Financial Performance

Financial Report 2010

Stora Enso in Brief

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

The Group has some 26 000 employees and 85 production units 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 11.8 million tonnes of paper and board, 1.3 billion square metres of corrugated packaging and 6.4 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Our sales in 2010 were EUR 10.3 billion, with an operating profit excluding non-recurring items and fair valuations of EUR 754.1 million.

Stora Enso's company mission is to use and develop its expertise in renewable materials to meet the needs of its customers and many of today's global raw material challenges. 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 and Latin America, 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.

A Finnish translation of the Financial Report, Parent Company Financial Statements and the list of principal subsidiaries can be found at www.storaenso.com

Contents

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 2010 Stora Enso had 177 149 784 A shares and 612 388 715 R shares in issue, of which the Company held no A shares and 919 317 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 238 388 655.

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.

Share registers

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

On 31 December 2010, 155 966 476 of the Company's shares were registered in Euroclear Sweden AB and 32 141 264 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by Book-Entry System, 31 December 2010

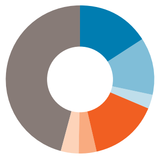
Number of shares	Total	A shares	R shares
Euroclear Finland Oy	**601 430 759**	103 064 590	498 366 169
Euroclear Sweden AB *	**155 966 476**	74 085 194	81 881 282
Deutsche Bank administered ADRs *	**32 141 264**	-	32 141 264
Total	**789 538 499**	**177 149 784**	**612 388 715**

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

Ownership Distribution, 31 December 2010

	% of shares	% of votes	% of shareholders
Finnish institutions	16.1	22.0	2.4
Solidium Oy *	12.3	25.1	0.0
Finnish private shareholders	3.0	2.1	36.7
Swedish institutions	15.0	31.2	2.3
Swedish private shareholders	3.9	2.9	54.3
ADR holders	4.1	1.3	2.6
Under nominee names (non-Finnish/non-Swedish shareholders)	45.6	15.4	1.7

% 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 2010 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 300 A shares were converted into R shares. The conversion was recorded in the Finnish Trade Register on 15 December 2010.

Changes in Share Capital 2004–2010

	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	-326 602	326 602	-	-
Stora Enso Oyj, 31 Dec 2008	**177 152 481**	**612 386 018**	**789 538 499**	**1 342.2**
Conversion of A shares into R shares, Dec 2008–Nov 2009	-2 397	2 397	-	-
Stora Enso Oyj, 31 Dec 2009	**177 150 084**	**612 388 415**	**789 538 499**	**1 342.2**
Conversion of A shares into R shares, Dec 2009–Nov 2010	-300	300	-	-
Stora Enso Oyj, 31 Dec 2010	**177 149 784**	**612 388 715**	**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 2010

Stora Enso's Investor Relations 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 are met on a regular basis in Europe, North America and parts of Latin America. In 2010 the IR team conducted a number of individual and group meetings with 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, senior management and IR personnel also gave presentations at equity and fixed-income investor conferences in Scandinavia, Continental Europe, the United Kingdom and North America. The main IR event of the year was the Capital Markets Day (CMD), hosted by the Company in May. The event was held over two days in Helsinki and in Imatra, Finland. Day one focused on top management presentations related to Stora Enso's future – especially on fibre-based packaging and wood products. On the second day the participants visited Consumer Board's Imatra Mills and Packaging's R&D Centre. 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 2010

E.J. Ljungberg's Education Foundation owned 1 780 540 A shares and 2 336 224 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 2010 the Company had approximately 75 600 registered shareholders, including about 43 800 Swedish shareholders and about 1 900 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 538 million (68.1%) 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 570 million shares, which is 72% of the total number of shares issued. The largest single shareholder in the Company is Foundation Asset Management based in Sweden.

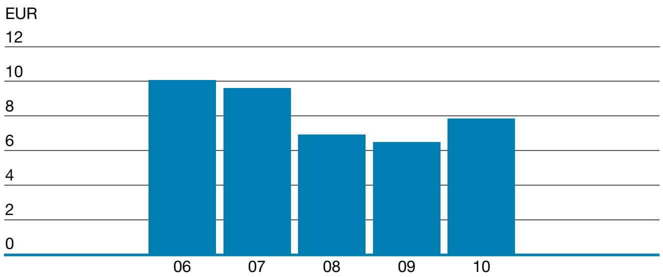
Major Shareholders as of 31 December 2010

By voting power	A shares	R shares	% of shares	% of votes
1 Foundation Asset Management	63 123 386	17 000 000 [1]	10.1	27.2
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	20 347 108	3.0	2.3
6 MP-Bolagen i Vetlanda AB (Werner von Seydlitz)	3 730 456	2 423 184	0.8	1.7
7 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5	0.8
8 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3	0.3
9 Kaleva Mutual Insurance Company	618 789	-	0.1	0.3
10 The State Pension Fund	-	6 100 000	0.8	0.3
11 OP-Delta Investment Fund	-	3 700 000	0.5	0.2
12 Swedbank Robur Funds	-	3 544 650	0.4	0.1
13 HQ Funds	-	3 510 000	0.4	0.1
14 Lamar Mary (ADRs)	-	3 400 000	0.4	0.1
15 Skandia Funds	-	3 059 662	0.4	0.1
Total	**168 365 320**	**111 430 651**	**35.4** [3]	**75.3** [3]
Nominee-registered shares	74 350 497	463 698 867	68.1 [3]	50.6 [3]

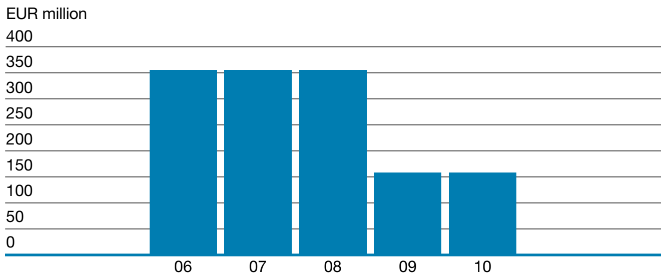
[1] As confirmed to Stora Enso.
[2] Entirely owned by the Finnish State.
[3] As some of the shareholdings on the list are nominee registered, the percentage figures do not add up to 100%.

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.

Equity per Share



Distributed Dividend/Capital Repayment

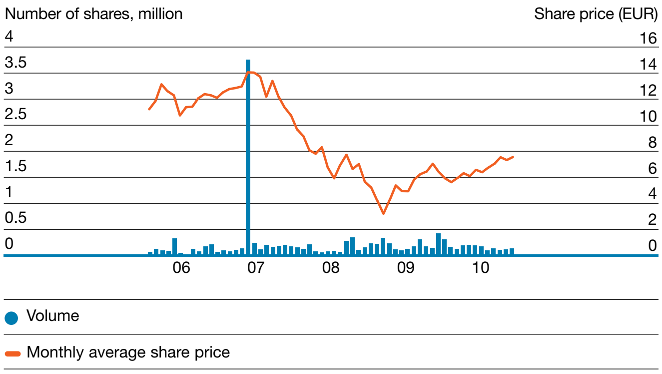


Share price performance and volumes

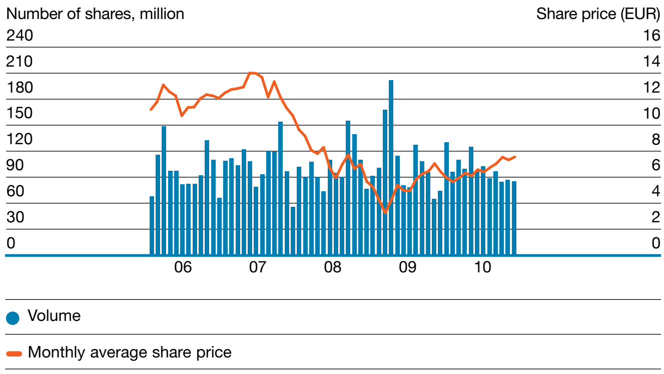
Helsinki

The Stora Enso R (STERV) share price increased during 2010 by 57% (12% decrease in 2009). During the same period the OMX Helsinki Index increased by 19%, the OMX Helsinki Benchmark Index by 28% and the OMX Helsinki Materials Index by 40%.

Helsinki, Stora Enso A



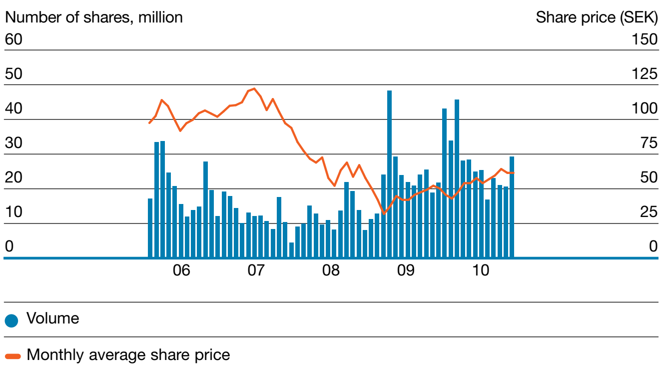
Helsinki, Stora Enso R



Stockholm

The Stora Enso R (STE R) share price increased during 2010 by 39% (18% decrease in 2009). During the same period the OMX Stockholm 30 Index increased by 21% and the OMX Stockholm Materials index by 17%.

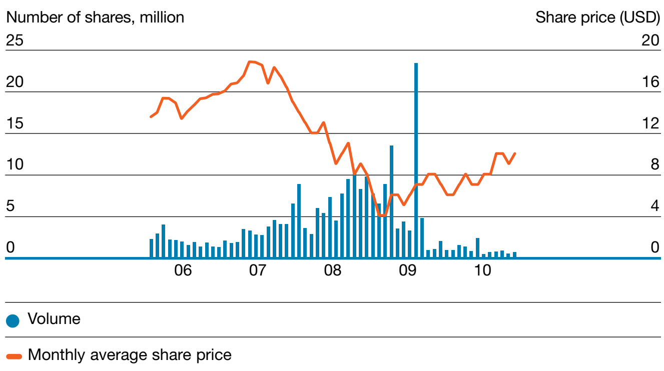
Stockholm, Stora Enso R



OTCQX

On the International OTCQX, the Stora Enso ADR (SEOAY) share price increased during 2010 by 48% (12% decrease in 2009). During the same period the Standard & Poor's 500 Paper Products Index decreased by 1%.

New York, Stora Enso ADR



Share Prices and Volumes 2010

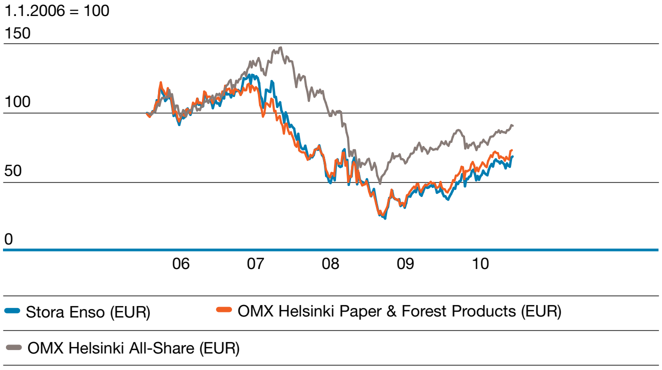
		Helsinki, EUR	Stockholm, SEK	OTCQX, USD
High	A share	7.94	72.70	-
	R share	7.79	71.90	10.18
Low	A share	5.30	48.00	-
	R share	4.15	41.40	5.87
Closing, 31 Dec 2010	A share	7.90	70.70	-
	R share	7.69	69.40	10.18
Change from previous year, %	A share	35%	16%	-
	R share	57%	39%	48%
Cumulative trading volume, no. of shares	A share	1 887 100	3 014 074	-
	R share	1 194 245 113	340 846 891	11 634 057

Alternative trading venues

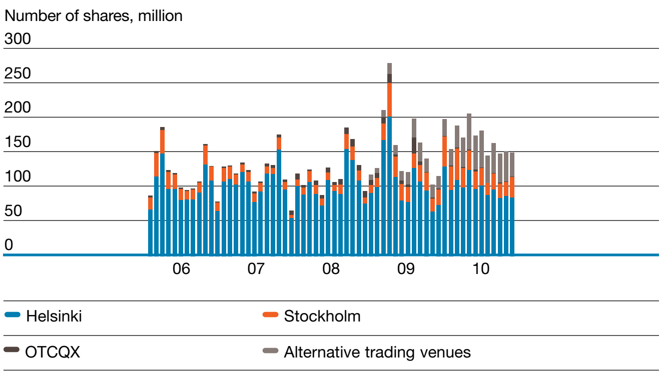
Stora Enso shares can be traded outside NASDAQ OMX Helsinki and NASDAQ OMX Stockholm, where the shares are listed. During 2010 alternative trading venues such as CHI-X, BATS, Turquoise and Burgundy further increased their market share of monthly turnover in Stora Enso shares. Their proportion of the monthly share trading varied between 12% and 30%. Of the alternative trading venues, CHI-X had the biggest share of the volume with 14% on an annual basis (8% in 2009).

The volume-weighted average price of R shares over the year was EUR 6.03 in Helsinki (EUR 4.27 in 2009), SEK 56.31 in Stockholm (SEK 45.99 in 2009) and USD 8.03 on the International OTCQX (USD 6.17 in 2009). The total number of R shares traded was 1 194 245 113 shares (59% of total) in Helsinki, 340 846 891 shares (17% of total) in Stockholm, 11 634 057 shares (1% of total) on the International OTCQX and 480 422 457 shares in alternative trading venues (23% of total). Total market capitalisation on the OMX Helsinki at the year-end was EUR 6.1 billion.

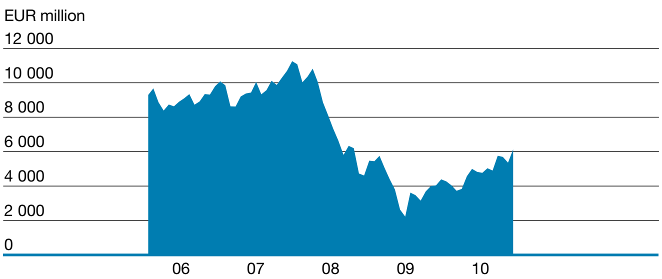
Stora Enso R Share vs NASDAQ OMX Helsinki Indices



Monthly R Share Trading Volumes



Market Capitalisation on NASDAQ OMX Helsinki



Stora Enso Is Included in at Least the Following Indices

OMX INDICES	STOXX INDICES	MSCI INDICES	FTSE INDICES	SUSTAINABILITY 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	• STOXX Global 1800 • STOXX Europe 600 • STOXX Europe Mid 200 • STOXX Nordic • EURO STOXX • EURO STOXX Basic Materials • EURO STOXX Basic Resources • EURO STOXX Sustainability	• MSCI Finland • MSCI Europe • MSCI World	• FTSE RAFI All-World 3000 • FTSE RAFI Developed 1000 • FTSE RAFI Eurozone • FTSE4Good • FTSE4Good Global	• Carbon Disclosure and Performance Leadership Index • Dow Jones Sustainability Index • FTSE4Good Index • World's Most Ethical Companies

Read more about sustainability indices in Sustainability Report 2010 on **page 5.**

Trading Codes and Currencies

	Helsinki	Stockholm	International OTCQX
A share	STEAV	STE A	-
R share	STERV	STE R	-
ADRs	-	-	SEOAY
Segment	Large Cap	Large Cap	-
Sector	Materials	Materials	-
Currency	EUR	SEK	USD
ISIN, A share	FI0009005953	FI0009007603	-
ISIN, R share	FI0009005961	FI0009007611	-
CUSIP	-	-	86210M106
Reuters			STERV.HE
Bloomberg			STERV FH EQUITY

Key Share Data 2001–2010, Total Operations (for Calculations See Page 131)

According to NASDAQ OMX Helsinki	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Earnings/share, EUR	0.97	-1.12	-0.85	-0.27	0.74	-0.14	0.91	0.16	-0.27	1.02
– diluted, EUR	0.97	-1.12	-0.85	-0.27	0.74	-0.14	0.91	0.17	-0.27	1.02
– excl. NRI, EUR	0.79	0.19	0.19	0.88	0.55	0.28	0.25	0.24	0.55	0.93
Cash earnings/share, EUR	1.33	0.35	1.01	2.11	2.34	1.65	2.04	1.57	2.50	2.42
– diluted, EUR	1.33	0.35	1.01	2.11	2.34	1.65	2.04	1.57	2.50	2.42
– excl. NRI, EUR	1.46	0.92	1.05	2.35	1.97	1.70	1.67	1.63	1.97	2.33
Equity/share, EUR	7.87	6.50	7.09	9.63	10.04	9.31	9.29	9.49	9.22	9.90
Dividend and distribution/share, EUR	0.25 *	0.20	0.20	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Payout ratio, excl. NRI, %	32	105	105	51	82	161	180	188	82	48
Dividend and distribution yield, %										
A share	3.2	3.4	3.6	4.4	3.7	3.9	3.9	4.1	4.5	3.2
R share	3.3	4.1	3.6	4.4	3.8	3.9	4.0	4.2	4.5	3.1
Price/earnings ratio (P/E), excl. NRI										
A share	10.0	30.8	29.6	11.6	22.4	40.9	46.2	44.0	17.7	15.1
R share	9.7	25.7	29.1	11.6	21.8	40.9	45.1	42.7	17.6	15.3
Share prices for the period, EUR										
A share										
– closing price	7.90	5.85	5.63	10.19	12.30	11.46	11.55	11.00	10.10	14.20
– average price	6.47	5.03	7.48	12.71	12.10	11.05	11.11	10.63	11.24	12.24
– high	7.94	7.55	11.20	14.65	13.80	12.19	12.15	12.48	16.00	15.50
– low	5.30	2.82	5.16	9.80	10.16	9.51	10.00	8.25	8.50	10.10
R share										
– closing price	7.69	4.88	5.52	10.24	12.00	11.44	11.27	10.68	10.05	14.38
– average price	6.03	4.27	7.32	12.67	11.89	10.98	10.89	10.23	12.86	12.57
– high	7.79	6.16	10.44	14.56	13.58	12.17	12.11	12.42	16.13	15.67
– low	4.15	2.65	5.10	9.99	10.01	10.05	9.60	8.30	8.41	10.12
Market capitalisation at year-end, EUR million										
A share	1 400	1 036	997	1 809	2 191	2 042	2 068	1 993	1 841	2 617
R share	4 709	2 989	3 381	6 267	7 337	7 262	7 418	7 295	7 211	10 389
Total	6 109	4 025	4 378	8 076	9 528	9 304	9 486	9 288	9 052	13 006
Number of shares at the end of period, (thousands)										
A share	177 150	177 150	177 152	177 479	178 103	178 160	179 049	181 211	182 317	184 274
R share	612 388	612 388	612 386	612 059	611 435	634 817	658 195	683 051	717 462	723 638
Total	789 538	789 538	789 538	789 538	789 538	812 977	837 244	864 262	899 779	907 912
Trading volume, (thousands)										
A share	1 887	2 536	1 712	5 409	1 403	6 290	1 203	2 937	5 875	10 737
% of total number of A shares	1.1	1.4	1.0	3.1	0.8	3.5	0.7	1.6	3.2	5.8
R share	1 194 245	1 297 668	1 231 605	1 263 658	1 165 656	888 511	880 002	780 890	751 909	548 547
% of total number of R shares	195.0	211.9	201.1	206.5	190.6	104.0	133.7	114.3	104.8	75.8
Average number of shares (thousands)										
basic	788 619	788 620	788 620	788 599	788 578	798 687	829 935	851 128	889 606	901 506
diluted	788 619	788 620	788 620	788 751	788 863	799 218	830 546	851 326	889 956	902 296

* Board of Directors' proposal to the AGM for distribution of funds.
NRI = non-recurring items

Read more about:
Incentive programmes in **Note 23**
Management interests in **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. To balance exposures, funding is obtained in the currencies of the Group's investments and assets (primarily USD, EUR and SEK). Commercial paper markets are used for short-term funding and liquidity management.

Rating strategy

Stora Enso considers 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 (positive)/B	15 December 2010
Moody's	Ba2 (positive)/NP	9 November 2010
Fitch	BB (stable)/B	22 June 2010 (unsolicited)

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

Debt Structure as at 31 December 2010

	EUR	USD	SEK
Public issues	EUR 750 million 2014 EUR 390 million 2016	USD 508 million 2016 USD 300 million 2036	SEK 500 million 2015 SEK 1 400 million 2015 SEK 2 400 million 2015
Private placements	EUR 125 million	USD 50 million	
Financial Institutions	EUR 481 million	USD 343 million	
Pension commitment loans	EUR 235 million		
Debt Programmes and Credit Facilities			
Commercial Paper Programmes	Finnish Commercial Paper Programme EUR 750 million		Swedish Commercial Paper Programme SEK 10 000 million
EMTN (Euro Medium Term Note Programme)	EUR 4 000 million		
Back-up facility	EUR 1 400 million Syndicated Multi-Currency Revolving Credit Facility 2012 *		

* Undrawn committed credit facility EUR 1 400 million (Jan 2008).

Read more about:
Debt and loans in **Note 28**
www.storaenso.com/debt

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 NASDAQ OMX 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 that entered into force on 1 October 2010. The Code is available at the Internet website www.cgfinland.fi.

Stora Enso's full Corporate Governance Report is available as a PDF document at www.storaenso.com/investors/governance.

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.

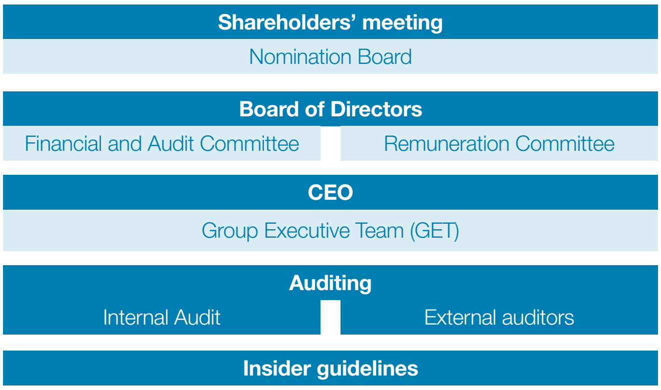
Stora Enso prepares Consolidated Financial Statements and Interim Reviews conforming to International Financial Reporting Standards (IFRS), and Annual Reports, which are published in Finnish and English. The financial section of the Annual Report is also translated into German, and the Interim Reviews into Swedish, in addition to these languages.

The Company's head office is in Helsinki, Finland. It also has 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 shareholders exercise their ownership rights through the shareholders meetings. 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.

Shareholders' meetings

The Annual General Meeting of shareholders (AGM) is held annually to present detailed information about the Company's performance and to deal with matters such as adopting the annual accounts, setting the dividend (or distribution of funds) and its payment, and appointing members of the Board of Directors and the Auditor(s).

Shareholders may exercise their voting rights and take part in the decision-making process of Stora Enso by attending shareholders' meetings. Shareholders also have the right to ask questions of the Company's management and Board of Directors at shareholders' meetings. Major decisions are taken by the shareholders at Annual or Extraordinary General Meetings. At a shareholders' meeting, each A share and each ten R shares carry one vote.

The Board of Directors convenes a shareholders' meeting by publishing a notice to the meeting in at least two Finnish and two Swedish newspapers, not more than three (3) months before the last day for advance notice of attendance mentioned in the notice to the meeting and not less than twenty-one (21) days before the date of the meeting. Other regulatory notices to the shareholders are delivered in the same way.

The Annual General Meeting is held by the end of June in Helsinki, Finland. The Finnish Companies Act and Stora Enso's Articles of Association specify in detail that the following matters have to be dealt with at the AGM:

- presentation and adoption of the annual accounts;
- presentation of the report on operations and the Auditor's report;
- use of the profit and distribution of funds to the shareholders;
- resolution concerning discharge of the members of the Board and the Chief Executive Officer from liability;
- decision on the number and the remuneration of the members of the Board and the Auditors;
- election of the members of the Board and the Auditors;
- any other matters notified separately in the notice to the meeting.

In addition, the AGM shall take decisions on matters proposed by the Board of Directors. A shareholder may also propose items for inclusion in the agenda provided that they are within the authority of the shareholders' meeting and the Board of Directors was asked to include the items in the agenda at least four weeks before the publication of the notice to the meeting.

An Extraordinary General Meeting of Shareholders is convened when considered necessary by the Board of Directors or when requested in writing by an Auditor or shareholders together holding a minimum of one tenth of all the shares to discuss a specified matter which they have indicated.

Nomination Board appointed by the shareholders

Shareholders at the AGM appoint a Nomination Board 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 Board 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 30 September.

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

The Nomination Board has a charter that defines its tasks and responsibilities in more detail. The Nomination Board approves the charter in its first meeting.

• In 2010

The Nomination Board appointed by the AGM in 2010 comprised four members: the Chairman of the Board (Gunnar Brock), the Vice Chairman of the Board (Juha Rantanen) and two other members appointed by the two largest shareholders, namely Keijo Suila* (Solidium) and Marcus Wallenberg* (Foundation Asset Management).

Keijo Suila was elected Chairman of the Nomination Board at its first meeting. The main tasks of the Nomination Board were to prepare the proposals for the AGM in 2011 concerning Board members and their remuneration. The Nomination Board appointed by the AGM in 2010 convened five times (1 October 2010–31 January 2011). All the members attended all of the meetings.

The Nomination Board proposes in its proposal for AGM 2011 that of the current members of the Board of Directors, Gunnar Brock, Birgitta Kantola, Mikael Mäkinen, Juha Rantanen, Hans Stråberg, Matti Vuoria and Marcus Wallenberg to be re-elected until the end of the following AGM. Carla Grasso has informed that she is not available for re-election. Further the Nomination Board proposes that the board remuneration will be kept unchanged and the shareholders' meeting to decide to appoint the Nomination Board to prepare the Board nominations and remunerations also for 2012.

• Remuneration

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

* Keijo Suila is Chairman of the Board of Solidium and Marcus Wallenberg a member of the Investment Committee of Foundation Asset Management.

Board of Directors (Board)

Stora Enso is managed by the Board according to International Corporate Governance Principles (based on OECD Principles of Corporate Governance 2004).

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 eight ordinary members, who are all independent of the Company. The Board members are also independent of significant shareholders of the Company with the exception of

Marcus Wallenberg (member of the investment committee of Foundation Asset Management). A significant shareholder is a shareholder that holds more than 10% of all the Company's shares or the votes carried by all the shares or a shareholder that has the right or the obligation to purchase 10% of already issued 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, 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 2010

The Board had eight members at the end of 2010, all of them independent of the Company. The Board members are also independent of significant shareholders of the Company with the expection of Marcus Wallenberg (member of the investment committee of Foundation Asset Management). The Board members nominated at the AGM in 2010 were Gunnar Brock (Chairman), Juha Rantanen (Vice Chairman), Carla Grasso, Birgitta Kantola, Mikael Mäkinen, Hans Stråberg, Matti Vuoria and Marcus Wallenberg. Claes Dahlbäck, Dominique Hériard Dubreuil and Ilkka Niemi were Board members until the AGM in 2010. Carla Grasso and Mikael Mäkinen were elected as new Board members at the AGM in 2010. The Board convened 11 times during the year. On average, members attended 90% of the meetings. For detailed information about the Board members, see pages 18–19.

Board Remuneration

EUR	2010 [1]	2009 [1]	2008 [1]
Chairman	135 000	67 500 [2]	135 000
Vice Chairman	85 000	42 500 [2]	85 000
Board Member	60 000	30 000 [2]	60 000

[1] 40% of the Board remuneration in 2010, 2009 and 2008 was paid in Stora Enso R shares purchased from the market and distributed as follows: Chairman 8 646 R shares (6 490 R shares in 2009 and 6 585 R shares in 2008), Vice Chairman 5 444 R shares (4 087 R shares in 2009 and 4 146 R shares in 2008) and members 3 843 R shares (2 885 R shares in 2009 and 2 927 R shares in 2008) each.

[2] The AGM approved the initiative of the Board to reduce the annual remuneration for the Board members for the year 2009 to half of the remuneration in the previous years.

Board interests as of 31 December 2010 are presented in **Note 8**.

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 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 Board's recommendations and proposals shall be reported to the Board by the Chairman of the Board;
  - approval and regular review of Corporate Governance and the charters of the Board committees;
  - annual self-assessment of Board work and performance;
- other matters submitted by a member of the Board or the CEO.

Board committees

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

Financial and Audit Committee

The Board has a Financial and Audit Committee to support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions. It regularly reviews the system of internal control, management and reporting of financial risks, 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 2010

The Financial and Audit Committee comprised three members in 2010: Birgitta Kantola (Chairwoman), Gunnar Brock and Juha Rantanen. Claes Dahlbäck and Ilkka Niemi were members of the Committee until the AGM in 2010. The Committee convened six times. All the members attended all of the meetings. In addition to the regular tasks based on the Committee's charter, during 2010 the Committee focused on the effectiveness of internal controls over financial reporting and overseeing the progress of implementation of enterprise risk management.

• Remuneration

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

The Financial and Audit Committee Charter is presented at www.storaenso.com/investors/governance

Remuneration Committee

The Board has a Remuneration Committee which is responsible for recommending, evaluating and approving executive nominations and remunerations (including reviewing and recommending the CEO's remuneration), evaluating the performance of the CEO, and making recommendations to the Board relating to management remuneration issues generally, including equity incentive remuneration plans. There is a Remuneration Committee representative present at the AGM to answer questions relating to the management remuneration. 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 2010

The Remuneration Committee comprised three members in 2010. The members were Gunnar Brock (Chairman), Hans Stråberg and Matti Vuoria. Claes Dahlbäck (Chairman), Dominique Hériard Dubreuil and Ilkka Niemi were members of the Committee until the AGM in 2010. The Committee convened five times. On average, members attended 93% of the meetings.

During 2010, 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.

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

Management of the Company

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 (Publication Paper, Fine Paper, Packaging and Wood Products);
- CFO (responsible for IT, Accounting & Controlling, Treasury, Risk Management, Taxes, Internal Audit, Investor Relations, Corporate Finance and M&A);
- Human Resources;
- Technology and Strategy;
- Communications and Global Responsibility;
- Legal Services.

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 CFO acts as deputy to the CEO as defined in the Finnish Companies Act.

Detailed information about the CEO is presented on **page 20**
and information about the CEO remuneration in **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 eight GET members are the CEO, the CFO, and the heads of the four Business Areas, Technology & Strategy and Human Resources.

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

The GET meets regularly every month, and as required.

• In 2010

The GET had eight members at the end of 2010. The GET convened 15 times during the year. Important items on the agenda in 2010 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 GET members is presented on **pages 20–21**
and information about the GET members' remunerations in **Note 8.**

Other responsibilities

The investment planning is carried out by the Business Areas and reviewed by the Investment Working Group, consisting of Group and Business Area representatives. The CEO and GET are responsible for the investment allocations and decisions, as well as proposals to the Board of Directors.

The GET is responsible for all policy issues relating to sustainability. Everyday sustainability issues are handled by Stora Enso's Global Responsibility function together with the Business Areas, which are responsible for the operational management of responsibility issues. The role of the Global Responsibility function is to develop, support and follow up on Stora Enso's sustainability strategy, and ensure that policies, targets and priorities are duly realised.

The Group R&D is responsible for the Group-level R&D projects and new businesses, as well as certain services. The Business Areas have their own R&D organisations for ongoing business development and research.

The Company has established user boards for certain cross-functional service units (Wood Supply, Purchasing, Logistics and Energy). These user boards consist of representatives of the Business Areas using these services. The user boards supervise and steer the operations of the service units in question.

The Company has also established proper disclosure policies and controls, and process for quarterly and other ongoing reporting.

Other supervisory bodies and norms

Auditors

The AGM annually elects 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 auditing 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.

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 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 the Finnish Securities Markets Act, public insiders or persons subject to disclosure requirement are persons in the following positions: members of the Board of Directors, the CEO and the CFO, 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 and Communications.

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 and the representatives of the employees. The heads and all members of the Investor Relations, Group Communications and Group Strategy teams are also regarded as company-specific insiders, as well as the heads and certain team members of Treasury, Group Controlling and Legal Services.

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 Organisations (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 policy 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 four Business Areas and various support and service functions. Group functions prepare and the CEO and GET 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 proper processes to ensure 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 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 auditing matters.

Monitoring

The Company's financial performance is reviewed at each Board meeting. The Financial and Audit Committee handles and the Board reviews all Interim Reviews before they are released by the CEO. The annual financial statements and the Report of the Board of Directors are reviewed by the Financial and Audit Committee and approved by the Board. 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 auditing organisation. The role, responsibilities and organisation of Internal Audit are described under Other Supervisory Bodies and Norms.

Board of Directors

Gunnar Brock

Chairman of Stora Enso's Board of Directors since March 2010. 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. Member of Stora Enso's Financial and Audit Committee and Chairman of the Remuneration Committee since March 2010. Member of the Nomination Board. Chairman of Mölnlycke Healthcare AB. Member of the Board of Total SA, Investor AB, SOS-Children's Villages, Sweden and Stockholm School of Economics. Member of the Royal Swedish Academy of Engineering Sciences (IVA). President and CEO of Atlas Copco Group 2002–2009, President of Thule International 2001–2002, President and CEO of Tetra Pak Group 1994–2000, President and CEO of Alfa Laval 1992–1994.

Owns 18 458 R shares in Stora Enso.

Juha Rantanen

Vice Chairman of Stora Enso's Board of Directors since March 2010. 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. Member of Stora Enso's Financial and Audit Committee since March 2010. Member of the Nomination Board. CEO and President of Outokumpu Group. Chairman of the Board of Fennovoima Oy, 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.

Owns 12 756 R shares in Stora Enso.

Carla Grasso

Member of Stora Enso's Board of Directors since March 2010. Independent of the Company and the significant shareholders.

Born 1962. Master's degree in Economic Policy. Brazilian citizen. Executive Director of HR and Corporate Services of mining company Vale S.A. Several positions in government institutions in Brazil: 1994–1997 Secretary of Complementary Welfare Administration, 1992–1994 Special Assistant in Ministry of Welfare and Social Assistance, 1990–1992 Area Co-ordinator for Macro-economics and Social Affairs in General Secretariat of the Presidency of the Republic and 1988–1990 Special Assistant for Fiscal Policy Affairs in Ministry of Planning.

Owns 3 843 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 March 2005 and Chairwoman of the Committee since April 2009. Member of the Board of Skandinaviska Enskilda Banken AB (publ), Nobina AB and NASDAQ OMX. 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 13 155 R shares in Stora Enso.

Mikael Mäkinen

Member of Stora Enso's Board of Directors since March 2010. Independent of the Company and the significant shareholders.

Born 1956. M.Sc.(Eng) Finnish citizen. Member of the Board of Finpro and Chairman until December 2010. Member of the Board of International Chamber of Commerce Finland, Lemminkäinen Corporation and Technology Industries of Finland. President and CEO of Cargotec Oyj since 2006. Group Vice President, Ship Power, Wärtsilä 1999–2006. Managing Director of Wärtsilä NSD Singapore 1997–1998, Vice President, Marine, Wärtsilä SACM Diesel 1992–1997.

Owns 3 843 R shares in Stora Enso.








Hans Stråberg

Member of Stora Enso's Board of Directors since April 2009. Independent of the Company and the significant shareholders.

Born 1957. M.Sc. (Eng.). Swedish citizen. Member of Stora Enso's Remuneration Committee since March 2010. Member of the Board of Roxtec AB, Association of Swedish Engineering Industries, N Holding AB and Confederation of Swedish Enterprise. President and CEO of AB Electrolux until December 2010. Several management positions at Electrolux in Sweden and the USA 1983–2002.

Owns 6 728 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 Remuneration Committee since March 2005. President and CEO of Varma Mutual Pension Insurance Company. Vice Chairman of the Board of Sampo plc and Wärtsilä Oyj Abp. 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. Secretary General of Ministry of Trade and Industry 1992–1997.

Owns 18 655 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 2000 to 2005. Member of the Nomination Committee. Chairman of the Board of Skandinaviska Enskilda Banken AB, AB Electrolux and Saab AB. Vice Chairman of the Board of Ericsson AB, and member of the Board of AstraZeneca PLC, Knut and Alice Wallenberg Foundation and Temasek Holdings Limited. President and CEO of Investor AB 1999–2005.

Owns 2 541 A and 14 370 R shares in Stora Enso.

Claes Dahlbäck, Chairman of Stora Enso's Board of Directors from December 1998 until his resignation on 31 March 2010. He was also Chairman of Stora Enso's Remuneration Committee and member of the Financial and Audit Committee and the Nomination Committee. He was independent of the Company but not independent of significant shareholders of the Company.

Ilkka Niemi, Vice Chairman of Stora Enso's Board of Directors from March 2005 until his resignation on 31 March 2010. He was also member of Stora Enso's Financial and Audit Committee, Remuneration Committee and Nomination Committee. He was independent of the Company and the significant shareholders.

Dominique Hériard Dubreuil, member of the Board of Directors from March 2006 until her resignation on 31 March 2010. She was also member of Stora Enso's Remuneration Committee. She 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. A significant shareholder according to the Recommendation is a shareholder that holds more than 10% of all company shares or the votes carried by all the shares or a shareholder that has the right or the obligation to purchase 10% of already issued shares.

* **Marcus Wallenberg** (member of the investment committee of Foundation Asset Management) is not independent of significant shareholders of the Company.

Group Executive Team

Jouko Karvinen

Chief Executive Officer (CEO) of Stora Enso

Born 1957 M.Sc. (Eng.). Finnish citizen. Joined Stora Enso in January 2007. President and CEO, Philips Medical Systems, USA, from June 2002 to November 2006. Appointed to the Board of Management, Royal Philips Electronics, the Netherlands, in April 2006. Before joining Philips, employed by ABB Group Limited from 1987 serving in several international positions. Head of the Automation Technology Products Division 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). Member of the Board of SKF Group, Montes del Plata and Veracel Celulose S.A.

