

# Financial Report

**Part of Stora Enso's Annual Report 2015**



storaenso

THE RENEWABLE MATERIALS COMPANY

Stora Enso's Annual Report 2015 consists of four reports: Progress Book, Financial Report, Sustainability Report and Corporate Governance Report. All are available at [storaenso.com/annualreport](http://storaenso.com/annualreport).



**THE PROGRESS BOOK** explains Stora Enso's strategy, how we create value, and how our work is progressing. The publication is available in English, Finnish and Swedish.



**THE SUSTAINABILITY REPORT** covers Stora Enso's sustainability performance, following the Global Reporting Initiative G4 framework.



**THE FINANCIAL REPORT** consists of Stora Enso in capital markets, a summary of our sustainability performance, and the audited Report of the Board of Directors and financial statements.



**THE CORPORATE GOVERNANCE REPORT** covers Stora Enso's corporate governance policy, practices, and actions in 2015.

## In this report:

This publication consists of both audited and unaudited contents. The audited parts include the Report of the Board of Directors, financial statements, and notes. The unaudited parts – such as Stora Enso in 2015, Stora Enso in capital markets, and the Sustainability summary – are marked with grey on the top corner of the page. The official audited Financial statements (in Finnish) can be found on the company's website:

[storaenso.com/about/download-center](http://storaenso.com/about/download-center)

## Unaudited

# Contents

Stora Enso in 2015	2
Stora Enso in capital markets	4
Sustainability summary	12
Report of the Board of Directors	26
Consolidated financial statements	44
Notes to the Consolidated financial statements	50
Note 1 Accounting principles	50
Note 2 Critical accounting estimates and judgements	59
Note 3 Segment information	61
Note 4 Acquisitions and disposals	67
Note 5 Other operating income and expense	69
Note 6 Personnel expenses	70
Note 7 Board and executive remuneration	71
Note 8 Net financial items	75
Note 9 Income taxes	77
Note 10 Depreciation, amortisation and impairment charges	80
Note 11 Intangible assets and property, plant and equipment	83
Note 12 Biological assets	85
Note 13 Equity accounted investments	87
Note 14 Available-for-sale investments	92
Note 15 Other non-current assets	94
Note 16 Inventories	94
Note 17 Receivables	95
Note 18 Shareholders' equity	97
Note 19 Non-controlling interests	98
Note 20 Post-employment benefits	100
Note 21 Employee variable compensation and equity incentive schemes	106
Note 22 Other provisions	108
Note 23 Operative liabilities	110
Note 24 Financial risk management	111
Note 25 Fair values	118
Note 26 Debt	121
Note 27 Derivatives	124
Note 28 Cumulative translation adjustment and equity hedging	129
Note 29 Commitments and contingencies	132
Note 30 Principal subsidiaries and joint operations	134
Note 31 Related party transactions	136
Note 32 Earnings per share and equity per share	137
Extract from the parent company Stora Enso Oyj financial statements	138
The Board of Directors' Proposal for the distribution of dividend	140
Auditor's report	141
Capacities by mill in 2016	142
Calculation of key figures	145
Information for shareholders	146

# Stora Enso in 2015

## Why to invest in Stora Enso

Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions and paper on global markets. Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters and joinery and construction companies. Stora Enso is transforming from a traditional paper and board producer to a global renewable materials growth company.

### Key competitive differentiators are:

- From asset transformation to sales transformation – customer focus
- More innovative use of raw material and new innovations
- Investments in growth markets and businesses
- Growth businesses: packaging, biomaterials and wood products
- Cash generating paper business
- Sustainability as integrated part of the business

Stora Enso divisions are Consumer Board, Packaging Solutions, Biomaterials, Wood Products and Paper. In 2015, group sales totalled EUR 10.0 billion and operational EBIT EUR 915 million.

Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY) in the International OTCQX over-the-counter market.

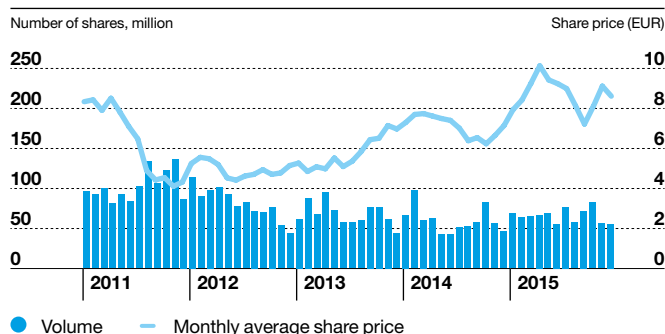
## Dividend proposal

EUR  
**0.33**

The Board of Directors' dividend proposal for the year 2015

## Share price performance and volumes

### Helsinki, Stora Enso R



## Key figures

	2015	2014	Change	Target
Sales, EUR million	10 040	10 213	-1.7%	
Operational EBITDA, EUR million	1 352	1 269	6.5%	
Operational EBIT, EUR million	915	810	13.0%	
Operational EBIT margin	9.1%	7.9%		
Operating profit (IFRS), EUR million	1 059	400	164.8%	
Net profit for the period, EUR million	783	90	n/m	
Net interest-bearing liabilities, EUR million	3 240	3 274	-1.0%	
Operational ROCE	10.6%	9.5%		> 13%
EPS (basic), EUR	1.02	0.13		
Net debt/last 12 months' operational EBITDA, ratio	2.4	2.6		< 3.0
Debt/equity ratio	0.60	0.65		< 0.8
Fixed costs to sales	25.0%	25.1%		< 20%

## Divisions in brief

### Consumer Board division

Consumer Board division develops and provides consumer packaging boards for printing and packaging applications. A wide board and barrier coating selection is suitable for design and optimisation of packaging for liquid, food, pharmaceutical and luxury goods. We serve brand owners globally and are expanding in growth markets such as China and Asia Pacific to meet rising demand.

Operational ROOC (2015)

**15.5%**  
(Target: > 20%)

### Packaging Solutions division

Packaging Solutions division develops fibre-based packaging, and operates at every stage of the value chain from pulp production, material and packaging production to recycling. Our solutions serve leading converters, brand owners and retailer customers helping to optimise performance, reduce total costs and enhance sales.

Operational ROOC (2015)

**11.1%**  
(Target: > 20%)

### Biomaterials division

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

Operational ROOC (2015)

**12.4%**  
(Target: > 15%)

### Wood Products division

Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of urban construction including massive wood elements and housing modules, wood components and pellets. We also offer a variety of sawn timber goods. Our customers are mainly construction and joinery companies, merchandisers and retailers. Wood Products operates globally and has more than 20 production units in Europe.

Operational ROOC (2015)

**15.7%**  
(Target: > 18%)

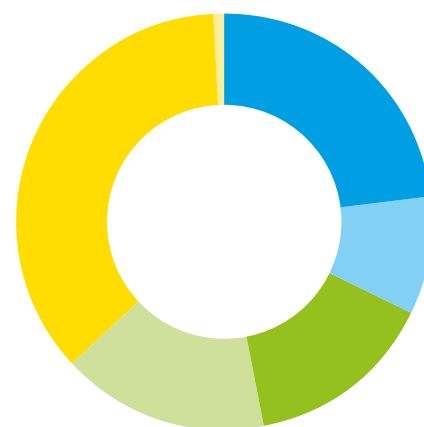
### Paper division

Paper 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. Our main customer groups include publishers, retailers, printing houses, merchants, converters and office suppliers. Our mills are located predominantly in Europe, as well as in China. Three of the mills produce paper based on 100%-recycled fibre.

Cash flow after investing activities to sales (2015)

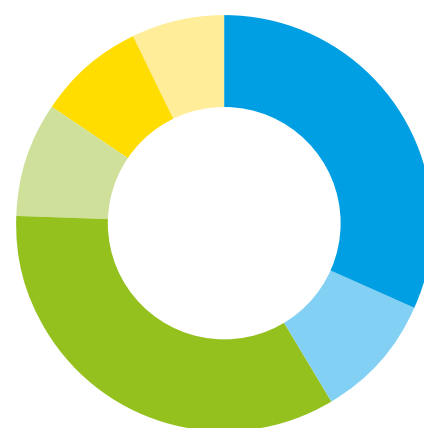
**5.5%**  
(Target: > 7%)

### Sales 2015



- Consumer Board **23%**
- Packaging Solutions **9%**
- Biomaterials **15%**
- Wood Products **16%**
- Paper **36%**
- Other and elimination of inter-segment sales **1%**

### Operational EBIT 2015



- Consumer Board **32%**
- Packaging Solutions **10%**
- Biomaterials **34%**
- Wood Products **9%**
- Paper **8%**
- Other **7%**

# Stora Enso in capital markets

## Shares and shareholders

### Shares and voting rights

The shares of Stora Enso Oyj (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 2015, Stora Enso had 176 532 090 A shares and 612 087 897 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 was 237 740 879.

### Share listings

Stora Enso shares are listed on the Nasdaq Helsinki and the Nasdaq Stockholm. Stora Enso shares are quoted in Helsinki in euros (EUR) and in Stockholm in Swedish crowns (SEK).

### American Depositary Receipts (ADRs)

Stora Enso has a sponsored Level I American Depositary Receipts (ADR) facility. 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. Following the change of the depositary bank in November 2015, Citibank, N.A. 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 2015, 155 853 506 of the Company’s shares were registered in Euroclear Sweden AB and 18 016 064 of the Company’s R shares were registered in ADR form in Citibank, N.A.

#### DISTRIBUTION BY BOOK-ENTRY SYSTEM, 31 DECEMBER 2015

Number of shares	Total	A shares	R shares
Euroclear Finland Oy	614 750 417	102 329 916	512 420 501
Euroclear Sweden AB <sup>1)</sup>	155 853 506	74 202 174	81 651 332
Citi administered ADRs <sup>1)</sup>	18 016 064	-	18 016 064
<b>Total</b>	<b>788 619 987</b>	<b>176 532 090</b>	<b>612 087 897</b>

<sup>1)</sup> Share registered in Euroclear Sweden and ADRs are both nominee registered in Euroclear Finland.

#### OWNERSHIP DISTRIBUTION, 31 DECEMBER 2015

	% of shares	% of votes	% of shareholders	% of shares held
FAM AB	10.2%	27.3%	0.0%	
Solidium Oy <sup>1)</sup>	12.3%	25.1%	0.0%	
Finnish institutions	15.6%	21.6%	2.9%	
Swedish institutions	5.4%	4.3%	1.5%	
Swedish private shareholders	3.5%	2.8%	47.8%	
Finnish private shareholders	4.0%	2.4%	44.9%	
ADR holders	2.3%	0.8%	1.9%	
Under nominee names (non-Finnish/non-Swedish shareholders)	46.7%	15.7%	1.0%	

<sup>1)</sup> Entirely owned by the Finnish State.



## Share capital

On 31 December 2015, 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 524 114 A shares into R shares during the year were recorded in the Finnish Trade Register on 15 January, 16 February, 15 May, 15 June, 15 July, 15 September, 16 November, and 15 December 2015.

### CHANGES IN SHARE CAPITAL 2008–2015

	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (EUR million)
<b>Stora Enso Oyj, 1 Jan 2008</b>	<b>177 479 033</b>	<b>612 059 466</b>	<b>789 538 499</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2007–Nov 2008	-326 602	326 602	-	-
<b>Stora Enso Oyj, 31 Dec 2008</b>	<b>177 152 481</b>	<b>612 386 018</b>	<b>789 538 499</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2008–Nov 2009	-2 397	2 397	-	-
<b>Stora Enso Oyj, 31 Dec 2009</b>	<b>177 150 084</b>	<b>612 388 415</b>	<b>789 538 499</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2009–Nov 2010	-300	300	-	-
<b>Stora Enso Oyj, 31 Dec 2010</b>	<b>177 149 784</b>	<b>612 388 715</b>	<b>789 538 499</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2010–Nov 2011	-1 012	1 012	-	-
<b>Stora Enso Oyj, 31 Dec 2011</b>	<b>177 148 772</b>	<b>612 389 727</b>	<b>789 538 499</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2011–Nov 2012	-1 000	1 000	-	-
<b>Stora Enso Oyj, 31 Dec 2012</b>	<b>177 147 772</b>	<b>612 390 727</b>	<b>789 538 499</b>	<b>1 342</b>
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	-	-
<b>Stora Enso Oyj, 31 Dec 2013</b>	<b>177 096 204</b>	<b>611 523 783</b>	<b>788 619 987</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2013–Nov 2014	-40 000	40 000	-	-
<b>Stora Enso Oyj, 31 Dec 2014</b>	<b>177 056 204</b>	<b>611 563 783</b>	<b>788 619 987</b>	<b>1 342</b>
Conversion of A shares into R shares, Dec 2014–Nov 2015	-524 114	524 114	-	-
<b>Stora Enso Oyj, 31 Dec 2015</b>	<b>176 532 090</b>	<b>612 087 897</b>	<b>788 619 987</b>	<b>1 342</b>

For more historical data about the share capital, please visit [storaenso.com/investors](http://storaenso.com/investors).

## Stora Enso's activities in capital markets during 2015

Stora Enso's Investor Relations activities cover equity and fixed-income markets to ensure full and fair valuation of the Company, continual access to funding sources and stable bond pricing. Investors and analysts are met on a regular basis in Europe, North America, and parts of Asia and Latin America. In 2015 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 and Brazil 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.

Capital markets day (CMD) took place on 28 May 2015 in London. The main themes were packaging and packaging innovation. At the event, Stora Enso announced co-operation in smart packaging with NXP semiconductor to increase the intelligence of renewable packaging. At the event, the CEO, CFO, the Divisional heads of Consumer Board and Packaging Solutions, the Consumer Board head of Innovation and the head of the Guangxi consumer board investment project gave their presentations, which were followed by innovation demonstrations and panel discussion. The CMD was attended by sell-and-buy side analysts, equity and fixed income investors, and relationship bank representatives.

## Shareholdings of other group-related bodies at 31 December 2015

E.J. Ljungberg's Education Foundation owned 1 780 540 A shares and 2 336 224 R shares, E.J. Ljungberg's Foundation owned 39 534 A shares and 101 579 R shares, Mr. and Mrs. Ljungberg's Testamentary Foundation owned 5 093 A shares and 13 085 R shares and Bergslaget's Healthcare Foundation owned 626 269 A shares and 1 609 483 R shares.

## Shareholders

At the end of 2015 the Company had approximately 73 619 registered shareholders, including about 36 751 Swedish shareholders and about 1 406 ADR holders. Each nominee register is entered in the share register as one shareholder.

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 2015

By voting power	A shares	R shares	% of shares	% of votes
1 FAM AB	63 123 386	17 000 000 <sup>1)</sup>	10.2%	27.3%
2 Solidium Oy <sup>2)</sup>	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%	6.6%
5 MP-Bolagen i Vetlanda AB, MP Skog Aktiebolag, (Werner von Seydlitz)	4 748 000	4 652 000	1.2%	2.2%
6 Ilmarinen Mutual Pension Insurance Company	3 492 740	13 521 189	2.2%	2.0%
7 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.8%
8 Nordea Investment Funds	8 875	10 370 066	1.3%	0.4%
9 The State Pension Fund	-	8 100 000	1.0%	0.3%
10 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
11 Swedbank Robur Funds	-	6 260 809	0.8%	0.3%
12 Unionen (Swedish trade union)	-	5 297 200	0.7%	0.2%
13 Keva (Local Government Pensions Institution)	-	5 251 101	0.7%	0.2%
14 Investment Fund Nordea Suomi	-	3 911 000	0.5%	0.2%
15 SEB Investment Management	-	3 854 371	0.5%	0.2%
<b>Total</b>	<b>168 772 950</b>	<b>126 063 783</b>	<b>37.5%<sup>3)</sup></b>	<b>76.2%<sup>3)</sup></b>
Nominee-registered shares	74 431 798	453 244 404	66.9% <sup>3) 4)</sup>	50.4% <sup>3)</sup>

<sup>1)</sup> As confirmed to Stora Enso.

<sup>2)</sup> Entirely owned by the Finnish State.

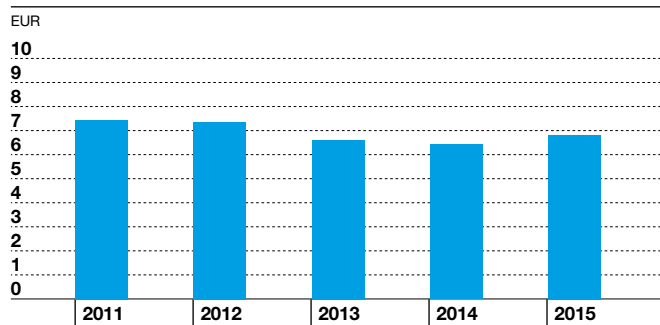
<sup>3)</sup> As some of the shareholdings on the list are nominee registered, the percentage figures do not add up to 100%.

<sup>4)</sup> According to Euroclear Finland.

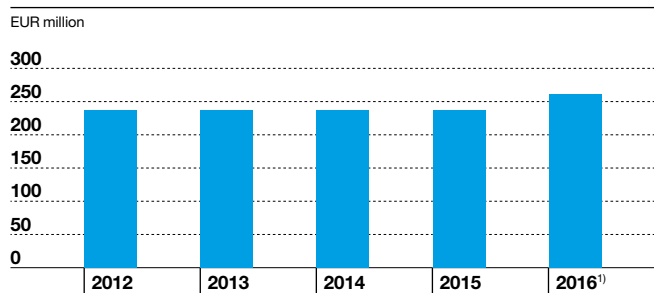
The list has been compiled by the Company on the basis of shareholder information obtained from Euroclear Finland, Euroclear Sweden and a database managed by Citibank, N.A. This information includes only directly registered holdings, thus certain holdings (which may be substantial) of shares held in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



## Equity per share



## Distributed dividend



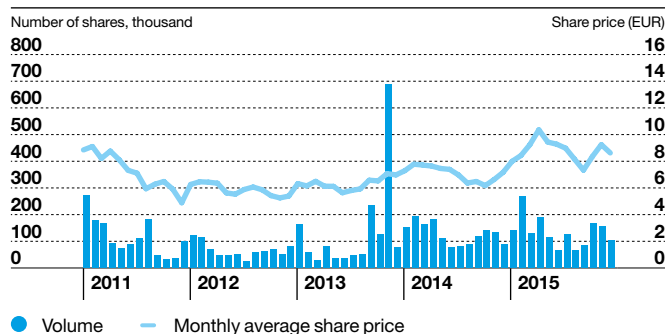
<sup>1)</sup> Board of Director's proposal to the AGM for the distributed dividend.

## Share price performance and volumes

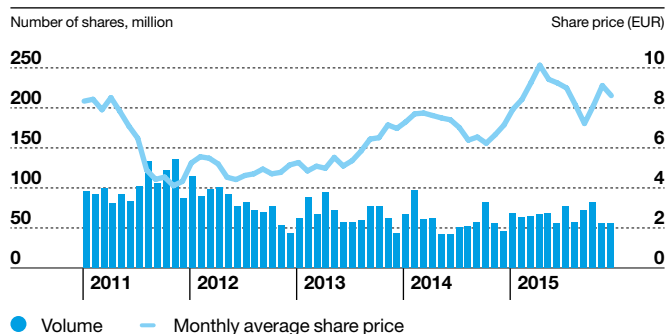
### Helsinki

The Stora Enso R (STERV) share price increased by 13% during 2015 (2% increase in 2014). During the same period, the OMX Helsinki Index increased by 11%, the OMX Helsinki Benchmark Index by 13% and the OMX Helsinki Basic Materials Index by 12%.

### Helsinki, Stora Enso A



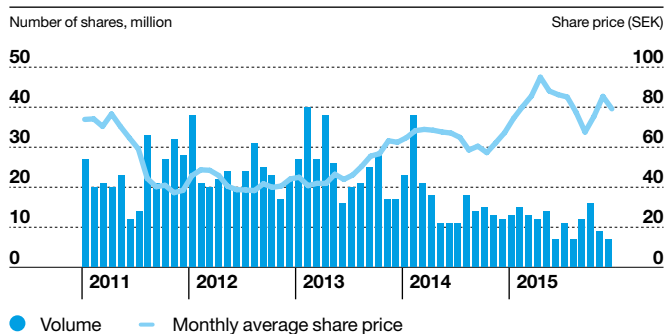
### Helsinki, Stora Enso R



### Stockholm

The Stora Enso R (STE R) share price increased during 2015 by 9% (9% increase in 2014). Over the same period, the OMX Stockholm 30 Index decreased by 1% and the OMX Stockholm Basic Materials Index increased by 5%.

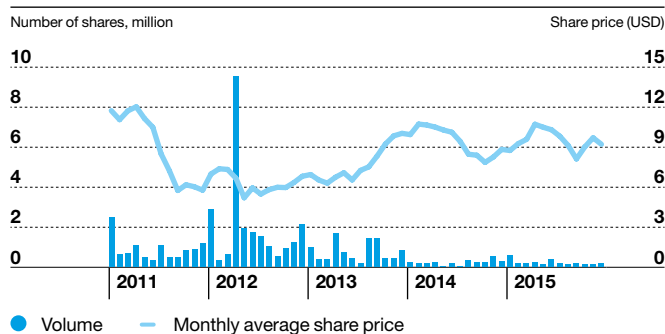
### Stockholm, Stora Enso R



### OTCQX

On the International OTCQX, the Stora Enso ADR (SEOAY) share price increased by 3% during 2015 (12% decrease in 2014). Over the same period, the Standard & Poor's Global Timber and Forestry Index decreased by 9.4%.

### New York, Stora Enso ADR



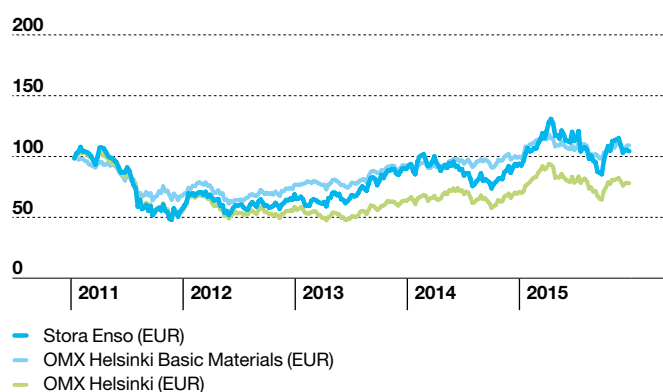
## SHARE PRICES AND VOLUMES 2015

		Helsinki, EUR	Stockholm, SEK	OTCQX, USD
High	A share	11.01	101.50	-
	R share	10.95	101.70	11.49
Low	A share	6.70	63.00	-
	R share	6.58	62.45	7.50
Closing, 31 Dec 2015	A share	8.40	76.90	-
	R share	8.39	76.80	9.10
Change from previous year	A share	12%	10%	-
	R share	13%	9%	3%
Cumulative trading volume, no. of shares	A share	1 640 956	2 551 087	-
	R share	798 507 201	144 012 706	2 887 057

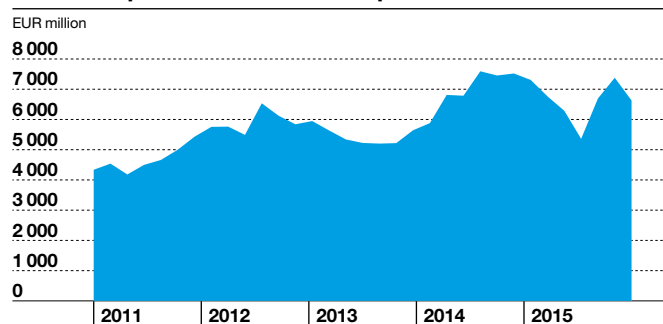
The volume-weighted average price of R shares over the year was EUR 8.70 in Helsinki (EUR 7.16 in 2014), SEK 81.43 in Stockholm (SEK 65.51 in 2014) and USD 9.62 on the International OTCQX (USD 9.71 in 2014). The percentage of R shares traded was 56.1% (51.1% in 2014) in alternative trading venues, 37.1% (37.8% in 2014) in Helsinki, 6.7% (10.9% in 2014) in Stockholm and 0.1% (0.2% in 2014) on the International OTCQX. Total market capitalisation on the OMX Helsinki at year-end was EUR 6.6 billion.

## Stora Enso R Share vs Nasdaq Helsinki indices

1.1.2010 = 100

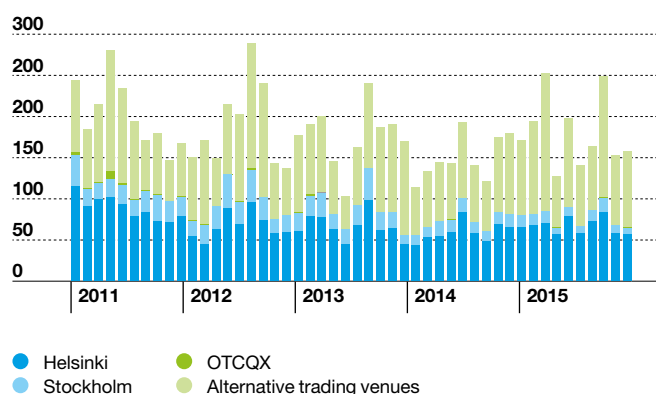


## Market capitalisation on Nasdaq Helsinki



## Monthly R shares trading volumes

Number of shares, million



## Alternative trading venues

Stora Enso shares can be traded outside Nasdaq Helsinki and Nasdaq Stockholm, where the shares are listed. During 2015, the largest alternative trading venues included BATS OTC, BATS Chi-X CXE, BOAT, Turquoise, BATS Chi-X BXE, LSE, Paris, OMX OTC, Posit, and UBS MTF. The alternative trading venues' market share of monthly turnover in Stora Enso shares varied between 48% and 66%. Of the alternative trading venues, BATS OTC had the biggest share of the volume with 31% on an annual basis (BATS OTC had the biggest share of the volume in 2014 with 36%).

## STORA ENSO IS INCLUDED IN AT LEAST THE FOLLOWING INDICES

OMX INDICES	STOXX INDICES	FTSE INDICES	MSCI INDICES	SUSTAINABILITY INDICES
<ul style="list-style-type: none"> <li>• OMX Helsinki OMX Helsinki</li> <li>• OMX Helsinki 25</li> <li>• OMX Helsinki Cap</li> <li>• OMX Helsinki Benchmark</li> <li>• OMX Helsinki Basic Materials</li> <li>• OMX Helsinki Basic Resources</li> <li>• OMX Helsinki Forestry &amp; Paper</li> <li>• OMX Stockholm</li> <li>• OMX Stockholm Basic Materials</li> <li>• OMX Stockholm Forestry &amp; Paper</li> <li>• OMX Nordic</li> <li>• OMX Nordic Large Cap</li> </ul>	<ul style="list-style-type: none"> <li>• STOXX Global 1800</li> <li>• STOXX Europe 600</li> <li>• STOXX Europe Mid 200</li> <li>• STOXX Nordic</li> <li>• EURO STOXX</li> <li>• EURO STOXX Basic Materials</li> <li>• EURO STOXX Basic Resources</li> </ul>	<ul style="list-style-type: none"> <li>• FTSE RAFI All-World 3000</li> <li>• FTSE RAFI Developed 1000</li> <li>• FTSE Finland 25 Index</li> </ul>	<ul style="list-style-type: none"> <li>• MSCI Finland</li> <li>• MSCI Europe</li> <li>• MSCI World</li> </ul>	<ul style="list-style-type: none"> <li>• Carbon Disclosure Project's (CDP) Nordic Carbon Disclosure Leadership Index (CDLI)</li> <li>• FTSE4 Good Index</li> <li>• UN Global Compact 100 Stock Index</li> <li>• STOXX Global ESG Leaders Indices</li> <li>• ECPI Ethical Indices</li> <li>• OMX GES Sustainability Finland index</li> <li>• Ethibel Sustainability Index (ESI) Excellence Europe and Excellence Investment Register</li> <li>• Euronext Vigeo - Europe 120</li> <li>• MSCI Global Sustainability and SRI Indexes</li> </ul>

Read more about sustainability indices in the Sustainability Report 2015.

In 2016, Stora Enso is shifting its strategy regarding the provision of ESG information to its stakeholders. The emphasis is to keep sustainability information widely available on the group website to benefit and serve different stakeholders in equal manner. As a consequence, Stora Enso simultaneously reduces the number of sustainability index survey questionnaires in which it participates. The group is targeting its participation in those questionnaires and enquiries that it has assessed to be the most material.

## 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 2006–2015, TOTAL OPERATIONS (FOR CALCULATIONS SEE PAGE 145)**

According to Nasdaq Helsinki	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Earnings/share, EUR	1.02	0.13	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74
– diluted, EUR	1.02	0.13	-0.07	0.61	0.43	0.97	-1.12	-0.85	-0.27	0.74
– excl. NRI, EUR	1.24	0.40	0.40	0.33	0.63	0.79	0.19	0.19	0.88	0.55
Equity/share, EUR	6.83	6.43	6.61	7.32	7.45	7.87	6.50	7.09	9.63	10.04
Dividend and distribution/share, EUR	0.33 <sup>1)</sup>	0.30	0.30	0.30	0.30	0.25	0.20	0.20	0.45	0.45
Payout ratio, excl. NRI, %	27	75	75	91	48	32	105	105	51	82
Dividend and distribution yield, %										
A share	3.9	4.0	4.1	5.3	5.9	3.2	3.4	3.6	4.4	3.7
R share	3.9	4.0	4.1	5.7	6.5	3.3	4.1	3.6	4.4	3.8
Price/earnings ratio (P/E), excl. NRI										
A share	6.8	18.7	18.3	17.3	8.0	10.0	30.8	29.6	11.6	22.4
R share	6.8	18.6	18.3	15.9	7.3	9.7	25.7	29.1	11.6	21.8
Share prices for the period, EUR										
A share										
– closing price	8.4	7.48	7.31	5.70	5.03	7.90	5.85	5.63	10.19	12.30
– average price	8.87	7.29	6.82	6.15	7.73	6.47	5.03	7.48	12.71	12.10
– high	11.01	8.35	7.49	7.15	9.80	7.94	7.55	11.20	14.65	13.80
– low	6.70	5.73	5.42	5.10	4.70	5.30	2.82	5.16	9.80	10.16
R share										
– closing price	8.39	7.44	7.30	5.25	4.63	7.69	4.88	5.52	10.24	12.00
– average price	8.7	7.16	5.79	5.08	6.28	6.03	4.27	7.32	12.67	11.89
– high	10.95	8.38	7.54	5.95	8.99	7.79	6.16	10.44	14.56	13.58
– low	6.58	5.71	4.76	4.14	3.73	4.15	2.65	5.10	9.99	10.01
Market capitalisation at year-end, EUR million										
A share	1 483	1 324	1 295	1 010	891	1 400	1 036	997	1 809	2 191
R share	5 135	4 547	4 464	3 212	2 835	4 709	2 989	3 381	6 267	7 337
Total	6 618	5 871	5 756	4 222	3 726	6 109	4 025	4 378	8 076	9 528
Number of shares at the end of period, (thousands)										
A share	176 532	177 056	177 096	177 148	177 149	177 150	177 150	177 152	177 479	178 103
R share	612 088	611 564	611 524	612 391	612 389	612 389	612 388	612 386	612 059	611 435
Total	788 620	788 620	788 620	789 538	789 538	789 538	789 538	789 538	789 538	789 538
Trading volume, (thousands)										
A share	1 641	1 553	1 656	831	1 402	1 887	2 536	1 712	5 409	1 403
% of total number of A shares	0.9	0.9	0.9	0.5	0.8	1.1	1.4	1.0	3.1	0.8
R share	798 507	731 067	828 401	977 746	1 237 898	1 194 245	1 297 668	1 231 605	1 263 658	1 165 656
% of total number of R shares	130.5	119.5	135.5	159.7	202.1	195.0	211.9	201.1	206.5	190.6
Average number of shares (thousands)										
basic	788 620	788 620	788 620	788 620	788 620	788 619	788 620	788 620	788 599	788 578
diluted	789 809	789 210	788 620	788 620	788 620	788 619	788 620	788 620	788 751	788 863

<sup>1)</sup> 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 ratings and outlooks from Moody's and Standard & Poor's (S&P) are shown below.

### RATINGS AS AT 31 DECEMBER 2015

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (stable)/B	11 September 2013
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 2015

	EUR	USD	SEK
Public issues	EUR 500 million 2018 EUR 500 million 2019	USD 300 million 2036	SEK 500 million 2017 SEK 2 200 million 2017
Private placements	EUR 225 million	USD 50 million	
Financial institutions	EUR 507 million	USD 1 243 million	
Pension commitment loans	EUR 9 million		
Commercial paper issues	EUR 10 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 Revolving Credit Facility 2019 <sup>1)</sup>	

<sup>1)</sup> Undrawn committed credit facility EUR 700 million.

Read more about:  
Debt and loans in Note 26  
[storaenso.com/debt](http://storaenso.com/debt)

# Sustainability summary

This is an unaudited summary of sustainability topics material to Stora Enso's long-term success. The contents are derived from related sections of Stora Enso's Sustainability Report 2015. The full report can be downloaded from [storaenso.com/sustainabilityreport](http://storaenso.com/sustainabilityreport)

In 2015, three Lead Areas formed the framework for Stora Enso's sustainability work: *People and Ethics*, *Forests and Land Use*, and *Environment and Efficiency*.

Targets and key performance indicators (KPIs) on sustainability are incorporated into group-level and division-level monthly performance reporting and periodic business reviews. Consolidated results on material sustainability indicators are reported annually in the Sustainability Report. Selected sustainability targets and KPIs are also reported quarterly in Interim Reviews.

Stora Enso's Sustainability Policy, Code of Conduct and other policies, guidelines, and statements related to sustainability spell out Stora Enso's approach to topics that are material to the group, while also guiding employees in their everyday work. These documents are available at [storaenso.com/sustainability](http://storaenso.com/sustainability).

## Sustainability governance

Sustainability is a key element of Stora Enso's corporate governance, promoted by the Board of Directors, the CEO, and the Group Leadership Team (GLT). The CEO carries the ultimate responsibility for the successful implementation of Stora Enso's Sustainability Strategy.

The Board of Directors' Sustainability and Ethics Committee, established in 2013, oversees the implementation of Stora Enso's Sustainability Strategy and Ethics and Compliance Strategy. The committee met four times in 2015, and has also reviewed the disclosures in Stora Enso's Sustainability Report 2015. The main focus areas of the committee in 2015 are described in Stora Enso's **Corporate Governance Report**.

Stora Enso's sustainability governance was reinforced during the year following organisational changes in 2014, when Sustainability became an independent function with its own Executive Vice President, who reports directly to the CEO. This position was permanently filled in April 2015.

Everyday sustainability topics are handled by Stora Enso's Sustainability function together with the Legal, Human Resources, and Sourcing functions and the divisions, who are responsible for the operational management of sustainability topics. Stora Enso's sustainability work is steered by the Stora Enso Sustainability Performance Network (SPN), whose members come from the group Sustainability team, divisions and other key functions. The SPN's work involves issuing recommendations to the CEO, the Group Leadership Team, and when appropriate, to the Board of Directors via its Sustainability and Ethics Committee.

The implementation of Stora Enso's sustainability agenda is the responsibility of line management supported by functional experts

at all levels. Each of the group's business divisions has its own Head of Sustainability who reports directly to the Executive Vice President of the division. In addition, other key units such as Wood Supply, Logistics, and Sourcing have sustainability experts of their own to support their management teams.

