a clear vision for a bright future

annual report 2008

our promise

our company

our planet

our people

our business

Stora Enso in brief

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

The Group has 32 000 employees and 85 production facilities in more than 35 countries worldwide, and is a publicly traded company listed in Helsinki and Stockholm. Our customers include publishers, printing houses and paper merchants, as well as the packaging, joinery and construction industries.

Our annual production capacity is 12.7 million tonnes of paper and board, 1.5 billion square metres of corrugated packaging and 6.9 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Our sales in 2008 were EUR 11.0 billion, with an operating profit excluding non-recurring items and fair valuations of EUR 388.4 million.

Stora Enso's company mission is to use and develop its expertise in wood to meet the needs of its customers and many of today's global raw material challenges. Wood is a renewable resource with a wide range of commercial applications. Our products provide a climate-friendly alternative to many products made from competing non-renewable materials, and have a smaller carbon footprint. Our solutions based on wood therefore have wide-reaching benefits for us as a business, a people and a planet. Sustainability – meaning economic, social and environmental responsibility – underpins our thinking and our approach to every aspect of doing business.

Stora Enso will focus more on growth markets in China, Latin America and Russia, and fibre-based packaging, plantation-based pulp and selected paper grades. Fibre-based packaging offers steady long-term growth in most segments and has vast innovation opportunities, offering sustainable new solutions for our customers. Plantation-based pulp allows us to secure low-cost fibre for production.

Key figures

Continuing operations	2008	2007
Sales, EUR million	11 028.8	11 848.5
Operating profit/loss excl. NRI and fair valuations[1], EUR million	388.4	861.1
Operating profit/loss (IFRS), EUR million	-726.6	176.9
Profit before tax excl. NRI, EUR million	151.6	970.1
Profit before tax, EUR million	-893.8	20.2
Net profit excl. NRI, EUR million	142.8	747.3
Net profit, EUR million	-679.0	12.8
Capital expenditure, EUR million	704.7	768.3
Return on capital employed (ROCE), excl. NRI, %	3.4	11.3
ROCE, excl. NRI and fair valuations, %	4.1	8.6
Return on equity (ROE)[2], %	-10.1	-2.5
Debt/equity ratio[2]	0.56	0.39
Deliveries of paper and board, 1 000 tonnes	11 836	12 477
Deliveries of corrugated packaging, million m^2	1 071	1 091
Deliveries of wood products, 1 000 m^3	5 893	6 348
Average number of employees	33 815	36 137

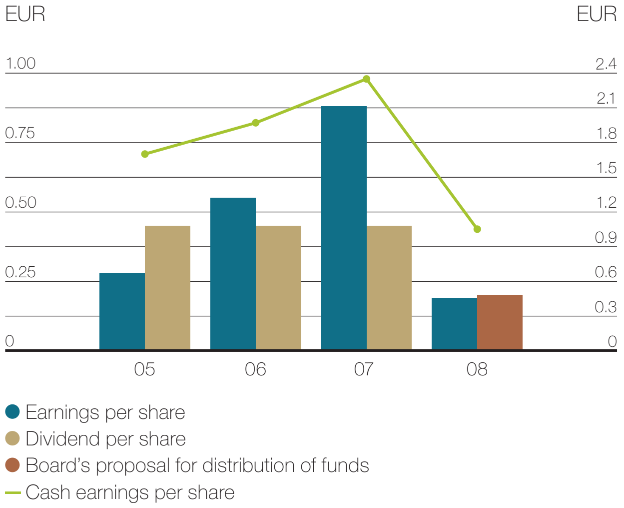
Share information

Continuing operations	2008	2007
Earnings/share excl. NRI, EUR	0.18	0.94
Earnings/share, EUR	-0.86	0.01
Cash earnings/share excl. NRI, EUR	0.99	1.94
Cash earnings/share, EUR	0.94	1.95
Total operations		
Earnings/share excl. NRI, EUR	0.19	0.88
Earnings/share, EUR	-0.85	-0.27
Dividend and distribution/share, EUR	0.20[3]	0.45
Equity/share, EUR	7.09	9.63
Payout ratio, %	105[3]	51
Market capitalisation, 31 December, EUR billion	4.4	8.1

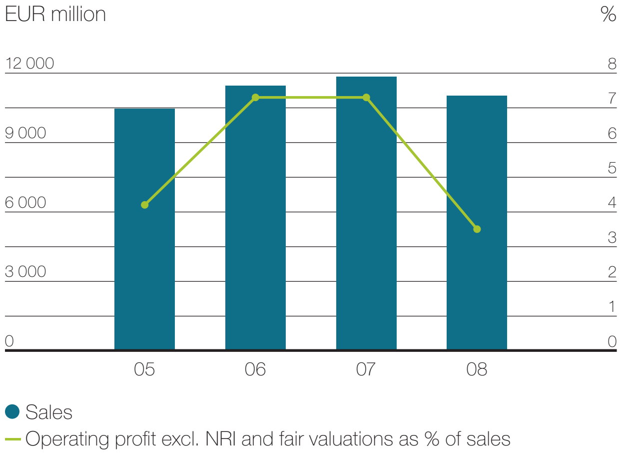
1) Fair valuations include synthetic options net of realised and open hedges, CO_2 emission rights, and valuations of biological assets mainly related to associated companies' forest assets.
2) Total operations
3) Board's proposal for distribution of funds
NRI = Non-recurring items

Earnings and distribution per share

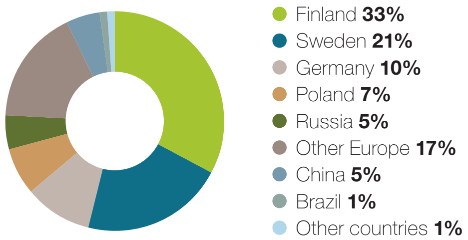
total operations, excl. NRI



Sales and operating profit

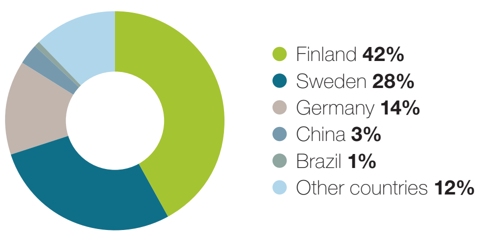


Number of employees by country 2008*



* Continuing operations

Paper and board capacity by country 2009



Newsprint and Book Paper

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

Magazine Paper

At Stora Enso Magazine Paper we offer a wide range of paper for magazines and advertising. Publishers, printing houses and retailers use our uncoated magazine paper for periodicals and advertising materials such as inserts and flyers, as well as mass-circulation TV magazines and catalogues. Specialist and general interest magazines are significant customers of our coated matt, silk and glossy magazine paper, which our customers also use for items such as supplements, home shopping catalogues and magazine covers.

Fine Paper

Stora Enso Fine Paper produces graphic and office paper for printers and publishers, merchants, envelope converters, office equipment manufacturers and office suppliers. Our fine paper mills are located in Finland, Sweden, Germany and China. Our graphic paper grades are mainly multicoated fine papers for art books, annual reports, luxury magazines and brochures. Our office paper grades are uncoated fine papers for office and digital printing, envelopes, notebooks and pads and business forms.

Consumer Board

Stora Enso Consumer Board is the world's leading consumer board company, making packaging materials for a wide range of products. We are a specialist producer of liquid packaging board, food service board, graphical board and carton board for use in packaging food, beverages, cigarettes, pharmaceuticals, cosmetics and luxury goods, and we lead the way in high-end applications.

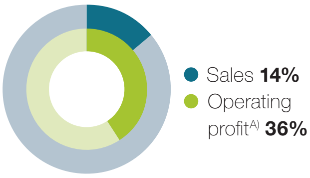
Industrial Packaging

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

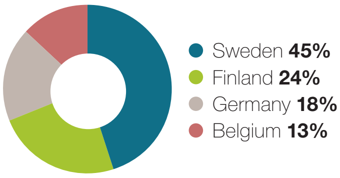
Wood Products

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, joinery and packaging industries and provide engineered fit-to-use products for manufacturing processes. We also supply a wide range of sawn and processed wood products to timber retailers, merchants and importer-distributors, and provide raw materials to the pulp and panel industries and the energy sector.

Share of Group



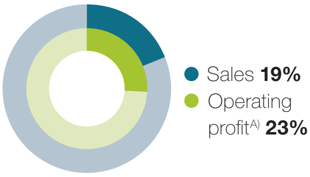
Capacity by country 2009



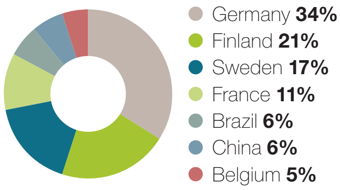
Market share and main markets

	Europe	Asia
Market share %	19	2
Main markets (% of sales)	86	13

Share of Group



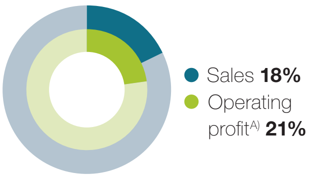
Capacity by country 2009



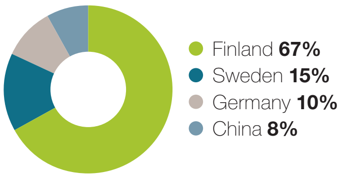
Market share and main markets

	Europe	Latin America	Asia
Market share %	17	39	4
Main markets (% of sales)	79	11	5

Share of Group



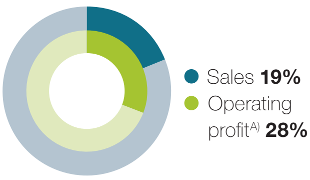
Capacity by country 2009



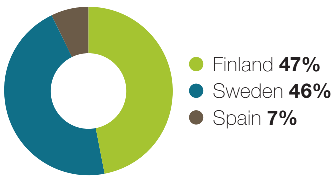
Market share and main markets

	Europe	Latin America	Asia
Graphic Papers			
Market share %	12	10	2
Main markets (% of sales)	69	9	18
Office Papers			
Market share %	12	1	1
Main markets (% of sales)	85	2	8

Share of Group



Capacity by country 2009

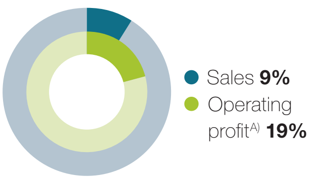


Market share

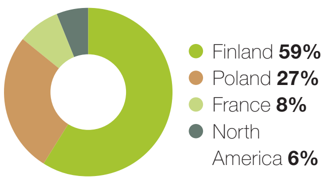
	Europe	North America	Asia
Main markets (% of sales)	82	1	15

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



Capacity by country 2009[1)]



Main markets

	Europe	North America	Asia
Main markets (% of sales)[2)]	85	3	10

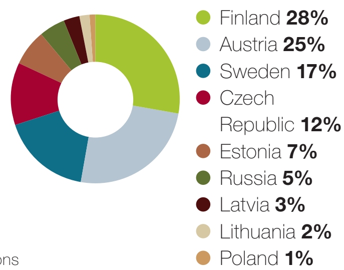
1) Excluding corrugated packaging

2) External sales

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

Share of Group

Capacity by country 2009



Market share and main markets

	Europe	World
Market share %	4	2

	Europe	North America	Asia & Oceania	North Africa & Middle East
Main markets (% of sales)	65	1	21	8

A) Excluding non-recurring items and fair valuations

An extraordinary year

Stora Enso's CEO Jouko Karvinen and CFO Markus Rauramo discuss the results for 2008, the company's future direction, the launch of the values, vision and mission, restructuring, and the prospects for 2009.

Year 2008 results and challenges

Jouko: Markus, after a tremendously difficult year and fourth quarter, what do you think of our results for 2008?

Markus: They are disappointing, no doubt. At the same time, we were – and are – financially sound with a strong balance sheet. If anything, we were prepared for a tough year because we had already faced some big challenges in 2007. In addition, perhaps most importantly of all, we have done everything possible to prepare for another challenging year in '09.

Jouko: 2007 and the first part of '08 were not easy for a number of reasons, such as the weak dollar, the Russian wood duty threat and booming energy costs from oil prices. And just when our early actions started to have an impact on these issues, we faced the fourth quarter, something nobody has really seen before. Well, after the earlier issues, at least our team was experienced and ready to face the challenge of the fourth quarter.

Markus: Yes, I do feel good about the company and its people because they have shown such readiness and flexibility in dealing with this. Of course this is the benefit, if you can call it that, of having had difficulties with big increases in wood prices, energy costs and currencies in 2007. These were extreme circumstances but we found the means to deal with it.

Jouko: Even with all the public uproar, I am still of the view that we took the right actions in 2008, such as divesting Papyrus, achieving independence from Russian wood and even the difficult restructuring actions. In fact it's not what we did that I worry about, it is whether we moved early and fast enough. Do we as an organisation understand that we have probably made 20% of the necessary change – change required to reach a completely different earnings level?

Markus: Good question. I do think that we have at least found the right tools in the short term to do what we need to do – and that is obviously critical. In 2008 we reduced capital expenditure, which we're doing further, drove down working capital very aggressively and focused on price quality. In the latter part of 2008 and first half of 2009 it's about taking downtime and curtailment in production to be able to match changes in market demand, and adjusting every cost item as fast as possible.

Jouko: Yes, we have done a lot to position ourselves for the short term. Adjusting our manufacturing volumes to real demand was the right decision, which we did within days of the crisis in early October. This not only improved our cash flow, but also positioned us and prepared our people for a fight this year, although it cost us dearly in our fourth quarter earnings.

Markus: As we now continue along the path we embarked upon in late 2007, it is important for our people to understand that this is not only a battle to maximise short-term performance; it is also about being ready for possible opportunities in investment and even consolidation.

Jouko: So true, especially as our people have been in a perfect storm for so very long. They need to see that there is more to this than cuts and hardship, that there is light at the end of the long tunnel we are in. I hope that when our people read the press they see that, in spite of everything, we are one of the few in our industry who were able to produce a positive, albeit small, operating profit, and that the large negative numbers were not due to 2008 at all; rather they are a revaluation, or impairment, of historical investments over many years against the future world and market situation. Nevertheless, we in management need to keep in mind that these impairments, even if they have no cash impact now, are based on actual past investments with real cash.

Implementing our future direction and restructuring the company

Markus: In September we introduced our strategic priorities to focus on growth markets, fibre-based packaging, plantation-based pulp and selected, if fewer, paper grades. As a starting point, we are uniquely positioned with our operations and projects in Latin America and Asia, such as Veracel and Arapoti in Brazil, our packaging operations and sawmills in Russia, and our paper operations at Suzhou Mill and Dawang Mill in China. There are very few other companies that operate in all of these exciting regions.

Jouko: One of the challenges in our industry is that every strategic move you make is a very large financial bet that takes up to ten years from investment to return – it is almost a generation from those making the bet to those who have to get a return from it.

With this in mind, we have selected packaging because of our presence in specific product and customer segments and East Europe and Russia, and because we are convinced that fibre-based packaging will take over from plastics and other fossil fuel-based packaging. We have selected plantation-based pulp because of our early entry into probably the lowest cost plantation based mill in Brazil, in a segment where, unlike paper and board, the cost differences are large between the best and the worst. Despite selling our North American operations and Papyrus, paper is still very much a part of us, although we would rather be better in fewer segments than just big.

Markus: We can't – or can't afford to – do everything at once, especially in light of the dramatic downturn in the current economy. So we need to be selective, especially in our traditional home markets in Europe. In 2008 we decided to close a board mill and a machine at Baienfurt and Imatra, as well as a paper machine at Kabel. In 2007 we announced the closure of our mills at Kemijärvi, Summa and Norrsundet, helping to decrease our dependence on

Russian wood. This had a huge impact on our people and we worked very hard to find new solutions for our employees. In fact, layoffs are another challenge that we have had to deal with in 2008. We have learned a lot about how you really have to take care of each person individually; you can't find uniform solutions for these issues. Hopefully, after our extensive efforts, the new opportunities at Kemijärvi, Summa and Norrsundet will convince our stakeholders that when we promise to do everything possible to bring in new business and employment, we mean what we say, and we get things done.

Targets for 2009

Jouko: When I first joined this company I spoke of the need for change, and my hope that we could get most of our changes implemented before the downturn came. Well, the downturn came too early for us – or I was too slow. The fourth quarter of '08 and first half of '09 will be the most challenging situation for most industries, including ours, in decades. So we must be honest with our employees and shareholders and say that although we have safeguarded the company in this extraordinary situation, and continue to do so, we have many things still to do, and this process will not be easy or popular in many people's minds. There is no choice: waiting for better times to come, as we have in the past, will mean only greater damage and deeper cuts later on. Time is not on our side.

Markus: We have become better at managing our portfolio and taking care of our people who face the impact of capacity cuts, but we have to continue to find further flexibility in the way we work and run our assets at every level of the company. On the people side, in development, rotation and training, I ask first myself and then our people, "What can you do in your role to cope with the new reality that we're competing with?"

Jouko: Yes, we need to be faster than ever in getting things done and, more importantly, deciding what we should do at all. We still talk and argue about too many things – and that is where time is lost.

This year is probably going to be one of the most interesting and challenging years of my long business life – and yours too, Markus. We will have to find new ways to work with our stakeholders, from employees to unions to society, to dismantle the mentality of We Have Always Done Things Our Way. When we ask, "Can't we do it this way?", people need to stop saying, "No, no, no; we have always done it that way, and we can't change because of this or that reason."

Markus: I think that is absolutely right. We have the capabilities to meet our financial targets, but to succeed we have to build more flexibility into the whole company – flexibility in the way of working, of capital and assets, of supplies, of strategy. Flexibility has an upside for our people. I can't guarantee anyone's job, but my commitment to my own people is that every day you come to work you will learn more, increase your value, become more employable and become more valuable to yourself. We compete in a competitive global market; from the sales force to the mills, every person faces this.

Today we as a company, people and planet face new challenges never before seen. The world needs a new approach to materials.

our vision

Jouko: I hope our people can accept that the difficult things we did in 2007 and 2008 were mission critical. If we had waited until 2009 we would not have been able to do them, and this year we would have had no reason to talk about anything other than getting our heads above water.

Markus: That is exactly why it is so absolutely vital to protect our cash flow and balance sheet in 2009 too.

Jouko: That's a good thought. As I have said before publicly, 2009 began three months early for us in October 2008 when we safeguarded our cash flow and got our inventories down. We are not going to spend our time talking about 13% ROCE this year. The message for 2009 is that we will maximise our cash flow and protect price quality by adjusting volumes rather that price, which we have started to do fairly successfully since October. We will also cut capital expenditure, from a 2008 plan a year ago of EUR 900 million to an actual 2008 of EUR 700 million, all the way to a 2009 plan of EUR 500 million, of which the clear majority has to come from further reduction of inventories that add no value – that is now the task for us.

Not every initiative will be cut by 70%. Rather, we will make certain investments at full speed and reschedule others – or cancel them, but only if there is no return in the new reality we face. Our priorities are the same as they were in August; we won't change strategy because of the financial turmoil, although we will reschedule some projects.

We will win with solutions based on renewable materials.

our mission

Mission, vision and values – and innovation

Markus: Another important task for this year is to roll out our new vision, mission and values. Our vision is: *Today we as a company, people and planet face new challenges never before seen. The world needs a new approach to materials.* This is something where as a company and an industry we are uniquely positioned to make an impact with the renewability, recyclability and small carbon footprint of our products.

Jouko: One of the tasks with the mission, vision and values is to get the world to hear the facts about what we do. My favourite story is when local people go to our Langerbrugge Mill in Belgium and their first question is, "How many trees did you kill to make that roll of paper?" The answer is, "None. It's actually your newspaper from two weeks ago, which we recycled and cleaned."

Markus: Absolutely. We need to go from telling each other all the good things we do to getting external stakeholders – including many of the environmental groups – to hear, understand and say that Stora Enso does good things and is always open to constructive dialogue to do even better in the future. Your letter last summer inviting Friends of the Earth to a fact-based dialogue that then resulted in a get-together was right on target.

Jouko: Our new company values of Create, Renew, Trust must be the start of a big dialogue in our organisation. In October 2008 we launched these to 250 of our people, and I asked that everyone in the company hear them in person from one of those present. I'm not sure if that is completed yet, but it had better happen soon. If ever we needed to trust in one another, now is the time. Perhaps that trust will be the first light at the end of this very long tunnel.

Markus: Our people must be able to believe that we are making our choices to protect the whole company and find solutions for those impacted by change, even when that means dire solutions for so many individuals. I also think that creativity, and building more of it in the organisation, has never been more important than now. Now or never, so to speak.

Jouko: That's an interesting point. We should be clear that innovation will not change the company over one quarter or even one year – but obviously that is no reason not to start. We need to encourage more innovation in every dimension because innovation, as I have seen throughout my career, is so much more than product research and development. Innovation is going early into Latin America with plantations in Veracel and Rio Grande do Sul or moving the centre of gravity of our corrugated operations to Russia and Eastern Europe. Innovation is also each little or big idea in every mill that makes us better – better for our customers, better than the competition. This is the energy we need to inspire in our people. In addition, my personal favourite is that we need to start measuring what we get out of all this, rather than how much money we spend on it; that is, rather than measuring R&D input costs, we need to measure innovation output, the cost or customer benefit from innovation.

Markus: We have moved from a regulated world of nation states with borders to big open markets with non-tariff borders, much less regulation, billions of new consumers and new competition. This is better for consumers as a whole, but the flipside of it is that companies and people must change and become flexible. The old approach where you hold assets for 20–30 years with the same business model will have to change, even in a capital-intensive business like ours.

Jouko: We must build trust with our stakeholders, from shareholders to customers to employees – we either win or we lose together with our partners. From the first day I took this job I said that I don't care how big we are, I just care that we do whatever it takes to win. And winning has two dimensions: providing an attractive offer to our customers and attractive returns to our shareholders – boy, we do have a long way to go there! With that comes the path away from endless restructuring and cuts, and only with that. I know this is quite different to wanting to be the biggest paper company in the world, but that is how I saw it then, and that is how I see it now.

Final remarks

Markus: I want our people to know that we do what we say. We do things when it is the right time for the company to do them, not when we are forced to, when there is no more choice. The press may say that it is dark in the forest today – yes it is, but we are on our way to switching the lights back on.

Jouko: Not that I like to agree, but you are right, Markus. The rough ride will continue in 2009, but we are better prepared, more so than most other industries. In the turmoil of 2008 we continued to move ahead with our most strategically important initiatives, and we will continue to do so. We will not wait for the good times to come back; we ourselves have to make the good times happen.

challenge: how to develop sustainable biotechnology into real business opportunities?

solution: a joint venture with the national oil champion to leverage our knowledge on wood for biofuel production.

Wood residuals have potential as a feedstock for transportation fuels. To explore this, we are working with Finnish oil company Neste Oil to jointly develop technology to produce next generation renewable fuel made from wood residues.

The joint venture, NSE Biofuels Oy, offers us the potential to create revenue from our knowledge of wood sourcing, handling and integrated processing. Stora Enso and Neste Oil view the growing biofuel market as a promising and sustainable new business opportunity.

NSE Biofuels Oy is building a demonstration plant at Stora Enso's Varkaus Mill in Finland, due to open in spring 2009. As well as providing test data and operating experience, the plant will also reduce greenhouse gas emissions as wood-based gas from the plant will replace oil in the pulp mill's lime kiln, making the Varkaus integrate virtually fossil fuel free. Following trials, the joint venture will assess the viability of building a commercial production plant at one of Stora Enso's mills.

"The role of printed media is changing. Printed and electronic media complement each other, giving printed media a fresh new future. We have worked hard to adapt our business to changing customer demand, and will continue to do so."

Juha Vanhainen
Executive Vice President, Newsprint and Book Paper
Country Manager Finland

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

Responding to change

Stora Enso Newsprint and Book Paper is the number one producer of newsprint and book paper in Europe. Our mills produce a wide range of products from both recycled and fresh fibre. Of our six newsprint mills, Langerbrugge in Belgium and Sachsen in Germany offer newsprint made from 100% recovered fibre, Hylte Mill in Sweden makes newsprint from 50% recovered fibre and Maxau Mill in Germany from 60%. Anjala Mill in Finland is Stora Enso's only book paper mill.

In newsprint, our challenge is to adapt to changing consumer behaviour while maintaining the efficiency and cost-competitiveness of our mills. To achieve this we need to be responsive to market conditions and willing to change when necessary. We will continue to develop profitable mills, but are ready to shut down older capacity if market conditions require us to do so.

We will also continue to review our product and customer portfolio and adjust volumes towards more profitable grades. In adapting our business more closely to the market, our goal is to maintain profitability and strong cash flow.

Working closely with our customers

At Stora Enso Newsprint and Book Paper we place a high value on providing solutions to our customers, working closely together with them over the long term. In Varkaus in Finland, for example, one of our paper machines is located on the same premises as the printing press of a Finnish newspaper group. This ensures that the newspaper in question benefits from a paper supply that is instantly available and flexibly produced.

Although newsprint demand is predicted to decline in Europe and North America in 2009, we expect global demand for printed newspapers and books to remain high or increase. Printed newspapers and books are not only flexible enough to read anywhere, they're also a sustainable, accessible and low-cost alternative to online media. Newspapers are also a potent advertising medium, effective in targeting different reader groups with items such as individual supplements.

We have a large market share in bulky mechanical book paper in Europe, with Germany the largest market, followed by the UK and Italy. In 2008 we converted the magazine paper machine at Anjala Mill to produce coated and uncoated book papers. This investment further improved the quality of our coated book paper, allowing us to take a greater share of the textbook and other hardcover book markets. We have also established long-term relationships with several major book publishers, and broadened our book paper portfolio by working closely with our customers to develop products answering their needs.

Increasing our use of recovered paper

Recovered fibre is a valuable raw material and we are focused on getting the most from it, reflecting our company commitment to use resources as efficiently as we can. We are already one of Europe's largest users of recovered paper, and plan to increase our use of it further. We always aim to use recovered paper as near as possible to where it is collected, reducing the costs and environmental impacts associated with transportation.

We use recovered fibre where it creates the most value for the Group and our customers, based on the paper grade quality requirements. It is most suitable for products with a short lifecycle, such as newsprint, one of our main uses for recovered fibre. Our standard newsprint contained an average of 79% recycled content in 2008.

Another environmental benefit of products made from newsprint and book paper is that they can be recycled at the end of their life and used again as raw material. Newsprint and book paper also store carbon, keeping it out of the atmosphere and helping to reduce the effects of climate change, as do all of Stora Enso's paper and wood products. Books can last for many decades, during which time they keep the carbon within them from being released into the atmosphere.

Increasing bioenergy in internal energy production

The nature of Stora Enso's production processes means that we can re-use many of the by-products as a source of bioenergy. The most important of these are black liquor from pulp cooking, bark and de-inking and bio-sludge. Other important sources of bioenergy are logging residues and recovered wood.

The paper industry is the world's largest producer and user of bioenergy. In 2008, Stora Enso increased its use of biomass for internal energy production to 72% (70%). This was due to lower dependence on fossil fuels in producing energy internally. Another reason for the increase in the use of biomass was an increase in the market value of carbon credits, and also a significant increase in the price for fossil fuel in 2008 compared to 2007.

Stora Enso is continuously working to increase the already high share of bioenergy it uses in internal energy production at its mills. One such major initiative from Newsprint and Book Paper is our project to improve the energy efficiency of Langerbrugge Mill. As a result of this project – which begun in 2007 and is scheduled to finish in the second quarter of 2010 – the mill will use a more competitive fuel mix in combined heat and power generation. This will improve its electricity self-sufficiency

challenge: how can we encourage consumers to recycle paper?

solution: make our mill a showcase for recycling.

Langerbrugge Mill in Belgium uses around 700 000 tonnes of recycled paper every year to produce 555 000 tonnes of 100% recycled newsprint and magazine paper. The mill regularly welcomes visitors to the mill, which is a good opportunity to inform people about the recycling process.
Langerbrugge has launched a new initiative that requires visitors to the mill to bring around 2–3 kg of used paper. During a tour of the mill, they have an opportunity to sort the paper and drop it onto a conveyor belt that leads directly to the de-inking installation. In addition, a general mill presentation explains and visualises the recycling process.
Langerbrugge receives used paper mainly from Belgium, the Netherlands, the UK and France. As one of Europe's largest consumers of recovered paper, it's in the mill's best interest to educate and inform people about the importance of recycling.

challenge: how can we ensure a future for print in today's multimedia environment?

solution: hybrid media – a way to link the printed page to the online world.

Hybrid media solutions link printed material and print advertising to content on the internet, keeping it relevant and competitive in today's multimedia environment.

Stora Enso's first hybrid media technology partner, UpCode Ltd, has developed software that allows a mobile phone equipped with a camera to read codes printed on a page. Scanning a code links the user online to additional information, entertainment or services, such as shopping.

Designed for publications and packaging, hybrid media solutions are a modern and effective way of providing information and advertising through print, as well as an intriguing invitation for readers to interact with the printed page.

Our hybrid media development focuses on evaluating the business potential of combining mobile technology with printed materials, as well as the services we can offer publishers and advertisers.

from 10% to over 50%, significantly reducing its fuel costs and increasing its use of bioenergy. Langerbrugge Mill produces newsprint and magazine paper from 100% recovered fibre, so the investment means that the mill will use an even greater quantity of renewable raw materials in its production processes.

A challenging operating environment

The primary drivers of newspaper demand are advertising spend, economic growth and reading habits. In Europe and North America newspaper circulation is declining slowly but globally it is increasing. Our main market is Europe, although we export large quantities of paper to various growth markets in Asia.

We experienced a challenging operating environment in 2008. Market demand remained weak and the economic downturn depressed demand further towards the end of the year. In response, the industry announced major capacity closures in Europe and North America during the year, reducing the supply of newsprint. Prices fell in Europe at the beginning of the year, whereas they increased strongly in overseas markets, particularly in the second and third quarters. The strong euro hastened imports from the USA and Canada early in the year, but these have declined since the spring.

Restructuring our business for growth

Our main events in 2008 were planned restructuring activities to keep our business cost-effective, and all such events went according to plan. In January 2008 we shut down Summa Mill in Finland, with an annual capacity of 415 000 tonnes of newsprint, uncoated magazine paper and book paper. Our mills in Finland, Sweden and Western Europe now serve Summa's customers.

Following the closure of Summa Mill, we transferred 65 000 tonnes of book paper production to Anjala Mill. Anjala Mill converted paper machine (PM) 2, a coated magazine paper production line with an annual capacity of 155 000 tonnes, to produce book paper, at a cost of EUR 29 million; it also permanently shut down PM 1, with an annual capacity of 120 000 tonnes of book paper. As a result of these changes, Anjala Mill's total annual production capacity is now 435 000 tonnes of book paper and improved newsprint, of which 320 000 tonnes is book paper.

"In a market with slow growth, changing media and a gloomy economic outlook, we continue to be proactive, reinventing ourselves and our processes to maintain a strong business position."

Hannu Alalauri
Executive Vice President, Magazine Paper

At Stora Enso Magazine Paper we offer a wide range of paper for magazines and advertising. Publishers, printing houses and retailers use our uncoated magazine paper for periodicals and advertising materials such as inserts and flyers, as well as mass-circulation TV magazines and catalogues. Specialist and general interest magazines are significant customers of our coated matt, silk and glossy magazine paper, which our customers also use for items such as supplements, home shopping catalogues and magazine covers.

Magazine Paper offers excellent choices and trusted supply for media and advertising

Magazine paper purchasers are open to new ideas for items such as magazines, catalogues, retail marketing and inserts, since they are constantly on the lookout for new and improved solutions. Our wide range of magazine paper offers excellent choices.

We all recognise the ongoing changes in media. At Stora Enso Magazine Paper, we see electronic media as complementing, as well as competing with, our offer to end-users. We aim to deliver solutions that use printed media alone and in combination with other media types to deliver content and capture end-user interest. Printed media is very efficient, particularly in push marketing, and in recent years our paper supply to direct mail has grown almost 5% annually.

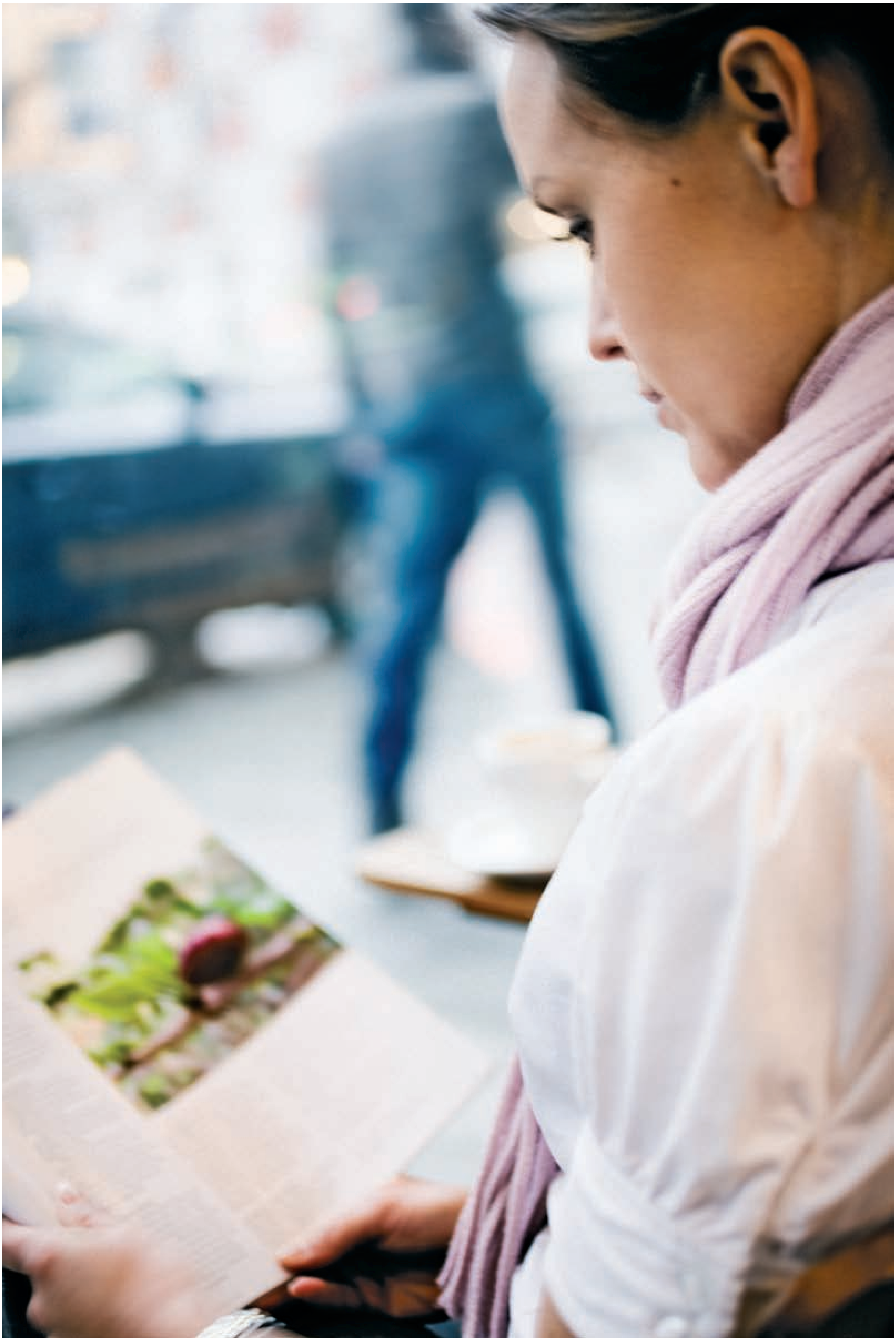
Stora Enso is a trusted supplier with an excellent reputation for maintaining a timely supply of paper and keeping promises. In 2008 we maintained an uninterrupted supply of paper to our customers, despite closing down some mills and production lines. A reliable paper supply is vital for printers since typically they operate with limited paper inventories and tight schedules.

A sustainable magazine paper provider

At Stora Enso we are committed to running a transparent and responsible business. The increasing prominence of environmental issues such as illegal logging means that our customers, and their customers, demand to know the origin of the wood we use in our products. All of the wood we use is from sustainable sources and we are able to trace its origin, no matter where it was sourced.

Our customers also want to know about carbon emissions from our paper production. Magazine paper production is energy intensive, and we are fully committed to finding ways to improve our energy efficiency and minimise our carbon dioxide emissions. For example, we have invested in improving energy efficiency at Maxau Mill in Germany and Langerbrugge Mill in Belgium. At Maxau Mill we aim to reduce fuel costs and increase the mill's use of bioenergy by using a more competitive fuel mix in combined heat and power generation. The mill will be more self-sufficient in electricity as a result of this investment, which we are scheduled to complete in the second quarter of 2010.

We are fully committed to the use of recovered fibre in our paper production. Many of our magazine paper grades include recovered



challenge: how can we support customers effectively with our best knowledge and innovations?

solution: dedicated print support with Stora Enso PrintNet

Today customers need better customer support than ever before. Stora Enso PrintNet is our solution – a network of around 200 leading print practitioners from our marketing, production, technical customer service and research and development functions.

The PrintNet network provides rapid support and in-depth expertise for printing by organising projects, printing schools, future outlook seminars and online services. The PrintNet core team, based centrally in Mönchengladbach, Germany, makes it quick and easy for our paper and print customers to get the knowledge and support they need.

Not only does PrintNet enable us to better address our customers' needs, it also helps us to develop stronger products and solutions by listening to what these customers tell us.

PrintNet also shares its expertise in areas such as productivity, interactions between materials and machinery and correct paper or fibre choice. Plus it follows printing trends and works with research institutes, both of which lead to innovations for our customers.

This helps to ensure our paper and print customers get the best of tomorrow's technology, as well as today's.

fibre, although most also include fresh fibre. Since starting up Dawang Mill in China, we have significantly increased the overall share of recovered fibre used in the production of our magazine paper. The mill makes an uncoated supercalendered paper, called EnviPress, entirely out of recovered fibre. EnviPress is the only 100% recycled uncoated supercalendered paper made in the Asia-Pacific region. Today the mill gets most of the paper it recycles for this from the USA but is investigating ways to source more local recycled paper.

The retail, publishing and advertising sectors have been fast to adopt the new high quality grade because it is easy to print on, runs well in printing presses and is priced competitively. The paper was used for Volunteer, an official magazine of the Beijing 2008 Olympic Games.

Strengthening our position in growth markets

The magazine paper business is characterised by demand for high quality and large volumes. At Magazine Paper we aim to offer top quality products on competitive terms and maintain a strong supplier position in our markets.

Today we enjoy a strong position in the main markets of Europe. A key advantage is that our magazine paper mills in Central Europe – four of the Group's nine magazine paper mills – are located close to our customers. We expect this to be particularly valuable in the tough market conditions of 2009.

While Europe remains a highly important market for us, we have also moved decisively to establish leading positions in China and Latin America.

We are China's leading producer of supercalendered (SC) magazine paper. In January 2008 we inaugurated Dawang Mill, an SC paper mill with an annual capacity of 200 000 tonnes. Dawang Mill is operated by Stora Enso Huatai Paper Company, owned 60% by Stora Enso and 40% by Shandong Huatai Paper.

We continue to be the leading producer of coated magazine paper in Latin America. In Brazil, we have further improved product quality at Arapoti Mill, owned 80% by Stora Enso and 20% by Chilean Arauco. The high quality of the mill's lightweight coated paper has helped Stora Enso to improve its market position in the region.

Growing uncertainties depressed demand after the Beijing 2008 Olympic Games

Advertising and consumer spending drive magazine paper demand. In recent years, demand has grown slowly in Europe. Market demand for magazine paper, particularly SC paper, was good in the first half of 2008 and increased strongly in Eastern Europe. Industry forecasts for 2009 indicate a market decline of 3–4%. However, at this stage it is very difficult to predict how long the economic slowdown will last or its consequences for paper demand.

The global financial crisis and gloomy macroeconomic outlook began to have an impact on magazine paper demand after the Beijing 2008 Olympic Games, particularly for coated mechanical papers. Before the year-end we anticipated depressed demand in the first quarter of 2009 due to de-stocking and slow advertising activity. To safeguard cash flow and low inventory levels, we began taking major curtailments at the end of the fourth quarter of 2008, and prepared for further capacity management actions at the start of 2009.

Capacity management – temporary curtailments or, if required, permanent closures – will be needed to maintain a healthy supply-demand balance. Cost and working capital management will also be more important than ever before. We will reinvent our processes to adapt to uneven demand, and reduce both finished goods and raw material inventories to safeguard our cash flow.

This will mean very close co-operation with our customers and suppliers to maintain high service levels and smaller reserve stocks, as well as open dialogue to help us all prepare for rapid changes in demand. We will meet these challenges together with our customers and suppliers.

Main events of 2008

We improved our profitability in 2008, following a difficult 2007. We achieved this through mill and machine closures and by reducing fixed costs in all units. Despite these efforts, we did not reach our financial targets.

We improved our supply-demand balance and asset competitiveness in 2008 by closing capacity. Anjala Mill in Finland converted its paper machine (PM) 2, a 155 000-tonne coated magazine paper production line, to produce book paper. In January 2008 we shut down Summa Mill in Finland, with an annual capacity of 415 000 tonnes of newsprint, uncoated magazine paper and book paper.

In September 2008 we also announced our plan to close down PM 3 at Kabel Mill in Germany by the end of the year. This machine, with an annual capacity of 140 000 tonnes of coated magazine paper, was shut down in November 2008. Since 2006, Stora Enso has closed down 810 000 tonnes of non-competitive magazine paper capacity.

We also began further productivity improvement measures in operations, maintenance and administration at Kvarnsveden Mill in Sweden, Maxau Mill in Germany, Veitsiluoto Mill in Finland and Langerbrugge Mill in Belgium.

"In the present unstable and weakened market conditions, our goal remains to be one of the most profitable players. We offer efficient production units, cost-competitive raw materials and an innovative approach to customer service through initiatives such as sheeting operations that are close to the market."

Aulis Ansaharju
Executive Vice President, Fine Paper

Stora Enso Fine Paper produces graphic and office paper for printers and publishers, merchants, envelope converters, office equipment manufacturers and office suppliers. Our fine paper mills are located in Finland, Sweden, Germany and China.

Our graphic paper grades are mainly multicoated fine papers for art books, annual reports, luxury magazines and brochures. Our office paper grades are uncoated fine papers for office and digital printing, envelopes, notebooks and pads and business forms.

Advertising drives coated fine paper use. The use of uncoated office paper depends on factors such as desk printing and online work habits.

Aiming to be Europe's most profitable fine paper supplier

Our goal is to be the most profitable fine paper supplier in Europe. We will achieve this through cost-efficient production backed up by a firm order inflow and excellent customer service. Our pulp and paper mills are located near to both our raw materials and our customers, providing a firm foundation for our business to be cost-effective. We must distribute our products efficiently and develop affordable new solutions to take advantage of this.

To improve profitability, we will implement several cost saving and efficiency measures in 2009. These include outsourcing maintenance functions at certain mills and reducing administration costs as part of the Group's focused administration programme.

Continuing to win our customers' trust

Excellent printability and runnability are crucial for graphic fine papers. Our products, such as the Lumi paper range, offer consistently high quality and an excellent combination of brightness, smoothness and whiteness, ensuring clear, bright images. We offer printers and publishers the reliability they need for today's printing applications.

Flexibility and experience are key to success in the office papers market. We tailor our office papers, such as MultiCopy and 4CC, to meet the needs of today's work environments and technologies, from rapid advances in information technology to fast-developing digital printing techniques. In addition, our considerable resources and expertise allow us to lead in innovation and support our customers with reliable service and consistent quality.

The fine paper market in general values cost-competitive, high-quality production and excellent customer service. Our customers demand lightning-fast response times, just-in-time deliveries, availability and reliability. In such a market, the central location of our paper mills and service centres is a real asset, allowing us to source our materials and deliver our products in response to our customers' demands. We distribute most of our products through dedicated paper and office supply merchants, and some direct to large publishers and printers.

In early 2008 we divested our paper merchant business Papyrus. Papyrus is a trusted supplier that has long distributed a significant

challenge: how can we enable printers to improve their flexibility and speed?

solution: reinvent a sheeting plant as a fast-delivery service centre.

A graphic paper printing press is a huge investment with considerable running costs. To recoup this investment, printers need to keep their presses working around the clock.

In a tough economic climate, maintaining a continual stream of work requires even greater flexibility and speed than usual. The more responsive a printer can be to their customer's needs, the greater their chance of winning the job.

To support its printers, Stora Enso subsidiary Lumipaper – previously a simple sheeting plant – has reinvented itself as a fast-focused distribution centre with a highly responsive operating philosophy and a premium service for printers in the UK graphic market.

Called Fast Track and launched in 2006, the service is able to produce any size of coated wood-free graphic paper to order within 72 hours.

This approach to customer service has helped Lumipaper dramatically reverse declining volume and market share in the highly competitive printing market.

challenge: how can we move production to another country with minimal disruption to customers?

solution: intensive technical and service support to customers during the transfer.

Berghuizer Mill in the Netherlands closed in 2007, transferring production of its key document and digital papers to Nymölla Mill in Sweden. A major concern for us was to minimise the effect of this transfer on our customers.

To convert Nymölla we overcame the technical challenge of adapting it to use eucalyptus fibre and manufacturing high-quality fine paper grades. However, the key to the project's success was maintaining strong technical and service capabilities to our customers during the handover period.

As well as being on hand to deal with questions and concerns, we analysed our customers' needs, and prepared solutions in advance. We also gave our customers the option to test Nymölla's papers for several months in preparation for the transfer.

As a result of these initiatives, our customers were able to switch their supply from Berghuizer to Nymölla with minimum disruption – and the good news for our business is that we have retained our market leading position in document and digital papers.

proportion of our fine paper, and continues to do so thanks to a long-term supply agreement in the terms of the divestment. With Papyrus an independent agent, we are able to deal impartially with our merchant customers – no longer competing with them – and our other distribution channels.

Most of our fine paper mills integrate paper production and pulp manufacturing, an approach that uses a high proportion of bioenergy, reducing the need for fossil fuels. This contributes to our fine paper products' favourable carbon footprint, reflecting Stora Enso's deep commitment to sustainability.

Low-cost fibre from sustainable sources

Our fine paper mills in Finland, Germany and China use low-cost eucalyptus pulp from Veracel Pulp Mill in South Bahia, Brazil. Veracel is a state-of-the-art pulp mill and eucalyptus plantation and a joint venture between Stora Enso and Brazilian eucalyptus pulp producer Aracruz. As a consequence of receiving a Forest Stewardship Council (FSC) Forest Management Certification in March 2008, all of the pulp produced at Veracel's mill is FSC certified. Since much of Veracel's pulp ends up in our coated fine paper, a number of graphic paper products made from Stora Enso fine paper now bear the FSC label.

In addition, Veracel was certified in 2005 by the Brazilian Program of Forest Certification (CERFLOR), which is endorsed by the Programme for the Endorsement of Forest Certification schemes (PEFC). This certifies that Veracel's tree plantation operations are socially beneficial and managed in an environmentally appropriate and economically viable way.

Veracel is committed to a best practice approach to plantation management, and pursues its own sustainability agenda, which it has agreed with its owners. This involves environmentally responsible measures at the pulp mill and on the plantations, a strong commitment to social responsibility and active stakeholder dialogue.

Veracel plantations occupy only half of the lands it has acquired. It has a unique plantation setup where it plants trees on flat areas and allows original vegetation to regenerate naturally in valleys. In addition, each year Veracel restores of some 400 hectares of local rainforest, helping to conserve local biodiversity.

Veracel employs 4 022 people directly and through contractors at the mill and plantations. According to a study conducted by Brazilian research insitute Fundação Getulio Vargas, Veracel adds 30 400 jobs to the Brazilian economy in addition to those people employed at the mill. It also partners with 98 local small farmers who supply it with plantation wood and supports several local social projects.

Taking action in a tough market

Market demand remained weak for fine paper products in Europe in 2008. By closing around one million tonnes of production capacity, the supply-demand balance was improved for coated fine paper during the year. Around 1.3 million tonnes of global production

capacity reductions in coated fine paper has been announced since the beginning of 2007.

We have chosen to take the necessary tough steps to keep our business effective in this challenging global economy. We will continue to adapt and innovate to maintain our ability to lead the market.

Uncoated fine paper production capacity reductions were barely enough to offset the decrease in European demand. We expect the market for uncoated fine paper to continue to be challenging in 2009 due to a further 4–5% decrease in European demand. Although we were able to implement some price increases successfully, primarily in coated fine paper, price development remained unsatisfactory.

Stora Enso Fine Paper aims to win and retain significant market share in its target markets in Europe, China and Russia. Our coated fine paper performed better than uncoated fine paper in 2008.

Fewer major initiatives in 2008

Our main investments in 2008 were a new folio sheeting line at Oulu Mill in Finland and a new sheet cutting line at Veitsiluoto Mill in Finland. In 2007 we finalised a number of significant strategic investments in office paper, which we had intended to make good use of this year. However, we were not able to make full use of this new capacity due to decreased demand during the year.

After our large-scale restructuring measures in 2007, we made no permanent closures or divestments in Fine Paper in 2008.

"40% of the world's food is wasted due to inadequate packaging. Packaging that protects food properly is a necessity and a growth business in an increasingly global world."

Mats Nordlander
Executive Vice President, Consumer Board

Stora Enso Consumer Board is the world's leading consumer board company, making packaging materials for a wide range of products. We are a specialist producer of liquid packaging board, food service board, graphical board and carton board for use in packaging food, beverages, cigarettes, pharmaceuticals, cosmetics and luxury goods, and we lead the way in high-end applications.

Growth through strong customer relationships

We will maintain and develop our global leadership position by further strengthening the competitiveness of our existing production units and seeking outstanding growth opportunities. We aim to grow in core markets by building on profitable customer segments and meaningful leadership positions, and in the long-term by developing more value-added services for our business.

Stora Enso is firmly committed to curbing climate change on a global scale, and at Consumer Board we strongly promote packaging based on renewable wood fibre. Fibre-based packaging has a smaller carbon footprint than packaging made from non-renewable materials, making fibre-based packages better for the environment.

At Consumer Board we place a high value on enduring customer relationships. One of our growth strategies is to develop our business with existing customers as they become global, taking advantage of the scale of our company and its resources. This allows us to continue to serve our customers, and to avoid searching for new customers or markets alone.

