Annual Report 1994

ENSO-GUTZEIT OY

Contents

Enso-Gutzeit Oy

122nd year of operations

Enso-Gutzeit Oy is one of Europe's leading forest industry enterprises. Founded in 1872, Enso today operates in 18 locations in Finland. In addition, Enso has production plants in eight other countries. The company is based in Helsinki and its shares are quoted on the Helsinki and London Stock Exchanges.

Enso's main products are liquid and food packaging boards, graphic boards, fine papers, publication papers, packaging boards, laminating papers, pulp and sawn goods. Over 80% of production is exported via Enso's own worldwide marketing network.

The year in brief

THE ENSO GROUP		**1994**	**1993** [1]
Net sales	FIM mill.	17 711	15 232
Change on previous year	%	16.3	27.3 [2]
Operating profit	FIM mill.	2 404	1 922
As % of net sales	%	13.6	12.6
Profit after financing items	FIM mill.	1 578	406
As % of net sales	%	8.9	2.7
Return on investment	%	11.3	9.6
Return on equity	%	17.1	5.6
Equity ratio	%	33.4	28.8
Market value of shares	FIM mill.	8 737	7 933
Equity/share, adjusted	FIM	45.32	36.16
Adjusted dividend/share	FIM	1.00 [3]	0.60
Adjusted earnings/share	FIM	7.16	2.23
Capital expenditure	FIM mill.	3 798	3 077
Average number of employees		14 747	14 071

1) Reclassified to correspond with new accounting principles.
2) Change (%) calculated on net sales stated according to old accounting principles.
3) Board of Directors' proposal to the Ordinary Meeting of Shareholders.

Organization 1 January 1995

DIVISIONS

BOARD OF DIRECTORS

J. Härmälä, President & CEO,
Chairman

J. Pohjolainen, Executive Vice President,
Vice Chairman

P. Hämäläinen
K. Kalela
E. Mäkeläinen
J. Taukojärvi
P. Pitkänen
P. Uronen
P. Laaksonen, Deputy Member

CENTRAL ADMINISTRATION

J. Härmälä
- Corporate Marketing Services, S. Hietanen
- Legal Affairs, J. Kurkinen
- Corporate Communications, K. Vainio
- Corporate Planning, M. Diesen

J. Pohjolainen
- Corporate Human Resources, S. Sirkiä
- R & D Services, I. Kartovaara
- Environmental Affairs, O. Airanne

E. Mäkeläinen
- Corporate Financing, R. Suuraho
- Risk Management and Insurances,
- Head Office Administration, J. Kähkönen
- Corporate Accounting, V-J. Potka
- Internal Auditing, S. Schildt
- Information Technology, E. Nuutinen

P. Hämäläinen
- Energy, P. Keskitalo
- Total Quality Management, L. Sihvo
- Industrial Construction, P. Roitto

BASE INDUSTRIES DIVISION

J. Pohjolainen

Forest Operations, V. Pölkki
Sawmills, P. Wager
Enocell Oy, J. Kangas
Enso Forest Development Oy Ltd., Y. Schildt

PACKAGING BOARDS DIVISION

P. Laaksonen

Liquid and Food Packaging Boards, N. Pöyhönen
Pakenso Oy, M. Pentikäinen
Imatra Mills, A. Ansaharju

GRAPHIC PAPERS AND BOARDS DIVISION

J. Taukojärvi

Kaukopää Business Unit, E. Palokangas
Varkaus Fine Papers, R. Panula
Tervakoski Oy, J. Kilpeläinen
Berghuizer Papierfabriek N.V., H. van Eeghen
Varkaus Mills, M. Lamberg

PUBLICATION PAPERS DIVISION

K. Kalela

Enso Publication Papers Oy Ltd., K. Kalela
- Anjala Business Unit, H. Karppinen
- Kotka Business Unit, J. Alm
- Summa Business Unit, M. Nopanen
- Varkaus Business Unit, K. Saramäki

Sachsen Papier Eilenburg GmbH, K. Korhonen
Enso-Yhteispalvelut Oy, J. Helve
Anjalankoski Mills, U. Rastas

INDUSTRIAL PAPERS AND BOARDS DIVISION

P. Hämäläinen

Heinola Fluting Mill, P. Suursalmi
Enso Cartonboards Oy Ltd., U. Rastas
- Ingerois Board Mill, I. Saine
- Pankakoski Boards Oy Ltd., P. Pöllänen
- Enso Española S.A., J. Korppi-Tommola

Laminating Papers Ltd., P. Huhta
Corenso United Oy Ltd., P. Harkki

Information for shareholders

SHARES AND SHARE CAPITAL

Enso-Gutzeit Oy has two series of shares: Series A and Series R. Both have a nominal value of FIM 10 and both carry the same right to receive dividend. At shareholders' meeting, holders of Series A shares have one vote per share. Series R shares carry one vote per ten shares. Irrespective of this, every shareholder has at least one vote.

In the event of an increase in the company's share capital, Series A shares entitle the holder to subscribe Series A shares and Series R shares to subscribe Series R shares.

The company's share capital is FIM 2 138 851 040, comprising 105 440 126 Series A shares and 108 444 978 Series R shares.

The Board of Directors has no current authorization to issue new shares.

LISTING OF COMPANY SHARES

Both series of shares are listed on the Helsinki and London Stock Exchanges. Series R shares are also quoted on SEAQ in London.

SHAREHOLDER INFORMATION

Enso-Gutzeit Oy shares were transferred to the book entry system on 1 October 1993, and information on the company's shareholders is now kept by the Central Share Register of Finland Cooperative, tel. +358 0 8040 2200.

Matters related to shareholder information within Enso-Gutzeit Oy are dealt with by the company's Legal Department, address: P.O. Box 309, FIN-00101 Helsinki, Finland.

BONDS WITH WARRANTS AND CONVERTIBLE BONDS

The company has issued two convertible bond loans totalling FIM 775 000 000. The terms attached to each are the same. Each FIM 1000 bond may be exchanged for 38 Series A shares during the period 4 January to 2 April each year apart from 1998, the year the bonds mature, when the exchange period is 4 January to 20 June. Exchange of all bonds under the two issues would increase the company's share capital by a maximum of FIM 294 500 000, corresponding to 25.3% of the votes. By 31 December 1994, bonds totalling FIM 564 000 had been exchanged for a total of 21 432 shares.

During 1994, bonds with warrants were offered for subscription by the company's management. The FIM 1 700 000 bond loan provides for a maximum increase in the company's share capital of FIM 17 000 000. The subscription period is 1 December 1998 to 31 January 2001, and the subscription price for Series A shares is FIM 46.21. The shares represent 1.5% of the votes.

FINANCIAL REPORTS

Enso publishes its Annual Report in Finnish, Swedish and English in April. An Annual Report in German and a summary in French appear in May. Interim Reviews are published in Finnish, English and German during weeks 24 and 42.

Information and financial reports can be obtained from the Corporate Communications Department, address: P.O. Box 309, FIN-00101 Helsinki, Finland.

Several Finnish and international banks and brokerage firms also publish regular business analyses on the Enso Group.

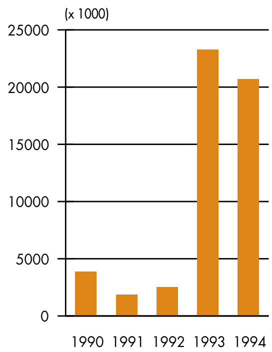
ORDINARY MEETING OF SHAREHOLDERS

Enso-Gutzeit Oy's Ordinary Meeting of Shareholders will be held on 20 April 1995 at 3.00 pm Finnish time at Marina Congress Center, address: Katajanokanlaituri 6, Helsinki, Finland.

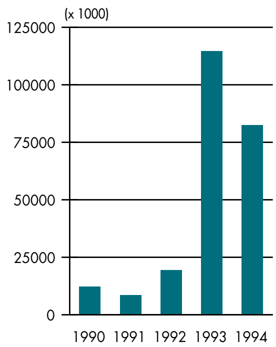
Shareholders wishing to attend the meeting must inform the company of their intention to do so at the latest by the date stated in the summons to the meeting, which may be not more than five days before the meeting.