Since 2014 Stora Enso has focused on developing internal controls and reporting procedures for environmental, social, and governance topics. During 2015 sustainability was further embedded into Stora Enso's group-wide annual Enterprise Risk Management (ERM) assessment process, following a risk evaluation conducted in 2014. Related progress is monitored in the group's quarterly business performance reviews.

## Sustainability governance of joint ventures

Stora Enso's joint operations in Brazil (Veracel) and Uruguay (Montes del Plata) have their own sustainability teams, and sustainability topics are regularly discussed by their boards. The group's equity-accounted investment in Pakistan (Bulleh Shah Packaging (Private) Limited) has a Sustainability Committee formed by representatives of top management and its parent companies. In 2015 Stora Enso's Board of Directors established additional steering for joint ventures, including those controlling forest assets in Finland and Sweden.

## Reviewing the sustainability strategy

During 2015, Stora Enso continued to evaluate its current sustainability strategy, and plans to further develop the sustainability agenda during 2016. The goal is to make Stora Enso's short-term and long-term ambitions clearer in sustainability work and communications, emphasising the economic, social, and environmental impacts of the group's operations throughout the value chain.

## About this summary

This sustainability summary discloses Stora Enso's performance on key sustainability areas, applying a four-level framework for each area.

**Opportunities and challenges:** These sections examine the external factors and global trends currently affecting Stora Enso's sustainability agenda. Please note that the group's corporate risk management assessment appears in Note 24 Financial risk management and in the parallel **Progress Book**.

**Our policies:** These sections set out the relevant strategies and policies the group uses to address key opportunities and challenges.

**How we work:** These sections describe the processes, procedures, and systems Stora Enso applies to realise its strategies and policies.

**Progress:** These sections report on the group's progress on related topics during 2015.

# Human rights

## Opportunities and challenges

Stora Enso's operations extend to challenging operational markets such as China, Pakistan, Laos, and Brazil. Many of the human rights challenges Stora Enso faces are deeply rooted in local society, and can only be effectively addressed through long-term commitment and close cooperation with global and local stakeholders.

The UN Guiding Principles emphasise that companies have an ongoing responsibility to respect human rights, even where governments and regulatory frameworks have gaps in adhering to human rights. They recommend that companies implement human rights due diligence procedures that identify, assess, and address the human rights risks and impacts of their operations, products, and services.

## Our policies

Stora Enso's human rights commitment covers employees and on-site contractors, external suppliers of materials and services, business partners, and communities near the group's operations. Stora Enso's overall sustainability agenda is committed to the ten principles of the UN Global Compact, including the principles on human rights.

Relevant Stora Enso policies and statements include:

- Code of Conduct
- Supplier Code of Conduct
- Human Rights Statement, which expresses respect for international and regional human rights instruments including:
  - The UN International Bill of Human Rights
  - The core labour rights conventions of the International Labour Organisation (ILO)
  - ILO Convention no. 169 on the Rights of Indigenous Peoples, including the principle of Free, Prior, and Informed Consent and Participation
  - The OECD's Guidelines for Multinational Enterprises
  - Children's Rights and Business Principles developed by UNICEF, the UN Global Compact, and Save the Children.

## How we work

Human rights risks are taken into account across Stora Enso's operations from investment decisions onwards, including mergers and acquisitions. Stora Enso's investment guidelines stipulate that environmental and social risks and impacts, including those related to human rights, must be duly identified, assessed, and addressed prior to any investments in projects with business critical risks. Business ethics risks and specific investments' compliance with Stora Enso's Code of Conduct and Business Practice Policy are also assessed.

Stora Enso's human rights due diligence procedures include:

- Environmental and social impact assessments (ESIAs)
- Human rights assessments conducted in cooperation with the Danish Institute for Human Rights (DIHR) and used to define related human rights action plans
- Appropriate grievance and remediation mechanisms
- Accountability through transparent reporting.

## Progress

Stora Enso had all action plans in place by the end of the second quarter of 2015 to address human rights assessment findings, six months ahead of its target. Implementation of the action plans is well underway.

### PROGRESS ON THE IMPLEMENTATION OF PREVENTIVE AND REMEDIATION ACTIONS AS OF 31 DEC 2015

	Completed	On track	Not on track	Actions requiring regular review <sup>1</sup>
Implementation progress, % of all actions	69%	14%	12%	5%

<sup>1</sup>Longer-term actions with no targeted end-date that require continuous review.

In April 2015 Stora Enso signed a unique public-private partnership with the International Labour Organisation (ILO) to strengthen Stora Enso's global policy, to promote decent work, and to combat child labour in the supply chain of Bulleh Shah Packaging (BSP) in Pakistan. The agreement has global and Pakistani components.

Although BSP rigorously audits its direct business partners and second-tier biomass sub-suppliers, child labour continues to be a problem in the communities where BSP sources raw materials. Combatting child labour consequently remains a challenge with regard to the company's supply chains. As this issue cannot be addressed solely through auditing, BSP has resolved to adopt a more comprehensive approach through the ILO partnership. The ILO will support BSP's efforts to systematically address the issue of child labour through research into root causes, community-level awareness-raising measures, and capacity building among suppliers, families, and young workers, aiming to combat child labour and promote decent work.

During 2015 BSP's audit team conducted a total of 395 supplier audits (267 during 2014). Out of all the audits 293 (169) were audits of suppliers of recycled paper products and agricultural by-products, including 20 follow-up audits in 2015. The company also audits second tier sub-suppliers of agricultural by-products. Out of all the audits of agricultural by-product suppliers 123 (44) were audits of sub-suppliers. In addition to the audits conducted by BSP's in-house audit team, the external assurance provider SGS realised 30 further third-party audits during 2015 (21).

# Community engagement

## Opportunities and challenges

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Stora Enso's mills, tree plantations, forestry, and other operations are often located near rural communities. These communities are among the group's most important stakeholders. Stora Enso is a major employer, tax-payer, and partner for local entrepreneurs in many localities. To ensure that Stora Enso's production, raw material sourcing, and labour supply are both sustainable and competitive, it is crucial that these rural communities thrive economically, socially, and environmentally.

Stora Enso's mills are heavily dependent on energy and raw materials, and they generate emissions that may impact adjoining communities. The group's tree plantations in China, Brazil, and Uruguay influence local land use, livelihoods, and ecosystems. The group's socio-environmental impacts must be managed responsibly, in order to maximise their positive influence, maintain cooperative community relations, and ensure a long-term license to operate.

## Our policies

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- Code of Conduct
- Social Responsibility Guidelines
- Stakeholder Guidelines
- Human Rights Statement
- Tax Policy.

The group's joint ventures have developed or are in the process of developing formal procedures for their community engagement work.

## How we work

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In response to the potential impacts that Stora Enso's activities may have on neighbouring communities, the group's operations have implemented various precautionary management actions. These include:

- Environmental and social impact assessments (ESIAs) for all new projects that could cause significant adverse effects in local communities
- Due diligence assessments invariably realised as part of Stora Enso's acquisition and investment processes. Conducted prior to any investment decision, these assessments cover relevant factors related to environmental, social, and business practice issues.
- Environmental management systems such as ISO 14001 for production units
- Sustainable forest management certification of Stora Enso's own forestry operations and suppliers
- Investments in capacity building and local sourcing, local nature conservation, agroforestry programmes, and socio-economic development projects in local communities
- Restructuring processes planned in cooperation with the authorities.



## Progress

### Guangxi, China

Stora Enso's field staff and social engagement officers speak regularly with members of communities in the vicinity of the group's plantations and mill site, to inform them about Stora Enso's operations and enable them to express their concerns and contribute ideas. Stora Enso strives to promote gender inclusivity, and to ensure that less vocal villagers are also consulted. To support this work, during 2015 Stora Enso continued to work with the Netherlands Centre for Indigenous Peoples in Guangxi to assess and improve the process of community consultation, including Free, Prior and Informed Consent where applicable.

During 2015 Stora Enso further enhanced its structured and systematic community engagement work in Guangxi. Work began on the creation of an ISO 26000 social responsibility management system, in cooperation with the non-profit organisation BSR. Stora Enso aims to implement the new system in 2016.

Stora Enso has continued to support local villages around its plantations through its Community Development Fund. In 2015, funding amounting to EUR 132 000 (EUR 164 000 in 2014) was allocated to a total of 62 projects in 59 villages across Guangxi (92 projects in 67 villages), including the development of infrastructure, sanitation facilities, and support for schools.

### Veracel, Brazil

During 2015 Veracel continued to engage in dialogue with the Government of the State of Bahia, the National Institute of Colonisation and Agrarian Reform (INCRA), and the representatives of landless people's social movements. Through the Sustainable Settlement Initiative these social movements have pledged to leave areas occupied since July 2011, while Veracel has agreed not to seek to repossess areas occupied before that date. The initiative relates to a total of 16 500 hectares of Veracel's lands designated for the settlements, including 14 000 hectares covered by the recent negotiations and 2 500 hectares covered by an earlier agreement with the Movement of Landless Workers (MST).

At the end of 2015, additional areas of Veracel's land totalling 5 461 hectares (2 219 ha at the end of 2014) were occupied by landless people's movements not involved in the Sustainable Settlement Initiative. The occupied area increased during the first quarter of 2015 mainly due to new occupations by the Federation of Family Agriculture Workers (FETRAF).

In 2012 Veracel launched a major initiative together with the state government, known as the Pact for the Development of the Discovery Coast. With investments of EUR 135 000 by the end of 2015 (EUR 24 000 in 2014 and EUR 319 000 in 2013), the pact is

benefitting family farmers in several communities near Veracel. The Pact's projects contribute to the sustainable development of family farming by forming associations for small producers and indigenous communities.

### Montes del Plata, Uruguay

As part of its vision of sustainable growth Montes del Plata has continued to create strategic alliances with local rural producers. More than 300 producers have enabled forestry plantations on their lands to be leased and managed by Montes del Plata. Such areas total approximately 35 000 hectares. It has been estimated that these plantation areas will account for one-third of all the wood procured by Montes del Plata. At the end of 2015, 180 farmers near Montes del Plata's operations were also using pastures in the company's lands for cattle grazing and honey production.

Montes del Plata's Good Neighbour Programme and the mill management's Ethos group aim to ensure that communities affected by the mill or forestry operations become better acquainted with Montes del Plata and its activities, and form a positive relationship with the company. This will also encourage them to approach the company with any possible concerns or complaints.

### Bulleh Shah Packaging, Pakistan

Stora Enso supports six schools in cooperation with the Pakistani non-governmental organisation Idara-e-Taleem-o-Aagahi. By the end of 2015, all of the 640 children identified as child workers in 2014 were attending the schools. The children are enabled to attend school for up to eight years. The group is also working to improve the marketable abilities and life skills of local parents and young workers.

### Laos

In Laos Stora Enso has continued to develop an agroforestry model that combines tree-growing with food production. As part of the related land compensation scheme, Stora Enso has set up a village development fund which aims to distribute benefits fairly and equally amongst villagers, and to further support local development and livelihoods. Most of the EUR 221 000 of funding allocated during 2015 (EUR 168 000 during 2014) was directed to infrastructure projects such as electricity and water supply connections, road upgrading, and purchases of livestock to enhance food security.

### Chennai, India

In June 2015 Stora Enso announced the permanent closure of the group's corrugated packaging converting unit in Chennai due to long-term unprofitability and a major decrease in local market demand. The mill closure involved negotiations with the local employees' union. The mill had employed 350 people, who received compensation and other support including training, medical care, and assistance in finding new employment.

# Our workforce

## Opportunities and challenges

Growing in new markets with a new, younger workforce while dealing with the different demographics of Stora Enso's workforce in Europe requires well-planned people management, starting with responsible leadership. This is especially important in safety management.

Differences in operating contexts, such as the availability of a suitable workforce, challenge Stora Enso's operations, but at the same time, the higher educational level of growing middle classes provides an expanding pool of potential employees with a good understanding of safety topics.

## Our policies

To provide a solid foundation for a strong safety culture, Stora Enso's Occupational Health and Safety (OHS) function relies on the group's Health and Safety Policy and the OHS Mode of Operation, which defines the management of everyday OHS topics. Stora Enso's People Strategy defines the focus areas of the Human Resources function, and guides its efforts to provide employees with opportunities for personal development. Other policies supporting Stora Enso's people and safety management include:

- Code of Conduct
- Supplier Code of Conduct
- Minimum requirements for labour conditions
- Diversity Policy.

## How we work

### Occupational health and safety

Stora Enso's goal is to become an accident-free workplace. Supporting this target, the group's Safety Toolbox provides a set of safety tools to be used throughout the group. Units report monthly on their safety performance data. Stora Enso's approach to safety extends to suppliers, contractors, and on-site visitors.

### Human resources

Leadership in people and safety management is Stora Enso's top priority. The group strives to improve employee performance and engagement by setting targets for both business and employees, and following up on them.

Stora Enso makes every effort to hire locally wherever possible, especially for senior management positions. The group also has a set of minimum labour conditions to ensure that all employees are treated with respect and fairness.

## Progress

### Occupational health and safety

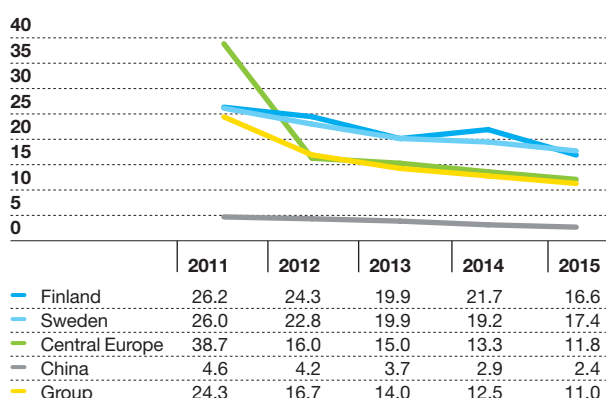
Total recordable incident (TRI) and lost-time accident rates (LTA) function as Stora Enso's key performance indicators (KPIs) for occupational safety. By the end of 2015, the TRI rate fell to 11.0 (12.5 at the end of 2014) and the LTA rate declined to 4.7 (5.2 at the end of 2014). Stora Enso's short-term targets were to achieve a TRI rate of 8.8 and an LTA rate of 3.6 by the end of 2015 (30% reduction from 2014 levels). Despite this improvement, the target levels were not achieved. New safety targets will be communicated in the Q1 2016 Interim Review.

### Human resources

Stora Enso's KPI for leadership, the Leadership Index, is calculated based on an annual employee survey. The goal is to reach an index of 80/100 by 2018. In 2015, the Leadership Index was 79 (76 in 2014).

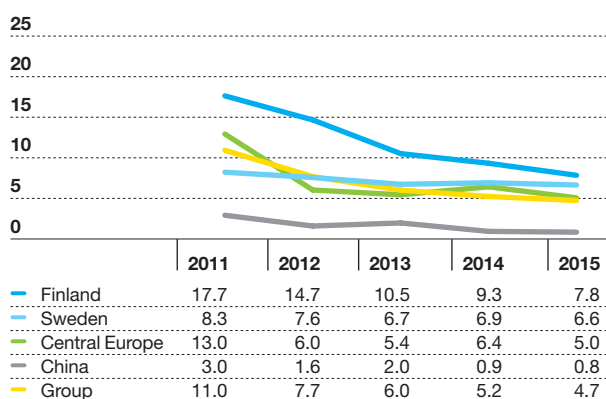
### Total recordable incident rates (TRI)

Number of incidents per one million hours worked



### Lost-time accident rates (LTA)

Number of lost-time accidents per one million hours worked



# Business ethics

## Opportunities and challenges

Stora Enso's goal is to focus on wider ethical topics rather than mere compliance with regulations. Entering high-risk emerging markets offers excellent business opportunities, but also entails exposure to serious risks relating to topics such as corruption and fraud. While legislation, such as the UK Bribery Act and the US Foreign Corrupt Practices Act, is an impeccable tool for combatting corruption, laws also place high demands on companies' controlling mechanisms.

New regulations such as the EU Data Protection Regulation set requirements relating to the processing of personal data. Cybercrime meanwhile represents a major challenge for companies.

## Our policies

The Stora Enso Code of Conduct is a single set of values that apply to all employees in all locations. Other relevant policies include:

- Business Practice Policy
- Gifts and Hospitality Guideline
- Third Party Due Diligence Guideline
- Competition Law Compliance Programme
- Supplier Code of Conduct.

## How we work

Stora Enso's Ethics and Compliance function is a sub-function under the group's Legal team, headed by the group's General Counsel, who reports directly to the CEO. Stora Enso's Ethics and Compliance Board monitors the group's legal compliance and ethical business conduct. Division Compliance Forums, established in 2015, help to integrate ethics and compliance into business decisions, and support and advise the Executive Vice Presidents of the divisions on compliance matters.

Stora Enso's Ethics and Compliance Strategy has four focus areas:

- Top level commitment
- Improved communication and training
- Intensified efforts in countries with heightened concerns
- Developing grievance channels.

## Progress

Stora Enso has developed an index that enables the group to follow and evaluate employees' perceptions of topics related to Stora Enso's Code of Conduct. The index is based on employees' responses to related questions in the group's annual employee survey. In 2015 this index improved to 79 (75 in 2014). The goal is to maintain this positive trend.

During 2015 Stora Enso significantly intensified communications efforts to make ethics and compliance topics more visible among employees, while also enhancing internal and external grievance mechanisms.

Stora Enso also established a new Ethics and Compliance Self-Assessment Tool (T.E.S.T.) in 2015 to give divisions a better overview of the progress their units are making.

In 2015 a total of 67 reports received through Stora Enso's various grievance channels were identified as potential non-compliance cases (46 in 2014). Proven misconduct leading to disciplinary and/or legal actions was identified in 10 cases (18 in 2014), while six further complaints were found to be valid without involving misconduct. None of the proven misconduct cases were related to child labour, forced labour, or discrimination.

## BREAKDOWN OF POTENTIAL NON-COMPLIANCE CASES

	2015	2014
Fraud	8	12
Corruption	26	14
Anti-trust	2	1
Conflict of interest	6	6
General human resources	17	9
Health and safety	0	1
Miscellaneous	8	3
<b>Total</b>	<b>67</b>	<b>46</b>

# Sourcing

## Opportunities and challenges

Stora Enso sources a wide range of raw materials, products, and services for the group's business globally. In 2015 purchases of materials, goods, and services excluding fibre represented 50% of Stora Enso's total variable costs, while fibre procurement covered the remaining 50%. In some areas the concept of responsible sourcing is a relatively recent development, and local suppliers may not be familiar with sustainability requirements and audits. To demonstrate the added value that sustainability brings, Stora Enso must understand the main drivers for business in each location.

Although Stora Enso works in diverse regulatory environments, it must consistently respond to stakeholder demands concerning transparency along supply chains. Imposing sustainability requirements on suppliers also builds up their capacity to meet such increasing demands, and creates a larger pool of sustainable suppliers.

## Our policies

Stora Enso strives to identify and address the impacts of its operations along supply chains. The Stora Enso Supplier Code of Conduct (SCoC) is a binding legal document that imposes minimum sustainability requirements on suppliers. Other supporting policies include:

- Sourcing Strategy
- Practical Guide for Stora Enso suppliers
- Sourcing Guideline
- Purchasers' Guidance
- Policy on Wood and Fibre Sourcing, and Land Management.

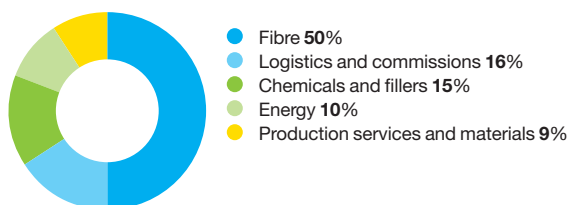
## How we work

Stora Enso's approach to responsible sourcing has become more deeply embedded in purchasing and supplier management since the group's new, more centrally led sourcing organisation was established in 2014.

The materials and products Stora Enso purchases include fibre-based materials such as wood, pulp, and paper for recycling (PfR), as well as chemicals, fillers, energy, fuels, spare parts, and maintenance, logistics, and IT services. To ensure the responsible sourcing of these materials, potential suppliers must go through a pre-qualification process before being considered for a contract. Stora Enso also provides comprehensive training for purchasers.

## Breakdown of raw material and service costs

% of our total variable costs



In addition to enforcing its SCoC, Stora Enso engages with suppliers and helps them to address sustainability topics. Stora Enso also conducts supplier assessments and audits based on risk evaluations to ensure adherence to the SCoC. Non-conformances found during audits are followed up with supplier discussions and corrective action plans. If a supplier is not willing to improve their performance, the relationship will be terminated.

## Progress

Stora Enso's key performance indicator (KPI) for responsible sourcing measures the proportion of total supplier spend covered by the group's Supplier Code of Conduct. By the end of 2015, 90% of Stora Enso's spending on materials, goods, and services was duly covered (78% at the end of 2014). In 2016 this indicator will also cover Wood Supply units, and the target is to reach 90% coverage by the end of 2016. In addition, Stora Enso's purchasers were extensively trained during 2015 on a variety of topics related to sustainability.

Stora Enso introduced a new supplier on-boarding process in 2015 to improve the pre-qualifying process used for potential suppliers. The group also continued to conduct supplier sustainability audits, focusing on high-risk suppliers in China.

# Forests, plantations and land use

## Opportunities and challenges

As a renewable natural resource, wood represents a favourable alternative to materials based on fossil fuels. Trees absorb carbon dioxide (CO<sub>2</sub>) from the atmosphere, and together with wood-based products act as carbon sinks. Physical challenges and opportunities brought by global warming already affect forests and plantations, but when well-managed they make ecosystems more resilient to negative impacts.

Global challenges require Stora Enso to use forests and other natural resources ever more efficiently while conserving natural ecosystems. At the same time changing forest ownership structures in Stora Enso's main sourcing areas, fuelled by urbanisation, bring new challenges in relation to wood procurement.

## Our policies

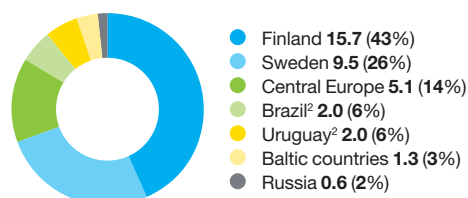
Stora Enso's policy on Wood and Fibre Sourcing, and Land Management guides the group's work in relation to forestry and land use. It covers the entire cycle of forest and plantation management. Other policies and guidelines that support this policy include, among others, Stora Enso's Code of Conduct and Supplier Code of Conduct.

## How we work

Stora Enso's approach to responsible forest and plantation management duly takes the economic, social, and environmental aspects of sustainability into account. All the roundwood, chips, sawdust, and externally purchased pulp supplied to Stora Enso's mills come from sustainable sources. To guarantee this, Stora Enso has a regionally organised wood procurement process in place covering the entire forest management cycle.

## Wood procurement by region<sup>1</sup>

36.2 million m<sup>3</sup>



<sup>1</sup> Total amounts of wood (roundwood, chips and sawdust) procured within these regions for delivery to our mills (million m<sup>3</sup>, solid under bark).

<sup>2</sup> Figures for Brazil and Uruguay include 50% of the wood procurement of our joint operations Veracel and Montes del Plata, based on annual pulp production.

In 2015, 89% of Stora Enso's wood came from managed semi-natural forests in the Northern Hemisphere, with 11% originating from plantations. The group uses various tools to optimise wood procurement and land use efficiency without compromising sustainability, including the definition of sustainable land use practices for each location, forest certification, third-party traceability systems, and different forms of monitoring. Stora Enso always makes sure that harvested trees will be replaced by new growth.

## Progress

In 2015 the total amount of wood (including roundwood, wood chips, and sawdust) delivered to Stora Enso mills was 36.2 million m<sup>3</sup> (solid under bark) (32.4 million m<sup>3</sup> in 2014).

Progress on responsible forestry is followed with a key performance indicator (KPI) that measures the percentage of the lands owned and managed by Stora Enso covered by certification systems. The target is to reach 96% coverage by the end of 2017. In 2015 coverage amounted to 90% (90%). The share of certified wood in the group's total wood supply was 80% (78%).

Stora Enso keeps track of progress on land use efficiency with a KPI that measures the increase in the average volume of fibre produced per hectare in certified tree plantations owned and managed by the group. The target is to increase this average by 25% by the end of 2020 compared to the baseline figure for 2014. In 2015 the figure increased by 3%.

## Correction of land contracts in Guangxi, China

Stora Enso has been reviewing and correcting land lease contracts in Guangxi since 2009, when irregularities in the contract chains of social lands were first discovered. So far, Stora Enso's local team of legal and sustainability experts has compiled almost 3 200 contract investigation reports. By the end of 2015, 63% of the 1 590 contracts under review were found to be free from contractual defects (61% by the end of 2014).

In irreconcilable cases Stora Enso terminates leases in a responsible manner. In 2015 the company terminated identified irreconcilable contracts covering a total area of 401 hectares.

**FORESTS, PLANTATIONS AND LANDS OWNED BY STORA ENSO<sup>1</sup> AS OF 31 DECEMBER 2015**

Unit	Area	Certification coverage
Montes del Plata plantations and lands, Uruguay (joint operation with Arauco)	190 263 ha, of which 107 668 ha planted	FSC® <sup>2</sup> for 190 263 ha
Veracel plantations and lands, Bahia, Brazil (joint operation with Fibria)	215 650 ha, of which 84 571 ha planted for pulp production	CERFLOR (PEFC) for 177 259 ha; FSC for 177 259 ha
Plantations and lands, Rio Grande do Sul, Brazil	43 412 ha, of which 20 810 ha planted	
Wood Supply, Estonia	137 ha, of which 124 ha planted	

<sup>1</sup> Including operations where Stora Enso's shareholding is at least 50% and size of the area exceeds 100 hectares. In addition to the forest and plantation areas listed above, Stora Enso owns: 49% of Bergvik Skog, who owns 2.3 million hectares of land in Sweden and 0.1 million hectares in Latvia; and 41% of Tornator, who owns 0.6 million hectares of forestland in Finland, 53 000 hectares in Estonia, and 12 000 hectares in Romania.

<sup>2</sup> Stora Enso Communications' FSC ® trademark license number is FSC-N001919.

**FORESTS AND PLANTATIONS LEASED AND MANAGED BY STORA ENSO<sup>1</sup> AS OF 31 DECEMBER 2015**

Unit	Area	Certification coverage
Wood Supply, Russia	369 422 ha	FSC group certificate
Plantations and lands, Guangxi, China	86 259 ha, of which 73 000 ha planted with eucalyptus and 11 900 ha with other species	Chinese Forest Certification Council certificate (PEFC) for 86 259 ha; FSC for 86 259 ha
Montes del Plata	45 769 ha, of which 36 670 ha planted	FSC for 33 095 ha
Veracel	12 014 ha, of which 5 996 ha planted	FSC for 10 914 ha; PEFC for 10 914 ha
Trial plantations, Laos	3 900 ha, of which 2 332 ha planted	

<sup>1</sup> Including operations where Stora Enso's shareholding is at least 50% and size of the area exceeds 100 hectares.

# Energy

## Opportunities and challenges

The European Union (EU) 2020 Climate and Energy Package and the 2030 Climate and Energy Framework, set out the way forward for industrial energy use in the EU. Most of Stora Enso's paper, pulp, and board mills use substantial amounts of biomass in their internal energy production. This renewable energy is generated from harvesting residues, recovered wood, and by-products from Stora Enso's own production processes, such as black liquor, bark, and different kinds of sludge generated during pulp and paper production.

The EU's Renewable Energy Directive sets member states a binding collective target to realise 20% of final energy consumption from renewable sources by 2020. This can be expected to increase global demand for biomass. With its high proportion of biomass-based energy, the forest industry can help EU countries reach their national renewable energy targets.

## Our policies

Stora Enso's energy use is based on long-term needs, and is steered by the group's Energy Guidelines. In addition to steering Stora Enso's energy procurement and energy generation choices, these guidelines also promote a wider corporate culture of responsible energy management.

## How we work

Stora Enso's energy supply is managed under long-term contracts, direct market access through energy exchanges, efficient combined heat and power production, and shareholdings in power generation companies such as Pohjolan Voima Oy and Teollisuuden Voima Oy in Finland.

Stora Enso's Energy Services team is responsible for procuring energy, including hedging of energy prices, managing the sales of emission rights, consulting the mills in relation to energy procurement, trading in green certificates, following the Stora Enso's carbon dioxide (CO<sub>2</sub>) allowance balance, and monitoring energy legislation. The team also ensures that the group's energy efficiency strategy is implemented.

Each mill is responsible for optimising their energy efficiency. This work is guided by Stora Enso's internal tools, by certified environmental and energy management systems, and by energy efficiency teams. At the end of 2015, 36 of Stora Enso's European mills were certified to the ISO 50001 energy management system.

Stora Enso is committed to continuous improvements in energy efficiency and energy self-sufficiency.

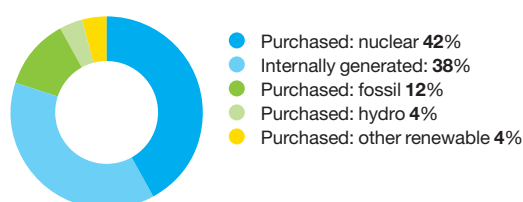
## Progress

Stora Enso's group-wide target is to reduce specific electricity and heat consumption per tonne of pulp, paper, and board production by 15% by 2020, compared with the baseline year of 2010. In 2015 this indicator was 5.7% lower than the 2010 benchmark level (3.7% in 2014).

In 2015 the group's total energy self-sufficiency level was 62% (61%), and electricity self-sufficiency remained stable at 39%. The share of biomass in internal energy production was 81% (79%). Existing contracts and internal electricity generation capacity are estimated to cover around 80% of the group's electricity needs for the next five years (80%).

Energy accounted for 10% of Stora Enso's variable costs in 2015 (12%).

## Electricity<sup>1</sup>



During 2015 we generated and purchased 13.4 terawatt hours (TWh) of electricity and consumed 13.0 TWh (13.5 and 13.2 during 2014). 0.5 TWh was sold (0.4). TWh (terawatt hour) = 10<sup>9</sup> kilowatt hours.

<sup>1</sup> Figures cover pulp, paper and board production units. Normalised figures are reported per unit of sales production.



# Combating global warming

## Opportunities and challenges

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Stora Enso's products are based on renewable materials with a comparatively low carbon footprint. They help customers and society at large to reduce carbon dioxide (CO<sub>2</sub>) emissions by providing alternatives to solutions based on fossil fuels.

The European Union's (EU) Emissions Trading System (ETS) is one of the EU's efforts to combat global warming. The ETS grants "carbon leakage" status to industries where it is considered that costs related to climate policies might cause businesses to transfer production to countries with less demanding requirements to reduce greenhouse gas emissions. The forest industry currently has carbon leakage status for the period 2015–2019. Plans for the period beyond 2020 are being considered within the EU, with possible implications for the forest industry.

The Paris Climate Conference (COP 21) in December 2015 approved the first universal climate agreement, with the target of keeping the global rise in temperature below 2°C. Stora Enso welcomes this agreement as an important milestone in sustainable global development. As a renewable materials company Stora Enso has a solid base to build on for a low-carbon economy. As part of Stora Enso's wider strategy to combat global warming, the group is committed to a science-based CO<sub>2</sub> reduction target.

## Our policies

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In 2015 Stora Enso defined a group-level carbon strategy framework for assessing and building on the group's current position, which is the result of actions taken since the early 2000s. The group aims to expand on this strategy during 2016. Stora Enso's current Statement on Climate Change includes a target to reduce fossil CO<sub>2</sub> emissions per saleable tonne of pulp, paper, and board by 35% by the end of 2025 from a 2006 baseline. The target is periodically adjusted to take into account the changing shape of the group.

Stora Enso's Supplier Code of Conduct and Practical Guide for Suppliers also give guidance on how CO<sub>2</sub> emissions can be reduced in the supply chain.

## How we work

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The most effective ways to reduce Stora Enso's direct fossil CO<sub>2</sub> emissions are to further improve the group's energy efficiency, and to keep increasing the use of biomass fuels.

The related work at the production units is supported by international third-party-certified systems such as the environmental management standard ISO 14001 and the energy management standard ISO 50001.

Stora Enso evaluates risks and opportunities related to global warming through the Enterprise Risk Management (ERM) process, which forms an integral part of the group's management approach. Stora Enso also routinely calculates the financial impacts of potential cost increases in relation to emission allowances, including the financial impacts on business in case of consequent increases in energy prices.

## Progress

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Since 2007, Stora Enso's target has been to reduce its fossil CO<sub>2</sub> emissions per saleable tonne of pulp, paper, and board by 35% from 2006 levels by the end of 2025. This CO<sub>2</sub> intensity target covers both emissions generated directly by Stora Enso's facilities, and indirect emissions produced during the generation of purchased electricity and heat. In 2015 the group's CO<sub>2</sub> emissions per saleable tonne of pulp, paper, and board were 32% lower than the 2006 benchmark level (29% in 2014).

Stora Enso's direct fossil CO<sub>2</sub> emissions decreased both in absolute terms and per unit of sales production. Fossil CO<sub>2</sub> emissions per unit of sales production decreased in the Consumer Board, Paper, and Biomaterials divisions, improving the group's performance.

The direct and indirect fossil CO<sub>2</sub> emissions from Stora Enso's all production units amounted to 3.95 million tonnes in 2015 (4.07 million tonnes).

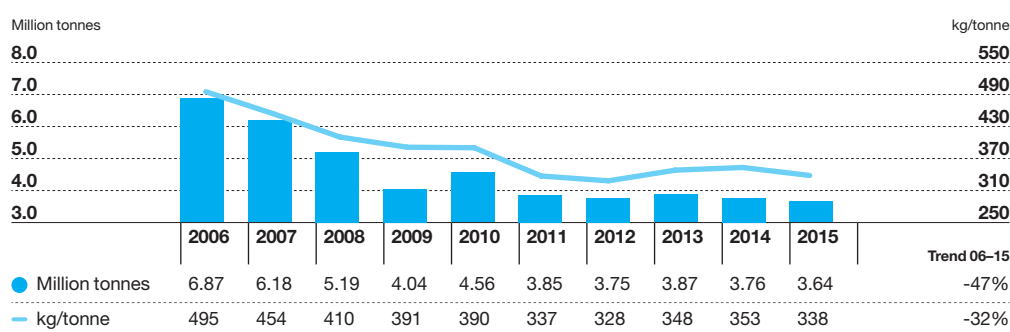


Biogenic CO<sub>2</sub> emissions are fossil-free emissions generated during the combustion of biomass-based fuels. Biogenic CO<sub>2</sub> emissions are considered carbon neutral when the biomass fuel comes from sustainably managed forests. Stora Enso's operations utilise renewable biomass-based fuels to a large extent, so the share of biogenic CO<sub>2</sub> emissions in the group's total emissions is high. In 2015, 76% (75%) of the total CO<sub>2</sub> emissions from Stora Enso's operations were from biogenic sources.

Direct emissions from Stora Enso's operations accounted for 21% (23% in 2014) of the group's carbon footprint, while emissions related to the energy purchased for the group's operations accounted for 15% (15%) of the total carbon emissions. The majority of the emissions in Stora Enso's carbon footprint, 64% (62%), are generated elsewhere along the value chain, such as in the sourcing and manufacturing of raw materials and services (36%), in further processing of Stora Enso's products by customers (35%), and in the transportation of raw materials to Stora Enso's mills and final products to customers (23%).

