

STORA ENSO OYJ INTERIM REVIEW 22 July 2010 at 06.00 GMT

Stora Enso Interim Review January–June 2010

Best quarterly earnings since second quarter of 2007 – testimony to early actions combined with volume recovery

- **EUR 213 million quarterly operating profit excluding NRI and fair valuations, up year-on-year by EUR 164 million driven by volume recovery combined with reduced cost base, currency rate impact and pulp price strength;**
- **Quarterly operating profit margin excluding NRI and fair valuations increased year-on-year to 7.9% (2.2%), ROCE excluding NRI and fair valuations 10.5% (2.3%)**
- **Quarterly EPS excluding NRI improved year-on-year to EUR 0.22 (0.06) and CEPS excluding NRI to EUR 0.38 (0.24);**
- **Quarterly cash flow from operations and cash position strong at EUR 305 million and EUR 856 million respectively;**
- **Sequential price increases realised for most of the Group's products;**
- **Structural overcapacity in Europe remains, most clearly in publication paper**

Summary of Second Quarter Results

		Q2/10	Q1/10	Q2/09
Sales	EUR million	2 692.2	2 295.9	2 184.8
EBITDA excl. NRI and fair valuations	EUR million	329.8	232.1	190.4
Operating Profit excl. NRI and Fair Valuations	EUR million	212.9	119.4	48.5
Operating profit/loss (IFRS)	EUR million	215.6	123.4	-209.4
Profit before tax excl. NRI	EUR million	201.5	136.8	47.2
Profit/loss before tax	EUR million	193.0	117.9	-370.6
Net profit excl. NRI	EUR million	168.4	121.0	44.9
Net profit/loss	EUR million	159.9	102.1	-368.3
EPS excl. NRI	EUR	0.22	0.15	0.06
EPS	EUR	0.20	0.13	-0.46
CEPS excl. NRI	EUR	0.38	0.31	0.24
ROCE excl. NRI	%	11.0	7.2	2.8
ROCE excl. NRI and fair valuations	%	10.5	6.0	2.3

Fair valuations include synthetic options net of realised and open hedges, CO₂ emission rights, and valuations of biological assets related to forest assets in equity accounted investments.

NRI = Non-recurring items. These are exceptional transactions that are not related to normal business operations. The most common non-recurring items are capital gains, additional write-downs, provisions for planned restructuring and penalties. Non-recurring items are normally specified individually if they exceed one cent per share.

Markets**Compared with Q2/2009**

Product	Market	Demand	Price
Newsprint	Europe	stable	significantly lower
Coated magazine paper	Europe	significantly stronger	slightly lower
Coated magazine paper	Latin America	significantly stronger	significantly lower
Uncoated magazine paper	Europe	slightly weaker	lower
Uncoated magazine paper	China	significantly stronger	higher
Coated fine paper	Europe	significantly stronger	slightly lower
Coated fine paper	China	stable	significantly higher
Uncoated fine paper	Europe	significantly stronger	slightly higher
Consumer board	Europe	stronger	stable
Industrial packaging	Europe	stronger	higher
Wood products	Europe	slightly stronger	significantly higher

Industry inventories were lower for newsprint, uncoated magazine paper and uncoated fine paper, unchanged for coated fine paper and higher for coated magazine paper. Industry inventories of wood products increased slightly from very low levels a year ago.

Compared with Q1/2010

Product	Market	Demand	Price
Newsprint	Europe	slightly stronger	stable
Coated magazine paper	Europe	stronger	stable
Coated magazine paper	Latin America	significantly stronger	slightly lower
Uncoated magazine paper	Europe	stable	stable
Uncoated magazine paper	China	slightly stronger	slightly higher
Coated fine paper	Europe	seasonally slightly weaker	slightly higher
Coated fine paper	China	stable	significantly higher
Uncoated fine paper	Europe	stable	higher
Consumer board	Europe	stronger	slightly higher
Industrial packaging	Europe	seasonally stronger	higher
Wood products	Europe	seasonally stronger	higher

Industry inventories were lower for newsprint and fine paper, and clearly higher for magazine paper. Inventories of wood products were stable.

Stora Enso Deliveries and Production

	Q2/10	Q1/10	Q2/09	2009	Change %				
					Q1- Q2/10	Q1- Q2/09	Change % Q2/10- Q2/09	Change % Q2/10- Q1/10	Q1- Q2/10- Q1-Q2/09
Paper and board deliveries (1 000 tonnes)	2 798	2 519	2 500	10 174	5 317	4 843	11.9	11.1	9.8
Paper and board production (1 000 tonnes)	2 786	2 675	2 460	10 036	5 461	4 823	13.3	4.1	13.2
Wood products deliveries (1 000 m ³)	1 457	1 149	1 301	4 902	2 606	2 414	12.0	26.8	8.0
Corrugated packaging deliveries (million m ²)	256	250	238	966	506	466	7.6	2.4	8.6

Q2/2010 Results (compared with Q2/2009)

Sales at EUR 2 692 million were EUR 507 million higher than in the second quarter of 2009, mainly due to significantly higher delivery volumes and favourable exchange rate trends. Prices for the Group's products were generally higher, but newsprint and magazine paper prices in local currencies decreased. Pulp delivery volumes and prices increased significantly.

Key Figures

EUR million	Q2/10	Q1/10	Q2/09	Q1- Q2/10	Q1- Q2/09	2009	Change	Change	Change %
							% Q2/10- Q2/09	% Q2/10- Q1/10	% Q1- Q2/10- Q1-Q2/09
Sales	2 692.2	2 295.9	2 184.8	4 988.1	4 315.3	8 945.1	23.2	17.3	15.6
EBITDA excl. NRI and fair valuations	329.8	232.1	190.4	561.9	324.7	807.8 ¹	73.2	42.1	73.1
Operating profit excl. NRI and fair valuations	212.9	119.4	48.5	332.3	51.5	320.5	n/m	78.3	n/m
Operating profit/loss excl. NRI	224.1	142.3	59.9	366.4	25.0	324.9	274.1	57.5	n/m
Operating margin excl. NRI, %	8.3	6.2	2.7	7.3	0.6	3.6	207.4	33.9	n/m
Operating profit/loss (IFRS)	215.6	123.4	-209.4	339.0	-210.3	-607.6	203.0	74.7	261.2
Operating profit/loss, % of sales	8.0	5.4	-9.6	6.8	-4.9	-6.8	183.3	48.1	238.8
Profit/loss before tax excl. NRI	201.5	136.8	47.2	338.3	-34.9	194.2	n/m	47.3	n/m
Profit/loss before tax	193.0	117.9	-370.6	310.9	-418.7	-886.8	152.1	63.7	174.3
Net profit/loss for the period excl. NRI	168.4	121.0	44.9	289.4	-15.3	153.2	275.1	39.2	n/m
Net profit/loss for the period	159.9	102.1	-368.3	262.0	-404.4	-878.2	143.4	56.6	164.8
Capital expenditure	75.3	112.8	108.3	188.1	212.5	423.8	-30.5	-33.2	-11.5
Depreciation and impairment charges excl. NRI	127.4	126.8	144.6	254.2	288.8	548.7	-11.9	0.5	-12.0
ROCE excl. NRI and fair valuations, %	10.5	6.0	2.3	8.3	1.2	3.9	n/m	75.0	n/m
ROCE excl. NRI, %	11.0	7.2	2.8	9.2	0.6	3.9	292.9	52.8	n/m
Earnings per share (EPS) excl. NRI, EUR	0.22	0.15	0.06	0.37	-0.02	0.19	266.7	46.7	n/m
EPS (basic), EUR	0.20	0.13	-0.46	0.33	-0.51	-1.12	143.5	53.8	164.7
Cash earnings per share (CEPS) excl. NRI, EUR	0.38	0.31	0.24	0.69	0.34	0.92	58.3	22.6	102.9
CEPS, EUR	0.33	0.30	-0.29	0.63	-0.17	0.35	213.8	10.0	n/m
Return on equity (ROE), %	11.9	7.8	-26.8	9.8	-14.4	-16.2	144.4	52.6	168.1
Debt/equity ratio	0.49	0.54	0.53	0.49	0.53	0.51	-7.5	-9.3	-7.5
Equity per share, EUR	6.92	6.60	7.00	6.92	7.00	6.50	-1.1	4.8	-1.1
Equity ratio, %	44.8	43.6	47.0	44.8	47.0	44.7	-4.7	2.8	-4.7
Average number of employees	28 040	27 245	29 116	27 670	29 305	28 696	-3.7	2.9	-5.6
Average number of shares (million)									
periodic	788.6	788.6	788.6	788.6	788.6	788.6	0.0	0.0	0.0
cumulative	788.6	788.6	788.6	788.6	788.6	788.6	0.0	0.0	0.0
cumulative, diluted	788.6	788.6	788.6	788.6	788.6	788.6	0.0	0.0	0.0

¹) Restated (decreased EUR 14.9 million), no impact on other reported profit figures

NRI = Non-recurring items. These are exceptional transactions that are not related to normal business operations. The most common non-recurring items are capital gains, additional write-downs, provisions for planned restructuring and penalties. Non-recurring items are normally specified individually if they exceed one cent per share.