TRENDS IN SHARE PRICES AND SHARE TRADING VOLUME

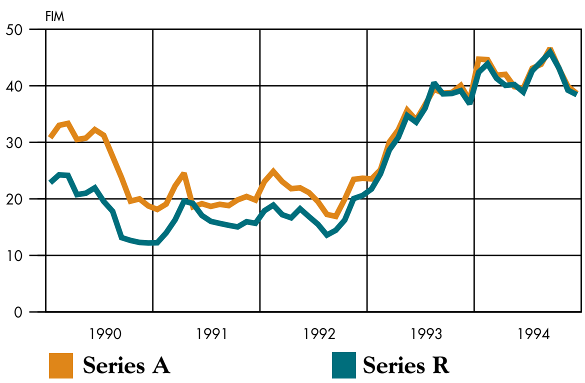
Series A, share trading volume



Series R, share trading volume



Trends in share prices, Series A and R



Shareholders

Main shareholders according to the Share Register at 31 December 1994	Series A 1000	Series R 1000	% of votes	% of shares
Finnish state	59 296	12 761	52.1	33.7
Social Insurance Institution	13 700	3 739	12.1	8.2
Sponda Group	11 511	11 384	10.9	10.7
The Local Government Pensions Institution	1 409	1 457	1.3	1.3
Industrial Insurance Company Ltd.	886	507	0.8	0.7
Nova Life Insurance Company Ltd.	840	319	0.7	0.5
Government Guarantee Fund	678	3 375	0.9	1.9
Sampo Insurance Company Limited	525	647	0.5	0.5
Unit Trust UBF-Growth	522	241	0.5	0.4
Pension Fund of the Savings Banks	348	428	0.3	0.4
Union Bank of Finland	–	3 225	0.3	1.5
Insurance Company Sampo Pensions Ltd.	–	1 970	0.2	0.9

	31.12.1994		31.12.1993	
Shareholders by group	**% of votes**	**% of shares**	**% of votes**	**% of shares**
Finnish state	52.1	33.7	52.1	33.7
Social Insurance Institution	12.1	8.2	12.1	8.2
Sponda Group	10.9	10.7	12.3	12.5
Insurance companies and financial institutions	7.1	10.9	3.3	6.9
Non-Finnish citizens	7.0	20.5	4.7	21.6
Private persons	4.8	6.3	3.8	4.6
Other public corporations	2.3	3.3	2.0	3.0
Industrial and other companies	2.3	3.9	8.4	7.2
Foundations and organizations	1.2	2.2	1.1	2.0
Enso-Gutzeit Pension Fund and Foundation	0.2	0.3	0.2	0.3
	100.0	**100.0**	**100.0**	**100.0**

Increases in share capital, 1989–1994

Year		Subscription conditions	Increase in share capital (FIM)
1989	Rights issue, one new against 8 existing		
		Series A shares at FIM 28	
		Series R shares at FIM 22	159 074 020
1992	Share issue to A.Ahlstrom Corporation		
	6 600 000	Series A shares at FIM 27	
	37 400 000	Series R shares at FIM 20	440 000 000
1993	Share issue to Tampella Corp.		
	12 900 000	Series A shares at FIM 31	
	13 800 000	Series R shares at FIM 29	267 000 000
1994	Exchange of convertible bonds		
	17 214	Series A shares	172 140
Share capital at 31 December 1994			**2 138 851 040**

To our shareholders

The strategic goals set for the Enso Group at the beginning of the 1990s were growth, profitability and a position as one of Europe's leading manufacturers in relation to our main products.

Strategic acquisitions and investments have in fact made us one of the fastest-growing forest products companies in the whole of Europe.

The most notable investments have been the Enocell pulp mill, which started up towards the end of 1992, and the Sachsen Papier newsprint mill completed in August 1994. This mill, which uses recycled fibre as its raw material, was started up ahead of schedule and some DEM 100 million below the budgeted cost. In terms of market conditions for pulp and newsprint, both mills came on stream at almost exactly the right time.

The acquisition of Tampella's forest products and packaging operations in 1993 has been a great boost to the Enso Group. The units have been smoothly integrated into the Group, and the synergistic benefits are considerable.

Our product structure was further strengthened with the purchase of a 35% interest in Veitsiluoto Oy, which operates in northern Finland.

The strategic alliance with Veitsiluoto puts us among Europe's three biggest producers of newsprint, magazine paper, fine papers and market pulp.

In addition, we are the world's largest producer of liquid packaging boards and Europe's biggest producer of sawn timber.

The Veitsiluoto deal meant that capital expenditure in 1994 was higher than planned. Nevertheless, the interest acquired in Veitsiluoto is important to Enso's future financial performance and development, and will not affect our main target of increasing the Group's equity ratio to above 40% in 1996.

Enso's good financial result for 1994 is due not only to improvements in the markets but also to the Group's viable product structure, the efforts of our employees and the programmes launched at the various units earlier this decade to improve cost effectiveness.

Following the recent large investments, the focus now will be on streamlining the new Enso Group. We have adopted a programme designed to give us quality leadership in all our activities, and this will form the basis for further development at all units.

One of the biggest changes in our main markets this decade has been the importance given to environmental issues, which are now a vital factor in competition in the forest industry. Enso takes the environment into account throughout its production chain, from wood procurement through to the end product, by supplying customers with safe and recyclable products.

Enso was the first forest products company in Finland to adopt a special biodiversity strategy. The purpose of the strategy is to provide guidelines whereby the use of wood from commercial forests can take place in harmony with targets aimed at maintaining the forests' own biodiversity.

On the production side, environmental interests are best served by investment in new capacity. This means not just cleaner processes and better quality products but more effective use of raw materials and energy. Good examples are our Enocell and Sachsen Papier investments.

Market conditions for forest products will remain good for the next couple of years. Future profitability is threatened only by rising costs in Finland, in response to which we shall continue to improve cost effectiveness at each of our units.

Future financial results will also benefit from the synergistic benefits afforded by the Group's new structure.

Jukka Härmälä
President & CEO

Report on operations by the Board of Directors 1994

The Board of Directors. Seated (from left) Esko Mäkeläinen, Juhani Pohjolainen, Jukka Härmälä and Pauli Hämäläinen. Standing (from left) Jouko Taukojärvi, Kimmo Kalela, Paavo Pitkänen, Paavo Uronen and Pekka Laaksonen, Deputy Member of the Board of Directors.

THE MARKET

Business activity increased during 1994 in Enso's main export markets in Western Europe. The economies of North America and Southeast Asia continued strong. The Japanese economy, too, began to grow during 1994.

The improved market strengthened demand for forest industry products during the year. Demand for market pulp was particularly strong, and this commodity started to be in short supply. Supplies were also affected by occasional wood raw material shortages in several of the main producer countries.

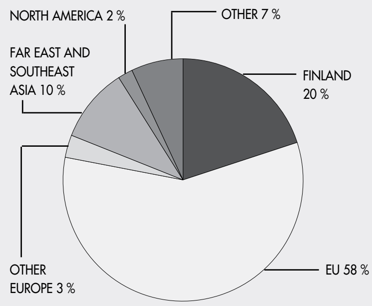
Demand for sawn goods remained strong, despite the sharp increase in production in continental Europe.

The rise in market pulp prices allowed substantial price increases to be introduced for fine papers. Prices for Enso's other products also rose, with the exception of liquid and food packaging boards. In the case of standard and special newsprint, however, prices did not rise until around the turn of the year because of the annual delivery agreements still in force.

The external value of the floating Finnish markka strengthened during 1994, lowering mill net prices.

The uncertainty in the wood raw material market disappeared when a framework agreement extending until the end of February 1995 was signed with the organization representing forest owners. The mills were well supplied with wood, despite significant increases in capacity utilization.

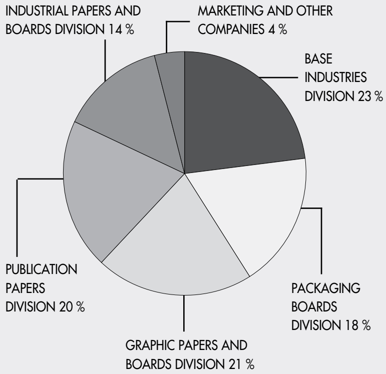
BREAKDOWN OF NET SALES BY MARKET



CONSOLIDATED NET SALES

FIM mill.	1994	1993
BASE INDUSTRIES DIVISION	4 533	3 464
PACKAGING BOARDS DIVISION	3 543	3 237
GRAPHIC PAPERS AND BOARDS DIVISION	4 111	3 655
PUBLICATION PAPERS DIVISION	4 004	3 247
INDUSTRIAL PAPERS AND BOARDS DIVISION	2 821	2 129
MARKETING AND OTHER COMPANIES	1 016	818
– LESS INTERNAL SALES	– 2 317	–1 318
GROUP TOTAL	17 711	15 232

BREAKDOWN OF NET SALES BY DIVISION



NET SALES

Consolidated net sales were FIM 17 711 million, a growth of 16% on 1993. The increase is attributable to higher sales volumes in an improved market and to stronger product prices denominated in foreign currencies. However, growth in net sales was held back by the strengthening of the markka against foreign currencies. The average value of the markka during the financial period was about 7% higher than in 1993. The fact that Tampella's forest industry and packaging operations were included in the accounts for the whole year increased net sales by FIM 1110 million.

Net sales for the **Base Industries Division** were FIM 4533 million, up 31% on 1993.

The Sawmills business unit had net sales of FIM 2415 million, 16% up on 1993. Sawn goods continued to be in good demand in the main markets and prices strengthened during the year. In Finland, net sales for Puumerkki Oy were improved by the greater demand for structural repairs.

