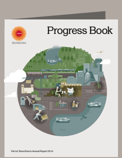
Financial Report

Part of Stora Enso's Annual Report 2014

About this report

The Stora Enso Annual Report 2014 consists of four reports: the Progress Book, which is printed and available in three languages (English, Finnish and Swedish); the Financial Report, which is also printed; the Global Responsibility Performance Report, prepared in accordance with Global Reporting Initiative (GRI) guidelines, and the Corporate Governance Report. All are available online in PDF format at storaenso.com/annualreport.

The Stora Enso Annual Report 2014 is made up of:



Progress Book

Financial Report

Global Responsibility Performance

Corporate Governance Report

Stora Enso in Brief

Stora Enso (the Group or the Company) is a leading provider of renewable solutions in packaging, biomaterials, wood and paper on global markets. Our aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. Our focus is on fibre-based packaging, plantation-based pulp, innovations in biomaterials, and sustainable building solutions.

The Group has some 27 000 employees in more than 35 countries worldwide, and is publicly traded in Helsinki and Stockholm. Our sales in 2014 were EUR 10.2 billion, with an operational EBIT of EUR 810 million.

We use and develop our expertise in renewable materials to meet the needs of our customers and many of today's global raw material challenges. Our products provide a climate-friendly alternative to many products made from non-renewable materials, and have a smaller carbon footprint.
Being responsible – doing good for the people and the planet – underpins our thinking and our approach to every aspect of doing business.

Contents

Stora Enso in Capital Markets

Shares and shareholders

Shares and voting rights

The shares of Stora Enso Oyj's (hereafter the "Company" or "Stora Enso") are divided into A and R shares, which 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 2014 Stora Enso had 177 056 204 A shares and 611 563 783 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 238 209 886.

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 the 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 the depositary bank for the Stora Enso ADR programme. The trading symbol is SEOAY and the CUSIP number 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 2014, 168 242 178 of the Company's shares were registered in Euroclear Sweden AB and 19 397 143 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by Book-Entry System, 31 December 2014

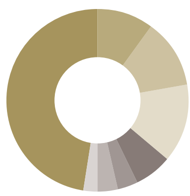
Number of shares	Total	A shares	R shares
Euroclear Finland Oy	600 980 666	102 840 974	498 139 692
Euroclear Sweden AB[1]	168 242 178	74 215 230	94 026 948
Deutsche Bank administered ADRs[1]	19 397 143	-	19 397 143
Total	**788 619 987**	**177 056 204**	**611 563 783**

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

Ownership Distribution, 31 December 2014

	% of shares	% of votes	% of shareholders
FAM AB	10.2%	27.2%	0.0%
Solidium Oy[1]	12.3%	25.1%	0.0%
Finnish institutions	13.8%	21.1%	2.6%
Swedish institutions	6.7%	4.7%	1.7%
Swedish private shareholders	3.6%	2.8%	49.3%
Finnish private shareholders	3.7%	2.4%	43.3%
ADR holders	2.5%	0.8%	2.1%
Under nominee names (non-Finnish/non-Swedish shareholders)	47.3%	15.9%	1.0%

% of shares held



[1] Entirely owned by the Finnish State

Share capital

On 31 December 2014 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 into R shares at any time. The conversion of shares is voluntary. The conversions of a total of 40 000 A shares into R shares during the year were recorded in the Finnish Trade Register on 15 January and 15 July 2014.

Changes in Share Capital 2007–2014

	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (EUR million)
Stora Enso Oyj, 1 Jan 2007	**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**
Conversion of A shares into R shares Dec 2013–Nov 2014	-40 000	40 000	-	-
Stora Enso Oyj, 31 Dec 2014	**177 056 204**	**611 563 783**	**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 2014

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 with on a regular basis in Europe, North America, and parts of Asia and Latin America. In 2014 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 to Scandinavia, China and Pakistan for members of the investment community. 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. During the year, special focus was given to socially responsible investors to explain the Company's Global Responsibility strategy, governance and managing Environmental, Social and Governance (ESG) risks in the Pakistan and Guangxi operations.

Shareholdings of other Group-related bodies at 31 December 2014

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 2014 the Company had approximately 73 690 registered shareholders, including about 38 101 Swedish shareholders and about 1 515 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 690 million (87%) of the Company's shares were registered in the name of a nominee.

The free float of shares excluding shareholders with holdings of more than 5% of shares or votes is approximately 570 million shares, which is 72% of the total number of shares issued. The largest single shareholder in the Company is FAM AB based in Sweden.

Major Shareholders as at 31 December 2014

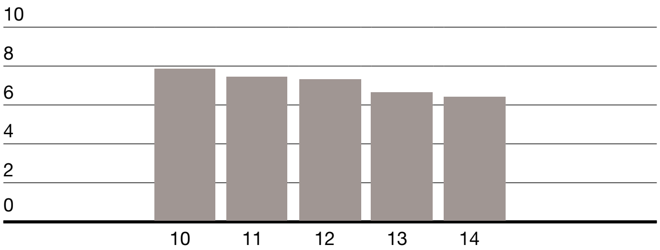
	By voting power	A shares	R shares	% of shares	% of votes
1	FAM AB	63 123 386	17 000 000[1]	10.2%	27.2%
2	Solidium Oy[2]	55 595 937	41 483 501	12.3%	25.1%
3	Social Insurance Institution of Finland	23 825 086	2 275 965	3.3%	10.1%
4	Varma Mutual Pension Insurance Company	15 572 117	140 874	2.0%	6.5%
5	MP-Bolagen i Vetlanda AB ,Verner von Seydlitz	4 578 000	4 721 000	1.2%	2.1%
6	Ilmarinen Mutual Pension Insurance Company	3 492 740	7 173 189	1.4%	1.8%
7	Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.8%
8	Nordea Investment Funds	-	11 586 520	1.5%	0.5%
9	Swedbank Robur Funds	-	8 235 312	1.0%	0.3%
10	Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
11	The State Pension Fund	-	7 600 000	1.0%	0.3%
12	Keva (Local Government Pensions Institution)	-	5 321 001	0.7%	0.2%
13	Unionen (Swedish trade union)	-	5 297 200	0.7%	0.2%
14	Danske Bank a/s Helsinki filial	448 616	23 440	0.1%	0.2%
15	Schweizerische Nationalbank	-	3 238 793	0.4%	0.1%
	Total	**169 042 691**	**118 042 502**	**36.5%**[3]	**75.7%**[3]
	Nominee-registered shares	74 558 542	472 515 517	69.4%[3]	51.1%[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.

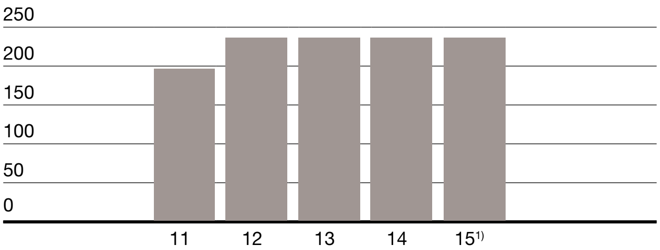
Equity per Share

EUR



Distributed Dividend / Capital Repayment

EUR million



[1)] Board of Director's proposal to the AGM for the distributed dividend.

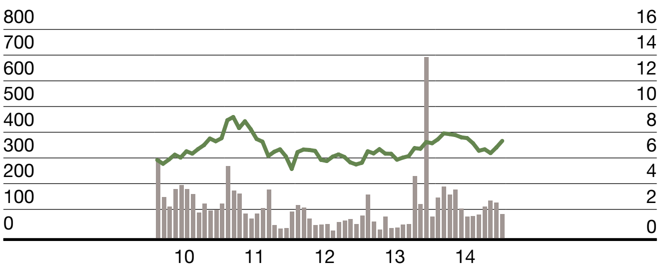
Share price performance and volumes

Helsinki

The Stora Enso R (STERV) share price increased by 2% during 2014 (39% increase in 2013). During the same period, the OMX Helsinki Index increased by 6%, the OMX Helsinki Benchmark Index by 4% and the OMX Helsinki Basic Materials Index by 9%.

Helsinki, Stora Enso A

Number of shares, thousand — Share price (EUR)

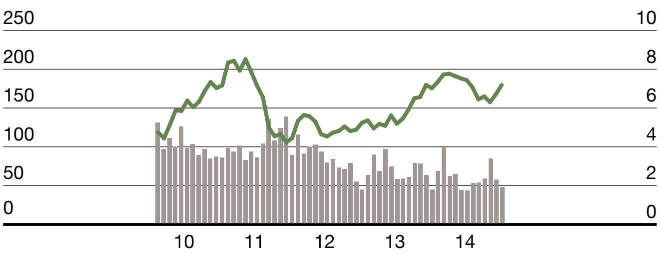


Volume

Monthly average share price

Helsinki, Stora Enso R

Number of shares, million — Share price (EUR)



Volume

Monthly average share price

Stockholm

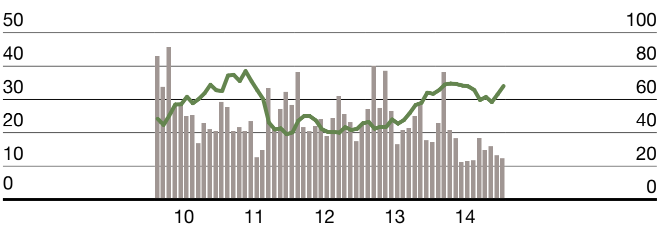
The Stora Enso R (STE R) share price increased during 2014 by 9% (44% increase in 2013). During the same period, the OMX Stockholm 30 Index increased by 10% and the OMX Stockholm Basic Materials Index by 19%.

OTCQX

On the International OTCQX, the Stora Enso ADR (SEOAY) share price decreased by -12% during 2014 (45% increase in 2013). During the same period the Standard & Poor's Global Timber and Forestry Index increased by 0.2%.

Stockholm, Stora Enso R

Number of shares, million — Share price (SEK)

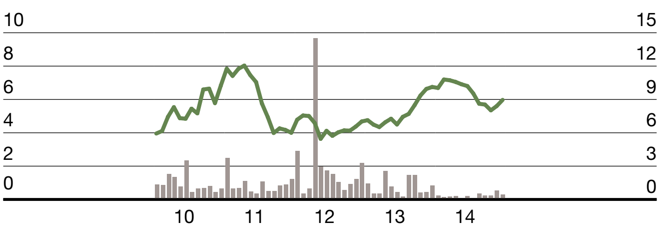


Volume

Monthly average share price

New York, Stora Enso ADR

Number of shares, million — Share price (USD)



Volume

Monthly average share price

Share Prices and Volumes 2014

		Helsinki, EUR	Stockholm, SEK	OTCQX, USD
	A share	8.35	74.40	-
High	R share	8.35	74.15	11.40
	A share	6.00	54.70	-
Low	R share	5.94	54.55	7.44
	A share	7.48	70.15	-
Closing, 31 Dec 2014	R share	7.44	70.15	8.86
	A share	2%	7%	-
Change from previous year	R share	2%	9%	-12%
	A share	1 553 229	2 408 435	-
Cumulative trading volume, no. of shares	R share	731 066 508	210 777 254	3 330 000

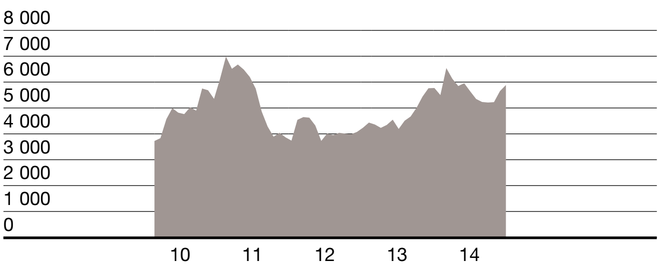
The volume-weighted average price of R shares over the year was EUR 7.16 in Helsinki (EUR 5.79 in 2013), SEK 65.51 in Stockholm (SEK 49.46 in 2013) and USD 9.71 on the International OTCQX (USD 7.77 in 2013). The percentage of R shares traded was 51.1% (47.5% in 2013) in alternative trading venues, 37.8% (37.9% in 2013) in Helsinki, 10.9% (14% in 2013) in Stockholm and 0.2% (0.4% in 2013) on the International OTCQX. Total market capitalisation on the OMX Helsinki at year-end was EUR 5.9 billion.

Stora Enso R Share vs NASDAQ OMX Helsinki Indices

1.1.2010 = 100

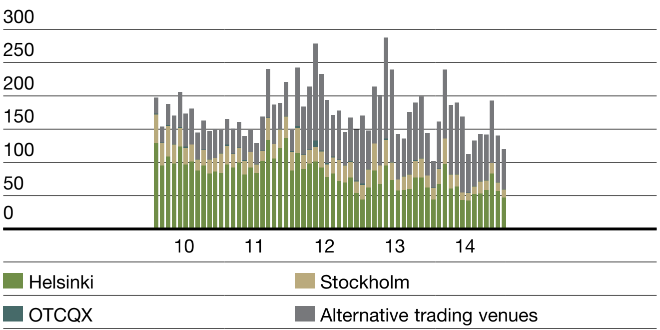
Market Capitalisation on OMX Helsinki

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 2014 the largest alternative trading venues for Stora Enso shares included Boat xoff, BATS Chi-X CXE, BATS Chi-X BXE, BATS OTC, Blink MTF, Turquoise, Burgundy, Posit, Liquidnet, Smart Pool and UBS MTF. The alternative trading venues' market share of monthly turnover in Stora Enso shares varied between 43% and 67%. Of the alternative trading venues, BATS OTC had the biggest share of the volume with 36% on an annual basis (Boat xoff had the biggest share of the volume in 2013 with 40%).

Stora Enso Is Included in at Least the Following Indices

OMX INDICES	STOXX INDICES	FTSE INDICES	MSCI INDICES	SUSTAINABILITY INDICES
• OMX Helsinki	• STOXX Global 1800	• FTSE RAFI All-World 3000	• MSCI Finland	• Carbon Disclosure Leadership Index
• OMX Helsinki 25	• STOXX Europe 600	• FTSE RAFI Developed 1000	• MSCI Europe	• FTSE4 Good Index
• OMX Helsinki Cap	• STOXX Europe Mid 200	• FTSE Finland 25 Index	• MSCI World	• UN Global Compact 100 Stock Index
• OMX Helsinki Benchmark	• STOXX Nordic	• FTSE4Good		• STOXX® Global ESG Leaders Indicies
• OMX Helsinki Benchmark Cap	• EURO STOXX	• FTSE4Good Global		• ECPI Ethical Indices
• OMX Helsinki Basic Materials	• EURO STOXX Basic Materials			• OMX GES Sustainability Finland index
• OMX Helsinki Forestry & Paper	• EURO STOXX Basic Resources			• Ethibel Investment Register
• OMX Stockholm				• Euronext Vigeo - Europe 120
• OMX Stockholm Basic Materials				
• OMX Stockholm Forestry & Paper				
• OMX Nordic				
• OMX Nordic Large Cap				

Read more about sustainability indices in Global Responsibility Performance 2014.

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 2005–2014, Total Operations (for Calculations see page 131)

According to NASDAQ OMX Helsinki	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings/share, EUR	0.13	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74	-0.14
– diluted, EUR	0.13	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74	-0.14
– excl. NRI, EUR	0.40	0.40	0.33	0.63	0.79	0.19	0.19	0.88	0.55	0.28
Equity/share, EUR	6.43	6.61	7.32	7.45	7.87	6.50	7.09	9.63	10.04	9.31
Dividend and distribution/share, EUR	0.30[1]	0.30	0.30	0.30	0.25	0.20	0.20	0.45	0.45	0.45
Payout ratio, excl. NRI, %	75	75	91	48	32	105	105	51	82	161
Dividend and distribution yield, %										
A share	4.0	4.1	5.3	5.9	3.2	3.4	3.6	4.4	3.7	3.9
R share	4.0	4.1	5.7	6.5	3.3	4.1	3.6	4.4	3.8	3.9
Price/earnings ratio (P/E), excl. NRI										
A share	18.7	18.3	17.3	8.0	10.0	30.8	29.6	11.6	22.4	40.9
R share	18.6	18.3	15.9	7.3	9.7	25.7	29.1	11.6	21.8	40.9
Share prices for the period, EUR										
A share										
– closing price	7.48	7.31	5.70	5.03	7.90	5.85	5.63	10.19	12.30	11.46
– average price	7.29	6.82	6.15	7.73	6.47	5.03	7.48	12.71	12.10	11.05
– high	8.35	7.49	7.15	9.80	7.94	7.55	11.20	14.65	13.80	12.19
– low	5.73	5.42	5.10	4.70	5.30	2.82	5.16	9.80	10.16	9.51
R share										
– closing price	7.44	7.30	5.25	4.63	7.69	4.88	5.52	10.24	12.00	11.44
– average price	7.16	5.79	5.08	6.28	6.03	4.27	7.32	12.67	11.89	10.98
– high	8.38	7.54	5.95	8.99	7.79	6.16	10.44	14.56	13.58	12.17
– low	5.71	4.76	4.14	3.73	4.15	2.65	5.10	9.99	10.01	10.05
Market capitalisation at year-end, EUR million										
A share	1 324	1 295	1 010	891	1 400	1 036	997	1 809	2 191	2 042
R share	4 547	4 464	3 212	2 835	4 709	2 989	3 381	6 267	7 337	7 262
Total	5 871	5 756	4 222	3 726	6 109	4 025	4 378	8 076	9 528	9 304
Number of shares at the end of period, (thousands)										
A share	177 056	177 096	177 148	177 149	177 150	177 150	177 152	177 479	178 103	178 160
R share	611 564	611 524	612 391	612 389	612 389	612 388	612 386	612 059	611 435	634 817
Total	788 620	788 620	789 538	789 538	789 538	789 538	789 538	789 538	789 538	812 977
Trading volume, (thousands)										
A share	1 553	1 656	831	1 402	1 887	2 536	1 712	5 409	1 403	6 290
% of total number of A shares	0.9	0.9	0.5	0.8	1.1	1.4	1.0	3.1	0.8	3.5
R share	731 067	828 401	977 746	1 237 898	1 194 245	1 297 668	1 231 605	1 263 658	1 165 656	888 511
% of total number of R shares	119.5	135.5	159.7	202.1	195.0	211.9	201.1	206.5	190.6	104.0
Average number of shares (thousands)										
basic	788 620	788 620	788 620	788 620	788 619	788 620	788 620	788 599	788 578	798 687
diluted	788 210	788 620	788 620	788 620	788 619	788 620	788 620	788 751	788 863	799 218

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

Read more about:
Incentive programmes in Note 21
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 accomplish 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 2014

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (negative)/B	30 September 2014
Moody's	Ba2 (stable)/NP	10 November 2014

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 2014

	EUR	USD	SEK
Public issues	EUR 190 million 2016	USD 412 million 2016	SEK 500 million 2015
	EUR 500 million 2018	USD 300 million 2036	SEK 1 400 million 2015
	EUR 500 million 2019		SEK 1 865 million 2015
			SEK 500 million 2017
			SEK 2 200 million 2017
Private placements	EUR 75 million	USD 50 million	
Financial institutions	EUR 582 million	USD 1 031 million	
Pension commitment loans	EUR 13 million		
Commercial paper issues	EUR 20 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 2018[1]		

[1] Undrawn committed credit facility EUR 700 million.

Read more about:
Debt and loans in Note 26
www.storaenso.com/debt

Report of the Board of Directors

Stora Enso introduction

Stora Enso (the Group or the Company) is a leading provider of renewable solutions in packaging, biomaterials, wood and paper industries on global markets. Our aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. Our focus is on fibre-based packaging, plantation-based pulp, innovations in biomaterials, and sustainable building solutions.

The Group has some 27 000 employees in more than 35 countries worldwide, and is a publicly traded company listed in Helsinki and Stockholm. Our sales in 2014 were EUR 10.2 billion, with an operational EBIT of EUR 810 million.

We use and develop our expertise in renewable materials to meet the needs of our customers and many of today's global raw material challenges. Our products provide a climate-friendly alternative to many products made from non-renewable materials, and have a smaller carbon footprint. Being responsible – doing good for the people and the planet – underpins our thinking and our approach to every aspect of doing business.

Markets and deliveries

Demand for cartonboard increased by 2% in Europe and by 1% in North America in 2014. The improved economic climate increased the demand in Western Europe, but growth in Eastern Europe suffered from the Russian crisis. Strong demand in Asia continues and consumption increased by 5%.

Uncertainty of the economic environment increased during 2014 and the demand growth for corrugated board slightly weakened in Eastern Europe. Demand for corrugated board in Asia and Western Europe was slightly stronger than year ago.

Structural decline of paper demand persisted in Europe and North America during 2014. Paper demand in 2014 was 3% weaker than in 2013 in Europe and 5% weaker in North America. Demand in Asia declined by 2% compared with 2013. Global paper consumption was 3% lower in 2014 than 2013.

Global demand for chemical market pulp increased around 1.4% during 2014 compared to a year ago. Growth can be seen in all major markets except North America and Europe. Chinese demand rose around 3.8%, reflecting a 6% increase in hardwood pulp and a 1.8% increase in softwood pulp.

At the same time, global market pulp capacity rose around 3% compared to a year ago. Global bleached softwood capacity stayed virtually flat last year and a large part of the expansion took place in Latin America. As a result, the overall demand-capacity balance stood at 91%, down 2 points from 2013, with softwood down to 93% and hardwood down to 90%. Overall the market was volatile and unpredictable characterised by unusual softwood-hardwood price gap, strong dollar, new hardwood capacities, closures and several swing mills transition to softwood grades.

In 2014 softwood sawn wood demand posted small gains in most areas, with Europe growing 2%, North America 3% and China up to 5%. However, much of this development took place during second half with considerable slowing down of activity and clear oversupply especially from Northern Europe undermining the business balance in second half of 2014. The oversupply situation was especially marked in Japan and from summer onwards in Middle-East and North African markets. In Europe, demand conditions were weakest in Finland and France, whereas United Kingdom and much of Scandinavia, Baltics and key Central European markets continued to perform on good levels. The United States sawnwood market continued its steady improvement with 7% increase in housing starts and 3% gain in lumber demand year-on-year. Japanese housing market contracted by about 9% year-on-year, driving similar level decrease in sawnwood demand, driven by the increase in consumption tax and continued uncertainty about the future direction of housing demand. The Middle East and North African region provided a strong boost to European sawmilling during first half of 2014. These markets and especially Egypt were however heavily oversupplied during summer and early autumn leading to heavy turbulence in prices and volumes in second half of 2014.

Deliveries by segment

	Deliveries			Curtailments	
1 000 tonnes	**2014**	**2013**	**Change %**	**2014**	**2013**
Renewable Packaging	3 507	3 373	4.0%	264	219
Printing and Reading	6 006	6 525	-8.0%	660	831
Total Paper and Board Deliveries	**9 513**	**9 898**	**-3.9%**	**924**	**1 050**
Corrugated board, million m²	1 104	1 086	1.7%		
Market pulp, 1000 t	1 371	1 180	16.2%		
Wood products, 1 000 m³	4 646	4 930	-5.8%		

Estimated Consumption of Board, Paper, Pulp and Sawn Softwood in 2014

Tonnes, million	Europe	North America	Asia and Oceania
Consumer Board	10.4	9.2	25.8
Corrugated Board (billion m²)	53	54	130
Newsprint	7.4	4.1	12.5
Uncoated magazine paper	3.2	1.9	0.3
Coated magazine paper	5.6	3.2	3.8
Uncoated fine paper	7.7	8.3	19.8
Coated fine paper	5.8	4.1	12.3
Chemical market Pulp	17.9	7.6	26.6
Sawn softwood (million m³)	82.5	82.3	n/a

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

The Group's paper and board deliveries totalled 9 513 000 tonnes in 2014, which is 385 000 tonnes or 4% less compared to a year ago mainly due to paper machine closures and weakened demand in all paper grades. Board deliveries increased from previous year level mainly due to Ostrołeka board deliveries ramp-up and stronger Consumer Board deliveries. Market pulp deliveries increased by 191 000 tonnes to 1 371 000 tonnes driven by Montes del Plata deliveries. Deliveries of wood products decreased by 284 000 m³ to 4 646 000 m³.

Effects of Changes of IFRS 11 Joint Arrangements

Stora Enso adopted the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014.

The changes affect the accounting treatment of Montes del Plata and Veracel pulp mills and plantations, which are now treated as joint operations and thus Stora Enso's 50% ownership is consolidated with the proportionate line-by-line method. Montes del Plata is controlled jointly with partner Arauco and Veracel is controlled jointly with partner Fibria. Stora Enso's interpretation is that the contractual arrangements in both joint operations provide the partners with the rights to and obligations of the annual output of the relevant activities and substantially all the economic benefits of the joint operations. Previously these two entities were consolidated using the equity method.

In the Report of the Board of Directors historical financial, volume and number of employee related information have been restated according to the new IFRS 11 standard. All the other numerical information for years 2013 and 2014 is presented excluding Stora Enso's 50% ownership of Montes del Plata and Veracel.

Effects of change of IFRS 11 Joint Arrangements are described in detail in Note 1 of the Financial Statements.

Financial Results – Group

Sales at EUR 10 213 million were EUR 350 million or 3% lower than a year earlier mainly due to structural decline in paper demand resulting to lower paper prices in local currencies and lower paper delivery volume.

Operational EBIT was EUR 232 million higher than in the previous year at EUR 810 million. The operational EBIT margin increased from 5.5% to 7.9%. Lower variable costs mainly in energy, chemicals and wood improved operational EBIT by EUR 90 million. Lower fixed costs increased operational EBIT by EUR 65 million mainly due to the Group streamlining and structure simplification programme which was launched in 2013 and completed during 2014. Depreciation was EUR 50 million lower, mainly due to the impairment of intangible assets and property, plant and equipment accounted in 2013. The impact of exchange rates on sales and costs increased operational EBIT by EUR 20 million after hedges.

The share of the operational results of equity accounted investments amounted to EUR 88 (EUR 91) million, with the main contributions from Bergvik Skog and Tornator.

IFRS operating profit includes a negative net effect of fair valuations of EUR 7 (positive EUR 4) million from the accounting of share-based compensation, Total Return Swaps (TRS) and CO2 emission rights. In addition, IFRS operating profit includes a negative net effect of EUR 61 (positive EUR 6) from IAS 41 forest valuation from subsidiaries and joint operations and also a negative net effect of EUR 63 (positive EUR 1) million from Stora Enso's share of net financial items, taxes and IAS 41 forest valuations of equity accounted investments.

The Group continued to restructure its asset base as paper machine (PM) 1 at Veitsiluoto Mill in Finland with annual capacity 190 000 tonnes of coated magazine paper and Corbehem Mill in France with annual capacity of 330 000 tonnes of coated magazine paper were permanently shut down. Additionally the Group decided to invest in modernising and developing Murow Sawmill in Poland to increase its capacity and improve its competitiveness resulting to permanent closure of Sollenau Sawmill in Austria. All these actions resulted in a restructuring provision presented as non-recurring item of EUR 88 (EUR 111) million.

Impairments and impairment reversals due to restructuring and annual impairment testing resulted in a net impairment of EUR 219 (EUR 592) million mainly in Printing and Reading. The impairments on intangible assets and property, plant and equipment relate mainly to the further weakened long term earnings expectations due to declining European paper market.

The Group announced on 5 February 2014 that it had signed an agreement to sell its 40.24% shareholding in the US-based processed kaolin clay producer (Thiele Kaolin Company) to Thiele Kaolin Company. On 30 September 2014 the Group announced it had signed an agreement to divest its Corenso business operations to the Finnish packaging materials company Powerflute Oyj. Closing of the transaction took place on 1 December 2014. On 13 December 2014 the Group announced it had signed an agreement to divest its Uetersen specialty and coated fine paper mill in Germany to a company mainly owned by the private equity fund Perusa Partners Fund 2. The Uetersen transaction is expected to be completed in the first quarter of 2015 and is subject to regulatory approvals. The Group accounted EUR 44 million disposal gain on Thiele, EUR 9 million disposal gain on Corenso and EUR 30 million loss on disposal on Uetersen. The net disposal gain of EUR 23 (EUR 0) million was presented as a non-recurring item.