Fair valuations include synthetic options net of realised and open hedges, CO₂ emission rights, and valuations of biological assets related to forest assets in equity accounted investments.

Reconciliation of Operating Profit

EUR million	Q2/10	Q1/10	Q2/09	2009	Change		Change		Change % Q1-Q2/10- Q1-Q2/09
					Q1- Q2/10	Q1- Q2/09	% Q2/10- Q2/09	% Q2/10- Q1/10	
Profit from operations, excl. NRI	202.4	105.2	42.2	259.1	307.6	31.9	n/m	92.4	n/m
Equity accounted investments, operational, excl. fair valuations	10.5	14.2	6.3	61.4	24.7	19.6	66.7	-26.1	26.0
Operating Profit excl. NRI and Fair Valuations	212.9	119.4	48.5	320.5	332.3	51.5	n/m	78.3	n/m
Fair valuations	11.2	22.9	11.4	4.4	34.1	-26.5	-1.8	-51.1	228.7
Operating Profit, excl. NRI	224.1	142.3	59.9	324.9	366.4	25.0	274.1	57.5	n/m
NRI	-8.5	-18.9	-269.3	-932.5	-27.4	-235.3	96.8	55.0	88.4
Operating Profit/Loss (IFRS)	215.6	123.4	-209.4	-607.6	339.0	-210.3	203.0	74.7	261.2

Q2/2010 Results (compared with Q2/2009)*(continued)*

Operating profit at EUR 213 million excluding non-recurring items and fair valuations was EUR 164 million higher than a year ago. This represents an operating margin of 8%. The significant increase in deliveries raised operating profit by some EUR 148 million. The Group curtailed paper and board production by 8% and sawnwood production by 5% of capacity.

Prices for the Group's products were generally higher but newsprint and magazine paper prices were lower than a year ago. Significantly higher pulp prices and volumes increased operating profit mainly for Consumer Board and Magazine Paper by a total of EUR 26 million.

The favourable impact of exchange rate trends on sales was partly offset by the unfavourable impact of exchange rate trends on costs, the net impact being some EUR 48 million, after hedges. Variable costs increased, especially for pulp, wood and RCP. Deliveries of wood to the Group's mills were 9.4 million cubic metres, 27% up on the second quarter of 2009.

The share of the operational results of equity accounted investments amounted to EUR 11 (EUR 6) million. Operating profit includes a net effect of EUR 11 (EUR 11) million for fair valuations related to the accounting of share-based compensation, Total Return Swaps (TRS), CO₂ emission rights and IAS 41 forest valuations in equity accounted investments.

Stora Enso has recorded negative net EUR 9 million of non-recurring items in the second quarter of 2010, including a one-time negative cash provision of some EUR 23 million related to the permanent shutdown of newsprint and directory paper production at Varkaus in Finland. Stora Enso has finalised the divestment of its Kotka Mills and laminating paper operations in Malaysia, as announced on 1 July, and in consequence a further write-down of EUR 5 million relating to working capital and fixed assets has been recorded. The closing consideration for Kotka Mills is subject to fair value changes and therefore the final outcome of the transaction is subject to change. Positive NRI items include the reversal of impairments totalling EUR 11 million related to fixed asset sales and EUR 8 million related to Sunila Mill. The NRIs had no material impact on tax.

Net financial items were EUR -23 (EUR -161) million. Stora Enso recorded a write-down of EUR 149 million related to the NewPage vendor note in its second quarter 2009 results. Net interest expenses increased slightly from EUR 23 million to EUR 24 million.

Group capital employed was EUR 8 203 million on 30 June 2010, a net decrease of EUR 290 million due to fixed asset impairments and restructuring of the Group, and active working capital management, partly offset by the impacts of the stronger Swedish krona and Brazilian real.

January–June 2010 Results (compared with the same period in 2009)

Sales were EUR 673 million higher than in the first half of 2009 due to significantly higher delivery volumes and favourable exchange rate trends. Sales prices were higher for most of the Group's products but the price trend was unfavourable for newsprint and magazine paper. Pulp deliveries and prices increased. Operating profit excluding non-recurring items and fair valuations was EUR 281 million higher than in the first half of 2009 at EUR 332 million as higher volumes and favourable exchange rate trends in sales more than offset higher costs, and unfavourable exchange rate trends in costs.

Q2/2010 Results (compared with Q1/2010)

Sales were EUR 396 million up on the previous quarter due to generally higher sales volumes and prices, and favourable exchange rate trends. Operating profit excluding non-recurring items and fair valuations was EUR 94 million higher than in the previous quarter at EUR 213 million as the generally higher sales volumes and prices more than offset higher costs. The favourable impact of exchange rate trends on sales was partly offset by their unfavourable impact on purchases. Group capital employed was EUR 8 203 million on 30 June 2010, a net increase of EUR 141 million due to the stronger Swedish krona and Brazilian real.

Capital Structure

EUR million	30 Jun 10	31 Mar 10	31 Dec 09	30 Jun 09
Operative fixed assets	6 068.4	6 084.6	5 936.2	6 593.7
Equity accounted investments	1 687.1	1 572.0	1 481.3	1 117.9
Operative working capital	1 323.2	1 256.2	1 171.2	1 540.6
Non-current interest-free items, net	-519.2	-499.6	-498.1	- 482.6
Operating Capital Total	8 559.5	8 413.2	8 090.6	8 769.6
Net tax liabilities	-356.4	-350.9	-314.3	-276.2
Capital Employed	8 203.1	8 062.3	7 776.3	8 493.4
Equity attributable to Company shareholders	5 457.1	5 206.6	5 124.3	5 518.8
Non-controlling interests	52.7	58.8	58.2	57.0
Net interest-bearing liabilities	2 698.0	2 811.9	2 593.8	2 917.6
Held for sale	-4.7	-15.0	-	-
Financing Total	8 203.1	8 062.3	7 776.3	8 493.4

Financing Q2/2010 (compared with Q1/2010)

Cash flow from operations was EUR 305 (EUR 119) million and cash flow after investing activities EUR 229 (EUR 6) million. Capital expenditure was EUR 75 million in the second quarter. At the end of the period, interest-bearing net liabilities of the Group were EUR 2 698 million, a decrease of EUR 114 million. During the second quarter of 2010, the Group paid the capital repayment of EUR 158 million decided by the AGM on 31 March 2010. In June 2010 EUR 500.0 million bond relating to Stora Enso's Euro Medium Term Note programme matured.

Total unutilised committed credit facilities were unchanged at EUR 1 400 million, and cash and cash equivalents net of overdrafts remained strong at EUR 856 million, which is EUR 9 million less than for the previous quarter. In addition, Stora Enso has access to various long-term sources of funding up to EUR 750 million. In June 2010 Stora Enso issued two extendable floating rate notes totalling EUR 50 million under its EMTN (Euro Medium Term Note) programme. Stora Enso has an annual option to extend notes up to eight years. The cost of funding is variable and the first coupon is 2.96%. There are no financial covenants in the new debt.

The debt/equity ratio at 30 June 2010 was 0.49 (0.54). The currency effect on owners' equity was positive EUR 118 million net of the hedging of equity translation risks. The fair valuations of operative securities, mainly related to the unlisted Finnish power supply company Pohjolan Voima, included within available-for-sale assets decreased equity by EUR 27 million.

