

# Quarter 4 *Interim review*

January–December 2008



# Stora Enso Fourth Quarter and Full Year Results 2008

**Poor earnings but strong cash flow from operations following aggressive production curtailments; operating profit excluding NRI and fair valuations EUR 28.4 million, cash flow from operations EUR 236.7 million for the fourth quarter**

## Summary of Fourth Quarter Results

Continuing Operations:		Q4/08	2008	Q4/07	2007
Sales	EUR million	2 602.5	11 028.8	2 980.7	11 848.5
EBITDA excl. NRI and fair valuations	EUR million	163.3	1 027.2	306.8	1 569.9
<b>Operating Profit excl. NRI and Fair Valuations</b>	<b>EUR million</b>	<b>28.4</b>	<b>388.4</b>	<b>144.1</b>	<b>861.1</b>
Operating profit / loss (IFRS)	EUR million	-784.2	-726.6	-60.6	176.9
Profit / loss before tax excl. NRI	EUR million	-81.0	151.6	284.2	970.1
Profit / loss before tax	EUR million	-845.6	-893.8	-104.3	20.2
Net profit / loss excl. NRI	EUR million	-67.2	142.8	220.2	747.3
Net profit / loss	EUR million	-654.6	-679.0	-59.6	12.8
EPS excl. NRI	EUR	-0.08	0.18	0.28	0.94
EPS	EUR	-0.82	-0.86	-0.07	0.01
CEPS excl. NRI	EUR	0.06	0.99	0.50	1.94
ROCE excl. NRI	%	-0.8	3.4	12.8	11.3
ROCE excl. NRI and fair valuations	%	1.2	4.1	5.6	8.6

Fair valuations include synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies' forest assets

### Message from CEO Jouko Karvinen:

"The drop in customer demand in the last quarter of 2008 turned out to be as severe as we expected and warned in our third quarter 2008 results announcement. We also responded as planned by aggressively curtailing our production by 15% to 30% of capacity by segment. These robust actions had a large negative impact on operating profit, but at the same time reduced our working capital by some EUR 200 million, cut our capital expenditure by 25-30% below the original plan in the fourth quarter to a total of EUR 700 million for the year, and made sure we started 2009 with minimum inventory levels in all Business Areas as well as throughout our supply chain. These measures also helped us to agree with our customers meaningful price increases in several critical areas – including Newsprint, Magazine Paper, Consumer Board and Coated Fine Paper – that we so clearly needed as we started this new year.

"The operating environment for at least the early part of 2009 will be just as challenging as at the end of 2008. We continue to focus on pricing quality and cash flow. We will only manufacture when customers buy our product, rather than building our inventory. We have also revised our capital expenditure budget for 2009 to EUR 500 million, and very importantly, it is intended to finance the majority of that by further reductions in our working capital. This dramatic reduction of capital spending for 2009 does not fundamentally change our strategy: you do not change strategy with every downturn – but you do reschedule some of your projects in order to safeguard the company and its freedom to operate. That is exactly what we are doing. In the same spirit, Stora Enso has also proactively reduced the liquidity risk and reliance on short-term borrowings since mid 2007, when the first wave of the financial crisis hit the markets.

"We forecast our overall unit cost inflation for the full year 2009 to be close to zero. Some costs – notably wood and natural gas – will start to decrease significantly only in the second half of the year because of the nature of our purchasing contracts.

"To adjust capacity in response to lower demand, we have started negotiations concerning large-scale temporary lay-offs in Finland, and are also in negotiations and dialogues in Germany, Sweden and elsewhere to find opportunities for rapidly adjusting our capacity and costs. We will extend temporary curtailments for as long as necessary. We, the senior management of Stora Enso, will participate in the effort to control costs through limitations in our compensation.

"As disclosed in detail in a separate release today Stora Enso has during the audit process identified an incorrect accounting 2001–2006 between restricted and distributable equity, with no impact on total equity of the Group or parent company, but a need to reclassify EUR 1 512 million from distributable to restricted equity. This will lead to the fact that the boards proposal to pay a return of EUR 0.20 per share to our shareholders is subject to not only AGM approval but also a consent from Finnish National Board of Patents and Registration - and will be delayed at least until July 2009. We will correct this accounting issue in a transparent way, and intend to pay a return, if reduced, to our shareholders also in 2009."

### Near-term Outlook

In Europe market demand is forecast to remain weak and clearly less than a year ago for all the Group's products, at least throughout the first half of 2009, due to the current economic downturn. Advertising expenditure started to decline steeply

in the fourth quarter of 2008 and is expected to remain weak, considerably reducing demand for paper.

Seasonal factors and destocking by customers following announced price increases are likely to reduce demand for newsprint in the first quarter of 2009. However, temporary and permanent reductions in production capacity have improved the supply and demand balance, especially in magazine paper and coated fine paper markets. A slight seasonal pickup in demand for some packaging products is anticipated towards the end of the first quarter. Very weak markets for wood products are foreseen as construction activity has rapidly slowed in all key markets.

In Europe some prices in local currencies are being raised in the first quarter above levels in the fourth quarter of 2008, particularly in newsprint, magazine paper, coated fine paper and consumer board; however, uncoated fine paper prices are likely to remain under pressure. Prices for wood products and most industrial packaging products are expected to be under continued pressure. Lower prices are predicted for newsprint in export markets outside Europe.

In China soft demand for uncoated magazine paper and fine paper is expected due to slowing economic growth and customer de-stocking. Persistent weakness in the coated magazine paper market is affecting the uncoated magazine paper market. Lower prices for magazine paper are anticipated, with fine paper prices remaining under pressure. The outlook for consumer board market is uncertain following last year's milk scandal in China.

In Latin America seasonal factors and high customer inventories are expected to restrain market demand for coated magazine paper, keeping prices flat.

## Markets

### *Compared with Q4/2007*

In Europe market demand was stronger than a year ago for uncoated magazine paper, weaker for newsprint, fine paper and industrial packaging, and significantly weaker for consumer board, coated magazine paper and wood products.

Market prices in local currencies were higher for all magazine paper grades, coated fine paper, consumer board and some industrial packaging grades, lower for newsprint, uncoated fine paper, recycled-fibre-based containerboard and corrugated packaging, and considerably lower for wood products.

Producer inventories at the year end were lower in newsprint, magazine paper and fine paper than a year ago.

In Latin America market demand and prices for coated magazine paper increased significantly.

In China market demand for coated fine paper was weaker and prices were substantially lower than a year ago.

### *Compared with Q3/2008*

In Europe market demand was substantially stronger for newsprint, mainly due to customer stock building in December, and also strengthened for coated and uncoated magazine paper, but demand for all other products weakened.

Market prices in local currencies were higher for coated fine paper and consumer board, unchanged for newsprint, magazine paper and some industrial packaging products, slightly lower for uncoated fine paper and corrugated packaging, and lower for recycled-fibre-based containerboard and wood products.

Producer inventories were lower in newsprint, magazine paper and uncoated fine paper, and unchanged in coated fine paper.

In Latin America market demand for coated magazine paper strengthened but prices were largely unchanged.

In China demand for uncoated magazine paper and coated fine paper weakened. Uncoated magazine paper prices were under pressure and coated fine paper prices decreased.

## Stora Enso Deliveries and Production from Continuing Operations

	2007	2008	Q4/07	Q3/08	Q4/08	Change % Q4/08– Q4/07	Change % Q4/08– Q3/08	Change % 2008–2007
Paper and board deliveries (1 000 tonnes)	12 477	11 836	3 148	2 971	2 851	-9.4	-4.0	-5.1
Paper and board production (1000 tonnes)	12 458	11 746	3 056	3 015	2 698	-11.7	-10.5	-5.7
Wood products deliveries (1 000 m³)	6 348	5 893	1 421	1 441	1 422	0.1	-1.3	-7.2
Corrugated packaging deliveries (million m²)	1 091	1 071	277	271	254	-8.3	-6.3	-1.8

Mill closures and restructurings reduced comparative deliveries as follows for the period Q4/08 compared with Q4/07: Summa Mill closure in January 2008 by some 71 000 tonnes of newsprint and 21 000 tonnes of magazine paper; Reisholz Mill closure in the fourth quarter of 2007 by some 29 000 tonnes of magazine paper; Anjala Mill restructuring in the first quarter of 2008 by some 29 000 tonnes of magazine paper; Berghuizer Mill's two paper machines shut down in April and October 2007 by some 20 000 tonnes of fine paper.

Mill closures and restructurings reduced comparative deliveries as follows for 2008 compared with 2007: Summa Mill closure in January 2008 by some 276 000 tonnes of newsprint and 54 000 tonnes of magazine paper; Reisholz Mill closure in the fourth quarter of 2007 by some 162 000 tonnes of magazine paper; Anjala Mill restructuring in the first quarter of 2008 by some 103 000 tonnes of magazine paper; Berghuizer Mill's two paper machines shut down in April and October 2007 by some 142 000 tonnes of fine paper.

## Q4/2008 Results from Continuing Operations (compared with Q4/2007)

Sales at EUR 2 602.5 million were EUR 378.2 million less than in the fourth quarter of 2007. Mill closures reduced sales by EUR 134 million. Unfavourable exchange rate trends for Newsprint and Magazine Paper, lower prices in Wood Products

and Industrial Packaging, and lower volumes in Fine Paper, Consumer Board and Industrial Packaging were only partly compensated by higher sales prices for many paper and board products.

## Key figures

EUR million	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008	Change % Q4/08– Q4/07	Change % Q4/08– Q3/08	Change % 2008–2007
<b>Continuing Operations</b>										
Sales	2 980.7	11 848.5	2 831.8	2 871.8	2 722.7	2 602.5	11 028.8	-12.7	-4.4	-6.9
EBITDA excl. NRI and fair valuations	306.8	1 569.9	299.2	262.6	302.1	163.3	1 027.2	-46.8	-45.9	-34.6
Operating profit / Loss excl. NRI	327.9	1 126.8	125.0	72.6	140.7	-19.5	318.8	-105.9	-113.9	-71.7
<b>Operating Profit excl. NRI and Fair Valuations</b>	<b>144.1</b>	<b>861.1</b>	<b>140.1</b>	<b>94.4</b>	<b>125.5</b>	<b>28.4</b>	<b>388.4</b>	<b>-80.3</b>	<b>-77.4</b>	<b>-54.9</b>
NRI (operational)	-388.5	-949.9	-	-1.3	-279.4	-764.7	-1 045.4	-96.8	-173.7	-10.1
Operating margin excl. NRI, %	11.0	9.5	4.4	2.5	5.2	-0.7	2.9	-106.4	-113.5	-69.5
Operating profit / loss (IFRS)	-60.6	176.9	125.0	71.3	-138.7	-784.2	-726.6	n/m	n/m	n/m
Net financial items	-43.7	-156.7	-41.9	-40.9	-23.0	-61.4	-167.2	-40.5	-167.0	-6.7
Profit / loss before tax and minority interests excl. NRI	284.2	970.1	83.1	31.7	117.8	-81.0	151.6	-128.5	-168.8	-84.4
Profit / loss before tax and minority interests	-104.3	20.2	83.1	30.4	-161.7	-845.6	-893.8	n/m	n/m	n/m
Net profit / loss for the period excl. NRI	220.2	747.3	66.1	27.5	116.4	-67.2	142.8	-130.5	-157.7	-80.9
Net profit / loss for the period	-59.6	12.8	66.1	28.6	-119.1	-654.6	-679.0	n/m	n/m	n/m
ROCE from continuing operations excl. NRI, %	12.8	11.3	4.9	2.8	5.4	-0.8	3.4	-106.3	-114.8	-69.9
ROCE from continuing operations excl. NRI, and fair valuations, %	5.6	8.6	5.5	3.6	4.8	1.2	4.1	-78.6	-75.0	-52.3
ROCE, %	-2.4	1.8	4.9	2.7	-5.3	-33.1	-7.7	n/m	n/m	n/m

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

Fair valuations include synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies' forest assets.