Enocell Oy's pulp mill recorded net sales of FIM 1328 million, 66% better than the year before. The increase is due to higher prices made possible by the good pulp market and to the larger sales volumes resulting from production that had been running very well throughout the year.

Net sales for the Base Industries Division includes FIM 790 million from the sale of wood raw material, FIM 214 million more than in 1993.

Net sales for the **Packaging Boards Division** were FIM 3543 million, an increase of 9% on 1993.

Sales of liquid and food packaging boards increased in volume terms, but net sales were unchanged on 1993 because of the poorer prices and the stronger markka.

The Pakenso Group improved its net sales to FIM 1078 million. The increase is due to greater demand for corrugated board in Finland and Sweden and to higher product prices.

The **Graphic Papers and Boards Division** had net sales of FIM 4111 million, 12% up on the year before thanks to the improvement in the market. Demand for uncoated fine paper rose by 13% and for coated 17%. Demand for graphic boards improved by 15%. The stronger demand, coupled with higher market pulp prices, provided the basis for significant price increases for fine papers. Prices for graphic boards were also raised.

Net sales for the **Publication Papers Division** were FIM 4004 million, an increase of 23% on 1993. The increase is due to the inclusion of Anjala Paper Mill in the division for the whole year and to the start-up of the Sachsen Papier Eilenburg GmbH newsprint mill in August. Sales volumes also rose at other mills. The effect on net sales of the rise in product prices was cancelled out by the strengthening of the markka.

The **Industrial Papers and Boards Division** increased its net sales by 33% to FIM 2821 million. Much of the increase is due to the inclusion of the Tampella units in the division for the whole of the year, and to the purchase of the business operations of Porin Hylsy Oy on 1 March 1994. The markets for all the division's products improved during the year. Demand strengthened and prices in foreign currencies were raised.

OPERATING PROFIT

The Enso Group produced a better financial result than the previous year. The operating profit was FIM 2404 million, up FIM 482 million on the year before. Operating profit was 13.6% of net sales (12.6% in 1993).

Increases in product prices and higher capacity utilization rates led to an improved financial result, despite the higher cost of wood raw material and recycled fibre, other cost increases and the strengthening of the markka. Mill prices for domestic wood raw material rose by 7% on average. The wood trading agreement signed in the spring had the desired effect, and the mills were well supplied with raw material despite the higher capacity utilization rates.

Operating profit includes FIM 100 million as Enso's share of the results of associated companies, together with other income of FIM 271 million. Other operating income includes profits of FIM 142 million from the sale of land and shares, compared with FIM 41 million in 1993.

The Graphic Papers and Boards Division, Publication Papers Division and Industrial Papers and Boards Division recorded smaller operating profits than the year before. In the case of the Graphic Papers and Boards Division, the effect of the higher cost of pulp outweighed the higher income achieved through price rises for products. Operating profit for the Publication Papers Division and the Industrial Papers and Boards Division was reduced by the effect of higher costs and the stronger markka.

Depreciation according to plan was FIM 1189 million, FIM 85 million higher than the year before. Most of this is due to the inclusion of the Tampella units for the whole year and to depreciation made in respect of Sachsen Papier. Depreciation according to plan was reduced by the crediting of negative goodwill arising on the acquisition of shares in Berghuizer Papierfabriek N.V.

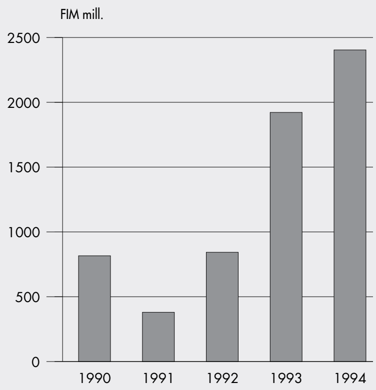
FINANCIAL RESULTS

The result after financial items was a profit of FIM 1578 million, an improvement of FIM 1172 million on 1993. FIM 690 million of the improvement is due to smaller financing costs.

Net interest was FIM 1098 million, 6.2% of net sales, compared with FIM 1385 million and 9.1% in 1993. The decrease is due to lower interest on foreign loans resulting from the stronger Finnish markka and also to the fall in interest rates. Exchange gains of FIM 275 million have been entered in the accounts for 1994.

Extraordinary items for the period were FIM 355 million. Income relating to the introduction of the revised accounting legislation has been entered under extraordinary income. Fixed production costs of FIM 212 million have been included in the value of product stocks, and FIM 51 million of the accrued results of associated companies up to the end of 1993 has been included in the book value of these companies' shares. Extraordinary income also includes FIM 54 million from the sale of Finnlines Oy shares and FIM 93 million from the sale of Oy Klåsarö Ab shares. Extraordinary expenses includes FIM 19 million as Enso's share of the fine imposed by the EU Commission on several board producers. An appeal has been lodged against the Commission's decision. Expenses of FIM 36 million have been entered as a result of the change in the valuation of spare part stocks.

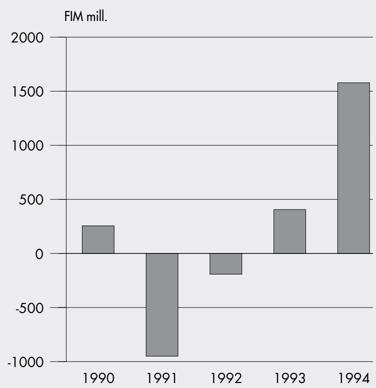
OPERATING PROFIT



CONSOLIDATED OPERATING PROFIT

FIM mill.	1994	1993
BASE INDUSTRIES DIVISION	1 012	438
PACKAGING BOARDS DIVISION	956	789
GRAPHIC PAPERS AND BOARDS DIVISION	58	103
PUBLICATION PAPERS DIVISION	81	347
INDUSTRIAL PAPERS AND BOARDS DIVISION	133	141
OTHER OPERATIONS AND INTRA-GROUP ELIMINATIONS	164	104
GROUP TOTAL	2 404	1 922

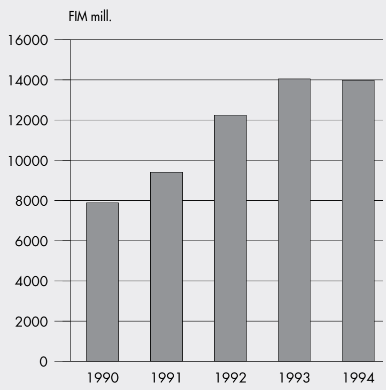
PROFIT/LOSS AFTER FINANCING ITEMS



RETURN ON INVESTMENT

EQUITY RATIO

INTEREST-BEARING NET LIABILITIES



Profit before reserves and taxes was FIM 1933 million. Depreciation in excess of plan totalling FIM 1475 million has been entered under adjustments. Accrued depreciation in excess of plan at the end of the period was FIM 2708 million. Taxes for the Group were FIM 57 million. Berghuizer Papierfabriek N.V. received tax refunds of FIM 25 million in respect of its loss for the year.

The Enso Group made a profit in 1994 of FIM 413 million. Minority interests were FIM 10 million.

FINANCING

The most significant capital expenditure items were the Sachsen Papier Eilenburg GmbH paper mill and the purchase of Veitsiluoto Oy shares.

The largest individual financing arrangement was the project financing for the Sachsen Papier mill. Agreements were signed in March 1994 for loans totalling DEM 460 million (about FIM 1400 million), provided by 15 banks. The lead manager is the German bank Commerzbank, and the other banks include the European Investment Bank, the Nordic Investment Bank and Finnish Export Credit Ltd.

Despite the higher investment expenditure, the Group's net indebtedness fell in relation to net sales, and the equity ratio at the end of the year was 33.4%, compared with 28.8% a year earlier. The consolidated balance sheet will be further strengthened in the next few years.

Financial expenses fell considerably in 1994 thanks to the improved cash flow, the strengthening of the markka and the drop in interest rates.

The Ordinary Meeting of Shareholders held on 5 May 1994 decided to issue warrant bonds totalling FIM 1 700 000 for subscription by the company's management, permitting a maximum increase in the company's share capital of FIM 17 000 000. The period for subscription of shares under the issue is 1 December 1998 to 31 January 2001. The subscription price for Series A shares under the issue is FIM 46.21. The issue was fully subscribed.

The number of Enso shareholders at the end of the year was 17 821, compared with 15 555 a year earlier. Non-Finnish nationals held 20.5% of the shares and 7.0% of the voting rights at the year end.

CHANGES IN GROUP COMPOSITION

On 14 November 1994, Enso acquired 26.4% of the shares of Veitsiluoto Oy at a cost of FIM 1000 million. In December, Enso invested a further FIM 500 million in Veitsiluoto, raising its interest in the company to 35%.

Enso increased its holding in Berghuizer Papierfabriek N.V. from 57.8% to 99.7% through the purchase of shares from minority shareholders. Quotations for Berghuizer's shares on the Amsterdam Stock Exchange were discontinued on 31 December 1994.