Other non-recurring items had a combined net positive impact of EUR 5 (positive EUR 164) million. During 2013 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.

IFRS operating profit was EUR 400 (EUR 50) million.

Key figures[1)]

	2014	2013	2012
Sales, EUR million	10 213	10 563	10 837
Operational EBIT[2)], EUR million	810	578	630
Operational EBIT margin,	7.9%	5.5%	5.8%
Operating profit (IFRS), EUR million	400	50	716
Operating margin (IFRS),	3.9%	0.5%	6.6%
Return on equity (ROE),	1.7%	-1.3%	8.3%
Operational ROCE,	9.5%	6.5%	6.9%
Debt/equity ratio	0.65	0.61	0.58
EPS (basic), EUR	0.13	-0.07	0.61
EPS excluding NRI[3)], EUR	0.40	0.40	0.33
Dividend and distribution per share[4)], EUR	0.30	0.30	0.30
Payout ratio, excluding NRI[3)],	75.0%	75.0%	90.9%
Payout ratio (IFRS),	230.8%	-428.6%	49.2%
Dividend and distribution yield, (R share)	4.0%	4.1%	5.7%
Price/earnings (R share), excluding NRI[3)]	18.6	18.3	15.9
Equity per share, EUR	6.43	6.61	7.32
Market capitalisation 31 Dec, EUR million	5 871	5 756	4 222
Closing price 31 Dec, A/R share, EUR	7.48/7.44	7.31/7.30	5.70/5.25
Average price, A/R share, EUR	7.29/7.16	6.88/5.79	6.15/5.08
Number of shares 31 Dec (thousands)	788 620	788 620	789 538
Trading volume A shares (thousands)	1 553	1 656	831
% of total number of A shares	0.9%	0.9%	0.5%
Trading volume R shares (thousands)	731 067	828 401	977 746
% of total number of R shares	119.5%	135.5%	159.7%
Average number of shares, basic (thousands)	788 620	788 620	788 620
Average number of shares, diluted (thousands)	789 210	788 620	788 620

1) The data for the comparative periods have been restated following adoption of the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities standards.
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). Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO_2 emission rights and valuations of biological assets and the Group's share of tax and net financial items of EAI.
3) 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.
4) See Board of Directors' proposal for dividend distribution.

Net financial expenses at EUR 280 million were EUR 41 million higher than a year ago driven by foreign exchange rate movements. The net interest expenses decreased by EUR 19 million due to lower gross debt level. The fair valuation of interest rate derivatives had comparatively a negative impact of EUR 9 million. The net foreign exchange impact in 2014 in respect of cash, interest-bearing assets and liabilities and related hedges was a loss of EUR 42 (EUR 9) million mainly from revaluation of EUR denominated loans in Russia and Poland and USD denominated loans in China and Brazil.

Profit before tax excluding non-recurring items increased by EUR 49 million to EUR 399 million. The profit before tax including non-recurring items was EUR 120 (loss EUR 189) million.

The net tax charge totalled negative EUR 30 (positive EUR 118) million, equivalent to an effective tax rate of 25.0% (62.4%), 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 9 (EUR 18) million, leaving a profit of EUR 99 (loss EUR 53) million attributable to Company shareholders.

Earnings per share excluding non-recurring items were EUR 0.40 (EUR 0.40) and including non-recurring items EUR 0.13 (negative EUR 0.07). Operational return on capital employed was 9.5% (6.5%).

Group capital employed was EUR 8 511 million on 31 December 2014, an increase of EUR 47 million on a year earlier.

Breakdown of Capital Employed Change

	Capital Employed
31 Dec 2013 EUR million	**8 464**
Capital expenditure less depreciation	185
Impairments and reversal of impairments	-225
Valuation of biological assets	-70
Available-for-sale: operative (mainly PVO)	84
Equity accounted investments	92
Net liabilities in defined benefit plans	-106
Operative working capital and other interest-free items, net	-26
Net tax liabilities	27
Translation difference	69
Other changes	17
31 Dec 2014 EUR million	**8 511**

Financing

Cash flow from operations remained strong at EUR 1 139 (EUR 1 252) million and cash flow after investing activities was EUR 255 (EUR 481) million. Working capital increased by EUR 56 (decrease EUR 265) million mainly due to EUR 20 million lower short-term receivables, EUR 70 million higher payables and EUR 40 million higher inventories. Payments from restructuring actions were EUR 100 million.

Operative Cash Flow

EUR million	2014	2013
Operational EBITDA	1 269	1 090
NRI on operational EBITDA	-122	37
Dividends received from equity accounted investments	19	38
Other adjustments	29	-178
Change in working capital	-56	265
Cash Flow from Operations	**1 139**	**1 252**
Cash spent on fixed and biological assets	-787	-740
Acquisitions of equity accounted investments	-97	-31
Cash Flow after Investing Activities	**255**	**481**

At the end of the period, net interest-bearing liabilities of the Group were EUR 3 274 (EUR 3 191) million. Cash and cash equivalents net of bank overdrafts amounted to EUR 1 444 (EUR 2 061) million.

Total unutilised committed credit facilities at the year-end 2014 were unchanged at EUR 700 million. The EUR 700 million committed credit facility agreement with a syndicate of 14 banks matures in January 2018 with one-year extension option, 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 1 050 million.

The debt/equity ratio at 31 December 2014 was 0.65 (0.61). The currency effect on equity was positive EUR 69 million net of the hedging of equity translation risks mainly due to strengthening of the US dollar and Chinese renminbi partly offset by weakening of Swedish krona. The fair valuation of cash flow hedges and available-for-sale investments recorded in other comprehensive income increased equity by EUR 32 million.

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

Ratings as at 31 Dec 2014

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (stable) / B	30 September 2014
Moody's	Ba2 (stable) / NP	10 November 2014

Financial results – Segments

Division Renewable Packaging

EUR million	2014	2013
Sales	3 335	3 272
Operational EBITDA[1)]	622	522
Operational EBITDA margin	18.7%	16.0%
Operational EBIT[2)]	410	318
Operating capital 31 December	2 510	2 452
Operational ROOC[3)]	16.5%	13.3%
Cash flow from operations	568	515
Cash flow after investment activities	188	275
Average number of employees	12 656	12 131
Board deliveries, 1 000 t	3 507	3 373
Board production, 1 000 t	3 489	3 410
Corrugated packaging deliveries, million m^2	1 104	1 086
Corrugated packaging production, million m^2	1 085	1 057

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 3 335 million, up 2% on 2013 due to 4% higher board volumes, mainly due to deliveries from Ostrołęka Mill's PM 5, and ramp up of wood sales at Guangxi Intergrated Project and Operations in China.

Operational EBIT at EUR 410 million was EUR 92 million up on the previous year mainly due lower wood and energy costs due to improved production efficiency, lower fixed costs and higher delivery volumes.

Division Biomaterials

EUR million	2014	2013
Sales	1 104	1 033
Operational EBITDA[1)]	173	153
Operational EBITDA margin,	15.7%	14.8%
Operational EBIT[2)]	89	77
Operating capital 31 December	2 456	2 083
Operational ROOC[3)]	3.9%	3.8%
Cash flow from operations	136	114
Cash flow after investment activities	-108	-231
Average number of employees	1 569	1 537
Pulp deliveries, 1000 t	2 076	1 864

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 EUR 1 104 million, up 7% on 2013 due to increased volumes from Montes del Plata Pulp Mill in Uruguay that started up in early June 2014. Stora Enso's 50% share of Montes del Plata production in 2014 amounted to 240 000 tonnes.

Operational EBIT at EUR 89 million was EUR 12 million up from previous year mainly due to lower wood costs for the Nordic pulp mills.

Division Building and Living

EUR million	2014	2013
Sales	1 779	1 867
Operational EBITDA[1)]	126	115
Operational EBITDA margin	7.1%	6.2%
Operational EBIT[2)]	89	75
Operating capital 31 December	513	516
Operational ROOC[3)]	17.3%	13.9%
Cash flow from operations	86	125
Cash flow after investment activities	58	97
Average number of employees	4 046	4 282
Deliveries, 1 000 m^3	4 493	4 776

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 1 779 million, down 5% from 2013 mainly due to increased production curtailments resulting to lower delivery volumes.

Operational EBIT at EUR 89 million was EUR 14 million up from previous year, mainly due to lower fixed costs.

Division Printing and Reading

EUR million	2014	2013
Sales	3 912	4 319
Operational EBITDA[1)]	361	290
Operational EBITDA margin	9.2%	6.7%
Operational EBIT[2)]	172	34
Operating capital 31 December	1 614	2 060
Operational ROOC[3)]	9.4%	1.4%
Cash flow from operations	354	382
Cash flow after investment activities	243	248
Average number of employees	7 700	8 373
Paper deliveries, 1 000 t	6 006	6 525
Paper production, 1 000 t	6 034	6 501

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 3 912 million, down 9% from 2013, due to permanent shutdowns of paper machines, weaker demand and lower average prices in local currencies.

Operational EBIT at 172 million was EUR 138 million up from previous year due to lower costs and lower depreciation due to impairment on intangible assets and property, plant and equipment accounted in 2013. Lower sales prices in local currencies and lower delivery volumes had a negative impact on operational EBIT.

Other

EUR million	2014	2013
Sales	2 567	2 690
Operational EBITDA[1)]	-13	10
Operational EBITDA margin	-0.5%	0.4%
Operational EBIT[2)]	50	74
Cash flow from operations	-5	116
Cash flow after investment activities	-126	92
Average number of employees	3 038	2 598

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 EUR 2 567 million, down 5% from 2013 due to lower pulpwood and sawnwood deliveries to internal customers.

Operational EBIT at EUR 50 million was EUR 24 million down from previous year due to disposal of Group's equity accounted investment Thiele Kaolin in February 2014 and winding down the activities of the captive insurance company.

Acquisitions and Capital expenditure

Capital expenditure including interest and internal costs capitalised in 2014 totalled EUR 787 (EUR 740) million. The total amount includes investments in biological assets, EUR 68 (EUR 50) million. Acquisition of shares in equity accounted investments in 2014 totalled EUR 97 (31) million. Acquisition of subsidiary shares and business operations, net of acquired cash, totalled a cash outflow of EUR 16 (cash inflow of EUR 25) million in 2014.

Stora Enso's and Arauco's 50/50 joint operation Montes del Plata pulp mill at Punta Pereira in Uruguay started operations in June 2014. The state-of-the-art pulp mill has an annual production capacity of 1.3 million tonnes of bleached eucalyptus kraft pulp. The investment of the mill amounted to USD 2 270 (EUR 1 721) million, with an additional USD 230 (EUR 174) million invested in the port, making it the country's largest private investment in history. Stora Enso's share of the investment is 50%.

Earlier informed strategic investments to improve the cost-competitiveness and energy efficiency of key assets, the boiler plant in Kabel Mill, the first phase of Oulu mill's pulp mill development, the development project at Skoghall Mill's pulp mill were taken in operation during 2014. The installations for renewable energy project at Enocell pulp mill were completed in December and the full process was taken in operation in January 2015.

The Group continued to invest in strategic focus areas. Stora Enso has received all necessary approvals to start the construction of the board machine for the integrated pulp and board project in Guangxi province, China. The site preparation has been done in 2014 and civil construction work has started during November 2014 with the target to be able to install the board machine and all the related equipment during 2015. All major equipment delivery contracts have been signed during the year. Target is to start operations mid 2016. The capital expenditure on the forestry and industrial parts of the project during 2014 totalled approximately EUR 230 (EUR 57) million.

In February 2014 Stora Enso announced a EUR 28 million project to modernise and develop Murow Sawmill in Poland. The investment will develop Stora Enso's wood product offering in the growing Central and Eastern European markets. Stora Enso will also utilise the platform in Poland to support growth in selected overseas markets.

In April 2014, a EUR 110 million transformation investment in conversion of Varkaus Mill's fine paper machine to light-weight containerboards, was announced. Renewable-fibre-based packaging has good growth potential in Europe and globally, and Stora Enso sees an opportunity to benefit from that growth by investing in competitive kraftliner capacity at Varkaus. Through the machine conversion, Stora Enso is taking advantage of the combination of two market forces: the decreasing global market for paper but increasing global market for renewable packaging board. The conversion work will be undertaken during autumn 2015 and start up is scheduled during the fourth quarter of 2015.

In May 2014 Stora Enso acquired 405 shares in Bergvik Skog, a Swedish forest company, from SPP Livförsäkring for SEK 2.2 million per share, or in total SEK 891 (EUR 97) million. The transaction increases Stora Enso's shareholding from 43.26% to 49.00% in the company. Bergvik Skog is a strategic asset for Stora Enso since Bergvik Skog's forests are well located close to Stora Enso's Swedish mills and significant portion of the wood for the Swedish mills is sourced from Bergvik Skog. The transaction underlines Stora Enso's long-term engagement in Bergvik Skog and the importance to Stora Enso of securing stable access to wood raw material near the mills.

In June 2014 Stora Enso acquired 100% of the shares of the US-based company Virdia, a leading developer of extraction and separation technologies for conversion of cellulosic biomass into highly refined sugars and lignin. The cash consideration net of acquired cash was EUR 16 million with maximum potential payouts totalling EUR 21 million following completion of specific technical and commercial milestones by 2017. Following the acquisition, Stora Enso announced in September a EUR 32 million (USD 43 million) investment in a demonstration and market development plant to be built at Raceland, Louisiana, USA. The plant will be used for industrial validation of the extraction and separation technology developed by Virdia. The plant will use bagasse waste as feedstock. The investment serves the feasibility of the technology on industrial scale in the future, possibly also in some of Stora Enso's existing pulp mills. The Raceland demonstration plant is scheduled to start production early 2017.

In October 2014, a EUR 27 million investment to improve the quality and cost-competitiveness and to increase the capacity of the consumer board machine by 20 000 tonnes at its Imatra Mills in Finland, was announced. The investment is planned to be completed during the scheduled maintenance stoppage in September 2015.

Research and development

Stora Enso's expenditure on research and development (R&D) in 2014 was EUR 104 (EUR 80) million, equivalent to 1.0% (0.8%) of sales.

Stora Enso's priorities in 2014 were on reshaping the governance of its R&D and Innovation processes. The Group started to focus on fast implementation of research results by involving divisions and their sales organisation in a very early stage.

The Group's R&D platforms include bio-based barriers, micro materials, composites, printed intelligence, separation technologies, Forest biology and biotechnology (biochemistry) and wood-based building solutions.

Intellectual Property is an increasingly important tool to support Stora Enso's transformation from a traditional paper and board producer to a customer focused renewable materials company. During 2014 Stora Enso filed 31 priority founding patent applications and 63 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. After investing in lignin separation facility at Sunila Mill in Finland last year, the acquisition of Virdia (a US based biotech company) and the subsequent investment in a pilot plant for converting biomass into highly refined sugar are the next steps in a chemical business based on renewable sources.

Development of the pre-commercial micro-fibrillated 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 and start up 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 AB in Sweden of which Stora Enso owns 11.49%

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 2014. 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. In addition Stora Enso is active in several CEPI groups as well as in FTP (Forest Technology Platform) to strengthen our voice towards European and national policy makers and research funding organisations.

Personnel

On 31 December 2014 there were 27 200 (28 697) employees in the Group. The average number of employees in 2014 was 29 009, which was 88 higher than the average number in 2013. The numbers include 50% of employees at Veracel in Brazil and Montes del Plata in Uruguay.

During 2014 the Group streamlining and structure simplification programme which was launched during 2013 was completed resulted in a reduction of approximately 2 300 employees mainly in Finland, Sweden, Germany and Poland. In July 2014 the Group announced the closure of Corbehem Mill, affecting some 300 employees. In December 2014 the Group completed the divestment of its coreboard and core manufacturer Corenso. In the transaction approximately 920 employees transferred into the Finnish packaging materials company Powerflute Oyj.

Personnel expenses totalled EUR 1 383 (EUR 1 390) million or 13.5% of sales. Wages and salaries were EUR 1 045 (EUR 1 050) million, pension costs EUR 164 (EUR 169) million and other employer costs EUR 174 (EUR 171) million.

At the end of 2014 48% of employees were in Finland, Sweden and Germany and 20% in China. 25% (22%) of employees were women.

Personnel turnover in 2014 was 21.9% (15.9%). The increase in personnel turnover is due to very high personnel turnover at Inpac units in China. The Group absenteeism rate due to sickness and accidents was 3.0% (3.2%) of total theoretical working hours.

Employee-related information including personnel strategy is discussed in more detail in the Group's Global Responsibility Performance 2014 report.

Remuneration to the Board of Directors and key management is described in Note 7 of the Annual report.

Global Responsibility

Our Global Responsibility Strategy directs us to systematically enhance the sustainability performance of our operations, and create shared value with our stakeholders.

In 2014 Global Responsibility became a function of its own within the Stora Enso Group, after previously forming part of the Global Identity function. In this connection the Head of Global Responsibility also became a member of the Group Leadership Team.

During 2014 all Stora Enso divisions focused on incorporating our Group-level and division-specific Global Responsibility KPIs into ongoing performance management reporting and business steering.

A Global Responsibility specific risk evaluation was conducted in all divisions and key service and support functions. Our progress on Global Responsibility related issues is described in detail in our Global Responsibility Performance 2014 report.

Risks and risk management

Risk management overview

Risk is an integral component of business, and it is characterised by both threat and opportunity. Stora Enso is committed to ensure that systematic and holistic management of risks and opportunities is a core capability and an integral part of all Group activities, and that a risk aware corporate culture is fostered in all decision making. Through consistent application of dynamic risk analysis, we manage risk in order to enhance opportunities and reduce threats to achieve competitive advantage.

Risk Governance

Stora Enso defines risk as events or developments that may adversely affect the achievement of company values, objectives and goals. The Group Risk Policy, which is periodically approved by the Board of Directors, sets out the overall framework and approach to governance and management of risks.

The Board retains the ultimate responsibility for the overall risk management process and for determining the appropriate and acceptable risk level. The Board has established the Financial and Audit Committee to provide support to the board related to the monitoring of the risk management process within Stora Enso, and specifically regarding the management and reporting of financial risks. The Global Responsibility and Ethics Committee 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.

Head of Enterprise Risk Management is responsible for the design, development and monitoring of the top-down implementation of the Group risk management framework. Each division head, together with their respective management teams, are responsible for the process execution and cascading the framework and guidelines further down in the organization. Internal Audit evaluates the effectiveness and efficiency of the Stora Enso Risk Management Process.

Risk Management Process

In connection with the annual strategy process, business divisions and Group service and support functions conduct a holistic baseline risk assessment, linked to their key objectives. Specific guidance regarding the Risk Management Process is outlined in the Enterprise Risk Management instructions, distributed with annual Strategy Guidelines.

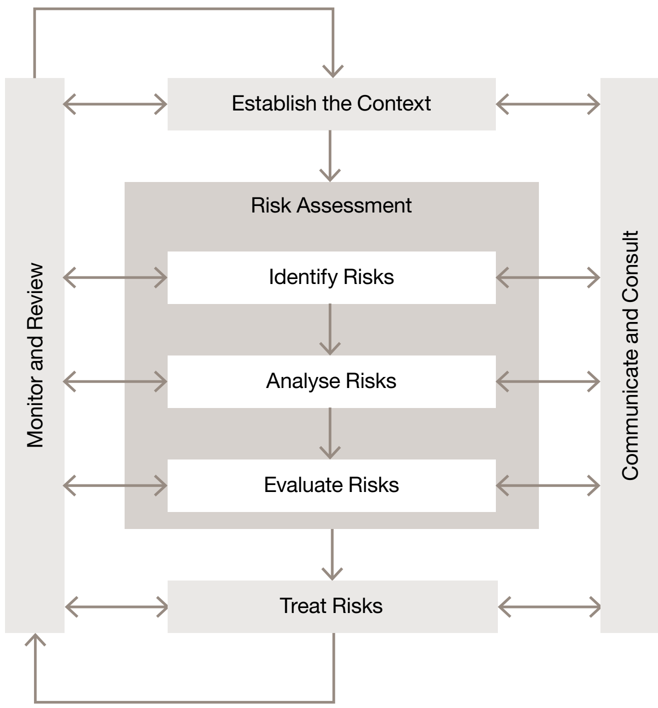
Business entities and functions identify the sources of risk, events including changes in circumstances and their causes and potential consequences thereof. Stora Enso's Risk Model outlines the overall risk universe which is used to support holistic risk identification and risk consolidation, while also providing taxonomy as well as consistency to risk terminology.

Risk analysis involves developing an understanding of the risk to provide an input to risk evaluation. The purpose of risk evaluation is to determine risk priorities and to support decision making to determine which risks need treatment/actions. Risks are assessed in terms of impact and likelihood of occurrence. Pre-defined impact scales consider financial, people and reputational impacts, on both quantitative and qualitative basis.

Risk treatment involves selecting one or more risk management options, such as avoidance, reduction, sharing and retention and action plans incorporate assignment of responsibility, schedule and timetable of the risk treatment actions.

Following the annual baseline assessment, prioritized and emerging risks, the evaluation as well as corresponding risk mitigation related to those risks, are reviewed in divisional business review meetings on quarterly basis.

Risk Management Process



Despite the measures taken to manage risks and mitigate the impact of risks, there can be no absolute assurance that risks, if they occur, will not have a materially adverse effect on Stora Enso's business, financial condition, operating profit or ability to meet financial obligations. The main risk factors which can materially affect the company's performance are on the following page.

Business environment risks

Continued competition and supply and demand imbalances in the packaging, pulp, wood products and paper 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, 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 CO_2 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. Stora Enso's business strategy is to transform from a traditional paper and board producer to a customer-focused renewable materials company. The success of this transformation depends on our ability to understand the needs of the customer and find the best way to serve them with the right offering.

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 profound 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 on Group level 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 24, Financial Risk Management.

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

Composition of Costs in 2014

Operative Costs	% of Costs	% of Sales
Logistics and commissions	11	10
Manufacturing Costs		
Fibre	36	33
Chemicals and fillers	10	9
Energy	8	8
Material	4	3
Personnel	14	14
Other	11	11
Depreciation	6	5
Total Costs and Sales	**100**	**93**
Total operative Costs and Sales in EUR million	**9 491**	**10 213**
Equity accounted investments (EAI), operational		88
Operational EBIT		**810**

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 packaging board, pulp, wood products and paper 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 2014.

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

Segments	Price	Volume
Renewable Packaging	315	127
Biomaterials	106	38
Building and Living	174	32
Printing and Reading	368	102

Commodity and energy price risk

Reliance on outside suppliers for 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.

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 contribute and mitigate 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. Price volatility tracking of raw materials and financial risk monitoring of suppliers are used as main risk mitigation instruments.

Suppliers and subcontractors must also comply with Stora Enso's sustainability requirements as they are part of Stora Enso's value chain, and their weak 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 divisions have adequate insurance cover and support units in their loss prevention and loss control work.

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 2015 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 and thus 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.

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 and thus clear governance rules are essential. Stora Enso has a 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. Special remediation projects related to discontinued activities and mill closures are executed based on risk assessments.

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 24, Financial Risk Management.

Financial reporting

Internal control and risk management related to financial reporting is described in Stora Enso's full Corporate Governance Report 2014.

Environmental issues

Stora Enso's environmental costs in 2014 excluding interest and including depreciation totalled EUR 192 (EUR 202) 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 115 (EUR 106) million at 31 December 2014, details of which are in Note 22 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. Cost related to environmental remediation measures amounted to EUR 7 (8) million.

In 2014 Stora Enso's environmental investments amounted to EUR 32 (EUR 54) 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 CO_2 emissions and process water discharges, and continuously improve the material efficiency of its operations to meet key environmental targets. In 2015 Stora Enso starts to monitor the progress on these key indicators and targets at the Group-level on a monthly basis instead of a quarterly basis. The Group commenced reporting on progress towards the key environmental targets quarterly in the Interim Reviews, as of the fourth quarter of 2014. Other indicators of our environmental performance are followed at the Group-level on a quarterly basis. The consolidated results of all material environmental indicators are additionally reported in the Global Responsibility Performance 2014.

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 standard.

Stora Enso has set a CO_2 intensity target for its pulp, paper and board mills. The target is to reduce the CO_2 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 2014 Stora Enso's normalised CO_2 emissions increased slightly and are currently 26% (28%) lower than in 2006.

Reductions in our CO_2 intensity in previous years have been achieved through investments in biomass boilers that have reduced our use of fossil fuels, and through increases in our internal production of power and heat. Other contributing factors have included improved productivity, the use of more efficient equipment, and streamlined processes. On the other hand the Group's CO_2 intensity has been affected by the use of fossil fuels at our Ostrołęka Mill in Poland, where energy price the past year have not been favorable for biomass based fuels.

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 2014 the Group made no progress towards this target. Total discharges of process water have been reduced by 4.3% (6.6% in 2013) since 2005.

Another key 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 2014 normalised COD discharges continued to increase and are currently 6% (10%) lower than in 2007.

The main reasons for increased normalised emissions levels was that while the Group's total production volume decreased, CO_2 emissions and process water discharges did not decrease correspondingly due to the issues related to the optimization of environmental performance in the production processes.

In 2014 Stora Enso decided to discontinue targeting waste to landfill, but instead to focus on improving material efficiency as a broader concept. Waste to landfill will remain as a performance indicator. The waste and residual reuse rate across the Group was 98% (97%) in 2014. 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 2014 Stora Enso's production units created a total of 3 590 tonnes of hazardous waste, up from 2 884 tonnes in 2013.

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.

Externally assured information on environmental matters is published in the separate report Global Responsibility Performance 2014.

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 storaenso.com/investors/governance.

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 Metsä Group 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 35 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. In March 2014 the Helsinki District Court dismissed 13 private forest owners' claims as time-barred. In November 2014 the Helsinki Court of Appeal revoked the decision of the District Court. Stora Enso and the other defendants have sought permission to appeal the Court of Appeal decision from the Supreme Court. No provisions have been made in Stora Enso's accounts for these lawsuits.

Legal Proceedings in Latin America

Veracel

Fibria and Stora Enso each owns 50% of Veracel, the joint ownership governed by a shareholder agreement. In May 2014, Fibria initiated arbitration proceedings against Stora Enso claiming that Stora Enso was in breach of certain provisions of the shareholder agreement. Fibria has estimated that the interest of the case is approximately USD 54 (EUR 44) million. Stora Enso denies any breach of contract and disputes the method of calculating the interest of the case. No provisions have been made in Stora Enso's accounts for this case.

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 joint-operations company 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 fine of BRL 20 (EUR 6) million. 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. No provisions have been recorded in Veracel's or Stora Enso's accounts for the reforestation or the possible fine.

Montes del Plata

During the second quarter of 2014, Celulosa y Energía Punta Pereira S.A. ("CEPP"), a joint-operations company in the Montes del Plata group formed by Stora Enso and Arauco, was notified of arbitration proceedings initiated against it by Andritz Pulp Technologies Punta Pereira S.A., a subsidiary of Andritz AG, claiming EUR 200 million. The arbitration relates to contracts for the delivery, construction, installation, commissioning and completion by Andritz of major components of the Montes del Plata pulp Mill project located at Punta Pereira in Uruguay. CEPP disputes the claims brought by Andritz and is also actively pursuing claims of its own amounting to USD 110 (EUR 91) million against Andritz for breach by Andritz of its obligations under the contracts. No provisions have been made in Montes del Plata's or Stora Enso's accounts for these claims.