**Reconciliation of Operating Profit,  
Continuing Operations**

EUR million	Q4/07	2007	Q3/08	Q4/08	2008	Change % Q4/08– Q4/07	Change % Q4/08– Q3/08	Change % 2008–2007
Profit from operations, excl. NRI	131.3	786.8	129.4	6.4	346.3	-95.1	-95.1	-56.0
Associated companies, operational, excl. fair valuations	12.8	74.3	-3.9	22.0	42.1	71.9	n/m	-43.3
<b>Operating Profit excl. NRI and Fair Valuations</b>	<b>144.1</b>	<b>861.1</b>	<b>125.5</b>	<b>28.4</b>	<b>388.4</b>	<b>-80.3</b>	<b>-77.4</b>	<b>-54.9</b>
Fair valuations	183.8	265.7	15.2	-47.9	-69.6	-126.1	n/m	-126.2
<b>Operating Profit / Loss, excl. NRI</b>	<b>327.9</b>	<b>1 126.8</b>	<b>140.7</b>	<b>-19.5</b>	<b>318.8</b>	<b>-105.9</b>	<b>-113.9</b>	<b>-71.7</b>
NRI	-388.5	-949.9	-279.4	-764.7	-1 045.4	-96.8	-173.7	-10.1
<b>Operating Profit / Loss (IFRS)</b>	<b>-60.6</b>	<b>176.9</b>	<b>-138.7</b>	<b>-784.2</b>	<b>-726.6</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>

Fair valuations include synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies' forest assets.

**Q4/2008 Results from Continuing Operations  
(compared with Q4/2007) (continued)**

Operating profit excluding non-recurring items and fair valuations decreased by EUR 115.7 million to EUR 28.4 million, which is 1.1% of sales. Fine Paper accounted for EUR 45.4 million of the decrease, and operating profit also decreased in Consumer Board, Industrial Packaging, Wood Products and Other operations. Operating profit increased in Newsprint and Magazine Paper. There was an operating loss of EUR 9.7 million (operating profit EUR 35.7 million) in Fine Paper and EUR 18.9 (EUR 0.5) million in Wood Products. In the segment Other there was an operating loss of EUR 48.2 (EUR 25.9) million mainly due to wood inventory write-downs in Finland.

Higher sales prices in local currencies increased the operating profit of paper and board mills by EUR 82 million, excluding the effects of mill closures, whereas unfavourable exchange rate trends decreased operating profit net of currency hedges by approximately EUR 34 million. Lower sales prices had a negative impact of EUR 32 million on the Wood Products operating profit figure, resulting in an operating loss. Industrial Packaging also suffered from lower sales prices. Lower sales volumes in Fine Paper, Consumer Board and Industrial Packaging reduced operating profit by EUR 42 million.

Energy costs were higher in the fourth quarter of 2008 since changes in oil prices, which peaked during the first half of the year, are reflected in gas prices only after a delay averaging approximately six months. This has affected the Group's total energy cost. Higher energy prices reduced operating profit by EUR 63 million. Higher wood costs reduced the Group's overall operating profit by approximately EUR 5 million as the decrease in sawlog costs (EUR 18 million) was more than offset by the increase in pulpwood costs (EUR 23 million).

Fixed costs decreased by EUR 60 million, mainly due to cost improvement actions, including restructuring.

Deliveries of wood to the Group's mills totalled 8.3 million cubic metres, down 17% on the fourth quarter of 2007 due to mill closures and production curtailments, especially in Finland. Wood raw material prices were lower in all the main markets.

The share of associated company operational results, excluding non-recurring items and fair valuations amounted to EUR 22.0

(EUR 12.8) million. Since the beginning of 2008, associated companies have been reported separately in operating profit; in the previous year they were included in the respective Business Area's operating profit. The comparative operating profits of Business Areas for 2007 have been reclassified accordingly.

Operating profit includes a net effect of EUR -47.9 (EUR 183.8) million from the accounting of share-based compensation, Total Return Swaps (TRS), CO<sub>2</sub> emission rights and IAS 41 forest valuations mainly related to associated companies.

Goodwill and fixed asset impairment testing undertaken in the fourth quarter of 2008 had a negative impact of about EUR 668 million on the fourth quarter operating profit including impairment of EUR 44 million in the investment in associated company Sunila Oy. Provisions recorded in the fourth quarter of 2008 mainly related to already announced restructurings totalled approximately EUR 97 million, of which about half will have a cash impact in 2009. The impairment charge is mainly due to the weaker outlook for many of the Group's products. These items are reported as non-recurring.

Net financial items were EUR -61.4 (EUR -43.7) million. Net interest expenses increased from EUR -39.2 million to EUR -42.9 million as the average interest rates were higher than in the previous year and interest-bearing assets decreased. The interest rate decreases at the end of 2008 will have a positive impact in 2009. Net foreign exchange losses on borrowings, currency derivatives and bank accounts increased from EUR -5.4 million to EUR -16.4 million, mainly due to euro-denominated loans in Sweden and Russia. The net loss from other financial items amounted to EUR -2.1 (EUR 0.9) million, comprising income of EUR 6.4 million from payment-in-kind notes, fair valuation gains of EUR 4.3 million on interest rate swaps, fair value losses of EUR -9.6 million on long-term debt and other expenses of EUR -3.2 million.

Group capital employed was EUR 8 774.5 million on 31 December 2008, a net decrease of EUR 1 845.7 million due to the divestment of Merchant operations, restructuring of the Group, and fixed asset and goodwill impairments, fair valuations of unlisted shares in Pohjolan Voima and NewPage, and decreased working capital.

## January–December 2008 Results

### (compared with previous year)

Sales at EUR 11 028.8 million were EUR 819.7 million less than in 2007. Mill closures reduced sales by EUR 504 million. Sales were also reduced by unfavourable exchange rate trends, and in Wood Products by significantly lower prices and deliveries.

Operating profit excluding non-recurring items and fair valuations decreased by EUR 472.7 million to EUR 388.4 million, which is 3.5% of sales. Wood Products accounted for EUR 218.2 million of the decrease, and operating profit was also lower in all other segments except Magazine Paper. Wood Products made an operating loss of EUR 67.5 million (operating profit EUR 150.7 million).

Changes in deliveries, excluding the effects of mill closures, decreased Group operating profit by EUR 33 million, as a large decrease in Wood Products deliveries and decreases in Consumer Board and Industrial Packaging deliveries were not fully offset by increases in other Business Areas. Sales prices in local currencies increased Group operating profit, excluding the effects of mill closures, by EUR 57 million as increases in Magazine Paper, Fine Paper and Consumer Board more than offset slightly lower Newsprint prices and much lower Wood Products prices. Unfavourable exchange rate trends decreased operating profit net of currency hedges by approximately EUR 181 million.

Higher wood costs reduced the Group's overall operating profit by approximately EUR 124 million as the decrease in sawlog costs (EUR 38 million) was more than offset by the increase in pulpwood costs (EUR 162 million).

Considerably higher fuel and electricity prices reduced operating profit by approximately EUR 133 million.

Deliveries of wood to the Group's mills totalled 37 million cubic metres in 2008, down 12% on 2007 due to mill closures and curtailments, especially in Finland.

Fixed costs decreased by approximately EUR 134 million mainly due to cost improvement actions, including restructuring.

Net financial items were EUR -167.2 (EUR -156.7) million. Net interest expenses increased by EUR 15.2 million to EUR -165.2 million and foreign exchange losses increased from EUR -3.3 million to EUR -15.3 million. The net gain from other financial items amounted to EUR 13.3 (EUR -3.4) million, due to income of EUR 19.7 million from payment-in-kind notes, fair valuation gains of EUR 1.1 million on interest rate swaps, fair value losses of EUR -7.9 million on long-term debt and other gains of EUR 0.4 million.

## Discontinued Operations

On 30 April 2008 Stora Enso finalised the divestment of its merchant business Papyrus to Altor Fund II as announced on 6 March 2008. The merchants business is classified as a discontinued operation according to IFRS, so its net profit for the four months ended 30 April is reported in a single line after net profit from continuing operations. The profit on discontinued operations includes a loss on disposal partly offset by cumulative exchange rate differences.

The operating profit from discontinued operations, excluding the loss on disposal, was EUR 15.4 million. The loss on disposal before tax was EUR 3.6 million, net of cumulative exchange rate differences.

## Q4/2008 Results

### (compared with Q3/2008)

Sales at EUR 2 602.5 million were EUR 120.2 million less than the previous quarter's EUR 2 722.7 million. Mill closures decreased sales by EUR 16 million. Sales decreased due to lower deliveries and unfavourable exchange rate trends, although prices in local currencies increased somewhat.

Operating profit excluding non-recurring items and fair valuations decreased by EUR 97.1 million to EUR 28.4 million due to lower sales volumes, the unfavourable impact of exchange rate trends on sales prices and higher energy costs.

Group capital employed was EUR 8 774.5 million on 31 December 2008, a net decrease of EUR 1 401.5 million due to fixed asset and goodwill impairments, fair valuations of unlisted shares in Pohjolan Voima and NewPage, and decreased working capital.