On 2 January 1995, Metsäliitto Osuuskunta purchased Enso's 40% interest in Tavastimber Oy Ltd. Earlier, in December, Tavastimber had sold its Koski sawmill to Enso.

On 6 October 1994, Enso's subsidiary Pakenso Oy established Pakenso Baltika SIA to manufacture corrugated board in Latvia.

Enso and Veitsiluoto Oy established joint ventures in Estonia (AS Lumiforest) and Latvia (Greenforest Ltd.) to procure wood raw material from the Baltic countries. Enso owns 40% of Lumiforest and 25% of Greenforest.

The Enso subsidiary Laminating Papers Ltd. and A/S Latvijas Finieris established a 50/50 joint venture under the name Imprex Products Baltic Oy.

In Singapore, Enso established a marketing company called Enso Surya Pte. Ltd. together with the Indonesian company PT Surya Pamenang. Enso owns 51% of the new company.

On 1 March 1994, the business operations of Porin Hylsy Oy were transferred to Corenso United Oy Ltd., a company owned 53% by Enso.

Enso sold its minority interest in the Italian company Tambox CCC to Esswell Packaging Group on 30 June 1994.

In December, the company Suomen NP-Kierrätys Oy was set up to organize the nationwide collection of used liquid packagings. Enso has a 25% interest in the company.

Enso purchased 2.5% of Sunila Oy's share capital from Tamsoil Oy, bringing its interest in the company to 50%. The other 50% is owned by Myllykoski Oy.

INVESTMENT

Investment in fixed assets totalled FIM 3798 million in 1994.

The biggest investment and the most significant for the future development of the Enso Group was the purchase of a 35% interest in Veitsiluoto Oy. The purchase was entered in full under capital expenditure for 1994, although FIM 1000 million of the sum is due for payment in 1995.

Almost as big in terms of capital expenditure was the Sachsen Papier Eilenburg GmbH newsprint mill, which started up on 31 August 1994. The final cost was some FIM 300 million (over 10%) below the original budget.

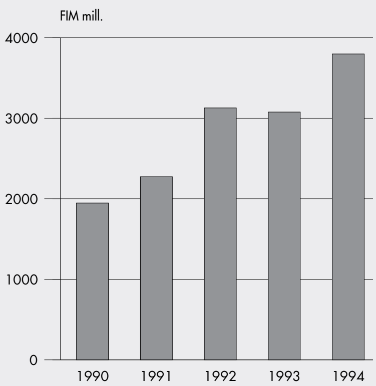
Other significant investments during the year were the purchase of shares in Berghuizer Papierfabriek N.V. from minority shareholders in the Netherlands, modernization of Pankakoski's board machine no. 2, a new Sym-Sizer film transfer size press for Anjala's paper machine no. 1 and an oxygen bleaching unit for Varkaus pulp mill.

Following the recent major investments (Enocell Oy's pulp mill, Sachsen Papier's paper mill and Veitsiluoto Oy shares), Enso will reduce its investment in the next few years and focus on strengthening its balance sheet.

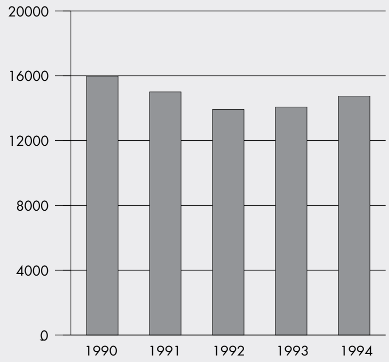
In October, the Board of Directors approved a FIM 650 million investment programme, the main items of which are a chemithermomechanical pulp mill and process water treatment plant for the Imatra mills, due for construction in 1994–1996.

It was also decided to spend about FIM 250 million on development and FIM 260 million on replacements at the Group's various production units.

INVESTMENTS



PERSONNEL



MEMBERS OF THE BOARD OF DIRECTORS

The Supervisory Board elected Paavo Pitkänen, President of Eläke-Varma, and Prof. Paavo Uronen, Rector of Helsinki University of Technology, members of the Board of Directors for the term 1 October 1994 to 31 December 1996. Mr Pitkänen and Mr Uronen are not full-time directors of the company.

Juhani Väyrynen, a deputy member of the Board of Directors, retired on 31 December 1994.

PERSONNEL

In 1994, the Enso Group had an average of 14 747 employees, of whom 6292 worked for the parent company. The number is 676 higher than the year before, mainly due to the fact that the employees transferred from Tampella were included in the Enso Group's figures for the whole year. At the end of the year, the Group had 14 153 employees, compared with 14 096 a year earlier.

Wages and salaries paid by the Group were FIM 3024 million, including FIM 812 million in statutory employer's contributions.

Salaries and fees paid to the parent company's management totalled FIM 7 million and to other employees 939 million.

Salaries and fees paid to the members of the Boards of Directors and Managing Directors of Group companies totalled FIM 31 million and to other employees FIM 2173 million.

The Board of Directors transferred FIM 18 million of profits from 1993 to the employee profit-sharing plan. The biggest awards were made to Laminating Papers Ltd.'s Kotka Mill, the Imatra Mills and Tervakoski Oy.

In accordance with Enso's total quality policy, special efforts were made at all business units to raise quality standards and quality awareness.

Relocation within the domestic organization of those persons responsible for planning and implementing the Sachsen Papier paper mill project began during the autumn.

As in 1993, Enso's units provided summer work and practice for around 1600 students from various institutes of education.

The growing international nature of Enso's operations and Finland's membership of the European Union have required changes in personnel planning, selection and training.

EVENTS OCCURRING AFTER THE CLOSING OF ACCOUNTS

On 28 February 1995, the Sponda Group sold 11 511 000 Enso-Gutzeit Oy Series A shares to the Finnish state, which in turn sold the same number of Enso's Series R shares to Sponda. As a result, the Finnish state's voting rights in Enso have increased from 52.1% to 61.0% and Sponda's voting rights have fallen from 10.9% to 2.0%.

The transaction took place at Sponda's initiative and was designed to provide the company with Series R shares, which have greater liquidity.

OUTLOOK FOR 1995

The economic situation will remain good in North America, Western Europe and the Asia-Pacific region in 1995. The market for forest products will remain stable and mills will operate at full capacity.

Product prices will strengthen further. There were also price rises early in 1995 for those products whose prices were tied to annual agreements in 1994. Rising pulp prices, together with supply shortfalls, will affect the competitiveness of non-integrated paper and board mills.

Uncertainty in currency markets stemming from the economic crisis in Mexico has weakened the US dollar against the Japanese yen and the German mark. In the EU countries, changes are taking place in exchange rates that will affect the future competitiveness of the forest industry.

In Finland, improvements in profitability will be retarded by the expensive wage agreements reached in autumn 1994, the sharp rise in the cost of wood raw material, and higher energy taxation. The Bank of Finland has already tightened its money policy in an attempt to stifle the threat of inflation.

Enso will produce a better financial result than in 1994. The mutual benefits of the strategic alliance between Enso and Veitsiluoto will begin to boost financial results in 1995.

Consolidated income statement

	Note	1.1.–31.12.1994 FIM mill.	1.1.–31.12.1993 FIM mill.
Net sales	*1.*	**17 711.3**	**15 231.6**
Finished and semi-finished goods, increase (+)		+ 9.6	– 191.3
Production for own use		87.3	83.9
Share of profits of associated companies		+ 100.0	–
Other operating income	*2.*	271.3	170.8
Costs and expenses			
Materials, supplies and goods			
Purchased during the period		7 565.5	5 563.9
Decrease (+) in inventories		40.0	522.6
Outside services		2 976.7	2 824.1
Personnel expenses	*3.*	3 082.9	2 623.2
Rents		232.5	215.1
Other costs and expenses		688.8	520.4
		– 14 586.4	– 12 269.3
Depreciation according to plan	*4.1.*	– 1 188.7	– 1 103.8
Operating profit		**2 404.4**	**1 921.9**
Financial income and expenses			
Dividend income		10.5	11.2
Interest income on long-term investments		25.2	55.9
Interest income on short-term investments		145.7	296.6
Exchange rate differences		275.1	– 141.9
Interest expenses		– 1 219.2	– 1 669.6
Other financial expenses		– 49.4	– 67.8
Depreciation on investments		– 13.8	–
		– 825.9	– 1 515.6
Profit after financing items		**1 578.5**	**406.3**
Extraordinary income and expenses	*6.*		
Extraordinary income		409.7	336.7
Extraordinary expenses		– 54.9	– 294.8
		354.8	41.9
Profit before reserves and taxes		**1 933.3**	**448.2**
Increase (–) in accumulated depreciation	*4.2.*	– 1 474.5	– 621.9
Decrease (+) in voluntary reserves		0.1	235.0
Direct taxes			
For the period		– 73.3	– 5.3
For previous periods		16.6	16.1
Profit for the period before minority interest		**402.2**	**72.1**
Minority interest		10.4	38.2
Profit for the period		**412.6**	**110.3**