In 2015 Stora Enso was included for the sixth consecutive year in the Carbon Disclosure Project's (CDP) Nordic Carbon Disclosure Leadership Index (CDLI) for group-level reporting on carbon emissions. Disclosures to CDP are rated on a scale of 0 to 100, and Stora Enso scored 99 in 2015.

## Our fossil CO<sub>2</sub> emissions<sup>1 2</sup>



<sup>1</sup> Covering direct and indirect fossil CO<sub>2</sub> emissions (scopes 1 and 2) from pulp, paper and board production units. Normalised figures are reported per unit of sales production.

<sup>2</sup> Historical figures recalculated due to changes in baseline following divestments or reporting errors.

# Materials

## Opportunities and challenges

Since Stora Enso's products are based on a raw material that is renewable and reusable, they offer favourable alternatives to fossil-based goods. To keep Stora Enso in the forefront of the developing bioeconomy the group focuses on innovation linked to biochemistry and biomaterials.

Stora Enso's operations also support the concept of a circular economy, where materials are repeatedly recycled and waste generation is minimised, creating maximum environmental and financial added value. Stora Enso's material efficiency work promotes the efficient use of raw materials, waste reduction, the reuse of fibre, and the creation of business opportunities and revenues from wastes and by-products.

Approximately two-thirds of packaging materials used globally are produced from non-renewable raw materials. Increasing eco-awareness among consumers results in growth opportunities for businesses, who use renewable raw materials. At the same time the increasing global demand for natural resources may be reflected in changing environmental requirements and costs in relation to key raw materials, creating challenges that need to be addressed.

## Our policies

- Policy on Wood and Fibre Sourcing, and Land Management
- Supplier Code of Conduct, and Practical Guide for Suppliers
- Purchasers' Guidance.

## How we work

Wood is the main raw material in Stora Enso's production processes. Virgin fibre is used for the production of all packaging materials with sensitive end uses and for several paper grades. Seven of Stora Enso's mills currently use paper for recycling (PfR) as raw material. Recycled newspapers and magazines are used to produce certain paper grades, whereas recovered board is used in certain containerboard grades. Through contracts with local authorities, waste management companies, and by running its own collection facilities, Stora Enso secures viable volumes of used paper and board for reuse as raw material.

Stora Enso's production processes generate various by-products and wastes. Many of these materials are used for internal bioenergy generation and pulp production or supplied to partners for agricultural purposes, brick manufacturing, or road construction.

Third-party-certified ISO 14001 systems form part of the on-site management procedures for the handling of chemicals and waste at the mills. Knowledge and best practices related to optimising material flows are shared through divisional and regional expert networks including Environment, PfR, Chemical Safety, and Product Safety Networks.

Stora Enso is currently reviewing its approach to material efficiency, and new key performance indicators (KPIs) will be defined during 2016.

## Progress

In 2015 the group's revenues derived from wastes and residuals, including tall oil, amounted to EUR 83 million (EUR 77 million in 2014) with a reuse rate across the group of 98% (98%), covering both internal and external reuse.

Stora Enso used 2.1 million tonnes of paper for recycling (PfR) in 2015 (2.5 million tonnes) as one of the largest single PfR consumers in Europe. In 2015 the utilisation rate of PfR in Stora Enso's paper and board production was 24% (26% in 2014). The 2015 figures exclude the divested Barcelona Mill.

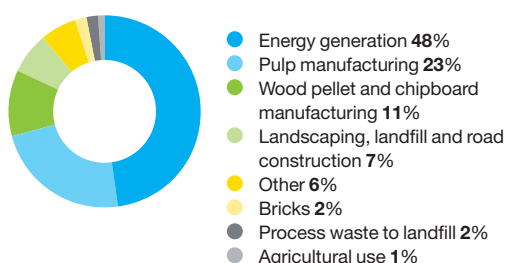
## Paper for recycling: procurement by origin

thousand tonnes<sup>1</sup>



<sup>1</sup> As delivered to our mills.

## Utilisation of process waste and residual materials<sup>1</sup>



<sup>1</sup> Covers all Stora Enso production units, as dry tonnes.

# Water

## Opportunities and challenges

Water plays a central role in Stora Enso's production processes, since the structure of paper and board is dependent on the use of clean water. Water is also used for cooling machinery at the mills, for cleaning, as a carrier of energy in the form of steam, and as a medium to carry fibres through production processes.

Water availability is one of the greatest challenges affecting living conditions on the planet. Water-related concerns are global, but their impacts and solutions are local. Almost all of Stora Enso's production units are located in regions where water is a relatively abundant resource, but the increasing global demand for water may in the long-term impact the group's operations through the supply chains.

Many of the planet's water bodies are polluted with toxic substances and non-biodegradable materials. Stora Enso's renewable, recyclable, and biodegradable products offer a safe alternative to products with more harmful impacts.

## Our policies

- Statement on Water and Water Use
- Code of Conduct
- Supplier Code of Conduct, and Practical Guide for Suppliers
- Policy on Wood and Fibre Sourcing, and Land Management.

## How we work

Stora Enso's water use is regulated by the relevant authorities based on local conditions and operational permits, with limits set through each mill's environmental permit processes.

Some 4% of the total volume of water Stora Enso withdraws is consumed in our production processes, while almost 96% is recycled back to the environment after being carefully purified in our treatment plants (process water), or without treatment (cooling water).

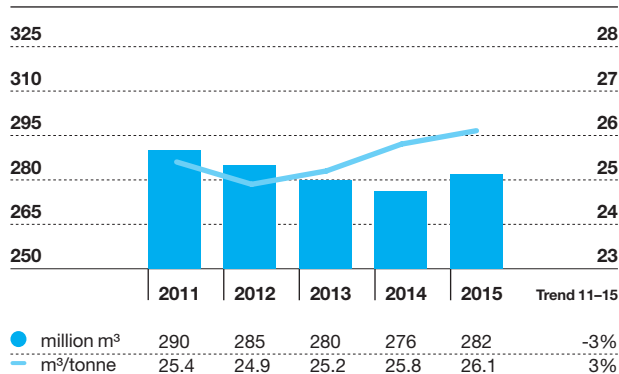
During 2016 Stora Enso will review its approach to water use as part of the review of its Sustainability Strategy. Stora Enso will aim to address water topics more comprehensively with the help of a locally focused approach.

## Progress

Stora Enso's two water-related targets and KPIs aimed to reduce process water discharges and chemical oxygen demand (COD) levels in discharged water per saleable tonne of pulp, paper, and board from the 2005 and 2007 benchmark levels. These targets and KPIs expired in 2015.

In 2015 the group's normalised process water discharges were 2% lower than in 2005 (3% in 2014), and normalised discharges of COD were 3% lower than the 2007 baseline level (5%). COD levels and the volumes of process water discharges were affected by weak related performance at some of the largest mills during the year, and the targets were not reached. The weak performance on normalised process water discharges was mainly due to Imatra Mill's production problems during the third quarter, and repair work on wastewater aerators at Nymölla Mill during the year.

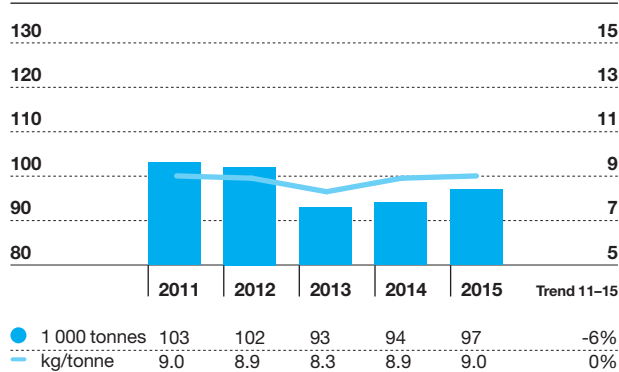
### Process water discharges<sup>1 2</sup>



<sup>1</sup> Figures cover pulp, paper and board production facilities. Normalised figures are reported per unit of sales production.

<sup>2</sup> Historical figures recalculated due to changes in baseline following divestments or reporting errors.

### Chemical oxygen demand (COD)<sup>1 2</sup>



<sup>1</sup> Figures from pulp, paper and board production units. Normalised figures are reported per unit of sales production.

<sup>2</sup> Historical figures recalculated due to changes in baseline following divestments or reporting errors.

# 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, wooden constructions and paper on global markets. Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters and joinery and construction companies. Our aim is to replace fossil-based materials by innovating and developing new products and services based on wood and other renewable materials. We believe that everything that is made with fossil fuels today can be made from a tree tomorrow. Our focus is on fibre-based packaging, plantation-based pulp, innovation in biomaterials, and sustainable building solutions.

The group has some 26 000 employees in more than 35 countries, and is publicly listed on the Helsinki and Stockholm stock exchanges. Our sales in 2015 were EUR 10.0 billion, with an operational EBIT of EUR 915 million. Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). The shares are also traded in the USA as ADRs (SEOAY) on the OTCQX.

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 in every aspect of business.

## Markets and deliveries

Demand for cartonboard increased by 1% in both Western and Eastern Europe and decreased by 2% in North America in 2015. The improved economic climate increased demand in Western Europe, but growth in Eastern Europe continued to suffer as a result of the Russian crisis. Strong demand in Asia continued and consumption increased by 4%.

Containerboard demand remained healthy in 2015. The growth rate decreased slightly due to overall uncertainty in global economic development. Demand growth for corrugated board remained stable in our European focus countries in 2015, but decreased slightly in China due to the economic slowdown.

Global demand for chemical market pulp increased around 2.6% during 2015 compared to a year ago. Global demand was positive or flat in every region except for Japan. Chinese demand for hardwood pulp rose around 8.3% during 2015 and demand for softwood pulp grades rose by 4.8% in China. Overall demand for chemical market pulp was up by 6.9% in China. The global increase in demand and supply was concentrated on the hardwood segment whereas softwood segment remained flat.

Global market pulp capacity rose around 2.2% compared to a year ago. Global bleached softwood capacity stayed virtually flat last year and a large part of the hardwood expansion took place in Latin America. The overall demand-capacity balance stood at 92%, up 1 point from 2014.

Softwood sawn demand improved slightly in most areas, with Europe growing 2% and North America less than 1% in 2015. The Middle East and North African market was heavily oversupplied and Egypt and Algerian imports suffered from a deficit of hard currencies. Lack of sales options for lower grade products in these areas lead to oversupply in all markets. Chinese softwood sawn consumption has nearly doubled over past 5 years, but demand clearly slowed down in 2015 at the same time as supply remained strong, leading to heavy oversupply and high inventory levels. The weakening of Russian rouble increased Russian sawn softwood exports. The Australian housing market remained strong with 7% year-on-year increase in housing starts, however the sawn wood market suffered from market share fights between local saw millers and a new importer entrants. Japanese demand remained rather stable compared to the previous year. There were no major structural changes in Europe and the softwood sawn industry is focusing on replacement investments rather than on adding capacity.

The structural erosion of paper demand persisted in Europe and North America during 2015. Paper demand in 2015 was 4% weaker than in 2014 in Europe and 5% weaker in North America. Demand in Asia declined by 3% compared with 2014. Global paper consumption was 4% lower in 2015 than 2014. However, variation between paper grades is wide. Uncoated fine paper declined globally less than 1% whereas newsprint declined 10% compared with 2014.

**DELIVERIES AND PRODUCTION**

	2015	2014	Change % 2015-2014
Board deliveries, 1 000 tonnes	3 045	3 158	-3.6%
Board production, 1 000 tonnes	3 394	3 489	-2.7%
Corrugated packaging deliveries, million m <sup>2</sup>	1 112	1 104	0.7%
Market pulp deliveries, 1 000 tonnes	1 873	1 371	36.6%
Wood product deliveries, 1 000 m <sup>3</sup>	4 490	4 646	-3.4%
Paper deliveries, 1 000 tonnes	5 778	6 006	-3.8%
Paper production, 1 000 tonnes	5 794	6 034	-4.0%

**ESTIMATED CONSUMPTION OF BOARD, PULP, SAWN SOFTWOOD, AND PAPER IN 2015**

Tonnes, million	Europe	North America	Asia and Oceania
Consumer board	10.5	8.9	26.8
Container board	29.8	30.8	75.7
Corrugated board (billion m <sup>3</sup> ) <sup>1)</sup>	9.1	n/a	65.1
Chemical market pulp	18.1	7.6	27.8
Sawn softwood (million m <sup>3</sup> )	88.7	85.8	n/a
Newsprint	6.8	3.6	11.4
Uncoated magazine paper	3.1	1.7	0.3
Coated magazine paper	5.3	3.0	3.7
Coated fine paper	5.6	3.9	12.0
Uncoated fine paper	7.6	8.2	20.0

<sup>1)</sup> European focus markets (Baltics, FI, PL, RU, SE) and China.  
Source: Pöyry, ICCA, RISI, Euro-Graph, PPPC, Stora Enso, UNECE.

The group's board deliveries totalled 3 045 000 tonnes in 2015, which is 113 000 tonnes lower compared to a year ago mainly due to the divested Corenso business and the divested Barcelona Mill, which were only partly offset by higher deliveries in Ostrołęka Mill, and new kraftliner volumes from Varkaus Mill. Corrugated board deliveries remained stable at 1 112 000 m<sup>2</sup>. Market pulp deliveries increased by 502 000 tonnes or 37% to 1 873 000 tonnes driven by increase in Montes del Plata deliveries. Wood products deliveries decreased by 156 000 m<sup>3</sup> to 4 490 000 m<sup>3</sup>. Paper deliveries totalled 5 778 000 tonnes, down 228 000 tonnes from 2014 mainly due to divestment of Uetersen Mill and conversion of Varkaus Mill from office paper to kraftliner in autumn 2015.

**Financial results – group**

Sales at EUR 10 040 million were EUR 173 million or 1.7% lower than a year earlier, mainly due to a structural decline in paper demand, resulting in lower paper prices in local currencies and lower paper delivery volume, as well as divestments and closures. Foreign exchange rate changes, especially the strengthening of the US dollar, increased sales. Sales excluding the structurally declining paper businesses, and divested Corenso business operations and Barcelona Mill, increased by 4.6%, primarily due to the Montes del Plata ramp up.

Stora Enso divested the Corenso business operations in late 2014, Uetersen Mill in Germany in early 2015, Barcelona Mill in Spain and Komárom packaging plant in Hungary in autumn 2015. Stora Enso also permanently shut down the corrugated packaging converting unit in Chennai, India in 2015.

Operational EBIT EUR 915 (810) million increased 13.0%, mainly due to strong performance in Biomaterials, favourable foreign exchange rates, and lower variable costs.

The operational EBIT margin increased from 7.9% to 9.1%. Lower variable costs mainly in energy and wood improved operational EBIT by EUR 120 million. Depreciation was EUR 30 million lower, mainly due to the impairment of intangible assets and property, plant and equipment accounted in 2014. The impact of exchange rates on sales and costs increased operational EBIT by EUR 215 million after hedges compared with 2014. Lower sales prices in local currencies decreased the operational EBIT by EUR 210 million, mainly in Paper. Operational EBIT was decreased by EUR 30 million due to higher fixed cost and by EUR 20 million due to lower delivery volumes.

The share of the operational results of equity accounted investments amounted to EUR 80 (EUR 88) million, with the main contributions from Bergvik Skog and Tornator.

IFRS operating profit includes a negative net effect of fair valuations of EUR 11 (negative EUR 7) million from the accounting of share-based compensation, Total Return Swaps (TRS) and CO<sub>2</sub> emission rights. In addition, IFRS operating profit includes a negative net effect of EUR 15 (negative EUR 61) from IAS 41 forest valuation from subsidiaries and joint operations and also a positive net effect of EUR 404 (negative EUR 63) million from Stora Enso's share of net financial items, taxes and IAS 41 forest valuations of equity accounted investments. The biological asset fair value in the group's equity accounted investment Bergvik Skog was increased by approximately EUR 430 million net of tax due to the decrease from 6.25% to 5.2% of the post-tax discount rate used by Bergvik Skog in the discounted cash flow based valuation of the biological assets.

Impairments and impairment reversals due to restructuring and annual impairment testing resulted in a net impairment of EUR 236 (EUR 219) million in Paper and Biomaterials. The impairments in Paper EUR 216 million on intangible assets and property, plant and equipment relate mainly to the further weakened long term earnings expectations due to a declining European paper market. The impairment EUR 20 million related to biological assets in Biomaterials.

The group announced on 31 December 2015 that it had signed an agreement to divest its entire 80% shareholding in Arapoti magazine paper mill in Paraná, Brazil, to Papeles Bio Bio, a Chilean paper producer. The Arapoti transaction is expected to be completed during the first quarter 2016 and is subject to regulatory approvals. The group recorded approximately EUR 31 million fixed asset impairment on Arapoti presented as a non-recurring item.

The group reported a non-recurring item of EUR 36 million related to a land disposal transactions in the group's Nordic forest equity accounted investments.

Other non-recurring items had a combined net negative impact of EUR 3 (negative EUR 60) million impact on operating profit. The other non-recurring items recorded in 2014 were related to asset restructurings and disposals.

IFRS operating profit was EUR 1 059 (EUR 400) million.

## KEY FIGURES

	2015	2014	2013
Sales, EUR million	10 040	10 213	10 563
Operational EBIT <sup>1)</sup> , EUR million	915	810	578
Operational EBIT margin	9.1%	7.9%	5.5%
Operating profit (IFRS), EUR million	1 059	400	50
Operating margin (IFRS)	10.5%	3.9%	0.5%
Return on equity (ROE)	14.6%	1.7%	-1.3%
Operational ROCE	10.6%	9.5%	6.5%
Debt/equity ratio	0.60	0.65	0.61
EPS (basic), EUR	1.02	0.13	-0.07
EPS excluding NRI <sup>2)</sup> , EUR	1.24	0.40	0.40
Dividend and distribution per share <sup>3)</sup> , EUR	0.33	0.30	0.30
Payout ratio, excluding NRI <sup>2)</sup>	26.6%	75.0%	75.0%
Payout ratio (IFRS)	32.4%	230.8%	-428.6%
Dividend and distribution yield, (R share)	3.9%	4.0%	4.1%
Price/earnings (R share), excluding NRI <sup>2)</sup>	6.8	18.6	18.3
Equity per share, EUR	6.83	6.43	6.61
Market capitalisation 31 Dec, EUR million	6 618	5 871	5 756
Closing price 31 Dec, A/R share, EUR	8.40/8.39	7.48/7.44	7.31/7.30
Average price, A/R share, EUR	8.87/8.70	7.29/7.16	6.82/5.79
Number of shares 31 Dec (thousands)	788 620	788 620	788 620
Trading volume A shares (thousands)	1 641	1 553	1 656
% of total number of A shares	0.9%	0.9%	0.9%
Trading volume R shares (thousands)	798 507	731 067	828 401
% of total number of R shares	130.5%	119.5%	135.5%
Average number of shares, basic (thousands)	788 620	788 620	788 620
Average number of shares, diluted (thousands)	789 809	789 210	788 620

<sup>1)</sup> 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<sub>2</sub> emission rights and valuations of biological assets and the group's share of tax and net financial items of EAI.

<sup>2)</sup> 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.

<sup>3)</sup> See Board of Directors' proposal for dividend distribution.

Net financial expenses at EUR 245 million were EUR 35 million lower than a year ago. The net interest expenses decreased by EUR 22 million due to lower debt and improved debt portfolio. The fair valuation of interest rate derivatives had comparatively a positive impact of EUR 12 million. The net foreign exchange impact in 2015 in respect of cash, interest-bearing assets and liabilities and related hedges was a loss of EUR 43 (EUR 42) million, mainly due to the revaluation of USD loans in Chinese and Brazilian subsidiaries.

The net tax charge totalled EUR 31 (EUR 30) million, equivalent to an effective tax rate of 4% (25.0%), 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 24 (EUR 9) million, leaving a profit of EUR 807 (EUR 99) million attributable to Company shareholders.

Earnings per share excluding non-recurring items were EUR 1.24 (EUR 0.40) and including non-recurring items EUR 1.02 (EUR 0.13). Operational return on capital employed was 10.6% (9.5%).

Group capital employed was EUR 8 753 million on 31 December 2015, an increase of EUR 242 million on a year earlier.

## Breakdown of Capital Employed Change

	Capital Employed
<b>31 Dec 2014, EUR million</b>	<b>8 511</b>
Capital expenditure less depreciation	434
Impairments and reversal of impairments	-242
Valuation of biological assets	-13
Available-for-sale: operative (mainly PVO)	-313
Equity accounted investments	492
Net liabilities in defined benefit plans	106
Operative working capital and other interest-free items, net	-224
Net tax liabilities	3
Translation difference	83
Other changes	-84
<b>31 Dec 2015, EUR million</b>	<b>8 753</b>



## Financing

Cash flow from operations improved further at EUR 1 556 (EUR 1 139) million and cash flow after investing activities was EUR 599 (EUR 255) million. Working capital decreased by EUR 141 (increase EUR 56) million mainly due to EUR 151 million lower short-term receivables. Payments from restructuring actions were EUR 62 million.

### OPERATIVE CASH FLOW

EUR million	2015	2014
Operational EBITDA	1 352	1 269
NRI on operational EBITDA	-24	-122
Dividends received from equity accounted investments	32	19
Other adjustments	55	29
Change in working capital	141	-56
<b>Cash Flow from Operations</b>	<b>1 556</b>	<b>1 139</b>
Cash spent on fixed and biological assets	-956	-787
Acquisitions of equity accounted investments	-1	-97
<b>Cash Flow after Investing Activities</b>	<b>599</b>	<b>255</b>

At the end of the period, net interest-bearing liabilities of the group were EUR 3 240 (EUR 3 274) million. Cash and cash equivalents net of bank overdrafts amounted to EUR 807 (EUR 1 444) million.

Total unutilised committed credit facilities at the year-end 2015 were unchanged at EUR 700 million. The EUR 700 million committed credit facility agreement with a syndicate of 13 banks matures in January 2019. 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 850 million.

The debt/equity ratio at 31 December 2015 was 0.60 (0.65). The currency effect on equity was positive EUR 2 million net of the hedging of equity translation risks mainly due to strengthening of the US dollar and Chinese renminbi which was offset by weakening of Brazilian real. The fair valuation of cash flow hedges and available-for-sale investments recorded in other comprehensive income decreased equity by EUR 282 million mainly due to decreased electricity prices resulting to lower fair value of group's shareholding in Pohjolan Voima.

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

### RATINGS AS AT 31 DEC 2015

Rating agency	Long/short-term rating	Valid from
Standard & Poor's	BB (stable) / B	11 Sep 2013
Moody's	Ba2 (stable) / NP	10 Nov 2014

## Financial results – Segments

### Division Consumer Board

EUR million	2015	2014
Sales	2 340	2 297
Operational EBITDA <sup>1)</sup>	434	439
Operational EBITDA margin	18.5%	19.1%
Operational EBIT <sup>2)</sup>	290	292
Operating capital 31 December	2 015	1 727
Operational ROOC <sup>3)</sup>	15.5%	17.8%
Cash flow from operations	481	386
Cash flow after investing activities	21	60
Average number of employees	4 239	4 429
Board deliveries, 1 000 tonnes	2 458	2 434
Board production, 1 000 tonnes	2 490	2 426

<sup>1)</sup> 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.

<sup>2)</sup> 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).

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

Consumer Board division sales were EUR 2 340 million, up 2% on 2014 due to higher board volumes and favourable currency development. Divestment of Barcelona Mill in Spain in autumn 2015 declined sales by EUR 30 million.

Operational EBIT at EUR 290 million was unchanged at previous year level. Positive impact on higher delivery volumes and favourable foreign exchange impact was more than offset by higher pulp costs and increased fixed costs ahead of the start-up preparations of the Beihai Mill, in the Guangxi region, China.

## Division Packaging Solutions

EUR million	2015	2014
Sales	913	1 065
Operational EBITDA <sup>1)</sup>	147	183
Operational EBITDA margin	16.1%	17.2%
Operational EBIT <sup>2)</sup>	90	118
Operating capital 31 December	833	783
Operational ROOC <sup>3)</sup>	11.1%	14.1%
Cash flow from operations	138	182
Cash flow after investing activities	20	128
Average number of employees	7 141	8 227
Board deliveries, 1 000 tonnes	587	724
Board production, 1 000 tonnes	904	1 063
Corrugated packaging deliveries, million m <sup>2</sup>	1 112	1 104
Corrugated packaging production, million m <sup>2</sup>	1 093	1 085

<sup>1)</sup> 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.

<sup>2)</sup> 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).

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

Packaging Solutions division sales, excluding the divested Corenso business operations, were EUR 913 million, up 3% on 2014. The increase is mainly due to ramp up of the Varkaus Mill after the conversion of the fine paper machine for kraftliner.

Operational EBIT, excluding the divested Corenso business operations, at EUR 90 million was EUR 11 million down on the previous year mainly due costs related to preparation and ramp up of the Varkaus Mill after the conversion from fine paper for kraftliner.

## Division Biomaterials

EUR million	2015	2014
Sales	1 484	1 104
Operational EBITDA <sup>1)</sup>	420	173
Operational EBITDA margin	28.3%	15.7%
Operational EBIT <sup>2)</sup>	313	89
Operating capital 31 December	2 589	2 456
Operational ROOC <sup>3)</sup>	12.4%	3.9%
Cash flow from operations	385	136
Cash flow after investment activities	187	-108
Average number of employees	1 655	1 569
Pulp deliveries, 1 000 tonnes	2 499	2 076

<sup>1)</sup> 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.

<sup>2)</sup> 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).

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

Biomaterials division sales were EUR 1 484 million, up 34% on 2014 due to increased volumes from Montes del Plata Pulp Mill in Uruguay and strengthening of the US dollar.

Operational EBIT at EUR 313 million was EUR 224 million up from previous year mainly due to higher hardwood pulp sales prices in local currencies, favourable foreign exchange rate impact, increased sales volumes and lower wood and energy costs.

## Division Wood Products

EUR million	2015	2014
Sales	1 603	1 779
Operational EBITDA <sup>1)</sup>	111	126
Operational EBITDA margin	6.9%	7.1%
Operational EBIT <sup>2)</sup>	81	89
Operating capital 31 December	519	513
Operational ROOC <sup>3)</sup>	15.7%	17.3%
Cash flow from operations	118	86
Cash flow after investment activities	59	58
Average number of employees	3 824	4 046
Deliveries, 1 000 m <sup>3</sup>	4 334	4 493

<sup>1)</sup> 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.

<sup>2)</sup> 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).

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

Wood Products division sales were EUR 1 603 million, down 10% from 2014 mainly due to lower delivery volumes to North African and Middle East markets, and lower sales prices in local currencies.

Operational EBIT at EUR 81 million was EUR 8 million down from previous year, mainly due to lower sales prices in local currencies partly offset by lower wood costs.



## Division Paper

EUR million	2015	2014
Sales	3 630	3 912
Operational EBITDA <sup>1)</sup>	231	361
Operational EBITDA margin	6.4%	9.2%
Operational EBIT <sup>2)</sup>	77	172
Operating capital 31 December	1 204	1 614
Operational ROOC <sup>3)</sup>	5.5%	9.4%
Cash flow from operations	286	354
Cash flow after investment activities	201	243
Average number of employees	6 810	7 700
Paper deliveries, 1 000 tonnes	5 778	6 006
Paper production, 1 000 tonnes	5 794	6 034

<sup>1)</sup> 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.

<sup>2)</sup> 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).

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

Paper division sales were EUR 3 630 million, down 7% from 2014, due weaker demand and lower average sales prices in local currencies, disposal of Uetersen Mill in Germany in early 2015 and conversion of Varkaus fine paper mill into kraftliner in autumn 2015. Foreign exchange rate changes, especially strengthening of the US dollar, increased sales.

Operational EBIT at 77 million was EUR 95 million down due to lower sales prices in local currencies and higher pulp costs. Impact of foreign exchange rates was positive and depreciations were lower mainly due to the impairment of intangible assets and property, plant and equipment recorded in 2014.

## Other

EUR million	2015	2014
Sales	2 478	2 567
Operational EBITDA <sup>1)</sup>	9	-13
Operational EBITDA margin	0.4%	-0.5%
Operational EBIT <sup>2)</sup>	64	50
Cash flow from operations	148	-5
Cash flow after investment activities	111	-126
Average number of employees	3 114	3 038

<sup>1)</sup> 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.

<sup>2)</sup> 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 2 478 million, down 4% from 2014 due to lower pulpwood and sawnwood deliveries to internal customers.

Operational EBIT at EUR 64 million was EUR 14 million up from previous year.

## Acquisitions and capital expenditure

Additions to fixed and biological assets including interest and internal costs capitalised in 2015 totalled EUR 989 (EUR 781) million. The total amount includes additions in biological assets, EUR 77 (EUR 68) million. Acquisition of shares in equity accounted investments in 2015 totalled EUR 1 (97) million. Acquisition of subsidiary shares and business operations, net of acquired cash, totalled a cash outflow of EUR 0 (cash outflow of EUR 16) million in 2015.

The group continued to further invest in strategic focus areas and transformation. The construction of the Beihai consumer board mill in the Guangxi region, China is proceeding according to plan and the installation of machinery is ongoing. The board machine is expected to be operational during the second quarter of 2016. The capital expenditure on the forestry and industrial parts of the project during 2015 totalled approximately EUR 447 (EUR 230) million.

The conversion work of Varkaus Mill's fine paper machine in Finland to kraftliner machine was done during autumn 2015 and production started in October 2015. Through the machine conversion, Stora Enso is taking advantage of the combination of two market forces: the decreasing global market for paper and increasing the global market for renewable packaging board.

At Imatra Mills in Finland, investment to improve the quality and cost-competitiveness and to increase the capacity of the consumer board machine by 20 000 tonnes was taken in operation in October. At Sunila Mill in Finland, the first volumes of lignin were produced in January 2015 as planned and qualification processes with customers continue in order to commercialise the product during 2016.

At Murow Sawmill in Poland, operations started June 2015 after modernising and development investment, the investment will be completed during spring 2016. The investment will develop Stora Enso's wood product offering in the growing Central and Eastern European markets and Stora Enso will also utilise the platform in Poland to support growth in selected overseas markets.

In November Stora Enso opened an Innovation Centre for packaging located at the group's head office in Helsinki, Finland. The purpose of the centre is to create a venue for innovation and R&D work, where Stora Enso together with customers and other stakeholders can develop innovative and sustainable packaging concepts. The centre offers, among other things, a packaging design lab, presentation areas with advanced touch screen technology and virtual reality retail technology.

In December the group inaugurated an Innovation Centre for biomaterials in Stockholm, Sweden. The centre will help to boost innovation by identifying business opportunities in the markets for renewable materials and bio-based chemicals.

Investment in a Xylose Demo Plant in Raceland, Louisiana, USA is proceeding well and is on schedule. Estimated start of production is in summer 2016.

In February 2015, Stora Enso announced a EUR 43 million investment in a new production line for wooden building elements located in Varkaus, Finland. The investment is based on peeling technology which will further enhance Stora Enso's position as a global provider of high quality engineered wooden elements. The new products complement the existing product portfolio. Production is scheduled to begin in the second quarter of 2016. The estimated yearly capacity of the production line will be around 100 000 m<sup>3</sup>.

In December, Stora Enso announced two investments to further improve profitability and efficiency in its Wood Products division. Stora Enso will invest EUR 16 million to start pellet production and to build a new boiler at Ala Sawmill in Sweden. The investment allows the group to turn sawdust – a by-product of the sawmill – into pellets, a high value source for renewable energy. Pellet production is estimated to start during the second quarter of 2017. Stora Enso will also invest EUR 10 million in a new boiler at its Honkalahti Sawmill in Finland, in order to achieve cost savings and improve the environmental performance of the mill. Boiler operations are scheduled to begin in the third quarter of 2016.

In December 2015, the group announced that it has entered into an equity transfer agreement to increase its ownership share from 51% to 90% in its Chinese subsidiary Stora Enso Inpac Packaging Co. Ltd. The transaction is based on the terms of an option agreement dated October 2010. The cash consideration is approximately EUR 46 million. The transaction was in February 2016.

## Research and development

Stora Enso's expenditure on research and development (R&D) in 2015 was EUR 124 (EUR 104) million, equivalent to 1.2% (1.0%) of sales.

Stora Enso's priorities in 2015 were on aligning the R&D Innovation process within the whole organisation. The focus was on implementing a common innovation process (SEIP Stora Enso Innovation Process) and a common set of Key Performance Indicators (KPI) which now are reported quarterly.

For better communication and focusing, five R&D themes have been defined: Biobased chemistry, Materials sciences, Process solutions, Forestry and Renewable Feedstock as well as Internet of Things (IoT) and Industrial Digitalisation. The group's R&D platforms are proceeding and include bio-based barriers, micro materials, composites, (biochemistry) biotechnology, printed intelligence and wood-based building solutions to support the work on the themes.

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. To strengthen this further, patents and reports of inventions are now KPI's which are followed quarterly.

During 2015 Stora Enso filed 46 (31) priority founding patent applications and 79 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. Use of Virdia Technology and the process demonstration unit at Danville & construction of demo plant at Raceland for converting biomass into highly refined sugar are in the focus.

The Innovation Centre for biomaterials in Stockholm is another important step on the road to Stora Enso's transformation into a renewable materials company. It will help us build on our long, worldwide tradition in forestry, which – when coupled with access to sustainable raw materials and our expertise in fibres – gives us an excellent starting point for creating solutions that will benefit our customers and end-users in various industries and markets.

For creating a venue for innovation and R&D work, where Stora Enso together with customers and other stakeholders can develop innovative and sustainable packaging concepts, an Innovation Centre for packaging located at the group's head office in Helsinki was built. The centre offers, among other things, a packaging design lab, presentation areas with advanced touch screen technology and virtual reality retail technology.

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 successful customer trials. As an outcome the first commercial board with significant reduced grammage is on the market. Development and testing of MFC applications outside the paper and board field are also in progress.

The new established collaboration with NXP Semiconductors focuses on the development of intelligent packaging solutions targeting the integration of RFID into packages for consumer engagement and supply chain purposes as well as brand protection and tamper evidence applications. The first demonstrations were shown at European trade fair (Luxe Pack).

The Montes del Plata Pulp Mill project and start up in Uruguay and preparations for the Beihai board mill start up in Guangxi region, southern China, were strongly supported by internal R&D experts.

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

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 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 the preparation of the Strategic Research and Innovation Agenda and the annual work programmes of the newly established Bio-Based Industries Initiative Joint Undertaking, a new public-private partnership within the EU Horizon 2020 research programme. Stora Enso is partner in one running project and has applied for another three. In addition Stora Enso is active in several CEPI groups as well as in FTP (Forest Technology Platform) to strengthen our voice with regards to European and national policy makers and research funding organisations.

## Personnel

On 31 December 2015, there were 25 680 (27 200) employees in the group. The average number of employees in 2015 was 26 783, which was 2 226 lower than the average number in 2014. The numbers include 50% of employees at Veracel in Brazil and Montes del Plata in Uruguay.

In February 2015, the group completed the divestment on Uetersen Mill, Germany, employing approx. 400 people. In June 2015, the group announced the closure of the packaging converting unit in Chennai, India, affecting some 350 employees. In July 2015, the group announced the divestments of its Barcelona Mill in Spain, employing approx. 220 people. In August 2015, the group announced the divestment of its packaging plant in Komárom, Hungary, employing approx. 90 people. The divestment of Komárom plant was completed in September and Barcelona Mill in October 2015.

