 (EUR 7.7) million, in respect of Stora Enso's Associate, Bergvik Skog AB; this amount relates to a fair value loss on Bergvik Skog AB's cash flow hedge accounted interest rate swap and has been deducted from the equity accounted value of the Group interest in its Associate. In addition, Tornator Oy has interest rate derivative cash flow hedges showing a deferred gain of EUR 1.1 (EUR 0.0) million and a US Associate has a commodity cash flow hedging derivate with a deferred gain of EUR 0.1 (EUR 1.5) million.

The estimated net amount of unrealised gains and losses expected to be reclassified as earnings within the next twelve months amounted to EUR 65.7 (EUR 31.6) million, of which EUR 12.4 (EUR 16.7) million related to currencies and EUR 53.3 (EUR 14.9) million to commodities. Commodity hedge results of EUR 73.8 (EUR 43.0) million are expected to be reclassified as earnings within one to five years and EUR 0.0 (EUR 20.9) million thereafter, the longest hedging contract maturing in 2012 (2015). Any hedge ineffectiveness is presented as an adjustment to sales or to material and services, depending on the underlying exposure, this amounting to EUR 17.0 (EUR 0.9) million for commodity contract hedges. Derivatives used in currency cash flow hedges are forward contracts and currency options; and swaps and forwards are mainly used in commodity hedges.

Fair Values of Financial Instruments

Derivative financial instruments are recorded on the Balance Sheet at their fair values, defined as the amount at which the instrument could be exchanged between willing parties in a current transaction, other than in a liquidation or forced sale. The fair values of such financial items have been estimated on the following basis:

- Currency and equity option contract values are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The carrying amounts of foreign exchange forward contracts are calculated using year end market rates and thus they approximate fair values.
- The fair values of interest rate swaps have been calculated using a discounted cash flow analysis.
- Swaption contract fair values are calculated using year end interest rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- Cross currency swaps are fair valued against discounted cash flow analysis and year end foreign exchange rates.
- The fair values of interest rate futures have been calculated by using either discounted cash flow analysis or quoted market prices on future exchanges, the carrying amounts approximating fair values.

- Commodity contract fair values are computed with reference to quoted market prices on future exchanges and thus the carrying amounts approximate fair values.
- The fair values of commodity options are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The fair values of Total Return (Equity) Swaps are calculated using year end equity prices as well as year end interest rates.
- The Group had no material outstanding embedded derivatives, which would have been separated from, and accounted differenly to, the host contract at either 31 December 2005, 2006 or 2007.

Certain gains and losses on financial instruments are taken directly to equity, either to offset Cumulative Translation Adjustments (CTA) or deferred under Other Comprehensive Income (OCI). The remaining fair value movements are taken to the Income Statement as Net Financial Items (Note 10) as shown below.

Fair Value Hedge Gains and Losses

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
Net gains on qualifying hedges	-27.3	-38.4	2.2
Fair value changes in hedged items	28.1	32.1	-5.0
Net gains / (losses)	0.8	-6.3	-2.8
Net (losses)/gains on non-qualifying hedges	-17.6	-2.2	8.6
Net Fair Value Gains: Continuing Operations	**-16.8**	**-8.5**	**5.8**
Net Fair Value Gains: Discontinued Operations	-1.0	-0.6	1.1
Net Fair Value Gains in Financial Items: Total Operations	**-17.8**	**-9.1**	**6.9**

Derivatives used in fair value hedges are mainly interest rate swaps.

Cash Flow Hedges Not Qualifying for Hedge Accounting

	Year Ended 31 December		
EUR million	**2005**	**2006**	**2007**
FX forward contacts	0.6	0.4	2.1
Commodity contracts	-0.5	0.1	-0.9
Total Hedging Ineffectiveness	**0.1**	**0.5**	**1.2**

Fair Values of Derivative Instruments

	As at 31 December				
	Net Fair Values	Net Fair Values	Positive Fair Values	Negative Fair Values	Net Fair Values
EUR million	**2005**	**2006**	**2007**		
Interest rate swaps	88.1	48.1	99.2	-39.8	59.4
Interest rate options	-1.9	-1.8	0.9	-7.0	-6.1
Cross-currency swaps	-6.5	-1.2	-	-	-
Forward contracts	-30.5	28.2	14.6	-34.3	-19.7
Currency options	-5.7	5.9	25.9	-8.7	17.2
Commodity contracts	129.6	63.2	94.1	-2.1	92.0
Equity swaps ("TRS")	-1.8	7.0	3.6	-37.9	-34.3
Equity options	-	-	-	-0.6	-0.6
Total	**171.3**	**149.4**	**238.3**	**-130.4**	**107.9**

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Long-term Debt an exception being TRS which is shown under operative receivables and liabilities.

The presented fair values above include accrued interest and option premiums and the net premiums received on outstanding derivatives were EUR 4.3 (EUR 0.7) million. The net fair value of cash flow hedge accounted derivatives were EUR 86.2 (EUR 80.6) million, the net fair value hedge accounted derivatives were EUR 7.4 (EUR 5.5) million, the net fair value net investment in foreign entities hedge accounted derivatives were EUR -4.6 (EUR 20.0) and net fair value of non hedge accounted derivatives were EUR 18.9 (EUR 43.3) million.

Nominal Values of Derivative Financial Instruments

EUR million	As at 31 December 2005	2006	2007
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	620.1	177.4	69.9
Maturity 2–5 years	1 000.6	2 152.1	2 164.4
Maturity 6–10 years	1 738.3	2 490.5	2 470.9
	3 359.0	4 820.0	4 705.2
Interest rate options	673.8	318.0	491.6
Total	**4 032.8**	**5 138.0**	**5 196.8**
Foreign Exchange Derivatives			
Cross-currency swap agreements	72.3	6.9	-
Forward contracts	2 442.1	1 778.4	3 114.1
Currency options	1 071.3	662.8	2 607.7
Total	**3 585.7**	**2 448.1**	**5 721.8**
Commodity Derivatives	**391.0**	**635.8**	**417.2**
Total Return (Equity) Swaps			
Equity swaps ("TRS")	408.5	328.6	213.9
Equity options	-	-	22.0
	408.5	**328.6**	**235.9**

The table below analyses the Group's derivative financial instruments, to be settled on a gross basis, into relevant maturity groupings based on the remaining contract period at the Balance Sheet date. However, for Stora Enso, all values are for one year only.

Contractual Derivatives Maturity Repayments, Gross Settlement

EUR Million	As at 31 December 2006		As at 31 December 2007	
	2007	**2008 +**	**2008**	**2009+**
FX Forwards & Options: Cash flow hedges				
Outflow	1 056.5	-	1 412.9	-
Inflow	1 053.2	-	1 417.8	-
FX Forwards & Options: Hedging of Net Investment				
Outflow	558.0	-	840.3	-
Inflow	577.6	-	848.6	-
FX Forwards & Options: Fair Value in Income Statement				
Outflow	823.9	-	2 146.9	-
Inflow	821.1	-	2 120.8	-

Contractual payments for net-settled derivatives financial liabilities were in the following maturity groupings; within one year EUR 17.3 (EUR 24.2) million, within two to five years EUR 45.5 (EUR 42.8) million and EUR 0.0 (EUR 10.7) million thereafter.

Note 28 Cumulative Translation Adjustment ("CTA") and Equity Hedging

The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations on the value of its net investment in non-Euro Area foreign subsidiaries and associates. Exchange differences, arising from the translation of equity, results and dividends for foreign subsidiary and associate undertakings, are aggregated with the financial instruments hedging these investments and the net is recorded directly in shareholders' equity as CTA; this is expensed through the Income Statement on the divestment of a foreign entity.

Cumulative Translation Adjustment

EUR million	Year Ended 31 December 2005	2006	2007
At 1 January			
CTA on net investment in non-Euro foreign entities	-708.2	-467.4	-559.6
Hedging thereof	693.8	492.4	610.4
Net currency (losses) / gains in equity	-14.4	25.0	50.8
Tax on hedging	-204.5	-152.1	-182.8
	-218.9	**-127.1**	**-132.0**
CTA Movement for the Year Reported in SORIE			
Restatement of opening non-euro denominated equity	256.1	-88.4	-93.5
Difference in Income Statement translation	-16.8	17.5	5.9
Internal equity injections less dividends	6.9	-18.7	15.9
Other	-5.6	3.2	-13.6
	240.6	**-86.4**	**-85.3**
Accumulated CTA on SENA Options	-	-	8.5
	240.6	**-86.4**	**-76.8**
Hedging of Net Investment for the Year Reported in SORIE			
Hedging result	-201.4	118.0	53.7
Taxes	52.4	-30.7	-13.2
	-149.0	87.3	40.5
Income Statement			
CTA (gain)/loss on disposed non-Euro foreign entities	0.2	-5.8	508.1
Hedging gain relating to disposed entities	-	-	-646.8
Net (Gain)/Loss	0.2	-5.8	-138.7
Taxes	-	-	191.4
	-0.2	**-5.8**	**52.7**
At 31 December			
CTA on net investment in non-Euro foreign entities	-467.4	-559.6	-128.3
Hedging thereof (see below)	492.4	610.4	17.3
Cumulative net currency gains / (losses) in equity	25.0	50.8	-111.0
Tax on hedging	-152.1	-182.8	-4.6
Net CTA in Equity	**-127.1**	**-132.0**	**-115.6**
Hedging of Net Investment in Foreign Entities			
Hedging	492.4	610.4	17.3
Tax on hedging	-152.1	-182.8	-4.6
Net Hedging Result in Equity	**340.3**	**427.6**	**12.7**
Realised gains/(losses)	168.2	160.3	-0.9
Unrealised gains (see next page)	172.1	267.3	13.6
Total Gains	**340.3**	**427.6**	**12.7**

On 21 December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc ("SENA"), its North American subsidiary, to NewPage Corporation ("NewPage"). The disposal triggered all cumulative translation differences ("CTA"), together with the hedging thereof, both previously deferred in equity, to crystallise through the Income Statement as a net gain of EUR 130.6 million. However, whilst hedging gains were fully taxable, the losses being hedged received no tax deduction and thus the tax charge on the net currency gains amounted to EUR 189.3 million, resulting in an overall net expense of EUR 58.7 million; the tax effect was not envisaged when hedging commenced as, at that date, both CTA losses and hedge income were fully taxable.