Changes in Organisational Structure and Group Management

Changes in organisational structure

As of 1 September 2014, the Printing and Living division was divided into two separate divisions: Printing and Reading, and Building and Living. The Global Identity function was split into two entities: Global Communications and Global Responsibility. On 18 December 2014 Stora Enso announced a new organisational structure for the Renewable Packaging division. The division was split into two: Consumer Board and Packaging Solutions. Both new divisions became separate reporting segments as of 1 January 2015. The names of the Building and Living division and Printing and Reading division were changed to Wood Products and Paper, respectively. As of 1 January 2015 onwards, Stora Enso's reporting segments are: Consumer Board, Packaging Solutions, Biomaterials, Wood Products, Paper and Other.

The first financial report according to the new reporting segment structure will be the first quarter 2015 Interim Review, to be released on 22 April 2015. Historical figures according to the new reporting structure will be published in March 2015.

Changes in Group management

Seppo Parvi took up the position of CFO on 1 February 2014 and the position of Country Senior Executive Finland as of 3 November 2014.

Karl-Henrik Sundström took up the position of CEO on 1 August 2014.

On 1 September 2014, Stora Enso's Group Leadership Team (GLT) had four new members. Kati ter Horst was appointed Executive Vice President, Head of the Printing and Reading division. Jari Suominen continued to lead the Building and Living business, as Executive Vice President of a separate division. Ulrika Lilja was appointed Executive Vice President, Global Communications. Terhi Koipijärvi was appointed an acting Executive Vice President, Global Responsibility and an acting member of the GLT.

On 19 September Stora Enso announced that Juha Vanhainen, Executive Vice President, Energy, Logistics and Wood Supply Operations in Finland and Sweden, will leave his position at Stora Enso as of 15 March 2015.

On 14 October 2014 Stora Enso announced the appointment of Johanna Hagelberg as Executive Vice President Sourcing and a new member of the Group Leadership Team as of 1 November 2014.

On 18 December 2014 Stora Enso announced the appointment of Jari Latvanen as Executive Vice President, Head of Consumer Board and a new member of the Group Leadership Team as of 1 January 2015.

Also on 18 December 2014 Stora Enso announced the appointment of Noel Morrin as Executive Vice President Global Responsibility and a new member of the Group Leadership Team as of 1 April 2015.

Jyrki Tammivuori, acting CFO, was a member of the Group Leadership Team until 31 January 2014.

Mats Nordlander, head of the Renewable Packaging division, was a member of the Group Leadership Team until 21 March 2014.

Jouko Karvinen, CEO, was a member of the Group Leadership Team until 31 July 2014.

Lauri Peltola, head of Global Communications and Country Senior Executive Finland, was a member of the Group Leadership Team until 31 August 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 40 000 A shares were converted into R shares. The conversions were recorded in the Finnish Trade Register on 15 January 2014 and 15 July 2014.

On 31 December 2014 Stora Enso had 177 056 204 A shares and 611 563 783 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 238 212 582.

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

Major shareholders as at 31 December 2014

By voting power	A shares	R shares	% of shares	% of votes
1 FAM AB	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	2 275 965	3.3%	10.1%
4 Varma Mutual Pension Insurance Company	15 572 117	140 874	2.0%	6.5%
5 MP-Bolagen i Vetlanda AB , MP Skog Aktiebolag, (Werner von Seydlitz)	4 578 000	4 721 000	1.2%	2.1%
6 Ilmarinen Mutual Pension Insurance Company	3 492 740	7 173 189	1.4%	1.8%
7 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.9%
8 Nordea Investment Funds	-	11 586 520	1.5%	0.4%
9 Swedbank Robur Funds	-	8 235 312	1.0%	0.3%
10 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
11 The State Pension Fund	-	7 600 000	1.0%	0.3%
12 Keva (Local Government Pensions Institution)	-	5 321 001	0.7%	0.2%
13 Unionen (Swedish trade union)	-	5 297 200	0.7%	0.2%
14 Danske Bank a/s Helsinki filial	448 616	23 440	0.1%	0.2%
15 Schweizerische Nationalbank	-	3 238 793	0.4%	0.1%
Total	**169 042 691**	**118 042 502**	**36.6%**[3]	**75.7%**[3]
Nominee-registered shares	74 558 542	472 515 517	69.4%[3]	51.1%[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 2014

By size of holding, A shares	Shareholders	%	Shares	%
1–100	2 834	39.00%	152 786	0.09%
101–1 000	3 767	51.84%	1 438 648	0.81%
1 001–10 000	633	8.71%	1 529 627	0.86%
10 001–100 000	26	0.36%	538 570	0.30%
100 001–1 000 000	2	0.03%	638 642	0.36%
1 000 001–	5	0.07%	172 757 931	97.57%
Total	**7 267**	**100.00%**	**177 056 204**	**100.00%**

By size of holding, R shares	Shareholders	%	Shares	%
1–100	6 042	21.34%	388 429	0.06%
101–1 000	16 312	57.60%	7 381 655	1.21%
1 001–10 000	5 432	19.18%	14 695 092	2.40%
10 001–100 000	444	1.57%	11 893 703	1.94%
100 001–1 000 000	64	0.23%	20 785 363	3.40%
1 000 001–	23	0.08%	556 419 541	90.98%
Total	**28 317**	**100.00%**	**611 563 783**	**100.00%**

According to Euroclear Finland.

Ownership Distribution, 31 December 2014

	% of shares	% of votes
Foundation Asset Management	10.2	27.2
Solidium Oy[1)]	12.3	25.1
Finnish institutions	13.8	21.1
Under nominee names (non-Finnish/ non-Swedish shareholders)	47.2	15.9
Swedish institutions	6.7	4.7
Swedish private shareholders	3.6	2.8
Finnish private shareholders	3.7	2.4
ADR holders	2.5	0.8
Total	**100.0**	**100.0**

1) Entirely owned by the Finnish State

Near-term outlook and short term risks

Sales in the first quarter of 2015 are estimated to be roughly similar to the amount of EUR 2 552 million of the fourth quarter of 2014. Operational EBIT is expected to be in line with the amount of EUR 209 million recorded in the fourth quarter of 2014.

The main short-term risks and uncertainties are related to the economic situation in Europe and the increasing imbalance in the European paper market.

Energy sensitivity analysis: the direct effect of a 10% increase in electricity, heat, oil and other fossil fuel market prices would have a negative impact of approximately EUR 9 million on operational EBIT for the next 12 months, after the effect of hedges.

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 182 million on operational EBIT for the next 12 months.

Pulp sensitivity analysis: the direct effect of a 10% increase in pulp market prices would have a positive impact of approximately EUR 105 million on operational EBIT for the next 12 months.

Chemicals and fillers sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 67 million on operational EBIT for the next 12 months.

A decrease of energy, wood or chemical and filler prices would have the opposite impact.

Foreign exchange rates sensitivity analysis for the next 12 months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish krona and British pound against the euro would be about positive EUR 112 million, negative EUR 84 million and positive EUR 46 million in annual impact, respectively. A weakening of the currencies would have the opposite impact. These numbers apply before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

Events after the balance sheet date

On 15 January 2015 the conversion of 25 300 A shares into R shares was registered in the Finnish trade register.

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 2014.

The dividend would be paid to shareholders who on the record date of the dividend payment, 24 April 2015, 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 13 May 2015.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Wednesday 22 April 2015 at Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Consolidated Financial Statements

Consolidated Income Statement

		Year Ended 31 December	
EUR million	**Note**	**2014**	**2013**
Sales	3	**10 213**	**10 563**
Other operating income	5	168	140
Changes in inventories of finished goods and work in progress		3	-27
Change in net value of biological assets	12	-114	165
Materials and services		-6 244	-6 688
Freight and sales commissions		-939	-982
Personnel expenses	6	-1 383	-1 390
Other operating expenses	5	-625	-644
Share of results of equity accounted investments	13	87	102
Depreciation, amortisation and impairment charges	10	-766	-1 189
Operating Profit	3	**400**	**50**
Financial income	8	79	62
Financial expense	8	-359	-301
Profit/Loss before Tax		**120**	**-189**
Income tax	9	-30	118
Net Profit/Loss for the Year		**90**	**-71**
Attributable to:			
Owners of the Parent	18	99	-53
Non-controlling Interests	19	-9	-18
Net Profit/Loss for the Year		**90**	**-71**
Earnings per Share			
Basic and diluted earnings per share, EUR	32	0.13	-0.07

Consolidated Statement of Comprehensive Income

		Year Ended 31 December	
EUR million	**Note**	**2014**	**2013**
Net profit/loss for the year		90	-71
Other Comprehensive Income (OCI)			
Items that will Not be Reclassified to Profit and Loss			
Actuarial losses/gains on defined benefit plans	20	-100	74
Share of OCI of equity accounted investments that will not be reclassified	27	-	-1
Income tax relating to items that will not be reclassified	9	17	-27
		-83	**46**
Items that may be Reclassified Subsequently to Profit and Loss			
Share of OCI of equity accounted investments that may be reclassified	27	-17	13
Currency translation movements on equity net investments (CTA)	28	63	-227
Currency translation movements on non-controlling interests	19	14	-6
Net investment hedges	28	8	23
Cash flow hedges	27	-74	-26
Non-controlling interests' share of cash flow hedges	19	-1	-
Available-for-sale investments	14	96	-101
Income tax relating to items that may be reclassified	9	8	2
		97	**-322**
Total Comprehensive Income		**104**	**-347**
Total Comprehensive Income Attributable to:			
Owners of the Parent		100	-323
Non-controlling interests	19	4	-24
		104	**-347**

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

Consolidated Statement of Financial Position

EUR million		Note	As at 31 December 2014	As at 31 December 2013	As at 1 Jan 2013
ASSETS					
Non-current Assets					
Goodwill	O	11	242	220	226
Other intangible assets	O	11	157	54	47
Property, plant and equipment	O	11	5 419	5 534	6 292
		11	**5 818**	**5 808**	**6 565**
Biological assets	O	12	643	634	474
Emission rights	O		27	21	30
Equity accounted investments	O	13	1 056	1 013	941
Available-for-sale investments: interest-bearing	I	14	30	10	96
Available-for-sale investments: operative	O	14	444	361	451
Non-current loan receivables	I	17	70	80	134
Deferred tax assets	T	9	259	229	143
Other non-current assets	O	15	85	63	85
			8 432	**8 219**	**8 919**
Current Assets					
Inventories	O	16	1 403	1 445	1 510
Tax receivables	T	9	8	13	18
Current operative receivables	O	17	1 484	1 555	1 714
Interest-bearing receivables	I	17	74	147	211
Cash and cash equivalents	I		1 446	2 073	1 921
			4 415	**5 233**	**5 374**
Total Assets			**12 847**	**13 452**	**14 293**
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Parent					
Share capital		18	1 342	1 342	1 342
Share premium			77	77	77
Treasury shares		18	-	-	-10
Fair value reserve		27	265	235	344
Cumulative translation adjustment		28	-149	-218	-10
Invested non-restricted equity fund			633	633	633
Retained earnings			2 803	3 197	3 394
Net profit/loss for the year			99	-53	-
			5 070	**5 213**	**5 770**
Non-controlling Interests		19	167	60	92
Total Equity			**5 237**	**5 273**	**5 862**
Non-current Liabilities					
Post-employment benefit provisions	O	20	483	378	480
Other provisions	O	22	159	127	145
Deferred tax liabilities	T	9	264	312	358
Non-current debt	I	26	3 530	4 201	4 799
Other operative liabilities	O	23	47	24	11
			4 483	**5 042**	**5 793**
Current Liabilities					
Current portion of non-current debt	I	26	611	544	202
Interest-bearing liabilities	I	26	751	744	693
Bank overdrafts	I	26	2	12	5
Other provisions	O	22	82	123	71
Other operative liabilities	O	23	1 631	1 698	1 627
Tax liabilities	T	9	50	16	40
			3 127	**3 137**	**2 638**
Total Equity and Liabilities			**12 847**	**13 452**	**14 293**

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 2014	2013
Cash Flow from Operating Activities			
Net profit/loss for the year		90	-71
Result from the Statement of Other Comprehensive Income		-	7
Adjustments and reversal of non-cash items:			
Taxes	9	30	-118
Depreciation and impairment charges	10	766	1 189
Change in value of biological assets	12	114	-165
Change in fair value of options and TRS		10	1
Share of results of equity accounted investments	13	-87	-102
Profits and losses on sale of fixed assets and investments	5	-16	-24
Net financial items	8	280	239
Other adjustments		-11	-
Dividends received from equity accounted investments	13	19	38
Interest received		22	16
Interest paid		-200	-207
Other financial items, net		-34	-7
Income taxes paid	9	-39	-46
Change in net working capital, net of businesses acquired or sold		-56	265
Net Cash Provided by Operating Activities		**888**	**1 015**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares and business operations, net of acquired cash	4	-16	25
Acquisition of shares in equity accounted investments	13	-97	-31
Acquisition of available-for-sale investments	14	-9	-9
Capital expenditure	3, 11	-719	-690
Investment in biological assets	12	-68	-50
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	4	72	-
Proceeds from disposal of shares in equity accounted investments	13	61	-
Proceeds from disposal of available-for-sale investments	14	-	42
Proceeds from sale of intangible assets and property, plant and equipment	11	14	96
Proceeds from/payment of non-current receivables, net		16	85
Net Cash Used in Investing Activities		**-746**	**-532**
Cash Flow from Financing Activities			
Proceeds from issue of new long-term debt		166	239
Repayment of long-term debt		-922	-377
Change in short-term borrowings		17	70
Dividends paid		-237	-237
Sale of interest in subsidiaries to non-controlling interests	19	7	-
Equity injections from, less dividends to, non-controlling interests	19	94	-7
Purchase of own shares		-4	-
Net Cash Used in Financing Activities		**-879**	**-312**
Net Decrease/Increase in Cash and Cash Equivalents		**-737**	**171**
Translation adjustment		120	-27
Cash and cash equivalents at beginning of year		2 061	1 917
Net Cash and Cash Equivalents at Year End		**1 444**	**2 061**
Cash and Cash Equivalents at Year End		**1 446**	**2 073**
Bank Overdrafts at Year End		**-2**	**-12**
		1 444	**2 061**

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

Consolidated Cash Flow Statement
Supplemental Cash Flow Information

		Year Ended 31 December	
EUR million	**Note**	**2014**	**2013**
Change in Net Working Capital consists of:			
Change in inventories		-44	35
Change in interest-free receivables:			
Current		19	140
Non-current		-15	17
Change in interest-free liabilities:			
Current		-65	100
Non-current		49	-27
Change in Net Working Capital, Net of Businesses Acquired or Sold		**-56**	**265**
Non-Cash Investing Activities			
Total capital expenditure		713	710
Amounts paid		-719	-690
Non-Cash Part of Additions to Intangible Assets and Property, Plant and Equipment		**-6**	**20**
ACQUISITIONS			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions, cash part	4	17	7
Purchase consideration on acquisitions, non-cash part	4	15	-
Cash and cash equivalents in acquired companies, net of bank overdraft	4	-1	-32
Total Acquisition Value		**31**	**-25**
Acquired Net Assets			
Operating working capital		-4	-22
Intangible assets and property, plant and equipment	11	20	1
Tax assets and liabilities	9	-5	-
Interest-bearing assets and liabilities		-8	-
Value of previously held equity interests		-	-4
Total Net Assets Acquired		**3**	**-25**
Goodwill (provisional for 2014)	11	28	-
Total Net Assets Acquired and Goodwill		**31**	**-25**
DISPOSALS			
Cash Flow on Disposals			
Cash flow on disposal	4	103	1
Cash and cash equivalents in divested companies	4	-31	-1
Total Disposal Value		**72**	**-**
Net Assets Sold			
Cash and cash equivalents		31	1
Goodwill	11	3	-
Other intangible assets and property, plant and equipment	11	38	2
Working capital		25	-
Tax assets and liabilities		2	-
Interest-bearing assets and liabilities		2	-2
Non-controlling interests	19	-7	-1
		94	**-**
Gain on sale	4	10	-
Total Net Asset Sold		**104**	**-**

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

Statement of Changes in Equity

EUR million	Share Capital	Share Premium and Reserve Fund	Invested Non-Restricted Equity Fund	Treasury Shares	Fair Valuation Reserve: Step Acquisition Revaluation Surplus	Fair Valuation Reserve: Available for Sale Investments	Fair Valuation Reserve: Cash Flow Hedges	Fair Valuation Reserve: OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 1 January 2013	**1 342**	**77**	**633**	**-10**	**4**	**362**	**12**	**-34**	**-10**	**3 394**	**5 770**	**92**	**5 862**
Loss for the year	-	-	-	-	-	-	-	-	-	-53	-53	-18	-71
OCI before tax	-	-	-	-	-	-101	-26	12	-204	74	-245	-6	-251
Income tax relating to components of OCI	-	-	-	-	-	1	5	-	-4	-27	-25	-	-25
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-100**	**-21**	**12**	**-208**	**-6**	**-323**	**-24**	**-347**
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-7	-244
Disposals	-	-	-	-	-	-	-	-	-	-	-	-1	-1
NCI transaction in EAI	-	-	-	-	-	-	-	-	-	1	1	-	1
Share-based payments	-	-	-	-	-	-	-	-	-	2	2	-	2
Cancellation of treasury shares	-	-	-	10	-	-	-	-	-	-10	-	-	-
Balance at 31 December 2013	**1 342**	**77**	**633**	**-**	**4**	**262**	**-9**	**-22**	**-218**	**3 144**	**5 213**	**60**	**5 273**
Profit/loss for the year	-	-	-	-	-	-	-	-	-	99	99	-9	90
OCI before tax	-	-	-	-	-	96	-74	-17	71	-100	-24	13	-11
Income tax relating to components of OCI	-	-	-	-	-	-4	14	-	-2	17	25	-	25
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**92**	**-60**	**-17**	**69**	**16**	**100**	**4**	**104**
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-6	-243
Acquisitions and disposals	-	-	-	-	-	-	-	15	-	-15	-	101	101
Loss on NCI buy-in	-	-	-	-	-	-	-	-	-	-8	-8	8	-
Purchase of treasury shares	-	-	-	-4	-	-	-	-	-	-	-4	-	-4
Share-based payments	-	-	-	4	-	-	-	-	-	2	6	-	6
Balance at 31 December 2014	**1 342**	**77**	**633**	**-**	**4**	**354**	**-69**	**-24**	**-149**	**2 902**	**5 070**	**167**	**5 237**

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. At the end of 2014 the operations of Stora Enso Oyj and its subsidiaries (together "Stora Enso" or the "Group") were organised into the following segments: Renewable Packaging, Biomaterials, Building and Living, Printing and Reading 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 4 February 2015.

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 2014

The Group has applied the following amendment effective from 1 January 2014 that requires restatement of previous financial statements:

Effects of Changes of IFRS 11 Joint Arrangements

Stora Enso adopted the new IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* as of 1 January 2014.

- 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.

The changes affect the accounting treatment of Montes del Plata and Veracel, which are now treated as joint operations and thus Stora Enso's 50% ownership is consolidated via the proportionate line-by-line method. Montes del Plata is controlled jointly with partner Arauco and Veracel is controlled jointly with partner Fibria. Stora Enso's interpretation is that the contractual arrangements in both joint operations provide the partners with the rights to and obligations of the annual output of the relevant activities and substantially all the economic benefits of the joint operations. Previously these two entities were consolidated using the equity method.

The proportionate line-by-line consolidation of Stora Enso's 50% ownership of Montes del Plata and Veracel has no effect on published operational EBIT, net profit, equity or earnings per share. The proportionate line-by-line consolidation affects all the primary statements in the consolidated financial statements. These effects are presented in Note 33 Effects of the changes to IFRS 11 *Joint Arrangements*.

The following changes were also applicable for the first time and effective from 1 January 2014:

- IAS 27 *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 the new standard IFRS 11 *Joint Arrangements*.

- IAS 36 *Impairment of Assets* amendment clarifies disclosure requirements related to the recoverable amount of non-financial assets. The clarification had minor effects on disclosures of Stora Enso.
- IAS 39 *Financial Instruments: Recognition and Measurement* amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided that certain criteria are met. This amendment is not relevant to the Group.

Interpretation effective after the European Union endorsement June 13, 2014:

- IFRIC 21 *Levies*. The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation had no effect on the Group financial statements.

New and amended standards and interpretation not yet effective and not yet endorsed by the EU in 2014

- IAS 19 *Defined Benefit Plans Employee Contributions* (amendment) effective for annual periods beginning on or after 1 July 2014. The amendment clarifies the accounting for contributions made by employees or third parties to defined benefit plans. The amendment is not expected to have a material effect on the Group financial statement.
- IFRS 9 *Financial Instruments* is the replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued on July 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). The effects of this new standard on the Group financial statements are under investigation.
- IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for ”regulatory deferral account balances” in accordance with its previous GAAP. The standard is effective 1 January 2016. It is not relevant to the Group.
- IFRS 15 *Revenue from Contracts with Customers*. The new standard specifies how and when revenue is recognised and increases the disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective beginning on or after 1 January 2017. The effects of this new standard on the Group financial statements are under investigation.
- Amendments to IFRS 10 and IAS 28: *Sale or contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments to the standards clarify the accounting in different types of transactions between an investor and its associate of joint venture. The amendments are effective 1 January 2016. The amendments might be relevant in case of these kinds of transactions.
- IAS 27 *Equity Method in Separate Financial Statements* (amendment) reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective on 1 January 2016. This change is not relevant to the Group.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment. The amendments are effective 1 January 2016. The effects of these amendments on the Group financial statements are under investigation.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*. The amendments prohibit using a revenue-based depreciation method for items of property, plant and equipment and introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. Amendments are effective 1 January 2016. The effects of these amendments on the Group financial statements are under investigation.
- IFRS 11 *Accounting for Acquisition of Interests in Joint Operations* (amendment) provides guidance on how to account for the acquisition of a joint operation that constitutes a business. The amendment is effective 1 January 2016. The effect of the amendment on the Group financial statements is under investigation.

Consolidation principles

The Consolidated Financial Statements include the parent company, Stora Enso Oyj, and all companies controlled by the Group. Control is achieved when the Group:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

If facts and circumstances indicate that there are changes to the three elements of control listed above the Group reassess whether or not it controls an investee. Acquired companies are accounted for under the purchase method whereby they are included in the Consolidated Financial Statements from the date when the control over the subsidiary is obtained, whereas, conversely, divestments are included up to their date when the control is lost. The principal subsidiaries are listed in Note 30 Principal Subsidiaries and Joint Operations.

Associated companies over which Stora Enso exercises significant influence are accounted for using the equity method, which involves recognising in the Consolidated Income Statement the Group’s share of the equity accounted investment 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. Significant influence is the power to participate in the financial and operating policy decisions of the company without control or joint control over those policies. The most significant of such companies are listed in Note 13 Equity Accounted Investments.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

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 zero 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 operations are joint arrangements whereby the partners that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of the control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the partners sharing control.

The Group has two joint operations Veracel and Montes del Plata. The Group as a joint operator recognises in relation to its interest in a joint operation assets, liabilities, revenues and expenses using line-by-line method. The group adopted the new standard as of 1 January 2014. Previously these two entities were consolidated using the equity method. The historical figures were restated and published on 19 March, 2014.

- Veracel is a jointly (50%/50%) owned company of Stora Enso and Fibria located Brazil. The pulp mill produces 1.1 million tonnes of bleached Eucalyptus hard wood pulp per year and both owners are entitled to half of the mill's output. The eucalyptus is sourced mostly from company's own forestry plantations. The mill commenced production in May 2005 and the Group's part of the pulp shipments are sent primarily to Stora Enso mills in Europe and China.
- Montes del Plata is a jointly (50%/50%) owned company of Stora Enso and Arauco located Uruguay. The Montes del Plata pulp mill's annual capacity is 1.3 million tonnes of bleached Eucalyptus hard wood pulp and Stora Enso's part, 650 000 tonnes, is to be sold entirely as market pulp. The eucalyptus is sourced mostly from the company's own forestry plantations. The mill started in June 2014 and the ramp-up is ongoing.

Joint venture is a joint arrangement whereby the partners that have joint control of the arrangement have rights to the net asset of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control.

All intercompany transactions, receivables, liabilities and unrealised profits, as well as intragroup profit distributions, are eliminated. Accounting policies for subsidiaries, joint arrangements 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 19 Non-Controlling Interests. The measurement type of non-controlling interests is decided separately for each acquisition.

Segment information

The organisational structure of Stora Enso in 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), also 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, CO_2 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, joint arrangements 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 28 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 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.

In case of fair value hedges, the Group uses either derivatives or borrowings for this purpose. The gains and losses on hedging instruments 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. In respect of hedges of exposures to foreign currency risk of future transactions resulting in the recognition of non-financial assets, the gains and losses deferred to OCI hedging reserve are transferred from equity to be included in the initial acquisition cost of the non-financial assets at the time of recognition. The deferred amounts are ultimately recognised in the Income Statement through depreciation over the lifetime of those non-financial assets. 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 27 Derivatives and in Note 6 Personnel Expences. 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, of 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.

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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 or joint arrangement 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. An adjustment is made for any impairment. 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

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 fair 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 and joint operations are 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 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. 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, in the case realised emission are under allowances received free of charge 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 16 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 share 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 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 21 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 Assets and Property, Plant and Equipment are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. The recoverable amount of an asset is estimated as the higher of fair value less cost to sell and the value in use, with an impairment charge being recognised whenever the carrying amount exceeds the recoverable amount. The value in use is calculated using a discounted cash flow model which is most sensitive to the discount rate as well as the expected future cash flows. The key assumptions used in the impairment testing, including sensitivity analysis, are explained further in Note 10 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 10 Depreciation and Intangible Asset and Property, Plant and Equipment Impairment Charges.

Control assessment of Joint operations and associates

Note 1 Accounting Principle describes Veracel and Montes del Plata as joint operation companies. In both companies Stora Enso's ownership is 50%. The interpretations as Joint operations are based on shareholders' agreements which give Stora Enso rights to all returns and make the group liable indirectly for the liabilities as our ability to pay for the pulp is used to finance the debts.

The forest holding companies Bergvik Skog Ab and Tornator Oyj are associates. Stora Enso does not control the companies alone or jointly with other parties and thus retains its significant minority interest as equity accounted investments. These companies are presented in Note 13 Equity Accounted Investments.

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 14 Available-for-Sale Investments and 24 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

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assumptions or other factors, these differences are recorded directly in equity, as disclosed in the Statement of Comprehensive Income. See Note 20 Post-Employment Benefits for detailed information on the assumptions used in the pension liability calculations.

Biological assets

The Group has biological assets in equity accounted investment companies, joint operation companies and in subsidiaries. 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 and for joint operations, on the line for Change in Net Value of Biological Assets. For those assets shown in the Consolidated Statement of Financial Position of Equity Accounted Investments changes are included on the line for Share of Results of Equity Accounted Investments. It is therefore important that the management of the Group, Joint Operation companies and the Equity Accounted Investments make appropriate estimates of future price levels and trends for sales and costs, and undertakes regular surveys of the forest to establish the volumes of wood available for cutting and their current growth rates. See Note 12 Biological Asset for more detailed information.

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 August 2014 Stora Enso announced that it would divide the Printing and Living division back into two separate divisions in line with the existing segment reporting: the Printing and Reading division, and the Buiding and Living division. Printing and Living division was effective from July 2013 to August 2014. In 2014 divisions and reportable segments were:

- Renewable Packaging
- Biomaterials
- Building and Living
- Printing and Reading
- Other

The activities of the Reportable Segments are:

Renewable Packaging

Renewable Packaging division 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.

Biomaterials

Biomaterials division develops new ways to maximise the value extractable from wood, as well as other kinds of lignocellulosic biomasses. Sugars and lignin have the potential for applications in the specialty chemical, construction, personal care and food industries. Biomaterials division also offers a variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers. The division has a global presence with operations in Brazil, Finland, Laos, Sweden, United States and Uruguay.

Building and Living

Building and Living division provides versatile wood-based solutions for building and housing. Product range covers all areas of urban construction including massive wood elements and housing modules, wood components and pellets. Building and Living operates globally and has more than 20 production units in Europe.