## Capital Structure

EUR million	31 Dec 07	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08
Fixed assets	8 493.2	8 366.8	8 572.8	8 044.8	6 853.7
Associated companies	1 154.5	1 142.5	1 213.7	1 177.1	1 042.5
Operative working capital	2 084.4	2 361.3	1 921.3	1 882.5	1 674.7
Non-current interest-free items, net	- 493.3	- 524.0	- 414.0	- 432.3	- 513.6
<b>Operating Capital Total</b>	<b>11 238.8</b>	<b>11 346.6</b>	<b>11 293.8</b>	<b>10 672.1</b>	<b>9 057.3</b>
Net tax liabilities	-618.6	-584.5	-537.7	-496.1	-282.8
<b>Capital Employed</b>	<b>10 620.2</b>	<b>10 762.1</b>	<b>10 756.1</b>	<b>10 176.0</b>	<b>8 774.5</b>
Equity attributable to Company shareholders	7 593.6	7 134.1	7 782.5	7 112.5	5 594.0
Minority interests	71.9	69.2	74.8	74.0	56.5
Net interest-bearing liabilities	2 954.7	3 558.8	2 898.8	2 989.5	3 124.0
<b>Financing Total</b>	<b>10 620.2</b>	<b>10 762.1</b>	<b>10 756.1</b>	<b>10 176.0</b>	<b>8 774.5</b>

## Financing Q4/2008

### (compared with Q3/2008)

Cash flow from continuing operations was EUR 236.7 (EUR 193.2) million and cash flow after investing activities EUR 13.2 (EUR 40.4) million. The poor profitability was partly compensated by efficient working capital reduction.

At the end of the period, net interest-bearing liabilities of the Group were EUR 3 124.0 million, an increase of EUR 134.5 million mainly due to the increase in short-term commodity and cash flow derivatives. Total unutilised committed credit facilities and cash and cash-equivalent net reserves remained unchanged at EUR 1.8 billion. In addition, Stora Enso has access to various long-term sources of funding up to EUR 0.7 billion.

The debt/equity ratio at 31 December 2008 was 0.56 (0.42). The currency effect on equity was negative EUR 267 million net of the hedging of equity translation risks. The fair valuation of unlisted equity and debt instruments, mainly related

to Pohjolan Voima and NewPage Corporation, included within available-for-sale assets decreased equity by EUR 402.2 million. The decrease in the fair value of Pohjolan Voima was due to the decrease in electricity prices since the third quarter of 2008 and the decrease in the value of Newpage Corporation was due to the worsening market conditions in the USA.

## Financing Q4/2008

### (compared with Q4/2007)

At the end of the fourth quarter of 2008 Stora Enso had current borrowings of EUR 1 068 million compared with EUR 1 087 million at the end of 2007. Cash and cash equivalents at the end of 2008 amounted to EUR 416 million, compared with EUR 971 million at the end of 2007, which included some of the proceeds from the sale of the North American operations that was subsequently used in reducing long-term debt from EUR 3 868 million to EUR 3 445 million.

## Cash Flow

EUR million	2007	2008	Q4/07	Q3/08	Q4/08	Change % Q4/08– Q4/07	Change % Q4/08– Q3/08	Change % 2008–2007
<b>Continuing Operations</b>								
Operating profit / loss	176.9	-726.6	-60.6	-138.7	-784.2	n/m	n/m	n/m
Depreciation and other non-cash items	1 219.8	1 443.2	150.0	231.8	824.8	n/m	n/m	18.3
Change in working capital	-228.4	31.8	191.2	100.1	196.1	2.6	95.9	113.9
<b>Cash Flow from Operations</b>	<b>1 168.3</b>	<b>748.4</b>	<b>280.6</b>	<b>193.2</b>	<b>236.7</b>	<b>-15.6</b>	<b>22.5</b>	<b>-35.9</b>
Capital expenditure	-768.3	-704.7	-300.9	-152.8	-223.5	25.7	-46.3	8.3
<b>Cash Flow after Investing Activities</b>	<b>400.0</b>	<b>43.7</b>	<b>-20.3</b>	<b>40.4</b>	<b>13.2</b>	<b>165.0</b>	<b>-67.3</b>	<b>-89.1</b>
<b>Discontinued Operations</b>								
Cash flow from discontinued operations after investing activities	136.8	51.5	90.1	-	-	-100.0	n/a	-62.4
<b>Total Cash Flow after Investing Activities</b>	<b>536.8</b>	<b>95.2</b>	<b>69.8</b>	<b>40.4</b>	<b>13.2</b>	<b>-81.1</b>	<b>-67.3</b>	<b>-82.3</b>



## Capital Expenditure for 2008

Capital expenditure during 2008 totalled EUR 704.7 million including land acquisitions, which is in line with the decreased level of depreciation for the year.

The main projects during 2008 included development of existing production (EUR 130 million), power plants and new energy-related projects at existing mills (EUR 120 million), plantations in South America and China (EUR 100 million), corrugated packaging expansion in Russia and Eastern Europe (EUR 40 million), investments related to restructuring (EUR 35 million), and fine paper sheeting plants (EUR 25 million).

## Goodwill and Fixed Asset Impairment Testing

Goodwill impairment testing, which had previously been undertaken in the third quarter each year, was undertaken in the fourth quarter in order to align the testing procedures with the strategy and planning process. Fixed assets were also tested for impairment due to the current and foreseeable difficult market conditions.

Goodwill impairment amounted to EUR 228 million, all of it related to the Fine Paper Business Area. Fixed asset impairment amounted to EUR 440 million, comprising EUR 178 million related to Fine Paper, EUR 104 million to Consumer Board, EUR 45 million to Industrial Packaging, EUR 76 million to Wood Products and EUR 37 million to Other.

## Short-term Risks and Uncertainties

The main short-term risks and uncertainties are related to possible further slowing down of the global economy and the effect that would have on demand for the Group's products.

Changes in exchange rates have an impact on operating profit. The effect on annual operating profit, based on expected net operation cash flows, of a +/- 10% change in the value of the euro against the US dollar, Swedish krona and British pound would be EUR 66 million, EUR 100 million and EUR 49 million respectively. This calculation does not take into account currency hedges, and assumes that no changes occurs other than a single currency exchange rate movement.

Energy sensitivity analysis for 2009: the direct effects on 2009 operating profit of a 10% change in electricity market price and a 10% change in oil market price would be about EUR 5 million and about EUR 15 million respectively, after the effect of hedges. Increased oil hedges have reduced the Group's sensitivity to energy prices for 2009.

## Near-term Outlook

In Europe market demand is forecast to remain weak and clearly less than a year ago for all the Group's products, at least throughout the first half of 2009, due to the current economic downturn. Advertising expenditure started to decline steeply in the fourth quarter of 2008 and is expected to remain weak, considerably reducing demand for paper.

Seasonal factors and destocking by customers following announced price increases are likely to reduce demand for newsprint in the first quarter of 2009. However, temporary and permanent reductions in production capacity have improved

the supply and demand balance, especially in magazine paper and coated fine paper markets. A slight seasonal pickup in demand for some packaging products is anticipated towards the end of the first quarter. Very weak markets for wood products are foreseen as construction activity has rapidly slowed in all key markets.

In Europe some prices in local currencies are being raised in the first quarter above levels in the fourth quarter of 2008, particularly in newsprint, magazine paper, coated fine paper and consumer board; however, uncoated fine paper prices are likely to remain under pressure. Prices for wood products and most industrial packaging products are expected to be under continued pressure. Lower prices are predicted for newsprint in export markets outside Europe.

In China soft demand for uncoated magazine paper and fine paper is expected due to slowing economic growth and customer de-stocking. Persistent weakness in the coated magazine paper market is affecting the uncoated magazine paper market. Lower prices for magazine paper are anticipated, with fine paper prices remaining under pressure. The outlook for consumer board market is uncertain following last year's milk scandal in China.

In Latin America seasonal factors and high customer inventories are expected to restrain market demand for coated magazine paper, keeping prices flat.

## Fourth Quarter Events

### October

On 28 October 2008 Stora Enso announced that it had maintained its position as the best paper and forest products company in the Nordic region regarding carbon emission disclosure. Stora Enso improved its performance in the Climate Disclosure Leadership Index (CDLI) and is now ranked the third best corporation among Nordic carbon-intensive companies.

On 30 October 2008 Stora Enso announced that it was planning additional production curtailments in its Wood Products Business Area through temporary mill closures, shift reductions, efficiency measures and extended maintenance stoppages in Finland, Estonia and the Czech Republic. Stora Enso also announced plans, which have since been implemented, to restructure its joinery component business in Estonia by permanently closing down the Viljandi component mill and transferring the business to Imavere sawmill.

### November

On 3 November 2008 Stora Enso announced that it will be investing EUR 137 million in building a new power plant at the Ostroleka Mill site in Poland. The power plant project started immediately and is scheduled to be completed in the third quarter of 2010.

On 4 November 2008 Stora Enso announced that the Supervisory Board of Stora Enso's German holding company had decided to close down Baienfurt Mill and Kabel Mill's coated magazine paper machine (PM) 3 with annual capacity 140 000 tonnes by the end of 2008. The reasons for the closures were persistent profitability problems caused by European overcapacity, the strength of the euro and cost increases, especially for wood and energy.



On 5 November 2008 Stora Enso announced that it had signed an agreement to outsource most of its financial transaction processing to Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services. This is a step in the restructuring of the Group's finance function that was announced on 25 October 2007 together with Stora Enso's other restructuring plans in response to increasing costs and to safeguard long-term profitability.

On 26 November 2008 Stora Enso announced that co-determination negotiations at its Imatra, Varkaus and Veitsiluoto mills in Finland had been concluded. As a result, board machine (BM) 1 at Imatra with annual capacity 170 000 tonnes will be permanently shut down by the end of 2009, and Corenso's coreboard machine at Varkaus with annual capacity 100 000 tonnes has already been permanently shut down due to persistent profitability problems. As announced, the plan also includes the restructuring of sheeting lines at Imatra and polymer (PE) coating machines at Imatra and Karhula. Related investments will be considered when the final investment plans are ready.

#### *Veracel*

On 11 July 2008 Stora Enso announced that a federal judge in Brazil had claimed in a judgement that the permits issued by the State of Bahia to Stora Enso's associated company Veracel were not valid and no environmental impact assessment study had been undertaken for the licensing. The judge decreed that 47 000 hectares of Veracel's current plantations should be cut down and reforested within one year with native trees and fined Veracel a possible BRL 20 million (EUR 8 million). Veracel (at that time Veracruz Florestal Ltda.) was accused of having deforested a minor area (64 hectares) of native forest in 1993. Veracel vigorously disputes the findings of the court and is in the process of appealing against the judgement. Veracel operates in full compliance with all Brazilian laws. An extensive environmental impact assessment study was undertaken in 1994–1995 as part of the legal permit requirements, and Veracel has obtained all the necessary environmental and operating licences for its industrial and forestry activities from the Brazilian environmental authorities. In November 2008, the Federal Court of the municipality of Eunápolis, Bahia, suspended the effects of the decision as an interim measure. Veracel has not recorded any provision for the reforestation or the possible fine.

#### **Focused Administration**

On 10 September 2008 Stora Enso announced that it planned to reduce its administration to suit its more focussed business needs. A total of about 2 300 administrative positions within Stora Enso were assessed, and so far the potential to reduce or outsource the number of positions by about 40% has been identified. These reductions are being implemented where plans are complete. The assessment is continuing. These efforts are an important part of the ongoing process of improving the Group's profitability.