Other disposals, partial disposals and liquidations in 2007 resulted in net other CTA gains of EUR 1.6 (EUR 5.8) million, hedge gains allocated thereto being EUR 6.5 (EUR 0.0) million. Both the CTA and the hedge result were positive as CTA gains in Brazil were unhedged whilst the CTA losses in Europe were hedged. Details of Group CTA and hedging is shown on the following page.

Amounts Recognised in the Balance Sheet – CTA & Equity Hedging

	As at 31 December								
	Cumulative Translation Differences (CTA)			Equity Hedges			Net CTA on the Balance Sheet		
EUR Million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Brazil	5.9	-12.9	42.1	-	-	-	5.9	-12.9	42.1
Canada	55.3	19.0	-	42.2	80.1	-	97.5	99.1	-
China	2.8	-4.1	-7.7	-	-	-	2.8	-4.1	-7.7
Czech Republic	14.8	22.8	27.3	-1.6	-8.3	-12.5	13.2	14.5	14.8
Poland	8.7	9.9	21.9	-	-	-2.3	8.7	9.9	19.6
Russia	-7.5	-8.7	-11.4	-	-	-	-7.5	-8.7	-11.4
Sweden	-178.8	-102.5	-183.8	21.2	3.4	25.3	-157.6	-99.1	-158.5
USA	-372.1	-479.8	-9.5	423.5	528.7	5.2	51.4	48.9	-4.3
Others	3.5	-3.3	-7.2	7.1	6.5	1.6	10.6	3.2	-5.6
CTA before Tax	**-467.4**	**-559.6**	**-128.3**	**492.4**	**610.4**	**17.3**	**25.0**	**50.8**	**-111.0**
Taxes	-	-	-	-152.1	-182.8	-4.6	-152.1	-182.8	-4.6
Net CTA in Equity	**-467.4**	**-559.6**	**-128.3**	**340.3**	**427.6**	**12.7**	**-127.1**	**-132.0**	**-115.6**

See Note 2 Risk Management for further details of equity hedging together with simulation and sensitivity analysis.

Amounts Recognised in the Statement of Recognised Income & Expence – CTA & Equity Hedging

	As at 31 December								
	Cumulative Translation Differences (CTA)			Equity Hedges			Net CTA in SORIE		
EUR Million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Brazil	63.2	-18.8	62.1	-	-	-	63.2	-18.8	62.1
Canada	77.8	-36.3	14.9	-83.6	37.9	-14.7	-5.8	1.6	0.2
China	8.6	-7.0	-3.6	-	-	-	8.6	-7.0	-3.6
Czech Republic	6.3	8.0	5.8	-1.6	-6.7	-4.1	4.7	1.3	1.7
Poland	8.2	1.2	12.0	-	-	-2.3	8.2	1.2	9.7
Russia	4.4	-1.2	-2.5	-	-	-	4.4	-1.2	-2.7
Sweden	-77.5	81.9	-94.9	24.2	-17.7	21.9	-53.3	64.2	-73.0
USA	146.6	-107.7	-63.9	-139.6	105.2	51.4	7.0	-2.5	-12.5
Others	3.0	-6.5	-6.7	-0.8	-0.7	1.5	2.2	-7.2	-5.0
CTA before Tax	**240.6**	**-86.4**	**-76.8**	**-201.4**	**118.0**	**53.7**	**39.2**	**31.6**	**-23.1**
Taxes	-	-	-	52.4	-30.7	-13.2	52.4	-30.7	-13.2
Net CTA in Equity	**240.6**	**-86.4**	**-76.8**	**-149.0**	**87.3**	**40.5**	**91.6**	**0.9**	**-36.3**

At the time of the SENA disposal, CTA losses and hedging gains for the divested operations amounted to EUR -509.7 million and EUR 640.3 million respectively. The Canadian currency movements and hedging gains came to EUR 33.9 million and EUR 65.4 respectively, and for the USA, EUR -543.6 million and EUR 574.9 million. The net currency gain of EUR 130.6 million mainly represented currency gains in the earlier years of the SENA operations before the Group implemented a comprehensive equity hedging regime in North America. In the period 2002 to 2007, when full hedging was in place, CTA losses amounted to EUR 590.3 million against which equity hedges generated gains of EUR 600.4 million, an overall gain of EUR 10.1 million, being +1.7% of the exposure. Further details of Group equity hedging policies and sensitivity analysis are shown in Note 2 in Risk Management.

Hedging of Net Investment in Foreign Entities

Group policy for translation risk exposure is to minimise this by funding assets, whenever possible and economically viable, in the same currency, but if matching of the assets and liabilities in the same currency is not possible, hedging of the remaining translation risk may take place. The gains and losses, net of tax, on all financial liabilities and instruments used for hedging purposes, are offset in CTA against the respective currency movements arising from the restatement of the net investments at current exchange rates on the Balance Sheet date; the net amount of gains included in CTA during the period as shown above came to EUR 40.5 (EUR 87.3) million. Ineffectiveness of the Forward Exchange Contract hedges, being the forward points and time value of the options, amounted to an expense of EUR 1.1 (EUR 4.3) million and is presented as an adjustment under interest expenses and foreign exchange gains and losses in financial items in Income Statement. There was, however, no ineffectiveness in borrowings used for hedging in 2005–2007. Details of the hedging and the unrealised hedging gains are shown on the following page, details of the net investment in foreign subsidiaries being shown in the Segment Note 4.

Hedging Instruments & Unrealised Hedge Gains

	As at 31 December								
	Nominal amount (currency)			Nominal amount (EUR)			Unrealised Gain/Loss (EUR)		
Million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Forward Exchange Contracts									
Canada	587.0	358.0	-	427.7	234.3	-	-11.6	17.8	-
Czech Republic	3 525.0	3 525.0	3 525.0	121.5	128.2	132.4	-2.2	-3.0	-2.0
Poland	-	-	400.0	-	-	111.3	-	-	-1.4
UK	22.0	20.0	-	32.1	29.8	-	0.2	-	-
USA	86.0	-	-	72.9	-	-	-0.8	-	-
				654.2	392.3	243.7	-14.4	14.8	-3.4
Borrowings									
Sweden	4 462.0	5 266.0	1 000.0	475.3	582.5	105.9	11.4	1.3	12.4
USA	1 127.9	928.0	530.0	956.1	704.6	360.0	175.1	251.2	4.6
Total Hedging				**2 085.6**	**1 679.4**	**709.6**	**172.1**	**267.3**	**13.6**

Note 29 Commitments and Contingencies

Commitments

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
On Own Behalf			
Pledges given *	1.1	1.0	0.8
Mortgages	212.8	146.8	135.9
On Behalf of Associated Companies			
Mortgages	0.8	0.8	-
Guarantees	359.3	343.0	249.7
On Behalf of Others			
Guarantees	13.7	9.5	118.5
Other Commitments, own			
Operating leases, in next 12 months	34.3	38.4	30.6
Operating leases, after next 12 months	148.0	130.3	112.2
Pension liabilities	0.7	0.2	0.2
Other contingencies	97.6	17.1	22.5
Total	**868.3**	**687.1**	**670.4**
Pledges given	1.1	1.0	0.8
Mortgages	213.6	147.6	135.9
Guarantees	373.0	352.5	368.2
Operating leases	182.3	168.7	142.8
Pension liabilities	0.7	0.2	0.2
Other contingencies	97.6	17.1	22.5
Total	**868.3**	**687.1**	**670.4**

* Pledged assets consist of marketable securities, inventories and fixed assets.