Consolidated balance sheet

ASSETS	Note	31.12.1994 FIM mill.	31.12.1993 FIM mill.
Fixed assets and other long-term investments	7.–9.		
Intangible assets			
Intangible rights		63.0	43.5
Goodwill		12.1	5.5
Goodwill on consolidation		53.4	114.1
Other fixed assets		108.4	70.6
		236.9	233.7
Tangible assets			
Land and water		3 354.9	3 283.6
Buildings and structures		3 372.9	3 190.8
Machinery and equipment		11 381.3	10 488.5
Other tangible assets		547.1	576.9
Advance payments and construction in progress		309.0	1 132.5
		18 965.2	18 672.3
Financial assets			
Shares and holdings, associated companies		1 859.2	146.9
Shares and holdings, other companies		506.5	559.7
Loans receivable		74.6	73.1
		2 440.3	779.7
		21 642.4	**19 685.7**
Valuation items	10.		
Capitalized interest		**279.0**	**264.1**
Current assets	11.		
Inventories			
Materials and supplies		1 010.0	864.0
Work in progress		121.7	117.9
Finished products		988.2	789.1
Advance payments		179.5	22.3
		2 299.4	**1 793.3**
Receivables			
Accounts receivable		2 775.9	2 159.6
Loans receivable		14.2	40.0
Prepaid expenses		231.4	580.8
Other receivables		540.8	396.0
		3 562.3	**3 176.4**
Investments			
Other investments		**1 071.6**	**2 504.6**
Cash and bank		**453.3**	**407.8**
		29 308.0	**27 831.9**

LIABILITIES	Note	31.12.1994 FIM mill.	31.12.1993 FIM mill.
Shareholders' equity	13.		
Non-distributable shareholders' equity			
Share capital		2 138.9	2 138.7
Reserve fund		2 413.5	2 389.7
Revaluation fund		353.0	360.5
		4 905.4	4 888.9
Distributable shareholders' equity			
Other shareholders' equity		650.4	651.3
Retained earnings		8.4	76.7
Profit for the period		412.6	110.3
		1 071.4	838.3
		5 976.8	**5 727.2**
Minority interests		**68.4**	**285.2**
Reserves	14.		
Accumulated depreciation		**2 708.4**	**1 324.7**
Voluntary reserves			
Investment reserve		365.3	–
Transitional reserve		638.2	639.6
Other voluntary reserves		4.2	41.9
		1 007.7	**681.5**
Obligatory provisions		**49.1**	**–**
Long-term and current liabilities			
Long-term	15.		
Bond loans		361.8	647.3
Convertible bond loans		776.1	774.9
Loans from financial institutions		8 874.1	8 894.9
Pension loans		2 552.1	2 831.9
Other long-term liabilities		215.1	193.7
		12 779.2	**13 342.7**
Current			
Loans from financial institutions		1 601.2	2 444.6
Pension loans		157.8	166.6
Advances received		59.5	36.5
Accounts payable		1 161.7	1 144.0
Accrued liabilities		1 264.0	1 145.2
Other current liabilities		2 474.2	1 533.7
		6 718.4	**6 470.6**
		29 308.0	**27 831.9**

Consolidated source and application of funds

	1994 FIM mill.	1993[1)] FIM mill.
Operations		
Funds from operations		
Operating profit	2 404.4	1 921.9
Depreciation	1 188.7	1 103.8
Financial income and expenses	– 825.9	– 1 515.6
Extraordinary items	354.8	41.9
Taxes	– 56.7	10.8
Share of results of associated companies	– 136.1	–
	2 929.2	**1 562.8**
Change in working capital		
Increase (–) in inventories	– 506.1	714.8
Increase (–) in current receivables	– 411.6	– 393.7
Increase (+) in non-interest bearing current liabilities	1 168.9	– 180.8
	251.2	**140.3**
Cash flow from operations	**3 180.4**	**1 703.1**
Investments		
Capital expenditure	– 3 798.3	– 3 077.3
Proceeds from sale of fixed assets[2)]	769.3	1 328.6
	– 3 029.0	**– 1 748.7**
Cash flow before financing	**151.4**	**– 45.6**
Financing		
Decrease (+) in long-term receivables	24.2	559.4
Decrease (–) in long-term loans	– 1 363.6	– 1 337.5
Decrease (–) in short-term loans	– 71.9	264.9
Dividends	– 113.3	– 59.4
Share issue	0.5	800.2
Other financing items	– 1.0	16.7
	– 1 525.1	**244.3**
Decrease (–) in liquid funds in statement	**– 1 373.7**	**198.7**
Adjustments	– 13.7	– 84.6
Decrease (–) in liquid funds in balance sheet	**– 1 387.4**	**114.1**
Liquid funds in balance sheet at 31.12.1993	**– 2 912.4**	**– 2 798.3**
Liquid funds in balance sheet at 31.12.1994	**1 525.0**	**2 912.4**
	– 1 387.4	**114.1**

1) Restated to correspond with the 1994 Statement of Source and Application of Funds.
Effect of changes in Group structure eliminated.
2) Profits from asset sales are included under “Funds from operations”.

Parent company, income statement

	Note	1994 FIM mill.	1993 FIM mill.
Net sales	1.	**10 260.0**	**8 918.0**
Finished and semi-finished goods, decrease (–)		– 79.1	– 167.6
Production for own use		37.5	36.4
Other operating income	2.	174.3	120.9
Costs and expenses			
Materials, supplies and goods			
Purchased during the period		4 689.3	3 535.1
Decrease (+) in inventories		91.9	374.9
Outside services		2 091.4	1 692.4
Personnel expenses	3.	1 302.0	1 261.4
Rents		132.5	124.4
Other costs and expenses		94.9	100.1
		– 8 402.0	– 7 088.3
Depreciation according to plan	4.1.	– 481.7	– 460.2
Operating profit		**1 509.0**	**1 359.2**
Financial income and expenses	5.		
Dividend income		46.3	18.5
Interest income on long-term investments		374.5	316.5
Interest income on short-term investments		128.3	309.2
Other financial income		22.9	23.8
Exchange rate differences		211.3	– 68.0
Interest expenses		– 1 103.0	– 1 476.4
Other financial expenses		– 26.2	– 66.4
Depreciation on investments		– 28.3	–
		– 374.2	– 942.8
Profit after financing items		**1 134.8**	**416.4**
Extraordinary income and expenses	6.		
Extraordinary income		450.3	561.9
Extraordinary expenses		– 290.1	– 497.9
		160.2	64.0
Profit before reserves and taxes		**1 295.0**	**480.4**
Increase (–) in accumulated depreciation	4.2.	– 703.9	– 336.9
Decrease (+) in voluntary reserves		–	219.8
Direct taxes			
For the period		– 56.1	– 1.1
For previous periods		– 8.5	– 15.4
Profit for the period		**526.5**	**346.8**

Parent company, source and application of funds

	1994 FIM mill.	1993 FIM mill.
Operations		
Funds from operations		
Operating profit	1 509.0	1 359.2
Depreciation	481.7	460.2
Financial income and expenses	– 374.2	– 942.8
Extraordinary items	160.2	64.0
Taxes	– 64.6	– 16.5
	1 712.1	**924.1**
Change in working capital		
Increase (–) in inventories	– 182.2	542.5
Increase (–) in current receivables	– 5.6	– 432.2
Increase (+) in non-interest bearing current liabilities	625.7	610.8
	437.9	**721.1**
Cash flow from operations	**2 150.0**	**1 645.2**
Investments		
Capital expenditure	– 2 331.2	– 2 390.6
Proceeds from sale of fixed assets	540.3	1 284.1
	– 1 790.9	**– 1 106.5**
Cash flow before financing	**359.1**	**538.7**
Financing		
Increase (–) in long-term receivables	– 873.0	– 1 839.6
Decrease (–) in long-term loans	– 1 135.6	1 018.6
Increase (+) in short-term loans	363.8	– 190.6
Dividends	– 113.3	– 57.3
Share issue	0.5	800.2
Other financing items	37.7	9.4
	– 1 719.9	**– 259.3**
Decrease (–) in liquid funds in balance sheet	**– 1 360.8**	**279.4**
Liquid funds in balance sheet at 31.12.1993	**– 2 901.4**	**– 2 622.0**
Liquid funds in balance sheet at 31.12.1994	**1 540.6**	**2 901.4**
	– 1 360.8	**279.4**