#### **Changes in Group Composition**

On 6 March 2008 Stora Enso signed an agreement to sell its merchant business Papyrus to Altor Fund II. The transaction was finalised on 30 April. Stora Enso divested Papyrus as part of its strategy of focusing the business portfolio of the Group. The divestment includes a long-term supply agreement with Papyrus, which will maintain Stora Enso's strong business relationship with

Papyrus, while at the same time giving the Group independence in dealings with all of its important distribution channels.

#### **Changes in Group Management and Organisational Structure**

On 25 August 2008 Stora Enso announced that it had appointed Hannu Kasurinen as the new head of Stora Enso's Wood Products Business Area and a member of the Group Executive Team (GET). He reports directly to CEO Jouko Karvinen and is based in Helsinki.

On 1 September Stora Enso announced the following changes in the Group Executive Team, which took effect on 1 October 2008.

- Hannu Ryöppönen, Deputy CEO and CFO, handed over his CFO responsibilities to Markus Rauramo, formerly Senior Vice President and Group Treasurer. Hannu Ryöppönen remains a GET member with responsibility for Group Strategy, Corporate Finance (including M&A), Purchasing and IT, until he retires from Stora Enso in spring 2009. Markus Rauramo joined the Group Executive Team.
- Christer Ågren, who was responsible for Human Resources and IT, and Country Manager for Sweden, decided to join a company outside Stora Enso. Elisabet Salander Björklund took over the responsibility for Human Resources in addition to her current responsibilities for Wood Supply, Pulp Supply and Sustainability. The IT function reports to Hannu Ryöppönen.
- Mats Nordlander, Business Area (BA) head of Consumer Board, became responsible for China and the rest of Asia, Veli-Jussi Potka, BA head of Industrial Packaging, for Russia and Elisabet Salander Björklund for Latin America.
- Juha Vanhainen, BA head of Newsprint and Book Paper, took over the role of Country Manager Finland from Aulis Ansaharju, who remains BA head of Fine Paper. Elisabet Salander Björklund took over the role of Country Manager Sweden.

#### **Inspections by Competition Authorities**

In 2007, following US Federal District Court trial, Stora Enso was found not guilty of charges by the US Department of Justice relating to the sale of coated magazine paper in the USA in 2002 and 2003. Coincident with this case, Stora Enso has been named in a number of class action lawsuits filed in the USA which still are pending.

As a result of an investigation, the Finnish Competition Authority has proposed to the Finnish Market Court that a fine of EUR 30 million should be imposed on Stora Enso for violating competition laws in the purchasing of wood in Finland in the period from 1997 to 2004. The court hearings are expected to begin during 2009. Stora Enso considers the proposal groundless.

No provision has been made in Stora Enso's accounts for the above-mentioned investigation and lawsuits.

#### **Personnel**

On 31 December 2008 there were 31 667 employees in continuing operations, 3 239 less than at the end of 2007. The decrease was due to mill closures and Finnish maintenance restructuring. The average number of employees decreased by 2 322 persons during the year to 33 815.

#### **Share Capital**

During the quarter 50 A shares were converted into R shares. The conversion was recorded in the Finnish Trade Register on 14 November 2008.

On 31 December 2008 Stora Enso had 177 152 481 A shares and 612 386 018 R shares in issue of which the Company held no A shares and 918 512 R shares with a nominal value of EUR 1.6 million. The holding represents 0.12% of the Company's share capital and 0.04% of the voting rights.

#### *Changes in shareholdings*

In July the shares in Stora Enso held by Tradewinds Global Investors, LLC rose above 5% of the paid-up share capital.

In December the Group was informed that the Finnish State had transferred all its shares in the Company to Solidium Oy, which is wholly owned by the State. As a result, the shares and votes in the Company held by the Finnish State decreased to 0% and the shares in the Company held by Solidium Oy rose to 12.3% of the paid-up share capital and votes to 25.1% of the total number of votes in Stora Enso Oyj.

#### **Events after the Period**

On 12 January 2009 Stora Enso announced that it had been informed on that day that the shares in the Company held by AXA S.A. and its subsidiaries (AXA Group) had decreased below 10% of the paid-up share capital on 5 January 2009.

On 16 January 2009 Stora Enso announced that it had appointed Lauri Peltola as the new Head of Corporate Communications to succeed Kari Vainio, who retired at the end of 2008. Lauri Peltola will join Stora Enso during the second quarter of 2009. He will be based in Helsinki and report to CEO Jouko Karvinen.

On 19 January 2009 Stora Enso announced that significant paper and board production curtailments as well as curtailments in pulp and sawmill operations would continue during the first half of 2009, in addition to the curtailments in Wood Products announced on 30 October 2008, owing to the weakened demand for the Group's products.

On 19 January 2009 Stora Enso also announced that it was starting co-determination negotiations concerning temporary lay-offs in Finland. The total number of employees affected by the co-determination negotiations could exceed 5 000.

On 29 January 2009 Stora Enso announced that it has been included in the Global 100, a list of the 100 most sustainable companies in the world publicised at the World Economic Forum in Davos, Switzerland. Stora Enso is considered among the best in class in the forest products industry in managing environmental, social and governance risks and opportunities.

On 5 February 2009 Stora Enso announced that it modifies remuneration of its Board of Directors, management and staff.

On 5 February 2009 Stora Enso announced that Stora Enso Oyj (parent company), due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006, has reclassified EUR 1 512 million from its retained earnings to its share premium fund.

#### *Sunila Pulp Mill*

Co-determination negotiations are currently in progress at Sunila Pulp Mill in Finland concerning planned longer production curtailments.

#### **Annual General Meeting**

The Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Wednesday 1 April 2009 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

The proposals of the Board of Directors and its committees relating to the agenda of the AGM as well as this notice are available on Stora Enso Oyj's website at [www.storaenso.com/investors](http://www.storaenso.com/investors). The Annual Report of Stora Enso Oyj, including the Company's annual accounts, the report of the Board of Directors and the auditor's report, will be available on Stora Enso Oyj's website no later than 26 February 2009. The proposals of the Board of Directors and the annual accounts will also be available at the AGM. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the AGM will be available on Stora Enso Oyj's website from 15 April 2009.

#### **Distribution of Dividend**

No assets are available for distribution on the balance sheet of the parent company. The parent company loss for the year 2008, EUR 1 204.2 million shall be recorded in retained earnings. The Board of Directors has decided to propose to the AGM that EUR 0.20 per share be distributed to the shareholders from the share premium fund of the parent company. If the proposal is approved, the distributed amount will be paid after the Finnish National Board of Patents and Registration has given its consent to the reduction of the share premium fund, which is expected to take place in July 2009 at the earliest. The details of the record and payment dates of the distribution shall be decided in the AGM.

This report is unaudited.

Helsinki, 5 February 2009  
Stora Enso Oyj  
Board of Directors

## Segments Q4/08 compared with Q4/07

### Newsprint and Book Paper

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change %
						Q4/08– Q4/07	Q4/08– Q3/08	2008–2007
Sales	1 734.9	436.3	405.2	414.0	1 594.7	-5.1	2.2	-8.1
EBITDA*	345.0	81.0	60.7	83.6	255.2	3.2	37.7	-26.0
Operating profit*	211.9	48.4	33.5	53.0	140.8	9.5	58.2	-33.6
% of sales	12.2	11.1	8.3	12.8	8.8	15.3	54.2	-27.9
ROOC, %**	15.7	15.2	11.6	18.6	12.1	22.4	60.3	-22.9
Deliveries, 1 000 t	3 061	804	712	745	2 870	-7.3	4.6	-6.2
Production, 1 000 t	3 061	736	707	699	2 808	-5.0	-1.1	-8.3

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

Newsprint and book paper sales were EUR 414.0 million, down 5% on the fourth quarter of 2007 due to the closure of Summa Mill and adverse exchange rate trends. Operating profit was EUR 53.0 million, up EUR 4.6 million on the fourth quarter of 2007 due to lower recycled fibre and fixed costs. Energy costs were high and significantly higher than in the fourth quarter of 2007.

#### Compared with Q3/2008

In Europe demand was substantially stronger, mainly due to customer stock building in December. European suppliers' overseas exports declined, especially to Asia. Demand continued to weaken in North America. Prices in Europe remained flat and producer inventories decreased. Overseas prices stayed high.

### Markets

#### Compared with Q4/2007

In Europe newsprint demand was weaker and market prices lower than a year ago. Imports from North America fell back significantly after rising in 2007. Deliveries by Western European suppliers were marginally lower as overseas exports decreased. Producer inventories were generally much lower than a year ago.

### Magazine Paper

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change %
						Q4/08– Q4/07	Q4/08– Q3/08	2008–2007
Sales	2 296.3	589.5	544.9	544.3	2 177.0	-7.7	-0.1	-5.2
EBITDA*	222.1	45.7	61.4	53.2	223.5	16.4	-13.4	0.6
Operating profit*	50.9	15.6	27.4	19.7	88.8	26.3	-28.1	74.5
% of sales	2.2	2.6	5.0	3.6	4.1	38.5	-28.0	86.4
ROOC, %**	2.9	3.8	7.2	5.4	6.0	42.1	-25.0	106.9
Deliveries, 1 000 t	2 993	785	688	709	2 786	-9.7	3.1	-6.9
Production, 1 000 t	2 951	730	706	644	2 774	-11.8	-8.8	-6.0

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

Magazine paper sales were EUR 544.3 million, 8% down on the fourth quarter of 2007 mainly due to capacity closures. Operating profit was EUR 19.7 million, up EUR 4.1 million on the previous year as sales price increases at the start and middle of the year, and the benefits of restructuring and productivity improvements more than offset significantly lower production volumes, unfavourable currency movements and large rises in energy prices.

Norrundet Pulp Mill and PM 3 at Kabel Mill in Germany with annual capacity 140 000 tonnes of coated magazine paper were permanently shut down in the fourth quarter. Production is expected to be curtailed somewhat at Skutskär Pulp Mill in Sweden in the first quarter of 2009 due to weakness in the pulp market.

## Markets

### Compared with Q4/2007

In Europe demand was stronger for uncoated magazine paper but considerably weaker for coated magazine paper. Producer inventories were lower but prices higher in both grades.

In Latin America demand and prices improved significantly.

### Compared with Q3/2008

In Europe deliveries of uncoated and coated grades increased seasonally, but less than usual, especially in coated grades. Producer inventories decreased significantly in uncoated grades and dropped sharply in coated grades. Prices were stable.

In Latin America deliveries increased but price were almost unchanged.

In China demand weakened and prices came under pressure.

