

Financial Report

Stora Enso 2013

Stora Enso in Brief

Stora Enso is the global rethinker of the paper, biomaterials, wood products and packaging industry. We always rethink the old and expand to the new to offer our customers innovative solutions based on renewable materials.

The Group has some 28 000 employees in more than 35 countries worldwide, and is a publicly traded company listed in Helsinki and Stockholm. Our customers include publishers, printing houses and paper merchants, as well as the packaging, joinery and construction industries.

Our annual production capacity is 5.4 million tonnes of chemical pulp, 11.7 million tonnes of paper and board, 1.3 billion square metres of corrugated packaging and 5.6 million cubic metres of sawn wood products, including 2.9 million cubic metres of value-added products. Our sales in 2013 were EUR 10.5 billion, with an operational EBIT of EUR 578 million.

Stora Enso uses and develops 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, for people and for the planet. Being responsible – doing good for the people and the planet – underpins our thinking and our approach to every aspect of doing business.

Stora Enso is transforming itself into a value-creating renewable materials company focusing on growth markets. We will focus on growth markets in Asia and Latin America through fibre-based packaging, plantation-based pulp, innovations in biomaterials, competitive paper grades and sustainable building solutions. Fibre-based packaging offers steady long-term growth in most segments and has vast innovation potential, offering sustainable new solutions for our customers. Plantation-based pulp allows us to secure low-cost fibre for production. Innovations in biomaterials offer scalable concepts for new markets.

Contents

Stora Enso in Capital Markets	2
Debt Investors	9
Corporate Governance in Stora Enso	10
Board of Directors	18
Group Leadership Team	20
Report of the Board of Directors	22
Consolidated Financial Statements	38
Notes to the Consolidated Financial Statements	44
Note 1 Accounting Principles	44
Note 2 Critical Accounting Estimates and Judgements	53
Note 3 Segment Information	55
Note 4 Acquisitions and Disposals	61
Note 5 Other Operating Income and Expense	62
Note 6 Staff Costs	63
Note 7 Board and Executive Remuneration	64
Note 8 Net Financial Items	68
Note 9 Income Taxes	70
Note 10 Valuation Allowances	72
Note 11 Depreciation and Intangible Assets and Property, Plant and Equipment Impairment Charges	73
Note 12 Intangible Assets and Property, Plant and Equipment	75
Note 13 Biological Assets	78
Note 14 Equity Accounted Investments	79
Note 15 Available-for-Sale Investments	83
Note 16 Other Non-Current Assets	85
Note 17 Inventories	85
Note 18 Receivables	86
Note 19 Shareholders' Equity	88
Note 20 Non-Controlling Interests	89
Note 21 Post-Employment Benefits	90
Note 22 Employee Variable Compensation and Equity Incentive Schemes	97
Note 23 Other Provisions	99
Note 24 Operative Liabilities	101
Note 25 Financial Risk Management	102
Note 26 Fair Values	109
Note 27 Debt	112
Note 28 Derivatives	115
Note 29 Cumulative Translation Adjustment and Equity Hedging	119
Note 30 Commitments and Contingencies	122
Note 31 Principal Subsidiaries in 2013	124
Note 32 Related Party Transactions	126
Note 33 Earnings per Share and Equity per Share	127
Extract from the Parent Company Financial Statements	128
The Board of Directors' Proposal for the Distribution of Dividend	130
Auditor's Report	131
Capacities by Mill in 2014	132
Calculation of Key Figures	135
Information for Shareholders	136

The Official Financial Statements (in Finnish), an English translation of the Parent Company Financial Statements and the list of principal subsidiaries can be found at www.storaenso.com/annualreport.

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 2013 Stora Enso had 177 096 204 A shares and 611 523 783 R shares in issue of which the Company held no A shares or R shares. The total number of Stora Enso shares in issue was 788 619 987 and the total number of votes 238 248 582.

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 2013, 221 745 266 of the Company's shares were registered in Euroclear Sweden AB and 21 218 065 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by Book-Entry System, 31 December 2013

Number of shares	Total	A shares	R shares
Euroclear Finland Oy	545 656 656	102 823 604	442 833 052
Euroclear Sweden AB ¹⁾	221 745 266	74 272 600	147 472 666
Deutsche Bank administered ADRs ¹⁾	21 218 065	-	21 218 065
Total	788 619 987	177 096 204	611 523 783

¹⁾ Share registered in Euroclear Sweden and ADRs are both nominee registered in Euroclear Finland.

Ownership Distribution, 31 December 2013

	% of shares	% of votes	% of shareholders	% of shares held
Foundation Asset Management	10.2%	27.2%	0.0%	
Solidium Oy ¹⁾	12.3%	25.1%	0.0%	
Finnish institutions	12.8%	20.8%	2.4%	
Swedish institutions	12.1%	6.4%	2.5%	
Swedish private shareholders	4.1%	3.0%	50.9%	
Finnish private shareholders	3.6%	2.3%	40.9%	
ADR holders	2.7%	0.9%	2.1%	
Under nominee names (non-Finnish/non-Swedish shareholders)	42.2%	14.3%	1.2%	

¹⁾ Entirely owned by the Finnish State

Share capital

On 31 December 2013 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 342 million. The current accountable par of each issued share is EUR 1.70.

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. The conversions of a total of 51 568 A shares into R shares during the year were recorded in the Finnish Trade Register on 15 February, 15 May, 15 October and 16 December 2013.

Changes in Share Capital 2006–2013

	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (EUR million)
Stora Enso Oyj, 1 Jan 2006	178 159 778	634 817 321	812 977 099	1 382
Cancellation of repurchased shares, 31 Mar 2006	-38 600	-23 400 000	-23 438 600	-40
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
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
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
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
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
Conversion of A shares into R shares, Dec 2010–Nov 2011	-1 012	1 012	-	-
Stora Enso Oyj, 31 Dec 2011	177 148 772	612 389 727	789 538 499	1 342
Conversion of A shares into R shares, Dec 2011–Nov 2012	-1 000	1 000	-	-
Stora Enso Oyj, 31 Dec 2012	177 147 772	612 390 727	789 538 499	1 342
Cancellation of shares owned by the Company, 15 May 2013	-	-918 512	788 619 987	-
Conversion of A shares into R shares, Dec 2012–Nov 2013	-51 568	51 568	-	-
Stora Enso Oyj, 31 Dec 2013	177 096 204	611 523 783	788 619 987	1 342

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

Stora Enso's activities in capital markets during 2013

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, Asia and parts of Latin America. In 2013 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.

Shareholdings of other Group-related bodies at 31 December 2013

E.J. Ljungberg's Education Foundation owned 1 780 540 A shares and 2 336 224 R shares, E.J. Ljungberg's Foundation owned 39 543 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 2013 the Company had 72 092 registered shareholders, including 42 278 Swedish shareholders and 1 633 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 556 million (71%) 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 569 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 2013

By voting power	A shares	R shares	% of shares	% of votes
1 Foundation Asset Management	63 123 386	17 000 000 ¹⁾	10.2%	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 MP-Bolagen i Vetlanda AB, Verner von Seydlitz	4 173 304	4 562 000	1.1%	1.9%
6 Ilmarinen Mutual Pension Insurance Company	3 492 740	4 236 189	1.0%	1.6%
7 Nordea Investment Funds	-	25 275 433	3.2%	1.1%
8 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.8%
9 AMF - Insurance and Funds	-	11 003 039	1.4%	0.5%
10 Swedbank Robur Funds	-	10 880 920	1.4%	0.5%
11 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
12 The State Pension Fund	-	6 880 000	0.9%	0.3%
13 Unionen (Swedish trade union)	-	5 997 200	0.8%	0.3%
14 Keva (Local Government Pensions Institution)	-	4 730 001	0.6%	0.2%
15 SEB Investment Management	-	3 773 300	0.5%	0.2%
Total	168 189 379	142 684 129	39.6%³⁾	76.6%³⁾
Nominee-registered shares	74 576 515	481 686 751	70.5% ³⁾	51.5% ³⁾

¹⁾ As confirmed to Stora Enso.

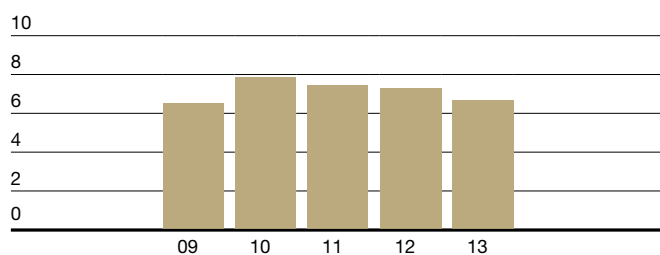
²⁾ Entirely owned by the Finnish State.

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

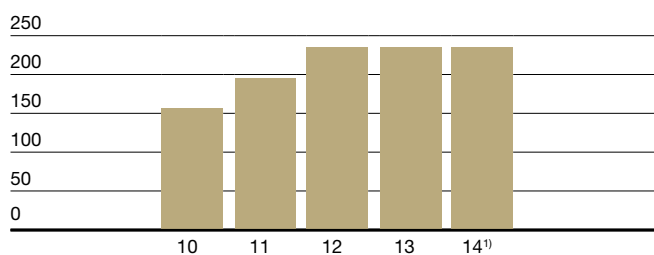
The list has been compiled by the Company on the basis of shareholder information obtained from Euroclear Finland, Euroclear Sweden and a database managed by Deutsche Bank Trust Company Americas. This information includes only directly registered holdings, thus certain holdings (which may be substantial)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

Equity per Share

EUR

**Distributed Dividend / Capital Repayment**

EUR million

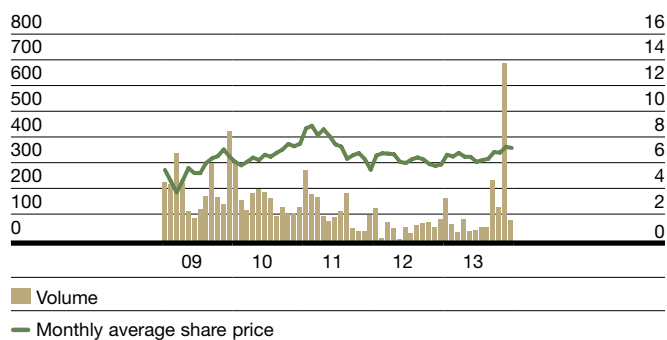
¹⁾ Board of Director's proposal to the AGM for the distribution of dividend.**Share price performance and volumes****Helsinki**

The Stora Enso R (STERV) share price increased by 39% during 2013 (13% increase in 2012). During the same period the OMX Helsinki Index increased by 26%, the OMX Helsinki Benchmark Index by 26% and the OMX Helsinki Basic Materials Index by 15%.

Helsinki, Stora Enso A

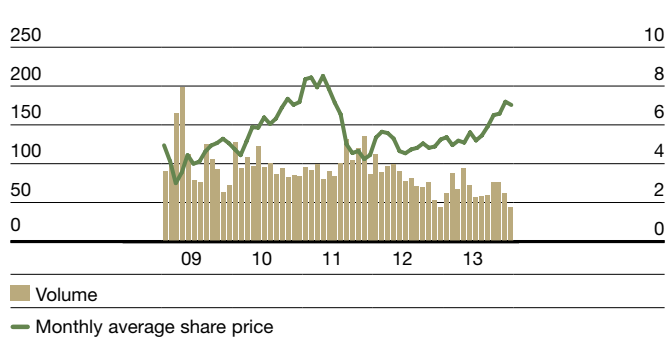
Number of shares, thousand

Share price (EUR)

**Helsinki, Stora Enso R**

Number of shares, million

Share price (EUR)

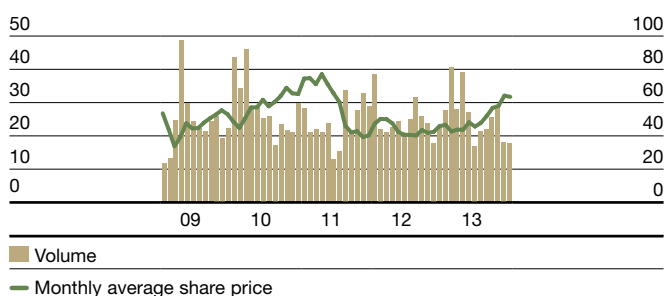
**Stockholm**

The Stora Enso R (STE R) share price increased during 2013 by 44% (9% increase in 2012). During the same period the OMX Stockholm 30 Index increased by 21% and the OMX Stockholm Basic Materials Index by 8%.

Stockholm, Stora Enso R

Number of shares, million

Share price (SEK)

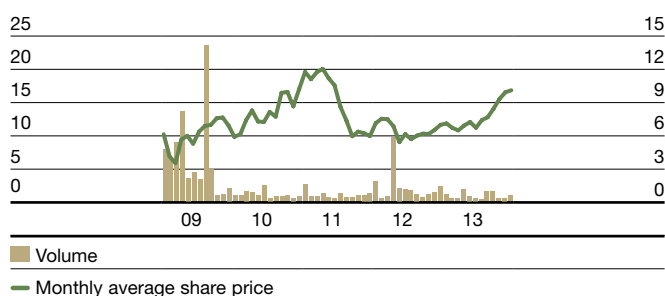
**OTCQX**

On the International OTCQX, the Stora Enso ADR (SEOAY) share price increased by 45% during 2013 (17% increase in 2012). During the same period the Standard & Poor's 500 Paper Products Index increased by 22%.

New York, Stora Enso ADR

Number of shares, million

Share price (USD)



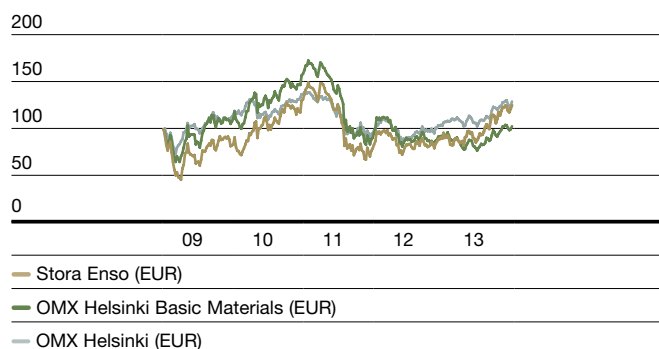
Share Prices and Volumes 2013

		Helsinki, EUR	Stockholm, SEK	OTCQX, USD
High	A share	7.49	67.50	-
	R share	7.54	67.35	10.05
Low	A share	5.42	48.00	-
	R share	4.76	40.20	6.45
Closing, 31 Dec 2013	A share	7.31	65.30	-
	R share	7.30	64.55	10.05
Change from previous year	A share	28%	32%	-
	R share	39%	44%	45%
Cumulative trading volume, no. of shares	A share	1 656 438	11 210 299	-
	R share	828 400 955	308 161 739	9 596 262

The volume-weighted average price of R shares over the year was EUR 5.79 in Helsinki (EUR 5.08 in 2012), SEK 49.46 in Stockholm (SEK 44.06 in 2012) and USD 7.77 on the International OTCQX (USD 6.48 in 2012). The percentage of R shares traded was 47.5% (45% in 2012) in alternative trading venues, 37.9% (42% in 2012) in Helsinki, 14.1% (12% in 2012) in Stockholm and 0.4% (1% in 2012) on the International OTCQX. Total market capitalisation on the OMX Helsinki at the year-end was EUR 5.8 billion.

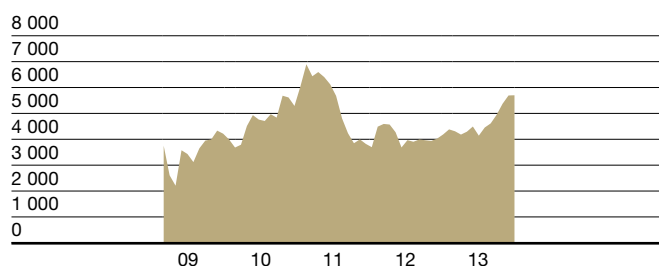
Stora Enso R Share vs NASDAQ OMX Helsinki Indices

1.1.2009 = 100



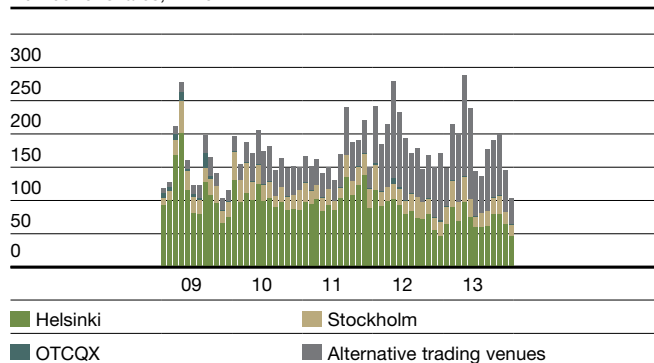
Market Capitalisation on OMX Helsinki

EUR million



Monthly R Shares Trading Volumes

Number of shares, million



Alternative trading venues

Stora Enso shares can be traded outside NASDAQ OMX Helsinki and NASDAQ OMX Stockholm, where the shares are listed. During 2013 alternative trading venues such as Boast xoff, BATS Chi-X CXE, BATS Chi-X BXE, Blink MTF, Turquoise, Burgundy, Posit, Liquidnet, Smart Pool and NYSE Arca slightly increased their market share of monthly turnover in Stora Enso shares. Their proportion of the monthly share trading varied between 41% and 59%. Of the alternative trading venues, Boast xoff had the biggest share of the volume with 40% on an annual basis (Boast xoff 39% in 2012).

Stora Enso Is Included in at Least the Following Indices

OMX INDICES	STOXX INDICES	FTSE INDICES	MSCI INDICES	SUSTAINABILITY INDICES
<ul style="list-style-type: none"> • OMX Helsinki • OMX Helsinki 25 • OMX Helsinki Cap • OMX Helsinki Benchmark • OMX Helsinki Benchmark Cap • OMX Helsinki Basic Materials • OMX Helsinki Forestry & Paper • OMX Stockholm • OMX Stockholm Basic Materials • OMX Stockholm Forestry & Paper • OMX Nordic • OMX Nordic Large Cap 	<ul style="list-style-type: none"> • STOXX Global 1800 • STOXX Europe 600 • STOXX Europe Mid 200 • STOXX Nordic • EURO STOXX • EURO STOXX Basic Materials • EURO STOXX Basic Resources 	<ul style="list-style-type: none"> • FTSE RAFI All-World 3000 • FTSE RAFI Developed 1000 • FTSE Finland 25 Index • FTSE4Good • FTSE4Good Global 	<ul style="list-style-type: none"> • MSCI Finland • MSCI Europe • MSCI World 	<ul style="list-style-type: none"> • Carbon Disclosure Project • FTSE4GOOD Index • World's Most Ethical Companies 2013 • STOXX® Global ESG Leaders Indices • ECPI Ethical Indices • OMX GES Sustainability Finland index • UN Global Compact 100 Stock Index

Read more about sustainability indices in Global Responsibility Report 2013.

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 2004–2013, Total Operations (for Calculations See Page 135)

According to NASDAQ OMX Helsinki	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Earnings/share, EUR	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74	-0.14	0.91
– diluted, EUR	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74	-0.14	0.91
– excl. NRI, EUR	0.40	0.33	0.63	0.79	0.19	0.19	0.88	0.55	0.28	0.25
Cash earnings/share, EUR	1.16	1.28	1.16	1.33	0.35	1.01	2.11	2.34	1.65	2.04
– diluted, EUR	1.16	1.28	1.16	1.33	0.35	1.01	2.11	2.34	1.65	2.04
– excl. NRI, EUR	1.12	1.07	1.33	1.46	0.92	1.05	2.35	1.97	1.70	1.67
Equity/share, EUR	6.61	7.32	7.45	7.87	6.50	7.09	9.63	10.04	9.31	9.29
Dividend and distribution/share, EUR	0.30 ¹⁾	0.30	0.30	0.25	0.20	0.20	0.45	0.45	0.45	0.45
Payout ratio, excl. NRI, %	75	91	48	32	105	105	51	82	161	180
Dividend and distribution yield, %										
A share	4.1	5.3	5.9	3.2	3.4	3.6	4.4	3.7	3.9	3.9
R share	4.1	5.7	6.5	3.3	4.1	3.6	4.4	3.8	3.9	4.0
Price/earnings ratio (P/E), excl. NRI										
A share	18.3	17.3	8.0	10.0	30.8	29.6	11.6	22.4	40.9	46.2
R share	18.3	15.9	7.3	9.7	25.7	29.1	11.6	21.8	40.9	45.1
Share prices for the period, EUR										
A share										
– closing price	7.31	5.70	5.03	7.90	5.85	5.63	10.19	12.30	11.46	11.55
– average price	6.88	6.15	7.73	6.47	5.03	7.48	12.71	12.10	11.05	11.11
– high	7.49	7.15	9.80	7.94	7.55	11.20	14.65	13.80	12.19	12.15
– low	5.42	5.10	4.70	5.30	2.82	5.16	9.80	10.16	9.51	10.00
R share										
– closing price	7.30	5.25	4.63	7.69	4.88	5.52	10.24	12.00	11.44	11.27
– average price	5.79	5.08	6.28	6.03	4.27	7.32	12.67	11.89	10.98	10.89
– high	7.54	5.95	8.99	7.79	6.16	10.44	14.56	13.58	12.17	12.11
– low	4.76	4.14	3.73	4.15	2.65	5.10	9.99	10.01	10.05	9.60
Market capitalisation at year-end, EUR million										
A share	1 295	1 010	891	1 400	1 036	997	1 809	2 191	2 042	2 068
R share	4 464	3 212	2 835	4 709	2 989	3 381	6 267	7 337	7 262	7 418
Total	5 756	4 222	3 726	6 109	4 025	4 378	8 076	9 528	9 304	9 486
Number of shares at the end of period, (thousands)										
A share	177 096	177 148	177 149	177 150	177 150	177 152	177 479	178 103	178 160	179 049
R share	611 524	612 391	612 389	612 389	612 388	612 386	612 059	611 435	634 817	658 195
Total	788 620	789 538	789 538	789 538	789 538	789 538	789 538	789 538	812 977	837 244
Trading volume, (thousands)										
A share	1 656	831	1 402	1 887	2 536	1 712	5 409	1 403	6 290	1 203
% of total number of A shares	0.9	0.5	0.8	1.1	1.4	1.0	3.1	0.8	3.5	0.7
R share	828 401	977 746	1 237 898	1 194 245	1 297 668	1 231 605	1 263 658	1 165 656	888 511	880 002
% of total number of R shares	135.5	159.7	202.1	195.0	211.9	201.1	206.5	190.6	104.0	133.7
Average number of shares (thousands)										
basic	788 620	788 620	788 620	788 619	788 620	788 620	788 599	788 578	798 687	829 935
diluted	788 620	788 620	788 620	788 619	788 620	788 620	788 751	788 863	799 218	830 546

¹⁾ Board of Directors' proposal to the AGM for distribution of dividend.
NRI = non-recurring items

Read more about:
Incentive programmes in Note 22
Management interests in Note 7

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

The present rating and outlook from Moody's, Standard & Poor's (S&P) and Fitch are shown below.

Ratings as at 31 December 2013

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (stable)/B	11 September 2013
Moody's	Ba2 (negative)/NP	24 October 2012
Fitch	BB- (stable)/B	26 July 2012 (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 2013

	EUR	USD	SEK
Public issues	EUR 270 million 2014 EUR 390 million 2016 EUR 500 million 2018 EUR 500 million 2019	USD 508 million 2016 USD 300 million 2036	SEK 500 million 2015 SEK 1 400 million 2015 SEK 2 400 million 2015 SEK 500 million 2017 SEK 2 200 million 2017
Private placements	EUR 100 million	USD 50 million	
Financial institutions	EUR 619 million	USD 327 million	
Pension commitment loans	EUR 19 million		
Commercial paper issues	EUR 120 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 700 million Syndicated Multi-Currency Revolving Credit Facility 2017 ¹⁾	

¹⁾ Undrawn committed credit facility EUR 700 million.

Read more about:
Debt and loans in Note 27
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 www.cgfinland.fi. Stora Enso's Corporate Governance also complies with the Swedish Corporate Governance Code ("Swedish Code") which entered into force on 1 February 2010 (and has been applicable to Stora Enso as a foreign company from 1 January 2011) with the exception of the deviations listed in Appendix 1 of this Corporate Governance Report. The deviations are due to differences between the Swedish and Finnish legislation, governance code rules and practices, and in these cases Stora Enso follows the practice in its domicile. The Swedish Code is issued by the Swedish Corporate Governance Board and is available at www.corporategovernanceboard.se.

This 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.

The Stora Enso Group 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. Stora Enso Oyj prepares its Financial Statements in accordance with the Finnish Accounting Act.

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 Leadership Team (GLT) supports the CEO in managing the Company.

Day-to-day operational responsibility rests with the GLT 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.

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 Auditor
- election of the members of the Board and the Auditor
- 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.

In 2013

Stora Enso's AGM was held on 23 April 2013 in Helsinki, Finland. Of the issued and outstanding A and R shares, 91.6% and 42.0% (91.3% and 44.9% in 2012), respectively, and of the aggregate shares and votes, 53.2% and 78.9% (55.3% and 79.3% in 2012), respectively, were represented at the meeting. Most of the Board members and GLT members as well as the company's auditor were present at the meeting. No Extraordinary General Meetings of Shareholders were convened in 2013.

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 2013

The Nomination Board appointed by the AGM in 2013 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 Pekka Ala-Pietilä¹⁾ (Solidium) and Claes Dahlbäck¹⁾ (Foundation Asset Management).

Pekka Ala-Pietilä 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 2014 concerning Board members and their remuneration. The Nomination Board appointed by the AGM in 2013 convened 4 times (21 October 2013–3 February 2014).

The Nomination Board proposes in its proposal for the AGM in 2014 that the current members of the Board of Directors – Gunnar Brock, Anne Brunila, Elisabeth Fleuriot, Hock Goh, Birgitta Kantola, Mikael Mäkinen, Juha Rantanen, Hans Stråberg, – be re-elected members of the Board of Directors until the end of the following AGM and Richard Nilsson be elected new member of the Board of Directors for the same term of office. Matti Vuoria and Marcus Wallenberg have announced that they are not available for re-election to the Board of Directors. The Nomination Board also proposes that the remuneration of the Board be kept at the current level and that the AGM in 2014 appoint a Nomination Board to present proposals for Board membership and remunerations to the AGM in 2015.

Remuneration

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

¹⁾ Pekka Ala-Pietilä is Chairman of the Board of Solidium and Claes Dahlbäck a Senior Advisor 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. The independence is evaluated in accordance with recommendation 15 of the Code. In addition, at least two of the directors comprising this majority shall be independent of significant shareholders of the Company. 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 GLT 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, the Remuneration Committee and the Global Responsibility and Ethics 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 2013

The Board had ten members at the end of 2013, all of them 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).

The Board members nominated at the AGM in 2013 were Gunnar Brock (Chairman), Juha Rantanen (Vice Chairman), Anne Brunila, Elisabeth Fleuriot, Hock Goh, Birgitta Kantola, Mikael Mäkinen, Hans Stråberg, Matti Vuoria and Marcus Wallenberg. The Board convened nine times during the year.

For detailed information about the Board members and their share ownerships, see pages 18–19.

Board Remuneration

EUR	2013 ¹⁾	2012 ¹⁾
Chairman	170 000	170 000
Vice Chairman	100 000	100 000
Board Member	70 000	70 000

¹⁾ 40% of the Board remuneration in 2013 and 2012 was paid in Stora Enso R shares purchased from the market and distributed as follows: Chairman 12 646 (14 044) R shares, Vice Chairman 7 439 (8 262) R shares and members 5 207 (5 783) R shares each.

Board interests as of 31 December 2013 are presented in Note 7.

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 auditor for the parent company and the main subsidiaries.

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 Leadership Team;
 - remuneration of the CEO;
 - appointment and dismissal of the CEO and approval of heads of Divisions and other senior officers belonging to the GLT;
 - 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, Financial and Audit Committee and Global Responsibility and Ethics 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.

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 2013

The Financial and Audit Committee comprised four members in 2013: Birgitta Kantola (Chairman), Gunnar Brock, Mikael Mäkinen and Juha Rantanen. The Committee convened six times.

In addition to the regular tasks based on the Committee's charter, during 2013 the Committee focused on the effectiveness of internal controls over financial reporting and overseeing the progress of implementation of enterprise risk management.

Remuneration

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

A summary of 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.

Attendance at Board and Committee meetings in 2013

Board member	Board attendance	Financial and Audit Committee		Remuneration Committee		Global Responsibility and Ethics Committee	
		Chairman/ Member	Attendance	Chairman/ Member	Attendance	Chairman/ Member	Attendance
Gunnar Brock	9/9	x	6/6	x	4/4		
Juha Rantanen	9/9	x	6/6				
Anne Brunila ¹⁾	6/7					x	2/2
Elisabeth Fleuriot ¹⁾	5/7						
Hock Goh	9/9						
Birgitta Kantola	9/9	x	6/6			x	2/2
Mikael Mäkinen	9/9	x	4/4				
Hans Stråberg	9/9			x	4/4		
Matti Vuoria	9/9			x	4/4		
Marcus Wallenberg	9/9						

¹⁾ Anne Brunila and Elisabeth Fleuriot were appointed at the 2013 Annual General Meeting.

In 2013

The Remuneration Committee comprised three members in 2013. The members were Gunnar Brock (Chairman), Hans Stråberg and Matti Vuoria. The Committee convened four times.

During 2013, 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 summary of Remuneration Committee Charter is presented at www.storaenso.com/investors/governance

Global Responsibility and Ethics Committee

The Board has a Global Responsibility and Ethics Committee which is responsible for overseeing the Company's global responsibility and ethical business conduct, its strive to be a responsible corporate citizen, and its contribution to sustainable development. The Committee regularly reviews Stora Enso's Global Responsibility Strategy and Ethics and Compliance Strategy and, in accordance with Stora Enso's corporate governance structure, oversees their effective implementation. In its work the Committee takes into consideration Stora Enso's Purpose and Values as well as Code of Conduct and Business Practice Policy.

The Committee comprises two to four Board members who are nominated annually by the Board. The members are independent of and not affiliated with Stora Enso. At least one Committee member is expected to have sufficient prior knowledge and experience in handling responsibility and ethics matters.

The Committee meets regularly, at least two times a year. The Chairman of the Committee presents a report on each Global Responsibility and Ethics Committee meeting to the Board. The tasks and responsibilities of the Committee are defined in its charter, which is approved by the Board. Global Responsibility and Ethics Committee members may receive remuneration solely based on their role as directors. The compensation is decided by the shareholders at an AGM.

In 2013

The Global Responsibility and Ethics Committee was established on 23 April 2013. The Committee comprised two members in 2013: Anne Brunila (Chairman) and Birgitta Kantola. The Committee convened twice.

During 2013, the Committee's main tasks were to set up its working methods and review global responsibility and ethics strategies.

Remuneration

Chairman EUR 7 500 and member EUR 4 000 per annum as decided by the AGM.

The summary of Global Responsibility and Ethics 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. At the end of 2013 the CEO was directly in charge of the following functions, which also reported to him:

- Business Divisions (Printing and Living, Biomaterials and Renewable Packaging). The Operating Segments reporting to the CEO comprise Printing and Reading, Building and Living, Biomaterials, Renewable Packaging and Other.
- CFO (responsible for Accounting, Controlling, Corporate Finance and M&A, Internal Audit, Investor Relations, Tax, Treasury)
- Global People and Organisation
- Global Ethics and Compliance, General Counsel
- Global Identity

The CEO is also responsible for preparatory work with regard to Board meetings. In addition, the CEO supervises decisions regarding key personnel and other important operational matters.

One of the Group Leadership Team members 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 CEO remuneration in Note 7.

Group Leadership Team (GLT)

The GLT is chaired by the CEO. The GLT members are appointed by the CEO and approved by the Board. Currently, the nine GLT members are the CEO, the CFO, and the heads of the three Divisions, Global People and Organisation, Global Ethics and Compliance (who is also General Counsel), and Global Identity, and Programme Director of the savings programme announced in April 2013.

The GLT assists the CEO in supervising the Group and Business Divisional performance against agreed targets, portfolio strategy, ensuring the availability and value-creating allocation of Group funds and capital, and statutory, governance, compliance and listing issues and policies.

The GLT meets regularly every month, and as required.

In 2013

The GLT had nine members at the end of 2013. The GLT convened twelve times during the year, four times in person and eight times over the telephone. Important items on the agenda in 2013 were implementation of the new Division structure, safety issues, customers, diversity and quality of the talent bench, company purpose and values, reviewing the operations of the Group, planning and following up investment and other strategic projects, and preparatory work for Board meetings.

Divisions and other functions

In 2013 Stora Enso rethought its organisational structure. New Group and Divisional structures were implemented and independence of Divisions was increased.

The investment planning is carried out by the Divisions and, if certain monetary thresholds are exceeded, reviewed by the Investment Working Group comprising Group and Division representatives. The CEO and GLT are responsible for the investment allocations and decisions, as well as proposals to the Board of Directors.

Innovation is organised and driven within the Business Divisions to drive market and customer focus. The progress of innovation efforts are evaluated in quarterly Innovation Reviews with the CEO, the Division Head and the Division Innovation Head.

The GLT is responsible for all policy issues relating to sustainability. Everyday sustainability issues are handled by Stora Enso's Global Responsibility function together with the Global Ethics and Compliance function, Global People and Organisation function and the Divisions, which are responsible for the operational management of responsibility issues. The operational management of global responsibility is co-ordinated by the Global Responsibility Council, whose members come from the Business Divisions and other key functions. The Council reports to the Board of Directors' Global Responsibility and Ethics Committee, the CEO and the Group Leadership Team.