Our business environment is stable and offers healthy growth with reasonable profitability. We have a significant market position in our segments, and our customers see us as a leading player that actively develops the entire packaging value chain.

Meeting our customers' needs with excellence

We strive to understand and meet the needs of both our customers and packaging consumers with added-value solutions and innovations. This forms the basis for successful long-term partnerships with our customers; for instance, a major customer recently ranked Stora Enso Consumer Board as its number one supplier.

We offer a wide combination of board properties, grades and weights to ensure optimum packaging performance for most applications. For example, our products offer excellent visual appearance, which major brands are able to exploit for powerful product marketing. Another reason we lead the market is that we offer local customer service and can respond rapidly to our customers' changing needs.

Product safety is also vital to ensure that food, food packaging and other sensitive packaging materials are safe for use. We meet stringent product safety requirements at our mills with certified product safety hygiene management systems. These require sound manufacturing practices and the use of high-quality raw materials that are approved for food contact. Our versatile, lightweight paperboard packaging

challenge: how can we help the fast food industry to become more environmentally sustainable?

solution: a 100% bio-degradable paperboard cup made from renewable wood fibre and biopolymer coating.

Paperboard for fast-food packaging and drinking cups is usually polymer coated. The polymer coating protects the contents against the damaging effects of light, oxygen, humidity, grease and heat.

The fibre from the paperboard can be recycled and the plastic from the coating can be reused or used for energy production. Standard petroleum-based polymer coatings are not biodegradable, which means the packaging does not break down naturally after use.

Stora Enso has developed biopolymer coatings for years. Biopolymer-coated paperboard breaks down naturally after use, and research shows that the best biopolymer-coated boards perform just as well for food and beverage packaging as those coated with traditional polymers.

As a result, fully biodegradable beverage cups are already available, and use today's biopolymer coatings based on either renewable or non-renewable raw materials. Our aim is to produce biopolymer-coated board from 100% renewable resources for the fast food industry and other industries worldwide.

prevent product waste by fully protecting packaged content against physical damage, contamination and light.

Thinking out of the box

Stora Enso promotes creative thinking and innovation as an engine to drive the business forward and achieve success. At Consumer Board, we pride ourselves on world-class research and development (R&D) capabilities. Our future growth depends on being able to develop innovative packaging solutions for our customers' needs.

Our customers increasingly require lighter packaging materials. We have achieved lighter and stiffer boards by using the latest technologies and techniques in our production process, as well as finding new ways to use raw materials more efficiently, consuming fewer resources. This work has been particularly successful in liquid packaging board, where we have significantly reduced our use of raw materials per tonne of board. Lighter materials are also important in carton board, since they reduce the quantity of packaging, saving space and weight (and cost) in both transportation and disposal.

Another result of our winning innovation process is new barrier solutions in food service boards. These bio-barriers have enabled us to produce 100% biodegradable cupstock.

These innovations not only keep our business competitive, they also reduce the carbon footprint of consumer packaging, making it more sustainable.

Rising to the challenges

To maintain our leadership, we must improve our profitability and compete with paperboard entrants from Brazil and China, in addition to our Nordic competitors. Moreover, we must deal with the current issues of low sales margins, continuous overcapacity in Europe and costly wood supplies.

We will rise to these challenges by further increasing our efficiency and ensuring a cost-effective and sustainable supply of raw materials and energy at our mills. We will also gain market share from competing materials – here the renewability of our raw material and smaller carbon footprint of our products is a huge draw – and serve growth markets efficiently, all while maintaining our quality advantage.

At Stora Enso we value the trust that our customers place in us. Our priority is to maintain our long-term competitiveness and profitability as a basis to deliver the high-quality products and innovations and lower costs that they expect from us.

Ahead on sustainable packaging

Sustainability is increasingly important in packaging materials, and we are fully committed to ensuring sustainable materials and energy use at all levels of our business. Our products provide climate-friendly alternatives to products made from non-renewable materials. Fibre-based board is renewable and recyclable. Furthermore, we use a high ratio of bioenergy to make consumer board at our mills, reducing our carbon footprint further. Our packaging products can be recycled safely, either by recovering the fibre to make new products or by burning as bioenergy (landfill is a last resort). Wood fibre can be recycled four to six times, while recovered fibre can be used for products such as white lined chipboard (which we produce at our Barcelona Mill in Spain), newsprint, coreboards, container boards and magazine papers. Stora Enso is fully committed to increasing its use of recovered fibre.

Calculating carbon footprints

More than ever, consumers are interested in renewable and recyclable packaging. To help our customers to determine their own carbon footprint, we have calculated the carbon footprints of Consumer Board's main products – just one example of Stora Enso's company-wide product carbon calculations in 2008. Fibre-based packaging materials normally represent 3–10% of a product's total carbon footprint, including its content.

Stora Enso Consumer Board's carbon footprint calculations are based on the life cycle approach and the rules developed by the European Paper Industry. We will update these carbon footprint calculations as new publicly approved methodologies for calculation become available.

Restructuring for the long-term

2008 was a challenging year in many respects, causing us to miss our profitability targets. This required a bold response, and we took some severe restructuring actions during the year to improve cost-competitiveness and secure the long-term health of our business.

We permanently shut down the carton board machine at Baienfurt Mill in Germany. We will also permanently shut down board machine (BM) 1 at Imatra Mills in Finland and two polymer coating (PE) machines due to reduced polymer coating needs. Despite strenuous efforts to restore profitability at Baienfurt and Imatra BM1, we would not have been able to reach our profitability targets for these facilities in the long term.

We are also working hard to secure the long-term competitiveness of our remaining mills. By closing unprofitable mills, we will be able to invest in units that offer the right product mix and a competitive cost base. We are implementing an investment programme for improving production quality and efficiency at our Imatra and Ingerois mills in Finland.

We intend to improve the mills' profitability by further simplifying our production base and increasing productivity for each machine. We will also address the challenge of moving our products to the other mills and serving our customers from there. The benefits of these adjustments to our customers will be higher flexibility and improved quality.

Developing growth markets

Fibre-based packaging offers long-term growth rates of 2–6% in most segments. China is a key market for liquid packaging boards, particularly the aseptic segment, offering almost 50% of anticipated global growth over the next 10–12 years. In carton board, expansion in growth markets is outpacing that of mature markets, too. However, in healthcare, pharmaceuticals and luxury goods, mature markets are growing faster than the market average.

Building a financially sustainable future

Stora Enso Consumer Board is building a future business that is profitable in the long term. Our mills are shifting production and we have outlined new focus areas for mature markets. Growth markets are also likely to play a major role in our future growth.

In the short term, it is important to restore profitability and ensure healthy businesses at all our mills in Europe. We need to take firm action to improve the competitiveness of our mills, ensuring that they remain world class.

In the mid-term, we need to increase profitable growth and establish a presence in at least one growth market. In the long term, our goal is to be the undisputed global leader in our business. We are a customer-driven company with a deep knowledge of the consumers of packaging products; we are inspired by our ability to leverage this to provide our customers with innovations and solutions that enhance their success.

challenge: how can packaging help to follow up patients medicating at home?

solution: intelligent pharmaceutical packaging that records dosing information.

It's often difficult for a doctor to know exactly when a patient takes their medication at home. Yet this data can be valuable for providing follow-up treatment for the patient.
Our solution is an intelligent pharmaceutical packaging that records when a patient takes their medicine. The packaging, called Pharma DDSi, has an embedded microchip that collects the precise date, time and dose taken. A doctor can then use this data to adjust the medication, or a pharmaceutical company can use it to assess the efficacy of a drug.
Pharma DDSi also performs optional tasks, such as sounding a beeper as a reminder to take a pill, and making use of a mobile phone to transfer and display the data from the microchip or provide an SMS reminder to take the drug.
The Healthcare Compliance Packaging Council Europe has selected Pharma DDSi as the Best Compliance Packaging of the Year for 2008.

"Our innovative packaging solutions can reduce our customers' logistics costs significantly. Our strong position in selected product segments and growth markets in Central and Eastern Europe will enable us to regain our excellent record of performance and grow further."

Veli-Jussi Potka
Executive Vice President, Industrial Packaging

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

Our corrugated packaging products range from consumer goods sales packages to transport packages. Our packages for consumer goods are often offset-printed microflute products for the electronics, food and beverage industries. Our transport packages are typically flexo-printed and vary from standard box applications to tailor-made heavy-duty boxes; these are used for industrial chemicals, paper industry, food and beverages, televisions, machines and spare parts. Our heavy-duty packaging business is entering market segments that traditionally use plastic and wood as packaging materials, such as automotive and electronics, and offers significant savings in transportation costs and disposal and recycling of packaging.

Stora Enso subsidiary Corenso United is one of the world's leading producers of high-quality coreboards, high-performance cores and tubes, and edge protectors. It supplies heavy-duty cores mostly to manufacturers of paper and board, plastic film and flexible packaging. Corenso serves customers globally.

Building growth markets, innovation and cost-competitiveness

Low-cost raw materials and efficient manufacturing is the key to cost-efficient production of industrial packaging products. We achieve this partly by recycling and manufacturing our own raw materials, containerboard and coreboard. Our long-term target is to increase our self-sufficiency in corrugated packaging raw materials.

A region's level of economic development is a key driver for its corrugated packaging demand. At Industrial Packaging we focus on selected markets, customers and product segments, seeking a strong position wherever we operate. Our key geographic areas for corrugated packaging are Scandinavia, Eastern Europe and Russia. Eastern Europe and Russia account for some 65% of our corrugated packaging capacity and offer strong growth potential due to today's low packaging consumption per person. Our corrugated packaging operations also offer highly skilled packaging design. Our cores business has a strong market position, particularly in the paper industry.

Our goal is to continue profitable growth of corrugated packaging and cores in our selected markets, and further develop an integrated cost-competitive supply of raw materials. In the near-term we will make the most of our plants that began operating in 2008, and actively seek new growth opportunities. We also plan to improve our cost-efficiency further and develop more packaging innovations and solutions. Fibre-based packaging is one of our future growth areas.

At the heart of our markets

Corrugated packaging is an essential part of product logistics. It protects a product during storage, transportation and handling and,

challenge: how can we build a more environmentally friendly paint can?

solution: a paint can made from paperboard.

Our team at Corenso has pioneered an innovative process that produces the world's first paint can from paperboard, a viable alternative to traditional paint cans made from metal and plastic.

The body of the new can is made from recovered paper, and the bottom, top ring and lid are made of polypropylene. The body of the new can is 100% recyclable, meaning that it can be reused once the product is finished. It is 45% lighter than a metal can, which is a clear environmental advantage.

Furthermore, the new can is easy to open and tough enough to withstand repeated opening and closing, and does not rust on contact with water-based paint. It can also be used for oil-based paints.

Corenso is already in trial production, and has received interest from several major paint producers.

challenge: how can we make food packaging more environmentally friendly and provide better opportunities for branding?

solution: a new type of paperboard package with excellent functionality and appealing design.

Increasingly consumers demand packaging made with materials that have a lower impact on the environment than those made from non-renewable resources such as plastic or aluminium.

We have developed a new type of paperboard package for food and non-food products that is based on renewable and recyclable fibre. This is a sustainable alternative to packaging made of plastic or aluminium, and has a smaller carbon footprint.

The paperboard package provides excellent functionality and usability. It is easy to open and close, can be heated or used to preserve foods, and is reusable.

Paperboard is also a highly versatile design material, offering a huge range of attractive visual designs, shapes and sizes that give brand owners an effective way to build their brands through tailor-made packaging. All good reasons to be confident that our paperboard package is in the best interests of our business, as well as the environment.

as a marketing medium, can help a brand owner to build a brand and promote sales. However, it cannot be transported feasibly over long distances, and therefore production units need to be located close to customers.

All of Stora Enso's corrugating packaging plants are well located for their markets, enabling us to offer our customers fast response times, flexibility, just-in-time deliveries and local service. All are vital to the continued success of our business, helping us to build trust and long-term partnerships with our customers.

Fibre-based packaging materials and cores and coreboards are excellent solutions from a sustainability point of view. They are made from wood, which is a renewable resource (Corenso's products contain 90% recycled fibre), and are fully recyclable, offering a lower carbon footprint than fossil fuel materials like plastic and metal.

Our operations cover the entire value chain from recovered paper collection and pulp production to packaging production, including packaging design and planning and delivering packing machinery.

Mixed demand in 2008

After a good start to the year, European demand for corrugated packaging started to cool off in the second quarter, and containerboard demand has since remained weak. This caused recycled-fibre-based (RCP) containerboard inventories to rise, leading to declining prices. Prices of semi-chemical (SC) fluting and corrugated packaging were relatively stable.

Prices for cores and coreboard were stable throughout the year, although demand declined somewhat towards the end of the year. This reduced demand was in part due to a number of paper and board capacity closures. Demand was strong for laminating paper products and prices were increased due to the higher costs.

Investing in cost efficiency and growth, trimming declines

To prepare for stiffer competition, we have improved our cost efficiency through profit improvement measures and numerous investment projects. These steps also demonstrate our willingness to overcome challenging circumstances with flexibility and innovation. We have built new plants and invested in existing facilities, creating exciting opportunities for growth and providing further capacity to respond to growing global demand, particularly in the fast-growing packaging markets of Central and Eastern Europe, where the long-term growth in demand is forecast to exceed 5% per annum. Nevertheless, the global economic slowdown caused us to miss our growth target for 2008.

In the first quarter we started commercial deliveries from our new corrugated packaging plant at Lukhovitsy in Russia, which will primarily serve the food and beverage, cigarette and electronics industries. In the first quarter we also opened a new heavy-duty corrugated box production line at Łódź in Poland, enabling us to enter the heavy-duty and large-sized packaging segments in Poland. In the second quarter we started production at our offset-printed microflute corrugated packaging plant at Balabanovo in

Russia, making us the first foreign packaging company to invest in such packaging production in Russia. In September we started production at our offset-printed microflute packaging plant at Komarom in Hungary.

Our subsidiary Corenso United took a number of restructuring actions to increase its efficiency and long-term ability to weather the economic storm. It closed down its core factory in Newcastle in the UK at the end of 2007, concentrating production on our two remaining UK facilities in Bolton and Milton Keynes. In addition, at the end of 2008, Corenso shut down its coreboard machine in Varkaus in Finland, with an annual capacity of 100 000 tonnes, due to persistent profitability problems. In the first quarter Corenso finished converting a former paper machine to manufacture coreboard at Wisconsin Rapids, USA, which included the permanent closure of its smaller coreboard machine. At the end of 2008 Corenso started to operate in Eastern Europe with its new core plant at Tychy in Poland.

Stora Enso is firmly committed to reducing the environmental impact of its mills through a range of sustainability measures, such as increased energy efficiency and reduced emissions to air. In the fourth quarter we began work on a new multiple fuel power plant at Ostrołęka Mill in Poland to help meet the mill's long-term energy needs. This new multiple fuel plant will improve the mill's cost competitiveness, energy self-sufficiency and energy efficiency, and reduce its carbon dioxide emissions. We also aim to increase the mill's use of biofuels, subject to their availability. We expect to complete the power plant in 2010.

In 2008 we also outsourced maintenance at our Kotka Laminating Paper Mill in Finland, and made with other productivity improvement measures to enhance its competitiveness.

"Our main goal is to return to profitability. We will do this through focused restructuring and efficiency measures, and being even more selective in our product and market portfolio choices"

Hannu Kasurinen
Executive Vice President, Wood Products

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, joinery and packaging industries and provide engineered fit-to-use products for manufacturing processes. We also supply a wide range of sawn and processed wood products to timber retailers, merchants and importer-distributors, and provide raw materials to the pulp and panel industries and the energy sector. We are fully committed to high performance standards in both the quality of our products and our service to customers.

We make sawn and further processed products from European softwoods, pine and spruce. In response to the changing use of wood for construction and joinery, we are increasing our share of value-added products such as glue-laminated beams and posts, components and building elements. Today we are a leader in many market segments, including glue laminated products in Japan and joinery components in the Nordic Countries.

Europe and Asia are our largest markets, which we supply from saw mills in Austria, the Czech Republic, Estonia, Finland, Germany, Latvia, Lithuania, the Netherlands, Poland, Russia and Sweden. We operate our own wholesale distribution under the brand Puumerkki in Finland and the Baltic Countries.

Raw material supply remains a key competitive driver for the sawmill industry. Our sawmills work in close co-operation with Stora Enso's wood supply operations. Sawmills also play an important role in the supply of raw material to the pulp, paper and board industries, both through supporting pulpwood procurement and producing chips and sawdust.

A growing share of construction

Wood is gaining market share as a construction material because it is cost-competitive, renewable and suitable for a wide range of applications, and offers an increasing array of advanced new products. Wood has considerable long-term growth potential in the construction industry for both new build and renovation applications, and at Stora Enso Timber we are fully focused on making the most of these exciting new opportunities. Wood products enable Stora Enso to create new revenue streams, as well as continue to build a sustainable business.

Stora Enso Timber's scale and geographical spread gives us supply capabilities that are unmatched in our industry. We provide a wide-ranging product portfolio, manufactured throughout Northern and Central Europe, for many different wood product customers. We are determined to maintain our high level of service to our customers, even in today's challenging operating conditions.

Building a more sustainable world

Climate change brings new game rules. We firmly believe that our industry's sustainable business model will become a major competitive advantage over other materials.

challenge: how can we create a healthy, stylish and timeless interior?

solution: Effex™ pinewood paneling that highlights the advantages of wood.

Wood has long been prized as an interior design material. It creates a warm atmosphere, has a timeless beauty and absorbs and releases humidity, ensuring a healthy and comfortable living environment. Wood is also strong, durable and flexible.

Our Effex pinewood panelling makes the most of these natural strengths using the latest technical know-how. This means Effex is knot-free and directionally grained, giving it a consistently high quality finish with a contemporary look that's ideal for interior design.

Effex is highly adaptable, suitable for walls, ceilings or eye-catching features. Due to its uniform quality, Effex is quick and easy to install, and reduces the need for cutting and wasted materials.

Best of all, like all wood products Effex has a low carbon footprint. As well as storing carbon naturally, wood is renewable and can be recycled or ultimately burned as a carbon-neutral substitute for fossil fuels like coal and oil.

challenge: how can we reduce the impact of today's construction materials on the environment?

solution: sustainable housing from wood that offers durable green homes for less.

Wood makes an excellent building material. It's versatile, cost-competitive and easy to work with. Best of all it's renewable and can be recycled at the end of its life.

Wood is also environmentally responsible because trees take excess carbon out of the atmosphere and store it for hundreds of years, reducing global warming.

Those are all big contrasts with existing housing materials.

Stora Enso has taken advantage of wood's versatility, cost effectiveness and sustainability by developing a prefabricated cross-laminated timber (CLT) for use in walls, ceilings and roofing.

Using advanced timber technology, CLT comprises bonded, cross-laminated single-layered panels of wood. The cross structure is strong and durable and does not shrink or swell significantly. The panels also connect together simply and quickly.

CLT saves builders' time and money too. Delivered on site ready to use, the builder simply places it by crane, minimising assembly time and allowing a house to be built in just a few days.

The carbon footprint of a building – the amount of harmful carbon dioxide it releases into the atmosphere during its construction and lifetime – can be reduced significantly by using wood. Wood products from sustainably harvested forests have a negative carbon footprint, meaning that they remove more carbon from the atmosphere than they produce. In addition, sawing residues from wood can be used to produce bioenergy, a sustainable non-fossil energy source.

By contrast, extracting the raw materials for plastics, metals and concrete – and manufacturing these materials – requires a large quantity of fossil fuel energy.

Innovating to lead in construction

Our business focus is on new house building. Increasing performance standards for all building materials and ever-growing time and cost pressures, favour prefabricated building components and elements. To address these changing needs, we offer a wide range of value-added products, from stress-graded, finger-jointed and glued structural products to more advanced building solutions like Cross Laminated Timber for wall and roof elements, and highly-adapted joinery components for industrialised window and door manufacturing processes.

Our product innovations and new value-added solutions move us ahead in the construction value chain, helping us to manage volatility better. This is a key requirement for profitability in our business, since construction industry is volatile by nature.

To optimise the performance of wood in our products, we select the raw material based on the requirements of each end-use. Increasingly we use innovations such as advanced scanning technologies to ensure the quality of both raw material and finished products.

Benefits from bioenergy

The by-products of wood processing – bark, sawdust, planer shavings and wood chips – can be used to make bioenergy. This is good business for us, as well as business that's good for the planet.

We are a major producer and user of bioenergy by turning the bark from logs into heat for drying kilns in our sawmills. We plan to turn greater quantities of sawdust and shavings into pellets, which can be used to heat everything from small homes to major power plants. European pellet demand is forecast to grow rapidly over the next decade, with double-digit annual growth rates.

Our total pellet capacity will reach 150 000 tonnes in 2009, and we plan significant further expansion in the next few years. We have also developed and started using our own direct sales channel and tools for selling pellets in Sweden, the biggest such market in Europe. These actions are just some of the many ways in which Stora Enso is helping to meet the growing bioenergy need through renewable resources, creating value for the environment and our business.

Capitalising on global building and renovation

We remain positive about the outlook for wood as a construction material; it has solid long-term global prospects, although the short-term prospects are challenging. Demographics will drive a high level of new building activity in the USA, China, Eastern Europe, Middle East and North Africa. On the other hand, Western Europe and Japan will focus more on renovation. These are all compelling opportunities for us, and with our capabilities in wood products we are well positioned to capitalise.

Responding decisively to challenging conditions

In 2008 we completed a major investment programme against a backdrop of exceptionally difficult market conditions, building a more competitive and market-focused business.

We opened a new joinery component mill at Uimaharju Sawmill in Finland, and expanded our component mills at Ala in Sweden and Honkalahti in Finland. We launched a new advanced interior construction product in Finland branded Effex. We also started up a new building element mill at Bad St. Leonhard in Austria, producing massive wooden elements, called Cross Laminated Timber (CLT), for the construction market in Central Europe. In addition, we established three pellet mills, one each at Gruvön Sawmill in Sweden and Impilahti and Nebolchi sawmills in Russia. We also refitted both Russian sawmills with upgraded production lines, kilning capacity and boilers.

We firmly believe that these innovations and investments will make us a more effective business in a challenging market. Our target now is to ensure that these facilities start up successfully and provide a healthy return on our investments.

Our business did not meet its profitability targets for 2008 due to the weakening market situation and high raw material costs. The rapid economic downturn and global financial crisis impacted negatively on construction activity, causing demand and prices for our products to weaken heavily during the year. Profitability remains a challenge throughout the industry, but is especially difficult in Finland where consistently high raw material costs are an additional burden. Russian wood export duties made the situation in Finland even more challenging.

The industry curtailed production, although this has been insufficient, leading to continued oversupply and heavy pressure on sales prices. The weak business outlook prompted us to make heavy production curtailments in 2008 to improve our profitability. In addition, during the last quarter we shut down one sawmill and one component mill in Estonia. We also announced plans to temporarily close two sawmills in Finland for 2009, and take further production cuts at several mills in Finland, the Baltic States, Austria, the Czech Republic and Sweden. These measures will reduce total production by about 1.3 million cubic metres annually.

Improving our profitability through resolve and fresh thinking

Our primary target in 2009 is to improve profitability in a difficult business environment and to follow through on the tough decisions we announced at the end of 2008.

In the short term we will adjust to prevailing market conditions. In the longer term, we remain buoyed by the potential of wood as a construction material and source of bioenergy, and will continue our strategic assessment of our products and markets to define the most profitable long-term business portfolio for the company. We are also limiting our exposure to the least competitive raw material regions, restructuring our asset portfolio as required.

challenge: how can we create more sustainable media packaging?

solution: an environmentally friendly CD and DVD case made entirely from recyclable paperboard.

The hundreds of millions of CD and DVD cases produced every year pose an environmental challenge. The non-renewable plastic used in their manufacture cannot be recycled and generates carbon dioxide (CO_2) emissions in production.

Our environmentally friendly alternative is a CD and DVD case made entirely from recyclable paperboard, called the DBS Discbox Slider. Our research indicates that the CO_2 emissions generated by making this paperboard case are just 10% of those produced by making a standard plastic case.

As well as being fully recyclable and renewable, the DBS Discbox Slider is half the weight of a standard plastic CD case, reducing fossil fuel consumption and emissions in transportation.

Against increasing concern about environmental issues, music companies are fast adopting paperboard disc packaging. Global media giant Sony BMG is one of a number of companies using the DBS Discbox Slider for a growing number of titles.

We believe that the key solutions to control climate change will be based on greater use of renewable raw materials.

We are moving towards more sustainable solutions, both because the nature of the forest products industry presents good opportunities to curb climate change, and because we are actively working to reduce our carbon dioxide (CO_2) emissions. We fully intend to leverage this unique position with solutions based on renewable materials that benefit people, the planet and our business.

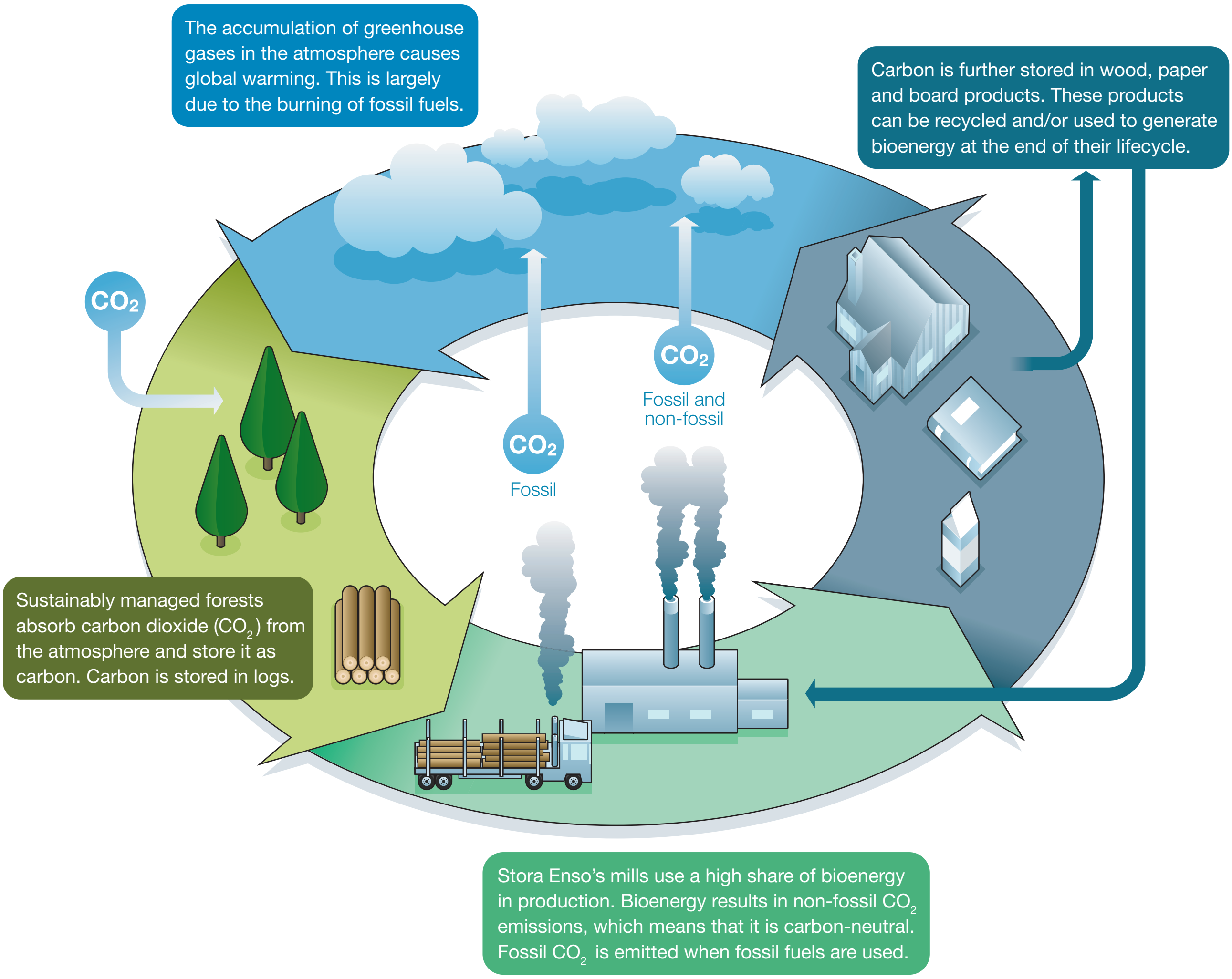
A unique product cycle

Our industry contributes naturally to mitigating climate change through the sustainable management of forests and the manufacture of wood-based products that store carbon. Our products provide a low-carbon alternative to goods made of non-renewable materials, and they can be recycled and burned to generate bioenergy at the end of their life cycle.

Reducing our CO_2 emissions

Most of our greenhouse gas emissions come from the energy we purchase and produce to operate our mills and manufacturing processes. Stora Enso was one of the first companies in the forestry industry to calculate the carbon footprint of its operations. This extensive company-wide carbon footprint study identified the main sources of CO_2 emissions from our operations, and based on this we set a Group CO_2 reduction target of 20% from 2006 levels by 2020. This 20% reduction covers direct emissions from production and indirect emissions from purchased electricity and heat. It will be achieved primarily by improving our productivity and energy efficiency, as well as by using more bioenergy in place of energy produced from fossil fuels. In 2008 we reduced our CO_2 emissions from our pulp, paper and board mills by 16% from the levels of 2006, our target baseline year.

The carbon cycle of the forest products industry



Read more about our increased use of bioenergy on **page 13** and our product-specific carbon footprint calculations on **page 26**

Read more about climate change in our Sustainability Performance 2008 report at **www.storaenso.com/sustainability**

challenge: how can we use the excess industrial heat from pulp and paper production?

solution: an enterprising fish farm that warms its waters from Imatra Mills' unwanted heat.

Making pulp and paper produces excess heat. At our Imatra Mills in Finland, a fish breeding company has put this to good use by setting up a fish farm in the mill area.

The fish farm takes its water from the river Vuoksi and warms it with excess heat from the mills. This keeps the water at a constant 20-degree temperature all year round, providing ideal conditions for breeding sturgeon and pikeperch.

These fish species thrive at the farm. The sturgeon, for example, reaches maturity and starts producing eggs for caviar within 4–7 years, whereas in its natural habitat it matures at 15–20 years.

The fish farm produces fingerlings (young fish) and high quality caviar. It has built a profitable business selling caviar to international wholesalers and restaurants, and fingerlings to other fish breeders.

Since buying energy to heat the water would be too expensive, this business owes its existence to the excess heat from the mills.

Our success relies on the continued availability of wood – we only use wood from sustainable sources and make sure forests are regenerated after the final felling.

The renewable nature of wood offers many advantages over materials made from non-renewable resources. Replenishing the wood supply is as simple as growing new trees and sustainably managing forests and tree plantations. Products made of wood are recyclable, and can be transformed to recreate products many times over before they are eventually burned to produce bioenergy. As many global resources become scarcer, wood is a more viable material each day.

At Stora Enso, sustainable forest management is the foundation for our operations. It balances economic, social and environmental concerns to meet today's needs while guaranteeing that there will be forests and wood for future generations. The economic concerns are primarily focused on ensuring that our business operations remain feasible. The social concerns include respect for human and labour rights, health and safety issues, sharing economic benefits, the multiple use of forests and protecting sites of historical or spiritual value. The environmental aspects include concerns about conservation and the sustainable use of forest resources, biodiversity, soil protection and maintaining water quality and quantity. The right balance between these concerns varies from region to region.

In 2008, the total amount of wood (roundwood, chips and sawdust) delivered to our mills totalled 38.2 million m^3 (solid under bark). Most of the wood was bought from external suppliers. For reasons related to quality and logistics, we bought 7% of our chemical pulp from external suppliers in 2008. Some 6% of our wood supply is from tree plantations.

We promote forest certification

Forest certification is the process of verifying that the management of a forest meets certain standards. Two schemes lead forest management certification: the Programme for the Endorsement of Forest Certification schemes (PEFC) and the Forest Stewardship Council (FSC). These organisations promote sustainably managed forests through independent third-party certification.

At Stora Enso, we work with both PEFC and FSC because we see the need for more than one forest certification scheme. Less than 10% of the world's forests are certified, and our goal to increase the share of certified wood is a challenging one. So far we have been successful; we have increased our share of certified wood use from 45% in 2003 to 63% in 2008.

We work with small forest owners

There are approximately 16 million forest owners in Europe, most of whom own small forest properties, and currently the share of PEFC-certified forests is higher than FSC-certified forests. In order to help promote FSC, we have established FSC-certification groups to offset costs to small forest owners in Estonia, Lithuania, Finland and Sweden.

In Sweden, we worked with FSC Sweden together with WWF, global conservation organisation, and other stakeholders to further adapt the national FSC forest management standard for small- and medium-sized forest owners. This was a part of the Small and Low Intensity Managed Forests (SLIMF) initiative.

In the Baltics, we collaborated with FSC, WWF and NEPCon (Nature, Ecology and People Consult) to develop a pilot project that provides FSC certification to small private forest owners.

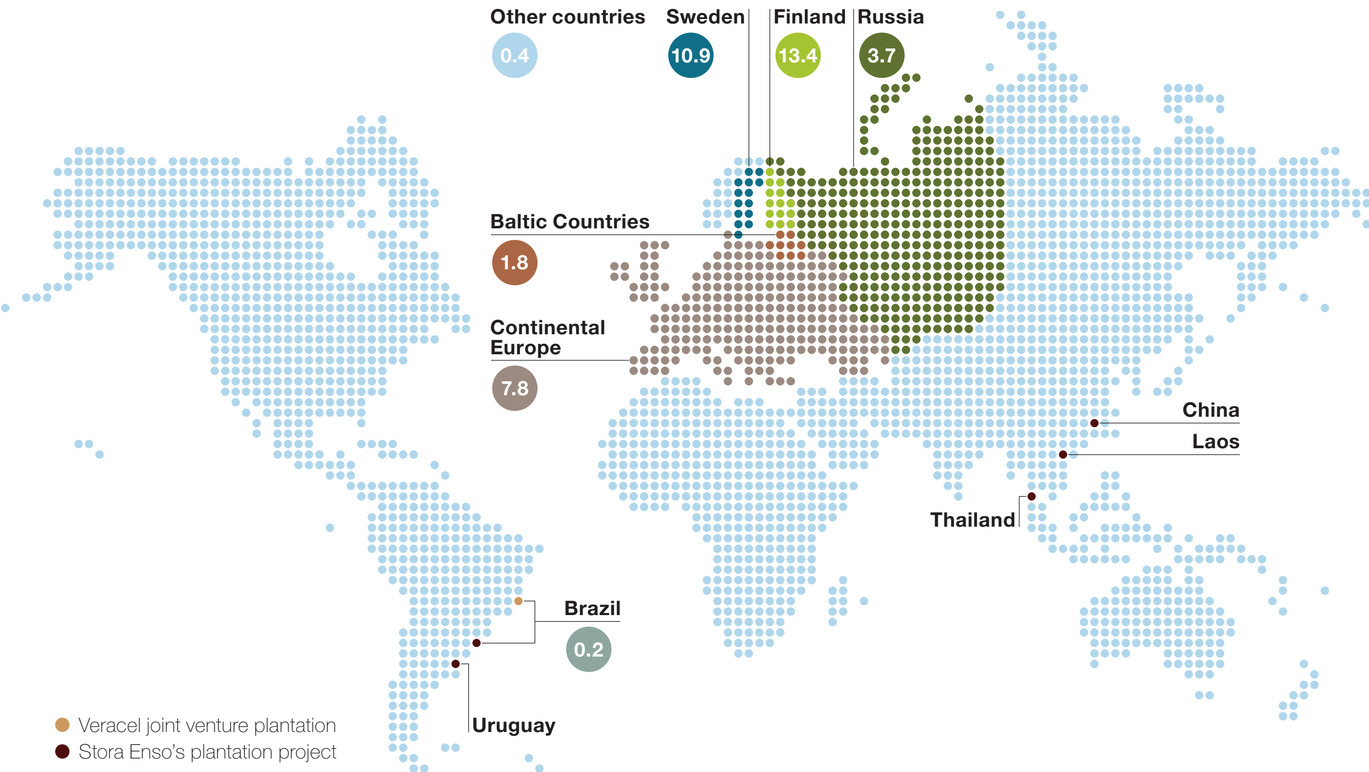
In Finland, Stora Enso participates in the Finnish PEFC standard review and Finnish FSC standard review. These review processes aim to make the two certification schemes more attractive to forest owners and other stakeholders.

We're certain about the origin of our wood

We take our commitment to environmental stewardship seriously. Whether the wood we use comes from certified forests or not, you can trust that it always originates from sustainable sources.

We use traceability systems to check that all of our wood has been harvested in compliance with national legislation and according to our wood procurement principles. These systems cover roundwood, chips, sawdust and externally purchased pulp. In 2008, 98% of the wood and pulp that passed through these systems was also covered by third-party certification schemes such as chain-of-custody, controlled wood, EMAS and/or ISO 14001.

Stora Enso's global wood flows in 2008



Total amout of wood (roundwood, chips and sawdust) delivered to own mills within these areas (million m³, solid under bark)

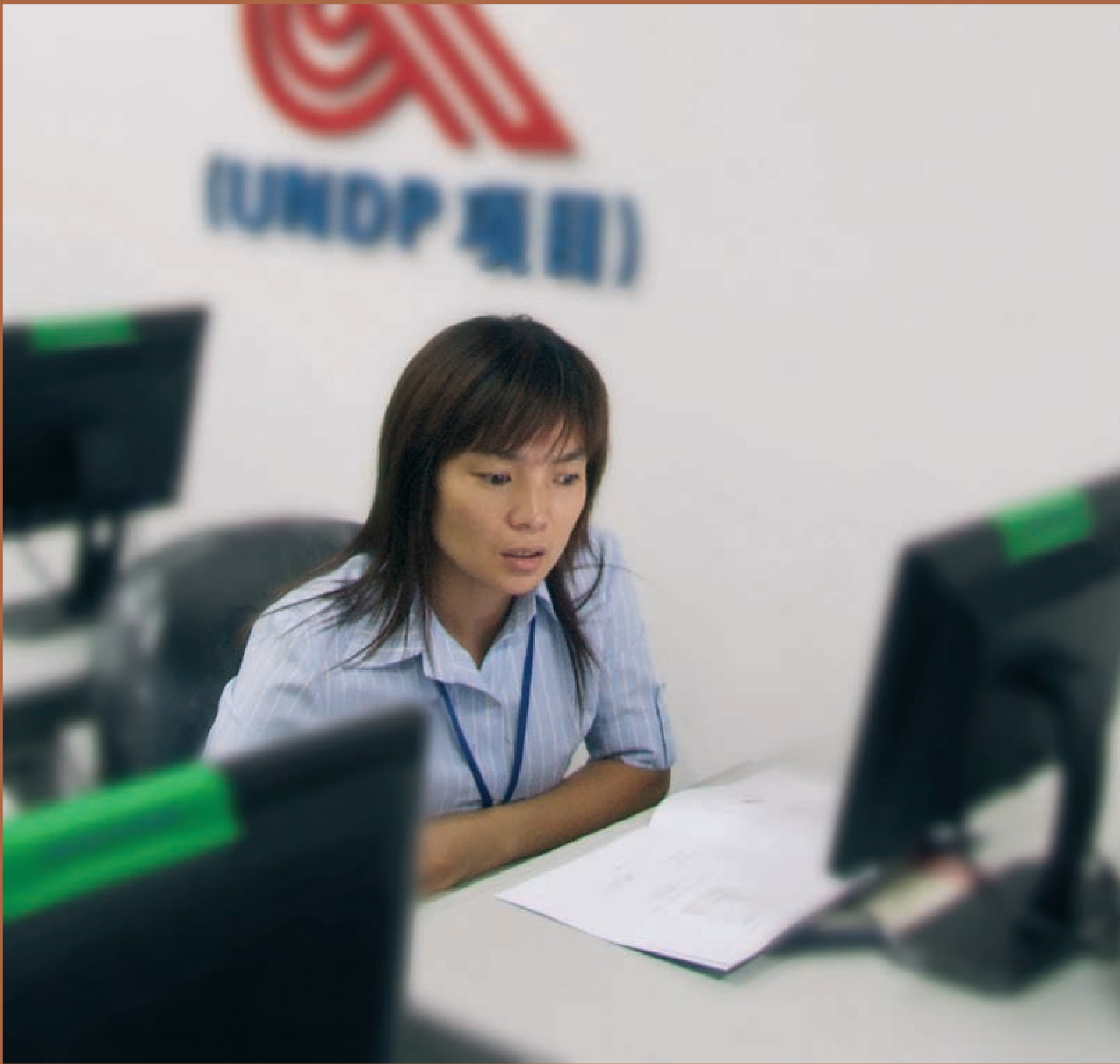
Pulp from tree plantations is a cost-competitive raw material that helps to meet the world's growing needs for paper and forest products. These fast-growing trees grow the fibre required for making paper up to ten times faster than traditional forests. Although tree plantations cover only 0.3% of the world's forests, they are a significant source of industrial wood supply that ensures the availability of sustainably produced wood at competitive prices.

Stora Enso is well positioned to capitalise on its growth potential, with tree plantations located in Brazil, Uruguay and China, and small-scale trial plantations in Thailand and Laos. Some 6% of our wood supply is from tree plantations, and our goal is to increase this amount.

Our tree plantations are sustainable

All of our tree plantations are sustainably managed from an environmental, social and economic perspective. Together with balanced land use, a sustainable tree plantation can conserve native ecosystems, enhance local welfare and be profitable.

We do not convert natural forests or protected areas into plantations, and we identify and protect areas under our management that are



challenge: how can we support the livelihoods of communities near our tree plantations in rural China?

solution: internet access for local farmers.

Our tree plantations in China's Guangxi province are an important source of fibre, and provide income for local communities. As part of our commitment to the region, we also help these local communities to improve their standard of living.

We have a five-year community development plan in partnership with the United Nations Development Programme (UNDP) China. One initiative has been to establish a network of rural telecentres, together with the Chinese Ministry of Science and Technology and local authorities.

The telecentres bring communication technologies such as internet access to rural areas, giving farmers access to market information and better farming and forestry practices. The telecentres also share information on biodiversity, hygiene, HIV and AIDS, and enable locals to communicate – all vital to the sustainable development of the local community.

important socially, culturally and ecologically. We establish our tree plantations on lands with low biodiversity value, and we carefully monitor the water balance and quality at these locations. Well-designed tree plantations can also help save existing natural forests and absorb carbon from the atmosphere, mitigating the effects of climate change.

When establishing tree plantations, we use Environmental and Social Impact Assessment (ESIA) as an essential part of our planning and decision-making process. This identifies the potential impacts of our operations and suggests how we can mitigate adverse impacts and strengthen positive ones.

Benefitting the local community

A tree plantation creates opportunities for local people in the way of jobs, business and capacity building. Many of our tree plantations also benefit local land owners through tree farming and land rental partnerships, and we actively encourage local communities in the diversified use of land. In Uruguay, for example, cattle farmers are able to use our land for grazing, and in Brazil Veracel Mill supports local communities in sustainable piassava extraction and bee-keeping.

As well as benefitting local communities, these partnerships foster understanding, helping us to respect the culture and rights of the local people who live around our tree plantations. We also engage in dialogue with local communities and encourage our people to take part in local community work.

New forms of stakeholder dialogue with WWF

Introducing a tree plantation to a region changes the original landscape. To ensure our tree plantations are accepted locally, we take steps to respect local concerns, values and culture.

In 2008 our tree plantations in Uruguay were the scene for a joint project between Stora Enso and WWF. This aimed to test WWF's methodology for enabling local stakeholders to assess outcomes and changes in livelihoods as a result of introducing a tree plantation to the local landscape. This is the first time that the methodology called Landscape Outcomes Assessments Methodology (LOAM), has been used for a plantation project or applied in Latin America.

For this project we invited representatives from local communities to one-day workshops, during which they identified important features in their living environment and their main concerns and expectations for tree plantations. We identified two main themes that were of particular interest for the participants: the potential impacts on water sources and new job opportunities.

Since founding our tree plantations in Uruguay, we have also built a network of local stakeholders. The LOAM process provides a good platform for systematising dialogue with local stakeholders, revealing to us how locals view our tree plantation activities and explaining to locals how and why we work the way we do.

challenge: how can we support constructive and open debate about our plantations in Brazil?

solution: invite our critics to an open dialogue.

Some non-governmental organisations (NGOs) claim that Stora Enso jeopardises land reform in Brazil. In 2008, Brazil's Landless Workers' Movement (MST), together with small farmer movement Via Campesina and Friends of the Earth in Finland began a letter campaign against Stora Enso's operations to draw attention to alleged land reform problems.

Stora Enso began purchasing land from private individuals in Rio Grande do Sul in 2005. Our principles for land acquisition prevent us from purchasing land set aside for land reform use. We establish our plantations on former pasture lands where the original native grassland vegetation has been heavily modified over the past century by grazing. Stora Enso's current land holdings represent only 1% of the areas in the 11 Rio Grande do Sul municipalities where we are present.

Since the views of the NGOs and Stora Enso differ greatly, we met with each party to hear their views and concerns. Although this face-to-face dialogue organised did not reach a common understanding, it at least allowed the parties to hear one another's views. We agreed to continue the dialogue, which is a valuable result for future conflict resolutions.

Read more about wood sourcing in our Sustainability Performance 2008 report at www.storaenso.com/sustainability

We recognise the talents of our people by providing them with the opportunity to learn and the responsibility to succeed.

People are our key resource and highest priority as we build our future and renew our company. Stora Enso plans to change radically. This will reward us all with a company that grows more competitive by the day, but it will also demand tremendous effort from our people.

The business environment continues to be highly challenging, with several external factors requiring our decisive action. At the same time we are strengthening our capabilities intensively for the future success of the company.

Our uncompromising brand values – Create, Renew and Trust – are put to the test every time we deliver our global change programmes, adjust our company structure and operations to respond to the emerging potential of new growth markets, and conduct streamlining and efficiency improvements in our mature markets.

Against this backdrop, we are committed to providing our people with the tools and environment to learn and continuously improve, helping them to get the most out of their work and career in the company. When efficiency improvements and the restructuring of our company makes it unavoidable for us to reduce our workforce (as in 2008 when we reduced the number of our staff by approximately 3 400), we support our people so that they can make the most of their strengths when finding new solutions.

Performance dynamics and growth with talent

Our annual Performance Management process, launched in 2007, aligns individual goals with company targets, and sets priorities for each person's development. It supports and focuses on the performance culture that we as a company want – and need – to have.

Our Management Audit identifies and develops talent from all over our organisation (from every business area and support function), matching our present capabilities and development with our future opportunities. This enables us to promote an individual's career path, and support staffing decisions with professional evaluation.

We develop our middle and top management with tailor-made company programmes. These cover the customer perspective, strategy, people management, business development and management, all in a global context. Every attendee completes a project that delivers immediate added value to our business.

In addition to identifying the talents and promoting the careers of our staff, we strive continuously to improve our employer brand so that we are an attractive employer in our industry. We are committed to recruiting the brightest and best to join our company, and we target universities and schools, providing internships and thesis work. We aim to recruit people who will complement our strengths and tackle the global challenges and career opportunities we offer as a company with global presence.

As a company with strong roots in the Nordic region, we face the challenge of expanding into new growth markets such as Latin America and China. We send experienced people from our mature markets to these regions to help start up operations and transfer knowledge. This is an exciting experience and opportunity for the people we send, and we support them with growth market training programmes. In 2008 we offered these programmes in China and Poland, and in 2009 we will introduce them to Latin America.

The rich cultural diversity of Stora Enso is made up of people with many different backgrounds, competences and experiences, and is essential to run and develop our businesses successfully all over the world. The global character and prospects of our company offer a wide variety of exciting and inspiring career opportunities for talented and energetic people, irrespective of gender and nationality.

challenge: how can we ensure our people in Latin America share our company values and culture?

solution: a Top Talent Programme preparing local talent for key positions in Latin America.

In a global company like Stora Enso it is vital that our regional businesses are run by local people who truly understand our company values and culture. This is particularly important in new growth markets.

Our Top Talent Programme recruits highly able individuals from Latin America based on our future business needs. We provide these young potentials with extensive training in Latin America and overseas. The opportunity of international experience, coupled with Stora Enso's focus on sustainability, is a big draw for recruits.

The training builds knowledge about our business practices and provides networking opportunities. Later the potentials will assume key positions in our Latin American business, bringing a wealth of experience and knowledge gained on their tour of the company.

The average number of our employees decreased by 6% in 2008, from 36 137 to 33 815. This was mainly due to forming a joint venture with ABB and closure of machines and mills. Our personnel turnover was 6.3%, up from 5.1% in 2007. The number of training days per employee was 3.1, down from 3.4 in 2007.

Most of our employees are concentrated in Finland, Sweden and Germany (64%), with a decrease of 11% during 2008. Although our overall number of employees is decreasing, our company is growing in size in certain geographic areas. China grew most in employees, with an increase of 19%. Our other major growth area is Poland, with an increase of 6%. Due to our strong focus on new growth markets, we expect further growth in Latin America and Asia, relative to the Nordics and Germany.

In most of our countries we face the ageing of our workforce. In 2008 24% of our employees were 51–60 years old, and 3% over 61. Our ageing staff works mainly in the Nordics and Germany.

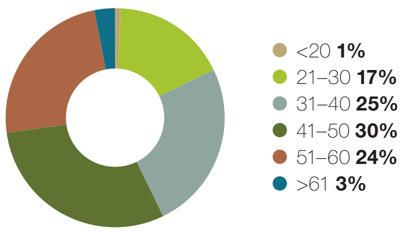
Key HR indicators

	2008	2007	2006
Average number of employees*	33 815	36 137	37 859
Number of employees at year-end	31 667	34 906	36 282
Sales per employee at year-end, EUR	364 992	398 545	332 534
Personnel turnover**, %	6.3	5.1	5.6
Training days per employee	3.1	3.4	3.1

* Continuing operations

** Based on the number of permanent employees who left Stora Enso of their own volition

Age distribution in 2008



Further HR statistics can be found in **Note 3**

and in our Sustainability Performance 2008 report at **www.storaenso.com/sustainability**

Responsible streamlining

We strive to manage workforce reductions to improve our company structure and streamline our operations as supportively as possible. We support those who are affected with both internal and external initiatives, offering solutions such as redeployment, retirement planning, outplacement, supported moves to other locations and retraining.