Parent company, balance sheet

ASSETS	Note	31.12.94 FIM mill.	31.12.93 FIM mill.
Fixed assets and other long-term investments	7.–9. and 17.		
Intangible assets			
Intangible rights		31.3	30.1
Goodwill		1.8	–
Other fixed assets		3.3	7.7
		36.4	37.8
Tangible assets			
Land and water		3 091.3	3 005.4
Buildings and structures		1 341.4	1 321.2
Machinery and equipment		3 930.8	4 171.4
Other tangible assets		315.8	318.1
Advance payments and construction in progress		142.6	57.7
		8 821.9	8 873.8
Long-term investments and loans receivable			
Shares and holdings, Group companies		4 252.8	4 521.8
Shares and holdings, associated companies		1 669.1	156.7
Shares and holdings, other companies		472.4	464.3
Loans receivable		4 320.7	3 535.2
		10 715.0	8 678.0
		19 573.3	**17 589.6**
Valuation items			
Capitalized interest	10.	**73.5**	**82.9**
Current assets	11.		
Inventories			
Materials and supplies		521.3	528.0
Work in progress		92.9	104.8
Finished products		401.2	365.8
Advance payments		174.8	9.4
		1 190.2	**1 008.0**
Receivables			
Accounts receivable		1 440.5	1 167.6
Loans receivable		526.4	438.9
Prepaid expenses		176.2	409.1
Other receivables		351.4	385.9
		2 494.5	**2 401.5**
Other current assets		**1 452.7**	**2 744.4**
Cash and bank		**88.0**	**157.0**
		24 872.2	**23 983.4**

LIABILITIES	Note	31.12.94 FIM mill.	31.12.93 FIM mill.
Shareholders' equity	13.		
Non-distributable shareholders' equity			
Share capital		2 138.9	2 138.7
Reserve fund		2 358.7	2 358.4
Revaluation fund		332.4	339.5
		4 830.0	4 836.6
Distributable shareholders' equity			
Other shareholders' equity		640.0	640.0
Retained earnings		253.7	20.2
Profit for the period		526.5	346.8
		1 420.2	1 007.0
		6 250.2	**5 843.6**
Reserves	14.		
Accumulated depreciation difference		**1 740.9**	**1 112.5**
Voluntary reserves			
Transitional reserve		**542.0**	**542.0**
Long-term and current liabilities			
Long-term	15.		
Bond loans		361.8	647.3
Convertible bond loans		776.1	774.9
Loans from financial institutions		7 515.5	6 860.5
Pension loans		2 452.4	2 683.6
Other long-term liabilities		50.8	48.9
		11 156.6	**11 015.2**
Current			
Loans from financial institutions		1 059.7	2 362.7
Pension loans		149.7	154.4
Advances received		45.4	32.1
Accounts payable		592.4	570.2
Accrued liabilities		670.6	803.7
Other current liabilities		2 664.7	1 547.0
		5 182.5	**5 470.1**
		24 872.2	**23 983.4**

Notes to the financial statements

Principles of consolidation

The financial statements have been prepared in accordance with Finland's revised Accounting Act. The income statement and balance sheet for 1993 have been reclassified to correspond with the new practice. Items for previous years arising from the change in accounting practice have been entered under extraordinary items.

SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the parent company and other companies in which, either directly or indirectly, the parent company holds more than half of all voting rights, or in which it has a controlling interest as defined in Chapter 1, § 2 of the Companies Act.

Housing and real estate companies are not included. These companies have no bearing on the Group's financial result or distributable shareholders' equity.

Companies acquired during the year are included in the consolidated financial statements from the date of acquisition. Companies sold are included up to the date of sale. A list of subsidiary and associated companies appears under note 17 in these Notes to the accounts.

PRINCIPLES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been prepared in Finnish markka (FIM). The consolidated financial statements comprise the combined income statements and balance sheets of the parent company and its subsidiaries. All inter-company transactions, receivables, liabilities and profits as well as the distribution of profits within the Group have been eliminated. Minority interests have been disclosed separately from the shareholders' equity and profit of each subsidiary.

The past equity method of consolidation has been adopted. The difference between the acquisition cost of shares in subsidiaries and shareholders' equity at the date of acquisition is generally entered as goodwill. Reserves are not included in shareholders' equity at the date of acquisition. Goodwill is amortized over a period of 10 years, with the exception of Pakenso Sweden Ab, for which goodwill is being amortized over 20 years. Negative goodwill is credited against losses of acquired companies. The planned amortization of goodwill of companies acquired before 1994 has not been changed.

Unless local regulations require otherwise, the financial statements of foreign subsidiaries have been prepared using the same accounting principles as for the Enso Group.

Associated companies in which Enso's interest is 20–50% have been consolidated using the equity method. The Group's share of retained earnings from previous periods is entered as extraordinary income. Dividends received from associated companies have been deducted from Group dividends received. Pankavara Insurance Company has been consolidated using the equity method.

FOREIGN CURRENCIES

Foreign currency receivables and debts of the parent company and its Finnish subsidiaries have been converted into Finnish markka using the Bank of Finland's average exchange rate at the balance sheet date. Exchange gains and losses arising on translation of foreign currency receivables and debts have been entered in the income statement as adjustments to either sales or purchases or as exchange rate differences under financial income and expenses.

The accounts of overseas subsidiaries have been translated into Finnish markka using the Bank of Finland's average exchange rate at the balance sheet date. Translation differences arising on elimination of shareholders' equity of overseas subsidiaries have been entered in the balance sheet under shareholders' equity in relation to distributable and non-distributable shareholders' equity at the date of acquisition of the subsidiary in question. Changes in the value of instruments used to hedge shareholders' equity of overseas subsidiaries in foreign currencies have been entered under shareholders' equity in the consolidated balance sheet.

NET SALES

Net sales includes the sale of products and services, raw materials and supplies and energy. The cost of delivery and sales previously included in net sales is now included in operating expenses.

OTHER OPERATING INCOME

Other operating income includes all income from operations excluding extraordinary income from fixed assets sales, income from rents, contributions received and compensation paid by insurance companies.

OBLIGATORY PROVISIONS

Provision is made for future costs to which the Group is committed and which are unlikely to be matched by any future income, as well as for losses that are considered likely in the future. Changes in obligatory provisions appear in the income statement.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost and are shown in the balance sheet as residual value after depreciation according to plan. Land is stated at revalued amounts. Depreciation according to plan on fixed assets is calculated on a straight-line basis from the acquisition cost and is based on the following expected useful lives:

– buildings, structures and hydro-electric power stations	20–40 years
– machinery and equipment	10–20 years
– motor vehicles and office equipment	5 years
– other tangible assets	10–20 years
– intangible assets	5–10 years

The above expected useful lives comply with those recommended by the Finnish Forest Industries Federation.

For tax purposes, depreciation may be made in excess of plan. The difference between depreciation made and depreciation according to plan for the period is included in adjustments and the accumulated difference in the balance sheet under reserves.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is calculated to include the variable costs of acquisition and manufacture of inventories and an appropriate portion of the fixed overhead costs.

VALUATION ITEMS

Construction-time interest expenses related to major investment projects are capitalized under valuation items. Capitalized interest is amortized on a straight-line basis over 10 years and is entered under interest expenses.

PENSION SCHEMES

Pension cover for employees of the Group's domestic companies is arranged partly through Enso's own pension funds and partly through Finnish insurance companies. Pension arrangements for overseas subsidiaries are made in accordance with the practice of the country in question. Pension costs are included in statutory employer's contributions.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. The cost of equipment acquired for research and development purposes is capitalized under fixed assets.

EXTRAORDINARY ITEMS

Substantial profits and losses unconnected with normal business operations and which are exceptional in nature are presented in the income statement as extraordinary items. Extraordinary items also includes adjustments arising from changes in accounting principles.

TAXES

The consolidated income statement includes taxes for the parent company and its subsidiaries in respect of financial results or the distribution of dividends. No deferred tax is calculated in respect of allocations to reserves.

Corporate tax credits arising from the distribution of dividends by subsidiaries is deducted from direct taxes in the consolidated income statement.