Owns 83 311 R shares and has 157 646 (2004–2007) options/synthetic options in Stora Enso.

Markus Rauramo

Chief Financial Officer (CFO) of Stora Enso

Born 1968. M.Sc. (Econ. and Pol. Hist.). Finnish citizen. Member of the GET since October 2008. 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 Oy Proselectum AB, Tornator Oy and Bergvik Skog AB. Member of the Supervisory Board of Varma Mutual Pension Insurance Company.

Owns 17 924 R shares and has 25 000 (2004–2007) options/synthetic options in Stora Enso.

Hannu Alalauri

Executive Vice President, Fine Paper

Born 1959. M.Sc. (Chem.), eMBA. Finnish citizen. Member of the GET since September 2007. 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 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. EVP of Magazine Paper Business Area 2007–2009. Member of the Board of Directors of several subsidiaries and associated companies.

Owns 17 254 R shares and has 30 000 (2004–2007) options/synthetic options in Stora Enso.

Lars Häggström

Executive Vice President, Human Resources

Born 1968. B.Sc. (HR Development and Labour Relations). Swedish citizen. Member of the GET since October 2010. Joined Stora Enso in October 2010. Head of Group HR at Nordea Bank AB from June 2008 to September 2010. Prior to that several managerial HR positions in Gambro AB, AstraZeneca and Telia, and various HR positions at Eli Lilly & Co. from 1995 to 2002, including Director of Human Resources in Latin America.

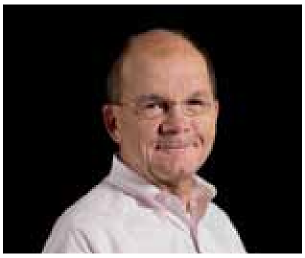
Does not own any Stora Enso shares nor options.

Hannu Kasurinen

Executive Vice President, Wood Products

Born 1963. M.Sc. (Econ.). Finnish citizen. Member of the GET since August 2008. 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 the Board of Directors of several Stora Enso subsidiaries. Member of the Board of Arktos Group and the European Organisation for the Sawmill Industry (EOS).

Owns 17 848 R shares and has 33 750 (2004–2007) options/synthetic options in Stora Enso.








Mats Nordlander

Executive Vice President, Packaging, Regional responsibility for Asia Pacific, and Country Manager Sweden

Born 1961. Dipl.Eng. Swedish citizen. Member of the GET since September 2007. 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 President of Papyrus AB 2003–2007. EVP Consumer Board, Market Services and Asia Pacific 2007–2009. Member of the Board of Directors of several Stora Enso subsidiaries and associated companies. Chairman of the Board of Innventia, a pulp, paper and packaging R&D company. Member of Swedish Industrial Board of Axcel private equity fund. Vice Chairman of the Board of Swedish Forest Industries Federation. Member of the Board of Industrikraft.

Owns 14 513 R shares and has 30 000 (2004–2007) options/synthetic options in Stora Enso.

Bernd Rettig

Executive Vice President, Technology, Energy, Logistics & Investments, Country Manager Germany

Born 1956. M.Sc. (Eng.). German citizen. Member of the GET since February 1999. Joined STORA in 1982. Managing Director of Stora Reisholz GmbH 1992–1996, Managing Director of Stora Enso Kabel GmbH 1996–1999, SEVP, Magazine Paper 1999–2003, SEVP, Publication Paper 2003–2007. Vice president of German Pulp and Paper Association, Verband Deutscher Papierfabriken e.V. (VDP).

Owns 19 192 R shares and has 67 500 (2004–2007) options/synthetic options in Stora Enso.

Juha Vanhainen

Executive Vice President, Publication Paper, Country Manager Finland

Born 1961. M.Sc. (Eng.). Finnish citizen. Member of the GET since September 2007. Joined Stora Enso Oulu in 1990. Various production and project management positions, Stora Enso, Oulu Paper Mill 1990–1998. General Manager and Mill Director, Stora Enso Oulu Mill 1999–2003, SVP, Office Paper, Stora Enso Fine Paper, London, 2003–2007. EVP, Newsprint and Book Paper Business Area 2007–2009. Member of the Board of Directors of several subsidiaries and associated companies. Deputy Chairman of the Board of Pohjolan Voima Oy. Deputy Chairman of the Board of Finnish Forest Industries Federation, member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, member of the Body of Representatives of the Confederation of Finnish Industries (EK), member of the Board of Efora Oy.

Owns 15 800 R shares and has 41 250 (2004–2007) options/synthetic options in Stora Enso.

Elisabet Salander Björklund, Executive Vice President, Wood Supply, HR, Sustainability and Latin America, Country Manager Sweden, was a member of the Group Executive Team until her resignation on 31 August 2010.

Options/synthetic options were issued annually between 1999 and 2007.

Enso-Gutzeit became Enso in May 1996.

STORA and Enso merged in December 1998.

Report of the Board of Directors

Markets and deliveries

The drivers of demand for newsprint and printing and writing paper improved significantly in 2010. Advertising spending recovered in almost every continent. Industrial production picked up in Asia from the beginning of the year, and that stimulated other exporting economies such as Germany during the year. Printed products continued to lose share of advertising spending and suffered most from shifts in spending towards digital media, but many publishers in Western markets rediscovered the value of printed products strongly contributing to their revenue streams. However, in 2010 there were many contrasting trends in paper demand in different parts of the world.

Global demand for newsprint was 1.3% greater in 2010 than the extremely weak 2009, but still 4 million tonnes less than in 2008. The market for standard newsprint in North America shrank by a further 350 000 tonnes, or 6%. Newsprint demand in Asia increased by around 350 000 tonnes, or 2.5%, despite the 4.8% reduction in demand in China, the first decline there for 12 years. India offset that decrease through growth of 31% to total demand of over 2 million tonnes. There was a similarly mixed picture in Western Europe. Germany and Italy recovered substantially from the sharp drops in 2009, but many other major markets continued falling. Total demand in Western Europe was 2.5% greater in 2010 than a year earlier. The much smaller markets in Eastern Europe contracted by 2.1% as economic recovery remained slow.

Global demand for printing and writing paper was 6% greater in 2010 than 2009, but that recovery followed a 12% slump a year earlier. The strongest growth was in China and India, where demand increased by more than 1.5 million tonnes due to the rapid post-crisis recovery from beginning of the year. The growth in Asia, excluding Japan, was greater than the total combined growth in North America (3.6%), Western Europe (3.5%) and Latin America (12.4%). Coated magazine paper grades were the fastest-growing paper grades, up by more than 10%, having declined the most in 2009 due to the sharp drop in advertising spending. There was 8.4% growth in coated fine paper grades and 5.5% in uncoated fine paper grades. Global demand for SC paper was only 1.5% up in 2010 as SC paper struggled to retain the market share it had gained when a year earlier demand weakened less for SC paper than for other publication paper grades. Paper consumers tended to revert to superior coated grades, especially in Western Europe, where demand for SC paper was actually 2.5% weaker in 2010 than 2009.

Demand for consumer board was strong in 2010. Cartonboard consumption recovered by nearly 10% to pre-crisis levels. There was a strong order inflow throughout the year and further steady growth in liquid and food service boards. As the market balance improved, prices were raised, led by cartonboard.

Construction markets were especially hit by the economic crisis. During 2010 the situation improved and sawnwood demand recovered globally by 5%, but starting from very low levels. Demand in Asia was more robust, whereas the market recovery in North America and Western Europe has been more modest, with still no major improvement expected during 2011.

Estimated Consumption of Paper and Board in 2010

Tonnes, million	Europe	North America	Asia and Oceania
Newsprint	9.5	5.4	13.9
Uncoated magazine paper	3.9	2.2	0.2
Coated magazine paper	6.9	4.0	3.7
Uncoated fine paper	8.4	9.5	17.5
Coated fine paper	6.6	4.6	12.6
Cartonboard	6.3	11.9	21.8
Sawn softwood (million m³)	86.0	71.0	n/a

Sources: Stora Enso, CEPIFINE, PPPC, RISI.

The Group's paper and board deliveries totalled 10 758 000 tonnes in 2010, which is 584 000 tonnes more than in the previous year due to improved market conditions in all segments. Production increased by 776 000 tonnes to 10 812 000 tonnes. Deliveries of wood products increased by 296 000 m³ to 5 198 000 m³ due to generally stronger market conditions.

Deliveries by Segment

1 000 tonnes	As at 31 December 2010	2009	2008	Change %	Curtailments 2010	2009
Newsprint and Book Paper	2 576	2 453	2 870	5	273	477
Magazine Paper	2 396	2 150	2 786	11	371	735
Fine Paper	2 596	2 538	2 730	2	77	395
Consumer Board	2 326	2 201	2 442	6	67	171
Industrial Packaging	864	832	1 008	4	3	127
Total Paper and Board Deliveries	**10 758**	**10 174**	**11 836**	**6**	**791**	**1 905**
Wood Products, 1 000 m^3	5 198	4 902	5 893	6		
Corrugated Board, million m^2	1 027	966	1 071	6		

Financial results

Sales at EUR 10 296.9 million were EUR 1 351.8 million or 15% higher than the EUR 8 945.1 million a year earlier due to higher deliveries in all segments and higher prices in local currencies in Fine Paper, Consumer Board, Industrial Packaging and Wood Products.

Operating profit excluding non-recurring items and fair valuations increased by EUR 433.6 million to EUR 754.1 million. Operating margin improved from 3.6% to 7.3%. Higher volumes increased operating profit by EUR 332 million, and higher prices in local currencies and improved product mix increased operating profit by EUR 183 million, more than compensating for the EUR 147 million increase in costs. The favourable impact of exchange rates on sales was partially offset by the unfavourable impact of exchange rates on costs, the net impact being EUR 57 million positive.

Newsprint and Book Paper

EUR million	2010	2009	2008
Sales	1 261.6	1 325.8	1 594.7
EBITDA*	80.6	228.2	255.2
Operating (loss) / profit*	-10.8	128.7	140.8
% of sales	-0.9	9.7	8.8
Operating capital 31 December	943.2	1 020.9	1 136.5
ROOC, %**	-1.1	11.9	12.1
Average number of employees	2 392	2 547	2 771
Deliveries, 1 000 t	2 576	2 453	2 870
Production, 1 000 t	2 554	2 451	2 808

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

Newsprint and book paper sales were 5% down on 2009 as sales prices declined significantly due to the economic downturn, but volumes increased by 5% despite the permanent shutdown of the newsprint machines at Varkaus Mill (PM 2 and PM 4) in Finland at the end of third quarter of 2010 and Maxau Mill (PM 7) in Germany at the end of November 2010.

Operating profit excluding non-recurring items deteriorated by EUR 139.5 million to a loss of EUR 10.8 million, mainly because significantly lower sales prices in local currencies and higher variable costs, especially for RCP and logistics, more than offset higher volumes and lower fixed costs for personnel and maintenance.

Magazine Paper

EUR million	2010	2009	2008
Sales	2 054.2	1 676.0	2 177.0
EBITDA*	191.9	145.3	223.5
Operating profit*	90.9	40.3	88.8
% of sales	4.4	2.4	4.1
Operating capital 31 December	1 345.7	1 225.3	1 413.1
ROOC, %**	7.1	3.1	6.0
Average number of employees	3 960	3 954	4 331
Deliveries, 1 000 t***	2 396	2 150	2 786
Production, 1 000 t***	2 398	2 110	2 774

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

Magazine paper sales were 23% up and deliveries 11% up on the previous year, partly because Sunila Pulp Mill in Finland was temporarily shut down for much of 2009.

Operating profit increased by EUR 50.6 million to EUR 90.9 million as higher pulp prices and deliveries, and higher paper deliveries more than offset significantly lower paper prices and higher variable costs, particularly for fibre and logistics.

Fine Paper

EUR million	2010	2009	2008
Sales	2 125.7	1 823.9	2 111.7
EBITDA*	344.5	134.5	219.8
Operating profit*	259.4	32.7	80.4
% of sales	12.2	1.8	3.8
Operating capital 31 December	957.1	933.3	1 369.8
ROOC, %**	27.4	2.8	5.3
Average number of employees	3 510	3 435	3 644
Deliveries, 1 000 t***	2 596	2 538	2 730
Production, 1 000 t***	2 622	2 507	2 707

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

Fine paper sales were 17% up on 2009, mainly due to significantly higher prices in all grades. Sales volumes increased by 2% despite stable demand and the permanent shutdown of PM 8 at Imatra Mills in Finland in March 2010.

Operating profit was significantly higher at EUR 259.4 million due to higher prices and volumes, as well as early actions to improve operating rates and reduce costs, which kept variable and fixed cost levels stable during the year.

Consumer Board

EUR million	2010	2009	2008
Sales	2 314.7	1 895.9	2 231.9
EBITDA*	410.4	284.3	242.0
Operating profit*	277.1	164.9	107.3
% of sales	12.0	8.7	4.8
Operating capital 31 December	1 476.5	1 145.3	1 262.6
ROOC, %**	21.1	13.7	7.2
Average number of employees	3 755	3 873	4 343
Deliveries, 1 000 t***	2 326	2 201	2 442
Production, 1 000 t***	2 367	2 161	2 437

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

Consumer board sales were 22% up on 2009 mainly due to higher prices and volumes in all our board grades and higher prices and stronger demand for chemical pulp grades. Although the supply of birch pulpwood in Finland was tight during the year, production at Enocell Pulp Mill and Imatra Mills in Finland was curtailed significantly less than in 2009.

Operating profit increased by EUR 112.2 million to EUR 277.1 million due to higher board and pulp deliveries, higher prices for all board grades and significantly higher chemical pulp prices. Variable costs were higher, especially for wood, chemicals, fillers and logistics, but cost-saving measures kept fixed costs stable, even though the fixed asset impairment reversal increased depreciation.

Industrial Packaging

EUR million	2010	2009	2008
Sales	949.5	815.5	1 076.5
EBITDA*	114.0	65.4	132.7
Operating profit*	65.5	17.6	73.9
% of sales	6.9	2.2	6.9
Operating capital 31 December	627.9	568.2	616.1
ROOC, %**	11.0	3.0	11.2
Average number of employees	5 352	5 548	5 903
Paper and board deliveries, 1 000 t	864	832	1 008
Paper and board production, 1 000 t	871	807	1 020
Corrugated packaging deliveries, million m^2	1 027	966	1 071
Corrugated packaging production, million m^2	1 033	962	1 066

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

Industrial packaging sales were EUR 949.5 million, 16% up on 2009 due to significantly higher prices and stronger demand for all grades. Paper and board deliveries increased by 4%, despite divestment of the laminating paper business in summer 2010, and corrugated packaging deliveries increased by 6%.

Operating profit increased by EUR 47.9 million to EUR 65.5 million due to higher sales volumes and prices, which more than offset significantly higher variable costs, especially for RCP and containerboard.

Wood Products

EUR million	2010	2009	2008
Sales	1 588.7	1 239.6	1 503.3
EBITDA*	110.7	25.6	-19.4
Operating profit / (loss)*	70.9	-8.0	-67.5
% of sales	4.5	-0.6	-4.5
Operating capital 31 December	593.0	561.1	618.6
ROOC, %**	12.3	-1.4	-9.8
Average number of employees	4 390	4 426	4 835
Deliveries, 1 000 m^3	5 057	4 902	5 893

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

Wood products sales were 28% up on 2009 mainly due to significantly higher sales prices. Volumes were 3% higher despite the sale of Kotka Sawmill in summer 2010 and the closure of the Tolkkinen Sawmill at the end of 2009. High market inventory levels and the tight wood market in the Nordic countries led to temporary production curtailments during the second half of 2010.

The EUR 70.9 million operating profit was an improvement of EUR 78.9 million on the previous year mainly due to significantly higher sales prices and strong action to improve the supply and demand balance, especially during the second half of 2010, and reduce wood cost pressure.

The share of the operational results of equity accounted investments, excluding non-recurring items and fair valuations, amounted to EUR 67.0 (EUR 61.4) million, the main contributors being Bergvik Skog and Tornator.

Operating profit includes a net effect of fair valuations of EUR 92.5 (EUR 4.4) million from the accounting of share-based compensation, Total Return Swaps (TRS), CO_2 emission rights and IAS 41 forest valuations that related to equity accounted investments.

The Group has undergone major restructuring in recent years, from divestments to mill closures, and in April 2009 the Group announced the Next Step programme to make Stora Enso a simpler, fast-reacting and more focused group and achieve annual savings of EUR 250 million. All cost reductions were achieved by the end of 2010 through reduction in top and middle management, and by downsizing staff functions and country organisations by one-third.

The Group continued to restructure its asset base with permanent closures of newsprint machines at Varkaus in Finland (290 000 tonnes annual capacity) and Maxau in Germany (195 000 tonnes annual capacity). In 2010 there was a net reversal of fixed asset impairment charge totalling EUR 246.2 million (impairment of EUR 601.3) million, of which EUR 238.2 million arose from the impairment testing undertaken in the fourth quarter of 2010 and EUR 8.0 million related to various fixed asset disposals.

Impairment reversals, impairments and restructuring provisions, together with adjustments to earlier announced restructurings, amounted to a gain of EUR 213.5 (cost of EUR 684.1) million recorded as non-recurring items. Other non-recurring items had a combined net negative impact of EUR 33.3 (EUR 244.0) million, mainly due to permanent impairment of certain shares in equity accounted investments and the Finnish Supreme Court ruling that performance-based rewards that had been withheld because of illegal strikes must be paid.

Operating profit including fair valuations and non-recurring items was EUR 1 026.8 (loss of EUR 607.6) million.

Net financial expenses were EUR 100.9 (EUR 279.2) million. Net interest expenses decreased by EUR 10.4 million to EUR 90.3 million and net foreign exchange gains amounted to EUR 1.0 (loss EUR 29.1) million. The net loss from other financial items amounted to EUR 11.6 (EUR 149.4) million, comprising EUR 6.0 million of income from payment-in-kind notes, EUR 4.0 million of fair valuation gains on interest rate derivatives, EUR 1.5 million of fair valuation losses on long-term debt and EUR 20.1 million of other expenses.

Profit before tax and non-controlling interests excluding non-recurring items increased by EUR 551.5 million to EUR 745.7 million. Profit before tax including non-recurring items was EUR 925.9 (loss of EUR 886.8) million.

The net tax charge totalled EUR 156.6 (income of EUR 8.6) million, equivalent to an effective tax rate of 16.9% (1.0%), as described in more detail in Note 10 to the Group Consolidated Financial Statements.

The profit attributable to non-controlling interests was EUR 3.3 (EUR 1.5) million, leaving a profit of EUR 766.0 (loss of EUR 879.7) million attributable to Company shareholders.

Earnings per share excluding non-recurring items were EUR 0.79 (EUR 0.19) and including non-recurring items EUR 0.97 (EUR -1.12). Cash earnings per share were EUR 1.46 (EUR 0.92) excluding non-recurring items. Return on capital employed was 9.2% (3.9%) excluding non-recurring items and fair valuations. Group capital employed was EUR 8 664.7 million on 31 December 2010, a net increase of EUR 888.4 million due to the impairment reversals, strengthening of the Swedish krona and Brazilian real, and increase in the fair valuation of unlisted shares in Pohjolan Voima.

Key Figures – Continuing Operations

	2010	2009	2008
Sales, EUR million	10 296.9	8 945.1	11 028.8
Operating profit excluding NRI and fair valuations [1], EUR million	754.1	320.5	388.4
% of sales	7.3	3.6	3.5
Operating profit / (loss) (IFRS), EUR million	1 026.8	-607.6	-726.6
% of sales	10.0	-6.8	-6.6
Return on equity (ROE) [2], %	13.5	-16.2	-10.1
Return on capital employed excluding NRI and fair valuations [1], %	9.2	3.9	4.1
Debt/equity ratio [2]	0.39	0.51	0.56
EPS (basic), EUR	0.97	-1.12	-0.86
EPS excluding NRI, EUR	0.79	0.19	0.18
Dividend and distribution per share [3], EUR	0.25	0.20	0.20
Payout ratio, excluding NRI, %	31.6	105.3	111.1
Payout ratio (IFRS), %	25.8	-17.9	-23.3
Dividend and distribution yield, % (R share)	3.3	4.1	3.6
Price/earnings (R share), excluding NRI	9.7	25.7	30.7
Equity per share[2], EUR	7.87	6.50	7.09
Market capitalisation 31 Dec, EUR million	6 109	4 025	4 378
Closing price 31 Dec, A/R share, EUR	7.90/7.69	5.85/4.88	5.63/5.52
Average price, A/R share, EUR	6.47/6.03	5.03/4.27	7.48/7.32
Number of shares 31 Dec (thousands)	789 538	789 538	789 538
Trading volume A share (thousands)	1 887	2 536	1 712
% of total number of A share	1.1	1.4	1.0
Trading volume R share (thousands)	1 194 245	1 297 668	1 231 605
% of total number of R share	195.0	211.9	201.1
Average number of shares, basic (thousands)	788 619	788 620	788 620
Average number of shares, diluted (thousands)	788 619	788 620	788 620

[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 or reversals of 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 related to forest assets in equity accounted investments.

[2] Total operations.

[3] See Board of Directors' proposal for dividend distribution.

Financing

Cash flow from operations was EUR 992.1 (EUR 1 260.9) million and cash flow after capital expenditure was EUR 591.7 (EUR 837.2) million. Working capital increased by EUR 207.1 (decreased by EUR 606.5) million as sales were 15% up on 2009. Working capital relative to sales continued to improve from 2009 to 2010.

Operative Cash Flow

EUR million	2010	2009
Operating profit/loss	1 026.8	-607.6
Depreciation and other non-cash items	172.4	1 262.0
Change in working capital	-207.1	606.5
Cash Flow from Operations	**992.1**	**1 260.9**
Capital expenditure	-400.4	-423.7
Cash Flow after Investing Activities	**591.7**	**837.2**

At the end of the period, net interest-bearing liabilities of the Group were EUR 2 410.0 million, a decrease of EUR 183.8 million compared with 31 December 2009, mainly due to the strong cash flows during the year from improved profitability, and continued discipline with working capital and capital expenditure. Cash and cash equivalents net of bank overdrafts amounted to EUR 1 103.1 million, compared with EUR 877.0 million at the end of 2009.

Total unutilised committed credit facilities at the year end remained unchanged at EUR 1 400 million. In addition, Stora Enso has access to various long-term sources of funding up to EUR 700 million. In December 2010 Stora Enso signed a new EUR 700 million committed credit facility agreement with a syndicate of 16 banks effective from January 2011.

The debt/equity ratio at 31 December 2010 was 0.39 (0.51). The currency effect on equity was positive EUR 298.3 million net of the hedging of equity translation risks. The fair valuation of cash flow and commodity hedges and available-for-sale investments recorded in other comprehensive income increased equity by EUR 174.5 million.

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

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (positive) / B	15 December 2010
Moody's	Ba2 (positive) / NP	9 November 2010
Fitch	BB (stable) / B	22 June 2010 (unsolicited)

Capital expenditure

Capital expenditure including interest and internal costs capitalised in 2010 totalled EUR 400.4 million, which is EUR 23.3 million less than in 2009, as the Group continued its discipline over expenditure in order to maintain a healthy cash flow.

During 2010 the Group invested in three significant energy efficiency projects. The projects at Langerbrugge Mill in Belgium and Maxau Mill in Germany were finalised during 2010, while the project at Ostrołęka Mill in Poland is planned to be finalised in 2011. A total of EUR 385.0 million has been invested in these three projects, including EUR 136.4 million during 2010. The multifuel boilers at Maxau Mill and Langerbrugge Mill started up during the second quarter and the Ostrołęka Mill power plant during the fourth quarter of 2010 as planned. These investments will significantly reduce fuel costs while increasing the share of bioenergy, and significantly increase the energy self-sufficiency.

During the year the Group invested a total of EUR 142 million in energy-related projects at various locations and a further EUR 85 million in development projects to increase the competitiveness of existing assets.

During 2010 the Group announced a EUR 30 million investment in its newsprint machine at Sachsen Mill in Germany. The project to improve paper quality and productivity is scheduled to be completed by the end of the second quarter of 2012. A further EUR 15 million is being invested in Wood Products to develop the value-added product ranges of its mills in Finland, Sweden and Austria, and to expand its solid biofuel operations by adding pellet production at Imavere Sawmill in Estonia.

In January 2011 the Group announced two steps within its strategic focus areas, fibre-based packaging and plantation-based pulp.

Stora Enso's and Arauco's joint-venture company Montes del Plata will build a new state-of-the-art 1.3 million tonnes per year pulp mill at Punta Pereira in Uruguay. The total industrial investment is estimated to be approximately USD 1.9 billion (EUR 1.4 billion) and the mill is expected to be operational by the end of the first quarter of 2013. The project comprises a state-of-the-art with Best Available Techniques pulp mill, a deepwater port and a power generating unit based on renewable resources. The eucalyptus pulpwood will be sourced essentially from Montes del Plata's own plantations. The company currently owns 254 000 hectares of forestland in Uruguay, of which 138 000 hectares are planted, about 100 000 hectares are protected and 16 000 hectares are suitable for planting. The new pulp mill will be the largest-ever privately executed investment in Uruguay. The construction and operation of the pulp mill will have significant economic and social impacts in the country. An average of 3 200 and a peak of 6 000 workers will be employed during construction and about 500 people are expected to work at the mill once it is operational. The mill is forecast to have a positive impact on Uruguay's GDP of 0.8% during construction and 2% when it is operating.

The Group is also strengthening its leading position in corrugated packaging in the growth markets of Central and Eastern Europe by renewing containerboard capacity at its Ostrołęka Mill in Poland. The EUR 285 million investment project is scheduled to be completed in the first quarter of 2013. The new containerboard machine with greater capacity and a modern product will not only renew the product offering, but will also improve Stora Enso's overall cost position through efficient internal supply of light-weight containerboard made from recycled fibre. In conjunction with the start-up, Stora Enso plans to shut down containerboard machine PM 2 at Ostrołęka Mill.

In January 2011 the Group also announced further investments in Wood Products to implement its Building Solutions strategy by constructing a cross-laminated timber (CLT) production unit at Ybbs Sawmill in Austria. The EUR 23 million project will commence in the first quarter of 2011 and is expected to be completed during the third quarter of 2012. Stora Enso is currently developing a CLT-based building system primarily for urban multi-storey construction. The acquisition of Finnish market leader Eridomic Oy, which has a strong position in special roof elements and large wall elements, gives Stora Enso exceptional engineering competencies and a valuable customer base.

Research and development

Stora Enso spent EUR 75.0 (EUR 71.1) million on research and development (R&D) in 2010, equivalent to 0.7% (0.8%) of sales.

In 2010 Stora Enso continued to direct the R&D agenda on renewal of the Group, as well as on new unconventional solutions for existing businesses. The Business Area R&D structure consisting of R&D centres and mill resources was set and the focus was on achieving short-term and medium-term renewal and efficiency goals. Research Centre competence tuning continued in Finland, Germany and Sweden according to Group and Business Area strategies.

Bio-based was the key word in building knowledge for the renewal platforms of Group R&D. The core of this included biorefining and bioenergy, bio-based barriers, micro materials, material and energy efficiency, and bio-based urban living and construction in Wood Products. In addition to R&D programmes, strengthening of these platforms also included:

- more focused IPR handling;
- increased efforts to strengthen appropriate external networks;
- improvement of abilities to increase the pace of applying results, in other words accelerating the innovation processes, irrespective of whether the results to be explored were internally or externally derived.

Utilisation of the Group Technology Programme (GTP) was extended in 2010. About twenty high-risk projects with 50/50 funding support from at least one Business Area and the Group are either in progress or are under preparation. One of these projects is expected to deliver at least 20% energy consumption savings in mechanical pulping. Other GTP projects relate to digital printing, energy saving, filler recovery and new fibre sources, for example.

New Business Creation (NBC) activities have focused on new bio-based packaging solutions and new value-adding wood-based specialty bio-chemicals.

Systematic utilisation of Key Performance Indicators (KPI's) and common schemes for project evaluation have been major issues in internal development of the R&D function. The visibility of R&D and its results were also improved during 2010 with many new approaches and tools.

Personnel

On 31 December 2010 there were 26 379 employees in the Group, 1 011 less than at the end of 2009. The decrease is due to the disposal of the Group's integrated mills at Kotka, earlier announced mill closures and the Next Step restructuring programme. The average number of employees in 2010 was 27 383, which was 1 313 less than the average number in 2009.

Personnel expenses from continuing operations totalled EUR 1 375.3 (EUR 1 349.6) million or 13.4% of sales. Wages and salaries were EUR 1 042.2 (EUR 961.5) million, pension costs EUR 187.3 (EUR 195.6) million and other statutory employer costs EUR 145.8 (EUR 192.5) million.

The majority of employees (59%) were in Finland, Sweden and Germany. Employee numbers are decreasing overall, and especially in the Nordic countries and Germany, but increasing in certain geographic areas due to the Group's strong focus on growth markets in Latin America and Asia.

The Group has an ageing workforce in the majority of countries where it operates, especially in Finland, Sweden and Germany, where 31%, 31% and 28% of employees respectively were 51 to 60 years old, and 4%, 7% and 2% were over 61 years old.

As regards gender, 20% of employees were women, the same proportion as in 2009, and 25% of recruits to permanent positions in 2010 were women (19%); 42% had a bachelor's degree or higher qualification (35%).

Personnel turnover increased from the previous year's 3.7% to 4.0% in 2010. The number of training days per employee was 2.6, the same as in 2009.

The Group absenteeism rate due to sickness and accidents was 3.8% (3.9%) 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, this affects the profitability of the paper, packaging board and wood products industries.

Group profit is affected by changes in price and volume, though the impact on operating profit depends on the segment. The table below shows the operating profit sensitivity to a +/- 10% change in either price or volume for different segments based on figures for 2010.

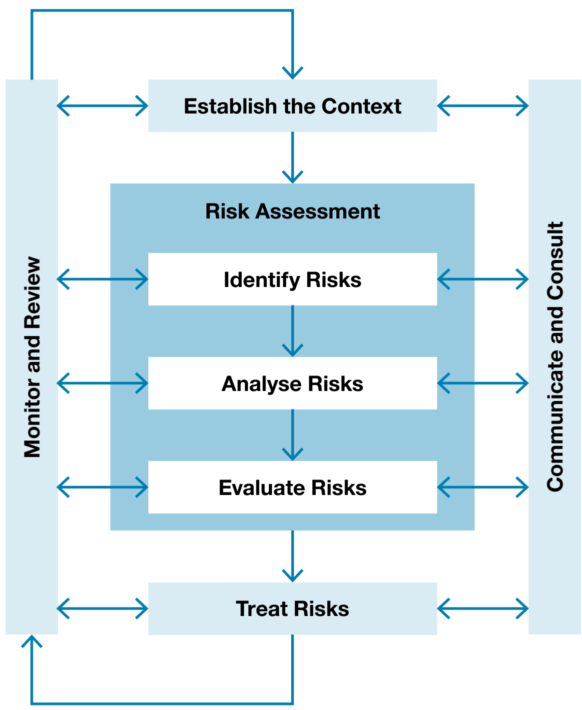
Operating Profit: Impact of Changes +/- 10%, EUR million

Segments	Price	Volume
Newsprint and Book Paper	126	38
Magazine Paper	205	67
Fine Paper	213	72
Consumer Board	231	84
Industrial Packaging	95	39
Wood Products	159	37

Risk management

Stora Enso Group Risk Policy sets out the overall approach to the governance and management of risks. The management of risks and opportunities is a core capability and an integral part of all Group activities.

Business and staff managers are responsible for identifying, assessing and responding to risks that might impair the achievement of



their entity's goal. Stora Enso has implemented an enterprise risk management process to mitigate threats, manage challenges and exploit opportunities, thereby increasing the likelihood of achieving objectives. The aim is 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 process is systematically treated in a risk assessment tool to secure a structured handling for the management of all 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.

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 materially adverse effect on Stora Enso's business, financial condition, operating profit or ability to meet all financial obligations.

Stora Enso has categorised risks into four areas: 1) strategic risks, 2) operational risks, 3) hazard risks and 4) financial risks.

Strategic risks

Business environment risks

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

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

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

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

Business development risks

Business development risks are mainly related to Stora Enso's strategy. The Group 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.

Large single investments in the developing economies have a significant impact on a substantial number of local people. Stora Enso's operations in such countries are affected by local cultural and religious factors, environmental and social issues, and the ability to cope with local and international stakeholders. The risks related to these issues are mitigated through accurate and detailed feasibility studies prepared before each large single investment. The value of investments in growth markets may be affected by political, economic and legal developments in those countries. Stora Enso is also exposed to risk related to reorganisations and improvements in existing establishments.

Stora Enso manages risks related to potential mergers and acquisitions 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.

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.

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. Stora Enso manages the risks and loss of key talents through a combination of different actions. The actions are assessment of management and talents, annual succession planning and various development activities, such as leadership development programmes, skills training, coaching and mentoring. Stora Enso also works on various labour market images to remain an attractive employer in the future.

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 Disclosure 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.

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

Composition of Costs in 2010

Costs	% of Costs	% of Sales
Logistics and commissions	10	9
Manufacturing Costs		
Fibre	37	35
Chemicals and fillers	10	9
Energy	9	9
Material	3	3
Personnel	15	14
Other	10	10
Amortisation	6	5
Total Costs/Sales	**100**	**94**
Total Costs/Sales EUR million	**9 610**	**10 297**

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.

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 disruption risks

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.

During 2010 Stora Enso developed a monitoring procedure to ensure that its sustainability requirements are followed in practice. The implementation of this monitoring procedure will continue during 2011. The follow up mechanisms include sustainability self-assessments and audits.

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 Business Information Services 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 related to old activities and mill closures.

Antitrust risks

Stora Enso's Competition Law Compliance Programme is continuously kept up to date. The policy 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 will continue to take action to emphasise its commitment to compliance through corporate policies and training.

Property and business disruption risks

Protecting production assets and business results 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 and exposure. Stora Enso Group Risk Management (GRM) manages this process together with insurance companies and other loss prevention specialists. Each year a number of technical risk inspections are carried out at production units. Risk improvement programmes and cost-benefit analysis of proposed investments are managed by internal reporting and risk assessment tools. Internal and external property loss prevention guidelines, fire loss control assessments and specific loss prevention programmes are also utilised.

Planned stoppages for maintenance and other work are important in keeping machinery in good condition. Formal computerised preventive maintenance programmes and spare part criticality analysis are utilised to secure a high availability and efficiency of key machinery.

Striking a balance between accepting risks and avoiding, mitigating or transferring risks is a high priority. GRM 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 captive insurance company.

Product safety risks

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 catastrophe risks

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.

Social risks

Social risks may harm the development of especially greenfield investments and their relationship with local stakeholders. Stora Enso strives to identify and minimise risks related to social issues in good time, in order to guide decision-making in its investment processes. Tools such as sustainability due diligence and Environmental and Social Impact Assessments (ESIA) help ensure that no unsustainable projects are initiated and all related risks and opportunities are fully understood. They also enable project plans to be adapted to suit local circumstances.

Financial risks

Financial risks are discussed in detail in Note 26, Financial Risk Management.

Environmental issues

Stora Enso's environmental costs in 2010 excluding interest and including depreciation totalled EUR 152 (EUR 147) million. These costs include taxes, fees, refunds, permit-related costs, and repair and maintenance costs, as well as the prices paid for chemicals and certain materials.

Provision for environmental remediation amounted to EUR 119 (EUR 145) million at 31 December 2010, details of which are in Note 24 to the Consolidated Financial Statements, Other Provisions. There are currently no active or pending legal claims concerning environmental issues that could have a material adverse effect on Stora Enso's financial position.

In 2010 Stora Enso's environmental investments amounted to EUR 37 (EUR 21) million. These investments were mainly to improve the quality of air and water, to enhance resource efficiency and energy self-sufficiency, and to minimise the risk of accidental spills. Several significant environmental investments were completed in 2010. The new multifuel boilers at Maxau Mill and Langerbrugge Mill will increase the share of bioenergy and improve the energy self-sufficiency. A new recycling facility at Barcelona Mill now enables the plastic and aluminium contents of beverage cartons to be recycled, as well as their constituent fibres. A new gas turbine at Sachsen Mill is considerably reducing the mill's NO_x and CO_2 emissions.

Stora Enso environmental work focuses on two main issues: first, minimising the environmental impacts of the mills which is a top priority for Stora Enso and the basis of everyday work; secondly, striving to utilise raw materials as efficiently as possible so valuable natural resources or financial resources are not wasted.

Stora Enso is committed to continuous improvement in environmental protection. It has set strict targets for emissions to air, process water discharges and waste. Environmental targets are normalised for production and apply to our pulp, paper and board mills. Progress towards these targets is monitored on a quarterly basis and results are reported transparently every year.

Stora Enso has management systems in place to ensure that all units follow the best environmental practices and improve their work continuously. All Stora Enso's pulp, paper and board production units are certified according to the ISO 14001 management system.

Since 2009 sustainability work has had a special focus on water. Water scarcity is a growing global concern, and this particularly puts pressure on industries that use water intensively. Stora Enso is committed to the responsible use of water and actively participates in various international initiatives related to water. These initiatives include the CEO Water Mandate of the UN Global Compact, and the work of the World Business Council for Sustainable Development developing tools for measuring water use. Stora Enso is also involved in the development of an international ISO standard for water accounting, and in the Water Footprint Network, whose water accounting methodology has been tested by Stora Enso at Skoghall Mill in Sweden.