The Company has user boards for certain cross-functional service functions (Logistics, Business Information Services, Energy and parts of Wood Supply). These user boards consist of representatives of the Divisions using these services. The user boards supervise and steer the operations of the respective functions.

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

Other supervisory bodies and norms

Auditor

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.

In 2013

Deloitte & Touche Oy (Deloitte) has been acting as Stora Enso's auditor since 2008. At the 2013 Annual General Meeting Deloitte was re-elected as auditor for a term of office expiring at the end of the Annual General Meeting in 2014.

Detailed information about auditor's fees is presented in Note 5.

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.

Ethics and Compliance Board

Stora Enso's Ethics and Compliance Board supervises and monitors legal and regulatory compliance-related policies, implementation and maintenance of processes and tools regarding the same, and concrete compliance issues and cases in the field of business practices. The Ethics and Compliance Board consists of the General Counsel (chairman), CEO, CFO, Head of Global People and Organisation, Head of Internal Audit and the Legal Counsel dedicated to compliance matters. The Ethics and Compliance Board shall convene at least four times every year.

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 Leadership Team (GLT), the Assistant General Counsel and the head of Investor Relations.

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 GLT and Business Area Management Teams and the representatives of the employees. The heads and all members of the Investor Relations and Global Communications teams are also regarded as company-specific insiders, as well as the heads and certain team members of Treasury, Group Accounting and Controlling and Group Legal.

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 and lasts until the results are announced. 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**

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.

The internal controls related to financial reporting are part of the system of internal control and are 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.

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 three Divisions and various support and service functions. Group functions prepare and the CEO and GLT 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, Division, 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 in place to ensure that management directives are carried out and that necessary actions are taken to address risks related to the achievement of the organisation's objectives. Control activities are aimed at preventing, detecting and correcting errors and irregularities and

occur throughout the organisation, at all levels and in all functions. They include a range of activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties as well as general computer controls.

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 operational 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 Company has internal and external procedures 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 Reports 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.

Compliance

Stora Enso is committed to taking responsibility for its actions, to complying with all applicable laws and regulations wherever it operates, and to creating and maintaining ethical relationships with its customers, suppliers and other stakeholders. Stora Enso's Code of Conduct was revised in 2013 and sets forth the company game rules. In 2011 the company established its Business Practice Policy to complement the Code of Conduct, which further sets out Stora Enso's approach to ethical business practices and describes the processes for reporting on violations thereof. No matter who they are or where they are, all employees are expected to comply with the Code of Conduct and Business Practice Policy. Continuous e-learning, face-to-face training and sign-off are organised in order to ensure that these are part of the everyday decision-making and activities at Stora Enso.

In order to enhance the supervision and monitoring of legal and regulatory compliance-related policies and issues, in 2012 Stora Enso established its Compliance Board, which is described in more detail on page 16.

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 the Board of Mölnlycke Healthcare AB and Rolling Optics. Member of the Board of Total SA, Investor AB, SOS-Children's Villages, Sweden, Stockholm School of Economics, GreenGold Capital AB, Stena AB and Syngenta International AG. 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 52 008 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. Member of the Board of Crisis Management Initiative – the Ahtisaari Centre, Suomen Messut – Finnexpo, Onvest Oy, Stalatube Oy and Yara International ASA. President and CEO of Outokumpu Group 2005–2011, President and CEO of Ahlstrom Corporation 1998–2004, CEO of Borealis A/S 1994–1997.

Owns 23 777 R shares in Stora Enso.

Anne Brunila

Member of Stora Enso's Board of Directors since April 2013. Independent of the Company and the significant shareholders.

Born 1957. D.Sc. (Econ.). Finnish citizen. Chairman of Stora Enso's Global Responsibility and Ethics Committee since April 2013. Chairman of the Board of the International Chamber of Commerce Finland and Vice Chairman of the Board of Aalto University Foundation. Member of the Board of Sampo Plc, Kone Plc, Sanoma Plc, the Research Institute of the Finnish Economy ETLA and the Finnish Business and Policy Forum EVA. Executive Vice President, Corporate Relations and Strategy and Member of the Management Team of Fortum 2009–2012. President and CEO of the Finnish Forest Industries Federation 2006–2009. Director General in the Finnish Ministry of Finance 2003–2005 and several positions in the Bank of Finland 1992–2000 and the European Commission 2000–2002.

Owns 5 207 R shares in Stora Enso.

Elisabeth Fleuriot

Member of Stora Enso's Board of Directors since April 2013. Independent of the Company and the significant shareholders.

Born 1956. M.Sc. (Econ). French citizen. CEO of MW Brands as of 26 August 2013. Member of the Board of Directors of Carlsberg Company. Senior Vice President, Emerging Markets and Regional Vice President, France, Benelux, Russia and Turkey, in Kellogg Company 2001–2012. General Manager, Europe, in Yoplait, Sodial Group 1998–2001. Several management positions in Danone Group 1979–1997.

Owns 5 207 R shares in Stora Enso.

Hock Goh

Member of Stora Enso's Board of Directors since April 2012. Independent of the Company and the significant shareholders.

Born 1955. Bachelor's degree (honours) in Mechanical Engineering. Singaporean citizen. Chairman of the Board of Advent Energy Limited, an Australian oil and gas exploration company, since 2007. Operating Partner of Baird Capital Partners Asia 2005–2012. Several senior management positions in Schlumberger Limited, the leading oilfield services provider, in 1995–2005. Chairman of the Board of MEC Resources. Member of the Board of Santos Australia, BPH Energy, KS Distribution Pte Ltd and THISS Technologies Pte Ltd.

Owns 10 990 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., Econ.Dr.H.C. Finnish citizen. Member of Stora Enso's Financial and Audit Committee since March 2005 and Chairman of the Committee since April 2009. Member of Stora Enso's Global Responsibility and Ethics Committee since April 2013. Member of the Board of Skandinaviska Enskilda Banken AB (publ) and Nobina AB. 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 27 195 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 Stora Enso's Financial and Audit Committee since April 2013. President and CEO of Cargotec Oyj 2006–2012, President of Cargotec Marine 2012–2013. Chairman of the Board of Moving Cargo. 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 17 883 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. Chairman of the Board of Roxtec AB, Orchid First Holding AB and CTEK First Holding AB. Vice Chairman of the Board of Atlas Copco AB. Member of the Board of Investor AB and N Holding AB. President and CEO of AB Electrolux 2002–2010. Several management positions at Electrolux in Sweden and the USA 1983–2002. Owns 20 768 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 2004–2013. Vice Chairman of the Board of Sampo plc. Member of the Board of Wärtsilä Oyj Abp. Executive Vice President of Varma Mutual Pension Insurance Company in 2004. Executive Chairman of the Board of Fortum Corporation 1998–2003. Secretary General of Ministry of Trade and Industry 1992–1997. Owns 32 695 R shares in Stora Enso.

Marcus Wallenberg

Member of Stora Enso's Board of Directors since December 1998. Independent of the Company.¹⁾

Born 1956. B.Sc. (Foreign Service). Swedish citizen. Member of Stora's Board of Directors from March 1998 until the merger with Enso in 1998. Chairman of the Board of Foundation Asset Management, Skandinaviska Enskilda Banken AB, AB Electrolux, Saab AB and LKAB. Member of the Board of AstraZeneca PLC, Investor AB, EQT Holdings AB, Knut and Alice Wallenberg Foundation and Temasek Holdings Limited. President and CEO of Investor AB 1999–2005. Vice President of Stora Feldmühle AG, a Stora subsidiary, 1990–1993. Owns 2 541 A and 28 410 R shares in Stora Enso.

The independence is evaluated in accordance with recommendation 15 of the Finnish Corporate Governance Code. The full recommendation can be found at 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.

¹⁾ **Marcus Wallenberg** (member of the investment committee of Foundation Asset Management) is not independent of significant shareholders of the Company. The Board has evaluated that Marcus Wallenberg is independent of the Company despite his 15-year membership of the Board of Directors.

Group Leadership Team (GLT)



Jouko Karvinen

Chief Executive Officer (CEO) of Stora Enso

Born 1957. M.Sc. (Eng.). Finnish citizen. Joined Stora Enso in 2007. President and CEO, Philips Medical Systems, USA, 2002–2006. Prior to that 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 2000–2002. Member of the Board of the Finnish Forest Industries Federation, Confederation of European Paper Industries (CEPI), member of the Business Co-Operation Council and Co-Chairman of the Forest Industry Task Force, EU-Russia Industrialists' Round Table (IRT). Vice Chairman of the Board of Nokia Corporation. Member of the Board of SKF Group and Montes del Plata.

Owns 237 009 R shares in Stora Enso.

Karl-Henrik Sundström

Executive Vice President, Printing and Living, Deputy to the CEO

Born 1960. B.Sc. (Business Studies). Swedish citizen. Member of the GLT since August 2012. Joined the company in August 2012. CFO of the company until 30 June 2013. CFO of NXP Semiconductors 2008–2012. Prior to that CFO and several managerial positions in Ericsson. Member of the Board of Swedbank.

Owns 23 700 R shares in Stora Enso through Alma Patria AB¹⁾.

Jyrki Tammivuori

Chief Financial Officer (acting, until 31 January 2014)

Born 1971. M.Sc. (Econ.). Finnish citizen. Member of the GLT since July 2013. Joined the company in 1999. Has held several managerial positions in Group Treasury and been Group Treasurer since 2008. Member of the Board of Directors of Tornator Oyj and Thiele Kaolin Company.

Owns 15 749 R shares and has 2 500 (2007) options/synthetic options in Stora Enso.

Juan Carlos Bueno

Executive Vice President, Biomaterials

Born 1968. M.Sc. (Industrial Eng.). Colombian citizen. Member of the GLT since April 2011. Joined the company in 2011. EVP, Stora Enso Latin America until 16 January 2012. Vice President of DuPont Agricultural Products in Brazil 2006–2011. Prior to that several finance, sales, marketing and general business management positions in DuPont in other Latin American countries, USA, Europe, the Middle East and Africa. Chairman of the Board of Montes del Plata. Member of the Board of Veracel.

Does not own any Stora Enso shares or options.

Lars Häggström

Executive Vice President, Global People and Organisation

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

Owns 1 045 R shares in Stora Enso.



Per Lyrvall

Executive Vice President, Global Ethics and Compliance, General Counsel, Country Senior Executive, Sweden

Born 1959. LL.M. Swedish citizen. Member of the GLT since March 2012. Joined the company as Legal Counsel in 1994. General Counsel since 2008. Prior to joining Stora Enso legal positions at Swedish Courts, law firms and Assi Domän. Member of the Board of Bergvik Skog AB.

Owns 19 205 R shares and 2 500 (2007) options/synthetic options in Stora Enso.

Mats Nordlander

Executive Vice President, Renewable Packaging

Born 1961. Dipl.Eng. Swedish citizen. Member of the GLT since September 2007. Joined the company in 1994. Has held several managerial positions in Papyrus, Fine Paper, Consumer Board and Market Services. Member of the supervisory board 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 and Packages Ltd.

Owns 67 002 R shares in Stora Enso.

Lauri Peltola

Executive Vice President, Global Identity, Country Senior Executive, Finland

Born 1963. CCJ. Finnish citizen. Member of the GLT since March 2012. Joined the company in 2009. Prior to that Head of Group Identity and Communications of Nordea, Communications Director for Metsäliitto Group and Global Media Relations Director for Nokia. Member of the Supervisory Board of Varma Mutual Pension Insurance Company.

Owns 32 955 R shares in Stora Enso.

Juha Vanhainen

Executive Vice President, EUR 200 million Streamlining and Structure Simplification Programme, Wood Supply Operations in Finland and Sweden, Energy, Logistics and Business Information Services

Born 1961. M.Sc. (Eng.). Finnish citizen. Member of the GLT since September 2007. Joined the company in 1990. EVP, Printing and Reading until 30 June 2013. Has held several managerial positions in the paper business. Member of the Board of Directors of several subsidiaries. Chairman of the Board of Finnish Forest Industries Federation. Deputy Chairman of the Board of Pohjolan Voima Oy. 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 Confederation of European Paper Industries (CEPI).

Owns 58 314 R shares and has 7 500 (2007) options/synthetic options in Stora Enso.

Hannu Kasurinen, Executive Vice President, Building and Living, was a member of the Group Executive Team until the reorganisation of the company on 1 July 2013.

Seppo Parvi was appointed Stora Enso's new Chief Financial Officer as of 1 February 2014.

¹⁾ related party

Options/synthetic options were issued annually from 1999 to 2007.

Report of the Board of Directors

Stora Enso introduction

Stora Enso (the Group or the Company) is the global rethinker of the paper, biomaterials, wood products and packaging industry. We always rethink the old and expand to the new to offer our customers innovative solutions based on renewable materials.

The Group has some 28 000 employees in more than 35 countries worldwide, and is a publicly traded company listed in Helsinki and Stockholm. Our customers include publishers, printing houses and paper merchants, as well as the packaging, joinery and construction industries.

Our annual production capacity is 5.4 million tonnes of chemical pulp, 11.7 million tonnes of paper and board, 1.3 billion square metres of corrugated packaging and 5.6 million cubic metres of sawn wood products, including 2.9 million cubic metres of value-added products. Our sales in 2013 were EUR 10.5 billion, with an operational EBIT of EUR 578 million.

Stora Enso uses and develops 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, for people and for the planet. Being responsible – doing good for the people and the planet – underpins our thinking and our approach to every aspect of doing business.

Stora Enso is transforming itself into a value-creating renewable materials company focusing on growth markets. We will focus on growth markets in Asia and Latin America through fibre-based packaging, plantation-based pulp, innovations in biomaterials, competitive paper grades and sustainable building solutions.

Fibre-based packaging offers steady long-term growth in most segments and has vast innovation potential, offering sustainable new solutions for our customers. Plantation-based pulp allows us to secure low-cost fibre for production. Innovations in biomaterials offer scalable concepts for new markets.

Markets and deliveries

Demand for cartonboard was 3% stronger than a year ago in Europe, but 1% weaker in North America. The improved economic climate increased demand, especially in Western Europe. In Asia demand remained strong and consumption increased by 4%.

Demand for corrugated board in Eastern Europe and Asia was stronger than a year earlier as the economic environment improved. Demand for corrugated board in Western Europe remained stable.

Structural erosion of paper demand persisted in Europe and North America during 2013. Paper demand in 2013 was 4% weaker than in 2012 in Europe and in North America, but 1% stronger in Asia. Overall, global paper consumption was 2% lower in 2013 than 2012.

Global demand for chemical market pulp was about 3% stronger in 2013 than a year earlier even though the paper market in Western Europe and North America remained challenging. Growth was apparent in all major markets except in Western Europe and in Asia excluding Japan and China. Demand growth remained strong in China at 9% with a significant increase in hardwood pulp demand.

The shipment-to-capacity rate was healthy at 94% for softwood pulp and 92% for hardwood pulp. Global market pulp capacity increased by about 2% during 2013. Overall the pulp market remained well balanced due to growth in demand, modest ramp-up of new greenfield and brownfield capacity, and closures and conversions of high-cost mills.

Deliveries

1 000 tonnes	Deliveries			Curtailments	
	2013	2012	Change %	2013	2012
Printing and Reading	6 525	7 130	-8.5	831	722
Renewable Packaging	3 373	3 138	7.5	219	225
Total Paper and Board Deliveries	9 898	10 268	-3.6	1 050	947
Wood products, 1 000 m ³	4 930	4 750	3.8		
Market pulp, 1 000 t	1 180	1 058	11.5		
Corrugated board, million m ²	1 086	1 097	-1.0		

In 2013 weaker demand for softwood sawnwood in Europe was more than offset by stronger demand in North America, China, Japan and parts of the Middle East and North Africa. Total sawnwood consumption in Europe was 1% down on the previous year. Most European markets stagnated in 2013, but there was a clear improvement in demand and prices in the second half of the year, especially in the United Kingdom, Germany, Sweden and Austria. In North America sawnwood demand continued its steady recovery, increasing by 2% on the previous year as the housing market improved. The Japanese housing market was exceptionally robust in 2013 with a 10% increase in housing starts and consequent boost to sawnwood demand, driven by low interest rates, the improving economy and accelerated building activity in anticipation of a consumption tax hike in early 2014. After some cooling off in 2012, Chinese building material markets were also reviving with some gains on 2012 apparent. Markets in the Middle East and North Africa remained steady for European suppliers. The notable exception in this respect was Egypt, where political turbulence and civil unrest considerably reduced sawnwood demand and imports in the first half of 2013.

Estimated Consumption of Paper, Board and Sawn Softwood in 2013

Tonnes, million	Europe	North America	Asia and Oceania
Consumer Board	10.8	8.8	24.6
Corrugated Board (billion m ²)	51	53	126
Newsprint	7.8	4.5	13.4
Uncoated magazine paper	3.4	1.9	0.4
Coated magazine paper	5.6	3.4	3.9
Uncoated fine paper	7.8	8.6	19.3
Coated fine paper	5.9	4.2	12.6
Chemical market Pulp	17.8	7.7	25.4
Sawn softwood (million m ³)	81.4	79.2	n/a

Source: Stora Enso, CEPIFINE, PPPC, RISI, Pöyry, ICCA, UNECE.

The Group's paper and board deliveries totalled 9 898 000 tonnes in 2013, which is 370 000 tonnes less than in the previous year mainly due to previously announced permanent shutdowns of paper machines and weaker demand for paper, but board deliveries increased. Market pulp deliveries increased by 122 000 tonnes to 1 180 000 tonnes. Deliveries of wood products increased by 180 000 m³ to 4 930 000 m³.

Financial results – Group

Sales at EUR 10 544 million were EUR 271 million or 3% lower than a year earlier mainly due to lower paper prices in local currencies and lower paper delivery volume.

Operational EBIT was EUR 52 million lower than in the previous year at EUR 578 million. The operational EBIT margin decreased from 5.8% to 5.5%. Lower paper sales prices in local currencies decreased the operational EBIT by EUR 113 million. Lower sales volumes in paper, partly offset by higher production and sales

volumes for packaging grades, decreased operational EBIT by EUR 50 million, but lower variable costs, mainly for fibre, increased operational EBIT by EUR 120 million. Lower fixed costs increased operational EBIT by EUR 30 million. The impact of exchange rates on sales and costs decreased operational EBIT by EUR 34 million after hedges.

The share of the operational results of equity accounted investments amounted to EUR 98 (EUR 119) million, with the main contributions from Bergvik Skog, Tornator and Veracel.

IFRS operating profit includes a positive net effect of fair valuations of EUR 5 (EUR 12) million from the accounting of share-based compensation, Total Return Swaps (TRS) and CO₂ emission rights. IFRS operating profit also includes a negative net effect of EUR 10 (EUR 71) million from Stora Enso's share of net financial items, recurring taxes and IAS 41 forest valuations of equity accounted investments.

The Group continued to restructure its asset base as paper machine (PM) 2 at Hylte Mill in Sweden with annual capacity 205 000 tonnes of newsprint and paper machine (PM) 11 at Kvarnsveden Mill in Sweden with annual capacity of 270 000 tonnes of newsprint were permanently shut down. The Group launched a streamlining and structure simplification project intended to achieve annual fixed cost savings of EUR 200 million with the full impact starting from the second quarter of 2014. The project includes all Divisions and corporate functions. In addition to reducing costs, the project will reduce interdependencies between businesses and enable a stronger focus on growth in value-creating businesses. All these actions resulted in a restructuring provision non-recurring item of EUR 111 (EUR 62) million.

Impairments and impairment reversals due to restructuring and annual impairment testing resulted in a net impairment of EUR 593 million (EUR 52 million net impairment reversal). The impairments on intangible assets and property, plant and equipment relate mainly to the weakened long term earnings expectations due to declining European paper market.

During the year the Group started to fair value its plantation assets in China and recorded a fair valuation gain of EUR 179 million as a non-recurring item. Other non-recurring items had a combined net negative impact of EUR 14 (positive EUR 140) million. Other non-recurring items in 2012 related mainly to the decrease in the corporate income tax rate in Sweden, which resulted in a EUR 69 million gain in the Group's equity accounted investment Bergvik Skog recognised in operating profit, the EUR 41 million tax-free dividend income from Pohjolan Voima and EUR 21 million due to a release of a valuation allowance on value added tax for Arapoti Mill in Brazil.

IFRS operating profit was EUR 34 (EUR 701) million.

Key figures

	2013	2012 ⁴⁾	2011 ⁴⁾
Sales, EUR million	10 544	10 815	10 965
Operational EBIT ¹⁾ , EUR million	578	630	867
Operational EBIT margin, %	5.5	5.8	7.9
Operating profit (IFRS), EUR million	34	701	759
Operating margin (IFRS), %	0.3	6.5	6.9
Return on equity (ROE), %	-1.3	8.3	5.6
Operational ROCE, %	7.1	7.3	10.0
Debt/equity ratio	0.47	0.48	0.47
EPS (basic), EUR	-0.07	0.61	0.43
EPS excluding NRI ²⁾ , EUR	0.40	0.33	0.63
Dividend and distribution per share ³⁾ , EUR	0.30	0.30	0.30
Payout ratio, excluding NRI ²⁾ , %	75.0	90.9	47.6
Payout ratio (IFRS), %	-428.6	49.2	69.8
Dividend and distribution yield, % (R share)	4.1	5.7	6.5
Price/earnings (R share), excluding NRI ²⁾	18.3	15.9	7.3
Equity per share, EUR	6.61	7.32	7.45
Market capitalisation 31 Dec, EUR million	5 756	4 222	3 726
Closing price 31 Dec, A/R share, EUR	7.31/7.30	5.70/5.25	5.03/4.63
Average price, A/R share, EUR	6.88/5.79	6.15/5.08	7.73/6.28
Number of shares 31 Dec (thousands)	788 620	789 538	789 538
Trading volume A shares (thousands)	1 656	831	1 402
% of total number of A shares	0.9	0.5	0.8
Trading volume R shares (thousands)	828 401	977 746	1 237 898
% of total number of R shares	135.5	159.7	202.1
Average number of shares, basic (thousands)	788 620	788 620	788 620
Average number of shares, diluted (thousands)	788 620	788 620	788 620

¹⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI). Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO₂ emission rights and valuations of biological assets and the Group's share of tax and net financial items of EAI.

²⁾ 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 disclosed individually if they exceed one cent per share.

³⁾ See Board of Directors' proposal for dividend distribution.

⁴⁾ Data in the comparative period 2012 has been restated according to the amended IAS 19 Employee Benefits standard, whereas restated figures do not apply for comparative period 2011.

Net financial expenses at EUR 223 million were EUR 3 million higher than a year earlier. Net interest expenses increased by EUR 30 million mainly as a result of higher average gross debt during the year, lower capitalised interest and lower interest income from loans to equity accounted investments. The net foreign exchange loss in respect of cash, interest-bearing assets and liabilities and related hedges was EUR 1 (EUR 12) million. The fair valuation of interest rate derivatives had a EUR 40 million positive impact compared with 2012 due to higher long-term interest rates. A gain of EUR 12 million from the sale of EUR 99 million of subordinated debt of the equity accounted investments Bergvik Skog and Tornator was recorded in 2013, whereas a EUR 34 million gain was recorded on the reversal of NewPage lease guarantee provisions and settlement in 2012.

Profit before tax excluding non-recurring items increased by EUR 33 million to EUR 350 million. The loss before tax including non-recurring items was EUR 189 (profit EUR 481) million.

The net tax charge totalled positive EUR 118 (positive EUR 9) million, equivalent to an effective tax rate of 62.4% (positive 1.9%), as described in more detail in Note 9, Income Taxes, to the Group Consolidated Financial Statements.

The loss attributable to non-controlling interests was EUR 18 (profit EUR 10) million, leaving a loss of EUR 53 (profit EUR 480) million attributable to Company shareholders.

Earnings per share excluding non-recurring items were EUR 0.40 (EUR 0.33) and including non-recurring items negative EUR 0.07 (positive EUR 0.61). Cash earnings per share were EUR 1.12 (EUR 1.07) excluding non-recurring items. Operational return on capital employed was 7.1% (7.3%).

Group capital employed was EUR 7 707 million on 31 December 2013, a net decrease of EUR 912 million on a year earlier.

Breakdown of Capital Employed Change

	Capital Employed
31 Dec 2012, EUR million	8 619
Capital expenditure less depreciation	-179
Impairments and reversal of impairments	-592
Valuation of biological assets	179
Available-for-sale: operative (mainly PVO)	-89
Equity accounted investments	142
Net liabilities in defined benefit plans	98
Operative working capital and other interest-free items, net	-332
Net tax liabilities	136
Translation difference	-258
Other changes	-17
31 Dec 2013, EUR million	7 707

Financing

Cash flow from operations remained strong at EUR 1 246 (EUR 1 254) million and cash flow after investing activities was EUR 756 (EUR 578) million. Working capital decreased by EUR 301 (EUR 74) million mainly due to EUR 90 million lower short-term receivables, EUR 70 million higher short-term payables and EUR 50 million lower inventories. Payments from the previously announced restructuring provisions were EUR 80 million.

Operative Cash Flow

EUR million	2013	2012
Operational EBITDA	1 044	1 094
NRI on operational EBITDA	35	18
Dividends received from equity accounted investments	38	102
Other adjustments	-172	-34
Change in working capital	301	74
Cash Flow from Operations	1 246	1 254
Cash spent on fixed and biological assets	-424	-561
Acquisitions of equity accounted investments	-66	-115
Cash Flow after Investing Activities	756	578

At the end of the period, net interest-bearing liabilities of the Group were EUR 2 434 (EUR 2 757) million. Cash and cash equivalents net of bank overdrafts amounted to EUR 2 053 (EUR 1 845) million.

Total unutilised committed credit facilities at the year-end 2013 were unchanged at EUR 700 million. The EUR 700 million committed credit facility agreement with a syndicate of 14 banks matures in January 2017 with two one-year extension options, subject to banks' acceptance. The facility will be used as a backup for general corporate purposes. In addition, Stora Enso has access to various long-term sources of funding up to EUR 800 million.

The debt/equity ratio at 31 December 2013 was 0.47 (0.48). The currency effect on equity was negative EUR 208 million net of the hedging of equity translation risks mainly due to weakening of the

Brazilian real. The fair valuation of cash flow and commodity hedges and available-for-sale investments recorded in other comprehensive income decreased equity by EUR 123 million primarily because of the approximately EUR 89 million decrease in the PVO valuation mainly due to lower anticipated future electricity prices.

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

Ratings as at 31 Dec 2013

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (stable) / B	11 September 2013
Moody's	Ba2 (negative) / NP	24 October 2012
Fitch	BB- (stable) / B	26 July 2012 (unsolicited)

Financial results – Segments

In April 2013, when the Group streamlining and structure simplification project was launched, Stora Enso also announced that it had decided to change from four Business Areas to three Divisions. In the new divisional structure the Building and Living Business Area has been integrated with the Printing and Reading Business Area in a new Division called Printing and Living focusing mainly on mature businesses and geographies. The other two Divisions are the pre-existing Renewable Packaging and Biomaterials Business Areas, which remain unchanged and concentrate on growth markets and businesses, as well as innovation. The segment reporting remained unchanged.

Printing and Reading

EUR million	2013	2012
Sales	4 319	4 839
Operational EBITDA ¹⁾	290	493
Operational EBIT ²⁾	34	223
% of sales	0.8	4.6
Operating capital 31 December	2 060	2 955
Operational ROOC, % ³⁾	1.4	7.4
Average number of employees	8 373	8 783
Deliveries, 1 000 t	6 525	7 130
Production, 1 000 t	6 501	7 210

¹⁾ Operating profit/loss excluding intangible assets and property, plant and equipment depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations.

²⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

³⁾ Operational ROOC = 100% x Operational EBIT/Average operating capital.

Printing and Reading sales were EUR 4 319 million, down 11% from 2012, due to the previously announced permanent shutdowns of paper machines, weaker demand and lower average prices in local currencies for all paper grades.

Operational EBIT was EUR 189 million lower than in the previous year at EUR 34 million as clearly lower fixed costs, partly due to the paper machines permanently shut down at Kvarnsveden and Hylte, could not fully compensate for lower sales prices in all paper grades and lower volumes. Pulp costs were lower than in the previous year due to a change in product mix. The depreciation charge was approximately EUR 18 million lower in 2013 mainly due to impairments on intangible assets and property, plant and equipment accounted in 2013.

Biomaterials

EUR million	2013	2012
Sales	1 014	1 012
Operational EBITDA ¹⁾	107	99
Operational EBIT ²⁾	77	82
% of sales	7.6	8.1
Operating capital 31 December	1 314	1 411
Operational ROOC, % ³⁾	5.6	5.7
Average number of employees	847	839
Pulp deliveries, 1000 t	1 864	1 836

¹⁾ Operating profit/loss excluding intangible assets and property, plant and equipment depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations.

²⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

³⁾ Operational ROOC = 100% x Operational EBIT/Average operating capital.

Biomaterials sales were similar to the previous year at EUR 1 014 million.

Operational EBIT decreased by EUR 5 million to EUR 77 million mainly due to slightly lower sales prices in local currencies, partly offset by lower wood costs for the Nordic pulp mills. The share of results of equity accounted investments was reduced by write-downs of capitalised costs and settlement of past legal disputes at Veracel, partly offset by capital gains on land disposals at Montes del Plata. Fixed costs were similar to a year earlier even though they were negatively impacted by the transfer of the Biorefinery Business Unit from Segment Other in January 2013.

Building and Living

EUR million	2013	2012
Sales	1 867	1 684
Operational EBITDA ¹⁾	115	59
Operational EBIT ²⁾	75	29
% of sales	4.0	1.7
Operating capital 31 December	516	564
Operational ROOC, % ³⁾	13.9	5.2
Average number of employees	4 282	4 385
Deliveries, 1 000 m ³	4 776	4 592

¹⁾ Operating profit/loss excluding intangible assets and property, plant and equipment depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations.

²⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

³⁾ Operational ROOC = 100% x Operational EBIT/Average operating capital.

Building and Living sales were EUR 1 867 million, up 11% on 2012 mainly due to the improved sales prices and mix, and higher volumes, partly due to acquisition of Mena Wood Oy (formerly RETS Timber Oy Ltd) in August 2012.

Operational EBIT at EUR 75 million was EUR 46 million higher than in the previous year, mainly due to higher sales prices in local currencies.

Renewable Packaging

EUR million	2013	2012
Sales	3 272	3 216
Operational EBITDA ¹⁾	522	476
Operational EBIT ²⁾	318	273
% of sales	9.7	8.5
Operating capital 31 December	2 452	2 345
Operational ROOC, % ³⁾	13.3	12.1
Average number of employees	12 131	12 292
Paper and board deliveries, 1 000 t	3 373	3 138
Paper and board production, 1 000 t	3 410	3 147
Corrugated packaging deliveries, million m ²	1 086	1 097
Corrugated packaging production, million m ²	1 057	1 076

¹⁾ Operating profit/loss excluding intangible assets and property, plant and equipment depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations.

²⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

³⁾ Operational ROOC = 100% x Operational EBIT/Average operating capital.

Renewable Packaging sales were EUR 3 272 million, up 2% on 2012 as clearly higher board volumes, partly due to deliveries from Ostrołęka Mill's new PM 5, more than offset slightly lower sales prices in local currencies.

Operational EBIT at EUR 318 million was EUR 45 million up on the previous year mainly due to clearly higher volumes and lower wood costs. Chemical and filler costs were slightly lower than a year ago.

Other

EUR million	2013	2012
Sales	2 690	2 684
Operational EBITDA ¹⁾	10	-33
Operational EBIT ²⁾	74	23
% of sales	2.8	0.9
Average number of employees	2 598	2 478

¹⁾ Operating profit/loss excluding intangible assets and property, plant and equipment depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations.

²⁾ Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

Sales of the segment Other were similar to the previous year at EUR 2 690 million.

Operational EBIT at EUR 74 million was EUR 51 million higher than a year earlier mainly due to inventory adjustment in Nordic wood sourcing operations in 2012 and lower expenditure in Group Functions and Group Services. The Biorefinery Business Unit was transferred to the Biomaterials segment effective from January 2013.

Capital expenditure

Capital expenditure including interest and internal costs capitalised in 2013 totalled EUR 424 (EUR 561) million. Equity injections for projects in equity accounted investments totalled EUR 66 (EUR 115) million.

During the year the Group continued to invest in the strategic focus areas. Stora Enso has received the requisite project approval for the integrated pulp and board project in Guangxi, southern China, from the Chinese National Development and Reform Commission (NDRC) and the operating licence for the joint ventures from the Ministry of Finance (MOFCOM). In order to benefit from the growing consumer demand for hygienic and high quality consumer board more rapidly, Stora Enso has together with its local partner and supported by key customers revised the investment schedule and will start by constructing a consumer board machine scheduled to be operational in early 2016. Construction of the previously announced pulp mill will be started after the board machine construction has been completed. The capital expenditure for the first phase of the project is estimated to be approximately EUR 760 million, comprising EUR 590 million for industry and EUR 170 million for plantation operations. The capital expenditure on the forestry and industrial parts of the project during 2013 totalled approximately EUR 57 million.

Another major growth initiative, building a new state-of-the-art 1.3 million tonnes per year pulp mill at Punta Pereira in Uruguay,

progressed further during the year. The mill is expected to start up in first months of 2014. It is being built by Montes del Plata, a joint venture with Arauco. During 2013 Stora Enso contributed directly to the project through equity injections of EUR 35 million into Montes del Plata.