Purchase Agreement Commitments as at 31 December 2007

EUR million	Type of Supply	Country	Years Left	Contract Total	Scheduled Contract Payments 2008	2009–10	2011–12	2013+
Materials & Supplies								
Stora Enso Skog AB	Wood*	Sweden	11	1 615	167	295	282	871
Stora Enso AB	Electricity	Sweden	6–9	674	24	177	177	296
Stora Enso Oyj	Wood*	Finland	9	601	61	122	122	296
Stora Enso Arapoti Industria de Papel	Wood*	Brazil	50	294	4	11	11	268
Guangxi Stora Enso Forestry Co Ltd	Land rents	China	46–50	200	5	8	8	179
Stora Enso Transport & Distribution Ltd	Terminal	UK	13	174	13	27	27	107
Stora Enso Oyj	Shipping	Sweden	14	151	11	22	22	96
Stora Enso Kabel GmbH & Co KG	Electricity	Germany	4	140	35	70	35	-
Stora Enso Arapoti Industria de Papel	Energy	Brazil	4	100	16	55	29	-
Stora Enso Arapoti Industria de Papel	Energy	Brazil	50	96	2	4	4	86
Stora Enso Transport & Distribution AB	Shipping	Denmark	7	95	14	27	27	27
Stora Enso Kabel GmbH & Co KG	Gas	Germany	4	92	25	49	18	-
Stora Enso Baienfurt GmbH & Co KG	Electricity	Germany	3	67	28	39	-	-
Stora Enso Barcelona	Gas	Spain	3	66	45	21	-	-
Stora Enso Corbehem SA	Electricity	France	3	57	20	37	-	-
Stora Enso Maxau	Gas	Germany	3	56	41	15	-	-
Stora Enso Transport & Distribution AB	Shipping	Sweden	6	54	8	16	16	14
Others	-	-	-	598	221	235	75	67
				5 130	740	1 230	853	2 307
Capital Expenditure				136	124	12	-	-
Total Contractual Commitments				**5 266**	**864**	**1 242**	**853**	**2 307**

* Estimates based on current wood prices

Outstanding balances under binding Purchase Agreements amount to EUR 5 266 (EUR 4 560) million, of which contracts for consumables and services amount to EUR 5 130 (EUR 4 431) million and for capital expenditure commitments, EUR 136 (EUR 129) million. The principal commitments relate to:

- Wood supplied from the Group's forest Associates, Bergvik Skog AB, Tornator Oy and the newly acquired Arauco Florestal Arapoti.
- Group risk management of power supplies by entering into long-term fixed price contracts
- Logistics commitments relating to shipping and terminal facilities.
- Land use rights in China.

In order to mitigate electricity price risk, the Group uses both physical and financial long-term fixed price contracts. During 2007 some financial contracts, having a fair value surplus of some EUR 30 million, were converted to physical contracts whereby Stora Enso AB, on behalf of the Swedish mills, committed the Group to purchase an aggregate of some EUR 674 million of electricity from different suppliers over the next 6 to 9 years. Similar contracts, as disclosed above, are used to manage commodity risk elsewhere in Europe.

Stora Enso Oyj has also signed a 15-year take or pay contract with Rederi AB Trans-Atlantic (formerly Nordsjöfrakt AB) for the operation of ships between Finland and Sweden, thus the Group's commitment of EUR 151 million, for the remaining 14 years, is also its contingent liability in the event of early termination; there is a further penalty clause in respect of the Port of Tilbury in the UK amounting to of EUR 44 million.

There were no individually material contracts for capital expenditure in 2007, though the biggest item in aggregate related to commitments of EUR 24.1 million in China where the Group is obliged to pay for the standing trees on land it has contracted to rent; in addition, the Group has rental commitments there for up to 50 years on some 90 000 hectares of land contracted to date. In 2006 the largest commitment was EUR 27.0 million relating to fine paper PM 3 at Varkaus Mill in Finland, though a series of contractual commitments totalling EUR 50.2 million were also made in China in respect of the Huatai project; there remained a further EUR 7.2 million of capital commitments on this project at the end of 2007. There were no material capital expenditure contracts in the Group at the end of 2005.

Guarantees are made in the ordinary course of business on behalf of Associated Companies and occasionally others; the guarantees, entered into with financial institutions and other credit guarantors, generally obligate the Group to make payment in the event of default by the borrower. The guarantees have off-Balance Sheet credit risk representing the accounting loss that would be recognised at the reporting date if counterparties failed to perform completely as contracted. The credit risk amounts are equal to the contract sums, assuming the amounts are not paid in full and are irrecoverable from other parties.

On the sale of Stora Enso's North American operations to NewPage Corp, the Stevens Point Mill PM 35 lease obligation was transferred from Stora Enso to NewPage Corp. However, Stora Enso remains as guarantor of this lease, with an estimated maximum exposure of some EUR 112 (USD 165) million, until either the basic lease termination date of 1 January 2014, the early lease termination date of 1 January 2010 or the extended date of 31 December 2025. Until the guarantee has been released, NewPage has indemnified Stora Enso for any costs suffered by the Group relating to this guarantee. Consolidated Papers entered into the lease in December 1997, prior to the acquisition of Consolidated Papers by Stora Enso in 2000.

Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries up to a maximum of EUR 504.2 (EUR 805.5) million as of 31 December 2007. It has also guaranteed the indebtedness of its Brazilian Associate, Veracel, to various local and international banks, the amount outstanding at the year end being EUR 229.0 (EUR 318.8) million. There is also a guarantee in respect of the pension liabilities of Swedish subsidiaries, though following the July 2005 establishment of a foundation to deal with these liabilities, the guarantee value, though not the guarantee, was reduced from EUR 258.4 million to EUR 0.0 (EUR 1.8) million at 31 December 2007. See Note 23.

Stora Enso Transport and Distribution AB, Sweden, has a time charter party with Wagenborg Scheepvaart B.V. of the Netherlands ("WSBV") concerning three vessels; WSBV has, in turn, chartered the three vessels from owners in Denmark. At the expiry of the three charter parties in 2015, Stora Enso Oyj has guaranteed to pay the owners an amount equal to the difference between the stipulated loss value and the net sale price obtained by the owners, however, always limited to 6/21 of the original facility amount. The maximum Group exposure under this guarantee amounted to EUR 32.8 (EUR 32.8) million at the year end.

The Group leases office and warehouse space under various non-cancellable operating leases, some of which contain renewal options. The future cost for contracts exceeding one year and for non-cancellable operating leasing contracts are:

Repayment Schedule of Operating Lease Commitments

	As at 31 December		
EUR million	**2005**	**2006**	**2007**
Less than 1 year	34.3	38.4	30.6
1–2 years	31.0	29.8	26.8
2–3 years	22.3	23.9	22.9
3–4 years	17.9	18.1	19.0
4–5 years	24.6	16.5	16.8
Over 5 years	52.2	42.0	26.7
	182.3	**168.7**	**142.8**

Contingent Liabilities

Stora Enso is party to legal proceedings that arise in the ordinary course of business and which primarily involve claims arising out of commercial law. The Group is also involved in administrative proceedings relating primarily to competition law. The Directors do not consider that liabilities related to such proceedings, before insurance recoveries, if any, are likely to be material to the Group financial condition or results of operations.

Legal Proceedings

- **Inspections by Finnish Competition Authorities**
  In May 2004 Stora Enso was subject to inspections carried out by the Finnish Competition Authority at certain locations in Finland in respect of suspected price collaboration in Finnish wood procurement. Following these inspections, the Finnish Competition Authority proposed in December 2006 to the Finnish Market Court that a fine of EUR 30 million be imposed for violating competition laws in the purchase of timber in Finland from 1997 to 2004. Stora Enso considers the proposal groundless and has not made any provision.
- **Inspections by US Competition Authorities and Class-action Lawsuits in the United States**
  On 19 July 2007, following a jury trial in the US Federal District Court in Hartford, Connecticut, Stora Enso was found not guilty of charges relating to the sale of coated magazine paper in the USA in 2002 and 2003. Coincident with this case Stora Enso has been named in a number of class-action lawsuits brought in US federal and state courts by direct and indirect purchasers of publication paper. They allege, generally, that the defendants have agreed to fix, increase or maintain the price of publication paper in the United States. They seek unspecified treble damages and, in some cases, restitution for the alleged overcharges resulting from the alleged violations, including interest and legal costs. These lawsuits are still pending but no provisions are considered appropriate.
- **Other Legal Proceedings**
  All US environmental cases appertaining to the former Stora Enso North America, Inc ceased to be a Group responsibility on the divestment of those operations. As for the case in the Netherlands, where Stora Timber Finance B.V. had been found responsible for soil pollution at the Port of Amsterdam, the Group expensed an additional EUR 0.1 million and then paid over to the Port its provision of EUR 2.4 million in full settlement of all claims.

Note 30 Principal Subsidiaries in 2007

The following is a list of the Company's fifty principal operating subsidiary undertakings ranked by external sales; these companies, along with the parent, account for 93% (93%) of Group external sales. The principal country in which each subsidiary operates is the country of incorporation. The Group's effective interest in the undertakings is 100% except where indicated and is held in each case by a subsidiary undertaking except for those companies marked with "+" which are held directly by the Parent Company. The countries operating outside the Euro area are indicated by "*" and those closed or divested as part of discontinued operations are shown with "#".