Notes to the income statement and balance sheet

	Group 1994 FIM mill.	Group 1993 FIM mill.	Parent company 1994 FIM mill.	Parent company 1993 FIM mill.
1.1. Net sales by country				
Finland	3 488.4	2 920.1	3 676.7	3 064.5
Germany	2 073.1	2 066.0	960.4	976.8
UK	2 196.7	1 928.9	885.1	839.1
The Netherlands	1 179.0	1 083.8	605.1	634.9
Spain	1 245.8	981.2	571.5	489.6
France	916.8	689.1	551.5	467.7
Italy	535.7	521.8	299.9	309.1
Other EU countries	2 162.5	1 782.6	849.9	579.8
Other European countries	617.5	708.2	282.3	371.0
North America	387.4	297.7	76.7	89.3
Far East and Southeast Asia	1 734.7	1 275.5	894.6	705.8
Other countries	1 173.7	976.7	606.3	390.4
	17 711.3	15 231.6	10 260.0	8 918.0
1.2. Net sales by division				
Base Industries	4 532.8	3 464.1	3 614.4	2 649.0
Packaging Boards	3 543.2	3 236.5	2 566.7	2 792.8
Graphic Papers and Boards	4 111.1	3 654.9	3 017.7	2 644.3
Industrial Papers and Boards	2 821.4	2 128.8	1 061.2	831.9
Publication Papers	4 003.8	3 247.4	–	–
Marketing and other transport companies	1 016.1	818.2	–	–
Eliminations	– 2 317.1	– 1 318.3	–	–
	17 711.3	15 231.6	10 260.0	8 918.0
2. Other operating income				
Profit from sale of fixed assets	141.9	40.9	114.2	39.7
Other	129.4	129.9	60.1	81.2
	271.3	170.8	174.3	120.9
3. Personnel expenses				
Wages and salaries	2 310.0	2 032.8	933.6	947.5
Pension costs	443.0	303.5	220.6	162.5
Other statutory employer's contributions	329.9	286.9	147.8	151.4
	3 082.9	2 623.2	1 302.0	1 261.4
Fringe benefits	10.9	7.8	3.5	4.0
	3 093.8	2 631.0	1 305.5	1 265.4
4.1. Depreciation according to plan				
Intangible rights	9.5	8.0	5.0	4.7
Goodwill	1.3	–	0.3	–
Other fixed assets	15.3	–	1.7	1.6
Buildings and structures	137.8	113.2	57.3	45.8
Machinery and equipment	993.8	915.1	389.7	381.4
Other tangible assets	50.4	58.7	27.7	26.7
Goodwill on consolidation	28.2	11.8	–	–
Crediting of negative goodwill	– 47.6	– 3.0	–	–
	1 188.7	1 103.8	481.7	460.2
4.2. Change in depreciation difference				
Intangible rights	– 0.3	– 0.7	– 0.3	– 0.5
Other fixed assets	2.0	3.3	– 1.0	– 0.6
Buildings and structures	132.8	88.1	28.9	– 1.4
Machinery and equipment	1 292.6	533.1	643.9	339.9
Other tangible assets	47.4	– 1.9	32.4	– 0.5
	1 474.5	621.9	703.9	336.9
5. Intra-Group financial income and expenses				
Financial income from Group companies				
Dividend received			23.5	8.6
Interest income on long-term investments			352.6	263.7
Interest income on short-term investments			18.7	51.2
			394.8	323.5
Financial expenses to Group companies				
Interest expenses			106.3	147.0

	Group 1994 FIM mill.	Group 1993 FIM mill.	Parent company 1994 FIM mill.	Parent company 1993 FIM mill.
6. Extraordinary income and expenses				
Extraordinary income				
Retained earnings from associated companies	50.8	–	–	–
Profit on merger	–	–	136.3	–
Change in valuation practice for product stocks	211.7	–	102.6	–
Profit on sale of shares	147.2	242.2	146.4	469.3
Group contributions received	–	–	65.0	6.4
Consideration on merger	–	94.5	–	86.2
	409.7	336.7	450.3	561.9
Extraordinary expenses				
Change in valuation practice for spare parts stocks	36.0	–	15.2	–
Fine imposed by EU Commission on board manufacturers	18.9	–	18.9	–
Group contributions made	–	–	256.0	363.0
Unemployment pension insurance contributions	–	99.0	–	63.0
Write-down in value of shares	–	71.9	–	71.9
Loss on sale of shares	–	47.2	–	–
Compensation to sales associations	–	42.0	–	–
Extraordinary depreciation of goodwill	–	34.7	–	–
	54.9	294.8	290.1	497.9

7. Tangible and intangible assets

	Goodwill	Negative goodwill	Other intangible rights and goodwill	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets
GROUP							
Acquisition cost 1 Jan.	287.6	– 89.1	173.5	3 283.6	3 789.9	14 614.5	798.6
Increase	4.4	– 74.7	91.9	138.7	354.4	2 390.7	35.8
Decrease	– 25.0	27.6	– 3.7	– 67.4	– 148.0	– 1 480.9	– 52.2
Acquisition cost 31 Dec.	267.0	– 136.2	261.7	3 354.9	3 996.3	15 524.3	782.2
Accumulated depreciation 31 Dec.	– 178.2	100.8	– 78.2	–	– 623.4	– 4 143.0	– 235.1
Book value 31 Dec. 1994	88.8	– 35.4	183.5	3 354.9	3 372.9	11 381.3	547.1
Book value 31 Dec. 1993	122.3	– 8.2	119.6	3 283.6	3 190.8	10 488.5	576.9
Accumulated depreciation difference 1 Jan. 1994			2.3	–	278.8	1 029.4	14.2
Increase			0.5	–	97.0	1 351.9	50.6
Decrease			– 1.9	–	– 19.9	– 92.3	– 2.2
Accumulated depreciation difference 31 Dec. 1994			0.9	–	355.9	2 289.0	62.6
PARENT COMPANY							
Acquisition cost 1 Jan.			67.0	3 005.4	1 685.6	6 478.9	467.0
Increase			10.8	120.4	159.8	668.7	31.5
Decrease			– 6.6	– 34.5	– 131.6	– 854.4	– 22.5
Acquisition cost 31 Dec.			71.2	3 091.3	1 713.8	6 293.2	476.0
Accumulated depreciation 31 Dec.			– 34.8	–	– 372.4	– 2 362.4	– 160.2
Book value 31 Dec. 1994			36.4	3 091.3	1 341.4	3 930.8	315.8
Book value 31 Dec. 1993			37.8	3 005.4	1 321.2	4 171.4	318.1
Accumulated depreciation difference 1 Jan. 1994			2.3	–	138.2	969.4	2.6
Increase			0.3	–	46.2	644.0	32.5
Decrease			– 1.6	–	– 17.3	– 75.7	–
Accumulated depreciation difference 31 Dec. 1994			1.0	–	167.1	1 537.7	35.1

	Group 1994 FIM mill.	Group 1993 FIM mill.	Parent company 1994 FIM mill.	Parent company 1993 FIM mill.
8. Taxable value of fixed assets, domestic Group companies				
Land	1 157.1	1 367.3	1 104.5	1 310.8
Buildings and structures	1 217.3	1 262.8	551.5	555.3
Shares and holdings	841.4	635.8	3 296.6	3 089.6

Book value is reported in cases where tax value was not available.

9. Stocks, shares and loans receivable relating to long-term investments

Group companies				
Shares			4 252.8	4 521.8
Loans receivable			4 260.5	3 480.5
Total			8 513.3	8 002.3
Associated companies				
Shares			1 669.1	156.7
Loans receivable			46.8	32.6
Total			1 715.9	189.3

10. Valuation items

Capitalized interest 1 Jan.	264.1	280.8	82.9	92.3
Increase 1 Jan.–31 Dec.	44.4	12.8	–	–
Decrease 1 Jan.–31 Dec.	– 29.5	– 29.5	– 9.4	– 9.4
Capitalized interest 31 Dec.	279.0	264.1	73.5	82.9

11. Current assets

The value of supplies and spare parts has been included in inventories. Other inventory items over eight years old and valued at FIM 15.2 million have been written off in the income statement as extraordinary expenses.

Inventories 1 Jan.			1 008.0	
Fixed costs			102.6	
Change in inventories			– 170.9	
Transfer of supplies and spare parts			85.1	
Advance payments			165.4	
Inventories 31 Dec.			1 190.2	

Receivables due for payment within one year or more				
Accounts receivable	47.8	–	9.5	–

Receivables and liabilities, Group companies and associated companies				
Accounts receivable, Group companies			370.1	165.4
Accounts receivable, associated companies			42.0	33.9
Loans receivable, Group companies			514.1	413.6
Loans receivable, associated companies			9.4	11.4
Prepaid expenses, Group companies			18.0	45.8
Prepaid expenses, associated companies			0.2	5.2
Other receivables, Group companies			135.7	138.0
Other receivables, associated companies			1.4	3.7
Other securities, Group companies			387.5	242.2
Receivables total			1 478.4	1 059.2
Current liabilities, Group companies			–	699.5
Accounts payable, Group companies			106.6	94.4
Accounts payable, associated companies			63.4	17.7
Accrued liabilities, Group companies			5.4	137.2
Accrued liabilities, associated companies			8.0	–
Other current liabilities, Group companies			513.7	657.8
Other current liabilities, associated companies			100.0	44.2
Liabilities total			797.1	1 650.8

12. Management pension commitments and loans made to management or shareholders

In accordance with the decision of the Supervisory Board, the members of the Board of Directors may retire at the age of 60.

Loans to company management at 31 December 1994 totalled FIM 0.7 million. The interest on these loans is 0.5% above the Bank of Finland's base rate. The loans are repayable within the next 4–6 years.