In May 2013 Stora Enso and Packages Ltd. established a joint venture called Bulleh Shah Packaging (Private) Limited in Pakistan. Stora Enso's initial shareholding is 35% with an option to increase the shareholding at the agreed value to 50% at a later stage subject to certain conditions being met. The joint venture includes operations at Kasur and Karachi in Pakistan and supplies packaging products to key local and international customers in the fast-growing Pakistani market. The first part of the previously announced EUR 103 million investment programme to develop the power plant into a sustainable biomass solution has been launched. Completion of this part is expected in mid-2015. Stora Enso's cash consideration for the 35% shareholding amounted to approximately USD 39 million (EUR 30 million).

Stora Enso has decided to invest EUR 32 million in building a world-class biorefinery at Sunila Mill in Finland, which will reduce the CO₂ emissions of the mill by replacing up to 90% of natural gas by lignin extracted from the black liquor. This will be the first step towards a new business selling lignin to external customers. It will enable global specialty chemical and high-tech material customers to replace fossil raw materials with renewable alternatives. Stora Enso is developing new applications in which lignin provides added value as a natural polymer. Production is scheduled to start up during the first quarter of 2015. The technology also has the potential for future scalability at other Group pulp mills.

Further strategic investments to improve the cost-competitiveness and energy efficiency of key assets were started in 2013, such as a new power plant in Kabel Mill, and improvements at Skoghall, Oulu and Enocell pulp mills. A major project to reshape Finnish wood supply operations was launched to optimise and streamline business processes and renew the IT system by the end of 2016. The total planned investment in these projects is EUR 96 million.

Of the earlier announced investments, the new containerboard machine at Ostrołęka Mill in Poland started up in January 2013 as planned and the combined heat and power (CHP) plant investment at Zdirec Sawmill in the Czech Republic started up according to plan during the third quarter of 2013.

Research and development

Stora Enso's expenditure on research and development (R&D) in 2013 was EUR 80 (EUR 81) million, equivalent to 0.8% (0.7%) of sales.

Stora Enso's priorities in 2013 were on reshaping and reorganising the Group and implementing its new strategy. The Group started to reorganise its R&D structure to transfer responsibility for mid-term

and long-term R&D more directly to its Divisions. As a first step, the individual Divisions will take over the Group technology programme.

The Group's R&D platforms include bio-based barriers, micro materials, composites, biochemistry and wood-based building solutions.

Stora Enso continued to strengthen its patent portfolio during the year. Reflecting increased intellectual property awareness, around thirty priority founding patent applications were filed during 2013 and over sixty patents were granted worldwide.

Efforts to replace fossil-based chemicals and polymers with high performing bio-based chemicals continued with the focus on developing customer value in selected entry segments. The announcement of investment in a lignin separation facility at Sunila Mill in Finland is a major first step in a chemical business based on renewable sources.

Development of the pre-commercial microfibrillated cellulose (MFC) plant at Imatra continued. Various qualities have been produced. A number of full-scale board machine runs have been performed including a successful customer trial. Development and testing of MFC applications outside the paper and board field are also in progress.

The Montes del Plata pulp mill project in Uruguay and preparations for the integrated pulp and board project in Guangxi, southern China, were strongly supported by internal R&D experts.

Forest biology and biotechnology continue to be a major area of R&D, partly in collaboration with SweTree Technologies Ltd.

CEPI (the Confederation of European Paper Industries) conducted a brainstorming project lasting one year to get breakthrough ideas for the industry for fulfilling the 2050 targets set by the EU. This project, known as the Two team project, was organised as a competition between the blue and the red team. A Stora Enso employee acted as captain of the blue team. Some of the eight published breakthrough projects will be thoroughly investigated and will potentially lead to further R&D&I (Research & Development & Innovation) work.

Minimisation of water consumption is a major focus area for Stora Enso globally. The aim is to reduce the use of natural resources and energy as water pumping and evaporation are major energy-consuming processes. The water consumption of the pulp mills was the main focus in 2013. The ongoing efforts in paper and paperboard operations will be further intensified.

As a founder member of the European Union's Bio-based Industries Consortium (BIC), Stora Enso has been strongly involved in preparation of the Strategic Research and Innovation Agenda and

the work programme of the upcoming Bio-Based Industries Initiative Joint Undertaking, a new public-private partnership within the EU Horizon 2020 research programme.

Personnel

On 31 December 2013 there were 27 985 employees in the Group, 218 less than at the end of 2012. The average number of employees in 2013 was 28 231, which was 546 lower than the average number in 2012. In April 2013 the Group streamlining and structure simplification programme was launched. By end of the year 2013 the programme had reduced the number of employees by about 1 300. The Group completed acquisition of Efora Oy on 1 November 2013. Efora Oy has approximately 1 000 employees in Finland.

Personnel expenses totalled EUR 1 368 (EUR 1 349) million or 13.0% of sales. Wages and salaries were EUR 1 034 (EUR 1 034) million, pension costs EUR 169 (EUR 152) million and other employer costs EUR 165 (EUR 163) million.

At the end of 2013 52% of employees were in Finland, Sweden and Germany and 17% in China. 22% (23%) of employees were women.

Personnel turnover in 2013 was 15.9% (12.8%). The Group absenteeism rate due to sickness and accidents was 3.2% (3.1%) of total theoretical working hours.

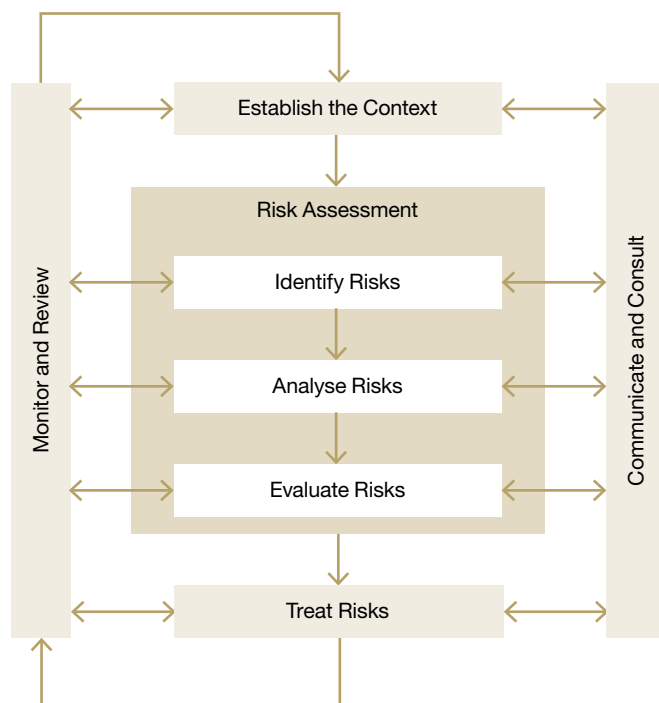
Employee-related information including personnel strategy is discussed in more detail in the Group's 2013 Global Responsibility Report.

Risks and risk management

The Group Leadership Team, Divisions, Group Functions, production units and projects are responsible for managing risks that could have an adverse effect on the achievement of their objectives and goals. To achieve this Stora Enso has implemented an enterprise risk management process for identifying and treating risks as well as exploiting opportunities, thereby increasing the likelihood of achieving objectives. The Stora Enso Group Risk Policy sets out the overall approach to governance and management of risks. 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. Stora Enso also identifies and manages related opportunities.

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.

Risk Management Process



Marketplace

Business environment risks

Continued competition and supply and demand imbalances in the paper, pulp, packaging and wood products markets may have an impact on profitability. The paper, pulp, 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 profitability. The ability to respond to changes in consumer preferences and to develop new products on a competitive and economic basis calls for continuous capacity management, production curtailments and structural development.

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 such as sulphur regulation of maritime fuels and CO₂ regulations may affect the supply chain or production costs.

Business development risks

Business development risks are mainly related to Stora Enso's strategy and its implementation. The Group aims to transform itself from a European pulp and paper Group into a value-creating, growth-markets-oriented, renewable materials Group. This will be achieved through organic growth and selective mergers and acquisitions, mainly in growth markets, and through operational improvements to the existing production base.

Large single investments in 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 as well as structured governance when making decisions. 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, and the availability of trained personnel.

Supplier risks

In many areas Stora Enso is dependent on suppliers and their ability to deliver a product or a service at the right time and of the right quality. The most important products are fibre, chemicals and energy, and in capital investment projects machinery and equipment. The most important services are transport and various outsourced business support services. 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, business transactions 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 policies for sustainable sourcing of wood and fibre, and for 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.

Unpredicted changes in certification schemes and increased customer requirements could limit the availability of certified raw

material. Forest management certification and chain-of-custody certification are tools for managing risks related to the acceptability of wood. Stora Enso's sustainable supply chain management principles and systems cover other raw materials such as pulp and chemicals, and also logistics.

Market risks

The risks related to factors such as demand, price, competition, customers, suppliers, raw materials and energy are regularly monitored by each Division and unit as a routine part of its business. These risks are also continuously monitored and evaluated by the Group Business Controlling function to get a perspective of the Group's total asset portfolio and overall long-term profitability potential.

Customer demand for products is influenced by general economic conditions and inventory levels, and affects product price levels. Product prices, which tend to be cyclical in this industry, are affected by capacity utilisation, which decreases in times of economic slowdowns. Changes in prices differ between products and geographic regions.

Customer credit risk is discussed in more detail in Note 25, Financial Risk Management.

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

Composition of Costs in 2013

Operative Costs	% of Costs	% of Sales
Logistics and commissions	10	10
Manufacturing Costs		
Fibre	37	35
Chemicals and fillers	10	10
Energy	9	8
Material	4	3
Personnel	13	13
Other	11	11
Depreciation	6	5
Total Costs and Sales	100	95
Total operative Costs and Sales in EUR million	10 064	10 544
Equity accounted investments (EAI), operational		98
Operational EBIT		578

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, pulp, 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 2013.

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

Segments	Price	Volume
Printing and Reading	402	103
Biomaterials	96	21
Building and Living	181	34
Renewable Packaging	308	114

Commodity and energy price risk

Reliance on outside suppliers for fossil fuels such as natural gas, oil and coal, and for peat and nearly half of the 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 increased own generation, shareholding in competitive power assets such as PVO/ TVO, 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.

Infrastructure

Human resources risks

Retaining and developing a competent workforce and managing key talent throughout Stora Enso's global organisation are crucial to the success of the Group. Stora Enso manages the risks and loss of key talents through a combination of different actions. Some of the activities aim at providing a better overview of the whole workforce of the Group, making the Stora Enso employer brand better known both internally and externally, globalising some of the remuneration practices and intensifying the efforts to identify and develop talents. Last but not least, the Group actively focuses on talent and management assessments, including succession planning for key positions.

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 fuels, maximising utilisation of combined heat and power, and sequestration of carbon dioxide in forests and products. The Group's wood-based products are a better alternative for minimising climate change than more carbon-intensive products.

Labour market disruption risk

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. The following risk mitigation instruments are in place: price volatility tracking of raw materials and financial risk monitoring of suppliers.

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.

Stora Enso's sustainability requirements for suppliers and audit schemes cover its raw materials, and other goods and services procured. Suppliers are assessed for risks related to their environmental, social and business practices through self-assessment questionnaires and supplier audits. Findings from such assessments are continuously followed up.

Information Technology (IT) risks

Stora Enso operates in a business environment where information has to be available and its confidentiality protected to support the business processes. Management of risks is actively pursued within the Information Risk Management System. A number of security controls have been implemented to strengthen the protection of confidential information and to facilitate compliance with international regulations.

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. Divisional risk specialists manage 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, key machinery risk 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, treating or sharing risks is a high priority. Risk managers are responsible for ensuring that the Divisions have adequate insurance cover and supports units in their loss prevention and loss control work. The total cost of risks is optimised by the use of the Group's own captive insurance company.

Health and Safety 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. Stora Enso measures its performance in health and safety through lag indicators on accidents and near-misses, and lead indicators on safety observations. The target in safety is zero accidents, but demanding milestones for the end of 2013 have also been set for accident and incident rates. In 2012 Stora Enso adopted a common model for safety management, establishing a set of safety tools that all units must implement in their operations. Implementation of the tools is followed up and reported monthly, and support is offered to units through training, coaching and best-practice sharing. The main responsibility for identifying and managing safety risks remains with the units. At mill level, safety and health risks are assessed jointly, in co-operation with the occupational health service providers. Global health risks are monitored and assessed by Group Health and Safety.

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. Stora Enso constantly monitors risks related to personnel security, including health issues, and information is available on the Intranet and delivered directly to travelling employees. An external service provider takes care of action in medical or security crises, under guidance from Stora Enso's crisis management team. The crisis management team is chaired by the Head of Global People and Organisation, who is a Group Leadership Team member.

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.

Reputational

Business Practice Policy related risks

Stora Enso's Business Practice Policy is continuously kept up to date. This policy clearly states Stora Enso's support of ethical and legally compliant business practices, including, but not limited to, free and fair competition and zero tolerance of corrupt activities of any kind. These commitments are also an integral part of Stora Enso's Code of Conduct. Stora Enso will continue to emphasise its commitment to ethical and compliant operations through risk assessments, corporate policies and training, supply change management and an effective grievance mechanism.

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.

Environmental risks

Stora Enso may face high compliance and remediation 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 remediation projects are required. Remediation projects are related to old activities and mill closures.

Product safety risks

Among the uses for Stora Enso paper and board are various food contact and other sensitive applications for which food and consumer and product 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. To ensure the safety of its products, Stora Enso actively participates in CEPI (Confederation of European Paper Industry) working groups on chemical and product safety. In addition, all Stora Enso mills have certified ISO quality management systems.

Social risks

Social risks may harm the development of investments, especially in growth markets, 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

Stora Enso is exposed to several financial market risks that the Group is responsible for managing under policies approved by the Board of Directors. The objective is to have cost-effective funding in Group companies and manage financial risks using financial instruments to decrease earnings volatility. The main exposures for the Group are interest rate risk, currency risk, funding risk and commodity price risk, especially for fibre and energy.

Financial risks are discussed in detail in Note 25, Financial Risk Management.

Environmental issues

Stora Enso's net environmental costs in 2013 excluding interest and including depreciation totalled EUR 147 (EUR 175) million. These costs include taxes, fees, refunds, permit-related costs, and repair and maintenance costs, as well as waste water treatment chemicals and certain materials.

Provisions for environmental remediation amounted to EUR 106 (EUR 114) million at 31 December 2013, details of which are in Note 23 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 2013 Stora Enso's environmental investments amounted to EUR 54 (EUR 23) 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.

Stora Enso's environmental work strives to ensure that its resource-efficient operations and products have superior environmental performance throughout their lifecycle. The aim is continuous improvement of the energy, material and water efficiency of operations and business models in order to enhance business benefits and save natural resources and financial resources.

Stora Enso believes that many key solutions for limiting climate change and other environmental challenges will be based on the use of renewable raw materials, cleaner and more energy-efficient production processes, and sustainable forest management practices. Stora Enso will further reduce its CO₂ emissions and process water discharges, and continuously improve the material efficiency of its operations to meet key environmental targets. Progress towards these targets and other indicators of environmental performance are monitored on a quarterly basis and reported every year in Stora Enso's Global Responsibility Report.

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.

Stora Enso has set a CO₂ intensity target for its pulp, paper and board mills. The target is to reduce the CO₂ emissions per tonne of product from the Group's pulp, paper and board mills by 35% compared with the baseline year 2006 by 2025. During 2013 Stora Enso's normalised CO₂ emissions increased slightly and are currently 28% (32%) lower than in 2006. Reductions in our CO₂ intensity in previous years have been achieved through investments in biomass boilers that have reduced use of fossil fuels, and through increases in internal production of power and heat. Other contributing factors have included improved productivity, the use of more efficient equipment, and streamlined processes. This declining trend was halted in 2013, mainly due to the increased use of fossil fuels at Ostrołęka Mill in Poland and Maxau Mill in Germany.

In 2013 the process water discharge targets were extended to 2015. Stora Enso's target is to reduce normalised process water discharges from the pulp, paper and board mills by 10% of their 2005 levels by 2015. During 2013 the Group made no progress towards this target. Total discharges of process water have been reduced by 6.6% (7.5% in 2012) 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 from the pulp, paper and board mills by 10% from 2007 levels by the end of 2015. During 2013 normalised COD discharges declined to the target level and are currently 10% (4.5%) lower than in 2007.

During 2013 normalised discharges of nitrogen increased slightly while phosphorus discharges decreased slightly compared with 2012. Compounds of nitrogen and phosphorus are used to provide nutrient sources for the microorganisms 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 phosphorus have increased by 2% and discharges of nitrogen have increased by 11%.

In 2012 the target for SO₂ emissions was achieved. Nevertheless, Stora Enso monitors SO₂ and NO_x as performance indicators. Over the five-year period 2009–2013 normalised emissions of SO₂ decreased by 1%. Over the five-year period 2009–2013 normalised emissions of nitrogen oxides (NO_x) increased by 18%.

In 2013 Stora Enso decided to discontinue targeting waste to landfill, but instead to focus on improving material efficiency as a broader concept covering waste reduction, efficiency in the use of raw materials and energy, and business value created from materials currently considered as waste. This concept and ways of measuring

material efficiency will be further developed in 2014. This intensified focus aims at improving resource efficiency and finding more opportunities for creating value with Stora Enso's stakeholders.

Waste to landfill will remain a performance indicator. Over the five-year period 2009–2013 normalised waste to landfill from the pulp, paper and board mills decreased by 9%.

The waste reuse rate across the Group was 97% in 2013 (97%). Stora Enso's production processes generate various wastes, the vast majority of which are reused as residues. Such materials include biomass fibres, ash from energy production, lime solids from pulping processes, and waste water treatment sludge. Many of these materials are used for internal bioenergy production, or agricultural purposes, brick manufacturing and road construction by stakeholders. New and innovative ways to reuse materials that would otherwise end up as wastes are constantly being sought.

Hazardous wastes from production include used oils, solvents, paints, laboratory chemicals and batteries. In 2013 Stora Enso's production units created a total of 2 859 tonnes of hazardous waste, down from 4 444 tonnes in 2012.

Hazardous wastes are disposed of by 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 2013.

Verified information on environmental matters is published in the separate report Global Responsibility 2013.

Corporate Governance in Stora Enso

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 Corporate Governance also complies with the Swedish Corporate Governance Code ("Swedish Code") which entered into force on 1 February 2010 (and applicable to Stora Enso as a foreign company from 1 January 2011), with the exception of the deviations that are listed in Stora Enso's full Corporate Governance Report. The deviations are due to differences between the Swedish and Finnish legislation, governance code rules and practices, and in these cases Stora Enso follows the practice in its domicile. The Swedish Code is issued by the Swedish Corporate Governance Board and is available at the internet website www.corporategovernanceboard.se.

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

Class Action Lawsuits in USA

In the context of magazine paper sales in the USA in 2002 and 2003, Stora Enso Oyj (SEO) and Stora Enso North America (SENA) were 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. In December 2010 a US federal district court granted a motion for summary judgement dismissing the direct purchaser class action claims on SEO and SENA. Following appeal, a federal court of appeals on 6 August 2012 upheld the district court's ruling as to SEO, but reversed the district court's ruling as to SENA and referred that part of the case back to the district court for a jury trial to determine whether SENA's conduct did violate the federal antitrust laws. The trial of the case against SENA was scheduled to begin in August 2013. Because Stora Enso disposed of SENA in 2007, Stora Enso's liability, if any, would have been determined by the provisions in the SENA Sales and Purchasing Agreement. On 17 July 2013, Stora Enso reached an agreement (which is subject to approval by the US federal district court) to settle the cases filed by the direct magazine paper purchasers without any admission of liability by SENA or SEO. Stora Enso has paid into escrow USD 8 million (EUR 6 million) to cover the cost of settling those claims, which cost has been recorded in the third quarter 2013 accounts. The only remaining cases of any substance, filed on behalf of indirect purchasers of publication paper in the California (CA) and Connecticut (CT) state courts, are about to be settled as well – without any admission of liability by SENA or SEO – via payments of USD 0.1 million (EUR 0.1 million) plus proportionate cost (CA) and USD 0.1 million (EUR 0.1 million) (CT). These settlements have to be approved by the responsible courts. In previous periods the cases were disclosed as a contingent liability.

Legal Proceedings in Finland

In December 2009 the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to the competition law infringements. The total claim against all the defendants amounts to approximately EUR 160 million and the secondary claim against Stora Enso to approximately EUR 85 million. In addition, Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from all the defendants amounts to approximately EUR 45 million and the secondary claims solely against Stora Enso to approximately EUR 10 million. Stora Enso denies that Metsähallitus, and other plaintiffs, suffered any damages whatsoever and will forcefully defend itself. No provisions have been made in Stora Enso's accounts for these lawsuits.

Changes in Organisational Structure and Group Management

On 31 May 2013 Stora Enso announced that from 1 July 2013 onwards the Stora Enso Group Leadership Team would comprise the following persons and their roles:

Jouko Karvinen, Chief Executive Officer

Juan Bueno, Head of Biomaterials Division

Lars Häggström, Head of Global People and Organisation

Per Lyrvall, Head of Global Ethics and Compliance, General Counsel, Country Senior Executive, Sweden

Mats Nordlander, Head of Renewable Packaging Division

Lauri Peltola, Head of Global Identity, Country Senior Executive, Finland

Karl-Henrik Sundström, Head of Printing and Living Division, Deputy to the CEO

Jyrki Tammivuori, acting Chief Financial Officer

Juha Vanhainen, Project Director for the recently announced EUR 200 million streamlining and structure simplification programme.

Hannu Kasurinen was a member of the Group Executive Team until 30 June 2013.

On 17 September 2013 Stora Enso announced that it had appointed Seppo Parvi, who was at that time Chief Financial Officer and Executive Vice President, Food and Medical Business Area, at Ahlstrom Corporation, as its new Chief Financial Officer. He was due to take up this new appointment at the beginning of February 2014.

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 51 568 A shares were converted into R shares. The conversions were recorded in the Finnish Trade Register on 15 February 2013, 15 May 2013, 15 October 2013 and 16 December 2013.

On 15 May 2013, 918 512 treasury R shares (approximately 0.12% of the issued shares) were cancelled in accordance with a decision of Stora Enso's Annual General Meeting on 23 April 2013.

On 31 December 2013 Stora Enso had 177 096 204 A shares and 611 523 783 R shares in issue. The company did not hold any A or R shares. The total number of Stora Enso shares in issue was 788 619 987 and the total number of votes 238 248 582.

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

Major shareholders as of 31 December 2013

By voting power	A shares	R shares	% of shares	% of votes
1 Foundation Asset Management	63 123 386	17 000 000 ¹⁾	10.2%	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 MP-Bolagen i Vetlanda AB ,Verner von Seydlitz	4 173 304	4 562 000	1.1%	1.9%
6 Ilmarinen Mutual Pension Insurance Company	3 492 740	4 236 189	1.0%	1.6%
7 Nordea Investment Funds	-	25 275 433	3.2%	1.1%
8 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.8%
9 AMF - Insurance and Funds	-	11 003 039	1.4%	0.5%
10 Swedbank Robur Funds	-	10 880 920	1.4%	0.5%
11 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
12 The State Pension Fund	-	6 880 000	0.9%	0.3%
13 Unionen (Swedish trade union)	-	5 997 200	0.8%	0.3%
14 Keva (Local Government Pensions Institution)	-	4 730 001	0.6%	0.2%
15 SEB Investment Management	-	3 773 300	0.5%	0.2%
Total	168 189 379	142 684 129	39.6%³⁾	76.6%³⁾
Nominee-registered shares	74 576 515	481 686 751	70.5% ³⁾	51.5% 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.

Share Distribution, 31 December 2013

By size of holding, A shares	Shareholders	%	Shares	%
1-100	2 867	38.90	155 028	0.09
101-1 000	3 819	51.81	1 437 329	0.81
1 001-10 000	647	8.78	1 517 589	0.85
10 001-100 000	32	0.43	703 008	0.40
100 001-1 000 000	1	0.01	371 326	0.21
1 000 001-	5	0.07	172 911 924	97.64
Total	7 371	100.00	177 096 204	100.00

By size of holding, R shares	Shareholders	%	Shares	%
1-100	6 125	21.74	400 045	0.07
101-1 000	16 234	57.59	7 272 618	1.19
1 001-10 000	5 323	18.89	14 566 689	2.38
10 001-100 000	416	1.48	11 342 250	1.86
100 001-1 000 000	61	0.22	17 876 139	2.92
1 000 001-	22	0.08	560 066 042	91.58
Total	28 181	100.00	611 523 783	100.00

According to Euroclear Finland.

Ownership Distribution, 31 December 2013

	% of shares	% of votes
Foundation Asset Management	10.2	27.2
Solidium Oy ¹⁾	12.3	25.1
Finnish institutions	12.8	20.8
Under nominee names (non-Finnish/ non-Swedish shareholders)	42.2	14.3
Swedish institutions	12.1	6.4
Swedish private shareholders	4.1	3.0
Finnish private shareholders	3.6	2.3
ADR holders	2.7	0.9
Total	100.0	100.0

¹⁾ Entirely owned by the Finnish State

Near-term outlook

In the first quarter of 2014 sales are expected to be similar to the EUR 2 604 million and operational EBIT similar or somewhat higher compared with the EUR 152 million in the fourth quarter of 2013. Average prices are forecast to improve and fixed costs to decrease compared with the fourth quarter of 2013. Renewable Packaging will be affected by Guangxi project costs and lost production due to the Skoghall Mill recovery boiler incident.

Events after the balance sheet date

On 24 January 2014 Stora Enso announced a plan to start co-determination negotiations with employees at Veitsiluoto Mill in Finland regarding a plan to shut down permanently paper machine (PM) 1 with annual capacity of 190 000 tonnes of coated magazine paper by the end of the first quarter of 2014 due to structural weakening of magazine paper demand in Europe. The planned closure would affect up to 90 employees. Stora Enso will record a restructuring provision and a working capital write-down related to the planned closure with a negative impact of approximately EUR 8 million on operating profit in its first quarter 2014 results.

On 4 February 2014 Stora Enso signed an agreement to sell its 40.24% shareholding in the US-based processed kaolin clay producer Thiele Kaolin Company to Thiele Kaolin Company for USD 76 (EUR 56) million. At the end of 2013 the carrying value of Thiele Kaolin Company was USD 28 (EUR 21) million. Stora Enso will record a capital gain of EUR 37 million including release of cumulative translation adjustments (CTA) in its 2014 results. The consideration was paid fully in cash when the agreement was signed and is subject to final adjustments by the end of March 2014. Following the transaction, Stora Enso is no longer a shareholder of Thiele Kaolin Company.

Stora Enso's shareholding in Thiele Kaolin was part of its North American operations but not included in the divestments in 2007. Thiele Kaolin's divestment is part of Stora Enso's programme of selling non-core assets and in accordance with its strategic transformation to a value-creating renewable materials company focusing on growth markets.

Proposal for the distribution of dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.30 per share be distributed for the year 2013.

The dividend would be paid to shareholders who on the record date of the dividend payment, 28 April 2014, 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 be paid on 15 May 2014.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Wednesday 23 April 2014 at Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	Year Ended 31 December	
		2013	2012
Sales	3	10 544	10 815
Other operating income	5	122	219
Changes in inventories of finished goods and work in progress		-30	-7
Change in net value of biological assets	13	172	-5
Materials and services		-6 777	-6 962
Freight and sales commissions		-977	-1 008
Personnel expenses	6	-1 368	-1 349
Other operating expenses	5	-602	-578
Share of results of equity accounted investments	14	100	108
Depreciation, amortisation and impairment charges	11	-1 150	-532
Operating Profit	3	34	701
Financial income	8	64	128
Financial expense	8	-287	-348
Loss/Profit before Tax		-189	481
Income tax	9	118	9
Net Loss/Profit for the Year		-71	490
Attributable to:			
Owners of the Parent	19	-53	480
Non-controlling Interests	20	-18	10
Net Loss/Profit for the Year		-71	490
Earnings per Share			
Basic and diluted earnings per share, EUR	33	-0.07	0.61

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

Consolidated Statement of Comprehensive Income

EUR million	Note	Year Ended 31 December	
		2013	2012
Net loss/profit for the period		-71	490
Other Comprehensive Income (OCI)			
Items that will Not be Reclassified to Profit and Loss			
Actuarial gains/losses on defined benefit plans	21	74	-184
Share of OCI of equity accounted investments that will not be reclassified	28	-1	-5
Income tax relating to items that will not be reclassified	9	-27	35
		46	-154
Items that may be Reclassified Subsequently to Profit and Loss			
Share of OCI of equity accounted investments that may be reclassified	28	15	1
Currency translation movements on equity net investments (CTA)	29	-227	-29
Currency translation movements on non-controlling interests	20	-6	-3
Net investment hedges	29	23	-17
Currency and commodity hedges	28	-28	34
Available-for-sale financial assets	15	-101	-178
Income tax relating to items that may be reclassified	9	2	-3
		-322	-195
Total Comprehensive Income		-347	141
Total Comprehensive Income Attributable to:			
Owners of the Parent		-323	134
Non-controlling interests	20	-24	7
		-347	141

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

Consolidated Statement of Financial Position

EUR million		Note	As at 31 December	
			2013	2012
ASSETS				
Non-current Assets				
Goodwill	O	12	220	226
Other intangible assets	O	12	51	44
Property, plant and equipment	O	12	4 182	5 049
		12	4 453	5 319
Biological assets	O	13	399	222
Emission rights	O		21	30
Equity accounted investments	O	14	1 961	1 965
Available-for-sale: interest-bearing	I	15	10	96
Available-for-sale: operative	O	15	361	451
Non-current loan receivables	I	18	80	134
Deferred tax assets	T	9	229	143
Other non-current assets	O	16	16	23
			7 530	8 383
Current Assets				
Inventories	O	17	1 376	1 458
Tax receivables	T	9	13	19
Current operative receivables	O	18	1 521	1 687
Interest-bearing receivables	I	18	249	297
Cash and cash equivalents	I		2 065	1 850
			5 224	5 311
Total Assets			12 754	13 694
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Parent				
Share capital		19	1 342	1 342
Share premium			77	77
Treasury shares		19	-	-10
Fair value reserve		28	235	344
Cumulative translation adjustment		29	-218	-10
Invested non-restricted equity fund			633	633
Retained earnings			3 197	2 914
Net loss/profit for the period			-53	480
			5 213	5 770
Non-controlling Interests		20	60	92
Total Equity			5 273	5 862
Non-current Liabilities				
Post-employment benefit provisions	O	21	378	480
Other provisions	O	23	121	142
Deferred tax liabilities	T	9	300	340
Non-current debt	I	27	3 702	4 341
Other non-current operative liabilities	O	24	16	12
			4 517	5 315
Current Liabilities				
Current portion of non-current debt	I	27	505	181
Interest-bearing liabilities	I	27	619	607
Bank overdrafts	I	27	12	5
Current operative liabilities	O	24	1 812	1 685
Tax liabilities	T	9	16	39
			2 964	2 517
Total Equity and Liabilities			12 754	13 694

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

Consolidated Cash Flow Statement

EUR million	Note	Year Ended 31 December	
		2013	2012
Cash Flow from Operating Activities			
Net loss/profit for the year		-71	490
Result from the Statement of Other Comprehensive Income		-23	34
Adjustments and reversal of non-cash items:			
Taxes	9	-118	-9
Depreciation and impairment charges	11	1 150	532
Change in value of biological assets	13	-172	5
Change in fair value of options and TRS		1	-26
Share of results of equity accounted investments	14	-100	-108
Profits and losses on sale of fixed assets and investments	5	-6	5
Net financial items	8	223	220
Other adjustments		-	-31
Dividends received from equity accounted investments	14	38	102
Interest received		20	17
Interest paid		-210	-168
Other financial items, net		14	-79
Income taxes paid	9	-43	-104
Change in net working capital, net of businesses acquired or sold		285	56
Net Cash Provided by Operating Activities		988	936
Cash Flow from Investing Activities			
Acquisition of subsidiary shares and business operations, net of acquired cash	4	25	-11
Acquisition of shares in equity accounted investments	14	-66	-115
Acquisition of available-for-sale investments	15	-9	-
Capital expenditure	3, 12	-405	-541
Investment in biological assets	13	-19	-20
Proceeds from disposal of shares in equity accounted investments and equity repayment	14	-	2
Proceeds from disposal of available-for-sale investments	15	42	-
Proceeds from sale of fixed assets	12	23	6
Proceeds from/payment of non-current receivables, net		96	-5
Net Cash Used in Investing Activities		-313	-684
Cash Flow from Financing Activities			
Proceeds from new long-term debt		151	1 472
Repayment of long-term liabilities		-371	-571
Change in current borrowings		20	-179
Dividends paid		-237	-237
Equity injections less dividends to non-controlling interest	20	-7	-3
Net Cash Used in/Provided by Financing Activities		-444	482
Net Increase in Cash and Cash Equivalents		231	734
Translation adjustment		-23	-23
Cash and cash equivalents at beginning of year		1 845	1 134
Net Cash and Cash Equivalents at Year End		2 053	1 845
Cash and Cash Equivalents at Year End		2 065	1 850
Bank Overdrafts at Year End		-12	-5
		2 053	1 845

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	
		2013	2012
Change in Net Working Capital consists of:			
Change in inventories		51	90
Change in interest-free receivables:			
Current		158	20
Non-current		10	3
Change in interest-free liabilities:			
Current		119	9
Non-current		-37	-49
Payment of short-term interest-bearing receivables		-16	-17
Change in Net Working Capital, Net of Businesses Acquired or Sold		285	56
Non-Cash Investing Activities			
Total capital expenditure		406	536
Amounts paid		-405	-541
Non-Cash Part of Additions to Intangible Assets and Property, Plant and Equipment		1	-5
ACQUISITIONS			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions, cash part	4	7	13
Cash and cash equivalents in acquired companies, net of bank overdraft	4	-32	-2
Payment concerning unfinished 2011 acquisition		-	-4
Total Acquisition Value		-25	7
Acquired Net Assets			
Operating working capital		-22	8
Intangible assets and property, plant and equipment	12	1	6
Tax assets and liabilities	9	-	1
Interest-bearing assets and liabilities		-	-5
Value of previously held equity interests		-4	-3
Total Net Assets Acquired		-25	7
Goodwill	12	-	-
Total Net Assets Acquired and Goodwill		-25	7
DISPOSALS			
Cash Flow on Disposals			
Cash flow on disposal	4	1	-
Cash and cash equivalents in divested companies	4	-1	-
Total Disposal Value		-	-
Net Assets Sold			
Cash and cash equivalents		1	-
Intangible assets and property, plant and equipment	12	2	-
Interest-bearing liabilities		-2	-
Non-controlling interests	20	-1	-
		-	-
Gain on sale		-	-
Total Net Asset Sold		-	-

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

Statement of Changes in Equity

EUR million	Fair Valuation Reserve													Total
	Share Capital	Share Premium and Reserve Fund	Invested Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available for Sale Financial Assets	Currency and Commodity Hedges	OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests		
Balance at 31 December 2011	1 342	77	633	-10	4	541	-17	-29	32	3 300	5 873	87	5 960	
Profit for the period	-	-	-	-	-	-	-	-	-	480	480	10	490	
OCI before tax	-	-	-	-	-	-178	34	-4	-46	-184	-378	-3	-381	
Income tax relating to components of OCI	-	-	-	-	-	-1	-6	-	4	35	32	-	32	
Total Comprehensive Income	-	-	-	-	-	-179	28	-4	-42	331	134	7	141	
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-2	-239	
Balance at 31 December 2012	1 342	77	633	-10	4	362	11	-33	-10	3 394	5 770	92	5 862	
Loss for the period	-	-	-	-	-	-	-	-	-	-53	-53	-18	-71	
OCI before tax	-	-	-	-	-	-101	-28	14	-204	74	-245	-6	-251	
Income tax relating to components of OCI	-	-	-	-	-	1	5	-	-4	-27	-25	-	-25	
Total Comprehensive Income	-	-	-	-	-	-100	-23	14	-208	-6	-323	-24	-347	
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-7	-244	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-1	-1	
Share-based payments	-	-	-	-	-	-	-	-	-	2	2	-	2	
NCI transaction in EAI	-	-	-	-	-	-	-	-	-	1	1	-	1	
Cancellation of treasury shares	-	-	-	10	-	-	-	-	-	-10	-	-	-	
Balance at 31 December 2013	1 342	77	633	-	4	262	-12	-19	-218	3 144	5 213	60	5 273	

CTA = Cumulative Translation Adjustment
OCI = Other Comprehensive Income
NCI = Non-controlling Interests
EAI = Equity Accounted Investments

Notes to the Consolidated Financial Statements

Note 1 Accounting Principles

Principal activities

Stora Enso Oyj ("the Company") is a Finnish public 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 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 segments: Printing and Reading, Biomaterials, Building and Living, Renewable Packaging, and Other, which includes the Nordic forest equity accounted investments, Stora Enso's shareholding in Pohjolan Voima, operations supplying wood to the Nordic mills and Group shared services and administration. 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 5 February 2014.