Subsidiary Companies (ranked by external sales)

	Country	% Sales	Newsprint and Book Paper	Magazine Paper	Fine Paper	Merchants	Consumer Board	Industrial Packaging	Wood Products	North America
Stora Enso Oyj	**Finland**	**16.09**		●	●		●	●		
Stora Enso North America Corp *#	USA	10.77								●
Schneidersöhne GmbH	Germany	5.35				●				
Stora Enso Publication Papers Oy Ltd +	Finland	4.75	●	●						
Stora Enso Skoghall AB *	Sweden	3.40					●			
Stora Enso Kvarnsveden AB *	Sweden	2.19	●	●						
Stora Enso Hylte AB *	Sweden	2.67	●							
Stora Enso Maxau GmbH & Co KG	Germany	2.62	●	●						
Stora Enso Kabel GmbH & Co KG	Germany	2.20		●						
Stora Enso Timber AG	Austria	2.04							●	
Stora Enso Fors AB *	Sweden	1.90					●			
Stora Enso Skog AB *	Sweden	1.83								
Stora Enso Langerbrugge NV +	Belgium	1.81	●	●						
Stora Enso Pulp AB *	Sweden	1.79		●						
Puumerkki Oy	Finland	1.71							●	
Stora Enso Port Hawkesbury Ltd *#	Canada	1.69								●
Stora Enso Timber Oy Ltd +	Finland	1.67							●	
Papyrus France SA	France	1.62				●				
Stora Enso Nymölla AB *	Sweden	1.49			●					
Stora Enso Poland SA (95%) +*	Poland	1.42						●		
Stora Enso Corbehem SA	France	1.27		●						
Stora Enso Timber AB *	Sweden	1.26							●	
Papyrus Sweden AB *	Sweden	1.24				●				
Stora Enso Baienfurt GmbH & Co KG	Germany	1.20					●			
Stora Enso Sachsen GmbH	Germany	1.18	●							
Sydved AB (66.7%) *	Sweden	1.15								
Stora Enso Arapoti Indústria de Papel (80%) *	Brazil	1.00		●						
Stora Enso Uetersen GmbH & Co KG	Germany	0.98			●					
Enocell Oy +	Finland	0.97					●			
Stora Enso Ingerois Oy +	Finland	0.89					●			
Stora Enso Barcelona S.A.	Spain	0.85					●			
Laminating Papers Oy +	Finland	0.84						●		
Sihl & Eika Papier AG *	Switzerland	0.84				●				
Scaldia Papier BV	Netherlands	0.83				●				
Berghuizer Papierfabriek NV +#	Netherlands	0.68			●					
Stora Enso Timber d.o.o.	Slovenia	0.67							●	
Stora Enso Packaging Oy +	Finland	0.66						●		
Stora Enso Suzhou Paper Co Ltd (96.5%) *	China	0.64			●					
Papyrus SA	Belgium	0.63				●				
Papyrus A/S *	Denmark	0.63				●				
Stora Enso Reisholz GmbH & Co KG#	Germany	0.62		●						
Stora Enso Packaging AB *	Sweden	0.61						●		
Stora Enso Timber Zdírec sro *	Czech	0.54							●	
Stora Enso Timber Bad St Leonard GmbH	Austria	0.51							●	
OOO Stora Enso Packaging *	Russia	0.44						●		
Stora Enso Timber AS *	Estonia	0.43							●	
Stora Enso Timber Deutchland. GmbH	Germany	0.42							●	
Stora Enso Timber Planá sro *	Czech	0.38							●	
Puumerkki AS *	Estonia	0.37							●	
Corenso United Oy Ltd +	Finland	0.36						●		
Stora Enso Bois SAS	France	0.35							●	

Note 31 Employee Bonus and Equity Incentive Schemes

The majority of production employees are members of labour unions with which either the Group or the forest industry customarily negotiate collective bargaining agreements in Europe. Salaries for senior management are negotiated individually. Stora Enso has incentive plans that take into account the performance, development and results of both business units and individual employees. This performance-based bonus system is based on profitability as well as on attaining key business targets.

Bonus Programmes

Business Area and Business Unit management have annual bonus programmes based on the corporate target return on capital employed and on the results of their respective areas of responsibility, together with the achievement of separately defined key personal targets; the bonus amounts to between 10% and 40% of salary depending on the person's position in the Company. Staff participate in another bonus plan in which the payment is calculated as a percentage of annual salary up to a maximum of 7%. All bonuses are discretionary and, for the majority of employees, at least 50% of the bonuses are dependent on financial targets, triggered only when results exceed a predetermined minimum level. The Group has decided to continue its performance-based programmes and has expanded these to cover 75% to 80% of employees globally where allowed by local practice and regulations.

Share-based Programmes for Management

In 2004 the Board approved the implementation of two new share-based programmes to complement and partially replace the existing option programme. The changes were made in response to the competitive market trend away from option programmes towards share-based award schemes. In 2004 the new programmes were targeted at 200 key managers and staff in the Group and replaced 50% of the existing option programme for these employees; consequently the number of options issued under the share option programme was reduced so that share plans replaced some two-thirds of the option programme. The total number of shares that may be awarded under these share programmes in 2007 was 897 487 (720 175).

The Performance Share Plan will deliver awards over a three-year period, based on the Group performance during each of the preceding financial years. The performance target is set annually by the Compensation Committee and, for 2005 to 2007, was based on reaching target levels for the corporate return on capital employed, before any shares are awarded. The intended range of awards over the three-year period is from 220 to 2500 shares with a maximum of one and one half times the award when the corporate return on capital employed significantly exceeds the target level.

The Restricted Share Plan will similarly deliver shares to managers and key employees over the same three-year period subject to the employee remaining in employment of Stora Enso on the intended award date. The new share plans do not confer any beneficial interest at grant and the holder has no rights to receive shares until the future award dates materialise.

The Senior Executive section of the Performance Share Plan was approved by the Board in 2007 for Group Executives. The plan will deliver awards over a four-year period from 2009 to 2012, based on Group performance during each of the preceding financial years. The performance targets are based on both the Group's Return on Capital Employed and Total Shareholder Return compared to a peer group of listed industry competitors as well as to a basic materials index. The targets have been set to provide the full award only if performance is well above current expectations, that is, rewarding a successful restructuring.

The Board also approved an annual allocation of shares under the Restricted Share Plan to a maximum of 50 key talents with a condition that they remain in employment for at least 5 years. The level for these awards was set at 1 500 to 5 000 shares and the maximum number of shares that may be issued is 187 500.

Option Programmes for Management (1999 to 2007)

In 1999 the Board announced an annual share option programme for some 200 key staff as part of an integrated top management compensation structure intended to provide a programme contributing to the long-term commitment of managerial and specialist personnel; this programme has since been extended into subsequent years and now covers some 1 000 staff. The seven-year programmes consist of financially hedged options and synthetic options, with strike prices set at levels representing then-current market prices plus 10% premiums. The synthetic options are hedged by Total Return Swaps ("TRS"), which are settled with cash payments, allowing the company to receive cash compensation to partially offset any change in the share price between the grant and settlement dates. Depending on local circumstances, option holders have the choice to receive either a payment in cash, representing the difference between the strike price and the share price at the time of exercise, or an option to purchase existing R shares. If an employee chooses the option to purchase existing R shares, the Company first purchases the relevant number of R shares and then transfers them to the employee, thus avoiding any dilution in the number of shares in issue. Options are not transferable and expire if the employee leaves the Group. During the year 6 137 400 (3 608 150) options were taken up, of which 2 095 500 related to the 2000 scheme closed in March 2007 and a further 4 041 900 options from the open 2001 to 2004 programmes.

Stora Enso North America Option Programme

During the year, 300 854 (409 157) options were exercised, of which 266 739 (388 332) resulted in cash compensation and 34 115 (20 825) in the allocation of repurchased R shares. The liability for the remaining 257 030 options was extinguished by the divestment of the North American operations.

Option/Synthetic Option Programmes in 2007

Option Programme	Year of Issue	Strike Price Base Period in the Year	Strike Price	Number of Staff	Number of Options Issued	Number of Options Cancelled	Number of Options Exercised	Number of Options Outstanding	Exercise Period
2007 Synthetic	2007	8 Feb 14 Feb	EUR 14.00	730	1 399 096	24 300	n/a	1 374 796	1 Mar 2010 28 Feb 2014
2006 Synthetic	2006	3 Feb 10 Feb	EUR 12.46/13.32*	744	2 161 000	115 375	n/a	2 045 625	1 Mar 2009 28 Feb 2013
2005 Synthetic	2005	4 Feb 11 Feb	EUR 12.20	1 024	3 075 125	252 125	n/a	2 823 000	1 Mar 2008 29 Feb 2012
2004 Synthetic	2004	5 Feb 12 Feb	EUR 11.15	1 033	4 682 800	423 750	995 200	3 263 850	1 Mar 2007 28 Feb 2011
2003 Synthetic	2003	31 Jan 7 Feb	EUR 10.00	1 016	6 069 150	437 150	2 526 800	3 105 200	8 Feb 2006 7 Feb 2010
2002 Synthetic	2002	31 Jan 7 Feb	EUR 16.50	957	5 902 000	871 250	-	5 030 750	8 Feb 2005 7 Feb 2009
2001 Synthetic	2001	8 Feb 14 Feb	EUR 11.70	481	4 215 000	468 750	2 233 750	1 512 500	1 Apr 2004 31 Mar 2008
2000 Synthetic	2000	18 Mar 24 Mar	EUR 12.25	221	2 797 500	438 000	2 359 500	-	1 Apr 2003 31 Mar 2007
North America Stock options	2000	n/a	USD 6.97 EUR 5.91	839	5 680 000	124 568	5 298 402	257 030	n/a Divested

* strike price of options granted to new CEO upon his appointment

On 1 January 2005 IFRS 2, Share-based Payments, came into effect whereby the cost of the Stora Enso Synthetic Option and Share-based Programmes are recognised as a cost over the vesting period, being the period between grant and right to exercise or award. Whilst the charge for 2006 amounted to EUR 16.9 million, the fall in the share price in 2007 translated into an accounting gain of EUR 18.8 million, leaving a liability at 31 December 2007 of EUR 26.7 (EUR 47.4) million, shown in Non-current Operative Liabilities.