Financing Q2/2010 (compared with Q2/2009)

At the end of the second quarter of 2010 Stora Enso had current borrowings of EUR 1 004 million compared with EUR 1 450 million at the end of the second quarter of 2009. Cash and cash equivalents net of overdrafts at the end of the second quarter of 2010 amounted to EUR 856 million, compared with EUR 645 million at the end of the second quarter of 2009.

Cash Flow

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change %	Change %
							%	Q2/10- Q2/09	Q1/10- Q1-2009
Operating profit/loss	215.6	123.4	-209.4	-607.6	339.0	-210.3	203.0	74.7	261.2
Depreciation and other non-cash items	101.3	101.2	366.8	1 262.0	202.5	467.7	-72.4	0.1	-56.7
Change in working capital	-12.4	-105.4	31.9	606.5	-117.8	195.5	-138.9	88.2	-160.3
Cash Flow from Operations	304.5	119.2	189.3	1 260.9	423.7	452.9	60.9	155.5	-6.4
Capital expenditure	-75.3	-112.8	-108.3	-423.7	-188.1	-212.5	30.5	33.2	11.5
Cash Flow after Investing Activities	229.2	6.4	81.0	837.2	235.6	240.4	183.0	n/m	-2.0

Capital Expenditure for January–June 2010

Capital expenditure for the first half of 2010 totalled EUR 188 million, which is 74% of depreciation in the first half of 2010. Stora Enso's annual depreciation will be about EUR 530 million in 2010. Capital expenditure for the Group for the full year 2010 will be approximately EUR 400 million.

The main projects during the first half of 2010 were power plants and energy-related projects at existing mills (EUR 95 million) and development of existing production (EUR 47 million).

Short-term Risks and Uncertainties

The main short-term risks and uncertainties are related to the recovery of the global economy, the effects of possible increases in raw material costs, especially for wood, and possible decreases in pulp market prices.

Energy sensitivity analysis for 2010: the direct effect on 2010 operating profit of a 10% change in electricity, oil and other fossil fuels market prices would be about EUR 28 million annual impact, after the effect of hedges.

Wood sensitivity analysis for 2010: the direct effect on 2010 operating profit of a 10% change in wood prices would be about EUR 215 million annual impact.

Pulp sensitivity analysis for 2010: the direct effect on 2010 operating profit of a 10% change in yearly average pulp prices would be about EUR 57 million annual impact.

Foreign exchange rates sensitivity analysis for 2010: the direct effect on 2010 operating profit of a 10% change in the value of the euro against the US dollar, Swedish krona and British pound would be about EUR 110 million, EUR -105 million and EUR 50 million annual impact respectively before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

Near-term Outlook

The outlook for the third quarter is mixed and still uncertain. Market demand in all paper segments is expected to remain clearly below the pre-crisis levels of 2008. Prices are forecast to be slightly higher or higher than in the second quarter of 2010 in many of the segments. Increasing inflation in variable costs, especially in wood, will burden the third quarter clearly more than the second quarter. In addition, significant maintenance stoppages will negatively affect this year's third quarter results, as described in detail in the segment reports. Continued focus on costs and capacity management is required to operate at acceptable profit level. Wood Products is facing pressure on profitability due to rapidly increasing sawlog costs.

In Europe demand for newsprint is expected to be similar to the third quarter of 2009 and the second quarter of 2010. Demand for coated magazine paper is forecast to be stronger than a year earlier and seasonally stronger than in the second quarter of 2010. Demand for uncoated magazine paper is forecast to be unchanged on the third quarter of 2009 but better than in the second quarter of 2010 due to seasonal factors.

Fine paper demand is expected to be stronger than in the third quarter of 2009 and seasonally weaker than in the second quarter of 2010. In consumer board and industrial packaging, demand is predicted to be stronger than in the third quarter of 2009 but similar to the second quarter of 2010. Demand for wood products is expected to be stronger than a year ago but seasonally weaker than in the second quarter of 2010 and well below normal. In overseas markets newsprint demand is forecast to increase slightly.

In Europe slight recovery in newsprint prices is anticipated from the third quarter onwards. However, prices are still expected to stay clearly below 2009 levels. Further increases in newsprint prices are foreseen in overseas markets. Higher magazine paper prices than in the second quarter of 2010 are predicted. Fine paper prices are expected to rise during the third quarter of 2010. Consumer board prices are forecast to increase for non-contractual business. Some selective increases are anticipated in the prices of industrial packaging grades and wood products.

In China demand for uncoated magazine paper is expected to decline seasonally to the level of a year ago but prices are forecast to rise slightly. Demand for coated fine paper is predicted to be stronger than a year ago but similar to the second quarter of 2010. However, start-ups of new capacity continue to strain the supply and demand balance, and lower coated fine paper prices are foreseen.

In Latin America demand for coated magazine paper is expected to be slightly weaker than a year ago due to inventory build-ups but stronger than in the second quarter of 2010. Slight rises in prices are anticipated.

The Group now expects its cost inflation excluding internal actions to be 2% – instead of 1% as forecast in April – for the full year 2010, including the impact of purchased pulp price increases. As the net market pulp position of the Group is positive, the earnings impact of market pulp is positive.

Second Quarter Events

April

On 22 April 2010 Stora Enso announced that it had signed an agreement to sell its integrated mills at Kotka in Finland and its laminating paper operations in Malaysia to private equity firm OpenGate Capital.

On 22 April 2010 Stora Enso also announced that it would continue pulp, fine paper and sawnwood production but planned to close down newsprint production permanently at Varkaus in Finland.

May

On 3 May 2010 Stora Enso announced that Executive Vice President Mats Nordlander had been appointed Country Manager Sweden following the appointment of Elisabet Salander Björklund, M.Sc. (For.), as CEO of Bergvik Skog AB as of 1 September 2010.

On 7 May 2010 Stora Enso announced that it had signed an agreement with the European Investment Bank (EIB) for a EUR 165 million loan to be used for research and development. The loan agreement is part of the commitment by EIB to lend altogether EUR 230 million to Stora Enso, including the EUR 65 million loan announced on 10 February 2010.

On 18 May 2010 Stora Enso announced that it was enhancing the product portfolio of its Wood Products Business Area by signing a contract to acquire a 19.46% shareholding in the Finnish wood processor Arktos Group.

June

On 15 June 2010 Stora Enso announced that it would start co-determination negotiations concerning possible temporary lay-offs at its Finnish sawmills, which are at Kitee, Uimaharju, Varkaus and Honkalahti. The planned lay-offs were in response to the threat that wood cost levels in Finland would become even more uncompetitive if prevailing trends continued. The total number of employees affected by the co-determination negotiations in Finland was about 500. The negotiations addressed the plan to curtail production at individual sawmills if necessary through temporary lay-offs between 1 September and 31 December 2010.

Restructuring Actions

On 23 April 2009 Stora Enso announced that it was reorganising its operations with the aim of reducing annual fixed costs by EUR 250 million, mainly through savings in administration. The majority of the cost reductions were achieved in 2009. Implementation of the remaining administrative fixed cost saving plans is on schedule. The full impact will be apparent in the Group's operating profit from 2011 onwards.

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 8 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 as an interim measure. Veracel has not recorded any provision for the reforestation or the possible fine.

On 30 September 2009 a judge in the State of Bahia issued an interim decision ordering the State Government of Bahia not to grant Veracel further plantation 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.

Inspections by Competition Authorities

In 2007, following US Federal District Court trial, Stora Enso was found not guilty of charges by the US Department of Justice relating to practices in the sale of coated magazine paper in the USA in 2002 and 2003. Coincident with this case, Stora Enso has been named in a number of class action lawsuits filed in the USA which still are pending. All discovery in those class action lawsuits has been completed and Stora Enso has filed a motion for summary judgement seeking dismissal of all plaintiffs' claims. The court is expected to rule on Stora Enso's motion during the autumn of 2010. If the court denies Stora Enso's motion, a trial will be held in 2011. No provisions have been made in Stora Enso's accounts for these lawsuits.

Share Capital

No conversions were recorded during the quarter.