Basis of preparation

The Consolidated Financial Statements of Stora Enso Oyj 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 IFRS Interpretations Committee (IFRIC). The Consolidated Financial Statements of Stora Enso Oyj have been prepared under the historical cost convention except as disclosed in the accounting policies below. The Consolidated Financial Statements are presented in euro, which is the parent company's functional currency.

New and amended standards and interpretations adopted in 2013

The Group has applied the following amendment effective from 1 January 2013 that requires restatement of previous financial statements:

- IAS 19 Employee Benefits (amendment) eliminates the 'corridor method', streamlines the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosure requirements arising from the standard. The Group has not applied the 'corridor method'. The effects of this amendment on the Group financial statements are not material. The adjustment decreased the 2012 net profit for the period by EUR 1 million and total equity by EUR 14 million. Comparative year has been restated accordingly.

The following standards have also been applicable for the first time effective from 1 January 2013:

- IAS 1 Presentation of Financial Statements (amendment) introduces changes to the presentation of items of other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.
- IFRS 7 Financial Instruments: Enhanced disclosure requirements related to offsetting of financial assets and financial liabilities. The amendment effect on presentation in the financial statements but had no impact on the Group's financial position or performance.
- IAS 32 Financial Instruments: Presentation amendments clarify existing application issues relating to offsetting of financial assets and financial liabilities requirements.
- IFRS 13 Fair Value Measurement: The fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions within the scope of IFRS 2 and leases within the scope of IAS 17. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the Consolidated Financial Statements.
- IAS 12 Income Taxes (amendment) provides additional regulation on deferred tax in the case of recovery of underlying assets. The amendment is not relevant to the Group.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine introduces accounting treatment for stripping costs arising in the mining industry. The interpretation is not relevant to the Group.

New and amended standards not yet applied in 2013

Stora Enso will apply the new IFRS 10 Consolidated Financial Statements, 11 Joint Arrangements and 12 Disclosure of Interests in Other Entities as of 1 January 2014. This change will affect Montes del Plata and Veracel, which will then be treated as joint operations and thus consolidated with the line-by-line method.

- IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The standard provides additional guidance on the process of determining possible control of an entity, especially in challenging cases.

- IFRS 11 Joint Arrangements introduces core principles for determining the type of joint arrangement in which the party to the joint arrangement is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Interests in Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities as well as the effects of the interests on the financial position, performance and cash flow of the entity.
- IAS 27 Consolidated and Separate Financial Statements was reissued and consolidation requirements previously stated in IAS 27 Consolidated and Separate Financial Statements have been revised and stated in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures supersedes IAS 28 Investments in Associates and provides consequential amendments to the standard in response to a new standard IFRS 11 Joint Arrangements.
- IAS 36 Impairment of Assets amendment effective from 1 January 2014. The amendment clarifies disclosure requirements related to the recoverable amount of non-financial assets. The effects of this new standard on the Group financial statements are under investigation.
- IAS 39 Financial Instruments: Recognition and Measurement amendment effective from 1 January 2014. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The effects of this new standard on the Group financial statements are under investigation.

New and amended standards and interpretation not yet effective and not yet endorsed by the EU in 2013

- IFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. The standard also has an amendment to include requirements for the classification and measurement of financial liabilities and for derecognition. 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 standard includes a new general hedge accounting model. The mandatory effective date is removed from the current version. The effects of this new standard on the Group financial statements are under investigation.
- IFRIC 21 Levies effective from 1 January 2014. The interpretation provides guidance on when to recognise a liability for a levy

imposed by a government. The effects of this new standard on the Group financial statements are under investigation.

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 31 Principal Subsidiaries in 2013.

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 Consolidated Income Statement the Group's share of the equity accounted investment'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 14 Equity Accounted Investments. The Group's interest in an associated company is carried in the Consolidated 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 14 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 Consolidated 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 Consolidated 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 20 Non-Controlling Interests. The measurement type of non-controlling interests is decided separately for each acquisition.

Segment information

The organisational structure of Stora Enso is described in Note 3 Segment Information. The Group's key non-IFRS performance metric is operational EBIT, which is used to evaluate the performance of its operating segments and to steer allocation of resources to them. Operational EBIT comprises the operating profit excluding non-recurring items and fair valuations from the segments and Stora Enso's share of the operating profit of equity accounted investments (EAI) excluding non-recurring items and fair valuations.

Non-recurring items are exceptional transactions that are not related to recurring 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 disclosed individually if they exceed one cent per share.

Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO₂ emission rights, valuations of biological assets and the Group's share of tax and net financial items of EAI.

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 Consolidated 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 investments, 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 29 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 Consolidated 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 Consolidated Income Statement within other operating expenses. Trade receivables are included in current assets under current 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 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 Consolidated 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. 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 Consolidated Income Statement. Available-for-sale investments are assessed for indicators of impairment at the end of each reporting period. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. The part of the fair value reserve (OCI) represented by the impairment is transferred to the Consolidated 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 Consolidated Income Statement over the period of the borrowings. Interest expenses are accrued for and recorded in the Consolidated Income Statement for each period.

Debt with an original maturity greater than 12 months is classified as non-current debt in the Consolidated 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 Consolidated 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 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 Consolidated 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 Consolidated Income Statement and classified as income or expense in the same period in which the hedged item affects the Consolidated Income Statement. The changes in the time value component of the currency options are classified as financial income and expense and not included in the hedge designation.

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 Consolidated 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 Consolidated 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 Consolidated Income Statement. Fair value changes of derivative instruments relating to sales, purchases and staff benefits are presented under operating profit and specified in Note 28 Derivatives and in Note 6 Staff Costs. Fair value changes from all other derivatives are recognised in the Consolidated 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 Consolidated 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 Consolidated 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 non-current 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 2010, which are the official rules for the interpretation of trade terms as issued by the International Chamber of Commerce (ICC). 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 place in the manner specified in the chosen rule, 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 at the agreed point.

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. An asset is classified as such when it is highly probable that the carrying amount of the asset will be recovered through a sale transaction rather than continuing use.

Income taxes

The Group income tax expense/benefit includes taxes of Group companies based on taxable profit/loss for the period, together with tax adjustments for previous periods and the change in deferred income taxes.

Deferred income taxes are provided using the liability method, as measured with enacted, or substantially enacted, tax rates, to reflect the net tax effects of all temporary differences between the tax bases and the accounting bases of assets and liabilities. No deferred tax is recognised for the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction it affects neither accounting profit nor taxable profit. 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 lifetime. 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 Consolidated 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 mills, main machines	20
Heavy machinery	10–20
Converting factories	10–15
Sawmills	10–15
Computers	3–5
Vehicles	5
Office equipment	3–5
Railway, harbours	20–25
Forest roads	10–35
Roads, fields, bridges	15–20
Intangible assets	3–20

Ordinary maintenance and repair charges are expensed as incurred, 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 Consolidated 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 intangible assets and property, plant and equipment 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 property, 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.

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 Consolidated 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 Consolidated Statement of Financial Position at market value. Group forests are thus accounted for at level 3 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 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 forecast 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 level 1 fair value at the date of initial recognition. Because of a delay to the EU commission approval process, allocation of 2013 allowances is delayed. The valuation is based on preliminary allocation information from authorities. 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 Consolidated 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 Consolidated Income Statement will thus be neutral in respect of all rights consumed that were within the original grant. Any net effect represents the costs of purchasing additional rights to cover excess emissions, the sale of unused rights or the impairment of allowances not required for internal use.

Inventories

Inventories are reported at the lower of cost and net realisable value with cost being determined by the first-in first-out (FIFO) method or, alternatively, weighted average cost where it approximates FIFO. The cost of finished goods and work in progress comprises raw material, direct labour, depreciation, other direct costs and related production overhead but excludes interest expenses. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and sale.

Where market conditions result in the manufacturing costs of a product exceeding its net realisable value, a valuation allowance is made. Valuation allowances are also made for old, slow moving and obsolete finished goods and spare parts. Such valuation allowances are detailed in Note 10 Valuation Allowances and Note 17 Inventories, and in the Consolidated 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 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. Employer contributions to the defined contribution pension plans are charged to the Consolidated 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 Consolidated 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 Consolidated Statement of Comprehensive Income. Past service costs are identified at the time of any plan amendments and are recognised immediately in the Consolidated Income Statement regardless of vesting requirements. In the Group's Consolidated Statement of Financial Position, the full liability for all plan deficits is recorded.

Executive share options and share awards

The costs of all employee-related share-based payments are charged to the Consolidated Income Statement as personnel expenses over the vesting period. The synthetic option programmes 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 Consolidated Income Statement.

The fair value of employee services received in exchange for share awards is accounted for in a manner that is consistent with the method of settlement. The Group will withhold from an employee's compensation, by reducing the number of shares issued to the employee, an amount to satisfy the employee's tax liability incurred as a result of the transaction. That tax-related amount is accounted for as a cash-settled share-based compensation. The amount of shares delivered to the employee is accounted for as an equity-settled transaction. The payments are detailed in Note 22 Employee Variable Compensation and Equity Incentive Schemes.

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 are computed by applying the "treasury stock" method, under which earnings per share data are 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 options exceeds the average market price of the common stock during the period. The options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the 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.

Intangible Assets and Property, Plant and Equipment

For material intangible assets and property, plant and equipment in an acquisition, an external advisor makes a fair valuation of the acquired intangible assets and property, plant and equipment 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 Intangible Asset and Property, Plant and Equipment is 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 11 Depreciation and Intangible Assets and Property, Plant and Equipment 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 11 Depreciation and Intangible Asset and Property, Plant and Equipment 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, as explained in more detail in Notes 15 Available-for-Sale Investments and 25 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 21 Post-Employment Benefits for detailed information on the assumptions used in the pension liability calculations.

Biological assets

Most of the Group's interests in biological assets are held in equity accounted investment companies, though there are some 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 Consolidated Income Statement, for directly owned interests, on the line for Change in Net Value of Biological Assets and, for those assets shown in the Consolidated Statement 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

In January 2012 Stora Enso announced that it was renewing its Business Area and Reporting Segment structure. With the Business Area structure Stora Enso wants to increase the transparency of the pulp business and show the different nature and focus of the different businesses. The paper reporting segments Newsprint and Book Paper, Magazine Paper and Fine Paper were combined into one Business Area and Reporting Segment called Printing and Reading. The reporting segments Consumer Board and Industrial Packaging, together with the plantations in Guangxi in China, formed the Renewable Packaging Business Area and Reporting Segment. A Business Area and Reporting Segment called Biomaterials was established comprising mainly the Company's joint-venture pulp mills, stand-alone pulp mills and tree plantations. The Wood Products Business Area was renamed as Building and Living.

In April 2013 Stora Enso announced a change from four Business Areas to three Divisions by integrating the Building and Living Business Area with the Printing and Reading Business Area in a new Division mainly focusing on mature businesses and geographies. The other two Divisions are the Renewable Packaging and Biomaterials Business Areas, which remain as they were and concentrate on growth markets and businesses, as well as innovation. The structural change took effect at beginning of July 2013. The segment reporting remained unchanged.

In 2013 the organisation and the reportable segments were:

Divisions	Reportable segments
Printing and Living	Printing and Reading Building and Living
Biomaterials	Biomaterials
Renewable Packaging	Renewable Packaging
	Other

The activities of the Reportable Segments are:

Printing and Reading

Printing and Reading is a world-class responsible supplier of paper from renewable sources for print media and office use. Its wide offering serves publishers, retailers, printing houses, merchants, converters and office suppliers, among others. Printing and Reading produces newsprint, book paper, SC paper, coated paper and office paper.

Biomaterials

Biomaterials offers a variety of pulp grades to meet the demands of paper, board and tissue producers. Pulp made from renewable resources in a sustainable manner is an excellent raw material with many different end uses. Biomaterials comprises mainly tree plantations, the Group's joint-venture Veracel and Montes del Plata pulp mills, Nordic stand-alone pulp mills, the Pulp Competence Centre and the Biorefinery.

Building and Living

Building and Living provides wood-based innovations and solutions for everyday living and housing needs. The product range covers all areas of urban construction, from supporting structures to interior design and environmental construction. Further-processed products include massive wood elements and housing modules, wood components and pellets, in addition to a variety of sawn timber goods.

Renewable Packaging

Renewable Packaging offers fibre-based packaging materials and innovative packaging solutions for consumer goods and industrial applications. Renewable Packaging operates throughout the value chain, from pulp production to production of materials and packaging, and recycling. It comprises three business units: Consumer Board, Packaging Solutions and Packaging Asia.

Other

The segment Other includes the Nordic forest equity accounted investments, Stora Enso's shareholding in Pohjolan Voima, operations supplying wood to the Nordic mills and Group shared services and administration.

Sales by Segment

EUR million	Year Ended 31 December					
	External	Internal	Total	External	Internal	Total
	2013			2012		
Printing and Reading	4 180	139	4 319	4 706	133	4 839
Biomaterials	533	481	1 014	537	475	1 012
Building and Living	1 768	99	1 867	1 590	94	1 684
Renewable Packaging	3 215	57	3 272	3 143	73	3 216
Other	848	1 842	2 690	839	1 845	2 684
Elimination of internal sales	-	-2 618	-2 618	-	-2 620	-2 620
Total	10 544	-	10 544	10 815	-	10 815

Sales include external service income of EUR 53 (EUR 49) million.

Segment Share of Operational EBIT, NRI, Fair Valuations and Non-Operational Items and Operating Loss/Profit

EUR million	Year Ended 31 December					
	Operational EBIT		NRI, Fair Valuations and Non-Operational Items		Operating Loss/Profit	
	2013	2012	2013	2012	2013	2012
Printing and Reading	34	223	-642	69	-608	292
Biomaterials	77	82	-9	-36	68	46
Building and Living	75	29	-7	-3	68	26
Renewable Packaging	318	273	119	-54	437	219
Other	74	23	-5	95	69	118
Total	578	630	-544	71	34	701
Net financial items					-223	-220
Loss/Profit before Tax					-189	481
Income tax expense					118	9
Net Loss/Profit					-71	490

Operational EBIT comprises the operating loss/profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI).

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 disclosed individually if they exceed one cent per share.

Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO₂ emission rights, valuations of biological assets and Group's share of tax and net financial items of EAI.

Non-Recurring Items, Fair Valuations and Non-Operational Items

EUR million	Year Ended 31 December	
	2013	2012
Impairments and reversals of intangible asset and property, plant and equipment	-592	52
Restructuring costs excluding fixed asset impairments	-111	-62
Valuation of biological assets	179	-
Other	-15	140
Fair valuations and non-operational items	-5	-59
Total	-544	71

Segment Share of Operative Assets, Operative Liabilities and Operating Capital

EUR million	Year Ended 31 December					
	Operative Assets		Operative Liabilities		Operating Capital	
	2013	2012	2013	2012	2013	2012
Printing and Reading	2 971	3 852	911	897	2 060	2 955
Biomaterials	1 519	1 614	205	203	1 314	1 411
Building and Living	749	790	233	226	516	564
Renewable Packaging	3 035	2 905	583	560	2 452	2 345
Other and eliminations	1 834	1 994	395	433	1 439	1 561
Total	10 108	11 155	2 327	2 319	7 781	8 836

Intangible Assets and Property, Plant and Equipment (PPE), Depreciations, Impairments and Reversals, and Capital Expenditure by Segment

EUR million	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations/Impairments/Reversals		Capital Expenditure	
	2013	2012	2013	2012	2013	2012
Printing and Reading	1 847	2 577	838	190	137	126
Biomaterials	290	309	37	36	30	21
Building and Living	363	391	40	40	28	29
Renewable Packaging	1 786	1 870	213	236	188	338
Other	167	172	22	30	23	22
Total	4 453	5 319	1 150	532	406	536

Goodwill by Segment

EUR million	Year Ended 31 December					
	Goodwill		Goodwill on Acquisitions		Impairment	
	2013	2012	2013	2012	2013	2012
Printing and Reading	83	83	-	-	-	-
Biomaterials	-	-	-	-	-	-
Building and Living	106	112	-	-	-	-
Renewable Packaging	31	31	-	-	-	-
Other	-	-	-	-	-	-
Total	220	226	-	-	-	-

Average Personnel

Segment	Year Ended 31 December		Location	Year Ended 31 December	
	2013	2012		2013	2012
Printing and Reading	8 373	8 783	Baltic States	1 189	1 179
Biomaterials	847	839	Belgium	587	601
Building and Living	4 282	4 385	Czech Republic	744	719
Renewable Packaging	12 131	12 292	Finland	6 641	6 725
Other	2 598	2 478	France	475	481
Total	28 231	28 777	Germany	2 268	2 296
			Poland	1 973	1 992
			Russia	1 171	1 283
			Spain	301	324
			Sweden	5 728	6 078
			Other Europe	1 479	1 581
			Total Europe	22 556	23 259
			Brazil	376	402
			China (incl. Hong Kong)	4 513	4 262
			India	429	503
			North America	189	191
			Other countries	168	160
			Total	28 231	28 777

Year-End Personnel

	As at 31 December	
	2013	2012
	27 985	28 203

External Sales by Destination and Origin

EUR million	Year Ended 31 December					
	Sales by Destination		Sales by Origin		Balance of Trade	
	2013	2012	2013	2012	2013	2012
Austria	271	263	415	384	144	121
Baltic States	229	199	300	284	71	85
Belgium	151	158	282	285	131	127
Czech Republic	152	157	252	238	100	81
Denmark	166	182	18	20	-148	-162
Finland	783	785	3 795	3 715	3 012	2 930
France	568	627	152	188	-416	-439
Germany	1 464	1 510	856	931	-608	-579
Italy	275	270	-	-	-275	-270
Netherlands	278	310	30	21	-248	-289
Poland	411	372	315	240	-96	-132
Russia	335	323	215	215	-120	-108
Spain	340	347	122	128	-218	-219
Sweden	1 040	1 108	2 872	3 200	1 832	2 092
UK	632	694	23	24	-609	-670
Other Europe	860	865	188	165	-672	-700
Total Europe	7 955	8 170	9 835	10 038	1 880	1 868
Australia / New Zealand	165	199	20	27	-145	-172
Brazil	200	215	359	385	159	170
China (incl. Hong Kong)	574	567	271	298	-303	-269
Japan	331	327	-	-	-331	-327
Middle East	427	325	-	-	-427	-325
Uruguay	5	5	-	-	-5	-5
USA	138	138	50	50	-88	-88
Other countries	749	869	9	17	-740	-852
Total	10 544	10 815	10 544	10 815	-	-

Total Assets, Capital Employed and Shareholders' Equity by Location

EUR million	As at 31 December					
	Total Assets		Capital Employed		Shareholders' Equity	
	2013	2012	2013	2012	2013	2012
Austria	183	190	126	129	118	124
Baltic States	116	116	96	100	110	92
Belgium	459	507	361	423	583	614
Czech Republic	143	156	116	128	116	133
Finland	4 975	5 266	2 327	2 729	684	1 119
France	70	102	23	51	-7	278
Germany	767	820	275	320	387	396
Poland	658	589	489	468	310	306
Russia	186	205	137	157	89	97
Spain	36	65	2	30	-8	22
Sweden	3 044	3 579	1 987	2 323	1 169	1 030
Other Europe	135	138	5	40	184	165
Total Europe	10 772	11 733	5 944	6 898	3 735	4 376
Brazil	649	795	595	720	606	741
China (incl. Hong Kong)	700	570	572	443	268	105
Uruguay	512	494	512	494	512	494
USA	49	43	44	37	49	35
Other countries	72	59	40	27	43	19
Total	12 754	13 694	7 707	8 619	5 213	5 770

Total capital employed represents operating capital less net tax liabilities.

Reconciliation of Operating Capital to Total Assets

EUR million	As at 31 December	
	2013	2012
Operating Capital	7 781	8 836
Gross-up for operating liabilities	2 327	2 319
Interest-bearing receivables	2 404	2 377
Tax receivables	242	162
Total Assets	12 754	13 694

Operating capital ("O" items) is designated thus on the Balance Sheet and represents the sum of Intangible Asset and Property, Plant and Equipment and biological assets, emission rights, unlisted shares, other non-current assets, inventories, current operative receivables and liabilities, provisions and other non-current operative liabilities.

Intangible Assets and Property, Plant and Equipment (PPE), Capital Expenditure and Depreciations, Impairments and Reversals by Location

EUR million	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations, Impairments and Reversals		Capital Expenditure	
	2013	2012	2013	2012	2013	2012
Austria	116	121	10	10	5	6
Baltic States	55	59	9	9	7	8
Belgium	394	423	39	39	10	8
Czech Republic	106	113	4	4	7	9
Finland	1 127	1 434	458	114	165	128
France	11	31	21	4	2	3
Germany	498	556	72	54	27	41
Poland	445	444	27	22	40	179
Russia	101	123	14	16	5	5
Spain	1	18	20	32	2	2
Sweden	1 342	1 636	377	198	120	133
Other Europe	16	18	-	4	-	1
Total Europe	4 212	4 976	1 051	506	390	523
Brazil	76	95	6	-	2	3
China (incl. Hong Kong)	147	227	90	23	12	9
Uruguay	-	-	-	-	-	-
USA	14	15	2	2	1	-
Other countries	4	6	1	1	1	1
Total	4 453	5 319	1 150	532	406	536

Note 4 Acquisitions and Disposals

Acquisition of Group Companies

EUR million	Year Ended 31 December	
	2013	2012
Acquired Net Assets		
Cash and cash equivalents, net of bank overdraft	32	2
Intangible assets and property, plant and equipment	1	6
Tax assets and liabilities	-	1
Working capital	-22	8
Interest-bearing assets and liabilities	-	-5
Fair Value of Net Assets in Acquired Companies	11	12
Value of previously held equity shares	-4	-3
Total Purchase Consideration	7	9

On 31 October 2013 Stora Enso acquired the remaining 49% shareholding in Efora Oy to increase the Group's shareholding to 100%. Prior to this acquisition, Efora Oy was accounted for with the equity method, but since 1 November 2013 Efora Oy has been consolidated as a subsidiary in the Group's financial statements. At the acquisition date, the value of the Group's 51% shareholding in Efora Oy was EUR 4 million. The consideration for the acquired shares amounted to EUR 7 million, which was the fair market value of the net assets acquired. Efora, which was established in 2009 as a joint-venture company owned by Stora Enso (51%) and ABB (49%), provides maintenance services at Stora Enso's Heinola, Imatra, Oulu, Uimaharju, Varkaus and Veitsiluoto mills in Finland. Efora employs about 1 000 people. Efora did not have impact on Group's sales in 2013 and the negative impact on 2013 net profit in was EUR 2 million.

In 2012 Stora Enso spent EUR 4 million on acquiring 100% of the shares in the Chinese packaging company Hebei Sununion Environmental Packaging Ltd, EUR 3 million on acquiring the remaining 50% shareholding in the Finnish sawn timber trading company RETS Timber Oy Ltd (currently Mena Wood Oy), thus increasing the Group's shareholding to 100%, and EUR 2 million on acquiring a module production unit at Hartola in Finland in a business operation acquisition. Additionally Stora Enso acquired 51% of the shares in Danfiber A/S, a Danish company operating as a trading intermediary between the suppliers and buyers of paper for recycling.

Disposal of Group Companies

EUR million	Year Ended 31 December	
	2013	2012
Net Assets Sold		
Cash and cash equivalents	1	-
Property, plant and equipment	2	-
Interest-bearing liabilities	-2	-
Non-Controlling interest	-1	-
Net Assets in Divested Companies	-	-
Income Statement capital gain	-	-
Total Disposal Consideration Received in Cash and Kind	-	-

In 2013 the Group disposed wood terminal operation of Pelkolan Terminaali in Finland and Digital Solution's business, previously held by Stora Enso Oyj, through a business transfer.

There were no disposals of Group companies in 2012.

Note 5 Other Operating Income and Expense

The Group has recorded Other Operating Income of EUR 18 (EUR 35) million and under Materials and Services an expense of EUR 17 (EUR 22) million relating to emission rights. The net income amounts to EUR 1 (EUR 13) million, of which income of EUR 18 (EUR 35) million reflects the fair value of the emission allowances at the balance sheet date and an expense of EUR 17 (EUR 18) million reflects the cost of CO₂ emissions from production and loss from the net sale of surplus allowances. Because of a delay in the EU commission approval process, the allocation of 2013 allowances is delayed. The valuation is based on the preliminary allocation information from authorities. Actual realised profits amounted to EUR 5 (EUR 9) million on the disposal of surplus rights and EUR 7 (EUR 11) million is the value of excess emission rights held at the year end.

Stora Enso Oyj received a dividend of EUR 41 million from Pohjolan Voima Oy in 2012. This was recorded as other operating income.

The Group also generates income from its renewable power generation in Sweden, Belgium and Poland. The power is produced from biomass, so the Group is entitled to Green Certificates for onward sale to electricity retailers for fulfilling their renewable power quota obligations. From 2013 the majority of the Swedish renewable back pressure production does not create any new green certificates. The income from the sale of green certificates amounted to EUR 37 (EUR 66) million.

Total sales of excess freight capacity in 2013 amounted to EUR 31 (EUR 51) million.

Other Operating Income and Expense

EUR million	Year Ended 31 December	
	2013	2012
Other Operating Income		
Emission rights granted and disposal gains	18	35
Sale of Green Certificates	37	66
Capital gains on sale of Intangible Assets and Property, Plant and Equipment	7	3
Dividend and gain on sale of unlisted shares	2	41
Insurance compensation	8	2
Freight sales, rent and other	45	68
Government grants	5	4
Total	122	219
Other Operating Expenses include		
Rents paid	103	94
Research and development	63	64
Credit losses	10	6
CTA release	3	-
Materials and Services include		
Emissions rights to be delivered and disposal losses	17	22

Aggregate fees for professional services rendered to the Group principal auditor Deloitte amounted to EUR 5 (EUR 5) million. 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.

Principal Independent Auditor's Fees and Services

EUR million	Year Ended 31 December	
	2013	2012
Audit fees	4	4
Audit-related	-	1
Other fees	1	-
Total	5	5

Note 6 Staff Costs

Personnel Expenses

EUR million	Year Ended 31 December	
	2013	2012
Wages and salaries	1 034	1 034
Pensions (see below)	169	152
Share-based remuneration (Note 22)	2	2
Total return swaps	-11	-9
Other statutory employer costs	154	151
Other voluntary costs	20	19
Total	1 368	1 349

Pensions

EUR million	Year Ended 31 December	
	2013	2012
Defined benefit plans	13	10
Defined contribution plans	154	142
Other post-employment benefits	2	-
Total	169	152

Total personnel expenses totalled EUR 1 368 million in 2013 compared with EUR 1 349 million in 2012. The average number of employees in 2013 amounted to 28 231, compared with 28 777 in 2012. Pension costs are further presented in Note 21 Post-Employment Benefits.

Share-based remuneration comprises share options and share awards, which are described in more detail in Note 22 Employee Variable Compensation 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 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 2013 amounted to EUR 9 million compared with an income of EUR 7 million in 2012.

In 2013 the expense of the share-based remuneration itself was EUR 2 million. However, due to the increase in the Stora Enso R share price from EUR 5.25 at 31 December 2012 to EUR 7.30 at 31 December 2013, an income of EUR 11 million was recorded in respect of TRS.

Group Leadership Team and Board remuneration are described in Note 7.

Note 7 Board and Executive Remuneration

Board Remuneration and Committee Memberships

EUR thousand	Year Ended 31 December				Committee Memberships
	2013			2012	
	Cash	Shares	Total	Total	
Board Members at 31 December 2013					
Gunnar Brock, Chairman	126	68	194	194	Remuneration, Nomination ^{2,3} , Financial and Audit
Juha Rantanen, Vice Chairman	74	40	114	114	Nomination ^{2,3} , Financial and Audit
Anne Brunila	50	28	78	-	Global Responsibility and Ethics
Elisabeth Fleuriot	42	28	70	-	
Hock Goh	42	28	70	70	
Birgitta Kantola	66	28	94	90	Financial and Audit, Global Responsibility and Ethics
Mikael Mäkinen	56	28	84	70	Financial and Audit
Hans Stråberg	48	28	76	76	Remuneration
Matti Vuoria	48	28	76	76	Remuneration
Marcus Wallenberg	42	28	70	70	
Total Remuneration as Directors ¹⁾	594	332	926	760	

¹⁾ 40% of the Board remuneration in 2013 was paid in Stora Enso R shares purchased from the market and distributed as to Chairman 12 646 R shares, Vice Chairman 7 439 R shares, and members 5 207 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration. Elisabeth Fleuriot and Anne Brunila were appointed to the Board in April 2013.

²⁾ Pekka Ala-Pietilä appointed by Solidium Oy is Chairman of the Nomination Board. Claes Dahlbäck is the member of the Nomination Board appointed by Foundation Asset Management.

³⁾ 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.

Board Share Interests at 31 December 2013

	Shares Held ¹⁾	
	A	R
Board Members at 31 December 2013		
Gunnar Brock, Chairman	-	52 008
Juha Rantanen, Vice Chairman	-	23 777
Anne Brunila	-	5 207
Elisabeth Fleuriot	-	5 207
Hock Goh	-	10 990
Birgitta Kantola	-	27 195
Mikael Mäkinen	-	17 883
Hans Stråberg	-	20 768
Matti Vuoria	-	32 695
Marcus Wallenberg	2 541	28 410
Total Shares Held	2 541	224 140

¹⁾ Shares held by Board members and related parties. Marcus Wallenberg's 2 541 A shares and 4 715 R shares are held by related parties. Other Board members' related parties hold no Stora Enso shares.

Group Leadership Team (GLT) remuneration and share interests

The table below includes the remuneration paid to GLT members during the year, including the options or share awards that vested in that year. The Company recommends and expects the CEO and GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached. 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 GLT remuneration in 2013 amounted to EUR 7.6 (EUR 8.4) million. The decrease is mainly due to lower fulfilment of the incentive related (Short Term Incentive and Long Term Incentive) financial performance criteria for 2012. The total number of GLT members remained nine during 2013. During 2013 one member, Hannu Kasurinen, left the team to take a new position inside the Company. Jyrki Tammivuori has been Acting CFO and GLT member between 1 July 2013 and 31 January 2014.

In accordance with their respective pension arrangements, GLT 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. The outcome of the financial targets relating to the Short Term and Long Term Incentive programmes for performance year 2012 was reviewed and confirmed by the Remuneration Committee.