The fair value of employee services received in exchange for cash settled synthetic options and share awards is recognised at the fair value of the liability incurred and expensed rateably over the vesting period. The synthetic option liability is remeasured at each Balance Sheet date to its fair value using estimates of the number of options that are expected to become exercisable and the latest fair valuations using the Black-Scholes model, with all changes recognised in the Income Statement. The liability for restricted share awards is also remeasured at each Balance Sheet date to its fair value using estimates of the number of share awards that are expected to be issued and the latest fair valuations by using the Stora Enso R -share closing price, with all changes recognised in the Income Statement.

As at the year end, 19 155 721 (25 380 075) synthetic options were outstanding, of which 12 912 300 (15 727 400) options were exercisable. The strike price for the outstanding options was within the range of EUR 10.00 to EUR 16.50, unchanged from 2006, the weighted average strike price being EUR 12.93 (EUR 12.51), with a weighted average contractual right of 2.8 (3.1) years.

The fair value of synthetic options at their grant date is determined by using the Black-Scholes model, the value in 2007 being EUR 2.17 (EUR 1.77). The following significant inputs for the 2007 and 2006 plans were, at the grant date:

- Share price of EUR 12.22 (EUR 11.95)
- Strike price of EUR 14.00 (EUR 12.46)
- Volatility of 24.4% (19.0%)
- Expected annual dividend of EUR 0.45 (EUR 0.45)
- An annual risk-free interest rate of 3.93% (3.41%)

The year end closing price of Stora Enso R -shares was EUR 10.24 (EUR 12.00), the assumed annual dividend, EUR 0.45 (EUR 0.45) per share, and the expected average volatility, 27.1% (23.9%), based on the historic volatility. Other Black-Scholes valuation model inputs for the fair values of synthetic options, together with the outcome were:

	Year of Issue						
Option Programme	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Strike EUR	14.00	12.46/13.32	12.20	11.15	10.00	16.50	11.70
Annual risk-free Interest rate %	4.21	4.14	4.11	4.07	4.00	4.03	3.87
Years to maturity	6.2	5.2	4.2	3.2	2.1	1.1	0.3
Fair value per option EUR	1.21	1.36/1.20	1.28	1.37	1.53	0.08	0.13

The fair values of the restricted share awards have been calculated using year-end closing prices of Stora Enso R shares; the outstanding restricted share awards are shown below.

Restricted Share Awards at 31 December 2007

	Projected Delivery of Outstanding Restricted Share Awards at Year End				
	2008	**2009**	**2010**	**2011**	**Total**
2005 programme	299 192	-	-	-	299 192
2006 programme	68 055	321 355	-	302 500	691 910
2007 programme	158 797	119 098	119 097	-	396 992
Total	**526 044**	**440 453**	**119 097**	**302 500**	**1 388 094**

No Top Talent share awards were made in 2007, though 372 500 shares were awarded in respect of the 2005 and 2006 programme, of which 302 500 were outstanding at the end of 2007. The outstanding performance share awards for the 2005–2007 programmes came to 91 617, 136 110 and 363 400 at the year end.

The fair valuation impact of share-based programmes on continuing operations amounted to a gain of EUR 15.3 million in 2007, due to the drop in the share price, as against a cost of EUR 15.0 million in 2006. Synthetic options accounted for EUR 19.3 (EUR -10.9) million of the gain, with costs of EUR 0.9 (EUR -4.1) million coming from the restricted share awards and EUR 3.1 (EUR 0.0) million from performance share plans. The year-end liability of EUR 26.7 (EUR 47.4) million is shown in Non-current Operative Liabilities, of which EUR 14.8 (EUR 38.5) million relates to synthetic options, EUR 8.8 (EUR 8.9) million to the restricted share awards and EUR 3.1 (EUR 0.0) million to performance share plans. The weighted average exercise price of the options cashed in 2007 was EUR 11.46 (EUR 11.15), the equivalent weighted average share price being EUR 13.32 (EUR 12.88). The actual cash cost for continuing operations of the synthetic options totalled to EUR 10.5 (EUR 6.1) million, with another EUR 3.5 (EUR 2.7) million on the restricted share awards.

Stora Enso utilises Total Return Swaps (TRS) to partially hedge exposures to changes in the share price of synthetic options granted under the Option Programmes for Management, which are settled with cash payments. While these TRS instruments allow the Group to partially stabilise future cash flows related to the settlement of outstanding synthetic options, they result in certain market risks. Group TRS instruments do not qualify for hedge accounting; therefore periodic changes to their fair value are recorded in the Income Statement in operative costs alongside the share-based programme costs to which they relate. As of 31 December 2007 there were TRS instruments outstanding covering 17 850 000 (28 262 400) underlying Stora Enso Oyj R shares recorded at a net fair value of EUR -34.3 (EUR 7.0) million, as disclosed in Note 27. The settlement periods of the TRS instruments match the life of the associated synthetic options, mature between 2008 and 2013 and allow for earlier settlement at the Group's election. A 10% fall in the share price of Ordinary R Shares would result in a decrease in the net fair value of the TRS instruments of EUR 18.3 (EUR 33.9) million, based on a closing share price at the year end of EUR 10.24 (12.00) on the OMX Nordic Exchange Helsinki. By comparison, the share price fall in 2007 amounted to 14.7% and the actual fair valuation dropped by EUR 42.4 million.

In addition to the TRS, cash settled option hedging strategies (risk reversals) have been used for the first time in 2007, there being outstanding instruments covering 931 000 underlying Stora Enso Oyj shares at the year end, recorded at a net fair value loss of EUR 0.6 million. Option hedging strategies, as with TRS, do not qualify for hedge accounting, therefore periodic changes to their fair value are recorded as operative costs in the Income Statement alongside the share-based programme costs to which they relate.

The overall impact of the share-based programmes, as mitigated by the TRS, amounted to a gain of EUR 3.2 million in 2006 and a cost of EUR 8.8 million in 2007. The cash and fair value result on the share-based programmes was an expense of EUR 21.4 million in 2006 and a gain of EUR 3.0 million in 2007. Conversely, the cash and fair value result of the TRS was a gain of EUR 24.6 million in 2006 and an expense of EUR 11.8 million in 2007. These items are presented as an operative amount in the Income Statement under Personnel Costs.

Note 32 Related Party Transactions

In the ordinary course of business, the Group engages in transactions on commercial terms with associated companies and other related parties, with the exception of Veracel and Pohjolan Voima, that are no less favourable than would be available to other third parties. Stora Enso intends to continue with transactions on a similar basis with its Associates, further details of which are shown in Note 16.

Pulp

Although most of the required chemical pulp is produced internally, some is purchased from the pulp mill of Sunila Oy, a 50% associated company owned jointly with Myllykoski Oy. Stora Enso supplies fibre to Sunila, selling them EUR 59.4 (EUR 48.0) million of wood during the year, and in return, Sunila sells the resulting pulp back to the Group, all at market prices; in 2007 the Group purchased 126 669 (135 516) tonnes from Sunila for a total price of EUR 61.3 (EUR 62.1) million.

Stora Enso and its local partner, Aracruz Celulose S.A., have constructed a 1 000 000 tonnes per year eucalyptus pulp mill in Brazil for their jointly owned associate company Veracel Celulose S.A.; each company has a 50% stake and is entitled to half of the mill's output. The mill commenced production in May 2005 and shipments of eucalyptus pulp are sent to Stora Enso mills in Europe and China. Sales to Group companies in 2007 totalled 525 576 (498 638) tonnes with an invoice value of EUR 147.0 (EUR 143.4) million. Stora Enso Oyj has also guaranteed the indebtedness of Veracel to various local and international banks, the amount outstanding at the year end being EUR 229.0 (EUR 318.8) million.

Energy

The Group holds a 15.6% interest in Pohjolan Voima Oy, a power producer with a majority shareholding of 57.7% in Teollisuuden Voima Oy, being the owner of two existing nuclear power plants in Olkiluoto, Finland, with a total capacity of 1 720 MW / 14.4 TWh/a; a third nuclear power plant, with a capacity of 1 630 MW, is under construction and will be completed in summer 2011. Stora Enso is the second largest shareholder in Pohjolan Voima Oy, being entitled to a capacity share of 438 MW, and Markku Pentikäinen, as Group representative, has been the Deputy-Chairman of the Board of Directors from 2007. Prices paid to Pohjolan Voima for electricity are based on production costs, which are generally lower than market prices, and amounted to EUR 83.4 (EUR 95.2) million.