On 30 June 2010 Stora Enso had 177 150 084 A shares and 612 388 415 R shares in issue of which the Company held no A shares and 918 512 R shares with a nominal value of EUR 1.6 million. The holding represents 0.12% of the Company's share capital and 0.04% of the voting rights.

Events after the Period

On 1 July 2010 Stora Enso announced that it had finalised the divestment of its integrated mills at Kotka in Finland and its laminating paper operations in Malaysia to private equity firm OpenGate Capital as announced on 22 April 2010, the total consideration including earn-out being up to EUR 24 million.

On 7 July 2010 Stora Enso announced that it would permanently close down newsprint and directory paper production at Varkaus in Finland by the end of the third quarter of 2010. The co-determination negotiations

at Varkaus were concluded at the end of June. The reasons for the planned capacity closure announced on 22 April 2010 had not changed: the European newsprint and directory paper market is strongly structurally oversupplied and sales prices had fallen significantly. As a result, newsprint production at Varkaus Mill was expected to remain unprofitable in the long term.

This report is unaudited.

Helsinki, 22 July 2010
Stora Enso Oyj
Board of Directors

Segments Q2/10 compared with Q2/09

Newsprint and Book Paper

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change	Change
							%	%	%
							Q2/10- Q2/09	Q2/10- Q1/10	Q1- Q2/10- Q1- Q2/09
Sales	325.1	287.4	327.5	1 325.8	612.5	636.2	-0.7	13.1	-3.7
EBITDA*	16.1	20.3	57.9	228.2	36.4	106.3	-72.2	-20.7	-65.8
Operating loss/profit*	-6.6	-1.6	31.1	128.7	-8.2	52.6	-121.2	n/m	-115.6
% of sales	-2.0	-0.6	9.5	9.7	-1.3	8.3	-121.1	-233.3	-115.7
ROOC, %**	-2.5	-0.6	10.9	11.9	-1.6	9.2	-122.9	n/m	-117.4
Deliveries, 1 000 t	676	593	610	2 453	1 269	1 156	10.8	14.0	9.8
Production, 1 000 t	648	634	600	2 451	1 282	1 173	8.0	2.2	9.3

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital

Newsprint sales at EUR 325 million were similar to the second quarter of 2009. Delivery volumes were 11% higher and exchange rate trends were favourable, but prices were significantly lower. The operating loss of EUR 7 million was a deterioration of EUR 38 million on the EUR 31 million operating profit a year ago as increased deliveries and favourable exchange rate trends could not compensate for lower prices and higher RCP costs.

The permanent shutdown of the two newsprint machines PM 2 and PM 4 at Varkaus Mill in Finland at the end of third quarter of 2010 will reduce newsprint and directory paper annual capacity by 290 000 tonnes.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Newsprint	Europe	stable	slightly stronger	significantly lower	stable
Newsprint	Global	clearly stronger, mainly due to Asian markets	slightly stronger	stable	higher

Industry inventories reached their lowest levels for years in the second quarter of 2010.

Magazine Paper

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change	Change
							%	%	%
							Q2/10- Q2/09	Q2/10- Q1/10	Q1- Q2/10- Q1- Q2/09
Sales	530.2	435.5	396.0	1 676.0	965.7	776.8	33.9	21.7	24.3
EBITDA*	46.0	27.3	33.9	145.3	73.3	61.2	35.7	68.5	19.8
Operating profit/loss*	22.0	3.9	5.7	40.3	25.9	5.6	286.0	n/m	n/m
% of sales	4.1	0.9	1.4	2.4	2.7	0.7	192.9	n/m	285.7
ROOC, %**	7.1	1.3	1.6	3.1	4.1	0.8	n/m	n/m	n/m
Deliveries, 1 000 t***	598	526	512	2 150	1 124	999	16.8	13.7	12.5
Production, 1 000 t***	614	550	503	2 110	1 164	1 004	22.1	11.6	15.9

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital *** Excluding pulp

Magazine paper sales were EUR 530 million, up EUR 134 million on the second quarter of 2009 as 17% higher deliveries and favourable exchange rate trends more than offset sharp falls in coated and uncoated magazine paper prices. Pulp deliveries increased significantly as Sunila Pulp Mill operated at full capacity in the second quarter of 2010 and pulp prices rose. Operating profit at EUR 22 million was EUR 16 million up

on a year ago. Increased deliveries, favourable exchange rate trends and slightly lower energy costs more than offset lower sales prices and increased RCP costs. Personnel costs increased due to significant volume recovery as curtailments and temporary lay-offs were reduced. The pulp mills' share of the operating profit is significant.

Kotka Mill in Finland was divested with effect from 1 July 2010. The divestment reduced Stora Enso's annual capacity by 180 000 tonnes of machine-finished coated (MFC) paper.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Coated magazine paper	Europe	significantly stronger	stronger	slightly lower	stable
Coated magazine paper	Latin America	significantly stronger	significantly stronger	significantly lower	slightly lower
Uncoated magazine paper	Europe	slightly weaker	stable	lower	stable
Uncoated magazine paper	China	significantly stronger	slightly stronger	higher	slightly higher

Compared with the second quarter of 2009, industry inventories were higher in coated magazine paper and lower in uncoated magazine paper. Compared with the previous quarter, industry inventories were clearly higher in both grades but remained historically very low.

Fine Paper

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change		Change % Q1- Q2/10- Q1- Q2/09
							Q2/10- Q2/09	% Q2/10- Q1/10	
Sales	554.4	474.5	450.4	1 823.9	1 028.9	882.3	23.1	16.8	16.6
EBITDA*	101.0	62.1	25.2	134.5	163.1	47.8	n/m	62.6	241.2
Operating profit/loss*	79.4	41.5	-4.1	32.7	120.9	-9.8	n/m	91.3	n/m
% of sales	14.3	8.7	-0.9	1.8	11.8	-1.1	n/m	64.4	n/m
ROOC, %**	33.5	17.7	-1.3	2.8	25.6	-1.5	n/m	89.3	n/m
Deliveries, 1 000 t	687	623	638	2 538	1 310	1 228	7.7	10.3	6.7
Production, 1 000 t	694	648	625	2 507	1 342	1 216	11.0	7.1	10.4

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital

Fine paper sales were EUR 554 million, up EUR 104 million on the second quarter of 2009. Deliveries increased by 8%. Local prices were slightly lower on average, but the foreign exchange rate impact on sales was clearly positive. Operating profit at EUR 79 million was an improvement of EUR 84 million on the operating loss a year earlier due to recovery in demand for coated and uncoated fine paper, a better product mix following restructuring in woodfree uncoated fine paper, stable fixed costs despite increased volumes and slightly lower variable costs.

There will be annual maintenance stoppages at various mills during the third quarter of 2010.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Coated fine paper	Europe	significantly stronger	seasonally slightly weaker	slightly lower	slightly higher
Coated fine paper	China	stable	stable	significantly higher	significantly higher
Uncoated fine paper	Europe	significantly stronger	stable	slightly higher	higher

Compared with the second quarter of 2009, industry inventories were similar for coated fine paper, but lower for uncoated fine paper. As in the previous quarter, industry inventories remained low.

Consumer Board

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change	Change
							% Q2/10- Q2/09	% Q2/10- Q1/10	% Q1- Q2/10- Q1-Q2/09
Sales	586.3	523.1	460.3	1 895.9	1 109.4	920.2	27.4	12.1	20.6
EBITDA*	108.9	101.6	71.9	284.3	210.5	116.5	51.5	7.2	80.7
Operating profit*	76.9	70.5	41.6	164.9	147.4	57.1	84.9	9.1	158.1
% of sales	13.1	13.5	9.0	8.7	13.3	6.2	45.6	-3.0	114.5
ROOC, %**	24.7	23.8	13.5	13.7	24.5	9.2	83.0	3.8	166.3
Deliveries, 1 000 t***	590	551	545	2 201	1 141	1 074	8.3	7.1	6.2
Production, 1 000 t***	591	602	551	2 161	1 193	1 060	7.3	-1.8	12.5

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital *** Excluding pulp

Consumer board sales were EUR 586 million, up EUR 126 million on the second quarter of 2009 due to 8% higher board deliveries and somewhat higher board prices supported by mix. The pulp balance was net positive and delivery volumes and prices increased significantly. Operating profit at EUR 77 million was EUR 35 million higher than a year ago as increased deliveries, improved mix and slightly higher prices more than offset higher variable costs. Fixed costs were stable, although personnel costs increased due to less curtailments and temporary lay-offs.