The closing of our mills at Kemijärvi and Summa in Finland and a book paper machine at Anjala Mill in Finland continued in 2008, affecting 1 000 employees. We provided funds of around EUR 10 million to support our affected employees, in addition to those provided by the Finnish government. We applied measures such as an extended re-employment period and start-up assistance for new business initiatives and retraining, and we have attracted new business to the closed sites.

In Sweden, we closed Norrsundet Mill and our research facility at Falun, affecting a total of 380 people. We delivered an extensive package to support those affected with both internal and external initiatives.

So far we have found solutions for more than 800 employees affected by the restructuring programme that we announced in October 2007 and continued in 2008.

In 2008 we announced further restructuring plans, including investment plans to strengthen units with future potential, closing poorly competitive production lines and adjusting support functions to the renewed size and structure of the company. This will impact a total of 1 700 employees: 600 in Germany, 550 in Finland, 400 in Russia and 150 in other countries.

In 2008 we closed poorly performing machines at our Baienfurt and Kabel mills in Germany and Varkaus Mill in Finland. In addition, we will close machines at Imatra and Karhula in Finland in 2009 and 2010 respectively. Meanwhile, we aim to improve productivity at Veitsiluoto Mill in Finland, Maxau Mill in Germany and Hylte Mill in Sweden.

To ensure effective and professional maintenance services expertise, we have formed a joint venture with ABB, which will provide maintenance for six of our mills in Finland. At the year-end 1 450 of our employees were transferred to the new company, which began operations at the start of 2009 and is managed by ABB.

Stora Enso Wood Products announced a number of restructuring measures in 2008 to address ongoing profitability issues. Curtailments and temporary mill closures will affect all units in Wood Products, with the permanent closure of the sawmill at Paikuse and component mill at Viljandi, both in Estonia.

We plan to streamline our administrative function in 2009 and 2010 to adjust to the renewed structure and needs of our operations. We will achieve efficiency improvements through structural changes, shared services and outsourcing.

We have restructured the finance function, and began the planned outsourcing of most of its transactions at the start of 2009, decreasing our staff by approximately 300. We will centralise shared international services in Kotka, Finland. The human resources function will continue the restructuring efforts it began in 2007, and develop its new country-based service model by making better use of information technology and applying a consistent approach to all countries where we have substantial operations.

Read more about our social responsibility principles and activities in our Sustainability Performance 2008 report at **www.storaenso.com/sustainability**

challenge: how to find a new job after being made redundant?

solution: start a business of your own.

In October 2007, Stora Enso announced it was closing Summa Mill in Kymenlaakso, South East Finland. This was necessary to prevent persistent losses and poor long-term profitability. The mill stopped production in January 2008, affecting 450 people.

Jani Hellberg, 35, was one of the people affected. He had worked at the mill for 11 years as a machinist. For some time Jani had had plans of his own to found a business selling outdoor and hunting clothing and equipment. The mill closure provided him with the impetus to try this.

A regional development company supporting new businesses in the area helped Jani to get started. In addition, Stora Enso provided him with financial support of EUR 20 000.

With this backing, Jani was able to open his outdoor apparel and equipment store, called Summan Erä ja Varuste, in the centre of the city of Hamina in May 2008. Currently Jani is the only employee, but his store is one of a kind in the area and the outlook is promising.

Jani has always had a keen interest in nature and hunting and shooting. The store is thus Jani's passion as well as his livelihood, offering a rewarding solution to his situation.

By the end of 2008, there were 113 former employees of Summa Mill registered locally as unemployed.

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

Corporate governance in Stora Enso

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 and Stockholm stock exchanges are also followed, where applicable. This corporate governance policy is approved by the Board of Directors ("Board").

Stora Enso´s Corporate Governance complies with the Finnish Corporate Governance Code (the "Code") issued by the Securities Market Association on 20 October 2008, which is available at the internet website www.cgfinland.fi, with the exception that:

The Company deviates from recommendations 22 and 28 of the Code, which recommends that the Nomination Committee should comprise Board members. Instead, the Company's Annual General Meeting resolved that Stora Enso's Nomination Committee shall comprise the Chairman and the Vice Chairman of the Board and two other members appointed by the two largest shareholders according to the register of shareholders as of 1 October. This composition is to ensure that the views of the Board and the main shareholders are represented and taken into account in preparing proposals for the Annual General Meeting on Board composition and remuneration.

Stora Enso's full Corporate Governance Report pdf-document is available on www.storaenso.com/investors.

General governance issues

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 Reports and Interim Reviews conforming to International Financial Reporting Standards (IFRS), which are published in Finnish, Swedish and English. The Annual Report is also published in German, in addition to these languages.

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 statutory auditor elected 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.

Governance bodies

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 six to eleven ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the majority of the directors shall be independent of the Company. In addition, at least two of the directors comprising this majority shall be independent of significant shareholders of the Company. The independence is evaluated in accordance with recommendation 15 of the Code. Currently the Board has nine ordinary members, who are all independent of the Company. All Board members, except Claes Dahlbäck (Senior Advisor and member of the investment committee of Foundation Asset Management) and Marcus Wallenberg (member of the investment committee of Foundation Asset Management) are also independent of significant shareholders of the Company. A significant shareholder is a shareholder who holds more than 10% of all Company shares or the votes carried by all the shares.

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 the Company's 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 remuneration of the CEO, which is described in the Annual Report and the Company's website.

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 Remuneration 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 2008

The Board had nine members, all of them independent of the Company. All of the members, except Claes Dahlbäck (Senior Advisor and member of the investment committee of Foundation Asset Management) and Marcus Wallenberg (member of the investment committee of Foundation Asset Management) were also independent of significant shareholders of the Company. The Board members nominated at the AGM in 2008 were Claes Dahlbäck (Chairman), Ilkka Niemi (Vice Chairman), Gunnar Brock, Dominique Hériard Dubreuil, Birgitta Kantola, Juha Rantanen, Jan Sjöqvist, Matti Vuoria and Marcus Wallenberg. Lee A. Chaden was a Board member until the AGM in 2008. Juha Rantanen was elected as a new Board member at the AGM in 2008. For detailed information about the Board members, see pages 60–61. The Board convened eleven times during the year. On average, members attended 86% of the meetings.

Board remuneration

EUR million	2008*	2007	2006
Chairman	135 000	135 000	135 000
Vice Chairman	85 000	85 000	85 000
Board Member	60 000	60 000	60 000

* 40% of the Board remuneration in 2008 was paid in Stora Enso R shares purchased from the market and distributed as follows: Chairman: 6 585 R shares, Vice Chairman 4 146 R shares and members: 2 927 R shares.

Board interests as of 31 December 2008 is presented in **Note 8**

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 principles 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 (Strategy, Corporate Finance, Purchasing and IT)

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 and approval of heads of Business Areas and other senior officers belonging to GET;
  - appointment of Board committees (including chairmen);
- economic and financial matters
  - review of annual budget;
  - approval of loans and guarantees, excluding intra-group loans and guarantees;
  - report of share repurchases, if any;
  - approval of Group Risk Management Policy according to the Financial and Audit Committee's proposal;
- investment matters
  - approval of investment policy of the Group;
  - approval of major investments;
  - approval of major divestments;
- other matters
  - report of the CEO on the Group's operations;
  - reports of the Remuneration 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.

- CFO (Group Controlling, Treasury, Risk Management, Taxes, Internal Auditing and Investor Relations)
- Pulp Supply, Wood Supply, HR and Sustainability
- Technology and Investments
- Communications
- Market Services
- Legal Services
- 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 acts as deputy to the CEO as defined in the Finnish Companies Act.

Detailed information on the CEO is on **page 62** and information about CEO remuneration is on **Note 8**

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, the eleven GET members are the CEO, Deputy CEO, CFO, and the heads of the six Business Areas, Technology & Investments, and Pulp Supply, Wood Supply, HR & Sustainability.

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 2008

The GET had eleven members at the end of 2008. The GET convened 13 times during the year. Important items on the agenda in 2008 were reviewing the operations of the Group, planning and following up on investment and other strategic projects, and preparatory work for Board meetings.

Detailed information about the GET is on **pages 62–63** and information about GET member's remuneration is in **Note 8**

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, the audit process and the annual corporate governance statement. It makes recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries.

The Committee comprises three to five 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 remuneration solely based on their role as directors. The remuneration is decided upon by the shareholders at an AGM.

In 2008

The Financial and Audit Committee comprised four members in 2008: Jan Sjöqvist (Chairman and appointed Financial Expert), Claes Dahlbäck, Birgitta Kantola and Ilkka Niemi. Lee A. Chaden was a Committee member until the AGM in 2008. The Committee convened eight times. On average, members attended 94% of the meetings. In addition to the regular tasks based on the Committee's charter, during 2008 the Committee focused on establishment of the enterprise risk management system.

Remuneration

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

Financial and Audit Committee Charter is presented on **www.storaenso.com/investors**

Remuneration Committee

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

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

In 2008

The Remuneration Committee comprised four members in 2008. The members were Claes Dahlbäck (Chairman), Dominique Hériard Dubreuil, Ilkka Niemi and Matti Vuoria. The Committee convened seven times. On average, members attended 96% of the meetings.

During 2008, the main tasks were to recommend, evaluate and approve executive nominations and remunerations and to make recommendations to the Board relating to management remuneration in general.

Remuneration

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

Remuneration Committee Charter is presented at
www.storaenso.com/investors

Nomination Committee appointed by the shareholders

Shareholders at the AGM 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) as 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 2008

The Nomination Committee comprised four members in 2008: 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 (Foundation Asset Management).

This is different 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 2008, the main tasks of the Committee were to prepare the proposal for the AGM concerning Board members and their remuneration. The Nomination Committee convened three times during the year. All of the members attended all of the meetings.

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, Technology and Investments. The Committee comprises four to six 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 four times a year and as required.

In 2008

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 2008 were the energy project at Ostrołęka Mill in Poland and rebuilding board machine 4 at Imatra Mills in Finland.

The Investment Committee had eight members. The Investment Committee convened four times during the year. In addition, Group investment plans and funds were reviewed four times by the GET during 2008.

Sustainability

The EVP, Pulp Supply, Wood Supply, HR and Sustainability 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, co-ordinating 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 2008

The major sustainability items on the Group agenda during 2008 included Stora Enso's carbon footprint and CO_2 emission target, product-level carbon footprints, sustainable management of plantations and publishing the Stora Enso Code of Conduct.

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 represent Internal Audit, Controlling and Accounting, Financial Communications and Risk Management. 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 2008

The Disclosure Committee had five members and convened ten times. The main tasks in 2008 were reviewing the Group's stock exchange and press releases, interim reviews, annual report and disclosure controls.

R&D

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

The tasks of the R&D Steering Team 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 and 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 Team must monitor technology and future-oriented product development.

The Group R&D Steering Team meets regularly as required.

In 2008

Important items on the agenda in 2008 were increasing Group-level activities in facilitating innovation and technology development, especially in the area of bioenergy, facilitating Group research programme planning, implementation of the National Research Agendas, particularly in Sweden and Finland and holistic evaluation of R&D resourcing at Group, Business Area, Business Unit and mill levels, as well as overall optimisation of those resources. The Group R&D Steering Team had twelve members and convened four times in 2008.

Other supervisory bodies and norms

Auditors

The shareholders at the AGM annually elect one auditor 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 shall be an authorised public accounting firm, which appoints the responsible auditor.

Internal Audit

Stora Enso has a separate internal audit organisation. The role of Internal Audit is to provide independent, objective assurance and consulting services that add value and improve the Group's operations. Internal Audit 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 Audit department, its personnel report to the head of Internal Audit, who reports functionally to the Financial and Audit Committee and CEO, and administratively to the CFO. The head of 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 Audit 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 NASDAQ OMX 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, public insiders or persons subject to disclosure requirement are persons in the following positions: members of the Board of Directors, CEO and Deputy CEO, and person(s) with main responsibility for the audit. The CEO has decided that other public insiders are the members of the Group Executive Team (GET) and persons responsible for Legal Services, Investor Relations, Treasury, Communications, Financial Communications and Strategy.

The list of public insiders is approved by the CEO. The Company's public insider register is publicly available and is maintained by Euroclear Finland Oy.

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, 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 included in a company-specific insider register are informed either by letter or by 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 the Assistant General Counsel 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 by 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.

Internal control and risk management related to financial reporting

Internal control over financial reporting

In the Company, the system of internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

The system of internal control in the Stora Enso Group is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The control environment sets the tone of the organisation, influencing the control consciousness of employees. It is the foundation for all other components of internal control, providing discipline and structure.

The Board has the overall responsibility for setting up an effective system of internal control and risk management. The roles and responsibilities of governance bodies are defined in the Corporate Governance of the Company.

Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the CEO. The internal control in the Company is based on the Group's structure, whereby the Group's operations are organised into six Business Areas and various support and supply functions. Group functions issue corporate guidelines that stipulate responsibilities and authority, and constitute the control environment for specific areas, such as finance, accounting, investments, purchasing and sales. The Company has a Disclosure Committee, which supervises the reliability of the Company's financial reporting and disclosure processes.

The company has a formal code of conduct and other policies regarding acceptable business practice, conflicts of interest and expected standards of ethical and moral behaviour. These policies are translated into relevant languages. Standard requirements have been defined for internal control over financial reporting and self assessment is used as a tool to facilitate the evaluation of controls in individual business units and support functions.

The management expects all employees to maintain high moral and ethical standards and those expectations are communicated to employees through internal communication channels and are reinforced through training. The management philosophy is based on principles whereby performance targets do not unnecessarily test an employee's ability to adhere to ethical values.

Risk assessment

Risk assessment is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for determining how the risks should be managed. In the Company the major risks affecting internal control over financial reporting have been identified in a baseline risk assessment and at different levels, such as Group, Business Area, unit or function and process. The assessment of risk includes risks related to fraud and irregularities, as well as the risk of loss or misappropriation of assets. Information on development of essential risk areas and executed and planned activities in these areas are communicated regularly to the Financial and Audit Committee.

Control activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks related to the achievement of the organisation's objectives, and they are aimed at preventing, detecting and correcting errors and irregularities. Control activities, which fulfil the control objectives identified in risk assessment, occur throughout the organisation, at all levels and in all functions. Besides the general computer controls, they include a range of activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and communication

The Company's information and communication channels support completeness and correctness of financial reporting, for example, by making internal instructions and policies regarding accounting and financial reporting widely known and accessible to all employees concerned, as well as through regular updates and briefing documents regarding changes in accounting policies and reporting and disclosure requirements. Subsidiaries and operations units make regular financial and management reports to the management, including analysis and comments on financial performance and risks. The Board receives financial reports monthly. The Financial and Audit Committee has established a procedure for anonymous reporting of violations related to accounting, internal controls and audit matters.

Monitoring

The Company's financial performance is reviewed at each Board meeting. The Financial and Audit Committee and the Board review all interim and annual financial reports before they are released. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. Monitoring involves both formal and informal procedures applied by management and processes owners, including reviews of results in comparison with budgets and plans, analytical procedures, and key performance indicators.

The Company has a separate internal audit organisation. The role, responsibilities and organisation of the Internal Audit are described under Other supervisory bodies and norms above.

Left to right: Birgitta Kantola, Ilkka Niemi, Gunnar Brock and Claes Dahlbäck

Claes Dahlbäck
Chairman of Stora Enso's Board of Directors since December 1998.
Independent of the Company*.
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 EQT Funds. Member of the Board of Goldman Sachs & Co.
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 26 114 R shares in Stora Enso.

Ilkka Niemi
Vice Chairman of Stora Enso's Board of Directors since March 2005.
Member of the Board since March 2001.
Independent of the Company and the significant shareholders.
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 member of the Board of Aker Yards Finland Pty Ltd 2003–2008. 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 States at the World Bank 1997–2000. Chairman of the Finnish Accounting Standards Board 1993–1996.
Owns 4 146 R shares in Stora Enso.

Gunnar Brock
Member of Stora Enso's Board of Directors since March 2005. Independent of the Company and the significant shareholders.
Born 1950. M.Sc. (Econ.). Swedish citizen.
President and CEO of Atlas Copco Group. Chairman of Mölnlycke Healthcare AB. Member of the Board of Teknikföretagen. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
President and CEO of Alfa Laval 1992–1994, President and CEO of Tetra Pak Group 1994–2000, President of Thule International 2001–2002.
Owns 6 927 R shares in Stora Enso.

Dominique Hériard Dubreuil
Member of the Board of Directors since March 2006. Independent of the Company and the significant shareholders.
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 member of the Board of Comité Colbert, Institute National de la Recherche Agronomique (INRA), Fédération des Exportateurs de Vins et Spiritueux de France and Baccarat SA.
Chairman of Rémy Cointreau's Executive Committee 2000–2004.
Owns 3 927 R shares in Stora Enso.

Birgitta Kantola
Member of Stora Enso's Board of Directors since March 2005. Independent of the Company and the significant shareholders.
Born 1948. LL.M. Finnish citizen.
Member of Stora Enso's Financial and Audit Committee since 22 March 2005.
Member of the Board of Varma Mutual Pension Insurance Company, NASDAQ OMX 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 6 427 R shares in Stora Enso.

Left to right: Dominique Hériard Dubreuil, Jan Sjöqvist, Juha Rantanen, Marcus Wallenberg and Matti Vuoria

Juha Rantanen

Member of Stora Enso's Board of Directors since March 2008. Independent of the Company and the significant shareholders.

Born 1952. M.Sc. (Econ.). Finnish citizen.
CEO and President of Outokumpu Group.
Chairman of the Board of Fennovoima Oy, Finpro, and the Association of Finnish Steel and Metal Producers.
Vice Chairman of the Board of Moventas Oy, member of the Supervisory Board of Varma Mutual Pension Insurance Company, member of the Board of Technology Industries of Finland.
Vice President of European Confederation of Iron and Steel Industries (Eurofer).
Owns 6 927 R shares in Stora Enso.

Matti Vuoria

Member of Stora Enso's Board of Directors since March 2005. Independent of the Company and the significant shareholders.

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 Boards of Sampo plc and Wärtsilä Oyj Abp. Member of the Board of Danisco A/S.
Executive Vice President of Varma Mutual Pension Insurance Company from January 2004 to May 2004. Executive Chairman of the Board of Fortum Corporation 1998–2003. Vice Chairman of the Board of Danisco A/S 2002–2005 and member of the Board 1999–2002.
Owns 11 927 R shares in Stora Enso.

Jan Sjöqvist

Member of Stora Enso's Board of Directors since December 1998. Independent of the Company and the significant shareholders.

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 the 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 4 870 R shares in Stora Enso.

Marcus Wallenberg

Member of Stora Enso's Board of Directors since December 1998. Independent of the Company*.

Born 1956. B.Sc. (Foreign Service). Swedish citizen.
Vice President of Stora Feldmühle AG, a STORA subsidiary, from August 1990 to 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 from 29 December 2000 to 22 March 2005. Member of Nomination Committee.
Chairman of the Board of Skandinaviska Enskilda Banken AB, AB Electrolux and Saab AB, and Honorary Chairman of International Chamber of Commerce (ICC). Vice Chairman of the Board of Ericsson AB, and member of the Board of AstraZeneca PLC, Foundation Asset Management, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.
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 7 642 R shares in Stora Enso.

Lee A. Chaden, member of Stora Enso's Board of Directors since March 2004 until his resignation on 26 March 2008. He was also a member of Stora Enso's Financial and Audit Committee since 22 March 2005 until 26 March 2008. He was independent of the Company and the significant shareholders.

The independence is evaluated in accordance with Recommendation 15 of the Finnish Corporate Governance Code. The full recommendation can be found at the web address www.cgfinland.fi. The significant shareholder according to the Recommendation is a shareholder who holds more than 10% of all company shares or the votes carried by all the shares.

* **Claes Dahlbäck** (Senior Advisor and member of the investment committee of Foundation Asset Management) and **Marcus Wallenberg** (member of the investment committee of Foundation Asset Management) are not independent of significant shareholders of the Company.




Left to right/top to bottom: Hannu Alalauri, Veli-Jussi Potka, Jouko Karvinen, Mats Nordlander and Aulis Ansaharju

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, employed by ABB Group Limited from 1987, head of the Automation Technology Products Division, served in several international positions and member of the ABB Executive Committee from 2000 to 2002.
Member of the Board of the Finnish Forest Industries Federation and Confederation of European Paper Industries (CEPI), member of the Election Committee of the Confederation of Finnish Industries (EK), member of the Business Co-Operation Council and Co-Chairman of the Forest Industry Task Force, EU-Russia Industrialists' Round Table (IRT).
Owns 23 122 R shares in and has 157 646 (2002–2007) options/synthetic options in Stora Enso.

Hannu Ryöppönen Deputy CEO, responsible for Strategy, Purchasing and IT
Born 1952. B.A. (Business Adm.). Finnish citizen.
Joined Stora Enso in September 2005. CFO from then till September 2008, and Deputy CEO from March 2007 till retirement in spring 2009.
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 Directors of Altor private equity funds (Altor 2003 GP Limited, Altor Fund II GP Limited and Altor Fund III GP Limited).
Member of the Board of Directors of Value Creation Investments Limited.
Owns 27 428 R shares and has 50 000 (2002–2007) 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 Oulu Mill (former Oulu Oy) in 1985. Managing Director of Forchem Oy (Veitsiluoto Oy and UPM joint venture) 1994–1996, 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 Directors of several subsidiaries and associated companies.
Owns 5 469 R shares and has 45 000 (2002–2007) options/synthetic options in Stora Enso.

Aulis Ansaharju Executive Vice President, Fine Paper
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, Corporate Human Resources 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.
Deputy Chairman of the Board and member of Working Committee of the Finnish Forest Industries Federation until 31 December 2008.
Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Body of Representatives of the Confederation of Finnish Industries (EK).
Owns 3 843 R shares and has 56 250 (2002–2007) options/synthetic options in Stora Enso.

Hannu Kasurinen Executive Vice President, Wood Products
Born 1963. M.Sc. (Econ.). Finnish citizen.
Joined Enso-Gutzeit Oy in 1993. VP, Funding of Enso-Gutzeit Oy 1993–1997, Finance Director of Enso Deutschland Verwaltungs GmbH 1997–1998, VP, Structured Finance and M&A 1998–1999, Managing Director of Stora Enso Financial Services S.A. and Treasurer of Stora Enso Group 1999–2003, SVP and Group Treasurer, Financial Services and Risk Management 2003–2004, SVP, Strategy and Business Development of Paper Product Area 2004–2005, SVP, Profit Improvement Programme 2005, SVP, Speciality Papers 2005–2007, SVP, Group Strategy 2007–2008. Member of Stora Enso's Investment Committee.
Owns 2 581 R shares and has 56 250 (2002–2007) options/synthetic options in Stora Enso.

Mats Nordlander Executive Vice President, Consumer Board, Market Services and Asia Pacific
Born 1961. Dipl.Eng. Swedish citizen.
Joined the Company in 1994. General Manager, Papyrus Sweden AB 1994–1998, SVP, Marketing and Supply, Papyrus AB 1998–2002, VP, Marketing and Sales, Stora Enso Fine Paper, London 2002–2003, EVP, Merchants and

Left to right/top to bottom: Juha Vanhainen, Markus Rauramo, Elisabet Salander Björklund, Hannu Ryöppönen, Bernd Rettig and Hannu Kasurinen

President of Papyrus AB 2003–2007. Member of the Board of Directors of several Stora Enso subsidiaries and associated companies. Chairman of the Board of Directors of STFI-Packfors, a pulp, paper and packaging R&D company. Chairman of the Board of Directors of Falu Rödfärg. Member of Swedish Industrial Board of Axcel private equity fund. Member of the Board of the Swedish Forest Industries Federation.
Owns 3 598 R shares and has 45 000 (2002–2007) options/synthetic options in Stora Enso.

Veli-Jussi Potka Executive Vice President, Industrial Packaging and Russia
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 from April 2004 to 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 4 093 R shares and has 78 750 (2002–2007) options/synthetic options in Stora Enso.

Markus Rauramo CFO
Born 1968. MSc. (Econ. and Pol. Hist.). Finnish citizen.
Joined Enso-Gutzeit Oy in 1993. Finance Manager of Enso Oy 1995–1997, Manager, Long-Term Finance, Enso Oyj 1997–1999, Head of Funding, Stora Enso Financial Services 1999–2001, VP, Strategy and Investments 2001–2004, SVP and Group Treasurer 2004–2008.
Member of the Board of Directors of Oy Proselectum AB.
Owns 3 108 R shares and has 42 500 (2002–2007) options/synthetic options in Stora Enso.

Bernd Rettig Executive Vice President, Technology and Investments, 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 from April 1999 to May 2003, SEVP, Publication Paper from May 2003 to October 2007. Chairman of Stora Enso's Investment Committee and R&D Steering Team. Vice President of the German Pulp and Paper Association, Verband Deutscher Papierfabriken e.V. (VDP).
Owns 6 894 R shares and has 147 500 (2002–2007) options/synthetic options in Stora Enso.

Elisabet Salander Björklund Executive Vice President, Pulp Supply, Wood Supply, HR, Sustainability and Latin America, Country Manager Sweden
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 and Fibre Products, Stora Enso Timber 2000–2003, EVP, Stora Enso Wood Supply Europe 2003–2005. SEVP, Forest Products 2005–2007, EVP Wood Products, Pulp Supply, Wood Supply and Sustainability 2007–2008. Chairman of Stora Enso's Sustainability Action Team. Member of Stora Enso's Investment Committee.
Member of the Board of Directors of SJ AB, Clas Ohlson AB, Marcus Wallenberg Prize Foundation and the Swedish Forest Industries Federation, and member of the Royal Swedish Academy of Agriculture and Forestry and the Royal Swedish Academy of Engineering Sciences. Member of the Board of Directors of several Stora Enso subsidiaries and associated companies.
Owns 17 879 R shares and has 82 500 (2002–2007) options/synthetic options in Stora Enso.

Juha Vanhainen Executive Vice President, Newsprint and Book Paper, Country Manager Finland
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, 2003–2007. Member of Stora Enso's Investment Committee. Member of the Board of Directors of several subsidiaries and associated companies.
Deputy Chairman of the Board of Directors of Pohjolan Voima Oy. Member of the Board of Directors of CEPIPRINT until 31 December 2008. Member of the Board of Directors of the Finnish Forest Industries Federation as of 1 January 2009.
Owns 4 310 R shares and has 63 750 (2002–2007) options/synthetic options in Stora Enso.

Christer Ågren, Executive Vice President, HR & IT, Country Manager Sweden, left Stora Enso on 30 November 2008.

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

Shares and shareholders

Shares and voting rights

Stora Enso Oyj's (hereafter "Company" or "Stora Enso") shares are divided into A and R shares. The A and R shares entitle holders to the same dividend but different voting rights. Each A share and each ten R shares carry one vote at a shareholders' meeting. However, each shareholder has at least one vote.

On 31 December 2008 Stora Enso had 177 152 481 A shares and 612 386 018 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 238 391 083.

Share listings

Stora Enso shares are listed on NASDAQ OMX Helsinki and NASDAQ OMX Stockholm. Stora Enso shares are quoted in Helsinki in Euros (EUR) and in Stockholm in Swedish krona (SEK).

American Depositary Receipts (ADRs)

Stora Enso has a sponsored Level I American Depositary Receipts (ADR) facility, and following the delisting from NYSE on 28 December 2007, Stora Enso's ADRs are traded on the International OTCQX. 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 SEOAY and the CUSIP is 86210M106.

Following its delisting from NYSE, Stora Enso filed a Form 15-F 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 took effect in April 2008. 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 any more.

Share registers

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

On 31 December 2008, 125 432 244 of the Company's shares were registered in Euroclear Sweden AB (formerly Swedish Central Securities Depository, VPC) and 85 864 105 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by book-entry system, 31 December 2008

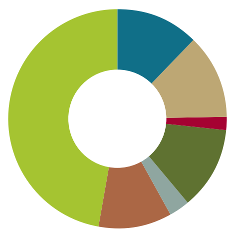
Number of shares	Total	A shares	R shares
Euroclear Finland Oy	578 242 150	103 289 001	474 953 149
Euroclear Sweden AB*	125 432 244	73 863 480	51 568 764
Deutsche Bank administered ADRs*	85 864 105	-	85 864 105
Total	**789 538 499**	**177 152 481**	**612 386 018**

* Shares registered in Euroclear Sweden and ADRs are both nominee registered in Euroclear Finland.

Ownership distribution, 31 December 2008

	% of shares	% of votes	% of shareholders
Finnish institutions	12.5	20.9	2.2
Solidium Oy*	12.3	25.1	0.0
Finnish private shareholders	1.9	1.7	34.5
Swedish institutions	12.3	30.3	2.0
Swedish private shareholders	3.2	2.6	56.7
ADR holders	10.9	3.6	3.3
Under nominee names (non-Finnish/non-Swedish shareholders)	46.9	15.8	1.3

% of shares held



* Entirely owned by the Finnish State

Share capital

In accordance with the Articles of Association, the minimum share capital of Stora Enso Oyj 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 2008 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 342.2 million.

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 326 552 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 14 November 2008.

Changes in share capital 2004–2008

	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (EUR million)
Stora Enso Oyj, 1 Jan 2004	**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**
Conversion of A shares into R shares, Dec 2007–Nov 2008	-326 552	326 552	-	-
Stora Enso Oyj, 31 Dec 2008	**177 152 481**	**612 386 018**	**789 538 499**	**1 342.2**

For more historical data about the share capital, please visit www.storaenso.com/investors

Stora Enso's activities in capital markets during 2008

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 2008 the IR team conducted a number of 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 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 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 2008, the focus of the event, held in early November, was on the Group's future strategic direction, in particular its focus on fibre-based packaging and plantation-based pulp. The event was hosted over two days, starting with presentations by senior management followed by a day trip to Lund in southern Sweden with a visit to Tetra Pak, one of Stora Enso's key customers and the world's leading converter of liquid packaging board. The event was attended by representatives of equity and fixed-income markets, including analysts, fund managers and institutional shareholders.

Shareholdings of other Group-related bodies at 31 December 2008

E.J. Ljungberg's Education Foundation owned 1 880 540 A shares and 2 236 224 R shares, E.J. Ljungberg's Foundation owned 39 534 A shares and 101 579 R shares, Mr. and Mrs. Ljungberg's Testamentary Foundation 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.

Shareholders

At the end of 2008 the Company had approximately 64 500 registered shareholders, of which about 38 400 were Swedish shareholders and about 2 100 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 577 million (73.1%) 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 the Swedish Foundation Asset Management.

Major shareholders as of 31 December 2008

By voting power		A shares	R shares	% of shares	% of votes
1	Foundation Asset Management	63 123 386	4 500 000[1)]	8.6	26.7
2	Solidium Oy[2)]	55 595 937	41 483 501	12.3	25.1
3	Social Insurance Institution of Finland	23 825 086	2 775 965	3.4	10.1
4	Varma Mutual Pension Insurance Company	15 572 117	140 874	2.0	6.5
5	Ilmarinen Mutual Pension Insurance Company	3 492 740	11 444 108	1.9	1.9
6	MP-Bolagen i Vetlanda AB (Werner von Seydlitz)	3 650 000	2 122 000	0.7	1.6
7	Erik Johan Ljungberg's Education Foundation	1 880 540	2 236 224	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	5 500 000	0.7	0.2
11	Lamar Mary (ADRs)	0	3 600 000	0.5	0.2
12	AMF Pension Insurance Company	0	3 600 000	0.5	0.2
13	OP-delta Investment Fund	0	3 411 540	0.4	0.1
14	Brothers Molander Foundation	200 000	355 600	0.1	0.1
15	The Local Government Pensions Institution	0	1 921 220	0.2	0.1
	Total	**168 584 864**	**84 700 515**	**32.1**[3)]	**74.3**[3)]
	Nominee-registered shares	74 223 669	502 977 889	73.1[3)]	52.2[3)]

1) As informed to Stora Enso on 20 November 2007

2) Entirely owned by the Finnish State

3) As some of the shareholdings on the list are nominee registered, the percentage figures do not add up to 100%.

The list has been compiled by the Company on the basis of shareholder information obtained from Euroclear Finland, Euroclear Sweden 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

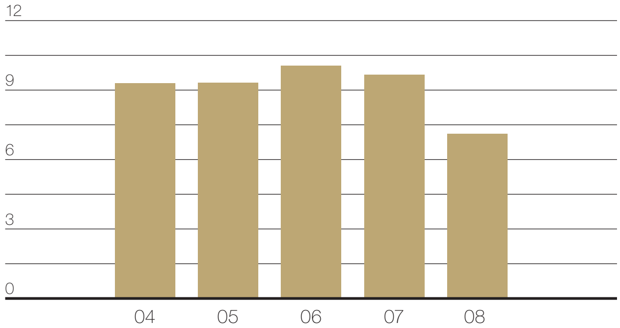
In March 2008 the Group was informed that the shares in the Company held by AXA S.A. and its subsidiaries (AXA Group) had risen above 5% of the paid-up share capital on 7 September 2007 and above 10% of the paid-up share capital on 2 November 2007.

In July 2008 the Group was informed that the shares in the Company held by Tradewinds Global Investors, LLC had risen above 5% of the paid-up share capital on 16 July 2008.

In December the Group was informed that the Finnish State had transferred all its shares in the Company to Solidium Oy, which is wholly owned by the State. As a result, the shares and votes in the Company held by the Finnish State decreased to 0% and the shares in the Company held by Solidium Oy rose to 12.3% of the paid-up share capital, and votes to 25.1% of the total amount of votes in Stora Enso Oyj.

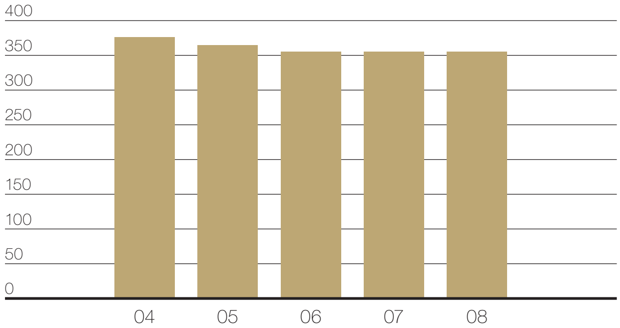
Equity per share

EUR



Distributed dividend amount

EUR million



Share price performance and volumes

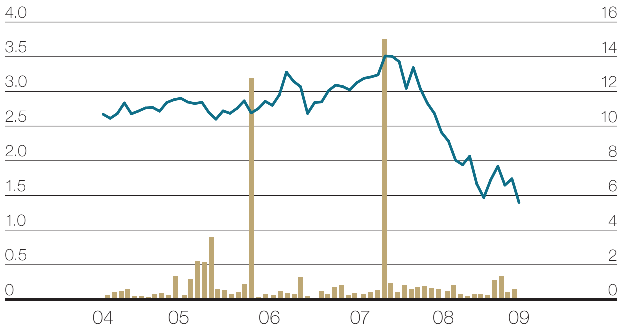
Helsinki

The Stora Enso R (STERV) share price decreased during 2008 by 46% (15% decrease in 2007). During the same period the OMX Helsinki Index decreased by 53%, the OMX Helsinki Benchmark Index by 50% and the OMX Helsinki Materials Index by 49%.

Stora Enso A

Number of shares, million

Share price (EUR)



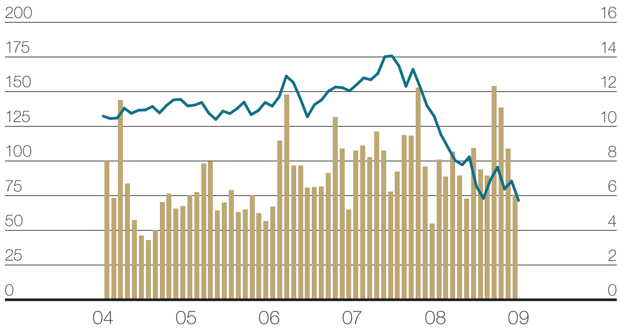
Volume

Monthly average share price

Stora Enso R

Number of shares, million

Share price (EUR)



Volume

Monthly average share price

Stockholm

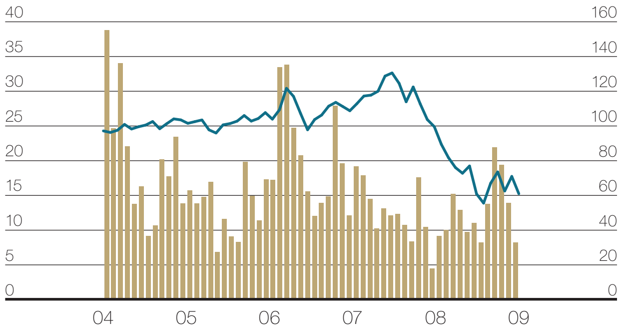
The Stora Enso R (STE R) share price decreased during 2008 by 38% (10% decrease in 2007). During the same period the OMX Stockholm 30 Index decreased by 39% and the OMX Stockholm Materials index by 51%.

OTCQX

On the International OTCQX, the Stora Enso ADR (SEOAY) share price decreased during 2008 by 47% (6% decrease in 2007 on NYSE). During the same period the Standard & Poor's Paper index decreased by 61%.

Stora Enso R

Number of shares, million | Share price (SEK)

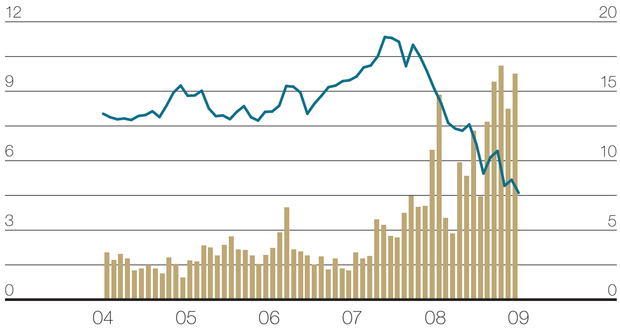


● Volume

— Monthly average share price

Stora Enso ADR

Number of shares, million | Share price (USD)



● Volume

— Monthly average share price

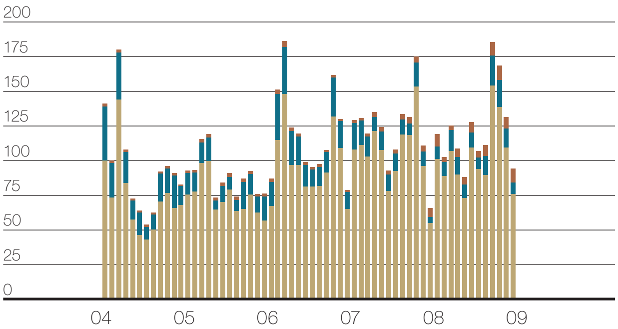
Share prices and volumes 2008

		Helsinki, EUR	Stockholm, SEK	OTCQX, USD
	A share	11.20	96.75	-
High	R share	10.44	97.75	15.00
	A share	5.16	51.50	-
Low	R share	5.10	50.50	6.61
	A share	5.63	61.00	-
Closing, 31 Dec 2008	R share	5.52	60.75	7.83
	A share	-45%	-37%	-
Change from previous year, %	R share	-46%	-38%	-47%
	A share	1 712 078	2 513 149	-
Cumulative trading volume, no. of shares	R share	1 231 605 001	153 224 862	83 547 966

The volume-weighted average price of R shares over the year was EUR 7.32 in Helsinki (EUR 12.69 in 2007), SEK 70.52 in Stockholm (SEK 117.55 in 2007) and USD 10.47 on the OTCQX (USD 17.21 in 2007 on NYSE). The total number of R shares traded was 1 231 605 001 shares (84% of total) in Helsinki, 153 224 862 shares (10% of total) in Stockholm and 83 547 966 shares (6% of total on OTCQX). Total market capitalisation on the OMX Nordic Exchange Helsinki at the year-end was EUR 4.4 billion.

Monthly R share trading volumes

million

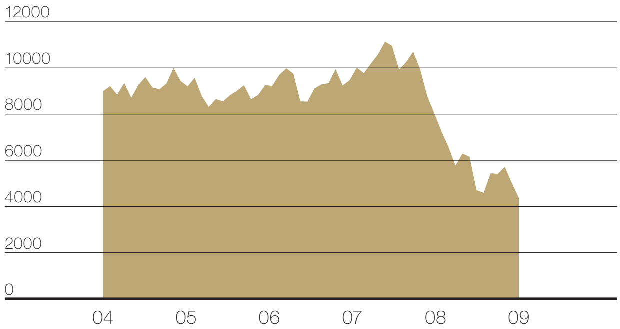


- Helsinki
- Stockholm
- OTCQX [1)]

1) New York Stock Exchange until 28 December 2007.

Market capitalisation on NASDAQ OMX Helsinki

EUR million



Stora Enso R Share vs NASDAQ OMX Helsinki Indices

1.1.2004 = 100

- Stora Enso (EUR)
- OMX Helsinki Paper & Forest Products[1)] (EUR)
- OMX Helsinki All-Share (EUR)

1) From 1 October 2005 onwards. Untill 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 Sustainability

- FTSE Eurofirst 100
- FTSE Nordic 30
- FTSE4Good

- MSCI Finland
- MSCI Europe
- MSCI World

- Ethibel Excellence Index

- Climate Disclosure Leadership Index

Key share data 1999–2008, total operations (for calculations see Page 181)

According to NASDAQ OMX Helsinki	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Earnings/share, EUR	-0.85	-0.27	0.74	-0.14	0.91	0.16	-0.27	1.02	1.77	0.98
– diluted, EUR	-0.85	-0.27	0.74	-0.14	0.91	0.17	-0.27	1.02	1.76	0.98
– excl. NRI, EUR	0.19	0.88	0.55	0.28	0.25	0.24	0.55	0.93	1.32	0.89
Cash earnings/share, EUR	1.01	2.11	2.34	1.65	2.04	1.57	2.50	2.42	3.16	2.18
– diluted, EUR	1.01	2.11	2.34	1.65	2.04	1.57	2.50	2.42	3.13	2.18
– excl. NRI, EUR	1.05	2.35	1.97	1.70	1.67	1.63	1.97	2.33	2.61	2.09
Equity/share, EUR	7.09	9.63	10.04	9.31	9.29	9.49	9.22	9.90	9.41	7.84
Dividend and distribution/share, EUR	0.20*	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.40
Payout ratio, excl. NRI, %	105	51	82	161	180	188	82	48	34	45
Dividend and distribution yield, %										
A share	3.6	4.4	3.7	3.9	3.9	4.1	4.5	3.2	3.5	2.3
R share	3.6	4.4	3.8	3.9	4.0	4.2	4.5	3.1	3.6	2.3
Price/earnings ratio (P/E), excl. NRI										
A share	29.6	11.6	22.4	40.9	46.2	44.0	17.7	15.1	9.7	19.8
R share	29.1	11.6	21.8	40.9	45.1	42.7	17.6	15.3	9.5	19.4
Share prices for the period, EUR										
A share										
– closing price	5.63	10.19	12.30	11.46	11.55	11.00	10.10	14.20	12.86	17.60
– average price	7.48	12.71	12.10	11.05	11.11	10.63	11.24	12.24	12.01	11.21
– high	11.20	14.65	13.80	12.19	12.15	12.48	16.00	15.50	18.70	17.60
– low	5.16	9.80	10.16	9.51	10.00	8.25	8.50	10.10	8.95	6.45
R share										
– closing price	5.52	10.24	12.00	11.44	11.27	10.68	10.05	14.38	12.60	17.31
– average price	7.32	12.67	11.89	10.98	10.89	10.23	12.86	12.57	11.27	11.84
– high	10.44	14.56	13.58	12.17	12.11	12.42	16.13	15.67	19.00	17.70
– low	5.10	9.99	10.01	10.05	9.60	8.30	8.41	10.12	8.70	6.60
Market capitalisation at year-end, EUR million										
A share	997	1 809	2 191	2 042	2 068	1 993	1 841	2 617	2 501	3 677
R share	3 380	6 267	7 337	7 262	7 418	7 295	7 211	10 389	9 232	9 532
Total	4 378	8 076	9 528	9 304	9 486	9 288	9 052	13 006	11 733	13 209
Number of shares at the end of period, (thousands)										
A share	177 152	177 479	178 103	178 160	179 049	181 211	182 317	184 274	194 496	208 951
R share	612 386	612 059	611 435	634 817	658 195	683 051	717 462	723 638	732 727	550 659
Total	789 538	789 538	789 538	812 977	837 244	864 262	899 779	907 912	927 223	759 610
Trading volume, (thousands)										
A share	1 712	5 409	1 403	6 290	1 203	2 937	5 875	10 737	12 917	28 349
% of total number of A shares	1.0	3.1	0.8	3.5	0.7	1.6	3.2	5.8	6.7	12.1
R share	1 231 605	1 263 658	1 165 656	888 511	880 002	780 890	751 909	548 547	396 783	259 287
% of total number of R shares	201.1	206.5	190.6	104.0	133.7	114.3	104.8	75.8	55.4	49.3
Average number of shares (thousands)										
basic	788 620	788 599	788 578	798 687	829 935	851 128	889 606	901 506	812 040	759 580
diluted	788 620	788 751	788 863	799 218	830 546	851 326	889 956	902 296	813 488	760 628

* Board of Directors' proposal to the AGM for distribution of funds

NRI = non-recurring items

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	-
CUSIP	-	-	86210M106

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

Read more about incentive programmes in the Note 23
management interests in the Note 8

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. Multilateral financing institutions are used mainly for project-related financing. To balance exposures, funding is obtained in the currencies of the Group's investments and assets (primarily EUR, USD, and SEK). Commercial paper markets are used for short-term funding and liquidity management.

Rating strategy

Stora Enso considers 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	BB+ (stable) / B	11 Nov 2008
Moody's	Ba2 (review for possible downgrade)	13 Feb 2009
Fitch	BB+ (negative) / B	28 Jul 2008 (unsolicited)

Stora Enso's goal is to ensure that rating agencies continue to be well informed about Stora Enso's strategy and performance. Review meetings are arranged with Stora Enso's management annually, and regular contact is kept with the rating analysts.

Debt structure as at 31 December 2008

	EUR Eurobond	USD Global bond	SEK Medium-Term Note
Public issues	EUR 517 million 2014 EUR 500 million 2010	USD 469 million 2011 USD 508 million 2016 USD 300 million 2036	SEK 3.6 billion 2009 SEK 500 million 2015
Private placements	EUR 100 million	USD 50 million	
Financial Institutions	EUR 141 million	USD 358 million	
Pension commitment loans	EUR 200 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 debt and loans in the Note 27 and on www.storaenso.com/debt

Markets and Deliveries

Global demand for newsprint fell 2.5% in 2008, the largest decline in seven years, as the world economy weakened. The difficult economic environment reduced advertising expenditure and paid-for circulation, leading to an over 10% decrease in newsprint consumption in North America and a 3% decrease in Europe. Demand in Asia excluding Japan strengthened by 5%, with China and India contributing to most of this increase.

World demand for printing and writing paper was soft in 2008 and 2% less than in the previous year. Demand in Western Europe and North America weakened significantly in the latter half of the year and was down 9% in North America and 3% in Europe for the year as a whole. Growth in emerging markets such as Eastern Europe and China also started to slow towards the end of the year. Coated magazine paper in particular suffered from weak advertising, with demand declining considerably in both North America and Europe.

Export of printing and writing paper from Western Europe to other regions remained largely unchanged compared with the prior year.

In Europe demand for cartonboard weakened and was 4% less than a year ago. Demand was weaker in Western and Eastern Europe, but in China demand continued to grow, although more slowly than in previous years.

Housing markets remained weak during the year in Europe and North America, resulting in very low construction activity. This strongly affected wood products markets, greatly reducing demand for sawn softwood in both regions.

Estimated Consumption of Paper and Board in 2008

Tonnes, million	Europe	North America	Asia & Oceania
Newsprint	10.7	7.8	14.6
Uncoated magazine paper	6.8	6.0	2.2
Coated magazine paper	7.9	5.1	3.7
Uncoated fine paper	8.3*	11.4	23.8
Coated fine paper	8.0*	5.3	12.9
Cartonboard	6.3**	13.1***	19.8
Sawn softwood (million m^3)	95	82	n/a

* Excl. specialities, ** Incl. folding box board, solid bleached and white-lined chipboard, *** Boxboard
Source: International Softwood Conference, PPPC, RISI, Stora Enso

The Group's paper and board deliveries totalled 11 836 000 tonnes in 2008, 641 000 tonnes less than in the previous year due to reductions in annual capacity of 737 000 tonnes in 2007 and 2008. Production decreased by 712 000 tonnes to 11 746 000 tonnes due to the capacity reductions and significant capacity curtailments in the fourth quarter of 2008. Deliveries of wood products decreased by 455 000 m^3 to 5 893 000 m^3 due to curtailments especially at the Finnish sawmills. Production curtailments increased by 331 000 tonnes to 510 000 tonnes.

Deliveries by Segment

	As at 31 December				Curtailments	
1 000 tonnes	**2008**	**2007**	**2006**	**Change %**	**2008**	**2007**
Newsprint and Book Paper	**2 870**	3 061	3 091	-6	**34**	28
Magazine Paper	**2 786**	2 993	2 765	-7	**161**	116
Fine Paper	**2 730**	2 826	3 022	-3	**136**	-
Consumer Board	**2 442**	2 532	2 537	-4	**133**	35
Industrial Packaging	**1 008**	1 065	1 006	-5	**46**	-
Other	**0**	0	68	0	**-**	-
Total Paper and Board Deliveries	**11 836**	**12 477**	**12 489**	**-5**	**510**	**179**
Wood Products, 1 000 m^3	**5 893**	6 348	6 551	-7		
Corrugated Board, million m^2	**1 071**	1 091	974	-2		

Financial Results, Continuing Operations

Sales of EUR 11 028.8 million were EUR 819.7 million less than in 2007. Mill closures reduced sales by EUR 504 million. Sales were also reduced by unfavourable exchange rate trends and in Wood Products by significantly lower prices and deliveries.

Operating profit excluding non-recurring items and fair valuations decreased by EUR 472.7 million to EUR 388.4 million, which is 3.5% of sales. Wood Products accounted for EUR 218.2 million of the decrease, and operating profit was also lower in all other segments except Magazine Paper. Wood Products made an operating loss of EUR 67.5 million (operating profit EUR 150.7 million).