Printing and Reading

Printing and Reading division provides best in class paper solutions for print media and office use. The wide selection covers papers made from recycled and fresh wood fibre. Main customer groups include publishers, retailers, printing houses, merchants, converters and office suppliers. Printing and Reading mills are located predominantly in Europe, as well as in Brazil and China. Three of the 16 mills produce paper based on 100%-recycled fibre.

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.

Divisions and reportable segments

Stora Enso’s divisional structure and reportable segments will change from 1 January 2015. The Renewable Packaging division will be split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division will be changed to Wood Products and the name of Printing and Reading division to Paper.

Old name	**New name as of 1 January 2015**
Renewable Packaging	Consumer Board Packaging Solutions
Biomaterials	Biomaterials
Building and Living	Wood Products
Printing and Reading	Paper
Other	Other

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Sales by Segment

	Year Ended 31 December					
	External	Internal	Total	External	Internal	Total
EUR million	2014			2013		
Renewable Packaging	3 293	42	3 335	3 215	57	3 272
Biomaterials	649	455	1 104	552	481	1 033
Building and Living	1 657	122	1 779	1 768	99	1 867
Printing and Reading	3 800	112	3 912	4 180	139	4 319
Other	814	1 753	2 567	848	1 842	2 690
Elimination of internal sales	-	-2 484	-2 484	-	-2 618	-2 618
Total	**10 213**	**-**	**10 213**	**10 563**	**-**	**10 563**

Sales include external service income of EUR 58 (EUR 62) million.

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

	Year Ended 31 December					
	Operational EBIT		NRI, Fair Valuations and Non-Operational items		Operating Profit/Loss	
EUR million	2014	2013	2014	2013	2014	2013
Renewable Packaging	410	318	-53	119	357	437
Biomaterials	89	77	-4	7	85	84
Building and Living	89	75	-12	-7	77	68
Printing and Reading	172	34	-330	-642	-158	-608
Other	50	74	-11	-5	39	69
Total	**810**	**578**	**-410**	**-528**	**400**	**50**
Net financial items					-280	-239
Profit/Loss before Tax					**120**	**-189**
Income tax expense					-30	118
Net Profit/Loss					**90**	**-71**

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).

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, CO_2 emission rights, valuations of biological assets and the Group's share of tax and net financial items of EAI.

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

	Year Ended 31 December	
EUR million	2014	2013
Impairments and reversals of intangible asset and property, plant and equipment	-219	-592
Restructuring costs excluding fixed asset impairments	-118	-111
Initial valuation of biological assets in China	-	179
Disposals	53	-
Other	5	-15
Total Non-Recurring Items	**-279**	**-539**
Fair valuations and non-operational items	-131	11
Total	**-410**	**-528**

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Segment Share of Operative Assets, Operative Liabilities and Operating Capital

	Year Ended 31 December					
	Operative Assets		Operative Liabilities		Operating Capital	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Renewable Packaging	3 099	3 035	589	583	2 510	2 452
Biomaterials	2 708	2 311	252	228	2 456	2 083
Building and Living	741	749	228	233	513	516
Printing and Reading	2 506	2 971	892	911	1 614	2 060
Other and eliminations	1 906	1 834	441	395	1 465	1 439
Total	**10 960**	**10 900**	**2 402**	**2 350**	**8 558**	**8 550**

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

	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations/Impairments/Reversals		Capital Expenditure	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Renewable Packaging	1 840	1 786	214	213	349	188
Biomaterials	1 954	1 645	84	76	203	334
Building and Living	342	363	36	40	29	28
Printing and Reading	1 527	1 847	408	838	108	137
Other	155	167	24	22	24	23
Total	**5 818**	**5 808**	**766**	**1 189**	**713**	**710**

Goodwill by Segment

	Year Ended 31 December					
	Goodwill		Goodwill on Acquisitions		Impairment	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Renewable Packaging	29	31	-	-	-	-
Biomaterials	28	-	28	-	-	-
Building and Living	102	106	-	-	3	-
Printing and Reading	83	83	-	-	-	-
Other	-	-	-	-	-	-
Total	**242**	**220**	**28**	**-**	**3**	**-**

Average Personnel

Segment	Year Ended 31 December 2014	2013
Renewable Packaging	12 656	12 131
Biomaterials	1 569	1 537
Building and Living	4 046	4 282
Printing and Reading	7 700	8 373
Other	3 038	2 598
Total	**29 009**	**28 921**

Location	Year Ended 31 December 2014	2013
Austria	936	1 043
Baltic States	1 154	1 189
Belgium	546	587
Czech Republic	725	744
Finland	6 921	6 641
France	406	475
Germany	2 165	2 268
Poland	1 893	1 973
Russia	1 110	1 171
Spain	276	301
Sweden	5 151	5 728
Other Europe	401	436
Total Europe	**21 684**	**22 556**
Brazil	712	720
China (incl. Hong Kong)	5 532	4 513
India	381	429
United States	175	186
Uruguay	337	346
Other countries	188	171
Total	**29 009**	**28 921**

Year-End Personnel

	As at 31 December 2014	2013
	27 200	**28 697**

External Sales by Destination and Origin

	Year Ended 31 December					
	Sales by Destination		**Sales by Origin**		**Balance of Trade**	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Austria	262	271	343	415	81	144
Baltic States	240	229	286	300	46	71
Belgium	149	151	278	282	129	131
Czech Republic	168	152	263	252	95	100
Denmark	141	166	16	18	-125	-148
Finland	682	783	3 736	3 795	3 054	3 012
France	507	568	47	152	-460	-416
Germany	1 288	1 464	853	856	-435	-608
Italy	296	275	-	-	-296	-275
Netherlands	271	281	23	30	-248	-251
Poland	466	411	358	315	-108	-96
Russia	311	335	196	215	-115	-120
Spain	350	340	120	122	-230	-218
Sweden	1 015	1 040	2 674	2 872	1 659	1 832
UK	604	632	25	23	-579	-609
Other Europe	808	860	165	188	-643	-672
Total Europe	**7 558**	**7 958**	**9 383**	**9 835**	**1 825**	**1 877**
Australia / New Zealand	184	165	5	20	-179	-145
Brazil	173	207	376	369	203	162
China (incl. Hong Kong)	753	574	309	271	-444	-303
Japan	224	331	-	-	-224	-331
Middle East	286	427	-	-	-286	-427
Uruguay	11	14	90	9	79	-5
USA	133	138	44	50	-89	-88
Other countries	891	749	6	9	-885	-740
Total	**10 213**	**10 563**	**10 213**	**10 563**	**-**	**-**

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Total Assets, Capital Employed and Shareholders' Equity by Location

	As at 31 December					
	Total Assets		Capital Employed		Shareholders' Equity	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Austria	166	183	107	126	121	118
Baltic States	127	116	101	96	128	110
Belgium	419	459	296	361	484	583
Czech Republic	150	143	123	116	120	116
Finland	3 959	4 975	2 334	2 327	863	684
France	22	70	-53	23	-115	-7
Germany	700	767	198	275	358	387
Poland	678	658	468	489	359	310
Russia	137	186	90	137	59	89
Spain	40	36	9	2	-21	-8
Sweden	2 688	3 044	1 837	1 987	352	1 169
Other Europe	50	-49	7	25	64	184
Total Europe	**9 136**	**10 588**	**5 517**	**5 964**	**2 772**	**3 735**
Brazil	816	797	727	713	607	606
China (incl. Hong Kong)	1 193	700	756	572	726	268
Uruguay	1 539	1 246	1 427	1 131	875	512
USA	58	49	27	44	33	49
Other countries	105	72	57	40	57	43
Total	**12 847**	**13 452**	**8 511**	**8 464**	**5 070**	**5 213**

Total capital employed represents operating capital less net tax liabilities.

Reconciliation of Operating Capital to Total Assets

	As at 31 December	
EUR million	**2014**	**2013**
Operating Capital	**8 558**	**8 550**
Gross-up for operating liabilities	2 402	2 350
Interest-bearing receivables	1 620	2 310
Tax receivables	267	242
Total Assets	**12 847**	**13 452**

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

	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations, Impairments and Reversals		Capital Expenditure	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Austria	107	116	12	10	3	5
Baltic States	54	55	8	9	6	7
Belgium	364	394	38	39	9	10
Czech Republic	110	106	4	4	9	7
Finland	1 080	1 127	218	458	180	165
France	3	11	2	21	-	2
Germany	452	498	65	72	21	27
Poland	422	445	30	27	21	40
Russia	64	101	2	14	4	5
Spain	5	1	-	20	5	2
Sweden	1 043	1 342	306	377	104	120
Other Europe	13	16	4	-	1	-
Total Europe	**3 717**	**4 212**	**689**	**1 051**	**363**	**390**
Brazil	393	408	36	42	16	14
China (incl. Hong Kong)	381	147	22	90	207	12
Uruguay	1 272	1 023	15	3	120	292
USA	51	14	2	2	5	1
Other countries	4	4	2	1	2	1
Total	**5 818**	**5 808**	**766**	**1 189**	**713**	**710**

Note 4 Acquisitions and Disposals

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Acquisition of Group Companies

EUR million	Year Ended 31 December 2014	2013
Acquired Net Assets		
Cash and cash equivalents, net of bank overdraft	1	32
Intangible assets and Property, plant and equipment	20	1
Tax assets and liabilities	-5	-
Working capital	-4	-22
Interest-bearing assets and liabilities	-8	-
Fair Value of Net Assets in Acquired Companies	**4**	**11**
Goodwill	28	-
Value of previously held equity shares	-	-4
Total Purchase Consideration	**32**	**7**

On 19 June 2014 Stora Enso acquired 100% of the shares of Virdia Inc, a US-based leading developer of extraction and separation technologies for conversion of cellulosic biomass into highly refined sugars and lignin. The acquisition of Virdia supports the vision of Stora Enso's Biomaterials division in becoming a significant player in biochemicals and biomaterials. The technology enables more efficient extraction of different valuable fractions of the biomass, allowing the possibility to develop and commercialise cost-effective renewable solutions to address well-identified market-driven needs.

The cash consideration was EUR 17 million with maximum additional payouts totalling EUR 21 million following completion of specific technical and commercial milestones by 2017. At the time of acquisition the fair value of the contingent consideration amounted to EUR 15 million. Subsequent changes in the fair value of contingent consideration are recognised as a profit or loss.

The transaction resulted in goodwill of EUR 28 million. Goodwill represents the business knowledge and expected synergies from the business combination. The acquisition related transaction costs totalling EUR 2 million were expensed as incurred.

The assets and liabilities recognised for the business combination have been determined on a provisional basis using a combination of income and cost approaches. The fair values of the acquired assets and liabilities are therefore subject to change during the 12 month measurement period should additional information about the circumstances prevailing at closing become available. Virdia did not have an impact on Group sales in 2014. The impact on Group net profit was negative EUR 4 million in 2014.

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 an impact on Group sales in 2013 and the negative impact on net profit in 2013 was EUR 2 million.

Disposal of Group Companies

	Year Ended 31 December	
EUR million	**2014**	**2013**
Net Assets Sold		
Cash and cash equivalents	31	1
Intangible assets and Property, plant and equipment	41	2
Working capital	25	-
Tax assets and liabilities	2	-
Interest-bearing assets and liabilities	2	-2
Non-controlling interest	-7	-1
Net Assets in Divested Companies	**94**	**-**
Total Disposal Consideration Received in Cash and Kind	**104**	**-**
Gain on disposal of Group companies	10	-
CTA release	3	-
Transaction costs	-4	-
Total Net Gain	**9**	**-**

On 1 December, 2014, Stora Enso disposed the operations of the Corenso business to Powerflute Oyj for consideration of EUR 103 million. The disposal resulted in a net gain of EUR 9 million. EUR 13 million is reported under other operating income including EUR 3 million CTA release through the income statement offset by the related transaction costs totalling EUR 4 million which are reported under other operating expenses. Corenso was part of the Stora Enso Renewable Packaging division. In 2014 the Group also disposed of the shares in Stora Enso Thailand Co Ltd for consideration of EUR 1 million.

In December 2014 Stora Enso signed an agreement to divest Uetersen specialty and coated fine paper mill in Germany. Following the agreement, the Group recorded a EUR 30 million fixed asset impairment and inventory write-down. The transaction is subject to regulatory approval process. Uetersen Mill is not presented as held for sale in the Group's 31 December 2014 statement of financial position due to immaterial impact on the Group's financial statements.

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

Note 5 Other Operating Income and Expense

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The Group has recorded Other Operating Income of EUR 24 (EUR 18) million and under Materials and Services an expense of EUR 16 (EUR 17) million relating to emission rights. The net income amounts to EUR 8 (EUR 1) million, of which income of EUR 24 (EUR 18) million reflects the fair value of the emission allowances at the balance sheet date and an expense of EUR 16 (EUR 17) million reflects the cost of CO_2 emissions from production. The value of excess emission rights held at the year end is EUR 11 (EUR 7) million.

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. The income from the sale of green certificates amounted to EUR 44 (EUR 37) million.

Stora Enso completed the divestment of its Corenso business operations to the Finnish packaging materials company Powerflute Oyj 1 December 2014. The transaction resulted in a net capital gain of EUR 9 million of which EUR 13 million is reported under other operating income including EUR 3 million CTA release through the income statement and related transaction costs totalling EUR 4 million which are reported under other operating expenses.

In 2013 Stora Enso recorded a capital gain of EUR 11 million related to land disposal in Stora Enso's joint operation Montes del Plata.

Total sales of excess freight capacity in 2014 amounted to EUR 25 (EUR 31) million.

Other Operating Income and Expense

	Year Ended 31 December	
EUR million	**2014**	**2013**
Other Operating Income		
Emission rights granted and disposal gains	24	18
Sale of Green Certificates	44	37
Capital gains on sale of Intangible Assets and Property, Plant and Equipment	4	19
Capital gains on sale of Biological Assets	-	7
Capital gains on sale of Group companies	10	-
CTA release	3	-
Dividend and gain on sale of unlisted shares	-	2
Insurance compensation	30	8
Freight sales, rent and other	39	44
Government grants	14	5
Total	**168**	**140**
Other Operating Expenses include		
Rents paid	101	108
Research and development	64	63
Credit losses	13	10
CTA release	-	3
Materials and Services include		
Emissions rights to be delivered and disposal losses	16	17

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

	Year Ended 31 December	
EUR million	**2014**	**2013**
Audit fees	4	4
Audit-related	-	-
Tax fees	-	-
Other fees	1	1
Total	**5**	**5**

Note 6 Personnel Expenses

Personnel Expenses

	Year Ended 31 December	
EUR million	**2014**	**2013**
Wages and salaries	1 045	1 050
Pensions (see below)	164	169
Share-based remuneration (Note 21)	13	2
Total return swaps	-2	-11
Other statutory employer costs	142	160
Other voluntary costs	21	20
Total	**1 383**	**1 390**

Pensions

	Year Ended 31 December	
EUR million	**2014**	**2013**
Defined benefit plans	6	13
Defined contribution plans	158	154
Other post-employment benefits	-	2
Total	**164**	**169**

Total personnel expenses totalled EUR 1 383 million in 2014 compared with EUR 1 390 million in 2013. The average number of employees in 2014 amounted to 29 009, compared with 28 921 in 2013. Pension costs are discussed further in Note 20 Post-Employment Benefits.

Share-based remuneration comprises share options and share awards, which are described in more detail in Note 21 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 expense of share-based remuneration net of TRS in 2014 amounted to EUR 11 million compared with an income of EUR 9 million in 2013.

In 2014 the expense of the share-based remuneration itself was EUR 13 million. However, due to the increase in the Stora Enso R share price from EUR 7.30 at 31 December 2013 to EUR 7.44 at 31 December 2014, an income of EUR 2 million was recorded in respect of TRS.

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

Note 7 Board and Executive Remuneration

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Board Remuneration and Committee Memberships

	Year Ended 31 December				
	2014			2013	
EUR thousand	Cash	Shares	Total	Total	Committee Memberships
Board Members at 31 December 2014					
Gunnar Brock, Chairman	126	68	194	194	Remuneration, Nomination[2,3], Financial and Audit
Juha Rantanen, Vice Chairman	80	40	120	114	Remuneration, Nomination[2,3], Financial and Audit
Anne Brunila	50	28	78	78	Global Responsibility and Ethics
Elisabeth Fleuriot	42	28	70	70	
Hock Goh	42	28	70	70	
Birgitta Kantola	66	28	94	94	Financial and Audit, Global Responsibility and Ethics
Mikael Mäkinen	56	28	84	84	Financial and Audit
Richard Nilsson (joined April 2014)	42	28	70	-	
Hans Stråberg	48	28	76	76	Remuneration
Former Board members					
Matti Vuoria (until 23 April 2014)	-	-	-	76	
Marcus Wallenberg (until 23 April 2014)	-	-	-	70	
Total Remuneration as Directors[1]	**552**	**304**	**856**	**926**	

[1] 40% of the Board remuneration in 2014 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 9 284 R shares, Vice Chairman 5 461 R shares, and members 3 822 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.
[2] Stora Enso's Nomination Board is appointed by the shareholders at the Annual General Meeting. 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.
[3] Pekka Ala-Pietilä appointed by Solidium Oy is Chairman of the Nomination Board. Marcus Wallenberg is the member of the Nomination Board appointed by FAM AB.

Shareholders at the Annual General Meeting (AGM) have appointed a Nomination Board to prepare proposals for the AGM's approval concerning the number of members of the Board of Directors, the members of the Board, remuneration for the Chairman, Vice Chairman and members of the Board and the remuneration for the Chairman and members of the committees of the Board.

Board Share Interests at 31 December 2014

	Shares Held[1]	
	A	R
Board Members at 31 December 2014		
Gunnar Brock, Chairman	-	61 292
Juha Rantanen, Vice Chairman	-	14 738
Anne Brunila	-	9 029
Elisabeth Fleuriot	-	9 029
Hock Goh	-	14 812
Birgitta Kantola	-	31 017
Mikael Mäkinen	-	21 705
Richard Nilsson	-	7 162
Hans Stråberg	-	24 590
Total Shares Held	**-**	**193 374**

[1] 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.

The aggregate cost of GLT remuneration in 2014 amounted to EUR 10.1 (EUR 7.6) million. The increase is mainly due to increased number of GLT members and higher fulfilment of financial objectives resulting in payouts in the Short term- and Long term incentives compared to 2013. The total number of GLT members were eleven (nine) at year end 2014. During 2014 Johanna Hagelberg, Kati Ter Horst, Terhi Koipijärvi, Ulrika Lilja, Seppo Parvi and Jari Suominen joined GLT while Jouko Karvinen, Mats Nordlander, Lauri Peltola and Jyrki Tammivuori left GLT. At year end 2014, two new GLT members were appointed effective in 2015: Noel Morrin and Jari Latvanen.

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 2013 was reviewed and confirmed by the Remuneration Committee beginning of 2014.

Shown in Note 21 Employee Variable Compensation and Equity Incentive Schemes are details of share awards programmes and incentive schemes for the management and staff of Stora Enso.

Group Leadership Team Remuneration

	Year Ended 31 December						
	2014				2013		
EUR thousand	**CEO**[1]	**Former CEO**[2] [7]	**Others**[3]	**GLT Total**[6]	**CEO**	**Others**	**GLT Total**
Remuneration							
Annual salary	384	655	3 019	4 058	1 148	3 408	4 556
Local housing (actual costs)	-	-	102	102	-	110	110
Other benefits	9	8	198	215	14	148	162
Termination benefits	-	-	880[5]	880	-	-	-
Short Term Incentive programme	-	847[4]	656	1 503	186	322	508
Long Term Incentive programme	-	549	1 543	2 092	-	183	183
	393	**2 059**	**6 398**	**8 850**	**1 348**	**4 171**	**5 519**
Pension Costs							
Mandatory Company plans	25	-	620	645	-	519	519
Stora Enso voluntary plans	106	316[6]	192	614	399	1 134	1 533
	131	**316**	**812**	**1 259**	**399**	**1 653**	**2 052**
Total Compensation, Excluding Deferred Short Term Incentives	**524**	**2 375**	**7 210**	**10 109**	**1 747**	**5 824**	**7 571**
Total Compensation	**524**	**2 375**	**7 210**	**10 109**	**1 747**	**5 824**	**7 571**

1) CEO remuneration consist of remuneration delivered to Karl-Henrik Sundström from his appointment as CEO on 1 August 2014.
2) Former CEO remuneration consist of remuneration delivered to Jouko Karvinen for the period up until his last day of employment (30 September 2014).
3) The amounts above include payments related to Karl-Henrik Sundström until 1 August, Mats Nordlander until 21 March, Lauri Peltola until 1 September and Jyrki Tammivuori until 31 January. Payments related to the new GLT member Seppo Parvi is included from 1 February, Johanna Hagelberg is included from 1 November while the new GLT members Kati Ter Horst, Terhi Koipijärvi, Ulrika Lilja and Jari Suominen are included from 1 September.
4) For the former CEO, short term incentives paid include a payment in relation to year 2013 as well as a payment relating to the fulfilment of year 2014 targets. Payment was calculated based on fulfilment of 2014 targets as at year-to-date 30 September 2014. Normally payout is in March 2015. Former CEO did not receive any other termination benefits such as severance pay.
5) Termination benefit includes severance pay of 12 months basic salary for two GLT members that left GLT.
6) The CEO participates in the Swedish Executive Pension Plan where pension accruals are unfunded for all participants, the liability is calculated and insured in accordance with Swedish legislation. The liability for the CEO amounts to EUR 670 thousand.
7) The pay-outs in March 2014 for Short term Incentive and Long Term Incentive were based on 2013 results. Disclosed amounts are included for the executives who were GLT members at the time of the payment. Annual salary for executives is disclosed only for the period during which they were GLT members.

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 2014 was based 70% on financial measures and 30% on Individual Key Targets for the CEO, CFO and Division Heads but based 60% on financial measures and 40% on Individual Key Targets for other GLT members.

Option programmes for management

No options have been awarded since 2007. During 2013, all options relating to the 2007 programme lapsed and none were exercised.

Long Term Incentive (LTI) programmes for management

Since 2009 Stora Enso has launched new share programmes each year. The 2009 to 2013 Performance Share programmes vest in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 program has a three year target and vest to 100% after three years. 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. Three quarters (75%) of the awards under the 2014 program is in Performance Shares, where shares will vest in accordance with performance criteria determined by the Remuneration Committee of the Board. One quarter (25%) of the award under the 2014 program is in Restricted Shares, for which vesting is subject to continued employment.

Under the 2014 Performance Share programme, GLT members (in GLT at year end) received awards of 274 000 shares assuming the maximum vesting level during the three-year vesting period (2014-2016) 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 21. For the equity settled part, it is possible that the actual cash cost does not agree with the accounting charges as the share price is not updated at the time of the vesting. 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 187 000 having a cash value at the 1 March 2014 settlement date of EUR 1 544 000 based on the share price of EUR 8.255 at that date.

No GLT members received any share awards in 2014 other than under the LTI 2014 program.

Chief Executive Officer – Karl-Henrik Sundström

The CEO has been employed since 1 August 2012 and assumed the position as CEO on 1 August 2014. 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 company car and pension provisions. The CEO's pension plan consists of collectively agreed pension plan in Sweden (ITP2) and a defined contribution (DC) top up pension plan. Contributions to the DC plan in the interval 20-30 Income Base Amounts (IBA; one IBA was 56 900 SEK in 2014) is 23%, contributions above 30 IBA is 35% for the salary the CEO had prior to assuming this position and 39% on the salary increase amount received when assuming the position as CEO. The retirement age is sixty-five years.

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 2014 was based 70% on financial measures and 30% on Individual Key Targets.

Option programmes for CEO

The CEO has not been awarded any options.

Long Term Incentive (LTI) programmes for CEO

The CEO participates in a number of share based LTI programmes. The 2012 to 2013 Performance Share programmes vest in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 program has a three year target and vest to 100% after three years. Three quarters (75%) of the awards under the 2014 program is in Performance Shares, where shares will vest in accordance with performance criteria determined by the Remuneration Committee of the Board. One quarter (25%) of the award under the 2014 program is in Restricted Shares, for which vesting is subject to continued employment.

The CEO received an award under the 2014 Performance Share programme of 83 157 shares. The grant value EUR 646 000 is based on the share price at grant date and assuming maximum vesting level during the three-year vesting period is achieved. There has been no settlement of shares to the CEO since he assumed the position as CEO in August. The former CEO received shares from previous awards of Restricted Share programmes and Performance Share programmes, which amounted to 66 559 shares having a cash value at the 1 March 2014 settlement date of EUR 549 000 based on the share price of EUR 8.255 at that date. All outstanding awards for the former CEO lapsed in September 2014 when he left employment.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Group Leadership Team Share Interests and Options

Executives in Office at the Year End	R Shares Held[1, 2]	Performance Share Awards	Restricted Share Awards
Juan Carlos Bueno	-	100 425	11 125
Johanna Hagelberg	814	8 550	4 788
Lars Häggström	7 882	63 750	7 750
Terhi Koipijärvi	1 148	9 645	1 625
Ulrika Lilja	7 355	8 848	2 949
Per Lyrvall	24 573	54 150	7 250
Seppo Parvi	3 627	22 500	14 792
Karl-Henrik Sundström[3]	65 318	135 208	20 789
Jari Suominen	12 098	25 169	4 783
Kati Ter Horst	5 273	30 713	5 688
Juha Vanhainen	70 746	99 900	12 250
Total, Serving Officers[4]	**198 834**	**558 858**	**93 789**

[1] None of the GLT members holds A shares.
[2] There were no shareholdings by related parties of GLT members as of 31 Dec 2014 with the exception of Karl-Henrik Sundström as shown below.
[3] 41 700 of 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 2014

	Shares Held when GLT Membership Ended[1]	Performance Share Awards when GLT Membership Ended	Restricted Share Awards when GLT Membership Ended	Effective Date of GLT Membership Ending
Jouko Karvinen[1]	272 285	319 230	27 750	30 Sep, 2014
Mats Nordlander[1]	81 113	130 200	15 500	21 March, 2014
Lauri Peltola[1]	28 003	52 200	6 250	31 Aug, 2014
Jyrki Tammivuori	15 749	17 900	-	31 Jan, 2014
	397 150	**519 530**	**49 500**	

[1] Outstanding Performance share awards and Restricted share awards lapsed when employment with Stora Enso ended.

Note 8 Net Financial Items

Financial Income and Expense

	Year Ended 31 December	
EUR million	**2014**	**2013**
Net Financial Expense in the Income Statement		
Financial income	79	62
Financial expense	-359	-301
Total	**-280**	**-239**
Represented by		
Interest expense		
Borrowings	-225	-252
Net interest from interest rate derivatives	-1	10
Finance leases	-2	-2
Interest capitalised	17	23
Interest income on loans and receivables	22	14
Income from interest-bearing securities	-	9
Net interest on net defined benefit liabilities	-11	-15
Exchange gains and losses		
Currency derivatives	49	21
Borrowings and deposits	-91	-31
Other financial income	8	18
Other financial expense		
Fair value hedges	-	-
Other fair value changes	-12	-3
Others	-34	-31
Total	**-280**	**-239**

Gains and losses on derivative financial instruments are shown in Note 27 Derivatives.

In 2014 the Group recorded a net expense of EUR 14 million due to repurchases of bond notes with the impact being shown in the table above under other financial income and other financial expense. The transactions are explained in more detail in Note 26 Debt. The amount of borrowing costs capitalised during the year amounted to EUR 17 (EUR 23) million. These mainly relate to the ongoing mill project in China and finalised mill project in Montes del Plata where the interest capitalisation ceased in the third quarter of 2014. The average interest rate used for capitalisation was 4.62% (4.26%).

In the first quarter of 2014, Stora Enso recorded a gain of EUR 4 million due to the sale of the remaining Bergvik Skog loan note. In 2013 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 17 (Receivables).