Personnel expenses totalled EUR 1 313 (EUR 1 383) million or 13.1% of sales. Wages and salaries were EUR 987 (EUR 1 045) million, pension costs EUR 160 (EUR 164) million and other employer costs EUR 166 (EUR 174) million.

At the end of 2015, the groups' top five countries in respect to number of employees were Finland, Sweden, China, Poland and Germany. 24% (25%) of employees were women.

Personnel turnover in 2015 was 17.9% (21.9%). The high personnel turnover is due to very high personnel turnover at Inpac units in China. The group absenteeism rate due to sickness and accidents was 3.1% (3.0%) of total theoretical working hours.

Employee-related information including personnel strategy is discussed in more detail in the group's Sustainability Report 2015 and the Progress Book 2015.

Remuneration to the Board of Directors and key management is described in Note 7 of the Financial Report.

## Sustainability

Stora Enso's Sustainability policy describes the group's overall approach to this important topic. It focuses on areas which Stora Enso has identified as priorities, and explains the integral role of Sustainability in the corporate strategy. Three Lead Areas provide a framework to drive the sustainability performance of the group, namely People and Ethics, Forests and Land Use, and Environment and Efficiency.

Sustainability is the responsibility of line management supported by subject matter experts throughout the group. Each business division also has its own Head of Sustainability who reports directly to the Executive Vice President of the division. The CEO carries ultimate responsibility for successful implementation. Stora Enso sustainability governance has been reinforced during the year following organisational changes in 2014 when Sustainability became an independent function with its own Executive Vice President reporting to the CEO. This position was permanently filled in April 2015.

During 2015 all Stora Enso divisions incorporated group-level and division-specific sustainability KPIs into their performance reporting. During 2015, sustainability was also further embedded into the group-wide annual Enterprise Risk Management (ERM) assessment process, following a risk evaluations conducted in 2014.

Stora Enso's progress on sustainability issues is described in detail in the group's Sustainability Report 2015.

## 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 ensuring 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 approved by the Board of Directors, sets out the overall approach to governance and management of risks in accordance with the COSO framework and in line with the ISO 31000 standard.

The Board retains the ultimate responsibility for the overall risk management process and for determining what an appropriate and acceptable level of risk is. The Board has established the Financial and Audit Committee to provide support to the Board in relation to

the monitoring of the adequacy of the risk management process within Stora Enso, and specifically regarding the management and reporting of financial risks. The Sustainability and Ethics Committee is responsible for overseeing the company's sustainability and ethical business conduct, its' strive to be a responsible corporate citizen, and its contribution to sustainable development.

The 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 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.

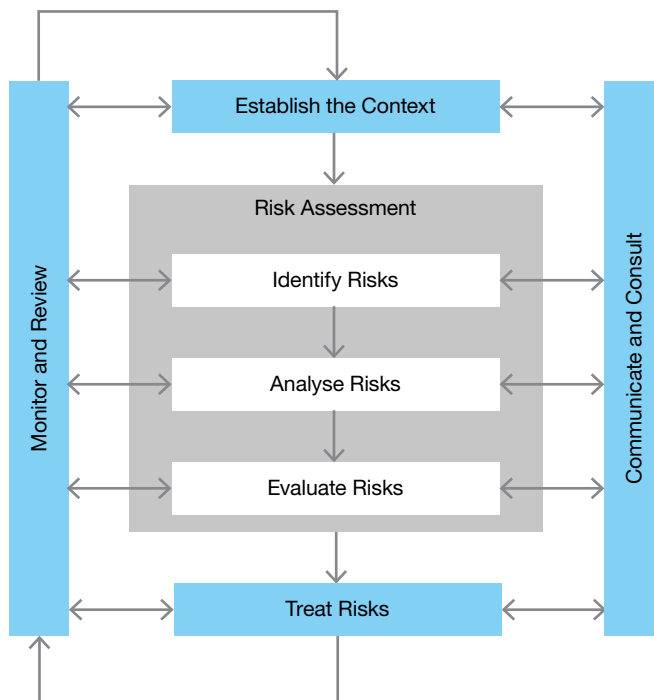
### Risk management process

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 a quantitative and qualitative basis.

### RISK MANAGEMENT PROCESS



Risk treatment involves selecting one or more risk management option, such as avoidance, reduction, sharing and retention. Additional risk mitigation actions are determined for risks which exceed perceived risk tolerance incorporating 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 the corresponding risk mitigation and business continuity plans related to those risks, are reviewed in divisional business review meetings on a quarterly basis.

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.

### Main risk factors

#### 1) Strategic risks

##### Business environment risks

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

Economic cycles and changes in consumer preferences may have an adverse effect on Stora Enso's profitability. 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. The ability to respond to changes in product demand and consumer preferences and to develop new products on a competitive and economic basis calls for innovation capabilities, continuous capacity management and structural development. The risks related to factors such as demand, price, competition and customers are regularly monitored by each division and unit as a routine part of business management. 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.

The table below shows the operating profit sensitivity to a +/- 10% change in either price or volume for different segments based on figures for 2015.

#### OPERATING PROFIT: IMPACT OF CHANGES +/- 10%, EUR MILLION

Segments	Price	Volume
Consumer Board	219	83
Packaging Solutions	87	36
Biomaterials	144	70
Wood Products	157	33
Paper	345	89

#### 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 growth 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.

Failure to complete strategic projects in accordance with the agreed schedule, budget or specifications can have serious impacts on our financial performance. Significant, unforeseen changes in costs or an inability to sell the envisaged volumes or achieve planned price levels may prevent us from reaching our business goals. The risks related to these factors are mitigated through profound and detailed pre-feasibility and feasibility studies which are prepared for each large investment. Group investment guidelines stipulate the process, governance, risk management and monitoring procedures for strategic projects. Environmental and Social Impact Assessments (ESIAs) are conducted for all new projects that could cause significant adverse effects in local communities. Post completion audits are carried out for all significant investments.

Failure to achieve the expected benefits from any acquisition and value from assets or businesses sold or restructured can have serious financial impacts. The group could find itself liable for past acts or omissions of the acquired business, without any adequate right of redress. Failure to achieve expected values from the sales of assets or deliveries beyond expected receipt of funds may also impact the group's financial position.

Stora Enso manages risks related to potential mergers and acquisitions through its corporate merger and acquisition guidelines and due diligence process as well as restructuring guidelines and structured governance when making decisions. These policies ensure Stora Enso's strategic and financial targets, and risks related to environmental and social responsibility are taken into account.

#### Regulatory changes and political risks

The group's businesses may be affected by political or regulatory developments in any of the countries and jurisdictions in which the group operates, including changes to fiscal, tax, environmental or other regulatory regimes. Potential impacts include higher costs and capex to meet new environmental requirements, expropriation of assets, imposition of royalties or other taxes targeted at our industry, and requirements for local ownership or beneficiation. In particular, the EU energy and carbon policies may impact upon the availability and price of wood fibre. Also political instability can result in civil unrest, nullification of existing agreements, harvesting permits or land leases. Unpredicted changes in forest certification schemes could limit the availability of certified raw material. Stora Enso follows and actively participates in the development of environmental and other legislation to minimise any adverse effects on its business. Forest management certification and chain-of-custody certification are tools for managing risks related to the acceptability of wood.

#### Global warming risks

Changes in precipitation patterns, typhoons and severe frost periods in the subtropics could cause damage to tree plantations. Increases in the temperature could lead to changes in the tree species composition of forests, accelerated by insect outbreaks. Milder winters and shorter periods of frozen soils could impact harvesting and transport of wood and thus affect stability of raw material supply and increase costs. Additional demand for bioenergy and agricultural land may limit the availability of land for fibre production, affecting the price of biomass. The increasing global demand for water may in the long-term impact our operations through our supply chains.

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. Diligent plantation planning is ensured to avoid frost sensitive areas and non-controversial tree breeding and R&D programmes are applied to increase tolerance of extreme temperatures. Stora Enso maintains a diversity of forest types and structures and enforces diversification in wood sourcing. Wood harvesting in soft soils involves implementation of best practices guidelines. Agroforestry concepts are introduced to integrate the different land use forms and to mitigate the competition on land and the effects of raising food prices.

## 2) Operational risks

### Price of major inputs

Increasing input costs of energy, fibre, chemicals, other raw materials, transportation and labour may adversely affect Stora Enso's profitability. Securing access to reliable low-cost supplies and proactively managing costs and productivity are of key importance. Input cost volatility is closely monitored at business unit, divisional and group level.

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.

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

### Composition of Costs in 2015

Operative Costs	% of Costs	% of Sales
Logistics and commissions	11	10
<b>Manufacturing Costs</b>		
Fibre	34	31
Chemicals and fillers	10	9
Energy	7	7
Material	6	6
Personnel	14	13
Other	12	11
Depreciation	6	5
<b>Total Costs and Sales</b>	<b>100</b>	<b>92</b>
<b>Total operative Costs and Sales in EUR million</b>	<b>9 205</b>	<b>10 040</b>
Equity accounted investments (EAI), operational		80
<b>Operational EBIT</b>		<b>915</b>

### 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.

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 and progressive blacklisting procedures are applied as necessary.

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.

### 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.

### 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.

### 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, thus relations with unions are of high importance.

### 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 have also been set for accident and incident rates. Stora Enso has 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 and safety risks are monitored and assessed by group Occupational Health and Safety function.

### 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 Human Resources, 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.

## 3) Compliance risks

### Business Practice Policy related risks

Stora Enso is exposed to risks related to breach of laws and regulations as well as group policies such as Code of Conduct, Supplier Code of Conduct and Business Practice Policy regarding fraud, anti-trust, corruption, conflict of interests and other misconduct. Potential impacts include prosecution, fines, penalties as well as contractual, financial and reputational damage. Stora Enso's Ethics and Compliance Programme, including policy setting, value promotion, training and knowledge sharing and grievance mechanisms is kept continuously up to date and developed. Other compliance mechanisms include Stora Enso group's internal control system and Internal Audit assurance, Supplier Code of Conduct in supplier contracts, supplier risk assessments, supplier trainings, supplier audits and black-listing procedures.

## 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.

## Social risks

Social risks may harm existing operations and the development of investments, especially in growth markets, and 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 as well as in ongoing operations. Tools such as sustainability risk assessment, human rights 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 in all operations. They also enable project plans and operating practices to be adapted to suit local circumstances.

## 4) Financial market and reporting

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, commodity price risk and credit risk.

Financial risks are discussed in detail in Note 24, Financial risk management.

## Financial reporting and critical accounting judgements

Critical accounting judgements are described in Note 2 Critical accounting estimates and judgements.

## Environmental opportunities and challenges

### Investments and liabilities

In 2015 Stora Enso's environmental investments amounted to EUR 41 (EUR 32) 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 costs in 2015 excluding interest and including depreciation totalled EUR 183 (EUR 192) 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 91 (EUR 115) million at 31 December 2015, details of which are in Note 22, 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 6 (7) million.

### Improving efficiency

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, board and sawmilling production units are certified according to the international ISO 14001 environmental management system standard, or are in the process of being certified.

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 global warming 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 is committed to further reduce its CO<sub>2</sub> emissions, keep emphasis on water stewardship, and aim to improve the materials efficiency of its operations to meet key environmental targets. Indicators of our environmental performance are followed at the group-level mainly on a quarterly basis. The consolidated results of all material environmental indicators are reported in the Sustainability Report 2015.

Stora Enso has set a CO<sub>2</sub> intensity target for its pulp, paper and board mills. The target is to reduce the CO<sub>2</sub> emissions per tonne of product from the group's pulp, paper and board mills by 35% by the



end of 2025 from a 2006 baseline, and is periodically adjusted to take into account the changing shape of the company. During 2015 Stora Enso's normalised CO<sub>2</sub> emissions decreased and are currently 32% (26%) lower than in 2006.

Large reductions in our CO<sub>2</sub> intensity in previous years have been achieved through investments in multi-fuel boilers that have reduced our use of fossil fuels and increased the efficiency of 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<sub>2</sub> intensity has been adversely affected by the use of fossil fuels at Ostrołęka Mill in Poland, where national waste infrastructure and the quality of biomass available limit the use of biomass-based fuels.

### Circular Economy as an efficiency driver

Stora Enso's operations support the concept of a Circular Economy, where materials are repeatedly recycled and waste generation is minimised. The company's production processes generate various by-products and wastes, including black liquor, bark, and different kinds of sludge generated during pulp and paper production, and waste water treatment sludge. Many of the materials are used for our internal bioenergy and pulp production, or supplied to our stakeholders for agricultural purposes, brick manufacturing or road construction. We are constantly looking for innovative ways to reuse materials that would otherwise end up as wastes. The waste and residual reuse rate across the group was 98% (98%) in 2015.

### Key Performance Indicators and targets

Stora Enso's target is to reduce specific electricity and heat consumption per tonne of pulp, paper and board production by 15% by 2020, compared with the baseline year of 2010. In 2015 this indicator was 6% lower than 2010 benchmark level (4% in 2014).

Stora Enso's target has been to reduce normalised process water discharges from the pulp, paper and board mills by 6% of their 2005 levels by 2015. During 2015 the group made no progress towards this target, and total discharges of process water have been reduced by 2% (3% in 2014) 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 7% from 2007 levels by the end of 2015. During 2015 normalised COD discharges continued to increase and were 3% (5%) lower than in 2007.

The main reasons for the company not achieving its water-related targets was that both COD levels and the volumes of process water discharges were affected by weak performance at some of the largest mills during the year.

Hazardous wastes from production include used oils, solvents, paints, laboratory chemicals and batteries. In 2015 Stora Enso's

production units generated a total of 3 574 tonnes of hazardous waste, slightly up from 3 422 tonnes in 2014.

In 2015 the total amount of wood (including roundwood, wood chips and sawdust) delivered to Stora Enso's mills was 36.2 million cubic metres (solid under bark) (32.4 million cubic metres in 2014). In 2015 coverage of the lands owned and managed by the company covered by forest certification schemes was 90% (90% in 2014). The share of certified wood in our total wood supply amounted to 80% (78%).

Externally assured information on environmental topics is published in the separate Sustainability Report 2015.

## Corporate governance in Stora Enso

Stora Enso' complies with the Finnish Corporate Governance Code issued by the Securities Market Association as in force at each time and has since 1 January 2016 complied with the Finnish Corporate Governance Code of 2015 (the "Code"). The Code is available at [cgfinland.fi](http://cgfinland.fi). Stora Enso's Corporate Governance also complies with the Swedish Corporate Governance Code ("Swedish Code") the last revised version of which entered into force on 1 November 2015 (and has been 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 [corporategovernanceboard.se](http://corporategovernanceboard.se).

## 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 87 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 34 million and the secondary claims solely against Stora Enso to approximately EUR 7 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 50) 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 5) 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 101) million against Andritz for breach by Andritz of its obligations under the contracts. No provisions were made in Montes del Plata's or Stora Enso's accounts for these claims. In April 2015, Montes del Plata settled the case with Andritz and withdrew from arbitration proceedings. The settlement agreement resulted in a USD 44 million (EUR 40 million) cash payment to be

made by Montes del Plata of which Stora Enso's share is 50%. The payment was recorded as capital expenditure in 2015.

## Changes in organisational structure and group management

### Changes in organisational structure

Stora Enso reorganised its divisional and reporting structure as of 1 January 2015. The Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper. The current IFRS reporting segments are formed by the divisions and the segment Other. Henceforth, Stora Enso reports financial figures for the divisions Consumer Board, Packaging Solutions, Biomaterials, Wood Products and Paper and the segment Other. The historical figures have been restated accordingly.

Enocell Oy was merged into Stora Enso Oyj with the effective date of 1 January 2015.

### Changes in group management

On 1 January 2015, Jari Latvanen started as Executive Vice President, Head of Consumer Board division and became a new member of the Group Leadership Team.

On 16 March 2015, Gilles van Nieuwenhuyzen took up the position of Executive Vice President, Packaging Solutions division, and Markus Mannström started as Chief Technology Officer (CTO). Both joined the Group Leadership Team.

On 1 April 2015, Noel Morrin took up the position of Executive Vice President, Sustainability and became a new member of the Group Leadership Team.

Juha Vanhainen, Executive Vice President, Energy, Logistics, Wood Supply Operations in Finland and Sweden was a member of the Group Leadership Team until 15 March 2015.

Terhi Koipijärvi was acting Executive Vice President, Global Responsibility and an acting member of the Group Leadership Team until 31 March 2015.

## 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 524 114 A shares were converted into R shares. The conversions were recorded in the Finnish Trade Register on 15 January 2015, 16 February 2015, 15 May 2015, 15 June 2015, 15 July 2015, 15 September 2015, 16 November 2015 and 15 December 2015.

On 31 December 2015, Stora Enso had 176 532 090 A shares and 612 087 897 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 237 740 879.

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

## MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2015

By voting power	A shares	R shares	% of shares	% of votes
1 FAM AB	63 123 386	17 000 000 <sup>1)</sup>	10.2%	27.3%
2 Solidium Oy <sup>2)</sup>	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%	6.6%
5 MP-Bolagen i Vetlanda AB, MP Skog Aktiebolag, (Werner von Seydlitz)	4 748 000	4 652 000	1.2%	2.2%
6 Ilmarinen Mutual Pension Insurance Company	3 492 740	13 521 189	2.2%	2.0%
7 Erik Johan Ljungberg's Education Foundation	1 780 540	2 336 224	0.5%	0.8%
8 Nordea Investment Funds	8 875	10 370 066	1.3%	0.4%
9 The State Pension Fund	-	8 100 000	1.0%	0.3%
10 Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3%	0.3%
11 Swedbank Robur Funds	-	6 260 809	0.8%	0.3%
12 Unionen (Swedish trade union)	-	5 297 200	0.7%	0.2%
13 Keva (Local Government Pensions Institution)	-	5 251 101	0.7%	0.2%
14 Investment Fund Nordea Suomi	-	3 911 000	0.5%	0.2%
15 SEB Investment Management	-	3 854 371	0.5%	0.2%
<b>Total</b>	<b>168 772 950</b>	<b>126 063 783</b>	<b>37.5%<sup>3)</sup></b>	<b>76.2%<sup>3)</sup></b>
Nominee-registered shares	74 431 798	453 244 404	66.9% <sup>3)</sup>	50.4% <sup>3)</sup>

<sup>1)</sup> As confirmed to Stora Enso.

<sup>2)</sup> Entirely owned by the Finnish State.

<sup>3)</sup> 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 Citibank, N.A (Citi). 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 2015

By size of holding, A shares	Shareholders	%	Shares	%
1–100	2 875	39.77%	152 550	0.09%
101–1 000	3 699	51.18%	1 411 818	0.80%
1 001–10 000	619	8.56%	1 442 909	0.82%
10 001–100 000	28	0.39%	562 273	0.32%
100 001–1 000 000	2	0.03%	238 681	0.13%
1 000 001–	5	0.07%	172 723 859	97.84%
<b>Total</b>	<b>7 228</b>	<b>100.00%</b>	<b>176 532 090</b>	<b>100.00%</b>

By size of holding, R shares	Shareholders	%	Shares	%
1–100	6 254	21.04%	398 149	0.07%
101–1 000	16 918	56.93%	7 653 267	1.25%
1 001–10 000	5 922	19.93%	16 075 717	2.63%
10 001–100 000	528	1.78%	13 853 713	2.26%
100 001–1 000 000	69	0.23%	20 208 339	3.30%
1 000 001–	28	0.09%	553 898 712	90.49%
<b>Total</b>	<b>29 719</b>	<b>100.00%</b>	<b>612 087 897</b>	<b>100.00%</b>

According to Euroclear Finland.

**OWNERSHIP DISTRIBUTION, 31 DECEMBER 2015**

	% of shares	% of votes
FAM AB	10.2%	27.3%
Solidium Oy <sup>1)</sup>	12.3%	25.1%
Finnish institutions	15.6%	21.6%
Under nominee names (non-Finnish/ non-Swedish shareholders)	46.7%	15.7%
Swedish institutions	5.4%	4.3%
Swedish private shareholders	3.5%	2.8%
Finnish private shareholders	4.0%	2.4%
ADR holders	2.3%	0.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup> Entirely owned by the Finnish State.

**Near-term outlook and short term risks**

Q1/2016 sales are estimated to be similar to the amount of EUR 2 487 million and operational EBIT is expected to be in line with the EUR 242 million recorded in Q4/2015. There are no major scheduled annual maintenance shutdowns during Q1/2016.

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 5 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 169 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 47 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 crown and British pound against the euro would be about positive EUR 115 million, negative EUR 92 million and positive EUR 41 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.

The group incurs annual unhedged net costs worth approximately EUR 100 million in Brazilian real (BRL) in its operations in Brazil. For these flows, a 10% strengthening in the value of BRL would have a EUR 10 million negative impact on operational EBIT.

**Events after the balance sheet date**

On 15 January the conversion of 25 000 A shares were converted into R shares. The shares were recorded in the Finnish trade register.

**Proposal for the distribution of dividend**

The Board of Directors proposes to the AGM that a dividend of EUR 0.33 per share be distributed for the year 2015.

The dividend would be paid to shareholders who on the record date of the dividend payment, 2 May 2016, 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 crown. Dividends payable to ADR holders will be forwarded by Citibank N.A. and paid in US dollars.

The Board of Directors proposes to the AGM that the dividend be paid on or about 10 May 2016.

**Annual General Meeting**

The Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Thursday 28 April 2016 at Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

# Consolidated financial statements

## Consolidated income statement

EUR million	Note	Year Ended 31 December	
		2015	2014
<b>Sales</b>	3	<b>10 040</b>	<b>10 213</b>
Other operating income	5	128	168
Changes in inventories of finished goods and work in progress		18	3
Change in net value of biological assets	12	-89	-114
Materials and services		-6 008	-6 244
Freight and sales commissions		-970	-939
Personnel expenses	6	-1 313	-1 383
Other operating expenses	5	-503	-625
Share of results of equity accounted investments	13	519	87
Depreciation, amortisation and impairment charges	10	-763	-766
<b>Operating Profit</b>	3	<b>1 059</b>	<b>400</b>
Financial income	8	25	79
Financial expense	8	-270	-359
<b>Profit before Tax</b>		<b>814</b>	<b>120</b>
Income tax	9	-31	-30
<b>Net Profit for the Year</b>		<b>783</b>	<b>90</b>
<b>Attributable to:</b>			
Owners of the Parent	18	807	99
Non-controlling Interests	19	-24	-9
<b>Net Profit for the Year</b>		<b>783</b>	<b>90</b>
<b>Earnings per Share</b>			
Basic and diluted earnings per share, EUR	32	1.02	0.13

## Consolidated statement of comprehensive income

EUR million	Note	Year Ended 31 December	
		2015	2014
Net profit for the year		783	90
<b>Other Comprehensive Income (OCI)</b>			
<b>Items that will Not be Reclassified to Profit and Loss</b>			
Actuarial losses/gains on defined benefit plans	20	77	-100
Income tax relating to items that will not be reclassified	9	-36	17
		<b>41</b>	<b>-83</b>
<b>Items that may be Reclassified Subsequently to Profit and Loss</b>			
Share of OCI of equity accounted investments that may be reclassified	27	5	-17
Currency translation movements on equity net investments (CTA)	28	28	63
Currency translation movements on non-controlling interests	19	6	14
Net investment hedges	28	-33	8
Cash flow hedges	27	60	-74
Non controlling interests' share of cash flow hedges	19	1	-1
Available-for-sale investments	14	-327	96
Income tax relating to items that may be reclassified	9	-8	8
		<b>-268</b>	<b>97</b>
<b>Total Comprehensive Income</b>		<b>556</b>	<b>104</b>
<b>Attributable to:</b>			
Owners of the Parent		573	100
Non-controlling interests	19	-17	4
<b>Total Comprehensive Income</b>		<b>556</b>	<b>104</b>

The accompanying Notes are an integral part of these Consolidated financial statements.

# Consolidated statement of financial position

EUR million		Note	As at 31 December	
			2015	2014
ASSETS				
Goodwill	O	11	248	242
Other intangible assets	O	11	156	157
Property, plant and equipment	O	11	5 627	5 419
		11	6 031	5 818
Biological assets	O	12	640	643
Emission rights	O		20	27
Equity accounted investments	O	13	1 570	1 056
Available-for-sale investments: listed securities	I	14	28	30
Available-for-sale investments: operative	O	14	131	444
Non-current loan receivables	I	17	68	70
Deferred tax assets	T	9	246	259
Other non-current assets	O	15	63	85
Non-current Assets			8 797	8 432
Inventories	O	16	1 373	1 403
Tax receivables	T	9	6	8
Operative receivables	O	17	1 324	1 484
Interest-bearing receivables	I	17	53	74
Cash and cash equivalents	I		808	1 446
Current Assets			3 564	4 415
Total Assets			12 361	12 847
EQUITY AND LIABILITIES				
Share capital		18	1 342	1 342
Share premium			77	77
Treasury shares		18	-	-
Fair value reserve		27	-12	265
Cumulative translation adjustment		28	-147	-149
Invested non-restricted equity fund			633	633
Retained earnings			2 688	2 803
Net profit for the year			807	99
Equity Attributable to Owners of the Parent			5 388	5 070
Non-controlling Interests		19	125	167
Total Equity			5 513	5 237
Post-employment benefit provisions	O	20	378	483
Other provisions	O	22	112	159
Deferred tax liabilities	T	9	252	264
Non-current debt	I	26	3 342	3 530
Other operative liabilities	O	23	49	47
Non-current Liabilities			4 133	4 483
Current portion of non-current debt	I	26	228	611
Interest-bearing liabilities	I	26	626	751
Bank overdrafts	I	26	1	2
Other provisions	O	22	48	82
Other operative liabilities	O	23	1 765	1 631
Tax liabilities	T	9	47	50
Current Liabilities			2 715	3 127
Total Liabilities			6 848	7 610
Total Equity and Liabilities			12 361	12 847

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	
		2015	2014
<b>Cash Flow from Operating Activities</b>			
Net profit for the year		783	90
Result from the Statement of Other Comprehensive Income		-11	-
Adjustments and reversal of non-cash items:			
Taxes	9	31	30
Depreciation and impairment charges	10	763	766
Change in value of biological assets	12	89	114
Change in fair value of share awards and TRS		6	10
Share of results of equity accounted investments	13	-519	-87
Profits and losses on sale of fixed assets and investments	5	1	-16
Net financial items	8	245	280
Other adjustments		-16	-11
Dividends received from equity accounted investments	13	32	19
Interest received		18	22
Interest paid		-191	-200
Other financial items, net		-78	-34
Income taxes paid	9	-78	-39
Change in net working capital, net of businesses acquired or sold		141	-56
<b>Net Cash Provided by Operating Activities</b>		<b>1 216</b>	<b>888</b>
<b>Cash Flow from Investing Activities</b>			
Acquisition of subsidiary shares and business operations, net of acquired cash	4	-	-16
Acquisition of shares in equity accounted investments	13	-1	-97
Acquisition of available-for-sale investments	14	-14	-9
Capital expenditure	3, 11	-879	-719
Investment in biological assets	12	-77	-68
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	4	-10	72
Proceeds from disposal of shares in equity accounted investments	13	-	61
Proceeds from disposal of intangible assets and property, plant and equipment	11	27	14
Proceeds from non-current receivables, net		5	16
<b>Net Cash Used in Investing Activities</b>		<b>-949</b>	<b>-746</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds from issue of new long-term debt		435	166
Repayment of long-term debt		-1 181	-922
Change in short-term borrowings		46	17
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	10	94
Purchase of own shares		-6	-4
<b>Net Cash Used in Financing Activities</b>		<b>-933</b>	<b>-879</b>
<b>Net Decrease in Cash and Cash Equivalents</b>			
Translation adjustment		29	120
Net Cash and cash equivalents at beginning of year		1 444	2 061
<b>Net Cash and Cash Equivalents at Year End</b>		<b>807</b>	<b>1 444</b>
<b>Cash and Cash Equivalents at Year End</b>			
<b>Cash and Cash Equivalents at Year End</b>		<b>808</b>	<b>1 446</b>
<b>Bank Overdrafts at Year End</b>		<b>-1</b>	<b>-2</b>
<b>Net Cash and Cash Equivalents at Year End</b>		<b>807</b>	<b>1 444</b>

The accompanying Notes are an integral part of these Consolidated financial statements.

# Consolidated cash flow statement

## Supplemental cash flow information

EUR million	Note	Year Ended 31 December	
		2015	2014
<b>Change in Net Working Capital consists of:</b>			
Change in inventories		18	-44
Change in interest-free receivables:			
Current		95	19
Non-current		18	-15
Change in interest-free liabilities:			
Current		59	-65
Non-current		-49	49
<b>Change in Net Working Capital, Net of Businesses Acquired or Sold</b>		<b>141</b>	<b>-56</b>
<b>Non-Cash Investing Activities</b>			
Total capital expenditure		912	713
Amounts paid		-879	-719
<b>Non-Cash Part of Additions to Intangible Assets and Property, Plant and Equipment</b>		<b>33</b>	<b>-6</b>
<b>ACQUISITIONS</b>			
<b>Cash Flow on Acquisitions</b>			
Purchase consideration on acquisitions, cash part	4	-	17
Purchase consideration on acquisitions, non-cash part	4	-	15
Cash and cash equivalents in acquired companies, net of bank overdraft	4	-	-1
<b>Total Acquisition Value</b>		<b>-</b>	<b>31</b>
<b>Acquired Net Assets</b>			
Operating working capital		-	-4
Intangible assets and property, plant and equipment	11	-	20
Tax assets and liabilities	9	-	-5
Interest-bearing assets and liabilities		-	-8
<b>Total Net Assets Acquired</b>		<b>-</b>	<b>3</b>
Goodwill (provisional for 2014)	11, 4	-	28
<b>Total Net Assets Acquired and Goodwill</b>		<b>-</b>	<b>31</b>
<b>DISPOSALS</b>			
<b>Cash Flow on Disposals</b>			
Cash part of the consideration	4	15	103
Cash and cash equivalents in divested companies	4	-25	-31
<b>Net Cash Flow from Disposal</b>		<b>-10</b>	<b>72</b>
Non-cash part of the consideration		7	1
<b>Total Consideration, net of Cash and Cash Equivalents in Divested Companies</b>		<b>-3</b>	<b>73</b>
<b>Net Assets Sold</b>			
Cash and cash equivalents		25	31
Goodwill	11	-	3
Other intangible assets and property, plant and equipment	11	12	38
Working capital		-14	25
Tax assets and liabilities		-	2
Interest-bearing assets and liabilities		-1	2
Non-controlling interests	19	-	-7
		<b>22</b>	<b>94</b>
Gain on sale	4	-	10
<b>Total Net Asset Sold</b>		<b>22</b>	<b>104</b>

The accompanying Notes are an integral part of these Consolidated financial statements.

# Statement of changes in equity

EUR million	Fair Valuation Reserve													Total
	Share Capital	Share Premium and Reserve Fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available for Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests		
Balance at 31 December 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	
Profit/loss for the year	-	-	-	-	-	-	-	-	-	807	807	-24	783	
OCI before tax	-	-	-	-	-	-327	60	5	-5	77	-190	7	-183	
Income tax relating to components of OCI	-	-	-	-	-	-	-15	-	7	-36	-44	-	-44	
Total Comprehensive Income	-	-	-	-	-	-327	45	5	2	848	573	-17	556	
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-2	-239	
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-39	-39	
Loss on NCI buy-out	-	-	-	-	-	-	-	-	-	-16	-16	16	-	
Purchase of treasury shares	-	-	-	-6	-	-	-	-	-	-	-6	-	-6	
Share-based payments	-	-	-	6	-	-	-	-	-	-2	4	-	4	
Balance at 31 December 2015	1 342	77	633	-	4	27	-24	-19	-147	3 495	5 388	125	5 513	

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 Helsinki and Stockholm. The operations of Stora Enso Oyj and its subsidiaries (together "Stora Enso" or the "group") are organised into the following divisions: Consumer Board, Packaging Solutions, Biomaterials, Wood Products, Paper and the segment 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.

The Financial Statements were authorised for issue by the Board of Directors on 4 February 2016.

### 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.

There were no new or amended standards adopted in 2015.

### Amendments endorsed by EU and effective start of 2016

- IAS 19 *Defined Benefit Plans* Employee Contributions (amendment) effective for annual periods beginning on or after 1 July 2014. The amendment was not endorsed by the EU until January 2015 i.e. the effective date is transferred to 2016. The amendment clarifies the accounting for contributions made by employees or third parties to defined benefit plans. The amendment does not have a significant effect on the group financial statement.
- 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. These amendments have no effect on the group financial statements.

- 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. These amendments have no effect on the group financial statements.
- 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 amendment has no effect on the group financial statements.
- 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 1: disclosure Initiative (Issued on 18 December 2014) clarifies the presentation principles. The amendments are effective 1 January 2016. The amendments do not have material effect on the group financial statement.

### New and amended standards not yet effective and not yet endorsed by the EU in 2015

- 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 EU endorsement process has been stopped. The standard 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 2018. The effects of this new standard on the group financial statements are under investigation.
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities – Applying the consolidation Exception* (issued on 18 December 2014). The amendments provide an exemption from consolidation of subsidiaries for entities that meet the definition of investment entity. The amendments are effective 1 January 2016. This change is not relevant to the group.
- 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 in joint ventures. The EU endorsement process has been postponed. The amendments might be relevant in case of these kinds of transactions.

## 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.

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 the line-by-line method.

- Veracel is a jointly (50%/50%) owned company of Stora Enso and Fibria located in 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 the 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 in 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.

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. The group has a joint venture Bulleh Shah Packaging (Private) Limited.

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 is described in Note 3 Segment information. The group's key non-IFRS performance metric is operational EBIT, which is used to evaluate the performance of its operating segments and to steer allocation of resources to them. Operational EBIT comprises the operating profit excluding non-recurring items and fair valuations from the segments and Stora Enso's share of the operating profit of equity accounted investments (EAI), 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 and related hedges, CO<sub>2</sub> 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.

Stora Enso may enter into factoring arrangements as one of the working capital management tools. Sold trade receivables are derecognized when the significant related risks and rewards of ownership have been transferred.

## 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's fair valuation reserve 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. The investments are detailed in Note 14 Available-for-sale investments.

## 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 subsequently measured at amortised cost which is 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 cash flow hedges 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 cash flow hedges reserve within OCI 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 expenses. 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 the agreed terms of delivery.

Stora Enso terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms as issued by

the International Chamber of Commerce (ICC). The main categories of terms covering group sales are:

- “D” terms, under which the group is obliged to deliver the goods to the buyer at the agreed place in the manner specified in the chosen rule, in which case the Point of Sale is the moment of delivery to the buyer.
- “C” terms, whereby the group arranges and pays for the external carriage and certain other costs, though the group ceases to be responsible for the goods once they have been handed over to the carrier in accordance with the relevant term. The Point of Sale is thus the handing over of the goods to the carrier contracted by the seller for the carriage to the agreed destination.
- “F” terms, being where the buyer arranges and pays for the carriage, thus the Point of Sale is the handing over of goods to the carrier contracted by the buyer at the agreed point.

Where local rules may result in invoices being raised in advance of the above, the effect of this revenue advancement is quantified and an adjustment is made for it.

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

### Shipping and handling costs

When Stora Enso is responsible for arranging transport for its sales, such costs are not billed separately but are included in revenue in the value of the goods billed to customers; the shipping costs incurred are shown in cost of sales.

### Research and development

Research costs are expensed as incurred in other operating expenses in the Consolidated Income Statement. Development costs are also expensed as incurred unless it is probable that future economic benefits will flow to the group, in which case they are capitalised as intangible assets and depreciated over the period of the income streams.