Changes in deliveries, excluding the effects of mill closures, decreased Group operating profit by EUR 33 million, as a large decrease in Wood Products deliveries and decreases in Consumer Board and Industrial Packaging deliveries were not fully offset by increases in other Business Areas. Sales prices in local currencies increased Group operating profit, excluding the effects of mill closures, by EUR 57 million as increases in Magazine Paper, Fine Paper and Consumer Board more than offset slightly lower Newsprint prices and much lower Wood Products prices. Unfavourable exchange rate trends decreased operating profit, net of currency hedges, by approximately EUR 181 million.

Higher wood costs reduced the Group's overall operating profit by approximately EUR 124 million as the decrease in sawlog costs (EUR 38 million) was more than offset by the increase in pulpwood costs (EUR 162 million).

Considerably higher fuel and electricity prices reduced operating profit by approximately EUR 133 million.

Deliveries of wood to the Group's mills totalled 37 million cubic metres in 2008, down 12% on 2007 due to mill closures and curtailments, especially in Finland.

Fixed costs decreased by approximately EUR 134 million mainly due to cost improvement actions, including restructurings.

Newsprint and Book Paper

EUR million	2008	2007	2006
Sales	1 594.7	1 734.9	1 704.0
EBITDA*	255.2	345.0	372.5
Operating profit*	140.8	211.9	232.1
% of sales	8.8	12.2	13.6
Operating capital 31 December	1 136.5	1 191.7	1 390.5
ROOC, %**	12.1	15.7	16.7
Average number of employees	2 771	2 813	2 945
Deliveries, 1 000 t	2 870	3 061	3 091
Production, 1 000 t	2 808	3 061	3 096

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Newsprint and Book Paper sales were 8.1% down on 2007 due to closure of Summa Mill which decreased sales by EUR 182 million in 2008.

Operating profit excluding non-recurring items decreased by EUR 71.1 million to EUR 140.8 million due to adverse exchange rate trends and high wood and energy costs, which were only partly compensated by increased sales volumes.

Magazine Paper

EUR million	2008	2007	2006
Sales	2 177.0	2 296.3	2 220.3
EBITDA*	223.5	222.1	236.8
Operating profit*	88.8	50.9	61.8
% of sales	4.1	2.2	2.8
Operating capital 31 December	1 413.1	1 528.6	1 966.6
ROOC, %**	6.0	2.9	3.1
Average number of employees	4 331	5 216	5 292
Deliveries, 1 000 t	2 786	2 993	2 765
Production, 1 000 t	2 774	2 951	2 772

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Magazine paper sales were 5.2% down on 2007 mainly due to capacity closures.

Operating profit increased by EUR 37.9 million to 88.8 million. Sales price increases at the start and middle of the year, together with increased sales volumes and the benefits of restructuring and productivity improvements, were only partly offset by unfavourable currency movements, rises in energy prices and significantly decreased profitability at Skutskär Pulp Mill in Sweden. Impairments in 2007 decreased normal depreciation in 2008 by some EUR 22 million.

Fine Paper

EUR million	2008	2007	2006
Sales	2 111.7	2 156.2	2 261.8
EBITDA*	219.8	301.6	308.3
Operating profit*	80.4	163.7	140.2
% of sales	3.8	7.6	6.2
Operating capital 31 December	1 369.8	1 692.1	1 673.3
ROOC, %**	5.3	9.7	7.7
Average number of employees	3 644	3 845	4 550
Deliveries, 1 000 t	2 730	2 826	3 022
Production, 1 000 t	2 707	2 856	3 032

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Fine paper sales were down 2.1% on 2007 mainly due to closure of Berghuizer Mill in Netherlands.

Operating profit was less than half the 2007 level at EUR 80.4 million. High pulp, energy and wood costs, together with adverse exchange rate trends were only partly offset by price increases in local currencies.

Consumer Board

EUR million	2008	2007	2006
Sales	2 231.9	2 300.9	2 331.9
EBITDA*	242.0	336.4	441.3
Operating profit*	107.3	158.0	240.9
% of sales	4.8	6.9	10.3
Operating capital 31 December	1 262.6	1 702.2	1 997.9
ROOC, %**	7.2	8.4	11.9
Average number of employees	4 343	4 519	4 857
Deliveries, 1 000 t	2 442	2 532	2 537
Production, 1 000 t	2 437	2 532	2 566

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Consumer board sales were down 3.0% on 2007 due to lower deliveries.

Operating profit decreased by EUR 50.7 million to EUR 107.3 million due to high wood and energy costs, adverse exchange rate trends and lower sales volumes, while higher sales prices partly offset the decrease. Profitability at Enocell pulp mill in Finland was still better than a year ago though it started significantly deteriorate towards the end of the year. Impairments in 2007 decreased normal depreciation in 2008 by some EUR 24 million.

Industrial Packaging

EUR million	2008	2007	2006
Sales	1 076.5	1 083.5	970.7
EBITDA*	132.7	168.8	145.8
Operating profit*	73.9	111.9	85.0
% of sales	6.9	10.3	8.8
Operating capital 31 December	616.1	697.1	627.2
ROOC, %**	11.2	17.1	13.6
Average number of employees	5 903	5 907	5 795
Paper and board deliveries, 1 000 t	1 008	1 065	1 006
Paper and board production, 1 000 t	1 020	1 058	1 014
Corrugated packaging deliveries, million m²	1 071	1 091	974
Corrugated packaging production, million m²	1 066	1 090	991

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Industrial packaging sales were similar to 2007.

Operating profit was EUR 73.9 million, down EUR 38.0 million on the previous year due to lower sales volumes and high energy costs, especially for gas, and high wood costs. Sales price increases partly offset the cost increases.

Wood Products

EUR million	2008	2007	2006
Sales	1 503.3	1 853.1	1 673.0
EBITDA*	-19.4	205.5	122.9
Operating (loss)/ profit*	-67.5	150.7	63.4
% of sales	-4.5	8.1	3.8
Operating capital 31 December	618.7	763.6	780.2
ROOC, %**	-9.8	19.5	8.0
Average number of employees	4 835	4 876	4 841
Deliveries, 1 000 m³	5 893	6 348	6 551

* excluding Non-Recurring Items
** ROOC = 100% x Operating profit/Average operating capital

Wood product sales were down 18.9% on 2007 mainly due to lower sales prices in the difficult business conditions.

The operating loss of EUR 67.5 million was a deterioration of EUR 218.2 million compared with the previous year as cost-saving measures and lower raw material costs could not compensate for significantly lower sales prices and volumes.

The share of associated company operational results, excluding non-recurring items and fair valuations, amounted to EUR 42.1 (EUR 74.3) million. Associated company results decreased due to adverse exchange rate trends and lower pulp prices. Since the beginning of 2008, associated companies have been reported separately in operating profit; in the previous year they were included in the respective Business Area's operating profit. The comparative operating profits of Business Areas for 2007 have been reclassified accordingly.

Operating profit includes a net effect of fair valuations of EUR -69.6 (EUR 265.7) million from the accounting of share-based compensation, Total Return Swaps (TRS), CO_2 emission rights and IAS 41 forest valuations that were mainly related to associated companies.

The Group continued to restructure its operations. In September it announced plans to permanently shut down machines with an annual capacity of 600 000 tonnes of paper and board and 170 000 cubic metres of sawn goods, to reduce the Russian wood sourcing organisation significantly and to curtail production at the jointly owned Sunila Pulp Mill. The aim was to eliminate excess capacity to improve the supply and demand balance and concentrate on higher margin products. In order to achieve this, the closures were announced of Baienfurt Mill in Germany and two Estonian sawmills, as well as machine closures at Kabel Mill, also in Germany, and at Imatra and Varkaus in Finland. It is forecast that some 1 700 redundancies will result from the closures, comprising some 600 employees in Germany, 550 in Finland, 400 in Russia and 150 elsewhere. The cost of the restructuring amounted to EUR 213.1 million.

Fixed asset and goodwill impairments in 2008 amounted to EUR 739.5 (EUR 770.6) million, of which EUR 125.0 million related to the closures announced in September and EUR 614.5 million arose from the impairment testing undertaken in the fourth quarter. In addition to this, EUR 44 million of impairment was recorded in the investment in the associated company Sunila Oy.

Restructuring provisions and impairments, together with adjustments to earlier announced restructurings, amounted to EUR 1 045.4 (EUR 949.9) million regarded as non-recurring items. Operating loss including fair valuations and non-recurring items was EUR -726.6 (profit EUR 176.9) million.

Net financial items were EUR -167.2 (EUR -156.7) million. Net interest expenses increased by EUR 15.2 million to EUR -165.2 million and foreign exchange losses increased from EUR -3.3 million to EUR -15.3 million. The net gain from other financial items amounted to EUR 13.3 (EUR -3.4) million, due to income of EUR 19.7 million from payment-in-kind notes, fair valuation gains of EUR 1.1 million on interest rate swaps, fair value losses of EUR -7.9 million on long-term debt and other gains of EUR 0.4 million.

Profit before tax and minority interests excluding non-recurring items decreased by EUR 818.5 million to EUR 151.6 million. Loss before tax including non-recurring items was EUR -893.8 (profit EUR 20.2) million.

Net taxes from continuing operations totalled EUR 214.8 (EUR -7.4) million, equivalent to an effective tax rate of 24.0% (36.6%).

Net profit from discontinued operations was EUR 4.3 (EUR -225.2) million and the profit attributable to minority shareholders was EUR -1.3 (EUR 2.3) million, leaving a loss of EUR 673.4 (loss EUR 214.7) million attributable to Company shareholders.

Earnings per share from continuing operations excluding non-recurring items were EUR 0.18 (EUR 0.94) and including non-recurring items EUR -0.86 (EUR 0.01). Earnings per share from total operations including non-recurring items were EUR -0.85 (EUR -0.27). Cash earnings per share from continuing operations were EUR 0.99 (EUR 1.94) excluding non-recurring items. Return on capital employed from continuing operations was 3.4% (11.3%) excluding non-recurring items and 4.1% (8.6%) excluding non-recurring items and fair valuations. Group capital employed was EUR 8 774.5 million on 31 December 2008, a net decrease of EUR 1 845.7 million due to the divestment of Merchant operations, restructuring of the Group, fixed asset and goodwill impairments, fair valuations of unlisted shares in Pohjolan Voima Oy and NewPage Corporation, and decreased working capital.

Key Figures - Continuing Operations

	2008	2007	2006
Sales, EUR million	11 028.8	11 848.5	11 460.4
Operating profit excluding NRI and fair valuations[1], EUR million	388.4	861.1	839.1
% of sales	3.5	7.3	7.3
Operating profit (IFRS), EUR million	-726.6	176.9	708.4
% of sales	-6.6	1.5	6.2
Return on equity (ROE)[2], %	-10.1	-2.5	7.5
Return on capital employed excluding NRI and fair valuations[1], %	4.1	8.6	8.7
Debt/equity ratio[2]	0.56	0.39	0.54
EPS (basic), EUR	-0.86	0.01	0.87
EPS excluding NRI, EUR	0.18	0.94	0.68
Dividend and distribution/share, EUR	0.20 [3]	0.45	0.45
Payout ratio, excluding NRI, %	111.1	47.9	66.2
Dividend and distribution yield, % (R share)	3.6	4.4	3.8
Price/earnings (R share)	30.7	10.9	17.6
Equity/share[2], EUR	7.09	9.63	10.04
Market capitalisation 31 Dec, EUR million	4 378	8 076	9 528
Closing price 31 Dec, A/R share, EUR	5.63/5.52	10.19/10.24	12.30/12.00
Average price, A/R share, EUR	7.48/7.32	12.71/12.67	12.10/11.89
Number of shares 31 Dec (thousands)	789 538	789 538	789 538
Trading volume A share (thousands)	1 712	5 409	1 403
% of total number of A share	1.0	3.1	0.8
Trading volume R share (thousands)	1 231 605	1 263 658	1 165 656
% of total number of R share	201.1	206.5	190.6
Average number of shares, basic (thousands)	788 620	788 599	788 578
Average number of shares, diluted (thousands)	788 620	788 751	788 863

1) NRI = Non-recurring items. These are exceptional transactions that are not related to normal business operations. The most common non-recurring items are capital gains, additional write-downs, provisions for planned restructuring and penalties. Non-recurring items are normally specified individually if they exceed one cent per share. Fair valuations include synthetic options net of realised and open hedges, CO_2 emission rights, and valuations of biological assets mainly related to associated companies' forest assets.

2) Total Operations

3) See Boards of Directors' proposal for the distribution of funds

Stora Enso has reclassified EUR 1 511.9 million from its retained earnings to its share premium account due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006. In the Group Financial Statements, EUR 1 262.8 million of the reclassification has been recorded in the opening equity and EUR 249.1 in 2006 . The reclassification has no impact on the total equity in the Parent Company or in the Group.

However, together with impairments made in the Parent Company due the significant downturn in the business outlook, the reclassification decreased Parent Company distributable equity to EUR -410.7 million.

Discontinued Operations

On 30 April 2008 Stora Enso finalised the divestment of its merchant business Papyrus to Altor Fund II as announced on 6 March 2008. The merchants business is classified as a discontinued operation according to IFRS, so its net profit for the four months ended 30 April is reported in a single line after net profit from continuing operations. The profit on discontinued operations includes a loss on disposal partly offset by cumulative exchange rate differences.

The operating profit from discontinued operations, excluding the loss on disposal, was EUR 15.6 million. The loss on disposal before tax was EUR 3.7 million, net of cumulative exchange rate differences.

Financing

Cash flow from continuing operations was EUR 748.4 (EUR 1 168.3) million and cash flow after capital expenditure was EUR 43.7 (EUR 400.0) million. Working capital slightly decreased by EUR 31.8 (increased EUR 228.4) million while decreased accounts payables almost entirely offset improvements in accounts receivables and inventories.

Cash flow from continuing operations

EUR million	2008	2007
Operating profit (loss)	-726.6	176.9
Depreciations and other non-cash items*	1 443.2	1 219.8
Change in working capital	31.8	-228.4
Cash Flow from Operations	**748.4**	**1 168.3**
Capital expenditure	-704.7	-768.3
Cash Flow after Investing Activities	**43.7**	**400.0**

* Other non-cash items consist mainly of associated company result and accounting fair valuations.

At the end of the period, net interest-bearing liabilities of the Group were EUR 3 124.0 million, an increase of EUR 169.3 million due to decreased cash and cash equivalents. Cash and cash equivalents at the end of 2008 amounted to EUR 415.8 million, compared with EUR 970.7 million at the end of 2007, which included some of the proceeds from the sale of the North American operations that was subsequently used in reducing long-term debt from EUR 3 868 million to EUR 3 445 million.

Total unutilised committed credit facilities and cash and cash-equivalent net reserves were EUR 1.8 billion. In addition, Stora Enso has access to various long-term sources of funding up to EUR 0.7 billion.

The debt/equity ratio at 31 December 2008 was 0.56 (0.39). The currency effect on equity was negative EUR 328.2 million net of the hedging of equity translation risks. The fair valuation of cash flow and commodity hedges and unlisted equity and debt instruments, mainly related to Pohjolan Voima and NewPage Corporation, decreased equity by EUR 626.4 million.

At the end of the year, the ratings for Stora Enso's rated bonds were the following:

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB+ (stable) / B	11 Nov 2008
Moody's	Ba1 (negative)/ NP	28 Oct 2008
Fitch	BB+ (negative) / B	28 Jul 2008 (unsolicited)

Capital Expenditure

Capital expenditure totalled EUR 706.6 million including EUR 58.3 million for land acquisitions, which is in line with the decreased level of depreciation for the year.

The biggest projects in 2008 were improving energy efficiency in the Newsprint and Book Paper and Magazine Paper business areas through investments totalling EUR 260 million at Langerbrugge Mill in Belgium and Maxau Mill in Germany, both projects are scheduled to be completed in the second quarter of 2010. The capital expenditure in 2008 was EUR 43 million at Langerbrugge and EUR 23 million at Maxau. 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 Anjala Mill in Finland EUR 22 million was expended in 2008 for converting the former magazine paper machine PM2 to produce book paper as part of the restructuring at the mill following the permanent shutdown of PM1. The investment will enhance coated book paper quality and increase the mill's book paper annual capacity by 65 000 tonnes to 320 000 tonnes. Following the conversion, coated magazine paper production will decrease by 155 000 tonnes per year. A related project completed at Anjala in 2008 with total expenditure of EUR 15 million in the year was an energy investment to rebuild the boiler to increase both capacity and its use of recycled fuels in order to reduce dependence on fossil fuels.

Stora Enso is investing EUR 137 million to build a power plant for its Industrial Packaging mill at Ostrołęka in Poland in a project to be completed in the third quarter of 2010. The project started in November 2008 and EUR 8 million had been expended by the year end. The new power plant, which will be able to use multiple fuels, will improve Ostrołęka Mill's energy self-sufficiency and efficiency, thereby reducing carbon dioxide emissions. The power plant investment will further improve the cost competitiveness of Stora Enso's operations in Poland and support the Group's strategy of maintaining profitable growth in the rapidly growing Central and Eastern European market.

Industrial Packaging completed the construction of its third corrugated packaging plant in Russia, at Lukhovitsy, near Moscow. The project cost some EUR 50 million, of which EUR 12 million was expended in 2008. Also in Russia, Industrial Packaging expanded its operations at Balabanovo with the addition of a micro-flute packaging plant in a EUR 25 million project, of which EUR 12 million was expended in 2008. Industrial Packaging also completed a micro-flute packaging plant at Komarom in Hungary costing EUR 14 million.

Fine Paper has invested some EUR 25 million in a new copy paper sheeter, two packaging lines and an enlarged sheeting plant at its Veitsiluoto Mill in Finland, of which EUR 15 million was expended in 2008. This investment will increase the mill's copy paper sheet cutting capacity by about 140 000 tonnes to 510 000 tonnes per year. Sheeting capacity was also increased by 130 000 tonnes per year at Oulu Mill in Finland in a EUR 25 million project completed in the second quarter of 2008, of which EUR 11 million was expended in 2008.

Consumer Board invested EUR 29 million upgrading and modernising the two board machines (BM 2 and BM 3) and chemi-thermomechanical pulping (CTMP) plant 2 at its Fors Mill in Sweden to improve board quality and pulp production. The BM 3 and CTMP projects were completed in early 2008 and the BM 2 project in late 2008.

In South America the Group expended EUR 57 (EUR 38) million on land and plantations in southern Brazil and Uruguay, increasing total holdings to 45 350 hectares in Rio Grande do Sul in Brazil and 69 750 hectares in Uruguay.

Stora Enso plans to invest some EUR 135 million over the next two years to develop operations at its Imatra, Fors and Ingerois mills. At Imatra in Finland, investment in the pulp mill will reduce costs and the dependence on Russian roundwood, and increase the annual capacity of BM 4 to improve production efficiency and product quality, to meet the needs of customers of BM 1 at Imatra, which will be shut down. At Ingerois Mill, the quality, capacity and productivity of the board machine will be improved and the sheeting capacity increased to serve customers of Baienfurt Mill, which was closed down. The board machine projects started in late 2008 and are scheduled for completion by the end of 2009. The ongoing pulp mill investment is proceeding according to plan and will be completed in early 2009. The investment at Imatra is expected to amount to some EUR 75 million, of which EUR 12 million was expended in 2008.

In May 2008 the Group decided to commence a feasibility study for an integrated pulp and paper mill in the Nizhny Novgorod region in Russia, as the findings of a pre-feasibility study supported continuation of the process. The feasibility study is evaluating the profitability of the project to manufacture paper for Russian consumers from Russian wood in Russia.

Changes in Group Composition during 2008

On 6 March 2008 Stora Enso signed an agreement to sell its merchant business Papyrus to Altor Fund II. The transaction was finalised on 30 April 2008. Stora Enso divested Papyrus as part of its strategy of focusing the business portfolio of the Group. The divestment includes a long-term supply agreement with Papyrus, which will maintain Stora Enso's strong business relationship with Papyrus, while at the same time giving the Group independence in dealings with all of its important distribution channels.

Research and Development

Stora Enso spent EUR 79.2 (EUR 80.2) million on research and development (R&D) in 2008, equivalent to 0.7% of sales.

The R&D activities have been more focused than earlier, targeting rising funding of strategic research programmes both internally and increasingly in globally leading networks. During 2008, closure of the Falun Research Centre was finalised as a target to make Karlstad and Mönchengladbach research centres stronger with their main competence areas. The Focused Administration programme led to efforts to link New Business Creation activities more closely to Group R&D operations.

Biorefinery, future packaging solutions, operations efficiency and sustainability were key words of R&D in 2008. Stora Enso has been heavily participating in the National Research Agenda implementation in its main countries, including financing of Forest Cluster Limited in Finland and Sector Research Program in Sweden.

Personnel

On 31 December 2008 there were 31 667 employees in continuing operations, 3 239 less than at the end of 2007. The decrease was due to mill closures and Finnish maintenance restructuring. The average number of employees decreased by 2 322 persons during the year to 33 815.

Personnel expenses from continuing operations totalled EUR 1 669.1 (EUR 1 712.9) million or 14.5% of sales. Wages and salaries were EUR 1 205.2 (EUR 1 272.3) million, pension costs EUR 204.0 (EUR 209.3) million and other statutory employer costs EUR 259.9 (EUR 231.3) million.

The majority of employees (64%) are in Finland, Sweden and Germany, where the total number of employees decreased by 11% in 2008. Although the overall number of employees is decreasing, there is growth in size in certain geographic areas. The number of employees grew most in China, with an increase of 19%. The other major growth area is Poland, where the proportion of employees increased 6%. Due to the Group's strong focus on growth markets, further growth is expected in Latin America and Asia, relative to the Nordics and Germany.

The Group has an ageing workforce in the majority of countries where it operates, especially the Nordic countries and Germany: 24% of employees are 51–60 years old, and 3% are over 61 years old.

As regards to gender, 20% of employees are women, almost the same proportion as in 2007 (21%), and 20% of recruits to permanent positions were women in 2008 (22%), 30% of them had a bachelor's degree or higher qualification (32%).

Personnel turnover increased from the previous year's 5.1% to 6.3% in 2008. The number of training days per employee was 3.1, down 0.3 days from 2007.

The Group absenteeism rate due to sickness and accidents was 4.3% (4.7%) of total theoretical working hours.

Risks and Risk Management

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, which 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 2008.

Operating Profit: Impact of Changes +/- 10%, EUR million

Business Area	Price	Volume
Newsprint and Book Paper	159	60
Magazine Paper	217	70
Fine Paper	210	64
Consumer Board	222	72
Industrial Packaging	106	46
Wood Products	151	28

Risk Management

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.

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.

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

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 be partially 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. 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.

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 28% and energy some 10% of Stora Enso's production costs.

The following tables shows Stora Enso's major cost items.

Composition of Costs and Sales

Costs	% of Costs	% of Sales
Logistics & Commissions	10	10
Manufacturing Costs		
Fibre	28	27
Chemicals and fillers	10	9
Energy	10	10
Production Services and Material	9	9
Personnel	15	15
Other	12	11
Depreciation and Amortisation	6	6
Total costs/sales	**100**	**97**
Total costs/sales EUR million	**10 723**	**11 029**

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 2008, external suppliers covered about 44% of Stora Enso's electricity needs in Finland and Sweden. The corresponding figure in Continental Europe was 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.

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 1 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 Conduct and Business Practice Principle. Stora Enso is continuing to take action to emphasise its commitment to compliance through corporate policies and training.

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

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.

As of 31 December 2008, a one percentage point parallel change up or down in interest rates, impacts annual net interest expenses by EUR 16.0 (EUR 31.0) million, assuming that the duration and funding structure of the Group stays constant during the year. The total Group floating rate interest-bearing net liability position, excluding cash and cash equivalents but including floating legs of interest rate swaps, was some EUR 2.2 (EUR 4.0) billion, the average interest reset period being some 4.0 (2.9) 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 1.6 (1.0) years.

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 is to hedge 50% of the forecast major currency cash flows. The geographical location of Stora Enso's production facilities, sources of raw material and sales outside the Euro area comprise the principal foreign exchange transaction exposures, mainly denominated in Swedish krona, US dollars and British pounds.

If the euro and Swedish krona moved by 10% against the US dollar and British pound, with all other variables held constant, EBITDA for the year would change by some EUR 16 (EUR 28) million, mainly as a result of foreign exchange gains and losses on the one-time retranslation of US dollar-denominated trade receivables.

Currency Translation Risk

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.

If the Swedish krona moved by 5% and the US dollar and Brazilian real by 10% against euro, the impact on consolidated Group equity would be EUR 91 million, net of hedges.

Stora Enso's policy is to reduce translation risk by funding assets, when possible, in the same currency as the assets. The Group uses foreign currency forward contracts and currency options to mitigate the currency translation risk.

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.

Debt ratings are an important prerequisite for securing access to funding, so frequent meetings are arranged with the agencies at management level to ensure that they are well informed about Stora Enso's strategy and performance.

Financial Transactions Counterparty Credit Risk

Financial counterparty risk is Stora Enso's exposure on financial contracts arising from a deterioration 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 liquid cash funds only with financially secure institutions or companies and 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 external counterparties.

Customer Credit Risk

Credit risk is the Group's exposure on possibility of a customer not fulfilling its commitments towards Stora Enso.

Credit insurance has been obtained for customers in the main market areas of Western Europe, Canada and the USA. 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.

The management of financial risks is discussed in Note 26 of the financial statements.

Environmental Issues

Stora Enso's environmental costs totalled EUR 184 (EUR 178) million in 2008, including taxes, fees, refunds, and permit-related costs, repair and maintenance, chemicals and materials, but excluding interest and depreciation.

Provision for environmental remediation amounted to EUR 80.5 (EUR 67.4) million at 31 December 2008 and largely related 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 material adverse effect on Stora Enso's financial position.

Significant environmental investments were made during 2008 at Hylte Mill in Sweden, Uetersen Mill in Germany and Enocell Mill in Finland. Rebuilding one of the boilers at Hylte Mill will facilitate the co-combustion of different types of fuel so fossil fuels can be replaced with biofuels. A new cooling tower was installed at Uetersen Mill with the aim of reducing the consumption of water by 800 m^3 per day. A new landfill was built at Enocell Mill and the old one closed in 2008.

A Group-level Sustainability Policy and Group-level targets guide environmental work. Third-party-certified management systems are used to help set measurable targets and regularly monitor and report on the Group's environmental performance. All pulp, paper and board production units have earned ISO 14001 certification and/or EU Eco-Management and Audit Scheme (EMAS) registration, with the exception of Arapoti Mill in Brazil, which is working towards ISO 14001 certification. The Group's policy is to ensure that all newly acquired companies and units are ISO 14001 certified and/or EMAS registered as soon as possible.

Group-level targets are set in the areas of air emissions, process water discharges, and waste to landfill. All environmental targets are normalised for production and apply only to pulp, paper and board facilities. These targets are under review, particularly where the target has already been met.

The majority of the Group's air emissions result from the combustion of fuels to produce energy for making paper. Burning fuels releases carbon dioxide (CO_2), sulphur dioxide (SO_2) and nitrogen oxides (NO_x). The SO_2 and NO_x can contribute to the acidification of soil and water, and affect local air quality. The air emissions have been reduced by striving to maximise use of renewable energy, improving energy and production efficiency, and using more advanced control technologies, such as scrubbers and boiler process efficiencies.

Stora Enso has set a CO_2 reduction target of 20% from 2006 levels by 2020. This 20% reduction covers direct emissions from production and indirect emissions from purchased electricity and heat.

In 2008 the Group continued to decrease its SO_2 emissions. The target of reducing total SO_2 emissions by 15% by 2009 compared with the baseline year 2004 has already been met. The Group reduced its normalised emissions of both SO_2 and NO_x over the period 2004–2008 by 41% for SO_2 and 8% for NO_x.

Water is essential to the Group's production processes and approximately 99% of the water used in mills is taken from lakes and rivers, and the remaining 1% from groundwater and municipal sources. The water treatment systems in the mills recycle water within the mill many times over, reducing the total consumption.

In 2008 good progress was made towards the Group's target of reducing process water discharges by 10% by the year 2010 from 2005 levels, after two years of little progress. Normalised process water discharges are currently 5% lower than in the baseline year 2005.

The target is to reduce Chemical Oxygen Demand (COD), which measures the quantity of organic compounds in water, by 10% by 2009 from 2004 levels. The level of normalised COD discharges was lower than in 2007, and is 14% below the baseline year 2004.

Adsorbable Organic Halogen Compounds (AOX) is a collective term for the amount of chlorine or other halogens bound to organic matter in waste water. The Group reduced normalised discharges of AOX in 2008 by 2% compared with 2004. Discharges of AOX have fluctuated within a range of good performance levels over the last five years.

Normalised discharges of both nitrogen and phosphorous were reduced in 2008. During the period 2004–2008, the Group reduced normalised discharges of both nitrogen and phosphorus, by 20% for nitrogen and 39% for phosphorus.

The largest sources of solid waste created during production processes are wood residues from wood handling and debarking operations, waste water treatment sludge, ash created by energy production and lime solids from the pulping processes.

Total waste to landfill was kept at the same level, but the normalised waste to landfill increased from 12.3 to 13.1 kg/tonne due to a decreased total production of pulp, paper and board during 2008. However, the Group is on track to meet the target of reducing normalised waste to landfill by 10% by 2009 compared with the baseline year 2004, as 13% less waste was sent to landfill in 2008 than in 2004.

Stora Enso's pulp, paper and board production units created 3 626 tonnes of hazardous waste in 2008, down from 3 982 tonnes in 2007. Hazardous wastes from production generally include used oils, solvents, paints, laboratory chemicals and batteries. The Group disposes of hazardous wastes by either burning for energy recovery or safe processing and disposal at licensed hazardous waste facilities or incinerators.

Stora Enso submitted environmental permit applications in relation to all mill closures in accordance with legislative procedures in each country.

Production ceased at Kemijärvi Mill in Finland in April 2008. Used as a biological water treatment plant until 2006, the mill's aeration basin caused malodours in the area after the mill closure due to temporary lack of oxygen in the basin. As part of the environmental permit application Stora Enso proposed actions on how to restore the aeration basin. A decision on the matter has not yet been received from the authorities. The Group also assessed contaminated land and groundwater areas, and created an action plan to decontaminate the area.

Verified information on environmental matters is published in a separate Sustainability Performance 2008 report.

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. The court hearings are expected to begin during 2009. 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

On 25 August 2008 Stora Enso announced that it had appointed Hannu Kasurinen as the new head of Stora Enso's Wood Products Business Area and a member of the Group Executive Team (GET).

On 1 September 2008 Stora Enso announced the following changes in the Group Executive Team, which took effect on 1 October 2008.

Hannu Ryöppönen, Deputy CEO and CFO, handed over his CFO responsibilities to Markus Rauramo, formerly Senior Vice President and Group Treasurer. Hannu Ryöppönen remains a GET member with responsibility for Group Strategy, Corporate Finance (including M&A), Purchasing and IT, until he retires from Stora Enso in spring 2009. Markus Rauramo joined the GET.

Christer Ågren, who was responsible for Human Resources and IT, and Country Manager for Sweden, decided to join a company outside Stora Enso. Elisabet Salander Björklund took over the responsibility for Human Resources in addition to her current responsibilities for Wood Supply, Pulp Supply and Sustainability. The IT function reports to Hannu Ryöppönen.

Mats Nordlander, Business Area (BA) head of Consumer Board, became responsible for China and the rest of Asia, Veli-Jussi Potka, BA head of Industrial Packaging, for Russia and Elisabet Salander Björklund for Latin America. Juha Vanhainen, BA head of Newsprint and Book Paper, took over the role of Country Manager for Finland from Aulis Ansaharju, who remains BA head of Fine Paper. Elisabet Salander Björklund took over the role of Country Manager for Sweden.

Share Capital

During the year a total of 326 552 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 14 November 2008.

On 31 December 2008 Stora Enso had 177 152 481 A shares and 612 386 018 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 238 391 083.

Ownership distribution, 31 December 2008

	% of shares	% of votes
Finnish institutions	12.5	20.9
Solidium Oy*	12.3	25.1
Finnish private shareholders	1.9	1.7
Swedish institutions	12.3	30.3
Swedish private shareholders	3.2	2.6
ADR holders	10.9	3.6
Under nominee names (non-Finnish/ non-Swedish shareholders)	46.9	15.8

* Entirely owned by the Finnish State

Share distribution, 31 December 2008

By size of holding, A shares	Shareholders	%	Shares	%
1–100	2 322	38.32	125 394	0.07
101–1 000	3 085	50.91	1 179 445	0.67
1 001–10 000	608	10.03	1 517 015	0.86
10 001–100 000	36	0.59	774 892	0.44
100 001–1 000 000	4	0.07	1 029 798	0.58
1 000 001–	5	0.08	172 525 937	97.39
Total	**6 060**	**100.00**	**177 152 481**	**100.00**

By size of holding, R shares	Shareholders	%	Shares	%
1–100	4 566	25.55	305 582	0.05
101–1 000	10 220	57.18	4 356 067	0.71
1 001–10 000	2 787	15.59	7 627 467	1.25
10 001–100 000	228	1.28	6 183 869	1.01
100 001–1 000 000	57	0.32	19 540 834	3.19
1 000 001–	14	0.08	574 372 199	93.79
Total	**17 872**	**100.00**	**612 386 018**	**100.00**

According to Euroclear Finland

Events after the Period

On 12 January 2009 Stora Enso announced that it had been informed on that day that the shares in the Company held by AXA S.A. and its subsidiaries (AXA Group) had decreased below 10% of the paid-up share capital on 5 January 2009.

On 16 January 2009 Stora Enso announced that it had appointed Lauri Peltola as the new Head of Corporate Communications to succeed Kari Vainio, who retired at the end of 2008. Lauri Peltola will join Stora Enso during the second quarter of 2009. He will be based in Helsinki and report to CEO Jouko Karvinen.

On 19 January 2009 Stora Enso announced that significant paper and board production curtailments as well as curtailments in pulp and sawmill operations would continue during the first half of 2009, in addition to the curtailments in Wood Products announced on 30 October 2008, owing to the weakened demand for the Group's products.

On 19 January 2009 Stora Enso also announced that it was starting co-determination negotiations concerning temporary lay-offs in Finland. The total number of employees affected by the co-determination negotiations could exceed 5 000.

On 29 January 2009 Stora Enso announced that it has been included in the Global 100, a list of the 100 most sustainable companies in the world publicised at the World Economic Forum in Davos, Switzerland. Stora Enso is considered among the best in class in the forest products industry in managing environmental, social and governance risks and opportunities.

On 5 February 2009 Stora Enso announced that it had modified the remuneration of its Board of Directors, management and staff.

On 5 February 2009 Stora Enso announced that due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006, the parent company, Stora Enso Oyj, had reclassified EUR 1 511.9 million from its retained earnings to its share premium fund.

The reclassification has no impact on the total equity in the Parent Company or in the Group but it, together with impairments made in the Parent Company due the significant downturn in the business outlook, decreased Parent Company distributable equity to EUR -410.7 million.

Near-term Outlook

In Europe market demand is forecast to remain weak and clearly less than a year ago for all the Group's products, at least throughout the first half of 2009, due to the current economic downturn. Advertising expenditure started to decline steeply in the fourth quarter of 2008 and is expected to remain weak, considerably reducing demand for paper.

Seasonal factors and destocking by customers following announced price increases are likely to reduce demand for newsprint in the first quarter of 2009. However, temporary and permanent reductions in production capacity have improved the supply and demand balance, especially in magazine paper and coated fine paper markets. A slight seasonal pickup in demand for some packaging products is anticipated towards the end of the first quarter. Very weak markets for wood products are foreseen as construction activity has rapidly slowed in all key markets.

In Europe some prices in local currencies are being raised in the first quarter above levels in the fourth quarter of 2008, particularly in newsprint, magazine paper, coated fine paper and consumer board; however, uncoated fine paper prices are likely to remain under pressure. Prices for wood products and most industrial packaging products are expected to be under continued pressure. Lower prices are predicted for newsprint in export markets outside Europe.

In China soft demand for uncoated magazine paper and fine paper is expected due to slowing economic growth and customer de-stocking. Persistent weakness in the coated magazine paper market is affecting the uncoated magazine paper market. Lower prices for magazine paper are anticipated, with fine paper prices remaining under pressure. The outlook for the consumer board market is uncertain following last year's milk scandal in China.

In Latin America seasonal factors and high customer inventories are expected to restrain market demand for coated magazine paper, keeping prices flat.

Boards of Directors' Proposal for the Distribution of Funds

No assets are available for distribution in the balance sheet of the parent company. The Board of Directors proposes to the Annual General Meeting (AGM) that the parent company loss for the year 2008, EUR 1 204.2 million shall be recorded in retained earnings.

The Board of Directors will propose to the Annual General Meeting (AGM) that EUR 0.20 per share, a maximum aggregate of EUR 157 907 699.80, be distributed to the shareholders from the share premium fund of the parent company. If the proposal is approved, the distributed amount will be paid after the Finnish National Board of Patents and Registration has given its consent to the reduction of the share premium fund, which is expected to take place in July 2009 at the earliest. The details of the record and payment dates of the distribution will be decided at the AGM.

Annual General Meeting

The Annual General Meeting will be held at 16.00 (Finnish time) on Wednesday 1 April 2009 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Consolidated Income Statement

EUR million	Note	2008	2007	2006
		Year Ended 31 December		
Continuing Operations				
Sales	3	**11 028.8**	**11 848.5**	**11 460.4**
Other operating income	6	120.2	88.4	360.0
Changes in inventories of finished goods and work in progress		-78.1	81.0	-14.3
Change in net value of biological assets	14	-18.2	7.5	-2.2
Materials and services		-6 815.7	-7 051.5	-6 371.9
Freight and sales commissions		-1 127.1	-1 133.9	-1 193.2
Personnel expenses	7	-1 669.1	-1 712.9	-1 728.1
Other operating expenses	6	-752.6	-761.9	-846.5
Share of results in associated companies	15	7.6	341.3	88.0
Depreciation, amortisation and impairment charges	12	-1 422.4	-1 529.6	-1 043.8
Operating (Loss) / Profit	3	**-726.6**	**176.9**	**708.4**
Financial income	9	356.7	161.9	274.1
Financial expense	9	-523.9	-318.6	-289.0
(Loss) / Profit before Tax		**-893.8**	**20.2**	**693.5**
Income tax	10	214.8	-7.4	-6.2
Net (Loss) / Profit for the Year from Continuing Operations		**-679.0**	**12.8**	**687.3**
Discontinued Operations: Profit / (Loss) after Tax for the Year	5	**4.3**	**-225.2**	**-98.1**
Net (Loss) / Profit for the Year from Total Operations		**-674.7**	**-212.4**	**589.2**
Attributable to:				
Equity holders of the Parent Company	20	-673.4	-214.7	585.0
Minority Interests	21	-1.3	2.3	4.2
Net (Loss) / Profit for the Year		**-674.7**	**-212.4**	**589.2**
Earnings per Share				
Basic & diluted earnings / (loss) per share, Total Operations, EUR	33	-0.85	-0.27	0.74
Basic & diluted earnings / (loss) per share, Continuing Operations, EUR	33	-0.86	0.01	0.87

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Recognised Income & Expense

EUR million	Note	2008	2007	2006
		Year Ended 31 December		
Defined benefit plan actuarial (losses) / gains	22	-12.7	17.3	135.1
Tax on actuarial movements	10, 22	-3.3	-6.3	-46.6
Net fair value movements in Available-for-Sale assets	28	-398.0	217.3	251.6
Currency hedges	28	-145.4	-4.3	20.3
Commodity hedges	28	-166.9	9.9	-65.6
Associate hedges	28	-9.4	5.1	11.1
Tax on Other Comprehensive Income Movements (OCI)	10, 28	93.3	-3.2	50.2
Currency translation movements on equity net investments (CTA)	29	-296.0	-85.3	-86.4
Equity net investment hedges	29	1.3	53.7	118.0
Tax on equity hedges	10, 29	-1.1	-13.2	-30.7
Income & Expense Recognised directly in Equity		**-938.2**	**191.0**	**357.0**
Items from Equity Recognised in the Income Statement				
CTA (gains) / losses	5, 6, 29	-32.6	508.1	-5.8
Equity net investment hedges	5, 6, 29	0.3	-646.8	-
Tax on equity hedges	5, 10, 29	-0.1	191.4	-
Net Income & Expense Recognised in Equity		**-970.6**	**253.7**	**351.2**
Net (loss) / profit for the year		-674.7	-212.4	589.2
Total Recognised Income & Expense for the Year		**-1 645.3**	**31.3**	**940.4**
Attributable to:				
Equity holders of the Parent Company				
Continuing operations		-1 648.3	269.1	1 031.1
Discontinued operations		4.3	-240.1	-94.9
Total operations		-1 644.0	29.0	936.2
Minority interests	21	-1.3	2.3	4.2
Total Recognised Income & Expense for the Year		**-1 645.3**	**31.3**	**940.4**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

EUR million		Note	2008	(restated) 2007	(restated) 2006
			As at 31 December		
Assets					
Fixed Assets and Non-current Investments					
Goodwill	O	13	207.6	502.7	906.8
Other intangible fixed assets	O	13	77.5	159.1	170.4
Property, plant and equipment	O	13	5 413.7	6 476.7	9 153.6
		13	**5 698.8**	**7 138.5**	**10 230.8**
Biological assets	O	14	133.6	88.7	111.5
Emission rights	O		67.0	5.2	98.1
Investment in associated companies	O	15	1 042.5	1 154.5	805.2
Available-for-Sale: Interest-bearing securities	I	16	154.9	161.8	41.2
Available-for-Sale: Unlisted shares	O	16	954.3	1 260.8	794.3
Non-current loan receivables	I	19	130.3	126.5	149.2
Deferred tax assets	T	10	74.5	63.7	53.5
Other non-current assets	O	17	16.2	22.6	61.1
			8 272.1	**10 022.3**	**12 344.9**
Current Assets					
Inventories	O	18	1 693.6	1 992.6	2 019.5
Tax receivables	T	10	25.0	34.3	66.6
Short-term operative receivables	O	19	1 583.2	2 063.1	2 156.6
Interest-bearing receivables	I	19	251.1	227.8	185.5
Cash and cash equivalents	I		415.8	970.7	609.0
			3 968.7	**5 288.5**	**5 037.2**
Total Assets			**12 240.8**	**15 310.8**	**17 382.1**
Equity and Liabilities					
Equity Attributable to Parent Company Shareholders					
Share capital		20	1 342.2	1 342.2	1 342.2
Share premium (reclassified)			2 037.5	2 037.5	2 039.9
Reserve fund			238.9	238.9	238.9
Treasury shares		20	-10.2	-10.2	-10.5
Other comprehensive income		28	334.0	960.4	735.6
Cumulative translation adjustment		29	-443.8	-115.6	-132.0
Retained earnings (restated)			2 768.8	3 355.1	3 118.0
Net (loss) / profit for the period			-673.4	-214.7	585.0
			5 594.0	**7 593.6**	**7 917.1**
Minority Interests		21	56.5	71.9	103.5
Total Equity			**5 650.5**	**7 665.5**	**8 020.6**
Non-current Liabilities					
Post-employment benefit provisions	O	22	299.0	327.3	763.1
Other provisions	O	24	202.3	135.9	308.3
Deferred tax liabilities	T	10	277.5	582.0	793.0
Non-current debt	I	27	3 007.8	3 354.8	4 081.0
Other non-current operative liabilities (restated)	O	25	28.5	52.7	76.2
			3 815.1	**4 452.7**	**6 021.6**
Current Liabilities					
Current portion of non-current debt	I	27	437.4	513.1	630.2
Interest-bearing liabilities	I	27	587.7	482.2	217.3
Bank overdrafts	I		43.2	91.4	299.4
Current operative liabilities	O	25	1 602.1	1 971.3	1 992.5
Tax liabilities	T	10	104.8	134.6	200.5
			2 775.2	**3 192.6**	**3 339.9**
Total Equity and Liabilities			**12 240.8**	**15 310.8**	**17 382.1**

Equity and Other Non-current Liabilities have been restated and items within equity reclassified (see basis of preparation in Note 1)

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	2008	2007	2006
		Year Ended 31 December		
Cash Flow from Operating Activities				
Net (loss) / profit for the year		-674.7	-212.4	589.2
Result from the Statement of Recognised Income & Expense				
Currency derivatives	28	-145.6	-3.7	21.7
Commodity hedges	28	-160.0	11.8	-70.2
Net investment equity hedges		24.7	-4.5	-10.7
Adjustments & reversal of non-cash items:				
Taxes	10	-212.7	196.1	42.6
Depreciation & impairment charges	12	1 468.5	1 881.3	1 257.7
Change in value of biological assets	14	18.2	-7.5	2.2
Change in fair value of options & TRS		6.1	23.6	7.9
Share of results of associated companies	15	-7.6	-342.7	-87.3
Profits and losses on sale of fixed assets and investments	6	-12.5	-36.0	-201.2
CTA & Equity hedges expensed	5, 6, 29	-32.3	-138.8	-5.8
Net financial items	9	172.7	266.2	104.0
Associates company dividends received	15	13.5	31.8	5.6
Interest received		26.9	21.0	23.4
Interest paid		-191.2	-261.9	-247.5
Income received on interest-bearing securities	9	0.2	0.4	1.3
Other financial items, net		211.3	-82.4	-11.5
Income taxes received / (paid)	10	25.5	-111.6	-215.4
Change in net working capital, net of businesses acquired or sold		81.5	-330.9	289.0
Net Cash Provided by Operating Activities		**612.5**	**899.8**	**1 495.0**
Cash Flow from Investing Activities				
Acquisition of subsidiary shares	4	-4.5	-71.4	-329.8
Acquisition of shares in associated companies	15	-53.9	-91.6	-19.4
Acquisition of available-for-sale investments	16	-8.8	-14.3	-5.2
Capital expenditure	3, 13	-648.3	-770.2	-559.1
Investment in biological assets	14	-58.3	-50.2	-24.3
Proceeds from disposal of subsidiary shares	4	171.4	330.1	466.5
Proceeds from disposal of shares in associated companies	15	0.1	0.4	0.3
Proceeds from disposal of available-for-sale investments	16	15.6	15.9	209.1
Proceeds from sale of fixed assets	13	52.0	83.5	30.0
Proceeds from (payment of) non-current receivables, net		-16.2	17.8	-21.3
Net Cash Used in Investing Activities		**-550.9**	**-550.0**	**-253.2**
Cash Flow from Financing Activities				
Proceeds from new long-term debt		303.6	289.0	775.4
Repayment of long-term liabilities		-634.2	-799.5	-550.2
Proceeds from (payment of) current borrowings, net		4.0	1 145.4	-869.5
Dividends paid		-354.9	-354.9	-354.9
Minority equity injections less dividends	21	-4.2	7.0	6.6
Options exercised		-	-2.4	-2.0
Repurchase of own shares		-	0.3	0.3
Net Cash (Used) / Provided in Financing Activities		**-685.7**	**284.9**	**-994.3**
Net (Decrease) / Increase in Cash and Cash Equivalents		**-624.1**	**634.7**	**247.5**
Cash and bank in acquired companies		-	0.3	1.6
Cash and bank in divested companies		-31.3	-110.8	-20.2
Translation adjustment		148.7	45.5	-68.8
Cash and cash equivalents at beginning of year		879.3	309.6	149.5
Net Cash and Cash Equivalents at Year End		**372.6**	**879.3**	**309.6**
Cash and Cash Equivalents at Year End		**415.8**	**970.7**	**609.0**
Bank Overdrafts at Year End		**-43.2**	**-91.4**	**-299.4**
		372.6	**879.3**	**309.6**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

EUR million	Note	2008	2007	2006
		Year Ended 31 December		
Change in Net Working Capital consists of:				
Change in inventories		49.5	-245.7	94.3
Change in interest-free receivables:				
Current		-38.9	-136.4	-0.2
Non-current		5.5	18.3	-36.6
Change in interest-free liabilities:				
Current		-4.9	220.8	35.7
Non-current		59.8	-161.3	105.9
Proceeds from (payment of) short-term interest-bearing receivables		10.5	-26.6	89.9
		81.5	**-330.9**	**289.0**
Non-Cash Investing Activities				
Total Capital Expenditure		658.3	-	-
Amounts paid		-648.2	-	-
Finance lease obligations incurred		**10.1**	**-**	**-**
Acquisition of Group Companies	4			
Cash Flow on Acquisitions				
Purchase consideration on acquisitions		4.5	71.4	329.8
Cash and cash equivalents in acquired companies		-	-0.3	-1.6
Total Acquisition Value		**4.5**	**71.1**	**328.2**
Acquired Net Assets				
Operating working capital		0.1	-9.5	47.3
Operating fixed assets	13	4.0	10.7	283.1
Tax liabilities	10	-0.4	-0.2	1.2
Interest-bearing liabilities		-1.0	-1.2	-4.5
Minority interests	21	1.8	71.3	1.1
Total Net Assets Acquired		**4.5**	**71.1**	**328.2**
Disposal of Group Companies	4			
Cash Flow on Disposals				
Cash flow on disposal		171.4	330.1	466.5
Cash and cash equivalents in divested companies		-31.3	-110.8	-20.2
		140.1	219.3	446.3
Non-cash Transactions				
Available-for-Sale securities	16	50.0	377.0	-
Associate shares	15	6.9	24.7	-
Minority interests acquired	21	3.3	-30.9	-
Total Disposal Value		**200.3**	**590.1**	**446.3**
Net Assets Sold				
Operating working capital		173.8	-126.0	59.5
Operating fixed assets	13	281.8	1 695.8	172.4
Biological assets	14	-	84.1	45.5
Interest-bearing assets less cash and cash equivalents		-	0.6	1.2
Tax liabilities	10	-26.7	-49.6	-18.0
Interest-bearing liabilities		-230.1	-1 019.2	-12.0
Minority interests	21	-	-0.6	-0.2
		198.8	585.1	248.4
Gain on sale	4, 6, 13	1.5	5.0	197.9
Total Net Assets Sold		**200.3**	**590.1**	**446.3**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Changes in Group Shareholders' Equity

EUR million	Share Capital	(reclassified)* Capital Reserves	Treasury Shares	OCI	CTA	(restated)* Retained Earnings	Total
Balance at 31 December 2005 as reclassiified	**1 382.1**	**2 047.6**	**-259.9**	**468.0**	**-127.1**	**3 709.4**	**7 220.1**
Restatement*	-	-	-	-	-	117.5	117.5
Balance at 1 January 2006	**1 382.1**	**2 047.6**	**-259.9**	**468.0**	**-127.1**	**3 826.9**	**7 337.6**
Cancellation of Stora Enso Oyj shares (reclassified)*	-39.9	39.9	249.1	-	-	-249.1	-
Change in reserve fund	-	193.3	-	-	-	-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**	**2 278.8**	**-10.5**	**735.6**	**-132.0**	**3 703.0**	**7 917.1**
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 loss 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**	**2 276.4**	**-10.2**	**960.4**	**-115.6**	**3 140.4**	**7 593.6**
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-354.9	-354.9
Buy-out of minority interests	-	-	-	-	-	-0.7	-0.7
Net loss for the period	-	-	-	-	-32.4	-673.4	-705.8
Net expense recognised directly in equity	-	-	-	-626.4	-295.8	-16.0	-938.2
Balance at 31 December 2008	**1 342.2**	**2 276.4**	**-10.2**	**334.0**	**-443.8**	**2 095.4**	**5 594.0**

Capital Reserves include the Share Premium Account and the Reserve Fund

OCI = Other Comprehensive Income – see Note 28, CTA = Cumulative Translation Adjustment – see Note 29

* see basis of preparation in Note 1

Total Equity

	As at 31 December		
EUR million	**2008**	(restated)* 2007	(restated)* 2006
Equity attributable to parent company shareholders	5 594.0	7 593.6	7 917.1
Equity attributable to minority interests	56.5	71.9	103.5
Total Equity	**5 650.5**	**7 665.5**	**8 020.6**

Full details of minority equity are given in Note 21

* see basis of preparation in Note 1

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 NASDAQ OMX Helsinki and Stockholm. 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, 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. The Group's former European Merchants business area was disposed of on 30 April 2008, as disclosed in Note 4 Acquisitions and disposals.