## Fine Paper

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change %
						Q4/08– Q4/07	Q4/08– Q3/08	2008–2007
Sales	2 156.2	526.7	543.9	484.8	2 111.7	-8.0	-10.9	-2.1
EBITDA*	301.6	67.5	69.3	19.5	219.8	-71.1	-71.9	-27.1
Operating profit / loss*	163.7	35.7	33.1	-9.7	80.4	-127.2	-129.3	-50.9
% of sales	7.6	6.8	6.1	-2.0	3.8	-129.4	-132.8	-50.0
ROOC, %**	9.7	8.5	7.5	-2.5	5.3	-129.4	-133.3	-45.4
Deliveries, 1 000 t	2 826	681	694	622	2 730	-8.7	-10.4	-3.4
Production, 1 000 t	2 856	693	706	611	2 707	-11.8	-13.5	-5.2

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

Fine paper sales were EUR 484.8 million, down 8% on the fourth quarter of 2007 mainly due to lower sales volumes following market-related production curtailments. There was an operating loss of EUR 9.7 million, a deterioration of EUR 45.4 million compared with a year earlier due to lower sales volumes and higher pulp and energy costs.

## Markets

### Compared with Q4/2007

In Europe demand for coated and uncoated fine paper was weaker than a year ago due to the economic downturn. Coated fine paper prices were higher but uncoated fine paper prices were lower than a year ago. Producer inventories were lower.

In China coated fine paper demand was weaker and prices were substantially lower than a year ago.

### Compared with Q3/2008

In Europe demand for coated and uncoated fine paper weakened marginally. Coated fine paper prices increased but uncoated fine paper prices decreased slightly. Producer inventories were unchanged in coated fine paper but lower in uncoated fine paper.

In China coated fine paper demand weakened and prices decreased substantially.

## Consumer Board

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change % 2008–2007
						Q4/08– Q4/07	Q4/08– Q3/08	
Sales	2 300.9	579.1	563.9	506.3	2 231.9	-12.6	-10.2	-3.0
EBITDA*	336.4	69.2	71.8	31.6	242.0	-54.3	-56.0	-28.1
Operating profit*	158.0	29.6	37.5	4.3	107.3	-85.5	-88.5	-32.1
% of sales	6.9	5.1	6.7	0.8	4.8	-84.3	-88.1	-30.4
ROOC, %**	8.4	6.9	9.6	1.3	7.2	-81.2	-86.5	-14.3
Deliveries, 1 000 t	2 532	622	617	546	2 442	-12.2	-11.5	-3.6
Production, 1 000 t	2 532	637	625	526	2 437	-17.4	-15.8	-3.8

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

Consumer board sales were EUR 506.3 million, down 13% on the fourth quarter of 2007 due to lower deliveries. Operating profit was EUR 4.3 million, down EUR 25.3 million on a year ago due to the lower deliveries resulting from closure of Baienfurt Mill in Germany, the planned maintenance and rebuilding stoppages, and additional production curtailments to reduce inventories as demand weakened and customers reduced their stocks.

The weakening pulp market impacted negatively in the fourth quarter of 2008. Co-determination negotiations are currently in progress at Enocell Pulp Mill in Finland concerning planned longer production curtailments.

### Markets

*Compared with Q4/2007*

Deliveries of board were significantly lower but prices in euros higher than a year ago.

*Compared with Q3/2008*

Deliveries of board decreased significantly but prices in euros increased.

## Industrial Packaging

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change % 2008–2007
						Q4/08– Q4/07	Q4/08– Q3/08	
Sales	1 083.5	275.4	273.1	242.5	1 076.5	-11.9	-11.2	-0.6
EBITDA*	168.8	42.7	35.4	20.2	132.7	-52.7	-42.9	-21.4
Operating profit*	111.9	28.4	20.0	6.2	73.9	-78.2	-69.0	-34.0
% of sales	10.3	10.3	7.3	2.6	6.9	-74.8	-64.4	-33.0
ROOC, %**	16.9	16.7	10.8	3.6	11.2	-78.4	-66.7	-33.7
Paper and board deliveries, 1 000 t	1 065	256	260	229	1 008	-10.5	-11.9	-5.4
Paper and board production, 1 000 t	1 058	260	271	218	1 020	-16.2	-19.6	-3.6
Corrugated packaging deliveries, million m <sup>2</sup>	1 091	277	271	254	1 071	-8.3	-6.3	-1.8
Corrugated packaging production, million m <sup>2</sup>	1 090	276	270	252	1 066	-8.7	-6.7	-2.2

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

Industrial packaging sales were EUR 242.5 million, down 12% on the fourth quarter of 2007 mainly due to significantly lower delivery volumes as demand weakened. Operating profit was EUR 6.2 million, down EUR 22.2 million on the previous year due to production curtailments to match weaker demand and reduce inventories, and lower sales prices for some industrial packaging products.

In November work started on building a new multifuel power plant at the Ostroleka Mill site in Poland. In December Corenso started up its greenfield core plant at Tychy in Poland and shut down its 100 000 tonnes per year coreboard machine at Varkaus in Finland.

## Markets

### Compared with Q4/2007

Demand for industrial packaging products was weakened by the general economic downturn. Recycled-fibre-based containerboard prices decreased as supply exceeded demand and old corrugated container (OCC) prices declined. Corrugated packaging prices also decreased slightly. Coreboard and cores prices were more stable, and some SC fluting and laminating paper prices rose.

### Compared with Q3/2008

Demand for all products weakened significantly during the fourth quarter of 2008. Recycled-fibre-based containerboard prices slipped and corrugated packaging prices declined slightly, but prices for other products were generally stable.

## Wood Products

EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Change %	Change %	Change %
						Q4/08– Q4/07	Q4/08– Q3/08	2008–2007
Sales	1 853.1	393.7	366.2	348.7	1 503.3	-11.4	-4.8	-18.9
EBITDA*	205.5	10.4	-2.0	-8.5	-19.4	-181.7	n/m	-109.4
Operating profit / loss*	150.7	-0.5	-14.3	-18.9	-67.5	n/m	-32.2	-144.8
% of sales	8.1	-0.1	-3.9	-5.4	-4.5	n/m	-38.5	-155.6
ROOC, %**	19.5	-0.3	-7.5	-11.1	-9.8	n/m	-48.0	-150.3
Deliveries, 1 000 m <sup>3</sup>	6 348	1 421	1 441	1 422	5 893	0.1	-1.3	-7.2

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

Wood product sales were EUR 348.7 million, down 11% on the fourth quarter of 2007 mainly due to lower sales prices in the difficult business conditions. The operating loss of EUR 18.9 million was EUR 18.4 million greater than a year earlier as cost-saving measures and lower raw material costs could not compensate for lower sales prices.

Production has been extensively curtailed to adapt to the challenging market situation. Paikuse sawmill and Viljandi component mill in Estonia have been permanently closed down. Tolkkinen sawmill in Finland has been temporarily shut down since the beginning of 2009. Co-determinations negotiations concerning the temporary closure of Kitee sawmill in Finland are scheduled to be completed during February. Production of pellets at Gruvön sawmill in Sweden started in January.

Decreases in sawlog prices in Central Europe, the Baltic States and Sweden have partly offset lower end-product prices. In Finland the benefit of lower raw material prices has been delayed by harvesting of high-cost standing stocks.

## Markets

### Compared with Q4/2007

Demand and prices were even worse than in the already weak markets a year ago in almost all markets.

### Compared with Q3/2008

Prices continued to decline in extremely difficult market conditions. The wood products industry continued to curtail production to adjust to weaker demand.

## Key Ratios

	Q4/07	2007	Q3/08	Q4/08	2008	Change % Q4/08– Q4/07	Change % Q4/08– Q3/08	Change % 2008–2007
<b>Continuing Operations</b>								
Earnings per share (basic), EUR	-0.07	0.01	-0.16	-0.82	-0.86	n/m	n/m	n/m
Earnings per share excl. NRI, EUR	0.28	0.94	0.14	-0.08	0.18	-128.6	-157.1	-80.9
Cash earnings per share (CEPS), EUR	0.38	1.95	0.22	0.16	0.94	-57.9	-27.3	-51.8
CEPS excl. NRI, EUR	0.50	1.94	0.37	0.06	0.99	-88.0	-83.8	-49.0
Return on capital employed (ROCE), %	-2.4	1.8	-5.3	-33.1	-7.7	n/m	n/m	n/m
ROCE excluding NRI, %	12.8	11.3	5.4	-0.8	3.4	-106.3	-114.8	-69.9
Return on equity (ROE), %*	-6.6	-2.5	-6.3	-40.8	-10.1	n/m	n/m	n/m
Debt/equity ratio*	0.39	0.39	0.42	0.56	0.56	43.6	33.3	43.6
Equity per share, EUR*	9.63	9.63	9.02	7.09	7.09	-26.4	-21.4	-26.4
Equity ratio, %*	50.1	50.1	50.7	46.2	46.2	-7.8	-8.9	-7.8
Operating profit / loss, % of sales	-2.0	1.5	-5.1	-30.1	-6.6	n/m	n/m	n/m
Operating profit / loss excl. NRI, % of sales	11.0	9.5	5.2	-0.7	2.9	-106.4	-113.5	-69.5
Capital expenditure, EUR million*	300.9	768.3	152.8	223.5	704.7	-25.7	46.3	-8.3
Capital employed, EUR million	10 140	10 140	10 176	8 775	8 775	-13.5	-13.8	-13.5
Interest-bearing net liabilities, EUR million*	2955	2 955	2 989	3 124	3 124	5.7	4.5	5.7
Average number of employees	36 137	36 137	34 331	33 815	33 815	-6.4	-1.5	-6.4
Average number of shares (million)								
periodic	788.6	788.6	788.6	788.6	788.6	0.0	0.0	0.0
cumulative	788.6	788.6	788.6	788.6	788.6	0.0	0.0	0.0
cumulative, diluted	788.8	788.8	788.6	788.6	788.6	0.0	0.0	0.0

NRI=Non-recurring items

\* Total operations

Cash Earning per Share (CEPS) = (Net profit for the period + depreciation and amortisation)/average number of shares

## Key Exchange Rates for the Euro

## One Euro is

	Closing Rate		Average Rate	
	31 Dec 07	31 Dec 08	31 Dec 07	31 Dec 08
SEK	9.4415	10.8700	9.2517	9.6280
USD	1.4721	1.3917	1.3710	1.4710
GBP	0.7333	0.9525	0.6847	0.7972

## Transaction Risk and Hedges in Main Currencies as at 31 December 2008

EUR million	EUR	USD	GBP	SEK	JPY	Other	Total
Sales during 2008	6 360	1 570	690	1 160	250	1 000	11 030
Costs during 2008	-6 300	-670	-110	-2 110	0	-1 150	-10 340
<b>Net Operating Cash Flow*</b>	<b>60</b>	<b>900</b>	<b>580</b>	<b>-950</b>	<b>250</b>	<b>-150</b>	<b>690</b>
Transaction hedges as at 31 Dec.		355	207	-730	119		
As % of 2008 operating cash flow		39%	36%	77%	48%		
Average hedging % during 2008		50%	47%	58%	52%		