### Computer software development costs

The cost of development or acquisition of new software clearly associated with an identifiable and unique product that will be controlled by the group and has probable benefit exceeding its cost beyond one year is recognised as an intangible asset and amortised over the expected useful life of the software. Website costs are expensed as incurred.

### Environmental remediation costs

Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do not contribute to current or future revenues, are expensed as incurred. Environmental liabilities are recorded when it is probable, based on current interpretations of environmental laws and regulations, that a present obligation has arisen and the amount of such liability can be reliably estimated.



## Discontinued operations and assets held for sale

A discontinued operation represents a separate major line of business, or geographical area, for which the assets less liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes, which has been disposed of or is classified as held for sale. An asset is classified as such when it is highly probable that the carrying amount of the asset will be recovered through a sale transaction rather than continuing use.

## Income taxes

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

Deferred income taxes are provided using the liability method, as measured with enacted, or substantially enacted, tax rates, to reflect the net tax effects of all temporary differences between the tax bases and the accounting bases of assets and liabilities. No deferred tax is recognised for the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction it affects neither accounting profit nor taxable profit. Deferred tax assets reduce income taxes payable on taxable income in future years. The deferred tax assets, whether arising from temporary differences or from tax losses, are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

## Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the group on an acquisition. Goodwill is computed as the excess of the cost of an acquisition over the fair value of the group's share of the fair value of net assets of the acquired subsidiary at the acquisition date and is allocated to those groups of cash generating units expected to benefit from the acquisition for the purpose of impairment testing. In compliance with IFRS 3, the cost of an acquisition is equal to the sum of the consideration transferred, the value of the non-controlling interest in the acquisition and the fair value of the previously held interest in the acquired subsidiary. Goodwill arising on the acquisition of non-euro foreign entities is treated as an asset of the foreign entity denominated in the local currency and translated at the closing rate.

Goodwill is not amortised but tested for impairment on an annual basis, or more frequently if there is an indication of impairment. Gains and losses on the disposal of a group entity include any goodwill relating to the entity sold.

Goodwill arising upon the acquisition of an equity accounted investment 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 fair value less costs of disposal 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. The results of annual impairment tests are detailed in Note 10 Depreciation, amortisation and impairment charges.

## 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. Biological asset values are presented in Note 12 Biological 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. Provisions are detailed in Note 22 Other provisions.

### 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 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 is calculated by the adjusting the weighted average number of ordinary shares plus the diluted effect of all potential ordinary shares dilutive such as shares from the share-based payments. The calculation is detailed in Note 32 Earnings per share and equity per share.

### 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 of disposal 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, amortisation and 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, amortisation and impairment charges.

### Control assessment of joint operations and associates

Note 1 Accounting principles 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 share of the 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 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 assets 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

Stora Enso reorganised its divisional and reporting structure as of 1 January 2015. The Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper. The current IFRS reporting segments are formed by the divisions and the segment Other. Henceforth, Stora Enso reports financial figures for the divisions Consumer Board, Packaging Solutions, Biomaterials, Wood Products and Paper and the segment Other. The historical figures have been restated accordingly.

The activities of the reportable segments are:

### Consumer Board

Consumer Board division develops and provides boards for printing and packaging applications. A wide board and barrier coating selection is suitable for the design and optimisation of packaging for liquid, food, pharmaceutical and luxury goods. We serve brand owners globally and are expanding in growth markets such as China to meet rising demand.

### Packaging Solutions

Packaging Solutions division develops fibre-based packaging, and operates at every stage of the value chain from pulp production, material and packaging production to recycling. Our solutions serve leading converters, brand owners and retailer customers helping to optimise performance, reduce total costs and enhance sales.

### Biomaterials

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

### Wood Products

Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of urban construction including massive wood elements, housing modules, and wood components. We also offer pellets for sustainable heating and a variety of sawn timber goods. Our customers are mainly construction and joinery companies, merchandisers and retailers. Wood Products operates globally and has more than 20 production units in Europe.

### Paper

Paper 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. Our main customer groups include publishers, retailers, printing houses, merchants, converters and office suppliers. Our mills are located predominantly in Europe, as well as in Brazil and China. Three of the mills produce paper based on 100%-recycled fibre.

### Other

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

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## SALES BY SEGMENT

EUR million	Year Ended 31 December					
	External	Internal	Total	External	Internal	Total
	2015			2014		
Consumer Board	2 331	9	2 340	2 286	11	2 297
Packaging Solutions	888	25	913	1 007	58	1 065
Biomaterials	1 001	483	1 484	649	455	1 104
Wood Products	1 497	106	1 603	1 657	122	1 779
Paper	3 526	104	3 630	3 800	112	3 912
Other	797	1 681	2 478	814	1 753	2 567
Elimination of internal sales	-	-2 408	-2 408	-	-2 511	-2 511
<b>Total</b>	<b>10 040</b>	<b>-</b>	<b>10 040</b>	<b>10 213</b>	<b>-</b>	<b>10 213</b>

Sales include external service income of EUR 71 (EUR 58) million.

## SEGMENT SHARE OF OPERATIONAL EBIT, NRI, FAIR VALUATIONS AND NON-OPERATIONAL ITEMS AND OPERATING PROFIT/LOSS

EUR million	Year Ended 31 December					
	Operational EBIT		NRI, Fair Valuations and Non-Operational items		Operating Profit/Loss	
	2015	2014	2015	2014	2015	2014
Consumer Board	290	292	-32	-60	258	232
Packaging Solutions	90	118	-10	7	80	125
Biomaterials	313	89	-5	-4	308	85
Wood Products	81	89	-1	-12	80	77
Paper	77	172	-256	-330	-179	-158
Other	64	50	448	-11	512	39
<b>Total</b>	<b>915</b>	<b>810</b>	<b>144</b>	<b>-410</b>	<b>1 059</b>	<b>400</b>
Net financial items					-245	-280
<b>Profit before Tax</b>					<b>814</b>	<b>120</b>
Income tax expense					-31	-30
<b>Net Profit</b>					<b>783</b>	<b>90</b>

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 and related hedges, CO<sub>2</sub> 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

EUR million	Year Ended 31 December	
	2015	2014
Impairments and reversals of intangible asset and property, plant and equipment and biological assets	-266	-219
Restructuring costs excluding fixed asset impairments	7	-118
Disposals	-	53
Other	25	5
<b>Total Non-Recurring Items</b>	<b>-234</b>	<b>-279</b>
Fair valuations and non-operational items	378	-131
<b>Total</b>	<b>144</b>	<b>-410</b>



**SEGMENT SHARE OF OPERATIVE ASSETS, OPERATIVE LIABILITIES AND OPERATING CAPITAL**

EUR million	Year Ended 31 December					
	Operative Assets		Operative Liabilities		Operating Capital	
	2015	2014	2015	2014	2015	2014
Consumer Board	2 527	2 172	512	445	2 015	1 727
Packaging Solutions	1 054	929	221	146	833	783
Biomaterials	2 760	2 708	171	252	2 589	2 456
Wood Products	723	741	204	228	519	513
Paper	1 999	2 506	795	892	1 204	1 614
Other and eliminations	2 089	1 904	449	439	1 640	1 465
<b>Total</b>	<b>11 152</b>	<b>10 960</b>	<b>2 352</b>	<b>2 402</b>	<b>8 800</b>	<b>8 558</b>

**INTANGIBLE ASSET AND PROPERTY, PLANT AND EQUIPMENT (PPE), DEPRECIATIONS, IMPAIRMENTS AND REVERSALS, AND CAPITAL EXPENDITURE BY SEGMENT**

EUR million	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations/Impairments/Reversals		Capital Expenditure	
	2015	2014	2015	2014	2015	2014
Consumer Board	1 526	1 167	144	148	487	297
Packaging Solutions	782	673	60	66	128	52
Biomaterials	2 028	1 954	107	84	115	203
Wood Products	361	342	29	36	63	29
Paper	1 163	1 527	404	408	84	108
Other	171	155	19	24	35	24
<b>Total</b>	<b>6 031</b>	<b>5 818</b>	<b>763</b>	<b>766</b>	<b>912</b>	<b>713</b>

**GOODWILL BY SEGMENT**

EUR million	Year Ended 31 December					
	Goodwill		Goodwill on Acquisitions		Impairment	
	2015	2014	2015	2014	2015	2014
Consumer Board	-	-	-	-	-	-
Packaging Solutions	30	29	-	-	-	-
Biomaterials	31	28	-	28	-	-
Wood Products	104	102	-	-	-	3
Paper	83	83	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>248</b>	<b>242</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>3</b>

## AVERAGE PERSONNEL

Segment	Year Ended 31 December		Location	Year Ended 31 December	
	2015	2014		2015	2014
Consumer Board	4 239	4 429	Austria	890	936
Packaging Solutions	7 141	8 227	Baltic States	1 177	1 154
Biomaterials	1 655	1 569	Belgium	536	546
Wood Products	3 824	4 046	Czech Republic	736	725
Paper	6 810	7 700	Finland	6 589	6 921
Other	3 114	3 038	France	71	406
<b>Total</b>	<b>26 783</b>	<b>29 009</b>	Germany	1 711	2 165
			Poland	1 856	1 893
			Russia	1 086	1 110
			Spain	190	276
			Sweden	4 975	5 151
			Other Europe	291	401
			<b>Total Europe</b>	<b>20 108</b>	<b>21 684</b>
			Brazil	714	712
			China (incl. Hong Kong)	5 114	5 532
			India	234	381
			USA	52	175
			Uruguay	334	337
			Other countries	227	188
			<b>Total</b>	<b>26 783</b>	<b>29 009</b>

	As at 31 December	
	2015	2014
<b>Year-End Personnel</b>	<b>25 680</b>	<b>27 200</b>

## EXTERNAL SALES BY DESTINATION AND ORIGIN

EUR million	Year Ended 31 December					
	Sales by Destination		Sales by Origin		Balance of Trade	
	2015	2014	2015	2014	2015	2014
Austria	250	262	348	343	98	81
Baltic States	224	240	264	286	40	46
Belgium	146	149	255	278	109	129
Czech Republic	161	168	250	263	89	95
Denmark	133	141	17	16	-116	-125
Finland	647	682	3 653	3 736	3 006	3 054
France	474	507	10	47	-464	-460
Germany	1 454	1 288	726	853	-728	-435
Italy	338	296	-	-	-338	-296
Netherlands	257	271	14	23	-243	-248
Poland	468	466	375	358	-93	-108
Russia	266	311	175	196	-91	-115
Spain	342	350	87	120	-255	-230
Sweden	995	1 015	2 613	2 674	1 618	1 659
UK	575	604	21	25	-554	-579
Other Europe	810	808	139	165	-671	-643
<b>Total Europe</b>	<b>7 540</b>	<b>7 558</b>	<b>8 947</b>	<b>9 383</b>	<b>1 407</b>	<b>1 825</b>
Australia / New Zealand	208	184	25	5	-183	-179
Brazil	140	173	423	376	283	203
China (incl. Hong Kong)	694	753	302	309	-392	-444
Japan	282	224	-	-	-282	-224
Middle East	269	286	-	-	-269	-286
Uruguay	23	11	336	90	313	79
USA	112	133	2	44	-110	-89
Other countries	772	891	5	6	-767	-885
<b>Total</b>	<b>10 040</b>	<b>10 213</b>	<b>10 040</b>	<b>10 213</b>	<b>-</b>	<b>-</b>

## TOTAL ASSETS, CAPITAL EMPLOYED AND SHAREHOLDERS' EQUITY BY LOCATION

EUR million	As at 31 December					
	Total Assets		Capital Employed		Shareholders' Equity	
	2015	2014	2015	2014	2015	2014
Austria	172	166	114	107	123	121
Baltic States	115	127	91	101	143	128
Belgium	313	419	214	296	298	484
Czech Republic	151	150	125	123	109	120
Finland	3 228	3 959	2 078	2 334	1 068	863
France	14	22	-25	-53	-122	-115
Germany	523	700	109	198	100	358
Poland	583	678	473	468	275	359
Russia	130	137	81	90	77	59
Spain	1	40	1	9	5	-21
Sweden	3 013	2 688	2 089	1 837	854	352
Other Europe	37	50	19	7	106	64
<b>Total Europe</b>	<b>8 280</b>	<b>9 136</b>	<b>5 369</b>	<b>5 517</b>	<b>3 036</b>	<b>2 772</b>
Brazil	574	816	517	727	406	607
China (incl. Hong Kong)	1 562	1 193	1 114	756	730	726
Uruguay	1 750	1 539	1 630	1 427	1 087	875
USA	99	58	84	27	85	33
Other countries	96	105	39	57	44	57
<b>Total</b>	<b>12 361</b>	<b>12 847</b>	<b>8 753</b>	<b>8 511</b>	<b>5 388</b>	<b>5 070</b>

Total capital employed represents operating capital less net tax liabilities.

## RECONCILIATION OF OPERATING CAPITAL TO TOTAL ASSETS

EUR million	As at 31 December	
	2015	2014
<b>Operating Capital</b>	<b>8 800</b>	<b>8 558</b>
Gross-up for operating liabilities	2 352	2 402
Interest-bearing receivables	957	1 620
Tax receivables	252	267
<b>Total Assets</b>	<b>12 361</b>	<b>12 847</b>

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

**INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (PPE), CAPITAL EXPENDITURE AND DEPRECIATIONS, IMPAIRMENTS AND REVERSALS BY LOCATION**

EUR million	Year Ended 31 December					
	Intangible Assets and PPE		Depreciations, Impairments and Reversals		Capital Expenditure	
	2015	2014	2015	2014	2015	2014
Austria	109	107	6	12	23	3
Baltic States	49	54	8	8	3	6
Belgium	260	364	113	38	8	9
Czech Republic	113	110	4	4	5	9
Finland	1 190	1 080	149	218	262	180
France	-	3	2	2	-	-
Germany	377	452	89	65	14	21
Poland	430	422	27	30	34	21
Russia	54	64	8	2	5	4
Spain	-	5	1	-	1	5
Sweden	898	1 043	224	306	61	104
Other Europe	4	13	4	4	-	1
<b>Total Europe</b>	<b>3 484</b>	<b>3 717</b>	<b>635</b>	<b>689</b>	<b>416</b>	<b>363</b>
Brazil	255	393	58	36	14	16
China (incl. Hong Kong)	782	381	27	22	407	207
Uruguay	1 419	1 272	40	15	42	120
USA	89	51	2	2	33	5
Other countries	2	4	1	2	-	2
<b>Total</b>	<b>6 031</b>	<b>5 818</b>	<b>763</b>	<b>766</b>	<b>912</b>	<b>713</b>

## Note 4 Acquisitions and disposals

### ACQUISITION OF GROUP COMPANIES

EUR million	Year Ended 31 December	
	2015	2014
<b>Acquired Net Assets</b>		
Cash and cash equivalents, net of bank overdraft	-	1
Intangible assets and Property, plant and equipment	-	20
Tax assets and liabilities	-	-5
Working capital	-	-4
Interest-bearing assets and liabilities	-	-8
<b>Fair Value of Net Assets in Acquired Companies</b>	-	4
Goodwill	-	28
<b>Total Purchase Consideration</b>	-	32

In 2015 there were no acquisitions.

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 the conversion of cellulosic biomass into highly refined sugars and lignin. 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 27 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. The assets and liabilities recognised for the

business combination have been determined using a combination of income and cost approaches. A part of the consideration was allocated to the acquired intangible assets. Subsequent changes in the fair value of contingent consideration are recognised as a profit or loss. On 31 December 2015, the fair value of the contingent consideration totalled EUR 21 million.

The accounting for the acquisition of Virdia was completed in June 2015 and the transaction resulted in goodwill of EUR 28 million (USD 33 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. Virdia did not have an impact on group sales in 2015. The impact of group net profit was negative EUR 9 million in 2015.

## DISPOSAL OF GROUP COMPANIES

EUR million	Year Ended 31 December	
	2015	2014
<b>Net Assets Sold</b>		
Cash and cash equivalents	25	31
Intangible assets and Property, plant and equipment	12	41
Working capital	-14	25
Tax assets and liabilities	-	2
Interest-bearing assets and liabilities	-1	2
Non-controlling interest	-	-7
<b>Net Assets in Divested Companies</b>	<b>22</b>	<b>94</b>
<b>Total Disposal Consideration Received in Cash and Kind</b>	<b>22</b>	<b>104</b>
Loss/gain on disposal of Group companies	-	10
CTA release	-4	3
Transaction costs	-2	-4
<b>Total Net Loss/gain</b>	<b>-6</b>	<b>9</b>

On 31 December 2015 Stora Enso signed an agreement to divest its entire 80% shareholding in the Arapoti magazine paper mill in Paraná, Brazil, to Papeles Bio Bio, a Chilean paper producer. The consideration for the divestment of the shares is approximately EUR 19 million, subject to customary closing day adjustments. Following the agreement, the group recognised a EUR 34 million expense consisting of fixed asset impairments and deferred tax asset write-downs as well as transaction costs. EUR 6 million of the total impact was allocated to the non-controlling interest holders. The loss was recorded in the fourth quarter of 2015. The transaction is expected to be completed during the first quarter of 2016. At completion, the cumulative translation adjustment loss will be transferred from an equity reserve to the income statement. On 31 December 2015 the cumulative translation adjustment was negative EUR 26 million. Arapoti Mill is not presented as held for sale in the group's 31 December 2015 statement of financial position due to its immaterial impact on the group's financial statements. Arapoti Mill is part of the Paper division.

On 1 October 2015, Stora Enso divested its Barcelona Mill, which produces recycled-fibre based consumer board, to the private equity fund Quantum. The cash consideration for the divestment of the shares was EUR 10 million. The transaction resulted in a loss of EUR 2 million including transaction costs of EUR 1 million. Barcelona was part of the Consumer Board division.

On 30 September 2015, Stora Enso divested its offset printed micro-flute packaging plant in Komárom to Van Genechten Packaging

International S.A., a leading Belgian packaging company. The cash consideration for the divestment of the shares was EUR 12 million. The transaction resulted in a loss of approximately EUR 4 million, mainly due to cumulative translation adjustments. The Komárom plant was part of the Packaging Solutions division.

In December 2014 Stora Enso signed an agreement to divest Uetersen specialty and coated fine paper mill in Germany to Perusa Partners Fund 2. Following the agreement, the group recorded a EUR 30 million fixed asset impairment and inventory write-down in its 2014 Financial Statements. The transaction was completed in February 2015. The impact on the group's 2015 net result was immaterial. The Uetersen Mill was part of the Paper division.

On 1 December 2014, Stora Enso disposed of the operations of the Corenso business to Powerflute Oyj for a 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 a 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 former Renewable Packaging division.

In 2014 the group also disposed of the shares in Stora Enso Thailand Co Ltd for a consideration of EUR 1 million.

## Note 5 Other operating income and expense

The group has recorded Other operating income of EUR 19 (EUR 24) million and under Materials and services an expense of EUR 15 (EUR 16) million relating to emission rights. The net income amounts to EUR 4 (EUR 8) million, of which income of EUR 19 (EUR 24) million reflects the fair value of the emission allowances at the balance sheet date and an expense of EUR 15 (EUR 16) million reflects the cost of CO<sub>2</sub> emissions from production. Actual realised proceeds amounted to EUR 10 (EUR 4) million on the disposal of surplus rights and EUR 6 (EUR 11) million is the value of excess emission rights held at the year end.

The group also generates income from its renewable power generation in Sweden, Belgium and Poland. 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 42 (EUR 44) 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 was reported under other operating income, including a EUR 3 million CTA release through the income statement and related transaction costs totalling EUR 4 million which were reported under other operating expenses.

Total sales of excess freight capacity in 2015 amounted to EUR 40 (EUR 25) million.

### OTHER OPERATING INCOME AND EXPENSE

EUR million	Year Ended 31 December	
	2015	2014
<b>Other Operating Income</b>		
Emission rights granted and disposal gains	19	24
Sale of Green Certificates	42	44
Capital gains on sale of Intangible Assets and Property, Plant and Equipment	4	4
Capital gains on sale of Group companies	-	10
CTA release	-	3
Insurance compensation	-	30
Freight sales, rent and other	54	39
Government grants	9	14
<b>Total</b>	<b>128</b>	<b>168</b>
<b>Other Operating Expenses include</b>		
Rents paid	105	101
Research and development	66	64
Credit losses	7	13
CTA release	4	-
<b>Materials and Services include</b>		
Emissions rights to be delivered and disposal losses	15	16

Aggregate fees for professional services rendered to the group principal auditor Deloitte amounted to EUR 5 (EUR 5) million. Audit fees relate to the audit of the annual financial statements or ancillary services normally provided in connection with statutory and

regulatory filings. Audit-related fees are incurred for assurance and associated services that are reasonably related to the performance of the audit or review of the financial statements.

### PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

EUR million	Year Ended 31 December	
	2015	2014
Audit fees	4	4
Audit-related	-	-
Tax fees	-	-
Other fees	1	1
<b>Total</b>	<b>5</b>	<b>5</b>



## Note 6 Personnel expenses

### PERSONNEL EXPENSES

EUR million	Year Ended 31 December	
	2015	2014
Wages and salaries	987	1 045
Pensions (see below)	160	164
Share-based remuneration (Note 21)	8	13
Total return swaps	-4	-2
Other statutory employer costs	140	142
Other voluntary costs	22	21
<b>Total</b>	<b>1 313</b>	<b>1 383</b>

### PENSIONS

EUR million	Year Ended 31 December	
	2015	2014
Defined benefit plans	12	6
Defined contribution plans	150	158
Other post-employment benefits	-2	-
<b>Total</b>	<b>160</b>	<b>164</b>

Total personnel expenses totalled EUR 1 313 million in 2015 compared with EUR 1 383 million in 2014. The average number of employees in 2015 amounted to 26 783 compared with 29 009 in 2014. Pension costs are discussed further in Note 20 Post-employment benefits.

Share-based remuneration comprises share awards, which are described in more detail in Note 21 Employee variable compensation and equity incentive schemes.

The group hedges its share awards programme by using Total Return Swaps (TRS) shown under personnel costs alongside the share awards expenses 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 TRS are not designated under hedge accounting. The expense of share-based remuneration net of TRS in 2015 amounted to EUR 4 million compared with an expense of EUR 11 million in 2014.

In 2015, the expense of the share-based remuneration itself was EUR 8 million. However, due to the increase in the Stora Enso R share price from EUR 7.44 at 31 December 2014 to EUR 8.39 at 31 December 2015, an income of EUR 4 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

### BOARD REMUNERATION AND COMMITTEE MEMBERSHIPS

	Year Ended 31 December				
	2015			2014	
EUR thousand	Cash	Shares	Total	Total	Committee Memberships
Board Members at 31 December 2015					
Gunnar Brock, Chairman	126	68	194	194	Remuneration, Nomination <sup>2,3)</sup> , Financial and Audit
Juha Rantanen, Vice Chairman	86	40	126	120	Remuneration, Nomination <sup>2,3)</sup> , Financial and Audit
Anne Brunila	52	28	80	78	Sustainability and Ethics
Elisabeth Fleuriot	48	28	76	70	Sustainability and Ethics
Hock Goh	42	28	70	70	
Mikael Mäkinen	56	28	84	84	Financial and Audit
Richard Nilsson	62	28	90	70	Financial and Audit, Sustainability and Ethics
Hans Stråberg	48	28	76	76	Remuneration
Former Board members					
Birgitta Kantola (until 22 April 2015)	-	-	-	94	
Total Remuneration as Directors <sup>1)</sup>	520	276	796	856	

<sup>1)</sup> 40% of the Board remuneration in 2015 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 7 616 R shares, Vice Chairman 4 480 R shares, and members 3 136 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

<sup>2)</sup> 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.

<sup>3)</sup> Kari Järvinen 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 2015

	SHARES HELD <sup>1)</sup>	
	A	R
<b>Board Members at 31 December 2015</b>		
Gunnar Brock, Chairman	-	68 908
Juha Rantanen, Vice Chairman	-	9 918
Anne Brunila	-	12 165
Elisabeth Fleuriot	-	12 165
Hock Goh	-	17 948
Mikael Mäkinen	-	24 841
Richard Nilsson	-	10 298
Hans Stråberg	-	27 726
<b>Total Shares Held</b>	<b>-</b>	<b>183 969</b>

<sup>1)</sup> Board members' related parties hold no Stora Enso shares.

### THE FOLLOWING BOARD MEMBER ALSO SERVED IN 2015

	Shares Held when Board Membership Ended	Effective Date of Board Membership Ending
Birgitta Kantola	31 017	22 April 2015

## Group Leadership Team (GLT) remuneration and share interests

The table below includes the remuneration paid to GLT members during the year, including the 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 total GLT remuneration in 2015 amounted to EUR 11.0 (EUR 10.7) million. There were 12.8 (9.1) full time equivalent (FTE) GLT members during 2015, and the total compensation per FTE decreased to EUR 858 000 (1 175 000). The total number of GLT members was thirteen (eleven) at year end 2015. Jari Latvanen joined GLT at 1 January, Markus Mannström and Gilles van Nieuwenhuyzen joined on 16 March 2015 and Noel Morrin on 1 April. Two GLT members left during the year, Juha Vanhainen on 15 March and Terhi Koipijärvi on 31 March.

In accordance with their respective pension arrangements, GLT members may retire at 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.

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 2014 were reviewed and confirmed by the Remuneration Committee beginning of 2015.

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

EUR thousand	Year Ended 31 December						
	2015			2014			
	CEO	Others <sup>1)</sup>	GLT Total	CEO	Former CEO	Others	GLT Total
<b>Remuneration</b>							
Annual salary	932	3 846	4 778 <sup>4)</sup>	384	655	3 019	4 058
Local housing (actual costs)	-	132	132	-	-	102	102
Other benefits	25	605	630	9	8	198	215
Termination benefits	-	475	475	-	-	880	880
Short Term Incentive programme	232	650	882 <sup>3)</sup>	-	847	656	1 503
Long Term Incentive programme	371	1 493	1 864 <sup>3)</sup>	-	549	1 543	2 092
	<b>1 560</b>	<b>7 201</b>	<b>8 761</b>	<b>393</b>	<b>2 059</b>	<b>6 398</b>	<b>8 850</b>
<b>Pension Costs</b>							
Mandatory Company plans	61	983	1 044	25	-	620	645
Stora Enso voluntary plans	537 <sup>2)</sup>	629	1 166	106	316	828	1 250
	<b>598</b>	<b>1 612</b>	<b>2 210</b>	<b>131</b>	<b>316</b>	<b>1 448</b>	<b>1 895</b>
<b>Total Compensation</b>	<b>2 158</b>	<b>8 813</b>	<b>10 971</b>	<b>524</b>	<b>2 375</b>	<b>7 846</b>	<b>10 745</b>

<sup>1)</sup> The amounts include payments related to Terhi Koipijärvi until 31 March and Juha Vanhainen until 15 March. Payments related to the new GLT member Markus Mannström are included from 16 March, while Noel Morrin is included from 1 April and Gilles van Nieuwenhuyzen from 16 March.

<sup>2)</sup> 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 unfunded liability for the CEO amounts to EUR 1 113 thousand.

<sup>3)</sup> The pay-outs in March 2015 for Short term Incentive and Long Term Incentive were based on 2014 results. Disclosed amounts are included for the executives who were GLT members at the time of the payment.

<sup>4)</sup> 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 2015 was based 70% on financial measures and 30% on Individual Key Targets for the CEO, CFO and Division Heads, while based 60% on financial measures and 40% on Individual Key Targets for other GLT members.

### 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 vested in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 and 2015 programmes have three year targets and vest in only one portion after three years. In Performance Share programmes launched since 2012, the absolute maximum vesting level is 100% of the number of shares awarded. Three quarters (75%) of the awards under the 2015 programme 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 2015 programme is in Restricted Shares, for which vesting is subject to continued employment.

Under the 2015 Performance Share programme, GLT members (in GLT at year end) received awards of 435 054 shares assuming the maximum vesting level during the three-year vesting period (2015–2017) 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 171 570 having a cash value at the 1 March 2015 (15 April 2015 for one GLT member) settlement date of EUR 1 492 913 based on the share price at that date.

## 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 58 100 SEK in 2015) 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 2015 was based 70% on financial measures and 30% on Individual Key Targets.

### Long Term Incentive (LTI) programmes for CEO

The CEO participates in a number of share based LTI programmes. The 2013 Performance Share programme vest in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 and 2015 programmes have three year targets and vest in only one portion after three years. Three quarters (75%) of the awards under the 2014 and 2015 programmes 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 award under the 2014 and 2015 programmes are in Restricted Shares, for which vesting is only subject to continued employment.

The CEO received an award under the 2015 LTI programme of 105 912 shares. The grant value EUR 908 725 is based on the share price at grant date and assuming maximum vesting level during the three-year vesting period is achieved. The CEO received shares from previous awards of Restricted Share programmes and Performance Share programmes, which amounted to 43 290 shares having a cash value at the 1 March 2015 settlement date of EUR 371 428 based on the share price of EUR 8.58 at that date.

## GROUP LEADERSHIP TEAM SHARE INTERESTS

Executives in Office at the Year End	R Shares Held <sup>1)</sup>	Performance Share Awards	Restricted Share Awards
Juan Carlos Bueno	-	91 027	23 442
Johanna Hagelberg	1 220	29 247	10 718
Kati ter Horst	9 578	55 093	16 415
Lars Häggström	19 474	61 117	16 072
Jari Latvanen	-	34 304	11 435
Ulrika Lilja	13 355	24 584	8 195
Per Lyrvall <sup>2)</sup>	34 965	55 776	15 042
Markus Mannström	18 860	30 832	8 428
Noel Morrin	5 970	21 395	30 006
Gilles van Nieuwenhuyzen	-	35 934	11 978
Seppo Parvi	5 440	47 199	19 379
Karl-Henrik Sundström <sup>3)</sup>	83 499	171 352	47 267
Jari Suominen	15 540	42 737	12 945
<b>Total, Serving Officers<sup>4)</sup></b>	<b>207 901</b>	<b>700 597</b>	<b>231 322</b>

<sup>1)</sup> None of the GLT members holds A shares.

<sup>2)</sup> Spouse holds 1 257 shares.

<sup>3)</sup> 41 700 of the shares are held by a related party (Alma Patria AB).

<sup>4)</sup> 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 2015

	Shares Held when GLT Membership Ended	Performance Share Awards when GLT Membership Ended	Restricted Share Awards when GLT Membership Ended	Effective Date of GLT Membership Ending
Terhi Koipijärvi	2 774	6 375	1 625	31 March 2015
Juha Vanhainen	91 640	-	-	15 March 2015
	<b>94 414</b>	<b>6 375</b>	<b>1 625</b>	

## Note 8 Net financial items

### FINANCIAL INCOME AND EXPENSE

EUR million	Year Ended 31 December	
	2015	2014
<b>Net Financial Expense in the Income Statement</b>		
Financial income	25	79
Financial expense	-270	-359
<b>Total</b>	<b>-245</b>	<b>-280</b>
<b>Represented by</b>		
Interest expense		
Borrowings	-189	-225
Net interest from interest rate derivatives	-7	-1
Finance leases	-2	-2
Interest capitalised	12	17
Interest income on loans and receivables	18	22
Net interest on net defined benefit liabilities	-9	-11
Exchange gains and losses		
Currency derivatives	1	49
Borrowings and deposits	-44	-91
Other financial income	5	8
Other financial expense		
Fair value hedges	-1	-
Other fair value changes	1	-12
Others	-30	-34
<b>Total</b>	<b>-245</b>	<b>-280</b>

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

In 2015, the net interest expense on borrowings decreased due to a lower and improved debt portfolio. The amount of borrowing costs capitalised during the year amounted to EUR 12 (EUR 17) million. In 2015 these mainly related to the ongoing Beihai Mill project in Guangxi, China and the Varkaus paper machine conversion project in Finland. The average interest rate used for capitalisation was 4.9% (4.6%). Costs on long-term debt issues capitalised as part of non-current debt amounted to EUR 32 (EUR 34) million in the Statement of Financial Position. During the year EUR 7 (EUR 6) million was amortised through interest expense by using the effective interest rate method.

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 not under hedge accounting.

The group recorded a net expense of EUR 20 (EUR 14) million due to repurchases of bond notes with the impact being shown in the

table above under other financial expense. The transactions are explained in more detail in Note 26 Debt. During 2015 the group closed majority of its non-hedge accounted interest rate swaps and all of its non-hedge accounted interest rate options and interest rate collars. The net impact of the closures on Income Statement amounted to nil. The net cash paid of EUR 38 million excluding accrued interest to settle the derivative liabilities are presented in the other financial items section of the Cash Flow Statement.

During 2015, Pohjolan Voima Oy (PVO) related shareholder loans to finance the Olkiluoto 4 (OL4) project were written off as a result of TVO's General Meeting's decision not to apply for a construction licence for the Olkiluoto 4 nuclear power plant. The write-off of the loan receivables had a negative impact of EUR 5 million on other financial expense.

In 2014, Stora Enso recorded a gain of EUR 4 million due to the sale of the remaining Bergvik Skog loan note. The gain on the sale of note is reported under other financial income.

The rest of the amount reported under other financial expense mainly relates to net financial fees for unused committed credit facilities, guarantees and rating agencies.

**TOTAL FOREIGN EXCHANGE GAINS AND LOSSES IN THE INCOME  
STATEMENT EXCLUDING HEDGES**

EUR million	Year Ended 31 December	
	2015	2014
Sales	64	66
Costs and expenses	-13	-23
Borrowings and deposits	-44	-91
<b>Total</b>	<b>7</b>	<b>-48</b>



## Note 9 Income taxes

### TAX EXPENSE

EUR million	Year Ended 31 December	
	2015	2014
Current Tax	-84	-79
Deferred Tax	53	49
<b>Total Tax</b>	<b>-31</b>	<b>-30</b>

### INCOME TAX RATE RECONCILIATION

EUR million	Year Ended 31 December	
	2015	2014
Profit before tax	814	120
Tax at statutory rates applicable to profits in the country concerned <sup>1)</sup>	-149	-20
Non-deductible expenses and tax exempt income <sup>2)</sup>	-	-15
Valuation of deferred tax assets	12	-13
Taxes from prior years	-5	5
Impairment of goodwill	-	-1
Profits from equity accounted investments	114	10
Other	-3	4
<b>Total Tax</b>	<b>-31</b>	<b>-30</b>
<b>Effective Tax Rate</b>	<b>3.8%</b>	<b>25.0%</b>
<b>Statutory Tax Rate (blended)</b>	<b>18.3%</b>	<b>16.7%</b>

<sup>1)</sup> Includes impact of EUR 6 million from countries with tax holidays and tax benefits in 2015 and impact of EUR -7 million from tax holidays and other tax benefits in 2014.

<sup>2)</sup> The tax value of non-deductible expenses of EUR 25 million has been netted against tax exempt income of EUR 25 million in 2015, and the tax value of non-deductible expenses of EUR 19 million has been netted against tax exempt income of EUR 4 million in 2014.