These Financial Statements were authorised for issue by the Board on 4 February 2009.

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.

Restatement & Reclassification

The sale of Stora Enso's Finnish and Swedish forest assets in 2002 and 2004, respectively, were accounted for as a sale to an associated company and therefore a portion of the gain on sale equal to Stora Enso's retaining interest was deferred and recorded in long-term liabilities. As the majority of the underlying assets are carried at fair value no portion of the gain should have been deferred. The related deferred income provision of EUR 117.5 million is no longer deemed appropriate and therefore opening equity has been increased by the same amount with no change to the Income Statement as the events occurred in 2002 and 2004.

Stora Enso has reclassified EUR 1 511.9 million from its retained earnings to its share premium account due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006. EUR 1 262.8 million of the reclassification has been recorded in opening equity at 1 Jan 2006 and EUR 249.1 million during 2006.

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 31 Principal subsidiaries.

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 15 Associated companies & joint ventures. 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 15 Associated companies & joint ventures.

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.

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 21 Minority Interests.

New and Amended Standards Effective in 2008

The Group early adopted IAS 23 (Revised), Borrowing which eliminates the option to expense all borrowing costs when incurred. This revision did not have any impact on Stora Enso's Financial Statements as it has been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

The following interpretations were effective for the first time during 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. This interpretation does not have an 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. This interpretation did not 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.

New and Amended Standards and Interpretations not yet Effective in 2008

- 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. The Group currently presents a Statement of Recognised Income and Expense therefore this revised standard will have little 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 continues 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 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 results will exclude non-recurring items, share-based payments fair valuation adjustments, TRS, emission rights and biological asset fair valuation movements.
- IAS 32 (Amendment), Financial instruments: Presentation, and IAS 1 (Amendment), presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009). This standard requires an entity to classify puttable financial instruments as equity when the instrument creates an obligation to deliver to another party a pro rata share of the net assets of the entity upon liquidation. This standard is not expected to have any impact on the Group's financial statements.
- IFRS 1 (Amendment) First time adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements (effective from 1 January 2009) and will not have any impact on the Group's financial statements.
- In May 2008, the International Accounting Standards Board ("IASB") issued its first omnibus of amendments to its standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective from 1 January 2009 and are not expected to have any significant impact on Group's financial statements.
- IFRIC 15, Agreements for construction of real estates (effective 1 January 2009) is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18.
- IFRIC 16, Hedges of a net investment in a foreign operation (effective 1 October 2008). IFRIC 16 clarifies that net investment hedging relates to differences in functional currency rather than presentation currency and that the requirements of IAS 21 do apply to the hedged item. This interpretation is not expected to have any significant impact on Group's financial statements.

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 within 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 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 29 Cumulative translation adjustments and equity hedging. The cumulative translation differences of divestments and liquidations are combined with their gain or loss on disposal. CTA is also recycled in the Income Statement upon the repayment of share capital, return of investment and any partial disposal of a business unit.

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 being 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. 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 Other Comprehensive Income ("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 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 collectability. 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 financial income. 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 the 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.

Derivative Financial Instruments & Hedging

Financial derivatives are initially recognised in the Balance Sheet at fair value and subsequently measured at their fair value at 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 exposure to changes in 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 in accordance with IAS 39.

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 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 income 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 income 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 28 Financial Instruments and in Note 7 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 ("SORIE"); 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 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 probable that future economic benefits will flow to the Group, in which case they are capitalised as intangible assets and depreciated over the period of the income streams.

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 amortised over the software's expected useful life. 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.

Discontinued Operations and Assets Held for Sale

A discontinued 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, which 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.

Income Taxes

The Group income tax expense/benefit includes taxes of Group companies based on taxable profit/loss 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 10 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, 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.

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's 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 their expected useful lives which usually vary from 3 to 10 years and 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 arising on the acquisition of a new subsidiary are stated at fair value 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 are 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. All other leases are classified as operating 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.

Payments made under operating leases 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 is consistent with Group accounting policies.

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.

Fair value is deemed to approximate the cost when little biological transformation has taken place or the impact of the transformation on price is not expected to be material.

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 represents 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 11 Valuation Provisions and Note 18 Inventories and, in the Balance Sheet, are deducted from the carrying value of the inventories.

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 being depreciated 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 highly rated corporate bonds or government securities, as appropriate 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 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.

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

Any dividend proposed by the Board is not deducted from distributable shareholders' equity until approved by the shareholders at the Annual General Meeting.

Note 2 Critical Accounting Estimates and Judgements

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.

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. The recoverable amount of an asset is estimated as the higher of fair value less cost to sell and the value in use, with an impairment charge being recognised whenever the carrying amount exceeds the recoverable amount. The value in use is calculated using a discounted cash flow model which is most sensitive to the discount rate as well as the expected future cash inflows. The key assumptions used in the impairment testing, including sensitivity analysis are explained further in Note 12 Depreciation and fixed asset impairment charges.

Goodwill

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.

The Group has evaluated the most sensitive estimates which when changed 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 key assumptions used in the impairment testing, including sensitivity analysis are explained further in Note 12 Depreciation and fixed asset impairment charges.

Fair Value of Financial Instruments

Where the fair value of financial assets and liabilities cannot be derived directly from publicly quoted market prices other valuation techniques such as discounted cash flow models, transaction multiples, Black & Scholes model and Gordon model are employed. The key judgements include future cash flows, credit risk, volatility and changes in assumptions about these factors which could affect the reported fair value of the financial instruments. Investments in debt and equity securities of unlisted entities such as those in NewPage Corporation ("NewPage") and Pohjolan Voima Oy ("PVO") represents a significant portion of the Groups assets, requires significant management judgement and is explained in more detail in Notes 16 Available-for-sale investments and 26 Financial risk management.

Income Taxes

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 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. See Note 22 Post-employment benefits for detailed information on the assumptions used in the pension liability calculations.

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.

Environmental Provisions

The Group has made provisions for known environmental liabilities based on managements best estimate of the remediation costs. There is uncertainty regarding the timing and amount of these costs and therefore the final liability could differ significantly from the original estimate.

Note 3 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 were 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. However, in April 2008, the Merchant Business Area was divested and, since the beginning of 2008, Associated Companies have been reported separately in operating profit, whilst in previous years they were included in the respective Business Area results. Comparative figures for segments have been reclassified to show the Merchant results as part of discontinued operations and to take out the Associate results from the Business Areas where they were originally reported and to show them separately. The activities of the reportable segments are:

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.

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.

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.

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.

Associates

Associated Companies mainly operate in the forest sector supplying the Group with fibre, though there are other interests, the main one being a jointly owned pulp mill.

Other

The biggest component of segment Other is Wood Supply which 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.

Discontinued Operations

Merchants

Stora Enso's former paper merchant, Papyrus, was a customer-oriented European merchant network, which offered a range of paper, board, graphic products and e-service solutions to the graphic industry, wholesale, offices and the public and industrial sectors. It was divested in April 2008.

North America

The mills in the USA and Canada formed a separate segment until their divestment in December 2007.

Sales by Segment

	Year Ended 31 December								
	External	Internal	Total	External	Internal	Total	External	Internal	Total
EUR million		**2008**			**2007**			**2006**	
Newsprint and Book Paper	1 526.5	68.2	1 594.7	1 652.0	82.9	1 734.9	1 623.6	80.4	1 704.0
Magazine Paper	2 083.0	94.0	2 177.0	2 104.9	191.4	2 296.3	1 951.3	269.0	2 220.3
Fine Paper	1 914.8	196.9	2 111.7	1 705.1	451.1	2 156.2	1 891.5	370.3	2 261.8
Consumer Board	2 070.1	161.8	2 231.9	2 122.7	178.2	2 300.9	2 139.0	192.9	2 331.9
Industrial Packaging	997.8	78.7	1 076.5	987.0	96.5	1 083.5	879.5	91.2	970.7
Wood Products	1 410.8	92.6	1 503.3	1 743.9	109.2	1 853.1	1 571.8	101.2	1 673.0
Other	847.0	3 150.0	3 997.1	927.2	3 275.5	4 202.7	778.0	2 966.0	3 744.0
Elimination of internal sales	-	-3 663.4	-3 663.4	-	-3 779.1	-3 779.1	-	-3 445.3	-3 445.3
Continuing Operations	**10 850.0**	**178.8**	**11 028.8**	**11 242.8**	**605.7**	**11 848.5**	**10 834.7**	**625.7**	**11 460.4**
Discontinued: Merchants	708.2	-178.8	529.4	2 004.8	-479.7	1 525.1	1 906.2	-409.4	1 496.8
Discontinued: North America	-	-	-	1 895.9	-126.0	1 769.9	1 853.0	-216.3	1 636.7
Total Operations	**11 558.2**	**0.0**	**11 558.2**	**15 143.5**	**0.0**	**15 143.5**	**14 593.9**	**0.0**	**14 593.9**

Sales include external service income of EUR 57.0 (EUR 67.3) million.

Segment Share of Operating Profit, Asset & Liabilities

	Year Ended 31 December								
	Operating Profit			Assets			Liabilities		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Newsprint and Book Paper	125.6	101.9	233.4	1 320.9	1 422.7	1 629.2	271.7	353.5	345.3
Magazine Paper	28.4	-398.3	-101.8	1 862.9	2 110.1	2 526.2	479.1	540.0	581.9
Fine Paper	-313.8	152.1	198.7	2 137.9	1 877.9	1 890.1	325.8	397.5	464.5
Consumer Board	-194.1	-41.3	236.0	1 682.7	2 007.9	2 314.8	475.3	419.2	476.9
Industrial Packaging	9.3	105.2	86.7	831.6	939.4	807.5	199.7	234.5	176.0
Wood Products	-155.5	33.1	42.7	835.7	963.6	962.7	221.4	242.9	215.9
Associates	-11.3	341.9	88.7	1 116.9	1 246.6	918.1	-	-	-
Other	-215.2	-117.7	-76.0	2 452.2	3 914.2	2 829.4	4 617.3	5 183.9	5 722.7
Continuing Operations	**-726.6**	**176.9**	**708.4**	**12 240.8**	**14 482.4**	**13 878.0**	**6 590.3**	**7 371.5**	**7 983.2**
Discontinued: Merchants	11.8	69.3	33.1	-	828.4	888.4	-	273.8	348.5
Discontinued: North America	-	3.7	-5.7	-	-	2 615.7	-	-	1 029.8
Total Operations	**-714.8**	**249.9**	**735.8**	**12 240.8**	**15 310.8**	**17 382.1**	**6 590.3**	**7 645.3**	**9 361.5**

Fixed Assets, Capital Expenditure and Depreciation & Impairment by Segment

	Year Ended 31 December								
	Fixed Assets			Depreciation/Impairment			Capital Expenditure		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Newsprint and Book Paper	996.5	1 024.5	1 206.3	114.3	215.9	140.5	123.8	61.0	64.5
Magazine Paper	1 274.1	1 428.8	1 805.5	137.9	506.2	233.3	89.6	147.2	77.5
Fine Paper	1 052.8	1 363.8	1 393.7	541.3	154.5	220.1	98.5	161.1	77.8
Consumer Board	1 067.0	1 379.7	1 694.5	300.5	365.2	211.5	109.6	81.5	97.8
Industrial Packaging	461.9	536.6	488.4	115.2	62.8	61.2	81.9	111.1	46.0
Wood Products	424.4	503.8	602.8	130.9	172.8	81.0	62.9	74.6	32.9
Other	422.1	609.2	521.9	82.3	52.2	96.2	89.8	81.6	100.1
Continuing Operations	**5 698.8**	**6 846.4**	**7 713.1**	**1422.4**	**1 529.6**	**1 043.8**	**656.1**	**718.1**	**496.6**
Discontinued: Merchants	-	292.1	326.3	46.1	21.0	24.1	2.2	15.5	14.7
Discontinued: North America	-	-	2 191.4	-	330.7	189.7	-	36.6	47.8
Total Operations	**5 698.8**	**7 138.5**	**10 230.8**	**1 468.5**	**1 881.3**	**1 257.6**	**658.3**	**770.2**	**559.1**

Goodwill by Segment

	Year Ended 31 December								
	Goodwill			Goodwill on Acquisitions			Amortisation/Impairment		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Newsprint and Book Paper	23.0	23.0	23.0	-	-	-	-	-	-
Magazine Paper	60.0	60.0	100.0	-	-	-	-	20.0	7.0
Fine Paper	-	230.6	230.8	-	-	-	228.0	-	2.0
Consumer Board	-	8.0	8.0	-	-	-	8.0	-	-
Industrial Packaging	20.2	21.4	23.0	-	-	-	-	-	-
Wood Products	104.4	105.0	157.2	-	-	-	-	54.1	-
Associates	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Continuing Operations	**207.6**	**448.0**	**542.0**	**-**	**-**	**-**	**236.0**	**74.1**	**9.0**
Discontinued: Merchants	-	54.7	54.8	-	-	2.0	39.2	-	-
Discontinued: North America	-	-	310.0	-	-	-	-	158.9	-
Total Operations	**207.6**	**502.7**	**906.8**	**-**	**-**	**2.0**	**275.2**	**233.0**	**9.0**

Operating Capital by Segment

	As at 31 December		
EUR million	**2008**	2007	2006
Newsprint and Book Paper	1 158.9	1 224.3	1 441.7
Magazine Paper	1 445.3	1 572.0	1 990.7
Fine Paper	1 390.4	1 584.9	1 570.0
Consumer Board	1 294.1	1 743.0	2 035.0
Industrial Packaging	620.7	701.8	628.6
Wood Products	653.9	803.1	826.8
Associates	1 005.3	1 136.0	664.4
Other	1 488.7	1 973.1	1 460.2
Continuing Operations	**9 057.3**	**10 738.2**	**10 617.4**

Reconciliation to Total Assets

	As at 31 December		
EUR million	**2008**	2007	2006
Operating Capital			
Continuing operations	9 057.3	10 738.2	10 617.4
Discontinued operations: Merchants	-	500.6	527.2
Discontinued operations: North America	-	-	1 992.4
Total Operating Capital	**9 057.3**	**11 238.8**	**13 137.0**
Gross-up for operating liabilities	2 131.9	2 487.2	3 140.2
Interest-bearing receivables	952.1	1 486.8	984.8
Tax receivables	99.5	98.0	120.1
Total Balance Sheet Assets	**12 240.8**	**15 310.8**	**17 382.1**

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 2008	2007	2006
Newsprint and Book Paper	2 771	2 813	2 945
Magazine Paper	4 331	5 216	5 292
Fine Paper	3 644	3 845	4 550
Consumer Board	4 343	4 519	4 857
Industrial Packaging	5 903	5 907	5 795
Wood Products	4 835	4 876	4 841
Other	7 988	8 961	9 579
Continuing Operations	**33 815**	**36 137**	**37 859**
Discontinued: Merchants	957	3 103	3 177
Discontinued: North America	-	4 151	4 595
Total Operations	**34 772**	**43 391**	**45 631**
Year-End Personnel	**31 667**	**37 997**	**43 887**

Location	Year Ended 31 December 2008	2007	2006
Baltic States	1 405	1 684	1 776
Finland	11 040	12 187	12 879
France	611	1 094	1 307
Germany	3 715	5 330	5 786
Poland	2 221	2 072	1 848
Russia	1 835	1 875	2 199
Sweden	7 677	7 705	8 128
Other Europe	3 755	4 870	5 262
Europe	**32 259**	**36 817**	**39 185**
Brazil	428	770	272
China (incl. Hong Kong)	1 660	1 312	1 097
North America	208	4 332	4 922
Other	217	160	155
Total	**34 772**	**43 391**	**45 631**

External Sales by Destination and Origin

	As at 31 December								
	Sales By Destination			Sales By Origin			Balance of Trade		
EUR million	2008	2007	2006	2008	2007	2006	2008	2007	2006
Austria	309.4	309.4	275.1	352.7	414.7	353.6	43.3	105.3	78.5
Baltic States	162.1	203.2	179.5	280.3	347.3	331.5	118.2	144.1	152.0
Belgium	176.9	234.4	229.0	331.0	385.5	357.9	154.1	151.1	128.9
Czech Republic	151.5	162.5	138.3	213.7	254.3	222.5	62.2	91.8	84.2
Denmark	189.9	198.8	195.6	1.8	2.1	3.9	-188.1	-196.7	-191.7
Finland	831.8	888.9	844.8	3 671.2	4 176.7	4 244.6	2 839.4	3 287.8	3 399.8
France	699.9	713.5	729.4	216.0	213.2	215.1	-483.9	-500.3	-514.3
Germany	1 825.3	1 901.0	1 802.4	1 571.8	1 671.0	1 677.7	-253.5	-230.0	-124.7
Italy	362.9	414.5	404.3	14.9	26.9	26.0	-348.0	-387.6	-378.3
Netherlands	487.4	533.9	524.1	31.8	210.5	226.5	-455.6	-323.4	-297.6
Poland	390.0	361.4	287.9	269.7	280.1	214.7	-120.3	-81.3	-73.2
Russia	302.8	312.3	235.2	221.9	243.6	205.8	-80.9	-68.7	-29.4
Spain	427.9	527.9	521.3	131.7	116.1	117.0	-296.2	-411.8	-404.3
Sweden	960.8	1 024.0	963.3	2 950.5	2 726.0	2 561.3	1 989.7	1 702.0	1 598.0
UK	731.9	909.0	885.5	35.4	47.6	33.6	-696.5	-861.4	-851.9
Other Europe	837.6	822.3	753.0	143.0	280.9	348.3	-694.6	-541.4	-404.7
Total Europe	**8 848.1**	**9 517.0**	**8 968.7**	**10 437.4**	**11 396.5**	**11 140.0**	**1 589.3**	**1 879.5**	**2 171.3**
Africa	246.9	267.7	162.2	-	-	-	-246.9	-267.7	-162.2
Australia / New Zealand	169.5	129.7	112.2	5.3	5.3	9.8	-164.2	-124.4	-102.4
Brazil	192.4	181.4	107.9	394.4	306.7	197.3	202.0	125.3	89.4
China (incl. Hong Kong)	287.9	241.4	270.0	152.7	102.1	67.0	-135.2	-139.3	-203.0
Japan	266.1	352.4	345.5	0.1	0.2	5.9	-266.0	-352.2	-339.6
Other Asia	347.6	332.4	354.9	8.0	9.9	9.9	-339.6	-322.5	-345.0
Middle East	304.9	348.8	406.1	-	-	-	-304.9	-348.6	-406.1
USA	106.2	263.7	521.6	30.4	27.6	30.3	-75.8	-236.1	-491.3
Other Latin America	167.8	170.3	159.8	0.5	-	-	-167.3	-170.3	-159.8
Others	91.4	43.9	51.5	-	0.2	0.2	-91.4	-43.7	-51.3
Continuing Operations	**11 028.8**	**11 848.5**	**11 460.4**	**11 028.8**	**11 848.5**	**11 460.4**	**0.0**	**0.0**	**0.0**
Discontinued operations	529.4	3 295.0	3 133.5	529.4	3 295.0	3 133.5	-	-	-
Total Operations	**11 558.2**	**15 143.5**	**14 593.9**	**11 558.2**	**15 143.5**	**14 593.9**	**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	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Austria	203.4	205.9	224.8	143.7	145.4	162.9	93.5	113.3	98.0
Baltic States	153.5	226.3	270.7	136.1	201.7	249.5	35.1	68.9	142.6
Belgium	511.6	556.2	574.4	434.6	481.1	506.9	312.6	273.1	289.6
Czech Republic	140.4	164.4	164.8	111.6	137.1	133.6	163.8	177.1	154.6
Finland	4 694.8	5 937.7	5 633.8	3 459.6	3 864.9	4 001.5	1 909.9	2 505.5	1 636.5
France	218.0	308.7	381.3	160.4	203.0	232.4	368.1	44.9	144.5
Germany	1 045.2	1 561.2	1 736.2	384.2	927.1	986.2	393.1	638.2	670.9
Poland	305.0	352.0	293.8	172.8	216.3	190.4	243.9	272.7	158.0
Russia	234.9	301.5	204.0	204.4	262.4	177.6	3.1	76.3	51.9
Spain	105.4	112.2	121.7	73.8	77.5	83.4	73.6	72.2	75.0
Sweden	3 002.3	3 592.1	3 611.9	2 173.1	2 420.3	2 363.4	747.7	1 927.4	2 394.7
Other Europe	138.7	400.6	420.7	43.2	227.2	193.4	193.2	224.0	261.9
Total Europe	**10 753.2**	**13 718.8**	**13 638.1**	**7 497.5**	**9 164.0**	**9 281.2**	**4 537.6**	**6 393.6**	**6 150.2**
Brazil	642.4	732.7	738.2	606.1	703.9	699.2	606.0	684.8	699.8
Canada	-	-	344.8	-	-	272.7	-	-	234.3
China (incl. Hong Kong)	367.5	314.9	265.2	298.3	257.7	227.5	26.9	50.9	103.4
USA	355.7	459.7	2 341.2	260.5	421.9	1 729.3	310.9	416.7	704.7
Other Latin America	89.0	54.5	27.4	86.4	50.5	24.2	87.2	53.5	26.7
Other	33.0	30.2	27.2	25.7	22.2	20.4	25.4	-5.9	-2.0
Total Operations	**12 240.8**	**15 310.8**	**17 382.1**	**8 774.5**	**10 620.2**	**12 254.5**	**5 594.0**	**7 593.6**	**7 917.1**
Continuing operations	12 240.8	14 482.4	13 878.0	8 774.5	10 139.5	9 835.6	5 594.0	7 395.7	6 900.7
Discontinued operations	-	828.4	3 504.1	-	480.7	2 418.9	-	197.9	1 016.4
Total Operations	**12 240.8**	**15 310.8**	**17 382.1**	**8 774.5**	**10 620.2**	**12 254.5**	**5 594.0**	**7 593.6**	**7 917.1**

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	2008	2007	2006	2008	2007	2006	2008	2007	2006
Austria	125.1	127.3	117.6	8.0	18.8	6.2	9.8	8.8	7.1
Baltic States	74.6	92.8	180.5	8.6	7.3	11.6	24.8	93.2	34.1
Belgium	447.2	446.6	468.8	48.9	13.5	7.1	33.5	35.3	34.3
Czech Republic	110.7	117.2	119.6	2.1	2.5	4.0	7.5	6.0	7.5
Finland	1 809.7	2 367.0	2 702.4	227.0	266.1	157.1	696.1	712.4	377.1
France	102.3	118.4	184.2	6.2	4.1	5.7	14.2	68.7	20.2
Germany	645.8	946.2	1 100.7	59.3	28.5	45.0	279.4	180.7	226.7
Poland	148.5	178.4	165.3	17.0	23.1	10.5	27.6	20.7	19.6
Russia	158.1	204.1	133.3	48.2	90.8	29.8	70.1	14.8	12.2
Spain	56.7	58.0	64.1	5.7	4.0	2.6	6.7	8.0	6.9
Sweden	1 608.8	1 971.8	2 200.4	147.6	137.4	166.9	234.9	261.9	242.9
Other Europe	33.8	134.9	142.4	21.0	8.8	23.2	13.0	-6.1	62.8
Total Europe	**5 321.3**	**6 762.7**	**7 579.3**	**599.6**	**604.9**	**469.7**	**1 417.6**	**1 404.4**	**1 051.4**
Brazil	90.9	116.2	250.4	5.3	5.9	13.3	7.5	103.0	5.9
Canada	-	-	290.9	-	9.1	5.1	-	26.9	25.3
China (incl. Hong Kong)	178.1	181.0	164.4	6.8	84.8	18.8	31.7	41.1	8.2
USA	30.8	29.7	1 918.5	10.4	43.3	43.0	10.9	305.0	165.6
Other Latin America	72.1	42.9	20.7	35.8	21.8	8.6	0.2	0.1	0.1
Other	5.6	6.0	6.6	0.4	0.4	0.6	0.5	0.8	1.2
Total Operations	**5 698.8**	**7 138.5**	**10 230.8**	**658.3**	**770.2**	**559.1**	**1 468.5**	**1 881.3**	**1 257.7**
Continuing operations	5 698.8	6 846.4	7 713.1	656.1	718	496.4	1 422.4	1 529.6	1 043.8
Discontinued operations	-	292.1	2 517.7	2.2	52.2	62.7	46.1	351.7	213.9
Total Operations	**5 698.8**	**7 138.5**	**10 230.8**	**658.3**	**770.2**	**559.1**	**1 468.5**	**1 881.3**	**1 257.7**

Note 4 Acquisitions and Disposals

Acquisitions

In 2008 the Group spent EUR 4.5 million on external share acquisitions. In 2007 EUR 71.4 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 of EUR 329.8 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. There was no goodwill resulting from acquisitions in any of these years.

Acquisition of Group Companies

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Acquired Net Assets			
Cash and cash equivalents	-	0.3	1.6
Other operating working capital	0.1	-9.5	47.3
Fixed assets	4.0	10.7	222.0
Biological assets	-	-	61.1
Tax liabilities	-0.4	-0.2	1.2
Net interest-bearing liabilities	-1.0	-1.2	-4.5
Minority interests	1.8	71.3	1.1
Fair Value of Net Assets in Acquired Companies	**4.5**	**71.4**	**329.8**

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 1 845 staff and had sales in 2008 of EUR 236.6 (EUR 236.9) 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 the previous year's acquisition of the Arapoti Group in Brazil was also concluded in 2007 with only minor adjustments to values.

In September 2006 Stora Enso finalised its 100% acquisition of the Arapoti Group in Brazil from Interna-tional Paper Inc. The EUR 320.0 million deal comprised a paper mill sawmill and some 30 000 hectares of plantations, the sawmill and plantations being sold in 2007. The paper mill at Arapoti in the state of Paraná near major markets in Southern Brazil 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 360 people and had a turnover in 2008 of EUR 138.0 (EUR 133.9) million.

Disposals

In 2008 Stora Enso divested its Papyrus Merchant business area for a net consideration of EUR 191.0 million in a disposal that valued the enterprise at EUR 412.1 million as detailed in Note 5 Discontinued Operations. Others disposals netted EUR 30.4 million the only material item being the sale of the company that owned the Group's Helsinki head office in a deal worth EUR 25.9 million.

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 5 Discontinued operations whilst the South American transaction netted EUR 143.3 million

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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 2008	2007	2006
Net Assets Sold			
Cash and cash equivalents	31.3	110.8	20.2
Other operating working capital	173.8	-126.0	59.5
Fixed assets	281.8	1 695.8	172.4
Biological assets	-	84.1	45.5
Interest-bearing assets less cash and cash equivalents	-	0.6	1.2
Tax liabilities	-26.7	-49.6	-18.0
Interest-bearing liabilities	-230.1	-1 019.2	-12.0
Associate acquired in share exchange with Minority	-6.9	-	-
Minority interests	-3.3	-0.6	-0.2
Net Assets in Divested Companies	**219.9**	**695.9**	**268.6**
Income Statement capital gain	1.5	5.0	197.9
Total Disposal Consideration Received in Cash & Kind	**221.4**	**700.9**	**466.5**

In September 2007 Stora Enso sold some of the businesses of Stora Enso Arapoti such that the purchaser Arauco Florestal Arapoti ("Arauco") had a 20% interest in the Group's Brazilian paper business whilst conversely Stora Enso has a 20% interest in the forest holdings; the transaction itself had a neutral effect on operating profit

In 2006 the Asset Performance Review 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.
- In July 2006 Stora Enso sold its Pankakoski Mill for EUR 5.2 million recording a fixed asset impairment of EUR 15.8 million.
- 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.

Note 5 Discontinued Operations

Stora Enso finalised the divestment of its merchant business Papyrus to Altor Fund II a private equity venture on 30 April 2008 in a transaction which placed an enterprise value on the disposed business of EUR 412.1 million. The net loss on the disposal amounted to EUR 3.6 million made up of an impairment of EUR 39.2 million to match the net assets disposed with the consideration net currency gains on cumulative translation differences of EUR 35.5 million and positive tax of EUR 0.1 million. The equity sales price net of costs amounted to EUR 191.0 million of which EUR 141.0 million was received in cash and the balance in the form of a payment-in-kind loan ("PIK") Note issued by the (renamed) Papyrus Holding AB with a Nominal value of EUR 57.3 million fair valued on receipt at EUR 50.0 million and at the year end EUR 38.9 million. Full details of all PIK Notes are given in Note 16 Available-For-Sale Investments.

Papyrus's external turnover in 2007 the last full year within the Group amounted to EUR 2 006.0 million though sales of Group products only amounted to EUR 567.7 million. Details of the Income Statement summary for Papyrus in the four months of 2008 to its divestment are below.

Income Statement Summary of Discontinued Operations in 2008 (Merchants)

	Year Ended 31 December		
EUR million	**Net Result**	**Normal Operations**	**Disposal Charges**
Turnover	529.4	529.4	-
Operative costs	-517.6	-513.8	-3.7
Operating profit	**11.9**	**15.6**	**-3.7**
Net financial expense	-5.5	-5.5	-
	6.4	10.1	-3.7
Taxes	-2.1	-2.2	0.1
Profit/(Loss) for the Year	**4.3**	**7.9**	**-3.6**

On 21 December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc ("SENA") its North American subsidiary to NewPage. SENA represented nearly all the Group's North American business area and 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.

Income Statement Summary of Discontinued Operations in 2007 (SENA)

	Year Ended 31 December		
EUR million	**Net Result**	**Normal Operations**	**Disposal Charges**
Operating profit	3.7	32.0	-28.3
Net financial expense	-97.3	-97.3	-
(Loss) before tax	-93.6	-65.3	-28.3
Taxes	-190.3	-1.0	-189.3
(Loss) for the Year	**-283.9**	**-66.3**	**-217.6**

The following table sets out 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

	Year Ended 31 December								
	Continuing Operations			Discontinued Operations			Total Operations		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Sales	**11 028.8**	**11 848.5**	**11 460.4**	**529.4**	**3 295.0**	**3 133.5**	**11 558.2**	**15 143.5**	**14 593.9**
Other operating income	120.2	88.4	360.0	36.1	156.6	4.9	156.3	245.0	364.9
Changes in finished goods inventories	-78.1	81.0	-14.3	-2.4	-43.3	16.8	-80.5	37.7	2.5
Change in net value of biological assets	-18.2	7.5	-2.2	-	-	-	-18.2	7.5	-2.2
Materials and services	-6 815.7	-7 051.5	-6 371.9	-400.5	-2 279.4	-2 133.5	-7 216.2	-9 330.9	-8 505.4
Delivery costs & sales commissions	-1 127.1	-1 133.9	-1 193.2	-18.3	-182.3	-164.6	-1 145.4	-1 316.2	-1 357.8
Personnel expenses	-1 669.1	-1 712.9	-1 728.1	-57.9	-402.1	-472.8	-1 727.0	-2 115.0	-2 200.9
Other operating expenses	-752.6	-761.9	-846.5	-28.4	-121.2	-142.3	-781.0	-883.1	-988.8
Associated company result	7.6	341.3	88.0	-	1.4	-0.7	7.6	342.7	87.3
Depreciation & impairment	-1 422.4	-1 529.6	-1 043.8	-46.1	-351.7	-213.9	-1 468.5	-1 881.3	-1 257.7
Operating (Loss) / Profit	**-726.6**	**176.9**	**708.4**	**11.9**	**73.0**	**27.4**	**-714.7**	**249.9**	**735.8**
Net financial items	-167.2	-156.7	-14.9	-5.5	-109.5	-89.1	-172.7	-266.2	-104.0
(Loss) / Profit before Tax	**-893.8**	**20.2**	**693.5**	**6.4**	**-36.5**	**-61.7**	**-887.4**	**-16.3**	**631.8**
Income tax	214.8	-7.4	-6.2	-2.1	-188.7	-36.4	212.7	-196.1	-42.6
Net (Loss) / Profit for the Year	**-679.0**	**12.8**	**687.3**	**4.3**	**-225.2**	**-98.1**	**-674.7**	**-212.4**	**589.2**

Cash Flow Effects of the Discontinued Operations

	Year Ended 31 December								
	Continuing Operations			Discontinued Operations			Total Operations		
EUR million	2008	2007	2006	2008	2007	2006	2008	2007	2006
Cash Flow from Operating Activities									
Net profit / (loss) for the period	-679.0	12.8	687.3	4.3	-225.2	-98.1	-674.7	-212.4	589.2
Result from the "SORIE"	-280.9	3.6	-59.9	-	-	0.7	-280.9	3.6	-59.2
Taxes	-214.8	7.4	6.2	2.1	188.7	36.4	-212.7	196.1	42.6
Depreciation & impairment	1 422.4	1 529.6	1 043.8	46.1	351.7	213.9	1 468.5	1881.3	1 257.7
Net financial income	167.2	156.7	14.8	5.5	109.5	89.2	172.7	266.2	104.0
Other adjustments	7.4	-341.2	-282.9	-35.5	-160.2	-1.3	-28.1	-501.4	-284.2
Interest paid	-179.5	-159.2	-162.3	-11.7	-102.7	-85.2	-191.2	-261.9	-247.5
Interest & dividends received	37.4	41.8	23.8	3.2	11.4	6.5	40.6	53.2	30.3
Other financial items net	211.5	-53.2	-9.8	-0.2	-29.2	-1.7	211.3	-82.4	-11.5
Income taxes paid	25.1	-96.6	-210.3	0.4	-15.0	-5.1	25.5	-111.6	-215.4
Change in net working capital	52.1	-242.8	217.9	29.4	-88.1	71.1	81.5	-330.9	289.0
Net Cash Provided by Operating Activities	**568.9**	**858.9**	**1 268.6**	**43.6**	**40.9**	**226.4**	**612.5**	**899.8**	**1 495.0**
Cash Flow from Investing Activities	**-543.9**	**-583.5**	**-290.7**	**-7.0**	**33.5**	**37.5**	**-550.9**	**-550.0**	**-253.2**
Cash Flow from Financing Activities	**-602.5**	**383.7**	**-834.5**	**-83.2**	**-98.8**	**-159.8**	**-685.7**	**284.9**	**-994.3**
Net Increase (Decrease) in Cash	**-577.5**	**659.1**	**143.4**	**-46.6**	**-24.4**	**104.1**	**-624.1**	**634.7**	**247.5**

Note 6 Other Operating Income and Expense

The Group has recorded Other Operating Income of EUR 49.5 million relating to emission rights and expensed under Materials & Services EUR 27.6 million on account of actual CO_2 emissions made in 2008 thus ensuring the Income Statement correctly reflects the cost of assets used in production. The net income amounts to EUR 21.9 million of which EUR 19.8 million is actual realised profits on the disposal of surplus rights and EUR 1.6 million is the value of excess emission rights held at the year end. In 2007 when emission rights dropped to a negligible value the income from the grant of rights and the expense for their use matched at EUR 1.7 million each way. However, the Group then expensed EUR 4.9 million on the valuation of surplus rights held at the year end and took credit for gains on the sale of surplus rights earlier in the year of EUR 6.3 million.

The Group also generates 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. This income amounted to EUR 47.4 (EUR 38.6) million.

As discussed in Note 5 Discontinued operations on 30 April 2008 Stora Enso completed the divestment of its merchant business Papyrus to Altor Fund II a private equity venture which resulted in cumulative translation gains of EUR 35.5 million previously recorded in equity being recognised through the income statement.

Other Operating Income in Discontinued Operations in 2007 amounted to EUR 156.5 million of which EUR 130.6 million relates to CTA recycled through the income statement upon the divestment of SENA. In addition, capital gains of EUR 24.4 million arose on the sale of fixed assets when the Papyrus merchant business sold warehouses in Sweden and Denmark.

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 were 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

	Year Ended 31 December		
EUR million	**2008**	2007	2006
Other Operating Income			
Emission rights granted and disposal gains	49.5	7.9	117.0
Sale of Green certificates	47.4	38.6	24.4
Capital gains on sale of fixed assets	7.6	5.9	6.8
Capital gains on sale of Group companies	1.5	5.0	189.9
CTA on disposals net of hedging	-	17.4	8.0
Gain on sale of unlisted shares	1.0	1.7	0.6
Insurance compensation	0.6	1.0	2.4
Rent	7.1	7.8	7.6
Subsidies	5.5	3.1	3.3
Total: Continuing Operations	**120.2**	**88.4**	**360.0**
Total: Discontinued operations	36.2	156.5	4.9
Total Operations	**156.4**	**244.9**	**364.9**
Other Operating Expenses include			
Research and Development	79.2	80.9	78.3
Rents paid	82.4	86.3	81.6
Credit losses	8.6	8.9	2.4
Loss on sale of long-term investments	0.1	1.0	-
CTA on disposals net of hedging	3.2	9.3	2.2
Materials and Services include			
Actual emissions and fair value loss on rights	27.6	6.6	103.5

Aggregate fees for professional services of an accounting nature rendered to the Group amounted to EUR 6.4 (EUR 9.9) million of which EUR 4.9 (EUR 7.6) million related to the principal independent auditor Deloitte & Touche Oy who replaced PricewaterhouseCoopers as Auditors following the Annual General Meeting on 26 March 2008. 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

	Year Ended 31 December		
EUR million	**2008**	2007	2006
Audit fees	3.7	6.3	4.9
Audit-related fees	0.1	0.3	0.2
Tax fees	0.2	0.4	0.9
Other fees	0.9	0.6	0.1
Total	**4.9**	**7.6**	**6.1**

Note 7 Staff Costs

Personnel Expenses

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Wages and salaries	1 205.2	1 272.3	1 328.0
Board Remuneration (Note 8)	0.9	0.7	0.7
Group Executive Team ("GET") Remuneration (Note 8)	8.0	10.6	8.8
Pensions (see below)	204.0	209.3	189.1
Share-based remuneration (Note 23)	-13.4	-1.4	18.2
Total return swaps	83.9	11.8	-24.6
Other statutory employer costs	162.6	192.4	200.0
Other voluntary costs	17.9	17.2	7.9
Total: Continuing Operations	**1 669.1**	**1 712.9**	**1 728.1**
Total: Discontinued operations	57.9	402.1	472.8
Total Operations	**1 727.0**	**2 115.0**	**2 200.9**

Pensions

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Defined benefit plans	26.8	23.6	30.6
Defined contribution plans	174.7	185.6	156.1
Other post-employment benefits	2.5	0.1	2.4
Pension Costs: Continuing Operations	**204.0**	**209.3**	**189.1**
Pension costs: Discontinued operations	5.5	-14.6	43.1
Pension Costs: Total Operations	**209.5**	**194.7**	**232.2**

The Group hedges its option programme by using various financial derivatives but mainly TRS shown under personnel costs alongside the option result to which they relate so that both the risk and the result from hedging of that risk appear in the same section of the Income Statement. The options and the derivatives hedging them do not qualify for hedge accounting as the options are being priced by reference to valuation models whereas the TRS are priced by reference to the current market price of the shares. The net effect on operating profit of the hedged option programmes in 2006 was a gain of EUR 6.4 million and in 2007, an expense of EUR 10.4 million. However, in 2008 the severe drop of the company's share price meant that there was a net cost of the option programme of EUR 70.5 million.

In 2008 the cost of the option programme itself actually registered a credit of EUR 13.4 million due to the both the drop in the current share price and the drop in the future expectation of the share price movements; with a lower share price the future costs of the options spread over their vesting periods is less. The cash cost of the options was EUR 3.4 million offset by the credit for fair valuation of the future costs of EUR 16.8 million to give the net credit of EUR 13.4 million. However, as a result of the significant drop in the share price during 2008 a charge of EUR 83.9 million relating to TRS was recorded. The Group has restructured and renegotiated its TRS portfolio paying out EUR 61.0 million in the process. At the year end there was a further liability on the TRS of EUR 57.4 (34.9) million which is under review with the counterparties.

Note 8 Board & Executive Remuneration

Board Remuneration and Share Interests & Committee Membership at 31 December 2008

	Year Ended 31 December						
	2008			2007	Shares Held		
EUR thousand	**Cash**	**Shares**	**Total**	**Cash**	**A**	**R**	**Committee Memberships**
Board Members at 31 December 2008							
Claes Dahlbäck, Chairman	138.8	54.0	192.8	159.0	2 541	26 114	Remuneration[3, 6], Nomination[5], Financial & Audit
Ilkka Niemi, Vice Chairman	92.2	34.0	126.2	105.0	-	4 146	Remuneration[3, 6], Nomination[5], Financial & Audit
Gunnar Brock	51.0	24.0	75.0	60.0	-	6 927	
Dominique Hériard Dubreuil	57.0	24.0	81.0	66.0	-	3 927	Remuneration[3, 6]
Birgitta Kantola	65.0	24.0	89.0	74.0	-	6 427	Financial & Audit
Juha Rantanen	36.0	24.0	60.0	-	-	6 927	
Jan Sjöqvist	71.0	24.0	95.0	80.0	508	4 870	Financial & Audit
Matti Vuoria	57.0	24.0	81.0	66.0	-	11 927	Remuneration[3, 6]
Marcus Wallenberg	51.0	24.0	75.0	60.0	2 541	7 642	Nomination[4, 5]
Former Board Members							
Lee A. Chaden (retired 26 March 2008)	18.5	-	18.5	74.0	n/a	n/a	
Total Remuneration as Directors [1) 2)]	**637.5**	**256.0**	**893.5**	**744.0**	**5 590**	**78 907**	n/a = Not Applicable
		2)	1)	1)			

1) The Board remuneration approved at the 2008 AGM was the same in 2008 as the previous year with the exception that the AGM approved that 40% of the remuneration should be paid in R shares of the Company, bought from the open market. In 2007 and earlier, the Board remuneration was paid on a quarterly basis, whereas for the year starting at the AGM 2008, the remuneration was paid in one instalment in advance due to the purchase of shares in compensation. Therefore the total remuneration for 2008 contains the full year's remuneration decided at the 2008 AGM as well as the final quarter of the remuneration approved at the 2007 AGM. The remuneration for 2007 contains three quarters of remuneration decided at the 2007 AGM and one quarter approved at the 2006 AGM.

2) 40% of the Board remuneration in 2008 was paid in Stora Enso R shares purchased from the market and distributed as to Chairman: 6 585 R shares Vice Chairman: 4 146 R shares and members: 2 927 R shares.

3) 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.

4) Marcus Wallenberg is the member of the Nomination Committee elected by the Foundation Asset Management.

5) Stora Enso's Nomination Committee is appointed by the shareholders at the AGM; Claes Dahlbäck and Ilkka Niemi have been appointed thereto in their roles as Chairman and Vice Chairman of the Board of Directors.

6) Following the implementation of the new Finnish Corporate Governance Code the name of the Compensation Committee was changed to Remuneration Committee effective from 1 January 2009.

Group Executive Team ("GET") Remuneration & Share Interests

Shown on pages 118–119 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 2008 amounted to EUR 8.0 (EUR 10.6) million as shown on page 118 along with details of executive contracts.

Group Executive Team Remuneration

	Year Ended 31 December					
	2008			2007		
EUR thousand	CEO	Others	GET Total	CEO[2,3]	Others	GET Total
Remuneration						
Annual salary [1]	880	3 352	4 232	804	4 290	5 094
Local housing (actual costs)	94	53	147	160	54	214
Other benefits	15	135	150	15	121	136
Bonus (variable salary)	-	664	664	-	633	633
Share programmes	140	314	454	277	662	939
	1 129	**4 518**	**5 647**	**1 256**	**5 760**	**7 016**
Pension Costs						
Mandatory company plans	-	4	4	-	195	195
Stora Enso voluntary plans	283	2 017	2 300	411	1 302	1 713
	283	**2 021**	**2 304**	**411**	**1 497**	**1 908**
Total Compensation	**1 412**	**6 539**	**7 951**	**1 667**	**7 257**	**8 924**

1) The CEO gave up his right to company-paid housing in London during 2008 and received in exchange a cash allowance equivalent to the housing cost; his cash salary was EUR 834 198 before payment of the cash housing allowance.

2) Contains the remuneration for CEO Jouko Karvinen for the entire year 2007 including the period from 1 January 2007 before he began in his formal office as CEO.

3) The remuneration in 2007 of Jukka Härmälä, the former CEO, for the period to his retirement on 31 August amounted to EUR 1 677 000 and has been excluded from the 2007 comparatives both for the CEO and other. Härmälä was acting as the CEO until 29 March 2007 and continued as a senior advisor until his retirement.

Executives other than CEO

GET members have short-term incentive plans up to a maximum 50% of their 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 2008 relating to 2007 was EUR 664 632 (EUR 632 919). 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 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 in the table above 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 and the company did not issue any options in 2008. During the year 97 500 options relating to the 2001 Programme lapsed and no others were exercised though in 2007, 265 000 were exercised realising a cash value of EUR 281 250.

Share-based Programmes for Management

GET members other than the CEO were not eligible for the Restricted Share Award in 2008. During the year the number of shares settled on executives from previous awards amounted to 25 241 (30 740) having a cash value at the 1 March 2008 settlement date of EUR 211 015 (EUR 380 561) based on the share price of EUR 8.36 (EUR 12.38) at that date.

In 2007 GET members received Performance Share Awards under the Senior Executive section but as these grants covered both 2007 and 2008 no further awards were made in 2008. During 2008, 12 273 shares from previous Performance Share Awards were settled on executives based on the achievement of performance targets. The cash value at the 1 March 2008 settlement date was EUR 102 602 based on the share price of EUR 8.36 at that date. However, the targets for Performance Shares were not fully achieved and therefore 6 904 shares previously awarded lapsed. In 2007 no shares were settled on executives as the performance targets had not been attained and thus 21 705 shares previously awarded lapsed in that year.

Related Party Transaction

During 2008, two executives purchased 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 was 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 is entitled to a short-term incentive plan decided on by the Board each year giving a maximum 50% of annual fixed salary though as he was not eligible in 2007 he received an award of 21 194 Restricted Shares instead as described below. The short-term incentive plan for 2008, the outcome of which will be assessed in the first quarter of 2009, was 25% related to return on capital employed, 25% to EBITDA and 50% to personal key targets with the intention being that this shall be paid in shares from the Restricted Share Award Programme vesting over a three year period from 2010 to 2012.

The CEO is also eligible from 2007 to participate in the Senior Executive section of the Performance Share Plan as detailed below.

Option Programmes for Management 2008

No options were awarded in 2008. In 2007 the CEO was granted 157 646 options on joining Stora Enso with the estimated value at the grant date of 2 January 2007 as calculated by the option pricing model being EUR 365 000. During 2008 the CEO did not exercise any of these options.

Share-based Programmes for Management

The CEO received a Restricted Share Award of 21 194 (55 987) shares with the valuation at the grant date of 11 April 2008 being EUR 163 614 (EUR 678 003) based on the average share price from 31 March to 4 April 2008. The vesting will be over a three year period from 2009 to 2011. During the year the number of shares settled on the CEO from earlier awards amounted to 16 796 (22 395) having a cash value of EUR 140 415 (EUR 277 250) at the 1 March 2008 settlement date based on the share price of EUR 8.36 (EUR 12.38) at that date.

The CEO received an Award under the Senior Executive section of 183 750 shares with the valuation at the grant date of 1 April 2008 being EUR 1 422 225 based on the share price at the grant date of EUR 7.74 and assuming targets are met.

97 500 options held by executives lapsed when the 2001 Programme expired on 31 March 2008. In addition, 53 000 Performance Share Awards lapsed when Christer Ågren left the Group in November 2008.

Group Executive Team Share Interests and Options

Executives in Office at the Year End	R Shares Held	Synthetic Options 2002–2007	Performance Share Awards	Committee Memberships
Hannu Alalauri	5 469	45 000	29 624	
Aulis Ansaharju	3 843	56 250	24 624	Investment
Jouko Karvinen, CEO	23 122	157 646	221 740	
Hannu Kasurinen	2 581	63 750	16 624	Investment
Mats Nordlander	3 598	45 000	56 500	
Veli-Jussi Potka	4 093	78 750	22 874	Investment
Markus Rauramo, CFO	3 108	42 500	13 730	
Bernd Rettig	6 894	147 500	63 000	Investment, R&D
Hannu Ryöppönen, Deputy CEO	27 428	50 000	138 000	Investment
Elisabet Salander Björklund	17 879	82 500	62 750	Investment, Sustainability
Juha Vanhainen	4 310	63 750	22 874	Investment
Total, Serving Officers	**102 325**	**832 646**	**672 340**	

The following Executive Officers also Served in 2008	Position	Shares Held at Cessation	Synthetic Options 2002–2007	Performance Share Awards	Effective Date of Cessation
Christer Ågren	SEVP	7 072	90 000	-	30 November 2008

Note 9 Net Financial Items

Financial Income & Expense

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Net Financial Expense in the Income Statement			
Financial Income	356.7	161.9	274.1
Financial expense	-523.9	-318.6	-289.0
Total: Continuing Operations	**-167.2**	**-156.7**	**-14.9**
Represented by			
Interest expense			
Bank borrowings	-198.2	-215.7	-203.8
Finance leases	-3.2	-4.1	-4.7
Interest capitalised	1.7	0.8	-
Interest income	34.5	69.0	67.4
Income from interest-bearing securities	20.0	0.4	1.3
Exchange gains and losses			
Currency derivatives	254.9	-72.7	22.5
Borrowings and deposits	-270.2	69.5	-47.2
Other financial income			
Other fair value changes	35.6	14.3	1.2
Others (incl. Listed Securities)	10.0	7.9	181.6
Other financial expense			
Fair value hedges	-7.9	-2.8	-6.3
Other fair value changes	-34.5	-5.7	-3.4
Others (incl. Listed Securities)	-9.9	-17.6	-23.5
Total: Continuing Operations	**-167.2**	**-156.7**	**-14.9**
Total: Discontinued Operations	-5.5	-109.5	-89.1
Total Operations: Income Statement	**-172.7**	**-266.2**	**-104.0**

Gains and losses on derivative financial instruments are shown in Note 28.