Stora Enso's target is to reduce normalized process water discharges by 10% of their 2005 levels by 2013. During 2010 the Group made slight progress towards this target. Total discharges of process water have been reduced by 5% since 2005.

Another target Stora Enso has set for its water discharges is to reduce the average Chemical Oxygen Demand (COD) of its water releases by 10% from 2007 levels by the end of 2013. During normalized 2010 COD discharges declined slightly and are currently 2% lower than in 2007.

During 2010 normalised discharges of nitrogen decreased, while phosphorus discharges increased. Compounds of nitrogen and phosphorus are used to provide nutrient sources for the micro-organisms that are vital to the biological waste water treatment processes. In natural water bodies, excessive amounts of nitrogen and phosphorus can lead to increased biological activity through eutrophication. Over the past five years Stora Enso's normalised discharges of both nitrogen and phosphorus have declined considerably, by 13% and 17% respectively.

By the end of 2010 Stora Enso had reduced the CO_2 emissions per tonne of product from its pulp, paper and board mills by 20% compared with the baseline year 2006. Since this means the target had already been reached a commitment has been made to set a new, tougher target during 2011. This significant reduction has been achieved mainly through improved productivity, the use of more efficient equipment and streamlined processes, the reduced use of fossil fuels and improved efficiency in our power and heat generation. Another significant reason for the CO_2 reductions achieved has been increased purchases of electricity generated from low carbon energy sources.

In 2010 SO_2 emissions increased slightly. The target has been to reduce SO_2 emissions by 30% from 2007 levels by 2013. In 2010 Stora Enso's SO_2 emissions were 26% below the 2007 level. Over the five-year period 2006–2010 normalised emissions of SO_2 and nitrogen oxides (NO_x) were reduced by 33% and 2%, respectively.

Residual materials that cannot be reused end up in landfills. In 2010 Stora Enso's total waste to landfill rate increased to 17 kg/tonne of board and paper produced (16 kg/tonne in 2009). This means that no progress was made towards the target of reducing normalised waste to landfill by 5% from 2007 levels by the end of 2013. In 2010, 51% more waste to landfill was generated (in terms of kg/product tonne) than in the target base line year 2007. One major reason for this is increased use of biomass fuels, which generate more ash than other fuels, coupled with the reduced demand for residual ash for beneficial uses.

Hazardous wastes from production include used oils, solvents, paints, laboratory chemicals and batteries. In 2010 Stora Enso's pulp, paper and board mills created 2 895 tonnes of hazardous waste, down from 2 955 tonnes in 2009. Hazardous wastes are disposed of by burning them to generate energy or ensuring that they are safely processed at hazardous waste facilities or incinerators. Stora Enso reports on disposal of its hazardous wastes in line with definitions set out in respective national regulations. No significant spills, releases or leakages of hazardous wastes occurred in 2010.

The environmental aspects of mill closures are handled in accordance with legislative procedures in each country. In April 2010 Kemijärvi Pulp Mill in Finland received an environmental permit related to its closure in 2008. Stora Enso subsequently submitted an appeal concerning the permit to the Vaasa Administrative Court. Between June and November 2010 Stora Enso carried out remediation work on the mill site in line with an environmental permit granted in 2009 for the necessary soil cleaning work.

Verified information on environmental matters is published in a separate Sustainability Report 2010.

Class action lawsuits in USA

In the context of magazine paper sales in the USA in 2002 and 2003, Stora Enso was sued in a number of class action (and other civil) lawsuits filed in the USA by various magazine paper purchasers that claimed damages for alleged antitrust violations. On 14 December 2010 a US federal court granted a motion for summary judgement that Stora Enso had filed seeking dismissal of the direct purchaser class action claims. The ruling, which the plaintiffs have appealed, means that the court has ruled in favour of Stora Enso and found the direct purchaser class action claims to be without legal foundation. The ruling, if it stands on appeal, will also provide a strong legal basis to seek similar dismissals of other remaining civil cases. No provisions have been made in Stora Enso's accounts for these lawsuits.

Changes in Group management

Elisabet Salander Björklund, Executive Vice President and a member of the Group Executive Team, relinquished her duties with Stora Enso on 31 August 2010.

On 13 August 2010 Stora Enso announced that it had appointed Lars Häggström as Head of Group Human Resources and member of the Group Executive Team, effective as of 1 October 2010. He reports to CEO Jouko Karvinen.

Share capital

Stora Enso Oyj's 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.

During the year a total of 300 A shares were converted into R shares. The conversion was recorded in the Finnish Trade Register on 15 December 2010.

On 31 December 2010 Stora Enso had 177 149 784 A shares and 612 388 715 R shares in issue of which the Company held no A shares and 919 317 R shares with a nominal value of EUR 1.6 million. The holding represents 0.12% of the Company's share capital and 0.04% of the voting rights. The total number of Stora Enso shares in issue was 789 538 499 and the total number of votes 238 388 655.

The Board of Directors is not currently authorised to issue, acquire or dispose of shares in the Company.

Ownership Distribution, 31 December 2010

	% of shares	% of votes
Finnish institutions	16.1	22.0
Solidium Oy*	12.3	25.1
Finnish private shareholders	3.0	2.1
Swedish institutions	15.0	31.2
Swedish private shareholders	3.9	2.9
ADR holders	4.1	1.3
Under nominee names (non-Finnish/ non-Swedish shareholders)	45.6	15.4

* Entirely owned by the Finnish State

Information on the fifteen largest shareholders by holding and voting is presented in Stora Enso in Capital Markets on page 4.

Share Distribution, 31 December 2010

By size of holding, A shares	Shareholders	%	Shares	%
1–100	2 604	37.61	144 404	0.08
101–1 000	3 626	52.38	1 400 268	0.79
1 001–10 000	654	9.45	1 573 945	0.89
10 001–100 000	33	0.48	649 406	0.37
100 001–1 000 000	1	0.01	618 789	0.35
1 000 001–	5	0.07	172 762 972	97.52
Total	**6 923**	**100.00**	**177 149 784**	**100.00**

By size of holding, R shares	Shareholders	%	Shares	%
1–100	5 118	21.02	342 217	0.06
101–1 000	13 950	57.31	6 358 063	1.04
1 001–10 000	4 824	19.82	13 014 465	2.12
10 001–100 000	352	1.45	8 908 919	1.46
100 001–1 000 000	73	0.30	25 456 666	4.15
1 000 001–	24	0.10	558 308 385	91.17
Total	**24 341**	**100.00**	**612 388 715**	**100.00**

According to Euroclear Finland.

Events after the period

In January 2011 Stora Enso announced that it would invest EUR 285 million in a new containerboard machine at Ostrołęka in Poland and that Montes del Plata, its joint venture with Arauco, would invest USD 1.9 billion in building a state-of-the-art 1.3 million tonnes per year pulp mill at Punta Pereira in Uruguay. In January Stora Enso also announced that it would continue to grow in Building Solutions by investing EUR 23 million in constructing a CLT unit at Ybbs Sawmill in Austria.

Near-term outlook

Demand for newsprint is expected to be slightly weaker in Europe but unchanged on a year ago in overseas markets. In Europe demand for coated magazine paper is forecast to be slightly stronger and demand for uncoated magazine paper stronger than a year ago.

Demand for fine paper is predicted to be similar to a year ago, although seasonally slightly stronger than in the fourth quarter of 2010. Demand for consumer board is expected to be stronger and demand for industrial packaging slightly stronger than a year ago. Demand for wood products is anticipated to be slightly stronger than a year ago but slightly weaker than in the fourth quarter of 2010.

Newsprint prices in euros in the first half of 2011 are expected to be similar to 2009 levels in Europe and significantly higher than 2009 levels in overseas markets. With the majority of biannual magazine paper contracts signed, magazine paper sales prices in local currencies are expected to be higher in the first half of 2011 than the previous quarter.

Fine paper prices are predicted to be similar to the previous quarter. Consumer board and industrial packaging prices are forecast to be slightly higher than in the previous quarter. Slightly lower prices for wood products than in the fourth quarter of 2010 are anticipated.

The political turmoil in North Africa and floods in Australia are expected to have a negative impact on the earnings capability of Wood Products in the first quarter of 2011.

Group operating profit excluding NRI and fair valuations is anticipated to be higher in the first quarter of 2011 than the fourth quarter of 2010 due to the improved cost position and prices.

The Group expects its cost inflation excluding internal actions to be 3% for the full year 2011, primarily in the first half of the year. Stora Enso's own actions are expected to compensate all of the effects of cost inflation. Actual cost inflation excluding internal actions was 2% for the full year 2010.

Proposal for the distribution of dividend

The Parent Company's distributable shareholders' equity at 31 December 2010 amounted to EUR 1 450 415 520.55. The Board of Directors proposes to the Annual General Meeting of the Company that a dividend of EUR 0.25 per share, maximum aggregate amount of EUR 197 384 624.75, be distributed to the shareholders from the profit of the period.

The dividend shall be paid to shareholders that on the dividend record date, 27 April 2011, are recorded in the shareholders' register maintained by Euroclear Finland Ltd or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden registered shares. Dividends payable for Euroclear Sweden registered shares will be forwarded by Euroclear Sweden AB and paid in Swedish krona. Dividends payable to ADR holders will be forwarded by Deutsche Bank Trust Company Americas and paid in US dollars.

The Board of Directors proposes to the AGM that the dividend payment shall be issued by the Company on 11 May 2011.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Wednesday 20 April 2011 at Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	Year Ended 31 December 2010	2009	2008
Continuing Operations				
Sales	3	**10 296.9**	**8 945.1**	**11 028.8**
Other operating income	6	159.1	172.8	120.2
Changes in inventories of finished goods and work in progress		64.2	-200.5	-78.1
Change in net value of biological assets	14	-4.0	-3.3	-18.2
Materials and services		-6 451.6	-5 464.3	-6 815.7
Freight and sales commissions		-1 010.1	-833.6	-1 127.1
Personnel expenses	7	-1 375.3	-1 349.6	-1 669.1
Other operating expenses	6	-482.2	-833.1	-752.6
Share of results of equity accounted investments	15	112.5	111.8	7.6
Depreciation, amortisation and impairment charges	12	-282.7	-1 152.9	-1 422.4
Operating Profit / (Loss)	3	**1 026.8**	**-607.6**	**-726.6**
Financial income	9	91.6	209.3	356.7
Financial expense	9	-192.5	-488.5	-523.9
Profit / (Loss) before Tax		**925.9**	**-886.8**	**-893.8**
Income tax	10	-156.6	8.6	214.8
Net Profit / (Loss) for the Year from Continuing Operations		**769.3**	**-878.2**	**-679.0**
Discontinued Operations: Profit after Tax for the Year	5	**-**	**-**	**4.3**
Net Profit / (Loss) for the Year from Total Operations		**769.3**	**-878.2**	**-674.7**
Attributable to:				
Owners of the Parent	20	766.0	-879.7	-673.4
Non-controlling Interests	21	3.3	1.5	-1.3
Net Profit / (Loss) for the Year		**769.3**	**-878.2**	**-674.7**
Earnings per Share				
Basic and diluted earnings / (loss) per share, Total Operations, EUR	34	0.97	-1.12	-0.85
Basic and diluted earnings / (loss) per share, Continuing Operations, EUR	34	0.97	-1.12	-0.86

Consolidated Statement of Comprehensive Income

EUR million	Note	Year Ended 31 December 2010	2009	2008
Net profit / (loss) for the period		769.3	-878.2	-674.7
Other Comprehensive Income (OCI)				
Actuarial losses on defined benefit plans	22	-32.5	-20.4	-12.7
Asset revaluation on step acquisition	4	-	3.9	-
Available for sale financial assets	16	95.9	180.3	-398.0
Currency and commodity hedges	29	107.7	224.1	-312.3
Share of other comprehensive income of equity accounted investments	29	9.2	-8.5	-9.4
Currency translation movements on equity net investments (CTA)	30	305.6	252.6	-328.3
Currency translation movements on non-controlling interests	21	5.1	5.9	-5.5
Net investment hedges	30	-9.8	0.7	1.3
Income tax relating to components of other comprehensive income	10	-13.4	-65.0	88.8
Other Comprehensive Income, net of tax		**467.8**	**573.6**	**-976.1**
Total Comprehensive Income		**1 237.1**	**-304.6**	**-1 650.8**
Total Comprehensive Income Attributable to:				
Owners of the Parent		1 228.7	-312.0	-1 644.7
Non-controlling interests	21	8.4	7.4	-6.1
		1 237.1	**-304.6**	**-1 650.8**

The accompanying notes are an integral part of these consolidated Financial Statements.

Consolidated Statement of Financial Position

EUR million		Note	As at 31 December 2010	2009	2008
Assets					
Fixed Assets and Other Non-current Investments					
Goodwill	O	13	214.8	208.3	207.6
Other intangible fixed assets	O	13	52.6	71.4	77.5
Property, plant and equipment	O	13	5 066.9	4 700.2	5 413.7
		13	**5 334.3**	**4 979.9**	**5 698.8**
Biological assets	O	14	190.5	152.5	133.6
Emission rights	O		41.0	25.3	67.0
Equity accounted investments	O	15	1 744.0	1 481.3	1 042.5
Available-for-sale: interest-bearing	I	16	78.7	71.7	154.9
Available-for-sale: operative	O	16	879.4	778.5	954.3
Non-current loan receivables	I	19	126.5	159.6	130.3
Deferred tax assets	T	10	111.0	155.8	74.5
Other non-current assets	O	17	37.2	30.4	16.2
			8 542.6	**7 835.0**	**8 272.1**
Current Assets					
Inventories	O	18	1 474.6	1 281.6	1 693.6
Tax receivables	T	10	1.7	2.4	25.0
Current operative receivables	O	19	1 621.8	1 362.6	1 583.2
Interest-bearing receivables	I	19	285.1	221.2	251.1
Cash and cash equivalents	I		1 110.9	890.4	415.8
			4 494.1	**3 758.2**	**3 968.7**
Total Assets			**13 036.7**	**11 593.2**	**12 240.8**
Equity and Liabilities					
Equity Attributable to Owners of the Parent					
Share capital		20	1 342.2	1 342.2	1 342.2
Share premium			76.6	76.6	2 276.4
Treasury shares		20	-10.2	-10.2	-10.2
Other comprehensive income		29	852.0	668.3	334.0
Cumulative translation adjustment		30	103.7	-194.6	-443.8
Invested non-restricted equity fund			633.1	2 042.1	-
Retained earnings			2 439.5	2 079.6	2 768.8
Net profit / (loss) for the period			766.0	-879.7	-673.4
			6 202.9	**5 124.3**	**5 594.0**
Non-controlling Interests		21	51.8	58.2	56.5
Total Equity			**6 254.7**	**5 182.5**	**5 650.5**
Non-current Liabilities					
Post-employment benefit provisions	O	22	320.5	305.0	299.0
Other provisions	O	24	148.6	180.4	202.3
Deferred tax liabilities	T	10	422.6	364.4	277.5
Non-current debt	I	28	3 259.2	2 898.4	3 007.8
Other non-current operative liabilities	O	25	62.0	43.1	28.5
			4 212.9	**3 791.3**	**3 815.1**
Current Liabilities					
Current portion of non-current debt	I	28	303.5	814.8	437.4
Interest-bearing liabilities	I	28	440.7	210.1	587.7
Bank overdrafts	I		7.8	13.4	43.2
Current operative liabilities	O	25	1 697.1	1 473.0	1 602.1
Tax liabilities	T	10	120.0	108.1	104.8
			2 569.1	**2 619.4**	**2 775.2**
Total Equity and Liabilities			**13 036.7**	**11 593.2**	**12 240.8**

Items designated “O” comprise Operative Capital, items designated “I” comprise Interest-bearing Net Liabilities, items designated “T” comprise Net Tax Liabilities.
The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

EUR million	Note	2010	2009	2008
		Year Ended 31 December		
Cash Flow from Operating Activities				
Net profit / (loss) for the year		769.3	-878.2	-674.7
Result from the Statement of Other Comprehensive Income		97.3	233.4	-280.9
Adjustments and reversal of non-cash items:				
Taxes	10	156.6	-8.6	-212.7
Depreciation & impairment charges	12	282.7	1 152.9	1 468.5
Change in value of biological assets	14	4.0	3.3	18.2
Change in fair value of options & TRS		-5.1	-43.7	6.1
Share of results of equity accounted investments	15	-112.5	-111.8	-7.6
Profits and losses on sale of fixed assets and investments	6	-7.9	248.5	-12.5
CTA & Equity hedges expensed	5, 6, 30	-1.2	5.3	-32.3
Net financial items	9	100.9	279.2	172.7
Dividends received from equity accounted investments	15	12.3	7.5	13.5
Interest received		28.8	9.9	26.9
Interest paid		-113.0	-113.5	-191.2
Income received on interest-bearing securities	9	0.3	-	0.2
Other financial items, net		-66.9	-116.7	211.3
Income taxes (paid) / received	10	-62.0	-3.0	25.5
Change in net working capital, net of businesses acquired or sold		-271.7	638.0	81.5
Net Cash Provided by Operating Activities		**811.9**	**1 302.5**	**612.5**
Cash Flow from Investing Activities				
Acquisition of subsidiary shares	4	-13.0	-8.4	-4.5
Acquisition of shares in equity accounted investments	15	-16.3	-128.5	-53.9
Acquisition of available-for-sale investments	16	-6.7	-2.3	-8.8
Capital expenditure	3, 13	-377.0	-388.3	-648.3
Investment in biological assets	14	-23.4	-35.4	-58.3
Proceeds from disposal of subsidiary shares	4	1.5	7.1	171.4
Proceeds from disposal of shares in equity accounted investments	15	-	8.9	0.1
Proceeds from disposal of available-for-sale investments	16	0.8	23.8	15.6
Proceeds from sale of fixed assets	13	28.6	60.5	52.0
Proceeds from (payment of) non-current receivables, net		42.9	-24.2	-16.2
Net Cash Used in Investing Activities		**-362.6**	**-486.8**	**-550.9**
Cash Flow from Financing Activities				
Proceeds from new long-term debt		791.8	636.1	303.6
Repayment of long-term liabilities		-1 180.6	-411.3	-634.2
Proceeds from (payment of) current borrowings, net		318.5	-359.9	4.0
Dividends and capital repayments paid		-157.7	-157.7	-354.9
Equity injections less dividends to non-controlling interest	21	-1.2	-7.7	-4.2
Net Cash Used in Financing Activities		**-229.2**	**-300.5**	**-685.7**
Net Increase / (Decrease) in Cash and Cash Equivalents		**220.1**	**515.2**	**-624.1**
Cash and bank in acquired companies		0.5	4.4	-
Cash and bank in divested companies		-2.9	-0.1	-31.3
Translation adjustment		8.4	-15.1	148.7
Cash and cash equivalents at beginning of year		877.0	372.6	879.3
Net Cash and Cash Equivalents at Year End		**1 103.1**	**877.0**	**372.6**
Cash and Cash Equivalents at Year End		**1 110.9**	**890.4**	**415.8**
Bank Overdrafts at Year End		**-7.8**	**-13.4**	**-43.2**
		1 103.1	**877.0**	**372.6**

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

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

EUR million	Note	Year Ended 31 December 2010	2009	2008
Change in Net Working Capital consists of:				
Change in inventories		-112.1	468.7	49.5
Change in interest-free receivables:				
Current		-190.3	261.6	-38.9
Non-current		-3.2	0.6	5.5
Change in interest-free liabilities:				
Current		163.6	-90.3	-4.9
Non-current		-65.2	-34.2	59.8
(Payment of) / proceeds from short-term interest-bearing receivables		-64.5	31.6	10.5
		-271.7	**638.0**	**81.5**
Non-Cash Investing Activities				
Total Capital Expenditure		377.0	394.4	658.3
Amounts paid		-377.0	-388.3	-648.2
Finance lease obligations incurred		**0.0**	**6.1**	**10.1**
Acquisition of Group Companies	4			
Cash Flow on Acquisitions				
Purchase consideration on acquisitions		13.0	8.4	4.5
Cash and cash equivalents in acquired companies		-0.5	-4.4	-
Gain from step acquisition realised directly in equity		-	3.9	-
Gain to retained earnings on non-controlling interest buy-outs		7.6	-	-
Total Acquisition Value		**20.1**	**7.9**	**4.5**
Acquired Net Assets				
Operating working capital		0.1	20.4	0.1
Operating fixed assets	13	4.8	17.6	4.0
Tax liabilities	10	-0.6	16.0	-0.4
Interest-bearing liabilities		-0.8	-44.1	-1.0
Non-controlling interest	21	13.6	-2.0	1.8
Total Net Assets Acquired		**17.1**	**7.9**	**4.5**
Goodwill	13	3.0	-	-
Total Net Assets Acquired and Goodwill		**20.1**	**7.9**	**4.5**
Disposal of Group Companies	4			
Cash Flow on Disposals				
Cash flow on disposal		1.5	7.1	171.4
Cash and cash equivalents in divested companies		-2.9	-0.1	-31.3
		-1.4	**7.0**	**140.1**
Non-cash Transactions				
Available-for-Sale securities	16	-	-	50.0
Associate shares	15	-	87.7	6.9
Non-controlling interests acquired	21	-	-	3.3
Total Disposal Value		**-1.4**	**94.7**	**200.3**
Net Assets Sold				
Operating working capital		6.7	2.1	173.8
Operating fixed assets	13	0.8	74.3	281.8
Biological assets	14	-	18.3	-
Interest-bearing assets less cash and cash equivalents		2.1	-	-
Tax liabilities	10	-8.6	-	-26.7
Interest-bearing liabilities		-7.7	-	-230.1
		-6.7	94.7	198.8
Gain on sale	4, 6, 13	5.3	-	1.5
Total Net Assets Sold		**-1.4**	**94.7**	**200.3**

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

Statement of Changes in Equity

EUR million	Share Capital	Share Premium and Reserve fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available for Sale Financial Assets	Currency and Commodity Hedges	Currency and Commodity Hedges of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 31 December 2007	**1 342.2**	**2 276.4**	**-**	**-10.2**	**-**	**899.1**	**62.4**	**-1.1**	**-115.6**	**3 140.4**	**7 593.6**	**71.9**	**7 665.5**
Loss for the period	-	-	-	-	-	-	-	-	-	-673.4	-673.4	-1.3	-674.7
OCI before tax	-	-	-	-	-	-398.0	-312.3	-9.4	-327.0	-13.4	-1 060.1	-4.8	-1 064.9
Income tax relating to components of OCI	-	-	-	-	-	9.5	83.8	-	-1.2	-3.3	88.8	-	88.8
Total Comprehensive Income	-	-	-	-	-	-388.5	-228.5	-9.4	-328.2	-690.1	**-1 644.7**	-6.1	**-1 650.8**
Distribution relating to 2007	-	-	-	-	-	-	-	-	-	-354.9	-354.9	-4.2	-359.1
Acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	-3.3	-3.3
Buy-out of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-1.8	-1.8
Balance at 31 December 2008	**1 342.2**	**2 276.4**	**-**	**-10.2**	**-**	**510.6**	**-166.1**	**-10.5**	**-443.8**	**2 095.4**	**5 594.0**	**56.5**	**5 650.5**
Loss for the period	-	-	-	-	-	-	-	-	-	-879.7	-879.7	1.5	-878.2
OCI before tax	-	-	-	-	3.9	180.3	224.1	-8.5	253.3	-20.4	632.7	5.9	638.6
Income tax relating to components of OCI	-	-	-	-	-	-6.7	-58.8	-	-4.1	4.6	-65.0	-	-65.0
Total Comprehensive Income	-	-	-	-	3.9	173.6	165.3	-8.5	249.2	-895.5	**-312.0**	7.4	**-304.6**
Distribution relating to 2008	-	-	-	-	-	-	-	-	-	-	-	-2.2	-2.2
Acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	-3.4	-3.4
Buy-out of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1
Transfer to distributable reserves	-	-2 042.1	2 042.1	-	-	-	-	-	-	-	-	-	-
Return of capital	-	-157.7	-	-	-	-	-	-	-	-	-157.7	-	-157.7
Balance at 31 December 2009	**1 342.2**	**76.6**	**2 042.1**	**-10.2**	**3.9**	**684.2**	**-0.8**	**-19.0**	**-194.6**	**1 199.9**	**5 124.3**	**58.2**	**5 182.5**
Profit for the period	-	-	-	-	-	-	-	-	-	766.0	766.0	3.3	769.3
OCI before tax	-	-	-	-	-	95.9	107.7	9.2	295.8	-32.5	476.1	5.1	481.2
Income tax relating to components of OCI	-	-	-	-	-	-0.1	-29.0	-	2.5	13.2	-13.4	-	-13.4
Total Comprehensive Income	-	-	-	-	-	95.8	78.7	9.2	298.3	746.7	**1 228.7**	8.4	**1 237.1**
Distribution relating to 2009	-	-	-	-	-	-	-	-	-	-	-	-1.2	-1.2
Acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	-6.0	-6.0
Buy-out of non-controlling interest	-	-	-	-	-	-	-	-	-	7.6	7.6	-7.6	-
Return of capital (EUR 0.20 per share)	-	-	-157.7	-	-	-	-	-	-	-	-157.7	-	-157.7
Transfer to retained earnings	-	-	-1 251.3	-	-	-	-	-	-	1 251.3	-	-	-
Balance at 31 December 2010	**1 342.2**	**76.6**	**633.1**	**-10.2**	**3.9**	**780.0**	**77.9**	**-9.8**	**103.7**	**3 205.5**	**6 202.9**	**51.8**	**6 254.7**

Notes to the Consolidated Financial Statements

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 the following business areas: Publication Paper, Fine Paper, Packaging, Wood Products, and Other, which comprises Wood Supply and the supporting areas of Energy and Head Office, together with other Group functions. The Group's main market is Europe, with an expanding presence in Asia and South America.

These Financial Statements were authorised for issue by the Board of Directors on 15 February 2011.

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.

Consolidation principles

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 that 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 32 Principal Subsidiaries.

Associated companies over which Stora Enso exercises significant influence and in which the Group generally holds between 20% and 50% of voting rights 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 are undertakings in which the Group has significant influence, but which it does not control; the most significant of such companies are listed in Note 15 Equity Accounted Investments. The Group's interest in an associated company is carried in the Statement of Financial Position 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 that it has guaranteed or to which it is otherwise committed.

Joint ventures that Stora Enso jointly controls with other third parties are also accounted for using the equity method as described above; the most significant of such companies are listed in Note 15 Equity Accounted Investments.

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. Non-controlling interests are presented as a separate component of equity.

Non-controlling interests

Non-controlling interests are presented within the equity of the Group in the Statement of Financial Position. The proportionate shares of profit or loss attributable to non-controlling interests and to equity holders of the parent company are presented in the Income Statement after the profit for the period. Transactions between non-controlling interests and Group shareholders are transactions within equity and are thus shown in the Statement of Changes in Equity and Note 21 Non-Controlling Interests. The measurement type of non-controlling interests is decided separately for each acquisition.

New and amended standards adopted in 2010 with no effect on the financial statements

- IFRS 1 First-Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-Time Adopters (Amendments) provides additional exemptions for first-time adopters of IFRS for the measurement of oil and gas assets and leases.
- IFRS 2 Group Cash-settled Share-based Payment Arrangements clarifies the scope and the accounting for group cash-settled share-based payment transactions.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendment) clarifies disclosure requirements for non-current assets classified as held for sale.
- IFRS 8 Operating Segments (Amendment) clarifies the disclosure of information about segment assets.
- IAS 1 Presentation of Financial Statements (Amendment) clarifies

the classification of convertible instruments.
- IAS 7 Statement of Cash Flows (Amendment) amends the classification of expenditures on unrecognised assets.
- IAS 17 Leases (Amendment) removes the specific guidance on classifying land as a lease.
- IAS 36 Impairment of Assets (Amendment) has an effect on the unit of accounting for goodwill impairment testing.
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment) clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
- IFRIC 17 Distributions of Non-cash Assets to Owners provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

New and amended standards and interpretations not yet effective in 2010

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) effective 1 January 2011 provides additional exemption on IFRS transition. This amendment is not relevant to the Group.
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets effective from 1 July 2011. These amendments are not relevant to the Group.
- IFRS 7 Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs effective 1 January 2011 emphasises the interaction of disclosures and risks related to financial instruments. These amendments are not relevant to the Group.
- IFRS 9 Financial Instruments effective from 1 January 2013, to be applied on a modified retrospective basis, introduces new requirements for classifying and measuring financial assets. Debt instruments meeting both a business model test and a cash flow characteristics test are measured at amortised cost. The use of fair value is optional in some limited circumstances. Investments in equity can be designated as fair value through other comprehensive income with only dividends recognised in profit or loss. All other instruments are measured at fair value with changes recognised in profit or loss. The concept of embedded derivatives does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard has no effect on the Group financial statements.
- IAS 1 Presentation of Financial Statements clarifies the statement of changes in equity from 1 January 2011. The change is expected to not have an effect on the financial statements.
- IAS 24 Related Party Disclosures effective 1 January 2011 clarifies the definition of a related party, provides a partial exemption from related party disclosure requirement for government-related entities, and includes an explicit requirement to disclose commitments involving related parties. This clarification does not affect the financial statements of the Group.
- IAS 32 Financial Instruments: Presentation — Classification of Rights Issues (Amendment) effective 1 January 2011 requires a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments. This amendment is not expected to have an impact on the financial position or performance of the Group.
- IAS 34 Interim Financial Reporting (Amendment) effective 1 January 2011 provides guidance on disclosure principles regarding significant events and transactions. The amendment might have an effect on the disclosures of the Group in the case of significant events and transactions.
- IFRIC 13 Customer Loyalty Programmes (Amendment) effective 1 January 2011 clarifies the fair value of award credits and has no impact on the financial statements.
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) effective 1 January 2011, applied retrospectively to the beginning of the earliest period presented, applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements, permitting the benefit of such an early payment to be recognised as an asset. The amendment has no effect on the financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 January 2011 requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss. The interpretation does not apply if the conversion terms were included in the original contract (such as convertible debt) or to common control transactions. The interpretation might have an effect in those cases in which equity instruments are issued.

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 with functional and presentational currencies other than the euro are translated into the Group reporting currency using the average exchange rates for the year, whereas the Statements of Financial Position 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 that are non-euro foreign subsidiaries or equity accounted undertakings, and of financial instruments that 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 Comprehensive Income and Note 30 Cumulative Translation Adjustments and Equity Hedging. The cumulative translation differences of divestments and liquidations are combined with their gain or loss on disposal. The 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 overdrafts 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 in listed and unlisted shares as well as payment-in-kind (PIK) notes are classified as available-for-sale. 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 for which the market value has been below the carrying value for more than a year are reviewed at least annually for impairment. If management believes that the diminution of value is permanent, 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 in 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 interest 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 in the Statement of Financial Position, 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 for which the original maturity is less than 12 months are presented in Current Liabilities under Interest-bearing Liabilities.

Derivative financial instruments and hedging

Financial derivatives are initially recognised in the Statement of Financial Position at fair value and subsequently measured at their fair value at each reporting 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 hedges), hedges of forecast transactions or firm commitments (cash flow hedges), 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 in the Hedging Reserve within OCI, the movements of which are disclosed in the Consolidated Statement of Comprehensive Income. 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, or is sold, terminated or exercised, or has its designation revoked or 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 is 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 29 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. If 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 Comprehensive Income; 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 reporting date; the fair values of interest rate swaps are calculated as the present value of the estimated future cash flows and the fair values of foreign exchange forward contracts are determined using forward exchange rates at the reporting 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 reporting 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 purchasing or selling 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 and 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, which are 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 an adjustment is made for it.

Revenues from services are recorded when the service has been performed.

Shipping and handling costs

When 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

The cost of development or acquisition of new software clearly associated with an identifiable and unique product that will be controlled by the Group and has probable benefit exceeding its cost beyond one year is recognised as an intangible asset and amortised over the expected useful life of the software. 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 when it is probable, based on current interpretations of environmental laws and regulations, 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 of or is classified as Held-for-Sale. Assets are classified as such when it is highly probable that the carrying amount of the assets 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 equity accounted investments.

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 tax bases and the accounting bases of assets and liabilities. No deferred tax is recognised for the following items: initial recognition of an asset or liability, non-deductible goodwill arising in a business combination and investments in subsidiaries and associates. Deferred tax assets reduce income taxes payable on taxable income in future years. The deferred tax assets, whether arising from temporary differences or from tax losses, are recognised only to the extent that it is probable that future taxable profits will be available against which the assets 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 the fair value of net assets of the acquired subsidiary 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. In compliance with IFRS 3, the cost of an acquisition is equal to the sum of the consideration transferred, the value of the non-controlling interest in the acquisition and the fair value of the previously held interest in the acquired subsidiary. 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.

Goodwill arising upon the acquisition of an equity accounted investment is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value over the cost of the acquisition, after reassessment, is recognised immediately in the income statement.

Intangible assets

Intangible assets are stated at historical cost and 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 Statement of Financial Position 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
Hydroelectric power	40
Paper, board and pulp mill 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, but 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.

Spare parts are accounted for as property, plant and equipment if they are major and used over more than one period, or if they are used only in connection with an item of property, plant and equipment. In all other cases, spare parts are carried as inventory and recognised in profit or loss as consumed.

Impairment

The carrying amounts of most fixed assets are reviewed at each reporting 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 under which 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 in the Statement of Financial Position 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 equity accounted investments 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 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, which varies according to the location and species of the assets.

Emission rights and 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. Emission 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 and 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 provision is made. Valuation provisions are also made for old, slow moving and obsolete finished goods and spare parts. Such valuation provisions are detailed in Note 11 Valuation Provisions and Note 18 Inventories, and in the Statement of Financial Position 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, with 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 if the effect of the time value of money is material.

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 match the currency and expected duration 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 Statement of Comprehensive Income. Past service costs are identified at the time of any plan amendments, however, and where vested, are shown in the Income Statement, whereas unvested amounts are amortised systematically over the vesting period. In the Group Statement of Financial Position, 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 reporting 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 and 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 reporting 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, applicable to owners of the parent, 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 is 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 and capital repayments

Any dividend or capital repayment 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. The 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 judgement 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 makes a fair valuation of the acquired fixed assets and assists 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 reporting 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 flows. 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, the Black and Scholes model and the 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 Pohjolan Voima Oy (PVO), represent a significant portion of the Group's assets and require significant management judgement which are 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 Comprehensive Income. 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 equity accounted investment 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 of 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 in the Statements of Financial Position of Equity Accounted Investments, on the line for Share of Results of Equity Accounted Investments. It is therefore important that the management of both the Group and the Equity Accounted Investments make appropriate estimates of future price levels and trends for sales and costs, and undertake 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 management's 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

For the year ended 31 December 2008, Stora Enso presented the results of its associated companies and joint ventures as a separate segment, “Associates.” Since the adoption of IFRS 8 on 1 January 2009, the Associates segment is no longer a reportable segment as defined by IFRS, however, the results of associated companies and joint ventures continue to be reported separately in the Group’s operating profit under the line item “Share of Results of Equity Accounted Investments”. The adoption of IFRS 8 had no other effect on the number or composition of reportable segments.

The Group’s key performance metric used to evaluate the performance of its operating segments and to allocate resources to them is operating profit before non-recurring items and fair valuations. Segment sales include intersegment sales valued at arm’s length prices.

In April 2009, Stora Enso changed its organisational structure by dividing its business into four main business areas: Publication Paper business area (comprising the former Newsprint and Book Paper and Magazine Paper business areas), Fine Paper business area, Packaging business area (comprising the former Consumer Board and Industrial Packaging business areas) and Wood Products business area. This restructuring of business areas did not affect Stora Enso’s financial reporting segments. The following table shows the new organisation and the reportable segments:

Business Areas	Reportable Segments
Publication Paper	Newsprint and Book Paper Magazine Paper
Fine Paper	Fine Paper
Packaging	Consumer Board Industrial Packaging
Wood Products	Wood Products
Other	Other

The activities of the reportable segments are:

Newsprint and Book Paper

Newsprint and Book Paper produces newsprint, improved newsprint, and 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, paper sacks, and sack and kraft paper. It operates in every stage of the value chain, from recycling and pulp production to packaging production.

Wood Products

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

Other

The biggest component of the segment Other is Wood Supply which procures and supplies wood to the mills, sourcing this from both the Group’s two Nordic forest associates and from external parties. The other parts of the Segment consist of Energy, Logistics and Group 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, wholesalers, offices and the public and industrial sectors. It was divested in April 2008.

Sales by Segment

EUR million	2010 External	2010 Internal	2010 Total	2009 External	2009 Internal	2009 Total	2008 External	2008 Internal	2008 Total
	Year Ended 31 December								
Newsprint and Book Paper	1 196.8	64.8	1 261.6	1 267.7	58.1	1 325.8	1 526.5	68.2	1 594.7
Magazine Paper	1 866.0	188.2	2 054.2	1 594.6	81.4	1 676.0	2 083.0	94.0	2 177.0
Fine Paper	1 964.6	161.1	2 125.7	1 735.1	88.8	1 823.9	1 914.8	196.9	2 111.7
Consumer Board	2 225.0	89.7	2 314.7	1 859.4	36.5	1 895.9	2 070.1	161.8	2 231.9
Industrial Packaging	886.7	62.8	949.5	759.5	56.0	815.5	997.8	78.7	1 076.5
Wood Products	1 485.4	103.3	1 588.7	1 158.0	81.6	1 239.6	1 410.8	92.6	1 503.3
Other	672.4	1 852.2	2 524.6	570.8	1 604.4	2 175.2	847.0	3 150.0	3 997.1
Elimination of internal sales	-	-2 522.1	-2 522.1	-	-2 006.8	-2 006.8	-	-3 663.4	-3 663.4
Continuing Operations	**10 296.9**	**-**	**10 296.9**	**8 945.1**	**-**	**8 945.1**	**10 850.0**	**178.8**	**11 028.8**
Discontinued: Merchants	-	-	-	-	-	-	708.2	-178.8	529.4
Total Operations	**10 296.9**	**-**	**10 296.9**	**8 945.1**	**-**	**8 945.1**	**11 558.2**	**0.0**	**11 558.2**

Sales include external service income of EUR 35.2 (EUR 35.1) million.