Financial Arrangements

The Group borrows from, or has financial arrangements with, several financial institutions where certain members of the Stora Enso Board of Directors or Group Executive Team also act as members of the Board of Directors, Supervisory Board or Executive Management Group of one or more of those bodies. These include Skandinaviska Enskilda Banken AB in the case of Marcus Wallenberg and Varma Mutual Pension Insurance Company in the case of the former CEO, Jukka Härmälä. All Group borrowings and financial arrangements have been negotiated on arms-length terms and several have existed for a number of years and prior to the current Board membership.

Research and Development

Stora Enso conducts research and development activities through Oy Keskuslaboratorio Ab ("KCL"), in which a 30% interest is held. Part of the Group's applied research requirements is sourced as a joint effort with KCL, which also performs research on a contract basis at cost; in 2007 total payments to KCL amounted to EUR 3.1 (EUR 3.3) million. Stora Enso has free rights to use all developments arising from the joint research programme.

Recovered Paper

The Group owns minority interests in several paper recyclers from whom recovered paper is purchased at market prices, this amounting to EUR 20.0 (EUR 25.8) million for the year.

Forest Assets & Wood Procurement

The Group has a 41% interest in Tornator Oy, with the remaining 59% being held by Finnish institutional investors. One such investor with a 13.3% holding is Varma Mutual Pension Insurance Company, where Jukka Härmälä, Stora Enso's former CEO, sits on the Supervisory Board. Stora Enso has long-term supply contracts with the Tornator Group for approximately 1.6 million cubic metres of wood annually at market prices and in 2007 purchases came to EUR 51.9 (EUR 50.1) million.

The Group has a 43.3% interest in Bergvik Skog AB, with the remaining 56.7% held mainly by institutional investors. These investors include the Knut and Alice Wallenberg Foundation with a holding of 8.2% and they also controlled 24.6% of the voting rights in Stora Enso until their shareholding was transferred to Foundation Asset Management in November 2007. The Group has long-term supply contracts with Bergvik Skog AB under which it sells some 5.0 million cubic metres of wood annually at market prices; in 2007 purchases of 5.6 (5.5) million cubic metres came to EUR 151.9 (EUR 139.3) million with Group sales to Bergvik being EUR 33.5 (EUR 30.9) million.

Stevedoring

The Group currently owns 34.3% of the shares of Steveco Oy, a Finnish company engaged in loading and unloading vessels, the other shareholders being UPM-Kymmene, Finnlines, Ahlström and Myllykoski Paper. Stevedoring services provided by Steveco are at market prices and, in 2007, amounted to EUR 29.6 (EUR 28.9) million.

Note 33 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December		
	2005	2006	2007
Net Profit / (Loss) for the Period, Continuing Operations, EUR million	72.0	696.2	69.2
Net Profit / (Loss) for the Period, Discontinued Operations, EUR million	-183.1	-111.2	-283.9
Net Profit / (Loss) for the Period, Total Operations, EUR million	**-111.1**	**585.0**	**-214.7**
Total Recognised Income & Expense, Continuing Operations, EUR million	523.2	1 044.1	336.3
Total Recognised Income & Expense, Discontinued Operations, EUR million	-175.3	-107.9	-307.3
Total Recognised Income & Expense, Total Operations, EUR million	**347.9**	**936.2**	**29.0**
Weighted Average Number of A and R Shares	**798 686 750**	**788 578 383**	**788 599 164**
Effect of warrants	530 991	284 280	151 831
Diluted Number of Shares	**799 217 741**	**788 862 663**	**788 750 995**
Basic Earnings / (Loss) per Share, Continuing Operations, EUR	0.09	0.88	0.09
Basic Earnings / (Loss) per Share, Discontinued Operations, EUR	-0.23	-0.14	-0.36
Basic Earnings / (Loss) per Share, Total Operations, EUR	**-0.14**	**0.74**	**-0.27**
Total Recognised Income & Expense per Share, Continuing Operations, EUR	0.65	1.32	0.43
Total Recognised Income & Expense per Share, Discontinued Operations EUR	-0.21	-0.13	-0.39
Total Recognised Income & Expense per Share, Total Operations, EUR	**0.44**	**1.19**	**0.04**

There was no difference between Basic Earnings per Shares and Diluted Earnings due to the immaterial effect of the warrants

Equity per Share

	As at 31 December		
	2005	2006	2007
Shareholders' Equity, EUR million	**7 220.1**	**7 799.6**	**7 476.1**
Market Value, EUR million	**9 304.0**	**9 527.9**	**8 076.0**
Number of A and R Shares	**788 565 047**	**788 585 872**	**788 619 987**
Basic Shareholders' Equity per Share, EUR	**9.16**	**9.89**	**9.48**
Dividend per Share Paid / Declared, EUR	**0.45**	**0.45**	**0.45**
Market Value per Share, EUR			
A shares	11.46	12.30	10.19
R shares	11.44	12.00	10.24
Average	**11.44**	**12.08**	**10.23**

Financial performance

Note 34 Financial Assets & Liabilities

Carrying Amounts of Financial Assets & Liabilities by Measurement Categories: 2007

EUR million	Financial Items at fair value through Income Statement and hedging derivatives	Loans and Receivables	Available-for-Sale Financial Assets	Financial Liability Measured at Amortized Cost	Carrying amounts by Balance Sheet Item	Fair Value	Note
Financial Assets							
Available-for-Sale: Listed & Unlisted	-	-	1 422.6	-	1 422.6	1 422.6	17
Non-current loan receivables	-	126.5	-	-	126.5	130.6	20
Trade and other operative receivables	2.6	1 643.7	-	-	1 646.3	1 646.3	20
Interest-bearing receivables	209.2	18.6	-	-	227.8	227.8	20
Cash and cash equivalents	-	970.7	-	-	970.7	970.7	
Carrying Amount by Category	**211.8**	**2 759.5**	**1 422.6**	**0.0**	**4 393.9**	**4 398.0**	
Financial liabilities							
Non-Current debt	-7.4	-	-	3 362.2	3 354.8	3 401.9	24
Current portion of non-current debt	-	-	-	513.1	513.1	513.1	24
Interest-bearing liabilities	79.6	-	-	402.6	482.2	482.2	24
Trade and other operative payables	36.0	-	-	1 057.9	1 093.9	1 093.9	26
Bank overdrafts	-	-	-	91.4	91.4	91.4	
Carrying Amount by Category	**108.2**	**0.0**	**-**	**5 427.2**	**5 535.4**	**5 582.5**	

Carrying Amounts of Financial Assets & Liabilities by Measurement Categories: 2006

EUR million	Financial Items at fair value through Income Statement and hedging derivatives	Loans and Receivables	Available-for-Sale Financial Assets	Financial Liability Measured at Amortized Cost	Carrying amounts by Balance Sheet Item	Fair Value	Note
Financial Assets							
Available-for-Sale: Listed & Unlisted	-	-	835.5	-	835.5	835.5	17
Non-current loan receivables	-	149.2	-	-	149.2	158.2	20
Trade and other operative receivables	28.7	1 723.3	-	-	1 752.0	1 752.0	20
Interest-bearing receivables	171.8	13.7	-	-	185.5	185.5	20
Cash and cash equivalents	-	609.0	-	-	609.0	609.0	
Carrying Amount by Category	**200.5**	**2 495.2**	**835.5**	**-**	**3 531.2**	**3 510.2**	
Financial liabilities							
Non-current debt	-5.7	-	-	4 086.7	4 081.0	4 189.8	24
Current portion of non-current debt	0.2	-	-	630.0	630.2	630.2	24
Interest-bearing liabilities	37.7	-	-	179.6	217.3	217.3	24
Trade and other operative payables	19.6	-	-	1 186.0	1 205.6	1 205.6	26
Bank overdrafts		-	-	299.4	299.4	299.4	
Carrying Amount by Category	**51.8**	**-**	**-**	**6 381.7**	**6 433.5**	**6 542.3**	

Calculation of Key Figures

Return on capital employed, ROCE (%)	100 x	$\frac{\text{Operating profit}}{\text{Capital employed}^{1)\,2)}}$
Return on operating capital, ROOC (%)	100 x	$\frac{\text{Operating profit}}{\text{Operating capital}^{1)\,3)}}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and minority items – taxes}}{\text{Equity + Minority interests}^{2)}}$
Equity ratio (%)	100 x	$\frac{\text{Equity + Minority interests}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – Interest-bearing assets
Debt/Equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}}$
Earnings per share		$\frac{\text{Profit for the period}}{\text{Average number of shares}}$
Cash earnings per share		$\frac{\text{Profit for the period + Depreciation}}{\text{Average number of shares}}$
Equity per share		$\frac{\text{Equity}}{\text{Number of shares at the close of the period}}$
Dividend per share		$\frac{\text{Dividend for the period}}{\text{Number of shares}}$
Dividend yield	100 x	$\frac{\text{Dividend per share}}{\text{Share price at the close of the period}}$
Payout ratio (%)	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$

[1)] Capital employed = Operating capital – Net tax liabilities
[2)] Average for the financial period
[3)] Operating capital = Fixed assets + Inventories + Other operative assets – Operative liabilities

Extract of the Parent Company Financial Statements

Accounting Principles

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principles in Finland, "Finnish GAAP"; see Group Consolidated Financial Statements, Note 1. The main differences between the accounting policies of the Group and the Parent Company are:

- The valuation of financial assets, financial liabilities, derivative financial instruments and securities.
- Accounting of post-employment Defined Benefit plans
- The presentation and accounting for deferred tax.