## Changes in Exchange Rates on Operating Profit

## Operating Profit: Currency effect +/- 10%

EUR million

USD	66
SEK	-100
GBP	49

The sensitivity is based on expected 2009 net operation cash flow. The calculation is made before currency hedges assuming that no other changes other than a single currency rate movement occurs



Condensed Consolidated Income Statement						Change %	Change %	
EUR million	2007	Q4/07	Q3/08	Q4/08	2008	Q4/08– Q4/07	Q4/08– Q3/08	Change % 2008–2007
<b>Continuing Operations</b>								
Sales	11 848.5	2 980.7	2 722.7	2 602.5	11 028.8	-12.7	-4.4	-6.9
Other operating income	88.4	32.9	23.8	51.4	120.2	56.2	116.0	36.0
Materials and services	-6 963.0	-1 830.1	-1 712.1	-1 730.3	-6 905.0	5.5	-1.1	0.8
Freight and sales commissions	-1 133.9	-326.0	-292.4	-266.0	-1 127.1	18.4	9.0	0.6
Personnel expenses	-1 712.9	-448.6	-364.5	-402.2	-1 669.1	10.3	-10.3	2.6
Other operating expenses	-761.9	-340.5	-223.2	-222.1	-752.6	34.8	0.5	1.2
Share of results of associated companies	341.3	231.8	1.6	-37.4	0.6	-116.1	n/m	-99.8
Depreciation and impairment	-1 529.6	-360.8	-294.6	-780.1	-1 422.4	-116.2	-164.8	7.0
<b>Operating Profit / Loss</b>	<b>176.9</b>	<b>-60.6</b>	<b>-138.7</b>	<b>-784.2</b>	<b>-726.6</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
Net financial items	-156.7	-43.7	-23.0	-61.4	-167.2	-40.5	-167.0	-6.7
<b>Profit / Loss before Tax</b>	<b>20.2</b>	<b>-104.3</b>	<b>-161.7</b>	<b>-845.6</b>	<b>-893.8</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
Income tax	-7.4	44.7	42.6	191.0	214.8	n/m	n/m	n/m
<b>Net Profit / Loss for the Period from Continuing Operations</b>	<b>12.8</b>	<b>-59.6</b>	<b>-119.1</b>	<b>-654.6</b>	<b>-679.0</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
<b>Discontinued Operations</b>								
Profit / Loss after tax for the period from discontinued operations	-225.2	-78.1	0.9	0.1	4.3	100.1	-88.9	101.9
<b>Net Loss for the Period</b>	<b>-212.4</b>	<b>-137.7</b>	<b>-118.2</b>	<b>-654.5</b>	<b>-674.7</b>	<b>n/m</b>	<b>n/m</b>	<b>-217.7</b>
<b>Attributable to:</b>								
Equity holders of the Parent Company	-214.7	-135.2	-118.7	-648.5	-673.4	n/m	n/m	-213.6
Minority interests	2.3	-2.5	0.5	-6.0	-1.3	-140.0	n/m	-156.5
	<b>-212.4</b>	<b>-137.7</b>	<b>-118.2</b>	<b>-654.5</b>	<b>-674.7</b>	<b>n/m</b>	<b>n/m</b>	<b>-217.7</b>
<b>Earnings per Share</b>								
Basic earnings per share, EUR	-0.27	-0.17	-0.15	-0.82	-0.85	n/m	n/m	-214.8
Diluted earnings per share, EUR	-0.27	-0.17	-0.15	-0.82	-0.85	n/m	n/m	-214.8
<b>Earnings per Share from Continuing Operations</b>								
Basic earnings per share, EUR	0.01	-0.07	-0.16	-0.82	-0.86	n/m	n/m	n/m
Diluted earnings per share, EUR	0.01	-0.07	-0.16	-0.82	-0.86	n/m	n/m	n/m

## Consolidated Statement of Recognised Income and Expense

EUR million	2007	Q4/07	Q3/08	Q4/08	2008
<b>Total Operations</b>					
Defined benefit plan actuarial gains	17.3	16.8	-0.1	-12.6	-12.7
Tax on actuarial movements	-6.3	-6.2	0.2	-3.5	-3.3
Aggregate fair value movements in Available-for-Sale assets	217.3	3.8	-377.7	-405.9	-398.0
Currency and commodity hedges	5.6	-28.3	-116.7	-237.7	-312.3
Associate hedges	5.1	0.1	-5.4	-10.9	-9.4
Tax on Other Comprehensive Income Movements (OCI)	-3.2	7.8	35.6	67.2	93.3
Currency translation movements on equity net investments (CTA)	-85.3	-61.7	-141.1	-185.4	-295.9
Equity net investment hedges	53.7	18.8	56.2	-60.4	-1.0
Tax on equity hedges	-13.2	-4.2	4.0	-4.1	1.1
<b>Income and Expense Recognised in Equity</b>	<b>191.0</b>	<b>-53.1</b>	<b>-545.0</b>	<b>-853.3</b>	<b>-938.2</b>
<b>Items from Equity Recognised in Income Statement</b>	<b>52.7</b>	<b>69.3</b>	<b>-5.5</b>	<b>-16.7</b>	<b>-32.4</b>
<b>Net Income and Expense Recognised in Equity</b>	<b>243.7</b>	<b>16.2</b>	<b>-550.5</b>	<b>-870.0</b>	<b>-970.6</b>
Net profit / loss for the period	-212.4	-137.7	-118.2	-654.5	-674.7
<b>Total Recognised Income and Expense for the Period</b>	<b>31.3</b>	<b>-121.5</b>	<b>-668.7</b>	<b>-1 524.5</b>	<b>-1 645.3</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company	29.0	-119.0	-669.2	-1 518.5	-1 644.0
Minority interests	2.3	-2.5	0.5	-6.0	-1.3
<b>Total Recognised Income and Expense for the Period</b>	<b>31.3</b>	<b>-121.5</b>	<b>-668.7</b>	<b>-1 524.5</b>	<b>-1 645.3</b>

## Condensed Consolidated Cash Flow Statement – Group Total

EUR million	2007	2008
<b>Cash Flow from Operating Activities</b>		
Operating profit / loss	249.9	-714.8
Hedging result from SORIE	3.6	-280.9
Adjustments	1 411.6	1 453.8
Change in net working capital	-330.9	81.5
<b>Cash Flow Generated by Operations</b>	<b>1 334.2</b>	<b>539.6</b>
Net financial items paid	-362.4	47.7
Income taxes paid / received	-111.6	25.6
<b>Net Cash Provided by Operating Activities</b>	<b>860.2</b>	<b>612.9</b>
<b>Cash Flow from Investing Activities</b>		
Acquisitions of subsidiaries	-71.4	-4.5
Acquisitions of associated companies	-91.6	-53.9
Proceeds from sale of fixed assets and other shares	415.6	230.3
Capital expenditure	-820.4	-706.9
Proceeds from (payment of) the non-current receivables, net	17.8	-16.2
<b>Net Cash Used in Investing Activities</b>	<b>-550.0</b>	<b>-551.2</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of new long-term debt	289.0	303.6
Long-term debt, payments	-759.9	-634.2
Change in short-term borrowings	1 145.4	4.0
Dividends paid	-354.9	-354.9
Minority equity injections less dividends	7.0	-4.2
Repurchase / Disposal of own shares	-2.1	-
<b>Net Cash Used in Financing Activities</b>	<b>324.5</b>	<b>-685.7</b>
<b>Net Increase / Decrease in Cash and Cash Equivalents</b>	<b>634.7</b>	<b>-624.0</b>
Cash and bank in acquired companies	0.3	0.0
Cash and bank in disposed companies	-110.8	-31.3
Translation adjustment	45.5	148.6
Net cash and cash equivalents at the beginning of period	309.6	879.3
<b>Net Cash and Cash Equivalents at Period End</b>	<b>879.3</b>	<b>372.6</b>
<b>Cash and Cash Equivalents at Period End</b>	<b>970.7</b>	<b>415.8</b>
<b>Bank Overdraft at Period End</b>	<b>-91.4</b>	<b>-43.2</b>
<b>Net Cash and Cash Equivalents at Period End</b>	<b>879.3</b>	<b>372.6</b>
<b>Acquisitions of Subsidiary Companies</b>		
Cash and cash equivalents	0.3	-
Working capital	-9.6	0.2
Fixed assets	10.7	3.9
Tax liabilities	-0.1	-0.4
Interest-bearing liabilities	-1.2	-1.0
Minority interests	71.3	1.8
<b>Fair Value of Net Assets</b>	<b>71.4</b>	<b>4.5</b>
Goodwill	-	-
<b>Total Purchase Consideration</b>	<b>71.4</b>	<b>4.5</b>
<b>Disposal of Subsidiary Companies</b>		
Cash and cash equivalents	110.8	31.3
Working capital	-155.0	167.0
Fixed assets	1 779.9	281.8
Interest-bearing assets	29.6	0.0
Tax liabilities	-49.6	-26.4
Interest-bearing liabilities	-1 019.2	-230.4
Minority interests	-0.6	3.4
<b>Net Assets in Divested Companies</b>	<b>695.9</b>	<b>226.7</b>
Income Statement capital gain	5.0	1.5
<b>Total Disposal Consideration Received in Cash and Kind</b>	<b>700.9</b>	<b>228.2</b>

## Property, Plant and Equipment, Intangible Assets and Goodwill

EUR million	2007	2008
Carrying value at 1 January	10 440.4	7 232.4
Acquisition of subsidiary companies	10.7	3.9
Capital expenditure	770.2	648.2
Additions in biological assets	50.2	58.7
Change in emission rights	-92.9	61.8
Disposals	-52.9	-54.7
Disposals of subsidiary companies	-1 780.0	-281.8
Depreciation and impairment, continuing operations	-1 529.6	-1 422.4
Depreciation and impairment, discontinued operations	-351.7	-46.1
Translation difference and other	-232.0	-300.6
<b>Balance Sheet Total</b>	<b>7 232.4</b>	<b>5 899.4</b>

## Borrowings

EUR million	31 Dec 07	31 Dec 08
Non-current borrowings	3 354.8	3 007.8
Current borrowings	1 086.6	1 068.3
	<b>4 441.4</b>	<b>4 076.1</b>
	<b>2007</b>	<b>2008</b>
Carrying value at 1 January	5 227.9	4 441.4
Debt acquired with new subsidiaries	1.2	1.0
Debt disposed with sold subsidiaries	-1 019.2	-230.4
Proceeds from borrowings (net)	358.3	-59.7
Translation difference	-126.8	-76.2
<b>Total Borrowings</b>	<b>4 441.4</b>	<b>4 076.1</b>