Segment Share of Operating Profit / Loss before Non-Recurring Items (NRI) & Fair Valuations (FV), NRIs & FV and Operating Profit / Loss

	Year Ended 31 December								
	Operating Profit / Loss before NRIs & FV			NRI & Fair Valuations			Operating Profit / Loss		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Newsprint and Book Paper	-10.8	128.7	140.8	-58.5	-52.2	-15.2	-69.3	76.5	125.6
Magazine Paper	90.9	40.3	88.8	2.4	-163.5	-60.4	93.3	-123.2	28.4
Fine Paper	259.4	32.7	80.4	68.9	-314.2	-394.2	328.3	-281.5	-313.8
Consumer Board	277.1	164.9	107.3	217.4	-34.2	-301.4	494.5	130.7	-194.1
Industrial Packaging	65.5	17.6	73.9	-21.5	-28.7	-64.6	44.0	-11.1	9.3
Wood Products	70.9	-8.0	-67.5	4.0	-7.7	-88.0	74.9	-15.7	-155.5
Other	1.1	-55.7	-35.3	60.0	-327.6	-191.2	61.1	-383.3	-226.5
Continuing Operations	**754.1**	**320.5**	**388.4**	**272.7**	**-928.1**	**-1 115.0**	**1 026.8**	**-607.6**	**-726.6**

Non-Recurring Items and Fair Valuations

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Impairment of fixed assets	253.2	-618.5	-500.5
Impairment of goodwill	-	-	-236.0
Restructuring costs excluding fixed asset impairments	-39.7	-65.6	-273.9
Impairment of available-for-sale investments	-	-286.2	-
Other	-33.3	37.8	-35.0
Fair valuations	92.5	4.4	-69.6
Total	**272.7**	**-928.1**	**-1 115.0**

Segment Share of Operative Assets, Operative Liabilities and Operating Capital

	Year Ended 31 December								
	Operative Assets			Operative Liabilities			Operating Capital		
EUR million	2010	2009	2008	2010	2009	2008	2010	2009	2008
Newsprint and Book Paper	1 190.8	1 229.6	1 350.9	247.7	208.7	214.4	943.2	1 020.9	1 136.5
Magazine Paper	1 798.0	1 586.4	1 816.9	452.3	361.1	403.8	1 345.7	1 225.3	1 413.1
Fine Paper	1 264.5	1 183.4	1 607.3	307.4	250.1	237.5	957.1	933.3	1 369.8
Consumer Board	1 865.4	1 551.1	1 662.0	388.9	405.8	399.4	1 476.5	1 145.3	1 262.6
Industrial Packaging	759.5	687.2	720.7	131.6	119.0	104.6	627.9	568.2	616.1
Wood Products	802.4	741.4	792.5	209.4	180.3	173.9	593.0	561.1	618.6
Other and eliminations	3 642.2	3 113.0	3 238.9	490.9	476.5	598.3	3 151.2	2 636.5	2 640.6
Total Operations	**11 322.8**	**10 092.1**	**11 189.2**	**2 228.2**	**2 001.5**	**2 131.9**	**9 094.6**	**8 090.6**	**9 057.3**

Fixed Assets, Depreciation and Impairment and Capital Expenditure by Segment

	Year Ended 31 December								
	Fixed Assets			Depreciation/Impairment			Capital Expenditure		
EUR million	2010	2009	2008	2010	2009	2008	2010	2009	2008
Newsprint and Book Paper	894.4	933.3	996.5	100.5	158.6	114.3	72.8	93.0	123.8
Magazine Paper	1 285.0	1 160.7	1 274.1	92.0	255.7	137.9	81.4	90.9	89.6
Fine Paper	713.3	684.4	1 052.8	12.8	399.5	541.3	27.7	22.5	98.5
Consumer Board	1 240.9	1 038.5	1 067.0	-43.0	144.4	300.5	77.4	76.3	109.6
Industrial Packaging	505.1	463.2	461.9	54.5	71.1	115.2	81.4	66.7	81.9
Wood Products	409.2	404.8	424.4	34.1	35.4	130.9	16.8	19.6	62.9
Other	286.4	295.0	422.1	31.8	88.2	82.3	19.5	25.4	89.8
Continuing Operations	**5 334.3**	**4 979.9**	**5 698.8**	**282.7**	**1 152.9**	**1 422.4**	**377.0**	**394.4**	**656.1**
Discontinued: Merchants	-	-	-	-	-	46.1	-	-	2.2
Total Operations	**5 334.3**	**4 979.9**	**5 698.8**	**282.7**	**1 152.9**	**1 468.5**	**377.0**	**394.4**	**658.3**

Goodwill by Segment

	Year Ended 31 December								
	Goodwill			Goodwill on Acquisitions			Impairment		
EUR million	2010	2009	2008	2010	2009	2008	2010	2009	2008
Newsprint and Book Paper	23.0	23.0	23.0	-	-	-	-	-	-
Magazine Paper	60.0	60.0	60.0	-	-	-	-	-	-
Fine Paper	-	-	-	-	-	-	-	-	228.0
Consumer Board	-	-	-	-	-	-	-	-	8.0
Industrial Packaging	20.0	20.0	20.2	-	-	-	-	-	-
Wood Products	111.8	105.3	104.4	3.0	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Continuing Operations	**214.8**	**208.3**	**207.6**	**3.0**	**0.0**	**0.0**	**0.0**	**0.0**	**236.0**
Discontinued: Merchants	-	-	-	-	-	-	-	-	39.2
Total Operations	**214.8**	**208.3**	**207.6**	**3.0**	**0.0**	**0.0**	**0.0**	**0.0**	**275.2**

Average Personnel

Segment	2010	2009	2008
	Year Ended 31 December		
Newsprint and Book Paper	2 392	2 547	2 771
Magazine Paper	3 960	3 954	4 331
Fine Paper	3 510	3 435	3 644
Consumer Board	3 755	3 873	4 343
Industrial Packaging	5 352	5 548	5 903
Wood Products	4 390	4 426	4 835
Other	4 024	4 913	7 988
Continuing Operations	**27 383**	**28 696**	**33 815**
Discontinued: Merchants	-	-	957
Total Operations	**27 383**	**28 696**	**34 772**
Year-End Personnel	**26 379**	**27 390**	**31 667**

Location	2010	2009	2008
	Year Ended 31 December		
Baltic States	1 059	1 021	1 405
Finland	7 603	8 246	11 040
France	513	542	611
Germany	2 623	2 846	3 715
Poland	1 936	2 010	2 221
Russia	1 374	1 403	1 835
Sweden	6 421	6 661	7 677
Other Europe	3 265	3 360	3 755
Europe	**24 794**	**26 089**	**32 259**
Brazil	391	397	428
China (incl. Hong Kong)	1 875	1 874	1 660
North America	206	201	208
Other	117	135	217
Total	**27 383**	**28 696**	**34 772**

External Sales by Destination and Origin

	Year Ended 31 December								
	Sales by Destination			**Sales by Origin**			**Balance of Trade**		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Austria	305.1	255.2	309.4	388.7	284.0	352.7	83.6	28.8	43.3
Baltic States	161.9	119.9	162.1	272.8	175.9	280.3	110.9	56.0	118.2
Belgium	155.6	158.8	176.9	260.3	260.1	331.0	104.7	101.3	154.1
Czech Republic	138.3	125.5	151.5	196.0	171.6	213.7	57.7	46.1	62.2
Denmark	146.0	148.2	189.9	2.4	2.3	1.8	-143.6	-145.9	-188.1
Finland	845.2	589.7	831.8	3 669.3	3 137.1	3 671.2	2 824.1	2 547.4	2 839.4
France	650.8	594.2	699.9	192.8	197.8	216.0	-458.0	-396.4	-483.9
Germany	1 488.4	1 576.4	1 825.3	937.6	983.7	1 571.8	-550.8	-592.7	-253.5
Italy	284.6	267.0	362.9	3.7	5.5	14.9	-280.9	-261.5	-348.0
Netherlands	316.5	407.3	487.4	21.1	30.2	31.8	-295.4	-377.1	-455.6
Poland	288.1	273.4	390.0	229.1	185.4	269.7	-59.0	-88.0	-120.3
Russia	286.3	220.5	302.8	193.0	135.0	221.9	-93.3	-85.5	-80.9
Spain	368.7	366.7	427.9	128.8	132.9	131.7	-239.9	-233.8	-296.2
Sweden	1 002.3	837.2	960.8	2 989.1	2 657.0	2 950.5	1 986.8	1 819.8	1 989.7
UK	712.1	604.9	731.9	35.9	32.2	35.4	-676.2	-572.7	-696.5
Other Europe	792.6	635.1	837.6	101.1	69.9	143.0	-691.5	-565.2	-694.6
Total Europe	**7 942.5**	**7 180.0**	**8 848.1**	**9 621.7**	**8 460.6**	**10 437.4**	**1 679.2**	**1 280.6**	**1 589.3**
Africa	252.8	237.1	246.9	-	-	-	-252.8	-237.1	-246.9
Australia / New Zealand	160.5	96.8	169.5	8.6	10.0	5.3	-151.9	-86.8	-164.2
Brazil	233.9	153.2	192.4	415.2	289.0	394.4	181.3	135.8	202.0
China (incl. Hong Kong)	391.8	282.9	287.9	203.2	145.1	152.7	-188.6	-137.8	-135.2
Japan	295.5	212.7	266.1	0.2	0.1	0.1	-295.3	-212.6	-266.0
Middle East	266.1	203.3	304.9	-	-	-	-266.1	-203.3	-304.9
Uruguay	3.9	5.4	2.1	-	-	-	-3.9	-5.4	-2.1
USA	153.0	123.7	106.2	43.7	33.5	30.4	-109.3	-90.2	-75.8
Other Asia	367.6	283.9	347.6	4.3	6.8	8.0	-363.3	-277.1	-339.6
Other Latin America	143.9	103.7	165.7	-	-	0.5	-143.9	-103.7	-165.2
Others	85.4	62.4	91.4	-	-	-	-85.4	-62.4	-91.4
Continuing Operations	**10 296.9**	**8 945.1**	**11 028.8**	**10 296.9**	**8 945.1**	**11 028.8**	**0.0**	**0.0**	**0.0**
Discontinued operations	-	-	529.4	-	-	529.4	-	-	-
Total Operations	**10 296.9**	**8 945.1**	**11 558.2**	**10 296.9**	**8 945.1**	**11 558.2**	**0.0**	**0.0**	**0.0**

Total Assets, Capital Employed and Shareholders' Equity by Location

	As at 31 December								
	Total Assets			Capital Employed			Shareholders' Equity		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Austria	185.7	181.4	203.4	125.1	127.0	143.7	116.0	104.0	93.5
Baltic States	123.1	124.3	153.5	112.6	101.1	136.1	63.6	41.4	35.1
Belgium	567.3	536.7	511.6	480.7	441.0	434.6	222.5	375.5	312.6
Czech Republic	142.2	132.1	140.4	121.7	102.4	111.6	146.5	148.6	163.8
Finland	5 155.9	4 418.7	4 694.8	3 154.3	2 683.2	3 459.6	1 761.8	1 056.4	1 909.9
France	121.9	133.3	218.0	73.9	67.9	160.4	298.2	314.2	368.1
Germany	867.7	858.7	1 045.2	332.2	283.5	384.2	398.0	417.5	393.1
Poland	336.1	314.7	305.0	256.1	201.6	172.8	283.3	252.3	243.9
Russia	191.4	210.7	234.9	160.0	178.5	204.4	43.4	33.5	3.1
Spain	104.4	97.9	105.4	39.8	56.8	73.8	54.2	77.1	73.6
Sweden	3 393.2	2 965.2	3 002.3	2 180.5	1 905.5	2 173.1	1 255.4	1 008.5	747.7
Other Europe	110.6	110.5	138.7	97.6	262.0	43.2	284.6	189.1	193.2
Total Europe	**11 299.5**	**10 084.2**	**10 753.2**	**7 134.5**	**6 410.5**	**7 497.5**	**4 927.5**	**4 018.1**	**4 537.6**
Brazil	910.6	801.1	642.4	874.1	777.5	606.1	866.5	765.0	606.0
China (incl. Hong Kong)	419.9	370.7	367.5	334.8	292.6	298.3	64.0	50.7	26.9
Uruguay	271.1	237.5	88.8	271.1	237.5	86.4	271.1	237.5	86.9
USA	80.3	65.7	355.7	75.5	61.4	260.5	64.0	48.6	310.9
Other	55.3	34.0	33.2	-25.3	-3.2	25.7	9.8	4.4	25.7
Total Operations	**13 036.7**	**11 593.2**	**12 240.8**	**8 664.7**	**7 776.3**	**8 774.5**	**6 202.9**	**5 124.3**	**5 594.0**

Total capital employed represents operating capital less net tax liabilities.

Reconciliation of Operating Capital to Total Assets

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Operating Capital	**9 094.6**	**8 090.6**	**9 057.3**
Gross-up for operating liabilities	2 228.2	2 001.5	2 131.9
Interest-bearing receivables	1 601.2	1 342.9	952.1
Tax receivables	112.7	158.2	99.5
Total Assets	**13 036.7**	**11 593.2**	**12 240.8**

Operating capital ("O" items) is designated thus on the Balance Sheet and represents the sum of fixed and biological assets, emission rights, unlisted shares, other non-current assets, inventories, short-term operative receivables and liabilities, provisions and other long-term operative liabilities.

Fixed Assets, Capital Expenditure and Depreciation and Impairment by Location

	Year Ended 31 December								
	Fixed Assets			Capital Expenditure			Depreciation/Impairment		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Austria	108.6	114.5	125.1	3.3	1.1	8.0	9.2	11.5	9.8
Baltic States	56.2	64.1	74.6	2.2	1.3	8.6	8.8	8.9	24.8
Belgium	484.7	470.4	447.2	50.0	56.9	48.9	35.5	33.6	33.5
Czech Republic	112.0	108.5	110.7	1.7	0.4	2.1	4.3	4.2	7.5
Finland	1 494.9	1 289.4	1 809.7	103.3	107.7	227.0	-107.9	641.2	696.1
France	33.8	39.6	102.3	1.8	3.1	6.2	7.1	65.5	14.2
Germany	596.2	597.4	645.8	56.3	91.4	59.3	56.9	138.9	279.4
Poland	229.6	185.3	148.5	61.1	51.4	17.0	21.5	18.2	27.6
Russia	113.9	143.8	158.1	4.3	5.1	48.2	41.0	11.4	70.1
Spain	52.4	53.3	56.7	6.0	4.2	5.7	6.9	7.5	6.7
Sweden	1 728.7	1 597.2	1 608.8	81.0	65.1	147.6	170.3	163.3	234.9
Other Europe	25.0	26.5	33.8	3.5	1.2	21.0	3.3	5.4	13.0
Total Europe	**5 036.0**	**4 690.0**	**5 321.3**	**374.5**	**388.9**	**599.6**	**256.9**	**1 109.6**	**1 417.6**
Brazil	117.5	112.0	90.9	0.4	3.0	5.3	9.2	7.8	7.5
China (incl. Hong Kong)	161.8	156.9	178.1	1.3	-2.1	6.8	14.0	13.4	31.7
Uruguay	-	-	72.1	-	3.6	35.8	-	15.1	0.2
USA	15.6	16.0	30.8	0.3	0.8	10.4	1.9	6.5	10.9
Other	3.4	5.0	5.6	0.5	0.2	0.4	0.7	0.5	0.6
Total Operations	**5 334.3**	**4 979.9**	**5 698.8**	**377.0**	**394.4**	**658.3**	**282.7**	**1 152.9**	**1 468.5**
Continuing operations	5 334.3	4 979.9	5 698.8	377.0	394.4	656.1	282.7	1 152.9	1 422.4
Discontinued operations	-	-	-	-	-	2.2	-	-	46.1
Total Operations	**5 334.3**	**4 979.9**	**5 698.8**	**377.0**	**394.4**	**658.3**	**282.7**	**1 152.9**	**1 468.5**

Note 4 Acquisitions and Disposals

Acquisition of Group Companies

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Acquired Net Assets			
Cash and cash equivalents	0.5	4.4	-
Other operating working capital	0.1	20.4	0.1
Fixed assets	4.8	17.6	4.0
Tax assets and liabilities	-0.6	16.0	-0.4
Net interest-bearing liabilities	-0.8	-44.1	-1.0
Non-controlling interests	13.6	-2.0	1.8
Fair Value of Net Assets in Acquired Companies	**17.6**	**12.3**	**4.5**
Step acquisition revaluation surplus	-	-3.9	-
Goodwill	3.0	-	-
Gain to retained earnings on non-controlling interest buy-outs	-7.6	-	-
Total Purchase Consideration	**13.0**	**8.4**	**4.5**

In December 2010 Stora Enso acquired 100% of the shares in the Finnish special roof element and large wall element producer Eridomic Oy for consideration of EUR 7.0 million. The Group recorded EUR 3.0 million of Goodwill related to this transaction.

In October 2010 Stora Enso announced that the Group had signed an agreement to acquire 51% of the Chinese packaging company Inpac International. Inpac is a packaging company with production operations in China and India, and service operations in Korea. Inpac specialises in manufacturing consumer packaging, especially for global manufacturers of mobile phones and other consumer goods. The all-cash acquisition is expected to be closed during the first half of 2011, subject to approval by regulatory and competition authorities, and other customary closing conditions. This pending transaction has not been included in the Group accounts at the year end. The Group's commitment related to the Inpac acquisition is included in other commitments, within Note 31 Commitments and Contingencies.

In 2010 Stora Enso spent EUR 5.2 million on buying out non-controlling interests in Stora Enso Poland S.A. In December 2004 Stora Enso had originally acquired 67% of the company for EUR 133.3 million and in 2007 the Polish state's interest in Stora Enso Poland S.A. was acquired for EUR 64.3 million. With the 2010 purchase the Group's investment now comes to EUR 202.8 million and the ownership to 99.64%. A gain of EUR 7.6 million was recorded in retained earnings related to the non-controlling interest buy-outs.

Additionally, in 2010 Stora Enso spent EUR 0.8 million on buying out non-controlling interests in FPB Holding GmbH & Co. KG.

In 2009 the Group spent EUR 8.4 million on external share acquisitions, mainly related to the acquisition of Myllykoski Paper's remaining 49% shareholding in Sunila Oy in Finland and the increase in the Group's shareholding in Design Force Ab. Related to the Sunila acquisition, a step acquisition revaluation surplus of EUR 3.9 million was recorded in retained earnings in 2009.

In 2008 the Group spent EUR 4.5 million on external share acquisitions.

Disposal of Group Companies

EUR million	Year Ended 31 December 2010	2009	2008
Net Assets Sold			
Cash and cash equivalents	2.9	0.1	31.3
Other operating working capital	6.7	2.1	173.8
Fixed assets	0.8	74.3	281.8
Biological assets	-	18.3	-
Interest-bearing assets less cash and cash equivalents	2.1	-	-
Tax liabilities	-8.6	-	-26.7
Interest-bearing liabilities	-7.7	-	-230.1
Equity accounted investment acquired in share exchange with Non-controlling interest	-	-	-6.9
Non-controlling interests	-	-	-3.3
Net Assets in Divested Companies	**-3.8**	**94.8**	**219.9**
Income Statement capital gain	5.3	-	1.5
Total Disposal Consideration Received in Cash and Kind	**1.5**	**94.8**	**221.4**

In December 2010 Stora Enso divested two Swedish companies, DJKN Förvaltnings AB and Ceforita AB, for a combined consideration of EUR 0.0 million. Due to negative equity in both companies, the group recorded a gain of EUR 5.3 million for the disposals, which is partly offset by a loss on release of CTA of EUR 0.2 million.

In July 2010 Stora Enso announced that it had finalised the divestment of its integrated mills at Kotka in Finland and its laminating paper operations in Malaysia to private equity firm OpenGate Capital. As at December 2010 the fair value of the consideration amounted to EUR 0.8 million, and in order to reduce the value of the net assets disposed of to the consideration, the Group recorded writedowns in fixed assets and inventories amounting to EUR 6.5 million and EUR 21.7 million, respectively. Hence, the loss on disposal amounted to EUR 28.2 million, which is partially offset by a gain on release of CTA of EUR 0.3 million related to the Malaysian operations. The Group's loss on the disposal is subject to change, as the consideration includes an earn out component.

In October 2009 Stora Enso and Celulosa Arauco y Constitucion S.A. (Arauco) established a joint venture company to combine their assets in Uruguay to facilitate the joint acquisition of Grupo ENCE assets in Uruguay. The Group contributed 100% of Stora Enso Uruguay S.A. shares to Forestal Cono Sur S.A. (FCS), Arauco's 100% subsidiary in Uruguay in return for 50% of the shares in FCS. The cost of the shares contributed amounted to EUR 109.7 million and the fair value of the shares received amounted to EUR 94.8 million resulting in a loss of EUR 14.9 million recorded as land impairment. This loss was partially offset by a cumulative translation adjustment release of EUR 7.9 million recorded through other expenses. The net loss of EUR 7.0 million was further offset by the gain on acquisition of the ENCE assets of EUR 26.0 million which is discussed in more detail in Note 15 Equity Accounted Investments. The net impact of establishing the joint venture with Arauco and subsequent acquisition of ENCE net assets was a gain of EUR 19.0 million, recognised through the Income Statement.

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. Other 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.

Note 5 Discontinued Operations

Stora Enso did not have discontinued operations in 2009 or 2010.

On 30 April 2008 the Group finalised the divestment of its merchant business resulting in a net loss on the disposal of EUR 3.6 million, made up of an impairment of EUR 39.2 million to match the net assets disposed of with the consideration, net currency gains on cumulative translation differences of EUR 35.5 million and positive tax of EUR 0.1 million. 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.

The following tables set 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	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Sales	**10 296.9**	**8 945.1**	**11 028.8**	**-**	**-**	**529.4**	**10 296.9**	**8 945.1**	**11 558.2**
Other operating income	159.1	172.8	120.2	-	-	36.1	159.1	172.8	156.3
Changes in finished goods inventories	64.2	-200.5	-78.1	-	-	-2.4	64.2	-200.5	-80.5
Change in net value of biological assets	-4.0	-3.3	-18.2	-	-	-	-4.0	-3.3	-18.2
Materials and services	-6 451.6	-5 464.3	-6 815.7	-	-	-400.5	-6 451.6	-5 464.3	-7 216.2
Freight and sales commissions	-1 010.1	-833.6	-1 127.1	-	-	-18.3	-1 010.1	-833.6	-1 145.4
Personnel expenses	-1 375.3	-1 349.6	-1 669.1	-	-	-57.9	-1 375.3	-1 349.6	-1 727.0
Other operating expenses	-482.2	-833.1	-752.6	-	-	-28.4	-482.2	-833.1	-781.0
Share of result of equity accounted investments	112.5	111.8	7.6	-	-	-	112.5	111.8	7.6
Depreciation and impairment	-282.7	-1 152.9	-1 422.4	-	-	-46.1	-282.7	-1 152.9	-1 468.5
Operating Profit / (Loss)	**1 026.8**	**-607.6**	**-726.6**	**-**	**-**	**11.9**	**1 026.8**	**-607.6**	**-714.7**
Net financial items	-100.9	-279.2	-167.2	-	-	-5.5	-100.9	-279.2	-172.7
Profit / (Loss) before Tax	**925.9**	**-886.8**	**-893.8**	**-**	**-**	**6.4**	**925.9**	**-886.8**	**-887.4**
Income tax	-156.6	8.6	214.8	-	-	-2.1	-156.6	8.6	212.7
Net Profit / (Loss) for the Year	**769.3**	**-878.2**	**-679.0**	**-**	**-**	**4.3**	**769.3**	**-878.2**	**-674.7**

Cash Flow Effects of the Discontinued Operations

	Year Ended 31 December								
	Continuing Operations			Discontinued Operations			Total Operations		
EUR million	2010	2009	2008	2010	2009	2008	2010	2009	2008
Cash Flow from Operating Activities									
Net profit / (loss) for the period	769.3	-878.2	-679.0	-	-	4.3	769.3	-878.2	-674.7
Result from the Statement of Comprehensive Income	97.3	233.4	-280.9	-	-	-	97.3	233.4	-280.9
Taxes	156.6	-8.6	-214.8	-	-	2.1	156.6	-8.6	-212.7
Depreciation and impairment	282.7	1 152.9	1 422.4	-	-	46.1	282.7	1 152.9	1 468.5
Net financial expense	100.9	279.2	167.2	-	-	5.5	100.9	279.2	172.7
Other adjustments	-122.7	101.6	7.4	-	-	-35.5	-122.7	101.6	-28.1
Interest paid	-113.0	-113.5	-179.5	-	-	-11.7	-113.0	-113.5	-191.2
Interest and dividends received	41.4	17.4	37.4	-	-	3.2	41.4	17.4	40.6
Other financial items net	-66.9	-116.7	211.5	-	-	-0.2	-66.9	-116.7	211.3
Income taxes (paid) / received	-62.0	-3.0	25.1	-	-	0.4	-62.0	-3.0	25.5
Change in net working capital	-271.7	638.0	52.1	-	-	29.4	-271.7	638.0	81.5
Net Cash Provided by Operating Activities	**811.9**	**1 302.5**	**568.9**	**-**	**-**	**43.6**	**811.9**	**1 302.5**	**612.5**
Net Cash Used in Investing Activities	**-362.6**	**-486.8**	**-543.9**	**-**	**-**	**-7.0**	**-362.6**	**-486.8**	**-550.9**
Net Cash Used in Financing Activities	**-229.2**	**-300.5**	**-602.5**	**-**	**-**	**-83.2**	**-229.2**	**-300.5**	**-685.7**
Net Increase / (Decrease) in Cash	**220.1**	**515.2**	**-577.5**	**-**	**-**	**-46.6**	**220.1**	**515.2**	**-624.1**

Note 6 Other Operating Income and Expense

The Group has recorded Other Operating Income of EUR 19.5 million and under Materials and Services an expense of EUR 2.5 million relating to emission rights. The net income amounts to EUR 17.0 million, of which income of EUR 53.0 million reflects the fair value of the emission allowances on the date when the Group obtained control over these rights and also includes the result from the net sale of surplus allowances and an expense of EUR 36.0 million reflects the cost of CO_2 emissions from production. Actual realised profits amounted to EUR 13.5 million on the disposal of surplus rights and EUR 3.5 million is the value of excess emission rights held at the year end.

The Group also generates income from its renewable power generation in Sweden, Belgium and Poland, where it uses biomass and is thus entitled to Green Certificates for onward sale to electricity retailers for fulfilling their renewable power quota obligations. This income amounted to EUR 57.8 (EUR 46.5) million.

In March 2009 the Group finalised the divestment of the buildings and most of the Summa Mill site in Finland to the Google Group of Companies for EUR 40 million, of which EUR 15 million was recorded as a reversal of a previous impairment and EUR 25 million recorded as capital gain on sale of fixed assets.

Total sales of excess freight capacity in 2010 amounted to EUR 50.7 (EUR 28.2) million; until 2008 the income was recorded as part of Sales.

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 and Expense

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Other Operating Income			
Emission rights granted and disposal gains	19.5	49.5	49.5
Sale of Green Certificates	57.8	46.5	47.4
Capital gains on sale of fixed assets	7.5	32.7	7.6
Capital gains on sale of Group companies	0.1	-	1.5
Gain on sale of unlisted shares	0.7	0.3	1.0
Insurance compensation	2.3	0.5	0.6
Freight sales, rent and other	63.6	38.6	7.1
Subsidies	7.6	4.7	5.5
Total: Continuing Operations	**159.1**	**172.8**	**120.2**
Total: Discontinued operations	-	-	36.1
Total Operations	**159.1**	**172.8**	**156.3**
Other Operating Expenses include			
Impairment of available-for-sale investments	-	284.6	-
Rents paid	87.1	84.9	82.4
Research and development	75.0	73.7	79.2
Credit losses	8.2	20.5	8.6
Loss on sale of long-term investments	-	1.6	0.1
CTA on disposals net of hedging	-1.2	5.3	3.2
Materials and Services include			
Emissions rights to be delivered and disposal losses	2.5	27.7	27.6

In 2009 Stora Enso recorded a writedown of EUR 417.8 (USD 575) million related to its 20.1% NewPage shareholding and PIK vendor note. The writedown of the shares was recognised in other expenses and had a negative impact of EUR 269.3 million on operating profit. The writedown of the PIK Note had a negative impact of EUR 148.5 million on financial items.

In 2009 the Finnish Market Court found that Stora Enso, UPM-Kymmene and Metsäliitto Cooperative had infringed the Act on Competition Restrictions by exchanging roundwood price information in Finland from 1997 to 2004. As a result, Stora Enso was fined EUR 30 million which was recorded in Other Operating Expenses.

Aggregate fees for professional services of an accounting nature rendered to the Group amounted to EUR 5.1 (EUR 4.1) million payable to the principal independent auditor Deloitte & Touche Oy, which replaced PricewaterhouseCoopers Oy as auditor, 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 the financial statements. Tax fees are incurred on account of tax compliance advice and planning.

Principal Independent Auditor's Fees and Services

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Audit fees	4.0	3.6	3.7
Audit-related	0.2	0.1	0.1
Tax fees	0.4	0.1	0.2
Other fees	0.5	0.3	0.9
Total	**5.1**	**4.1**	**4.9**

Note 7 Staff Costs

Personnel Expenses

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Wages and salaries	1 042.2	961.5	1 205.2
Board remuneration (Note 8)	0.7	0.4	0.9
Group Executive Team (GET) remuneration (Note 8)	6.8	5.6	8.0
Pensions (see below)	187.3	195.6	204.0
Share-based remuneration (Note 23)	28.0	0.5	-13.4
Total return swaps	-50.5	20.2	83.9
Other statutory employer costs	143.7	153.5	162.6
Other voluntary costs	17.1	12.3	17.9
Total: Continuing Operations	**1 375.3**	**1 349.6**	**1 669.1**
Total: Discontinued operations	-	-	57.9
Total Operations	**1 375.3**	**1 349.6**	**1 727.0**

Pensions

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Defined benefit plans	21.4	24.8	26.8
Defined contribution plans	164.1	169.9	174.7
Other post-employment benefits	1.8	0.9	2.5
Pension Costs: Continuing Operations	**187.3**	**195.6**	**204.0**
Pension costs: Discontinued operations	-	-	5.5
Pension Costs: Total Operations	**187.3**	**195.6**	**209.5**

Total personnel expenses for continuing operations totalled EUR 1 375.3 million in 2010 compared with EUR 1 349.6 million in 2009. The average number of employees in 2010 amounted to 27 383, compared with 28 696 in 2009. Pension costs are discussed in Note 22 Post-Employment Benefits.

In December 2010 the Finnish Supreme Court gave a precedent ruling obliging Stora Enso to pay performance-based rewards to those employees who had taken part in illegal industrial action in May 2006. Stora Enso will follow the ruling and voluntarily pay all unpaid performance-based rewards from 2005 to 2009, including interest, on the same basis as that covered by the ruling. This had a negative impact of EUR 20.7 million on operating profit.

Share-based remuneration comprises share options and share awards, which are described in more detail in Note 23 Employee Bonus and Equity Incentive Schemes.

The Group hedges its option programme by using Total Return Swaps (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 priced by reference to valuation models, whereas the TRS are priced by reference to the current market price of the shares. The income of share-based remuneration net of TRS in 2010 amounted to EUR 22.5 million compared with an expense of EUR 20.7 million in 2009 and an expense of EUR 70.5 million in 2008.

In 2010 the cost of the share-based remuneration itself was EUR 28.0 million. However, due to the increase in the Stora Enso R share price from EUR 4.88 at 31 December 2009 to EUR 7.69 at 31 December 2010 income of EUR 50.5 million was recorded in respect of TRS.

Note 8 Board and Executive Remuneration

Board Remuneration and Committee Memberships at 31 December 2010

	Year Ended 31 December				
	2010			2009	
EUR thousand	Cash	Shares	Total	Total [5]	Committee Memberships
Board Members at 31 December 2010					
Gunnar Brock, Chairman	105.0	54.0	159.0	30.0	Remuneration, Nomination [2,4], Financial & Audit
Juha Rantanen, Vice Chairman	65.0	34.0	99.0	30.0	Nomination [2,4], Financial & Audit
Carla Grasso	36.0	24.0	60.0	-	
Birgitta Kantola	56.0	24.0	80.0	40.0	Financial & Audit
Mikael Mäkinen	36.0	24.0	60.0	-	
Hans Stråberg	42.0	24.0	66.0	30.0	Remuneration
Matti Vuoria	42.0	24.0	66.0	33.0	Remuneration
Marcus Wallenberg	36.0	24.0	60.0	30.0	Nomination [3]
Former Board Members					
Jan Sjöqvist (retired 1 April 2009)	-	-	-	-	
Claes Dahlbäck (retired 31 March 2010)	-	-	-	79.5	
Ilkka Niemi (retired 31 March 2010)	-	-	-	52.5	
Dominique Hériard Dubreuil (retired 31 March 2010)	-	-	-	33.0	
Total Remuneration as Directors [1]	**418.0**	**232.0**	**650.0**	**358.0**	

[1] 40% of the Board remuneration in 2010 was paid in Stora Enso R shares purchased from the market and distributed as to Chairman 8 646 R shares, Vice Chairman 5 444 R shares, and members 3 843 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.
[2] Keijo Suila appointed by Solidium Oy is Chairman of the Nomination Board.
[3] Marcus Wallenberg is the member of the Nomination Board appointed by the Foundation Asset Management.
[4] Stora Enso's Nomination Board is appointed by the shareholders at the AGM. Gunnar Brock and Juha Rantanen were appointed thereto in their roles as Chairman and Vice Chairman of the Board of Directors. A member of the Board of Directors may not be Chairman of the Nomination Board.
[5] The AGM approved the initiative of the Board to reduce the annual remuneration for the Board members for the year 2009 to half of the remuneration in the previous years.

Board Share Interests at 31 December 2010

	Shares Held	
EUR thousand	A	R
Board Members at 31 December 2010		
Gunnar Brock, Chairman	-	18 458
Juha Rantanen, Vice Chairman	-	12 756
Carla Grasso	-	3 843
Birgitta Kantola	-	13 155
Mikael Mäkinen	-	3 843
Hans Stråberg	-	6 728
Matti Vuoria	-	18 655
Marcus Wallenberg	2 541	14 370
Total Shares Held	**2 541**	**91 808**

Group Executive Team (GET) remuneration and share interests

Shown in Note 23 Employee Bonus and Equity Incentive Schemes are details of total executive remuneration share and share option interests and incentive 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 table for options and share awards that vested in the year. The Company has no formal policy requirements for the CEO or other executives to retain shares received as remuneration. 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 2010 amounted to EUR 6.8 (EUR 5.6) million. Executive Vice President for Sustainability, HR and Wood Supply, Elisabet Salander Björklund was replaced by Executive Vice President for Global HR, Lars Häggström, during the year. The total number of GET members remained unchanged at eight during 2010.

In accordance with their respective pension arrangements, GET members may retire at sixty or sixty-five years of age 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.

The ordinary annual salary review was effective as normal from 1 March and the annual incentive result for performance year 2009 was decided to be paid in shares (Restricted Shares) and deferred one year from March 2010 to March 2011. The outcome of the financial targets relating to the Short and Long Term Incentive programmes was reviewed and confirmed by the Remuneration Committee.

Group Executive Team Remuneration

	Year Ended 31 December					
	2010			2009		
EUR thousand	**CEO**	**Others [1]**	**GET Total**	**CEO**	**Others**	**GET Total**
Remuneration						
Annual salary	1 035 [2]	2 640	3 675	825	2 555	3 503
Local housing (actual costs)	21	53	74	123	47	47
Other benefits	14	102	116	16	113	129
Short Term Incentive programme	- [3]	218 [4]	218	- [3]	396	396
Long Term Incentive programme	309 [5]	736	1 045	115 [5]	103	218
	1 379	**3 749**	**5 128**	**1 079**	**3 214**	**4 293**
Pension Costs						
Mandatory company plans	-	102	102	-	70	70
Stora Enso voluntary plans	341	1 193	1 534	265	923	1 188
	341	**1 295**	**1 636**	**265**	**993**	**1 258**
Total Compensation	**1 720**	**5 044**	**6 764**	**1 344**	**4 207**	**5 551**

1) The amounts below include payment related to Elisabet Salander Björklund until leaving the Company.
2) The CEO previous housing allowance was, as of 1 March, 2010, converted to basic salary and is as of then included in the amount under annual salary.
3) The Short Term Incentive result for performance year in 2008 and 2009 (originally payable 2009 and 2010) was converted to Restricted Share Awards and deferred one to three years.
4) The Short Term Incentive result for performance year in 2009 (originally payable 2010) was converted to Restricted Share Awards and deferred to March 2011. Settled in Cash for individuals leaving Group Executive Team during the year.
5) The Long Term Incentive 2010, includes settlement of deferred Short Term Incentive from performance year in 2007 and 2008.

Executives other than CEO

Short Term Incentive (STI) programmes for management

GET members have STI programmes with up to a maximum of 50% of their annual fixed salary, payable the year after the performance period. The STI for 2010 was based 70% on financial measures and 30% on Individual Key Targets. The 2010 deferred payout, relating to performance year 2009, to be delivered in shares (restricted shares) in March 2011 was EUR 960 769 (EUR 396 000).