The annual maintenance stoppage at Imatra Mills will be during the third quarter of this year, compared with the fourth quarter of last year, and will be longer than usual for board machine 4 to complete the last step in its quality upgrade investment. The annual maintenance stoppage at Enocell Pulp Mill will also be during the third quarter of 2010.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Consumer board	Europe	stronger	stronger	stable	slightly higher

Industrial Packaging

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change	Change
							%	%	% Q1- Q2/10-
Sales	259.2	223.2	194.0	815.5	482.4	391.2	33.6	16.1	23.3
EBITDA*	29.5	20.0	12.9	65.4	49.5	28.1	128.7	47.5	76.2
Operating profit*	17.1	7.7	0.9	17.6	24.8	4.4	n/m	122.1	n/m
% of sales	6.6	3.4	0.5	2.2	5.1	1.1	n/m	94.1	n/m
ROOC, %**	10.9	5.2	0.6	3.0	8.3	1.5	n/m	109.6	n/m
Paper and board deliveries, 1 000 t	247	226	195	832	473	386	26.7	9.3	22.5
Paper and board production, 1 000 t	239	241	181	807	480	370	32.0	-0.8	29.7
Corrugated packaging deliveries, million m ²	256	250	238	966	506	466	7.6	2.4	8.6
Corrugated packaging production, million m ²	258	250	239	962	508	465	7.9	3.2	9.2

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital

Industrial packaging sales were EUR 259 million, up EUR 65 million on the second quarter of 2009 due to higher deliveries and sales prices. Operating profit at EUR 17 million was EUR 16 million up on the previous year as increased deliveries and prices more than offset higher variable costs, especially for recycled paper. Fixed costs increased slightly as volumes increased.

Kotka Mill in Finland was divested with effect from 1 July 2010. The divestment reduced Stora Enso's annual capacity by 200 000 tonnes of laminating paper and 40 000 tonnes of Imprex products. The annual maintenance stoppage at Heinola Mill will be during the third quarter of 2010.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Industrial packaging	Europe	stronger	seasonally stronger	higher	higher

Wood Products

EUR million	Q2/10	Q1/10	Q2/09	2009	Q1- Q2/10	Q1- Q2/09	Change	Change	Change
							%	%	% Q1- Q2/10-
Sales	422.7	331.6	315.8	1 239.6	754.3	587.8	33.9	27.5	28.3
EBITDA*	39.5	14.9	-1.1	25.6	54.4	-15.4	n/m	165.1	n/m
Operating profit/loss*	30.1	5.4	-8.7	-8.0	35.5	-32.4	n/m	n/m	209.6
% of sales	7.1	1.6	-2.8	-0.6	4.7	-5.5	n/m	n/m	185.5
ROOC, %**	20.5	3.8	-5.9	-1.4	12.3	-10.8	n/m	n/m	213.9
Deliveries, 1 000 m ³	1 457	1 149	1 301	4 902	2 606	2 414	12.0	26.8	8.0

* Excluding non-recurring items ** ROOC = 100% x Operating profit/Operating capital

Wood product sales were EUR 423 million, up EUR 107 million on the second quarter of 2009 due to 12% higher deliveries, significantly higher sales prices and favourable exchange rate trends. Operating profit at EUR 30 million was an improvement of EUR 39 million on the operating loss a year ago as higher sales prices and deliveries more than offset higher raw material prices. Fixed costs including personnel costs increased, mainly because temporary curtailments and lay-offs were reduced.

Co-determination negotiations concerning planned temporary curtailments at Finnish sawmills commenced in June 2010. The planned lay-offs are in response to the threat that wood cost levels in Finland will become even more uncompetitive. Temporary curtailments are also planned in other countries. Kotka Sawmill in

Finland was divested with effect from 1 July 2010. The divestment reduced Stora Enso's annual capacity by 230 000 m³ of sawnwood.

Markets

Product	Market	Demand Q2/10 compared with Q2/09	Demand Q2/10 compared with Q1/10	Price Q2/10 compared with Q2/09	Price Q2/10 compared with Q1/10
Wood products	Europe	slightly stronger	seasonally stronger	significantly higher	higher
Wood products	Asia, Middle East and North Africa	stronger	seasonally stronger	significantly higher	higher

With supply and demand in balance, inventories increased slightly to normal throughout the supply chain from the very low levels a year ago, and they were unchanged from the previous quarter.

Financials

Basis of Preparation

Except as described below, this unaudited interim financial report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Annual Report for 2009:

Taxes on income in Interim Review have been calculated using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The sale of integrated mills at Kotka in Finland and the laminating paper operations in Malaysia has been accounted under IFRS 5 - Non-current Assets Held for Sale. Assets are classified as 'Held for Sale' when it is highly probable that the carrying amount of the assets will be recovered through a sale transaction rather than continuing use. These assets and liabilities have been measured at fair value less costs to sell. The closing sales consideration is subject to fair value changes and therefore the final outcome of the transaction is subject to change.

The following amendments to standards and interpretations were adopted from 1 January 2010 but had no impact on the Group financial statements;

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters (Amendments).
- IFRS 2 Group Cash-settled Share-based Payment Arrangements clarifies the scope and the accounting for group cash-settled share-based payment transactions.
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendment) clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
- IFRIC 17 Distributions on Non-cash Assets to Owners provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Condensed Consolidated Income Statement

EUR million	Q2/10	Q1/10	Q2/09	Q1- Q2/10	Q1- Q2/09	2009	Change	Change	Change
							% Q2/10- Q2/09	% Q2/10- Q1/10	% Q1- Q2/10- Q1- Q2/09
Sales	2 692.2	2 295.9	2 184.8	4 988.1	4 315.3	8 945.1	23.2	17.3	15.6
Other operating income	31.9	34.3	31.4	66.2	83.2	172.8	1.6	-7.0	-20.4
Materials and services	-1 641.3	-1 428.1	-1 363.4	-3 069.4	-2 735.0	-5 668.1	-20.4	-14.9	-12.2
Freight and sales commissions	-263.9	-225.2	-196.9	-489.1	-408.0	-833.6	-34.0	-17.2	-19.9
Personnel expenses	-361.8	-329.0	-325.6	-690.8	-701.6	-1 349.6	-11.1	-10.0	1.5
Other operating expenses	-148.2	-112.0	-401.1	-260.2	-515.8	-833.1	63.1	-32.3	49.6
Share of results of equity accounted investments	14.9	19.1	6.0	34.0	25.4	111.8	148.3	-22.0	33.9
Depreciation and impairment	-108.2	-131.6	-144.6	-239.8	-273.8	-1 152.9	25.2	17.8	12.4
Operating Profit/Loss	215.6	123.4	-209.4	339.0	-210.3	-607.6	203.0	74.7	261.2
Net financial items	-22.6	-5.5	-161.2	-28.1	-208.4	-279.2	86.0	n/m	86.5
Profit/Loss before Tax	193.0	117.9	-370.6	310.9	-418.7	-886.8	152.1	63.7	174.3
Income tax	-33.1	-15.8	2.3	-48.9	14.3	8.6	n/m	-109.5	n/m
Net Profit/Loss for the Period	159.9	102.1	-368.3	262.0	-404.4	-878.2	143.4	56.6	164.8
Attributable to:									
Owners of the Parent	159.1	101.5	-367.9	260.6	-406.1	-879.7	143.2	56.7	164.2
Non-controlling interests	0.8	0.6	-0.4	1.4	1.7	1.5	300.0	33.3	-17.6
	159.9	102.1	-368.3	262.0	-404.4	-878.2	143.4	56.6	164.8
Earnings per Share									
Basic earnings per share, EUR	0.20	0.13	-0.46	0.33	-0.51	-1.12	143.5	53.8	164.7
Diluted earnings per share, EUR	0.20	0.13	-0.46	0.33	-0.51	-1.12	143.5	53.8	164.7