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

**CHANGE IN DEFERRED TAXES 2015**

EUR million	Value at 1 Jan 2015	Income Statement	OCI	Acquisitions/ Disposals	Translation difference	Value at 31 Dec 2015
Fixed assets	-208	53	-	-9	-4	-168
Financial instruments	14	-	-15	-	-1	-2
Untaxed reserves	-40	-	-	-	-2	-42
Pensions and provisions	54	2	-36	-2	-1	17
Tax losses and tax credits carried forward	188	19	-	-	-	207
Other deferred taxes	-13	-21	-	11	5	-18
<b>Total</b>	<b>-5</b>	<b>53</b>	<b>-51</b>	<b>-</b>	<b>-3</b>	<b>-6</b>
Equity hedges (CTA)	-	-7	7	-	-	-
<b>Change in Deferred Tax</b>	<b>-5</b>	<b>46</b>	<b>-44</b>	<b>-</b>	<b>-3</b>	<b>-6</b>
Assets <sup>1)</sup>	259					246
Liabilities <sup>1)</sup>	-264					-252

<sup>1)</sup> 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 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
<b>Total</b>	<b>-83</b>	<b>48</b>	<b>27</b>	<b>-9</b>	<b>12</b>	<b>-5</b>
Equity hedges (CTA)	-	2	-2	-	-	-
<b>Change in Deferred Tax</b>	<b>-83</b>	<b>50</b>	<b>25</b>	<b>-9</b>	<b>12</b>	<b>-5</b>
Assets <sup>1)</sup>	229					259
Liabilities <sup>1)</sup>	-312					-264

<sup>1)</sup> 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**

EUR million	As at 31 December					
	Tax losses carried forward		Recognised tax values		Unrecognised tax values	
	2015	2014	2015	2014	2015	2014
Expiry within five years	524	538	84	87	25	30
Expiry after five years	592	673	118	66	14	73
No expiry	1 037	985	5	35	260	205
<b>Total</b>	<b>2 153</b>	<b>2 196</b>	<b>207</b>	<b>188</b>	<b>299</b>	<b>308</b>

Tax losses of EUR 887 (EUR 971) million relate to Finland.

Non-recognised deferred tax assets on deductible temporary differences amounted to EUR 98 (EUR 123) 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 248 (EUR 206) million.

## Note 10 Depreciation, amortisation and impairment charges

### DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

EUR million	Year Ended 31 December	
	2015	2014
<b>Depreciation and Amortisation</b>		
Intangible assets	17	15
Buildings and structures	89	86
Plant and equipment	404	422
Other tangible assets	12	15
<b>Total</b>	<b>522</b>	<b>538</b>
<b>Impairment and Disposal Gains/Losses</b>		
Intangible assets	-	4
Land	3	10
Buildings and structures	32	41
Plant and equipment	204	175
Other tangible assets	7	11
<b>Total</b>	<b>246</b>	<b>241</b>
<b>Reversal of Impairment</b>		
Buildings and structures	-3	-10
Plant and equipment	-2	-2
Other tangible fixed assets	-	-1
<b>Total</b>	<b>-5</b>	<b>-13</b>
<b>Depreciation and Impairment Charges</b>	<b>763</b>	<b>766</b>

### Depreciation

The total depreciation charge amounted to EUR 522 million and was EUR 16 million lower than in 2014. 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 are 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 2015 amounted to EUR 248 million and resulted from impairment testing and restructurings. The impairments are mostly attributable to:

- EUR 216 million resulted from impairment testing in three CGUs in Paper division. The main ones are explained more in detail in the following paragraphs.
- EUR 30 million related to the ongoing disposal of Arapoti Mill in Brazil.

Uncoated Magazine Paper Europe CGU in Paper division was tested for impairment in 2015 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 301 million. Discount rate used for impairment testing was 7.3% (7.4%). The group recorded an impairment charge of EUR 93 million in Uncoated Magazine Paper Europe CGU in 2015.

Newsprint Europe CGU in Paper division was tested for impairment in 2015 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 335 million. Discount rate used for impairment testing was 7.3% (7.4%). The group recorded an impairment charge of EUR 120 million in Newsprint Europe CGU in 2015.

The total impairment charges on other intangible assets and property, plant and equipment in 2014 amounted to EUR 235 million, which mainly resulted from impairment testing driven by weakened long term earnings expectations due to declining European paper markets, the permanent shutdown of sawmill in Sollenau, writedowns related to Uetersen Mill disposal and other restructurings.

In 2014, EUR 13 million of property, plant and equipment impairment charges were reversed mainly as a result of the 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.

### Goodwill impairment testing

There was no goodwill impairment in 2015. In 2014, the total goodwill impairment charge amounted to EUR 3 million and was fully related to Building Solutions Finland operations in Wood Products division. In addition, due to the Corenso disposal EUR 3 million from total Packaging Solutions goodwill was allocated to Corenso and disposed.

Goodwill of EUR 31 million (USD 33 million) resulted from the acquisition of Virdia Inc in 2014 has been allocated to level Innovation and Nordic Operations within Biomaterials division.

### GROUPS OF CASH GENERATING UNITS CONTAINING GOODWILL

EUR million	Year Ended 31 December									
	2015					2014				
	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
Packaging Solutions - Europe	19	705	1 461	-	6.8%	19	593	1 141	-	7.1%
Packaging Solutions - Corrugated China	11	77	145	-	8.4%	10	80	162	-	8.7%
Biomaterials - Innovation and Nordic Operations	31	352	930	-	8.0%	28	n/a	n/a	n/a	n/a
Wood Products - Central Europe	104	267	672	-	7.3%	102	243	456	-	7.4%
Wood Products - Building Solutions Finland	-	-	-	-	-	-	-	-	3	-
Paper - Newsprint and Book Paper	43	402	679	-	7.3%	43	552	927	-	7.4%
Paper - Uncoated Magazine Paper	40	354	529	-	7.3%	40	480	785	-	7.4%
<b>Goodwill</b>	<b>248</b>	<b>2 157</b>	<b>4 416</b>	<b>-</b>		<b>242</b>	<b>1 948</b>	<b>3 471</b>	<b>3</b>	

**SEGMENT IMPAIRMENT AND DISPOSAL LOSSES LESS REVERSALS**

EUR million	Year Ended 31 December	
	2015	2014
Consumer Board	2	8
Packaging Solutions	-1	2
Biomaterials	1	-
Wood Products	-4	-1
Paper	243	219
Other	-	-
<b>Total (impairment + / reversal -)</b>	<b>241</b>	<b>228</b>

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.

**GOODWILL TESTING SENSITIVITY ANALYSIS, IMPACT ON RECOVERABLE AMOUNT**

EUR million	Wood Products - Central Europe	Paper - Newsprint and Book	Paper - Uncoated Magazine Paper
1% increase in the discount rate	-108	-92	-71
1% annual decrease in the sales price	-113	-96	-69
1% annual increase in the costs	-103	-86	-62

# Note 11 Intangible assets and property, plant and equipment

## INTANGIBLE ASSETS

	Year Ended 31 December			
EUR million	Computer Software	Other Intangible Assets	Goodwill	Total
<b>Acquisition Cost</b>				
At 1 January 2014	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
<b>At 31 December 2014</b>	<b>231</b>	<b>241</b>	<b>1 184</b>	<b>1 656</b>
Translation difference	-1	26	12	37
Reclassifications	4	-1	-	3
Company disposals	-1	-	-	-1
Additions	4	2	-	6
Disposals	-12	-	-	-12
<b>At 31 December 2015</b>	<b>225</b>	<b>268</b>	<b>1 196</b>	<b>1 689</b>
<b>Accumulated Amortisation and Impairment</b>				
At 1 January 2014	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
<b>At 31 December 2014</b>	<b>203</b>	<b>112</b>	<b>942</b>	<b>1 257</b>
Translation difference	-	18	6	24
Disposals	-12	-	-	-12
Company disposals	-1	-	-	-1
Amortisation	9	8	-	17
<b>At 31 December 2015</b>	<b>199</b>	<b>138</b>	<b>948</b>	<b>1 285</b>
<b>Net Book Value at 31 December 2015</b>	<b>26</b>	<b>130</b>	<b>248</b>	<b>404</b>
<b>Net Book Value at 31 December 2014</b>	<b>28</b>	<b>129</b>	<b>242</b>	<b>399</b>



## 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
<b>Acquisition Cost</b>						
At 1 January 2014	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
<b>At 31 December 2014</b>	<b>432</b>	<b>3 402</b>	<b>14 780</b>	<b>448</b>	<b>431</b>	<b>19 493</b>
Translation difference	-5	16	83	-6	11	99
Reclassifications	-	62	155	6	-225	-2
Reclassifications to biological assets	-	-	-2	-	-	-2
Company disposals	-26	-55	-344	-5	-1	-431
Additions	22	34	256	7	587	906
Disposals	-13	-55	-822	-	-9	-899
<b>At 31 December 2015</b>	<b>410</b>	<b>3 404</b>	<b>14 106</b>	<b>450</b>	<b>794</b>	<b>19 164</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 January 2014	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
<b>At 31 December 2014</b>	<b>62</b>	<b>2 159</b>	<b>11 474</b>	<b>365</b>	<b>14</b>	<b>14 074</b>
Translation difference	-	-12	32	-5	-1	14
Disposals	-	-51	-818	-	-9	-878
Company disposals	-26	-50	-338	-5	-	-419
Depreciation	-	89	404	12	-	505
Impairment	3	29	202	3	4	241
<b>At 31 December 2015</b>	<b>39</b>	<b>2 164</b>	<b>10 956</b>	<b>370</b>	<b>8</b>	<b>13 537</b>
<b>Net Book Value at 31 December 2015</b>	<b>371</b>	<b>1 240</b>	<b>3 150</b>	<b>80</b>	<b>786</b>	<b>5 627</b>
<b>Net Book Value at 31 December 2014</b>	<b>370</b>	<b>1 243</b>	<b>3 306</b>	<b>83</b>	<b>417</b>	<b>5 419</b>

## Intangible assets and property, plant and equipment additions

Acquisitions of group companies in 2015 included EUR 0 (EUR 48) 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 912 (EUR 713) 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 640 (EUR 643) million as shown below. The group's indirect share of biological assets held by equity accounted investments amounts to EUR 2 841 (EUR 2 226) million.

### BIOLOGICAL ASSETS

EUR million	Year Ended 31 December	
	2015	2014
<b>Subsidiaries and Joint Operations</b>		
<b>Fair Value at 1 January</b>	<b>643</b>	<b>634</b>
Translation differences	7	55
Change in fair value	-13	-70
Additions (cost based)	77	68
Decrease due to harvest and damage	-56	-44
Other changes	-20	-
Reclassification from Property, plant and equipment	2	-
<b>Fair Value of biological assets at 31 December</b>	<b>640</b>	<b>643</b>
<b>Equity accounted investments</b>		
Bergvik Skog Ab (49%)	2 397	1 777
Tornator Oyj (41%)	428	429
Arauco Florestal Arapoti S.A. (20%)	16	20
<b>Fair value of biological assets of Associated companies at 31 December</b>	<b>2 841</b>	<b>2 226</b>

Subsidiaries and joint operations:

At the end of 2015, the fair value of the biological assets in Guangxi was EUR 356 (EUR 343) million, which included young standing timber with a value of EUR 25 (EUR 20) million. Young standing timber less than two years old is considered to be immature assets and accounted at cost. The main changes of fair value related to the change of sales price assumption and foreign exchange rate. The discount rate of 9.6% (10%) used in the DCF is determined using the weighted average cost of capital method. The amount of land area is 86 (86) thousand hectares.

Veracel Celulose S.A. (Veracel), a 50% joint operation company in Brazil, had biological assets fair valued at EUR 172 (EUR 226) million, of which Stora Enso's share was EUR 86 (EUR 113) million. The discount rate of 7.6% (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 (114) thousand hectares.

Montes del Plata (MdP), a 50% joint operation company in Uruguay, had biological assets with a fair value of EUR 356 (EUR 296) million, of which Stora Enso's share was EUR 178 (EUR 148) million. The biological assets included young standing timber with a value of

EUR 39 (EUR 40) million. The discount rate of 8.0% (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 117 (115) thousand hectares.

Other changes EUR 20 million relate to impairment of Biological asset in Brazilian subsidiary.

### SENSITIVITIES OF SIGNIFICANT ASSUMPTIONS OF A +/- 10% MOVEMENT

	Wood market prices	Discount rate
Guangxi	+/- 64	+/- 7
Veracel	+/- 28	+/- 2
Montes del Plata	+/- 17	+/- 5

At 31 December 2015 biological assets were located by value, in China 56% (53%), Brazil 14% (23%), Uruguay 28% (23%) and other areas 2% (1%). The amount of land area is 365 (363) thousand hectares of which 31% (31%) of the land is leased and 2% (2%) restricted. The harvested wood amounted to 4 (4) million m<sup>3</sup>. The MdP and Veracel amounts are taken into account at ownership share and hectares.

#### 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 4 892 (EUR 3 627) million, of which Stora Enso's share was EUR 2 397 (EUR 1 777) million. The value of biological assets was increased in 2015 primarily due to the decrease of the discount rate used in the discounted cash flow based fair valuation of the biological assets.
- Tornator Oyj (Tornator), a 41% owned Finnish associate company, had biological assets with a fair value of EUR 1 045 (EUR 1 047) million, of which Stora Enso's share was EUR 428 (EUR 429) million.
- Arauco Florestal Arapoti S.A., the 20% owned southern Brazilian associate company, had biological assets with a fair value of EUR 79 (EUR 99) million, of which Stora Enso's share was EUR 16 (EUR 20) million.

For information about the amount of wood delivered to Stora Enso mills and share of wood sourced from plantations, please see Stora Enso Sustainability Report 2015, section Forests, Plantations, and Land use. Stora Enso Sustainability Report 2015 is available online in PDF format at [storaenso.com/annualreport](http://storaenso.com/annualreport).

## 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.

### PRINCIPAL EQUITY ACCOUNTED INVESTMENTS

Company	Reportable segment	Domicile and principal place of operations	As at 31 December			
			Proportion of ownership interest/voting rights held %		EUR million	
			2015	2014	2015	2014
Bergvik Skog AB: forest	Other	Sweden	49.00/36.70	49.00/36.70 <sup>1)</sup>	1 300	795
Tornator Oyj: forest	Other	Finland	41.00	41.00	186	177
Bulleh Shah Packaging (Private) Limited: packaging goods	Consumer Board	Pakistan	35.00	35.00	33	31
Arauco Florestal Arapoti S.A.: plantation	Paper	Brazil	20.00	20.00	19	24
					1 538	1 027
Others					32	29
<b>Carrying Value at 31 December</b>					<b>1 570</b>	<b>1 056</b>

<sup>1)</sup> 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

EUR million	Year Ended 31 December	
	2015	2014
Sales	345	347
Net operating expenses	-229	-239
IAS 41 valuation	575	20
<b>Operating Profit</b>	<b>691</b>	<b>128</b>
Net financial items	-34	-75
<b>Net Profit before Tax</b>	<b>657</b>	<b>53</b>
Income tax	-138	-10
<b>Net Profit for the Year</b>	<b>519</b>	<b>43</b>

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.

The average number of personnel in the equity accounted investments was 3 460 in 2015, compared with 3 480 in 2014.

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	2015	2014
Current assets	53	90
Non-current assets	5 149	3 878
Current liabilities	299	185
Non-current liabilities	1 160	1 362
Tax liabilities	1 102	809
Sales	214	239
Net profit for the year	1 015	102
Other comprehensive income	6	-39
Total comprehensive income	1 021	63
Dividends received from the associate during the financial year	22	7
Net assets of the associate	2 641	1 612
Proportion of the Group's ownership interest in Bergvik Skog AB	49.00%	49.00%
Goodwill	6	5
<b>Carrying amount of the Group's interest in Bergvik Skog AB</b>	<b>1 300</b>	<b>795</b>

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 fourth quarter of 2015 Bergvik Skog had material land disposal transactions. The arrangements resulted in a gain in Bergvik Skog's income statement of which Stora Enso's share amounted approximately to EUR 33 million. Stora Enso's shareholding in the company was valued at EUR 1 300 (EUR 795)

million at the year-end 2015. In 2015, the group's share of Bergvik Skog's net profit was EUR 498 (EUR 50) million, including a forest valuation gain of EUR 581 (EUR 17) million. The fair value change of Bergvik Skog's forest holdings was mainly due to the decrease of discount rate used in the discounted cash flow based valuation of the biological assets. Tax impact of the valuation was approximately EUR 128 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.

**TORNATOR OYJ**

EUR million	2015	2014
Current assets	37	48
Non-current assets	1 143	1 143
Current liabilities	78	84
Non-current liabilities	553	580
Tax liabilities	96	96
Sales	114	95
Net profit for the year	39	-27
Other comprehensive income	4	3
Total comprehensive income	43	-24
Dividends received from the associate during the financial year	9	9
Net assets of the associate	453	431
Proportion of the Group's ownership interest in Tornator Oyj	41.00%	41.00%
<b>Carrying amount of the Group's interest in Tornator Oyj</b>	<b>186</b>	<b>177</b>

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 186 (EUR 177) million at the year-end 2015. During the fourth quarter of 2015 Tornator had a material land disposal transaction which resulted in a gain in Tornator's income

statement of which Stora Enso's share amounted approximately to EUR 3 million. In 2015, the group's share of Tornator's net profit was EUR 16 (loss EUR 11) million, including a forest valuation loss of EUR 7 (gain EUR 1) million.

**AGGREGATE INFORMATION OF EQUITY ACCOUNTED INVESTMENTS THAT ARE NOT INDIVIDUALLY MATERIAL**

As at 31 December

EUR million	2015	2014
PPE <sup>1)</sup> , goodwill and other intangible assets	92	78
Biological assets	16	20
Operative receivables:		
Non-current	1	1
Current	26	26
Inventories	22	24
Cash	10	7
<b>Total Assets</b>	<b>167</b>	<b>156</b>
Operative Liabilities:		
Non-current	8	8
Current	36	31
Debt:		
Non-current	25	15
Current	8	10
Tax liabilities	6	8
<b>Total Liabilities</b>	<b>83</b>	<b>72</b>
<b>Net Equity in the Group Statement of Financial Position</b>	<b>84</b>	<b>84</b>
<b>Represented by</b>		
Capital and Reserves	84	84
OCI	-	-
<b>Equity Accounting Value</b>	<b>84</b>	<b>84</b>
Equity Accounting Value for Bergvik Skog AB	1 300	795
Equity Accounting Value for Tornator Oyj	186	177
<b>Total Equity Accounting Value</b>	<b>1 570</b>	<b>1 056</b>

<sup>1)</sup> PPE = Property, Plant and Equipment**EQUITY ACCOUNTED INVESTMENT COMPANY BALANCES**

As at 31 December

EUR million	2015	2014
<b>Receivables from Equity Accounted Investments</b>		
Non-current loan receivables	5	5
Trade receivables	6	4
Current loan receivables	3	3
<b>Liabilities due to Equity Accounted Investments</b>		
Trade payables	32	15



**EQUITY ACCOUNTED INVESTMENT TRANSACTIONS**

EUR million	Year Ended 31 December	
	2015	2014
Sales to equity accounted investments	49	50
Purchases from equity accounted investments	160	175

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.

Total loans including interest receivable to equity accounted investments at the year-end 2015 came to EUR 8 (EUR 8) million. A sale of EUR 20 million subordinated debt of Bergvik Skog was recorded in the first quarter of 2014.

## 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	
	2015	2014
Acquisition cost at 1 January		
Listed securities	4	4
Operative securities	111	104
Investments classified as available-for-sale	115	108
OCI in opening balance	359	263
<b>Available-for-Sale Investments at 1 January</b>	<b>474</b>	<b>371</b>
Translation difference	1	-1
Additions	14	9
Change in fair values accounted for as OCI	-328	96
Disposals	-	-1
Income Statement - gains and losses	-2	-
<b>Carrying Amount at 31 December</b>	<b>159</b>	<b>474</b>

### UNREALISED GAINS AND LOSSES ON SECURITIES

EUR million	Year Ended 31 December	
	2015	2014
Net unrealised holding gains (OCI)	32	359
Cost	127	115
<b>Fair Value</b>	<b>159</b>	<b>474</b>
Net unrealised holding gains (OCI)	32	359
Deferred tax	-5	-6
<b>Net Unrealised Holding Gains Shown in Equity as OCI</b>	<b>27</b>	<b>353</b>
<b>Change in Net Unrealised Holding Gains Shown in Equity as OCI</b>	<b>-326</b>	<b>91</b>

### PVO shares

The group holds a 15.2% 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 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 3.76% 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 36 million and EUR -36 million, respectively. A +/- 1% absolute change in the discount rate would change the valuation by EUR -14 million and EUR 18 million, respectively.

Other uncertainties in the valuation of PVO's share of Olkiluoto 3 nuclear power plant project relate to on-going arbitration proceedings between the plant supplier AREVA-Siemens Consortium and the plant owner Teollisuuden Voima Oyj (TVO). Stora Enso's indirect share of the capacity of Olkiluoto 3 is approximately 8.9%, through its PVO B2 shares. The possible outcome of the arbitration proceedings has not been taken into account in the valuation.

## PVO SHAREHOLDING AT 31 DECEMBER 2015

EUR million	Share Series	% Holding	Asset Category	Fair Value 2015	Fair Value 2014
PVO-Vesivoima Oy	A	20.6	Hydro	74	145
Teollisuuden Voima Oyj	B	15.7	Nuclear	39	227
Teollisuuden Voima Oyj	B2	14.8	Nuclear under construction	0	58
Other	C, C2, V, M	Various	Various	10	7
<b>Total</b>				<b>123</b>	<b>437</b>

The valuation in 2015 amounted to EUR 123 (EUR 437) million against a book value of EUR 115 (EUR 104) million, with the revaluation of EUR 8 (EUR 333) million being taken to other comprehensive income. The change in PVO's value is mainly caused by decrease in electricity prices. No deferred tax is appropriate as under Finnish tax regulations holdings above 10% are exempt from tax on disposal proceeds.

During the year, an impairment of EUR 2 million was taken to Income Statement in respect of the investment in C-shares series of PVO. This relates to the decision to discontinue electricity production in all the coal and oil-fired power plants of PVO-Lämpövoima Oy.

For information on the amount of electricity generated, purchased and sold, please see Stora Enso Sustainability Report 2015, section Environment and Efficiency (Energy).

## PRINCIPAL AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2015				
EUR million	Holding %	Number of Shares	Acquisition Cost	Fair Value
Packages Ltd, Pakistan - listed security		5 396 650	4	28
<b>Total Listed Securities</b>			<b>4</b>	<b>28</b>
Pohjolan Voima Oy - unlisted security	15.2	5 858 355	115	123
Others - unlisted securities			8	8
<b>Total Operative Securities</b>			<b>123</b>	<b>131</b>
<b>Total Available-for-Sale Investments at 31 December 2015</b>			<b>127</b>	<b>159</b>
<b>Total Available-for-Sale Investments at 31 December 2014</b>			<b>115</b>	<b>474</b>

The difference of EUR 32 (EUR 359) 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 82.7% (93.7%) of available-for-sale investments.

## Note 15 Other non-current assets

EUR million	As at 31 December	
	2015	2014
Prepaid expenses and accrued income	13	14
Barcelona disposal receivable	3	-
Other non-current operative assets	47	71
<b>Total</b>	<b>63</b>	<b>85</b>

In 2015, total receivable from divested Barcelona Mill is EUR 7 million and it is splitted to non-current part EUR 3 million and current part EUR 4 million, which is shown in Note 17 Receivables.

## Note 16 Inventories

EUR million	As at 31 December	
	2015	2014
Materials and supplies	343	386
Work in progress	81	86
Finished goods	664	649
Spare parts and consumables	283	280
Other inventories	13	18
Advance payments and cutting rights	108	106
Obsolescence allowance - spare parts and consumables	-106	-108
Obsolescence allowance - finished goods	-9	-10
Net realisable value allowance	-4	-4
<b>Total</b>	<b>1 373</b>	<b>1 403</b>

EUR 10 (EUR 38) million of inventory write-downs has been recognised as an expense. EUR 6 (EUR 9) million has been recognised as a reversal of previous write-downs.

# Note 17 Receivables

## CURRENT OPERATIVE RECEIVABLES

EUR million	As at 31 December	
	2015	2014
Trade receivables	1 040	1 262
Allowance for doubtful debts	-53	-60
Prepaid expenses and accrued income	127	115
TRS Hedges	-	1
Other receivables	210	166
<b>Total</b>	<b>1 324</b>	<b>1 484</b>

Other receivables include EUR 4 million receivable from divestment of Barcelona Mill.

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 2015, EUR 104 (EUR 109) 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	
	2015	2014
Less than 30 days overdue	57	71
31 to 60 days overdue	10	20
61 to 90 days overdue	24	3
91 to 180 days overdue	-	2
Over 180 days overdue	13	13
<b>Total: Overdue Accounts</b>	<b>104</b>	<b>109</b>
Trade Receivables within their credit terms	883	1 093
<b>Total</b>	<b>987</b>	<b>1 202</b>

Credit losses amounted to EUR 7 (EUR 13) million, which resulted in a net decrease in the allowance for doubtful debts of EUR 7 (increase EUR 9) 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 36 (EUR 52) million.

At 31 December 2015, allowances related to overdue trade receivables totalled EUR 53 (EUR 60) 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	
	2015	2014
Less than 90 days	-	3
91 to 180 days	1	3
Over 180 days	52	54
<b>Total</b>	<b>53</b>	<b>60</b>

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 a nominal

value of EUR 287 (EUR 125) 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

EUR million	As at 31 December	
	2015	2014
Derivatives (see Note 27)	41	61
Loans to equity accounted investments	8	8
Other loan receivables	72	75
<b>Total</b>	<b>121</b>	<b>144</b>
Current Assets: Receivable within 12 months	53	74
Non-current Assets: Receivable after 12 months	68	70
<b>Total</b>	<b>121</b>	<b>144</b>

Annual interest rates for loan receivables at 31 December 2015 ranged from 0% (0%) to 8% (8%). Current interest-bearing receivables include accrued interest of EUR 5 (EUR 8) million, of which EUR 3 (EUR 5) million relates to interest rate derivatives.

The vendor loan note issued by Papyrus Holding AB, with the nominal value of EUR 54 million, has been classified in the balance sheet as a non-current loan receivable. The note was fair valued on receipt at EUR 47 million and it accrues interest which is added in arrears to the principal of the note. The note is subordinate to senior debt but it has priority over equity holders and matures on 7 May 2017. The fair value of the note at 31 December 2015 was EUR 62 (EUR 57) million against a carrying value of EUR 59 (EUR 53) million.

During 2012 and 2013, Stora Enso participated, proportionally with its share of ownership in Teollisuuden Voima Oyj (TVO) through Pohjolan Voima Oy, in the financing of the bidding and engineering phase of the Finnish Olkiluoto 4 (OL4) nuclear power plant unit of TVO by granting a shareholder loan of EUR 5 million. TVO's General Meeting decided in June 2015 not to apply for a construction license for OL4 during the validity of the decision-in-principle given by the Finnish Parliament which had a term limit of 30 June 2015. As a result, the shareholder loan-receivable of EUR 5 million was written off during the second quarter of 2015.

## Note 18 Shareholders' equity

At 31 December 2015 shareholders' equity amounted to EUR 5 388 (EUR 5 070) million, compared with market capitalisation on Nasdaq Helsinki of EUR 6.6 (EUR 5.9) billion. The market values of the shares were EUR 8.40 (EUR 7.48) for A shares and EUR 8.39 (EUR 7.44) 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 2015 the company's fully paid-up share capital as entered in the Finnish Trade Register was

EUR 1 342 million (EUR 1 342 million). The current accountable par of each issued share is EUR 1.70 (EUR 1.70).

At the end of 2015, Directors and Group Leadership Team members owned zero (zero) A shares and 391 870 (392 208) 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 share award 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.

### CHANGE IN SHARE CAPITAL AND NUMBER OF SHARES

	A shares	R shares	Total
<b>At 1 January 2014</b>	<b>177 096 204</b>	<b>611 523 783</b>	<b>788 619 987</b>
Conversion of A shares to R shares 15 Jan	-25 000	25 000	-
Conversion of A shares to R shares 15 Jul	-15 000	15 000	-
<b>At 31 December 2014</b>	<b>177 056 204</b>	<b>611 563 783</b>	<b>788 619 987</b>
Conversion of A shares to R shares 15 Jan	-25 300	25 300	-
Conversion of A shares to R shares 16 Feb	-25 000	25 000	-
Conversion of A shares to R shares 15 May	-1 090	1 090	-
Conversion of A shares to R shares 15 Jun	-400 000	400 000	-
Conversion of A shares to R shares 15 Jul	-7 000	7 000	-
Conversion of A shares to R shares 15 Sep	-390	390	-
Conversion of A shares to R shares 16 Nov	-25 000	25 000	-
Conversion of A shares to R shares 15 Dec	-40 334	40 334	-
<b>At 31 December 2015</b>	<b>176 532 090</b>	<b>612 087 897</b>	<b>788 619 987</b>
<b>Number of votes as at 31 December 2015</b>	<b>176 532 090</b>	<b>61 208 790<sup>1)</sup></b>	<b>237 740 879</b>
<b>Share Capital at 31 December 2015, EUR million</b>	<b>300</b>	<b>1 042</b>	<b>1 342</b>
<b>Share Capital at 31 December 2014, EUR million</b>	<b>301</b>	<b>1 041</b>	<b>1 342</b>

<sup>1)</sup> R share votes are calculated by dividing the number of R shares by 10.

The shares in issue at 18 April 2016 will represent the total shares eligible to vote at the forthcoming Annual General Meeting.

# Note 19 Non-controlling interests

## NON-CONTROLLING INTERESTS

EUR million	Year Ended 31 December	
	2015	2014
At 1 January	167	60
Translation difference	6	14
Acquisitions	-46	-
Disposals	-	-7
Loss on NCI buy-out	16	8
Equity injections	7	108
Share of profit for the period	-24	-9
Share of other comprehensive income	1	-1
Dividends	-2	-6
<b>At 31 December</b>	<b>125</b>	<b>167</b>

## PRINCIPAL NON-CONTROLLING INTERESTS

Company	Principal Place of Business	As at 31 December	
		2015	2014
		Proportion of Ownership Interests Held by Non-Controlling Interest, %	EUR million
Stora Enso Pulp and Paper Asia AB Group <sup>1)</sup>	Sweden and China	See separate table below	114
Stora Enso Inpac Packaging Group	China and India	10.00	11
Stora Enso Arapoti Industria de Papel SA	Brazil	20.00	5
Stora Enso Huatai Paper Co Ltd	China	40.00	-9
Others	-	-	4
			<b>125</b>
			<b>167</b>

<sup>1)</sup> Consists of non-controlling interests in Guangxi Integrated Project and Operations

## NON-CONTROLLING INTERESTS IN STORA ENSO PULP AND PAPER ASIA AB GROUP

Company	Principal Place of Business	As at 31 December 2015			As at 31 December 2014		
		Direct-% of NCI	Indirect-% of NCI	Total-% of NCI	Direct-% of NCI	Indirect-% of NCI	Total-% of NCI
Stora Enso Pulp and Paper Asia AB	Sweden and China	5.79	-	5.79	5.79	-	5.79
Guangxi Stora Enso Forestry Co Ltd	China	5.00	5.50	10.50	5.00	5.50	10.50
Stora Enso (Guangxi) Packaging Company Ltd	China	15.00	4.92	19.92	15.00	4.92	19.92
Stora Enso (Guangxi) Forestry Company Ltd	China	15.00	4.92	19.92	15.00	4.92	19.92

In 2015, Inpac Group, the non-controlling interest holder of Stora Enso Inpac Packaging Co. Ltd, used its option to sell a 39% share in Stora Enso Inpac Packaging Co. Ltd to Stora Enso for EUR 46 million (CNY 329 million). The transaction with the non-controlling interest holder resulted in a loss of EUR 16 million, which was recorded as a reduction of shareholders' equity. After the transaction Stora Enso owns 90% of the shares in Stora Enso Inpac Packaging Co. Ltd.

In 2015, Stora Enso acquired the 26% direct non-controlling interest in Inpac India for a price of 1 euro.

In 2014 a partial disposal of a subsidiary created a new non-controlling interest. 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 is 15%.

In 2014 International Finance Corporation (IFC) agreed to invest in an equity stake of EUR 50 million (CNY 356 million) in the Guangxi Integrated Project and Operations (GIPO), representing a 5% shareholding in the project. Stora Enso owns 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.

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	2015	2014
Non-current assets	1 020	602
Current assets	269	306
Shareholders' equity attributable to the owners of the parent	510	503
Non-controlling interests <sup>1)</sup>	114	112
<b>Total Equity</b>	<b>624</b>	<b>615</b>
Non-current liabilities	461	184
Current liabilities	204	109
Sales	68	47
Net loss for the year	-87	-91
<b>Attributable to:</b>		
Owners of the parent	-70	-77
Non-controlling interests	-17	-14
<b>Net Loss for the Year</b>	<b>-87</b>	<b>-91</b>
Other comprehensive income	46	77
<b>Total Comprehensive Income Attributable to:</b>		
Owners of the parent	-33	-9
Non-controlling interests	-8	-5
<b>Total Comprehensive Income</b>	<b>-41</b>	<b>-14</b>
Net cash outflow from operating activities	-12	-24
Net cash outflow from investing activities	-373	-230
Net cash inflow from financing activities	291	425
<b>Net Cash Outflow/Inflow</b>	<b>-94</b>	<b>171</b>

<sup>1)</sup> No dividends were paid to non-controlling interests in 2014 or 2015.

## 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 160 (EUR 164) million in 2015, as shown in Note 6 Personnel expenses. The majority of plans are defined contribution schemes, the charge for which amounted to EUR 150 (EUR 158) 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 65. 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 1 203 (EUR 1 319) million though assets of EUR 825 (EUR 836) million have been put aside in various pension schemes to cover these liabilities. The net funding position of the defined benefit plans is shown in full in the Statement of financial position and amounts to EUR 378 million in 2015, a decrease of EUR 105 million on the previous year's liability of EUR 483 million. The decrease is due to assumption and experience gains as well as normal operation of the plans. Interest costs are in financial costs. The 2015 defined benefit expense in the Income Statement amounts to EUR 19 million and the actuarial gains recorded in other comprehensive income amount to EUR 77 million. The 2014 defined benefit expense in the Income Statement amounted to EUR 17 million and the actuarial losses recorded in other comprehensive income amounted to EUR 100 million.

### ACTUARIAL GAINS/LOSSES RECOGNISED DIRECTLY IN EQUITY

EUR million	Year Ended 31 December	
	Total Operations	
	2015	2014
Actuarial gains/losses	77	-100
Deferred tax thereon	-36	17
<b>Total</b>	<b>41</b>	<b>-83</b>

Group policy for funding deficits is intended to satisfy local statutory funding requirements for tax deductible contributions together with adjusting the discount factors used in the actuarial calculations to market rates. 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. The net liability in the group Statement of Financial Position reflects the actual deficits in the defined benefit plans. 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 68 (EUR 71) million. By contrast, the remaining obligations covered by defined benefit schemes resulted in a charge of EUR 1 (EUR 1) million excluding finance costs. Pension cover since 2001 has been organised entirely through local insurance companies. The total defined benefit obligation amounts to EUR 348 (EUR 399) million and the assets to EUR 329 (EUR 360) million, leaving a net liability of EUR 19 (EUR 39) million. The decrease in net liability was caused by changes in the actuarial assumptions and experience gains. There is no impact on the defined benefit obligation from the enactment of a new pension law in Finland. 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 13 (EUR 15) million, of which EUR 11 (EUR 13) million related to defined contribution schemes and EUR 2 (EUR 2) million to defined benefits excluding finance costs. The total defined benefit obligation is EUR 280 (EUR 321) million, nearly all of which is unfunded as total assets come to only EUR 7 (EUR 7) million. The net liability decreased from EUR 314 million to EUR 273 million. The decrease in net liability arose primarily from the sale of Uetersen Mill in February 2015. 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 18 (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 51 (EUR 54) million, with defined benefit schemes covering mainly white-collar staff.