Option programmes for management

No options have been awarded since year 2007. During the year 2010, 82 500 options relating to the 2003 Programme lapsed and no others were exercised. In 2009 no options were exercised.

Long Term Incentive (LTI) programmes for management

GET members participate in a number of share-based LTI programmes. In 2007/2008 a Senior Executive section of the Performance Share programme was introduced. The shares granted under this programme will vest over a four-year period (2009–2012). Vesting date is 1 March each year. Since 2009 new LTI programmes with a three year vesting period have been launched each year. All programmes can vest up to an absolute maximum vesting level of 150% of the number of shares awarded provided that the result of the performance criteria exceeds the target. The performance criteria for 2010 was based solely on financial measures.

Under the Performance Share 2010 plan GET members received awards of 280 524 shares assuming annually defined performance conditions will be met.

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 with 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 on page 64 refer to individuals who were executives at either the time of grant or settlement.

During the year the number of shares settled on executives from previous awards derived from Restricted Share Programmes and Performance Share Programmes amounted to 159 263 having a cash value at the 1 March 2010 settlement date of EUR 735 795 based on the share price of EUR 4.62 at that date.

GET members were not eligible for new Restricted Share Awards in 2010 other than the 2010 deferred STI payout, relating to performance year 2009 (described above).

For GET members the aggregate number of outstanding shares derived from Restricted Share Programmes of previous years, including the 2010 deferred STI payout, relating to performance year 2009 (described above), to be settled in 2011 is 189 891. The corresponding number to be settled in 2012 is 0.

Chief Executive Officer – Jouko Karvinen

The CEO has been employed since 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 six months with a severance payment of twelve months salary on termination by the Company but with no contractual payments on any change of control. Benefits include a car allowance and pension provision under a Company defined contribution plan that has acceptance from the UK Inland Revenue (RPS). During 2010 a complementary scheme was introduced (EFRBS). Both schemes are defined contribution: the pension depends on the contribution paid and the investment result. The Company and CEO contribute to both schemes in total a fixed contribution of 40% of the CEO's basic salary, of which the Company contributes 35% of the basic salary and the CEO contributes 5% of the basic salary. 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.

Short Term Incentive (STI) programme for CEO

The CEO is entitled to a STI programme decided by the Board each year giving a maximum of 75% of annual fixed salary. The STI for 2010 was based 70% on financial measures and 30% on Individual Key Targets. The 2010 deferred payout, relating to performance year 2009, to be delivered in shares (restricted shares) in March 2011 was EUR 404 505.

Option programmes for CEO

No options have been awarded since year 2007. 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 2010 the CEO did not exercise any of these options.

Long Term Incentive (LTI) programmes for CEO

The CEO participates in a number of share based LTI programmes. As of 2007 the CEO participates in the Senior Executive section of the Performance Share Plan. The shares granted under this programme will vest over a four-year period (2009–2012). Vesting date is 1 March each year. The CEO received an Award under the Performance Share Plan 2010 of 80 000 shares with the valuation at the grant date of 1 March 2010 being EUR 369 600 based on the share price at the grant date of EUR 4.62 and assuming targets will be met. All programmes can vest up to an absolute maximum vesting level of 150% of the number of shares awarded provided that the result of the performance criteria exceeds the target. The performance criteria for 2010 was based solely on financial measures.

During the year the number of shares settled on the CEO from earlier awards derived from Restricted Share Programmes and Performance Share Programmes amounted to 66 913 having a cash value of EUR 309 138 at the 1 March 2010 settlement date based on the share price of EUR 4.62 at that date.

The CEO did not receive any new Restricted Share Award other than the 2010 deferred STI payout, relating to performance year 2009 (described on page 65). The aggregated number of outstanding shares derived from restricted share programmes of previous years to be settled in 2011 is 108 946. The corresponding number to be settled in 2012 is 9 415.

The CEO has a cap on total variable pay components that will be applicable for STI and LTI payments made in 2013 and onwards, i.e. should the aggregated outcome of STI and LTI exceed 100% of the CEO's annual basic salary the LTI outcome will then be reduced accordingly.

Group Executive Team Share Interests and Options [6)]

Executives in Office at the Year End	R Shares Held [1)]	Synthetic Options 2004–2007	Performance Share Awards	Restricted Share Awards
Hannu Alalauri	17 254	30 000	71 028	26 043 [2)]
Lars Häggström	-	-	-	-
Jouko Karvinen, CEO	83 311	157 646	219 874	118 361 [3)]
Hannu Kasurinen	17 848	33 750	59 861	22 711 [4)]
Mats Nordlander	14 513	30 000	101 587	37 899 [2)]
Markus Rauramo, CFO	17 924	25 000	61 717	32 683 [5)]
Bernd Rettig	19 192	67 500	86 374	37 222 [2)]
Juha Vanhainen	15 800	41 250	73 655	33 333 [2)]
Total, Serving Officers	**185 842**	**385 146**	**674 096**	**308 252**

1) None of the GET members hold A shares.
2) In exchange for STI 2009.
3) In exchange for STI 2007, 2008 and 2009.
4) 21 961 in exchange for STI 2009.
5) 32 083 in exchange for STI 2009.
6) The Company has no formal policy requirements for the GET members to retain shares received as remuneration.

The following Executive Officers also Served in 2010	Shares Held when GET Membership Ended	Synthetic Options 2004–2007	Performance Share Awards	Restricted Share Awards	Effective Date of GET Membership Ending
Elisabet Salander Björklund	29 912	60 000	-	-	31 August 2010

Note 9 Net Financial Items

Financial Income and Expense

EUR million	Year Ended 31 December 2010	2009	2008
Net Financial Expense in the Income Statement			
Financial income	91.6	209.3	356.7
Financial expense	-192.5	-488.5	-523.9
Total: Continuing Operations	**-100.9**	**-279.2**	**-167.2**
Represented by			
Interest expense			
Bank borrowings	-116.3	-125.3	-198.2
Finance leases	-3.2	-0.9	-3.2
Interest capitalised	11.5	8.4	1.7
Interest income	17.7	17.1	34.5
Income from interest-bearing securities	6.0	13.6	20.0
Exchange gains and losses			
Currency derivatives	-45.3	-137.8	254.9
Borrowings and deposits	46.3	108.7	-270.2
Other financial income			
Fair value hedges	-	9.7	-
Other fair value changes	16.8	14.8	35.6
Others (including listed securities)	4.8	37.0	10.0
Other financial expense			
Fair value hedges	-1.5	-	-7.9
Other fair value changes	-12.8	-6.5	-34.5
Others (including listed securities)	-24.9	-218.0	-9.9
Total: Continuing Operations	**-100.9**	**-279.2**	**-167.2**
Total: Discontinued operations	-	-	-5.5
Total Operations: Income Statement	**-100.9**	**-279.2**	**-172.7**

Gains and losses on derivative financial instruments are shown in Note 29.

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 233.8 million and the other from Papyrus Holding AB in Sweden with a nominal value of EUR 72.2 million. Both these unlisted financial securities accrue interest which is shown in the table above as EUR 6.0 (EUR 13.6) million of income from interest-bearing securities. 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 have a change in control. No interest has been recognised in respect of the NewPage PIK Note after 30 June 2009.

As discussed in Note 16 Available-for-Sale Investments, Stora Enso recorded a writedown of EUR 417.8 (USD 574.8) million related to its 20.1% NewPage shareholding and PIK Note in the second quarter of 2009. The writedown of the shares had a negative impact of EUR 269.3 million on operating profit and the writedown of the PIK Note a negative impact of EUR 148.5 million on other financial expenses.

Exchange gains and losses shown in the previous table 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 13.7 (EUR 7.6) million. Costs on long-term debt issues are capitalised as part of non-current debt, which at 31 December 2010 amounted to EUR 7.7 (EUR 8.3) million, and are amortised by using the effective interest rate method through the Income Statement. EUR 1.8 (EUR 1.6) million were amortised in 2010 and 2009 respectively.

Total Foreign Exchange Gains and Losses in the Income Statement

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Sales	-14.6	-5.6	33.9
Costs and expenses	11.7	4.7	-14.9
Net financial items	1.0	-29.1	-15.3
Total: Continuing Operations	**-1.9**	**-30.0**	**3.7**
Total: Discontinued operations	-	-	-0.4
Total Operations	**-1.9**	**-30.0**	**3.3**

Note 10 Income Taxes

Tax Expense

EUR million	Year Ended 31 December 2010	2009	2008 *
Current tax	-110.5	-46.4	46.8
Deferred tax	-46.1	55.0	165.9
Total Tax	**-156.6**	**8.6**	**212.7**

*) For 2010 and 2009 there were no discontinued operations. For 2008 the current tax benefit for continuing operations was EUR 49.5 million and the expense for discontinued operations was EUR 2.7 million. The deferred tax benefit was EUR 165.3 million for continuing operations and EUR 0.6 million for discontinued operations, resulting in EUR 214.8 million total tax for continuing operations and EUR -2.1 million for discontinued operations.

Income Tax Rate Reconciliation

EUR million	Year Ended 31 December 2010	2009	2008
Continuing Operations			
Profit / (loss) before tax	925.9	-886.8	-893.8
Tax at statutory rates applicable to profits in the country concerned [1]	-217.8	250.9	234.0
Non-deductible expenses and tax exempt income [2]	-4.3	-92.8	27.2
Tax losses	51.7	-170.1	-83.6
Taxes from prior years	9.3	21.6	61.9
Change in tax rates and tax laws	-0.1	-0.2	42.0
Impairment of goodwill	-	-0.8	-66.7
Other	4.6	-	-
Total Tax	**-156.6**	**8.6**	**214.8**
Effective Tax Rate	**16.9%**	**1.0%**	**24.0%**
Statutory Tax Rate	**23.5%**	**28.3%**	**26.2%**

1) Includes impact of EUR 18.3 million from tax holidays and other tax benefits in 2010.
Includes impact of EUR 21.1 million from tax holidays and other tax benefits in 2009.
2) The tax value of EUR 43.9 million of non-deductible expenses has been netted against EUR 39.6 million of tax exempt income in 2010.
The tax value of EUR 109.4 million of non-deductible expenses has been netted against EUR 16.6 million of tax exempt income in 2009.
The tax value of EUR 22.8 million of non-deductible expenses has been netted against EUR 50.0 million of tax exempt income in 2008.

The difference of 6.6% between the statutory tax rate and the effective tax rate in 2010 mainly resulted from additional recognition of deferred tax assets, especially in Finland but also in various other countries.

The difference of 27.3% between the statutory tax rate and the effective tax rate in 2009 mainly resulted from impairments of deferred tax assets in Finland and various other countries, and the non-deductibility of the NewPage share and PIK Note writedowns.

At 31 December 2010 Stora Enso had EUR 1 806 (EUR 1 620) million of gross losses carried forward, of which some EUR 873 (EUR 629) million had no expiry date, EUR 28 (EUR 28) million will expire within five years and EUR 905 (EUR 963) million will expire thereafter. Tax losses of EUR 792 (EUR 847) million relate to Finland.

Change in Deferred Taxes 2010

EUR million	Value at 1 Jan 2010	Income Statement	OCI	Acquired/ Disposed	Translation difference	Value at 31 Dec 2010
Fixed assets	-410.1	-81.7	-	-0.4	-56.5	-548.7
Financial assets	-1.3	-	-29.0	-	-	-30.3
Untaxed reserves	1.6	-15.7	-	-3.8	6.8	-11.1
Pensions and provisions	51.3	-3.8	13.1	-0.1	-2.1	58.4
Tax losses and tax credits carried forward [1]	133.3	56.8	-	4.2	8.8	203.1
Other deferred taxes	16.6	-1.7	-	2.8	-0.7	17.0
Total	**-208.6**	**-46.1**	**-15.9**	**2.7**	**-43.7**	**-311.6**
Equity hedges (CTA)	-	-2.5	2.5	-	-	-
Change in Net Deferred Taxes	**-208.6**	**-48.6**	**-13.4**	**2.7**	**-43.7**	**-311.6**
Assets [2]	155.8					111.0
Liabilities [2]	-364.4					-422.6

[1] Tax losses with unrecognised tax value EUR 265.7 million.
[2] Deferred tax assets and liabilities have been offset in accordance with IAS 12.

Change in Deferred Taxes 2009

EUR million	Value at 1 Jan 2009	Income Statement	OCI	Acquired/ Disposed	Translation difference	Value at 31 Dec 2009
Fixed assets	-530.7	122.1	-	14.3	-15.8	-410.1
Financial assets	64.2	-	-65.5	-	-	-1.3
Untaxed reserves	-30.6	33.9	-	-	-1.7	1.6
Pensions and provisions	113.7	-68.5	4.6	-1.8	3.3	51.3
Tax losses and tax credits carried forward [1]	174.2	-42.3	-	0.7	0.7	133.3
Other deferred taxes	6.2	9.8	-	-	0.6	16.6
Total	**-203.0**	**55.0**	**-60.9**	**13.2**	**-12.9**	**-208.6**
Equity hedges (CTA)	-	4.1	-4.1	-	-	-
Change in Net Deferred Taxes	**-203.0**	**59.1**	**-65.0**	**13.2**	**-12.9**	**-208.6**
Assets [2]	74.5					155.8
Liabilities [2]	-277.5					-364.4

[1] Tax losses with unrecognised tax value EUR 298.7 million.
[2] Deferred tax assets and liabilities have been offset in accordance with IAS 12.

The recognition of the deferred tax assets is based on the Group's estimations of future taxable profits available from which the Group can utilise the benefits. In 2010 improved forecasts had a beneficial impact on the recognition of the deferred tax assets. Deferred taxes relating to temporary differences between the carrying amount and tax base of directly held shares in subsidiaries and associated companies have not been recognised.

No deferred taxes have been recognised for the undistributed earnings of Finnish subsidiaries as such earnings may be transferred to the Parent Company without tax consequences.

Note 10 Income Taxes has been changed to represent the taxes in a more coherent way. The computation and the accounting treatment remain unchanged.

Note 11 Valuation Provisions

Provisions for obsolete inventories, inventory net realisable values and doubtful receivables are shown below:

Valuation and Qualifying Accounts

EUR million	Inventory Obsolescence: Spare parts	Inventory Obsolescence: Finished Goods	Inventory net realisable valuation	Doubtful Receivables	Total Allowances
Carrying Value at 1 January 2008	**66.2**	**16.4**	**6.0**	**39.5**	**128.1**
Translation difference	-1.9	-0.1	-0.1	-1.9	-4.0
Companies Acquired & Disposed	-	-5.0	-3.4	-18.6	-27.0
Charge in Income Statement: Continuing	18.2	25.8	11.6	0.4	56.0
Reversal in Income Statement: Continuing	-14.3	-23.0	-2.2	-	-39.5
Income Statement: Discontinued Operations	-	-	-0.2	1.1	0.9
Carrying Value at 31 December 2008	**68.2**	**14.1**	**11.7**	**20.5**	**114.5**
Translation difference	1.3	-	0.1	-	1.4
Companies Acquired & Disposed	-	-	2.8	-	2.8
Charge in Income Statement: Continuing	19.2	2.8	0.5	16.5	39.0
Reversal in Income Statement: Continuing	-13.9	-5.7	-13.0	-0.8	-33.4
Carrying Value at 31 December 2009	**74.8**	**11.2**	**2.1**	**36.2**	**124.3**
Translation difference	3.7	0.1	0.1	1.2	5.1
Companies Acquired & Disposed	-	-	-21.7	-0.3	-22.0
Charge in Income Statement: Continuing	15.1	2.3	24.2	7.9	49.5
Reversal in Income Statement: Continuing	-5.0	-1.7	-1.0	-4.3	-12.0
Carrying Value at 31 December 2010	**88.6**	**11.9**	**3.7**	**40.7**	**144.9**

In 2010 operative provisions did not change significantly in total, however the spare part obsolescence provision increased by EUR 13.8 million due to overaged stocks. The Group disposed of its integrated mills at Kotka during 2010. EUR 21.7 million of the disposal loss is presented as inventory net realizable valuation. Full details of the Kotka transaction are discussed in Note 4 Acquisitions and Disposals. Provisions related to trade receivables are discussed in more detail in Note 19 Receivables.

Note 12 Depreciation and Fixed Asset Impairment Charges

Depreciation and Fixed Asset Impairment Charges

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Depreciation: Continuing Operations			
Intangible fixed assets	18.3	27.0	27.5
Buildings and structures	81.3	91.5	98.5
Plant and equipment	415.1	411.7	535.6
Other tangible fixed assets	14.2	21.4	25.0
Total	**528.9**	**551.6**	**686.6**
Impairment and Disposal Losses: Continuing Operations			
Intangible fixed assets	-	0.8	1.9
Land	-	70.7	9.2
Buildings and structures	29.0	110.1	47.0
Plant and equipment	22.2	426.1	405.9
Other fixed assets	0.6	10.8	39.5
Goodwill	-	-	236.0
Total	**51.8**	**618.5**	**739.5**
Reversal of Impairment: Continuing Operations			
Land	-9.7	-	-
Buildings and structures	-4.0	-2.6	-2.0
Plant and equipment	-284.3	-14.6	-1.7
	-298.0	-17.2	-3.7
Depreciation and Impairment Charges: Continuing Operations	**282.7**	**1 152.9**	**1 422.4**
Depreciation and Impairment Charges: Discontinued Operations			
Depreciation	-	-	6.9
Impairment of goodwill	-	-	39.2
Total	-	-	46.1
Total Operations	**282.7**	**1 152.9**	**1 468.5**

Depreciation

The total depreciation charge from continuing operations has decreased by EUR 158 million since 2008, mainly as a result of significant fixed asset impairments over the same period. A breakdown of depreciation and impairment charges by segment is set out in Note 3 Segment Information.

Impairment testing

Goodwill is tested at the level monitored by senior management, being groups of CGUs, whereas fixed assets are tested at the CGU level, which can be a standalone mill 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 in the goodwill impairment testing section below sets out the average pre-tax discount rates used for goodwill impairment testing, which are similar to those used in the fixed asset impairment testing.

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 four-year future period was used after which the perpetuity value was based on zero growth rates, whereas for fixed asset testing the period was the remaining expected economic life of the assets.

Fixed asset impairment

The total reversal of fixed asset impairment charge during 2010 amounted to EUR 298.0 million, of which EUR 269.3 million resulted from impairment testing and EUR 28.7 million resulted from the disposal of fixed assets at several mills including the Baienfurt mill site. The fixed asset impairment charge in 2010 amounted to EUR 51.8 million, of which EUR 31.1 million resulted from impairment testing and EUR 20.7 million from the permanent shutdown of newsprint production at Maxau and the disposal of the Group's integrated mills at Kotka, as explained in Note 4 Acquisitions and Disposals.

Fixed asset impairments in 2009 in respect of the Group's ongoing business amounted to EUR 618.5 million, of which EUR 239.2 million resulted from restructuring and EUR 379.3 million arose from the impairment testing. A further impairment of EUR 14.9 million was charged in relation to the disposal of Stora Enso Uruguay S.A. The impairment reversal of EUR 17.2 million mainly relates to disposal of the Summa mill site and to the reversal of the decision announced in September 2008 to close down Board Machine 1 at Imatra Mills.

Fixed asset impairments in 2008 in respect of the Group's ongoing business amounted to EUR 503.5 million, of which EUR 125.0 million related to closures announced in September 2008 and EUR 378.5 million arose from the impairment testing undertaken in the fourth quarter; there was also a minor reversal of EUR 3.5 million. The closure-related impairment charges related to the closure of Consumer Board's Baienfurt Mill, Industrial Packaging's Corenso coreboard machine at Varkaus mill, a magazine paper machine at Kabel Mill, Kemijärvi Pulp Mill and Wood Products' sawmills at Paikuse and Viljandi, planned closure of Consumer Board's Imatra Board Machine 1 and downsizing of the Group's Wood Supply operations in Russia.

Goodwill impairment testing

There was no goodwill impairment in 2010 or 2009. Total goodwill impairment in 2008 amounted to EUR 236 million, of which EUR 228 million related to the Fine Paper segment.

Business Area – Groups of Cash Generating Units

	Year Ended 31 December					
	2010			2009		
EUR million	**Goodwill at Year End**	**Impairment charge**	**Average Discount Rate**	**Goodwill at Year End**	**Impairment charge**	**Average Discount Rate**
Wood Products – Central Europe	111.8	-	8.3 %	105.3	-	9.9 %
Newsprint and Book – Europe	23.0	-	8.3 %	23.0	-	9.9 %
Magazine Paper – Uncoated	60.0	-	8.3 %	60.0	-	9.9 %
Industrial Packaging – Corenso	20.0	-	7.3 %	20.0	-	8.9 %
Goodwill: Continuing Operations	**214.8**	**-**		**208.3**	**-**	

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

Impairment Testing Sensitivity Analysis in 2010

EUR million	**Goodwill Impairment**
1% change in the discount rate	29
1% change in the sales	704
1% change in the costs	546

Segment Impairment and Disposal Losses Less Reversals

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Newsprint and Book Paper	10.7	59.1	-
Magazine Paper	-7.8	151.9	4.2
Fine Paper	-71.7	298.1	402.7
Consumer Board	-177.2	26.0	161.0
Industrial Packaging	5.2	23.2	56.7
Wood Products	-5.9	-0.1	82.7
Other	0.5	43.1	28.5
Total: Continuing Operations	**-246.2**	**601.3**	**735.8**
Merchants: Discontinued operations	-	-	39.2
Total Operations	**-246.2**	**601.3**	**775.0**

Note 13 Fixed Assets

Fixed Asset Summary

	Year Ended 31 December			
EUR million	**Property, Plant and Equipment**	**Intangible Fixed Assets**	**Goodwill**	**Total Fixed Assets**
Acquisition Cost				
At 1 January	17 082.6	342.7	1 139.2	18 564.5
Translation difference	912.6	6.7	15.7	935.0
Reclassifications	9.0	-9.0	-	-
Companies acquired	4.8	-	3.0	7.8
Companies disposed	-298.0	-2.5	-	-300.5
Additions	370.7	6.3	-	377.0
Disposals	-228.9	0.3	-	-228.6
At 31 December 2010	**17 852.8**	**344.5**	**1 157.9**	**19 355.2**
Accumulated Depreciation, Amortisation and Impairment				
At 1 January	12 382.4	271.3	930.9	13 584.6
Translation difference	637.9	5.0	12.2	655.1
Disposals	-198.1	-0.6	-	-198.7
Companies disposed	-297.6	-2.1	-	-299.7
Depreciation: Continuing operations	510.6	18.3	-	528.9
Impairment: Continuing operations	-249.3	-	-	-249.3
At 31 December 2010	**12 785.9**	**291.9**	**943.1**	**14 020.9**
Net Book Value at 31 December 2010	**5 066.9**	**52.6**	**214.8**	**5 334.3**
Net Book Value at 31 December 2009	**4 700.2**	**71.4**	**208.3**	**4 979.9**
Net Book Value at 31 December 2008	**5 413.7**	**77.5**	**207.6**	**5 698.8**

Property, Plant and 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 2008	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 2008	**324.2**	**2 709.4**	**12 876.4**	**455.6**	**300.3**	**16 665.9**
Translation difference	27.2	38.9	241.8	12.5	7.6	328.0
Reclassifications	-8.6	54.2	107.0	2.0	-149.1	5.5
Companies acquired	10.2	-	3.4	0.2	-	13.8
Additions	3.8	2.6	153.7	3.3	217.0	380.4
Disposals	-97.3	-17.2	-190.7	-7.4	1.6	-311.0
At 31 December 2009	**259.5**	**2 787.9**	**13 191.6**	**466.2**	**377.4**	**17 082.6**
Translation difference	10.4	103.4	765.0	21.0	12.8	912.6
Reclassifications	-0.7	25.5	245.4	1.7	-262.9	9.0
Companies acquired	0.1	3.5	1.2	-	-	4.8
Companies disposed	-1.5	-12.9	-260.5	-23.1	-	-298.0
Additions	0.6	12.3	212.3	6.6	138.9	370.7
Disposals	-12.0	-64.1	-145.6	-6.5	-0.7	-228.9
At 31 December 2010	**256.4**	**2 855.6**	**14 009.4**	**465.9**	**265.5**	**17 852.8**
Accumulated Depreciation, Amortisation and Impairment						
At 1 January 2008	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
At 31 December 2008	**9.7**	**1 494.5**	**9 420.6**	**313.9**	**13.5**	**11 252.2**
Translation difference	1.6	22.5	170.8	9.6	-0.3	204.2
Companies acquired	-	-	1.2	-	-	1.2
Disposals	-25.4	18.7	-185.7	-6.6	-1.3	-200.3
Depreciation	-	91.5	411.7	21.4	-	524.6
Impairment	70.7	107.5	411.5	10.3	0.5	600.5
At 31 December 2009	**56.6**	**1 734.7**	**10 230.1**	**348.6**	**12.4**	**12 382.4**
Translation difference	0.2	61.9	562.2	12.9	0.7	637.9
Disposals	2.4	-63.1	-131.0	-6.3	-0.1	-198.1
Companies disposed	-	-13.5	-261.7	-22.4	-	-297.6
Depreciation	-	81.3	415.1	14.2	-	510.6
Impairment	-9.7	25.1	-264.8	-0.1	0.2	-249.3
At 31 December 2010	**49.5**	**1 826.4**	**10 549.9**	**346.9**	**13.2**	**12 785.9**
Net Book Value at 31 December 2010	**206.9**	**1 029.2**	**3 459.5**	**119.0**	**252.3**	**5 066.9**
Net Book Value at 31 December 2009	**202.9**	**1 053.2**	**2 961.5**	**117.6**	**365.0**	**4 700.2**
Net Book Value at 31 December 2008	**314.5**	**1 214.9**	**3 455.8**	**141.7**	**286.8**	**5 413.7**

Capitalised Values

	Year Ended 31 December								
	Computer Software			Capitalised Interest			Finance Leases		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
At 1 January	46.4	54.6	64.5	57.8	50.7	54.2	50.3	9.5	36.0
Translation difference	0.9	-	-0.3	2.6	0.8	-1.6	0.9	0.1	-1.5
Reclassifications	-11.0	-0.2	3.2	-13.8	-	-	-4.6	-	-
Acquisitions and disposals	-0.1	0.1	-3.3	-5.0	-	-0.3	2.1	-	-17.7
Capitalised in the year	5.8	12.6	13.7	11.5	8.4	1.7	50.5	41.5	10.1
Amortisation	-12.1	-20.7	-23.2	-4.9	-2.1	-3.3	-11.9	-0.8	-17.4
At 31 December	**29.9**	**46.4**	**54.6**	**48.2**	**57.8**	**50.7**	**87.3**	**50.3**	**9.5**

Computer software includes capitalised own software at the year end of EUR 11.4 (EUR 9.5) million; additions during the year were EUR 4.8 (EUR 2.6) million and depreciation was EUR 1.1 (EUR 3.3) million.

Fixed asset additions

Acquisitions of Group companies in 2010 included fixed assets therein of EUR 7.8 (EUR 17.6) million with EUR 3.0 (EUR 0.0) million of goodwill arising from the acquisition of Eridomic Oy in Finland. This is discussed in more detail in Note 4 Acquisitions and Disposals.

Total capital expenditure for the year in Stora Enso Oyj and its subsidiaries amounted to EUR 377.0 (EUR 394.4) million. Details of ongoing projects and future plans are discussed in more detail in the Report of the Board of Directors.

Fixed asset disposals

Divestment of Group companies in 2010 resulted in the disposal of EUR 0.8 million of fixed assets, the principle item being divestment of the Group's integrated mills at Kotka in Finland and its laminating paper operations in Malaysia. However the net book value of the divested fixed assets was nil because part of the loss on disposal was realised through fixed asset impairments as discussed in more detail in Note 4 Acquisitions and Disposals.

The greater part of the other EUR 32.6 million of disposals was accounted for by:

- the sale of fixed assets from the former Imatra PM 8 fine paper machine and from the former Magazine Paper pulp mill at Kemijärvi, which totalled EUR 10.4 million;
- the partial sale of the Tolkkinen Sawmill site realising EUR 5.8 million; and
- other sundry asset disposals totalling EUR 16.4 million, mainly minor sales in the normal course of operations.

Divestments of Group companies in 2009 resulted in the disposal of EUR 92.6 million of fixed assets related to the disposal of Stora Enso Uruguay S.A. (SEUSA). As discussed in Note 15 Equity Accounted Investments, Stora Enso and Celulosa Arauco y Constitucion S.A. (Arauco) established a joint venture company to combine their assets in Uruguay to facilitate the joint acquisition of Grupo ENCE assets in Uruguay. The Group contributed 100% of SEUSA shares to Forestal Cono Sur S.A. (FCS), Arauco's 100% subsidiary in Uruguay, in return for 50% of the shares in FCS.

Divestments of Group companies in 2008 resulted in the disposal of EUR 283.3 million of fixed assets, 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 EUR 61.8 million of disposals 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;
- other sundry asset disposals totalling EUR 17.8 million, mainly minor sales in the normal course of operations, with goodwill of EUR 0.8 million being realised on a minor company.

Note 14 Biological Assets

Most Group interests in biological assets are held in equity accounted investments in Brazil, Finland, Sweden and Uruguay, thus the values directly disclosed in the financial statements for biological assets are limited. Whereas the Group's indirect share of forest assets held by equity accounted investments amounts to EUR 2 105 (EUR 1 831) million for the standing trees the amount directly disclosed in the Group Statement of Financial Position from subsidiary companies amounts to only EUR 190.5 (EUR 152.5) million as shown below.

Biological Assets

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Carrying Value at 1 January	**152.5**	**133.6**	**88.7**
Translation difference	18.6	5.1	4.8
Additions	23.4	35.4	58.3
Disposals	-	-18.3	-
Change in fair value (biological growth and price effects)	-1.3	-1.6	-8.8
Decrease due to harvest (agricultural produce)	-2.7	-1.7	-9.4
Carrying Value at 31 December	**190.5**	**152.5**	**133.6**

During 2010, the main additions related to the continuing development of eucalyptus plantations in Guangxi, China and Rio Grande do Sul, Brazil. The biological assets in Guangxi are currently carried at cost because if Stora Enso does not build a mill, the biological assets are required to be returned to the local government at cost. The carrying value at 31 December was EUR 151.1 million.

At 31 December 2010 Stora Enso's biological assets had a fair value of EUR 190.5 (EUR 152.5) million and were located by value in China 79% (79%) and Brazil 20% (21%) and other 1% (0%). In addition the Group has five equity accounted investments holding biological assets:

- Bergvik Skog AB (Bergvik Skog), the 43.26% owned Swedish associate company had forests at a fair value of EUR 3 384.7 (EUR 2 906.7) million of which Stora Enso's share was EUR 1 464.2 (EUR 1 257.4) million.
- Tornator Oy (Tornator), a 41% owned associate company had forest assets at a fair value of EUR 916.9 (EUR 876.9) million of which Stora Enso's share was EUR 375.9 (EUR 359.5) million.
- Veracel Celulose S.A. (Veracel), a 50% joint venture company in Brazil, also has substantial tree plantations fair valued at EUR 332.4 (EUR 270.6) million of which Stora Enso's share was EUR 166.2 (EUR 135.3) million.
- Arauco, the 20% owned southern Brazilian associate company, had biological assets at a fair value of EUR 88.8 (EUR 58.0) million of which Stora Enso's share was EUR 17.8 (EUR 11.6) million.
- Montes del Plata, a 50% joint venture with Arauco in Uruguay established in 2009, had biological assets at a fair value of EUR 162.3 (EUR 134.2) million of which Stora Enso's share was EUR 81.2 (EUR 67.1) million.

Note 15 Equity Accounted Investments

Carrying Values of Equity Accounted Investments

EUR million	Year Ended 31 December 2010	2009	2008
At 1 January	1 024.8	801.0	767.7
Translation difference	32.1	14.2	-26.2
Additions	26.4	128.5	53.9
Equity accounted investments in acquisitions and disposals	-	0.3	-1.2
Disposal proceeds	-	-8.9	-0.1
Income Statement – Profit on disposal	-	0.7	-
Subsidiary transfers and disposal adjustment	1.2	89.0	6.9
Historical Cost at 31 December	**1 084.5**	**1 024.8**	**801.0**
Equity Adjustments			
At 1 January	456.5	241.5	386.8
Translation difference	134.0	139.9	-142.2
Share of results before tax	112.5	111.8	7.6
Dividends received	-12.3	-7.5	-13.5
Income taxes	-40.6	-20.0	12.2
OCI	9.2	-8.5	-9.4
Subsidiary transfers and disposal adjustment	0.2	-0.7	-
Equity Adjustment at 31 December	**659.5**	**456.5**	**241.5**
Carrying Value at 31 December	**1 744.0**	**1 481.3**	**1 042.5**

The Group's share of results in equity accounted investments is reported in operating profit to reflect the operational nature of these investments, especially those in wood and pulp supply. There is no goodwill in respect of equity accounted investments either held in the Statements of Financial Position of those companies or in the ownership of them.

Principal Equity Accounted Investments

Company	Domicile	% 2010	As at 31 December EUR million 2010	2009	2008
Veracel Celulose S.A.: pulp mill and plantation	Brazil	50.00	646.7	569.8	434.2
Bergvik Skog AB: forest	Sweden	43.26	537.1	415.6	360.3
Montes del Plata: plantation	Uruguay	50.00	271.1	237.5	-
Tornator Oy: forest	Finland	41.00	170.5	149.1	137.0
Thiele Kaolin Company Inc: china clay	USA	39.99	51.5	42.7	49.8
Arauco Florestal Arapoti S.A.: plantation	Brazil	20.00	26.9	24.3	21.9
Efora Oy, out-sourced maintenance	Finland	51.00	10.6	6.5	6.9
Steveco Oy: stevedores	Finland	34.39	2.3	5.4	8.7
			1 716.7	**1 450.9**	**1 018.8**
Others			27.3	30.4	23.7
Carrying Value at 31 December			**1 744.0**	**1 481.3**	**1 042.5**

There were no major changes in the ownership of equity accounted investments during 2010.

During 2009, Stora Enso and Celulosa Arauco y Constitucion S.A. (Arauco) established a joint venture company to combine their assets in Uruguay to facilitate the joint acquisition of Grupo ENCE assets in Uruguay. The Group contributed 100% of Stora Enso Uruguay S.A. shares to Forestal Cono Sur S.A. (FCS), Arauco's 100% subsidiary in Uruguay, in return for 50% of the shares in FCS. Arauco and Stora Enso then jointly acquired the majority of Spanish pulp producer ENCE's operations in Uruguay through the acquisition of three separate legal entities. Although the legal structure comprises four separate entities, each owned on a 50:50 basis, they are run as one operation under the name Montes del Plata. The joint venture comprises around 240 000 hectares of owned land and 16 000 hectares of leased land around half of which is already planted with pine and eucalyptus.

The cash paid to acquire the ENCE entities amounted to USD 335 million and the fair valuation of assets and liabilities amounted to USD 411 million, resulting in negative goodwill of USD 76 million mainly related to the valuation of forest assets. Stora Enso recorded its share amounting to USD 38 (EUR 26) million in result from equity accounted investments. This fair value gain compensates the loss recorded as a result of the disposal of Stora Enso Uruguay S.A. amounting to EUR 7.0 million. The net result of the Montes del Plata transactions is a gain of EUR 19 million.

As part of the restructuring process in Finland in 2008, Stora Enso and ABB Oy (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, Stora Enso sold at their equity value a further 24% of the shares in the maintenance subsidiary Fortek Oy (renamed Efora Oy) to ABB, increasing ABB's holding to 49%. However, as the shareholders' agreement provides that ABB shall have control of that company, the Group now reports its interest as an equity accounted investment, valued at EUR 10.6 million at the year end.

Stora Enso has set up a jointly owned company, NSE Biofuels Oy Ltd, with Neste Oil Oyj to develop biofuel production at Varkaus Mill in Finland. During 2010 a EUR 10 million loan was converted into equity and in the fourth quarter of 2010 Stora Enso recorded a EUR 15.3 million write-down of shares, resulting in an equity value for this investment of EUR 1.0 million.

The average personnel in the equity accounted investments amounted to 4 793 in 2010, compared with 4 799 in 2009.

Group Share of Equity Accounted Investment Income Statements

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
Turnover	625.9	469.0	620.6
Cost of sales	-531.0	-325.3	-531.2
Trading Profit	**94.9**	**143.7**	**89.4**
IAS 41 Valuation (Note 14)	60.8	9.5	0.4
Operating Profit	**155.7**	**153.2**	**89.8**
Net financial items	-43.2	-41.4	-82.2
Net Profit before Tax in the Group Income Statement	**112.5**	**111.8**	**7.6**
Tax shown in the Group Income Statement	-40.6	-20.0	12.2
Net Profit for the Period	**71.9**	**91.8**	**19.8**

Stora Enso and its Brazilian partner Fibria (formerly Aracruz Celulose S.A.) have established a eucalyptus plantation currently encompassing 211 676 hectares, of which 90 599 hectares are planted, and constructed a 1.1 million 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. The Group share of the profit before tax was EUR 10.6 (EUR 9.1) million inclusive of forest valuation gain of EUR 15.7 (EUR loss 9.7) million, and the year-end carrying value amounted to EUR 646.7 (EUR 569.8) 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 43.26% valued at EUR 537.1 (EUR 415.6) million at the year end 2010. In 2010, the Group's share of Bergvik Skog's profit before tax came to EUR 77.3 million before a tax charge of EUR 17.6 million.

Stora Enso's Finnish forest holdings were divested into an associate, Tornator, in 2002. The Group's 41% residual interest was worth EUR 170.5 (EUR 149.1) million at the year end 2010. In 2010, the Group's share of Tornator's profit before tax came to EUR 28.8 million before a tax charge of EUR 7.5 million.