Stora Enso currently holds two PIK Notes in its Available-For-Sale portfolio, one from NewPage in the USA with a nominal value of USD 222.1 million and the other from Papyrus Holding AB in Sweden with a nominal value of EUR 53.5 million. Both these unlisted financial securities accrue interest which is shown above in Income from Interest-bearing Securities of EUR 20.0 (EUR 0.4) million, EUR 16.3 million relating to NewPage and EUR 3.4 million to Papyrus. The interest is not actually paid but is accrued into the principal of the PIK Notes which will be repaid within a set number of years or when these businesses are floated in an Initial Public Offering ("IPO").

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 for items such as unused committed credit facilities guarantees and rating agencies are included in other financial expenses and were EUR 5.7 (EUR 5.2) million. Costs on long-term debt issues are capitalised as part of Non-current debt being EUR 7.6 (EUR 9.0) million and amortised by using the effective interest rate method through the Income Statement EUR 1.4 (EUR 1.4) million over the period of the debt.

Total Foreign Exchange Gains & Losses in the Income Statement

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Sales	33.9	-26.5	-43.3
Costs and expenses	-14.9	2.7	3.5
Net financial items	-15.3	-3.2	-24.7
Total: Continuing Operations	**3.7**	**-27.0**	**-64.5**
Total: Discontinued operations	-0.4	4.8	1.5
Total Operations	**3.3**	**-22.2**	**-63.0**

In 2008 the Group realised net gains on the sale of Listed Securities of EUR 1.1 (EUR 3.8) million this being the normal level to be expected based on its greatly reduced 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 and realised net capital gains of EUR 172.2 million.

Note 10 Income Taxes

Profit before Tax & Income Tax Expense: Continuing Operations

EUR million	Year Ended 31 December 2008	2007	2006
Finnish Companies			
Profit / (loss) before tax and Minority Interests	**-900.0**	**-414.4**	**251.7**
Current tax expense	-3.1	-8.1	2.3
Associated company tax	5.7	-22.6	-6.0
Total current tax	2.6	-30.7	-3.7
Deferred tax	169.3	147.9	-72.3
Total tax: Finland	**171.9**	**117.2**	**-76.0**
Non-Finnish Companies			
Profit before tax and Minority Interests	**6.2**	**434.6**	**441.8**
Current tax	40.3	-88.4	-47.4
Associated company tax	6.6	-74.2	-17.0
Total current tax	46.9	-162.6	-64.3
Deferred tax	-4.0	38.0	134.1
Total tax: Other Countries	**42.9**	**-124.6**	**69.8**
Total Result: Continuing Operations	**-893.8**	**20.2**	**693.5**
Total Tax: Continuing Operations	**214.8**	**-7.4**	**-6.2**

Income Tax Rate Reconciliation: Continuing Operations

EUR million	Year Ended 31 December 2008	2007	2006
Tax at statutory rates applicable to profits in the country concerned	234.0	-4.7	-160.6
Non-deductible expenses and tax exempt income*	27.2	37.8	33.7
Losses where no deferred tax benefit is recognised	-83.6	-27.7	-51.1
Provision for and settlement of tax cases	61.9	19.5	119.9
Change in tax rates and change in tax laws	42.0	-23.8	-0.5
Impairment of goodwill	-66.7	-8.5	-3.0
Sale of Celbi Mill	-	-	55.4
Income Taxes in the Income Statement	**214.8**	**-7.4**	**-6.2**
Effective Tax Rate on Continuing Operations	**24.0%**	**36.6%**	**0.9%**
Statutory Tax Rate on Continuing Operations	**26.2%**	**23.3%**	**23.2%**

* Non-deductible expenses of EUR 22.8 million have been netted against tax exempt income of EUR 50.0 million in 2008.

Despite substantial losses with no deferred tax benefits recognised and significant impairments of goodwill with no tax deductibility, the effective tax rate in 2008 was limited to a negative deviation of 2.2% compared to the tax rate based on statutory rates in the relevant countries. This was mainly due to positive effects from settlement of tax cases and reduction of tax rates in Sweden.

With a result before tax close to zero, the effective tax rate in 2007 was sensitive to small deviations. The net tax value of negative and positive effects on the effective tax rate amounted to EUR -2.7 million, giving a tax rate 13.3% higher than the tax rate based on statutory rates.

In 2006 two items had a materially positive impact on the effective tax rate, these being provisions released due to settlement of tax cases of EUR 119.9 million and the tax-exempt capital gain on the sale of Celbi Pulp Mill in Portugal with a benefit of EUR 55.4 million.

Profit before Tax & Income Tax Expense: Discontinued Operations

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Profit / (Loss) before tax	**6.4**	**-36.5**	**-61.7**
Current tax expense	-2.7	-14.6	-11.8
Deferred tax expense	0.5	15.2	-24.6
Tax on equity hedging previously deferred in equity	0.1	-189.3	-
Total Tax on Discontinued Operations	**-2.1**	**-188.7**	**-36.4**

In December 2007 Stora Enso finalised the divestment of SENA, its North American subsidiary holding its US and Canadian interests triggering two non-cash materially adverse tax consequences:

- A non-deductible goodwill impairment of EUR 158.9 million was expensed in the USA.
- The sale itself resulted in non-deductible accumulated currency losses of EUR 509.7 million being expensed though the off-setting hedging gains of EUR 640.3 were fully taxable as seen by the tax charge in the above table of EUR 189.3 million.

Income Tax Balance Sheet Reconciliation

	Current Tax			Deferred Tax			Total Tax		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
At 1 January	100.3	133.9	270.9	518.3	739.5	793.8	618.6	873.4	1 064.7
Translation difference	-6.4	-5.9	0.3	-38.9	-18.2	-3.6	-45.3	-24.1	-3.3
Companies acquired	0.1	-0.2	0.7	0.4	0.3	-2.0	0.5	0.1	-1.3
Companies divested	-6.2	-37.2	-10.2	-21.0	-12.4	-7.8	-27.2	-49.6	-18.0
OCI *	-	-	-	-93.3	4.0	-50.2	-93.3	4.0	-50.2
Pensions actuarial movement *	-	-	-	3.3	6.3	46.6	3.3	6.3	46.6
Equity hedging * (Note 29)	1.1	13.2	30.7	0.1	-191.4	-	1.2	-178.2	30.7
Income Statement									
Continuing operations	-49.5	191.3	68.1	-165.3	-183.9	-61.9	-214.8	7.4	6.2
Discontinued operations	2.7	14.6	11.8	-0.6	174.1	24.6	2.1	188.7	36.4
Tax in Associates	12.2	-97.8	-23.0	-	-	-	12.2	-97.8	-23.0
Tax received/(paid)	25.5	-111.6	-215.4	-	-	-	25.5	-111.6	-215.4
At 31 December	**79.8**	**100.3**	**133.9**	**203.0**	**518.3**	**739.5**	**282.8**	**618.6**	**873.4**
Liabilities	104.8	134.6	200.5	277.5	582.0	793.0	382.3	716.6	993.5
Assets	-25.0	-34.3	-66.6	-74.5	-63.7	-53.5	-99.5	-98.0	-120.1
Net Tax	**79.8**	**100.3**	**133.9**	**203.0**	**518.3**	**739.5**	**282.8**	**618.6**	**873.4**

* Deferred in equity

OCI = Other Comprehensive Income – see Note 28

The Group has recognised a deferred tax asset of EUR 368.4 (EUR 213.7) million for its net trading loss carry-forwards and established a valuation allowance of EUR 205.3 (EUR 154.4) million against this amount based on an analysis of the probability for set-off against future profits in the relevant tax jurisdictions. At 31 December 2008 Stora Enso had gross losses carried forward mainly attributable to foreign subsidiaries of EUR 1 427 (EUR 798) million of which some EUR 1 325 (EUR 695) million had no expiry date, EUR 13 (EUR 30) million expire during the years 2009–2013 and EUR 89 (EUR 73) million thereafter. There were previously no tax losses in Finland but in 2008 losses of EUR 473 million with an accounting value of EUR 123.2 million were incurred, no valuation allowances being deemed appropriate. The tax loss carry-forwards EUR 163.1 (EUR 59.3) million after deducting allowances 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 2008

				Income Statement			
EUR million	**As at 1 Jan 2008**	**Translation Dfference**	**Acquisitions and Disposals**	**Continuing Operations**	**Discontinued Operations**	**SORIE (deferred in equity)**	**As at 31 Dec 2008**
Fixed asset depreciation differences	711.2	-43.8	-27.7	-101.8	-0.4	-	537.5
Untaxed reserves	14.6	-3.2	-0.2	19.5	-0.1	-	30.6
Pension provisions	-27.5	-1.8	2.5	2.6	-	2.6	-21.6
Other provisions	-119.9	6.8	3.7	5.9	-	-	-103.5
Unrealised internal profits	-7.1	0.4	-	-0.7	-	-	-7.4
Tax losses carried forward	-213.7	6.4	7.6	-168.6	-0.1	-	-368.4
Other	-22.8	2.4	-2.8	17.7	0.2	-	-5.3
Less valuation allowance (Note 11)	154.4	-6.0	-3.0	60.2	-0.3	-	205.3
	489.2	**-38.8**	**-19.9**	**-165.2**	**-0.7**	**2.6**	**267.2**
Taxes Deferred in Equity							
Available-for-sale investments (OCI)	5.3	-	-	-	-	-9.5	-4.2
Derivative financial instruments (OCI)	23.8	-	-	-	-	-83.8	-60.0
Equity hedges (CTA)	-	-	-	-0.1	-	0.1	-
Change in Net Deferred Tax	**518.3**	**-38.8**	**-19.9**	**-165.3**	**-0.7**	**-90.6**	**203.0**
Shown on the Balance Sheet as							
Liabilities	582.0	-53.3	-32.2	-139.6	-0.7	-78.7	277.5
Assets	-63.7	14.5	12.3	-25.7	-	-11.9	-74.5
	518.3	**-38.8**	**-19.9**	**-165.3**	**-0.7**	**-90.6**	**203.0**

OCI = Other Comprehensive Income – see Note 28
SORIE = Consolidated Statement of Recognised Income & Expense
CTA = Cumulative Translation Adjustment – see Note 29

Under current IFRS rules all deferred tax is shown as non-current even though a proportion will be reversed within twelve months.

Note 11 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 2006	**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**
Translation difference	-1.9	-0.1	-0.1	-1.9	-6.0	-10.0
Companies Acquired & Disposed	-	-5.0	-3.4	-18.6	-3.0	-30.0
Charge in Income Statement: Continuing	18.2	25.8	11.6	0.4	107.2	163.2
Reversal in Income Statement: Continuing	-14.3	-23.0	-2.2	-	-47.0	-86.5
Income Statement: Discontinued Operations	-	-	-0.2	1.1	-0.3	0.6
Carrying Value at 31 December 2008	**68.2**	**14.1**	**11.7**	**20.5**	**205.3**	**319.8**

In 2008 there was little movement in operative provisions, the biggest item being spare parts and stock charges on the closure of Baienfurt Mill in Germany totalling EUR 6.8 million. Tax loss provisions, however, increased by a net of EUR 60.2 million reflecting the current trading situation of the Group and the economy as a whole. Whilst additional tax provisions of EUR 107.2 were expensed mainly in Germany where there were EUR 51.0 million of tax impairments, the position in France had improved sufficiently to enable previous tax provisions of EUR 30.2 million to be released following restructurings in the French legal group. Provisions related to trade receivables are discussed in Note 19 Receivables.

Note 12 Depreciation and Fixed Asset Impairment Charges

Depreciation and Fixed Asset Impairment Charges

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Depreciation: Continuing Operations			
Intangible fixed assets	27.5	28.0	28.2
Buildings and structures	98.5	106.4	108.9
Plant and equipment	535.6	631.7	707.1
Other tangible fixed assets	25.0	26.3	23.5
Total	**686.6**	**792.4**	**867.7**
Impairment and disposal losses: Continuing Operations			
Intangible fixed assets	1.9	21.4	5.0
Land	9.2	-	26.6
Buildings and structures	47.0	53.3	26.0
Plant and equipment	405.9	583.0	113.3
Other fixed assets	39.5	38.8	1.2
Goodwill	236.0	74.1	9.0
Total	**739.5**	**770.6**	**181.1**
Reversal of Impairment: Continuing Operations			
Land	-	-11.6	-
Buildings and structures	-2.0	-6.1	-
Plant and equipment	-1.7	-15.7	-5.0
	-3.7	**-33.4**	**-5.0**
Depreciation & Impairment Charges: Continuing Operations	**1 422.4**	**1 529.6**	**1 043.8**
Depreciation & Impairment Charges: Discontinued Operations			
Depreciation	6.9	188.3	210.6
Impairment of fixed assets	-	4.5	3.3
Impairment of goodwill	39.2	158.9	-
Total	**46.1**	**351.7**	**213.9**
Total Operations	**1 468.5**	**1 881.3**	**1 257.7**

Fixed asset and goodwill impairments in 2008 in respect of the Group's on-going business amounted to EUR 739.5 (EUR 770.6) million of which EUR 125.0 (EUR 202.2) million related to closures announced in September 2008 and EUR 614.5 (EUR 535.0) million arose from the impairment testing undertaken in the fourth quarter; there was also a minor reversal of EUR 3.5 million relating to a previous impairment at the closed Berghuizer Mill. A further EUR 39.2 million of goodwill was impaired in Merchants prior to their disposal in April in order to match the value of the assets disposed with the consideration received, the equivalent figure in December 2007 relating to the North American divestment being EUR 158.9 million.

As part of the strategic review of operations a number of machine closures were announced in September 2008 with impairment charges of EUR 125 million. The prime drivers were taking out excess production capacity to become leaner and restructuring the business to meet refocused profitability targets. The plans call for the permanent closure of assets showing poor profitability with annual capacities of 600 000 tonnes of paper and board plus 170 000 cubic metres of sawn goods the main items being:

- The closure of Consumer Board's Baienfurt Mill in Germany in December resulted in fixed asset impairments of EUR 42.3 million in order to close down its cartonboard machine with annual capacity 190 000 tonnes of folding boxboard.
- The closure by the end of 2009 Board Machine 1 at Imatra Mill in Finland also in Consumer Board which had an annual capacity of 170 000 tonnes of cupstock and liquid packaging board resulting in an impairment charge of EUR 19.0 million.
- The closure in late 2008 of Industrial Packaging's Corenso coreboard machine at Varkaus Mill in Finland which had an annual capacity of 100 000 tonnes and resulted in an impairment of EUR 11.8 million.
- The closure in late 2008 of Magazine Paper's paper machine (PM) 3 at Kabel Mill in Germany with an annual capacity of 140 000 tonnes of coated magazine paper resulted in a minor impairment charge of EUR 3.3 million.
- As a result of the Group successfully making alternative arrangements the Group's Russian Wood Supply business is largely redundant in its current form and has had to be substantially impaired. The write-off of the cutting rights, terminals and much of the harvesting assets resulted in an impairment charge of EUR 22.5 million.

- As a result of the current market problems in world timber markets the Group also closed down Paikuse and Viljandi sawmills in Estonia in late 2008 necessitating fixed asset impairments of EUR 8.3 million.

The total cost of the 2008 impairment testing process amounted to EUR 614.5 (EUR 535.0) million of which EUR 236.0 (EUR 74.1) million related to goodwill. The segments impacted by the impairment testing in 2008 are:

- Fine Paper: EUR 405.7 million, including goodwill of EUR 228.0 million.
- Consumer Board: EUR 89.6 million, including goodwill of EUR 8.0 million.
- Industrial Packaging: EUR 44.7 million.
- Wood Products: EUR 74.5 million.

Goodwill is tested at the level monitored by senior management, being groups of CGU, whereas fixed assets are tested at CGU level which can be a mill on a stand alone basis or a group of mills. The recoverable amount of CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. The pre-tax discount rates are calculated for each unit of cash flows taking into account the tax and risk profile of the country in which the cash flows are generated, therefore a CGU may have more than one discount rate. The table below sets out the average pre-tax discount rates used for goodwill testing which are similar to those used in the fixed asset impairment testing.

Business Area - Groups of Cash Generating Units

	Year Ended 31 December 2008			Year Ended 31 December 2007		
EUR million	**Goodwill at Year End**	**Impairment Charge**	**Average Discount Rate**	**Goodwill at Year End**	**Impairment Charge**	**Average Discount Rate**
Fine Paper - Graphic	-	205.5	10.8%	205.5	-	10.1%
Fine paper - Office	-	22.5	9.6%	25.1	-	9.2%
Consumer Board - Folding Boxboard	-	8.0	9.2%	8.0	-	8.5%
Wood Products - Central Europe	104.4	-	10.2%	105.0	-	9.2%
Wood Products - Baltics	-	-	-	-	54.1	9.2%
Newsprint and Book - Europe	23.0	-	10.2%	23.0	-	9.2%
Magazine Paper - Uncoated	60.0	-	10.2%	60.0	-	9.2%
Magazine Paper - Coated	-	-	-	-	20.0	9.2%
Industrial Packaging - Corenso	20.2	-	9.2%	21.4	-	8.5%
Goodwill: Continuing Operations	**207.6**	**236.0**		**448.0**	**74.1**	

The calculation of value in use is most sensitive to discount rate, sales price and costs. The table below summarises what a 1% increase in discount rate, decrease in sales prices and increase in costs would have had on the goodwill and fixed asset impairment testing results.

Impairment Testing Sensitivity Analysis in 2008

EUR million	**Fixed Asset Impairment**	**Goodwill Impairment**
1% change in the discount rate	223	-
1% change in the sales	1 475	156
1% change in the costs	1 442	128

Impairments were calculated with a Value-in-Use method for each CGU based on the following main assumptions:

- 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 2007 impairment charge amounted to EUR 535.0 million. Further to the annual impairment testing process in 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 in mills by some 1 400 and bring fibre supply and demand into balance in Finland. This entailed the closure of Summa paper mill, one magazine paper machine at Anjala Mill and Kemijärvi Pulp Mill. In addition, Norrsundet Pulp Mill in Sweden was also scheduled for closure which occured in December 2008. This package of measures resulted in further fixed asset impairments being charged in the final quarter of 2007 of EUR 202.2 million.

During both 2007 and 2008 the closure of 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 2007 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. The sale of the land and equipment at Berghuizer Mill was still pending at the end of 2007 but as indications were that they did indeed have more value than initially estimated impairments of EUR 19.5 million were reversed in 2007; sales of these assets were duly completed in 2008 and a further impairment reversal of EUR 3.5 million was recorded.

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.

Segment Impairment Less Reversals

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Newsprint and Book Paper	-	82.6	3.6
Magazine Paper	4.2	330.1	47.5
Fine Paper	402.7	13.0	57.6
Consumer Board	161.0	187.0	18.6
Industrial Packaging	56.7	5.9	0.3
Wood Products	82.7	118.1	22.3
Other	28.5	0.5	29.5
Total: Continuing Operations	**735.8**	**737.2**	**179.4**
Merchants: Discontinued operations	39.2	-	-
North America: Discontinued operations	-	163.4	-
Total Operations	**775.0**	**900.6**	**179.4**

Note 13 Fixed Assets

Fixed Asset Summary

EUR million	Property Plant & Equipment	Intangible Fixed Assets	Goodwill	Total Fixed Assets
	Year Ended 31 December 2008			
Acquisition Cost				
At 1 January	**18 047.9**	**423.5**	**1 423.9**	**19 895.3**
Translation difference	-787.9	-5.7	-9.2	-802.8
Reclassifications	-10.8	10.8	-	-
Companies acquired	4.6	-	-	4.6
Additions	642.3	16.1	-	658.4
Disposals	-1 230.2	-117.2	-277.7	-1 625.1
At 31 December	**16 665.9**	**327.5**	**1 137.0**	**18 130.4**
Accumulated Depreciation Amortisation and Impairment				
At 1 January	**11 571.2**	**264.4**	**921.2**	**12 756.8**
Translation difference	-492.9	-7.7	-4.7	-505.3
Companies acquired	0.5	0.1	-	0.6
Disposals	-988.0	-38.7	-262.3	-1 289.0
Depreciation: Continuing operations	659.1	27.5	-	686.6
Impairment: Continuing operations	497.8	2.0	236.0	735.8
Depreciation: Discontinued operations	4.5	2.4	-	6.9
Impairment: Discontinued operations	-	-	39.2	39.2
At 31 December	**11 252.2**	**250.0**	**929.4**	**12 431.6**
Net Book Value at 31 December 2008	**5 413.7**	**77.5**	**207.6**	**5 698.8**
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**

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					
Acquisition Cost						
At 1 January	**375.0**	**3 082.2**	**13 792.6**	**493.3**	**304.8**	**18 047.9**
Translation difference	-19.7	-94.4	-616.2	-23.6	-34.0	-787.9
Reclassifications	-0.2	48.1	153.4	5.6	-217.7	-10.8
Companies acquired	0.1	0.6	3.2	0.2	0.5	4.6
Additions	37.6	33.1	313.8	10.9	246.9	642.3
Disposals	-68.6	-360.2	-770.4	-30.8	-0.2	-1 230.2
At 31 December	**324.2**	**2 709.4**	**12 876.4**	**455.6**	**300.3**	**16 665.9**
Accumulated Depreciation and Amortisation						
At 1 January	**5.0**	**1 628.0**	**9 628.7**	**309.5**	**-**	**11 571.2**
Translation difference	-	-56.4	-419.5	-17.0	-	-492.9
Companies acquired	-	0.1	0.4	-	-	0.5
Disposals	-4.5	-224.9	-729.1	-29.5	-	-988.0
Depreciation: Continuing operations	-	98.6	535.5	25.0	-	659.1
Impairment: Continuing operations	9.2	47.1	402.1	25.9	13.5	497.8
Depreciation: Discontinued operations	-	2.0	2.5	-	-	4.5
Impairment: Discontinued operations	-	-	-	-	-	-
At 31 December	**9.7**	**1 494.5**	**9 420.6**	**313.9**	**13.5**	**11 252.2**
Net Book Value at 31 December 2008	**314.5**	**1 214.9**	**3 455.8**	**141.7**	**286.8**	**5 413.7**
Net Book Value at 31 December 2007	**370**	**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**

The Group's Intangible Fixed Assets at 31 December 2008 include capitalised balances for unamortised computer software development costs interest (at 5% to 11%) on the construction of qualifying assets and finance lease assets.

Capitalised Values

	As at 31 December								
	Computer Software			Capitalised Interest			Finance Leases		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
At 1 January	64.5	60.5	73.6	54.2	75.1	76.7	36.0	119.3	130.6
Translation difference	-0.3	-	-0.3	-1.6	-1.0	-0.1	-1.5	-6.4	-6.8
Acquisitions and disposals	-0.1	-3.0	1.0	-0.3	-11.0	7.9	-17.7	-47.4	-
Capitalised in the year	13.7	29.3	12.7	1.7	0.8	-	10.1	1.9	8.8
Amortisation	-23.2	-22.3	-26.5	-3.3	-9.7	-9.4	-17.4	-31.4	-13.3
At 31 December	**54.6**	**64.5**	**60.5**	**50.7**	**54.2**	**75.1**	**9.5**	**36.0**	**119.3**

Computer software includes capitalised own software at the year end of EUR 10.3 (EUR 17.2) million; additions during the year were EUR 1.0 (EUR 14.1) million and depreciation was EUR 6.8 (EUR 8.6) million.

Fixed Asset Additions

Acquisitions of Group companies in 2008 included fixed assets therein of EUR 4.0 (EUR 10.7) million with no goodwill.

The biggest investment undertaken in 2007 but which started production in 2008 was the new magazine paper mill in China which was ready for commercial production at the end of 2007 and inaugurated on 28 January 2008. In April 2006 Stora Enso had signed an agreement with Shandong Huatai Paper to form a publication paper company in China the Group holding 60% of the venture and as a result the 200 000 tonnes per year super-calendared paper machine in Shandong province was constructed at a total cost of EUR 90.4 million.

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 with no goodwill.

Capital expenditure for the year in Stora Enso Oyj and its subsidiaries amounted to EUR 658.3 (EUR 770.2) million of which EUR 656.1 (EUR 733.6) million related to continuing operations. Although no major new projects were commenced in either 2007 or 2008 the larger items in the year are discussed in the Report of the Board of Directors.

Fixed Asset Disposals

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Acquisition cost	1 625.1	4 925.3	1 253.4
Accumulated depreciation	1 289.0	3 176.5	1 061.6
Net book value of disposals	336.1	1 748.8	191.8
Capital gains on disposals	9.0	35.6	200.5
Disposals Proceeds	**345.1**	**1 784.4**	**392.3**
Represented by			
Cash sales proceeds	52.0	83.5	30.0
Deferred sale proceeds: sale of Reisholz site	9.8	-	-
Group company disposals	283.3	1 700.9	362.3
Total Fixed Asset Disposals	**345.1**	**1 784.4**	**392.3**

Divestments of Group companies in 2008 resulted in the disposal of fixed assets of EUR 283.3 million the principal items being:

- The divestment of the Group's Merchant business Papyrus which is treated as a discontinued operation as it comprised the entire Merchant segment the operative fixed assets of which amounted to EUR 253.8 million.
- The sale of the company owning the Group's Head Office in Helsinki the value of the building realising EUR 25.4 million net of costs.

The greater part of the other disposals of EUR 61.8 million was accounted for by:

- The sale of the site of the former Berghuizer fine paper mill together with its power plant and sundry equipment which realised EUR 23.5 million all of which was received by the year end.
- The sale of the site of the former Reisholz magazine paper mill which generated EUR 20.5 million though EUR 9.8 is not payable till 30 June 2009 when the site clearance and cleaning is complete.
- Other sundry asset disposals mainly comprised minor sales in the normal course of operations realised EUR 17.8 million with goodwill of EUR 0.8 million being realised on a minor company

Divestments of Group companies in 2007 resulted in the disposal of fixed assets of EUR 1 700.9 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 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 Fixed Assets therein prior to sale of EUR 65.5 million there was a profit on the Celbi disposal of EUR 189.8 million representing goodwill realised.

Note 14 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 biological assets are limited. Whilst the Group's indirect share of forest assets held by Associates amounts to EUR 1 631 (EUR 1 792) million for the standing trees the amount directly disclosed on the Group Balance Sheet from subsidiary companies amounts to only EUR 133.6 (EUR 88.7) million as shown below.

Biological Assets

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Carrying value at 1 January	**88.7**	**111.5**	**76.8**
Translation difference	4.8	3.6	-3.0
Additions	58.3	50.2	24.3
Companies acquired	-	-	61.1
Disposals	-	-84.1	-45.5
Change in fair value (biological growth & price effects)	-8.8	26.2	4.5
Decrease due to harvest (agricultural produce)	-9.4	-18.7	-6.7
Carrying Value at 31 December	**133.6**	**88.7**	**111.5**

At 31 December 2008 Stora Enso's biological assets had a fair value of EUR 133.6 (EUR 88.7) million and were located by value in China (75%), Brazil (15%) and Uruguay (10%). In addition the Group has four Associated Companies where forest accounting is taken into account in computing their results:

- Bergvik Skog AB ("Bergvik Skog"), the 43.3% owned Swedish associate had forests at a fair value of EUR 2 681.7 (EUR 3 047.2) million. Forest land values are in addition to this figure at EUR 120.1 (EUR 93.2) million with the book values being low due to their historical nature.
- Tornator Oy ("Tornator"), a 41% owned associate which acquired the Group's Finnish forest interests in 2002, had forest assets at a fair value of EUR 855.7 (EUR 832.4) million with another EUR 57.5 (EUR 57.5) million relating to the land again this being the historic cost.
- Veracel Celulose S.A. ("Veracel"), a 50% owned associate in Brazil, also has substantial tree plantations fair valued at EUR 221.5 (EUR 238.2) million with a growing cycle of only seven years. Veracel owns some 235 000 hectares of forest land valued at cost of EUR 102.2 (EUR 104.4) million.
- Arauco the 20% owned southern Brazilian associate has biological assets at a carrying value of EUR 46.8 (EUR 66.0) million along with forest land at cost of EUR 26.3 (EUR 32.8) million.

In 2008 the share of results from the three main forest Associated Companies amounted to EUR 42.2 (EUR 333.4) million of which some EUR -2.8 (EUR 287.8) million was derived from changes in the forest valuations themselves as shown by the table below.

Group Share of Associated Companies Forest Valuations

	Year Ended 31 December 2008				Year Ended 31 December 2007			
EUR million	**Price**	**Growth**	**Harvest**	**Total**	**Price**	**Growth**	**Harvest**	**Total**
Bergvik Skog	-18.0	93.5	-75.5	**0.0**	71.1	186.5	-78.9	**178.7**
Tornator	-8.2	27.5	-26.7	**-7.4**	65.6	27.5	-23.4	**69.7**
Veracel	2.2	24.2	-21.8	**4.6**	37.7	15.0	-13.3	**39.4**
	-24.0	**145.2**	**-124.0**	**-2.8**	**174.4**	**229.0**	**-115.6**	**287.8**

In the Nordic countries the depressed sawn goods market in 2008 affected log prices thus IAS 41 price trend calculations were adversely affected compared with the substantial increases the previous year.

In 2007 the biggest contribution to Group results came from the forest growth reported in Sweden. During that year extensive surveys were undertaken the main conclusion of which was that the harvesting potential had been under-estimated. In Finland in 2007 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.

Note 15 Associated Companies & Joint Ventures

The Group's share of results in Associated Companies is reported in part of Business Area Other in operating profit to reflect the operational nature of these investments especially the forest Associates. In previous years this result was reported as part of the respective Segment operating profits thus the comparatives in the Segment tables have now been changed to match the amended presentation. 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 to Stora Enso thus these values may sometimes differ from values shown by the companies themselves.

On 31 December 2008 Stora Enso paid EUR 0.5 million for an extra 1% of the shares in Sunila Oy its Finnish associated pulp mill owned jointly with Myllykoski Oy to increase its share holding to 51%. However a management agreement with Myllykoski Oy means that the Group does not exercise control and accordingly the entity is still reported as an Associate. The mill's main product is chemical pulp for which the economic outlook has materially deteriorated thus its fixed assets were subject to the Group's impairment testing procedures. As a result of estimated negative cash flows, Sunila's fixed assets were impaired from the Group perspective resulting in an operative charge of EUR 49.9 million.

As part of the restructuring process in Finland in 2008, Stora Enso and ABB Oy ("ABB") signed an agreement in September to establish a joint venture company to provide maintenance services to Group mills starting on 1 January 2009. As a result Stora Enso sold to ABB at their equity value a further 24% of the shares in its maintenance subsidiary Fortek Oy taking their holding to 49%. However as the shareholder's agreement provided that ABB would have control of that company and the Group now reports its interest as an Associate currently valued at EUR 6.9 million.

Stora Enso has set up a jointly owned company NSE Biofuels Oy Ltd with Neste Oil Oyj in order to develop biofuel usage at Varkaus Mill in Finland and if successful then build a full scale commercial plant at one of the Group mills. The project is expected to cost EUR 30 million, 50% of this being attributable to the Group and be completed in 2009. At the year end the equity value of the new Associate amounted to EUR 1.1 million with loan finance outstanding of EUR 9.9 million.

The Group's largest Associate is in South America where Stora Enso and its Brazilian partner Aracruz Celulose S.A. have established a 235 000 hectare eucalyptus plantation and constructed a 1 100 000 tonnes per year pulp mill for their jointly owned associate company Veracel; each company has a 50% stake and is entitled to half of the mill's output. Equity injections to Veracel at EUR 51.0 (EUR 91.3) million represent nearly all Stora Enso's acquisition of Associate interests in recent years. The Group share of the profit before tax was EUR 15.0 (EUR 44.9) million inclusive of forest valuation gains of EUR 4.6 (EUR 39.4) million and the year-end carrying value amounted to EUR 434.2 (EUR 482.2) million.

In 2004, 56.7% of Stora Enso's Swedish forest holding company Bergvik Skog was divested to institutional investors leaving the Group with a minority shareholding of 43.3% currently valued at EUR 360.3 (EUR 382.6) million. In 2008, the Group share of Bergvik Skog result before tax came to EUR 23.4 million with tax showing a credit of EUR 15.5 million mainly due to a EUR 22.2 million gain on deferred tax liabilities following the Swedish tax rate reduction from 28% to 26.3%. However, the overall value of the holding declined by EUR 22.3 million due to adverse currency movements of EUR 66.1 million.

Stora Enso's Finnish forest holdings were divested into an Associate, Tornator, in 2002 with the Group's 41% residual interest now being worth EUR 137.0 (EUR 147.1) million. Although the 2008 share of result was only EUR 3.8 million as with other similar Associates in 2007 forest valuations resulted in a greatly increased Group share of their result at EUR 84.9 million of which EUR 69.7 was accounted for by IAS 41 forest valuations. Full details of the Group share of their abridged Balance Sheet being shown below.

Carrying Values of Associates

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Historical Cost			
At 1 January	767.7	635.8	614.4
Translation difference	-26.2	-10.2	2.9
Additions	53.9	91.6	19.4
Associated companies in Acquisitions & Disposals	-1.2	24.7	-
Disposal proceeds	-0.1	-0.4	-0.3
Income Statement – Profit on disposal	-	-	-0.6
Subsidiary transfers & disposal adjustment	6.9	26.2	-
Historical cost at 31 December	**801.0**	**767.7**	**635.8**
Equity Adjustment to Investments in Associated Companies			
At 1 January	386.8	169.4	105.5
Translation difference	-142.1	25.4	-5.9
Share of results before tax*	7.6	342.7	87.3
Dividends received	-13.5	-31.8	-5.6
Income taxes	12.2	-97.8	-23
OCI (Note 28)	-9.5	5.1	11.1
Subsidiary transfers & disposal adjustment	-	-26.2	-
Equity adjustment at 31 December	**241.5**	**386.8**	**169.4**
Carrying Value of Associated Companies at 31 December	**1 042.5**	**1 154.5**	**805.2**

* Includes result from discontinued operations

Principal Associated Companies

		%	As at 31 December EUR million		
Company	**Domicile**	**2008**	**2008**	**2007**	**2006**
Veracel Celulose S.A.: pulp mill & plantation	Brazil	50.0	434.2	482.2	329.0
Bergvik Skog AB: forest	Sweden	43.3	360.3	382.6	247.6
Tornator Oy: forest	Finland	41.0	137.0	147.1	105.1
Sunila Oy: pulp mill	Finland	51.0	0.0	44.2	46.7
Thiele Kaolin Company Inc: China clay	USA	38.2	49.8	41.4	45.0
Arauco Florestal Arapoti S.A.: plantation	Brazil	20.0	21.9	25.7	-
Steveco Oy: stevedores	Finland	34.3	8.7	8.3	7.8
Efora Oy, out-sourced maintenance	Finland	51.0	6.9	2.7	4.4
			1 018.8	**1 134.2**	**785.6**
Others			23.7	20.3	19.6
Carrying Value of Associated Companies at 31 December			**1 042.5**	**1 154.5**	**805.2**

Associated Company Balances

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Receivables from Associated Companies			
Long-term loan receivables	110.6	112.1	133.2
Trade receivables	42.6	42.2	17.3
Short-term loan receivables	4.8	4.0	3.7
Prepaid expenses and accrued income	0.6	0.8	0.7
Liabilities due to Associated Companies			
Trade payables	35.1	25.4	29.8
Accrued liabilities and deferred income	14.4	13.3	7.4

Associated Company Transactions

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Sales to associated companies	133.6	183.4	177.6
Interest on associated company loan receivables	9.5	9.0	10.9
Purchases from associated companies	358.5	343.2	307.1

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.

Total loans to Associates came to EUR 115.4 (EUR 116.1) million of which EUR 75.3 (EUR 85.5) million was due from Bergvik Skog, EUR 26.3 (EUR 26.3) million from Tornator and a further EUR 9.9 million from the new Associate NSE Biofuels Oy Ltd. Interest income on associate loans totalled EUR 9.2 (EUR 9.0) million of which EUR 6.7 (EUR 7.0) million came from Bergvik Skog and EUR 1.8 (EUR 1.8) million from Tornator.

Group Share of Associate Income Statements

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Turnover	620.6	577.4	545.8
Cost of sales	-531.2	-459.9	-406.8
Trading profit	89.4	117.5	139.0
IAS 41 Valuation (Note 14)	0.4	287.8	20.2
Operating profit	89.8	405.3	159.2
Net financial items	-82.2	-62.6	-71.9
Net Profit before Tax in the Group Income Statement*	**7.6**	**342.7**	**87.3**
Tax shown in the Group Income Statement	12.2	-97.8	-23.0
Net Profit for the Period	**19.8**	**244.9**	**64.3**

* Includes result from discontinued operations

Group Share of Associate Balance Sheets

EUR million	2008	2007	2006
	As at 31 December 2008		
Fixed assets	620.5	770.2	736.4
Biological assets	1 631.1	1 791.8	1 543.8
Operative receivables:			
Long-term	36.4	41.9	59.5
Short-term	116.0	104.5	89.7
Inventories	60.5	54.8	57.2
Cash	45.6	40.7	43.2
Total Assets	**2 510.1**	**2 803.9**	**2 529.8**
Liabilities			
Operative Liabilities:			
Long-term	37.4	44.7	33.1
Short-term	117.5	104.0	116.8
Debt:			
Long-term	855.0	974.2	942.8
Short-term	83.7	88.3	260.0
Tax liabilities	374.0	438.2	371.9
Total Liabilities	**1 467.6**	**1 649.4**	**1 724.6**
Net Equity on the Group Balance Sheet	**1 042.5**	**1 154.5**	**805.2**
Represented by			
Capital & Reserves	1 053.1	1 155.6	811.4
OCI (see Note 28)	-10.6	-1.1	-6.2
Equity Accounting Value of Associates	**1 042.5**	**1 154.5**	**805.2**

Note 16 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

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Acquisition cost at 1 January			
Interest bearing securities	145.9	25.6	55.5
Unlisted – Shares in other companies	372.3	122.8	124.2
Investments classified as available-for-sale	518.2	148.4	179.7
OCI in opening balance	904.4	687.1	435.5
Available-for-Sale investments at 1 January	**1 422.6**	**835.5**	**615.2**
Translation difference	17.6	-10.1	0.2
Papyrus / SENA Divestments	50.4	376.9	-
Accrued interest on PIK Notes	19.7	-	-
Additions	8.8	14.3	5.2
Change in fair values accounted for as OCI	-396.1	217.7	251.2
Disposal proceeds	-15.6	-15.9	-209.1
Income Statement – Profit	1.8	4.2	172.8
Carrying Amount at 31 December	**1 109.2**	**1 422.6**	**835.5**

Unrealised Gains and Losses in Marketable Equity Securities

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
Unrealised holding gains	661.5	905.3	687.1
Unrealised holding losses	-155.1	-0.9	-
Net unrealised holding gains (OCI)	**506.4**	**904.4**	**687.1**
Cost	602.8	518.2	148.4
Market value	**1 109.2**	**1 422.6**	**835.5**
Net unrealised holding gains (OCI)	506.4	904.4	687.1
Deferred tax	4.2	-5.3	-4.2
Unrealised holding gains shown in equity as OCI	**510.6**	**899.1**	**682.9**
Change in unrealised holding gains shown in equity as OCI	**-388.5**	**216.2**	**288.2**

No holdings have had a market value below carrying value for more than 12 months and the Company has determined that no impairment is appropriate in 2008.

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.

Stora Enso held two material PIK Notes at the year end fair valued at EUR 131.4 million as compared to initial acquisition valuations of EUR 192.3 million the difference of EUR 60.9 million being recognised in OCI. The valuation of these PIK Notes requires management judgement, however, in the case of the NewPage debt they do have similar securities being traded on the market thus the valuation can be linked to actual trades. However, in order value these securities it is first necessary to assess an appropriate discount rate reflecting the market pricing of similar instruments in the current market environment. General valuation principals include:

- Using current pricing of mezzanine debt in the LBO market as compared with similar leverage levels acts as a floor in assessing expected returns.
- The security on offer and how the Loan Notes rank in the capital

structure as compared with traditional mezzanine debt.

- A review of recent similar examples of such pricing in the Nordic and US debt markets.
- Determining the premium to be applied when compared with market mezzanine levels to reflect the capital structures within the companies issuing the Loan Notes.
- Reviewing publically traded LBO debt or where there are no current examples of similar publicly traded instruments, the closest available comparative instruments are used though it must be appreciated that current pricing levels reflect a severe interpretation of the on-going credit crunch which reflects badly on the underlying risk in those traded instruments.

On 30 April 2008 Stora Enso completed the divestment of its merchant business Papyrus to Altor Fund II a private equity venture. Part of the consideration comprised a PIK Note issued by the Altor subsidiary Papyrus Holding AB with a nominal value of EUR 57.3 million that was fair valued on receipt at EUR 50.4 million. The PIK Note is subordinate to senior debt in the purchaser but has priority to equity holders and has a final maturity of nine years and one week from the closing of the deal that is 7 May 2017. Interest accrues at the rate of 9% for the first three years of the Note higher for later periods and is added in arrears to the principal of the PIK Note hence at 31 December 2008 the principal increased to EUR 60.7 million. Mandatory repayment of the PIK Note is required if Altor disposes of more than 50% of the shares in Papyrus or 40% of the assets or if there is an IPO. The PIK Note at the year end had a nominal value of EUR 60.9 million, an acquisition cost of EUR 53.5 million and a fair value of EUR 38.9 million.

In December 2007 Stora Enso finalised the divestment of SENA to NewPage with part of the consideration comprising a loan note and 19.9% of the shares in the newly created holding company NewPage. The USD 200 million PIK Note was valued on acquisition at USD 171.0 million by reference to similar securities with quoted market prices issued by NewPage whilst the value of shareholding was determined based on its fair value being USD 370 million. The PIK Note matures on 21 December 2015 or earlier in the case of an IPO and carries interest at LIBOR plus 7%. Whilst no dividends have been received relating to the share holding interest of EUR 16.3 (USD 22.1) million accruing on the PIK Note has been rolled up into the principal outstanding now standing at USD 222.1 million. As a result of the downturn in economic conditions existing at the Balance Sheet date the PIK Note has been fair valued at 58% of its nominal value whilst the shares valuation has decreased by 34% to USD 244 million. A discounted cash flow model was used to value the shares based on estimated future cash flows and a discount rate of 7.4% was applied. A 1% change in the discount rate and a 5% change in EBITDA would have a USD 90 million and a USD 65 million impact, respectively. Both the PIK Note and shares are dollar denominated Available-for-Sale investments in the Group Balance Sheet with carrying values of EUR 92.5 (EUR 115.9) million and EUR 175.4 (EUR 251.3) million, respectively.

The Group holds a 15.0% (15.6%) interest in PVO a privately owned group of companies in the energy sector which produces electricity and heat for its shareholders in Finland. Each subsidiary of the PVO group has its own class of shares which entitle the shareholder to the energy produced in proportion to its ownership of that class of share. The shareholders then have an obligation to cover the costs of production which are generally lower than market prices. The holding is fair valued quarterly using an average of three methods, the discounted cash flow model, trading and precedent transaction multiples.

The electricity prices in the model are based on Nordpool prices which is Europe's largest and most liquid market place for physical and financial power contracts. The future derivative prices are used in the first five years of the model and thereafter increased by an inflation factor which is in line with the European Central Bank estimate. The historical financial statements provide the basis for the cost structure for each of the power assets which are adjusted by the inflation factor in future years. The discount rate of 6.53% used in the DCF is determined using the weighted average cost of capital method. The trading and transaction multiples are derived from a peer group of European companies operating similar power assets as PVO.

As a result of the rise in energy prices in the last three years these unlisted shares experienced a substantial increase in value though in late 2008 this trend was partially reversed. A +/- 5% change in the electricity price used in the DCF would change the valuation by +/- EUR 80 million and a +/- 1% change in the discount rate would change the valuation by -/+ EUR 85 million. The valuation in 2008 amounted to EUR 766.0 (EUR 994.0) million against a book value of EUR 106.5 (EUR 108.5) million with the revaluation of EUR 659.5 (EUR 885.5) million being taken to OCI. Of the total valuation of EUR 766 million, EUR 123 million relates to shares in hydropower and EUR 643 million relates to nuclear power. The valuation peaked in June 2008 at EUR 1 387.0 million but then dropped by EUR 621.0 million by year end. 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 a net capital gain of EUR 172.2 million.

Principal Available-for-Sale Investments

	As at 31 December 2008			
EUR million	**Holding %**	**Number of Shares**	**Acquisition Cost**	**Market Value**
Interest Bearing Securities				
Alfred Berg growth funds	n/a	various	5.2	5.2
Nordea growth funds, Finland	n/a	various	8.9	8.7
Packages Ltd, Pakistan		4 047 744	2.3	3.7
Other growth funds	n/a	various	8.8	5.9
Total Listed Securities			25.2	23.5
Unlisted financial securities:				
NewPage PIK Note		USD 222.1 m	138.8	92.5
Papyrus PIK Note		EUR 60.8 m	53.5	38.9
Total Interest Bearing Securities			**217.5**	**154.9**
Unlisted Shares				
Pohjolan Voima Oy	15.0	5 382 438	106.5	766.0
NewPage Corporation	19.9	11 251 326	265.9	175.4
Others	n/a	various	12.9	12.9
Total Available-for-Sale Investments at 31 December 2008			**602.8**	**1 109.2**
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**

The difference of EUR 506.4 (EUR 904.4) 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 28. Euro-denominated assets comprise 75.2% (72.6%) of Available-for-Sale investments.

Note 17 Other Non-Current Assets

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Pension assets (Note 22)	3.0	5.8	15.7
Other non-current operative assets	13.2	16.8	45.4
Total	**16.2**	**22.6**	**61.1**

Note 18 Inventories

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Materials and supplies	496.9	474.8	424.1
Work in progress	87.5	90.7	72.0
Finished goods	737.7	980.3	1 064.0
Spare parts and consumables	274.5	298.8	369.8
Other inventories	9.7	10.5	5.0
Advance payments & cutting rights	181.3	226.1	135.7
Obsolescence provision – spare parts	-68.2	-66.2	-28.1
Obsolescence provision – finished goods	-14.1	-16.4	-14.6
Net realisable value provision	-11.7	-6.0	-8.4
Total	**1 693.6**	**1 992.6**	**2 019.5**

Note 19 Receivables

Short-term Operative Receivables

EUR million	As at 31 December 2008	2007	2006
Trade receivables	1 312.0	1 683.2	1 765.6
Provision for doubtful debts	-20.5	-39.5	-42.3
Prepaid expenses and accrued income	111.3	150.7	163.3
TRS Hedges	-	2.6	28.7
Other receivables	180.4	266.1	241.3
Total	**1 583.2**	**2 063.1**	**2 156.6**

Due to their short-term nature the carrying amounts of the above receivables are a reasonable approximation to their fair value. Any longer term Receivables falling due after one year, are included in non-current receivables.

Currency Breakdown of Short-term Operative Receivables

EUR million	As at 31 December 2008	2007	2006
EUR	958.6	1 175.3	1 164.1
USD	168.1	243.8	325.9
SEK	209.2	255.6	263.8
GBP	69.7	119.6	121.3
Other currencies	177.6	268.8	281.5
Total	**1 583.2**	**2 063.1**	**2 156.6**

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 2008, trade receivables of EUR 139.6 (EUR 219.5) 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 2008	2007	2006
Less than 30 days overdue	103.9	180.9	172.6
31 to 60 days overdue	25.8	25.6	23.8
61 to 90 days overdue	7.9	6.3	7.8
91 to 180 days overdue	0.9	1.9	2.0
Over 180 days overdue	1.1	4.8	6.7
Total: Overdue Accounts	**139.6**	**219.5**	**212.9**
Trade Receivables within their credit terms	1 151.9	1 424.2	1 510.4
Total	**1 291.5**	**1 643.7**	**1 723.3**

Credit losses amounted to EUR 11.1 (EUR 13.7) million net of a reduction in the Doubtful Receivables Provision of EUR 0.3 (EUR 1.0) million – see Note 26 Financial risk management for details of customer credit risk management. All provisions for Doubtful Receivables are made on an individual basis and are regularly reviewed for changes in the financial position of customers. 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 13.0 (EUR 19.5) million.

As of 31 December 2008 provisions related to overdue trade receivables totalled EUR 20.5 (EUR 39.5) million. The ageing of the receivables under the doubtful accounts is shown in the table below.

Ageing Analysis of Doubtful Accounts

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Less than 3 months	2.3	3.9	9.5
4 to 6 months	1.3	4.8	5.8
Over 6 months	16.9	30.8	27.0
Total	**20.5**	**39.5**	**42.3**

Interest-bearing Receivables

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Derivative financial instruments (see Note 28)	206.8	185.2	147.0
Associate Company loans	115.4	116.1	136.9
Other loan receivables	59.2	53.0	50.8
	381.4	**354.3**	**334.7**
Current Assets: Receivable within 12 months	251.1	227.8	185.5
Non-current Assets: Receivable after 12 months	130.3	126.5	149.2
Total	**381.4**	**354.3**	**334.7**

Annual interest rates for loan receivables at 31 December 2008 ranged from 3.9% (3.0%) to 10.3% (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 which has a fair value at year end currency rates of EUR 89.7 (EUR 87.5) million against a carrying value of EUR 75.3 (EUR 85.5) million. Current interest bearing receivables includes accrued interest of EUR 35.9 (EUR 37.7) million of which EUR 33.9 (EUR 24.0) million relate to interest rate swaps.