Total defined benefit obligations amounted to EUR 360 (EUR 383) million and assets to EUR 319 (EUR 310) million, leaving a net liability of EUR 41 million at the year end, compared with a net liability of EUR 73 million the year before. This decrease in net liability arose from 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 215 (EUR 216) million and the assets to EUR 170 (EUR 159) million. The net liability came to EUR 45 (EUR 57) million. Obligations and assets were material only in the United Kingdom, at EUR 154 (EUR 153) million and EUR 139 (EUR 136) million, respectively, leaving a net liability of EUR 15 (EUR 17) million at the end of 2015. The decrease in net liability arose from changes in actuarial assumptions

### NET DEFINED BENEFIT OBLIGATION RECONCILIATION

EUR million	Year Ended 31 December	
	2015	2014
<b>Present Value of Defined Benefit Obligation</b>		
Defined benefit obligation at 1 January	1 319	1 217
Translation difference	17	-12
Interest on liabilities	36	40
Current service cost	13	13
Past service cost	-3	-7
Actuarial gains and losses on defined benefit obligation arising from changes in demographic assumptions	-21	-
Actuarial gains and losses on defined benefit obligation arising from changes in financial assumptions	-39	170
Actuarial gains and losses on defined benefit obligation arising from experience adjustments	-28	-37
Benefit payments	-77	-64
Net disposals/acquisitions	-29	-1
Other	15	-
<b>Defined benefit obligation at 31 December</b>	<b>1 203</b>	<b>1 319</b>
<b>Fair Value of Plan Asset</b>		
Fair value of plan asset at 1 January	-836	-845
Translation difference	-15	10
Expected return on plan assets	-26	-29
Actuarial gain/loss on plan assets	11	-27
Employer contributions	-22	-10
Benefit payments	77	64
Other	-14	1
<b>Fair value of plan asset at 31 December</b>	<b>-825</b>	<b>-836</b>
<b>Net Defined Benefit Obligation</b>	<b>378</b>	<b>483</b>

**AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION – DEFINED BENEFIT PLANS**

EUR million	As at 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
	2015	2014	2015	2014	2015	2014
Present value of funded obligations	893	974	893	974	-	-
Present value of unfunded obligations	310	345	286	317	24	28
Defined benefit obligations (DBO)	1 203	1 319	1 179	1 291	24	28
Fair value of plan assets	825	836	825	836	-	-
<b>Net Liability in Defined Benefit Plans</b>	<b>378</b>	<b>483</b>	<b>354</b>	<b>455</b>	<b>24</b>	<b>28</b>
<b>Net Liability</b>	<b>378</b>	<b>483</b>	<b>354</b>	<b>455</b>	<b>24</b>	<b>28</b>

**AMOUNTS RECOGNISED IN THE INCOME STATEMENT**

EUR million	Year Ended 31 December					
	Total Defined Benefit Plans		Defined Benefit Pension Plans		Other Post-Employment Benefits	
	2015	2014	2015	2014	2015	2014
<b>Operating costs</b>						
Current service cost	13	13	12	12	1	1
Past service cost	-3	-7	-	-6	-3	-1
<b>Finance cost</b>						
Net interest on net defined benefit liability	9	11	8	10	1	1
<b>Cost recognised in Income Statement</b>	<b>19</b>	<b>17</b>	<b>20</b>	<b>16</b>	<b>-1</b>	<b>1</b>

**STATEMENT OF ACTUARIAL GAINS AND LOSSES**

EUR million	Year Ended 31 December	
	2015	2014
Loss/gain on pension scheme assets	-11	27
Gain/loss arising on pension scheme liabilities	88	-133
Gain/loss due to change in asset ceiling	-	6
<b>Total Gain/loss</b>	<b>77</b>	<b>-100</b>

**DEFINED BENEFIT PLANS: COUNTRY ASSUMPTIONS USED IN CALCULATING BENEFIT OBLIGATIONS**

	Year Ended 31 December					
	Finland		Germany		Sweden	
	2015	2014	2015	2014	2015	2014
Discount rate %	2.0	2.0	2.0	2.0	2.75	2.50
Future salary increase %	1.4	1.8	2.5	2.5	2.5	2.5
Future pension increase %	1.6	2.0	1.8	1.8	1.6	1.8
Average current retirement age	63.8	63.8	63.0	65.0	65.0	65.0
Weighted average life expectancy	88.8	89.4	85.0	85.2	89.3	89.3

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 6.7%	Increase by 7.5%
Salary growth rate	0.50%	Increase by 1.4%	Decrease by 1.2%
Pension growth rate	0.50%	Increase by 5.5%	Decrease by 5.2%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.2%	Decrease by 3.1%

**DURATION OF PENSION PLANS**

Years	Finland	Sweden	Germany	UK
At 31 December 2014	11.0	16.1	13.2	18.5
At 31 December 2015	10.0	15.2	13.5	17.8

**DEFINED BENEFIT PLAN SUMMARY BY COUNTRY AS AT 31 DECEMBER 2015**

As at 31 December 2015

EUR million	Finland	Germany	Sweden	Other	Total
Present value of funded obligations	348	17	338	190	893
Present value of unfunded obligations	-	263	22	25	310
Defined benefit obligations (DBO)	348	280	360	215	1 203
Fair value of plan assets	329	7	319	170	825
Net liability in the defined benefit plans	19	273	41	45	378
<b>Net Liability in the Balance Sheet</b>	<b>19</b>	<b>273</b>	<b>41</b>	<b>45</b>	<b>378</b>
<b>Represented by</b>					
Defined benefit pension plans	19	273	41	22	355
Other post-employment benefits	-	-	-	23	23
<b>Net Liability in the Balance Sheet</b>	<b>19</b>	<b>273</b>	<b>41</b>	<b>45</b>	<b>378</b>

**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	1 319
Fair value of plan assets	360	7	310	159	836
Net liability in the defined benefit plans	39	314	73	57	483
<b>Net Liability in the Balance Sheet</b>	<b>39</b>	<b>314</b>	<b>73</b>	<b>57</b>	<b>483</b>
<b>Represented by</b>					
Defined benefit pension plans	39	314	73	29	455
Other post-employment benefits	-	-	-	28	28
<b>Net Liability in the Balance Sheet</b>	<b>39</b>	<b>314</b>	<b>73</b>	<b>57</b>	<b>483</b>

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.

**PLAN ASSETS**

EUR million	As at 31 December			
	2015		2014	
	Value	%	Value	%
Equity	301	36.4	298	35.6
Government bonds	79	9.6	53	6.4
Corporate bonds	273	33.1	258	30.9
Debt	352	42.7	311	37.3
Property	60	7.3	65	7.8
Cash	47	5.7	38	4.5
Others	65	7.9	124	14.8
<b>Total Pension Fund Assets</b>	<b>825</b>	<b>100.0</b>	<b>836</b>	<b>100.0</b>

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 329 (EUR 360) 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 2016 contributions of EUR 38 million are expected to be paid.

In 2015 contributions of EUR 22 (EUR 10) 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 base 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 2015, the annual incentive programmes were based on financial targets as well as 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). From 2005 to 2015 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 and 2015 programmes have three year targets and vest in only one portion after three years. Previous programmes, launched in 2009 to 2011 vested up to an absolute maximum vesting level of 150% of the number of shares awarded, provided that the result of the performance criterion exceeded the target. In programmes since

2012, the absolute maximum vesting level is 100% of the number of shares awarded.

Three quarters (75%) of the awards under the 2014 and 2015 programmes 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 and 2015 programmes are in Restricted Shares, for which vesting is only subject to continued employment.

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 8.39 (EUR 7.44), 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 outstanding restricted and performance share awards are shown below.

#### SHARE AWARDS AT 31 DECEMBER 2015

Number of shares	Projected Delivery of Outstanding Restricted and Performance Share Awards at Year End			
	2016	2017	2018	Total
2013 programme	575 166	-	-	575 166
2014 programme	4 615	1 090 071	-	1 094 686
2015 programme	11 266	11 608	1 543 380	1 566 254
<b>Total</b>	<b>591 047</b>	<b>1 101 679</b>	<b>1 543 380</b>	<b>3 236 106</b>

The costs of the Stora Enso Share-based Programmes are recognised as costs over the vesting period, being the period between grant and award. The total impact of share-based programmes in the income statement amounted to an expense of EUR 8 (EUR 13) million, all related to restricted and performance share awards, of which the expense of EUR 4 (EUR 6) million relates to equity-settled share awards programmes. The year end liability of EUR 5 (EUR 6) million is shown in non-current operative liabilities and is all related to the restricted and performance share awards.

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 2 900 000 (3 500 000) underlying Stora Enso Oyj R shares recorded at a net fair value liability of EUR 3 (asset EUR 1) million. The change from a net asset of EUR 1 million to a net liability of EUR 3 million is due to a cash receipt of EUR 8 million and a fair value increase of EUR 4 million due to the increase in share price from EUR 7.44 at 31 December 2014 to EUR 8.39 at 31 December 2015.

## Note 22 Other provisions

### OTHER PROVISIONS

EUR million	Environmental	Restructuring	Other Obligatory	Total Provisions
<b>Carrying Value at 1 January 2015</b>	<b>115</b>	<b>111</b>	<b>15</b>	<b>241</b>
Translation difference	1	-	-3	-2
Charge in Income Statement	-19	-3	5	-17
New provisions	-	7	4	11
Increase in existing provisions	3	4	3	10
Reversal of existing provisions	-22	-14	-2	-38
Payments	-6	-53	-3	-62
<b>Carrying Value at 31 December 2015</b>	<b>91</b>	<b>55</b>	<b>14</b>	<b>160</b>
<b>Allocation between Current and Non-current Liabilities</b>				
Current liabilities: Payable within 12 months	3	41	4	48
Non-current liabilities: Payable after 12 months	88	14	10	112
<b>Total at 31 December 2015</b>	<b>91</b>	<b>55</b>	<b>14</b>	<b>160</b>

### Environmental obligation

Provisions for environmental remediation amounted to EUR 91 million at 31 December 2015, a decrease of EUR 24 million compared with 31 December 2014. This decrease contains reversals of earlier made environmental provisions at Varkaus by EUR 10 million and at Corbehem by EUR 8 million.

### 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 year end amounted to EUR 41 (EUR 45) million.
- Skoghall Mill site contains ground pollutants that must be removed. The provision at year end amounted to EUR 17 (EUR 17) million.
- The total environmental provision in Finland amounted to EUR 8 (EUR 18) million. The decrease by EUR 10 million compared with 31 December 2014 is caused by the reversal of EUR 10 million related to the permanent closure of the newsprint operation provision at Varkaus during 2010. The largest provision relates to the cleaning of aerated water basin at Kemijärvi Pulp Mill and amounted to EUR 6 (EUR 6) 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.
- 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 year end Stora Enso Pulp AB had environmental provisions of EUR 7 (EUR 8) 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 by Divisions are: Packaging Solutions EUR 5 million, Wood Products EUR 1 million and Paper EUR 1 million. Stora Enso announced in June 2015 the permanent shutdown of the corrugated packaging converting unit in Chennai, India, due to unprofitability and a major decrease in local market demand. New provision amounted to EUR 4 million.

Restructuring provisions decreased by EUR 56 million compared with 31 December 2014. This net change contains reversals amounting to EUR 14 million of earlier made provisions of which the main items are EUR 4 million from the closure of Sollenau Sawmill in Austria and EUR 3 million from paper machine closure at Kvarnsveden Mill in Sweden.

The total cash payments made during the year in respect of established restructuring provisions amounted to EUR 53 (EUR 83) million.

In 2014, the group announced restructuring provisions in Consumer Board, Wood Products, Paper and Segment Other mainly related

to restructuring and streamlining operations, and efficiency improvements. The main items were the closures of one paper machine in Finland, of one sawmill in Austria and of one paper mill in France. In 2014 restructuring provisions by Divisions were: Consumer Board EUR 2 million, Wood Products EUR 11 million, Paper EUR 73 million and Segment Other EUR 1 million.

The liability at the end of 2015 for restructuring provisions amounted to EUR 55 (EUR 111) 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 14 million at 31 December 2015, a decrease of EUR 1 million compared with 31 December 2014.

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## Note 23 Operative liabilities

### NON-CURRENT OPERATIVE LIABILITIES

EUR million	As at 31 December	
	2015	2014
Post-employment benefit provisions (Note 20)	378	483
Other provisions (Note 22)	112	159
Share-based payments (Note 21)	5	6
Other payables	44	41
<b>Total</b>	<b>539</b>	<b>689</b>

### CURRENT OPERATIVE LIABILITIES

EUR million	As at 31 December	
	2015	2014
Trade payables	1 203	1 097
Payroll and staff-related accruals	217	216
Accrued liabilities and deferred income	182	184
Current portion of provisions (Note 22)	48	82
Advances received	14	21
TRS Hedges	3	-
Other payables	146	113
<b>Total</b>	<b>1 813</b>	<b>1 713</b>

## 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 and all policies covering the use of financial instruments must comply with it. 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. The 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 2015, one percentage point parallel change up or down in interest rates impacts annual net interest expenses by EUR 11 (EUR 6) 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 at maturity to year end using the new higher interest rate.

The total group floating rate net interest-bearing liability position, excluding cash and cash equivalents but including floating legs of interest rate swaps, is some EUR 1.4 (EUR 0.6) 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 2.9 (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 nil (EUR 16) million, presented under Other financial items, coming mainly from interest rate swaps not qualifying for fair value hedge accounting, and gains or losses of EUR 16 (EUR 3) million effect before taxes in Cash flow hedge reserve in OCI regarding interest rate swaps under cash flow 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 crown, US dollars and British pounds.

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The table below presents the estimated net operative foreign currency exposure for the main currencies, for the next 12 months and the related hedges in place as at 31 December, retranslated using year end exchange rates. The net operative receivables and payable exposures, representing the balances as at 31 December, 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. A positive amount of exposure in the table represents an estimated future receivable of a foreign currency amount.

#### OPERATIVE FOREIGN CURRENCY EXPOSURE

EUR million	As at 31 December 2015					As at 31 December 2014				
	SEK	USD	GBP	BRL	CZK	SEK	USD	GBP	BRL	CZK
Estimated annual net cash flow exposure	-920	1 150	410	-	-	-840	1 120	460	-	-
Cash flow hedges next 12 months	440	-550	-220	-	-	460	-590	-240	-	-
<b>Estimated Annual Net Cash Flow Exposure, Net of Hedges</b>	<b>-480</b>	<b>600</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-380</b>	<b>530</b>	<b>220</b>	<b>-</b>	<b>-</b>
<b>Hedging Percentage as at 31 December for Next 12 Months</b>	<b>48%</b>	<b>48%</b>	<b>54%</b>	<b>-</b>	<b>-</b>	<b>55%</b>	<b>53%</b>	<b>52%</b>	<b>-</b>	<b>-</b>
<b>Translation exposure in Income Statement<sup>1)</sup></b>	<b>-460</b>	<b>120</b>	<b>-</b>	<b>-130</b>	<b>-170</b>	<b>-330</b>	<b>-</b>	<b>10</b>	<b>-120</b>	<b>-200</b>
Operative receivables and payables exposure	36	134	29	-91	-23	-117	244	40	-124	-26
Currency hedges	149	-119	-39	11	-	157	-172	-64	50	-
<b>Statement of Financial Position Exposure, Net of Hedges</b>	<b>185</b>	<b>15</b>	<b>-10</b>	<b>-80</b>	<b>-23</b>	<b>40</b>	<b>72</b>	<b>-24</b>	<b>-74</b>	<b>-26</b>
<b>Estimated Annual Operative Exposure, Net of Hedges</b>	<b>-755</b>	<b>735</b>	<b>180</b>	<b>-210</b>	<b>-193</b>	<b>-670</b>	<b>602</b>	<b>206</b>	<b>-194</b>	<b>-226</b>

<sup>1)</sup> Includes unhedged sales, costs and depreciation invoiced or expensed in the domestic currency of non-euro based entities, retranslated using year end exchange rates.

The table below includes the estimated effect on annual EBIT of a strengthening in EUR versus SEK, USD, GBP and CZK by 5% and versus BRL by 10%, as reasonably possible changes in rates, measured against year end closing rates. A corresponding 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 presented below since the Income Statements of subsidiaries with functional 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, including currency hedges, trade receivables and payable, are translated using the exchange rates at the reporting date.

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, translation exposure in Income Statement 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 OF EUR**

EUR million	As at 31 December 2015					As at 31 December 2014				
	SEK	USD	GBP	BRL	CZK	SEK	USD	GBP	BRL	CZK
Currency change versus EUR	-5%	-5%	-5%	-10%	-5%	-5%	-5%	-5%	-10%	-5%
Effect on estimated annual net cash flow and translation exposure	69	-64	-21	13	9	59	-56	-23	12	10
Effect on hedging reserve before taxes as at year end <sup>1)</sup>	-22	28	11	-	-	-23	30	12	-	-
EBIT impact as at year end <sup>2)</sup>	-9	-1	1	8	1	-2	-4	1	7	1
<b>Estimated Annual EBIT Impact<sup>3)</sup></b>	<b>38</b>	<b>-37</b>	<b>-9</b>	<b>21</b>	<b>10</b>	<b>34</b>	<b>-30</b>	<b>-10</b>	<b>19</b>	<b>11</b>

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

<sup>2)</sup> The EBIT impact as at year end represents the estimated currency effect related to operative payables and receivables, net of hedges.

<sup>3)</sup> The estimated annual EBIT impact includes currency effects in respect of operative exposures in the Statement of Financial Position, forecast cash flows and related hedges and translation exposure in Income Statement.

The table below presents, for the main currencies, the financial foreign currency exposure and the related hedges in place as at 31 December. 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.

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 strengthening in the EUR versus SEK, USD, CNY and PLN by 5% and versus BRL by 10%, as reasonably possible changes in rates, measured against year-end closing rates. A corresponding 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 as the exposure amounts may change during the year.

**FINANCIAL FOREIGN CURRENCY EXPOSURE AND ESTIMATED CURRENCY EFFECTS IN INCOME STATEMENT**

EUR million	As at 31 December 2015					As at 31 December 2014				
	SEK	USD	CNY	PLN	BRL	SEK	USD	CNY	PLN	BRL
Net debt excluding hedges	879	-603	520	218	60	680	-434	278	230	53
Currency hedges	-926	29	-55	-	-	-657	-62	104	-	-
<b>Net Financial Exposure</b>	<b>-47</b>	<b>-574</b>	<b>465</b>	<b>218</b>	<b>60</b>	<b>23</b>	<b>-496</b>	<b>382</b>	<b>230</b>	<b>53</b>
Currency change versus EUR	-5%	-5%	-5%	-5%	-10%	-5%	-5%	-5%	-5%	-10%
<b>Effect in the Income Statement</b>	<b>2</b>	<b>29</b>	<b>-23</b>	<b>-11</b>	<b>-6</b>	<b>-1</b>	<b>25</b>	<b>-19</b>	<b>-12</b>	<b>-5</b>

The foreign exchange exposure of the group to Russian rouble comes mainly from EUR denominated net debt of Russian subsidiaries which amounted to EUR 11 (EUR 38) million at year end. During 2015 the foreign exchange impact from retranslation of these balances resulted in losses in Income statement of nil (losses EUR 20) million due to the depreciation of the Russian rouble against EUR by 12% (depreciation by 60%).

**Currency translation risk**

Translation risk results from fluctuations in exchange rates affecting 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: 2015

As at 31 December

EUR million	Euro area	USD area <sup>2)</sup>	Sweden	China	Poland	Brazil	Other	Total
<b>Translation Exposure on Equity</b>	<b>1 699</b>	<b>1 187</b>	<b>854</b>	<b>730</b>	<b>275</b>	<b>406</b>	<b>237</b>	<b>5 388</b>
EUR/USD hedges <sup>1)</sup>	321	-321	-	-	-	-	-	-
<b>Translation Exposure after Hedges</b>	<b>2 020</b>	<b>866</b>	<b>854</b>	<b>730</b>	<b>275</b>	<b>406</b>	<b>237</b>	<b>5 388</b>

<sup>1)</sup> USD denominated bonds classified as hedges of investments in foreign assets.<sup>2)</sup> Includes the joint operation Montes del Plata in Uruguay, which has USD as its functional currency.

## TRANSLATION RISK AND HEDGES: 2014

As at 31 December

EUR million	Euro area	USD area <sup>3)</sup>	Sweden	China	Poland	Brazil	Other	Total
<b>Translation Exposure on Equity</b>	<b>1 827</b>	<b>908</b>	<b>352</b>	<b>726</b>	<b>359</b>	<b>607</b>	<b>291</b>	<b>5 070</b>
EUR/SEK hedges <sup>1)</sup>	37	-	-37	-	-	-	-	-
EUR/USD hedges <sup>2)</sup>	288	-288	-	-	-	-	-	-
<b>Translation Exposure after Hedges</b>	<b>2 152</b>	<b>620</b>	<b>315</b>	<b>726</b>	<b>359</b>	<b>607</b>	<b>291</b>	<b>5 070</b>

<sup>1)</sup> SEK denominated bonds classified as hedges of investments in foreign assets.<sup>2)</sup> USD denominated bonds classified as hedges of investments in foreign assets.<sup>3)</sup> 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 strengthening in the euro against the US dollar, Swedish crown, Chinese renminbi, Polish zloty and Brazilian real at 31 December. A corresponding decrease in the exchange rates would have approximately an equally opposite impact. 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 used may be 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 OF STRENGTHENING OF EUR BEFORE TAX

As at 31 December 2015

As at 31 December 2014

EUR million	Before Hedges	Hedges	Net Impact	Before Hedges	Hedges	Net Impact
By 5% versus SEK	-43	-	-43	-18	2	-16
By 5% versus USD	-59	16	-43	-45	14	-31
By 5% versus CNY	-37	-	-37	-36	-	-36
By 5% versus PLN	-14	-	-14	-18	-	-18
By 10% versus BRL	-41	-	-41	-61	-	-61
<b>Total Effect from Above</b>	<b>-194</b>	<b>16</b>	<b>-178</b>	<b>-178</b>	<b>16</b>	<b>-162</b>



## 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: 2015

EUR million	2016	2017	2018	2019	2020	2021+	Total
Bond loans	-	295	573	545	-	421	1 834
Loans from credit institutions	200	359	172	163	302	441	1 637
Financial lease liabilities	7	27	27	-	-	-	61
Other non-current liabilities	21	10	2	-	-	5	38
<b>Non-current Debt including Current Portion</b>	<b>228</b>	<b>691</b>	<b>774</b>	<b>708</b>	<b>302</b>	<b>867</b>	<b>3 570</b>
Less fair value adjustments to carrying amounts	-	4	7	5	5	13	34
Estimated contractual finance charges	144	138	119	90	52	375	918
<b>Contractual Repayments on Non-Current Debt</b>	<b>372</b>	<b>833</b>	<b>900</b>	<b>803</b>	<b>359</b>	<b>1 255</b>	<b>4 522</b>
Short-term borrowings, carrying amounts	492	-	-	-	-	-	492
Contractual finance charges	11	-	-	-	-	-	11
Bank overdrafts	1	-	-	-	-	-	1
<b>Total Contractual Repayments at 31 December 2015</b>	<b>876</b>	<b>833</b>	<b>900</b>	<b>803</b>	<b>359</b>	<b>1 255</b>	<b>5 026</b>

### 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
<b>Non-current Debt including Current Portion</b>	<b>611</b>	<b>704</b>	<b>647</b>	<b>715</b>	<b>646</b>	<b>818</b>	<b>4 141</b>
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
<b>Contractual Repayments on Non-Current Debt</b>	<b>792</b>	<b>854</b>	<b>772</b>	<b>826</b>	<b>726</b>	<b>1 171</b>	<b>5 141</b>
Short-term borrowings, carrying amounts	487	-	-	-	-	-	487
Contractual finance charges	11	-	-	-	-	-	11
Bank overdrafts	2	-	-	-	-	-	2
<b>Total Contractual Repayments at 31 December 2014</b>	<b>1 292</b>	<b>854</b>	<b>772</b>	<b>826</b>	<b>726</b>	<b>1 171</b>	<b>5 641</b>

## Financial transactions counterparty credit risk

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

This risk is minimised by:

- entering into transactions only with leading financial institutions and with industrial companies that have a good credit rating;
- investing in liquid cash funds only with financially secure institutions or companies;
- requiring parent company guarantees when dealing with any subsidiary of a rated company.

Ratings for external counterparties should be above or equal to A- for banks and BBB for industrial companies dealing in commodities, and ISDA or equivalents are signed with the counterparty. Any other counterparty not meeting the requirements presented above has to be approved by the CEO.

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

### EXTERNAL COUNTERPARTY EXPOSURE

EUR million	Rating	As at 31 December	
		2015	2014
Company A	BBB+	7	18
Company B	A	1	-

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 59 (EUR 53) million and a fair value of EUR 62 (EUR 57) 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 24 (EUR 36) 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 seven years. In 2014 the maturities ranged from one month to eight 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 15.2% holding, valued at EUR 123 (EUR 437) 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 is a significant shareholder in major 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 Personnel expenses 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 2015 there were TRS instruments outstanding covering 2 900 000 (3 500 000) underlying Stora Enso Oyj R shares recorded at a net fair value liability of EUR 3 (asset EUR 1) 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 2 (EUR 3) million, based on a closing share price at year end of EUR 8.39 (EUR 7.44) on Nasdaq 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 28 (EUR 30) 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

EUR million	As at 31 December	
	2015	2014
Interest-bearing liabilities	4 197	4 894
Interest-bearing assets	957	1 620
<b>Interest-bearing Net Debt</b>	<b>3 240</b>	<b>3 274</b>
<b>Equity Attributable to Owners of the Parent</b>	<b>5 388</b>	<b>5 070</b>
<b>Debt / Equity Ratio</b>	<b>0.60</b>	<b>0.65</b>

In joint operation Montes del Plata and in subsidiary Stora Enso (Guangxi) Packaging Company Ltd. there are financial covenants related to the debt-to-assets ratio which have been complied with during the reported years.

## Note 25 Fair values

### CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY: 2015

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
<b>Financial Assets</b>							
Available-for-sale	-	-	-	159	159	159	14
Non-current loan receivables	68	-	-	-	68	70	17
Trade and other operative receivables	987	-	-	-	987	987	17
Interest-bearing receivables	12	12	29	-	53	53	17
Cash and cash equivalents	808	-	-	-	808	808	
<b>Total</b>	<b>1 875</b>	<b>12</b>	<b>29</b>	<b>159</b>	<b>2 075</b>	<b>2 077</b>	

EUR million	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value	Note
<b>Financial Liabilities</b>						
Non-current debt	-	-	3 342	3 342	3 445	26
Current portion of non-current debt	-	-	228	228	228	26
Interest-bearing liabilities	22	48	556	626	626	26
Trade and other operative payables	24	-	1 421	1 445	1 445	23
Bank overdrafts	-	-	1	1	1	
<b>Total</b>	<b>46</b>	<b>48</b>	<b>5 548</b>	<b>5 642</b>	<b>5 745</b>	

### 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
<b>Financial Assets</b>							
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	
<b>Total</b>	<b>2 731</b>	<b>39</b>	<b>23</b>	<b>474</b>	<b>3 267</b>	<b>3 271</b>	

EUR million	Financial Items at Fair Value through Profit and Loss	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value	Note
<b>Financial Liabilities</b>						
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	
<b>Total</b>	<b>92</b>	<b>112</b>	<b>6 003</b>	<b>6 207</b>	<b>6 376</b>	

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,

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 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, 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 21 (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: 2015

EUR million	As at 31 December			Total
	Level 1	Level 2	Level 3	
<b>Derivative Financial Assets</b>				
Hedging derivatives	-	29	-	29
Derivatives at fair value through profit and loss	-	12	-	12
<b>Available-for-Sale Investments</b>				
Listed securities	28	-	-	28
Unlisted shares	-	-	131	131
<b>Total</b>	<b>28</b>	<b>41</b>	<b>131</b>	<b>200</b>
<b>Derivative Financial Liabilities</b>				
Hedging derivatives	-	48	-	48
Derivatives at fair value through profit and loss	-	22	-	22
<b>Trade and Other Operative Liabilities</b>				
Operative payables through profit and loss	-	3	21	24
<b>Total</b>	<b>-</b>	<b>73</b>	<b>21</b>	<b>94</b>

**FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION: 2014**

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

**RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS**

EUR million	2015	2014
Opening balance at 1 January 2015	444	361
Losses recognised through income statement	-2	-
Losses/Gains recognised in Available-for-Sale Investments reserve	-325	76
Additions	14	8
Disposals	-	-1
<b>Closing Balance at 31 December 2015</b>	<b>131</b>	<b>444</b>

## 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

EUR million	As at 31 December	
	2015	2014
Bond loans	1 834	2 582
Loans from credit institutions	1 637	1 414
Finance lease liabilities	61	69
Other non-current liabilities	38	76
<b>Non-current Debt including Current Portion</b>	<b>3 570</b>	<b>4 141</b>
Short-term borrowings	492	487
Interest payable	64	84
Derivative financial liabilities (see Note 25)	70	180
Bank overdrafts	1	2
<b>Total Interest-bearing Liabilities</b>	<b>4 197</b>	<b>4 894</b>
<b>EUR million</b>	<b>2015</b>	<b>2014</b>
Carrying Value at 1 January	4 894	5 501
Proceeds of new long-term debt	435	166
Repayment of long-term debt	-1 181	-922
Change in short-term borrowings and interest payable	-15	-32
Change in derivative financial liabilities	-110	39
Translation differences and other	174	142
<b>Total Interest-bearing Liabilities</b>	<b>4 197</b>	<b>4 894</b>

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 0.3% (0.9%) to 8.6% (8.6%). The majority of group loans are denominated in euros, US dollars and Swedish crown. At 31 December 2015 unused committed credit facilities were unchanged at EUR 700 million. The EUR 700 million committed credit facility agreement with a syndicate of 13 banks matures in January 2019. 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 850 million mainly from Finnish pension funds.

During 2015, Stora Enso has successfully issued two bonds under its EMTN (Euro Medium Term Note) programme. The EUR 125 million ten-year bond pays a floating coupon of Euribor + 2.25%. The second one, EUR 25 million twelve-year bond pays a floating coupon of Euribor + 2.35%.

In May 2015, Stora Enso exercised its right to redeem all of the USD 389 million bond maturing in April 2016 through a make whole process. In addition, EUR 190 million bond held by Swedish Export Credit Corporation (SEK), originally maturing in 2016, was early repaid in August 2015.

Including the previously mentioned repayments, Stora Enso's total repayments of EUR, SEK and USD bond notes amounted to a nominal of EUR 964 (EUR 629) million during 2015.

In 2015 net interest-bearing liabilities decreased by EUR 34 million to EUR 3 240 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 637 million to EUR 807 million at 31 December 2015.

**BOND LOANS IN NON-CURRENT DEBT**

Issue/ Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value	Outstanding As at 31 December		Carrying Value As at 31 December		
				Issued	2015	2014	2015	2014	
					Currency million		EUR million		
All Liabilities are Held by the Parent Company									
Fixed Rate									
1993–2019	Series C Senior Notes 2019	8.600	USD	50	50	50	47	41	
2006–2015	Swedish Fixed Real Rate	3.500	SEK	500	-	500	-	57	
2006–2016	Global 6.404% Notes 2016	6.404	USD	508	-	412	-	345	
2006–2036	Global 7.250% Notes 2036	7.250	USD	300	300	300	272	244	
2010–2015	Euro Medium Term Note	5.750	SEK	2 400	-	1 865	-	199	
2012–2017	Euro Medium Term Note	5.750	SEK	500	500	500	54	53	
2012–2018	Euro Medium Term Note	5.000	EUR	500	500	500	498	497	
2012–2019	Euro Medium Term Note	5.500	EUR	500	500	500	498	498	
Total Fixed Rate Bond Loans								1 369	1 934
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	-	190	
2010–2015	Euro Medium Term Note	Stibor+3.70	SEK	1 400	-	1 400	-	149	
2012–2017	Euro Medium Term Note	Stibor+3.90	SEK	2 200	2 200	2 200	240	234	
2015–2025	Euro Medium Term Note	Euribor+2.25	EUR	125	125	-	125	-	
2015–2027	Euro Medium Term Note	Euribor+2.35	EUR	25	25	-	25	-	
Total Floating Rate Bond Loans								465	648
Total Bond Loans								1 834	2 582



## Finance lease liabilities

At 31 December 2015 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 27 (EUR 37) million were included in property, plant and equipment; the depreciation and impairment thereon was EUR 9

(EUR 11) million. The aggregate leasing payments for the year amounted to EUR 10 (EUR 10) million, the interest element being EUR 2 (EUR 2) million. No new finance lease agreements were made during 2015 and 2014.

### FINANCE LEASE LIABILITIES

EUR million	As at 31 December	
	2015	2014
<b>Minimum Lease Payments</b>		
Less than 1 year	9	10
1–2 years	28	9
2–3 years	27	28
3–4 years	-	27
4–5 years	-	-
Over 5 years	-	-
	<b>64</b>	<b>74</b>
Future finance charges	-3	-5
<b>Present Value of Finance Lease Liabilities</b>	<b>61</b>	<b>69</b>
<b>Present Value of Finance Lease Liabilities</b>		
Less than 1 year	7	8
1–2 years	27	7
2–3 years	27	27
3–4 years	-	27
4–5 years	-	-
Over 5 years	-	-
	<b>61</b>	<b>69</b>

## 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: Cash Flow Hedges Reserve. The other component of OCI is the Available-for-Sale Investments 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

EUR million	Year Ended 31 December	
	2015	2014
Bergvik Skog AB	-17	-19
Tornator Oyj	-2	-4
<b>Total</b>	<b>-19</b>	<b>-23</b>

In 2015, the group entered into new interest rate swap derivatives with a total nominal value of EUR 150 million. The swaps have been designated as cash flow hedges of newly issued EUR bond notes maturing in 2025 and 2027 with hedge result being booked to Cash Flow Hedges Reserve within OCI. During 2015 the group closed majority of its non-hedge accounted interest rate swaps and all of its outstanding non-hedge accounted interest rate options and interest rate collars.

In the group the estimated net amount of unrealised cash flow hedge loss net of taxes amounted to EUR 24 (EUR loss 70) million of which a loss of EUR 9 (EUR loss 44) million related to currencies and a loss of EUR 15 (EUR loss 26) million to commodities. The minority's share of unrealised cash flow hedge result net of taxes amounted to a gain of EUR 1 (EUR loss 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 2027 (2023), however the majority are expected to mature in 2016. Any hedge ineffectiveness is presented as an adjustment to sales or to materials and services, depending on the underlying exposure, totalling nil (EUR loss 4) million for commodity contract hedges and nil for currency hedges in both 2015 and 2014. Derivatives used in currency cash flow hedges are mainly forward contracts and options, with swaps mainly used in commodity hedges and interest rate cash flow hedges.

In the Beihai Mill project in Guangxi, China, the group has hedged its exposures to the foreign currency risk of future transactions resulting in the recognition of non-financial assets. The gains and losses deferred to OCI cash flow hedges 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 loss of EUR 9 (EUR loss 2) million. The comparative figure from 2014 also includes Montes del Plata related hedge result included in the initial cost of non-financial assets in 2014.