Group Share of Equity Accounted Investment Statements of Financial Position

EUR million	As at 31 December 2010	2009	2008
Fixed assets	963.2	896.1	620.5
Biological assets	2 105.3	1 831.0	1 631.1
Operative receivables:			
Long-term	68.8	34.1	36.4
Short-term	105.0	112.7	116.0
Inventories	39.8	38.6	60.5
Cash	57.0	39.2	45.6
Total Assets	**3 339.1**	**2 951.7**	**2 510.1**
Liabilities			
Operative Liabilities:			
Long-term	59.4	34.7	37.4
Short-term	125.0	125.7	117.5
Debt:			
Long-term	874.3	847.5	855.0
Short-term	80.5	62.2	83.7
Tax liabilities	455.9	400.3	374.0
Total Liabilities	**1 595.1**	**1 470.4**	**1 467.6**
Net Equity in the Group Statement of Financial Position	**1 744.0**	**1 481.3**	**1 042.5**
Represented by			
Capital and Reserves	1 753.8	1 500.3	1 053.0
OCI	-9.8	-19.0	-10.5
Equity Accounting Value	**1 744.0**	**1 481.3**	**1 042.5**

Equity Accounted Investment Company Balances

EUR million	As at 31 December 2010	2009	2008
Receivables from Equity Accounted Investments			
Long-term loan receivables	117.1	113.3	110.6
Trade receivables	13.7	18.9	42.6
Short-term loan receivables	5.4	4.3	4.8
Prepaid expenses and accrued income	1.2	0.7	0.6
Liabilities due to Equity Accounted Investments			
Trade payables	25.9	23.5	35.1
Accrued liabilities and deferred income	18.6	12.1	14.4

Equity Accounted Investment Transactions

EUR million	Year Ended 31 December 2010	2009	2008
Sales to equity accounted investments	126.0	93.1	168.9
Interest on equity accounted loan receivables	7.9	7.9	9.5
Purchases from equity accounted investments	366.5	258.7	358.5

The Group engages in transactions with equity accounted investments 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 equity accounted investments came to EUR 122.5 (EUR 117.6) million, of which EUR 86.9 (EUR 78.9) million was due from Bergvik Skog and EUR 26.3 (EUR 26.3) million from Tornator. Interest income on loans to equity accounted investments totalled EUR 7.9 (EUR 7.9) million, of which EUR 6.9 (EUR 6.4) million came from Bergvik Skog and EUR 0.8 (EUR 1.1) million from Tornator.

Note 16 Available-for-Sale Investments

The Group classifies its investments into three categories: trading, held-to-maturity and available-for-sale. At the reporting 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	2010	2009	2008
Acquisition cost at 1 January			
Interest-bearing securities	62.2	217.4	145.9
Operative securities	101.3	385.4	372.3
Investments classified as available-for-sale	163.5	602.8	518.2
OCI in opening balance	686.7	506.4	904.4
Available-for-Sale Investments at 1 January	**850.2**	**1 109.2**	**1 422.6**
Translation difference	0.2	4.5	17.6
Divestments	-	-	50.4
Accrued interest on PIK Notes	6.0	13.6	19.7
Additions	6.7	2.4	8.8
Change in fair values accounted for as OCI	95.5	175.5	-396.1
Disposal proceeds	-0.8	-23.8	-15.6
Income Statement – gains and losses	0.3	-431.2	1.8
Carrying Amount at 31 December	**958.1**	**850.2**	**1 109.2**

Unrealised Gains and Losses on Securities

	Year Ended 31 December		
EUR million	2010	2009	2008
Unrealised holding gains	782.6	686.7	661.5
Unrealised holding losses	-	-	-155.1
Net Unrealised Holding Gains (OCI)	**782.6**	**686.7**	**506.4**
Cost	175.5	163.5	602.8
Market Value	**958.1**	**850.2**	**1 109.2**
Net unrealised holding gains (OCI)	782.6	686.7	506.4
Deferred tax	-2.6	-2.5	4.2
Net Unrealised Holding Gains Shown in Equity as OCI	**780.0**	**684.2**	**510.6**
Change in Net Unrealised Holding Gains Shown in Equity as OCI	**95.8**	**173.6**	**-388,5**

The fair values of publicly traded securities are based on quoted market prices at the reporting date, whereas the fair values of other securities are assessed using a variety of methods and assumptions based on market conditions existing at each reporting 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 be used.

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 it has priority over equity holders and matures on 7 May 2017. Interest accrues at the rate of 9% for the first three years of the Note and higher for later periods, and is added in arrears to the principal of the PIK Note. 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 year end had a nominal value of EUR 72.2 million and a fair value of EUR 72.2 million.

In December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc. (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, which matures on 21 December 2015 or earlier in the case of an IPO and carries interest at LIBOR plus 7%, 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 the shareholding was USD 370 million determined on the basis of a discounted cash flow model.

In July 2009 Stora Enso Oyj, NewPage and its largest shareholder, Cerberus Capital Management, L.P. (Cerberus), announced a plan to reorganise NewPage's capital structure through a series of concurrent transactions, including debt tender offers and a potential contribution and cancellation of a portion of the NewPage vendor note held by Stora Enso and the debt acquired by Cerberus. As a result of the concurrent transactions and poor market outlook, the Group recognised an impairment charge of USD 204.8 (EUR 148.5) million related to the PIK Note and a further USD 370.0 (EUR 269.3) million related to the shares. The impact on equity for the year amounted to USD 384.4 (EUR 281.0) million, as USD 190.4 (EUR 136.8) million of the losses had previously been recorded in Other Comprehensive Income.

At 31 December 2010 the level of debt in NewPage remained high as the earlier announced capital restructuring had not been completed. This together with the weak market outlook resulted in the fair value of the shareholding remaining at zero. The PIK Note was also valued at zero because NewPage marketable debt securities, which are used to value the PIK Note, were trading at such low levels.

The valuation of these PIK Notes requires management judgement. However, in the case of the NewPage debt there are similar securities being traded on the market, so the valuation can be linked to actual trades. However, in order to 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 principles 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 publicly traded LBO debt, or if there are no current examples of similar publicly traded instruments, using the closest available comparative instruments.

The Group holds a 14.8% (14.8%) interest in PVO, a privately owned group of companies in the energy sector that produces electricity and heat for its shareholders in Finland. Each subsidiary of the PVO group has its own class of shares that 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. Future derivative prices are used in the first five years of the model and thereafter increased by an inflation factor that 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 5.2% 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 power assets similar to PVO's. A +/- 5% change in the electricity price used in the DCF would change the valuation by +/- EUR 93 million and a +/- 1% change in the discount rate would change the valuation by -/+ EUR 95 million.

PVO Shareholding at 31 December 2010

EUR million	Share Series	% Holding	Asset Category	Fair Value
PVO Vesivoima	A	20.6	Hydro	160.5
Teollisuuden Voima Oy	B	15.7	Nuclear	504.5
Teollisuuden Voima Oy	B2	14.8	Nuclear under construction	186.4
Other	C,C2,N,V,E1,H,I	Various	Various	12.4
Total				**863.8**

During 2009 the Group reviewed the carrying value of its shares in various PVO subsidiaries in response to PVO's impairment of assets. These impairments were made to reflect the operational status of assets that had been placed in long-term reserve and had significantly reduced starting readiness. As a result, the Group recognised an impairment of EUR 15.3 million mainly related to Nokian Lämpövoima Oy through its Income Statement. However, there was no impact on equity as the losses had previously been recorded through Other Comprehensive Income.

The valuation in 2010 amounted to EUR 863.8 (EUR 768.4) million against a book value of EUR 91.2 (EUR 91.2) million, with the revaluation of EUR 772.6 (EUR 677.2) million being taken to OCI. No deferred tax is appropriate as under Finnish tax regulations holdings above 10% are exempt from tax on disposal proceeds.

Principal Available-for-Sale Investments

	As at 31 December 2010			
EUR million	**Holding %**	**Number of Shares**	**Acquisition Cost**	**Market Value**
Packages Ltd, Pakistan - listed security		5 396 650	3.7	6.1
Billerud AB, Sweden - listed security		61 500	0.1	0.4
Papyrus PIK Note - unlisted interest-bearing security		EUR 72.2 m	64.9	72.2
Total Interest-Bearing Securities			**68.7**	**78.7**
Pohjolan Voima Oy - unlisted security	14.8	5 382 438	91.2	863.8
Others - unlisted securities	n/a	Various	15.6	15.6
Total Operative Securities			**106.8**	**879.4**
Total Available-for-Sale Investments at 31 December 2010			**175.5**	**958.1**
Total Available-for-Sale Investments at 31 December 2009			**163.5**	**850.2**
Total Available-for-Sale Investments at 31 December 2008			**602.8**	**1 109.2**

The difference of EUR 782.6 (EUR 686.7) million between the initial fair value at acquisition and reporting date market value of the Available-for-Sale Investments represents the OCI Reserve as shown in the Statement of Changes in Equity. Euro-denominated assets comprise 99.3% (99.2%) of Available-for-Sale Investments.

Note 17 Other Non-Current Assets

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Pension assets (Note 22)	16.8	18.5	3.0
Other non-current operative assets	20.4	11.9	13.2
Total	**37.2**	**30.4**	**16.2**

Note 18 Inventories

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Materials and supplies	386.8	338.1	496.9
Work in progress	66.5	70.2	87.5
Finished goods	671.6	564.4	737.7
Spare parts and consumables	270.4	255.0	274.5
Other inventories	27.2	12.2	9.7
Advance payments and cutting rights	156.3	129.8	181.3
Obsolescence provision – spare parts	-88.6	-74.8	-68.2
Obsolescence provision – finished goods	-11.9	-11.2	-14.1
Net realisable value provision	-3.7	-2.1	-11.7
Total	**1 474.6**	**1 281.6**	**1 693.6**

Note 19 Receivables

Current Operative Receivables

EUR million	As at 31 December 2010	2009	2008
Trade receivables	1 388.5	1 204.6	1 312.0
Provision for doubtful debts	-40.7	-36.2	-20.5
Prepaid expenses and accrued income	109.6	71.9	111.3
TRS Hedges	13.8	-	-
Other receivables	150.6	122.3	180.4
Total	**1 621.8**	**1 362.6**	**1 583.2**

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 Current Operative Receivables

EUR million	As at 31 December 2010	2009	2008
EUR	912.9	868.4	958.6
USD	166.9	116.5	168.1
SEK	244.8	171.6	209.2
GBP	91.8	60.0	69.7
Other currencies	205.4	146.1	177.6
Total	**1 621.8**	**1 362.6**	**1 583.2**

The majority of the operative receivables denominated in US dollars or British pounds are held in Group companies that have the euro and Swedish krona as their functional currencies. As at 31 December 2010, EUR 101.8 (EUR 134.1) million of trade receivables were overdue, for which no provision has been made. These relate to a number of different countries and unrelated customers that have no recent history of default. The age analysis of these trade receivables, net of provision for doubtful debts, is as follows:

Age Analysis of Trade Receivables, Net of Provision for Doubtful Debts

EUR million	As at 31 December 2010	2009	2008
Less than 30 days overdue	82.5	114.7	103.9
31 to 60 days overdue	9.1	10.4	25.8
61 to 90 days overdue	2.0	1.1	7.9
91 to 180 days overdue	4.0	2.5	0.9
Over 180 days overdue	4.2	5.4	1.1
Total: Overdue Accounts	**101.8**	**134.1**	**139.6**
Trade Receivables within their credit terms	1 246.0	1 034.3	1 151.9
Total	**1 347.8**	**1 168.4**	**1 291.5**

Credit losses amounted to EUR 8.2 (EUR 20.5) million, which resulted in a net increase in the provision for doubtful debts of EUR 4.5 (EUR 15.7) 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 positions of customers. If the Group has concerns as to the financial state of a customer, an advance payment or a letter of credit that must be irrevocable and drawn on a bank is required. At the year end the letters of credit awaiting maturity totalled EUR 28.3 (EUR 12.0) million.

At 31 December 2010 provisions related to overdue trade receivables totalled EUR 40.7 (EUR 36.2) million. The age of the receivables under the doubtful accounts is shown in the table below.

Age Analysis of Doubtful Accounts

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Less than 90 days	2.3	6.4	2.3
91 to 180 days	1.3	3.6	1.3
Over 180 days	37.1	26.2	16.9
Total	**40.7**	**36.2**	**20.5**

Interest-Bearing Receivables

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Derivative financial instruments (see Note 29)	228.5	153.3	206.8
Equity accounted investment loans	122.5	117.6	115.4
Other loan receivables	60.6	109.9	59.2
	411.6	**380.8**	**381.4**
Current Assets: Receivable within 12 months	285.1	221.2	251.1
Non-current Assets: Receivable after 12 months	126.5	159.6	130.3
Total	**411.6**	**380.8**	**381.4**

Annual interest rates for loan receivables at 31 December 2010 ranged from 0.4% (0.3%) to 8.5% (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 equity accounted investment loan to Bergvik Skog, which has a fair value at year-end of EUR 93.5 (EUR 89.6) million against a carrying value of EUR 86.9 (EUR 78.9) million. Current interest-bearing receivables include accrued interest of EUR 34.1 (EUR 43.9) million, of which EUR 29.0 (EUR 40.3) 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 these limits the share capital may be increased or decreased without amendment to the Articles of Association; 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. A shares may be converted into R shares at any time at the request of a shareholder. At 31 December 2010 the Company's fully paid-up share capital as entered in the Finnish Trade Register was the same as in 2009 at EUR 1 342.2 million.

The current nominal value of each issued share is EUR 1.70, unchanged from the previous year. Stora Enso Oyj held shares with an acquisition cost of EUR 10.2 million, comprising 919 317 R shares in the end of 2010. The nominal value of the shares was EUR 1.6 million, representing 0.12% of the share capital and 0.04% of voting rights.

At the end of 2010 Directors and Group Executive Team members owned 2 541 (5 082) A shares and 277 650 (205 389) R shares, representing 0.01% of the total voting rights of the Company. Full details of Director and Executive interests are shown in Note 8 Board and Executive Remuneration. A full description of Company Option Programmes is shown in Note 23 Employee Bonus and Equity Incentive Schemes. However, none of these have any impact on the issued share capital.

At 31 December 2010 shareholder equity amounted to EUR 6 202.9 (EUR 5 124.3) million against a market capitalisation on NASDAQ OMX Helsinki of EUR 6.1 (EUR 4.0) billion. The market values of the shares were EUR 7.90 (EUR 5.85) for A shares and EUR 7.69 (EUR 4.88) for R shares.

Change in Share Capital

	A shares	R shares	Total
At 1 January 2008	**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**
Conversion of A shares to R shares 15 Jan	-50	50	-
Conversion of A shares to R shares 12 Jun	-347	347	-
Conversion of A shares to R shares 14 Aug	-2 000	2 000	-
At 31 December 2009	**177 150 084**	**612 388 415**	**789 538 499**
Conversion of A shares to R shares 15 Dec	-300	300	-
At 31 December 2010	**177 149 784**	**612 388 715**	**789 538 499**
Number of votes as at 31 December 2010	**177 149 784**	**61 238 871**	**238 388 655**
Share Capital at 31 December 2010, EUR million	**301.2**	**1 041.0**	**1 342.2**
Share Capital at 31 December 2009, EUR million	**301.2**	**1 041.0**	**1 342.2**
Share Capital at 31 December 2008, EUR million	**301.2**	**1 041.0**	**1 342.2**

The shares in issue at 8 April 2011 will represent the total shares eligible to vote at the forthcoming Annual General Meeting.

Note 21 Non-Controlling Interests

Non-Controlling Interests

	Year Ended 31 December		
EUR million	**2010**	**2009**	**2008**
At 1 January	58.2	56.5	71.9
Translation difference	5.1	5.9	-5.5
Non-controlling interests in companies acquired less disposals	-	2.1	-3.3
Buy-out of non-controlling interests	-6.0	-0.1	-1.8
(Gain) / charge to Retained Earnings on buy-outs	-7.6	-	0.7
Share of profit / (loss) for the year	3.3	1.5	-1.3
Dividends and capital returns	-1.2	-7.7	-4.2
At 31 December	**51.8**	**58.2**	**56.5**

Principal Non-Controlling Interests

		As at 31 December		
EUR million		**2010**	**2009**	**2008**
Stora Enso Poland S.A. Group	Poland	1.0	13.8	13.3
Stora Enso Arapoti Industria de Papel SA	Brazil	23.7	21.4	21.3
Stora Enso Huatai Paper Co Ltd	China	14.7	11.6	12.9
Corenso United Oy Group	China	5.9	4.7	5.0
Others	-	6.5	6.7	4.0
		51.8	**58.2**	**56.5**

In 2010 there were non-controlling interest buy-outs related to Stora Enso Poland S.A. amounting to EUR 5.2 million, reducing the non-controlling interest holding from 5% to 0.36%. A gain of EUR 7.6 million was recorded in retained earnings related to these buy-outs. In 2007 the Group acquired 28% of the shares in Stora Enso Poland S.A. from the state of Poland, thereby reducing the remaining non-controlling interest 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 2010 there were also non-controlling interest buy-outs amounting to EUR 0.8 million related to FPB Holding GmbH & Co. KG.

There were no significant buy-outs of minority shareholders in 2009 or 2008.

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 187.3 (EUR 195.6) million in 2010, as shown in Note 7 Staff Costs. The majority of plans are defined contribution schemes, the charge for which amounted to EUR 164.1 (EUR 169.9) 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 latter case, 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 liability for this amounts to only EUR 0.9 (EUR 1.2) 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 1 047.7 (EUR 954.7) million though assets of EUR 743.1 (EUR 668.2) million have been put aside in various pension schemes to cover these liabilities. Net unfunded defined benefit deficits are shown in full in the Statement of Financial Position and amount to EUR 303.6 million in 2010, increased by EUR 17.1 million to the previous year's liability of EUR 286.5 million. The 2010 defined benefit expense in the income statement amounted to EUR 23.2 million and the actuarial losses recorded in Other Comprehensive Income amounted to EUR 32.5 million, of which EUR 73.0 million loss arose from plan liabilities and EUR 40.5 million gain from plan assets. In 2009 the total defined benefit expense amounted to EUR 46.1 million, of which EUR 25.7 million was recognised in the Income Statement and a further EUR 20.4 million in Other Comprehensive Income.

Actuarial Losses Recognised Directly in Equity

	Year Ended 31 December		
	Total Operations		
EUR million	**2010**	**2009**	**2008**
Actuarial losses	-32.5	-20.4	-12.7
Deferred Tax thereon	13.2	4.6	-3.3
Total	**-19.3**	**-15.8**	**-16.0**

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.

In the Group Statement of Financial Position the full liability for all plan deficits is recorded, as adjusted if required for any past service costs still to be amortised. The Group Statement of Financial Position fully reflects the actual surplus or deficits in its defined benefit plans thereby aligning the net liability in the Statement of Financial Position. Details of the pension arrangements assets and investment policies in the Group's main operating countries are shown on the following page.

Defined Benefit Plan Summary by Country

	As at 31 December 2010				
EUR million	**Finland**	**Germany**	**Sweden**	**Other**	**Total**
Defined Benefit Obligations (DBO)	371.4	253.2	276.9	146.2	1 047.7
Fair value of plan assets	351.9	5.2	274.2	111.8	743.1
Net Liability in Defined Benefit Plans	**19.5**	**248.0**	**2.7**	**34.4**	**304.6**

	As at 31 December 2009				
EUR million	**Finland**	**Germany**	**Sweden**	**Other**	**Total**
Defined Benefit Obligations (DBO)	352.4	242.7	220.6	139.0	954.7
Fair value of plan assets	334.4	4.6	225.3	103.9	668.2
Net (Asset) / Liability in Defined Benefit Plans	**18.0**	**238.1**	**-4.7**	**35.1**	**286.5**

Finland

The Group funds its Finnish pension obligations mainly through defined contribution schemes, the charge in the Income Statement being EUR 81.5 (EUR 84.9) million. By contrast, the remaining obligations covered by defined benefit schemes resulted in a charge of EUR 4.1 (EUR 4.3) million. Pension cover since 2001 has been entirely organised through local insurance companies. The total defined benefit obligation amounts to EUR 371.4 (EUR 352.4) million and the assets to EUR 351.9 (EUR 334.4) million, leaving a net liability of EUR 19.5 (EUR 18.0) 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 are 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 there is an obligation to pay guaranteed sums irrespective of market conditions.

Germany

German pension costs amounted to EUR 28.5 (EUR 30.7) million, of which EUR 14.7 (EUR 16.0) million related to defined contribution schemes and EUR 13.8 (EUR 14.7) million to defined benefits. The total defined benefit obligation is EUR 253.2 (EUR 242.7) million, nearly all of which is unfunded as total assets come to only EUR 5.2 (EUR 4.6) million. Defined benefit pension plans are mainly accounted for in the Statement of Financial Position 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 co-ordinated 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 19.7 (EUR 19.6) million; the security for the pensioners is provided by the legal requirement that the book reserves held in the Statement of Financial Position 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 52.1 (EUR 53.8) million, with defined benefit schemes covering mainly white collar staff. However, contributions paid during the year amounted to EUR 15.0 (EUR 14.5) million.

Total defined benefit obligations amounted to EUR 276.9 (EUR 220.6) million and assets to EUR 274.2 (EUR 225.3) million, leaving a net liability of EUR 2.7 million at the year end, compared with a net asset of EUR 4.7 million the year before. As in 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 relates to other small schemes.

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 property up to 10%, equity up to 30% and the balance in debt.

Other Countries

Total defined benefit obligations in the remaining countries amounted to EUR 146.2 (EUR 139.0) million and assets to EUR 111.8 (EUR 103.9) million, so the net liability came to EUR 34.4 (EUR 35.1) million. Obligations were material only in the United Kingdom, at EUR 97.7 (EUR 98.6) million, but there the net unfunded deficit was only EUR 3.6 (EUR 10.8) million.

Pension and Post-Employment Benefit Provisions

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Defined benefit pension plan liabilities	302.4	289.2	283.6
Other post-employment benefit liabilities	18.0	15.8	15.4
Total Balance Sheet Liabilities	**320.5**	**305.0**	**299.0**
Defined benefit plan assets (Note 17)	16.8	18.5	3.0
Net Defined Benefit Liability	**303.6**	**286.5**	**296.0**

Statement of Financial Position Receivables and Payables

As at 31 December

EUR million	Net Defined Benefit Plan Liability					Defined Benefit Plan Assets					Defined Benefit Plan Liabilities				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Present value of funded obligations	760.3	686.9	645.0	792.8	1 729.7	258.5	207.7	178.1	233.6	356.8	501.8	479.2	466.9	559.2	1 372.9
Present value of unfunded obligations	287.4	267.8	242.7	296.5	663.0	-	-	-	-	-	287.4	267.8	242.7	296.5	663.0
Defined Benefit Obligations (DBO)	1 047.7	954.7	887.7	1 089.3	2 392.7	258.5	207.7	178.1	233.6	356.8	789.2	747.0	709.6	855.7	2 035.9
Fair value of plan assets	743.1	668.2	591.7	767.8	1 668.6	275.3	226.2	181.1	239.4	369.9	467.8	442.0	410.6	528.4	1 298.7
Net Funding in Defined Benefit Plans	**304.6**	**286.5**	**296.0**	**321.5**	**724.1**	**-16.8**	**-18.5**	**-3.0**	**-5.8**	**-13.1**	**321.4**	**305.0**	**299.0**	**327.3**	**737.2**
Unrecognised prior service costs	-1.0	-	-	-	23.3	-	-	-	-	-2.6	-1.0	-	-	-	25.9
(Asset)/Liability	**303.6**	**286.5**	**296.0**	**321.5**	**747.4**	**-16.8**	**-18.5**	**-3.0**	**-5.8**	**-15.7**	**320.5**	**305.0**	**299.0**	**327.3**	**763.1**

Amounts Recognised on the Statement of Financial Position – Defined Benefit Plans

As at 31 December

EUR million	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Present value of funded obligations	760.3	686.9	645.0	760.3	686.9	645.0	-	-	-
Present value of unfunded obligations	287.4	267.8	242.7	268.5	252.0	227.3	18.9	15.8	15.4
Defined Benefit Obligations (DBO)	1 047.7	954.7	887.7	1 028.8	938.9	872.3	18.9	15.8	15.4
Fair value of plan assets	743.1	668.2	591.7	743.1	668.2	591.7	-	-	-
Net Liability in Defined Benefit Plans	**304.6**	**286.5**	**296.0**	**285.7**	**270.7**	**280.6**	**18.9**	**15.8**	**15.4**
Unrecognised prior service costs	-1.0	-	-	-	-	-	-1.0	-	-
Net Liability	**303.6**	**286.5**	**296.0**	**285.7**	**270.7**	**280.6**	**17.9**	**15.8**	**15.4**

Amounts Recognised in the Income Statement

Year Ended 31 December

EUR million	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Current service cost	10.4	8.7	12.1	9.4	8.6	10.2	1.0	0.1	1.9
Interest cost	47.4	48.3	49.6	46.6	47.4	49.0	0.8	0.9	0.6
Expected return on plan assets	-34.7	-31.6	-36.1	-34.8	-31.6	-36.1	0.1	-	-
Past service cost recognised in the year	0.1	-	-	-	-	-	0.1	-	-
Other	-	0.3	4.2	-	-1.3	3.5	-	1.6	0.7
Total Included in Personnel Expenses	**23.2**	**25.7**	**29.8**	**21.2**	**23.1**	**26.6**	**2.0**	**2.6**	**3.2**

Defined Benefit Plan Reconciliation

As at 31 December

EUR million	Total Defined Benefit Plans			Defined Benefit Pension Plans			Other Post-Employment Benefits		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Net liability at 1 January	286.5	296.0	321.5	270.7	280.6	311.1	15.8	15.4	10.4
Translation difference	-1.3	1.2	5.3	-1.2	1.2	5.3	-0.1	-	-
Acquisition & disposals	-	-	-22.8	-	-	-22.9	-	-	0.1
Net expense in Income Statement	23.2	25.7	29.8	21.2	23.1	26.6	2.0	2.6	3.2
Actuarial losses recognised in equity	32.5	20.4	12.7	30.3	20.1	10.6	2.2	0.3	2.1
Contributions paid	-42.7	-56.8	-45.5	-40.7	-54.3	-45.1	-2.0	-2.5	-0.4
Settlements	-0.2	-	-5.0	-0.2	-	-5.0	-	-	-
Amendments	5.6	-	-	5.6	-	-	-	-	-
Net Liability of Financial Position	**303.6**	**286.5**	**296.0**	**285.7**	**270.7**	**280.6**	**17.9**	**15.8**	**15.4**

Statement of Financial Position Actuarial Losses Recognised in Equity

EUR million	As at 31 December 2010	2009
Actuarial losses in equity at 1 January	-105.8	-81.3
Actuarial losses recognised in equity	-32.5	-20.4
Translation difference	-7.6	-4.1
Cumulative Actuarial Losses Recognised in Equity	**-145.9**	**-105.8**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December					
	Finland		Germany		Sweden	
EUR million	2010	2009	2010	2009	2010	2009
Discount rate %	4.75	5.25	4.75	5.25	4.00	4.50
Expected return on plan assets %	4.6	4.6	4.5	4.5	6.0	6.0
Future salary increase %	3.5	3.5	2.4	2.1	3.0	2.5
Future pension increase %	2.1	2.1	2.0	1.8	2.0	2.0
Average current retirement age	64.0	63.0	65.0	65.0	64.8	64.8
Weighted average life expectancy	88.00	88.00	84.80	85.20	86.84	86.71

Return on Plan Assets by Country

	Year Ended 31 December 2010				
EUR million	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	48.0	0.1	19.6	7.6	75.3
Estimated return used in actuarial calculations	14.6	0.2	14.6	5.4	34.8
Actuarial Gain / (Loss) for the Year Recognised in Equity	**33.4**	**-0.1**	**5.0**	**2.2**	**40.5**

	Year Ended 31 December 2009				
EUR million	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	30.9	0.1	32.9	13.5	77.4
Estimated return used in actuarial calculations	17.1	0.2	9.3	5.0	31.6
Actuarial Gain / (Loss) for the Year Recognised in Equity	**13.8**	**-0.1**	**23.6**	**8.5**	**45.8**

Defined Benefit Plan Summary by Country as at 31 December 2010

EUR million	As at 31 December 2010 Finland	Germany	Sweden	Other	Total
Present value of funded obligations	371.4	10.9	257.7	120.3	760.3
Present value of unfunded obligations	-	242.3	19.2	25.9	287.4
Defined Benefit Obligations (DBO)	371.4	253.2	276.9	146.2	1 047.7
Fair value of plan assets	351.9	5.2	274.2	111.8	743.1
Net Liability in the Defined benefit plans	19.5	248.0	2.7	34.4	304.6
Unrecognised prior service costs	-	-	-	-1.0	-1.0
Net Liability/(Asset) in the Balance Sheet	**19.5**	**248.0**	**2.7**	**33.4**	**303.6**
Represented by					
Defined Benefit Pension Plans	19.5	248.0	2.7	15.5	285.7
Other Post-Employment Benefits	-	-	-	17.9	17.9
Net Liability in the Balance Sheet	**19.5**	**248.0**	**2.7**	**33.4**	**303.6**

Defined Benefit Plan Summary by Country as at 31 December 2009

EUR million	As at 31 December 2009 Finland	Germany	Sweden	Other	Total
Present value of funded obligations	352.4	8.9	207.5	118.1	686.9
Present value of unfunded obligations	-	233.8	13.1	20.9	267.8
Defined Benefit Obligations (DBO)	352.4	242.7	220.6	139.0	954.7
Fair value of plan assets	334.4	4.6	225.3	103.9	668.2
Net Liability/(Asset) in the Balance Sheet	**18.0**	**238.1**	**-4.7**	**35.1**	**286.5**
Represented by					
Defined Benefit Pension Plans	18.0	238.1	-4.7	19.3	270.7
Other Post-Employment Benefits	-	-	-	15.8	15.8
Net Liability/(Asset) in the Balance Sheet	**18.0**	**238.1**	**-4.7**	**35.1**	**286.5**

The two main financial factors affecting Group pension liabilities are changes in interest rates and inflation expectations, so the aim of asset investment allocations is to neutralise these effects and 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 per earnings ratios of the major stock indices.

Plan Assets

	As at 31 December 2010		2009		2008	
EUR million	**Value**	**%**	**Value**	**%**	**Value**	**%**
Equity	214.0	28.8	173.3	25.9	165.3	27.9
Debt	343.3	46.2	236.2	35.4	239.4	40.9
Property	78.0	10.5	98.2	14.7	96.9	15.9
Cash	12.7	1.7	45.3	6.8	24.8	4.2
Others	95.1	12.8	115.2	17.2	65.3	11.1
Total Pension Fund Assets	**743.1**	**100.0**	**668.2**	**100.0**	**591.7**	**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 351.9 (334.4) million is not disclosed separately as actual asset allocations can only be estimated based on known target values published by the insurance companies concerned.

In 2011 contributions of EUR 60.0 million are expected to be paid.

In 2010 contributions of EUR 42.7 (EUR 56.8) million were paid.

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.

Short Term Incentive (STI) programmes

Group Executives, Business Area and Business Unit management have STI programmes in which the payment is calculated as a percentage of annual basic salary with a maximum level ranging from 7% to 75%. Non-management employees participate in a STI programme with a maximum incentive level of 7%. All incentives are discretionary. The Group has maintained participation in these performance-based programmes and has expanded them to cover over 95% of employees globally where allowed by local practice and regulations. It was decided to pay the annual incentive to top management (approximately 100 individuals) for performance year 2009 (payable in 2010) in shares (restricted shares) and deferred one year from March 2010 to March 2011. For performance year 2010 the annual incentive programmes were based on financial targets and individually set key targets.

Long Term Incentive (LTI) programmes

Starting in 2004 the Board approved the implementation of two share-based programmes (Restrictive and Performance Share Programmes) to complement and partially replace the existing option programme. From 2005 to 2010 new share-based programmes have been launched each year. Since 2009 new long-term incentive programmes have been performance share programmes only. The Performance Share Plans are vesting in portions over a three-year period. The performance target is set annually by the Remuneration Committee. The programmes have a maximum vesting potential of 150% of shares awarded should the result of the performance criteria exceed the target. Since 2010 the Board also approved an annual allocation of restricted shares under a separate Young Talent Award programme to a maximum of 100 young talents in the Company.

Option programmes for management (1999 to 2007)

The Group has an option programme, but the last options granted under this programme were granted in 2007 and there is currently no intention to issue any in the future. 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 current market prices at issue plus 10% premiums. The synthetic options are hedged by TRS that 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 of receiving 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 options were exercised as the share price remained below the relevant strike prices; 2 311 100 options from the 2003 scheme lapsed in 2010 and 2 259 550 options from the 2004 scheme lapse on 28 February 2011.

Option/Synthetic Option Programmes at 31 December 2010

Option Programme	Year of Issue	Strike Price Base Period	Strike Price	Number of Staff	Number of Options Issued	Number of Options Cancelled [2]	Number of Options Exercised	Number of Options Outstanding	Exercise Period
2007 Synthetic	2007	8 Feb 14 Feb	EUR 14.00	731	1 406 596	472 700	-	933 896	1 Mar 2010 28 Feb 2014
2006 Synthetic	2006	3 Feb 10 Feb	EUR 12.46/13.32 [1]	744	2 161 000	843 125	-	1 317 875	1 Mar 2009 28 Feb 2013
2005 Synthetic	2005	4 Feb 11 Feb	EUR 12.20	1 024	3 075 125	1 149 500	-	1 925 625	1 Mar 2008 29 Feb 2012
2004 Synthetic	2004	5 Feb 12 Feb	EUR 11.15	1 033	4 682 800	1 428 050	995 200	2 259 550	1 Mar 2007 28 Feb 2011

[1] Strike price of options granted to new CEO upon his appointment.
[2] Includes options associated with divestment of SENA.

The costs of the Stora Enso Synthetic Option and Share-based Programmes are recognised as costs over the vesting period, being the period between grant and right to exercise or award. The rise in the share price in recent years has resulted in an increase in the related liability from EUR 9.9 million at 31 December 2008 to EUR 31.3 million at 31 December 2010, which is recorded 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 reporting 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 share awards is also remeasured at each reporting 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 EUR 7.69 (EUR 4.88) with all changes recognised in the Income Statement.

At the year end 6 436 946 (9 480 946) synthetic options were outstanding, of which 6 436 946 (8 303 650) options were exercisable. The strike price for the outstanding options was within the range EUR 11.15 to EUR 14.00, with the weighted average strike price being EUR 12.17 (EUR 11.67) and a weighted average remaining contractual right of 1.3 (1.8) years. No options have been granted since 2007.

The fair values of the restricted and performance share awards have been calculated using year-end closing prices of Stora Enso R shares. The outstanding restricted and performance share awards are shown below.

Share Awards at 31 December 2010

	Projected Delivery of Outstanding Restricted and Performance Share Awards at Year End			
Number of shares	**2011**	**2012**	**2013**	**Total**
2006 programme	222 500	-	-	222 500
2007 programme	129 498	129 498	-	258 996
2008 programme	281 263	-	75 500	356 763
2009 programme	462 778	462 779	-	925 557
2010 programme	1 891 925	379 237	446 437	2 717 599
Total	**2 987 964**	**971 514**	**521 937**	**4 481 415**

The fair valuation and vesting impact of share-based programmes amounted to an expense of EUR 22.3 (gain EUR 0.9) million due to the increase in the share price. Synthetic options accounted for a gain of EUR 1.0 (EUR 3.3) million and the restricted and performance share awards amounted to an expense of EUR 23.3 (EUR 2.4) million. The year-end liability of EUR 31.3 (EUR 9.0) million is shown in Non-current Operative Liabilities of which EUR 1.4 (EUR 2.4) million relates to synthetic options and EUR 29.9 (EUR 6.6) million to the restricted and performance share awards. No options were cashed in 2008, 2009 or 2010. The actual cash cost for the restricted and performance share awards totalled EUR 5.7 (EUR 1.4) million.

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 12 640 000 (18 481 266) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 13.8 (net liability EUR 14.1) million. The change from a net liability of EUR 14.1 million to a net asset of EUR 13.8 million is due to a cash settlement of EUR 23.2 million and a fair value increase of EUR 51.1 million due to the increase in share price from EUR 4.88 at 31 December 2009 to EUR 7.69 at 31 December 2010.