Shown in Note 22 Employee Variable Compensation and Equity Incentive Schemes are details of share awards and share option programmes and incentive schemes for the management and staff of Stora Enso.

Group Leadership Team Remuneration

EUR thousand	Year Ended 31 December					
	2013			2012		
	CEO	Others ¹⁾	GLT Total	CEO	Others ¹⁾	GLT Total
Remuneration						
Annual salary	1 148	3 408	4 556	1 119	3 328	4 447
Local housing (actual costs)	-	110	110	-	127	127
Other benefits	14	148	162	14	135	149
Short Term Incentive programme	186	322	508	358	680	1 038
Long Term Incentive programme	-	183	183	239	551	790
	1 348	4 171	5 519	1 730	4 821	6 551
Pension Costs						
Mandatory Company plans	-	519 ²⁾	519	-	546	546
Stora Enso voluntary plans	399	1 134 ²⁾	1 533	416	787	1 203
	399	1 653	2 052	416	1 333	1 749
Total Compensation, Excluding Deferred Short Term Incentives	1 747	5 824	7 571	2 146	6 154	8 300
Deferred Short Term Incentives	-	-	-	53 ³⁾	-	53
Total Compensation	1 747	5 824	7 571	2 199	6 154	8 353

¹⁾ The amounts below include payments related to Hannu Kasurinen for his time as GLT member, i.e. 30 June 2013. Payments related to the new GLT member Jyrki Tammivuori are also included as of his starting date, i.e. 1 July 2013.

²⁾ Pension costs in respect of deputy to the CEO, Karl-Henrik Sundström, for mandatory plans were EUR 64 thousand and with regards to voluntary plans were EUR 431 thousand.

³⁾ Settlement of deferred Short Term Incentive from performance year 2008, converted to Restricted Share Awards.

Executives other than CEO

Short Term Incentive (STI) programmes for management

GLT 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 2013 was based 70% on financial measures and 30% on Individual Key Targets.

Option programmes for management

No options have been awarded since 2007. During 2013, 31 250 options relating to the 2006 programme lapsed and no others were exercised. In 2012 no options were exercised.

Long Term Incentive (LTI) programmes for management

Since 2009 new Performance Share programmes have been launched each year. The Performance Share programmes vest in portions over three years, based on annually defined targets set by the Remuneration Committee. All the programmes launched in 2009 to 2011 can vest up to an absolute maximum vesting level of 150% of the number of shares awarded, provided that the result of the performance criterion exceeds the target. In the Performance Share programmes launched since 2012, the absolute maximum vesting level has been changed to 100% of the number of shares awarded. The performance criterion for 2013 was based solely on financial measures.

Under the 2013 Performance Share programme, GLT members (including the Acting CFO) received awards of 452 500 shares assuming the maximum vesting level during the three-year vesting period is achieved.

The fair value of employee services received in exchange for share-based compensation payments is accounted for in a manner that is consistent with the method of settlement either as cash-settled or equity settled as described in more detail in Note 22. 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 Group Leadership Team Remuneration table refer to individuals who were executives at the time of settlement.

During the year the number of shares settled on executives (GLT members at settlement date) from previous awards derived from Restricted Share programmes and Performance Share programmes amounted to 31 870 having a cash value at the 1 March 2013 settlement date of EUR 164 131 based on the share price of EUR 5.15 at that date.

No GLT members were eligible for new Restricted Share awards in 2013. For GLT members the aggregate number of outstanding shares derived from Restricted Share programmes of previous years to be settled in 2014 is 31 870. The corresponding number to be settled in 2015 is zero.

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 provisions. As of April 2012 the CEO's pension is secured with an in-lieu-of-pension cash allowance from the Company amounting to 35% of the basic salary. It should be noted that this arrangement does not impose any additional cost for the Company. The retirement age is 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 2013 was based 70% on financial measures and 30% on Individual Key Targets.

Option programmes for CEO

No options have been awarded since 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. The options lapsed on the expiry date of 28 February 2013. During 2013 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. Since 2009 new Performance Share programmes with a three-year vesting period have been launched each year. All the programmes launched in 2009 to 2011 can vest up to an absolute maximum vesting level of 150% of the number of shares awarded, provided that the result of the performance criterion exceeds the target, with the exception of the additional performance award (70 000 shares) the CEO received in 2011, which can vest up to 100% in one portion on 1 March 2015 if the specifically defined performance targets are met. In the Performance Share programmes launched since 2012, the absolute maximum vesting level has been changed to 100% of the number of shares awarded.

The CEO received an award under the 2013 Performance Share programme of 180 000 shares. The grant value EUR 927 000 is based on the share price at grant date (EUR 5.15) and assuming maximum vesting level during the three-year vesting period is achieved. The performance criterion for all Performance Share programmes was for 2013 based solely on financial measures.

During the year no shares were settled on the CEO from earlier awards. The CEO did not receive any new Restricted Share award in 2013. There are no outstanding shares derived from restricted share programmes of previous years to be settled.

The CEO has a cap on total variable pay components that will be applicable for STI and LTI payments made in 2013 and onwards such that if the aggregate outcome of STI and LTI would exceed 100% of the CEO's annual basic salary the LTI outcome would then be reduced accordingly. The additional performance award is not subject to the cap.

Group Leadership Team Share Interests and Options

Executives in Office at the Year End	R Shares Held ^{1,2)}	Synthetic Options (2007)	Performance Share Awards	Restricted Share Awards
Juan Carlos Bueno	-	-	128 465	15 120
Lars Häggström	1 045	-	77 858	-
Jouko Karvinen, CEO	237 009	-	388 494	-
Per Lyrvall	19 205	2 500	61 859	-
Mats Nordlander	67 002	-	160 834	-
Lauri Peltola	32 955	-	64 328	16 750
Karl-Henrik Sundström ³⁾	23 700	-	125 980	-
Jyrki Tammivuori	15 749	2 500	17 900	-
Juha Vanhainen	58 314	7 500	120 538	-
Total, Serving Officers⁴⁾	454 979	12 500	1 146 256	31 870

¹⁾ None of the GLT members holds A shares.

²⁾ There were no shareholdings by related parties of GLT members as of 31 Dec 2013 with the exception of Karl-Henrik Sundström as shown below.

³⁾ The shares are held by a related party (Alma Patria AB).

⁴⁾ The Company recommends and expects GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached.

The following Executive Officers also Served in 2013

	Shares Held when GET Membership Ended ¹⁾	Synthetic Options (2007)	Performance Share Awards	Effective Date of GET Membership Ending
Hannu Kasurinen	50 693	7 500	96 798	30 June 2013
Total	50 693	7 500	96 798	

¹⁾ The Group Executive Team (GET) became known as the Group Leadership Team (GLT) in July 2013.

Note 8 Net Financial Items

Financial Income and Expense

EUR million	Year Ended 31 December	
	2013	2012
Net Financial Expense in the Income Statement		
Financial income	64	128
Financial expense	-287	-348
Total	-223	-220
Represented by		
Interest expense		
Borrowings	-228	-211
Net interest from interest rate derivatives	10	15
Finance leases	-2	-4
Interest capitalised	3	9
Interest income on loans and receivables	17	21
Income from interest-bearing securities	9	10
Net interest on net defined benefit liabilities	-15	-13
Exchange gains and losses		
Currency derivatives	20	-72
Borrowings and deposits	-21	60
Other financial income	18	38
Other financial expense		
Fair value hedges	-	-1
Other fair value changes	-3	-43
Others	-31	-29
Total	-223	-220

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

In September 2013 a PIK loan note issued by Papyrus Holding AB, classified as an available-for-sale investment, was derecognised as a result of the Group receiving a cash repayment of EUR 40 million, with the terms on the remaining portion of the loan being changed through mutual agreement. The interest from the original loan note was accrued into the principal of the loan note and shown in the table above as EUR 9 (10) million of income from interest-bearing securities. The new loan note, with nominal value EUR 54 million, has been classified as a non-current loan receivable with the interest being reported in the table above under interest income on loans and receivables. A net fair valuation loss of EUR 5 million was recorded as other financial expense in the third quarter of 2013. The new loan note is explained in more detail in Note 18 Receivables.

The Group recorded a gain of EUR 11 million from the SEK 610 million partial sale of a Bergvik Skog loan note and a gain of EUR 1 million from the sale of a Tornator loan note in the second quarter of 2013. The gains on the sales of notes are reported under other financial income. The transactions are explained in more detail in Note 18 Receivables.

The Group has applied IAS 19 Employee Benefits amendment effective from 1 January 2013 that required restatement of previous financial statements and changes in defined benefit obligations and plan assets being split into three components and net interest shown separately in financial profit and loss. As a result, the

comparative period has been restated to reflect the requirements of the standard. In 2012 the total effect on net financial items amounted to an expense of EUR 13 million which is shown in the table above as net interest on net defined benefit liabilities.

In 2011 Stora Enso recorded a provision of EUR 128 (USD 180) million due to NewPage Corporation's Chapter 11 filing in the USA. The provision was related to NewPage's Stevens Point Mill Paper Machine (PM) 35 lease obligation guaranteed by Stora Enso. In 2012 Stora Enso recorded EUR 14 million reversal of provision in the first quarter results of 2012 and EUR 10 million reversal of provision in the second quarter results of 2012. The provision was fully settled in the second quarter of 2012 and in the final settlement agreement in December 2012, Stora Enso recorded EUR 11 million income in its fourth-quarter results of 2012. The reversal of provisions and the settlement income were reported under other financial income.

Exchange gains and losses shown in the previous table for currency derivatives mainly relate to instruments that are fair valued through the Income Statement as they do not meet hedge accounting criteria. The other fair value changes included under other financial expenses are mainly related to the change in the fair value of interest rate derivatives. Fees for items such as unused committed credit facilities, guarantees and rating agencies are included in other financial expenses and were EUR 12 (EUR 22) million at 31 December 2013. Costs on long-term debt issues are capitalised as

part of non-current debt, which at 31 December 2013 amounted to EUR 7 (EUR 10) million, and EUR 3 (EUR 2) million was amortised by using the effective interest rate method through the Income Statement. In most cases, the Group's average borrowing rate is used to determine the amount of borrowing costs of interest capitalised.

Total Foreign Exchange Gains and Losses in the Income Statement

EUR million	Year Ended 31 December	
	2013	2012
Sales	-2	-11
Costs and expenses	-4	5
Net financial items	-1	-12
Total	-7	-18

Note 9 Income Taxes

Tax Expense

EUR million	Year Ended 31 December	
	2013	2012
Current Tax	-20	-60
Deferred Tax	138	69
Total Tax	118	9

Income Tax Rate Reconciliation

EUR million	Year Ended 31 December	
	2013	2012
Profit before tax	-189	481
Tax at statutory rates applicable to profits in the country concerned ¹⁾	67	-121
Non-deductible expenses and tax exempt income ²⁾	36	31
Valuation of deferred tax assets	2	7
Taxes from prior years	22	5
Change in tax rates and tax laws	-31	63
Profits from equity accounted investments	24	26
Other	-2	-2
Total Tax	118	9
Effective Tax Rate	62.4%	-1.9%
Statutory Tax Rate	35.4%	25.2%

¹⁾ Includes impact of EUR 21 million from tax holidays and other tax benefits in 2013 and impact of EUR 10 million from tax holidays and other tax benefits in 2012.

²⁾ The tax value of non-deductible expenses of EUR 8 million has been netted against tax exempt income of EUR 44 million in 2013, and the tax value of non-deductible expenses of EUR 10 million has been netted against tax exempt income of EUR 41 million in 2012.

In December 2013, the Finnish Parliament enacted a tax rate change from 24.5 % to 20%. As a result, the Group income tax includes an expense of EUR 32 million due to the application of the new rate to Finnish deferred tax assets and liabilities. The effect of the new rate on the Group's share in Tornator Oy is recognised in the share of results of equity accounted investments.

In November 2012, the Swedish Parliament enacted a tax rate change from 26.3% to 22%. As a result, the Group income tax benefit in the comparison year 2012 includes a benefit of EUR 63 million due to the application of the new rate to Swedish deferred

tax assets and liabilities. The effect of the new rate on the Group's share in Bergvik Skog AB is recognised in the share of results of equity accounted investments.

At 31 December 2013 Stora Enso had EUR 2 267 (EUR 2 318) million of gross losses carried forward, of which some EUR 964 (EUR 886) million had no expiry date, EUR 198 (EUR 30) million will expire within five years and EUR 1 105 (EUR 1 402) million will expire thereafter. Tax losses of EUR 1 183 (EUR 1 333) million relate to Finland.

Change in Deferred Taxes 2013

EUR million	Value at 1 Jan 2013	Income Statement	OCI	Acquisitions/ Disposals	Translation difference	Value at 31 Dec 2013
Fixed assets	-462	172	-	-	7	-283
Financial instruments	-4	-	6	-	2	4
Untaxed reserves	-41	4	-	-	3	-34
Pensions and provisions	92	-11	-27	-	-1	53
Tax losses and tax credits carried forward ¹⁾	226	-28	-	1	-2	197
Other deferred taxes	-8	1	-	-	-1	-8
Total	-197	138	-21	1	8	-71
Equity hedges (CTA)	-	4	-4	-	-	-
Change in Deferred Tax	-197	142	-25	1	8	-71
Assets ²⁾	143					229
Liabilities ²⁾	-340					-300

¹⁾ Tax losses with unrecognised tax value EUR 308 million.

²⁾ Deferred tax assets and liabilities have been offset in accordance with IAS 12.

OCI = Other Comprehensive Income

CTA = Cumulative Translation Adjustment

Change in Deferred Taxes 2012

EUR million	Value at 1 Jan 2012	Income Statement	OCI	Acquisitions/ Disposals	Translation difference	Value at 31 Dec 2012
Fixed assets	-522	72	-	-	-12	-462
Financial instruments	4	-	-7	-	-1	-4
Untaxed reserves	-41	3	-	-	-3	-41
Pensions and provisions	75	-20	35	-	2	92
Tax losses and tax credits carried forward ¹⁾	197	30	-	-	-1	226
Other deferred taxes	8	-16	-	-	-	-8
Total	-279	69	28	-	-15	-197
Equity hedges (CTA)	-	-4	4	-	-	-
Change in Deferred Tax	-279	65	32	-	-15	-197
Assets ²⁾	122					143
Liabilities ²⁾	-401					-340

¹⁾ Tax losses with unrecognised tax value EUR 364 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.

Note 10 Valuation Allowances

Valuation and Qualifying Accounts

EUR million	Inventory Obsolescence		Inventory Net Realisable Valuation	Doubtful Receivables	Total Allowances
	Spare Parts and Consumables	Finished Goods			
Carrying Value at 1 January 2012	88	15	4	40	147
Translation difference	1	-	-	1	2
Charge in Income Statement	14	1	2	6	23
Reversal in Income Statement	-5	-1	-2	-1	-9
Carrying Value at 31 December 2012	98	15	4	46	163
Translation difference	-2	-	-	-1	-3
Company acquisitions and disposals	1	-	-	-	1
Charge in Income Statement	10	-	1	8	19
Reversal in Income Statement	-7	-2	-2	-2	-13
Carrying Value at 31 December 2013	100	13	3	51	167

Allowances related to trade receivables are discussed in more detail in Note 18 Receivables.

Note 11 Depreciation and Intangible Assets and Property, Plant and Equipment Impairment Charges

Depreciation and Intangible Assets and Property, Plant and Equipment Impairment Charges

Year Ended 31 December

EUR million	2013	2012
Depreciation		
Intangible assets	16	17
Buildings and structures	82	82
Plant and equipment	458	462
Other tangible assets	14	13
Total	570	574
Impairment and Disposal Gains/Losses		
Intangible assets	-	6
Land	-	3
Buildings and structures	77	1
Plant and equipment	500	50
Other tangible assets	10	-
Total	587	60
Reversal of Impairment		
Buildings and structures	-1	-5
Plant and equipment	-6	-97
Total	-7	-102
Depreciation and Impairment Charges	1 150	532

Depreciation

The total depreciation charge amounted to EUR 570 million and was EUR 4 million lower than in 2012. A breakdown of depreciation and impairment charges by divisions is set out in Note 3 Segment Information.

Impairment testing

Goodwill is tested at the level monitored by senior management, which is groups of CGUs, whereas intangible assets, property, plant and equipment 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 the Board of Directors and management. The pre-tax discount rates are calculated for each unit of cash flow taking into account the tax and risk profile of the country in which the cash flow is generated. 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 impairment testing of other intangible assets and property, plant and equipment.

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% per year
- 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 intangible assets, property, plant and equipment testing the period was the remaining expected economic life of the assets.

Other intangible assets and property, plant and equipment impairment

The total impairment charges on other intangible assets and property, plant and equipment in 2013 amounted to EUR 599 million, which resulted from impairment testing, the permanent shutdown of paper machines at Hylte Mill and Kvarnsveden Mill in Sweden, and other restructurings. They are related to weakened long term earnings expectations due to declining European paper markets.

The impairments are mostly attributable to:

- EUR 540 million and EUR 18 million impairments in several CGUs in Printing and Reading and in a Renewable Packaging CGU, respectively, as a result of impairment testing. The Printing and Reading impairment consists of EUR 123 million in Uncoated Fine Paper Europe CGU, EUR 108 million in Uncoated Magazine Paper Europe CGU, EUR 79 million in Coated Fine Paper Europe CGU, EUR 67 million in Uncoated Magazine China CGU, EUR 62 million in Coated Magazine Paper Europe CGU, EUR 54 million in Book Paper Europe CGU and EUR 47 million in Newsprint Europe CGU. The impairment in Renewable Packages relates to White Line Chipboard Europe CGU.
- EUR 39 million related to permanent paper machine shutdowns at Hylte Mill and Kvarnsveden Mill.

The total reversal of property, plant and equipment impairment charges during 2013 amounted to EUR 7 million, of which EUR 6 million resulted from the disposal of property, plant and equipment at Baienfurt Mill and a Corenso factory in Germany, and several other mills.

In 2012 EUR 103 million of property, plant and equipment impairment charges were reversed as a result of impairment testing and the disposal of other intangible assets and property, plant and

equipment at several mills. Other impairments of intangible assets and property, plant and equipment in 2012 in respect of the Group's ongoing business amounted to EUR 60 million, which resulted from impairment testing, the permanent shutdown of paper machine (PM) 1 at Hylte Mill in Sweden and other ongoing restructurings.

Goodwill impairment testing

There was no goodwill impairment in 2013 or 2012.

Groups of Cash Generating Units Containing Goodwill

EUR million	Year Ended 31 December							
	2013					2012		
	Goodwill at Year End	Intangible Assets and Property, Plant and Equipment at Year End	Recoverable amount at Year End	Impairment charge	Average Discount Rate	Goodwill at Year End	Impairment charge	Average Discount Rate
Printing and Reading - Newsprint and Book Paper	43	648	860	-	8.0%	43	-	8.1%
Printing and Reading - Uncoated Magazine Paper	40	646	752	-	8.0%	40	-	8.1%
Building and Living - Central Europe	103	242	349	-	8.0%	109	-	8.1%
Building and Living - Finnish House Building Operations	3	9	15	-	8.0%	3	-	8.1%
Renewable Packaging - Packaging Solutions	20	676	1 034	-	8.2%	20	-	8.1%
Renewable Packaging - Asia	11	81	122	-	8.9%	11	-	9.1%
Goodwill	220	2 302	3 132	-		226	-	

Goodwill testing CGUs were changed in 2013 due to reorganisation within the Printing and Living Business Area. In 2012 the goodwill in Printing and Reading was tested in the Newsprint and Uncoated Magazine Paper CGU, but in 2013 it was tested in the Newsprint and Book Paper CGU and in the Uncoated Magazine Paper CGU. In 2012 part of the Building and Living goodwill was tested in the Building Solutions CGU, in 2013 this was tested in the Finnish House Building Operations CGU.

The calculation of value in use is most sensitive to discount rate, sales price and costs. The table on the right 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 testing results.

Segment Impairment and Disposal Losses Less Reversals

EUR million	Year Ended 31 December	
	2013	2012
Printing and Reading	578	-84
Biomaterials	-	-
Building and Living	-	-
Renewable Packaging	3	35
Other	-1	6
Total (impairment + / reversal -)	580	-43

Goodwill Testing Sensitivity Analysis

EUR million	Goodwill, Other Intangible Assets and Property, Plant and Equipment Impairment
1% change in the discount rate	-
1% annual decrease in the sales price	895
1% annual increase in the costs	815

Note 12 Intangible Assets and Property, Plant and Equipment

Intangible Assets and Property Plant and Equipment Summary

EUR million	Year Ended 31 December			Total
	Property, Plant and Equipment	Other Intangible Assets	Goodwill	
Acquisition Cost				
At 1 January 2013	18 437	355	1 174	19 966
Translation difference	-286	-4	-12	-302
Reclassifications	-10	10	-	-
Company acquisitions	12	1	-	13
Company disposals	-12	-	-	-12
Additions	394	12	-	406
Disposals	-448	-7	-	-455
At 31 December 2013	18 087	367	1 162	19 616
Accumulated Depreciation, Amortisation and Impairment				
At 1 January 2013	13 388	311	948	14 647
Translation difference	-196	-5	-6	-207
Disposals	-434	-7	-	-441
Company acquisitions	11	1	-	12
Company disposals	-10	-	-	-10
Depreciation	554	16	-	570
Impairment	592	-	-	592
At 31 December 2013	13 905	316	942	15 163
Net Book Value at 31 December 2013	4 182	51	220	4 453
Net Book Value at 31 December 2012	5 049	44	226	5 319

Property, Plant and Equipment

	Year Ended 31 December					
EUR million	Land and Water	Buildings and Structures	Plant and Equipment	Other Tangible Assets	Assets in Progress	Total
Acquisition Cost						
At 1 January 2012	249	2 900	14 057	468	318	17 992
Translation difference	-3	30	194	2	14	237
Reclassifications	-	21	155	7	-186	-3
Company acquisitions	-	2	6	-	-	8
Additions	-	21	198	11	302	532
Disposals	-1	-22	-295	-1	-10	-329
At 31 December 2012	245	2 952	14 315	487	438	18 437
Translation difference	-10	-48	-210	-13	-5	-286
Reclassifications	-	74	283	4	-371	-10
Company acquisitions	-	-	12	-	-	12
Company disposals	-	-3	-1	-8	-	-12
Additions	1	21	181	6	185	394
Disposals	-3	-10	-426	-8	-1	-448
At 31 December 2013	233	2 986	14 154	468	246	18 087
Accumulated Depreciation, Amortisation and Impairment						
At 1 January 2012	50	1 878	10 748	361	12	13 049
Translation difference	-	22	127	-	1	150
Disposals	-	-21	-289	-1	-9	-320
Company acquisitions	-	1	1	-	-	2
Depreciation	-	82	462	14	-	558
Impairment	2	-5	-49	1	-	-51
At 31 December 2012	52	1 957	11 000	375	4	13 388
Translation difference	3	-24	-166	-11	2	-196
Disposals	-1	-8	-418	-8	1	-434
Company acquisitions	-	-	11	-	-	11
Company disposals	-	-2	-1	-7	-	-10
Depreciation	-	82	458	14	-	554
Impairment	-	76	506	10	-	592
At 31 December 2013	54	2 081	11 390	373	7	13 905
Net Book Value at 31 December 2013	179	905	2 764	95	239	4 182
Net Book Value at 31 December 2012	193	995	3 315	112	434	5 049

Capitalised Values

EUR million	Year Ended 31 December					
	Computer Software		Capitalised Interest		Finance Leases	
	2013	2012	2013	2012	2013	2012
At 1 January	21	27	58	55	66	77
Translation difference	-	-	-1	1	-	-
Reclassifications	5	1	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Capitalised in the year	5	2	3	9	-	1
Amortisation	-8	-9	-6	-7	-17	-12
At 31 December	23	21	54	58	49	66

Computer software includes EUR 9 (EUR 9) million of capitalised own software at the year end; additions during the year were EUR 2 (EUR 1) million and amortisation was EUR 3 (EUR 3) million.

Intangible assets and property, plant and equipment additions

Acquisitions of Group companies in 2013 included EUR 1 (EUR 6) million of other intangible assets and property, plant and equipment. 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 406 (EUR 537) million. Details of ongoing projects and future plans are discussed in more detail in the Report of the Board of Directors.

Intangible assets and property, plant and equipment disposals

There were EUR 2 (EUR nil) million disposals of property, plant and equipment from divestments of Group companies in 2013.

Most of the other EUR 33 million of proceeds from disposals in 2013 was accounted for by:

- EUR 11 million from the sale of the board machine from the closed Baienfurt Mill in Germany;
- EUR 4 million from a land sale in Thailand;
- Other sundry asset disposals totalling EUR 18 million, mainly minor sales in the normal course of operation.

Other sundry asset proceeds from disposals in 2012 totalling EUR 6 million were mainly minor sales in the normal course of operations.

Note 13 Biological Assets

Most Group interests in biological assets are held in equity accounted investments in Brazil, Finland, Sweden and Uruguay. The Group's indirect share of biological assets held by equity accounted investments amounts to EUR 2 320 (EUR 2 338) million. The amount

directly disclosed in the Group Statement of Financial Position from subsidiary companies amounts to EUR 399 (222) million as shown below. The amount of land area is 136 000 (136 000) hectares and the majority of the land is leased.

Biological Assets

EUR million	Year Ended 31 December	
	2013	2012
Fair Value at 1 January	222	213
Change in fair value	179	-
Additions (cost based)	19	20
Decrease due to harvest and damage	-7	-5
Translation differences	-14	-6
Fair Value at 31 December	399	222

In 2012 the biological assets in Guangxi in China were carried at cost because if Stora Enso were not able to build a mill, the biological assets must be returned to the local government at cost. During 2013 the Group received the necessary project approvals related to the integrated pulp and board mill project in Guangxi and fair valuation of the directly owned standing trees of the project was started. The start of the fair valuation increased the biological assets value by EUR 179 million. At the end of 2013 the fair value of the biological assets in Guangxi was EUR 364 (EUR 184) million, which included young standing timber value of EUR 3 million. Young standing timber, less than two years old, are considered to be immature assets and accounted at cost.

The main additions related to the continuing development of eucalyptus plantations in Guangxi. The change due to application of fair value is presented under change in net value of biological assets in the Consolidated Income Statement. The fair valuation principles (level 3) are presented in Note 1 Accounting Principles. The discount rate of 10% used in the DCF is determined using the weighted average cost of capital method. A +/- 10% change in the wood market prices would change the valuation by EUR +/-65 million and a +/-10% change in the discount rate would change the valuation by +/- EUR 8 million.

At 31 December 2013 Stora Enso's biological assets had a fair value of EUR 399 (EUR 222) million and were located by value in China 92% (83%), Brazil 7% (15%) and other 1% (2%). 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 biological assets with a fair value of EUR 3 809 (EUR 3 879) million, of which Stora Enso's share was EUR 1 648 (EUR 1 678) million.
- Tornator Oyj (Tornator), a 41% owned Finnish associate company, had biological assets with a fair value of EUR 1 023 (EUR 952) million, of which Stora Enso's share was EUR 419 (EUR 390) million.
- Veracel Celulose S.A. (Veracel), a 50% joint-venture company in Brazil, had biological assets fair valued at EUR 230 (EUR 275) million, of which Stora Enso's share was EUR 115 (EUR 137) million.
- Montes del Plata, a 50% joint-venture in Uruguay, had biological assets with a fair value of EUR 241 (EUR 230) million, of which Stora Enso's share was EUR 120 (EUR 115) million.
- Arauco Florestal Arapoti S.A., the 20% owned southern Brazilian associate company, had biological assets with a fair value of EUR 90 (EUR 87) million, of which Stora Enso's share was EUR 18 (EUR 17) million.

For information about the amount of wood delivered to Stora Enso mills and share of wood sourced from plantations, please see Stora Enso Global Responsibility Report 2013, section Forest and Land use.

Note 14 Equity Accounted Investments

Carrying Values of Equity Accounted Investments

EUR million	Year Ended 31 December	
	2013	2012
At 1 January	1 328	1 214
Translation difference	-14	1
Additions	66	115
Disposal proceeds and equity repayment	-	-2
Subsidiary transfers and disposal adjustment	-3	-
Historical Cost at 31 December	1 377	1 328
Equity Adjustments		
At 1 January	637	699
Translation difference	-129	-56
Share of results	100	108
Dividends received	-38	-107
Other Comprehensive Income	14	-4
Subsidiary transfers and disposal adjustment	-1	-3
Non-controlling interest transaction	1	-
Equity Adjustment at 31 December	584	637
Carrying Value at 31 December	1 961	1 965

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

material 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	%	As at 31 December	
			EUR million	
			2013	2012
Bergvik Skog AB: forest	Sweden	43.26	718	697
Montes del Plata: pulp mill project and plantation	Uruguay	50.00	512	494
Veracel Celulose S.A.: pulp mill and plantation	Brazil	50.00	436	530
Tornator Oyj: forest	Finland	41.00	196	169
Bulleh Shah Packaging (Private) Limited: packaging goods	Pakistan	35.00	26	-
Arauco Florestal Arapoti S.A.: plantation	Brazil	20.00	22	25
Thiele Kaolin Company Inc: china clay	USA	40.24	21	19
			1 931	1 934
Others			30	31
Carrying Value at 31 December			1 961	1 965

Stora Enso and Packages Ltd. completed the process of establishing a joint venture called Bulleh Shah Packaging (Private) Limited (Bulleh Shah) on 31 May 2013. Bulleh Shah is a packaging goods company located in Pakistan. Stora Enso's current shareholding in Bulleh Shah is 35% with an option to increase the shareholding at the agreed value to 50% at a later stage. Bulleh Shah is reported as an equity accounted investment as part of the Renewable Packaging reportable segment. The cash paid to acquire the 35% shareholding in Bulleh Shah amounted to USD 39 million (EUR 30 million).

Stora Enso redeemed ABB's 49% shareholding in Efora Oy with effect from 1 November 2013 and became the sole owner of the company. At the acquisition date the value of the Group's 51% shareholding amounted to EUR 4 million. Prior to the acquisition, Efora Oy was accounted for with the equity accounting method, however, since the acquisition date the company has been consolidated as a subsidiary in the Group's financial statements.

Stora Enso acquired the remaining 50% of the shares in Mena Wood Oy Ltd (formerly RETS Timber Oy Ltd) with effect from 1 September 2012, increasing the Group's shareholding to 100%. At the acquisition date the value of the Group's 50% shareholding

amounted to EUR 3 million. Prior to the acquisition, Mena Wood Oy Ltd was accounted for with the equity accounting method, but since the acquisition date the company has been consolidated as a subsidiary in the Group's financial statements.

Group Share of Equity Accounted Investment Income Statements

EUR million	Year Ended 31 December	
	2013	2012
Turnover	655	790
Cost of sales	-554	-680
Trading Profit	101	110
IAS 41 Valuation	58	23
Operating Profit	159	133
Net financial items	-51	-74
Net Profit before Tax	108	59
Tax	-8	49
Net Profit for the Period	100	108

In January 2011 Stora Enso announced that Montes del Plata would build a new state-of-the-art 1.3 million tonnes per year pulp mill at Punta Pereira, in the department of Colonia, Uruguay. The mill is expected to start up during the first months of 2014.

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. In 2013, the Group's share of Montes del Plata's profit came to EUR 2 (loss EUR 15) million, including a forest valuation gain of EUR 10 (loss EUR 1) million, and the Group's shareholding was valued at EUR 512 (EUR 494) million at the year-end 2013.

Stora Enso and its Brazilian partner Fibria (formerly Aracruz Celulose S.A.) have constructed a 1.1 million tonnes per year pulp mill for their jointly owned equity accounted investment Veracel. Each company has a 50% stake and is entitled to half of the mill's output. In 2013, the Group's share of the loss was EUR 4 (profit EUR 5) million inclusive of a forest valuation loss of EUR 5 (EUR 13) million, and the year-end carrying value amounted to EUR 436 (EUR 530) million at the year-end 2013.

The 2013 and 2012 additions in equity accounted investments are due to equity injections into Montes del Plata and Bulleh Shah.

The average number of personnel in the equity accounted investments was 5 689 in 2013, compared with 5 270 in 2012.

Stora Enso will apply the new IFRS 10 Consolidated Financial Statements and 11 Joint Arrangements standards as of 1 January 2014. This change will affect Montes del Plata and Veracel, which will then be treated as joint operations and thus consolidated with the line-by-line method.

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 718 (EUR 697) million at the year-end 2013. In 2013, the Group's share of Bergvik Skog's profit came to EUR 40 (EUR 108) million, including a forest valuation gain of EUR 23 (EUR 40) million. In November 2012 the Swedish Parliament enacted a tax rate change from 26.3% to 22.0%. As a result of the application of the new tax rate to Swedish deferred tax assets and liabilities, Bergvik Skog recognised a gain in its income statement of which Stora Enso's share amounted to approximately EUR 69 million in 2012.

Stora Enso's Finnish forest holdings were divested into an equity accounted investment, Tornator, in 2002. The Group's 41% residual interest was worth EUR 196 (EUR 169) million at the year-end 2013. In 2013, the Group's share of Tornator's profit came to EUR 49 (loss EUR 2) million, including a forest valuation gain of EUR 27 (loss EUR 3) million. In December 2013 the Finnish Parliament enacted a tax rate change from 24.5% to 20.0%. As a result of the application of the new tax rate to Finnish deferred tax assets and liabilities, Tornator recognised a gain in its income statement of which Stora Enso's share amounted to approximately EUR 10 million in 2013.