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 in 2013 amounted to EUR 9 million of income from interest-bearing securities. The new loan note, with nominal value EUR 54 million, was 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 17 Receivables.

In 2013 the Group 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 of which net interest shown separately in net financial items in Income Statement.

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 15 (EUR 12) million in 2014. Costs on long-term debt issues are capitalised as part of non-current debt, which at 31 December 2014 amounted to EUR 34 (EUR 30) million, and EUR 6 (EUR 7) million was amortised by using the effective interest rate method through the Income Statement.

Total Foreign Exchange Gains and Losses in the Income Statement excluding hedges

	Year Ended 31 December	
EUR million	**2014**	**2013**
Sales	66	1
Costs and expenses	-23	-4
Borrowings and deposits	-91	-31
Total	**-48**	**-34**

Note 9 Income Taxes

Tax Expense

	Year Ended 31 December	
EUR million	**2014**	**2013**
Current Tax	-79	-23
Deferred Tax	49	141
Total Tax	**-30**	**118**

Income Tax Rate Reconciliation

	Year Ended 31 December	
EUR million	**2014**	**2013**
Profit before tax	120	-189
Tax at statutory rates applicable to profits in the country concerned[1)]	-20	67
Non-deductible expenses and tax exempt income[2)]	-15	35
Valuation of deferred tax assets	-13	2
Taxes from prior years	5	22
Change in tax rates and tax laws	-	-31
Impairment of goodwill	-1	-
Profits from equity accounted investments	10	25
Other	4	-2
Total Tax	**-30**	**118**
Effective Tax Rate	**25.0%**	**62.4%**
Statutory Tax Rate (blended)	**16.7%**	**35.4%**

1) Includes impact of EUR -7 million from countries with tax holidays and tax benefits in 2014 and impact of EUR 22 million from tax holidays and other tax benefits in 2013.
2) The tax value of non-deductible expenses of EUR 19 million has been netted against tax exempt income of EUR 4 million in 2014, and the tax value of non-deductible expenses of EUR 10 million has been netted against tax exempt income of EUR 45 million in 2013.

The statutory tax rate is a weighted average of the statutory tax rates prevailing in jurisdictions where Stora Enso operates.

In December 2013, the Finnish Parliament enacted a tax rate change from 24.5% to 20%. As a result, the Group income tax in the comparison year 2013 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 Oyj is recognised in the share of results of equity accounted investments.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Change in Deferred Taxes 2014

EUR million	Value at 1 Jan 2014	Income Statement	OCI	Acquisitions/ Disposals	Translation difference	Value at 31 Dec 2014
Fixed assets	-293	77	-	-2	10	-208
Financial instruments	4	-	10	-	-	14
Untaxed reserves	-34	-9	-	-1	4	-40
Pensions and provisions	51	-10	17	-1	-3	54
Tax losses and tax credits carried forward	199	-6	-	-6	1	188
Other deferred taxes	-10	-4	-	1	-	-13
Total	**-83**	**48**	**27**	**-9**	**12**	**-5**
Equity hedges (CTA)	-	2	-2	-	-	-
Change in Deferred Tax	**-83**	**50**	**25**	**-9**	**12**	**-5**
Assets[1)]	229					259
Liabilities[1)]	-312					-264

[1)] 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 2013

EUR million	Value at 1 Jan 2013	Income Statement	OCI	Acquisitions/ Disposals	Translation difference	Value at 31 Dec 2013
Fixed assets	-466	164	-	-	9	-293
Financial instruments	-4	-	6	-	2	4
Untaxed reserves	-41	4	-	-	3	-34
Pensions and provisions	84	-5	-27	-	-1	51
Tax losses and tax credits carried forward	228	-28	-	1	-2	199
Other deferred taxes	-16	6	-	-	-	-10
Total	**-215**	**141**	**-21**	**1**	**11**	**-83**
Equity hedges (CTA)	-	4	-4	-	-	-
Change in Deferred Tax	**-215**	**145**	**-25**	**1**	**11**	**-83**
Assets[1)]	143					229
Liabilities[1)]	-358					-312

[1)] Deferred tax assets and liabilities have been offset in accordance with IAS 12.

The recognition of deferred tax assets is based on the Group's estimations of future taxable profits available from which the Group can utilise the benefits.

Tax losses

	As at 31 December					
	Tax losses carried forward		Recognised tax values		Unrecognised tax values	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Expiry within five years	538	245	87	40	30	13
Expiry after five years	673	1 123	66	116	73	119
No expiry	985	964	35	43	205	190
Total	**2 196**	**2 332**	**188**	**199**	**308**	**322**

Tax losses of EUR 971 (EUR 1 183) million relate to Finland.

Non-recognised deferred tax assets on deductible temporary differences amounted to EUR 123 (EUR 72) million. There is no expiry date for these differences. Taxable temporary differences in respect of investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised amounted to EUR 206 (EUR 155) million.

Note 10 Depreciation, Amortisation and Impairment Charges

Depreciation, Amortisation and Impairment Charges

	Year Ended 31 December	
EUR million	**2014**	**2013**
Depreciation and Amortisation		
Intangible assets	15	17
Buildings and structures	86	91
Plant and equipment	422	483
Other tangible assets	15	14
Total	**538**	**605**
Impairment and Disposal Gains/Losses		
Intangible assets	4	-
Land	10	-
Buildings and structures	41	77
Plant and equipment	175	504
Other tangible assets	11	10
Total	**241**	**591**
Reversal of Impairment		
Buildings and structures	-10	-1
Plant and equipment	-2	-6
Other tangible fixed assets	-1	-
Total	**-13**	**-7**
Depreciation and Impairment Charges	**766**	**1 189**

Depreciation

The total depreciation charge amounted to EUR 538 million and was EUR 67 million lower than in 2013. 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 cash generating units (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 2014 amounted to EUR 235 million, which resulted from impairment testing, the permanent shutdown of sawmill in Sollenau in Austria, and other restructurings. The impairments are mostly attributable to:

- EUR 205 million resulted from impairment testing in several CGUs in Printing and Reading. These are explained more in detail in the following paragraphs.
- EUR 6 million resulted from impairment testing of Finnish house building operations in Building and Living.
- EUR 1 million resulted from impairment testing of Indian operations in Renewable Packaging.
- EUR 2 million related to permanent sawmill shutdown in Sollenau.
- EUR 12 million related to writedowns in Uetersen mill.

Coated Fine Paper Europe CGU in Printing and Reading was tested for impairment in 2014 due to the further weakened long-term earnings expectations resulting from decline in the European paper markets. Uetersen mill in Germany was separated from the CGU during 2014 due to the divestment actions. The recoverable amount was based on the value-in-use and amounted to EUR 132 million.

Discount rate used for impairment testing was 7.4% (8.0%). The Group recorded an impairment charge of EUR 48 million in Coated Fine Paper Europe CGU in 2014.

Uncoated Magazine Paper Europe CGU in Printing and Reading was tested for impairment in 2014 due to the further weakened long-term earnings expectations resulting from decline in the European paper markets. The recoverable amount was based on the value-in-use and amounted to EUR 435 million. Discount rate used for impairment testing was 7.4% (8.0%). The Group recorded an impairment charge of EUR 112 million in Uncoated Magazine Paper Europe CGU in 2014.

Newsprint Europe CGU in Printing and Reading was tested for impairment in 2014 due to the further weakened long-term earnings expectations resulting from decline in the European paper markets. The recoverable amount was based on the value-in-use and amounted to EUR 503 million. Discount rate used for impairment testing was 7.4% (8.0%). The Group recorded an impairment charge of EUR 36 million in Newsprint Europe CGU in 2014.

Book Paper Europe CGU in Printing and Reading was tested for impairment in 2014 due to the further weakened long-term earnings expectations resulting from decline in the European paper markets. The recoverable amount was based on the value-in-use and amounted to EUR 19 million. Discount rate used for impairment testing was 7.4% (8.0%). The Group recorded an impairment charge of EUR 9 million in Book Paper Europe CGU in 2014.

The total reversal of property, plant and equipment impairment charges during 2014 amounted to EUR 13 million, of which EUR 11 million resulted from impairment testing in Nebolchi sawmill in Russia. Nebolchi sawmill CGU was tested for reversal of impairment due to the improved profitability and future earnings expectations enhanced by favourable foreign exchange rate movements. The recoverable amount was based on the value-in-use and totalled EUR 24 million in 2014.

The total impairment charges on other intangible assets and property, plant and equipment in 2013 amounted to EUR 602 million, which mainly resulted from impairment testing driven by weakened long term earnings expectations due to declining European paper markets, the permanent shutdown of paper machines at Hylte Mill and Kvarnsveden Mill in Sweden, and other restructurings.

In 2013 EUR 7 million of property, plant and equipment impairment charges were reversed mainly as a result of the disposal of property, plant and equipment at Baienfurt Mill and at Corenso factory in Germany.

Goodwill impairment testing

The total goodwill impairment charge amounted to EUR 3 million in 2014 and was fully related to Building Solutions Finland operations in segment Building and Living. In addition, due to the Corenso disposal EUR 3 million from total Renewable Packaging goodwill was allocated to Corenso and disposed. There was no goodwill impairment in 2013.

Groups of Cash Generating Units Containing Goodwill

	Year Ended 31 December									
	2014					2013				
EUR million	**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**	**Intangible Assets and Property, Plant and Equipment at Year End**	**Recoverable Amount at Year End**	**Impairment Charge**	**Average Discount Rate**
Renewable Packaging - Packaging Solutions	19	593	1 141	-	7.1%	20	676	1 034	-	8.2%
Renewable Packaging - Asia	10	80	162	-	8.7%	11	81	122	-	8.9%
Biomaterials - Virdia	28	n/a	n/a	n/a	n/a	-	-	-	-	-
Building and Living - Central Europe	102	243	456	-	7.4%	103	242	349	-	8.0%
Building and Living - Building Solutions Finland	-	-	-	3	-	3	9	15	-	8.0%
Printing and Reading - Newsprint and Book Paper	43	552	927	-	7.4%	43	648	860	-	8.0%
Printing and Reading - Uncoated Magazine Paper	40	480	785	-	7.4%	40	646	752	-	8.0%
Goodwill	**242**	**1 948**	**3 471**	**3**		**220**	**2 302**	**3 132**	**-**	

Virdia goodwill (EUR 28 million) in Biomaterials was not tested for impairment in the 2014 annual goodwill impairment testing because the accounting for the acquisition was preliminary at the end of 2014.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

The calculation of value-in-use is most sensitive to discount rate, sales price and costs. The Sensitivity Analysis table 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 recoverable amounts of group of CGUs carrying the most of the Group's total goodwill.

Segment Impairment and Disposal Losses Less Reversals

	Year Ended 31 December	
EUR million	**2014**	**2013**
Renewable Packaging	10	3
Biomaterials	-	4
Building and Living	-1	-
Printing and Reading	219	578
Other	-	-1
Total (impairment + / reversal -)	**228**	**584**

Goodwill Testing Sensitivity Analysis, Impact on Recoverable Amount

EUR million	Building and Living - Central Europe	Printing and Reading - Newsprint and Book	Printing and Reading - Uncoated Magazine Paper
1% increase in the discount rate	-74	-127	-113
1% annual decrease in the sales price	-119	-78	-80
1% annual increase in the costs	-110	-66	-69

Note 11 Intangible Assets and Property, Plant and Equipment

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Intangible Assets

	Year Ended 31 December			
EUR million	**Computer Software**	**Other Intangible Assets**	**Goodwill**	**Total**
Acquisition Cost				
At 1 January 2013	229	134	1 174	1 537
Translation difference	-1	-5	-12	-18
Reclassifications	5	5	-	10
Company acquisitions	-	1	-	1
Additions	6	8	-	14
Disposals	-6	-1	-	-7
At 31 December 2013	**233**	**142**	**1 162**	**1 537**
Translation difference	-	7	3	10
Reclassifications	3	1	-	4
Company acquisitions	-	18	28	46
Company disposals	-4	-3	-6	-13
Additions	8	82	-	90
Disposals	-9	-6	-3	-18
At 31 December 2014	**231**	**241**	**1 184**	**1 656**
Accumulated Amortisation and Impairment				
At 1 January 2013	204	111	948	1 263
Translation difference	-1	-4	-6	-11
Disposals	-6	-1	-	-7
Company acquisitions	1	-	-	1
Amortisation	9	8	-	17
At 31 December 2013	**207**	**114**	**942**	**1 263**
Translation difference	-1	-	3	2
Disposals	-8	-6	-3	-17
Company disposals	-4	-3	-3	-10
Amortisation	8	7	-	15
Impairment	1	-	3	4
At 31 December 2014	**203**	**112**	**942**	**1 257**
Net Book Value at 31 December 2014	**28**	**129**	**242**	**399**
Net Book Value at 31 December 2013	**26**	**28**	**220**	**274**

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 2013	486	3 118	14 679	487	1 054	19 824
Translation difference	-27	-73	-271	-13	-45	-429
Reclassifications	-	74	283	4	-371	-10
Reclassifications to Biological Assets	-	-	-1	-	-	-1
Company acquisitions	-	-	12	-	-	12
Company disposals	-	-3	-1	-8	-	-12
Additions	1	23	194	6	472	696
Disposals	-42	-10	-426	-8	-1	-487
At 31 December 2013	**418**	**3 129**	**14 469**	**468**	**1 109**	**19 593**
Translation difference	18	-64	-289	-17	135	-217
Reclassifications	-	377	811	5	-1 197	-4
Reclassifications to Biological Assets	-	-	-1	-	-	-1
Company acquisitions	-	-	2	-	-	2
Company disposals	-3	-25	-197	-1	-1	-227
Additions	1	25	198	10	389	623
Disposals	-2	-40	-213	-17	-4	-276
At 31 December 2014	**432**	**3 402**	**14 780**	**448**	**431**	**19 493**
Accumulated Depreciation and Impairment						
At 1 January 2013	52	2 013	11 090	375	3	13 533
Translation difference	3	-34	-185	-11	3	-224
Disposals	-	-8	-417	-8	-1	-434
Company acquisitions	-	-	11	-	-	11
Company disposals	-	-2	-1	-7	-	-10
Depreciation	-	91	483	14	-	588
Impairment	-	76	506	10	3	595
At 31 December 2013	**55**	**2 136**	**11 487**	**373**	**8**	**14 059**
Translation difference	-	-40	-230	-9	-	-279
Disposals	-1	-37	-206	-17	-	-261
Company disposals	-1	-17	-170	-1	-	-189
Depreciation	-	86	422	15	-	523
Impairment	9	31	171	4	6	221
At 31 December 2014	**62**	**2 159**	**11 474**	**365**	**14**	**14 074**
Net Book Value at 31 December 2014	**370**	**1 243**	**3 306**	**83**	**417**	**5 419**
Net Book Value at 31 December 2013	**363**	**993**	**2 982**	**95**	**1 101**	**5 534**

Intangible Assets and Property, Plant and Equipment Additions

Acquisitions of Group companies in 2014 included EUR 48 (EUR 1) million of 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 713 (EUR 710) million. Details of ongoing projects and future plans are discussed in more detail in the Report of the Board of Directors.

Note 12 Biological Assets

The biological assets of Stora Enso are standing trees to be used as raw material in pulp and mechanical wood production and as bio fuels. The Group has biological assets in its own subsidiaries in China, in Brazil and in Laos, in joint operations in Brazil and Uruguay and in equity accounted investments in Finland, in Sweden and in Brazil. The fair valuation principles (level 3) are presented in Note 1 Accounting Principles.

The amount directly disclosed in the Group Consolidated Statement of Financial Position from subsidiary companies and from joint operations amounts to EUR 643 (634) million as shown below. The Group's indirect share of biological assets held by equity accounted investments amounts to EUR 2 226 (EUR 2 085) million.

Biological Assets

	Year Ended 31 December	
EUR million	**2014**	**2013**
Subsidiaries and Joint Operations		
Fair Value at 1 January	**634**	**474**
Change in fair value	-70	185
Additions (cost based)	68	50
Decrease due to harvest and damage	-44	-20
Disposals	-	-13
Translation differences	55	-42
Fair Value of biological assets at 31 December	**643**	**634**
Equity accounted investments		
Bergvik Skog Ab (49%/43.26%)	1 777	1 648
Tornator Oyj (41%)	429	419
Arauco Florestal Arapoti S.A. (20%)	20	18
Fair value of biological assets of Associated companies at 31 December	**2 226**	**2 085**

Subsidiaries and Joint Operations:

At the end of 2014 the fair value of the biological assets in Guangxi was EUR 343 (EUR 364) million, which included young standing timber with a value of EUR 20 (EUR 3) million. Young standing timber, less than two years old, are considered to be immature assets and accounted at cost. The main decrease of fair valuation related to the change of harvesting plan and cost estimates. The discount rate of 10% used in the DCF is determined using the weighted average cost of capital method. The amount of land area is 86 (90) thousand hectares.

From the beginning of 2014 the Group has two joint operations Veracel and Montes del Plata due to the new IFRS 11 standard. The biological assets of the joint operations are now included within Biological Assets in the Consolidated Statement of Financial Position. For more information see Note 1 Accounting Principles.

Veracel Celulose S.A. (Veracel), a 50% joint operation company in Brazil, had biological assets fair valued at EUR 226 (EUR 230) million, of which Stora Enso's share was EUR 113 (EUR 115) million. The discount rate of 8% used in the DCF is determined using the weighted average cost of capital method. Stora Enso's share (50%) of the land area is 114 (115) thousand hectares.

Montes del Plata (MdP), a 50% joint operation company in Uruguay, had biological assets with a fair value of EUR 296 (EUR 241) million, of which Stora Enso's share was EUR 148 (EUR 120) million. The biological assets included young standing timber with a value of EUR 40 (EUR 35) million. The discount rate of 8% used in the DCF is determined using the weighted average cost of capital method. Stora Enso's share (50%) of the land area is 115 (111) thousand hectares.

Sensitivities of significant assumptions of a +/- 10% movement

	Wood market prices	**Discount rate**
Guangxi	+/- 69	+/- 10
Veracel	+/- 58	+/- 6
Montes del Plata	+/- 14	+/- 4

At 31 December 2014 biological assets were located by value, in China 53% (57%), Brazil 23% (23%), Uruguay 23% (19%) and other areas 1% (1%). The amount of land area is 363 (362) thousand hectares of which 31% (31%) of the land is leased and 2% restricted. The harvested wood amounted 4 (3) million m^3. The MdP and Veracel amounts are taken into account at ownership share.

Equity accounted investments:

The Group has three equity accounted investments holding biological assets:

- Bergvik Skog Ab (Bergvik Skog), the 49% owned Swedish associate company, had biological assets with a fair value of EUR 3 627 (EUR 3 809) million, of which Stora Enso's share was EUR 1 777 (EUR 1 648) million. The ownership of Stora Enso was increased during 2014 from 43.26% to 49%.
- Tornator Oyj (Tornator), a 41% owned Finnish associate company, had biological assets with a fair value of EUR 1 047 (EUR 1 023) million, of which Stora Enso's share was EUR 429 (EUR 419) million.
- Arauco Florestal Arapoti S.A., the 20% owned southern Brazilian associate company, had biological assets with a fair value of EUR 99 (EUR 90) million, of which Stora Enso's share was EUR 20 (EUR 18) 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 Performance 2014, section Forest and Land use.

Note 13 Equity Accounted Investments

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 supply. There is no material goodwill in the Statements of Financial Position of equity accounted investments.

Stora Enso adopted the new IFRS 11 Joint Arrangements as of 1 January 2014. The change affected the accounting treatment of Montes del Plata and Veracel which are now treated as joint operations and thus Stora Enso's 50% ownership is consolidated with the proportionate line-by-line method. Previously these two entities were consolidated as equity accounted investments using the equity method. The changes are described more in detail in Note 1 (Accounting Principles).

Principal Equity Accounted Investments

		As at 31 December			
		Proportion of ownership interest/voting rights held %		EUR million	
Company	**Domicile and principal place of operations**	**2014**	**2013**	**2014**	**2013**
Bergvik Skog AB: forest	Sweden	49.00/36.70	43.26/36.70[1]	795	718
Tornator Oyj: forest	Finland	41.00	41.00	177	196
Bulleh Shah Packaging (Private) Limited: packaging goods	Pakistan	35.00	35.00	31	26
Arauco Florestal Arapoti S.A.: plantation	Brazil	20.00	20.00	24	22
Thiele Kaolin Company Inc: china clay	USA	-	40.24	-	21
				1 027	983
Others				29	30
Carrying Value at 31 December				**1 056**	**1 013**

[1] The Group's shareholding in Bergvik Skog AB is 49%, however, the voting rights are limited to 36.7%.

Group Share of Equity Accounted Investment Income Statements

	Year Ended 31 December	
EUR million	**2014**	**2013**
Sales	347	460
Net operating expenses	-239	-368
IAS 41 valuation	20	53
Operating Profit	**128**	**145**
Net financial items	-75	-35
Net Profit before Tax	**53**	**110**
Income tax	-10	-8
Net Profit for the Year	**43**	**102**

All of the above companies are accounted for using the equity method in these Consolidated Financial Statements.

In February 2014 Stora Enso divested its 40.24% shareholding in the US-based processed kaolin clay producer Thiele Kaolin Company for USD 84 (EUR 61) million. Related to the transaction Stora Enso recorded a capital gain of EUR 44 million in segment Other first quarter 2014 results.

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 shareholding in Bulleh Shah is 35%. Bulleh Shah is accounted for with the equity accounting method as part of the Renewable Packaging reportable segment. The cash paid to acquire the 35% shareholding in Bulleh Shah amounted to USD 39 (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 Consolidated Financial Statements financial statements.

The average number of personnel in the equity accounted investments was 3 480 in 2014, compared with 4 301 in 2013.

Summarised financial information in respect of the Group's material associates, Bergvik Skog AB and Tornator Oyj, is set out below. Group's share of these associated companies is reported under segment Other and covers the majority of the Group's total share of results of equity accounted investments. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

Bergvik Skog AB

EUR million	2014	2013
Current assets	90	66
Non-current assets	3 878	4 028
Current liabilities	185	305
Non-current liabilities	1 362	1 285
Tax liabilities	809	845
Sales	239	260
Net profit for the year	102	92
Other comprehensive income	-39	23
Total comprehensive income	63	115
Dividends received from the associate during the financial year	7	7
Net assets of the associate	1 612	1 659
Proportion of the Group's ownership interest in Bergvik Skog AB	49.00%	43.26%
Goodwill	5	-
Carrying amount of the Group's interest in Bergvik Skog AB	**795**	**718**

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%. In May 2014 the Group spent SEK 891 million (EUR 97 million) to increase its shareholding in Bergvik Skog to 49%. As part of the acquisition the Group recorded goodwill of EUR 5 million. During the second quarter of 2014 Bergvik Skog swapped land areas with the Swedish government. The arrangements resulted in a gain in Bergvik Skog's income statement of which Stora Enso's share amounted approximately to EUR 18 million. Stora Enso's shareholding in the company was valued at EUR 795 (EUR 718) million at the year-end 2014. In 2014, the Group's share of Bergvik Skog's profit came to EUR 50 (EUR 40) million, including a forest valuation gain of EUR 17 (EUR 23) million.

Tornator Oyj

EUR million	2014	2013
Current assets	48	43
Non-current assets	1 143	1 106
Current liabilities	84	66
Non-current liabilities	580	498
Tax liabilities	96	108
Sales	95	91
Net profit for the year	-27	121
Other comprehensive income	3	6
Total comprehensive income	-24	127
Dividends received from the associate during the financial year	9	26
Net assets of the associate	431	477
Proportion of the Group's ownership interest in Tornator Oyj	41.00%	41.00%
Carrying amount of the Group's interest in Tornator Oyj	**177**	**196**

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 177 (EUR 196) million at the year-end 2014. In 2014, the Group's share of Tornator's loss came to EUR 11 (profit EUR 49) million, including a forest valuation gain of EUR 1 (EUR 27) 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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Aggregate information of Equity Accounted Investments that are not individually material

	As at 31 December	
EUR million	**2014**	**2013**
PPE[1], goodwill and other intangible assets	78	95
Biological assets	20	18
Operative receivables:		
Non-current	1	12
Current	26	37
Inventories	24	21
Cash	7	14
Total Assets	**156**	**197**
Liabilities		
Operative Liabilities:		
Non-current	8	32
Current	31	37
Debt:		
Non-current	15	18
Current	10	4
Tax liabilities	8	7
Total Liabilities	**72**	**98**
Net Equity in the Group Statement of Financial Position	**84**	**99**
Represented by		
Capital and Reserves	84	114
OCI	-	-15
Equity Accounting Value	**84**	**99**
Equity Accounting Value for Bergvik Skog AB	795	718
Equity Accounting Value for Tornator Oyj	177	196
Total Equity Accounting Value	**1 056**	**1 013**

[1] PPE = Property, Plant and Equipment

Equity Accounted Investment Company Balances

	As at 31 December	
EUR million	**2014**	**2013**
Receivables from Equity Accounted Investments		
Non-current loan receivables	5	25
Trade receivables	4	5
Current loan receivables	3	4
Liabilities due to Equity Accounted Investments		
Trade payables	15	17

Equity Accounted Investment Transactions

	Year Ended 31 December	
EUR million	**2014**	**2013**
Sales to equity accounted investments	50	55
Interest on loan receivables from equity accounted investments	-	4
Purchases from equity accounted investments	120	139

The Group engages in transactions with equity accounted investments such as sales and purchases of wood. All agreements 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 20 million subordinated debt of Bergvik Skog was recorded in the first quarter of 2014. Total loans including interest receivable to equity accounted investments at the year-end 2014 came to EUR 8 (EUR 28) million. In 2013 a sale of EUR 99 million subordinated debt of the equity accounted investments was recorded, of which EUR 72 million was related to Bergvik Skog and EUR 27 million to Tornator debt.

Note 14 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 2014	2013
Acquisition cost at 1 January		
Interest-bearing securities	4	86
Operative securities	104	96
Investments classified as available-for-sale	108	182
OCI in opening balance	263	365
Available-for-Sale Investments at 1 January	**371**	**547**
Translation difference	-1	-
Accrued interest on PIK Notes	-	9
Additions	9	9
Change in fair values accounted for as OCI	96	-101
Disposals	-1	-96
Income Statement - gains and losses	-	3
Carrying Amount at 31 December	**474**	**371**

Unrealised Gains and Losses on Securities

EUR million	Year Ended 31 December 2014	2013
Net unrealised holding gains (OCI)	359	263
Cost	115	108
Fair Value	**474**	**371**
Net unrealised holding gains (OCI)	359	263
Deferred tax	-6	-1
Net Unrealised Holding Gains Shown in Equity as OCI	**353**	**262**
Change in Net Unrealised Holding Gains Shown in Equity as OCI	**91**	**-100**

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, was classified as a non-current loan receivable and described in more detail in Note 17 Receivables.

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 two methods: the discounted cash flow model and trading multiples. The precedent transaction multiples were no longer used in the valuation at 31 December 2014 due to lack of recent comparable transactions. 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 3.67% used in the DCF is determined using the weighted average cost of capital method. The trading 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 104 million and EUR -104 million, respectively. A +/- 1% absolute change in the discount rate would change the valuation by EUR -91 million and EUR 208 million, respectively.

PVO Shareholding at 31 December 2014

EUR million	Share Series	% Holding	Asset Category	Fair Value
PVO-Vesivoima Oy	A	20.6	Hydro	145
Teollisuuden Voima Oyj	B	15.7	Nuclear	227
Teollisuuden Voima Oyj	B2	14.8	Nuclear under construction	58
Other	C, C2, V, H, M	Various	Various	7
Total				**437**

The valuation in 2014 amounted to EUR 437 (EUR 352) million against a book value of EUR 104 (EUR 95) million, with the revaluation of EUR 333 (EUR 257) million being taken to other comprehensive income. The change in PVO's value is mainly caused by changes in discount rate and electricity prices partly offsetted by negative valuation impact from capital expenditure and OL3 project delay. No deferred tax is appropriate as under Finnish tax regulations holdings above 10% are exempt from tax on disposal proceeds.