Note 20 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 2008 the Company's fully paid-up share capital as entered in the Finnish Trade Register was the same as in 2007 at EUR 1 342.2 million.

The current nominal value of each issued share is EUR 1.70, unchanged from the previous year and there were no share repurchases nor share cancellations in 2007 and 2008. At both year ends Stora Enso Oyj held shares with an acquisition cost of EUR 10.2 million, comprising 918 512 R shares. The nominal value of the shares was EUR 1.6 million, representing 0.1% of the share capital and 0.04% of voting rights.

At the end of 2008 Directors and Group Executive Team members owned 5 590 (5 590) A shares and 181 232 (123 647) 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 8 Board & Executive Remuneration. A full description of Company Option Programmes is shown in Note 23 Employee Bonus & Equity Incentive Schemes, however, none of these have any impact on the issued share capital.

At 31 December 2008 shareholder equity amounted to EUR 5 594.0 (EUR 7 593.6) million against a market capitalisation on the NASDAQ OMX Helsinki of EUR 4.4 (EUR 8.1) billion; the market values of the shares were EUR 5.63 (EUR 10.19) for A shares and EUR 5.52 (EUR 10.24) for the R shares.

Change in Share Capital

	A shares	R shares	Total
At 1 January 2006	**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	**177 479 033**	**612 059 466**	**789 538 499**
Conversion of A shares to R shares 15 Feb	-17 975	17 975	-
Conversion of A shares to R shares 15 Apr	-10 506	10 506	-
Conversion of A shares to R shares 15 May	-145 741	145 741	-
Conversion of A shares to R shares 13 Jun	-149 922	149 922	-
Conversion of A shares to R shares 15 Sep	-2 358	2 358	-
Conversion of A shares to R shares 14 Nov	-50	50	-
At 31 December 2008	**177 152 481**	**612 386 018**	**789 538 499**
Number of votes as at 31 December 2008	**177 152 481**	**61 238 601**	**238 391 082**
Share Capital at 31 December 2008, EUR million	**301.2**	**1 041.0**	**1 342.2**
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**

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.

Note 21 Minority Interests

Buy-outs of minority shareholders in 2008 were EUR 1.8 million as compared with EUR 71.1 million in 2007. However, following an agreement signed in October, ABB the owner of the Group's biggest Finnish minority interest the 25% holding in the Fortek maintenance subsidiary took operative control of that company by purchasing a further 24% of the shares and obtaining management control. Accordingly ABB's interest in Fortek now renamed Efora Oy is no longer that of a minority but as a controlling interest whereas the Group will in future report its interest as an Associate, see Note 15 Associated companies & joint ventures.

In 2007 there were two material minority buy-out transactions relating to Stora Enso Bioenergy AB in Sweden for EUR 6.2 million and Stora Enso Poland SA for EUR 64.3 million. The Group acquired 28% of the shares in its principal Polish subsidiary from the State of Poland thus reducing the remaining Minority holding to 5% being shares held by current and retired employees of the company. Stora Enso had originally acquired 67% of the company in December 2004.

In 2007 a partial disposal of a subsidiary also created a new minority interest. In September 2007 Stora Enso reached agreement with Arauco, a leading forest products company in South America, to sell some of its recently acquired Arapoti operations thus Arauco acquired a 20% interest in the Group's Brazilian paper business Stora Enso Arapoti Industria de Papel SA with this interest being worth EUR 21.3 (EUR 27.3) million at the end of 2008.

In 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 went into commercial production in January 2008 with an annual production capacity up to 200 000 tonnes of super-calendered (SC) magazine and the minority interest is currently valued at EUR 12.9 (EUR 15.5) million.

Minority Interests

	Year Ended 31 December		
EUR million	**2008**	**2007**	**2006**
At 1 January	71.9	103.5	93.6
Translation difference	-5.5	4.6	0.3
Minority Interests in companies acquired less disposals	-3.3	-0.6	-0.2
Buy-out of Minority Interests	-1.8	-71.3	-1.1
Charge / (gain) to Retained Earnings on buy-outs	0.7	-4.5	0.1
Partial disposal of subsidiary company	-	30.9	-
Share of profit for the year	-1.3	2.3	4.2
Dividends	-4.2	-1.8	-1.1
Equity injections	-	8.8	7.7
At 31 December	**56.5**	**71.9**	**103.5**

Principal Minority Interests

		As at 31 December		
EUR million		**2008**	**2007**	**2006**
Intercell SA Group	Poland	13.3	14.2	78.2
Stora Enso Arapoti Industria de Papel SA	Brazil	21.3	27.3	-
Stora Enso Huatai Paper Co Ltd	China	12.9	15.5	7.7
Corenso United Oy Group	China	5.0	4.4	4.2
Fortek Oy	Finland	-	4.2	4.6
Others	-	4.0	6.3	8.8
		56.5	**71.9**	**103.5**

Note 22 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 209.5 (EUR 194.7) million in 2008 as shown in Note 7 Staff costs. The majority of plans are Defined Contribution schemes the charge for which amounted to EUR 179.7 (EUR 201.7) million.

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 0.9 (EUR 3.1) million as most of the cost is discharged at the same time as monthly salary payments are made.

Stora Enso's total defined benefit obligations to current and former members of staff amount to EUR 887.7 (EUR 1 089.3) million though assets of EUR 591.7 (EUR 767.8) million have been put aside in various pension schemes to cover these liabilities. Net unfunded Defined Benefit deficits are shown in full on the Balance Sheet and amount to EUR 296.0 million in 2008 slightly down from the previous year's liability of EUR 321.5 million. However, in 2007 the year-on-year Balance Sheet liability decreased by EUR 402.6 million though EUR 293.0 million of this occurred with the divestment of the Group's North American operations and another EUR 46.6 million was due to US past service costs being credited to the Income Statement. The 2008 defined benefit expense in the Income Statement amounted to EUR 29.8 million and in equity via the SORIE was EUR 12.7 million resulting in a total of EUR 42.5 million. In many cases, losses on the fall in value of pension assets were mostly compensated for by reductions in benefit obligations as a result in changes in the discount rate used to calculate them. In 2007 the defined benefit gain in the Income Statement was EUR 7.0 million with the SORIE movement being a gain of EUR 17.3 million.

Actuarial Gains & Losses Recognised Directly in Equity (SORIE)

	Year Ended 31 December								
	Total Operations			Continuing Operations			Discontinued Operations		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Actuarial (losses) / gains	-12.7	17.3	135.1	-12.7	11.1	67.5	-	6.2	67.6
Deferred Tax thereon	-3.3	-6.3	-46.6	-3.3	-4.3	-20.5	-	-2.0	-26.1
Total Included in SORIE	**-16.0**	**11.0**	**88.5**	**-16.0**	**6.8**	**47.0**	**-**	**4.2**	**41.5**

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.

On the Group Balance Sheet the full liability for all plan deficits is recorded, as adjusted if required for any past service costs still to be amortised. The Group Balance Sheet fully reflects the actual surplus or deficits in its Defined Benefit Plans thereby aligning the net liability on the Balance Sheet. 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 2008				
EUR million	**Finland**	**Germany**	**Sweden**	**Other**	**Total**
Defined Benefit Obligations ("DBO")	335.6	242.3	191.8	118.0	887.7
Fair value of plan assets	326.5	4.2	180.4	80.6	591.7
Net Liability in Defined Benefit Plans	**9.1**	**238.1**	**11.4**	**37.4**	**296.0**

	As at 31 December 2007				
EUR million	**Finland**	**Germany**	**Sweden**	**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**

Canada

The Group's Canadian pension schemes were demerged in December 2007 when SENA 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 96.4 (EUR 94.5) million. By contrast the remaining obligations covered by Defined Benefit schemes resulted in a charge of EUR 5.8 (EUR 4.1) million. Pension cover since 2001 has been entirely arranged through local insurance companies. The total defined benefit obligation amounts to EUR 335.6 (EUR 378.9) million and the assets to EUR 326.5 (EUR 364.3) million leaving a net liability of EUR 9.1 (EUR 14.6) 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, 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 36.1 (EUR 42.1) million of which EUR 21.6 (EUR 26.9) million related to Defined Contribution schemes and EUR 14.5 (EUR 15.2) million to Defined Benefits. The total defined benefit obligation is EUR 242.3 (EUR 269.1) million, nearly all of which is unfunded as total assets come to only EUR 4.2 (EUR 4.3) 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 19.5 (EUR 20.3) 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 47.7 (EUR 50.5) million with Defined Benefit schemes covering mainly white collar staff and costing EUR 0.7 (EUR 4.1) million. However, contributions paid during the year amounted to EUR 11.4 (EUR 17.2) 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 contributed 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 178.8 (EUR 232.4) million of the total obligations is now funded leaving unfunded schemes of EUR 13.0 (EUR 16.9) million and an overall net liability of EUR 11.4 (EUR 11.3) 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 SENA was divested the Balance Sheet liability at that time amounting to EUR 261.4 million. US pension and health care liabilities had been highly material in the context of Stora Enso with 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 118.0 (EUR 192.0) million and with assets amounting to EUR 80.6 (EUR 161.2) million and the net liability came to EUR 37.4 (EUR 30.8) million. Only in the UK were there material obligations being EUR 79.5 (EUR 105.8) million but with a net unfunded deficit of only EUR 13.2 (EUR 5.8) 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 but most of these obligations were 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.

Pension and Post-Employment Benefit Provisions

	As at 31 December		
EUR million	**2008**	2007	2006
Defined benefit pension plan liabilities	283.6	316.8	401.2
Other post-employment benefit liabilities	15.4	10.5	361.9
Total Balance Sheet Liabilities	**299.0**	**327.3**	**763.1**
Defined benefit plan assets (Note 17)	3.0	5.8	15.7
Net Defined Benefit Liability	**296.0**	**321.5**	**747.4**

Balance Sheet Receivables & Payables

	As at 31 December								
	Net Defined Benefit Plan Liability			Defined Benefit Plan Assets			Defined Benefit Plan Liabilities		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Present value of funded obligations	645.0	792.8	1 729.7	178.1	233.6	356.8	466.9	559.2	1 372.9
Present value of unfunded obligations	242.7	296.5	663.0	-	-	-	242.7	296.5	663.0
Defined Benefit Obligations ("DBO")	887.7	1 089.3	2 392.7	178.1	233.6	356.8	709.6	855.7	2 035.9
Fair value of plan assets	591.7	767.8	1 668.6	181.1	239.4	369.9	410.6	528.4	1 298.7
Net Funding in Defined Benefit Plans	**296.0**	**321.5**	**724.1**	**-3.0**	**-5.8**	**-13.1**	**299.0**	**327.3**	**737.2**
Unrecognised prior service cost	-	-	23.3	-	-	-2.6	-	-	25.9
(Asset)/Liability in the Balance Sheet	**296.0**	**321.5**	**747.4**	**-3.0**	**-5.8**	**-15.7**	**299.0**	**327.3**	**763.1**

Amounts Recognised on the Balance Sheet – Defined Benefit Plans

	As at 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Present value of funded obligations	645.0	792.8	1 729.7	645.0	792.5	1 729.7	-	0.3	-
Present value of unfunded obligations	242.7	296.5	663.0	227.3	286.1	314.4	15.4	10.4	348.6
Defined Benefit Obligations ("DBO")	887.7	1 089.3	2 392.7	872.3	1 078.6	2 044.1	15.4	10.7	348.6
Fair value of plan assets	591.7	767.8	1 668.6	591.7	767.5	1 651.2	-	0.3	17.4
Net Liability in Defined Benefit Plans	**296.0**	**321.5**	**724.1**	**280.6**	**311.1**	**392.9**	**15.4**	**10.4**	**331.2**
Unrecognised prior service cost	-	-	23.3	-	-	-7.4	-	-	30.7
Net Liability in the Balance Sheet	**296.0**	**321.5**	**747.4**	**280.6**	**311.1**	**385.5**	**15.4**	**10.4**	**361.9**

Amounts Recognised in the Income Statement

	Year Ended 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Current service cost	12.1	29.2	45.6	10.2	26.9	35.9	1.9	2.3	9.7
Interest cost	49.6	108.9	104.8	49.0	96.5	84.9	0.6	12.4	19.9
Expected return on plan assets	-36.1	-97.3	-88.1	-36.1	-96.7	-87.1	-	-0.6	-1.0
Past service cost recognised in year	-	-45.2	4.3	-	-0.1	12.0	-	-45.1	-7.7
Other	4.2	-2.6	-0.4	3.5	-2.6	-0.5	0.7	-	0.1
Total Included in Personnel Expenses	**29.8**	**-7.0**	**66.2**	**26.6**	**24.0**	**45.2**	**3.2**	**-31.0**	**21.0**

Defined Benefit Plan Reconciliation

	As at 31 December								
	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Net liability at 1 January	321.5	747.4	888.3	311.1	385.5	513.2	10.4	361.9	375.1
Translation difference	5.3	-32.2	4.7	5.3	-1.5	21.9	-	-30.7	-17.2
Acquisition & disposals	-22.8	-293.0	-6.7	-22.9	-24.7	-6.7	0.1	-268.3	-
Net expense in Income Statement	29.8	-7.0	66.2	26.6	24.0	45.2	3.2	-31.0	21.0
Actuarial (gains) & losses recognised in equity	12.7	-17.3	-135.1	10.6	-6.7	-130.5	2.1	-10.6	-4.6
Contributions paid	-45.5	-75.4	-68.1	-45.1	-64.5	-55.7	-0.4	-10.9	-12.4
Settlements	-5.0	-1.0	-1.9	-5.0	-1.0	-1.9	-	-	-
Net Liability in the Balance Sheet	**296.0**	**321.5**	**747.4**	**280.6**	**311.1**	**385.5**	**15.4**	**10.4**	**361.9**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December					
	Finland		Germany		Sweden	
EUR million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Discount rate %	5.75	5.0	5.75	5.2	5.0	5.0
Expected return on plan assets %	5.5	4.4	4.5	4.5	5.0	6.0
Future salary increase %	4.0	4.0	2.4	2.2	3.0	3.0
Future pension increase %	2.1	2.1	2.0	1.7	2.0	2.0
Average current retirement age	64.0	64.0	65.0	65.0	64.0	63.7
Weighted average life expectancy	85.0	87.0	85.4	85.3	86.5	86.7

Return on Plan Assets by Country

EUR million	Year Ended 31 December 2008				
	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	-5.6	0.2	-23.6	-12.9	-41.9
Estimated return used in actuarial calculations	15.5	0.2	13.1	7.4	36.2
Actuarial Loss for the Year Recognised in Equity	**-21.1**	**0.0**	**-36.7**	**-20.3**	**-78.1**

EUR million	Year Ended 31 December 2007				
	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	2.7	0.1	4.2	41.8	48.8
Estimated return used in actuarial calculations	14.5	0.1	11.9	70.8	97.3
Actuarial Loss for the Year Recognised in Equity	**-11.8**	**0.0**	**-7.7**	**-29.0**	**-48.5**

Defined Benefit Plan Summary by Country

EUR million	As at 31 December 2008				
	Finland	Germany	Sweden	Other	Total
Present value of funded obligations	335.6	33.0	178.8	97.6	645.0
Present value of unfunded obligations	-	209.3	13.0	20.4	242.7
Defined Benefit Obligations ("DBO")	335.6	242.3	191.8	118.0	887.7
Fair value of plan assets	326.5	4.2	180.4	80.6	591.7
Net Liability in the Balance Sheet	**9.1**	**238.1**	**11.4**	**37.4**	**296.0**
Represented by					
Defined Benefit Pension Plans	9.1	238.1	11.4	22.0	280.6
Other Post-Employment Benefits	-	-	-	15.4	15.4
Net Liability in the Balance Sheet	**9.1**	**238.1**	**11.4**	**37.4**	**296.0**

Defined Benefit Plan Summary by Country

EUR million	As at 31 December 2007				
	Finland	Germany	Sweden	Other	Total
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**

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					
	2008		2007		2006	
EUR million	**Value**	**%**	**Value**	**%**	**Value**	**%**
Equity	165.3	27.9	318.3	41.5	758.2	45.4
Debt	239.4	40.9	243.1	31.7	594.3	35.6
Associate Companies debt	96.9	15.9	94.4	12.2	106.0	6.4
Cash	24.8	4.2	48.1	6.3	55.7	3.3
Others	65.3	11.1	63.9	8.3	154.4	9.3
Total Pension Fund Assets	**591.7**	**100.0**	**767.8**	**100.0**	**1 668.6**	**100.0**

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 326.5 (364.3) 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

	As at 31 December								
	Sweden			Other			Total		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Equity	29.6	71.4	67.0	135.7	246.9	691.2	165.3	318.3	758.2
Debt	21.4	15.4	22.2	218.0	227.7	572.1	239.4	243.1	594.3
Associate Companies debt	96.9	94.4	106.0	-	-	-	96.9	94.4	106.0
Cash	21.3	36.9	35.8	3.5	11.2	19.9	24.8	48.1	55.7
Others	11.2	19.9	10.9	54.1	44.0	143.5	65.3	63.9	154.4
Total Pension Fund Assets	**180.4**	**238.0**	**241.9**	**411.3**	**529.8**	**1 426.7**	**591.7**	**767.8**	**1 668.6**

In 2009 contributions of EUR 50.0 million are expected to be paid representing normal payments for Continuing Operations of the Group. In 2008 contributions of EUR 45.5 (EUR 75.4) million were paid of which EUR 44.9 (EUR 58.5) million related to Continuing Operations.

Note 23 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 EBITDA 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 50% of salary depending on the person's position in the Company. Staff participates 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 maintained participation in these 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; subsequently the number of options issued under the share option programme was reduced such that share plans have now replaced the option programme. The total number of shares that may be delivered in future years from grants in 2008 under these share programmes is 1 212 344 (897 487).

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 2006 to 2008 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 500 to 7000 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 intended range of awards over the three year period is from 250 to 3 500 shares.

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; additionally the award to the CEO is measured against the Group's EBITDA. The targets have been set to provide the full award only if performance is well above current expectations.

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)

The Group has an option programme however, no new options were granted in 2008 and there is no intention to issue any in 2009. The programmes from previous years were intended to contribute to the long-term commitment of managerial and specialist personnel and covered 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 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 in the market 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 no (6 137 400) options were exercised as the share price remained below the relevant strike prices thus the remaining 1 288 750 options from the 2001 scheme lapsed and there has been no exercises on the 2002 scheme which expired unexercised on 7 February 2009.

Option/Synthetic Option Programmes in 2008

Option Programme	Year of Issue	Strike Price Base Period	Strike Price	Number of Staff	Number of Options Issued	Number of Options Cancelled**	Number of Options Exercised	Number of Options Out-standing	Exercise Period
2007 Synthetic	2007	8 Feb 14 Feb	EUR 14.00	731	1 406 596	312 000	n/a	1 094 496	1 Mar 2010 28 Feb 2014
2006 Synthetic	2006	3 Feb 10 Feb	EUR 12.46/13.32*	744	2 161 000	538 125	n/a	1 622 875	1 Mar 2009 28 Feb 2013
2005 Synthetic	2005	4 Feb 11 Feb	EUR 12.20	1 024	3 075 125	852 875	n/a	2 222 250	1 Mar 2008 29 Feb 2012
2004 Synthetic	2004	5 Feb 12 Feb	EUR 11.15	1 033	4 682 800	1 119 800	995 200	2 567 800	1 Mar 2007 28 Feb 2011
2003 Synthetic	2003	31 Jan 7 Feb	EUR 10.00	1 016	6 069 150	1 113 500	2 526 800	2 428 850	7 Feb 2006 6 Feb 2010
2002 Synthetic	2002	31 Jan 7 Feb	EUR 16.50	957	5 902 000	1 885 000	-	4 017 000	8 Feb 2005 7 Feb 2009
2001 Synthetic	2001	8 Feb 14 Feb	EUR 11.70	481	4 215 000	1 981 250	2 233 750	-	1 Apr 2004 31 Mar 2008

* Strike price of options granted to new CEO upon his appointment

** Includes options associated with divestment of SENA and Merchants

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. However the fall in the share price in recent years has translated into an accounting gain of EUR 16.8 (EUR 18.8) million on the options themselves leaving a liability at the year end of EUR 9.9 (EUR 26.7) 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 currently none and the latest fair valuations by using the Stora Enso R share closing price EUR 5.52 (EUR 10.24) with all changes recognised in the Income Statement.

As at the year end 13 953 271 (19 155 721) synthetic options were outstanding of which 11 235 900 (12 912 300) 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, with the weighted average strike price being EUR 13.04 (EUR 12.93) and a weighted average contractual right of 2.1 (2.8) years. No new options were granted in 2008.

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 2008

	Projected Delivery of Outstanding Restricted Share Awards at Year End					
Number of shares	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
2004 talent share awards	80 000	-	-	-	-	80 000
2006 programme	183 972	250 000	-	-	-	433 972
2007 programme	99 433	99 433	10 000	-	-	208 866
2008 programme	149 398	112 049	112 047	-	92 500	465 994
Total	**512 803**	**461 482**	**122 047**	**-**	**92 500**	**1 188 832**

Talent awards of 92 500 (NIL) shares were made in 2008; the outstanding shares under the 2004, 2006 and 2008 Talent awards are included in the table above. The outstanding Performance Share awards for the 2006–2008 programmes came to 58 549, 182 070 and 704 600 at the year end and the outstanding Performance Share awards under the Senior Executive section of the plan were 578 500 at the year end.

The fair valuation impact of share-based programmes on continuing operations amounted to a gain of EUR 16.8 (EUR 15.3) million due to the drop in the share price. Synthetic options accounted for EUR 9.1 (EUR 19.3) million of the gain with EUR 4.6 (EUR -0.9) million coming from the restricted share awards and EUR 3.1 (EUR -3.1) million from performance share plans. The year-end liability of EUR 9.9 (EUR 26.7) million is shown in Non-current Operative Liabilities of which EUR 5.7 (EUR 14.8) million relates to synthetic options EUR 4.2 (EUR 8.8) million to the restricted share awards and EUR 0.0 (EUR 3.1) million to performance share plans. No options were cashed in 2008 though in 2007 the weighted average exercise price was EUR 11.46, the equivalent weighted average share price being EUR 13.32 in 2008. The actual cash cost for synthetic options totalled to EUR 0.0 (EUR 10.5) million with EUR 3.4 (EUR 3.5) million for the restricted share awards.

Stora Enso utilises 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, the Group pays for them as and when exercised and therefore they contain certain market risks such as when the Company's share price is below the option strike price. For this reason the movements on TRS and the option liability do not match on a year to year basis, Group TRS instruments do not qualify for hedge accounting and 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.

At the year end there were TRS instruments outstanding covering 17 550 000 (17 850 000) underlying Stora Enso Oyj R shares recorded at a net fair value loss of EUR 53.1 (EUR 34.3) million. The settlement periods of the TRS instruments match the life of the associated synthetic options that mature between 2009 and 2014 and allow for earlier settlement at the Group's election. In 2008, Stora Enso restructured its TRS portfolio when a counterparty exercised its settlement option. The cash cost amounted to EUR 61.0 million. A 10% increase in the share price of Ordinary R Shares would result in a gain in the net fair value of the TRS instruments of EUR 9.7 million based on a closing share price at the year end of EUR 5.52 (10.24) on the NASDAQ OMX Helsinki. By comparison the share price falls in 2007 and 2008 amounted to 14.7% and 46.1% with the actual fair valuations dropping by EUR 42.4 and EUR 16.8 million, respectively.

In addition to the TRS cash settled option hedging strategies, equity options were used for the first time in 2007 with outstanding instruments covering 931 000 (931 000) underlying Stora Enso Oyj shares. At the year end they were recorded at a net fair value loss of EUR 4.3 (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 cost of EUR 70.5 (EUR 8.8) million. The cash and fair value result on the share-based programmes was a gain of EUR 13.4 (EUR 3.0) million whilst the cash and fair value result of the TRS was an expense of EUR 83.9 (EUR 11.8) million. These items are presented as an operative amount in the Income Statement under Personnel Costs.

Note 24 Other Provisions

Other Provisions

EUR million	Environmental	Restructuring*	Other Obligatory	Total Provisions
Carrying Value at 1 January 2007	**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**
Translation difference	-8.8	-10.2	-0.2	-19.3
Companies disposed	-	-2.6	-	-2.6
Charge in Income Statement: Continuing Operations				0
New provisions	15.6	228.2	1.1	244.9
Increase in existing provisions	18.9	7.8	-	26.7
Reversal of existing provisions	-9.7	-24.3	-0.3	-34.3
Charge in Income Statement: Discontinued Operations	-	1.4	-	1.4
Payments	-2.9	-158.2	-1.6	-162.7
Carrying Value at 31 December 2008	**80.5**	**304.3**	**2.6**	**387.4**
Allocation between Current and Non-current Liabilities				
Current Liabilities : Payable within 12 months	2.1	182.6	0.4	185.1
Non-current Liabilities : Payable after 12 months	78.4	121.7	2.2	202.3
Total at 31 December 2008	**80.5**	**304.3**	**2.6**	**387.4**
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**

* Includes site restoration and environmental costs

Environmental Remediation

Provision for environmental remediation amounted to EUR 80.5 (EUR 67.4) million at 31 December 2008 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 purify runoff from the Kopparberg mine before releasing the water into the environment; following a detailed re-evaluation of this long-term obligation a further EUR 18.7 million was expensed and at the year end the provision amounted to EUR 24.8 (EUR 10.0) million.
- Stora Enso Pulp AB has been removing mercury from the harbour basin at Skutskär for a number of years in co-operation with local authorities. The remaining work was reviewed in 2008 and a further provision of EUR 5.3 million expensed to finish the project. In addition, the company is obliged to upgrade an old land-fill previously used by the mill in order to comply with revised environmental regulations thus a further EUR 6.1 million waas expensed in this respect. At the year end Stora Enso Pulp AB had environmental provisions of EUR 13.2 (EUR 4.6) million.
- The site adjacent to Skoghall Mill contains ground pollutants that must be eliminated. No additional costs were expensed in 2008 though in 2007 the provision was increased by EUR 11.2 million and now amounts to EUR 15.5 (EUR 18.4) million.
- There are a further six cases in Finland where the total provision now amounts to EUR 18.9 (EUR 25.6) million; the largest relates to pollution in the vicinity of Pateniemi Sawmill being EUR 5.0 (EUR 14.4) million. There are also two provisions relating to the sites of closed mills where another EUR 3.7 million was expensed in 2008, relating to the wastewater treatment facility at the former Kemijärvi Mill to give a year end provision there of EUR 5.6 (EUR 2.7) million and another EUR 4.4 million provision at the year end for the site of the former Summa Mill.

Restructuring Provisions

In September 2008 Stora Enso announced the results of its strategic review for the year which included plans for the closure of machines with an annual capacity of 600 000 tonnes of paper and board and 170 000 cubic metres of sawn goods along with plans for significant reductions in the Russian wood sourcing organisation and controlled curtailments at the jointly owned Sunila Pulp Mill. Closures were announced for Baienfurt Mill in Germany and two Estonian sawmills as well as machine closures at Kabel Mill also in Germany and at Imatra and Varkaus in Finland. It is estimated that some 1 700 redundancies will result from the closures including some 600 staff in Germany 550 in Finland 400 in Russia and 150 elsewhere. The review also resulted in the outsourcing of maintenance services at many of the Finnish mills to a company jointly owned with ABB whereby some 1 450 Stora Enso employees would be transferred to the new venture. The cost of the restructuring element excluding fixed asset impairment amounted to EUR 213.1 million.

In October 2007 the Group announced that 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 entailed the 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 was also closed in December 2008 and smaller restructurings carried out elsewhere. This resulted in a restructuring provision of EUR 130.6 million being charged in the last quarter of the year.

The Asset Performance Review programme of 2006 intended to reduce capacity by about 400 000 tonnes and resulted in restructuring costs of EUR 200.2 million in 2006. Plant closure provisions came to EUR 186.0 million with a further EUR 14.2 million being expensed on account of business divestments.

The Balance Sheet liability at the end of 2008 for restructuring provisions amounted to EUR 304.3 (EUR 262.2) million and covered the costs of closing down operations demolition clearance cleaning and site restoration and redundancy costs in reducing staff numbers by 3 150 (2 526) overall.

Details of all company disposals are given in Note 4 Acquisitions & Disposals, details of fixed asset impairments relating to restructuring provisions are shown in Note 12 Depreciation and Fixed Asset Impairment Charges and details of restructuring provisions are shown below.

Restructuring Provisions by Segment

	Year Ended 31 December			As at 31 December		
	Income Statement			Balance Sheet		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Newsprint and Book Paper	11.6	17.8	-1.3	18.2	18.8	1.1
Magazine Paper	40.2	85.6	111.7	109.6	147.6	164.3
Fine Paper	-8.3	-9.6	72.2	6.8	53.6	87.8
Consumer Board	127.8	3.8	-1.5	128.6	6.8	7.7
Industrial Packaging	5.3	-0.1	-0.9	6.0	1.3	1.4
Wood Products	3.1	-0.3	0.1	3.5	0.7	2.3
Other	32.0	29.2	15.4	31.6	31.3	9.3
Total: Continuing Operations	**211.7**	**126.4**	**195.7**	**304.3**	**260.1**	**273.9**
Discontinued Operations	1.4	5.8	4.5	-	2.1	11.3
Total Operations	**213.1**	**132.2**	**200.2**	**304.3**	**262.2**	**285.2**

Details of the mills affected are described below.

Baienfurt Mill

Baienfurt Mill in southern Germany used to produce 190 000 tonnes of folding boxboard with a normal annual turnover of some EUR 180 million but was closed in December 2008 due to persistent profitability problems caused by European overcapacity in folding boxboard, the strength of the Euro and cost increases especially for wood and energy. The mill's customers will continue to be served by Consumer Board mills in Finland and Sweden which produce similar board products and the sheeting plant at the mill will remain in operation in order to service local customers on behalf of these supplying mills. Some 350 staff are being made redundant with a further 40 being retained with the sheeting plant. A restructuring provision of EUR 114.7 million has been expensed outstanding in full at the year end along with fixed asset impairments of EUR 42.3 million and other write-downs of EUR 6.8 million.

Kabel Mill

In December 2008 Stora Enso permanently shut down paper machine (PM) 3 at Kabel in Germany formerly with an annual capacity 140 000 tonnes of coated magazine paper due to profitability problems caused by overcapacity in Europe and increased wood and energy costs. The shut-down affects about 170 employees with redundancy and other staff-related costs accounting for the majority of the restructuring provision of EUR 32.3 million of which EUR 30.4 million was outstanding at the Balance Sheet date.

Imatra & Karhula Mills

The co-determination negotiations at Imatra Mill were concluded in November 2008 and as result Stora Enso will permanently shut down Consumer Board's machine (BM) 1 at Imatra with annual capacity 170 000 tonnes by the end of 2009. The Polymer coating machine 2 at Imatra will be shut down in May 2009 and the coating machine at Karhula by the end of 2010. One of the two sheeting lines at Imatra will cease operations in early July 2009 and the other one in late 2010. Personnel will be reduced by 329 at Imatra and Karhula, the costs of redundancy and other staff related measures are the major component of the closure provision of EUR 9.2 million.

Varkaus Mill

Corenso's coreboard machine at Varkaus Mill, part of Industrial Packaging with an annual capacity of 100 000 tonnes was closed in December 2008 with 136 staff being affected and a provision was expensed of EUR 4.2 million all of which was outstanding at the year end. The related fixed asset impairment amounted to EUR 11.8 million.

Kemijärvi Pulp Mill

Kemijärvi Pulp Mill, which employed 214, in northern Finland permanently closed in April 2008. In 2007 the fixed assets were impaired by EUR 67.1 million and a provision of EUR 16.0 million expensed of which EUR 8.9 million was outstanding at the end of 2008.

Summa Mill

Summa Mill in Kymenlaakso southern Finland was closed down in January 2008 with some 400 job losses. The mill was shared 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. No extra costs were expensed in 2008 and at the end of the year EUR 4.3 million of the provision remained.

Anjala Mill

Paper Machine (PM) 1 at Anjala Mill with an annual capacity 120 000 tonnes of book paper and a turnover of some EUR 80 million was permanently shut down in November 2008 with 170 job losses. A provision of EUR 13.8 million had been made in 2007 and fixed asset impairments totalled EUR 20.7 million. An additional provision of EUR 1.9 million was expensed in 2008 with the balance outstanding at the year end amounting to EUR 6.4 million.

Norrsundet Pulp Mill

Norrsundet Pulp Mill in Sweden was permanently closed in December 2008 with 317 job losses. A provision of EUR 37.8 million was expensed in 2007 along with a fixed assets impairment of EUR 48.0 million; a further EUR 3.6 million was expensed in 2008 and at the year end the provision amounted to EUR 30.2 (EUR 35.6) million. As production only ceased recently the clearing and disposal of the site and machinery will take place in 2009.

Corbehem Mill

Corbehem Mill expensed provisions of EUR 62.8 million from 2005 to 2007 relating to the closure of its PM 3 and PM 4 machines and the closure of its old coal-fired power plant. In 2008 it was able to release EUR 4.1 million of this provision though matters are still pending relating to buildings that have yet to be demolished and the sale of the site to the commune has yet to take place.

Reisholz Mill

Reisholz Mill which employed 378 staff and produced super-calendered (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 some EUR 95 million. Stora Enso recorded total provisions and write-downs in 2006 of EUR 157.0 million of which EUR 103.0 million consisted of the restructuring provision. No adjustment to the provision was required in 2007 or 2008 and the remaining Balance Sheet liability at the end of 2008 was EUR 12.5 (EUR 32.5) million. Clearance and cleaning of the site are still on-going though nearly complete and the expected date for completion of the site sale is 30 June 2009.

Berghuizer Mill

Berghuizer Mill, formerly part of Stora Enso's Fine Paper business area, closed in late 2007 due to its lack of profitability due to excess market capacity 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 some EUR 180 million. 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 restructuring 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. In 2008 the site and the remaining equipment were sold with the consideration fully received and again a further EUR 9.5 million of the provision was released. At the year end EUR 5.1 (EUR 52.3) million of the provision is outstanding and it is estimated that the Group's obligations under the sale agreement will be fulfilled by 31 March 2009.

In 2006 the Asset Performance Review initiated the previous year continued with major steps to restructure the Group resulting in substantial disposals and restructuring provisions of EUR 200.2 million.

Note 25 Operative Liabilities

Non-current Operative Liabilities

EUR million	As at 31 December 2008	(restated*) 2007	(restated*) 2006
Accruals	10.1	12.4	16.5
Share-based payments (Note 23)	9.9	26.7	47.4
Other payables	8.5	13.6	12.3
Total	**28.5**	**52.7**	**76.2**

*See Basis of preparation in Note 1 for details relating to restatement.

Current Operative Liabilities

EUR million	As at 31 December 2008	2007	2006
Advances received	5.8	7.0	6.2
Trade payables	579.6	803.4	913.9
Other payables	122.5	220.6	214.8
Payroll and staff-related accruals	206.3	257.6	275.0
TRS Hedges	56.2	36.0	19.6
Accrued liabilities and deferred income	446.6	449.4	446.3
Current portion of provisions	185.1	197.3	116.7
Total	**1 602.1**	**1 971.3**	**1 992.5**

Trade payables and payroll accruals amounting to EUR 785.9 (EUR 1 061.0) million are classified as financial instruments according to IAS39.

Note 26 Financial 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.

The Stora Enso Group Financial Risk 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. Stora Enso Treasury Internal Risk Policy refines the guidance into more detailed instructions which becomes effective when the Group Treasurer has signed it and the front office personnel co-sign to ensure that they are aware of any changes. 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 2008, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 16 (EUR 31) 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 2.2 (EUR 4.0) billion, the average interest reset period being some 4.0 (2.9) 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 1.6 (1.0) 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 1.0 (EUR 3.0) million, presented under Other Financial Items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting. Note 28 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 which is the effect of currency rates on expected future cash flows. The Group policy for this is to hedge 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 net operating cash flow by currency in 2008 and the transaction hedges in place as at 31 December 2008.

Transaction Risk and Hedges in Main Currencies

	As at 31 December						
EUR million	**EUR**	**USD**	**GBP**	**SEK**	**JPY**	**Other**	**Total**
Sales in 2008	6 360	1 570	690	1 160	250	1 000	11 030
Costs in 2008	-6 300	-670	-110	-2 110	0	-1 150	-10 340
Net Operating Cash Flow: Continuing Operations	**60**	**900**	**580**	**-950**	**250**	**-150**	**690**
Transaction hedges as at 31 December		**355**	**207**	**-730**	**119**	**-**	**-49**
As % of 2008 operating cash flow		39%	36%	77%	48%		
Average hedging % during 2008		50%	47%	58%	52%		

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 2007 and 2008, hedging levels at the year end 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 2008			As at 31 December 2007		
EUR million	**Before Hedges**	**Hedges**	**Net Impact**	**Before Hedges**	**Hedges**	**Net Impact**
10% change in the EUR/USD rate	-/+ 50–60	+/- 20–25	-/+ 25–35	-/+ 50–60	+/- 20–25	-/+ 30–40
10% change in the EUR/GBP rate	-/+ 35–45	+/- 15–20	-/+ 25–35	-/+ 45–55	+/- 15–20	-/+ 30–40
10% change in the SEK/USD rate	-/+ 30–35	+/- 10–15	-/+ 20–25	-/+ 30–35	+/- 10–15	-/+ 20–25
10% change in the SEK/GBP rate	-/+ 25–30	+/- 15–20	-/+ 10–15	-/+ 25–30	+/- 10–15	-/+ 15–20
5% change in the SEK/EUR rate	-/+ 35–40	+/- 20–25	-/+ 15–20	-/+ 35–40	+/- 20–25	-/+ 15–20

If the Euro and Swedish krona would move by 10% against the US dollar and British pound, with all other variables held constant, EBITDA for the year would change by some EUR 16 (EUR 28) million, mainly as a result of foreign exchange gains and losses on the one-time retranslation of US dollar-denominated trade receivables. In 2008 both the Euro and the Swedish krona appreciated materially against the British pound, but at the same time weak-ened against the US dollar, whereas in 2007 both currencies appreciated materially against the other two. The currency breakdown of short-term operative receivables has been shown in Note 19 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 the US dollar and British pound, 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 74 (EUR 71) million different as a result of a one-time revaluation of outstanding cash flow hedge accounted currency derivatives, EUR 41 (EUR 39) million coming from US dollar hedges and EUR 33 (EUR 32) million coming from British pound hedges. The corresponding nominal hedging levels in currencies were USD 614 (USD 579) million and GBP 284 (GBP 235) million.

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 materialise through the Income Statement on the disposal, in whole or in part, of the foreign entity. The table below shows the translation exposure on equity before and after hedges.

Translation Risk and Hedges

EUR million	Euro	USA	Sweden	Czech Republic	Poland	Brazil	Other	Total
	As at 31 December 2008							
Capital employed, excluding associated companies	4 563	211	1 809	123	174	150	702	7 732
Associated companies	175	50	361	-	-	456	-	1 042
Net interest-bearing liabilities	-1 381	50	-1 420	41	84	21	-519	-3 124
Minority interests	-3	-	-2	-	-13	-21	-17	-56
Translation Exposure on Equity	**3 354**	**311**	**748**	**164**	**273**	**606**	**166**	**5 594**
Liability hedges[1, 2]	381	-381	-	-	-	-	-	-
EUR/PLN	120	-	-	-	-120	-	-	-
EUR/CZK	131	-	-	-131	-	-	-	-
Translation Exposure after Hedges	**3 986**	**-70**	**748**	**33**	**125**	**606**	**166**	**5 594**

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

2) The hedging level was appropriate during 2008; however, at the year end the fair value of NewPage securities decreased significantly, thus hedging levels were adjusted in 2009.

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 29 Cumulative Translation Adjustment & Equity Hedging.

Consolidated Equity: Currency Effects Before Tax of a +/- 5% to 10% Movement

	As at 31 December 2008			As at 31 December 2007		
EUR million	**Before Hedges**	**Hedges**	**Net Impact**	**Before Hedges**	**Hedges**	**Net Impact**
5% change in the EUR/SEK rate	37	-	37	96	5	91
10% change in the EUR/USD rate	31	38	-7	42	36	6
10% change in the EUR/BRL rate	61	-	61	69	-	69
Total Effect from Above	**129**	**38**	**91**	**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 Stora Enso's target of maintaining an even maturity profile of outstanding debt. Additionally, in order to secure access to funding, the Group target is to have two investment grade credit ratings. The following table summarises the repayment schedule of long-term debt.

Repayment Schedule of Long-term Debt

	As at 31 December						
EUR million	**2009**	**2010**	**2011**	**2012**	**2013**	**2014+**	**Total**
Bond loans	338.5	526.4	381.1	-	-	1 325.7	2 571.7
Loans from credit institutions	90.3	270.3	57.3	128.6	91.5	97.7	735.7
Financial lease liabilities	5.8	1.2	1.1	1.0	16.7	3.1	28.9
Other long-term liabilities	5.3	30.4	25.3	25.2	25.2	130.1	241.5
Fair value of derivatives hedging debt	-2.5	-4.9	-30.8	-3.2	-	-91.2	-132.6
Total Long-term Debt	**437.4**	**823.4**	**434.0**	**151.6**	**133.4**	**1 465.4**	**3 445.2**
Current Liabilities: Repayable within the next 12 months							**437.4**
Non-current Liabilities: Repayable after 12 months							**3 007.8**

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	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**5 Years+**
Non-current debt, carrying amounts	437.4	823.4	434.0	151.6	133.4	1 465.4
Less FV adjustments to carrying amounts	-0.7	-0.9	-15.2	-0.5	-	-13.5
Estimated contractual finance charges	142.9	116.2	79.7	79.8	80.2	499.2
Contractual repayments on Non-Current Debt	**579.6**	**938.7**	**498.5**	**230.9**	**213.6**	**1 951.1**
Current Interest-bearing liabilities, carrying amounts	164.6	-	-	-	-	-
Contractual finance charges	7.0	-	-	-	-	-
Bank overdrafts	43.2	-	-	-	-	-
Total Contractual Repayments at 31 December 2008	**794.4**	**938.7**	**498.5**	**230.9**	**213.6**	**1 951.1**
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**

Financial Transactions Counterparty Credit Risk

Financial counterparty risk is Stora Enso's exposure on financial contracts arising from a deterioration 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.

The table below shows the balance of 5 major counterparties at the Balance Sheet date using the Standard and Poor's credit rating symbols.

External Counterparty Exposure

		As at 31 December	
EUR million	Rating	2008	2007
Company A	A	116.1	41.9
Company B	A	31.8	11.7
Company C	A+	9.1	3.8
Company D	AA	8.4	1.0
Company E	AA	8.1	-

Raw Material and Energy Price Risk

Group earnings are exposed to commodity and energy price volatility. 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 51.3 (EUR 34.9) 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 finan-cial 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 four years, as compared to between one month and five years in 2007.

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 30 Commitments and Contingencies, Purchase Agreement Commitments. The Group also has a 15.0% holding in PVO, 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 as discussed in Note 16 Available-for-sale investments.

In addition, in an effort to mitigate the other 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.

Share Price Risk

Stora Enso utilises TRS to partially hedge exposures to changes in the share price of synthetic options granted under the Option Programmes for Management (see Notes 7 Staff costs and 23 Employee bonus and equity incentive schemes), 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 2008 there were TRS instruments outstanding covering 17 550 000 (17 850 400) underlying Stora Enso Oyj R shares recorded at a net fair value liability of EUR 57.4 (EUR 34.9) million, as disclosed in Note 28 Financial instruments. The settlement periods of the TRS instruments match the life of the associated synthetic options, mature between 2009 and 2014 and allow for earlier settlement at the Group's election. A 10% increase in the share price of Ordinary R Shares would result in a gain in the net fair value of the TRS instruments of EUR 9.7 million, based on a closing share price at the year end of EUR 5.52 (10.24) on the NASDAQ OMX Helsinki.

The Group has certain investments in publicly traded securities (Note 16 Available-for-Sale Investments). The market value of these equity investments was EUR 23.5 (EUR 45.9) million at the year end. These secu-rities have an exposure to fluctuations in equity prices, thus a 10% fall in equity prices would result in a EUR 2.4 (EUR 4.6) million loss in the equity value. This would not impact the Income Statement until such time as they were sold or the decline was deemed to be other than a temporary impairment. As of 31 December 2008 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 15.0% holding, valued at EUR 766.0 (EUR 994.0) million, in PVO, a privately owned group of companies in the energy sector. The value of these shares is dependent on energy prices and discussed in more detail in Note 16 Available-for-sale investments.

On the divestment of SENA, described in more detail in Note 5 Discontinued operations, part of the sales consideration consisted of 19.9% of the shares in the newly established privately owned company, NewPage. This holding was classified as an Available-for-Sale investment in Unlisted Shares and is recorded at a fair value of USD 244 (USD 370.0) million at 31 December 2008. As these shares are not publicly traded the valuation is derived using discounted cash flow analysis as described in Note 16 Available-for-Sale investments, hence the valuation is subject to uncertainty. The US dollar currency exposure against the Euro is included in the Currency Translation Risk section.

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 19 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. In order to secure access to funding, the Group's target is to have two investment grade credit ratings although at present that target is not being achieved. Debt-to-equity ratios are shown below:

Capital Structure

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Interest-bearing liabilities	4 076.1	4 441.5	5 227.9
Interest-bearing assets	952.1	1 486.8	984.9
Interest-bearing Net Debt	**3 124.0**	**2 954.7**	**4 243.0**
Total Equity	**5 594.0**	**7 593.6**	**7 917.1**
Debt / Equity Ratio	**0.56**	**0.39**	**0.54**

Note 27 Debt

Debt at 31 December 2008 amounted to EUR 3 445.2 million a decrease of EUR 422.7 million on the previous year's EUR 3 867.9 million. Redemptions amounted to EUR 634.2 million, the main items being EUR 431.4 million on non-Euro denominated bonds and EUR 202.8 million going to credit institutions, including a EUR 150.0 million repayment of a USD facility to the European Investment Bank. Loans divested with the sale of the Papyrus merchant business also came to EUR 77.1 million. New loans totalled EUR 303.6 million of which EUR 83.9 million came from credit institutions and EUR 219.7 million from other financial corporations, including EUR 200.0 million from Finnish pension institutions, with substantial additional sums being available as required. The effects of currency, hedging and amortisation reduced debt by EUR 15.0 million.

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 and 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 6.404% Notes 2016; holders of USD 281.2 million of principal in the old notes accepted and along with new cash of a further USD 207.9 million resulted in a nominal USD 507.9 million of the 2016 Notes being issued all of which was outstanding at 31 December 2008. The Group also sold USD 300 million of 7.25% Notes in a separate tranche with the maturity being 15 April 2036.

In June 2006 Stora Enso signed a new loan agreement with International Finance Corporation (IFC) increasing its loan facility to USD 300 (EUR 215.5) 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.

Borrowings have various maturities, details of which are set out in Note 26, Financial risk management, the longest 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 2008 unused committed credit facilities totalled EUR 1.4 (EUR 1. 4) billion nothing of which was short-term with the rest expiring in 2012 (2012). Additionally, the Group has access to various other long-term sources of funding up to EUR 0.7 billion mainly from Finnish pension funds.

In 2008 the Group made gains of EUR 2.7 million on buying back SEK bonds and a further EUR 0.6 million on Japanese Yen bond. In December 2007 immediately before SENA 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.

In 2008 net interest-bearing items increased by EUR 169.3 million to EUR 3 124.0 million mainly as a result of matters detailed above. The breakdown of net interest-bearing liabilities including internal items and operating capital by principal country/area is detailed below:

Country/Area Breakdown

	As at 31 December					
	Net interest-bearing Liabilities			**Operating Capital**		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Euro area	1 380.7	2 282.8	3 051.7	4 735.9	6 149.0	6 391.3
Sweden	1 419.9	482.2	-0.3	2 397.6	2 817.3	2 830.9
USA	-50.4	-94.0	1 058.9	259.8	322.5	1 822.3
Brazil	-20.8	-8.5	0.1	588.6	660.3	693.2
Russia	202.1	186.9	126.0	198.9	262.8	177.9
Poland	-83.5	-75.2	-50.5	187.1	231.6	201.8
China	251.5	166.2	102.5	295.2	235.9	215.2
Czech Republic	-40.5	-27.0	-12.2	125.0	155.0	146.3
Other	65.0	41.3	-33.2	269.2	404.4	658.1
Total	**3 124.0**	**2 954.7**	**4 243.0**	**9 057.3**	**11 238.8**	**13 137.0**

Long-term Debt

	As at 31 December					
	Repayable within 12 Months			Repayable after 12 Months		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Bond loans	338.5	263.7	502.4	2 233.2	2 618.9	3 211.4
Loans from credit institutions	90.3	235.8	116.4	645.4	681.1	705.4
Financial lease liabilities	5.8	13.6	11.0	23.1	34.2	161.5
Other long-term liabilities	5.3	-	0.2	236.2	28.0	8.4
Fair value of derivatives hedging debt	-2.5	-	0.2	-130.1	-7.4	-5.7
Total Long-term Debt	**437.4**	**513.1**	**630.2**	**3 007.8**	**3 354.8**	**4 081.0**

Due to the short-term nature of most current 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 3 323.8 (EUR 3 401.9) million, against a carrying value of EUR 3 007.8 (EUR 3 354.8) million, the difference being offset by the derivatives hedging the debt (see Note 28 Financial instruments).

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.