## Discontinued Operations

EUR Million	2007	2008
Sales	3913.3	708.7
Operating costs	-3812.0	-693.3
Operating profit before remeasurement to fair value	101.3	15.4
Remeasurement to fair value less CTA	-28.3	-3.6
<b>Operating Profit</b>	<b>73.0</b>	<b>11.8</b>
Net financial items	-109.5	-5.5
<b>Profit / Loss before Tax</b>	<b>-36.5</b>	<b>6.3</b>
Income tax	-188.7	-2.0
<b>Profit / Loss after Tax from Discontinued Operations</b>	<b>-225.2</b>	<b>4.3</b>

## Condensed Consolidated Balance Sheet

EUR million		31 Dec 07 (as restated*)	31 Dec 08
<b>Assets</b>			
<b>Fixed Assets and Other Non-current Investments</b>			
Fixed assets	O	7 138.5	5 698.8
Biological assets	O	88.7	133.6
Emission rights	O	5.2	67.0
Investment in associated companies	O	1 154.5	1 042.5
Available-for-sale: Interest-bearing securities	I	161.8	154.9
Available-for-sale: Unlisted shares	O	1 260.8	954.3
Non-current loan receivables	I	126.5	130.3
Deferred tax assets	T	63.7	74.5
Other non-current assets	O	22.6	16.2
		<b>10 022.3</b>	<b>8 272.1</b>
<b>Current Assets</b>			
Inventories	O	1 992.6	1 693.6
Tax receivables	T	34.3	25.0
Operative receivables	O	2 063.1	1 583.2
Interest-bearing receivables	I	227.8	251.1
Cash and cash equivalents	I	970.7	415.8
		<b>5 288.5</b>	<b>3 968.7</b>
<b>Total Assets</b>		<b>15 310.8</b>	<b>12 240.8</b>
<b>Equity and Liabilities</b>			
Equity attributable to Company shareholders		7 593.6	5 594.0
Minority interests		71.9	56.5
<b>Total Equity</b>		<b>7 665.5</b>	<b>5 650.5</b>
<b>Non-current Liabilities</b>			
Post-employment benefit provisions	O	327.3	299.0
Other provisions	O	135.9	202.3
Deferred tax liabilities	T	582.0	277.5
Long-term debt	I	3 354.8	3 007.8
Other non-current operative liabilities	O	52.7	28.5
		<b>4 452.7</b>	<b>3 815.1</b>
<b>Current Liabilities</b>			
Current portion of long-term debt	I	513.1	437.4
Interest-bearing liabilities	I	573.6	630.9
Operative liabilities	O	1 971.3	1 602.1
Tax liabilities	T	134.6	104.8
		<b>3 192.6</b>	<b>2 775.2</b>
<b>Total Liabilities</b>		<b>7 645.3</b>	<b>6 590.3</b>
<b>Total Equity and Liabilities</b>		<b>15 310.8</b>	<b>12 240.8</b>

Items designated with "O" comprise Operating Capital

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

Items designated with "T" comprise Net Tax Liabilities

\* For description of the prior year restatement, see Basis of preparation.

## Changes in Group Shareholders' Equity

EUR million	Share Capital	Capital Reserves	Treasury Shares	OCI	CTA	Retained Earnings	Total
Balance at 31 December 2006 as reclassified	1 342.2	2 278.8	-10.5	735.6	-132.0	3 585.5	7 799.6
Impact of Restatement*	-	-	-	-	-	117.5	117.5
Balance at 31 December 2006 - restated	1 342.2	2 278.8	-10.5	735.6	-132.0	3 703.0	7 917.1
Dividend (EUR 0.45 per share)	-	-	-	-	-	-354.9	-354.9
Options exercised	-	-2.4	0.3	-	8.5	-8.5	-2.1
Buy-out of minority interests	-	-	-	-	-	4.5	4.5
Net loss for the period	-	-	-	-	52.7	-214.7	-162.0
Net income recognised directly to equity	-	-	-	224.8	-44.8	11.0	191.0
Balance at 31 December 2007 - restated	1 342.2	2 276.4	-10.2	960.4	-115.6	3 140.4	7 593.6
Dividend (EUR 0.45 per share)	-	-	-	-	-	-354.9	-354.9
Buy-out of minority interests	-	-	-	-	-	-0.7	-0.7
Net loss for the period	-	-	-	-	-32.4	-673.4	-705.8
Net expense recognised directly to equity	-	-	-	-626.4	-295.8	-16.0	-938.2
Balance at 31 December 2008	1 342.2	2 276.4	-10.2	334.0	-443.8	2 095.4	5 594.0

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

\* For description of the prior year restatement and reclassification, see Basis of preparation

## Commitments and Contingencies

EUR million	31 Dec 07	31 Dec 08
<b>On Own Behalf</b>		
Pledges given	0.8	0.8
Mortgages	135.9	62.0
<b>On Behalf of Associated Companies</b>		
Guarantees	249.7	180.5
<b>On Behalf of Others</b>		
Guarantees	118.5	156.3
<b>Other Commitments, Own</b>		
Operating leases, in next 12 months	30.6	28.9
Operating leases, after next 12 months	112.2	95.0
Pension liabilities	0.2	0.2
Other commitments	22.5	40.4
<b>Total</b>	<b>670.4</b>	<b>564.1</b>
Pledges given	0.8	0.8
Mortgages	135.9	62.0
Guarantees	368.2	336.8
Operating leases	142.8	123.9
Pension liabilities	0.2	0.2
Other commitments	22.5	40.4
<b>Total</b>	<b>670.4</b>	<b>564.1</b>

## Purchase Agreement Commitments

Eur million	Scheduled Contract Payments				
	Contract Total	2009	2010-11	2012-13	2014+
Type of Supply					
Fibre	1 782	219	401	378	784
Energy	1 575	353	500	277	445
Logistics	539	75	123	98	243
Other production costs	693	83	113	69	428
	4 589	730	1 137	822	1 900
Capital Expenditure	210	182	28	0	0
Total Contractual Commitments at 31 December 2009	4 799	912	1 165	822	1 900

## Fair Values of Derivative Financial Instruments

EUR million	31 Dec 07	31 Dec 08		
	Net Fair Values	Positive Fair Values	Negative Fair Values	Net Fair Values
Interest rate swaps	59.4	264.8	-37.6	227.2
Interest rate options	-6.1	0.0	-38.0	-38.0
Forward contracts	-19.7	82.1	-156.0	-73.9
Currency options	17.2	35.6	-50.2	-14.6
Commodity contracts	92.0	28.8	-119.5	-90.7
Equity swaps ("TRS")	-34.3	1.9	-55.0	-53.1
Equity options	-0.6	0.0	-4.3	-4.3
Total	107.9	413.2	-460.7	-47.4

## Nominal Values of Derivative Financial Instruments

EUR million	31 Dec 07	31 Dec 08
<b>Interest Rate Derivatives</b>		
Interest rate swaps		
Maturity under 1 year	69.9	592.8
Maturity 2-5 years	2 164.4	1 683.4
Maturity 6-10 years	2 470.9	2 341.6
	4 705.2	4 617.8
Interest rate options	491.6	394.3
<b>Total</b>	<b>5 196.8</b>	<b>5 012.1</b>
<b>Foreign Exchange Derivatives</b>		
Forward contracts	3 114.1	3 049.4
Currency options	2 607.7	1 438.9
<b>Total</b>	<b>5 721.8</b>	<b>4 488.3</b>
<b>Commodity Derivatives</b>		
Commodity contracts	417.2	604.6
<b>Total</b>	<b>417.2</b>	<b>604.6</b>
<b>Total Return (Equity) Swaps</b>		
Equity swaps ("TRS")	213.9	158.2
Equity options	22.0	22.0
<b>Total</b>	<b>235.9</b>	<b>180.2</b>



## Sales by Segment

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Newsprint and Book Paper	438.7	429.9	430.0	436.3	1 734.9	386.5	389.0	405.2	414.0	1 594.7
Magazine Paper	566.6	552.9	587.3	589.5	2 296.3	547.3	540.5	544.9	544.3	2 177.0
Fine Paper	577.0	522.8	529.7	526.7	2 156.2	545.2	537.8	543.9	484.8	2 111.7
Consumer Board	589.6	570.1	562.1	579.1	2 300.9	574.4	587.3	563.9	506.3	2 231.9
Industrial Packaging	266.1	274.2	267.8	275.4	1 083.5	275.5	285.4	273.1	242.5	1 076.5
Wood Products	472.3	525.7	461.4	393.7	1 853.1	378.6	409.8	366.2	348.7	1 503.3
Other and elimination	90.9	114.3	38.4	180.0	423.6	124.3	122.0	25.5	61.9	333.7
<b>Continuing Operations</b>	<b>3 001.2</b>	<b>2 989.9</b>	<b>2 876.7</b>	<b>2 980.7</b>	<b>11 848.5</b>	<b>2 831.8</b>	<b>2 871.8</b>	<b>2 722.7</b>	<b>2 602.5</b>	<b>11 028.8</b>
Discontinued operations	1 020.8	963.7	959.7	969.1	3 913.3	529.6	180.5	0.4	-1.8	708.7
Elimination	- 166.6	- 148.4	- 151.5	- 151.8	- 618.3	- 134.4	- 45.8	0.0	0.9	- 179.3
<b>Total</b>	<b>3 855.4</b>	<b>3 805.2</b>	<b>3 684.9</b>	<b>3 798.0</b>	<b>15 143.5</b>	<b>3 227.0</b>	<b>3 006.5</b>	<b>2 723.1</b>	<b>2 601.6</b>	<b>11 558.2</b>