Group Share of Equity Accounted Investment Statements of Financial Position

As at 31 December

EUR million	2013	2012
PPE ¹⁾ , goodwill and other intangible assets	1 580	1 446
Biological assets	2 320	2 338
Operative receivables:		
Non-current	60	98
Current	154	142
Inventories	94	69
Cash	61	123
Total Assets	4 269	4 216
Liabilities		
Operative Liabilities:		
Non-current	80	100
Current	277	189
Debt:		
Non-current	1 204	1 351
Current	316	188
Tax liabilities	431	423
Total Liabilities	2 308	2 251
Net Equity in the Group Statement of Financial Position	1 961	1 965
Represented by		
Capital and Reserves	1 980	1 998
OCI	-19	-33
Equity Accounting Value	1 961	1 965

¹⁾ PPE = Property, Plant and Equipment**Equity Accounted Investment Company Balances**

As at 31 December

EUR million	2013	2012
Receivables from Equity Accounted Investments		
Non-current loan receivables	25	123
Trade receivables	5	8
Current loan receivables	107	96
Prepaid expenses and accrued income	-	12
Liabilities due to Equity Accounted Investments		
Trade payables	91	77

Equity Accounted Investment Transactions

EUR million	Year Ended 31 December	
	2013	2012
Sales to equity accounted investments	55	103
Interest on loan receivables from equity accounted investments	7	12
Purchases from equity accounted investments	314	339

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.

A sale of EUR 99 million subordinated debt of the equity accounted investments was recorded in the second quarter of 2013, of which EUR 72 million was related to Bergvik Skog and EUR 27 million to Tornator debt. Total loans including interest receivable to equity accounted investments at the year-end 2013 came to EUR 132 (EUR 219) million, of which EUR 21 (EUR 95) million was due from Bergvik Skog and EUR 104 (EUR 90) million from Montes del Plata. Interest income on loans to equity accounted investments totalled EUR 7 (EUR 12) million, of which EUR 4 (EUR 8) million came from Bergvik Skog and EUR 3 (EUR 3) million from Montes del Plata.

Note 15 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

EUR million	Year Ended 31 December	
	2013	2012
Acquisition cost at 1 January		
Interest-bearing securities	86	76
Operative securities	96	104
Investments classified as available-for-sale	182	180
OCI in opening balance	365	542
Available-for-Sale Investments at 1 January	547	722
Translation difference	-	1
Accrued interest on PIK Notes	9	10
Additions	9	-
Change in fair values accounted for as OCI	-101	-178
Disposal proceeds	-96	-
Income Statement - gains and losses	3	-8
Carrying Amount at 31 December	371	547

Unrealised Gains and Losses on Securities

EUR million	Year Ended 31 December	
	2013	2012
Net unrealised holding gains (OCI)	263	365
Cost	108	182
Fair Value	371	547
Net unrealised holding gains (OCI)	263	364
Deferred tax	-1	-2
Net Unrealised Holding Gains Shown in Equity as OCI	262	362
Change in Net Unrealised Holding Gains Shown in Equity as OCI	-100	-179

In September 2013 a PIK loan note issued by Papyrus Holding AB, classified as an available-for-sale investment, was derecognised as a result of the Group receiving a cash repayment of EUR 40 million, with the terms on the remaining portion of the loan being changed through mutual agreement. The new loan note, with nominal value of EUR 54 million, has been classified as a non-current loan receivable and described in more detail in Note 18 Receivables.

In December 2007 Stora Enso finalised the divestment of Stora Enso North America Inc. (SENA) to NewPage with part of the consideration comprising a PIK note with nominal value of

USD 200 million and 19.9% of the shares in NewPage Corporation. In September 2011, NewPage Corporation voluntarily filed for Chapter 11 protection under the US Bankruptcy Code to reorganise its debt. The PIK note had a subordinated status in relation to normal debt and in the final settlement agreement in December 2012, Stora Enso's rights and obligations in relation to the PIK note and equity interest ceased to exist. In addition, Stora Enso recorded EUR 11 million financial income from NewPage Corporation as a result of the settlement agreement. The fair values of the shareholding and PIK note had remained at zero since 2009.

PVO shares

The Group holds a 14.8% interest in Pohjolan Voima Oy (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 valuation is categorised at level 3 in the fair value hierarchy.

The electricity prices in the model are based on Nordpool prices. Liquid future derivative prices are used for the available years in the model and thereafter increased by an inflation factor. 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 5.01% 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 37 million and a +/- 1% absolute change in the discount rate would change the valuation by +/- EUR 46 million.

PVO Shareholding at 31 December 2013

EUR million	Share Series	% Holding	Asset Category	Fair Value
PVO-Vesivoima Oy	A	20.6	Hydro	122
Teollisuuden Voima Oy	B	15.7	Nuclear	223
Teollisuuden Voima Oy	B2	14.8	Nuclear under construction	0
Other	C, C2, V, H, M	Various	Various	7
Total				352

The valuation in 2013 amounted to EUR 352 (EUR 441) million against a book value of EUR 95 (EUR 86) million, with the revaluation of EUR 257 (EUR 355) million being taken to other comprehensive income. The change in PVO's value is mainly caused by changes in electricity prices and discount rate partly offsetted by changes in tax rates. No deferred tax is appropriate as under Finnish tax regulations holdings above 10% are exempt from tax on disposal proceeds.

In May 2012 Stora Enso received a dividend of EUR 41 million as a result of PVO's sale of its Fingrid shareholding that was initially announced in April 2011. In 2012 Stora Enso recorded a write-down of EUR 4 million in relation to one power plant in Finland.

For information about the amount of electricity generated, purchased and sold, please see Stora Enso Global Responsibility Report 2013, section Environment and Efficiency (Energy).

Principal Available-for-Sale Investments

As at 31 December 2013				
EUR million	Holding %	Number of Shares	Acquisition Cost	Fair Value
Packages Ltd, Pakistan - listed security		5 396 650	4	10
Total Interest-Bearing Securities			4	10
Pohjolan Voima Oy - unlisted security	14.8	5 381 293	95	352
Others - unlisted securities	n/a	Various	9	9
Total Operative Securities			104	361
Total Available-for-Sale Investments at 31 December 2013			108	371
Total Available-for-Sale Investments at 31 December 2012			182	547

The difference of EUR 263 (EUR 365) 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 97.3% (98.8%) of available-for-sale investments.

Note 16 Other Non-Current Assets

EUR million	As at 31 December	
	2013	2012
Baienfurt sale of machinery	5	-
Kotka earn-out receivable	-	3
Other non-current operative assets	11	20
Total	16	23

In 2013, EUR 6 million of the other receivable related to Baienfurt machinery sale and in 2012, EUR 2 million of the earn-out component related to the disposal of the integrated mills at Kotka are both included in the current other receivables in Note 18 Receivables.

Note 17 Inventories

EUR million	As at 31 December	
	2013	2012
Materials and supplies	345	344
Work in progress	85	80
Finished goods	657	704
Spare parts and consumables	279	283
Other inventories	18	16
Advance payments and cutting rights	108	148
Obsolescence allowance - spare parts and consumables	-100	-98
Obsolescence allowance - finished goods	-13	-15
Net realisable value allowance	-3	-4
Total	1 376	1 458

Note 18 Receivables

Current Operative Receivables

EUR million	As at 31 December	
	2013	2012
Trade receivables	1 305	1 402
Allowance for doubtful debts	-51	-46
Prepaid expenses and accrued income	125	167
TRS Hedges	2	3
Other receivables	140	161
Total	1 521	1 687

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.

As at 31 December 2013, EUR 97 (EUR 117) million of trade receivables were overdue, for which no allowance 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 allowance for doubtful debts, is as follows:

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

EUR million	As at 31 December	
	2013	2012
Less than 30 days overdue	78	94
31 to 60 days overdue	4	7
61 to 90 days overdue	1	3
91 to 180 days overdue	5	5
Over 180 days overdue	9	8
Total: Overdue Accounts	97	117
Trade Receivables within their credit terms	1 157	1 239
Total	1 254	1 356

Credit losses amounted to EUR 10 (EUR 6) million, which resulted in a net increase in the allowance for doubtful debts of EUR 5 (increase EUR 5) million – see Note 25 Financial Risk Management for details of customer credit risk management. All allowances 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 40 (EUR 43) million.

At 31 December 2013 allowances related to overdue trade receivables totalled EUR 51 (EUR 46) million. The age of the receivables under the doubtful accounts is shown in the table below.

Age Analysis of Doubtful Accounts

EUR million	As at 31 December	
	2013	2012
Less than 90 days	3	4
91 to 180 days	1	2
Over 180 days	47	40
Total	51	46

Interest-Bearing Receivables

EUR million	As at 31 December	
	2013	2012
Derivatives (see Note 28)	114	183
Loans to equity accounted investments	132	219
Other loan receivables	83	29
Total	329	431
Current Assets: Receivable within 12 months	249	297
Non-current Assets: Receivable after 12 months	80	134
Total	329	431

Annual interest rates for loan receivables at 31 December 2013 ranged from 0% (0%) to 9% (9%). Current interest-bearing receivables include accrued interest of EUR 34 (EUR 38) million, of which EUR 28 (EUR 38) million relates to interest rate derivatives.

A sale of EUR 99 million subordinated debt of the equity accounted investments was recorded in the second quarter of 2013, of which EUR 72 million was Bergvik Skog and EUR 27 million Tornator debt. The remaining loan to Bergvik Skog had a carrying value of EUR 20 (EUR 92) million at the year end.

In September 2013 a PIK loan note issued by Papyrus Holding AB, classified as available-for-sale investment, was derecognised as a result of the Group receiving a cash repayment of EUR 40 million, with the terms on the remaining portion of the loan being changed through mutual agreement. The new loan note, with the nominal of EUR 54 million, has been classified in the balance sheet as a non-current loan receivable. The note was fair valued on receipt at EUR 47 million and it accrues interest which is added in arrears to the principal of the note. The note is subordinate to senior debt but it has priority over equity holders and matures on 7 May 2017. A fair value of the note at 31 December 2013 was EUR 49 million against a carrying value of EUR 47 million.

Note 19 Shareholders' Equity

At 31 December 2013 shareholders' equity amounted to EUR 5 213 (EUR 5 770) million, compared with market capitalisation on NASDAQ OMX Helsinki of EUR 5.8 (EUR 4.2) billion. The market values of the shares were EUR 7.31 (EUR 5.70) for A shares and EUR 7.30 (EUR 5.25) for R shares.

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 accountable par of both shares is the same. A shares may be converted into R shares at any time at the request of a shareholder. At 31 December 2013 the Company's fully paid-up share capital as entered in the Finnish Trade Register was EUR 1 342 (EUR 1 342) million. The current accountable par of each issued share is EUR 1.70 (EUR 1.70).

As proposed by the Board of Directors, the Annual General Meeting on 23 April 2013 decided that 918 512 treasury R shares should be cancelled. These shares, representing 0.12% of the share capital and 0.04% of voting rights, were effectively cancelled on 15 May 2013.

At the end of 2013 Directors and Group Leadership Team members owned 2 541 (2 541) A shares and 679 119 (630 922) R shares, representing 0.03% of the total voting rights of the Company. Full details of Director and Executive interests are shown in Note 7 Board and Executive Remuneration. A full description of Company option programmes is shown in Note 22 Employee Variable Compensation and Equity Incentive Schemes. However, none of these have any impact on the issued share capital.

Change in Share Capital

	A shares	R shares	Total
At 1 January 2012	177 148 772	612 389 727	789 538 499
Conversion of A shares to R shares 16 Jan	-1 000	1 000	-
At 31 December 2012	177 147 772	612 390 727	789 538 499
Conversion of A shares into R shares 15 Feb	-1 000	1 000	-
Cancellation of treasury shares 15 May	-	-918 512	-918 512
Conversion of A shares into R shares 15 May	-400	400	-
Conversion of A shares into R shares 15 Oct	-600	600	-
Conversion of A shares into R shares 16 Dec	-49 568	49 568	-
At 31 December 2013	177 096 204	611 523 783	788 619 987
Number of votes as at 31 December 2013	177 096 204	61 152 378¹⁾	238 248 582
Share Capital at 31 December 2013, EUR million	301	1 041	1 342
Share Capital at 31 December 2012, EUR million	301	1 041	1 342

¹⁾ R share votes are calculated by dividing the number of R shares by 10.

The shares in issue at 9 April 2014 will represent the total shares eligible to vote at the forthcoming Annual General Meeting.

Note 20 Non-Controlling Interests

Non-Controlling Interests

EUR million	Year Ended 31 December	
	2013	2012
At 1 January	92	87
Translation difference	-6	-2
Disposals	-1	-
Share of profit for the period	-18	10
Dividends	-7	-3
At 31 December	60	92

Principal Non-Controlling Interests

EUR million		As at 31 December	
		2013	2012
Stora Enso Inpac Packaging Group	China and India	37	36
Stora Enso Arapoti Industria de Papel SA	Brazil	19	26
Stora Enso Huatai Paper Co Ltd	China	-7	17
Corenso United Oy Group	China	6	6
Others	-	5	7
		60	92

In 2013 the Group disposed wood terminal operation of Pelkolan Terminaali in Finland which was included in "Others" in the table above.

In 2013 non-controlling interest in Stora Enso Huatai Paper Co Ltd decreased by EUR 24 million to negative EUR 7 million primarily due to Property, Plant and Equipment related impairments recorded in 2013. Details of Property, Plant and Equipment Impairment Charges are presented in Note 11.

In January 2012 Stora Enso acquired 51% of the shares in Danfiber A/S. The non-controlling interest has been valued as the proportionate share of the acquiree's net assets, and amounted to EUR 0.4 million as at 31 December 2012.

Note 21 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 169 (EUR 152) million in 2013, as shown in Note 6 Staff Costs. The majority of plans are defined contribution schemes, the charge for which amounted to EUR 154 (EUR 142) million.

The retirement age for the management of Group companies has been agreed at between 60 and 65 years, though members of the Group Leadership 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.

Stora Enso's total defined benefit obligations to current and former members of staff amount to EUR 1 217 (EUR 1 307) million though assets of EUR 845 (EUR 827) million have been put aside in various pension schemes to cover these liabilities. The net funding position of the defined benefit plans is shown in full in the Statement of Financial Position and amounts to EUR 378 million in 2013, a decrease of EUR 102 million on the previous year's liability of EUR 480 million. This decrease is mainly caused by the actuarial gains which result from the change in experiences and financial assumptions regarding the present value of the defined benefit obligations. The Group has decided to recognise the interest costs in financial costs. The 2013 defined benefit expense in the Income Statement amounts to EUR 30 million and the actuarial gains recorded in other comprehensive income amount to EUR 74 million. The 2012 defined benefit expense in the Income Statement amounted to EUR 23 million and the actuarial losses recorded in other comprehensive income amounted to EUR 184 million.

Actuarial Losses Recognised Directly in Equity

EUR million	Year Ended 31 December	
	Total Operations	
	2013	2012
Actuarial losses	74	-184
Deferred tax thereon	-27	35
Total	47	-149

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 2013

EUR million	Finland	Germany	Sweden	Other	Total
Defined benefit obligations (DBO)	391	285	359	182	1 217
Fair value of plan assets	356	7	335	147	845
Funded status	35	278	24	35	372
Effect of asset ceiling	-	-	-	6	6
Net Liability in Defined Benefit Plans	35	278	24	41	378

As at 31 December 2012

EUR million	Finland	Germany	Sweden	Other	Total
Defined benefit obligations (DBO)	414	289	428	176	1 307
Fair value of plan assets	369	6	319	133	827
Funded status	45	283	109	43	480
Net Liability in Defined Benefit Plans	45	283	109	43	480

The asset and liability figures for Sweden in 2012 include a plan not previously recognised within the pensions note (assets in 2012 EUR 6 million; liabilities in 2012 EUR 7 million).

Finland

The Group funds its Finnish pension obligations mainly through defined contribution schemes, the charge in the Income Statement being EUR 65 (EUR 46) million. By contrast, the remaining obligations covered by defined benefit schemes resulted in a charge of EUR 1 (EUR 1) million. Pension cover since 2001 has been organised entirely through local insurance companies. The total defined benefit obligation amounts to EUR 391 (EUR 414) million and the assets to EUR 356 (EUR 369) million, leaving a net liability of EUR 35 (EUR 45) 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 EU regulations, and also national requirements, under which there is an obligation to pay guaranteed benefits irrespective of market conditions.

Germany

German pension costs amounted to EUR 16 (EUR 14) million, of which EUR 14 (EUR 12) million related to defined contribution schemes and EUR 2 (EUR 2) million to defined benefits. The total defined benefit obligation is EUR 285 (EUR 289) million, nearly all of which is unfunded as total assets come to only EUR 7 (EUR 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 (EUR 19) 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 58 (EUR 66) million, with defined benefit schemes covering mainly white-collar staff. However, contributions paid during the year amounted to EUR 20 (EUR 20) million.

Total defined benefit obligations amounted to EUR 359 (EUR 428) million and assets to EUR 335 (EUR 319) million, leaving a net liability of EUR 24 million at the year end, compared with a net liability of EUR 109 million the year before. This decrease in net liability arose from a increase in discount rate and changes in financial assumptions and experience. 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 15%, equity up to 30%, alternative investments up to 20% and the balance in debt. Stora Enso's Swedish pension fund conducts an annual asset/liability study to optimise its risk parameters.

Other Countries

Total defined benefit obligations in the remaining countries amounted to EUR 182 (EUR 176) million, the assets to EUR 147 (EUR 133) million, so the net liability came to EUR 41 (EUR 43)

million. Obligations were material only in the United Kingdom, at EUR 120 (EUR 122) million, but there is no unfunded deficit at the end of 2013 (EUR 8 million).

Pension and Post-Employment Benefit Provisions

EUR million	As at 31 December	
	2013	2012
Defined benefit pension plan liabilities	351	458
Other post-employment benefit liabilities	27	22
Total Balance Sheet Liabilities	378	480
Defined benefit plan assets (Note 16)	-	-
Net Defined Benefit Liability	378	480

Net Defined Benefit Obligation Reconciliation

EUR million	Year Ended 31 December	
	2013	2012
Present Value of Defined Benefit Obligation		
Defined benefit obligation at 1 January	1 307	1 104
Translation difference	-16	20
Interest on liabilities	42	44
Service cost	15	11
Actuarial gain/loss on plan liabilities	-58	205
Benefits payments	-76	-74
Other	-	-3
Net disposals/acquisitions	3	-
Defined benefit obligation at 31 December	1 217	1 307
Fair Value of Plan Asset		
Fair value of plan asset at 1 January	-827	-774
Translation difference	9	-21
Expected return on plan assets	-27	-31
Actuarial gain/loss on plan assets	-19	-20
Employer contributions	-54	-57
Benefit payments	76	74
Other	-	2
Net disposal/acquisitions	-3	-
Fair value of plan asset at 31 December	-845	-827

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

EUR million	As at 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
	2013	2012	2013	2012	2013	2012
Present value of funded obligations	892	980	892	980	-	-
Present value of unfunded obligations	325	327	298	305	27	22
Defined benefit obligations (DBO)	1 217	1 307	1 190	1 285	27	22
Fair value of plan assets	845	827	845	827	-	-
Effect of asset ceiling	6	-	6	-	-	-
Net Liability in Defined Benefit Plans	378	480	351	458	27	22
Net Liability	378	480	351	458	27	22

Amounts Recognised in the Income Statement

EUR million	Year Ended 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
	2013	2012	2013	2012	2013	2012
Operating costs						
Current service cost	15	11	13	10	2	1
Other	-	-1	-	-	-	-1
Finance cost						
Net interest on net defined benefit liability	15	13	14	12	1	1
Cost recognised in Income Statement	30	23	27	22	3	1

Statement of Actuarial Gains and Losses

EUR million	Year Ended 31 December	
	2013	2012
Gain/loss on pension scheme assets		
Amount	19	20
Percentage of scheme assets	2.3%	2.4%
Loss/gain arising on pension scheme liabilities		
Amount	61	-206
Percentage of liabilities	5.0%	-15.8%
Gain/loss due to change in asset ceiling	-6	2
Total Losses	74	-184

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December					
	Finland		Germany		Sweden	
	2013	2012	2013	2012	2013	2012
Discount rate %	3.25	3.25	3.25	3.25	3.5	3.0
Future salary increase %	2.0	3.5	2.5	2.5	3.0	3.0
Future pension increase %	2.1	2.1	2.0	2.0	2.0	2.0
Average current retirement age	63.8	63.8	63.0	63.0	65.0	65.0
Weighted average life expectancy	88.50	88.60	85.00	85.00	88.60	88.70

Interest rate risk: The obligations are assessed using market rates of high-quality corporate or government bonds to discount the obligations and are therefore subject to any volatility in the movement of the market rate. The net interest income or expense recognised in profit and loss is also calculated using the market rate of interest.

Mortality risk: In the event that members live longer than assumed, the obligations may be understated originally and a deficit may emerge if funding has not adequately provided for the increased life expectancy.

Sensitivity of the Defined Benefit Pension Obligation

EUR million	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50 %	Decrease by 5.2%	Increase by 6.1%
Salary growth rate	0.50 %	Increase by 1.9%	Decrease by 1.3%
Pension growth rate	0.50 %	Increase by 5.8%	Decrease by 5.1%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.7%	Decrease by 3.2%

Duration of Pension Plans

Years	Finland	Sweden	Germany	UK
At 31 December 2012	12.6	16.5	12.0	13.0
At 31 December 2013	10.0	14.9	12.8	13.0

Return on Plan Assets by Country

EUR million	Year Ended 31 December 2013				
	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	5	-	26	15	46
Estimated return used in actuarial calculations	12	-	9	6	27
Actuarial Gain/Loss for the Year Recognised in Equity	-7	-	17	9	19

EUR million	Year Ended 31 December 2012				
	Finland	Germany	Sweden	Other	Total
Actual return on plan assets	28	-	19	3	51
Estimated return used in actuarial calculations	14	-	10	6	31
Actuarial Gain / Loss for the Year Recognised in Equity	14	-	9	-3	20

Defined Benefit Plan Summary by Country as at 31 December 2013

As at 31 December 2013					
EUR million	Finland	Germany	Sweden	Other	Total
Present value of funded obligations	391	15	338	147	891
Present value of unfunded obligations	-	270	21	35	326
Defined benefit obligations (DBO)	391	285	359	182	1 217
Fair value of plan assets	356	7	335	147	845
Effect of asset ceiling	-	-	-	6	6
Net liability in the defined benefit plans	35	278	24	41	378
Net Liability in the Balance Sheet	35	278	24	41	378
Represented by					
Defined benefit pension plans	35	278	24	14	351
Other post-employment benefits	-	-	-	27	27
Net Liability in the Balance Sheet	35	278	24	41	378

Defined Benefit Plan Summary by Country as at 31 December 2012

As at 31 December 2012					
EUR million	Finland	Germany	Sweden	Other	Total
Present value of funded obligations	414	15	405	146	980
Present value of unfunded obligations	-	274	23	30	327
Defined benefit obligations (DBO)	414	289	428	176	1 307
Fair value of plan assets	369	6	319	133	827
Net liability in the defined benefit plans	45	283	109	43	480
Net Liability in the Balance Sheet	45	283	109	43	480
Represented by					
Defined benefit pension plans	45	283	109	21	458
Other post-employment benefits	-	-	-	22	22
Net Liability in the Balance Sheet	45	283	109	43	480

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-earnings ratios of the major stock indices.

Plan Assets

EUR million	As at 31 December			
	2013		2012	
	Value	%	Value	%
Equity	271	32.1	243	29.4
Government bonds	81	9.6	89	10.8
Corporate bonds	293	34.6	301	36.3
Debt	374	44.2	390	47.1
Property	66	7.8	67	8.1
Cash	32	3.8	38	4.6
Others	102	12.1	89	10.8
Total Pension Fund Assets	845	100.0	827	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 356 (369) 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 2014 contributions of EUR 53 million are expected to be paid.

In 2013 contributions of EUR 54 (EUR 58) million were paid.

Note 22 Employee Variable Compensation 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 variable compensation 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. These performance-based programmes cover approximately 95% of employees globally, where allowed by local practice and regulations. For performance year 2013 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 2013 new share-based programmes have been launched each year. Since 2009 new long-term incentive programmes for executives have been mainly performance share programmes. The Performance Share programmes vest in portions over a three-year period. The performance target is set annually by the Remuneration Committee. The programmes launched in 2009 to 2011 have a maximum vesting

potential of 150% of the number of shares awarded, provided the performance criteria exceed the target. In the Performance Share programmes launched since 2012, the absolute maximum vesting level has been changed to 100% of the number of shares awarded. In 2010 and 2011 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 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 (Total Return Swaps) 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 price; 1 263 500 options from the 2006 scheme lapsed in 2013 and 701 050 options from the 2007 scheme lapse on 28 February 2014.

Option/Synthetic Option Programmes at 31 December 2013

Option Programme	Year of Issue	Strike Price Base Period	Strike Price	Number of Staff	Number of Options Issued	Number of Options Cancelled ¹⁾	Number of Options Exercised	Number of Options Outstanding	Exercise Period
		8 Feb–							1 Mar 2010–
2007 Synthetic	2007	14 Feb	EUR 14.00	731	1 406 596	705 546	-	701 050	28 Feb 2014

¹⁾ Includes options associated with divestment of Stora Enso North America Inc.

The fair value of employee services received in exchange for share awards is accounted for in a manner that is consistent with the method of settlement. The Group will withhold from an employee's compensation, by reducing the number of shares issued to the employee, an amount to satisfy the employee's tax liability incurred as a result of the transaction. That tax-related amount is accounted for as a cash-settled share-based compensation. The amount of shares delivered to the employees is accounted for as an equity-settled transaction.

The resulting cash-settled liability related to expected tax to be paid 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 year-end closing price of EUR 7.30 (EUR 5.25), with all changes recognised immediately in the Income Statement. The equity-settled share awards, net of tax, are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate

of equity instruments that will eventually vest, with a corresponding increase in equity.

The fair value of employee services received in exchange for cash-settled synthetic options 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 and Scholes model, with all changes recognised in the Income Statement.

At the year end, there were 701 050 (2 159 296) synthetic options outstanding, of which 701 050 (2 159 296) options were exercisable. The strike price for the outstanding options is EUR 14.00 and a weighted average remaining contractual right of 0.2 (0.6) years. No options have been granted since 2007.

The outstanding restricted and performance share awards are shown below.

Share Awards at 31 December 2013

Number of shares	Projected Delivery of Outstanding Restricted and Performance Share Awards at Year End			
	2014	2015	2016	Total
2009 programme	16 750	-	-	16 750
2011 programme	411 199	70 000	-	481 199
2012 programme	759 754	759 754	-	1 519 508
2013 programme	1 044 935	783 702	783 702	2 612 339
Total	2 232 638	1 613 456	783 702	4 629 796

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 fair valuation and vesting impact of share-based programmes amounted to a loss of EUR 1 (gain EUR 1) million, all related to restricted and performance share awards. The year end liability of EUR 3 (EUR 4) million is shown in non-current operative liabilities and is all related to the restricted and performance share awards. The year-end amount booked in equity related to equity-settled share awards was EUR 2 (EUR 0) million. No options were cashed in 2012 or 2013. The actual cash cost for the restricted and performance share awards totalled EUR 1 (EUR 3) 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 4 000 000 (10 960 672) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 2 (asset EUR 3) million. The change from a net asset of EUR 3 million to a net asset of EUR 2 million is due to a cash receipt of EUR 12 million and a fair value increase of EUR 11 million due to the increase in share price from EUR 5.25 at 31 December 2012 to EUR 7.30 at 31 December 2013.

Note 23 Other Provisions

Other Provisions

EUR million	Environmental	Restructuring	Other Obligatory	Total Provisions
Carrying Value at 1 January 2013	114	96	4	214
Translation difference	-3	-3	6	-
Charge in Income Statement				
New provisions	-	124	8	132
Increase in existing provisions	3	1	4	8
Reversal of existing provisions	-1	-21	-12	-34
Payments	-7	-67	-2	-76
Carrying Value at 31 December 2013	106	130	8	244
Allocation between Current and Non-current Liabilities				
Current liabilities: Payable within 12 months	5	116	2	123
Non-current liabilities: Payable after 12 months	101	14	6	121
Total at 31 December 2013	106	130	8	244

Environmental remediation

Provisions for environmental remediation amounted to EUR 106 million at 31 December 2013, a decrease of EUR 8 million compared with 31 December 2012.

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 44 (EUR 47) million.
- The site adjacent to Skoghall Mill contains ground pollutants that must be removed. The provision at the year end amounted to EUR 19 (EUR 20) million.
- The total environmental provision in Finland amounted to EUR 13 (EUR 15) million. The largest provision relates to the permanent closure of newsprint operations at Varkaus during

2010 and amounted to EUR 10 (EUR 10) million. Other provisions include EUR 1 (EUR 1) million related to pollution in the vicinity of Pateniemi Sawmill and two provisions related to the sites of closed mills: EUR 1 (EUR 2) million related to the former Kemijärvi Pulp Mill and EUR 1 (EUR 1) million related to the site of the former Summa Mill.

- 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 10 (EUR 13) million.
- EUR 6 (EUR 7) 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 2010.

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 124 million, the main items being restructuring provisions related to the closures of two paper machines, reorganisations of Customer Service Centres and Logistics Service Centres, and a streamlining and structure simplification programme. New restructuring provisions by Segments were: Printing and Reading EUR 73 million, Renewable Packaging EUR 36 million, Building and Living EUR 8 million and Other EUR 7 million.

Stora Enso announced in February 2013 the permanent shutdown of paper machines (PM) 2 at Hylte Mill in Sweden with annual capacity 205 000 tonnes of newsprint and PM 11 at Kvarnsveden Mill also in Sweden with annual capacity of 270 000 tonnes of newsprint. This represented 3.4% of the European newsprint capacity, and the closures were due to continuing structural weakening of newsprint demand in Europe. The restructuring provision for the PM 11 closure in Kvarnsveden amounted at the year end to EUR 8 million. In addition to the closures in 2013, Stora Enso had announced in 2012 the permanent shutdown of PM 1 at Hylte Mill with annual capacity 180 000 tonnes of newsprint by end of the fourth quarter of 2012. The provision for PM 1 and 2 amounted to EUR 7 million at year-end 2013.

In February 2013 Printing and Reading announced plans to reorganise its Customer Services Centres (CSCs) and Logistics Service Centres (LSCs) in Europe in order to unify order handling, logistics and customer service processes. The provision at the year end amounted to EUR 2 million.

In February 2013 Building and Living announced in plans to streamline operations by reducing costs, increasing productivity and finding sustainable improvements in all operations to overcome continued poor profitability.

In April 2013 Stora Enso launched a Group streamlining and structure simplification project intended to achieve annual fixed cost savings of EUR 200 million. The earlier announced streamlining plan for Building and Living is included in the project. In addition to reducing costs, the project was to further reduce interdependencies between businesses and enable a stronger focus on growth in value creating businesses. New provisions for the programme amounted to EUR 76 million at year end.

The total cash payments made during the year in respect of established restructuring provisions amounted to EUR 67 million.

In 2012 the Group announced restructuring provisions related to restructuring measures in all Business Areas mainly related to restructuring and streamlining operations, and efficiency improvements. The main item was the restructuring provision and other restructuring measures at Hylte Mill in Sweden amounting to EUR 14 million (EUR 24 million) at the end of 2013.

The liability at the end of 2013 for restructuring provisions amounted to EUR 130 (EUR 96) million and covered the costs of closing down operations, demolition, clearance and redundancy costs for reducing staff numbers.

Details of intangible asset and property, plant and equipment impairments relating to restructuring provisions are in Note 11 Depreciation and Intangible Assets and Property, Plant and Equipment Impairment Charges.

Other obligatory provisions

Other obligatory provisions amounted to EUR 8 million at 31 December 2013, an increase of EUR 4 million compared with 31 December 2012.

Note 24 Operative Liabilities

Non-Current Operative Liabilities

As at 31 December

EUR million	2013	2012
Post-employment benefit provisions (Note 21)	378	480
Other provisions (Note 23)	121	142
Accruals	1	1
Share-based payments (Note 22)	3	4
Other payables	12	7
Total	515	634

Current Operative Liabilities

As at 31 December

EUR million	2013	2012
Advances received	21	18
Trade payables	1 136	1 066
Other payables	92	95
Payroll and staff-related accruals	234	225
Accrued liabilities and deferred income	206	209
Current portion of provisions	123	72
Total	1 812	1 685

Note 25 Financial Risk Management

Risk management principles and process

Stora Enso is exposed to several financial market risks that the Group is responsible for managing under policies approved by the Board of Directors. The objective is to have cost-effective funding in Group companies and manage financial risks using financial instruments to decrease earnings volatility. 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. All policies covering the use of financial instruments must comply with that. 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. The Group's aim is to keep interest costs stable. Group's duration is capped to the Group's average loan maturity. Duration above average loan maturity is approved by the Board of Directors.

As of 31 December 2013, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 12 (EUR 10) 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 year end using the new higher interest rate.

The total Group floating rate net interest-bearing liability position, excluding cash and cash equivalents but including floating legs of interest rate swaps, is some EUR 1.2 (EUR 1.3) billion. The average interest reset period for Group net interest-bearing liabilities, including all interest rate derivatives but excluding cash and cash equivalents, is some 3.4 (3.7) 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 22 (EUR 25) million, presented under Other Financial Items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting. Note 28 Derivatives 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 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 to mitigate this is to hedge 50% of the forecast major currency cash flows for 12 months.

The principal foreign exchange transaction exposure comprises both the geographical location of Stora Enso production facilities and the sourcing of raw material and sales outside the euro area, mainly denominated in Swedish krona, US dollars and British pounds sterling. The table below shows the sales and costs by invoicing currency.