Consolidated Statement of Comprehensive Income

EUR million	Q2/10	Q1/10	Q2/09	Q1- Q2/10	Q1- Q2/09	2009
Net profit/loss for the period	159.9	102.1	-368.3	262.0	-404.4	-878.2
Other Comprehensive Income						
Actuarial gains and losses on defined benefit pension plans	-	-	-	-	-	-20.4
Asset revaluation on step acquisition	-	-	3.9	-	3.9	3.9
Available for sale financial assets	-28.5	-16.6	334.3	-45.1	150.9	180.3
Currency and commodity hedges	-4.8	23.9	103.4	19.1	105.6	224.1
Share of other comprehensive income of equity accounted investments	-1.1	-0.3	2.2	-1.4	-10.4	-8.5
Currency translation movements on equity net investments (CTA)	112.8	144.3	67.4	257.1	91.7	252.6
Currency translation movements on non-controlling interests	5.0	1.1	-1.7	6.1	-1.2	5.9
Net investment hedges	6.9	-8.1	25.5	-1.2	25.5	0.7
Income tax relating to components of other comprehensive income	0.0	-4.7	-32.3	-4.7	-36.3	-65.0
Other Comprehensive Income, net of tax	90.3	139.6	502.7	229.9	329.7	573.6
Total Comprehensive Income	250.2	241.7	134.4	491.9	-74.7	-304.6
Total Comprehensive Income Attributable to:						
Owners of the Parent	244.4	240.0	136.5	484.4	-75.2	-312.0
Non-controlling interests	5.8	1.7	-2.1	7.5	0.5	7.4
	250.2	241.7	134.4	491.9	-74.7	-304.6

Condensed Consolidated Statement of Cash Flows

EUR million	Q1-Q2/10	Q1-Q2/09
Cash Flow from Operating Activities		
Operating profit/loss	339.0	-210.3
Hedging result from OCI	16.9	113.4
Adjustments for non-cash items	202.5	467.7
Change in net working capital	-181.3	255.9
Cash Flow Generated by Operations	377.1	626.7
Net financials items received/paid	48.5	-91.6
Income taxes paid, net	-21.0	-4.2
Net Cash Provided by Operating Activities	404.6	530.9
Cash Flow from Investing Activities		
Acquisitions of subsidiaries	-5.6	-8.3
Acquisitions of equity accounted investments	-13.2	-0.1
Proceeds from sale of fixed assets and shares	13.2	62.5
Capital expenditure	-188.1	-212.5
Proceeds/payment of the non-current receivables, net	5.2	-36.4
Net Cash Used in Investing Activities	-188.5	-194.8
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	350.5	223.0
Long-term debt, payments	-708.2	-98.8
Change in short-term borrowings	270.2	-178.7
Capital repayments paid	-157.7	-
Dividend to non-controlling interests	-1.3	-6.0
Net Cash Used in Financing Activities	-246.5	-60.5
Net Decrease/Increase in Cash and Cash Equivalents	-30.4	275.6
Cash and bank in disposed companies	-0.1	-
Cash and bank in acquired companies	-	4.4
Translation adjustment	9.0	-8.1
Net cash and cash equivalents at the beginning of period	877.0	372.6
Net Cash and Cash Equivalents at Period End	855.5	644.5
Cash and Cash Equivalents at Period End	857.5	647.8
Bank Overdrafts at Period End	-2.0	-3.3
Net Cash and Cash Equivalents at Period End	855.5	644.5
Acquisitions of Subsidiary Companies		
Cash and cash equivalents	-	4.4
Fixed assets	-	14.4
Working capital	-	20.4
Tax assets and liabilities	-	15.1
Interest-bearing liabilities	-	-40.0
Non-controlling interests	5.6	-2.1
Fair Value of Net Assets	5.6	12.2
Gain from step acquisition realised directly in equity	-	-3.9
Total Purchase Consideration	5.6	8.3
Disposal of Subsidiary Companies		
Cash and cash equivalents	0.1	-
Fixed assets	0.5	0.1

Working capital	-	0.2
Interest-bearing liabilities	-0.1	-
Tax liabilities	-0.1	-
Non-controlling Interest	-	-
Net Assets in Divested Companies	0.4	0.3
Income Statement capital gain/loss	-	-
Total Disposal Consideration Received in Cash and Kind	0.4	0.3

Property, Plant and Equipment, Intangible Assets and Goodwill

EUR million	Q1-Q2/10	2009	Q1-Q2/09
Carrying value at 1 January	5 157.7	5 899.4	5 899.4
Acquisition of subsidiary companies	-	17.6	14.4
Capital expenditure	177.4	394.4	192.9
Additions in biological assets	10.7	35.5	19.6
Change in emission rights	35.3	-41.7	-26.5
Disposals	-19.9	-27.9	-24.1
Disposals of subsidiary companies	-0.5	-92.6	-0.1
Depreciation and impairment	-239.8	-1 152.9	-273.8
Translation difference and other	210.2	125.9	10.3
Statement of Financial Position Total	5 331.1	5 157.7	5 812.1

Borrowings

EUR million	30 Jun 10	31 Dec 09	30 Jun 09
Non-current borrowings	3 042.6	2 898.4	2 500.9
Current borrowings	1 003.8	1 038.3	1 449.7
	4 046.4	3 936.7	3 950.6
	Q1-Q2/10	2009	Q1-Q2/09
Carrying value at 1 January	3 936.7	4 076.1	4 076.1
Debt acquired with new subsidiaries	-	44.1	40.0
Debt disposed with sold subsidiaries	-0.1	-	-
Proceeds/(Payments of) borrowings (net)	-39.3	-255.1	-151.2
Translation difference and other	149.1	71.6	-14.3
Statement of Financial Position Total	4 046.4	3 936.7	3 950.6

Condensed Consolidated Statement of Financial Position

EUR million		30 Jun 10	31 Dec 09	30 Jun 09
Assets				
Fixed Assets and Other Non-current Investments				
Fixed assets	O	5 081.5	4 979.9	5 617.6
Biological assets	O	189.0	152.5	154.0
Emission rights	O	60.6	25.3	40.5
Equity accounted investment	O	1 687.1	1 481.3	1 117.9
Available-for-sale: Interest-bearing	I	72.9	71.7	58.0
Available-for-sale: Operative	O	737.3	778.5	781.6
Non-current loan receivables	I	160.5	159.6	167.1
Deferred tax assets	T	150.1	155.8	143.1
Other non-current assets	O	38.8	30.4	19.6
		8 177.8	7 835.0	8 099.4
Current Assets				
Inventories	O	1 363.3	1 281.6	1 491.5
Tax receivables	T	9.2	2.4	35.0
Operative receivables	O	1 597.4	1 362.6	1 437.4
Interest-bearing receivables	I	257.5	221.2	160.1
Cash and cash equivalents	I	857.5	890.4	647.8
		4 084.9	3 758.2	3 771.8
Asset of disposal group classified as held for sale*		33.3	-	-
		4 118.2	3 758.2	3 771.8
Total Assets		12 296.0	11 593.2	11 871.2
Equity and Liabilities				
Owners of the Parent		5 457.1	5 124.3	5 518.8
Non-controlling Interests		52.7	58.2	57.0
Total Equity		5 509.8	5 182.5	5 575.8
Non-current Liabilities				
Post-employment benefit provisions	O	329.5	305.0	300.9
Other provisions	O	206.6	180.4	179.3
Deferred tax liabilities	T	376.7	364.4	318.0
Non-current debt	I	3 042.6	2 898.4	2 500.9
Other non-current operative liabilities	O	21.9	43.1	22.0
		3 977.3	3 791.3	3 321.1
Current Liabilities				
Current portion of long-term debt	I	588.8	814.8	1 067.0
Interest-bearing liabilities	I	415.0	223.5	382.7
Operative liabilities	O	1 637.5	1 473.0	1 388.3
Tax liabilities	T	139.0	108.1	136.3
		2 780.3	2 619.4	2 974.3
Liability directly associated with the assets classified as held for sale*		28.6	-	-

	2 808.9	2 619.4	2 974.3
Total Liabilities	6 786.2	6 410.7	6 295.4
Total Equity and Liabilities	12 296.0	11 593.2	11 871.2