## Operating Profit by Segment excluding NRI and Fair Valuations

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Newsprint and Book Paper	61.1	50.2	52.2	48.4	211.9	26.4	27.9	33.5	53.0	140.8
Magazine Paper	9.4	8.4	17.5	15.6	50.9	27.2	14.5	27.4	19.7	88.8
Fine Paper	55.1	38.5	34.4	35.7	163.7	37.3	19.7	33.1	-9.7	80.4
Consumer Board	72.4	29.0	27.0	29.6	158.0	42.5	23.0	37.5	4.3	107.3
Industrial Packaging	29.2	29.6	24.7	28.4	111.9	27.6	20.1	20.0	6.2	73.9
Wood Products	54.8	59.3	37.1	-0.5	150.7	-23.4	-10.9	-14.3	-18.9	-67.5
Other	-11.2	-12.1	-11.1	-25.9	-60.3	-13.2	-8.2	-7.8	-48.2	-77.4
<b>Operating Profit excl. NRI by Segment</b>	<b>270.8</b>	<b>202.9</b>	<b>181.8</b>	<b>131.3</b>	<b>786.8</b>	<b>124.4</b>	<b>86.1</b>	<b>129.4</b>	<b>6.4</b>	<b>346.3</b>
Share of results of associated companies excl. fair valuations	24.1	20.0	17.4	12.8	74.3	15.7	8.3	-3.9	22.0	42.1
<b>Operating Profit excl. NRI and Fair Valuations*</b>	<b>294.9</b>	<b>222.9</b>	<b>199.2</b>	<b>144.1</b>	<b>861.1</b>	<b>140.1</b>	<b>94.4</b>	<b>125.5</b>	<b>28.4</b>	<b>388.4</b>
Fair valuations*	15.7	21.3	44.9	183.8	265.7	-15.1	-21.8	15.2	-47.9	-69.6
<b>Operating Profit / Loss excl. NRI</b>	<b>310.6</b>	<b>244.2</b>	<b>244.1</b>	<b>327.9</b>	<b>1 126.8</b>	<b>125.0</b>	<b>72.6</b>	<b>140.7</b>	<b>-19.5</b>	<b>318.8</b>
NRI	-12.0	-	-549.4	-388.5	-949.9	-	-1.3	-279.4	-764.7	-1 045.4
<b>Operating Profit / Loss (IFRS)</b>	<b>298.6</b>	<b>244.2</b>	<b>-305.3</b>	<b>-60.6</b>	<b>176.9</b>	<b>125.0</b>	<b>71.3</b>	<b>-138.7</b>	<b>-784.2</b>	<b>-726.6</b>
Net financial items	-36.1	-53.0	-23.9	-43.7	-156.7	-41.9	-40.9	-23.0	-61.4	-167.2
<b>Profit / Loss before Tax and Minority Interests</b>	<b>262.5</b>	<b>191.2</b>	<b>-329.2</b>	<b>-104.3</b>	<b>20.2</b>	<b>83.1</b>	<b>30.4</b>	<b>-161.7</b>	<b>-845.6</b>	<b>-893.8</b>
Income tax expense	-65.4	-42.1	55.4	44.7	-7.4	-17.0	-1.8	42.6	191.0	214.8
<b>Net Profit / Loss from Continuing Operations</b>	<b>197.1</b>	<b>149.1</b>	<b>-273.8</b>	<b>-59.6</b>	<b>12.8</b>	<b>66.1</b>	<b>28.6</b>	<b>-119.1</b>	<b>-654.6</b>	<b>-679.0</b>
<b>Discontinued Operations</b>										
Net profit / loss after tax for the period from discontinued operations	25.4	-5.2	-167.3	-78.1	-225.2	5.1	-1.8	0.9	0.1	4.3
<b>Net Profit / Loss</b>	<b>222.5</b>	<b>143.9</b>	<b>-441.1</b>	<b>-137.7</b>	<b>-212.4</b>	<b>71.2</b>	<b>26.8</b>	<b>-118.2</b>	<b>-654.5</b>	<b>-674.7</b>

\* Fair valuation include synthetic options net of released and open hedges , CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies forest assets

## NRI by Segment

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Newsprint and Book Paper	-	-	-	-110.0	-110.0	-	-2.4	-7.8	-5.0	-15.2
Magazine Paper	-	-	-218.0	-231.0	-449.0	-	-2.6	-38.7	-19.1	-60.4
Fine Paper	-	-	-32.6	21.0	-11.6	-	7.0	-1.5	-399.7	-394.2
Consumer Board	-	-	-186.8	-12.5	-199.3	-	-4.3	-178.2	-118.9	-301.4
Industrial Packaging	-	-	-5.9	-1.0	-6.9	-	-1.0	-18.2	-45.4	-64.6
Wood Products	-12.0	-	-106.1	-	-118.1	-	-	-8.0	-80.0	-88.0
Other	-	-	-	-55.0	-55.0	-	2.0	-27.0	-96.6	-121.6
<b>Continuing Operations</b>	<b>-12.0</b>	<b>-</b>	<b>-549.4</b>	<b>-388.5</b>	<b>-949.9</b>	<b>-</b>	<b>-1.3</b>	<b>-279.4</b>	<b>-764.7</b>	<b>-1 045.4</b>
Discontinued operations	44.0	12.8	-	-28.3	28.5	-	-4.5	-	-	-4.5
<b>Total</b>	<b>32.0</b>	<b>12.8</b>	<b>-549.4</b>	<b>-416.8</b>	<b>-921.4</b>	<b>-</b>	<b>-5.8</b>	<b>-279.4</b>	<b>-764.7</b>	<b>-1 049.9</b>

## Operating Profit by Segment

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Newsprint and Book Paper	61.1	50.2	52.2	-61.6	101.9	26.4	25.5	25.7	48.0	125.6
Magazine Paper	9.4	8.4	-200.5	-215.4	-398.1	27.2	11.9	-11.3	0.6	28.4
Fine Paper	55.1	38.5	1.8	56.7	152.1	37.3	26.7	31.6	-409.4	-313.8
Consumer Board	72.4	29.0	-159.8	17.1	-41.3	42.5	18.7	-140.7	-114.6	-194.1
Industrial Packaging	29.2	29.6	18.8	27.4	105.0	27.6	19.1	1.8	-39.2	9.3
Wood Products	42.8	59.3	-69.0	-0.5	32.6	-23.4	-10.9	-22.3	-98.9	-155.5
Other*	4.5	9.2	-14.2	-116.1	-116.6	-36.5	-32.1	-25.1	-133.5	-227.2
Share of result of associated companies*	24.1	20.0	65.4	231.8	341.3	23.9	12.4	1.6	-37.2	0.7
<b>Operating Profit / Loss (IFRS)</b>	<b>298.6</b>	<b>244.2</b>	<b>-305.3</b>	<b>-60.6</b>	<b>176.9</b>	<b>125.0</b>	<b>71.3</b>	<b>-138.7</b>	<b>-784.2</b>	<b>-726.6</b>
Net financial items	-36.1	-53.0	-23.9	-43.7	-156.7	-41.9	-40.9	-23.0	-61.4	-167.2
<b>Profit / Loss before Tax and Minority Interests</b>	<b>262.5</b>	<b>191.2</b>	<b>-329.2</b>	<b>-104.3</b>	<b>20.2</b>	<b>83.1</b>	<b>30.4</b>	<b>-161.7</b>	<b>-845.6</b>	<b>-893.8</b>
Income tax expense	-65.4	-42.1	55.4	44.7	-7.4	-17.0	-1.8	42.6	191.0	214.8
<b>Net Profit / Loss from Continuing Operations</b>	<b>197.1</b>	<b>149.1</b>	<b>-273.8</b>	<b>-59.6</b>	<b>12.8</b>	<b>66.1</b>	<b>28.6</b>	<b>-119.1</b>	<b>-654.6</b>	<b>-679.0</b>
<b>Discontinued Operations</b>										
Net profit / loss after tax for the period from discontinued operations	25.4	-5.2	-167.3	-78.1	-225.2	5.1	-1.8	0.9	0.1	4.3
<b>Net Profit / Loss</b>	<b>222.5</b>	<b>143.9</b>	<b>-441.1</b>	<b>-137.7</b>	<b>-212.4</b>	<b>71.2</b>	<b>26.8</b>	<b>-118.2</b>	<b>-654.5</b>	<b>-674.7</b>

\* \* Fair valuation include synthetic options net of released and open hedges , CO<sub>2</sub> emission rights, and valuations of biological assets mainly related to associated companies forest assets

## Stora Enso Shares

### Closing Price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
October	7.26	7.26	69.00	68.00
November	6.31	6.38	64.00	65.50
December	5.63	5.52	61.00	60.75

### Trading Volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
October	340 400	138 814 262	697 479	19 396 760
November	102 168	109 319 971	59 571	13 865 108
December	151 833	76 079 845	80 361	8 159 313
<b>Total</b>	<b>594 401</b>	<b>324 214 078</b>	<b>837 411</b>	<b>41 421 181</b>

### Basis of Preparation

This unaudited interim financial report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Annual Report for 2007.

The divestment of the Merchants segment has been accounted for as a discontinued operation. A discontinued operation represents a separate major line of business or geographical area for which the assets, liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes. The net profit from discontinued operations includes the loss on disposal and is reported in a single line after net profit from continuing operations. The prior year income statements have been re-presented to disclose the results from discontinued operations separately, but the Balance Sheet and Cash Flow statements are presented as previously reported.

### Restatement

The sale of Stora Enso's Finnish and Swedish forest assets in 2002 and 2004 respectively were accounted for as a sale to an associated company and therefore a portion of the gain on sale equal to Stora Enso's retaining interest was deferred and

recorded in long-term liabilities. As the majority of the underlying assets are carried at fair value no portion of the gain should have been deferred. The related deferred income provision of EUR 117.5 million is no longer deemed appropriate and therefore the opening equity balance has been restated with no change to the Income Statement as the events occurred in 2002 and 2004.

### Reclassification

#### Changes in Segment Reporting

Stora Enso has modified its segment reporting format for operating profit from the first quarter of 2008 onwards: the share of results of associated companies and certain fair valuations will no longer be included in business segments' operating profits; they are reported as separate items to increase the transparency of segmental reporting and facilitate comparisons between different periods. The fair valuation items include share-based compensation, Total Return Swaps (TRS) and payments to settle, CO<sub>2</sub> emission rights and IAS 41 forest asset valuations mainly related to associated companies. Comparative operating profits of segments for 2007 have been reclassified. The reclassification has no effect on Group operating profit or Group profit before tax.

### *Changes in Retained Earnings*

Stora Enso has reclassified EUR 1 512 million from its retained earnings to its share premium account due to an incorrect classification between restricted and distributable equity upon the cancellation of its own shares in the years 2001–2006. The reclassification has no impact on the total equity in the Parent Company or in the Group. This reclassification is recorded in the earliest year presented being 2006.

### Calculation of Key Figures

Return on capital employed, ROCE (%)	100 x	$\frac{\text{Operating profit}}{\text{Capital employed}^{1) 2)}$
Return on operating capital, ROOC (%)	100 x	$\frac{\text{Operating profit}}{\text{Operating capital}^{1) 2)}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and minority items – taxes}}{\text{Total Equity}^{2)}$
Equity ratio (%)	100 x	$\frac{\text{Total Equity}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/Equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}}$

1) Capital employed = Operating capital – Net tax liabilities

2) Average for the financial period

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..

**Graphic design:** Philips Design/Incognito  
**Photos:** Stora Enso image archive  
**Printing:** Speedmaster Oy  
**Cover stock:** Chromocard 200 g/m<sup>2</sup>  
**Text stock:** TerraPrint Silk 100 g/m<sup>2</sup>

#### Publication dates for financial information 2009

Interim Review for January – March	23 April
Interim Review for January – June	23 July
Interim Review for January – September	22 October

ANNUAL GENERAL MEETING

1 April 2009

#### Contacts:

Keith B Russell  
Senior Vice President, Investor Relations  
Tel. +44 20 7121 0910  
Fax +44 20 7121 0888  
Stora Enso International Office,  
1 Sheldon Square, London W2 6TT, UK  
keith.russell@storaenso.com

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