Sales and Costs in Main Currencies

EUR million	Year ended 31 December											
	2013						2012					
	EUR	USD	SEK	GBP	Other	Total	EUR	USD	SEK	GBP	Other	Total
Sales	6 270	1 430	1 180	550	1 114	10 544	6 250	1 540	1 240	650	1 135	10 815
Costs	-5 580	-580	-2 220	-70	-1 010	-9 460	-5 480	-580	-2 330	-120	-1 180	-9 690
Net amount	690	850	-1 040	480	104	1 084	770	960	-1 090	530	-45	1 125

The table below presents the estimated net operative foreign currency exposure for the main currency pairs for the next 12 months and the related hedges in place as at 31 December 2013 and 2012, respectively. The net trade receivables and payable exposures include foreign currency exposures generated by external and intercompany transactions, in line with requirements of IFRS 7,

although in practice mainly external exposures have been hedged through currency hedges. The currency pairs have been presented so that the first in the pair is the domestic currency and the second is the foreign currency. A positive amount of exposure in the table represents an estimated future receivable of a foreign currency amount.

Operative Foreign Currency Exposure

EUR million	As at 31 December 2013					As at 31 December 2012				
	SEK/ EUR	EUR/ USD	EUR/ GBP	SEK/ USD	SEK/ GBP	SEK/ EUR	EUR/ USD	EUR/ GBP	SEK/ USD	SEK/ GBP
Estimated annual net cash flow exposure	775	642	378	305	155	926	641	414	389	187
Cash flow hedges next 12 months	-448	-281	-187	-167	-76	-468	-321	-183	-205	-88
Estimated Annual Net Cash Flow Exposure, Net of Hedges	327	361	191	138	79	458	320	231	184	99
Hedging Percentage as at 31 December for Next 12 Months	58%	44%	49%	55%	49%	51%	50%	44%	53%	47%
Net trade receivables and payables exposure	95	19	55	25	20	142	58	47	40	22
Currency hedges	-110	-87	-58	-27	-20	-125	-99	-51	-30	-20
Statement of Financial Position Exposure, Net of Hedges	-15	-68	-3	-2	-	17	-41	-4	10	2
Estimated Annual Operative Exposure, Net of Hedges	312	293	188	136	79	475	279	227	194	101

The table below includes the estimated effect on annual EBITDA of a 10% strengthening in the domestic currencies versus the foreign currencies, measured against year-end closing rates. A 10% decrease in the exchange rates would have approximately an equally opposite impact. A negative amount in the table reflects a potential net loss in the Income Statement or Equity and, conversely, a positive amount reflects a net potential gain. In practice, the actual foreign currency results may differ from the sensitivity analysis below.

The calculation is made net of currency hedges and assumes that no changes other than a single currency exchange rate movement have taken place. The currency effects are based on estimated operative foreign currency flows for the next twelve months, hedging levels at the year end and the assumption that the currency cash flow hedging levels and all other variables will remain constant during the next twelve months. Hedging instruments include foreign exchange forward contracts and foreign exchange options. Indirect currency effects with an impact on prices and product flows, such as a product becoming cheaper to produce elsewhere, have not been considered in this calculation.

Estimated Currency Effects of Strengthening by 10% of the Domestic Currencies

EUR million	As at 31 December 2013					As at 31 December 2012				
	SEK/ EUR	EUR/ USD	EUR/ GBP	SEK/ USD	SEK/ GBP	SEK/ EUR	EUR/ USD	EUR/ GBP	SEK/ USD	SEK/ GBP
Effect on estimated annual net cash flow exposure	-78	-64	-38	-31	-16	-93	-64	-41	-39	-19
Effect on hedging reserve before taxes as at year end ¹⁾	45	28	19	17	8	47	32	18	21	9
EBITDA impact as at year end ²⁾	2	7	-	-	-	-2	4	-	-1	-
Estimated Annual EBITDA Impact³⁾	-31	-29	-19	-14	-8	-48	-28	-23	-19	-10

¹⁾ The effect on hedging reserve (other comprehensive income) before taxes at the year end is related to the fair value change in derivatives contracts qualifying as cash flow hedges of highly probable forecast cash flows.

²⁾ The EBITDA impact as at the year end represents the estimated currency effect related to trade payables and receivables, net of hedges.

³⁾ The estimated annual EBITDA impact includes currency effects in respect of operative exposures in the Statement of Financial Position, forecast cash flows and related hedges.

The table below includes the financial foreign currency exposures and related hedges in place as at 31 December 2013 and 2012, respectively. Net debt includes loan payables and related interest rate derivatives, net of loan receivables and cash and cash equivalents. The currency derivatives hedge mainly financial exposures in the Statement of Financial Position and from time

to time also forecast cash flows not qualifying under hedge accounting. These forecast cash flows are not included in the below table. Additionally, the table presents the estimated currency effects based on a 10% strengthening in the euro versus the main exposure currencies. The calculation assumes that no changes other than a single currency exchange rate movement have taken place.

Financial Foreign Currency Exposure and Estimated Currency Effects

EUR million	As at 31 December 2013					As at 31 December 2012				
	SEK	USD	CNY	PLN	RUB	SEK	USD	CNY	PLN	RUB
Net debt excluding hedges	321	-421	256	279	60	1 176	-560	281	288	91
Currency hedges	-698	164	162	-	5	-1 179	200	68	-	-
Net Financial Exposure	-377	-257	418	279	65	-3	-360	349	288	91
Estimated Currency Effects based on 10% Strengthening in EUR	38	26	-42	-28	-7	-	36	-35	-29	-9

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 is 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: 2013

EUR million	As at 31 December							
	Euro area	USD area ²⁾	Sweden	Czech Republic	Poland	Brazil	Other	Total
Capital employed, excluding equity accounted investments	3 232	23	956	116	488	137	794	5 746
Equity accounted investments	213	532	730	-	1	459	26	1 961
Net interest-bearing liabilities	-1 479	5	-480	-	-179	30	-331	-2 434
Non-controlling interests	-1	-	-37	-	-	-19	-3	-60
Translation Exposure on Equity	1 965	560	1 169	116	310	607	486	5 213
EUR/SEK ¹⁾	525	-	-525	-	-	-	-	-
Translation Exposure after Hedges	2 490	560	644	116	310	607	486	5 213

¹⁾ SEK denominated bonds classified as hedges of investments in foreign assets.

²⁾ Includes the equity accounted investment Montes del Plata in Uruguay, which has USD as its functional currency.

Translation Risk and Hedges: 2012

EUR million	As at 31 December							Total
	Euro area	USD area ³⁾	Sweden	Czech Republic	Poland	Brazil	Other	
Capital employed, excluding equity accounted investments	3 585	18	1 615	128	468	165	675	6 654
Equity accounted investments	188	513	708	-	1	555	-	1 965
Net interest-bearing liabilities	-1 010	-2	-1 290	5	-163	47	-344	-2 757
Non-controlling interests	-3	-	-3	-	-1	-26	-59	-92
Translation Exposure on Equity	2 760	529	1 030	133	305	741	272	5 770
EUR/CZK ¹⁾	70	-	-	-70	-	-	-	-
EUR/SEK ²⁾	542	-	-542	-	-	-	-	-
Translation Exposure after Hedges	3 372	529	488	63	305	741	272	5 770

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 take place 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. The hedging instruments are foreign currency forward contracts, currency options and foreign currency denominated borrowings. Full details of actual CTA movements and hedging results are given in Note 29 Cumulative Translation Adjustment and Equity Hedging.

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

EUR million	As at 31 December 2013			As at 31 December 2012		
	Before Hedges	Hedges	Net Impact	Before Hedges	Hedges	Net Impact
10% change in the EUR/SEK rate	117	-53	64	103	-54	49
10% change in the EUR/USD rate	56	-	56	53	-	53
10% change in the EUR/BRL rate	61	-	61	74	-	74
Total Effect from Above	234	-53	181	230	-54	176

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, or the risk 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.

The table below shows Group contractual undiscounted interest-bearing 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 were used at point of estimation for contractual finance charges.

Contractual Maturity Repayments of Interest-bearing Liabilities, Settlement Net: 2013

EUR million	2014	2015	2016	2017	2018	2019+	Total
Bond loans	287	492	773	305	572	748	3 177
Loans from credit institutions	197	69	55	234	4	300	859
Financial lease liabilities	8	8	7	27	27	-	77
Other non-current liabilities	13	44	25	5	5	2	94
Non-current Debt including Current Portion	505	613	860	571	608	1 050	4 207
Less fair value adjustments to carrying amounts	7	-7	-15	-	4	6	-5
Estimated contractual finance charges	205	173	142	101	81	336	1 038
Contractual Repayments on Non-Current Debt	717	779	987	672	693	1 392	5 240
Short-term borrowings, carrying amounts	391	-	-	-	-	-	391
Contractual finance charges	8	-	-	-	-	-	8
Bank overdrafts	12	-	-	-	-	-	12
Total Contractual Repayments at 31 December 2013	1 128	779	987	672	693	1 392	5 651

Contractual Maturity Repayments of Interest-bearing Liabilities, Settlement Net: 2012

EUR million	2013	2014	2015	2016	2017	2018+	Total
Bond loans	50	376	511	796	315	1 330	3 378
Loans from credit institutions	71	202	60	57	234	164	788
Financial lease liabilities	22	8	8	7	27	27	99
Other non-current liabilities	38	45	62	52	29	31	257
Non-current Debt including Current Portion	181	631	641	912	605	1 552	4 522
Less fair value adjustments to carrying amounts	-	-4	-7	-29	1	9	-30
Estimated contractual finance charges	223	218	171	135	95	422	1 264
Contractual Repayments on Non-Current Debt	404	845	805	1 018	701	1 983	5 756
Short-term borrowings, carrying amounts	332	-	-	-	-	-	332
Contractual finance charges	1	-	-	-	-	-	1
Bank overdrafts	5	-	-	-	-	-	5
Total Contractual Repayments at 31 December 2012	742	845	805	1 018	701	1 983	6 094

Financial transactions counterparty credit risk

Financial counterparty risk is Stora Enso's exposure on financial contracts arising from a deterioration in counterparties' financial health.

This risk is minimised by:

- entering into transactions only with leading financial institutions and with industrial companies that have a good 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 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 financial institutions counterparties at the reporting date using Standard and Poor's credit rating symbols.

External Counterparty Exposure

EUR million	Rating	As at 31 December	
		2013	2012
Company A	A-	27	39
Company B	A-	15	29
Company C	A+	4	-
Company D	A-	1	-
Company E	A	1	4

A PIK Note issued by the Altor subsidiary Papyrus Holding AB, a non-rated company is classified as a non-current loan receivable and had at year end a carrying value of EUR 47 million and a fair value of EUR 49 million. The valuation of this PIK Note requires management judgement, and hence it is subject to uncertainty.

In addition, the Group has loan receivables from equity accounted investments, for which more details are presented in Note 14 Equity Accounted 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 26 (EUR 27) 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 four years. In 2012 the maturities ranged from one month to four years.

The greater part of Group energy price risk has been covered by entering into long-term physical fixed price purchase agreements. The Group also has a 14.8% holding, valued at EUR 352 (EUR 441) 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 15 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 total return swaps (TRS) to partially hedge exposures to changes in the price of share awards granted under the Long Term Incentive programmes (see Notes 6 Staff Costs and 22 Employee Variable Compensation and Equity Incentive Schemes). While these TRS instruments allow the Group to partially stabilise future cash flows related to future share awards, 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 2013 there were TRS instruments outstanding covering 4 000 000 (10 960 672) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 2 (EUR 3) million, as disclosed in Note 28 Derivatives. 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 5 (EUR 6) million, based on a closing share price at year end of EUR 7.30 (EUR 5.25) on NASDAQ OMX Helsinki.

The Group has certain investments in publicly traded securities (Note 15 Available-for-Sale Investments). The market value of these equity investments was EUR 10 (EUR 6) million at the year end. As of 31 December 2013 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.

Customer credit risk

Customer credit risk is Stora Enso's exposure to contracts arising from deterioration in the financial health of customers. Credit insurance has been obtained for customers in the main market areas of Western Europe, Canada and the USA when appropriate. 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 18 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, as well as 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

EUR million	As at 31 December	
	2013	2012
Interest-bearing liabilities	4 838	5 134
Interest-bearing assets	2 404	2 377
Interest-bearing Net Debt	2 434	2 757
Equity Attributable to Owners of the Parent	5 213	5 770
Debt / Equity Ratio	0.47	0.48

Note 26 Fair Values

Carrying Amounts of Financial Assets and Liabilities by Measurement Category: 2013

EUR million	Loans and Receivables	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Available-for-Sale Financial Assets	Carrying Amounts	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	371	371	371	15
Non-current loan receivables	80	-	-	-	80	82	18
Trade and other operative receivables	1 254	2	-	-	1 256	1 256	18
Interest-bearing receivables	135	82	32	-	249	249	18
Cash and cash equivalents	2 065	-	-	-	2 065	2 065	
Total	3 534	84	32	371	4 021	4 023	

EUR million	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value	Note
Financial Liabilities						
Non-current debt	-	4	3 698	3 702	3 870	27
Current portion of non-current debt	-	-	505	505	505	27
Interest-bearing liabilities	101	39	479	619	619	27
Trade and other operative payables	-	-	1 370	1 370	1 370	24
Bank overdrafts	-	-	12	12	12	
Total	101	43	6 064	6 208	6 376	

Carrying Amounts of Financial Assets and Liabilities by Measurement Category: 2012

EUR million	Loans and Receivables	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Available-for-Sale Financial Assets	Carrying Amounts	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	547	547	547	15
Non-current loan receivables	134	-	-	-	134	150	18
Trade and other operative receivables	1 357	2	-	-	1 359	1 359	18
Interest-bearing receivables	114	139	44	-	297	297	18
Cash and cash equivalents	1 850	-	-	-	1 850	1 850	
Total	3 455	141	44	547	4 187	4 203	

EUR million	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value	Note
Financial Liabilities						
Non-current debt	-	2	4 339	4 341	4 660	27
Current portion of non-current debt	-	-	181	181	181	27
Interest-bearing liabilities	167	24	416	607	607	27
Trade and other operative payables	-	-	1 292	1 292	1 292	24
Bank overdrafts	-	-	5	5	5	
Total	167	26	6 233	6 426	6 745	

In the previous tables, fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities such as trade receivables and payables due to short time to maturity and limited credit risk. The fair value of non-current debt, that is considered as a level 2 fair value measurement, is estimated based on discounted cash flow analysis in which yield curves observable at commonly quoted intervals are used as a

discount factor in the model. In 2013 the fair value of non-current loan receivables includes Papyrus loan note fair valuation and the fair value, categorised on level 3 in the fair value hierarchy, being estimated based on discounted cash flow analysis with the most significant input being the discount rate. The fair value of remaining Bergvik Skog loan note is estimated to equal the carrying amount presented in Note 18 Receivables.

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.

See Note 15 Available-for-Sale Investments for more information on Level 3 fair value measurement of available-for-sale financial assets listed in the following table:

Fair Value Measurements Recognised in the Statement of Financial Position: 2013

	As at 31 December			
EUR million	Level 1	Level 2	Level 3	Total
Derivative Financial Assets				
Hedging derivatives	-	32	-	32
Derivatives at fair value through profit and loss	-	84	-	84
Available-for-Sale Financial Assets				
Listed securities	10	-	-	10
Unlisted shares	-	-	361	361
Unlisted interest-bearing securities	-	-	-	-
Total	10	116	361	487
Derivative Financial Liabilities				
Hedging derivatives	-	43	-	43
Derivatives at fair value through profit and loss	-	101	-	101
Total	-	144	-	144

Fair Value Measurements Recognised in the Statement of Financial Position: 2012

	As at 31 December			
EUR million	Level 1	Level 2	Level 3	Total
Derivative Financial Assets				
Hedging derivatives	-	44	-	44
Derivatives at fair value through profit and loss	-	141	-	141
Available-for-Sale Financial Assets				
Listed securities	6	-	-	6
Unlisted shares	-	-	451	451
Unlisted interest-bearing securities	-	-	90	90
Total	6	185	541	732
Derivative Financial Liabilities				
Hedging derivatives	-	26	-	26
Derivatives at fair value through profit and loss	-	167	-	167
Total	-	193	-	193

Reconciliation of Level 3 Fair Value Measurements of Financial Assets: 2013

EUR million	Unlisted Shares	Unlisted Interest-bearing Securities	Total
Opening balance at 1 January 2013	451	90	541
Interest capitalised	-	9	9
Gains (losses) recognised through income statement	1	2	3
Gains in OCI transferred to income statement	-	-7	-7
Losses recognised in other comprehensive income	-97	-	-97
Additions	9	-	9
Disposals	-3	-94	-97
Closing Balance at 31 December 2013	361	-	361

Reconciliation of Level 3 Fair Value Measurements of Financial Assets: 2012

EUR million	Unlisted Shares	Unlisted Interest-bearing Securities	Total
Opening balance at 1 January 2012	640	78	718
Interest capitalised	-	10	10
Gains (losses) recognised through income statement	-8	-	-8
Gains in OCI transferred to income statement	-	-	-
Losses recognised in other comprehensive income	-182	2	-180
Additions	1	-	1
Disposals	-	-	-
Closing Balance at 31 December 2012	451	90	541

Note 27 Debt

The below table includes the breakdown of Group's interest-bearing liabilities and the related changes in the balances.

Interest-bearing Liabilities

EUR million	As at 31 December	
	2013	2012
Bond loans	3 177	3 378
Loans from credit institutions	859	788
Finance lease liabilities	77	99
Other non-current liabilities	94	257
Non-current Debt including Current Portion	4 207	4 522
Short-term borrowings	391	332
Interest payable	87	84
Derivative financial liabilities (see Note 26)	141	191
Bank overdrafts	12	5
Total Interest-bearing Liabilities	4 838	5 134

EUR million	2013	
	2013	2012
Carrying Value at 1 January	5 134	4 373
Proceeds of new long-term debt	151	1 472
Repayment of long-term debt	-371	-571
Change in short-term borrowings and interest payable	62	-205
Change in derivative financial liabilities	-50	28
Translation differences and other	-88	37
Total Interest-bearing Liabilities	4 838	5 134

Borrowings have various maturities, details of which are set out in Note 25 Financial Risk Management, the longest being in 2036, and have either fixed or floating interest rates ranging from 0.6% (0.6%) to 8.6% (8.6%). The majority of Group loans are denominated in euros, US dollars and Swedish krona. At 31 December 2013 unused committed credit facilities totalled EUR 700 (EUR 700) million, none of which was short term, expiry being in 2017 (2015). Additionally, the Group has access to various other long-term sources of funding up to EUR 800 million mainly from Finnish pension funds.

In September 2013 the Group drew a EUR 140 million seven-year loan from the European Investment Bank (EIB) to be used for research and development. The interest rate of the loan is 3.3%. There are no financial covenants in the terms of the new loan.

In November 2013, Stora Enso signed a new EUR 700 million committed credit facility agreement with a syndicate of 14 banks to refinance its existing EUR 700 million facility. The new facility matures in January 2017 and will be used as a backup for general corporate purposes. Stora Enso has two one-year extension options, subject to banks' acceptance. If both of the options are

exercised, the maturity date of the facility will be January 2019. The loan has no financial covenants.

In 2013, Stora Enso repurchased EUR 125 million of the 5.125% bond notes due in June 2014. Following the repurchase, the aggregate nominal amount of the outstanding notes is EUR 270 million. In addition, loans from Finnish pension institutions with a nominal amount of EUR 155 million and a bond maturing in August 2013 with a nominal amount of EUR 25 million have also been repaid during the year.

In 2013 net interest-bearing liabilities decreased by EUR 323 million to EUR 2 434 million. Net interest-bearing liabilities are equal to total interest-bearing liabilities less total interest-bearing assets. Cash and cash equivalents net of overdrafts increased from EUR 1 845 million at 31 December 2012 to EUR 2 053 million at 31 December 2013.

The breakdown of net interest-bearing liabilities including internal items and operating capital by principal country/area is detailed on the following page.

Country/Area Breakdown

As at 31 December

EUR million	Net Interest-bearing Liabilities		Operating Capital	
	2013	2012	2013	2012
Euro area	1 479	1 010	2 990	3 683
Sweden	480	1 290	2 208	2 591
Brazil	-30	-47	591	716
Uruguay	-	-	512	494
China (including Hong Kong)	299	277	569	445
Poland	179	163	492	478
Russia	48	60	133	154
Czech Republic	-	-5	119	130
USA	-5	2	38	38
Other	-16	7	129	107
Total	2 434	2 757	7 781	8 836

Bond Loans in Non-current Debt

Issue/ Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value Issued 2013	Outstanding As at 31 December		Carrying Value As at 31 December	
					2013	2012	2013	2012
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	50	50	36	38
2004-2014	Euro Medium Term Note	5.125	EUR	750	270	395	263	375
2006-2015	Swedish Fixed Real Rate	3.500	SEK	500	500	500	63	67
2006-2016	Global 6.404% Notes 2016	6.404	USD	508	508	508	383	407
2006-2036	Global 7.250% Notes 2036	7.250	USD	300	300	300	214	224
2010-2015	Euro Medium Term Note	5.750	SEK	2 400	2 400	2 400	271	280
2012-2017	Euro Medium Term Note	5.750	SEK	500	500	500	56	58
2012-2018	Euro Medium Term Note	5.000	EUR	500	500	500	497	496
2012-2019	Euro Medium Term Note	5.500	EUR	500	500	500	497	497
Total Fixed Rate Bond Loans							2 280	2 442
Floating Rate								
2006-2018	Euro Medium Term Note	Euribor+0.96	EUR	25	25	25	25	25
2006-2018	Euro Medium Term Note	Euribor+0.72	EUR	50	50	50	50	50
2009-2016	Euro Medium Term Note	Euribor+4.21	EUR	390	390	390	390	390
2011-2012	Euro Medium Term Note	Euribor+2.83	EUR	25	0	25	0	25
2012-2013	Euro Medium Term Note	Euribor+2.76	EUR	25	25	25	25	25
2010-2015	Euro Medium Term Note	Stibor+3.70	SEK	1 400	1 400	1 400	159	164
2012-2017	Euro Medium Term Note	Stibor+3.90	SEK	2 200	2 200	2 200	248	257
Total Floating Rate Bond Loans							897	936
Total Bond Loans							3 177	3 378

Finance lease liabilities

At 31 December 2013 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 49 (EUR 66) million were included in property, plant and equipment; the depreciation and impairment thereon was EUR 17 (EUR 12) million. The aggregate leasing payments for the

year amounted to EUR 8 (EUR 10) million, the interest element being EUR 2 (EUR 4) million. In 2013, new finance lease transactions amounted to EUR 0 (EUR 1) million. Enocell Pulp Mill's power plant was transferred from Fortum Power and Heat Oy to Group ownership on 31 December 2013 at approximately EUR 16 million in accordance with an existing finance lease agreement.

Finance Lease Liabilities

EUR million	As at 31 December	
	2013	2012
Minimum Lease Payments		
Less than 1 year	10	26
1–2 years	10	10
2–3 years	9	10
3–4 years	28	9
4–5 years	27	29
Over 5 years	-	27
	84	111
Future finance charges	-7	-12
Present Value of Finance Lease Liabilities	77	99
Present Value of Finance Lease Liabilities		
Less than 1 year	8	22
1–2 years	8	8
2–3 years	7	8
3–4 years	27	7
4–5 years	27	27
Over 5 years	-	27
	77	99

Note 28 Derivatives

Shareholders' equity – other comprehensive income

Certain derivatives are designated as cash flow hedges and measured at 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 15 Available-for-Sale Investments).

Associate companies and joint ventures record hedges and pensions-related amounts directly in equity, and the Group records its share of these amounts also in equity in the "OCI of Equity Accounted Investments" classification.

OCI in Equity Accounted Investments

EUR million	Year Ended 31 December	
	2013	2012
Bergvik Skog AB	-	-10
Montes del Plata	1	-1
Thiele Kaolin Company	-15	-14
Tornator Oyj	-5	-8
Total	-19	-33

In Group the estimated net amount of unrealised cash flow hedge loss net of taxes amounted to EUR 12 (EUR gain 11) million of which a gain of EUR 3 (EUR gain 19) million related to currencies and a loss of EUR 15 (EUR loss 9) million to commodities. These unrealised gains and losses are expected to be recycled through the Income Statement within one to four years with the longest hedging contract maturing in 2017 (2016), however the majority are expected to mature in 2014. Any hedge ineffectiveness is presented as an adjustment to sales or to materials and services, depending on the underlying exposure, totalling gross gains of EUR 0 (loss EUR 0) million for commodity contract hedges and nil for currency hedges in both 2013 and 2012. Derivatives used in currency cash flow hedges are forward contracts and options, with swaps mainly used in commodity hedges.

Fair values of derivatives

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 in an orderly transaction between market participants at the measurement date. 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 carrying amounts of foreign exchange forward contracts are calculated using forward exchange rates at the reporting date.
- 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.
- Commodity contract fair values are computed with reference to quoted market prices on futures exchanges.
- The fair values of commodity options are calculated using year-end market rates together with common option pricing models.
- 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 2013 or 31 December 2012.

Certain gains and losses on financial instruments are taken directly to equity to offset CTA or deferred under OCI. The remaining fair value movements are taken to the Income Statement as net financial items (see Note 8 Net Financial Items).

Hedge Gains and Losses in Financial Items

EUR million	Year Ended 31 December	
	2013	2012
Net losses on fair value hedges	-2	-1
Fair value changes in hedged items	2	-
Net Losses on Fair Value Hedges in Financial Items	-	-1
Non-qualifying Hedges		
Net losses on interest rate derivatives	-3	-43
Net gains/losses on currency derivatives	20	-71
Net Gains/Losses in Financial Items	17	-114

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

Hedge Gains and Losses in Operating Profit

EUR million	Year Ended 31 December	
	2013	2012
Cash Flow Hedge Accounted		
Currency hedges	22	-8
Commodity contract hedges	-11	-2
Total	11	-10
As adjustments to Sales	20	1
As adjustments to Materials and services	-9	-11
Realised from OCI through Income Statement	11	-10
Commodity contract hedge ineffectiveness	-	-
Net Gains/Losses from Cash Flow Hedges	11	-10
Non-qualifying Hedges		
Currency hedges	8	16
Commodity contract hedges	-19	-
Net Losses/Gains on Non-Qualifying Hedges	-11	16
Net Hedge Gains in Operating Profit	-	6

Fair Values of Derivative Instruments

EUR million	As at 31 December			
	Positive Fair Values	Negative Fair Values	Net Fair Values	Net Fair Values
	2013			2012
Fair value hedge accounted				
Interest rate swaps	10	-4	6	7
Cash flow hedge accounted				
Currency forward contracts	1	-2	-1	1
Currency options	18	-13	5	24
Commodity contracts	2	-24	-22	-14
Net investment hedge accounted				
Currency forward contracts	-	-	-	-
Non-qualifying hedges				
Interest rate swaps	70	-47	23	44
Interest rate options	-	-33	-33	-53
Currency forward contracts	11	-6	5	-20
Currency options	1	-1	-	-
Commodity contracts	1	-14	-13	-
Equity swaps (TRS)	2	-	2	3
Total	116	-144	-28	-8

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Non-current 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.

Nominal Values of Derivative Financial Instruments

EUR million	As at 31 December	
	2013	2012
Interest Rate Derivatives		
Interest rate swaps		
Maturity under 1 year	1 418	-
Maturity 2–5 years	893	2 077
Maturity 6–10 years	-	250
	2 311	2 327
Interest rate options	403	517
Total	2 714	2 844
Foreign Exchange Derivatives		
Forward contracts	1 543	1 975
Currency options	2 583	2 642
Total	4 126	4 617
Commodity Derivatives		
Commodity contracts	373	331
Total	373	331
Total Return (Equity) Swaps		
Equity swaps (TRS)	27	55
Total	27	55

The following table 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. For Stora Enso values are mainly for one year only.

Contractual Derivatives Maturity Repayments Gross Settlement

EUR million	As at 31 December 2013		As at 31 December 2012	
	2014	2015+	2013	2014+
Currency Forwards and Options: Cash Flow Hedges				
Outflow	844	-	862	14
Inflow	850	-	880	15
Currency Forwards and Options: Hedging of Net Investment				
Outflow	-	-	70	-
Inflow	-	-	70	-
Currency Forwards and Options: Fair Value in Income Statement				
Outflow	1 490	-	1 858	1
Inflow	1 495	-	1 836	1

Contractual payments for net-settled derivative financial liabilities were in the following maturity groupings: within one year EUR 39 (EUR 41) million and within two to five years EUR 62 (EUR 90) million.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting

agreements agreed with each counterparty. In case of an unlikely credit event, such as default, all outstanding transactions under the ISDA agreement are terminated and only a single net amount per counterparty is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position due to the reason that offsetting is enforceable only on the occurrence of certain future events.

Financial Impact of Netting for Instruments Subject to an Enforceable Master Netting Agreement 2013

EUR million	Not offset in the Statement of Financial Position			
	Gross amount of recognised financial instruments	Related liabilities (-) or assets (+) subject to Master Netting Agreements	Collateral received (-) or given (+)	Net Exposure
Derivative assets	87	-87	-	-
Derivative liabilities	-118	87	-	-31

Financial Impact of Netting for Instruments Subject to an Enforceable Master Netting Agreement 2012

EUR million	Not offset in the Statement of Financial Position			
	Gross amount of recognised financial instruments	Related liabilities (-) or assets (+) subject to Master Netting Agreements	Collateral received (-) or given (+)	Net Exposure
Derivative assets	129	-129	-	-
Derivative liabilities	-170	129	-	-41

Note 29 Cumulative Translation Adjustment and Equity Hedging

The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations on the value of its net investment in non-euro area foreign subsidiaries and 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

EUR million	Year Ended 31 December	
	2013	2012
At 1 January		
CTA on net investment in non-euro foreign entities	-19	10
Hedging thereof	14	31
Net currency losses/gains in equity	-5	41
Tax on hedging	-5	-9
	-10	32
CTA Movement for the Year Reported in OCI		
Restatement of opening non-euro denominated equity	-214	-10
Difference in Income Statement translation	-3	1
Internal equity injections and dividends	-11	-20
Other	-2	-
	-230	-29
Hedging of Net Investment for the Year Reported in OCI		
Hedging result	23	-17
Taxes	-4	4
	19	-13
Income Statement		
Loss on CTA release	3	-
Net loss	3	-
	3	-
At 31 December		
CTA on net investment in non-euro foreign entities	-246	-19
Hedging thereof (see below)	37	14
Cumulative net currency losses in equity	-209	-5
Tax on hedging	-9	-5
Net CTA in Equity	-218	-10
Hedging of Net Investment in Foreign Entities		
Hedging	37	14
Tax on hedging	-9	-5
Net Hedging Result in Equity	28	9
Realised gains	25	20
Unrealised gains/losses	3	-11
Total Gains	28	9

The Group is currently hedging only its equity exposure to the Swedish krona. The main movements in CTA in 2013 were a loss of EUR 42 (gain of EUR 38) million related to the Swedish krona and a loss of EUR 123 (EUR 87) million related to the Brazilian real. The most significant accumulated CTA balances are in Sweden, amounting to a loss of EUR 112 (EUR 70) million, in Brazil,

amounting to a loss of EUR 115 (gain of EUR 8) million, and in the Czech Republic, amounting to a gain of EUR 24 (EUR 36) million.

The release of cumulative translation adjustments to the Income Statement amounted to a loss of EUR 3 million in 2013. There were no material releases of CTA through the Income Statement in 2012.

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

EUR million	As at 31 December					
	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in the Statement of Financial Position	
	2013	2012	2013	2012	2013	2012
Brazil	-115	8	-	-	-115	8
China	-2	3	-	-	-2	3
Czech Republic	24	36	-9	-15	15	21
Poland	-18	-12	17	17	-1	5
Russia	-21	-11	-	-	-21	-11
Sweden	-112	-70	29	12	-83	-58
Uruguay	3	25	-	-	3	25
USA	2	5	-	-	2	5
Others	-7	-3	-	-	-7	-3
CTA before Tax	-246	-19	37	14	-209	-5
Taxes	-	-	-9	-5	-9	-5
Net CTA in Equity	-246	-19	28	9	-218	-10

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

EUR million	As at 31 December					
	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in OCI	
	2013	2012	2013	2012	2013	2012
Brazil	-123	-87	-	-	-123	-87
China	-5	-	-	-	-5	-
Czech Republic	-12	4	6	-2	-6	2
Poland	-6	25	-	-	-6	25
Russia	-10	2	-	-	-10	2
Sweden	-42	38	17	-15	-25	23
Uruguay	-22	-11	-	-	-22	-11
USA	-3	-2	-	-	-3	-2
Others	-4	2	-	-	-4	2
CTA before Tax	-227	-29	23	-17	-204	-46
Taxes	-	-	-4	4	-4	4
Net CTA in Equity	-227	-29	19	-13	-208	-42

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 gains included in CTA during the period as shown in the previous table came to EUR 19 (losses EUR 13) million.

Hedging Instruments and Unrealised Hedge Losses/Gains

EUR million	As at 31 December					
	Nominal amount (Currency)		Nominal amount (EUR)		Unrealised Gains/Losses (EUR)	
	2013	2012	2013	2012	2013	2012
Forward Exchange Contracts						
Czech Republic	-	1 763	-	70	-	-
Borrowings						
Sweden	4 650	4 650	525	542	3	-11
Total Hedging			525	612	3	-11

Note 30 Commitments and Contingencies

Commitments

EUR million	As at 31 December	
	2013	2012
On Own Behalf		
Pledges given	-	1
Mortgages	18	6
On Behalf of Equity Accounted Investments		
Guarantees	554	653
On Behalf of Others		
Guarantees	5	5
Other Commitments Own		
Operating leases in next 12 months	68	92
Operating leases after next 12 months	477	497
Other commitments	5	5
Total	1 127	1 259
Pledges given	-	1
Mortgages	18	6
Guarantees	559	658
Operating leases	545	589
Other commitments	5	5
Total	1 127	1 259

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.