Parent Company Income Statement

	Year Ended 31 December	
EUR million	**2006**	**2007**
Sales	3 392.3	3 565.8
Changes in inventories of finished goods and work in progress	22.7	29.3
Production for own use	0.7	0.3
Other operating income	304.5	125.5
Materials and services	-2 319.4	-2 539.8
Personnel expenses	-294.1	-294.7
Depreciation and value adjustments	-248.1	-358.9
Other operating expenses	-602.8	-2 899.8
Operating Profit	**255.8**	**-2 372.3**
Net financial items	318.7	603.8
Profit before Extraordinary Items	**574.5**	**-1 768.5**
Extraordinary income	170.9	110.3
Extraordinary expense	-0.2	-1.9
Profit before Appropriations and Taxes	**745.2**	**-1 660.1**
Appropriations	40.8	156.0
Income tax expense	-22.0	-15.2
Net Profit for the Period	**764.0**	**-1 519.3**

The operations of the subsidiary company, Keräyskuitu Oy, were merged into the Parent Company on 30 October 2007 and the above figures include their results from that date. The operations of the subsidiary companies, Lumi Shipping Oy and Kiint. Oy Enson Metsuritalot were merged into the Parent Company on 30 November 2006 and the above figures include their results from that date.

Parent Company Cash Flow Statement

	Year Ended 31 December	
EUR million	**2006**	**2007**
Cash Provided by Operating Activities		
Net profit for the period	764.0	-1 519.3
Reversal of non-cash items:		
Taxes	22.0	15.2
Appropriations	-40.9	-156.0
Extraordinary items	-170.7	-108.4
Depreciation, amortisation and impairment	248.1	358.9
Profit/losses on sale of fixed assets	-178.5	2 258.4
Net financial income	-318.7	-603.8
Interest received	69.1	84.2
Interest paid, net of amounts capitalised	-266.0	-322.5
Dividends received	416.8	725.2
Other financial items, net	36.2	-190.1
Income taxes paid	-2.4	-58.9
Change in net working capital	118.5	95.9
Net Cash Provided by Operating Activities	**697.5**	**578.8**
Cash Flow from Investing Activities		
Acquisition of subsidiary shares, net of cash	-828.9	-71.7
Investment in shares in other companies	-0.2	-290.4
Capital expenditure	-101.5	-199.8
Proceeds from disposal of subsidiary shares, net of cash	7.4	2 854.9
Proceeds from disposal of shares in associated companies	0.8	1.1
Proceeds from disposal of shares in other companies	204.7	-2 259.6
Proceeds from sale of fixed assets	6.6	7.7
Proceeds from (payment of) long-term receivables, net	160.9	-246.2
Net Cash Used in Investing Activities	**-550.2**	**-204.0**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities, net	-270.7	-391.3
Proceeds from (payment of) short-term borrowings, net	173.8	700.9
Dividends paid	-365.8	-355.3
Share repurchases	0.1	0.2
Proceeds from issue of share capital	11.0	0.4
Net Cash Used in Financing Activities	**-451.6**	**-45.1**
Net Increase (Decrease) in Cash and Cash Equivalents	**-304.3**	**329.7**
Translation adjustment	1.0	1.3
Cash from merged companies	0.6	-1.8
Cash and cash equivalents at start of year	1 513.3	1 210.6
Cash and Cash Equivalents at Year End	**1 210.6**	**1 539.8**

Parent Company Balance Sheet

Assets

EUR million	As at 31 December 2006	2007
Fixed Assets and Other Long-term Investments		
Intangible assets	95.6	90.1
Tangible assets	1 718.2	1 558.3
Shares in Group companies	13 383.7	10 597.5
Shares in associated companies	52.1	83.1
Shares in other companies	176.0	434.8
Long-term loan receivables	445.6	691.2
	15 871.2	**13 455.0**
Current Assets		
Inventories	409.1	582.9
Short-term receivables	631.0	619.7
Interest-bearing receivables	1 390.7	1 696.0
Cash and cash equivalents	344.7	183.1
	2 775.5	**3 081.7**
Total Assets	**18 646.7**	**16 536.7**

Shareholders' Equity and Liabilities

EUR million	As at 31 December 2006	2007
Shareholders' Equity		
Share capital	1 342.2	1 342.2
Share premium fund	3 972.9	3 972.9
Reserve fund	353.9	353.9
Retained earnings	3 770.3	4 179.6
Net profit for the period	764.0	-1 519.3
	10 203.3	**8 329.3**
Appropriations: Depreciation reserve	**920.7**	**764.7**
Provisions	**13.2**	**26.2**
Long-term Liabilities	**3 515.9**	**2 967.5**
Current Liabilities		
Current portion of long-term debt	531.8	488.3
Short-term borrowings	3 072.8	3 480.0
Other current liabilities	389.0	480.7
	3 993.6	**4 449.0**
Total Shareholders' Equity and Liabilities	**18 646.7**	**16 536.7**

Proposal for the Distribution of Dividend and Auditors' Report

Proposal for the Distribution of Dividend

The Parent Company distributable shareholders' equity at 31 December 2007 amounted to EUR 2 660 274 839.11, including the loss for the period of EUR 1 519 344 455.17. The Board of Directors therefore proposes to the Annual General Meeting of the Company that the distributable funds be used as follows:

Dividend of EUR 0.45 per share to be
distributed on 789 538 499 shares ....EUR 355 292 324.55

Remaining in distributable
shareholders' equity ....EUR 2 304 982 514.56

Distributable Shareholders' Equity
at 31 December 2007, Total......................EUR 2 660 274 839.11

There have been no material changes in the Parent Company's financial position since 31 December 2007. The liquidity of the Parent Company remains good and the proposed dividend does not cause detriment to the current situation.

Helsinki, 12 February 2008

Claes Dahlbäck
Chairman

Ilkka Niemi
Vice Chairman

Gunnar Brock

Lee A. Chaden

Dominique Hériard Dubreuil

Birgitta Kantola

Jan Sjöqvist

Matti Vuoria

Marcus Wallenberg

Auditors' Report

To the shareholders of Stora Enso Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Stora Enso Oyj for the period 1.1–31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Directors of the parent company have complied with the rules of the Companies' Act

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 28 February 2008

PricewaterhouseCoopers Oy
Authorized Public Accountants

Eero Suomela
Authorized Public Accountant

Capacities

Capacities by Mill in 2008

Newsprint and Book Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	370
Hylte	SWE	News	840
Kvarnsveden	SWE	News, impr. news	470
Langerbrugge	BEL	News, impr. news, dir.	400
Maxau	DEU	News	195
Sachsen	DEU	News, directory	345
Varkaus	FIN	Dir, impr. news, news	290
Total			**2 910**

Magazine Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	MFC	155
Arapoti	BRA	LWC	200
Corbehem	FRA	LWC	305
Dawang	CHN	SC	200
Kabel	DEU	LWC, MWC, HWC	615
Kotka	FIN	MFC	170
Kvarnsveden	SWE	SC	510
Langerbrugge	BEL	SC	145
Maxau	DEU	SC	515
Veitsiluoto	FIN	LWC, MWC	440
Total			**3 255**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Imatra	FIN	WFU	215
Nymölla	SWE	WFU	485
Oulu	FIN	WFC	1 055
Suzhou	CHN	WFC	220
Uetersen	DEU	WFC	280
Varkaus	FIN	WFC, WFU	270
Veitsiluoto	FIN	WFU	555
Total			**3 080**

Consumer Board

Mill	Location	Grade	Capacity 1 000 t
Consumer Board			
Baienfurt	DEU	FBB	225
Barcelona	ESP	WLC	170
Fors	SWE	FBB	395
Imatra	FIN	SBS, FBB, LPB	1 135
Ingerois	FIN	FBB	310
Skoghall	SWE	LPB, FBB, WTL	535
Total			**2 770**
Plastic coating plants			
Forshaga	SWE	Plastic coating	135
Imatra	FIN	Plastic coating	250
Karhula	FIN	Plastic coating	50
Total			**435**

Industrial Packaging

Mill	Location	Grade	Capacity 1 000 t
Containerboards			
Heinola	FIN	SC fluting	285
Ostrołęka	POL	Testliner, RCP fluting, sack paper, wrapping paper	265
Total			**550**
Laminating Papers			
Imatra	FIN	Laminating papers	26
Kotka	FIN	Laminating papers, Imprex core stock.	163
Total			**189**
Coreboard			
Pori	FIN	Coreboard	120
Soustre	FRA	Coreboard	90
Varkaus	FIN	Coreboard	100
Wisconsin Rapids	USA	Coreboard	70
Total			**380**
Total Industrial Packaging			**1 119**

The formula: (Sum of net saleable production of two best consecutive months / Available time of these two consecutive months) x Available time of the year

Abbreviations used in the tables:

LWC	light-weight coated paper
SC	super-calendered paper
MWC	medium-weight coated paper
HWC	heavy-weight coated paper
MFC	machine-finished coated paper
MF	machine-finished paper
WFU	wood free uncoated
WFC	wood free coated
FBB	folding boxboard
WLC	white lined chipboard
SBS	solid bleached sulphate board
LPB	liquid packaging board
WPB	wood pulp board
WTL	white top liner
CKB	coated kraft back
RCP	recovered paper
DIP	deinked pulp
CTMP	chemi-thermo-mechanical pulp

Industrial Packaging (cont.)