Note 24 Other Provisions

Other Provisions

EUR million	Environmental	Restructuring	Other Obligatory	Total Provisions
Carrying Value at 1 January 2009	**80.5**	**304.3**	**2.6**	**387.4**
Translation difference	3.7	3.4	0.2	7.3
Reclassification	54.8	-54.8	-	-
Acquistions	7.0	-	-	7.0
Companies disposed	-	-0.1	-1.4	-1.5
Charge in Income Statement: Continuing operations				
New provisions	1.0	55.3	1.4	57.7
Increase in existing provisions	2.1	4.4	7.6	14.1
Reversal of existing provisions	-0.5	-19.7	-6.8	-27.0
Payments	-3.6	-139.9	0.4	-143.1
Carrying Value at 31 December 2009	**145.0**	**152.9**	**4.0**	**301.9**
Translation difference	10.4	3.7	0.4	14.5
Companies disposed	-	-1.1	-	-1.1
Charge in Income Statement: Continuing operations				
New provisions	12.3	39.8	0.6	52.7
Increase in existing provisions	2.3	1.8	-	4.1
Reversal of existing provisions	-43.6	-20.5	-	-64.1
Payments	-7.3	-53.4	-2.2	-62.9
Carrying Value at 31 December 2010	**119.1**	**123.2**	**2.8**	**245.1**
Allocation between Current and Non-current Liabilities				
Current liabilities: Payable within 12 months	8.0	88.1	0.4	96.5
Non-current liabilities: Payable after 12 months	111.1	35.1	2.4	148.6
Total at 31 December 2010	**119.1**	**123.2**	**2.8**	**245.1**
Current liabilities: Payable within 12 months	6.4	114.8	0.3	121.5
Non-current liabilities: Payable after 12 months	138.6	38.1	3.7	180.4
Total at 31 December 2009	**145.0**	**152.9**	**4.0**	**301.9**

Environmental remediation

Provision for environmental remediation amounted to EUR 119.1 million at 31 December 2010, a decrease of EUR 25.9 million compared with 31 December 2009. New provisions for the year amounted to EUR 12.3 million, of which EUR 10.0 million arose upon the closure of Varkaus newsprint operations. Reversals of the existing provisions for the year amounted to EUR 43.6 million, the main item being Baienfurt real estate disposal, which resulted in a EUR 39.4 million release of environmental provisions. 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. The provision at the year end amounted to EUR 27.9 (EUR 25.2) 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. In addition, the Company is obliged to upgrade an old landfill previously used by the mill to comply with revised environmental regulations. At the year end Stora Enso Pulp AB had environmental provisions of EUR 25.7 (EUR 21.1) million.
- The site adjacent to Skoghall Mill contains ground pollutants that must be removed. The provision at the year end amounted to EUR 19.2 (EUR 17.1) million.
- The total environmental provision in Finland amounts to EUR 30.0 (EUR 26.3) million. The largest relates to the permanent closure of newsprint operations at Varkaus during the year and amounts to EUR 10.0 million. Other provisions include EUR 7.0 (EUR 7.0) million related to fair valuation of Sunila Mill as part of the acquisition accounting in 2009, EUR 4.7 (EUR 4.9) million related to pollution in the vicinity of Pateniemi Sawmill and three provisions related to the sites of closed mills: EUR 2.8 (EUR 5.2) million related to the former Kemijärvi Pulp Mill, EUR 1.5 (EUR 4.3) million related to the site of the former Summa Mill and EUR 1.0 (EUR 1.0) million related to the former Tolkkinen Sawmill.
- EUR 7.8 (EUR 47.3) million of remaining environmental provision relates mainly to landfills that were not disposed of as a part of the disposal of Baienfurt Mill real estate in Germany during the year.

Restructuring provisions

The Group has undergone major restructuring in recent years, from divestments to mill closures and administrative cost-saving programmes. New restructuring provisions for the year amounted to EUR 39.8 million, the main items being restructuring provisions related to permanent closures of newsprint production at Varkaus in Finland and Maxau in Germany amounting to EUR 11.0 million and EUR 24.7 million, respectively. The net change in existing provisions resulted in a reversal of EUR 18.7 million. The main item is the disposal of Baienfurt real estate that amounted to EUR 9.4 million reorganisation provision reversal. The total cash payments made during the year in respect of established restructuring provisions amounted to EUR 53.4 million.

Major asset restructurings were announced in previous years. In April 2009 the Group announced the Next Step programme with annual administration cost saving target of EUR 250 million. Additionally, in 2009 the Group announced permanent closures of Tolkkinen Sawmill and uncoated fine paper machine PM8 at Imatra Mills. 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. Closures of Baienfurt Mill in Germany and two Estonian sawmills were announced, as well as machine closures at Kabel Mill in Germany and at Imatra and Varkaus in Finland. The review also resulted in the outsourcing of maintenance services at many of the Finnish mills to Efora Oy, a company jointly owned with ABB, whereby some 1 450 Stora Enso employees transferred to the new venture.

The liability at the end of 2010 for restructuring provisions amounted to EUR 123.2 million and covered the costs of closing down operations, demolition, clearance and redundancy costs for reducing staff numbers.

Details of all Company disposals are in Note 4 Acquisitions and Disposals, details of fixed asset impairments relating to restructuring provisions are 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	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Newsprint and Book Paper	31.8	5.1	11.6	38.2	8.1	18.2
Magazine Paper	-3.9	-0.1	40.2	33.9	39.8	109.6
Fine Paper	-2.2	5.8	-8.3	13.3	11.7	6.8
Consumer Board	-9.8	3.3	127.8	20.0	45.3	128.6
Industrial Packaging	2.8	4.1	5.3	2.0	6.0	6.0
Wood Products	-0.5	2.2	3.1	2.1	3.9	3.5
Other	2.9	19.6	32.0	13.7	38.1	31.6
Total: Continuing Operations	**21.1**	**40.0**	**211.7**	**123.2**	**152.9**	**304.3**
Discontinued operations	-	-	1.4	-	-	-
Total Operations	**21.1**	**40.0**	**213.1**	**123.2**	**152.9**	**304.3**

Details of the mills affected are described below.

Maxau Mill

In September 2010 Stora Enso announced the planned permanent end of newsprint production at Maxau Mill in Germany. Paper Machine 7 was closed down due to the weak European market outlook and high production costs. Sales prices have fallen significantly while recovered paper and wood costs have risen strongly. The annual capacity of the paper machine was 195 000 tonnes of newsprint. The shutdown has affected about 180 of the 617 personnel employed at Maxau Mill. The restructuring provision at the year end amounted to EUR 23.8 million.

Varkaus Mill

In September 2010 two paper machines with combined annual capacity 290 000 tonnes of newsprint and directory paper were permanently closed down at Varkaus in Finland, ending newsprint production there. The closure was due to structural overcapacity in the European newsprint market, which has reduced newsprint prices significantly. Some 175 of the 512 personnel employed at Varkaus Mill were affected and the restructuring provision at the year end amounted to EUR 11.5 million.

Baienfurt Mill

Baienfurt Mill in southern Germany used to produce 190 000 tonnes of folding boxboard, 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 sheeting plant at the mill site remains in operation. Some 350 employees were affected. In 2010 Stora Enso divested the Baienfurt Mill site real estate to Karl-Gruppe and as a consequence a restructuring provision of EUR 9.4 million was released. The restructuring provision at the year end amounted to EUR 13.5 million.

Note 25 Operative Liabilities

Non-Current Operative Liabilities

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Accruals	24.1	24.7	10.1
Share-based payments (Note 23)	31.3	9.0	9.9
Other payables	6.6	9.4	8.5
Total	**62.0**	**43.1**	**28.5**

Current Operative Liabilities

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Advances received	15.9	7.4	5.8
Trade payables	1 007.4	798.5	579.6
Other payables	112.7	117.7	122.5
Payroll and staff-related accruals	249.2	212.6	206.3
TRS Hedges	-	14.1	57.4
Accrued liabilities and deferred income	215.4	201.2	445.4
Current portion of provisions	96.5	121.5	185.1
Total	**1 697.1**	**1 473.0**	**1 602.1**

Trade payables and payroll accruals amounting to EUR 1 256.6 (EUR 1 011.1) 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 Board of Directors. The overall objective is to have cost-effective funding in Group companies and manage financial risks to decrease earnings volatility through the use of financial instruments. The main exposures for the Group are interest rate risk, currency risk, funding 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 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. 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 of synchronising 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 2010, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 17 (EUR 17) 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, was some EUR 2.4 (EUR 2.4) billion, the average interest reset period being some 3.5 (3.6) 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 2.9 (1.9) years. A one percentage point parallel change up or down in interest rates would also result in fair valuation gains or losses of some EUR 6.0 (EUR 2.0) million, presented under Other Financial Items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting. Note 29 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 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 forecast major currency cash flows. The geographical location of Stora Enso's production facilities, and 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 2010, the estimated net cash flow exposure for the next 12 months and the transaction hedges in place as at 31 December 2010.

Transaction Risk and Hedges in Main Currencies

	As at 31 December 2010					
EUR million	**EUR**	**USD**	**GBP**	**SEK**	**Other**	**Total**
Sales in 2010	6 030	1 430	620	1 190	1 030	10 300
Costs in 2010	-5 380	-500	-70	-1 990	-1 160	-9 100
Net Operating Cash Flow	**650**	**930**	**550**	**-800**	**-130**	**1 200**
Estimated annual net operating cash flow exposure		1 100	600	-1 100		
Transaction hedges as at 31 December 2010		-600	-290	550		
Hedging Percentage as at 31 December 2010 for the Next 12 Months		**55%**	**48%**	**50%**		

The table below shows the estimated effect on annual EBITDA of a 10% change up or down in the euro and Swedish krona value against the US dollar and British pound, measured against year-end closing rates. 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 impact of a 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 2009 and 2010, 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: Estimated Currency Effects

	As at 31 December 2010						As at 31 December 2009		
	Before Hedges		**Hedges**		**Net Impact**		**Before Hedges**	**Hedges**	**Net Impact**
EUR million	**+ 10%**	**- 10%**	**+ 10%**	**- 10%**	**+ 10%**	**- 10%**	**+/- 10%**	**+/- 10%**	**+/- 10%**
10% change in the EUR/USD rate	- 55	+ 70	+ 30	- 10	- 25	+ 60	-/+ 30–40	+/- 20–25	-/+ 15–25
10% change in the EUR/GBP rate	- 35	+ 40	+ 10	- 10	- 25	+ 30	-/+ 30–35	+/- 10–15	-/+ 10–25
10% change in the SEK/USD rate	- 30	+ 35	+ 30	0	0	+ 35	-/+ 25–30	+/- 10–15	-/+ 15–20
10% change in the SEK/GBP rate	- 15	+ 20	+ 15	0	0	+ 20	-/+ 20–25	+/- 10–15	-/+ 10–15
10% change in the SEK/EUR rate	- 70	+ 85	+ 130	+ 30	+ 60	+ 115	-/+ 90–100	+/- 60–65	-/+ 30–35

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 13 (EUR 13) million, mainly as a result of foreign exchange gains and losses on the one-time retranslation of US-dollar-denominated trade receivables. In 2010 the euro weakened materially against all main currencies. In 2009 the euro appreciated against the US dollar, Japanese yen and Russian rouble, but at the same time weakened against the Swedish krona, British pound and Brazilian real. There is a currency breakdown of short-term operative receivables in Note 19 Receivables.

The majority of derivatives that hedge 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 moved 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 90 (EUR 65) million different as a result of a one-time revaluation of outstanding cash flow hedge accounted currency derivatives, EUR 62 (EUR 40) million coming from US dollar hedges and EUR 28 (EUR 25) million coming from British pound hedges. The corresponding nominal hedging levels in currencies were USD 833 (USD 579) million and GBP 237 (GBP 223) 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 Statements of Financial Position of foreign subsidiaries, equity accounted investments 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 in 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 next table shows the translation exposure on equity before and after hedges.

Translation Risk and Hedges

EUR million	Euro	USD[3]	Sweden	Czech Republic	Poland	Brazil	Other	Total
	As at 31 December 2010							
Capital employed, excluding equity accounted investments	4 036	24	1 634	122	255	200	650	6 921
Equity accounted investments	199	323	547	-	1	674	-	1 744
Net interest-bearing liabilities	-1 151	-12	-924	25	29	17	-394	-2 410
Non-controlling interests	-4	-	-2	-	-1	-24	-21	-52
Translation Exposure on Equity	**3 080**	**335**	**1 255**	**147**	**284**	**867**	**235**	**6 203**
EUR/PLN [1]	60	-	-	-	-60	-	-	-
EUR/CZK [1]	70	-	-	-70	-	-	-	-
EUR/SEK [2]	145	-	-145	-	-	-	-	-
Translation Exposure after Hedges	**3 355**	**335**	**1 110**	**77**	**224**	**867**	**235**	**6 203**

[1] Foreign exchange forward contracts classified as hedges of investments in foreign assets.
[2] SEK denominated bonds classified as hedges of investments in foreign assets.
[3] Includes the equity accounted investment Montes del Plata in Uruguay, which has USD as its functional currency.

The table below shows the effect on consolidated equity of a +/- 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 30 Cumulative Translation Adjustment and Equity Hedging.

Consolidated Equity: Currency Effects before Tax of a +/- 10% Movement

EUR million	Before Hedges	Hedges	Net Impact	Before Hedges	Hedges	Net Impact
	As at 31 December 2010			As at 31 December 2009		
10% change in the EUR/SEK rate	126	15	111	101	-	101
10% change in the EUR/USD rate	34	-	34	29	-	29
10% change in the EUR/BRL rate	87	-	87	77	-	77
Total Effect from Above	**247**	**15**	**232**	**207**	**0**	**207**

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

EUR million	As at 31 December 2011	2012	2013	2014	2015	2016+	Total
Bond loans	49.7	-	-	728.1	489.3	1 135.8	2 402.9
Loans from credit institutions	207.2	140.6	47.1	44.8	31.9	286.6	758.2
Financial lease liabilities	12.5	6.4	21.0	7.2	7.3	60.5	114.9
Other long-term liabilities	34.1	111.3	32.4	29.0	29.0	87.0	322.8
Fair value of derivatives hedging debt	-	-1.7	-	-36.6	2.2	-	-36.1
Total Long-term Debt	**303.5**	**256.6**	**100.5**	**772.5**	**559.7**	**1 569.9**	**3 562.7**
Current Liabilities: Repayable within Next 12 Months							**303.5**
Non-current Liabilities: Repayable after 12 Months							**3 259.2**

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 reporting 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	303.5	256.6	100.5	772.5	559.7	1 569.9
Less FV adjustments to carrying amounts	-	0.6	-	-4.7	-6.5	-36.4
Estimated contractual finance charges	161.2	156.2	158.4	155.2	124.4	436.8
Contractual Repayments on Non-Current Debt	**464.7**	**413.4**	**258.9**	**923.0**	**677.6**	**1 970.3**
Current interest-bearing liabilities, carrying amounts	264.1	-	-	-	-	-
Contractual finance charges	1.5	-	-	-	-	-
Bank overdrafts	7.8	-	-	-	-	-
Total Contractual Repayments at 31 December 2010	**738.1**	**413.4**	**258.9**	**923.0**	**677.6**	**1 970.3**
Total Contractual Repayments at 31 December 2009	**1 008.6**	**693.8**	**265.9**	**213.7**	**863.6**	**1 811.4**
Total Contractual Repayments at 31 December 2008	**794.4**	**938.7**	**498.5**	**230.9**	**213.6**	**1 951.1**

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 the CEO.

The following table shows the balance of major counterparties at the reporting date using the Standard and Poor's credit rating symbols.

External Counterparty Exposure

	As at 31 December		
EUR million	**Rating**	**2010**	**2009**
Company A	A	100.1	0.1
Company B	A	53.1	58.9
Company C	AA	46.5	-
Company D	AA-	45.3	-
Company E	A+	42.4	-
Company F	A	39.3	31.7

On the divestment of merchant business Papyrus, part of the sales consideration comprised a PIK Note issued by the Altor subsidiary Papyrus Holding AB. The PIK Note was classified as an available-for-sale investment in interest-bearing securities and had at year end a nominal value of EUR 72.2 million and a fair value of EUR 72.2 million. The valuation of this PIK Note requires management judgement, hence it is subject to uncertainty. The valuation method is described in more detail in Note 16 Available-for-Sale Investments.

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 30.9 (EUR 37.3) million change in the fair value of energy and raw material hedging contracts. The majority of these fair value changes, after taxes, are recorded directly in Equity under Hedging Reserves, until the contracts mature and the result is entered in the Income Statement. These estimates represent only the sensitivity of the financial instruments to market risk and not the Group exposure to raw material and energy price risks as a whole, since the actual purchases are not financial instruments within the scope of the IFRS 7 disclosure requirements. The maturities of the energy and commodity contracts are between one month and five years, as compared with between one month and five years in 2009.

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 31 Commitments and Contingencies, Purchase Agreement Commitments. The Group also has a 14.8% holding, valued at EUR 863.8 (EUR 768.4) 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.

In addition, in an effort to mitigate the other commodity risk exposures, the Group has major associate and joint venture interests in forest companies in Finland, Sweden, Brazil and Uruguay, thus if prices increase for fibre in these four countries, so do the profits 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 2010 there were TRS instruments outstanding covering 12 640 000 (18 481 266) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 13.8 (net liability EUR 14.1) million, as disclosed in Note 29 Financial Instruments. 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 7.69 (4.88) on 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 6.5 (EUR 6.7) million at the year end. These securities have an exposure to fluctuations in equity prices, thus a 10% fall in equity prices would result in a EUR 0.7 (EUR 0.7) 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 2010 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.

On the divestment of SENA part of the sales consideration consisted of shares in the newly established privately owned company, NewPage. This holding was classified as an available-for-sale investment in operative securities and was fully impaired in 2009. Details related to the impairment of this asset are described in Note 16 Available-for-Sale Investments.

Customer credit risk

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. 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 in 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 financial position, and financial flexibility. Debt-to-equity ratios are shown below:

Capital Structure

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Interest-bearing liabilities	4 011.2	3 936.7	4 076.1
Interest-bearing assets	1 601.2	1 342.9	952.1
Interest-bearing Net Debt	**2 410.0**	**2 593.8**	**3 124.0**
Total Equity	**6 202.9**	**5 124.3**	**5 594.0**
Debt / Equity Ratio	**0.39**	**0.51**	**0.56**

Note 27 Fair Values

Carrying Amounts of Financial Assets and Liabilities by Measurement Category: 2010

EUR million	Loans and Receivables	Financial Items at FVTPL	Hedging Derivatives	Available-for-Sale Financial Assets	Carrying Amounts by Balance Sheet Item	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	958.1	958.1	958.1	16
Non-current loan receivables	126.5	-	-	-	126.5	133.1	19
Trade and other operative receivables	1 347.8	13.8	-	-	1 361.6	1 361.6	19
Interest-bearing receivables	27.6	120.3	137.2	-	285.1	285.1	19
Cash and cash equivalents	1 110.9	-	-	-	1 110.9	1 110.9	
Total	**2 612.8**	**134.1**	**137.2**	**958.1**	**3 842.2**	**3 848.8**	

EUR million	Financial Items at FVTPL	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts by Balance Sheet Item	Fair Value	Note
Financial Liabilities						
Non-current debt	-	-36.1	3 295.3	3 259.2	3 719.2	28
Current portion of non-current debt	-	-	303.5	303.5	303.5	28
Interest-bearing liabilities	90.3	23.5	326.9	440.7	440.7	28
Trade and other operative payables	-	-	1 256.6	1 256.6	1 256.6	25
Bank overdrafts	-	-	7.8	7.8	7.8	
Total	**90.3**	**-12.6**	**5 190.1**	**5 267.8**	**5 727.8**	

Carrying Amounts of Financial Assets and Liabilities by Measurement Category: 2009

EUR million	Loans and Receivables	Financial Items at FVTPL	Hedging Derivatives	Available-for-Sale Financial Assets	Carrying Amounts by Balance Sheet Item	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	850.2	850.2	850.2	16
Non-current loan receivables	159.6	-	-	-	159.6	170.3	19
Trade and other operative receivables	1 168.4	-	-	-	1 168.4	1 168.4	19
Interest-bearing receivables	27.6	120.6	73.0	-	221.2	221.2	19
Cash and cash equivalents	890.4	-	-	-	890.4	890.4	
Total	**2 246.0**	**120.6**	**73.0**	**850.2**	**3 289.8**	**3 300.5**	

EUR million	Financial Items at FVTPL	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts by Balance Sheet Item	Fair Value	Note
Financial Liabilities						
Non-current debt	-	-54.9	2 953.3	2 898.4	3 261.0	28
Current portion of non-current debt	-	-4.1	818.9	814.8	814.8	28
Interest-bearing liabilities	35.4	76.0	98.7	210.1	210.1	28
Trade and other operative payables	14.1	-	1 011.1	1 025.2	1 025.2	25
Bank overdrafts	-	-	13.4	13.4	13.4	
Total	**49.5**	**17.0**	**4 895.4**	**4 961.9**	**5 324.5**	

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair values that are not based on observable market data.

Fair Value Measurements Recognised in the Statement of Financial Position

	As at 31 December 2010			
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative Financial Assets				
Hedging derivatives	-	137.2	-	137.2
Derivatives at fair value through profit and loss	-	134.1	-	134.1
Available-for-Sale Financial Assets				
Listed securities	6.5	-	-	6.5
Unlisted shares	-	-	879.4	879.4
Unlisted interest-bearing securities	-	-	72.2	72.2
Total	**6.5**	**271.3**	**951.6**	**1 229.4**
Derivative Financial Liabilities				
Hedging derivatives	-	-12.6	-	-12.6
Derivatives at fair value through profit and loss	-	90.3	-	90.3
Total	**0.0**	**77.7**	**0.0**	**77.7**

Reconciliation of Level 3 Fair Value Measurements of Financial Assets

EUR million	**Unlisted Shares**	**Unlisted Interest-bearing Securities**	**Total**
Opening balance at 1 January 2010	778.5	65.0	843.5
Gains recognised in other comprehensive income	95.4	1.2	96.6
Additions	6.7	-	6.7
Disposals	-1.2	-	-1.2
Interest capitalised	-	6.0	6.0
Closing Balance at 31 December 2010	**879.4**	**72.2**	**951.6**

Note 28 Debt

Debt at 31 December 2010 amounted to EUR 3 562.7 million, a decrease of EUR 150.5 million from the previous year's EUR 3 713.2 million. Redemptions amounted to EUR 1 139.8 million, the main items being a EUR 525.0 million repayment on a Euro Medium Term Note (EMTN) denominated in euros, a EUR 354.4 million repayment of 7.375% USD Notes due in 2011 and EUR 260.4 million going mainly to credit institutions. During the year, the Group raised EUR 859.3 million of debt, of which EUR 458.8 million was raised through the issue of bonds as described below and EUR 350.0 million through other loans mainly from credit institutions. The Group also raised EUR 50.5 million through a sale and leaseback transaction at its Imatra Mills, which will be repaid over eight years. The remaining change in debt for the year of EUR 130.0 million relates mainly to termination and fair value movements of hedges, foreign exchange and amortisation.

In February 2010, Stora Enso signed an agreement with the European Investment Bank (EIB) for a EUR 65 million loan to be used for the Ostrołęka power plant construction project in Poland.

In May 2010, Stora Enso signed an agreement with the EIB for a EUR 165 million loan to be used for research and development.

In June 2010, the Group issued two extendable floating rate notes totalling EUR 50 million under its EMTN programme. Stora Enso has an annual option to extend notes up to eight years. The cost of funding is variable.

In August 2010, the Group issued two five-year bonds totalling SEK 2 300 million under its EMTN programme. A SEK 1 000 million bond pays a floating coupon three-month Stibor +3.7% and has an issue/reoffer price of 100.000. A SEK 1 300 million bond pays a fixed coupon of 5.75% and has an issue/reoffer price of 99.778 to give a spread of 370 basis points over five-year mid swap.

In November 2010, the Group tapped its above-mentioned SEK bonds. The fixed coupon bond was tapped with SEK 1 100 million of new notes at a price of 101.200. The floating coupon bond was tapped with SEK 400 million of new notes at a price of 104.107.

In December 2010, Stora Enso signed a new EUR 700 million committed credit facility agreement with a syndicate of 16 banks effective in January 2011. The new facility matures in January 2014. The margin is based on a ratings grid, and at the current rating of BB/Ba2 the margin is 1.75% p.a. over Euribor.

In May 2009, the Group tapped its EUR 517 555 000 5.125% June 2014 notes by EUR 232 445 000, which brought the total transaction size to EUR 750 000 000.

In September 2009, the Group issued a EUR 390 million seven-year bond under its EMTN programme. The bond pays a floating coupon of Euribor +4.21%.

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 0.5% (0.5%) to 8.6% (8.6%). The majority of Group loans are denominated in euros, US dollars and Swedish krona. At 31 December 2010 unused committed credit facilities totalled EUR 1.4 (EUR 1.4) billion, none 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 2010 net interest-bearing liabilities decreased by EUR 183.8 million to EUR 2 410.0 million, mainly as a result of the strong cash flow achieved during the year. Cash and cash equivalents net of overdrafts increased from EUR 877.0 million at 31 December 2009 to EUR 1 103.1 million at 31 December 2010. 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	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Euro area	1 152.1	1 338.0	1 380.7	4 247.9	3 806.0	4 735.9
Sweden	923.1	926.3	1 419.9	2 618.3	2 286.0	2 397.6
USA	11.5	12.8	-50.4	70.3	61.4	259.8
Brazil	-16.1	-8.4	-20.8	855.3	758.8	588.6
Russia	116.6	149.1	202.1	156.1	178.4	198.9
Poland	-28.2	-63.2	-83.5	265.9	213.8	187.1
China	250.6	229.5	251.5	330.7	289.7	295.2
Czech Republic	-24.8	-33.2	-40.5	126.3	120.6	125.0
Other	25.2	42.9	65.0	423.8	375.9	269.2
Total	**2 410.0**	**2 593.8**	**3 124.0**	**9 094.6**	**8 090.6**	**9 057.3**

Long-term Debt

EUR million	Repayable within 12 Months 2010	Repayable within 12 Months 2009	Repayable within 12 Months 2008	Repayable after 12 Months 2010	Repayable after 12 Months 2009	Repayable after 12 Months 2008
	As at 31 December					
Bond loans	49.7	529.2	338.5	2 353.2	2 214.9	2 233.2
Loans from credit institutions	207.2	269.8	90.3	551.0	433.0	645.4
Financial lease liabilities	12.5	9.8	5.8	102.4	61.5	23.1
Other long-term liabilities	34.1	10.1	5.3	288.7	243.9	236.2
Fair value of derivatives hedging debt	-	-4.1	-2.5	-36.1	-54.9	-130.1
Total Long-term Debt	**303.5**	**814.8**	**437.4**	**3 259.2**	**2 898.4**	**3 007.8**

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, is EUR 3 719.2 (EUR 3 261.0) million, against a carrying value of EUR 3 259.2 (EUR 2 898.4) million, the difference being partially offset by the derivatives hedging the debt (see Note 29 Financial Instruments).

Currency Breakdown of Long-term Debt

EUR million	2010	2009	2008
	As at 31 December		
EUR	2 114.3	2 259.4	1 637.7
USD	905.6	1 366.7	1 379.1
SEK	500.0	66.8	399.5
Other currencies	42.8	20.3	28.9
Total	**3 562.7**	**3 713.2**	**3 445.2**

Bond Loans in Non-current Debt

Issue/ Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value Issued 2010	Outstanding As at 31 December 2009	Outstanding As at 31 December 2010	Carrying Value As at 31 December 2009	Carrying Value As at 31 December 2010
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	34.7	37.4
2004–2014	Euro Medium Term Note	5.125	EUR	750.0	749.9	749.9	711.7	728.2
2006–2016	Global 6.404% Notes 2016	6.404	USD	507.9	507.9	507.9	390.9	412.7
2006–2036	Global 7.250% Notes 2036	7.250	USD	300.0	300.0	300.0	204.5	220.8
2006–2015	Swedish Fixed Real Rate	3.500	SEK	500.0	500.0	500.0	55.8	63.7
2010-2015	Euro Medium Term Note	5.750	SEK	2 400.0	-	2 400.0	-	268.0
Loans matured and extinguished in 2010							856.6	-
Total Fixed Rate Bond Loans							**2 254.2**	**1 730.8**
Floating Rate								
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
2009–2016	Euro Medium Term Note	Euribor+4.21	EUR	390.0	390.0	390.0	390.0	390.0
2010–2011	Euro Medium Term Note	Euribor+2.39	EUR	25.0	-	25.0	-	24.9
2010–2011	Euro Medium Term Note	Euribor+2.41	EUR	25.0	-	25.0	-	24.8
2010–2015	Euro Medium Term Note	Stibor+3.70	SEK	1 400.0	-	1 400.0	-	157.5
Loans matured and extinguished in 2010							25.0	-
Total Floating Rate Bond Loans							**489.9**	**672.1**
Total Bond Loans							**2 744.1**	**2 402.9**

Interest-bearing Liabilities

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Current loans	326.9	98.7	224.3
Derivative financial instruments (see Note 29)	113.8	111.4	363.4
Total Interest-bearing Liabilities	**440.7**	**210.1**	**587.7**

Current loan payables include accrued interest of EUR 62.8 (EUR 66.7) million. Group short-term loans are denominated in euros 93% (99%), Chinese renminbi 5% (0%), US dollars 2% (0%) and Swedish krona 0% (1%), with maturities ranging from payable on demand up to 12 months.

Finance lease liabilities

At 31 December 2010 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 87.3 (EUR 50.3) million were included in machinery and equipment; the depreciation and impairment thereon was EUR 11.9 (EUR 0.8) million. The aggregate leasing payments for the year amounted to EUR 10.2 (EUR 6.4) million, the interest element being EUR 3.2 (EUR 0.9) million. As discussed earlier the Group entered into a sale and leaseback transaction related to equipment at its Imatra Mills. The net liability realised amounted to EUR 50.5 million, which will be repaid over an eight-year period. In 2009 the Group entered into a sale and leaseback transaction at its Imatra Mills with a net liability of EUR 41.5 million.

Finance Lease Liabilities

	As at 31 December		
EUR million	**2010**	**2009**	**2008**
Minimum Lease Payments			
Less than 1 year	16.1	12.3	6.9
1–2 years	9.9	6.0	2.2
2–3 years	24.0	6.0	2.0
3–4 years	9.6	20.3	1.9
4–5 years	9.5	5.6	17.0
Over 5 years	64.6	34.4	3.2
	133.7	84.6	33.2
Future finance charges	-18.8	-13.3	-4.3
Present Value of Finance Lease Liabilities	**114.9**	**71.3**	**28.9**
Present Value of Finance Lease Liabilities			
Less than 1 year	12.5	9.8	5.8
1–2 years	6.4	3.6	1.2
2–3 years	21.0	3.7	1.1
3–4 years	7.2	18.2	1.0
4–5 years	7.3	4.3	16.7
Over 5 years	60.5	31.7	3.1
	114.9	**71.3**	**28.9**

Note 29 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 reporting date fair value of investments and their initial fair value at acquisition (see Note 16 Available-for-Sale Investments).

Associate companies and joint ventures record amounts directly in equity related to hedges and pensions, and the Group records its share of these amounts also in equity in the "Currency and Commodity Hedges of Equity Accounted Investments" classification. This classification includes the Group's 43.26% share in interest rate swaps showing a deferred loss of EUR 0.6 (EUR 3.8) million in respect of Stora Enso's associate company 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 1.1 (EUR 6.7) million and the US associate, Thiele Kaolin has amounts recorded in OCI with a deferred loss of EUR 8.1 (EUR 8.5) million.

The estimated net amount of unrealised cash flow hedge gains net of taxes amounted to EUR 77.9 (EUR loss 0.8) million of which a gain of EUR 74.4 (EUR 15.3) million related to currencies and a gain of EUR 3.5 (EUR loss 16.1) million to commodities. These unrealised gains and losses are expected to be recycled through the Income Statement within one to five years with the longest hedging contract maturing in 2015 (2014), however the majority are expected to mature in 2011. Any hedge ineffectiveness is presented as an adjustment to sales or to materials and services, depending on the underlying exposure, totalling gross costs of EUR 0.0 (EUR 0.0) million for currency hedges and EUR 2.3 (EUR 2.5) million for commodity contract hedges. Derivatives used in currency cash flow hedges are forward contracts and options, with swaps mainly used in commodity hedges.

Fair values of financial instruments

Derivative financial instruments are recorded in the Statement of Financial Position 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 their approximate fair values.
- The fair values of interest rate swaps are calculated using a discounted cash flow analysis.
- Interest rate option 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.
- Commodity contract fair values are computed with reference to quoted market prices on futures 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 31 December 2008, 2009 or 2010.

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).

Fair Value Hedge Gains and Losses

EUR million	Year Ended 31 December 2010	2009	2008
Net (losses)/gains on qualifying hedges	-22.9	-73.6	125.2
Fair value changes in hedged items	21.4	83.3	-133.1
Net (losses)/gains	**-1.5**	**9.7**	**-7.9**
Net gains/(losses) on non-qualifying hedges	4.0	8.3	1.1
Net Fair Value Gains/(Losses) in Financial Items	**2.5**	**18.0**	**-6.8**

Derivatives used in fair value hedges are mainly interest rate swaps.

Cash Flow Hedge Gains and Losses

EUR million	Year Ended 31 December 2010	2009	2008
Qualifying Hedges			
Currency hedges	29.7	-81.8	6.8
Commodity contract hedges	-8.9	-59.1	49.7
Realised from OCI through Income Statement	**20.8**	**-140.9**	**56.5**
Currency hedges ineffectiveness	-	-	-2.0
Commodity contract hedges ineffectiveness	-2.3	-2.5	-15.1
Net Gains/(Losses) from Qualifying Hedges	**18.5**	**-143.4**	**39.4**
Non-qualifying Hedges			
Currency hedges	1.5	1.8	2.9
Commodity contract hedges	0.1	-3.9	0.5
Net Gains/(Losses) on Non-Qualifying Hedges	**1.6**	**-2.1**	**3.4**
Net Cash Flow Hedge Gains/(Losses) in Operative Items	**20.1**	**-145.5**	**42.8**

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		**2010**		**2009**	**2008**
Interest rate swaps	176.2	-40.8	135.4	156.6	227.2
Interest rate options	-	-35.3	-35.3	-26.7	-38.0
Forward contracts	95.7	-48.1	47.6	20.5	-73.9
Currency options	34.0	-11.9	22.1	13.9	-14.6
Commodity contracts	24.4	-12.8	11.6	-21.8	-90.7
Equity swaps (TRS) and equity options	21.9	-8.1	13.8	-14.1	-57.4
Total	**352.2**	**-157.0**	**195.2**	**128.4**	**-47.4**

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Long-term Debt with the exception of TRS, which is shown under Operative Receivables and Liabilities.

The presented fair values in the previous table include accrued interest and option premiums, and the net premiums received on outstanding derivatives were EUR 1.4 (EUR 1.3) million. The net fair value of cash flow hedge accounted derivatives was a gain of EUR 105.7 (EUR loss 2.0) million, the net fair value of fair value hedge accounted derivatives was a gain of EUR 36.1 (EUR 59.0) million, the net fair value net investment in foreign entities hedge accounted derivatives was a gain of EUR 1.3 (EUR loss 0.8) million and the net fair value of non-hedge accounted derivatives was a gain of EUR 52.1 (EUR 72.2) million.

Nominal Values of Derivative Financial Instruments

	Year ended 31 December		
EUR million	**2010**	**2009**	**2008**
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	827.5	666.8	592.8
Maturity 2–5 years	2 569.8	2 384.0	1 683.4
Maturity 6–10 years	804.7	861.8	2 341.6
	4 202.0	3 912.6	4 617.8
Interest rate options	601.0	387.4	394.3
Total	**4 803.0**	**4 300.0**	**5 012.1**
Foreign Exchange Derivatives			
Forward contracts	2 333.1	2 935.7	3 049.4
Currency options	2 683.4	1 590.7	1 438.9
Total	**5 016.5**	**4 526.4**	**4 488.3**
Commodity Derivatives			
Commodity contracts	297.6	396.7	604.6
Total	**297.6**	**396.7**	**604.6**
Total Return (Equity) Swaps			
Equity swaps (TRS)	83.1	104.7	158.2
Equity options	-	-	22.0
Total	**83.1**	**104.7**	**180.2**

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 reporting date. However, for Stora Enso all values are for one year only.

Contractual payments for net-settled derivatives financial liabilities were in the following maturity groupings; within one year EUR 33.3 (EUR 55.7) million and within two to five years EUR 49.8 (EUR 61.1) million.

Contractual Derivatives Maturity Repayments Gross Settlement

	As at 31 December 2010		As at 31 December 2009	
EUR million	**2011**	**2012+**	**2010**	**2011+**
Currency Forwards and Options: Cash Flow Hedges				
Outflow	1 063.9	-	1 754.8	-
Inflow	1 134.7	-	1 760.5	-
Currency Forwards and Options: Hedging of Net Investment				
Outflow	130.7	-	179.3	-
Inflow	132.0	-	177.9	-
Currency Forwards and Options: Fair Value in Income Statement				
Outflow	2 082.6	-	1 742.1	-
Inflow	2 043.9	-	1 755.6	-

Note 30 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 equity accounted investments. Exchange differences arising from the translation of equity results and dividends for foreign subsidiary and equity accounted 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	**2010**	**2009**	**2008**
At 1 January			
CTA on net investment in non-euro foreign entities	-219.9	-456.9	-128.3
Hedging thereof	35.2	18.9	17.3
Net currency losses in equity	-184.7	-438.0	-111.0
Tax on hedging	-9.9	-5.8	-4.6
	-194.6	**-443.8**	**-115.6**
CTA Movement for the Year Reported in OCI			
Restatement of opening non-euro denominated equity	294.7	237.3	-410.1
Difference in Income Statement translation	16.6	17.6	-19.1
Internal equity injections and dividends	-0.8	-7.1	134.6
Other	-3.7	-0.5	-1.4
	306.8	**247.3**	**-296.0**
Hedging of Net Investment for the Year Reported in OCI			
Hedging result	-9.8	0.7	1.3
Taxes	2.5	-0.2	-1.1
	-7.3	**0.5**	**0.2**
Income Statement			
CTA gain on disposed non-euro foreign entities	-1.2	-10.3	-32.6
Hedging loss relating to disposed entities	-	15.6	0.3
Net (gain) / loss	-1.2	5.3	-32.3
Taxes	-	-3.9	-0.1
	-1.2	**1.4**	**-32.4**
At 31 December			
CTA on net investment in non-euro foreign entities	85.7	-219.9	-456.9
Hedging thereof (see below)	25.4	35.2	18.9
Cumulative net currency gains / (losses) in equity	111.1	-184.7	-438.0
Tax on hedging	-7.4	-9.9	-5.8
Net CTA in Equity	**103.7**	**-194.6**	**-443.8**
Hedging of Net Investment in Foreign Entities			
Hedging	25.4	35.2	18.9
Tax on hedging	-7.4	-9.9	-5.8
Net Hedging Result in Equity	**18.0**	**25.3**	**13.1**
Realised gain / (losses)	19.7	26.1	-12.1
Unrealised gains / (losses)	-1.7	-0.8	25.2
Total Gain	**18.0**	**25.3**	**13.1**

In 2010, the disposal of the Group's laminating paper operations in Malaysia, in connection with the disposal of the integrated mills at Kotka, resulted in the release of cumulative translation differences to the Income Statement amounting to a gain of EUR 0.3 million. Further, the disposals of one of the Group's Russian subsidiaries and two Swedish subsidiaries resulted in a gain on release of cumulative translation differences of EUR 0.9 million.