* *Stora Enso finalised the divestment of its integrated mills at Kotka in Finland and its laminating paper operations in Malaysia to private equity firm OpenGate Capital on 1 July 2010. On 30 June 2010 the related assets were classified as held for sale.*

Items designated with "O" comprise Operating Capital

Items designated with "I" comprise Interest-bearing Net Liabilities

Items designated with "T" comprise Net Tax Liabilities

Statement of Changes in Equity

EUR million	Share Capital	Share Premium & Reserve fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available for sale financial assets	Currency and commodity hedges	Currency and commodity hedges of equity accounted investments	CTA & net investment hedges	Retained Earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance at 31 December 2008	1 342.2	2 276.4	-	-10.2	-	510.6	-166.1	-10.5	-443.8	2 095.4	5 594.0	56.5	5 650.5
Profit/Loss for the period	-	-	-	-	-	-	-	-	-	-406.1	-406.1	1.7	-404.4
OCI before tax	-	-	-	-	3.9	150.9	105.6	-10.4	117.2	-	367.2	-1.2	366.0
Income tax relating to components of OCI	-	-	-	-	-	-3.1	-26.6	-	-6.6	-	-36.3	-	-36.3
Total Comprehensive Income	-	-	-	-	3.9	147.8	79.0	-10.4	110.6	-406.1	-75.2	0.5	-74.7
Dividends relating to 2008	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2009	1 342.2	2 276.4	-	-10.2	3.9	658.4	-87.1	-20.9	-333.2	1 689.3	5 518.8	57.0	5 575.8
Profit/Loss for the period	-	-	-	-	-	-	-	-	-	-473.6	-473.6	-0.2	-473.8
OCI before tax	-	-	-	-	-	29.4	118.5	1.9	136.1	-20.4	265.5	7.1	272.6
Income tax relating to components of OCI	-	-	-	-	-	-3.6	-32.2	-	2.5	4.6	-28.7	-	-28.7
Total Comprehensive Income	-	-	-	-	-	25.8	86.3	1.9	138.6	-489.4	-236.8	6.9	-229.9
Dividends relating to 2008	-	-	-	-	-	-	-	-	-	-	-	-2.2	-2.2
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-3.4	-3.4
Buy-out of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1
Transfer to distributable reserves	-	-2 042.1	2 042.1	-	-	-	-	-	-	-	-	-	-
Return of capital (EUR 0.20 per share)	-	-157.7	-	-	-	-	-	-	-	-	-157.7	-	-157.7
Balance at 31 December 2009	1 342.2	76.6	2 042.1	-10.2	3.9	684.2	-0.8	-19.0	-194.6	1 199.9	5 124.3	58.2	5 182.5
Profit/Loss for the period	-	-	-	-	-	-	-	-	-	260.6	260.6	1.4	262.0

24(30)

OCI before tax	-	-	-	-	-	-45.1	19.1	-1.4	255.9	-	228.5	6.1	234.6
Income tax relating to components of OCI	-	-	-	-	-	0.6	-5.6	-	0.3	-	-4.7	-	-4.7
Total Comprehensive Income	-	-	-	-	-	-44.5	13.5	-1.4	256.2	260.6	484.4	7.5	491.9
Dividends relating to 2009	-	-	-	-	-	-	-	-	-	-	-	-1.3	-1.3
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-5.6	-5.6
Buy-out of non-controlling interest	-	-	-	-	-	-	-	-	-	6.1	6.1	-6.1	-
Return of capital (EUR 0.20 per share)	-	-	-157.7	-	-	-	-	-	-	-	-157.7	-	-157.7
Transfer to retained earnings	-	-	-1 251.3	-	-	-	-	-	-	1 251.3	-	-	-
Balance at 30 June 2010	1 342.2	76.6	633.1	-10.2	3.9	639.7	12.7	-20.4	61.6	2 717.9	5 457.1	52.7	5 509.8

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

Commitments and Contingencies

EUR million	30 Jun 10	31 Dec 09	30 Jun 09
On Own Behalf			
Pledges given	-	-	0.8
Mortgages	11.2	16.2	72.5
On Behalf of Equity Accounted Investments			
Guarantees	182.1	180.2	193.0
On Behalf of Others			
Guarantees	121.4	121.7	127.9
Other Commitments, Own			
Operating leases, in next 12 months	26.8	27.2	25.2
Operating leases, after next 12 months	73.3	79.3	84.8
Pension liabilities	0.1	0.3	0.2
Other commitments	32.7	36.4	160.7
Total	447.6	461.3	665.1
Pledges given	-	-	0.8
Mortgages	11.2	16.2	72.5
Guarantees	303.5	301.9	320.9
Operating leases	100.1	106.5	110.0
Pension liabilities	0.1	0.3	0.2
Other commitments	32.7	36.4	160.7
Total	447.6	461.3	665.1

Purchase Agreement Commitments

EUR million	Scheduled Contract Payments				
	Contract Total	Q3-Q4/2010	2011-2012	2013-2014	2015+
Type of Supply					
Fibre	1 728.5	120.0	454.1	428.1	726.3
Energy	1 700.3	282.4	476.3	334.3	607.3
Logistics	407.7	32.7	99.1	81.9	194.0
Other production costs	737.5	74.8	115.5	51.5	495.7
	4 574.0	509.9	1 145.0	895.8	2 023.3
Capital Expenditure	57.2	37.6	19.6	-	-
Total Contractual Commitments at 30 June 2010	4 631.2	547.5	1 164.6	895.8	2 023.3

Fair Values of Derivative Financial Instruments

EUR million	30 Jun 10			31 Dec 09	30 Jun 09
	Positive Fair Values	Negative Fair Values	Net Fair Values	Net Fair Values	Net Fair Values
Interest rate swaps	167.3	-17.7	149.6	156.6	179.1
Interest rate options	-	-42.8	-42.8	-26.7	-26.9
Forward contracts	120.6	-22.5	98.1	20.5	-124.2
Currency options	13.8	-44.1	-30.3	13.9	7.0
Commodity contracts	21.8	-27.3	-5.5	-21.8	-49.3
Equity swaps ("TRS")	9.5	-11.8	-2.3	-14.1	-30.5
Total	333.0	-166.2	166.8	128.4	-44.8

Nominal Values of Derivative Financial Instruments

EUR million	30 Jun 10	31 Dec 09	30 Jun 09
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	866.1	666.8	1 262.5
Maturity 2–5 years	1 665.4	2 384.0	2 412.5
Maturity 6–10 years	1 006.1	861.8	874.3
	3 537.6	3 912.6	4 549.3
Interest rate options	541.7	387.4	343.4
Total	4 079.3	4 300.0	4 892.7
Foreign Exchange Derivatives			
Forward contracts	2 557.5	2 935.7	2 721.7
Currency options	2 555.2	1 590.7	2 025.3
Total	5 112.7	4 526.4	4 747.0
Commodity Derivatives			
Commodity contracts	310.8	396.7	482.5
Total	310.8	396.7	482.5
Total Return (Equity) Swaps			
Equity swaps ("TRS")	112.7	104.7	104.7
Total	112.7	104.7	104.7

Sales by Segment

EUR million	Q2/10	Q1/10	2009	Q4/09	Q3/09	Q2/09	Q1/09
Newsprint and Book Paper	325.1	287.4	1 325.8	359.6	330.0	327.5	308.7
Magazine Paper	530.2	435.5	1 676.0	430.2	469.0	396.0	380.8
Fine Paper	554.4	474.5	1 823.9	492.0	449.6	450.4	431.9
Consumer Board	586.3	523.1	1 895.9	505.0	470.7	460.3	459.9
Industrial Packaging	259.2	223.2	815.5	220.6	203.7	194.0	197.2
Wood Products	422.7	331.6	1 239.6	344.9	306.9	315.8	272.0
Other	648.6	625.3	2 175.2	619.4	450.1	507.8	597.9
Inter-segment sales	-634.3	-604.7	-2 006.8	-572.9	-449.0	-467.0	-517.9
Total	2 692.2	2 295.9	8 945.1	2 398.8	2 231.0	2 184.8	2 130.5