Further Processing

Industrial Packaging

Corrugated Packaging			million m²
Arzamas	RUS	Corrugated packaging	130
Balabanovo	RUS	Corrugated packaging	150
Balabanovo offset	RUS	Corrugated packaging	10
Heinola	FIN	Corrugated packaging	130
Jönköping	SWE	Corrugated packaging	90
Kaunas	LTU	Corrugated packaging	30
Komarom	HUN	Corrugated packaging	2
Lahti	FIN	Corrugated packaging	80
Łódź	POL	Corrugated packaging	125
Lukhovitsy	RUS	Corrugated packaging	49
Mosina	POL	Corrugated packaging	30
Ostrołęka	POL	Corrugated packaging	120
Páty	HUN	Corrugated packaging	30
Riga	LTA	Corrugated packaging	110
Ruovesi	FIN	Corrugated packaging	20
Skene	SWE	Corrugated packaging	90
Tallinn	EST	Corrugated packaging	20
Tiukka	FIN	Corrugated packaging	20
Tychy	POL	Corrugated packaging	120
Vikingstad	SWE	Corrugated packaging	50
Total			**1 406**

Core factories			1 000 t
China	CHN	Cores	55
Corenso Edam	NLD	Cores	10
Corenso Elfes	DEU	Cores	35
Corenso Poland	POL	Cores	1
Corenso Svenska	SWE	Cores	35
Corenso Tolosana	ESP	Cores	15
Corenso UK	GBR	Cores	30
Imatra	FIN	Cores	7
Loviisa	FIN	Cores	22
Pori	FIN	Cores	13
Wisconsin Rapids	USA	Cores	25
Total			**248**

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³
Ala	SWE	405	35
Alytus	LIT	160	90
Amsterdam	NLD	-	110
Bad St Leonhard	AUT	370	260
Brand	AUT	420	275
Gruvön	SWE	420	150
Honkalahti	FIN	350	90
Imavere	EST	400	155
Impilahti	RUS	130	-
Kitee	FIN	350	120
Kopparfors	SWE	310	150
Kotka	FIN	250	60
Launkalne	LAT	215	-
Murow	POL	85	20
Nebolchi	RUS	260	20
Näpi	EST	75	80
Paikuse	EST	170	80
Pfarrkirchen	DEU	-	150
Planá	CZE	350	255
Sollenau	AUT	300	280
Swietajno	POL	30	10

Wood Products (cont.)

Tolkkinen	FIN	270	-
Uimaharju	FIN	300	12
Varkaus	FIN	345	100
Veitsiluoto	FIN	200	-
Viljandi	EST	-	20
Ybbs	AUT	700	440
Zdírec	CZE	590	260
Wood Products		**7 455**	**3 222**

Chemical Pulp

Mill	Location	Grade	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	555
Kaukopää	FIN	Short and long-fibre	840
Kemijärvi (1)	FIN	Long-fibre	235
Kotka	FIN	Long-fibre	170
Norrsundet (2)	SWE	Long-fibre	305
Nymölla	SWE	Short and long-fibre	330
Ostrołeka	POL	Long-fibre	105
Oulu	FIN	Long-fibre	335
Skoghall	SWE	Long-fibre	330
Skutskär	SWE	Short, long-fibre and fluff pulp	555
Tainionkoski	FIN	Short and long-fibre	180
Varkaus	FIN	Short and long-fibre	220
Veitsiluoto	FIN	Short and long-fibre	390
			4 550

Associated companies

Mill	Location	Grade	Capacity 1 000 t
Sunila (50%) dry pulp	FIN	Long-fibre	180
Veracel (50%)	BRA	Short-fibre (euca)	555
			735
Total Chemical Pulp			**5 285**
of which market pulp (3)			1 492

(1) Kemijärvi Mill planned closure by the end of April 2008
(2) Norrsundet Mill planned closure by the end of 2008
(3) Market pulp defined as dried pulp shipped out from the mill to external customers

Deinked Pulp (DIP)

Mill	Location	Grade	Capacity 1 000 t
Hylte	SWE	DIP	410
Langerbrugge	BEL	DIP	650
Maxau	DEU	DIP	300
Sachsen	DEU	DIP	430
Total			**1 790**

CTMP

Mill	Location	Grade	Capacity 1 000 t
Fors	SWE	CTMP	185
Kaukopää	FIN	CTMP	220
Skoghall	SWE	CTMP	250
Total			**655**

Information for Shareholders

Annual General Meeting (AGM)

Stora Enso Oyj's AGM will be held at 16:00 (Finnish time) on Wednesday 26 March 2008 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Nominee-registered shareholders wishing to attend and vote at the AGM must be temporarily registered in the Company's share register on the record date, 14 March 2008. Instructions for submitting notice of attendance will be given in the invitation to the AGM, which can be consulted on the Company's website at www.storaenso.com/investors.

AGM and dividend calendar for 2008

14 March	Record date for AGM
26 March	Annual General Meeting (AGM)
27 March	Ex-dividend date
31 March	Record date for dividend
10 April	Dividend payment effected

Payment of dividend

The Board of Directors will propose to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2007.

Dividends payable on VPC-registered shares will be forwarded by VPC and paid in Swedish krona. Dividends payable to ADR holders will be forwarded by Deutsche Bank Trust Company Americas (DBTCA) and paid in US dollars.

Publication dates for 2008

13 February	Financial results for 2007
12 March	Annual Report 2007
24 April	Interim Review for January–March
24 July	Interim Review for January–June
23 October	Interim Review for January–September

Distribution of financial information

Stora Enso's **Annual Report** is published in English, Finnish and Swedish.

The Annual Report is distributed to shareholders in Finland and Sweden who have requested a copy, and to all registered ADR holders. The Annual Report is also downloadable as a PDF file from the Company's website.

Printed **interim reviews** (in English, Finnish and Swedish) are distributed to shareholders in Finland and Sweden who have requested a copy. ADR holders in North America can request printed copies from DBTCA. Interim reviews are published in English, Finnish and Swedish on the Company's website, from where they can be downloaded as PDF files.

E-mail alerts for stock exchange releases, calendar reminders and new financial information notifications can be ordered at www.storaenso.com/email. The same address can be used for unsubscribing to e-mail alerts. On unsubscribing, you will be deleted from all the e-mail alert lists to which you subscribed. If your e-mail address has changed, please unsubscribe using your old e-mail address, and then subscribe again using your new e-mail address.

Mailing lists for financial information

Please notify any change of address or request for addition to or removal from mailing lists as follows:

Finnish shareholders: by e-mail to corporate.communications@storaenso.com, by mail to Stora Enso Oyj, Financial Communications, P.O. Box 309, FI-00101 Helsinki or by tel. +358 2046 131.

Swedish shareholders: by e-mail to storaenso@strd.se, by fax +46 8 449 88 10 or by mail to Stora Enso, SE-120 88 Stockholm.

Registered ADR holders should contact DBTCA. Beneficial owners of Stora Enso ADRs should contact their broker.

Other stakeholders: see details for Finnish shareholders.

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan is administered by Deutsche Bank Trust Company Americas (DBTCA). The plan makes it easier for existing ADR holders and first-time purchasers of Stora Enso ADRs to increase their investment by reinvesting cash dividends or by making additional cash investments. The plan is intended for US residents only. Further information on the Stora Enso ADR programme is available at www.adr.db.com.

Contact information for Stora Enso ADR holders

Deutsche Bank Trust Company Americas
c/o Mellon Investor Services
480 Washington Boulevard
Jersey City, NJ 07310
USA
Toll-Free (within the USA only): +1 800 249 1707

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Your views
on our actions

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Stora Enso Oyj
Corporate Communications
P.O. Box 309
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Finland

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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Your views *on our actions*

Please fill in the feedback form and give us your comments about this annual report and our actions in 2007. Alternatively, you can fill in the form online at www.storaenso.com/annualreport/feedback

1. Which of the following best describes you?

- [ ] Analyst
- [ ] Customer
- [ ] Media
- [ ] Member of a governmental body
- [ ] NGO representative
- [ ] Private / institutional investor
- [ ] Stora Enso employee or contractor
- [ ] Student
- [ ] Other, please specify: ______________________

2. Please rate how strongly you agree with the following statements:

- [ ] The structure of the report is clear.
- [ ] It is easy to find information.
- [ ] The content is clear and easy to understand.
- [ ] The content is credible.
- [ ] The content is interesting.

Scale: 5 = Strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly disagree

3. After reading the report, how has your opinion of Stora Enso changed?

- [ ] Positively
- [ ] No change
- [ ] Negatively

4. How would you wish to see our future reports developed?

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5. Any other comments to Stora Enso?

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Annual Report 2007

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Cindy Zhang
Employee