For information about the amount of electricity generated, purchased and sold, please see Stora Enso Global Responsibility Performance 2014, section Environment and Efficiency (Energy)

Principal Available-for-Sale Investments

	As at 31 December 2014			
EUR million	**Holding %**	**Number of Shares**	**Acquisition Cost**	**Fair Value**
Packages Ltd, Pakistan - listed security		5 396 650	4	30
Total Interest-Bearing Securities			**4**	**30**
Pohjolan Voima Oy - unlisted security	14.8	5 540 427	104	437
Others - unlisted securities			7	7
Total Operative Securities			**111**	**444**
Total Available-for-Sale Investments at 31 December 2014			**115**	**474**
Total Available-for-Sale Investments at 31 December 2013			**108**	**371**

The difference of EUR 359 (EUR 263) 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 93.7% (97.3%) of available-for-sale investments.

Note 15 Other Non-Current Assets

	As at 31 December	
EUR million	**2014**	**2013**
Prepaid expenses and accrued income	14	19
Other non-current operative assets	71	44
Total	**85**	**63**

Note 16 Inventories

	As at 31 December	
EUR million	**2014**	**2013**
Materials and supplies	386	399
Work in progress	86	85
Finished goods	649	665
Spare parts and consumables	280	286
Other inventories	18	18
Advance payments and cutting rights	106	109
Obsolescence allowance - spare parts and consumables	-108	-101
Obsolescence allowance - finished goods	-10	-13
Net realisable value allowance	-4	-3
Total	**1 403**	**1 445**

EUR 38 (EUR 11) million of inventory write-downs has been recognised as an expense. EUR 9 (EUR 11) million has been recognised as a reversal of previous write-downs.

Note 17 Receivables

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Current Operative Receivables

EUR million	As at 31 December 2014	2013
Trade receivables	1 262	1 311
Allowance for doubtful debts	-60	-51
Prepaid expenses and accrued income	115	132
TRS Hedges	1	2
Other receivables	166	161
Total	**1 484**	**1 555**

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 2014, EUR 109 (EUR 102) 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 2014	2013
Less than 30 days overdue	71	77
31 to 60 days overdue	20	10
61 to 90 days overdue	3	1
91 to 180 days overdue	2	5
Over 180 days overdue	13	9
Total: Overdue Accounts	**109**	**102**
Trade Receivables within their credit terms	1 093	1 158
Total	**1 202**	**1 260**

Credit losses amounted to EUR 13 (EUR 10) million, which resulted in a net increase in the allowance for doubtful debts of EUR 9 (increase EUR 6) million – see Note 24 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 52 (EUR 40) million.

At 31 December 2014 allowances related to overdue trade receivables totalled EUR 60 (EUR 51) 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 2014	2013
Less than 90 days	3	3
91 to 180 days	3	1
Over 180 days	54	47
Total	**60**	**51**

Stora Enso may enter into factoring agreements to sell trade receivables in order to accelerate cash conversion. These agreements resulted in full derecognition of receivables of nominal value of EUR 125 (EUR 25) million as at the end of the year. The continuing involvement of Stora Enso in the sold receivables was estimated as being insignificant.

Interest-Bearing Receivables

	As at 31 December	
EUR million	**2014**	**2013**
Derivatives (see Note 27)	61	116
Loans to equity accounted investments	8	28
Other loan receivables	75	83
Total	**144**	**227**
Current Assets: Receivable within 12 months	74	147
Non-current Assets: Receivable after 12 months	70	80
Total	**144**	**227**

Annual interest rates for loan receivables at 31 December 2014 ranged from 0% (0%) to 8% (9%). Current interest-bearing receivables include accrued interest of EUR 8 (EUR 33) million, of which EUR 5 (EUR 28) million relates to interest rate derivatives.

EUR 99 million subordinated debt of the equity accounted investments was sold in 2013, of which EUR 72 million was Bergvik Skog and EUR 27 million Tornator debt. A sale of the remaining SEK 175 million (EUR 19 million) subordinated debt of the equity accounted investment Bergvik Skog was recorded in the first quarter of 2014.

The vendor loan note issued by Papyrus Holding AB, with the nominal value of EUR 54 (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 2014 was EUR 52 (EUR 49) million against a carrying value of EUR 49 (EUR 47) million.

Note 18 Shareholders' Equity

At 31 December 2014 shareholders' equity amounted to EUR 5 070 (EUR 5 213) million, compared with market capitalisation on NASDAQ OMX Helsinki of EUR 5.9 (EUR 5.8) billion. The market values of the shares were EUR 7.48 (EUR 7.31) for A shares and EUR 7.44 (EUR 7.30) 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 2014 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).

At the end of 2014 Directors and Group Leadership Team members owned zero (2 541) A shares and 392 208 (679 119) R shares, representing 0.02% 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's option programmes is shown in Note 21 Employee Variable Compensation and Equity Incentive Schemes. However, none of these have any impact on the issued share capital.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Change in Share Capital and number of shares

	A shares	R shares	Total
At 1 January 2013	**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**
Conversion of A shares into R shares 15 Jan	-25 000	25 000	-
Conversion of A shares into R shares 15 Jul	-15 000	15 000	-
At 31 December 2014	**177 056 204**	**611 563 783**	**788 619 987**
Number of votes as at 31 December 2014	**177 056 204**	**61 156 378** [1]	**238 212 582**
Share Capital at 31 December 2014, EUR million	**301**	**1 041**	**1 342**
Share Capital at 31 December 2013, 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 10 April 2015 will represent the total shares eligible to vote at the forthcoming Annual General Meeting.

Note 19 Non-Controlling Interests

Non-Controlling Interests

	Year Ended 31 December	
EUR million	2014	2013
At 1 January	60	92
Translation difference	14	-6
Disposals	-7	-1
Loss on NCI buy-in	8	-
Equity injections	108	-
Share of profit for the period	-9	-18
Share of other comprehensive income	-1	-
Dividends	-6	-7
At 31 December	**167**	**60**

Principal Non-Controlling Interests

		As at 31 December		
		2014	2014	2013
Company	Principal Place of Business	Proportion of Ownership Interests Held by Non-Controlling Interest, %	EUR million	
Stora Enso Pulp and Paper Asia AB Group[1]	Sweden and China	See separate table below	112	-
Stora Enso Inpac Packaging Group	China and India	49.00	42	37
Stora Enso Arapoti Industria de Papel SA	Brazil	20.00	17	19
Stora Enso Huatai Paper Co Ltd	China	40.00	-8	-7
Corenso United Oy Group	China	-	-	6
Others	-	-	4	5
			167	**60**

[1] Consists of non-controlling interests in Guangxi Integrated Project and Operations

Non-Controlling Interests in Stora Enso Pulp and Paper Asia AB Group

		As at 31 December 2014		
Company	Principal Place of Business	Direct-% of NCI	Indirect-% of NCI	Total-% of NCI
Stora Enso Pulp and Paper Asia AB	Sweden and China	5.79	-	5.79
Guangxi Stora Enso Forestry Co Ltd	China	5.00	5.50	10.50
Stora Enso (Guangxi) Packaging Company Ltd	China	15.00	4.92	19.92
Stora Enso (Guangxi) Forestry Company Ltd	China	15.00	4.92	19.92

In 2014 a partial disposal of a subsidiary also created a new non-controlling interest. In March 2014 Stora Enso sold 5% of Guangxi Stora Enso Forestry Co Ltd to Beihai Forestry Investment & Development Company Ltd (Beihai Forestry) for EUR 10 million (CNY 73 million).

In 2014 Stora Enso signed an agreement with Guangxi Guihai Forest-Pulp-Paper Co Ltd (Guihai Forest) to form two new companies named Stora Enso (Guangxi) Packaging Company Ltd and Stora Enso (Guangxi) Forestry Company Ltd of which Guihai Forest's share will be 15%.

In 2014 International Finance Corporation (IFC) agreed to invest in an equity stake of EUR 47 million (CNY 356 million) in the Guangxi Integrated Project and Operations (GIPO), representing a 5% shareholding in the project. Stora Enso will continue to own approximately 80% of the project, with the remainder owned by IFC, Beihai Forestry and Guangxi Guihai. Total non-controlling interests in the GIPO, as presented above, consist of direct and indirect non-controlling interests in the project companies.

In 2014 the Group disposed of the Corenso Business which had a non-controlling interest of EUR 7 million at the time of disposal. EUR 6 million related to Corenso United Oy Group and EUR 1 million to Others in the Principal Non-Controlling Interests table on previous page.

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.

Summarised financial information in respect of the subsidiaries that have material non-controlling interests is set out below.

Stora Enso Pulp and Paper Asia AB Group

EUR million	2014
Non-current assets	602
Current assets	306
Shareholders' equity attributable to the owners of the parent	503
Non-controlling interests [1]	112
Total Equity	**615**
Non-current liabilities	184
Current liabilities	109
Sales	47
Net loss for the year	-91
Attributable to:	
Owners of the parent	-77
Non-controlling interests	-14
Net Loss for the Year	**-91**
Other comprehensive income	77
Total Comprehensive Income Attributable to:	
Owners of the parent	-9
Non-controlling interests	-5
Total Comprehensive Income	**-14**
Net cash outflow from operating activities	-24
Net cash outflow from investing activities	-230
Net cash inflow from financing activities	425
Net Cash Inflow	**171**

[1] No dividends were paid to non-controlling interests in 2014.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Note 20 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 164 (EUR 169) million in 2014, as shown in Note 6 Personnel expenses. The majority of plans are defined contribution schemes, the charge for which amounted to EUR 158 (EUR 154) 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 1 319 (EUR 1 217) million though assets of EUR 836 (EUR 845) 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 483 million in 2014, an increase of EUR 105 million on the previous year's liability of EUR 378 million. This increase is mainly caused by the actuarial losses which result from the change in financial assumptions regarding the present value of the defined benefit obligations. The Group has decided to recognise the interest costs in financial costs. The 2014 defined benefit expense in the Income Statement amounts to EUR 17 million and the actuarial losses recorded in other comprehensive income amount to EUR 100 million. The 2013 defined benefit expense in the Income Statement amounted to EUR 30 million and the actuarial gains recorded in other comprehensive income amounted to EUR 74 million.

Actuarial Gains/Losses Recognised Directly in Equity

	Year Ended 31 December	
	Total Operations	
EUR million	**2014**	**2013**
Actuarial losses/gains	-100	74
Deferred tax thereon	17	-27
Total	**-83**	**47**

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 below.

Finland

The Group funds its Finnish pension obligations mainly through defined contribution schemes, the charge in the Income Statement being EUR 71 (EUR 65) 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 399 (EUR 391) million and the assets to EUR 360 (EUR 356) million, leaving a net liability of EUR 39 (EUR 35) million. The increase in net liability arose from a decrease in discount rate and changes in financial assumptions and experience. 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 15 (EUR 16) million, of which EUR 13 (EUR 14) million related to defined contribution schemes and EUR 2 (EUR 2) million to defined benefits. The total defined benefit obligation is EUR 321 (EUR 285) million, nearly all of which is unfunded as total assets come to only EUR 7 (EUR 7) million. The increase in net liability arose from a decrease in discount rate and changes in financial assumptions and experience. 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 and 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 54 (EUR 58) million, with defined benefit schemes covering mainly white-collar staff.

Total defined benefit obligations amounted to EUR 383 (EUR 359) million and assets to EUR 310 (EUR 335) million, leaving a net liability of EUR 73 million at the year end, compared with a net liability of EUR 24 million the year before. This increase in net liability arose from a decrease in discount rate and changes in financial assumptions and experience. 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 216 (EUR 182) million and the assets to EUR 159 (EUR 147) million. The net liability came to EUR 57 (EUR 41) million, including an asset ceiling of EUR 0 (EUR 6) million. Obligations and assets were material only in the United Kingdom, at EUR 153 (EUR 120) million and EUR 136 (EUR 120) million, respectively, leaving a net liability of EUR 17 (EUR 0) million at the end of 2014. The increase in net liability arose from a decrease in discount rate and changes in financial assumptions and experience.

Net Defined Benefit Obligation Reconciliation

	Year Ended 31 December	
EUR million	**2014**	**2013**
Present Value of Defined Benefit Obligation		
Defined benefit obligation at 1 January	1 217	1 307
Translation difference	-12	-16
Interest on liabilities	40	42
Current service cost	13	15
Past service cost	-7	-
Actuarial losses on defined benefit obligation arising from changes in demographic assumptions	-	2
Actuarial losses and gains on defined benefit obligation arising from changes in financial assumptions	170	-6
Actuarial gains on defined benefit obligation arising from experience adjustments	-37	-54
Benefits payments	-64	-76
Net disposals/acquisitions	-1	3
Defined benefit obligation at 31 December	**1 319**	**1 217**
Fair Value of Plan Asset		
Fair value of plan asset at 1 January	-845	-827
Translation difference	10	9
Expected return on plan assets	-29	-27
Actuarial gains on plan assets	-27	-19
Employer contributions	-10	-54
Benefit payments	64	76
Other	1	-
Net disposal/acquisitions	-	-3
Fair value of plan asset at 31 December	**-836**	**-845**
Effects of Asset Ceiling	**-**	**6**
Net Defined Benefit Obligation	**483**	**378**

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

	As at 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Present value of funded obligations	974	892	974	892	-	-
Present value of unfunded obligations	345	325	317	298	28	27
Defined benefit obligations (DBO)	1 319	1 217	1 291	1 190	28	27
Fair value of plan assets	836	845	836	845	-	-
Effect of asset ceiling	-	6	-	6	-	-
Net Liability in Defined Benefit Plans	**483**	**378**	**455**	**351**	**28**	**27**
Net Liability	**483**	**378**	**455**	**351**	**28**	**27**

Amounts Recognised in the Income Statement

	Year Ended 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Operating costs						
Current service cost	13	15	12	13	1	2
Past service cost	-7	-	-6	-	-1	-
Finance cost						
Net interest on net defined benefit liability	11	15	10	14	1	1
Cost recognised in Income Statement	**17**	**30**	**16**	**27**	**1**	**3**

Statement of Actuarial Gains and Losses

	Year Ended 31 December	
EUR million	**2014**	**2013**
Gain/loss on pension scheme assets		
Amount	27	19
Loss/gain arising on pension scheme liabilities		
Amount	-133	61
Gain/loss due to change in asset ceiling	6	-6
Total Loss/gain	**-100**	**74**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December					
	Finland		Germany		Sweden	
	2014	2013	2014	2013	2014	2013
Discount rate %	2.00	3.25	2.00	3.25	2.5	3.5
Future salary increase %	1.8	2.0	2.5	2.5	2.5	3.0
Future pension increase %	2.0	2.1	1.8	2.0	1.8	2.0
Average current retirement age	63.8	63.8	65.0	63.0	65.0	65.0
Weighted average life expectancy	89.4	88.5	85.2	85.0	89.3	88.6

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

	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50 %	Decrease by 6.6%	Increase by 7.4%
Salary growth rate	0.50 %	Increase by 1.3%	Decrease by 1.1%
Pension growth rate	0.50 %	Increase by 5.7%	Decrease by 5.2%

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	Increase by 3.1%	Decrease by 3.0%

Duration of Pension Plans

Years	Finland	Sweden	Germany	UK
At 31 December 2013	10.0	14.9	12.8	18.0
At 31 December 2014	11.0	16.1	16.2	18.5

Defined Benefit Plan Summary by Country as at 31 December 2014

	As at 31 December 2014				
EUR million	**Finland**	**Germany**	**Sweden**	**Other**	**Total**
Present value of funded obligations	399	28	361	186	974
Present value of unfunded obligations	-	293	22	30	345
Defined benefit obligations (DBO)	399	321	383	216	1319
Fair value of plan assets	360	7	310	159	836
Net liability in the defined benefit plans	39	314	73	57	483
Net Liability in the Balance Sheet	**39**	**314**	**73**	**57**	**483**
Represented by					
Defined benefit pension plans	39	314	73	29	455
Other post-employment benefits	-	-	-	28	28
Net Liability in the Balance Sheet	**39**	**314**	**73**	**57**	**483**

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**

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.

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Plan Assets

	As at 31 December			
	2014		2013	
EUR million	**Value**	**%**	**Value**	**%**
Equity	298	35.6	271	32.1
Government bonds	53	6.4	81	9.6
Corporate bonds	258	30.9	293	34.6
Debt	311	37.3	374	44.2
Property	65	7.8	66	7.8
Cash	38	4.5	32	3.8
Others	124	14.8	102	12.1
Total Pension Fund Assets	**836**	**100.0**	**845**	**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 360 (356) 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 2015 contributions of EUR 43 million are expected to be paid.

In 2014 contributions of EUR 10 (EUR 54) million were paid.

Note 21 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, division 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 2014 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 2014 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 2009 to 2013 Performance Share programmes vest in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 program has a three year target and vest to 100% after three years. 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. 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.

Three quarters (75%) of the awards under the 2014 program are in Performance Shares, where shares will vest in accordance with performance criteria determined by the Remuneration Committee of the Board. One quarter (25%) of the awards under the 2014 program are in Restricted Shares, for which vesting is subject to continued employment.

The Group had 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. 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 lapsed on 28 February 2014.

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 7.44 (EUR 7.30), adjusted for the present value of expected dividends, 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, adjusted for the present value of expected dividends. 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.

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At the year end, there were no (701 050) synthetic options outstanding.

The outstanding restricted and performance share awards are shown below.

Share Awards at 31 December 2014

	Projected Delivery of Outstanding Restricted and Performance Share Awards at Year End			
Number of shares	**2015**	**2016**	**2017**	**Total**
2012 programme	616 341	-	-	616 341
2013 programme	672 072	672 072	-	1 344 144
2014 programme	3 646	3 646	1 283 376	1 290 668
Total	**1 292 059**	**675 718**	**1 283 376**	**3 251 153**

The costs of the Stora Enso Share-based Programmes are recognised as costs over the vesting period, being the period between grant and right to exercise or award. The total impact of share-based programmes in income statement amounted to an expense of EUR 13 (EUR 2) million, all related to restricted and performance share awards, of which expense of EUR 6 (EUR 2) million relates to equity-settled share awards programmes.
The year end liability of EUR 6 (EUR 3) 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 outstanding was EUR 5 (EUR 2) million. No options were cashed in 2013 or 2014.

The share 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. 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 3 500 000 (4 000 000) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 1 (asset EUR 2) million. The change from a net asset of EUR 2 million to a net asset of EUR 1 million is due to a cash receipt of EUR 3 million and a fair value increase of EUR 2 million due to the increase in share price from EUR 7.30 at 31 December 2013 to EUR 7.44 at 31 December 2014.

Note 22 Other Provisions

Other Provisions

EUR million	Environmental	Restructuring	Other Obligatory	Total Provisions
Carrying Value at 1 January 2014	**106**	**130**	**14**	**250**
Translation difference	-5	-4	-1	-10
Charge in Income Statement	22	68	13	103
New provisions	16	87	1	104
Increase in existing provisions	7	1	24	32
Reversal of existing provisions	-1	-20	-12	-33
Payments	-8	-83	-11	-102
Carrying Value at 31 December 2014	**115**	**111**	**15**	**241**
Allocation between Current and Non-current Liabilities				
Current liabilities: Payable within 12 months	3	76	3	82
Non-current liabilities: Payable after 12 months	112	35	12	159
Total at 31 December 2014	**115**	**111**	**15**	**241**

Environmental remediation

Provisions for environmental remediation amounted to EUR 115 million at 31 December 2014, an increase of EUR 9 million compared with 31 December 2013.

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 45 (EUR 44) million.
- The site adjacent to Skoghall Mill contains ground pollutants that must be removed. The provision at the year end amounted to EUR 22 (EUR 19) million.
- The total environmental provision in Finland amounted to EUR 18 (EUR 13) 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 environmental provisions include EUR 1 (EUR 1) million related to pollution in the vicinity of Pateniemi Sawmill and EUR 1 (EUR 1) million related to the site of the former Summa Mill. In December 2014 an environmental study was conducted relating to Kemijärvi Pulp Mill. As a result Stora Enso proposed to the Regional State Administrative Agency to use a bioremediation process to clean the aerated water basin. The estimated cost of the bioremediation process increased the environmental provision related to Kemijärvi Pulp Mill to EUR 6 (EUR 1) million.
- Stora Enso Pulp AB has been removing mercury from the harbour basin at Skutskär for a number of years in co-operation with local authorities. In addition, the Company is obliged to upgrade an old landfill previously used by the mill to comply with revised environmental regulations. At the year end Stora Enso Pulp AB had environmental provisions of EUR 8 (EUR 10) million.
- Stora Enso Corbehem closure provision regarding site cleaning and demolition amounted to EUR 8 (EUR 0) million.
- EUR 6 (EUR 6) 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 87 million, the main items being restructuring provisions related to the closures of one paper machine, of one sawmill and of one Printing and Reading mill. New restructuring provisions by Segments were: Renewable Packaging EUR 2 million, Building and Living EUR 11 million, Printing and Reading EUR 73 million and Other EUR 1 million.

Stora Enso announced in January 2014 the permanent shutdown of paper machine (PM) 1 at Veitsiluoto Mill in Finland with annual capacity 190 000 tonnes of coated magazine. The closure was due to continuing structural weakening of magazine demand in Europe. The increase in provision amounted to EUR 4 million.

In February 2014 Building and Living announced plans to enhance efficiency in its Central European sawmills. Stora Enso decided to invest in modernising and developing Murow Sawmill in Poland to increase its capacity and improve its competitiveness and, at the same time, to close Sollenau Sawmill in Austria permanently. The closure provision at the year end amounted to EUR 7 million.

In October 2012 Stora Enso announced plans to divest Stora Enso Corbehem SAS in France. Corbehem Mill, part of Printing and Reading Segment, has produced coated magazine paper in Offset and Gravure qualities and was the only producer in France specialised in these types of paper. The annual capacity of the paper machine is 330 000 tonnes. The divestment was not viable and the Group decided to permanently close the mill in July 2014. The provision at the year end amounted to EUR 56 million.

The total cash payments made during the year in respect of established restructuring provisions amounted to EUR 83 (EUR 67) million.

In 2013 the Group announced restructuring provisions related to restructuring measures in all Segments mainly related to restructuring and streamlining operations, and efficiency improvements. The main items were the closures of two paper machines in Sweden, reorganisations of Customer Service Centres and Logistics Service Centres, and a streamlining and structure simplification programme. 2013 restructuring provisions by Segments were: Renewable Packaging EUR 36 million, Building and Living EUR 8 million, Printing and Reading EUR 73 million and Other EUR 7 million.

The liability at the end of 2014 for restructuring provisions amounted to EUR 111 (EUR 130) 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 10 Depreciation, Amortisation and Impairment Charges.

Other obligatory provisions

Other obligatory provisions amounted to EUR 15 million at 31 December 2014, an increase of EUR 1 million compared with 31 December 2013.

Note 23 Operative Liabilities

Non-Current Operative Liabilities

	As at 31 December	
EUR million	**2014**	**2013**
Post-employment benefit provisions (Note 20)	483	378
Other provisions (Note 22)	159	127
Accrued liabilities and deferred income	-	1
Share-based payments (Note 21)	6	3
Other payables	41	20
Total	**689**	**529**

Current Operative Liabilities

	As at 31 December	
EUR million	**2014**	**2013**
Trade payables	1 097	1 132
Payroll and staff-related accruals	216	239
Accrued liabilities and deferred income	184	206
Current portion of provisions	82	123
Advances received	21	21
Other payables	113	100
Total	**1 713**	**1 821**

Note 24 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. Group's joint operations companies operate under their own financial risk policies, which may not be fully similar to Group's policies.

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 2014, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 6 (EUR 12) 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 0.6 (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 (3.4) 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 14 (EUR 22) million, presented under Other Financial Items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting. Note 27 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

	Year ended 31 December											
	2014						2013					
EUR million	**EUR**	**USD**	**SEK**	**GBP**	**Other**	**Total**	**EUR**	**USD**	**SEK**	**GBP**	**Other**	**Total**
Sales	5 947	1 565	1 100	538	1 063	10 213	6 270	1 440	1 180	550	1 123	10 563
Costs	-5 235	-494	-1 980	-98	-1 327	-9 134	-5 580	-400	-2 220	-70	-1 156	-9 426
Net amount	**712**	**1 071**	**-880**	**440**	**-264**	**1 079**	**690**	**1 040**	**-1 040**	**480**	**-33**	**1 137**

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 2014 and 31 December 2013, 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

	As at 31 December 2014						As at 31 December 2013					
EUR million	**SEK/ EUR**	**EUR/ USD**	**EUR/ GBP**	**SEK/ USD**	**SEK/ GBP**	**BRL/ USD**	**SEK/ EUR**	**EUR/ USD**	**EUR/ GBP**	**SEK/ USD**	**SEK/ GBP**	**BRL/ USD**
Estimated annual net cash flow exposure	842	785	336	332	126	-	775	642	378	305	155	-
Cash flow hedges next 12 months	-456	-408	-176	-182	-68	-	-448	-281	-187	-167	-76	-
Estimated Annual Net Cash Flow Exposure, Net of Hedges	**386**	**377**	**160**	**150**	**58**	**-**	**327**	**361**	**191**	**138**	**79**	**-**
Hedging Percentage as at 31 December for Next 12 Months	**54%**	**52%**	**52%**	**55%**	**54%**	**-**	**58%**	**44%**	**49%**	**55%**	**49%**	**-**
Net trade receivables and payables exposure	68	84	24	32	14	124	95	19	55	25	20	72
Currency hedges	-105	-82	-48	-40	-17	-50	-110	-87	-58	-27	-20	-18
Statement of Financial Position Exposure, Net of Hedges	**-37**	**2**	**-24**	**-8**	**-3**	**74**	**-15**	**-68**	**-3**	**-2**	**-**	**54**
Estimated Annual Operative Exposure, Net of Hedges	**349**	**379**	**136**	**142**	**55**	**74**	**312**	**293**	**188**	**136**	**79**	**54**

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 potential net gain. In practice, the actual foreign currency results may differ from the sensitivity analysis below.

The calculation includes 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

	As at 31 December 2014						As at 31 December 2013					
EUR million	**SEK/ EUR**	**EUR/ USD**	**EUR/ GBP**	**SEK/ USD**	**SEK/ GBP**	**BRL/ USD**	**SEK/ EUR**	**EUR/ USD**	**EUR/ GBP**	**SEK/ USD**	**SEK/ GBP**	**BRL/ USD**
Effect on estimated annual net cash flow exposure	-84	-79	-34	-33	-13	-	-78	-64	-38	-31	-16	-
Effect on hedging reserve before taxes as at year end[1)]	46	41	18	18	7	-	45	28	19	17	8	-
EBITDA impact as at year end[2)]	4	-	2	1	-	-7	2	7	-	-	-	-5
Estimated Annual EBITDA Impact[3)]	**-34**	**-38**	**-14**	**-14**	**-6**	**-7**	**-31**	**-29**	**-19**	**-14**	**-8**	**-5**

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 presents the financial foreign currency exposure for the main currency pairs for the next 12 months and the related hedges in place as at 31 December 2014 and 2013, 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.

The currency pairs have been presented so that the first in the pair is the domestic currency and the second is the foreign currency on a net basis. Net basis means that in table below SEK/EUR column includes both EUR exposures in SEK based companies and with opposite sign SEK exposures in EUR based companies. A negative amount of exposure in the table represents a net payable of a foreign currency amount.

Additionally, the table includes the estimated effect on the Income Statement 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 and, conversely, a positive amount reflects a net potential gain. In practice, the actual foreign currency results may differ from the sensitivity analysis below.