In 2009, the disposal of Stora Enso Uruguay S.A. and abandonment of non-euro operations resulted in the release of cumulative translation differences to the income statement amounting to a gain of EUR 10.3 million less hedging losses of EUR 15.6 million.

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 and Expense).

The Group is currently only hedging its equity exposure to the Czech koruna, Polish zloty and Swedish krona. The main movement in CTA in 2010 related to the Swedish krona and the Brazilian real. Total CTA gain in Sweden amounted to EUR 157.7 (EUR gain 53.2) million, resulting in accumulated CTA losses of EUR 118.3 (EUR 276.0) million. Total CTA gains in Brazil amounted to EUR 99.8 (EUR gain 175.3) million, resulting in accumulated CTA gains of EUR 166.1 (EUR gains 66.3) million.

Amounts Recognised in the Statement of Financial Position – CTA and Equity Hedging

	As at 31 December								
	Cumulative Translation Differences (CTA)			Equity Hedges			Net CTA in the Statement of Financial Position		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Brazil	166.1	66.3	-109.0	-	-	-	166.1	66.3	-109.0
China	-1.6	-6.3	-4.2	-	-	-	-1.6	-6.3	-4.2
Czech Republic	35.6	27.7	25.4	-14.3	-10.6	-11.2	21.3	17.1	14.2
Poland	-5.7	-14.4	-17.6	17.0	20.1	21.1	11.3	5.7	3.5
Russia	-11.4	-12.1	-12.7	-	-	-	-11.4	-12.1	-12.7
Sweden	-118.3	-276.0	-329.2	22.7	25.7	25.7	-95.6	-250.3	-303.5
Uruguay	20.0	0.1	-8.0	-	-	-	20.0	0.1	-8.0
USA	5.3	0.7	13.5	-	-	-18.7	5.3	0.7	-5.2
Others	-4.3	-5.9	-15.1	-	-	2.0	-4.3	-5.9	-13.1
CTA before Tax	**85.7**	**-219.9**	**-456.9**	**25.4**	**35.2**	**18.9**	**111.1**	**-184.7**	**-438.0**
Taxes	-	-	-	-7.4	-9.9	-5.8	-7.4	-9.9	-5.8
Net CTA in Equity	**85.7**	**-219.9**	**-456.9**	**18.0**	**25.3**	**13.1**	**103.7**	**-194.6**	**-443.8**

Amounts Recognised in the Statement of Other Comprehensive Income – CTA and Equity Hedging

	As at 31 December								
	Cumulative Translation Differences (CTA)			Equity Hedges			Net CTA in OCI		
EUR million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Brazil	99.8	175.3	-151.2	-	-	-	99.8	175.3	-151.2
China	4.8	-2.1	3.5	-	-	-	4.8	-2.1	3.5
Czech Republic	7.9	2.2	-1.3	-3.7	0.6	1.2	4.2	2.8	-0.1
Poland	8.7	3.2	-38.9	-3.1	-1.0	23.5	5.6	2.2	-15.4
Russia	1.8	0.6	-1.4	-	-	-	1.8	0.6	-1.4
Sweden	157.6	53.2	-116.0	-3.0	-	0.4	154.6	53.2	-115.6
Uruguay	19.9	16.0	-7.1	-	-	-	19.9	16.0	-7.1
USA	4.6	-2.0	23.1	-	1.1	-23.8	4.6	-0.9	-0.7
Others	1.7	0.9	-6.7	-	-	-	1.7	0.9	-6.7
CTA before Tax	**306.8**	**247.3**	**-296.0**	**-9.8**	**0.7**	**1.3**	**297.0**	**248.0**	**-294.7**
Taxes	-	-	-	2.5	-0.2	-1.1	2.5	-0.2	-1.1
Net CTA in Equity	**306.8**	**247.3**	**-296.0**	**-7.3**	**0.5**	**0.2**	**299.5**	**247.8**	**-295.8**

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 reporting date; the net amount of losses included in CTA during the period as shown on the previous page came to EUR 7.3 (gains EUR 0.5) million.

Hedging Instruments and Unrealised Hedge Gains

	As at 31 December								
	Nominal amount (Currency)			Nominal amount (EUR)			Unrealised Gain/Loss (EUR)		
Million	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Forward Exchange Contracts									
Czech Republic	1 762.5	1 762.5	3 525.0	70.3	66.6	131.2	1.3	2.3	18.8
Poland	240.0	462.8	500.0	60.4	112.7	120.4	-	-3.1	25.1
				130.7	179.3	251.6	1.3	-0.8	43.9
Borrowings									
Sweden	1 300.0	-	-	145.0	-	-	-3.0	-	-
USA	-	-	530.0	-	-	380.8	-	-	-18.7
Total Hedging				**275.7**	**179.3**	**632.4**	**-1.7**	**-0.8**	**25.2**

Note 31 Commitments and Contingencies

Commitments

EUR million	As at 31 December 2010	2009	2008
On Own Behalf			
Pledges given	-	-	0.8
Mortgages	5.2	16.2	62.0
On Behalf of Equity Accounted Investments			
Guarantees	154.6	180.2	180.5
On Behalf of Others			
Guarantees	108.3	121.7	156.3
Other Commitments Own			
Operating leases in next 12 months	32.3	27.2	28.9
Operating leases after next 12 months	88.3	79.3	95.0
Pension liabilities	0.4	0.3	0.2
Other commitments	94.8	36.4	40.4
Total	**483.9**	**461.3**	**564.1**
Pledges given	-	-	0.8
Mortgages	5.2	16.2	62.0
Guarantees	262.9	301.9	336.8
Operating leases	120.6	106.5	123.9
Pension liabilities	0.4	0.3	0.2
Other commitments	94.8	36.4	40.4
Total	**483.9**	**461.3**	**564.1**

Guarantees are made in the ordinary course of business on behalf of equity accounted investments and occasionally others; the guarantees entered into with financial institutions and other credit guarantors generally oblige 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 divestment 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 123.5 (USD 165) million until either the basic lease termination date of 1 January 2014 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. Stora Enso also has guarantees in relation to energy supply contracts totalling EUR 3.0 (USD 4.0) million.

Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries up to a maximum of EUR 736.9 (EUR 437.0) million as of 31 December 2010. It has also guaranteed the indebtedness of its Brazilian joint venture, Veracel, to various local and international banks, the amount outstanding at the year end being EUR 123.5 (EUR 149.3) million.

Stora Enso Logistics 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 time 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 33.5 (EUR 33.4) million at the year end.

The Group leases office and warehouse space under various non-cancellable operating leases, some of which contain renewal options. For certain leases deemed onerous, a provision has been made that amounts to EUR 11.6 million at the end of year 2010. The future cost for contracts exceeding one year and for non-cancellable operating leasing contracts are:

Repayment Schedule of Operating Lease Commitments

EUR million	As at 31 December 2010	2009	2008
Less than 1 year	32.3	27.2	28.9
1–2 years	27.9	24.1	24.7
2–3 years	24.6	21.4	21.7
3–4 years	16.7	15.3	18.3
4–5 years	11.7	9.9	13.6
Over 5 years	7.4	8.6	16.7
	120.6	**106.5**	**123.9**

Purchase Agreement Commitments as at 31 December 2010

EUR million	Type of Supply	Country	Years Left	Contract Total	Scheduled contractual payments 2011	2012–2013	2014–2015	2016+
Materials and Supplies								
Stora Enso AB	Electricity	Sweden	3–12	1 314	147	315	309	543
Stora Enso Skog AB	Wood	Sweden	8	1 304	169	334	328	473
Stora Enso Arapoti Industria de Papel	Wood	Brazil	47	361	8	15	15	323
Stora Enso Oyj	Fibre	Finland	6	301	49	101	101	50
Guangxi Stora Enso Forestry Co Ltd	Land rents	China	43–47	158	3	7	7	141
Stora Enso Logistics AB	Shipping	Sweden	11	141	6	18	19	98
Stora Enso Transport & Distribution Ltd	Terminal	UK	10	141	13	27	27	74
Stora Enso Kymenlaakso	Maintenance	Finland	3	65	22	43	-	-
Stora Enso Arapoti Industria de Papel	Energy	Brazil	2	50	25	25	-	-
Stora Enso Logistics AB	Shipping	Sweden	5	36	7	15	14	-
Guangxi Stora Enso Forestry Co Ltd	Land rents	China	16	32	2	4	4	22
Stora Enso Transport & Distribution Ltd	Shipping	UK	4	30	7	15	8	-
Corenso North America	Steam	USA	8	27	4	9	9	5
Stora Enso Corbehem SA	Electricity	France	1	27	27	-	-	-
Stora Enso Kabel GmbH & Co KG	Steam	Germany	1	25	25	-	-	-
Stora Enso Barcelona	Gas	Spain	1	24	24	-	-	-
Stora Enso Uetersen GmbH	Gas	Germany	2	21	12	9	-	-
Stora Enso Arapoti Industria de Papel	Energy	Brazil	2	18	9	9	-	-
Stora Enso Kabel GmbH & Co KG	Raw material	Germany	1	17	17	-	-	-
Stora Enso Kabel GmbH & Co KG	Gas	Germany	1	14	14	-	-	-
Others	-	-	-	290	167	81	31	11
Total: Materials and Supplies				**4 396**	**757**	**1 027**	**872**	**1 740**
Capital Expenditure				**59**	**49**	**10**	**-**	**-**
Total Contractual Commitments				**4 455**	**806**	**1 037**	**872**	**1 740**

Outstanding balances under binding Purchase Agreements amount to EUR 4 455 (EUR 4 544) million of which contracts for consumables and services amount to EUR 4 396 (EUR 4 430) million and for capital expenditure commitments EUR 59 (EUR 114) 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 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 three to twelve 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 141 million for the remaining 11 years is also its contingent liability in the event of early termination.

Commitments in relation to capital expenditure mainly relate to ongoing energy efficiency projects at Ostrołęka Mill in Poland.

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 158 million for the plantations, the capital commitments on existing trees amounted to EUR 8.4 million.

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 the existence of which would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Legal proceedings

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 management 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.

- **Class action lawsuits in USA**
  In context of magazine paper sales in the USA in 2002 and 2003, Stora Enso was sued in a number of class action (and other civil) lawsuits filed in the USA by various magazine paper purchasers that claimed damages for alleged antitrust violations. On 14 December 2010 a US federal court granted a motion for summary judgement that Stora Enso had filed seeking dismissal of the direct purchaser class action claims. The ruling, which the plaintiffs have appealed, means that the court has ruled in favour of Stora Enso and found the direct purchaser class action claims to be without legal foundation. The ruling, if it stands on appeal, will also provide a strong legal basis to seek similar dismissals of other remaining civil cases. No provisions have been made in Stora Enso's accounts for these lawsuits.
- **Legal Action in Brazil against Veracel**
  Stora Enso's joint venture 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 million (EUR 9.0 million). In November 2008 the Federal Court of the municipality of Eunápolis in Bahia suspended the effects of the decision as an interim measure. On 30 September 2009 a judge in the State of Bahia issued an interim decision ordering the State Government of Bahia not to grant Veracel further plantation licenses in the municipality of Eunápolis in response to claims that Veracel's plantations exceeded the legal limits. Veracel's position is supported by documentation issued by the State environmental authority. The decision is being strenuously resisted by Veracel and no provisions have been made by either Veracel or Stora Enso.

Note 32 Principal Subsidiaries in 2010

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 98% (97%) 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 "◊".

The subsidiaries Corenso-Elfes GmbH & Co. KG and Corenso United (Deutschland) GmbH & Co. KG have made use of the exemption provisions under Sec. 264 b German Commercial Code (HGB).

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**	**25.56**		•	•	•	•		•
Stora Enso Skoghall AB	◊	Sweden	5.49				•			
Stora Enso Kvarnsveden AB	◊	Sweden	4.44	•	•					
Stora Enso Hylte AB	◊	Sweden	3.45	•						
Stora Enso Fors AB	◊	Sweden	3.37				•			
Stora Enso Nymölla AB	◊	Sweden	3.36			•				
Stora Enso Publication Papers Oy Ltd	+	Finland	3.18	•	•					
Stora Enso Maxau GmbH & Co KG		Germany	2.79	•	•					
Stora Enso Wood Products GmbH		Austria	2.63						•	
Stora Enso Kabel GmbH & Co KG		Germany	2.56		•					
Stora Enso Skog AB	◊	Sweden	2.52							•
Stora Enso Langerbrugge NV	+	Belgium	2.29	•	•					
Stora Enso Uetersen GmbH & Co KG		Germany	2.25			•				
Enocell Oy	+	Finland	2.12				•			
Stora Enso Poland SA (99.6%)	+/◊	Poland	1.90					•		
Puumerkki Oy		Finland	1.85						•	
Stora Enso Pulp AB	◊	Sweden	1.83		•					
Stora Enso Corbehem SA		France	1.72		•					
Stora Enso Timber AB	◊	Sweden	1.70						•	
Stora Enso Ingerois Oy	+	Finland	1.64				•			
Sydved AB (66.7%)	◊	Sweden	1.64							•
Stora Enso Suzhou Paper Co Ltd (97.9%)	◊	China	1.39			•				
Stora Enso Sachsen GmbH		Germany	1.35	•						
Stora Enso Barcelona S.A.		Spain	1.34				•			
Stora Enso Arapoti Indústria de Papel S.A. (80%)	◊	Brazil	1.33		•					
Stora Enso Timber d.o.o.		Slovenia	1.15						•	
OOO Stora Enso Packaging BB	◊	Russia	1.12					•		
Stora Enso Wood Products Oy Ltd	+	Finland	1.03						•	
Stora Enso Packaging AB	◊	Sweden	0.92					•		
Stora Enso Packaging Oy	+	Finland	0.86					•		
Stora Enso Timber Australia Pty Ltd	◊	Australia	0.80						•	
Stora Enso Timber Zdírec s.r.o.	◊	Czech	0.68						•	
Stora Enso Eesti AS	+	Estonia	0.68						•	•
Stora Enso WP Bad St. Leonhard GmbH		Austria	0.67						•	
Stora Enso Huatai Paper Co Ltd	◊	China	0.64		•					
Stora Enso Bioenergi AB	◊	Sweden	0.60							•
Stora Enso Timber Deutschland GmbH		Germany	0.59						•	
Stora Enso Bois SAS		France	0.47						•	
Puumerkki AS		Estonia	0.45						•	
Stora Enso Timber Planá s.r.o.	◊	Czech	0.44						•	
Corenso North America Corp	◊	USA	0.39					•		
Stora Enso Packaging Kft	◊	Hungary	0.34					•		
Stora Enso WP Holzverarbeitungs GmbH		Austria	0.33						•	
Stora Enso Deutschland GmbH	+	Germany	0.31		•	•	•			•
Corenso United Oy Ltd	+	Finland	0.31					•		
Stora Enso Timber DIY Products BV		NL	0.24						•	
Stora Enso Timber UK Ltd	◊	UK	0.22						•	
Stora Enso Timber A/S	◊	Latvia	0.21						•	
Hangzhou Corenso Hualun Paper Core Co. Ltd	◊	China	0.17					•		
Corenso France SAS		France	0.15					•		
Stora Enso Packaging SIA	◊	Latvia	0.13					•		

Note 33 Related Party Transactions

The key management personnel of the Group are the members of Group Executive Team 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 equity accounted investments 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 equity accounted investments further details of which are shown in Note 15 Equity Accounted Investments.

Pulp

Stora Enso and its local partner Fibria (formerly Aracruz Celulose S.A.) have constructed a 1.1 million tonnes per year eucalyptus pulp mill in Brazil for their jointly owned 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 2010 totalled 534 548 (525 610) tonnes with an invoice value of EUR 162.8 (EUR 146.6) 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 123.5 (EUR 149.3) million.

Energy

The Group holds a 14.8% (14.8%) 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. Stora Enso is the second largest shareholder in PVO being entitled to a capacity share of 438 MW and Juha Vanhainen, as Group representative, has been the Deputy-Chairman of the Board of Directors from 2008. Prices paid to PVO for electricity are based on production costs which are generally lower than market prices and in 2010 amounted to EUR 84.9 (EUR 66.3) million.

NSE Biofuels Oy Ltd joint venture of Stora Enso and Neste Oil Oyj, is developing biofuel manufacturing technologies. The company has a demonstration plant at Varkaus in Finland. No further decision about the possible investment has been made yet. The environmental impact assessment process is continuing as planned in Porvoo and Imatra. The construction of a renewable diesel plant with the capacity of some 200 000 tonnes biowax will be technologically and financially a complex and demanding project and in order to become materialised the project will need significant public subsidies, and a possible decision on the investment can only be made after the decisions on subsidies have been concluded. NSE Biofuels is also selling syngas that is burnt in the Varkaus Pulp Mill lime kiln and is also buying biomass from Stora Enso Wood Supply Finland and Varkaus Mill, as well as some services, however the project is principally a Research and development venture and at present is operating 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 increasingly through global networks, including leading partner institutes and universities. A 30% interest was held in one partner, Oy Keskuslaboratorio – Centrallaboratorium AB (KCL). On 4 January 2010, KCL signed a contract to integrate its research and laboratory operations with VTT Technical Research Centre of Finland. KCL has continued as a leading pilot services company and as real-estate company. In 2010 total payments to VTT Technical Research Centre of Finland for completion of joint research implemented at KCL amounted to EUR 0.5 (EUR 2.8) million.

Recovered paper

The Group owns non-controlling interests in several paper recyclers from whom recovered paper is purchased at market prices.

Forest assets and 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 2010 purchases of 1.8 (1.2) million cubic metres came to EUR 53.0 (EUR 42.0) million.

The Group has a 43.26% interest in Bergvik Skog with the remaining 56.74% 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 2010 purchases of 6.2 (5.6) million cubic metres came to EUR 175.0 (EUR 107.2) million with Group sales to Bergvik Skog being EUR 36.1 (EUR 35.2) million.

The Group also has loan receivables from Bergvik Skog amounting to EUR 86.9 (EUR 78.9) million and from Tornator amounting to EUR 26.3 (EUR 26.3) million. During the year the Group sold Bergvik Skog loan receivables with a nominal value of SEK 21.8 million to one of its shareholders, Erik Johan Ljundberg's Education Fund, which resulted in a gain of SEK 1.7 million and a cash flow of SEK 23.5 million.

Stevedoring

The Group currently owns 34.39% of the shares of Steveco Oy a Finnish company engaged in loading and unloading vessels the other shareholders being UPM-Kymmene, Finnlines, Ahlström Capital and Myllykoski Paper. Stevedoring services provided by Steveco are at market prices and in 2010 amounted to EUR 6.6 (EUR 11.9) 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 has 49% of the shares in Efora Oy but as the shareholders' agreement provides that ABB has 51% of the votes the company has operative control. Total services acquired from Efora Oy in 2010 amounted to EUR 190.5 (EUR 186.9) million.

Note 34 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December		
	2010	**2009**	**2008**
Net profit / (loss) for the period, continuing operations, EUR million	766.0	-879.7	-677.7
Net profit / (loss) for the period, discontinued operations, EUR million	-	-	4.3
Net Profit / (Loss) for the Period, Total Operations EUR million	**766.0**	**-879.7**	**-673.4**
Comprehensive income, continuing operations, EUR million	1 228.7	-312.0	-1 649.0
Comprehensive income, discontinued operations, EUR million	-	-	4.3
Total Comprehensive Income, Total Operations, EUR million	**1 228.7**	**-312.0**	**-1 644.7**
Weighted Average Number of A and R Shares	**788 619 182**	**788 619 987**	**788 619 987**
Effect of warrants	-	-	-
Diluted Number of Shares	**788 619 182**	**788 619 987**	**788 619 987**
Basic earnings / (loss) per share, continuing operations, EUR	0.97	-1.12	-0.86
Basic earnings / (loss) per share, discontinued operations, EUR	-	-	0.01
Basic Earnings / (Loss) per Share, Total Operations, EUR	**0.97**	**-1.12**	**-0.85**
Comprehensive income per share, continuing operations, EUR	1.56	-0.40	-2.09
Comprehensive income per share, discontinued operations, EUR	-	-	0.01
Total Recognised Income and Expense per Share, Total Operations, EUR	**1.56**	**-0.40**	**-2.08**

Equity per Share

	As at 31 December		
	2010	**2009**	**2008**
Shareholders' Equity, EUR million	**6 202.9**	**5 124.3**	**5 594.0**
Market Value, EUR million	**6 108.8**	**4 025.0**	**4 369.0**
Number of A and R Shares	**788 619 182**	**788 619 987**	**788 619 987**
Basic Shareholders' Equity per Share, EUR	**7.87**	**6.50**	**7.09**
Capital Repayment / Dividend per Share Paid/Declared, EUR	**0.25**	**0.20**	**0.20**
Market Value per Share, EUR			
A shares	7.90	5.85	5.63
R shares	7.69	4.88	5.52

Extract from 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, financial instruments and securities
- Accounting of post-employment Defined Benefit Plans
- The presentation and accounting of deferred tax
- Accounting of equity incentive schemes
- Accounting of financial leases.

Parent Company Income Statement

	Year Ended 31 December	
EUR million	**2010**	**2009**
Sales	3 259.5	2 681.6
Changes in inventories of finished goods and work in progress	61.0	-52.0
Production for own use	-	0.5
Other operating income	166.5	162.7
Materials and services	-2 258.0	-1 898.2
Personnel expenses	-317.4	-297.2
Depreciation and value adjustments	17.6	-543.9
Other operating expenses	-648.0	-565.5
Operating Profit (Loss)	**281.2**	**-512.0**
Net financial items	670.7	-635.0
Profit (Loss) before Extraordinary Items	**951.9**	**-1 147.0**
Extraordinary income	2.2	5.8
Extraordinary expense	-	-70.4
Profit (Loss) before Appropriations and Taxes	**954.1**	**-1 211.6**
Appropriations	-136.5	368.2
Income tax expense	-0.2	2.9
Net Profit (Loss) for the Period	**817.4**	**-840.5**

Parent Company Balance Sheet

Assets

	As at 31 December	
EUR million	**2010**	**2009**
Fixed Assets and Non-current Investments		
Intangible assets	24.0	44.3
Tangible assets	975.4	906.1
Shares in Group companies	8 911.7	8 602.9
Other investments	658.6	698.1
	10 569.7	**10 251.4**
Current Assets		
Inventories	512.2	414.8
Short-term receivables	740.7	1 093.8
Cash and cash equivalents	1 210.1	723.5
	2 463.0	**2 232.1**
Total Assets	**13 032.7**	**12 483.5**

Equity and Liabilities

	As at 31 December	
EUR million	**2010**	**2009**
Share capital	1 342.2	1 342.2
Share premium	3 638.8	3 638.8
Invested non-restricted equity fund	633.1	2 042.1
Retained earnings	-0.1	-410.8
Net profit (loss) for the period	817.4	-840.5
	6 431.4	**5 771.8**
Appropriations	**387.1**	**250.6**
Provisions	**94.5**	**55.1**
Non-current Liabilities	**3 210.9**	**2 789.8**
Current Liabilities	**2 908.8**	**3 616.2**
Total Equity and Liabilities	**13 032.7**	**12 483.5**

Parent Company Cash Flow Statement

EUR million	Year Ended 31 December 2010	2009
Cash Provided by Operating Activities		
Net profit / (loss) for the period	817.4	-840.5
Reversal of non-cash items:		
Taxes	0.2	-2.9
Appropriations	136.5	-368.2
Extraordinary items	-2.2	64.6
Depreciation and value adjustments	-17.6	543.9
Profit / (loss) on sale of fixed assets	29.5	-8.9
Net financial income	-667.8	635.0
Interest received	37.6	47.8
Interest paid net of amounts capitalised	-139.4	-128.7
Dividends received	531.3	19.0
Other financial items net	-73.5	-41.3
Income taxes (paid) / received	-0.2	2.9
Change in net working capital	-38.3	340.1
Net Cash Provided by Operating Activities	**613.5**	**262.8**
Cash Flow from Investing Activities		
Investment in subsidiary shares	-29.7	-118.7
Investment in shares in other companies	-11.7	-5.6
Capital expenditure	-82.8	-122.8
Proceeds from disposal of subsidiary shares	3.2	32.0
Proceeds from disposal of shares in equity accounted investments	0.2	-
Proceeds from disposal of shares in other companies	0.7	1.4
Proceeds from sale of fixed assets	53.7	53.8
Proceeds from long-term receivables net	71.9	216.3
Net Cash Provided by Investing Activities	**5.5**	**56.4**
Cash Flow from Financing Activities		
(Payment of) / proceeds from non-current borrowings net	-408.5	453.3
Payment of current borrowings net	-	-0.2
Capital repayment / dividend per share paid	-157.7	-157.7
Net Cash (Used in) / Provided by Financing Activities	**-566.2**	**295.4**
Net Increase in Cash and Cash Equivalents	**52.8**	**614.6**
Translation adjustment	3.7	5.5
Cash from merged companies	-	15.3
Cash and cash equivalents at start of year	1 145.6	510.1
Cash and Cash Equivalents at Year End	**1 202.1**	**1 145.5**

Proposal for the Distribution of Dividend

The Parent Company distributable shareholders' equity at 31 December 2010 amounted to EUR 1 450 415 520.55, including the profit for the period of EUR 817 440 190.08. The Board of Directors proposes to the Annual General Meeting of the Company that the distributable funds be used as follows:

Dividend of EUR 0.25 per share from the profit for the period to be distributed on 789 538 499 shares, not to exceed	EUR 197 384 624.75
Remaining in distributable shareholders' equity	EUR 1 253 030 895.80
Distributable shareholders' equity at 31 December 2010, total	EUR 1 450 415 520.55

There have been no material changes in the Parent Company's financial position since 31 December 2010. The liquidity of the Parent Company remains good and the proposed dividend does not risk the solvency of the Company.

Helsinki, 15 February 2011

Gunnar Brock
Chairman

Juha Rantanen
Vice Chairman

Carla Grasso

Birgitta Kantola

Mikael Mäkinen

Hans Stråberg

Matti Vuoria

Marcus Wallenberg

Jouko Karvinen
CEO

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.–31.12.2010. The financial statements comprise of the consolidated income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Chief Executive Officer are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 the Board of Directors.

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 the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer should be discharged from liability for the financial period audited by us.

Helsinki, 18 February 2011

Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Paul
APA

Capacities by Mill in 2011

Newsprint and Book Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	435
Hylte	SWE	News	865
Kvarnsveden	SWE	SC, news, impr. news	470
Langerbrugge	BEL	SC, news, impr. news, dir.	400
Sachsen	GER	News, directory	320
Total			**2 490**

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	495
Kvarnsveden	SWE	SC	550
Langerbrugge	BEL	SC	155
Maxau	GER	SC	530
Veitsiluoto	FIN	LWC, MWC	450
Total			**2 865**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Nymölla	SWE	WFU	500
Oulu	FIN	WFC	1 085
Suzhou	CHN	WFC	245
Uetersen	GER	WFC	305
Varkaus	FIN	WFC, WFU	285
Veitsiluoto	FIN	WFU	570
Total			**2 990**

Consumer Board

Mill	Location	Grade	Capacity 1 000 t
Consumer Board			
Barcelona	ESP	WLC	165
Fors	SWE	FBB	400
Imatra	FIN	SBS, FBB, LPB	1 050
Ingerois	FIN	FBB	215
Skoghall	SWE	LPB, FBB, WTL	770
Total			**2 600**
Plastic coating plants			
Forshaga	SWE	Plastic coating	115
Imatra	FIN	Plastic coating	240
Karhula	FIN	Plastic coating	30 [1]
Total			**385**

[1] Production scheduled to end in Q3 2011.

Industrial Packaging

Mill	Location	Grade	Capacity 1 000 t
Containerboards			
Heinola	FIN	SC fluting	300
Ostrołęka	POL	Testliner, RCP fluting, sack paper, wrapping paper	270
Total			**570**
Coreboard			
Pori	FIN	Coreboard	115
Soustre	FRA	Coreboard	95
Wisconsin Rapids	USA	Coreboard	75
Total			**285**
Total Industrial Packaging			**855**

Further Processing

Corrugated Packaging	Grade	Capacity million m²
Baltic states	Corrugated packaging	105
Kaunas		
Riga		
Tallinn		
Finland	Corrugated packaging	210
Heinola		
Lahti		
Ruovesi		
Tiukka		
Hungary	Corrugated packaging	45
Páty		
Komárom		
Poland	Corrugated packaging	315
Łódz		
Mosina		
Ostrołęka		
Tychy		
Russia	Corrugated packaging	345
Arzamas		
Balabanovo		
Balabonovo offset		
Lukhovitsy		
Sweden	Corrugated packaging	280
Jönköping		
Vikingstad		
Skene		
Total	Corrugated packaging	**1 300** [2]

[2] Capacity definition changed from theoretical capacity to actual capacity in converted corrugated packages.

Industrial Packaging – Continued

Core factories	Location	Grade	Capacity 1 000 t
China	CHN	Cores	60
Corenso Edam	NLD	Cores	5
Corenso Elfes	GER	Cores	35
Corenso Poland	POL	Cores	6
Corenso Svenska	SWE	Cores	30
Corenso Tolosana	ESP	Cores	15
Corenso UK	GBR	Cores	30
Imatra	FIN	Cores	7
Loviisa	FIN	Cores	22
Wisconsin Rapids	USA	Cores	30
Total			**240**

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³	Pellet capacity 1 000 t
Ala	SWE	405	40	-
Alytus	LIT	165	90	-
Amsterdam	NLD	-	110	-
Bad St. Leonhard	AUT	390	290	-
Brand	AUT	470	290	-
Gruvön	SWE	420	150	100
Honkalahti	FIN	310	100	-
Imavere	EST	400	170	20 [3]
Impilahti	RUS	120	-	25
Kitee	FIN	260	120	-
Kopparfors	SWE	310	150	160
Launkalne	LAT	215	-	-
Murow	POL	70	20	-
Nebolchi	RUS	220	30	25
Näpi	EST	75	130	-
Pfarrkirchen	GER	-	160	-
Planá	CZE	340	270	-
Pälkäne	FIN	-	[4]	-
Sollenau	AUT	300	270	-
Uimaharju	FIN	280	35	-
Varkaus	FIN	260	100	-
Veitsiluoto	FIN	200	-	-
Ybbs	AUT	590	420	-
Zdírec	CZE	550	270	-
Total		**6 350**	**3 215**	**330**

[3] Production scheduled to start in Q4 2011.
[4] Production capacity at Pälkäne 120 000 m² is not included in the total figures.

Chemical Pulp

Mill	Location	Grade	Segment	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	Consumer Board	500
Kaukopää	FIN	Short and long-fibre	Consumer Board	845
Nymölla	SWE	Short and long-fibre	Fine Paper	330
Ostrołęka	POL	Long-fibre	Industrial Packaging	100
Oulu	FIN	Long-fibre	Fine Paper	355
Skoghall	SWE	Long-fibre	Consumer Board	355
Skutskär	SWE	Short, long-fibre and fluff pulp	Magazine Paper	540
Sunila	FIN	Long-fibre	Magazine Paper	370
Tainionkoski	FIN	Short and long-fibre	Consumer Board	180
Varkaus	FIN	Short and long-fibre	Fine Paper	220
Veitsiluoto	FIN	Short and long-fibre	Fine Paper	390
Total				**4 185**

Associated companies

Mill	Location	Grade	Capacity
Veracel (50%)	BRA	Short-fibre (euca)	555

Total Chemical Pulp	**4 740**
of which market pulp [5]	1 325

[5] Market pulp defined as dried pulp shipped out from the mill to external customers.

Deinked Pulp (DIP)

Mill	Location	Grade	Segment	Capacity
Hylte	SWE	DIP	Newsprint	460
Langerbrugge	BEL	DIP	Newsprint	650
Maxau	GER	DIP	Magazine Paper	265
Sachsen	GER	DIP	Newsprint	430
Total				**1 805**

CTMP

Mill	Location	Grade	Segment	Capacity 1 000 t
Fors	SWE	CTMP	Consumer Board	185
Kaukopää	FIN	CTMP	Consumer Board	220
Skoghall	SWE	CTMP	Consumer Board	270
Total				**675**

See next page for the abbreviations used in the tables.

Abbreviations used in the tables on pages 128–129:

LWC	light-weight coated paper
SC	super-calendered paper
MWC	medium-weight coated paper
HWC	heavy-weight coated 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
WTL	white top liner
RCP	recovered paper
DIP	deinked pulp
CTMP	chemi-thermo-mechanical pulp

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

Calculation of Key Figures

Key figure	Multiplier	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] [2]
Return on equity, ROE (%)	100 x	Profit before tax and non-controlling items – taxes	Total Equity [2]
Equity ratio (%)	100 x	Total Equity	Total assets
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets	
Debt/equity ratio		Interest-bearing net liabilities	Equity
CEPS		Net profit/loss for the period [3] – Fixed asset depreciation and impairment	Average number of shares
EPS		Net profit/loss for the period [3]	Average number of shares
Payout ratio excl. NRI, %	100 x	Dividend and distribution / share	EPS excl. NRI
Dividend and distribution yield, %	100 x	Dividend and distribution / share	Closing price of Share
Price/earnings ratio (P/E), excl. NRI		Closing price of Share	EPS excl. NRI

[1] Capital employed = Operating capital – Net tax liabilities
[2] Average for the financial period
[3] Attributable to owners of the Parent

Information for Shareholders

AGM and dividend in 2011

8 April	Record date for AGM
20 April	Annual General Meeting (AGM)
21 April	Ex-dividend date
27 April	Record date for dividend
11 May	Dividend payment effective

Annual General Meeting (AGM)

Stora Enso Oyj's AGM will be held at 16.00 (Finnish time) on Wednesday 20 April 2011 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.25 per share be paid to the shareholders for the fiscal year ending 31 December 2010. The dividend payable on shares registered with Euroclear Sweden will be forwarded by Euroclear Sweden AB and paid in Swedish krona. The dividend payable to ADR holders will be forwarded by Deutsche Bank Trust Company Americas (DBTCA) and paid in US dollars.

Publication dates for 2011

8 February	Financial results for 2010
24 February	Annual Report 2010
20 April	Interim Review for January–March
21 July	Interim Review for January–June
21 October	Interim Review for January–September

Contacts

Ulla Paajanen-Sainio
Head of Investor Relations
Tel. +358 2046 21242
Fax +358 2046 21307
Stora Enso Oyj
P.O. Box 309, FI-00101 Helsinki, Finland
ulla.paajanen-sainio@storaenso.com

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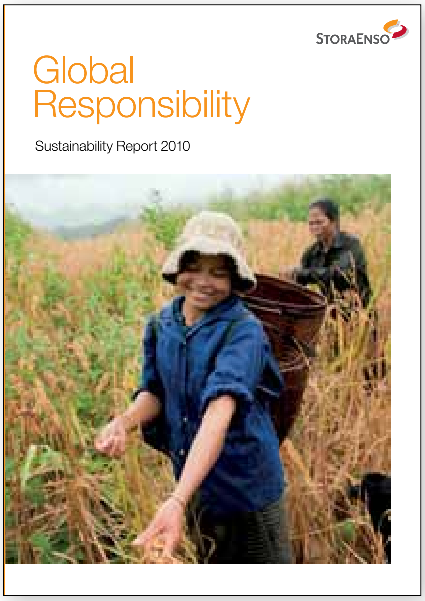
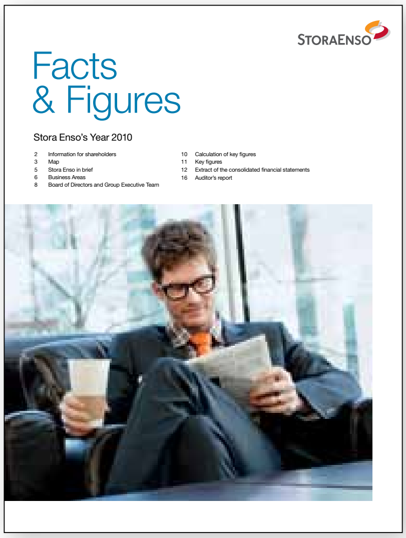
Text stock: LumiSilk 100 g/m², Stora Enso, Oulu Mill (ISO 14001 certified)



Global Responsibility –
Stora Enso Sustainability Report 2010
Describes Stora Enso's sustainability activities relating to the company's mills, products, stakeholders, wood and fibre sourcing, climate and energy, the environment, and social responsibility. The report follows Global Reporting Initiative (GRI) guidelines.



Facts & Figures –
Stora Enso 2010
Offers basic information for the shareholder about Stora Enso's financial performance and proposed dividend, as well as gives Annual General Meeting, publication and other important dates.

Stora Enso Oyj
P.O. Box 309
FI-00101 Helsinki, Finland
Visiting address: Kanavaranta 1
Tel. +358 2046 131

Stora Enso AB
P.O. Box 70395
SE-107 24 Stockholm, Sweden
Visiting address: World Trade Center
Klarabergsviadukten 70
Tel. +46 1046 46 000

www.storaenso.com
group.communications@storaenso.com