### 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 2015 or 31 December 2014.

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

**HEDGE GAINS AND LOSSES IN FINANCIAL ITEMS**

EUR million	Year Ended 31 December	
	2015	2014
Net losses on fair value hedges	-2	-2
Fair value changes in hedged items	1	2
<b>Net Losses on Fair Value Hedges in Financial Items</b>	<b>-1</b>	<b>-</b>
<b>Non-qualifying Hedges</b>		
Net gains/losses on interest rate derivatives	1	-12
Net gains on currency derivatives	1	49
<b>Net Gains in Financial Items</b>	<b>2</b>	<b>37</b>

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

**HEDGE GAINS AND LOSSES IN OPERATING PROFIT**

EUR million	Year Ended 31 December	
	2015	2014
<b>Fair Value Hedge Accounted</b>		
Net losses on fair value hedges	-16	-4
Fair value changes in hedged items	16	4
<b>Net Gains on Fair Value Hedges</b>	<b>-</b>	<b>-</b>
<b>Cash Flow Hedge Accounted</b>		
Currency hedges	-120	-25
Commodity contract hedges	-39	-24
<b>Total</b>	<b>-159</b>	<b>-49</b>
As adjustments to Sales	-128	-36
As adjustments to Materials and services	-31	-13
<b>Realised from OCI through Income Statement</b>	<b>-159</b>	<b>-49</b>
Commodity contract hedge ineffectiveness	-	-4
<b>Net Losses from Cash Flow Hedges</b>	<b>-159</b>	<b>-53</b>
<b>Non-qualifying Hedges</b>		
Currency hedges	-14	-32
Commodity contract hedges	-5	-
<b>Net Losses on Non-Qualifying Hedges</b>	<b>-19</b>	<b>-32</b>
<b>Net Hedge Losses in Operating Profit</b>	<b>-178</b>	<b>-85</b>

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

EUR million	As at 31 December			
	Positive Fair Values	Negative Fair Values	Net Fair Values	Net Fair Values
	2015			2014
<b>Fair value hedge accounted</b>				
Interest rate swaps	-	-	-	4
<b>Cash flow hedge accounted</b>				
Currency forward contracts	3	-5	-2	-20
Currency options	19	-16	3	-39
Commodity contracts	7	-24	-17	-33
Interest rate swaps	-	-2	-2	-
<b>Non-qualifying hedges</b>				
Interest rate swaps	7	-	7	-9
Interest rate options	-	-	-	-27
Currency forward contracts	4	-20	-16	8
Commodity contracts	1	-2	-1	-9
Equity swaps (TRS)	-	-3	-3	1
<b>Total</b>	<b>41</b>	<b>-72</b>	<b>-31</b>	<b>-124</b>

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

The presented fair values in the previous table include accrued interest and option premiums.

## NOMINAL VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	As at 31 December	
	2015	2014
<b>Interest Rate Derivatives</b>		
Interest rate swaps		
Maturity under 1 year	301	212
Maturity 2–5 years	-	597
Maturity 6–10 years	187	63
	488	872
Interest rate options	-	388
<b>Total</b>	<b>488</b>	<b>1 260</b>
<b>Foreign Exchange Derivatives</b>		
Forward contracts	1 706	1 510
Currency options	2 044	2 472
<b>Total</b>	<b>3 750</b>	<b>3 982</b>
<b>Commodity Derivatives</b>		
Commodity contracts	250	414
<b>Total</b>	<b>250</b>	<b>414</b>
<b>Total Return Swaps</b>		
Equity swaps (TRS)	27	25
<b>Total</b>	<b>27</b>	<b>25</b>

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 maturities are for one year only.

**CONTRACTUAL DERIVATIVES MATURITY REPAYMENTS GROSS SETTLEMENT**

EUR million	As at 31 December 2015		As at 31 December 2014	
	2016	2017+	2015	2016+
<b>Currency Forwards and Options: Cash Flow Hedges</b>				
Outflow	1 087	-	1 220	-
Inflow	1 080	-	1 168	-
<b>Currency Forwards and Options: Fair Value in Income Statement</b>				
Outflow	1 365	-	1 259	-
Inflow	1 350	-	1 267	-

Contractual payments for net-settled derivative financial liabilities were in the following maturity groupings: within one year EUR 37 (EUR 52) million and within two to five years EUR 22 (EUR 53) 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 2015**

EUR million	Not offset in the Statement of Financial Position			
	Gross amount of recognised financial instruments	Related liabilities (-) or assets (+) subject to Master Netting Agreements	Collateral received (-) or given (+)	Net Exposure
Derivative assets	33	-33	-	-
Derivative liabilities	-71	33	-	-38

**FINANCIAL IMPACT OF NETTING FOR INSTRUMENTS SUBJECT TO AN ENFORCEABLE MASTER NETTING AGREEMENT 2014**

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

## 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

EUR million	Year Ended 31 December	
	2015	2014
<b>At 1 January</b>		
CTA on net investment in non-euro foreign entities	-183	-246
Hedging thereof	45	37
Net currency losses/gains in equity	-138	-209
Tax on hedging	-11	-9
	<b>-149</b>	<b>-218</b>
<b>CTA Movement for the Year Reported in OCI</b>		
Restatement of opening non-euro denominated equity	10	-5
Difference in Income Statement translation	13	-18
Internal equity injections and dividends	9	100
Other	-8	-5
CTA release through the Income Statement	4	-9
	<b>28</b>	<b>63</b>
<b>Hedging of Net Investment for the Year Reported in OCI</b>		
Hedging result	-33	8
Taxes	7	-2
	<b>-26</b>	<b>6</b>
<b>At 31 December</b>		
CTA on net investment in non-euro foreign entities	-155	-183
Hedging thereof (see below)	12	45
Cumulative net currency losses in equity	-143	-138
Tax on hedging	-4	-11
<b>Net CTA in Equity</b>	<b>-147</b>	<b>-149</b>
<b>Hedging of Net Investment in Foreign Entities</b>		
Hedging	12	45
Tax on hedging	-4	-11
<b>Net Hedging Result in Equity</b>	<b>8</b>	<b>34</b>
Realised gains	45	25
Unrealised gains/losses	-37	9
<b>Total Gains</b>	<b>8</b>	<b>34</b>

The group is currently hedging only its equity exposure to the US dollar. The main movements in CTA in 2015 were a loss of EUR 145 (gain of EUR 7) million related to the Brazilian real, a gain of EUR 16 (loss of EUR 67) million related to the Swedish crown, a gain of EUR 45 (EUR 81) million related to the Chinese renminbi and a gain of EUR 107 (EUR 84) million related to the US dollar. The most significant accumulated CTA balances are in Sweden, amounting to a loss of EUR 163 (EUR 179) million, in Brazil, amounting to a loss of EUR 253 (EUR 108) million, in the US dollar area, amounting to a

gain of EUR 196 (EUR 89) million, and in China, amounting to a gain of EUR 124 (EUR 79) million.

The release of cumulative translation adjustments to the Income Statement amounted to a loss of EUR 4 (gain of EUR 9) million in 2015 and was mainly related to the disposal of Komárom plant in Hungary. In 2014, 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

EUR million	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in the Statement of Financial Position	
	2015	2014	2015	2014	2015	2014
Brazil	-253	-108	-	-	-253	-108
China	124	79	-	-	124	79
Czech Republic	26	23	-9	-9	17	14
Poland	-24	-28	17	17	-7	-11
Russia	-69	-59	-	-	-69	-59
Sweden	-163	-179	50	50	-113	-129
Uruguay	188	85	-46	-13	142	72
USA	8	4	-	-	8	4
Others	8	-	-	-	8	-
<b>CTA before Tax</b>	<b>-155</b>	<b>-183</b>	<b>12</b>	<b>45</b>	<b>-143</b>	<b>-138</b>
Taxes	-	-	-4	-11	-4	-11
<b>Net CTA in Equity</b>	<b>-155</b>	<b>-183</b>	<b>8</b>	<b>34</b>	<b>-147</b>	<b>-149</b>

#### AMOUNTS RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME – CTA AND EQUITY HEDGING

As at 31 December

EUR million	Cumulative Translation Adjustments (CTA)		Equity Hedges		Net CTA in OCI	
	2015	2014	2015	2014	2015	2014
Brazil	-145	7	-	-	-145	7
China	45	81	-	-	45	81
Czech Republic	3	-1	-	-	3	-1
Poland	4	-10	-	-	4	-10
Russia	-10	-38	-	-	-10	-38
Sweden	16	-67	-	21	16	-46
Uruguay	103	82	-33	-13	70	69
USA	4	2	-	-	4	2
Others	8	7	-	-	8	7
<b>CTA before Tax</b>	<b>28</b>	<b>63</b>	<b>-33</b>	<b>8</b>	<b>-5</b>	<b>71</b>
Taxes	-	-	7	-2	7	-2
<b>Net CTA in Equity</b>	<b>28</b>	<b>63</b>	<b>-26</b>	<b>6</b>	<b>2</b>	<b>69</b>



## Hedging of net investment in foreign entities

Group policy for translation risk exposure is to minimise this by funding assets whenever possible and economically viable in the same currency, but if matching of the assets and liabilities in the same currency is not possible hedging of the remaining translation risk may take place. The gains and losses net of tax on all financial liabilities and instruments used for hedging purposes are offset in

CTA against the respective currency movements arising from the restatement of the net investments at current exchange rates on the reporting date; the net amount of losses included in CTA during the period as shown in the previous table came to EUR 26 (gains of EUR 6) million.

### HEDGING INSTRUMENTS AND UNREALISED HEDGE LOSSES/GAINS

EUR million	As at 31 December					
	Nominal amount (Currency)		Nominal amount (EUR)		Unrealised Gains/Losses (EUR)	
	2015	2014	2015	2014	2015	2014
<b>Borrowings</b>						
Sweden	-	350	-	37	-	20
USD area	350	350	321	288	-37	-11
<b>Total Hedging</b>			<b>321</b>	<b>325</b>	<b>-37</b>	<b>9</b>

## Note 29 Commitments and contingencies

### COMMITMENTS

EUR million	As at 31 December	
	2015	2014
<b>On Own Behalf</b>		
Mortgages	4	4
<b>On Behalf of Equity Accounted Investments</b>		
Guarantees	17	19
<b>On Behalf of Others</b>		
Guarantees	30	6
<b>Other Commitments Own</b>		
Operating leases in next 12 months	83	83
Operating leases after next 12 months	804	823
Other commitments	11	5
<b>Total</b>	<b>949</b>	<b>940</b>
Mortgages	4	4
Guarantees	47	25
Operating leases	887	906
Other commitments	11	5
<b>Total</b>	<b>949</b>	<b>940</b>

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 the 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 2015, the group's commitments amounted to EUR 949 (EUR 940) million. In addition, parent company Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries and joint operations up to EUR 2 352 (EUR 2 478) million as of 31 December 2015.

In 2015, Stora Enso Logistic AB's time charter arrangements relating to vessels MV Schieborg and MV Slingeborg were reorganised and Stora Enso Logistics AB entered into time charter parties with subsidiaries of Koninklijke Wagenborg B.V., the new owners of the vessels. In connection therewith, Stora Enso Oyj issued a guarantee to a third-party creditor securing certain obligations of the owners under the term facilities agreement entered into by and between the owners, Koninklijke Wagenborg B.V. and the creditor. The obligations of the owners are further secured by the owners as well as Koninklijke Wagenborg B.V. The group's maximum exposure under the guarantee is limited to EUR 25 million plus interests and costs. The remaining guarantee amounted to EUR 24 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. There were no leases deemed onerous at the end of 2015 (EUR 2 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	
	2015	2014
Less than 1 year	83	83
1–2 years	73	72
2–3 years	64	63
3–4 years	59	56
4–5 years	55	52
Over 5 years	553	580
<b>Total</b>	<b>887</b>	<b>906</b>

The group has rental commitments for up to 50 years, with the option to terminate after 20 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 599 (EUR 579) million for the plantations.

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 81 (EUR 93) million for the remaining six years at the end of 2015.

Capital expenditure commitments at the balance sheet date but not recognised in the financial statements amounted to EUR 196 (EUR 301) 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's financial condition or results of operations.

## Latin American Cases

### Veracel

Fibria and Stora Enso each owns 50% of Veracel, and the joint ownership is 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 to be paid regarding the dispute is approximately USD 54 million (EUR 50 million). Stora Enso denies any breach of contract and disputes the method of calculating the interest to be paid. 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 5 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 relevant 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 disputed the claims brought by Andritz and also pursuing claims of its own amounting to USD 110

million (EUR 101 million) against Andritz for breach by Andritz of its obligations under the contracts.

In April 2015, the parties signed a settlement agreement and withdrew the case from arbitration. The settlement agreement resulted in a USD 44 million (EUR 40 million) cash payment made by Montes del Plata of which Stora Enso's share was 50%. The payment was recorded as capital expenditure in the Biomaterials segment in the second quarter of 2015. Following this the case will no longer be reported as a contingent liability.

## 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 87 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 34 million and the secondary claims solely against Stora Enso to approximately EUR 7 million. Stora Enso denies that Metsähallitus and the 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 appealed the Court of Appeal's decision in the Supreme Court. No provisions have been made in Stora Enso's accounts for these lawsuits.

## Norrundet Pulp Mill environmental case

The production of pulp at Norrundet Mill in Sweden was permanently closed in December 2008. Provisions for refuse handling contamination on site and sea sediment have been 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 integration 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 98% (97%) of group external sales. The principal country in which each subsidiary operates is the country of incorporation. The group's effective interest in the

undertakings is 100% except where indicated and is held in each case by a subsidiary undertaking except for those companies marked with "+" which are held directly by the Parent Company. Subsidiaries operating outside the euro area are indicated by "◊".

### SUBSIDIARY COMPANIES (RANKED BY EXTERNAL SALES)

		Country	Sales %	Consumer Board	Packaging Solution	Biomaterials	Wood Products	Paper	Other
<b>Stora Enso Oyj</b>		<b>Finland</b>	<b>29.96</b>	•	•	•		•	•
Stora Enso Paper AB <sup>1)</sup>	◊	Sweden	7.88					•	
Stora Enso Skoghall AB	◊	Sweden	6.10	•					
Stora Enso Amsterdam B.V.		Netherlands	3.55			•		•	
Stora Enso Fors AB	◊	Sweden	3.38	•					
Stora Enso Skog AB	◊	Sweden	3.11						•
Stora Enso Kabel GmbH & Co. KG		Germany	2.82					•	•
Stora Enso Poland S.A.	+/◊	Poland	2.55	•					
Stora Enso Maxau GmbH		Germany	2.54					•	
Stora Enso Wood Products GmbH		Austria	2.49				•		
Stora Enso Publication Papers Oy Ltd	+	Finland	2.34					•	•
Stora Enso Langerbrugge NV	+	Belgium	2.24					•	
Stora Enso Ingerois Oy	+	Finland	2.11	•					
Stora Enso Pulp AB	◊	Sweden	1.99			•			
Sydved AB (66.7%)	◊	Sweden	1.66						•
Stora Enso Sachsen GmbH		Germany	1.38					•	•
Puumerkki Oy		Finland	1.31				•		
Mena Wood Oy Ltd		Finland	1.27				•		
Stora Enso Suzhou Paper Co Ltd (97.9%)	◊	China	1.26					•	
Stora Enso Eesti AS	+	Estonia	1.15				•		•
Stora Enso Timber AB	◊	Sweden	1.04				•		
Stora Enso Australia Pty Ltd	◊	Australia	1.02				•	•	
Stora Enso Wood Products Zdirec s.r.o.	◊	Czech Republic	1.02				•		•
Stora Enso Arapoti Indústria de Papel S.A. (80%)	◊	Brazil	1.01					•	
OOO Stora Enso Packaging BB	◊	Russia	0.97		•				
Mena Koper d.o.o.		Slovenia	0.94				•		
Stora Enso Packaging AB	◊	Sweden	0.90		•				
Stora Enso Wood Products Oy Ltd	+	Finland	0.80				•		
Stora Enso WP Bad St. Leonhard GmbH		Austria	0.78				•		
Stora Enso Packaging Oy	+	Finland	0.77		•				
Stora Enso Narew Sp.z.o.o	+/◊	Poland	0.71		•				
Stora Enso Inpac Packaging Co. Ltd (51%)	◊	China	0.69		•				
Stora Enso Bioenergi AB	◊	Sweden	0.66						•
Stora Enso Timber Deutschland GmbH		Germany	0.65				•		
Stora Enso Huatai Paper Co Ltd (60%)	◊	China	0.58					•	
Stora Enso Wood Products Planá s.r.o	◊	Czech Republic	0.50				•		
Guangxi Stora Enso Forestry Co Ltd (89.5%)	◊	China	0.47	•					
AS Stora Enso Latvija		Latvia	0.35				•		
Stora Enso Bois SAS		France	0.29				•		
Stora Enso Deutschland GmbH	+	Germany	0.29	•				•	•
Stora Enso Timber UK Ltd	◊	UK	0.27				•		
UAB Stora Enso Lietuva		Lithuania	0.26				•		

Continues on the next page &gt;

		Country	Sales %	Consumer Board	Packaging Solution	Biomaterials	Wood Products	Paper	Other
Stora Enso Timber DIY Products B.V.		Netherlands	0.21				•		
Stora Enso (Guangxi) Forestry Co Ltd (80.1%)	◊	China	0.21	•					
Dongguan Stora Enso Inpac Packaging Co. Ltd	◊	China	0.18		•				
Stora Enso Packaging UAB		Lithuania	0.17		•				
Stora Enso Packaging SIA		Latvia	0.17		•				
VLAR Papier NV (65%)		Belgium	0.15					•	
Puumerkki AS		Estonia	0.14				•		
Skogsutveckling Syd AB	◊	Sweden	0.12						•
DanFiber A/S (51%)	◊	Denmark	0.12					•	

<sup>1)</sup> Stora Enso Kvarnsveden AB and Stora Enso Hylte AB was merged into Stora Enso Nymölla AB which name was then changed to Stora Enso Paper AB.

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 %	Consumer Board	Packaging Solutions	Biomaterials	Wood Products	Paper	Other
Veracel Celulose SA (50%)	◊	Brazil	3.18			•			
Montes del Plata (50%)	◊	Uruguay	1.63			•			

## Note 31 Related party transactions

Balances and transactions between the group and its subsidiaries and joint operations, which are classified as 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 is presented 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 Pohjolan Voima Oy (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 15.2% 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 491 MW and Seppo Parvi, as group representative, has been the Deputy Chairman of PVO's Board of Directors since 2015. Prices paid to PVO for electricity are based on production costs, which are generally lower than market prices and in 2015, amounted to EUR 38 (EUR 42) million. For information about the amount of electricity generated, purchased and sold, please see Stora Enso Sustainability Report 2015, section Environment and Efficiency (Energy). Sustainability Report 2015 is part of Stora Enso's Annual Report 2015 and available online in PDF format at [storaenso.com/annualreport](http://storaenso.com/annualreport).

### 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.

In 2014 International Finance Corporation (IFC) agreed to invest in an equity stake of CNY 356 million (EUR 50 million) in Stora Enso's Guangxi project, representing a 5% shareholding in the project. By the end of 2015, IFC has already invested CNY 245 million (EUR 35 million). Stora Enso's outstanding loan balances from IFC amounted to EUR 423 (EUR 171) million at year end. The funding is based at USD LIBOR plus margins ranging from +2.30% 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 research partners: Swetree Technologies AB, Innventia AB, Cellutech AB and Clic Innovation Ltd.

### 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 2015 purchases of 2 (2) million cubic metres came to EUR 60 (EUR 56) million.

In 2015, the group has a 49% interest in Bergvik Skog 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 2015, these purchases of 5 (5) million cubic metres amounted to EUR 95 (EUR 106) million and group sales, mainly forest management services, to Bergvik Skog amounted to EUR 35 (EUR 34) million.

Stora Enso has a significant land leasing contract with its non-controlling interest partner Guangxi Forestry Group Co. Ltd. in China. The leases paid during 2015 amounted to EUR 16 (EUR 10) million.

### Stevedoring

The group owns 34.4% 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 2015 amounted to EUR 26 (EUR 30) million.

## Note 32 Earnings per share and equity per share

### EARNINGS PER SHARE

	Year Ended 31 December	
	2015	2014
Net profit for the period attributable to the owners of the parent, EUR million	807	99
Total comprehensive income attributable to the owners of the parent, EUR million	573	100
Weighted average number of A and R shares	788 619 987	788 619 987
Weighted average number of share awards	1 189 457	1 180 158
Weighted diluted number of shares	789 809 444	789 800 145
<b>Basic Earnings per Share, EUR</b>	<b>1.02</b>	<b>0.13</b>
<b>Diluted Earnings per Share, EUR</b>	<b>1.02</b>	<b>0.13</b>
<b>Total Recognised Income and Expense per Share, EUR</b>	<b>0.73</b>	<b>0.13</b>

### EQUITY PER SHARE

	As at 31 December	
	2015	2014
Shareholders' equity, EUR million	5 388	5 070
Market value, EUR million	6 618	5 871
Number of A and R shares	788 619 987	788 619 987
Share awards	1 198 756	1 180 158
Diluted number of shares	789 818 743	789 800 145
<b>Basic Shareholders' Equity per Share, EUR</b>	<b>6.83</b>	<b>6.43</b>
<b>Diluted Shareholders' Equity per Share, EUR</b>	<b>6.82</b>	<b>6.42</b>
<b>Dividend per Share Paid/Declared, EUR</b>	<b>0.33</b>	<b>0.30</b>
<b>Market Value per Share, EUR</b>		
A shares	8.40	7.48
R shares	8.39	7.44

# Extract from the parent company Stora Enso Oyj 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

EUR million	Year Ended 31 December	
	2015	2014
Sales	3 440	3 256
Changes in inventories of finished goods and work in progress	-	4
Production for own use		-
Other operating income	199	171
Materials and services	-2 187	-2 163
Personnel expenses	-313	-300
Depreciation and value adjustments	-126	-152
Other operating expenses	-726	-696
<b>Operating Profit</b>	<b>287</b>	<b>120</b>
Net financial items	1	247
<b>Profit before Extraordinary Items</b>	<b>288</b>	<b>367</b>
Extraordinary income	-18	72
<b>Profit before Appropriations and Taxes</b>	<b>270</b>	<b>440</b>
Appropriations	-76	127
Income tax expense	-1	-
<b>Net Profit for the Period</b>	<b>193</b>	<b>567</b>

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

### Assets

EUR million	As at 31 December	
	2015	2014
<b>Fixed Assets and Non-current Investments</b>		
Intangible assets	34	37
Tangible assets	969	725
Shares in Group companies	6 192	6 752
Other investments	1 292	2 057
	<b>8 487</b>	<b>9 571</b>
<b>Current Assets</b>		
Inventories	445	452
Short-term receivables	1 388	826
Cash and cash equivalents	1 123	1 494
	<b>2 956</b>	<b>2 772</b>
<b>Total Assets</b>	<b>11 443</b>	<b>12 343</b>

### Equity and Liabilities

EUR million	As at 31 December	
	2015	2014
Share capital	1 342	1 342
Share premium	3 639	3 639
Invested non-restricted equity fund	633	633
Retained earnings	789	459
Net profit for the period	193	567
	<b>6 596</b>	<b>6 640</b>
<b>Appropriations</b>	<b>136</b>	<b>4</b>
<b>Provisions</b>	<b>21</b>	<b>36</b>
<b>Non-current Liabilities</b>	<b>2 347</b>	<b>2 758</b>
<b>Current Liabilities</b>	<b>2 343</b>	<b>2 905</b>
<b>Total Equity and Liabilities</b>	<b>11 443</b>	<b>12 343</b>



## PARENT COMPANY CASH FLOW STATEMENT

EUR million	Year Ended 31 December	
	2015	2014
<b>Cash Provided by Operating Activities</b>		
Net profit for the period	193	567
Taxes	1	-
Appropriations	76	-128
Extraordinary items	18	-72
Depreciation and value adjustments	126	151
Unrealised foreign exchange wins and losses	70	-41
Other non-cash items	-19	-5
Financial income and expenses	-1	-247
Interest received	71	131
Interest paid net of amounts capitalised	-130	-211
Dividends received	246	383
Other financial items paid net	-106	-14
Income taxes paid	-1	-
Change in net working capital	63	23
<b>Net Cash Provided by Operating Activities</b>	<b>606</b>	<b>537</b>
<b>Cash Flow from Investing Activities</b>		
Capital expenditure	-237	-145
Proceeds from sale of fixed assets	5	1
Purchases of other investments	-9	-9
Investment in subsidiary shares	-12	-133
Proceeds from disposal of subsidiary shares	326	193
Investment in shares in equity accounted investments	-	-
Proceeds from disposal of shares in equity accounted investments	-	62
Proceeds from disposal of shares in other companies	-	-
Proceeds from long-term receivables net	51	466
<b>Net Cash Provided in Investing Activities</b>	<b>124</b>	<b>435</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from (payment of) long-term liabilities net	-461	-817
Proceeds from (payment of) short-term borrowings net	-433	-625
Capital repayment / dividend per share paid/declared	-237	-237
Group contributions paid and received	40	44
<b>Net Cash Used in Financing Activities</b>	<b>-1 091</b>	<b>-1 635</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-361</b>	<b>-662</b>
Translation adjustment	-10	26
Cash and cash equivalents at start of year	1 494	2 130
<b>Cash and Cash Equivalents at Year End</b>	<b>1 123</b>	<b>1 494</b>

# The Board of Directors' proposal for the distribution of dividend

The Parent Company distributable shareholders' equity on 31 December 2015 amounted to EUR 1 615 273 728.69, including the profit for the period of EUR 192 837 825.45. The Board of Directors proposes to the Annual General Meeting of the Company that the distributable funds be used as follows:

Dividend of EUR 0.33 per share from the distributable shareholders' equity to be distributed on 788 619 987 shares, not to exceed	EUR 260 244 595.71
Remaining in distributable shareholders' equity	EUR 1 355 029 132.98
Divistributable shareholders' equity on 31 December 2015, total	EUR 1 615 273 728.69

There have been no material changes in the Parent Company's financial position since 31 December 2015. The liquidity of the Parent Company remains good and the proposed dividend does not risk the solvency of the Company.

Helsinki, 4 February 2016

**Gunnar Brock**  
Chairman

**Juha Rantanen**  
Vice Chairman

**Anne Brunila**

**Elisabeth Fleuriot**

**Hock Goh**

**Mikael Mäkinen**

**Richard Nilsson**

**Hans Stråberg**

**Karl-Henrik Sundström**  
CEO

# Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

## 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, 2015. 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 2016

## Deloitte & Touche Oy

Authorized Public Audit Firm

## Jukka Vattulainen

Authorized Public Accountant

# Capacities by mill in 2016

## CONSUMER BOARD

Consumer board	Location	Grade	Capacity 1 000 t
Fors	SWE	FBB	455
Imatra	FIN	SBS, FBB, LPB	1 130
Ingerois	FIN	FBB	280
Skoghall	SWE	LPB, CUK	855
<b>Total</b>			<b>2 720</b>

### Plastic coating

Skoghall (Forshaga)	SWE	Plastic coating	120
Imatra	FIN	Plastic coating	270
<b>Total</b>			<b>390</b>

## PACKAGING SOLUTIONS

Containerboards	Location	Grade	Capacity 1 000 t
Heinola	FIN	SC fluting	300
Ostrołęka	POL	Testliner, Pfr fluting, sack paper, wrapping paper	670
Varkaus	FIN	Kraftliner, white-top kraftliner	390
<b>Total</b>			<b>1 360</b>

Corrugated Packaging	Grade	Capacity million m <sup>2</sup>
<b>Baltic states</b>	Corrugated packaging	<b>135</b>
Kaunas		
Riga		
Tallinn		
<b>Finland</b>	Corrugated packaging	<b>160</b>
Heinola		
Lahti		
Kristiinankaupunki		
<b>Poland</b>	Corrugated packaging	<b>395</b>
Łódź		
Mosina		
Ostrołęka		
Tychy		
<b>Russia</b>	Corrugated packaging	<b>345</b>
Arzamas		
Balabanovo		
Balabanovo offset		
Lukhovitsy		
<b>Sweden</b>	Corrugated packaging	<b>275</b>
Jönköping		
Skene		
Vikingstad		
<b>Total</b>	Corrugated packaging	<b>1 310</b>

Inpac	Location	Grade	Capacity million pcs	Capacity million m <sup>2</sup>
		Corrugated and consumer packaging		
Gaobu, Dongguan	CHI		285	50
		Corrugated and consumer packaging		
Jiashan, Zhejiang	CHI		50	10
		Corrugated and consumer packaging		
Qian'an, Hebei	CHI		495	55
<b>Total</b>			<b>830</b>	<b>115</b>

## BIOMATERIALS

Mill	Location	Grade	Segment	Capacity 1 000 t
Enocell	FIN	Short and long-fibre	Biomaterials	470
Skutskär	SWE	Short, long-fibre and fluff pulp	Biomaterials	540
Sunila	FIN	Long-fibre pulp	Biomaterials	370
Montes del Plata (50% share)	URU	Short-fibre pulp	Biomaterials	650
Veracel (50% share)	BRA	Short-fibre pulp	Biomaterials	575
<b>Total</b>				<b>2 605</b>

## Chemical Pulp

Mill	Location	Grade	Segment	Capacity 1 000 t
		Neutral Sulphite Semi-Chemical Pulp		
Heinola	FIN		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	110
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	310
Veitsiluoto	FIN	Short and long-fibre	Paper	375
<b>Chemical Pulp Total (incl. Biomaterials)</b>				<b>5 740</b>
of which market pulp <sup>1)</sup>				2 005

<sup>1)</sup> 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	Paper	290
Langerbrugge	BEL	DIP	Paper	680
Maxau	GER	DIP	Paper	295
Ostroleka	POL	Recycled fibre based pulp	Packaging Solutions	600
Sachsen	GER	DIP	Paper	430
<b>Total</b>				<b>2 295</b>

**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
<b>Total</b>				<b>675</b>

**WOOD PRODUCTS**

Mill	Location	Sawing Capacity 1 000 m <sup>3</sup>	Further Processing Capacity 1 000 m <sup>3</sup>	Pellet capacity 1 000 t	CLT capacity 1 000 m <sup>3</sup>	LVL capacity 1 000 m <sup>3</sup>
Ala	SWE	370	45	-	-	-
Alytus	LIT	200	90	-	-	-
Amsterdam	NLD	-	55	-	-	-
Bad St. Leonhard	AUT	350	275	-	60	-
Brand	AUT	440	255	-	-	-
Gruvön	SWE	370	150	100	-	-
Hartola <sup>1)</sup>	FIN	-	-	-	-	-
Honkalahti	FIN	310	70	-	-	-
Imavere	EST	335	155	100	-	-
Impilahti	RUS	120	10	15	-	-
Kitee	FIN	260	110	25	-	-
Launkalne	LAT	190	10	-	-	-
Murow	POL	200	35	-	-	-
Nebolchi	RUS	180	30	35	-	-
Näpi	EST	35	150	15	-	-
Pfarrkirchen	GER	-	110	-	-	-
Planá	CZE	360	220	-	-	-
Uimaharju	FIN	240	20	-	-	-
Varkaus <sup>2)</sup>	FIN	130	-	-	-	40
Veitsiluoto	FIN	-	-	-	-	-
Ybbs	AUT	550	390	-	70	-
Zdírec	CZE	560	320	65	-	-
<b>Total</b>		<b>5 200</b>	<b>2 500</b>	<b>355</b>	<b>130</b>	<b>40</b>

<sup>1)</sup> Module construction capacity at Hartola (800 modules) not included in the total figures.

<sup>2)</sup> Varkaus LVL line start-up is in mid-2016.

In addition, Veitsiluoto Sawmill in Finland with sawing capacity of 200 000 m<sup>3</sup> is reported in the Paper Division.

**PAPER**

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	435
Arapoti <sup>1)</sup>	BRA	LWC	185
Dawang	CHN	SC	170
Hylte	SWE	News	480
Kabel	GER	LWC, MWC, HWC	485
Kvarnsveden	SWE	SC, news, impr. news	665
Langerbrugge	BEL	SC, news, impr. news, dir.	555
Maxau	GER	SC	530
Nymölla	SWE	WFU	485
Oulu	FIN	WFC	1 080
Sachsen	GER	News, directory	310
Suzhou	CHN	WFC	245
Veitsiluoto	FIN	LWC, MWC, WFU	785
<b>Total</b>			<b>6 410</b>

<sup>1)</sup> Stora Enso announced its plans to divest Arapoti Mill in December 2015.

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
LVL	laminated veneer lumber
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 paper
WFU	wood free uncoated paper
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 x	$\frac{\text{Operational EBIT}}{\text{Capital employed}^{1, 2}}$
Operational return on operating capital, Operational ROOC (%)	100 x	$\frac{\text{Operational EBIT}}{\text{Operating capital}^{1, 2}}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and non-controlling items – taxes}}{\text{Total equity}^{2}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}^{3}}$
EPS		$\frac{\text{Net profit/loss for the period}^{3}}{\text{Average number of shares}}$
Payout ratio, excl. NRI, %	100 x	$\frac{\text{Dividend distribution / share}}{\text{EPS excl. NRI}}$
Dividend yield, %	100 x	$\frac{\text{Dividend distribution / share}}{\text{Closing price of share}}$
Price/earnings ratio (P/E), excl. NRI		$\frac{\text{Closing price of share}}{\text{EPS excl. NRI}}$
Operational EBIT		Operating profit/loss excluding NRI and fair valuations of the segments and Stora Enso's share of operating profit/loss excluding NRI and fair valuations of its equity accounted investments (EAI)
Operational EBITDA		Operating profit/loss excluding fixed asset depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations

<sup>1)</sup> Capital employed = Operating capital – Net tax liabilities

<sup>2)</sup> Average for the financial period

<sup>3)</sup> 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 Thursday 28 April 2016 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, 18 April 2016. 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](http://storaenso.com/agm).

## AGM and dividend in 2016

18 April	Record date for AGM
28 April	Annual General Meeting (AGM)
29 April	Ex-dividend date
2 May	Record date for dividend
10 May	Dividend payment

## Dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.33 per share be paid to the shareholders for the fiscal year ending 31 December 2015. The dividend payable on shares registered with Euroclear Sweden will be forwarded by Euroclear Sweden AB and paid in Swedish crown. The dividend payable to ADR holders will be forwarded by Citibank, N.A. (Citi) and paid in US dollars.

## Publication dates for 2016

4 February	Financial results for 2015
Week 7	Annual Report 2015
28 April	Interim Report for January–March
21 July	Interim Report for January–June
25 October	Interim Report for January–September

## Distribution of financial information

Stora Enso's **Annual Report 2015** consists of four reports: the Progress Book, the Financial Report, the Sustainability Report, and the Corporate Governance Report.

Progress Book 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 2015 is downloadable as a PDF file from the company's website.

Financial Report is published in English and is 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.

Sustainability report is published in English and is downloadable as a PDF file from the company's website.

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

Interim Reports 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](mailto:group.communications@storaenso.com), by mail Stora Enso Oyj, Communications, P.O. Box 309, FI-00101 Helsinki or by tel. +358 2046 131.
- Registered ADR holders should contact Citi. 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 Citibank, N.A. 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 [citi.com/DR](http://citi.com/DR).

## Contact information for Stora Enso ADR holders

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Concept and design: Miltton Oy

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

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