Financial Foreign Currency Exposure and Estimated Currency Effects in Income Statement

	As at 31 December 2014							As at 31 December 2013						
EUR million	**SEK/ EUR**	**EUR/ USD**	**PLN/ EUR**	**SEK/ USD**	**CNY/ USD**	**EUR/ CNY**	**BRL/ USD**	**SEK/ EUR**	**EUR/ USD**	**PLN/ EUR**	**SEK/ USD**	**CNY/ USD**	**EUR/ CNY**	**BRL/ USD**
Net debt excluding hedges	-728	-150	-232	45	-278	1	-53	-461	-330	-281	140	-255	-	-93
Currency hedges	668	6	-	-38	-	104	-	847	319	-	-136	-	162	-
Net Financial Exposure	**-60**	**-144**	**-232**	**7**	**-278**	**105**	**-53**	**386**	**-11**	**-281**	**4**	**-255**	**162**	**-93**
Effects based on 10% Strengthening in Domestic Currencies	**6**	**14**	**23**	**-1**	**28**	**-11**	**5**	**-39**	**1**	**28**	**-**	**26**	**-16**	**9**

The foreign exchange exposure of the Group to Russian rouble comes mainly from EUR denominated net debt of Russian subsidiaries which amounted to EUR 38 (EUR 60) million at year end. During 2014 the foreign exchange impact from retranslation of these balances resulted in losses in Income Statement of EUR 16 (EUR 9) million due to depreciation of Russian rouble against EUR by 60% (12%).

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: 2014

EUR million	Euro area	USD area[3]	Sweden	China	Poland	Brazil	Other	Total
	As at 31 December							
Translation Exposure on Equity	**1 827**	**908**	**352**	**726**	**359**	**607**	**291**	**5 070**
EUR/SEK hedges[1]	37	-	-37	-	-	-	-	-
EUR/USD hedges[2]	288	-288	-	-	-	-	-	-
Translation Exposure after Hedges	**2 152**	**620**	**315**	**726**	**359**	**607**	**291**	**5 070**

[1] SEK denominated bonds classified as hedges of investments in foreign assets.
[2] USD denominated bonds classified as hedges of investments in foreign assets.
[3] Includes the joint operation Montes del Plata in Uruguay, which has USD as its functional currency.

Translation Risk and Hedges: 2013

EUR million	Euro area	USD area[2]	Sweden	China	Poland	Brazil	Other	Total
	As at 31 December							
Translation Exposure on Equity	**1 965**	**561**	**1 169**	**268**	**310**	**606**	**334**	**5 213**
EUR/USD hedges[1]	525	-	-525	-	-	-	-	-
Translation Exposure after Hedges	**2 490**	**561**	**644**	**268**	**310**	**606**	**334**	**5 213**

[1] SEK denominated bonds classified as hedges of investments in foreign assets.
[2] Includes the joint operation 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, Chinese Renminbi 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 28 Cumulative Translation Adjustment and Equity Hedging.

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

	As at 31 December 2014			As at 31 December 2013		
EUR million	**Before Hedges**	**Hedges**	**Net Impact**	**Before Hedges**	**Hedges**	**Net Impact**
10% change in the EUR/SEK rate	35	-4	31	117	-53	64
10% change in the EUR/USD rate	91	-29	62	56	-	56
10% change in the EUR/CNY rate	73	-	73	27	-	27
10% change in the EUR/BRL rate	61	-	61	61	-	61
Total Effect from Above	**260**	**-33**	**227**	**261**	**-53**	**208**

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: 2014

EUR million	2015	2016	2017	2018	2019	2020+	Total
Bond loans	405	535	287	572	539	244	2 582
Loans from credit institutions	162	133	329	111	107	572	1 414
Financial lease liabilities	8	7	27	27	-	-	69
Other non-current liabilities	36	29	4	5	-	2	76
Non-current Debt including Current Portion	**611**	**704**	**647**	**715**	**646**	**818**	**4 141**
Less fair value adjustments to carrying amounts	-4	2	3	7	6	13	27
Estimated contractual finance charges	185	148	122	104	74	340	973
Contractual Repayments on Non-Current Debt	**792**	**854**	**772**	**826**	**726**	**1 171**	**5 141**
Short-term borrowings, carrying amounts	487	-	-	-	-	-	487
Contractual finance charges	11	-	-	-	-	-	11
Bank overdrafts	2	-	-	-	-	-	2
Total Contractual Repayments at 31 December 2014	**1 292**	**854**	**772**	**826**	**726**	**1 171**	**5 641**

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	236	109	104	299	78	572	1 398
Financial lease liabilities	8	8	7	27	27	-	77
Other non-current liabilities	13	43	25	5	5	2	93
Non-current Debt including Current Portion	**544**	**652**	**909**	**636**	**682**	**1 322**	**4 745**
Less fair value adjustments to carrying amounts	7	-5	-12	3	7	18	18
Estimated contractual finance charges	224	190	157	113	91	354	1 129
Contractual Repayments on Non-Current Debt	**775**	**837**	**1 054**	**752**	**780**	**1 694**	**5 892**
Short-term borrowings, carrying amounts	510	-	-	-	-	-	510
Contractual finance charges	9	-	-	-	-	-	9
Bank overdrafts	12	-	-	-	-	-	12
Total Contractual Repayments at 31 December 2013	**1 306**	**837**	**1 054**	**752**	**780**	**1 694**	**6 423**

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

	As at 31 December		
EUR million	**Rating**	**2014**	**2013**
Company A	A-	18	27
Company B	A-	-	15

A subordinated Vendor 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 49 (EUR 47) million and a fair value of EUR 52 (EUR 49) million. The valuation of the note requires management judgement, and hence it is subject to uncertainty.

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 36 (EUR 26) 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 eight years. In 2013 the maturities ranged from one month to nine 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 437 (EUR 352) 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 14 Available-for-Sale Investments.

In addition, in an effort to mitigate the other commodity risk exposures, the Group has major associated interests in forest companies in Finland and Sweden thus if prices increase for fibre in these 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 21 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 2014 there were TRS instruments outstanding covering 3 500 000 (4 000 000) underlying Stora Enso Oyj R shares recorded at a net fair value asset of EUR 1 (EUR 2) million, as disclosed in Note 27 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 3 (EUR 3) million, based on a closing share price at year end of EUR 7.44 (EUR 7.30) on NASDAQ OMX Helsinki.

The Group has certain investments in publicly traded securities (Note 14 Available-for-Sale Investments). The market value of these equity investments was EUR 30 (EUR 10) million at the year end. 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 17 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

	As at 31 December	
EUR million	**2014**	**2013**
Interest-bearing liabilities	4 894	5 501
Interest-bearing assets	1 620	2 310
Interest-bearing Net Debt	**3 274**	**3 191**
Equity Attributable to Owners of the Parent	**5 070**	**5 213**
Debt / Equity Ratio	**0.65**	**0.61**

In joint operation Montes del Plata there is a financial covenant related to the debt-to-assets ratio which has been complied with during the reported years.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Note 25 Fair Values

Carrying Amounts of Financial Assets and Liabilities by Measurement Category: 2014

EUR million	Loans and Receivables	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Available-for-Sale Investments	Carrying Amounts	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	474	474	474	14
Non-current loan receivables	70	-	-	-	70	74	17
Trade and other operative receivables	1 202	1	-	-	1 203	1 203	17
Interest-bearing receivables	13	38	23	-	74	74	17
Cash and cash equivalents	1 446	-	-	-	1 446	1 446	
Total	**2 731**	**39**	**23**	**474**	**3 267**	**3 271**	

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	-	-	3 530	3 530	3 699	26
Current portion of non-current debt	-	6	605	611	611	26
Interest-bearing liabilities	75	106	570	751	751	26
Trade and other operative payables	17	-	1 296	1 313	1 313	23
Bank overdrafts	-	-	2	2	2	
Total	**92**	**112**	**6 003**	**6 207**	**6 376**	

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 Investments	Carrying Amounts	Fair Value	Note
Financial Assets							
Available-for-sale	-	-	-	371	371	371	14
Non-current loan receivables	80	-	-	-	80	82	17
Trade and other operative receivables	1 260	2	-	-	1 262	1 262	17
Interest-bearing receivables	31	83	33	-	147	147	17
Cash and cash equivalents	2 073	-	-	-	2 073	2 073	
Total	**3 444**	**85**	**33**	**371**	**3 933**	**3 935**	

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	4 197	4 201	4 400	26
Current portion of non-current debt	-	-	544	544	544	26
Interest-bearing liabilities	101	39	604	744	744	26
Trade and other operative payables	-	-	1 371	1 371	1 371	23
Bank overdrafts	-	-	12	12	12	
Total	**101**	**43**	**6 728**	**6 872**	**7 071**	

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. 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. In 2013, the fair value of remaining Bergvik Skog loan note was estimated to equal the carrying amount presented in Note 17 Receivables.

In 2014 Stora Enso acquired 100% of the shares of the US-based company Virdia. The transaction included potential payouts depending on completion of specific technical and commercial milestones. The present value of the estimated payouts, that is considered as a level 3 fair value measurement, is estimated based on certain probability criteria and discounted cash flow analysis. At year end, the fair value amounted to EUR 17 million and is presented in the above table under trade and other operative payables.

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 14 Available-for-Sale Investments for more information on Level 3 fair value measurement of available-for-sale investments listed in the following table:

Fair Value Measurements Recognised in the Statement of Financial Position: 2014

	As at 31 December			
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative Financial Assets				
Hedging derivatives	-	23	-	23
Derivatives at fair value through profit and loss	-	39	-	39
Available-for-Sale Investments				
Listed securities	30	-	-	30
Unlisted shares	-	-	444	444
Unlisted interest-bearing securities	-	-	-	-
Total	**30**	**62**	**444**	**536**
Derivative Financial Liabilities				
Hedging derivatives	-	112	-	112
Derivatives at fair value through profit and loss	-	75	-	75
Trade and Other Operative Liabilities				
Operative payables through profit and loss	-	-	17	17
Total	**-**	**187**	**17**	**204**

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	-	33	-	33
Derivatives at fair value through profit and loss	-	85	-	85
Available-for-Sale Investments				
Listed securities	10	-	-	10
Unlisted shares	-	-	361	361
Unlisted interest-bearing securities	-	-	-	-
Total	**10**	**118**	**361**	**489**
Derivative Financial Liabilities				
Hedging derivatives	-	43	-	43
Derivatives at fair value through profit and loss	-	101	-	101
Total	**-**	**144**	**-**	**144**

Reconciliation of Level 3 Fair Value Measurements of Financial Assets: 2014

EUR million	**Unlisted Shares**	**Unlisted Interest-bearing Securities**	**Total**
Opening balance at 1 January 2014	361	-	361
Gains recognised in other comprehensive income	76	-	76
Additions	8	-	8
Disposals	-1	-	-1
Closing Balance at 31 December 2014	**444**	**-**	**444**

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 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**

Note 26 Debt

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

Interest-bearing Liabilities

	As at 31 December	
EUR million	**2014**	**2013**
Bond loans	2 582	3 177
Loans from credit institutions	1 414	1 398
Finance lease liabilities	69	77
Other non-current liabilities	76	93
Non-current Debt including Current Portion	**4 141**	**4 745**
Short-term borrowings	487	510
Interest payable	84	93
Derivative financial liabilities (see Note 25)	180	141
Bank overdrafts	2	12
Total Interest-bearing Liabilities	**4 894**	**5 501**

EUR million	**2014**	**2013**
Carrying Value at 1 January	5 501	5 699
Proceeds of new long-term debt	166	239
Repayment of long-term debt	-922	-377
Change in short-term borrowings and interest payable	-32	101
Change in derivative financial liabilities	39	-51
Translation differences and other	142	-110
Total Interest-bearing Liabilities	**4 894**	**5 501**

Borrowings have various maturities, details of which are set out in Note 24 Financial Risk Management, the longest being in 2036, and have either fixed or floating interest rates ranging from 0.9% (0.6%) to 8.6% (8.6%). The majority of Group loans are denominated in euros, US dollars and Swedish krona. At 31 December 2014 unused committed credit facilities were unchanged at EUR 700 million. The EUR 700 million committed credit facility agreement with a syndicate of 14 banks matures in January 2018 with one-year extension option, 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 1 050 million mainly from Finnish pension funds.

During the 2014, Stora Enso repaid EUR, SEK and USD bond notes equivalent to a nominal of EUR 629 million.

During the year, Stora Enso concluded a long-term external financing agreement for the first phase of development of the plantation, board and pulp mill project in Guangxi, China. The funding package of USD 460 million is provided under an IFC syndicate loan structure. It consists of a USD 88 million loan with twelve years tenor from IFC and a USD 372 million loan with eight years tenor provided by commercial banks through IFC. The funding package has an average interest rate of approximately LIBOR +2.4%.

In 2014 net interest-bearing liabilities increased by EUR 83 million to EUR 3 274 million. Net interest-bearing liabilities are equal to total interest-bearing liabilities less total interest-bearing assets. Cash and cash equivalents net of overdrafts decreased by EUR 617 million to EUR 1 444 million at 31 December 2014.

Bond Loans in Non-current Debt

Issue/ Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value Issued	Outstanding As at 31 December		Carrying Value As at 31 December	
					2014	2013	2014	2013
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	41	36
2004–2014	Euro Medium Term Note	5.125	EUR	750	-	270	-	263
2006–2015	Swedish Fixed Real Rate	3.500	SEK	500	500	500	57	63
2006–2016	Global 6.404% Notes 2016	6.404	USD	508	412	508	345	383
2006–2036	Global 7.250% Notes 2036	7.250	USD	300	300	300	244	214
2010–2015	Euro Medium Term Note	5.750	SEK	2 400	1 865	2 400	199	271
2012–2017	Euro Medium Term Note	5.750	SEK	500	500	500	53	56
2012–2018	Euro Medium Term Note	5.000	EUR	500	500	500	497	497
2012–2019	Euro Medium Term Note	5.500	EUR	500	500	500	498	497
Total Fixed Rate Bond Loans							**1 934**	**2 280**
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	190	390	190	390
2012–2013	Euro Medium Term Note	Euribor+2.76	EUR	25	-	25	-	25
2010–2015	Euro Medium Term Note	Stibor+3.70	SEK	1 400	1 400	1 400	149	159
2012–2017	Euro Medium Term Note	Stibor+3.90	SEK	2 200	2 200	2 200	234	248
Total Floating Rate Bond Loans							**648**	**897**
Total Bond Loans							**2 582**	**3 177**

Finance lease liabilities

At 31 December 2014 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 37 (EUR 49) million were included in property, plant and equipment; the depreciation and impairment thereon was EUR 11 (EUR 17) million. The aggregate leasing payments for the year amounted to EUR 10 (EUR 8) million, the interest element being EUR 2 (EUR 2) million. No new finance lease transactions were made during 2014 and 2013.

Finance Lease Liabilities

	As at 31 December	
EUR million	**2014**	**2013**
Minimum Lease Payments		
Less than 1 year	10	10
1–2 years	9	10
2–3 years	28	9
3–4 years	27	28
4–5 years	-	27
Over 5 years	-	-
	74	**84**
Future finance charges	-5	-7
Present Value of Finance Lease Liabilities	**69**	**77**
Present Value of Finance Lease Liabilities		
Less than 1 year	8	8
1–2 years	7	8
2–3 years	27	7
3–4 years	27	27
4–5 years	-	27
Over 5 years	-	-
	69	**77**

Note 27 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 14 Available-for-Sale Investments).

Associate companies 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

	Year Ended 31 December	
EUR million	**2014**	**2013**
Bergvik Skog AB	-19	-
Thiele Kaolin Company	-	-15
Tornator Oyj	-4	-5
Total	**-23**	**-20**

In Group the estimated net amount of unrealised cash flow hedge loss net of taxes amounted to EUR 70 (EUR loss 10) million of which a loss of EUR 44 (EUR gain 5) million related to currencies and a loss of EUR 26 (EUR loss 15) million to commodities. Minority's share of unrealised cash flow hedge loss net of taxes amounted to EUR 1 million. The unrealised gains and losses are expected to be recycled through the Income Statement within one to three years with the longest hedging contract maturing in 2023 (2023), however the majority are expected to mature in 2015. Any hedge ineffectiveness is presented as an adjustment to sales or to materials and services, depending on the underlying exposure, totalling gross losses of EUR 4 (EUR gain 0) million for commodity contract hedges and nil for currency hedges in both 2014 and 2013. Derivatives used in currency cash flow hedges are mainly forward contracts and options, with swaps mainly used in commodity hedges.

In Montes del Plata and Guangxi mill project in China, the Group has hedged its exposures to foreign currency risk of future transactions resulting in the recognition of non-financial assets. The gains and losses deferred to OCI hedging reserve are transferred from equity to be included in the initial acquisition cost of the non-financial assets at the time of recognition. During the year, the total amount removed from equity and included in the initial cost of non-financial assets amounted to EUR 2 (EUR 0) million.

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 2014 or 31 December 2013.

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).

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Hedge Gains and Losses in Financial Items

	Year Ended 31 December	
EUR million	**2014**	**2013**
Net losses on fair value hedges	-2	-2
Fair value changes in hedged items	2	2
Net Losses on Fair Value Hedges in Financial Items	**-**	**-**
Non-qualifying Hedges		
Net losses on interest rate derivatives	-12	-3
Net gains/losses on currency derivatives	49	21
Net Gains in Financial Items	**37**	**18**

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

Hedge Gains and Losses in Operating Profit

	Year Ended 31 December	
EUR million	**2014**	**2013**
Fair Value Hedge Accounted		
Net losses on fair value hedges	-4	-
Fair value changes in hedged items	4	-
Net Gains on Fair Value Hedges	**-**	**-**
Cash Flow Hedge Accounted		
Currency hedges	-25	22
Commodity contract hedges	-24	-11
Total	**-49**	**11**
As adjustments to Sales	-36	20
As adjustments to Materials and services	-13	-9
Realised from OCI through Income Statement	**-49**	**11**
Commodity contract hedge ineffectiveness	-4	-
Net Losses/Gains from Cash Flow Hedges	**-53**	**11**
Non-qualifying Hedges		
Currency hedges	-32	8
Commodity contract hedges	-	-19
Net Losses on Non-Qualifying Hedges	**-32**	**-11**
Net Hedge Losses in Operating Profit	**-85**	**-**

In 2014 the Group ceased hedge accounting for one of its subsidiaries due to the fact that the forecasted future transactions were no longer expected to occur. This resulted to a loss of EUR 4 million being booked to operating profit and the loss being presented in the above table as ineffectiveness from cash flow hedges.

Fair Values of Derivative Instruments

	As at 31 December			
EUR million	**Positive Fair Values**	**Negative Fair Values**	**Net Fair Values**	**Net Fair Values**
	2014			**2013**
Fair value hedge accounted				
Interest rate swaps	10	-6	4	6
Cash flow hedge accounted				
Currency forward contracts	-	-20	-20	-2
Currency options	9	-48	-39	5
Commodity contracts	4	-37	-33	-22
Interest rate swaps	-	-	-	1
Non-qualifying hedges				
Interest rate swaps	18	-27	-9	23
Interest rate options	-	-27	-27	-33
Currency forward contracts	19	-11	8	6
Currency options	-	-	-	-
Commodity contracts	-	-9	-9	-13
Equity swaps (TRS)	1	-	1	2
Total	**61**	**-185**	**-124**	**-27**

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

	As at 31 December	
EUR million	**2014**	**2013**
Interest Rate Derivatives		
Interest rate swaps		
Maturity under 1 year	212	1 418
Maturity 2–5 years	597	893
Maturity 6–10 years	63	58
	872	2 369
Interest rate options	388	403
Total	**1 260**	**2 772**
Foreign Exchange Derivatives		
Forward contracts	1 510	1 558
Currency options	2 472	2 583
Total	**3 982**	**4 141**
Commodity Derivatives		
Commodity contracts	414	373
Total	**414**	**373**
Total Return Swaps		
Equity swaps (TRS)	25	27
Total	**25**	**27**

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

	As at 31 December 2014		As at 31 December 2013	
EUR million	**2015**	**2016+**	**2014**	**2015+**
Currency Forwards and Options: Cash Flow Hedges				
Outflow	1 220	-	859	-
Inflow	1 168	-	865	-
Currency Forwards and Options: Fair Value in Income Statement				
Outflow	1 259	-	1 490	-
Inflow	1 267	-	1 495	-

Contractual payments for net-settled derivative financial liabilities were in the following maturity groupings: within one year EUR 52 (EUR 37) million and within two to five years EUR 53 (EUR 78) million.

The Group enters into derivative transactions under master netting agreements agreed with each counterparty. In case of an unlikely credit event, such as default, all outstanding transactions under the agreements are terminated and only a single net amount per counterparty is payable in settlement of all transactions. The 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 2014

	Not offset in the Statement of Financial Position			
EUR million	**Gross amount of recognised financial instruments**	**Related liabilities (-) or assets (+) subject to Master Netting Agreements**	**Collateral received (-) or given (+)**	**Net Exposure**
Derivative assets	43	-43	-	-
Derivative liabilities	-166	43	-	-123

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

	Not offset in the Statement of Financial Position			
EUR million	**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

Note 28 Cumulative Translation Adjustment and Equity Hedging

The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations on the value of its net investment in non-euro area foreign subsidiaries and equity accounted investments. Exchange differences arising from the translation of equity, results and dividends for foreign subsidiary and equity accounted undertakings are aggregated with the financial instruments hedging these investments and the net is recorded directly in shareholders' equity as CTA; this is expensed through the Income Statement on the divestment of a foreign entity.

Cumulative Translation Adjustment

	Year Ended 31 December	
EUR million	**2014**	**2013**
At 1 January		
CTA on net investment in non-euro foreign entities	-246	-19
Hedging thereof	37	14
Net currency losses/gains in equity	-209	-5
Tax on hedging	-9	-5
	-218	**-10**
CTA Movement for the Year Reported in OCI		
Restatement of opening non-euro denominated equity	-5	-214
Difference in Income Statement translation	-18	-3
Internal equity injections and dividends	100	-11
Other	-5	-2
CTA release through the Income Statement	-9	3
	63	**-227**
Hedging of Net Investment for the Year Reported in OCI		
Hedging result	8	23
Taxes	-2	-4
	6	**19**
At 31 December		
CTA on net investment in non-euro foreign entities	-183	-246
Hedging thereof (see below)	45	37
Cumulative net currency losses in equity	-138	-209
Tax on hedging	-11	-9
Net CTA in Equity	**-149**	**-218**
Hedging of Net Investment in Foreign Entities		
Hedging	45	37
Tax on hedging	-11	-9
Net Hedging Result in Equity	**34**	**28**
Realised gains	25	25
Unrealised gains/losses	9	3
Total Gains	**34**	**28**

The Group is currently hedging only its equity exposure to the Swedish krona and US dollar. The main movements in CTA in 2014 were a loss of EUR 67 (EUR 42) million related to the Swedish krona, a gain of EUR 81 (loss of EUR 5) million related to the Chinese renminbi and a gain of EUR 84 (loss of EUR 25) million related to the US dollar. The most significant accumulated CTA balances are in Sweden, amounting to a loss of EUR 179 (EUR 112) million, in Brazil, amounting to a loss of EUR 108 (EUR 115) million, in the US dollar area, amounting to a gain of EUR 89 (EUR 5) million, and in China, amounting to a gain of EUR 79 (loss of EUR 2) million.

The release of cumulative translation adjustments to the Income Statement amounted to a gain of EUR 9 (loss of EUR 3) million in 2014 of which EUR 3 million was related to the disposal of Corenso business operations and the remaining EUR 6 million was related to the divestment of 40.24% shareholding in Thiele Kaolin Company.

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

	As at 31 December					
	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in the Statement of Financial Position	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Brazil	-108	-115	-	-	-108	-115
China	79	-2	-	-	79	-2
Czech Republic	23	24	-9	-9	14	15
Poland	-28	-18	17	17	-11	-1
Russia	-59	-21	-	-	-59	-21
Sweden	-179	-112	50	29	-129	-83
Uruguay	85	3	-13	-	72	3
USA	4	2	-	-	4	2
Others	-	-7	-	-	-	-7
CTA before Tax	**-183**	**-246**	**45**	**37**	**-138**	**-209**
Taxes	-	-	-11	-9	-11	-9
Net CTA in Equity	**-183**	**-246**	**34**	**28**	**-149**	**-218**

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

	As at 31 December					
	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in OCI	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Brazil	7	-123	-	-	7	-123
China	81	-5	-	-	81	-5
Czech Republic	-1	-12	-	6	-1	-6
Poland	-10	-6	-	-	-10	-6
Russia	-38	-10	-	-	-38	-10
Sweden	-67	-42	21	17	-46	-25
Uruguay	82	-22	-13	-	69	-22
USA	2	-3	-	-	2	-3
Others	7	-4	-	-	7	-4
CTA before Tax	**63**	**-227**	**8**	**23**	**71**	**-204**
Taxes	-	-	-2	-4	-2	-4
Net CTA in Equity	**63**	**-227**	**6**	**19**	**69**	**-208**

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 6 (EUR 19) million.

Hedging Instruments and Unrealised Hedge Losses/Gains

	As at 31 December					
	Nominal amount (Currency)		Nominal amount (EUR)		Unrealised Gains/Losses (EUR)	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Borrowings						
Sweden	350	4 650	37	525	20	3
USD area	350	-	288	-	-11	-
Total Hedging			**325**	**525**	**9**	**3**

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Note 29 Commitments and Contingencies

Commitments

EUR million	As at 31 December 2014	2013
On Own Behalf		
Mortgages	4	18
On Behalf of Equity Accounted Investments		
Guarantees	19	18
On Behalf of Others		
Guarantees	6	5
Other Commitments Own		
Operating leases in next 12 months	83	71
Operating leases after next 12 months	823	510
Other commitments	5	5
Total	**940**	**627**
Mortgages	4	18
Guarantees	25	23
Operating leases	906	581
Other commitments	5	5
Total	**940**	**627**

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 2014 the Group's commitments amounted to EUR 940 (EUR 627) million. In addition, parent company Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries and joint operations up to EUR 1 442 (EUR 1 390) million as of 31 December 2014.

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 2 (EUR 5) million at the end of 2014. 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 2014	2013
Less than 1 year	83	71
1–2 years	72	64
2–3 years	63	54
3–4 years	56	43
4–5 years	52	36
Over 5 years	580	313
Total	**906**	**581**

The Group has rental commitments for up to 50 years on approximately 86 000 hectares of land contracted to date in China, 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 579 (EUR 252) million for the plantations. No capital commitments were made on existing trees at the end of 2014.

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 93 (EUR 108) million for the remaining seven years at the end of 2014.

Capital expenditure commitments at the balance sheet date but not recognised in the financial statements amounted to EUR 301 (EUR 142) million. These include the Group's share of direct capital expenditure contracts in joint operations. Commitments in relation to capital expenditure mainly relate to ongoing projects at Guangxi in China and at Varkaus 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

Stora Enso has in previous years reported on US class actions where 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. All material lawsuits are, or are about to be, settled and the cases will not be reported as a contingent liability in 2014.

Latin American Cases

Veracel

Fibria and Stora Enso each owns 50% of Veracel, the joint ownership governed by a shareholder agreement. In May 2014, Fibria initiated arbitration proceedings against Stora Enso claiming that Stora Enso was in breach of certain provisions of the shareholder agreement. Fibria has indicated that the interest of the case is approximately USD 54 million (EUR 44) million. Stora Enso denies any breach of contract and disputes the method of calculating the interest of the case. No provisions have been made in Stora Enso's accounts for this case.

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 joint-operations company 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 fine of BRL 20 million (EUR 6 million). 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. No provisions have been recorded in Veracel's or Stora Enso's accounts for the reforestation or the possible fine.