In 2013 the Group's commitments amounted to EUR 1 127 (EUR 1 259) million. In addition, parent company Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries up to a maximum of EUR 898 (EUR 789) million as of 31 December 2013.

Stora Enso Oyj has also guaranteed the indebtedness of its Brazilian joint venture, Veracel, the amount outstanding at the year end being EUR 1 (EUR 22) million.

Stora Enso and Arauco have the Montes del Plata joint-venture pulp mill project ongoing in Uruguay. Montes del Plata has signed the loan agreements and as part of the financing arrangements, Stora Enso has signed an agreement to guarantee 50% of USD 1 354 million of loans raised by Montes del Plata. Stora Enso's 50% share of the total guarantee will be a maximum of USD 677 (EUR 513) million of which Stora Enso's guarantee outstanding as of 31 December 2013 amounted to EUR 491 (EUR 421) million.

The Group's share of total capital commitments in joint ventures are in Montes del Plata and amounted to EUR 73 (EUR 213) million of which Stora Enso Oyj has guaranteed machinery supplier contracts to Andritz, one of the suppliers of production technologies and equipment for the new pulp mill, to the maximum exposure of EUR 189 million. The amount outstanding as of 31 December 2013 was EUR 44 (EUR 189) 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.

In the event of Wagenborg insolvency, Stora Enso Oyj has guaranteed to pay (at the expiry of the three time charter parties in 2015) 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 22 (EUR 22) million at the year end.

The Group leases office and warehouse space, cars, machinery and equipment 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 5 (EUR 7) million at the end of 2013. 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	
	2013	2012
Less than 1 year	68	92
1–2 years	61	55
2–3 years	51	49
3–4 years	41	40
4–5 years	33	32
Over 5 years	291	321
Total	545	589

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. Future land rental payments reported under operating leases are estimated at EUR 252 (EUR 262) million for the plantations, and the capital commitments on existing trees amounted to EUR 0 (EUR 9) million at the end of 2013.

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. The Group's commitment amounted to EUR 108 (EUR 124) million for the remaining eight years at the end of 2013.

Capital expenditure commitments at the balance sheet date but not recognised in the financial statements amounted to EUR 69 (EUR 72) million. Commitments in relation to capital expenditure mainly relate to ongoing projects at Skoghall Mill in Sweden and at Sunila Mill in Finland.

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.

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 does 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 the context of magazine paper sales in the USA in 2002 and 2003, Stora Enso Oyj (SEO) and Stora Enso North America (SENA) were 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. In December 2010 a US federal district court granted a motion for summary

judgement dismissing the direct purchaser class action claims on SEO and SENA. Following appeal, a federal court of appeals on 6 August 2012 upheld the district court's ruling as to SEO, but reversed the district court's ruling as to SENA and referred that part of the case back to the district court for a jury trial to determine whether SENA's conduct did violate the federal antitrust laws. The trial of the case against SENA was scheduled to begin in August 2013. Because Stora Enso disposed of SENA in 2007, Stora Enso's liability, if any, would have been determined by the provisions in the SENA Sales and Purchasing Agreement. On 17 July 2013, Stora Enso reached an agreement (which is subject to approval by the US federal district court) to settle the cases filed by the direct magazine paper purchasers without any admission of liability by SENA or SEO. Stora Enso has paid into escrow USD 8 million (EUR 6 million) to cover the cost of settling those claims, which cost has been recorded in the third quarter 2013 accounts. The only remaining cases of any substance, filed on behalf of indirect purchasers of publication paper in the California (CA) and Connecticut (CT) state courts, are about to be settled as well – without any admission of liability by SENA or SEO – via payments of USD 0.1 million (EUR 0.1 million) plus proportionate cost (CA) and USD 0.1 million (EUR 0.1 million) (CT). These settlements have to be approved by the responsible courts. In previous periods the cases were disclosed as a contingent liability.

• Legal Action in Brazil against Veracel

On 11 July 2008 Stora Enso announced that a federal judge in Brazil had issued a decision claiming that the permits issued by the State of Bahia for the operations of Stora Enso's equity accounted investment Veracel were not valid. The judge also ordered Veracel to take certain actions, including reforestation with native trees on part of Veracel's plantations and a possible BRL 20 million (EUR 7 million) fine. Veracel disputes the decision and has filed an appeal against it. Veracel operates in full compliance with all Brazilian laws and has obtained all the necessary environmental and operating licences for its industrial and forestry activities from the competent authorities. In November 2008 a Federal Court suspended the effects of the decision. Veracel has not recorded any provision for the reforestation or the possible fine.

In 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 licences in the municipality of Eunápolis in response to claims by a state prosecutor that Veracel's plantations exceeded the legal limits, which Veracel disputes. Veracel's position is supported by documentation issued by the State environmental authority. The case has been closed by the judge during the year 2013 and it is not reported as contingent liability in 2013.

• Legal Proceeding in Finland

In December 2009 the Finnish Market Court fined Stora Enso

for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to the competition law infringements. The total claim against all the defendants amounts to approximately EUR 160 million and the secondary claim against Stora Enso to approximately EUR 85 million. In addition, Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from all the defendants amounts to approximately EUR 45 million and the secondary claims solely against Stora Enso to approximately EUR 10 million. Stora Enso denies that Metsähallitus and other plaintiffs suffered any damages whatsoever and will forcefully defend itself. No provisions have been made in Stora Enso's accounts for these lawsuits.

- **Kemijärvi Pulp Mill environmental case**

Kemijärvi Pulp Mill in Finland was permanently closed down in 2008. In December 2011 the Vaasa Administrative Court gave its decision concerning the environmental permit for the closure of the mill. The judgement included an obligation to remove the majority of the sludge from the bottom of the water treatment lagoon. Following an appeal by Stora Enso, the Supreme Administrative Court in August 2013 gave its decision concerning the water treatment lagoon in the environmental permit related to the closure of Kemijärvi Pulp Mill. The Court ordered Stora Enso to remove the majority of the sludge, and returned the case to the Regional State Administrative Agency with an order to Stora Enso to deliver a new action plan by the end of 2014 for removal of the majority of the sludge from the basin at the Kemijärvi site. The Agency was also ordered to consider and evaluate the costs to Stora Enso against the environmental benefits achievable if the Agency ordered Stora Enso to remove the sludge. No provisions have been made in Stora Enso's accounts for this case, as currently it is not possible to prepare a reliable estimate of the costs due to lack of a practical solution.

- **Norrundet Pulp Mill environmental case**

The production of pulp at Norrundet Mill in Sweden was permanently closed in December 2008. Provisions for refuse handling contamination on site and sea sediment have been recognised. In 2011 some chemical substances were found in the sea sediment outside the mill area. Discussions with the county administrative board about responsibility and possible actions are ongoing and no decisions had been taken by the balance sheet date.

- **Veracel's potential tax exposure arising from PIS/COFINS tax credits**

In December 2011 Veracel Celulose S/A (Veracel) received a tax audit report, in which the tax authority claimed that part of the PIS (social intergration programme) and COFINS (contribution for the financing of social security) paid by Veracel on the purchase of raw material and services, was not eligible for tax credit. Stora Enso and Veracel consider the claim unjustified and no provisions have been made in Stora Enso's or Veracel's accounts for this matter. The dispute is still pending.

- **German Paper Mills exposure from renewable energy surcharge**

The European Commission has opened in December 2013 an in-depth investigation to examine whether the reduction granted to German energy intensive companies on a surcharge for the financing of renewable energy sources in Germany is compatible with EU state aid rules. This exemption could possibly be qualified as disallowed state aid which then could result in the obligation for full or partial repayment by the companies. The potential repayment of reduced charges amounts to EUR 49 million for year 2013. No provisions have been made in Stora Enso's accounts for this investigation.

Note 31 Principal Subsidiaries in 2013

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 97% (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 %	Printing and Reading	Biomaterials	Building and Living	Renewable Packaging	Other
Stora Enso Oyj		Finland	25.44	•	•		•	•
Stora Enso Skoghall AB	◊	Sweden	5.86				•	
Stora Enso Kvarnsveden AB	◊	Sweden	3.97	•				
Stora Enso Fors AB	◊	Sweden	3.30				•	
Stora Enso Skog AB	◊	Sweden	3.13					•
Stora Enso Wood Products GmbH		Austria	3.12			•		
Stora Enso Nymölla AB	◊	Sweden	3.03	•				
Stora Enso Maxau GmbH		Germany	2.59	•				
Stora Enso Hylte AB	◊	Sweden	2.49	•				
Stora Enso Kabel GmbH & Co. KG		Germany	2.48	•				•
Stora Enso Langerbrugge NV	+	Belgium	2.44	•				
Stora Enso Publication Papers Oy Ltd	+	Finland	2.26	•				•
Enocell Oy	+	Finland	2.24		•			
Stora Enso Poland S.A. (99.6%)	+/◊	Poland	2.19				•	
Mena Wood Oy Ltd		Finland	1.97			•		
Stora Enso Ingeröis Oy	+	Finland	1.87				•	
Stora Enso Pulp AB	◊	Sweden	1.72		•			•
Puumerkki Oy		Finland	1.52			•		
Sydved AB (66.7%)	◊	Sweden	1.49					•
Stora Enso Sachsen GmbH		Germany	1.48	•				•
Stora Enso Uetersen GmbH		Germany	1.45	•				
Stora Enso Corbehem SAS		France	1.37	•				
Stora Enso Timber d.o.o.		Slovenia	1.34			•		
Stora Enso Timber AB	◊	Sweden	1.25			•		
Stora Enso Suzhou Paper Co Ltd (97.9%)	◊	China	1.25	•				
Stora Enso Arapoti Indústria de Papel S.A. (80%)	◊	Brazil	1.19	•				
Stora Enso Eesti AS	+	Estonia	1.16			•		•
OOO Stora Enso Packaging BB	◊	Russia	1.15				•	
Stora Enso Barcelona S.A.		Spain	1.12				•	
Stora Enso Wood Products Zdirec s.r.o.	◊	Czech Republic	0.96			•		
Stora Enso Wood Products Oy Ltd	+	Finland	0.91			•		
Stora Enso Packaging AB	◊	Sweden	0.90				•	
Stora Enso Packaging Oy	+	Finland	0.76				•	
Stora Enso Bioenergi AB	◊	Sweden	0.76					•
Stora Enso WP Bad St. Leonhard GmbH		Austria	0.71			•		
Stora Enso Timber Australia Pty Ltd	◊	Australia	0.67			•		
Stora Enso Inpac Packaging Co. Ltd (51%)	◊	China	0.67				•	
Stora Enso Timber Deutschland GmbH		Germany	0.65			•		
Stora Enso Huatai Paper Co Ltd (60%)	◊	China	0.54	•				
Stora Enso Wood Products Planá s.r.o	◊	Czech Republic	0.50			•		
Corenso North America Corp.	◊	USA	0.45				•	
Stora Enso Bois SAS		France	0.42			•		
Stora Enso Narew Sp.z.o.o	◊	Poland	0.33				•	
AS Stora Enso Latvija	◊	Latvia	0.30			•		•
Stora Enso Deutschland GmbH	+	Germany	0.30	•			•	•
Corenso United Oy Ltd	+	Finland	0.27				•	
Stora Enso Timber UK Ltd	◊	UK	0.27			•		
UAB Stora Enso Lietuva	◊	Lithuania	0.23			•		•
Stora Enso Timber DIY Products B.V.		Netherlands	0.18			•		
Hangzhou Corenso Hualun Paper Core Co. Ltd (51%)	◊	China	0.18				•	
Corenso France SAS		France	0.17				•	

Note 32 Related Party Transactions

The key management personnel of the Group are the members of the Group Leadership Team and the Board of Directors. The compensation of key management personnel can be found in Note 7 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 14 Equity Accounted Investments.

The Group's principal subsidiary companies are listed in Note 31 Principal Subsidiaries in 2013.

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 2013 totalled 543 (546) thousand tonnes with an invoice value of EUR 176 (EUR 195) million. Stora Enso Oyj has also guaranteed the indebtedness of Veracel, the amount outstanding at the year-end being EUR 1 (EUR 22) million.

Stora Enso and Arauco have the Montes del Plata joint venture pulp mill project ongoing in Uruguay. As part of the financing arrangements, Stora Enso has signed an agreement to guarantee 50% of USD 1 354 million of loans raised by Montes del Plata. Stora Enso's 50% share of the total guarantee will be a maximum of USD 677 (EUR 513) million of which Stora Enso's guarantee outstanding as of 31 December 2013 was EUR 491 (EUR 421) million. In addition, the Group's share of total capital commitments in Montes del Plata amounted to EUR 73 (EUR 213) million of which Stora Enso Oyj has guaranteed EUR 44 (EUR 189) million.

Energy

The Group holds a 14.77% interest in Pohjolan Voima Oy (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. 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 since 2008. Prices paid to PVO for electricity are based on production costs, which are generally lower than market prices and in 2013, amounted to EUR 50 (EUR 42) million. For information about the amount of electricity generated, purchased and sold, please see Stora Enso Global Responsibility Report 2013, section Environment and Efficiency (Energy).

Stora Enso continues with NSE Biofuels Oy Ltd as a joint vehicle of Stora Enso and Neste Oil to develop innovations in the field of biomass processing.

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 Leadership Team also act as members of the Board of Directors, Supervisory Board or Executive Management Group of one or more of those bodies. In case of Marcus Wallenberg, these include Skandinaviska Enskilda Banken AB where he has a significant shareholding in addition to his role as the Chairman of the Board. 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 by using competences and resources of its three divisional research centres. A separate group focusing on commercialisation of biobased products has been transferred to the Biomaterials division in early 2013. The focus is increasing on cluster and bilateral research using global networks, including leading institutes and universities. Besides the classical Nordic research partner networks, Central European and Latin American institutes are becoming increasingly important partners for Stora Enso. In addition, interests are held in the following partner institutes, Oy Keskuslaboratorio – Centrallaboratorium AB (KCL); Swetree Technologies, Innventia and Cellutech. KCL is the leading pilot plant for pulping, papermaking, coating and printing trials.

Paper for recycling

The Group owns non-controlling interests in several paper recyclers from which paper for recycling is purchased at market prices.

Forest assets and wood procurement

The Group has a 41% interest in Tornator with the remaining 59% being held mainly by Finnish institutional investors. Stora Enso has long-term purchase contracts with the Tornator Group for approximately 2 million cubic metres of wood annually at market prices, and in 2013 purchases of 2 (2) million cubic metres came to EUR 61 (EUR 60) 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 Bergvik Skog sells some 5 million cubic metres of wood annually to Stora Enso at market prices. In 2013 these purchases of 5 (5) million cubic metres amounted to EUR 120 (EUR 124) million and Group sales, mainly forest management services, to Bergvik Skog amounted to EUR 40 (EUR 42) million.

The Group also has loan receivables from Bergvik Skog amounting to EUR 20 (EUR 92) 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 in Steveco are UPM-Kymmene, Finnliness, and Ahlström Capital. Stevedoring services are provided by Steveco at market prices and in 2013 amounted to EUR 4 (EUR 4) million.

Maintenance

Since 2008 Efora Oy has been reported as an associated company. In the last quarter of 2013 the Group acquired the ABB's 49% shareholding and became the sole owner of Efora Oy. Efora will remain responsible for the maintenance operations at some of the Group's mills in Finland after the change of ownership. At year end Efora Oy was reported as Company's subsidiary.

Other

Stora Enso acquired a 35% shareholding in Bulleh Shah Packaging (Private) Limited from Packages Limited in May 2013. In 2013, some of the machinery from Stora Enso's closed Baienfurt Mill was sold to Bulleh Shah. The sale consideration amounted to EUR 11 million.

The Group has a 40.24% interest in Thiele Kaolin Company Inc, which produces processed kaolin clay. Thiele Kaolin sales to the Group in 2013 totalled EUR 7 (EUR 8) million.

Note 33 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December	
	2013	2012
Net profit for the period attributable to the owners of the parent, EUR million	-53	480
Total comprehensive income attributable to the owners of the parent, EUR million	-323	134
Weighted average number of A and R shares	788 619 987	788 619 987
Diluted number of shares	788 619 987	788 619 987
Basic and Diluted Earnings per Share, EUR	-0.07	0.61
Total Recognised Income and Expense per Share, EUR	-0.41	0.17

Equity per Share

	As at 31 December	
	2013	2012
Shareholders' equity, EUR million	5 213	5 770
Market value, EUR million	5 756	4 222
Number of A and R shares	788 619 987	788 619 987
Basic and Diluted Shareholders' Equity per Share, EUR	6.61	7.32
Dividend per Share Paid/Declared, EUR	0.30	0.30
Market Value per Share, EUR		
A shares	7.31	5.70
R shares	7.30	5.25

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:

- Accounting of amortisation of capitalised goodwill
- 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

EUR million	Year Ended 31 December	
	2013	2012
Sales	3 250	3 294
Changes in inventories of finished goods and work in progress	-15	19
Production for own use	-	-
Other operating income	170	152
Materials and services	-2 293	-2 318
Personnel expenses	-307	-309
Depreciation and value adjustments	-348	-43
Other operating expenses	-658	-654
Operating Profit (Loss)	-201	141
Net financial items	-123	583
Profit (Loss) before Extraordinary Items	-324	724
Extraordinary income	44	14
Profit (Loss) before Appropriations and Taxes	-280	738
Appropriations	318	-69
Income tax expense	-1	-5
Net Profit (Loss) for the Period	37	664

Parent Company Statement of Financial Position

Assets

EUR million	As at 31 December	
	2013	2012
Fixed Assets and Non-current Investments		
Intangible assets	34	33
Tangible assets	735	992
Shares in Group companies	6 871	7 036
Other investments	2 706	2 687
	10 346	10 748
Current Assets		
Inventories	455	481
Short-term receivables	693	625
Cash and cash equivalents	2 141	3 008
	3 289	4 114
Total Assets	13 635	14 862

Equity and Liabilities

EUR million	As at 31 December	
	2013	2012
Share capital	1 342	1 342
Share premium	3 639	3 639
Invested non-restricted equity fund	633	633
Retained earnings	659	231
Net profit (loss) for the period	37	664
	6 310	6 509
Appropriations	131	449
Provisions	46	56
Non-current Liabilities	3 532	3 963
Current Liabilities	3 616	3 885
Total Equity and Liabilities	13 635	14 862

Parent Company Cash Flow Statement

EUR million	Year Ended 31 December	
	2013	2012
Cash Provided by Operating Activities		
Net profit / loss for the period	37	664
Taxes	1	5
Appropriations	-318	69
Extraordinary items	-44	-14
Depreciation and value adjustments	348	43
Unrealised foreign exchange wins and losses	-75	17
Other non-cash items	7	-43
Financial income and expenses	123	-583
Interest received	88	16
Interest paid net of amounts capitalised	-166	-224
Dividends received	103	808
Other financial items paid net	-3	-52
Income taxes paid	-1	-5
Change in net working capital	-22	45
Net Cash Provided by Operating Activities	78	746
Cash Flow from Investing Activities		
Capital expenditure	-93	-94
Proceeds from sale of fixed assets	4	1
Purchases of other investments	-9	-
Investment in subsidiary shares	-21	-3
Proceeds from disposal of subsidiary shares	-	1 878
Investment in shares in equity accounted investments	-	-
Proceeds from disposal of shares in equity accounted investments	-	2
Proceeds from disposal of shares in other companies	1	-
Proceeds from (payment of) long-term receivables net	-36	-2 006
Net Cash Used in Investing Activities	-154	-222
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities net	-376	1 079
Proceeds from (payment of) short-term borrowings net	-190	363
Capital repayment / dividend per share paid/declared	-237	-237
Group contributions paid and received	14	52
Net Cash Used in Financing Activities	-789	1 257
Net Increase (Decrease) in Cash and Cash Equivalents	-865	1 781
Translation adjustment	-12	-1
Cash and cash equivalents at start of year	3 007	1 227
Cash and Cash Equivalents at Year End	2 130	3 007

The Board of Directors' Proposal for the Distribution of Dividend

The Parent Company distributable shareholders' equity on 31 December 2013 amounted to EUR 1 329 281 064.43, including the profit for the period of EUR 37 396 834.18. The Board of Directors proposes to the Annual General Meeting of the Company that the distributable funds be used as follows:

Dividend of EUR 0.30 per share from the distributable shareholders' equity to be distributed on 788 619 987 shares, not to exceed	EUR 236 585 996.10
Remaining in distributable shareholders' equity	EUR 1 092 695 068.33
Distributable shareholders' equity on 31 December 2013, total	EUR 1 329 281 064.43

There have been no material changes in the Parent Company's financial position since 31 December 2013. The liquidity of the Parent Company remains good and the proposed dividend does not risk the solvency of the Company.

Helsinki, 5 February 2014

Gunnar Brock
Chairman

Juha Rantanen
Vice Chairman

Anne Brunila

Elisabeth Fleuriot

Hock Goh

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 year ended 31 December, 2013. The financial statements comprise 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.

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 or 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, 5 February 2014

Deloitte & Touche Oy

Authorized Public Audit Firm

Jukka Vattulainen

APA

Capacities by Mill in 2014

Printing and Reading

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	435
Arapoti	BRA	LWC	185
Corbehem	FRA	LWC	330
Dawang	CHN	SC	170
Hylte	SWE	News	485
Kabel	GER	LWC, MWC, HWC	495
Kvarnsveden	SWE	SC, news, impr. news	750
Langerbrugge	BEL	SC, news, impr. news, dir.	555
Maxau	GER	SC	530
Nymölla	SWE	WFC	500
Oulu	FIN	WFC	1 125
Sachsen	GER	News, directory	320
Suzhou	CHN	WFC	245
Uetersen	GER	WFC	230
Varkaus	FIN	WFC	285
Veitsiluoto ¹⁾	FIN	LWC, MWC, WFC	1 020
Total			7 660

¹⁾ Stora Enso plans to permanently shut down coated magazine paper capacity by 190 000 t in Veitsiluoto PM1. Capacity of PM1 is included in the table above.

Renewable Packaging

Consumer board	Location	Grade	Capacity 1 000 t
Barcelona	ESP	WLC	180
Fors	SWE	FBF	430
Imatra	FIN	SBS, FBF, LPB	1 075
Ingerois	FIN	FBF	245
Skoghall	SWE	LPB, CUK	820
Total			2 750

Plastic coating

Skoghall (Forshaga)	SWE	Plastic coating	85
Imatra	FIN	Plastic coating	270
Total			355

Containerboards

Heinola	FIN	SC fluting	300
Ostrołęka	POL	Testliner, PFR fluting, sack paper, wrapping paper	640
Total			940

Coreboard

Pori	FIN	Coreboard	125
Saint Seurin sur l'Isle	FRA	Coreboard	95
Wisconsin Rapids	USA	Coreboard	80
Total			300

Cores	Location	Grade	Capacity 1 000 t
China (Hangzhou, Foshan)	CHN	Cores	60
Corenso Edam	NLD	Cores	8
Corenso Elfes (Krefeld)	GER	Cores	30
Corenso Poland (Tychy)	POL	Cores	6
Corenso Svenska (Bäckefors, Mohed)	SWE	Cores	28
Corenso Tolosana (Tolosa)	ESP	Cores	15
Corenso UK (Bolton)	GBR	Cores	25
Imatra	FIN	Cores	8
Loviisa	FIN	Cores	16
Wisconsin Rapids	USA	Cores	32
Total			228

Corrugated packaging	Grade	Capacity million m ²
Baltic states	Corrugated packaging	135
Kaunas		
Riga		
Tallinn		
Finland	Corrugated packaging	190
Heinola		
Kristiinankaupunki		
Lahti		
Hungary	Corrugated packaging	25
Komárom		
Poland	Corrugated packaging	315
Łódź		
Mosina		
Ostrołęka		
Tychy		
Russia	Corrugated packaging	345
Arzamas		
Balabanovo		
Balabanovo offset		
Lukhovitsy		
Sweden	Corrugated packaging	275
Jönköping		
Skene		
Vikingstad		
Total	Corrugated packaging	1 285

Inpac	Location	Grade	Capacity million pcs	Capacity million m ²
Chennai, Tamil Nadu	IND	Corrugated and consumer packaging	135	30
Gaobu, Dongguan	CHI	Corrugated and consumer packaging	190	40
Jiashan, Zhejiang	CHI	Corrugated and consumer packaging	50	10
Qian'an, Hebei	CHI	Corrugated and consumer packaging	455	55
Total			830	135

Building and Living

Mill	Location	Sawing Capacity 1 000 m ³	Further Processing Capacity 1 000 m ³	Pellet Capacity 1 000 t	CLT Capacity 1 000 t
Ala	SWE	380	45	-	-
Alytus	LIT	200	90	-	-
Amsterdam	NLD	-	110	-	-
Bad St. Leonhard	AUT	390	290	-	60
Brand	AUT	470	290	-	-
Gruvön	SWE	420	150	100	-
Hartola ¹⁾	FIN	-	-	-	-
Honkalahti	FIN	310	90	-	-
Imavere	EST	350	190	100	-
Impilahti	RUS	120	10	15	-
Kitee	FIN	260	120	25	-
Launkalne	LAT	215	10	-	-
Murow	POL	70	20	-	-
Nebolchi	RUS	220	30	30	-
Näpi	EST	75	130	15	-
Pfarrkirchen	GER	-	140	-	-
Planá	CZE	340	270	-	-
Pälkäne ¹⁾	FIN	-	-	-	-
Sollenau	AUT	150	135	-	-
Uimaharju	FIN	260	20	-	-
Varkaus	FIN	260	-	-	-
Ybbs	AUT	590	420	-	60
Zdírec	CZE	550	290	-	-
Total		5 630	2 850	285	120

¹⁾ Elementing capacity at Pälkäne (120 000 m²) and module construction capacity at Hartola (1 000 modules) not included in the total figures.

In addition, Veitsiluoto Sawmill in Finland with sawing capacity of 200 000 m³ is reported in the Printing and Reading Segment.

Biomaterials

Mill	Location	Grade	Segment	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	Biomaterials	460
Skutskär	SWE	Short, long-fibre and fluff pulp	Biomaterials	540
Sunila	FIN	Long-fibre pulp	Biomaterials	370
Montes del Plata (50% share)	URU	Short-fibre pulp		490
Veracel (50% share)	BRA	Short-fibre pulp	Biomaterials	575
Total				2 435

Chemical Pulp

Mill	Location	Grade	Segment	Capacity 1 000 t
Heinola	FIN	Neutral Sulphite Semi-Chemical Pulp	Renewable Packaging	265
Kaukopää, Imatra	FIN	Short and long-fibre	Renewable Packaging	800
Nymölla	SWE	Short and long-fibre	Printing and Reading	335
Ostrołęka	POL	Long-fibre	Renewable Packaging	100
Oulu	FIN	Long-fibre	Printing and Reading	360
Skoghall	SWE	Long-fibre	Renewable Packaging	350
Tainionkoski, Imatra	FIN	Short and long-fibre	Renewable Packaging	180
Varkaus	FIN	Short and long-fibre	Printing and Reading	230
Veitsiluoto	FIN	Short and long-fibre	Printing and Reading	375
Chemical Pulp Total (incl. Biomaterials)				5 430
of which market pulp ²⁾				1 235

²⁾ Market pulp defined as dried pulp shipped out from the mill to external customers.

Deinked Pulp (DIP)

Mill	Location	Grade	Segment	Capacity 1 000 t
Hylte	SWE	DIP	Printing and Reading	450
Langerbrugge	BEL	DIP	Printing and Reading	680
Maxau	DEU	DIP	Printing and Reading	295
Ostrołęka	POL	Recycled fibre based pulp	Renewable Packaging	455
Sachsen	DEU	DIP	Printing and Reading	430
Total				2 310

CTMP

Mill	Location	Grade	Segment	Capacity 1 000 t
Fors	SWE	CTMP	Renewable Packaging	185
Kaukopää	FIN	CTMP	Renewable Packaging	220
Skoghall	SWE	CTMP	Renewable Packaging	270
Total				675

See next page for the Abbreviations used in the tables.

Abbreviations used in the tables:

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
FBF	folding boxboard
WLC	white lined chipboard
SBS	solid bleached sulphate board
CUK	coated unbleached kraftboard
LPB	liquid packaging board
WTL	white top liner
PfR	paper for recycling
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

Operational return on capital employed, Operational ROCE (%)	100 x	$\frac{\text{Operational EBIT}}{\text{Capital employed}^{1, 2}}$
Operational return on operating capital, Operational ROOC (%)	100 x	$\frac{\text{Operational EBIT}}{\text{Operating capital}^{1, 2}}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and non-controlling items – taxes}}{\text{Total equity}^{2}}$
Equity ratio (%)	100 x	$\frac{\text{Total equity}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}^{3}}$
CEPS		$\frac{\text{Net profit/loss for the period}^{3} - \text{Fixed asset depreciation and impairment} - \text{Fair valuation of biological assets}}{\text{Average number of shares}}$
EPS		$\frac{\text{Net profit/loss for the period}^{3}}{\text{Average number of shares}}$
Payout ratio, excl. NRI, %	100 x	$\frac{\text{Dividend distribution / share}}{\text{EPS excl. NRI}}$
Dividend yield, %	100 x	$\frac{\text{Dividend distribution / share}}{\text{Closing price of share}}$
Price/earnings ratio (P/E), excl. NRI		$\frac{\text{Closing price of share}}{\text{EPS excl. NRI}}$
Operational EBIT		Operating profit/loss excluding NRI and fair valuations of the segments and Stora Enso's share of operating profit/loss excluding NRI and fair valuations of its equity accounted investments (EAI)
Operational EBITDA		Operating profit/loss excluding fixed asset depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations
Net debt to operational EBITDA		$\frac{\text{Interest-bearing net liabilities}}{\text{Operational EBITDA}}$
Last twelve months (LTM)		Twelve months preceding the reporting date

¹⁾ Capital employed = Operating capital – Net tax liabilities

²⁾ Average for the financial period

³⁾ Attributable to owners of the Parent

Information for Shareholders

Annual General Meeting (AGM)

Stora Enso Oyj's AGM will be held at 16.00 (Finnish time) on Wednesday 23 April 2014 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Nominee-registered shareholders wishing to attend and vote at the AGM must be temporarily registered in the Company's register of shareholders on the record date, 9 April 2014. Instructions for submitting notice of attendance will be given in the invitation to the AGM, which can be consulted on the Company's website at www.storaenso.com/agm.

AGM and dividend in 2014

9 April	Record date for AGM
23 April	Annual General Meeting (AGM)
24 April	Ex-dividend date
28 April	Record date for dividend
15 May	Dividend payment effective

Dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.30 per share be paid to the shareholders for the fiscal year ending 31 December 2013. 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 2014

5 February	Financial results for 2013
17 February	Annual Report 2013
23 April	Interim Review for January–March
21 July	Interim Review for January–June
22 October	Interim Review for January–September

Distribution of financial information

Stora Enso's **Annual Report** is comprised of four separate reports: Stora Enso Rethink 2013, Financial Report 2013, Corporate Governance Report 2013 and Global Responsibility Report 2013.

Stora Enso Rethink 2013 is published in English, Finnish and Swedish, and distributed to shareholders registered with Euroclear Finland and Euroclear Sweden who have requested a copy. Stora Enso Rethink 2013 is downloadable as a PDF file from the Company's website.

Financial Report is published in English and downloadable as a PDF file from the Company's website. The Official Financial Statements (in Finnish), an English translation of the Parent Company Financial Statements and the list of principal subsidiaries can be found on the Company's website.

Corporate Governance Report 2013 is published in English and downloadable as a PDF file from the Company's website. A Finnish translation of the report can be found on the Company's website.

Global Responsibility Report is published in English and downloadable as a PDF file from the Company's website.

Interim Reviews are published in English, Finnish and Swedish on the Company's website, from where they can be downloaded as PDF files.

Mailing lists for financial information

- Finnish and Swedish shareholders: Changes of address are updated automatically based on the population registers in Finland and Sweden. Please request addition to or removal from mailing lists by e-mail group.communications@storaenso.com, by mail Stora Enso Oyj, Global Communications, P.O. Box 309, FI-00101 Helsinki or by tel. +358 2046 131.
- Registered ADR holders should contact DBTCA. Beneficial owners of Stora Enso ADRs should contact their broker.
- Other stakeholders: see details for Finnish and Swedish shareholders.

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan is administered by Deutsche Bank Trust Company Americas. The plan makes it easier for existing ADR holders and first-time purchasers of Stora Enso ADRs to increase their investment by reinvesting cash distributions or by making additional cash investments. The plan is intended for US residents only. Further information on the Stora Enso ADR programme is available at www.adr.db.com.

Contact information for Stora Enso ADR holders

Deutsche Bank Shareholder Services
c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050, New York, NY 10272-2050, USA
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It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties, which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates.



Stora Enso Rethink 2013

Stora Enso is transforming itself into a value-driven company focused on growth markets. In this process it is looking beyond the traditional ways of utilising its raw materials and serving customers in new markets. Rethink magazine maps the emerging opportunities around the globe and the actions that are turning them into reality.



Stora Enso Global Responsibility Report 2013

Find out more about Stora Enso's performance on issues related to sustainability in this in-depth report, which follows guidelines defined by the Global Reporting Initiative (GRI).

Stora Enso Oyj

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