Operating Profit/Loss by Segment excluding NRI and Fair Valuations

EUR million	Q2/10	Q1/10	2009	Q4/09	Q3/09	Q2/09	Q1/09
Newsprint and Book Paper	-6.6	-1.6	128.7	41.3	34.8	31.1	21.5
Magazine Paper	22.0	3.9	40.3	4.1	30.6	5.7	-0.1
Fine Paper	79.4	41.5	32.7	22.1	20.4	-4.1	-5.7
Consumer Board	76.9	70.5	164.9	42.9	64.9	41.6	15.5
Industrial Packaging	17.1	7.7	17.6	2.9	10.3	0.9	3.5
Wood Products	30.1	5.4	-8.0	15.0	9.4	-8.7	-23.7
Other	-16.5	-22.2	-117.1	-26.6	-44.9	-24.3	-21.3
Operating Profit/Loss excl. NRI by Segment	202.4	105.2	259.1	101.7	125.5	42.2	-10.3
Share of results of equity accounted investments excl. fair valuations	10.5	14.2	61.4	35.8	6.0	6.3	13.3
Operating Profit excl. NRI and Fair Valuations*	212.9	119.4	320.5	137.5	131.5	48.5	3.0
Fair valuations*	11.2	22.9	4.4	9.9	21.0	11.4	-37.9
Operating Profit/Loss excl. NRI	224.1	142.3	324.9	147.4	152.5	59.9	-34.9
NRI	-8.5	-18.9	-932.5	-42.1	-655.1	-269.3	34.0
Operating Profit/Loss (IFRS)	215.6	123.4	-607.6	105.3	-502.6	-209.4	-0.9
Net financial items	-22.6	-5.5	-279.2	-24.7	-46.1	-161.2	-47.2
Profit/Loss before Tax and Non-controlling Interests	193.0	117.9	-886.8	80.6	-548.7	-370.6	-48.1
Income tax expense	-33.1	-15.8	8.6	-34.7	29.0	2.3	12.0
Net Profit/Loss	159.9	102.1	-878.2	45.9	-519.7	-368.3	-36.1

* Fair valuations include synthetic options net of realised and open hedges, CO₂ emission rights, and valuations of biological assets related to forest assets in equity accounted investments.

NRI by Segment

EUR million	Q2/10	Q1/10	2009	Q4/09	Q3/09	Q2/09	Q1/09
Newsprint and Book Paper	-13.0	-	-52.2	-1.1	-80.1	-	29.0
Magazine Paper	9.2	-5.7	-163.5	-11.4	-152.1	-	-
Fine Paper	8.5	-	-314.2	-0.6	-313.6	-	-
Consumer Board	-	-	-34.2	1.6	-35.8	-	-
Industrial Packaging	-3.3	-13.2	-28.7	-0.5	-28.2	-	-
Wood Products	0.5	1.6	-7.7	1.0	-8.7	-	-
Other	-10.4	-1.6	-332.0	-31.1	-36.6	-269.3	5.0
NRI on Operating Profit	-8.5	-18.9	-932.5	-42.1	-655.1	-269.3	34.0
NRI on financial items	-	-	-148.5	-	-	-148.5	-
NRI on tax	-	-	49.6	12.0	42.9	4.6	-9.9
NRI on Net Profit	-8.5	-18.9	-1 031.4	-30.1	-612.2	-413.2	24.1

Operating Profit/Loss by Segment

EUR million	Q2/10	Q1/10	2009	Q4/09	Q3/09	Q2/09	Q1/09
Newsprint and Book Paper	-19.6	-1.6	76.5	40.2	-45.3	31.1	50.5
Magazine Paper	31.2	-1.8	-123.2	-7.3	-121.5	5.7	-0.1
Fine Paper	87.9	41.5	-281.5	21.5	-293.2	-4.1	-5.7
Consumer Board	76.9	70.5	130.7	44.5	29.1	41.6	15.5
Industrial Packaging	13.8	-5.5	-11.1	2.4	-17.9	0.9	3.5
Wood Products	30.6	7.0	-15.7	16.0	0.7	-8.7	-23.7
Other	-20.1	-5.8	-495.1	-89.6	-63.3	-281.9	-60.3
Share of results of equity accounted investments	14.9	19.1	111.8	77.6	8.8	6.0	19.4
Operating Profit/Loss (IFRS)	215.6	123.4	-607.6	105.3	-502.6	-209.4	-0.9
Net financial items	-22.6	-5.5	-279.2	-24.7	-46.1	-161.2	-47.2
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Income tax expense	-33.1	-15.8	8.6	-34.7	29.0	2.3	12.0
Net Profit/Loss	159.9	102.1	-878.2	45.9	-519.7	-368.3	-36.1

Key Exchange Rates for the Euro

One Euro is	Closing Rate		Average Rate	
	30 Jun 10	31 Dec 09	30 Jun 10	31 Dec 09
SEK	9.5259	10.2520	9.7963	10.6180
USD	1.2271	1.4406	1.3284	1.3941
GBP	0.8175	0.8881	0.8698	0.8909

Transaction Risk and Hedges in Main Currencies as at 30 June 2010

EUR million	USD	GBP	SEK
Estimated annual net operating cash flow exposure	1 100	500	-1 050
Transaction hedges as at 30 June 2010	-670	-260	600
Hedging percentage as at 30 June 2010 for the next 12 months	61%	52%	57%

Changes in Exchange Rates on Operating Profit

Operating Profit: Currency effect +/- 10%	EUR million
USD	110
SEK	-105
GBP	50

The sensitivity is based on expected 2010 net operating cash flow. The calculation does not take into account currency hedges, and assumes no changes occur other than a single currency exchange rate movement.

Stora Enso Shares

Trading volume	Helsinki		Stockholm	
	A share	R share	A share	R share
April	185 032	98 826 364	358 405	28 165 093
May	200 582	124 052 824	337 911	28 429 295
June	186 148	97 028 071	290 604	25 002 587
Total	571 762	319 907 259	986 920	81 596 975

Closing Price	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
April	6.29	6.31	60.00	60.00
May	6.10	6.08	58.50	58.25
June	6.15	5.98	58.45	56.90

Calculation of Key Figures

Return on capital employed, ROCE (%)	100 x	$\frac{\text{Operating profit}}{\text{Capital employed}^{1)2)}$
Return on operating capital, ROOC (%)	100 x	$\frac{\text{Operating profit}}{\text{Operating capital}^{1)2)}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and non-controlling items} - \text{taxes}}{\text{Total equity}^{2)}$
Equity ratio (%)	100 x	$\frac{\text{Total equity}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}}$
CEPS		$\frac{\text{Net profit/loss for the period} - \text{Depreciation and Impairment}}{\text{Average number of shares}}$
EPS		$\frac{\text{Net profit/loss for the period}}{\text{Average number of shares}}$

¹⁾ Capital employed = Operating capital – Net tax liabilities

²⁾ Average for the financial period

For further information, please contact:

Jouko Karvinen, CEO, tel. +358 2046 21410

Markus Rauramo, CFO, tel. +358 2046 21121

Ulla Paajanen-Sainio, Head of Investor Relations, tel. +358 2046 21242

Lauri Peltola, Head of Communications, tel. +358 2046 21380

Stora Enso's third quarter results 2010 will be published on 27 October 2010.

PRESS CONFERENCE IN HELSINKI

Time: 14.00 local time today
 Location: Stora Enso Oyj
 Address: Kanavaranta 1
 Hosts: Jouko Karvinen, CEO
 Markus Rauramo, CFO

The conference will be held in Finnish. Questions can be addressed to Jouko Karvinen and Markus Rauramo after the presentation.

ANALYST CONFERENCE CALL

CEO Jouko Karvinen and CFO Markus Rauramo will be hosting a combined conference call and webcast today at 16.00 Finnish time (15.00 CET, 14.00 UK time, 9.00 US Eastern time).

If you wish to participate, please dial:

+44 (0)20 7138 0826	Continental Europe and the UK
+358 (0)9 2319 4344	Finland
+46 (0)8 5051 3786	Sweden
+1 212 444 0481	USA
Access code:	9194075#

The live webcast may be accessed at www.storaenso.com/investors

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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.

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STORA ENSO OYJ

Jari Suvanto

Ulla Paajanen-Sainio