Montes del Plata

During the second quarter of 2014, Celulosa y Energía Punta Pereira S.A. ("CEPP"), a joint-operations company in the Montes del Plata group formed by Stora Enso and Arauco, was notified of arbitration proceedings initiated against it by Andritz Pulp Technologies Punta Pereira S.A., a subsidiary of Andritz AG, claiming EUR 200 million. The arbitration relates to contracts for the delivery, construction, installation, commissioning and completion by Andritz of major components of the Montes del Plata pulp mill project located at Punta Pereira in Uruguay. CEPP disputes the claims brought by Andritz and is also actively pursuing claims of its own amounting to USD 110 million (EUR 91 million) against Andritz for breach by Andritz of its obligations under the contracts. No provisions have been made in Montes del Plata's or Stora Enso's accounts for these claims.

Legal Proceedings in Finland

Finnish Wood Claim

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 Metsä Group 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 35 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. In March 2014 the Helsinki District Court dismissed 13 private forest owners' claims as time-barred. In November 2014 the Helsinki Court of Appeal revoked the decision of the District Court. Stora Enso and the other defendants have sought permission to appeal the Court of Appeal decision from the Supreme Court. 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. Following court proceedings, 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 later orders Stora Enso to remove the sludge. Stora Enso has now delivered its action plan and recorded a provision of EUR 5 million in the accounts. Following this the case will no longer be reported as a contingent liability.

Norrsundet Pulp Mill environmental case

The production of pulp at Norrsundet Mill in Sweden was permanently closed in December 2008. Provisions for refuse handling contamination on site and sea sediment have been recognized. 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 SA (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.

Note 30 Principal Subsidiaries and Joint Operations

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. Subsidiaries operating outside the euro area are indicated by "◊".

Subsidiary Companies (Ranked by External Sales)

		Country	Sales %	Renewable Packaging	Biomaterials	Building and Living	Printing and Reading	Other
Stora Enso Oyj		**Finland**	**26.17**	•	•		•	•
Stora Enso Skoghall AB	◊	Sweden	5.82	•				
Stora Enso Fors AB	◊	Sweden	3.44	•				
Stora Enso Kvarnsveden AB	◊	Sweden	3.19				•	
Stora Enso Skog AB	◊	Sweden	3.02					•
Stora Enso Kabel GmbH & Co. KG		Germany	2.95				•	•
Stora Enso Nymölla AB	◊	Sweden	2.94				•	
Stora Enso Maxau GmbH		Germany	2.68				•	
Stora Enso Langerbrugge NV		Belgium	2.50				•	
Stora Enso Publication Papers Oy Ltd	+	Finland	2.34				•	•
Stora Enso Wood Products GmbH		Austria	2.34			•		
Stora Enso Poland S.A.	+/◊	Poland	2.32	•				
Enocell Oy	+	Finland	2.10		•			
Stora Enso Hylte AB	◊	Sweden	2.09				•	
Mena Wood Oy Ltd		Finland	1.99			•		
Stora Enso Ingerois Oy	+	Finland	1.95	•				
Stora Enso Pulp AB	◊	Sweden	1.81		•			•
Sydved AB (66.7%)	◊	Sweden	1.70					•
Stora Enso Sachsen GmbH		Germany	1.54				•	•
Puumerkki Oy		Finland	1.46			•		
Stora Enso Uetersen GmbH		Germany	1.36				•	
Stora Enso Amsterdam B.V.		Netherlands	1.27		•		•	
Mena Koper d.o.o.		Slovenia	1.18			•		
Stora Enso Suzhou Paper Co Ltd (97.9%)	◊	China	1.17				•	
Stora Enso Eesti AS	+	Estonia	1.17			•		
Stora Enso Timber AB	◊	Sweden	1.16			•		
Stora Enso Barcelona S.A.		Spain	1.14	•				
Stora Enso Arapoti Indústria de Papel S.A. (80%)	◊	Brazil	1.13				•	
Stora Enso Wood Products Zdirec s.r.o.	◊	Czech Republic	1.05			•		
OOO Stora Enso Packaging BB	◊	Russia	0.99	•				
Stora Enso Wood Products Oy Ltd	+	Finland	0.90			•		
Stora Enso Packaging AB	◊	Sweden	0.90	•				
Stora Enso Australia Pty Ltd	+/◊	Australia	0.85				•	
Stora Enso Inpac Packaging Co. Ltd (51%)	◊	China	0.80	•				
Stora Enso Packaging Oy	+	Finland	0.78	•				
Stora Enso WP Bad St. Leonhard GmbH		Austria	0.73			•		
Stora Enso Bioenergi AB	◊	Sweden	0.68					•
Stora Enso Timber Deutschland GmbH		Germany	0.63			•		
Stora Enso Narew Sp.z.o.o	+/◊	Poland	0.62	•				
Stora Enso Huatai Paper Co Ltd (60%)	◊	China	0.55				•	
Stora Enso Wood Products Planá s.r.o	◊	Czech Republic	0.50			•		
Guangxi Stora Enso Forestry Co Ltd (89.5%)	◊	China	0.45	•				

Continues on the next page >

		Country	Sales %	Renewable Packaging	Biomaterials	Building and Living	Printing and Reading	Other
AS Stora Enso Latvija		Latvia	0.35			•		
Stora Enso Bois SAS		France	0.35			•		
Stora Enso Deutschland GmbH	+	Germany	0.31	•			•	•
Stora Enso Timber UK Ltd	◊	UK	0.30			•		
UAB Stora Enso Lietuva	◊	Lithuania	0.26			•		
Stora Enso Timber DIY Products B.V.		Netherlands	0.21			•		
Stora Enso Packaging SIA		Latvia	0.17	•				
Stora Enso Packaging UAB	◊	Lithuania	0.16	•				
Puumerkki AS		Estonia	0.16			•		

The following is a list of the Company's joint operations. The Company holds a 50% interest in joint operations and they are consolidated into the Group's financial statements. The countries operating outside the euro area are indicated by "◊".

Joint Operations

		Country	Sales %	Renewable Packaging	Biomaterials	Building and Living	Printing and Reading	Other
Veracel Celulose SA (50%)	◊	Brazil	1.70		•			
Montes del Plata (50%)	◊	Uruguay	0.92		•			

Note 31 Related Party Transactions

Balances and transactions between the Group and its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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 that are not more favourable than would be available to other third parties with the exception of Veracel and PVO. Stora Enso intends to continue with transactions on a similar basis with its equity accounted investments further details of which are shown in Note 13 Equity Accounted Investments.

The Group's principal subsidiary companies and joint operations are listed in Note 30 Principal Subsidiaries and Joint Operations.

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 492 MW and Juha Vanhainen, as Group representative, has been the Deputy Chairman of PVO's 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 2014, amounted to EUR 42 (EUR 50) million. For information about the amount of electricity generated, purchased and sold, please see Stora Enso Global Responsibility Performance 2014, section Environment and Efficiency (Energy).

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. 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.

Stora Enso has strengthened its partnership with International Finance Corporation (IFC) during 2014. IFC has agreed to invest in an equity stake of CNY 356 million (EUR 47 million) in the Guangxi project, representing a 5% shareholding in the project. Stora Enso's outstanding loan balances from IFC amounted to EUR 171 (EUR 115) million at year end. The funding is based at USD LIBOR plus margins ranging from +0.56% to +2.80%.

Research and development

Stora Enso conducts research and development in its own research centers and together with an external network. In addition interests are held in the following partner institutes: Oy Keskuslaboratorio - Centrallaboratorium Ab (KCL), Swetree Technologies AB, Innventia AB and Cellutech AB.

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 2014 purchases of 2 (2) million cubic metres came to EUR 56 (EUR 61) million.

In 2014, the Group has increased its interest in Bergvik Skog from 43.26% to 49% with the remaining 51% 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 2014 these purchases of 5 (5) million cubic metres amounted to EUR 106 (EUR 120) million and Group sales, mainly forest management services, to Bergvik Skog amounted to EUR 34 (EUR 40) million.

A sale of the remaining SEK 175 million (EUR 19 million) subordinated debt of the equity accounted investment Bergvik Skog was recorded in the first quarter of 2014.

Stora Enso has significant land leasing contract with its non-controlling interest partner Guangxi Forestry Group Co. Ltd. in China. The leases paid during 2014 amounted to EUR 10 million.

Stevedoring

The Group 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, Finnlines, and Ahlström Capital. Stevedoring services are provided by Steveco at market prices and in 2014 amounted to EUR 30 (EUR 4) million.

Other

In February 2014, the Group divested its 40.24% interest in the US-based processed kaolin clay producer Thiele Kaolin Company to Thiele Kaolin Company for USD 84 million (EUR 61 million). Stora Enso recorded a disposal gain of EUR 44 million as a non-recurring item in the first quarter results. Following the transaction, the Group is no longer a shareholder of Thiele Kaolin Company.

Note 32 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December	
	2014	**2013**
Net profit for the period attributable to the owners of the parent, EUR million	99	-53
Total comprehensive income attributable to the owners of the parent, EUR million	100	-323
Weighted average number of A and R shares	788 619 987	788 619 987
Share awards	1 180 158	-
Diluted number of shares	789 800 145	788 619 987
Basic Earnings per Share, EUR	**0.13**	**-0.07**
Diluted Earnings per Share, EUR	**0.13**	**-0.07**
Total Recognised Income and Expense per Share, EUR	**0.13**	**-0.41**

Equity per Share

	As at 31 December	
	2014	**2013**
Shareholders' equity, EUR million	5 070	5 213
Market value, EUR million	5 871	5 756
Number of A and R shares	788 619 987	788 619 987
Share awards	1 180 158	-
Diluted number of shares	789 800 145	788 619 987
Basic Shareholders' Equity per Share, EUR	**6.43**	**6.61**
Diluted Shareholders' Equity per Share, EUR	**6.42**	**6.61**
Dividend per Share Paid/Declared, EUR	**0.30**	**0.30**
Market Value per Share, EUR		
A shares	7.48	7.31
R shares	7.44	7.30

Note 33 Effects of the changes to IFRS 11 Joint Arrangements

The Group has two joint operations Veracel and Montes del Plata. The Group as a joint operator recognises in relation to its interest in a joint operation assets, liabilities, revenues and expenses using line-by- line method. The group adopted the new standard as of 1 January 2014. Previously these two entities were consolidated using the equity method. The historical figures were restated and published on 19 March, 2014.

Consolidated Income Statement

	Restated figures	Effect of restatement	Prior to restatement
EUR million	**2013**	**2013**	**2013**
Sales	10 563	19	10 544
Other operating income	140	18	122
Materials and services	-6 550	85	-6 635
Freight and sales commissions	-982	-5	-977
Personnel expenses	-1 390	-22	-1 368
Other operating expenses	-644	-42	-602
Share of results of equity accounted investments	102	2	100
Depreciation and impairment	-1 189	-39	-1 150
Operating Profit/Loss	**50**	**16**	**34**
Net financial items	-239	-16	-223
Profit/Loss before Tax	**-189**	**-**	**-189**
Income tax	118	-	118
Net Profit/Loss for the Period	**-71**	**-**	**-71**
Attributable to:			
Owners of the Parent	-53	-	-53
Non-controlling interests	-18	-	-18
	-71	-	-71
Earnings per Share			
Basic earnings per share, EUR	-0.07	-	-0.07
Diluted earnings per share, EUR	-0.07	-	-0.07

Consolidated Statement of Comprehensive Income

	Restated figures	Effect of restatement	Prior to restatement
EUR million	**2013**	**2013**	**2013**
Net profit/loss for the period	-71	-	-71
Other Comprehensive Income			
Items that will Not be Reclassified to Profit and Loss			
Actuarial gains and losses on defined benefit plans	74	-	74
Share of OCI of EAIs that will not be reclassified	-1	-	-1
Income tax relating to items that will not be reclassified	-27	-	-27
	46	**-**	**46**
Items that may be Reclassified Subsequently to Profit and Loss			
Share of OCI of EAIs that may be reclassified	13	-2	15
Currency translation movements on equity net investments (CTA)	-227	-	-227
Currency translation movements on non-controlling interests	-6	-	-6
Net investment hedges	23	-	23
Currency and commodity hedges	-26	2	-28
Available-for-sale financial assets	-101	-	-101
Income tax relating to items that may be reclassified	2	-	2
	-322	**-**	**-322**
Total Comprehensive Income	**-347**	**-**	**-347**
Total Comprehensive Income Attributable to:	-323	-	-323
Owners of the Parent	-24	-	-24
Non-controlling interests	**-347**	**-**	**-347**

Consolidated Statement of Financial Position

	Restated figures		Effect of restatement		Prior to restatement	
EUR million	**31 Dec 13**	**1 Jan 13**	**31 Dec 13**	**1 Jan 13**	**31 Dec 13**	**1 Jan 13**
Assets						
Non-current Assets						
PPE*, goodwill and other intangible assets	5 808	6 565	1 355	1 246	4 453	5 319
Biological assets	634	474	235	252	399	222
Emission rights	21	30	-	-	21	30
Equity accounted investments	1 013	941	-948	-1 024	1 961	1 965
Available-for-sale: Interest-bearing	10	96	-	-	10	96
Available-for-sale: Operative	361	451	-	-	361	451
Non-current loan receivables	80	134	-	-	80	134
Deferred tax assets	229	143	-	-	229	143
Other non-current assets	63	85	47	62	16	23
	8 219	**8 919**	**689**	**536**	**7 530**	**8 383**
Current Assets						
Inventories	1 445	1 510	69	52	1 376	1 458
Tax receivables	13	18	-	-1	13	19
Operative receivables	1 555	1 714	34	27	1 521	1 687
Interest-bearing receivables	147	211	-102	-86	249	297
Cash and cash equivalents	2 073	1 921	8	71	2 065	1 850
	5 233	**5 374**	**9**	**63**	**5 224**	**5 311**
Total Assets	**13 452**	**14 293**	**698**	**599**	**12 754**	**13 694**
Equity and Liabilities						
Owners of the Parent	5 213	5 770	-	-	5 213	5 770
Non-controlling Interests	60	92	-	-	60	92
Total Equity	**5 273**	**5 862**	**-**	**-**	**5 273**	**5 862**
Non-current Liabilities						
Post-employment benefit provisions	378	480	-	-	378	480
Other provisions	127	145	6	3	121	142
Deferred tax liabilities	312	358	12	18	300	340
Non-current debt	4 201	4 799	499	458	3 702	4 341
Other non-current operative liabilities	24	11	8	-1	16	12
	5 042	**5 793**	**525**	**478**	**4 517**	**5 315**
Current Liabilities						
Current portion of non-current debt	544	202	39	21	505	181
Interest-bearing liabilities	756	698	125	86	631	612
Operative liabilities	1 821	1 698	9	13	1 812	1 685
Tax liabilities	16	40	-	1	16	39
	3 137	**2 638**	**173**	**121**	**2 964**	**2 517**
Total Liabilities	**8 179**	**8 431**	**698**	**599**	**7 481**	**7 832**
Total Equity and Liabilities	**13 452**	**14 293**	**698**	**599**	**12 754**	**13 694**

* PPE = Property, Plant and Equipment

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 relate to:

- 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

	Year Ended 31 December	
EUR million	**2014**	**2013**
Sales	3 256	3 250
Changes in inventories of finished goods and work in progress	4	-15
Production for own use	-	-
Other operating income	171	170
Materials and services	-2 163	-2 293
Personnel expenses	-300	-307
Depreciation and value adjustments	-152	-348
Other operating expenses	-696	-658
Operating Profit (Loss)	**120**	**-201**
Net financial items	247	-123
Profit (Loss) before Extraordinary Items	**367**	**-324**
Extraordinary income	72	44
Profit (Loss) before Appropriations and Taxes	**440**	**-280**
Appropriations	127	318
Income tax expense	-	-1
Net Profit (Loss) for the Period	**567**	**37**

Parent Company Statement of Financial Position

Assets

	As at 31 December	
EUR million	**2014**	**2013**
Fixed Assets and Non-current Investments		
Intangible assets	37	34
Tangible assets	725	735
Shares in Group companies	6 752	6 871
Other investments	2 057	2 706
	9 571	**10 346**
Current Assets		
Inventories	452	455
Short-term receivables	826	693
Cash and cash equivalents	1 494	2 141
	2 772	3 289
Total Assets	**12 343**	**13 635**

Equity and Liabilities

	As at 31 December	
EUR million	**2014**	**2013**
Share capital	1 342	1 342
Share premium	3 639	3 639
Invested non-restricted equity fund	633	633
Retained earnings	459	659
Net profit (loss) for the period	567	37
	6 640	**6 310**
Appropriations	**4**	**131**
Provisions	**36**	**46**
Non-current Liabilities	**2 758**	**3 532**
Current Liabilities	**2 905**	**3 616**
Total Equity and Liabilities	**12 343**	**13 635**

Parent Company Cash Flow Statement

	Year Ended 31 December	
EUR million	**2014**	**2013**
Cash Provided by Operating Activities		
Net profit / loss for the period	567	37
Taxes	-	1
Appropriations	-128	-318
Extraordinary items	-72	-44
Depreciation and value adjustments	151	348
Unrealised foreign exchange wins and losses	-41	-75
Other non-cash items	-5	7
Financial income and expenses	-247	123
Interest received	131	88
Interest paid net of amounts capitalised	-211	-166
Dividends received	383	103
Other financial items paid net	-14	-3
Income taxes paid	-	-1
Change in net working capital	23	-22
Net Cash Provided by Operating Activities	**537**	**78**
Cash Flow from Investing Activities		
Capital expenditure	-145	-93
Proceeds from sale of fixed assets	1	4
Purchases of other investments	-9	-9
Investment in subsidiary shares	-98	-21
Proceeds from disposal of subsidiary shares	193	-
Investment in shares in equity accounted investments	-35	-
Proceeds from disposal of shares in equity accounted investments	62	-
Proceeds from disposal of shares in other companies	-	1
Proceeds from (payment of) long-term receivables net	466	-36
Net Cash Provided/Used in Investing Activities	**435**	**-154**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities net	-817	-376
Proceeds from (payment of) short-term borrowings net	-625	-190
Capital repayment / dividend per share paid/declared	-237	-237
Group contributions paid and received	44	14
Net Cash Used in Financing Activities	**-1 635**	**-789**
Net Increase (Decrease) in Cash and Cash Equivalents	**-662**	**-865**
Translation adjustment	26	-12
Cash and cash equivalents at start of year	2 130	3 007
Cash and Cash Equivalents at Year End	**1 494**	**2 130**

The Board of Directors' Proposal for the Distribution of Dividend

The Parent Company distributable shareholders' equity on 31 December 2014 amounted to EUR 1 659 290 671.87, including the profit for the period of EUR 566 614 608.04. 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 1 422 704 675.77
Distributable shareholders' equity on 31 December 2014, total	EUR 1 659 290 671.87

There have been no material changes in the Parent Company's financial position since 31 December 2014. The liquidity of the Parent Company remains good and the proposed dividend does not risk the solvency of the Company.

Helsinki, 4 February 2015

Gunnar Brock
Chairman

Juha Rantanen
Vice Chairman

Anne Brunila

Elisabeth Fleuriot

Hock Goh

Birgitta Kantola

Mikael Mäkinen

Richard Nilsson

Hans Stråberg

Karl-Henrik Sundström
CEO

Auditor's Report

Unofficial translation

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, 2014. 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, 4 February 2015

Deloitte & Touche Oy
Authorized Public Audit Firm

Jukka Vattulainen
APA

Capacities by Mill in 2015

Consumer Board

Consumer board	Location	Grade	Capacity 1 000 t
Barcelona	ESP	WLC	195
Fors	SWE	FBB	445
Imatra	FIN	SBS, FBB, LPB	1 110
Ingerois	FIN	FBB	280
Skoghall	SWE	LPB, CUK	840
Total			**2 870**
Plastic coating			
Skoghall (Forshaga)	SWE	Plastic coating	110
Imatra	FIN	Plastic coating	270
Total			**380**

Packaging Solutions

Containerboards	Location	Grade	Capacity 1 000 t
Heinola	FIN	SC fluting	300
Ostrołęka	POL	Testliner, PfR fluting, sack paper, wrapping paper	640
Total			**940**

Corrugated Packaging	Grade	Capacity million m²
Baltic states	Corrugated packaging	**135**
Kaunas		
Riga		
Tallinn		
Finland	Corrugated packaging	**180**
Heinola		
Lahti		
Tiukka		
Hungary	Corrugated packaging	**15**
Komárom		
Poland	Corrugated packaging	**345**
Łódz		
Mosina		
Ostrołęka		
Tychy		
Russia	Corrugated packaging	**345**
Arzamas		
Balabanovo		
Balabanovo offset		
Lukhovitsy		
Sweden	Corrugated packaging	**275**
Jönköping		
Skene		
Vikingstad		
Total	Corrugated packaging	**1 295**

Inpac	Location	Grade	Capacity million pcs	Capacity million m²
Chennai, Tamil Nadu	IND	Corrugated and consumer packaging	200	30
Gaobu, Dongguan	CHI	Corrugated and consumer packaging	285	50
Jiashan, Zhejiang	CHI	Corrugated and consumer packaging	50	10
Qian'an, Hebei	CHI	Corrugated and consumer packaging	495	55
Total			**830**	**135**

Biomaterials

Mill	Location	Grade	Segment	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	Consumer Board	460
Skutskär	SWE	Short, long-fibre and fluff pulp	Paper	540
Sunila	FIN	Long-fibre pulp	Paper	370
Montes del Plata (50% share)	URU	Short-fibre pulp	Biomaterials	600
Veracel (50% share)	BRA	Short-fibre pulp	Biomaterials	575
Total				**2 545**

Chemical Pulp

Mill	Location	Grade	Segment	Capacity 1 000 t
Heinola	FIN	Neutral Sulphite Semi-Chemical Pulp	Packaging Solutions	265
Kaukopää, Imatra	FIN	Short and long-fibre	Consumer Board	825
Nymölla	SWE	Short and long-fibre	Paper	335
Ostrołęka	POL	Long-fibre	Packaging Solutions	100
Oulu	FIN	Long-fibre	Paper	360
Skoghall	SWE	Long-fibre	Consumer Board	375
Tainionkoski, Imatra	FIN	Short and long-fibre	Consumer Board	180
Varkaus	FIN	Short and long-fibre	Paper	230[1]
Veitsiluoto	FIN	Short and long-fibre	Paper	375
Chemical Pulp Total (incl. Biomaterials)				**5 590**
of which market pulp[2]				1 920

[1] After the on-going conversion project, Varkaus mill's pulp capacity will be 310 kt/a unbleached long fibre pulp.

[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	GER	DIP	Printing and Reading	295
Ostrołęka	POL	Recycled fibre based pulp	Packaging Solutions	455
Sachsen	GER	DIP	Printing and Reading	430
Total				**2 310**

CTMP

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

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³	Pellet capacity 1 000 t	CLT capacity 1 000 t
Ala	SWE	380	45	-	-
Alytus	LIT	200	105	-	-
Amsterdam	NLD	-	110	-	-
Bad St. Leonhard	AUT	390	290	-	65
Brand	AUT	470	290	-	-
Gruvön	SWE	400	150	100	-
Hartola[1]	FIN	-	-	-	-
Honkalahti	FIN	310	90	-	-
Imavere	EST	350	190	100	-
Impilahti	RUS	130	20	15	-
Kitee	FIN	260	120	25	-
Launkalne	LAT	215	10	-	-
Murow	POL	150	20	-	-
Nebolchi	RUS	220	30	35	-
Näpi	EST	75	130	15	-
Pfarrkirchen	GER	-	140	-	-
Planá	CZE	340	270	-	-
Pälkäne[1]	FIN	-	-	-	-
Sollenau	AUT	0	20	-	-
Uimaharju	FIN	260	20	-	-
Varkaus	FIN	260	-	-	-
Veitsiluoto	FIN	-	-	-	-
Ybbs	AUT	590	420	-	75
Zdírec	CZE	550	290	30	-
Total		**5 550**	**2 760**	**320**	**140**

[1] Module construction capacity at Pälkäne (400 modules) and at Hartola (800 modules) not included in the total figures.

In addition, Veitsiluoto Sawmill in Finland with sawing capacity of 200 000 m^3 is reported in the Paper Segment.

Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	435
Arapoti	BRA	LWC	185
Corbehem	FRA	LWC	-
Dawang	CHN	SC	170
Hylte	SWE	News	480
Kabel	GER	LWC, MWC, HWC	495
Kvarnsveden	SWE	SC, news, impr. news	720
Langerbrugge	BEL	SC, news, impr. news, dir.	555
Maxau	GER	SC	530
Nymölla	SWE	WFU	500
Oulu	FIN	WFC	1 105
Sachsen	GER	News, directory	320
Suzhou	CHN	WFC	245
Uetersen[1]	GER	WFC	230
Varkaus[2]	FIN	WFU	285
Veitsiluoto	FIN	LWC, MWC, WFU	830
Total			**7 085**

[1] Stora Enso has signed an agreement to divest its Uetersen specialty and coated fine paper mill in Germany to a company mainly owned by the private equity fund Perusa Partners Fund 2. The transaction is expected to be completed in 2015 and is subject to regulatory approvals.

[2] Stora Enso will convert the Varkaus Mill fine paper machine to produce virgin-fibre-based containerboard in Q4/2015. Capacity of the paper machine is included in the table above. After the on-going conversion project, Varkaus mill's capacity will be 390 kt/a kraftliner.

See next page for the Abbreviations used in the tables.

Abbreviations used in the tables:

CLT	cross-laminated timber
CTMP	chemi-thermo-mechanical pulp
CUK	coated unbleached kraftboard
DIP	deinked pulp
FBB	folding boxboard
HWC	heavy-weight coated paper
LPB	liquid packaging board
LWC	light-weight coated paper
MWC	medium-weight coated paper
PfR	paper for recycling
SBS	solid bleached sulphate board
SC	super-calendered paper
WFC	wood free coated
WFU	wood free uncoated
WLC	white lined chipboard
WTL	white top liner

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 (%)	$100 \times \dfrac{\text{Operational EBIT}}{\text{Capital employed}^{1,\,2)}}$
Operational return on operating capital, Operational ROOC (%)	$100 \times \dfrac{\text{Operational EBIT}}{\text{Operating capital}^{1,\,2)}}$
Return on equity, ROE (%)	$100 \times \dfrac{\text{Profit before tax and non-controlling items – taxes}}{\text{Total equity}^{2)}}$
Interest-bearing net liabilities	Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio	$\dfrac{\text{Interest-bearing net liabilities}}{\text{Equity}^{3)}}$
EPS	$\dfrac{\text{Net profit/loss for the period}^{3)}}{\text{Average number of shares}}$
Payout ratio, excl. NRI, %	$100 \times \dfrac{\text{Dividend distribution / share}}{\text{EPS excl. NRI}}$
Dividend yield, %	$100 \times \dfrac{\text{Dividend distribution / share}}{\text{Closing price of share}}$
Price/earnings ratio (P/E), excl. NRI	$\dfrac{\text{Closing price of share}}{\text{EPS excl. NRI}}$
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

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 22 April 2015 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, 10 April 2015. 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 storaenso.com/agm.

AGM and dividend in 2015

10 April	Record date for AGM
22 April	Annual General Meeting (AGM)
23 April	Ex-dividend date
24 April	Record date for dividend
13 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 2014. 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 2015

4 February	Financial results for 2014
Week 8	Annual Report 2014
22 April	Interim Review for January–March
21 July	Interim Review for January–June
23 October	Interim Review for January–September

Distribution of financial information

Stora Enso's **Annual Report 2014** is comprised of four separate reports: Progress Book, Financial Report, Corporate Governance Report and Global Responsibility Performance.

Progress Book 2014 is published in English, Finnish and Swedish, and distributed to shareholders registered with Euroclear Finland and Euroclear Sweden who have requested a copy. Progress Book 2014 is downloadable as a PDF file from the Company's website.

Financial Report 2014 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 2014 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 Performance 2014 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
Toll-Free number (within the USA only): +1 866 706 0509
DB@amstock.com

Contacts

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

Concept and design: Miltton Oy

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

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

storaenso.com
group.communications@storaenso.com