Currency Breakdown of Long-term Debt

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
EUR	1 637.7	1 478.0	1 819.3
USD	1 379.1	1 514.5	1 927.6
SEK	399.5	770.9	839.1
Other currencies	28.9	104.5	125.2
Total	**3 445.2**	**3 867.9**	**4 711.2**

Bond Loans in Non-current Debt

Issue/Maturity Dates	Description Of Bond	Interest Rate %	Currency Of Bond	Nominal Value Issued 2008	Outstanding As at 31 December 2007	Outstanding As at 31 December 2008	Carrying Value As at 31 December 2007	Carrying Value As at 31 December 2008
All Liabilities are held by the parent company				**Currency million**			**EUR million**	
Fixed Rate								
1993–2019	Series C Senior Notes 2019	8.600	USD	50.0	50.0	50.0	34.0	35.9
2001–2011	Global 7.375% Notes 2011	7.375	USD	750.0	468.8	468.8	356.8	381.1
2004–2014	Euro Medium Term Note	5.125	EUR	517.6	517.6	517.6	487.4	523.7
2004–2009	Swedish Medium Term Note	3.875	SEK	4 640.0	4 640.0	3 647.0	481.4	338.4
2005–2010	Euro Medium Term Note	3.250	EUR	500.0	500.0	500.0	489.7	501.5
2006–2016	Global 6.404% Notes 2016	6.404	USD	507.9	507.9	507.9	352.4	429.5
2006–2036	Global 7.25% Notes 2036	7.254	USD	300.0	300.0	300.0	199.9	211.7
2006–2015	Swedish Fixed Real Rate	3.500	SEK	500.0	500.0	500.0	56.8	50.0
Loans matured and extinguished in 2008							64.9	-
Total Fixed Rate Bond Loans							**2 523.3**	**2 471.8**
Floating Rate								
2000–2010	Euro Medium Term Note	Euribor+0.8	EUR	25.0	25.0	25.0	25.0	25.0
2006–2018	Euro Medium Term Note	Euribor+0.96	EUR	25.0	25.0	25.0	25.0	25.0
2006–2018	Euro Medium Term Note	Euribor+0.72	EUR	50.0	50.0	50.0	49.9	49.9
Loans matured and extinguished in 2008							259.4	-
Total Floating Rate Bond Loans							**359.3**	**99.9**
Total Bond Loans							**2 882.6**	**2 571.7**

Interest-bearing Liabilities

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Current loans	224.3	402.6	179.6
Derivative financial instruments (see Note 28)	363.4	79.6	37.7
Total Interest-bearing Liabilities	**587.7**	**482.2**	**217.3**

Current loan payables include accrued interest of EUR 60.9 (EUR 67.9) million. Group short-term loans are denominated in Euros 74% (76%), Chinese renminbi 21% (15%), US dollars 5% (0%) and Swedish kronas 0% (9%), with maturities ranging from payable on demand up to 12 months.

Finance Lease Liabilities

At 31 December 2008 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 9.5 (EUR 36.0) million were included in machinery and equipment; the depreciation and impairment thereon was EUR 17.4 (EUR 28.9) million. The aggregate leasing payments for the year amounted to EUR 6.0 (EUR 21.3) million, the interest element being EUR 3.7 (EUR 9.8) million. There was a substantial reduction in finance lease liabilities in 2007 as a result of the divestment of SENA.

Finance Lease Liabilities

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Minimum lease payments			
Less than 1 year	6.9	17.0	23.6
1–2 years	2.2	16.1	23.3
2–3 years	2.0	5.0	21.4
3–4 years	1.9	3.0	10.8
4–5 years	17.0	2.2	9.3
Over 5 years	3.2	15.8	167.2
	33.2	47.8	172.5
Future finance charges	-4.3	-11.3	-83.1
Present Value of Finance Lease Liabilities	**28.9**	**47.8**	**172.5**
Present Value of Finance Lease Liabilities			
Less than 1 year	5.8	13.6	11.0
1–2 years	1.2	14.1	12.5
2–3 years	1.1	4.3	11.6
3–4 years	1.0	2.2	1.5
4–5 years	16.7	1.5	-0.2
Over 5 years	3.1	12.1	136.1
	28.9	**47.8**	**172.5**

Note 28 Financial Instruments

Shareholders' Equity – Other Comprehensive Income

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 acquisition (see Note 16 Available-for-sale investments). Movements in the year for these two reserves together with the balances at the year end are as shown below.

OCI Reserves

EUR million	Currency Derivatives	Commodity Hedges	Associate Hedge	Total	Available-for-Sale Reserve	Total OCI Reserves
OCI at 1 January 2007	12.1	46.8	-6.2	**52.7**	682.9	**735.6**
Net change in OCI in the year	-3.0	6.5	5.1	**8.6**	216.2	**224.8**
OCI at 31 December 2007	**9.1**	**53.3**	**-1.1**	**61.3**	**899.1**	**960.4**
OCI at 1 January 2008						
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**
	9.1	**53.3**	**-1.1**	**61.3**	**899.1**	**960.4**
Net change in OCI in 2008						
Gains and losses from changes in fair value	-145.4	-166.9	-9.4	**-321.8**	-398.0	**-719.8**
Deferred taxes	38.7	45.1	-	**83.8**	9.5	**93.3**
	-106.7	**-121.8**	**-9.4**	**-238.0**	**-388.5**	**-626.5**
OCI at 31 December 2008						
Gains and losses from changes in fair value	-133.0	-93.1	-10.6	**-236.7**	506.4	**269.8**
Deferred taxes	35.4	24.6	-	**60.0**	4.2	**64.2**
Total	**-97.6**	**-68.5**	**-10.6**	**-176.7**	**510.6**	**334.0**

The gain on derivative financial instruments designated as cash flow hedges that was realised from OCI through the Income Statement amounted to EUR 56.5 (EUR 18.3) million of which EUR 7.6 (EUR 29.8) million was presented as an adjustment to sales and EUR 48.9 (EUR -11.5) 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 5.4 (EUR 2.3) million in respect of Stora Enso's Associate Bergvik Skog; this amount relates to a fair value loss on Bergvik Skog'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 has interest rate derivative cash flow hedges showing a deferred loss of EUR 5.3 (gain EUR 1.1) million and a US Associate has a commodity cash flow hedging derivate with a deferred gain of EUR 0.2 (EUR 0.1) million.

The estimated net amount of unrealised losses (2007 gains) amounted to EUR 226.1 (EUR gain 86.2) million of which EUR 133.0 (EUR gain 12.4) million related to currencies and EUR 93.1 (EUR gain 73.8) million to commodities. These unrealised losses are expected to be recycled through the income statement within one to five years with the longest hedging contract maturing in 2012 (2012). Any hedge ineffectiveness is presented as an adjustment to sales or to materials and services depending on the underlying exposure which amounted to costs of EUR 2.0 (EUR 0.0) million for currency hedges and EUR 15.1 (EUR gain 17.0) million for commodity contract hedges. Derivatives used in currency cash flow hedges are forward contracts and currency options with swaps 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 differently to the host contract at either 31 December 2006, 2007 or 2008.

Certain gains and losses on financial instruments are taken directly to equity either to offset CTA or deferred under OCI. The remaining fair value movements are taken to the Income Statement as Net Financial Items (Note 9 Net financial items) as shown on next table.

Fair Value Hedge Gains and Losses

EUR million	Year Ended 31 December 2008	2007	2006
Net gains/(losses) on qualifying hedges	125.2	2.2	-38.4
Fair value changes in hedged items	-133.1	-5.0	32.1
Net losses	-7.9	-2.8	-6.3
Net gains/(losses) on non-qualifying hedges	1.1	8.6	-2.2
Net Fair Value (Losses)/Gains: Continuing Operations	**-6.8**	**5.8**	**-8.5**
Net fair value gains/(losses): Discontinued operations	-	1.1	-0.6
Net Fair Value Gains/(Losses) in Financial Items: Total Operations	**-6.8**	**6.9**	**-9.1**

Derivatives used in fair value hedges are mainly interest rate swaps.

Cash Flow Hedges Not Qualifying for Hedge Accounting

EUR million	Year Ended 31 December 2008	2007	2006
Currency forward contacts	0.9	2.1	0.4
Commodity contracts	0.4	-0.9	0.1
Total Hedging Ineffectiveness	**1.3**	**1.2**	**0.5**

Fair Values of Derivative Instruments

	As at 31 December				
	Positive Fair Values	Negative Fair Values	Net Fair Values	Net Fair Values	Net Fair Values
EUR million	2008	2008	2008	2007	2006
Interest rate swaps	264.8	-37.6	227.2	59.4	48.1
Interest rate options	-	-38.0	-38.0	-6.1	-1.8
Forward contracts	82.1	-156.0	-73.9	-19.7	28.2
Currency options	35.6	-50.2	-14.6	17.2	4.7
Commodity contracts	28.8	-119.5	-90.7	92.0	63.2
Equity swaps ("TRS") & equity options	1.9	-59.3	-57.4	-34.9	7.0
Total	**413.2**	**-460.6**	**-47.4**	**107.9**	**149.4**

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Long-term Debt with 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 0.0 (EUR 4.3) million. The net fair value of cash flow hedge accounted derivatives was EUR -226.1 (EUR 86.2) million the net fair value of fair value hedge accounted derivatives was EUR 132.6 (EUR 7.4) million the net fair value net investment in foreign entities hedge accounted derivatives were EUR 43.3 (EUR -4.6) million and net fair value of non hedge accounted derivatives were EUR 2.8 (EUR 18.9) million.

Nominal Values of Derivative Financial Instruments

	As at 31 December		
EUR million	**2008**	**2007**	**2006**
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	592.8	69.9	177.4
Maturity 2–5 years	1 683.4	2 164.4	2 152.1
Maturity 6–10 years	2 341.6	2 470.9	2 490.5
	4 617.8	4 705.2	4 820.0
Interest rate options	394.3	491.6	318.0
Total	**5 012.1**	**5 196.8**	**5 138.0**
Foreign Exchange Derivatives			
Forward contracts	3 049.4	3 114.1	1 778.4
Currency options	1 438.9	2 607.7	669.7
Total	**4 488.3**	**5 721.8**	**2 448.1**
Commodity Derivatives	**604.6**	**417.2**	**635.8**
Total Return (Equity) Swaps			
Equity swaps ("TRS")	158.2	213.9	328.6
Equity options	22.0	22.0	-
	180.2	**235.9**	**328.6**

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

	As at 31 December 2008		As at 31 December 2007	
EUR million	**2009**	**2010 +**	**2009**	**2010 +**
Currency Forwards & Options: Cash flow hedges				
Outflow	1 895.8	-	1 412.9	-
Inflow	1 772.9	-	1 417.8	-
Currency Forwards & Options: Hedging of Net Investment				
Outflow	251.5	-	840.3	-
Inflow	294.7	-	848.6	-
Currency Forwards & Options: Fair Value in Income Statement				
Outflow	1 532.7	-	2 146.9	-
Inflow	1 537.4	-	2 120.8	-

Contractual payments for net-settled derivatives financial liabilities were in the following maturity groupings; within one year EUR 96.9 (EUR 17.3) million and within two to five years EUR 145.4 (EUR 45.5) million.

Carrying Amounts of Financial Assets & Liabilities by Measurement Categories: 2008

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 Amortised Cost	Carrying amounts by Balance Sheet Item	Fair Value	Note
Financial Assets							
Available-for-Sale: Listed & Unlisted	-	-	1 109.2	-	1 109.2	1 109.2	16
Non-current loan receivables	-	130.3	-	-	130.3	144.7	19
Trade and other operative receivables	-	1 291.5	-	-	1 291.5	1 291.5	19
Interest-bearing receivables	240.8	10.3	-	-	251.1	251.1	19
Cash and cash equivalents	-	415.8	-	-	415.8	415.8	
Carrying Amount by Category	**240.8**	**1 847.9**	**1 109.2**	**-**	**3 197.9**	**3 212.3**	
Financial Liabilities							
Non-current debt	-130.1	-	-	3 137.9	3 007.8	3 323.8	27
Current portion of non-current debt	-2.5	-	-	439.9	437.4	437.4	27
Interest-bearing liabilities	363.4	-	-	224.3	587.7	587.7	27
Trade and other operative payables	57.4	-	-	785.9	843.3	843.3	25
Bank overdrafts	-	-	-	43.2	43.2	43.2	
Carrying Amount by Category	**288.2**	**-**	**-**	**4 631.2**	**4 919.4**	**5 235.4**	

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 Amortised 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	16
Non-current loan receivables	-	126.5	-	-	126.5	130.6	19
Trade and other operative receivables	2.6	1 643.7	-	-	1 646.3	1 646.3	19
Interest-bearing receivables	209.2	18.6	-	-	227.8	227.8	19
Cash and cash equivalents	-	970.7	-	-	970.7	970.7	
Carrying Amount by Category	**211.8**	**2 759.5**	**1 422.6**	**-**	**4 393.9**	**4 398.0**	
Financial Liabilities							
Non-current debt	-7.4	-	-	3 362.2	3 354.8	3 401.9	27
Current portion of non-current debt	-	-	-	513.1	513.1	513.1	27
Interest-bearing liabilities	79.6	-	-	402.6	482.2	482.2	27
Trade and other operative payables	36.0	-	-	1 061.0	1 097.0	1 097.0	25
Bank overdrafts	-	-	-	91.4	91.4	91.4	
Carrying Amount by Category	**108.2**	**-**	**-**	**5 430.3**	**5 538.5**	**5 585.6**	

Note 29 Cumulative Translation Adjustment 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

	Year Ended 31 December		
EUR million	**2008**	2007	2006
At 1 January			
CTA on net investment in non-Euro foreign entities	-128.3	-559.6	-467.4
Hedging thereof	17.3	610.4	492.4
Net currency (losses) / gains in equity	-111.0	50.8	25.0
Tax on hedging	-4.6	-182.8	-152.1
	-115.6	**-132.0**	**-127.1**
CTA Movement for the Year Reported in SORIE			
Restatement of opening non-euro denominated equity	-410.1	-93.5	-88.4
Difference in Income Statement translation	-19.1	5.9	17.5
Internal equity injections less dividends	134.6	15.9	-18.7
Other	-1.4	-5.1	3.2
	-296.0	**-76.8**	**-86.4**
Hedging of Net Investment for the Year Reported in SORIE			
Hedging result	1.3	53.7	118.0
Taxes	-1.1	-13.2	-30.7
	0.2	40.5	87.3
Income Statement			
CTA (gain)/loss on disposed non-Euro foreign entities	-32.6	508.1	-5.8
Hedging gain relating to disposed entities	0.3	-646.8	-
Net (gain)/loss	-32.3	-138.7	-5.8
Taxes	-0.1	191.4	-
	-32.4	**52.7**	**-5.8**
At 31 December			
CTA on net investment in non-Euro foreign entities	-456.9	-128.3	-559.6
Hedging thereof (see below)	18.9	17.3	610.4
Cumulative net currency gains / (losses) in equity	-438.0	-111.0	50.8
Tax on hedging	-5.8	-4.6	-182.8
Net CTA in Equity	**-443.8**	**-115.6**	**-132.0**
Hedging of Net Investment in Foreign Entities			
Hedging	18.9	17.3	610.4
Tax on hedging	-5.8	-4.6	-182.8
Net Hedging Result in Equity	**13.1**	**12.7**	**427.6**
Realised gain/(losses)	-12.1	-0.9	160.3
Unrealised gains	25.2	13.6	267.3
Total Gain	**13.1**	**12.7**	**427.6**

In 2008 the disposal of the Papyrus Merchant group resulted in the release of cumulative translation differences to the Income Statement amounting to a gain of EUR 35.8 million less hedging losses of EUR 0.3 million. Other disposals and liquidations in 2008 resulted in net CTA losses of EUR 3.2 million (see Note 6 Other Operating Income & Expense).

The Group is currently only hedging its equity exposure to the US dollar, Czech koruna and Polish zloty. However, the main movement in CTA in 2008 related to the Brazilian real and Swedish krona. Total CTA losses in Sweden amounted to EUR 145.4 (EUR 81.6) million resulting in accumulated Balance Sheet losses of EUR 329.2 (EUR 183.8) million.

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	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Brazil	-109.0	42.1	-12.9	-	-	-	-109.0	42.1	-12.9
Canada	-	-	19.0	-	-	80.1	-	-	99.1
China	-4.2	-7.7	-4.1	-	-	-	-4.2	-7.7	-4.1
Czech Republic	25.4	27.3	22.8	-11.2	-12.5	-8.3	14.2	14.8	14.5
Poland	-17.6	21.9	9.9	21.1	-2.3	-	3.5	19.6	9.9
Russia	-12.7	-11.4	-8.7	-	-	-	-12.7	-11.4	-8.7
Sweden	-329.2	-183.8	-102.5	25.7	25.3	3.4	-303.5	-158.5	-99.1
USA	13.5	-9.5	-479.8	-18.7	5.2	528.7	-5.2	-4.3	48.9
Others	-23.1	-7.2	-3.3	2.0	1.6	6.5	-21.1	-5.6	3.2
CTA before Tax	**-456.9**	**-128.3**	**-559.6**	**18.9**	**17.3**	**610.4**	**-438.0**	**-111.0**	**50.8**
Taxes	-	-	-	-5.8	-4.6	-182.8	-5.8	-4.6	-182.8
Net CTA in Equity	**-456.9**	**-128.3**	**-559.6**	**13.1**	**12.7**	**427.6**	**-443.8**	**-115.6**	**-132.0**

See Note 26 for further details of equity hedging together with simulation and sensitivity analysis.

Amounts Recognised in the Statement of Recognised Income & Expense – CTA & Equity Hedging

	As at 31 December								
	Cumulative Translation Differences (CTA)			Equity Hedges			Net CTA in SORIE		
EUR million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Brazil	-151.1	62.1	-18.8	-	-	-	-151.1	62.1	-18.8
Canada	-	14.9	-36.3	-	-14.7	37.9	-	0.2	1.6
China	3.5	-3.6	-7.0	-	-	-	3.5	-3.6	-7.0
Czech Republic	-1.9	5.8	8.0	1.3	-4.1	-6.7	-0.6	1.7	1.3
Poland	-39.5	12.0	1.2	23.4	-2.3	-	-16.1	9.7	1.2
Russia	-1.3	-2.5	-1.2	-	-	-	-1.3	-2.7	-1.2
Sweden	-145.4	-94.9	81.9	0.4	21.9	-17.7	-145.0	-73.0	64.2
USA	23.0	-63.9	-107.7	-23.9	51.4	105.2	-0.9	-12.5	-2.5
Others	-15.9	-6.7	-6.5	0.3	1.5	-0.7	-15.5	-5.0	-7.2
CTA before Tax	**-328.6**	**-76.8**	**-86.4**	**1.5**	**53.7**	**118.0**	**-327.0**	**-23.1**	**31.6**
Taxes	-	-	-	-1.1	-13.2	-30.7	-1.2	-13.2	-30.7
Net CTA in Equity	**-328.6**	**-76.8**	**-86.4**	**0.4**	**40.5**	**87.3**	**-328.2**	**-36.3**	**0.9**

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 0.4 (EUR 40.5) million.

Hedging Instruments & Unrealised Hedge Gains

	As at 31 December								
	Nominal amount (Currency)			Nominal amount (EUR)			Unrealised Gain/Loss (EUR)		
Million	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Forward Exchange Contracts									
Canada	-	-	358.0	-	-	234.3	-	-	17.8
Czech Republic	3 525.0	3 525.0	3 525.0	131.2	132.4	128.2	18.8	-2.0	-3.0
Poland	500.0	400.0	-	120.4	111.3	-	25.1	-1.4	-
UK	-	-	20.0	-	-	29.8	-	-	-
				251.6	243.7	392.3	43.9	-3.4	14.8
Borrowings									
Sweden	-	1 000.0	5 266.0	-	105.9	582.5	-	12.4	1.3
USA	530.0	530.0	928.0	380.8	360.0	704.6	-18.7	4.6	251.2
Total Hedging				**632.4**	**709.6**	**1 679.4**	**25.2**	**13.6**	**267.3**

Note 30 Commitments and Contingencies

Commitments

EUR million	As at 31 December 2008	2007	2006
On Own Behalf			
Pledges given	0.8	0.8	1.0
Mortgages	62.0	135.9	146.8
On Behalf of Associated Companies			
Guarantees	180.5	249.7	343.8
On Behalf of Others			
Guarantees	156.3	118.5	9.5
Other Commitments own			
Operating leases in next 12 months	28.9	30.6	38.4
Operating leases after next 12 months	95.0	112.2	130.3
Pension liabilities	0.2	0.2	0.2
Other contingencies	40.4	22.5	17.1
Total	**564.1**	**670.4**	**687.1**
Pledges given	0.8	0.8	1.0
Mortgages	62.0	135.9	146.8
Guarantees	336.8	368.2	353.3
Operating leases	123.9	142.8	168.7
Pension liabilities	0.2	0.2	0.2
Other contingencies	40.4	22.5	17.1
Total	**564.1**	**670.4**	**687.1**

Purchase Agreement Commitments as at 31 December 2008

EUR million	Type of Supply	Country	Years Left	Contract Total	Scheduled Contract Payments 2009	2010–11	2012–13	2014+
Materials & Supplies								
Stora Enso Skog AB	Wood*	Sweden	10	**1 230**	133	258	247	592
Stora Enso AB	Electricity	Sweden	5–11	**1 010**	101	243	243	423
Stora Enso Oyj	Wood*	Finland	8	**492**	59	119	122	192
Stora Enso Arapoti Industria de Papel	Wood*	Brazil	49	**173**	4	7	7	155
Stora Enso Transport & Distribution Ltd	Terminal	UK	12	**162**	14	28	28	92
Stora Enso Oyj	Shipping	Sweden	13	**147**	11	11	15	110
Guangxi Stora Enso Forestry Co Ltd	Land rents	China	47–49	**142**	3	6	6	127
Stora Enso Kabel GmbH & Co KG	Electricity	Germany	3	**105**	35	70	-	-
Stora Enso Transport & Distribution AB	Shipping	Denmark	7	**88**	14	27	27	20
Stora Enso Arapoti Industria de Papel	Energy	Brazil	49	**69**	1	3	3	62
Stora Enso Kabel GmbH & Co KG	Gas	Germany	3	**67**	24	43	-	-
Stora Enso Kabel GmbH & Co KG	Supplies	Germany	3	**51**	17	34	-	-
Stora Enso Corbehem SA	Electricity	France	2	**46**	23	23	-	-
Stora Enso Transport & Distribution AB	Shipping	Sweden	7	**45**	6	12	14	13
Stora Enso Barcelona	Gas	Spain	2	**42**	21	21	-	-
Stora Enso Maxau	Gas	Germany	2	**35**	20	15	-	-
Stora Enso Langerbrugge BV	Gas	Belgium	1	**22**	22	-	-	-
Others	-	-	-	**632**	222	217	110	83
Total: Materials & Supplies				**4 558**	**730**	**1 137**	**822**	**1 869**
Capital expenditure				**210**	182	28	-	-
Total Contractual Commitments				**4 768**	**912**	**1 165**	**822**	**1 869**

* Estimates based on current wood prices

Outstanding balances under binding Purchase Agreements amount to EUR 4 768 (EUR 5 266) million of which contracts for consumables and services amount to EUR 4 558 (EUR 5 130) million and for capital expenditure commitments EUR 210 (EUR 136) million. The principal commitments relate to:

- Wood supplied from the Group's forest Associates Bergvik Skog in Sweden, Tornator in Finland and Arauco in Brazil.
- 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 both for the plantations and the site of the proposed mill development at Beihai.

In order to mitigate electricity price risk the Group uses both physical and financial long-term fixed price contracts. In Sweden many financial contracts have been converted to physical contracts whereby the Group is committed to purchasing electricity from a number of different suppliers over the next 5 to 11 years. Similar contracts as disclosed above are used to manage commodity risk elsewhere in Europe especially in Germany.

Stora Enso Oyj has also signed a 15-year take or pay contract with Rederi AB Trans-Atlantic for the operation of ships between Finland and Sweden thus the Group's commitment of EUR 147 million for the remaining 13 years is also its contingent liability in the event of early termination.

There were several major power plant developments in 2008 at Ostrołęka Maxau and Langerbrugge where remaining purchase commitments at the year end were EUR 64.6 million, EUR 69.9 million and EUR 49.3 million, respectively including two contracts with Metso Power with an aggregate value outstanding of EUR 70.8 million. There were no individually material contracts for capital expenditure in 2007.

Stora Enso has material commitments in China where the Group has rental commitments for up to 50 years on some 90 000 hectares of land contracted to date as well as being obliged to pay for the standing trees on land it has contracted to rent. Whilst future land rentals are estimated at EUR 142 million for the plantations, the capital commitments on existing trees dropped to EUR 3.8 million in 2008 from EUR 24.1 million the year before.

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 2007 sale of SENA to NewPage the Stevens Point Mill PM 35 lease obligation was transferred from Stora Enso to NewPage. However Stora Enso remains as guarantor of this lease with an estimated maximum exposure of some EUR 119 (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. In addition, Stora Enso has given certain guarantees covering potential pollution obligations with any resulting liabilities currently being considered to be a contingency of indeterminate value.

Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries up to a maximum of EUR 434.5 (EUR 504.2) million as of 31 December 2008. 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 163.1 (EUR 229.0) 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 0.0) million at 31 December 2007.

Stora Enso Transport and Distribution AB 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. These future costs are expensed as they fall due with the exception of certain leases which are deemed onerous for which a provision of EUR 10.0 million has been made in 2008 as a result of the current economic situation. 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	2008	2007	2006
Less than 1 year	28.9	30.6	38.4
1–2 years	24.7	26.8	29.8
2–3 years	21.7	22.9	23.9
3–4 years	18.3	19.0	18.1
4–5 years	13.6	16.8	16.5
Over 5 years	16.7	26.7	42.0
	123.9	**142.8**	**168.7**

Contingent Liabilities

Stora Enso has undertaken significant restructuring actions in recent years which have included the divestment of companies, sale of assets and mill closures. These transactions include a risk of possible environmental or other obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Stora Enso is responsible for the site of the former Pateniemi sawmill in Oulu, Finland, where there is heavy ground pollution. The Group is working with the local authorities and external parties to find a solution to the problem, though in the current economic situation, it is difficult to assess the precise outcome and thus make any accurate assessment of the Group's ultimate liability.

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. Court hearings are expected to begin in 2009.

- **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 increases 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. These lawsuits are still pending but no provisions are considered appropriate.

- **Legal Action in Brazil against Veracel**

  Stora Enso's associated company Veracel in Brazil has received a decision issued by a federal judge in Bahia originating from a 1993 claim in which the then Veracruz Florestal Ltda. was accused of having deforested 64 hectares of native forest that year. The decision claims that Veracel's permits issued by the State of Bahia are not valid and that no environmental impact assessment study was undertaken for the licensing. The decision states that 47 000 hectares of current plantations should be cut down and reforested with native trees within one year and imposes a possible fine of BRL 20 (EUR 6.2) million. In November 2008 the Federal Court of the municipality of Eunápolis, Bahia suspended the effects of the decision as an interim measure. The decision is being strenuously resisted by Veracel and no provisions have been made by either Veracel or Stora Enso.

Note 31 Principal Subsidiaries in 2008

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 91% (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 "*".

Subsidiary Companies (ranked by external sales)

	Country	% Sales	Newsprint & Book Paper	Magazine Paper	Fine Paper	Consumer Board	Industrial Packaging	Wood Products	Other
Stora Enso Oyj	**Finland**	**22.21**		•	•	•	•		•
Stora Enso Publication Papers Oy Ltd +	Finland	4.58	•	•					
Stora Enso Skoghall AB *	Sweden	4.55				•			
Stora Enso Kvarnsveden AB *	Sweden	4.48	•	•					
Stora Enso Hylte AB *	Sweden	3.48	•						
Stora Enso Maxau GmbH & Co KG	Germany	3.47	•	•					
Stora Enso Kabel GmbH & Co KG	Germany	3.22		•					
Stora Enso Nymölla AB *	Sweden	2.71			•				
Stora Enso Fors AB *	Sweden	2.47				•			
Stora Enso Langerbrugge NV +	Belgium	2.42	•	•					
Stora Enso Skog AB *	Sweden	2.31							•
Stora Enso Timber AG	Austria	2.15						•	
Stora Enso Pulp AB *	Sweden	2.08		•					
Stora Enso Poland SA (95%) +*	Poland	1.83					•		
Stora Enso Corbehem SA	France	1.77		•					
Puumerkki Oy	Finland	1.74						•	
Stora Enso Uetersen GmbH & Co KG	Germany	1.66			•				
Stora Enso Sachsen GmbH	Germany	1.61	•						
Enocell Oy +	Finland	1.41				•			
Sydved AB (66.7%) *	Sweden	1.33							•
Stora Enso Timber Oy Ltd +	Finland	1.32						•	
Stora Enso Baienfurt GmbH & Co KG	Germany	1.29				•			
Stora Enso Timber AB *	Sweden	1.28						•	
Stora Enso Barcelona S.A.	Spain	1.23				•			
Stora Enso Arapoti Indústria de Papel (80%) *	Brazil	1.20		•					
Stora Enso Ingerois Oy +	Finland	1.10				•			
Laminating Papers Oy +	Finland	1.02					•		
Stora Enso Timber d.o.o.	Slovenia	0.98						•	
Stora Enso Packaging Oy +	Finland	0.92					•		
Stora Enso Suzhou Paper Co Ltd (96.5%) *	China	0.91			•				
Stora Enso Packaging AB *	Sweden	0.81					•		
OOO Stora Enso Packaging *	Russia	0.62					•		
Stora Enso Timber Zdírec sro *	Czech	0.61						•	
Stora Enso Timber Bad St Leonard GmbH	Austria	0.60						•	
Stora Enso Timber AS *	Estonia	0.50						•	
Stora Enso Timber Deutchland GmbH	Germany	0.49						•	
Stora Enso Bioenergi AB *	Sweden	0.48							•
Corenso United Oy Ltd +	Finland	0.45					•		
Stora Enso Bois SAS	France	0.44						•	
OOO Stora Enso Packaging VR *	Russia	0.43					•		
Stora Enso Timber Australia Pty Ltd *	Australia	0.41						•	
Stora Enso Logistics AB *	Sweden	0.40							•
Stora Enso Timber Planá sro *	Czech	0.38						•	
Stora Enso Huatai Paper Co Ltd *	China	0.37		•					
Puumerkki AS *	Estonia	0.37						•	
Corenso North America Corp *	USA	0.25					•		
Stora Enso Timber DIY Products BV	NL	0.24						•	
Stora Enso Packaging Kft *	Hungary	0.21					•		
Stora Enso Timber Holzverarbeitung GmbH	Austria	0.19						•	
Stora Enso Timber UK Ltd *	UK	0.16						•	
Corenso France SAS	France	0.14					•		

Note 32 Related Party Transactions

The key management personnel of the Group are the members of GET and the Board of Directors. The compensation of key management personnel can be found in Note 8 Board and executive remuneration.

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 PVO 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 15 Associated companies & joint ventures.

Pulp

Although most of the required chemical pulp is produced internally some is purchased from the pulp mill of Sunila Oy a 51% (50%) associated company owned jointly with Myllykoski Oy. Stora Enso supplies mainly fibre to Sunila selling them EUR 49.1 (EUR 59.4) million during the year and in return Sunila sells the resulting pulp back to the Group all at market prices; in 2008 the Group purchased 75 100 (126 669) tonnes from Sunila for a total price of EUR 37.9 (EUR 61.3) million.

Stora Enso and its local partner Aracruz Celulose S.A. have constructed a 1 100 000 tonnes per year eucalyptus pulp mill in Brazil for their jointly owned associate company, Veracel; 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 2008 totalled 556 310 (525 576) tonnes with an invoice value of EUR 171.8 (EUR 147.0) million. Stora Enso Oyj has also guaranteed the indebtedness of Veracel to various local and international banks with the amount out-standing at the year end being EUR 163.1 (EUR 229.0) million.

Energy

The Group holds a 15.0% interest in PVO, a power producer with a majority shareholding of 57.7% in Teollisuuden Voima Oy who owns 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 PVO being entitled to a capacity share of 438 MW and Juha Vanhainen as Group representative was appointed Deputy-Chairman of the Board of Directors on 15 October 2008 replacing Markku Pentikäinen. Prices paid to PVO for electricity are based on production costs which are generally lower than market prices and amounted to EUR 73.5 (EUR 83.4) million.

Stora Enso has set up a jointly owned company NSE Biofuels Oy Ltd with Neste Oil Oyj in order to develop biofuel usage at Varkaus Mill in Finland and if successful then build a full scale commercial plant at one of the Group mills. Each party currently own 50% of the shares and since the project in still under construction there has been no trading to date with the Group. The project is principally a Research & Development venture and at present is constructing a demonstration plant.

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. 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 mainly through its three research centres but also through partner institutes and universities. A 30% interest is held in one partner, Oy Keskuslaboratorio – Centrallaboratorium Ab ("KCL"). In 2008 total payments to KCL amounted to EUR 4.6 (EUR 3.1) million. On 4 February 2009, KCL announced that it had signed a letter of intent to integrate its research and laboratory operations with VTT Technical Research Centre of Finland.

Recovered Paper

The Group owns minority interests in several paper recyclers from whom recovered paper is purchased at market prices.

Forest Assets & Wood Procurement

The Group has a 41% interest in Tornator with the remaining 59% being held by Finnish institutional investors. 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 2008 purchases came to EUR 62.1 (EUR 51.9) million.

The Group has a 43.3% interest in Bergvik Skog with the remaining 56.7% held mainly by institutional investors. The Group has long-term supply contracts with Bergvik Skog under which it sells some 5.0 million cubic metres of wood annually at market prices; in 2008 purchases of 5.5 (5.6) million cubic metres came to EUR 146.7 (EUR 151.9) million with Group sales to Bergvik Skog being EUR 37.3 (EUR 33.5) 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 2008 amounted to EUR 28.8 (EUR 29.3) million.

Maintenance

Stora Enso and ABB signed an agreement in September 2008 to establish a joint venture company to provide maintenance services to Group mills starting on 1 January 2009. As a result, ABB have 49% of the shares in Efora Oy but as the shareholder's agreement provides that they have 51% of the votes they have operative control.

Note 33 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December		
	2008	2007	2006
Net profit / (loss) for the period continuing operations, EUR million	-677.7	10.5	683.1
Net profit / (loss) for the period discontinued operations, EUR million	4.3	-225.2	-98.1
Net Profit / (Loss) for the Period Total Operations EUR million	**-673.4**	**-214.7**	**585.0**
Total recognised income & expense, continuing operations, EUR million	-1 648.3	269.1	1 031.1
Total recognised income & expense, discontinued operations, EUR million	4.3	-240.1	-94.9
Total Recognised Income & Expense, Total Operations, EUR million	**-1 644.0**	**29.0**	**936.2**
Weighted Average Number of A and R Shares	**788 619 987**	**788 599 164**	**788 578 383**
Effect of warrants	-	151 831	284 280
Diluted Number of Shares	**788 619 987**	**788 750 995**	**788 862 663**
Basic earnings / (loss) per share, continuing operations, EUR	-0.86	0.01	0.87
Basic earnings / (loss) per share, discontinued operations, EUR	0.01	-0.28	-0.13
Basic Earnings / (Loss) per Share Total Operations EUR	**-0.85**	**-0.27**	**0.74**
Total recognised income & expense per share, continuing operations, EUR	-2.09	0.34	1.31
Total recognised income & expense per share, discontinued operations, EUR	0.01	-0.30	-0.12
Total Recognised Income & Expense per Share, Total Operations, EUR	**-2.08**	**0.04**	**1.19**

There was no difference between Basic and Diluted Earnings per Shares due to the antidilutive effect of the warrants.

Equity per Share

	As at 31 December		
	2008	2007	2006
Shareholders' Equity, EUR million (restated)	**5 594.0**	**7 593.6**	**7 917.1**
Market Value, EUR million	**4 369.0**	**8 076.0**	**9 527.9**
Number of A and R Shares	**788 619 987**	**788 619 987**	**788 585 872**
Basic Shareholders' Equity per Share, EUR	**7.09**	**9.63**	**10.04**
Dividend per Share Paid / Declared, EUR	**0.00**	**0.45**	**0.45**
Market Value per Share, EUR			
A shares	5.63	10.19	12.30
R shares	5.52	10.24	12.00
Average	**5.54**	**10.23**	**12.08**

Calculation of key figures

Key figure		Numerator	Denominator
Return on capital employed, ROCE (%)	100 x	Operating profit	Capital employed [1) 2)]
Return on operating capital, ROOC (%)	100 x	Operating profit	Operating capital [1) 3)]
Return on equity, ROE (%)	100 x	Profit before tax and minority items – taxes	Equity + Minority interests [2)]
Equity ratio (%)	100 x	Equity + Minority interests	Total assets
Interest-bearing net liabilities		Interest-bearing liabilities – Interest-bearing assets	
Debt/Equity ratio		Interest-bearing net liabilities	Equity
Earnings per share		Profit for the period	Average number of shares
Cash earnings per share		Profit for the period + Depreciation	Average number of shares
Equity per share		Equity	Number of shares at the close of the period
Dividend and distribution per share		Dividend and distribution for the period	Number of shares
Dividend and distribution yield (%)	100 x	Dividend and distribution per share	Share price at the close of the period
Payout ratio (%)	100 x	Dividend and distribution per share	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 Accounting principles. 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.

Reclassification

Stora Enso has reclassified EUR 1 511.9 million from its retained earnings to its share premium account due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006.

Parent Company Income Statement

	Year Ended 31 December	
EUR million	**2008**	**2007**
Sales	3 434.2	3 565.8
Changes in inventories of finished goods and work in progress	-42.1	29.3
Production for own use	0.3	0.3
Other operating income	159.7	125.5
Materials and services	-2 487.2	-2 539.8
Personnel expenses	-311.9	-294.7
Depreciation and value adjustments	-345.2	-358.9
Other operating expenses	-1 268.4	-2 899.8
Operating Loss	**-860.6**	**-2 372.3**
Net financial items	-490.2	603.8
Profit before Extraordinary Items	**-1 350.8**	**-1 768.5**
Extraordinary income	-	110.3
Extraordinary expense	-	-1.9
Profit before Appropriations and Taxes	**-1 350.8**	**-1 660.1**
Appropriations	147.8	156.0
Income tax expense	-1.2	-15.2
Net Profit for the Period	**-1 204.2**	**-1 519.3**

Parent Company Balance Sheet

Assets

	As at 31 December	
EUR million	**2008**	**2007**
Fixed Assets and Other Long-term Investments		
Intangible assets	68.7	90.1
Tangible assets	1 373.6	1 558.3
Shares in Group companies	8 746.2	10 597.5
Other investments	1 066.5	1 209.1
	11 255.0	**13 455.0**
Current Assets		
Inventories	583.8	582.9
Short-term receivables	1 505.5	2 315.7
Cash and cash equivalents	145.3	183.1
	2 234.6	**3 081.7**
Total Assets	**13 489.6**	**16 536.7**

Shareholders' Equity and Liabilities

	As at 31 December	
EUR million	**2008**	**2007**
Shareholders' Equity		
Share capital	1 342.2	1 342.2
Share premium fund (reclassified)	5 484.7	5 484.7
Reserve fund	353.9	353.9
Retained earnings (reclassified)	793.5	2 667.8
Net loss for the period	-1 204.2	-1 519.3
	6 770.1	**8 329.3**
Appropriations	**617.0**	**764.7**
Provisions	**50.9**	**26.2**
Long-term Liabilities	**2 620.2**	**2 967.5**
Current Liabilities	**3 431.4**	**4 449.0**
Total Shareholders' Equity and Liabilities	**13 489.6**	**16 536.7**

Parent Company Cash Flow Statement

EUR million	Year Ended 31 December 2008	2007
Cash Provided by Operating Activities		
Net profit for the period	-1 204.2	-1 519.3
Reversal of non-cash items:		
Taxes	1.2	15.2
Appropriations	-147.8	-156.0
Extraordinary items	-	-108.4
Depreciation amortisation and impairment	345.2	358.9
Profit/losses on sale of fixed assets	608.9	2 258.4
Net financial income	427.1	-603.8
Interest received	99.9	84.2
Interest paid net of amounts capitalised	-227.5	-322.5
Dividends received	1 041.1	725.2
Other financial items net	-173.5	-190.1
Income taxes paid	21.5	-58.9
Change in net working capital	-108.8	-74.6
Net Cash Provided by Operating Activities	**683.1**	**408.3**
Cash Flow from Investing Activities		
Acquisition of subsidiary shares	-67.9	-71.7
Investment in shares in other companies	-1.6	-32.6
Capital expenditure	-139.9	-199.8
Proceeds from disposal of subsidiary shares	167.5	215.5
Proceeds from disposal of shares in associated companies	0.4	1.1
Proceeds from disposal of shares in other companies	2.4	2.8
Proceeds from sale of fixed assets	5.4	7.7
Proceeds from (payment of) long-term receivables net	-30.2	-127.0
Net Cash Used in Investing Activities	**-63.9**	**-204.0**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities net	-523.2	-391.3
Proceeds from (payment of) short-term borrowings net	-872.2	700.9
Group's contributions paid and received	109.9	170.5
Dividends paid	-354.9	-354.9
Share repurchases	-	0.2
Net Cash Used in Financing Activities	**-1 640.4**	**125.4**
Net Increase (Decrease) in Cash and Cash Equivalents	**-1 021.2**	**329.7**
Translation adjustment	-	1.3
Cash from merged companies	-8.5	-1.8
Cash and cash equivalents at start of year	1 539.8	1 210.6
Cash and Cash Equivalents at Year End	**510.1**	**1 539.8**

Proposal for the distribution of funds

No assets are available for distribution in the balance sheet of the parent company. The Board of Directors proposes to the Annual General Meeting (AGM) that the parent company loss for the year 2008, EUR 1 204 177 150.21 shall be recorded in retained earnings and no dividend will be paid.

The Board of Directors will propose to AGM that EUR 0.20 per share, a maximum aggregate of EUR 157 907 699.80, shall be distributed to the shareholders from the share premium fund of the parent company.

If the proposal is approved, the distributed amount will be paid after the Finnish National Board of Patents and Registration has given its consent to the reduction of the share premium fund, which is expected to take place in July 2009 at the earliest. The details of the record and payment dates of the distribution will be decided at the AGM.

Helsinki, 4 February 2009

Claes Dahlbäck
Chairman

Ilkka Niemi
Vice Chairman

Gunnar Brock

Dominique Hériard Dubreuil

Birgitta Kantola

Juha Rantanen

Jan Sjöqvist

Matti Vuoria

Marcus Wallenberg

Auditor's Report

To the Annual General Meeting of Stora Enso Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stora Enso Oyj for the financial period 1.1.-31.12.2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Chief Executive Officer shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of Board of Directors are free from material misstatement and whether the members of the parent company´s Board of Directors and the Chief Executive Officer have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of Board of Directors in Finland. The information in the report of Board of Directors is consistent with the information in the financial statements.

The consolidated financial statements and the parent company´s financial statements can be adopted and the members of the Board of Directors and the Chief Executive Officer can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the treatment of the result is in compliance with the Limited Liability Companies Act.

Helsinki, February 25, 2009

Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Paul
APA

Capacities by Mill in 2009

Newsprint and Book Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	435
Hylte	SWE	News	855
Kvarnsveden	SWE	SC, News, impr. news	470
Langerbrugge	BEL	SC, News, impr. news, dir.	400
Maxau	GER	SC,News	195
Sachsen	GER	News, directory	345
Varkaus	FIN	Dir, impr. news, news	290
Total			**2 990**

Magazine Paper

Mill	Location	Grade	Capacity 1 000 t
Arapoti	BRA	LWC	185
Corbehem	FRA	LWC	330
Dawang	CHN	SC	170
Kabel	GER	LWC, MWC, HWC	475
Kotka	FIN	MFC	185
Kvarnsveden	SWE	SC	515
Langerbrugge	BEL	SC	155
Maxau	GER	SC	525
Veitsiluoto	FIN	LWC, MWC	450
Total			**2 990**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Imatra	FIN	WFU	200
Nymölla	SWE	WFU	475
Oulu	FIN	WFC	1 085
Suzhou	CHN	WFC	245
Uetersen	GER	WFC	305
Varkaus	FIN	WFC, WFU	310
Veitsiluoto	FIN	WFU	570
Total			**3 190**

Consumer Board

Mill	Location	Grade	Capacity 1 000 t
Consumer Board			
Barcelona	ESP	WLC	170
Fors	SWE	FBB	395
Imatra	FIN	SBS, FBB, LPB	955
Ingerois	FIN	FBB	210
Skoghall	SWE	LPB, FBB, WTL	760
Total			**2 490**
Plastic coating plants			
Forshaga	SWE	Plastic coating	115
Imatra	FIN	Plastic coating	180
Karhula	FIN	Plastic coating	35
Total			**330**

Industrial Packaging

Mill	Location	Grade	Capacity 1 000 t
Containerboards			
Heinola	FIN	SC fluting	300
Ostrołęka	POL	Testliner, RCP fluting, sack paper, wrapping paper	280
Total			**580**
Laminating Papers			
Imatra	FIN	Laminating papers	25
Kotka	FIN	Laminating papers, Imprex core stock.	175
Total			**200**
Coreboard			
Pori	FIN	Coreboard	115
Soustre	FRA	Coreboard	90
Wisconsin Rapids	USA	Coreboard	65
Total			**270**
Total Industrial Packaging			**1 050**

Further Processing

Industrial Packaging

Corrugated Packaging			million m²
Arzamas	RUS	Corrugated packaging	130
Balabanovo	RUS	Corrugated packaging	150
Balabanovo offset	RUS	Corrugated packaging	30
Heinola	FIN	Corrugated packaging	130
Jönköping	SWE	Corrugated packaging	90
Kaunas	LTU	Corrugated packaging	30
Komarom	HUN	Corrugated packaging	30
Lahti	FIN	Corrugated packaging	80
Łódź	POL	Corrugated packaging	125
Lukhovitsy	RUS	Corrugated packaging	130
Mosina	POL	Corrugated packaging	30
Ostrołęka	POL	Corrugated packaging	120
Páty	HUN	Corrugated packaging	30
Riga	LVA	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			**1 535**

Core factories			1 000 t
China	CHN	Cores	55
Corenso Edam	NLD	Cores	10
Corenso Elfes	GER	Cores	35
Corenso Poland	POL	Cores	6
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			**253**

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³
Ala	SWE	405	40
Alytus	LTU	160	90
Amsterdam	NLD	-	110
Bad St Leonhard	AUT	390	270
Brand	AUT	420	280
Gruvön	SWE	420	150
Honkalahti	FIN	330	100
Imavere	EST	400	165
Impilahti	RUS	130	-
Kitee	FIN	320	120
Kopparfors	SWE	310	150
Kotka	FIN	250	60
Launkalne	LVA	215	-
Murow	POL	70	20
Nebolchi	RUS	240	20
Näpi	EST	50	80
Pfarrkirchen	GER	-	150
Planá	CZE	320	250
Sollenau	AUT	300	280
Swietajno	POL	20	10
Tolkkinen	FIN	260	-
Uimaharju	FIN	280	15
Varkaus	FIN	330	100
Veitsiluoto	FIN	200	-
Ybbs	AUT	590	440
Zdírec	CZE	470	260
Wood Products		**6 880**	**3 160**

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

Chemical Pulp

Mill	Location	Grade	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	555
Kaukopää	FIN	Short and long-fibre	845
Kotka	FIN	Long-fibre	160
Nymölla	SWE	Short and long-fibre	320
Ostrołęka	POL	Long-fibre	100
Oulu	FIN	Long-fibre	355
Skoghall	SWE	Long-fibre	355
Skutskär	SWE	Short, long-fibre and fluff pulp	540
Tainionkoski	FIN	Short and long-fibre	180
Varkaus	FIN	Short and long-fibre	220
Veitsiluoto	FIN	Short and long-fibre	400
Total			**4 030**

Associated companies

Mill	Location	Grade	Capacity 1 000 t
Sunila (50%) dry pulp	FIN	Long-fibre	180
Veracel (50%)	BRA	Short-fibre (euca)	565
			745
Total Chemical Pulp			**4 775**
of which market pulp [1]			830

1) 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	445
Langerbrugge	BEL	DIP	650
Maxau	GER	DIP	300
Sachsen	GER	DIP	430
Total			**1 825**

CTMP

Mill	Location	Grade	Capacity 1 000 t
Fors	SWE	CTMP	185
Kaukopää	FIN	CTMP	220
Skoghall	SWE	CTMP	250
Total			**655**

Annual General Meeting (AGM)

Stora Enso Oyj's AGM will be held at 16:00 (Finnish time) on Wednesday 1 April 2009 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, 20 March 2009. 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 calendar for 2009

20 March	Record date for AGM
1 April	Annual General Meeting (AGM)

Distribution of funds

The Board of Directors proposes to the AGM that EUR 0.20 per share be distributed to the shareholders from the share premium fund of the parent company. The distribution shall be paid after the Finnish National Board of Patents and Registration has given its consent to the decrease of the share premium fund which is expected to take place in July 2009 at the earliest. The details of the record date and payment date of the distribution shall be decided in the AGM.

Publication dates for 2009

5 February	Financial results for 2008
26 February	Annual Report 2008
23 April	Interim Review for January–March
23 July	Interim Review for January–June
22 October	Interim Review for January–September

Distribution of financial information

Stora Enso's **Annual Report** is published in English, Finnish and Swedish.

The 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.

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 corporate.communications@storaenso.com,
  by mail Stora Enso Oyj, Financial Communications, P.O. Box 309,
  FI-00101 Helsinki or by tel. +358 2046 131.
- Swedish shareholders: by e-mail storaenso@strd.se,
  by fax +46 8 449 88 10 or by mail 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

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Global 100: Most Sustainable Corporations in the World

Stora Enso considered among the best in class in the forest products industry in managing environmental, social and governance risks and opportunities

Dow Jones Sustainability Indexes

Stora Enso only forestry & paper industry company in the European DJSI STOXX index
Stora Enso included in DJSI STOXX index since the launch in 2001

FTSE4Good Index

Stora Enso included in the FTSE4Good Index since 2001

Ethibel Excellence Index

Stora Enso included in the Ethibel Sustainability Index that includes the world's leading companies in terms of sustainability

Storebrand SRI

Stora Enso awarded "Best in Class" status for leading environmental and social performance

Climate Disclosure Leadership Index

Stora Enso ranked the third best corporation among Nordic carbon-intensive companies and the best paper and forest products company in the Nordic region

World's Most Ethical Companies

Stora Enso named one of the Ethisphere Institute's 2008 World's Most Ethical Companies

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challenge: how to respond to the highly increased Russian export duties on wood?

solution: significant technical and recipe changes to gain indifference on wood sorts.

Our mills have long used a blend of birchwood and conifers like pine to make certain grades of paper and board. Russia has been the key supplier of this birch pulpwood.

In 2006 Russia introduced rising export duties on birch. For example, our Imatra Mills in Finland, located near the Russian border, was one of the mills heavily hit by the duty.

To reduce its dependency on Russian birch, the mill adjusts its recipe for paper and board, and significant technical changes to plant machinery to cope with the new blend are being implemented. Consequently, the mill will be able to utilise the available wood types without compromising the quality of the finished product.

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