	Group 1994 FIM mill.	Group 1993 FIM mill.	Parent company 1994 FIM mill.	Parent company 1993 FIM mill.
13. Shareholders' equity				
Share capital 1 Jan.	2 138.7	1 431.6	2 138.7	1 431.6
Rights share issue	–	707.0	–	707.0
Exchange of bonds for shares	0.2	0.1	0.2	0.1
Share capital 31 Dec.	2 138.9	2 138.7	2 138.9	2 138.7
Reserve fund 1 Jan.	2 389.7	1 348.6	2 358.4	1 339.0
Premiums received	–	1 019.3	–	1 019.3
Premium on exchange of bonds	0.3	0.1	0.3	0.1
Translation difference	23.5	21.7	–	–
Reserve fund 31 Dec.	2 413.5	2 389.7	2 358.7	2 358.4
Revaluation reserve 1 Jan.	360.5	384.4	339.5	350.5
Decrease, sale of fixed assets	– 7.4	– 24.0	– 7.0	– 11.0
Translation difference	– 0.1	0.1	–	–
Revaluation reserve 31 Dec.	353.0	360.5	332.5	339.5
Distributable shareholders' equity 1 Jan.	838.3	833.1	1 007.0	717.5
Dividend paid	– 112.3	– 57.3	– 112.3	– 57.3
Placed at the disposal of the Board of Directors	– 1.0	–	– 1.0	–
Translation difference	– 66.2	– 47.8	–	–
Profit for the period	412.6	110.3	526.5	346.8
Distributable shareholders' equity 31 Dec.	1 071.4	838.3	1 420.2	1 007.0

The distributable shareholders' equity is available in full for distribution as dividend.

Breakdown of share capital	1994	1993
Series A shares (1 vote/share)	105 440 126	105 422 912
Series R shares (1 vote/10 shares, min. 1 vote)	108 444 978	108 444 978
	213 885 104	213 867 890

Series A shares (1 vote/share)	1 054.4	1 054.2
Series R shares (1 vote/10 shares, min. 1 vote)	1 084.5	1 084.5
	2 138.9	2 138.7

Subsidiaries hold 5644 Series R shares, nominal value FIM 56 440. At 31 December 1994, members of the Supervisory Board, members and deputy members of the Board of Directors, and the Managing Director held 91 Series A shares and 759 Series R shares, total 850 shares, which carry 0.0% of the voting rights. The convertible bond issues have no effect on the management's voting rights in the company.

14. Reserves

	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Accumulated depreciation difference by type of fixed asset				
Intangible rights	2.8	3.1	2.6	2.9
Other fixed assets	– 1.9	– 0.8	– 1.6	– 0.6
Buildings and structures	355.9	278.8	167.1	138.2
Machinery and equipment	2 289.0	1 029.4	1 537.7	969.4
Other tangible assets	62.6	14.2	35.1	2.6
	2 708.4	1 324.7	1 740.9	1 112.5
Voluntary reserves				
Investment reserve	365.3	–	–	–
Transitional reserve	638.2	639.6	542.0	542.0
Other voluntary reserves	4.2	41.9	–	–
	1 007.7	681.5	542.0	542.0

The investment reserve includes investment contributions received by Sachsen Papier Eilenburg GmbH. These are credited against depreciation according to plan in accordance with the expected useful life of fixed assets.

	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Change in voluntary reserves				
Inventory reserve	–	447.9	–	387.5
Operational reserve	–	370.8	–	331.9
Transitional reserve	1.5	– 639.6	–	– 542.0
Credit loss reserve	–	49.6	–	42.4
Other reserves	– 1.4	6.3	–	–
	0.1	235.0	–	219.8

Deferred tax on voluntary reserves computed at the rate of 25% is FIM 929 million.

	Group 1994 FIM mill.	Group 1993 FIM mill.	Parent company 1994 FIM mill.	Parent company 1993 FIM mill.
15. Long-term liabilities				
Liabilities maturing in five years or more				
Bond loans	–	256.5	–	256.5
Loans from financial institutions	2 230.0	2 573.6	1 472.5	2 538.1
Pension loans	1 972.1	2 256.9	1 853.7	2 180.4
Other loans	97.4	56.4	45.7	–
Total	4 299.5	5 143.4	3 371.9	4 975.0

Bond loans, parent company		**mill.**	**1994**	**1993**		
10%	1989–2002	DKK	–	300	–	256.5
7%	1991–1996	CHF	100	100	361.8	390.8
Total					361.8	647.3

	Parent company 1994	Parent company 1993
Convertible bond loans, parent company		
10% 1991–1998	700.0	700.0
10% 1991–1998	75.0	75.0
Loan principal, paid	775.0	775.0
– exchanged for shares 4 Jan.–2 April 1993	– 0.1	– 0.1
– exchanged for shares 4 Jan.–2 April 1994	– 0.5	–
	774.4	774.9
Warrant bond loan to company management		
6% 1994–1999	1.7	–
31 Dec.	776.1	774.9

Bearers are entitled to convert their bonds into company shares, with each FIM 1000 bond entitling the bearer to 38 Series A shares, which have a nominal value of FIM 10. Bonds may be converted between 4 January and 2 April each year, with the exception of 1998, when the conversion period will be 4 January to 20 June. As a result of the conversion of bonds, the company's share capital may be increased by a maximum of FIM 294 500 000, corresponding to a maximum increase of 29 450 000 in the number of the company's shares and to 29 450 000 in the number of votes.

Bonds with warrants issued for subscription by the company's management. Each bond entitles the bearer to subscribe one (1) Enso-Gutzeit Oy Series A share, nominal value ten Finnish markka (FIM 10), at a price of FIM 46.21. Shares may be subscribed between 1 December 1998 and 31 January 2001. The resulting increase in the company's share capital may be a maximum of FIM 17 000 000, i.e. 1 700 000 new shares.

	Group 1994	Group 1993	Parent company 1994	Parent company 1993
16. Securities and guarantees				
On own behalf				
Mortgages	3 488.2	2 572.3	2 167.7	2 357.9
On behalf of Group companies				
Pledges given	–	–	132.2	114.7
Guarantees	–	–	1 096.8	3 287.5
On behalf of associated companies				
Mortgages	2.5	2.5	2.5	2.5
Guarantees	239.5	153.5	239.5	148.9
On behalf of others				
Mortgages	26.3	–	–	–
Guarantees	53.6	42.5	44.4	41.9
Other commitments, own				
Leasing commitments	75.7	88.9	9.9	15.1
Pension liability	0.2	0.2	0.2	0.2
Other commitments	5.7	–	–	–
Total				
Pledges given	–	–	132.2	114.7
Mortgages	3 517.0	2 574.8	2 170.2	2 360.4
Guarantees	293.1	196.0	1 380.7	3 478.3
Leasing commitments	75.7	88.9	9.9	15.1
Pension liability	0.2	0.2	0.2	0.2
Other commitments	5.7	–	–	–
	3 891.7	2 859.9	3 693.2	5 968.7

The company has undertaken, together with Enocell Oy, to guarantee unconditionally up to a maximum of FIM 300 million to Imatran Voima Oy, the construction and operation of a power station at Uimaharju pulp mill. The commitment is valid until 31 December 1995.

17. Shares and holdings

	% of shares and voting rights held by Group	Parent company share-holding, %	No. of shares held by parent company	Nominal value of shares held by parent company	Book value of shares held by parent company, FIM 1000
SUBSIDIARIES, foreign					
Berghuizer-Enso Formaatfabriek B.V., Wapenveld	99.7	50.0	6 000	1 000	10 452
Berghuizer Papierfabriek N.V., Wapenveld	99.7	99.7	1 921 155	10	283 679
Enso-Eurocan Asia Pacific Ltd., Hong Kong	100.0	100.0	540 000	10	1 264
Enso AG, Zürich	96.7	96.7	145	1 000	399
Enso A/S, Copenhagen	100.0	100.0	500	1 000	639
Enso (Deutschland) Verwaltungs GmbH, Hamburg	100.0	100.0	1	20 000 000	282 288
Enso Finance B.V., Amsterdam	100.0	100.0	500	1 000	1 038
Enso (France) S.A., Paris	99.9	99.9	4 993	100	195
Enso (Holland) B.V., Amsterdam	100.0	100.0	174	1 000	6 907
Enso Iberica, S.A., Madrid	99.9	99.9	1 398	100 000	4 151
Enso International Inc., Stamford	100.0	100.0	100	400	155
Enso Italia S.r.l., Milan	100.0	100.0	199 900	1 000	716
Enso Norge A/S, Oslo	100.0	100.0	400	1 000	282
S.A. Enso N.V., Brussels	99.9	99.9	999	1 250	164
Ensopack Limited, Barbados	97.1	97.1	6 020 000	1	12 210
Enso Trading Ab, Uppsala	100.0	100.0	500	100	43
Enso Trading Handelsgesellschaft mbH, Vienna	100.0	100.0	1	500 000	111
Enso (UK) Ltd., Orpington	100.0	100.0	2 900 000	1	24 084
Enweco N.V., Antwerp	60.0	20.0	3 000	1 000	336
Other foreign subsidiary shares					7
					629 120
SUBSIDIARIES, Finnish					
Oy Borgå Stuveri Ab, Porvoo	100.0	100.0	6 000	3	38
Corenso United Oy Ltd., Helsinki	53.0	53.0	82 680	1 000	109 138
Enocell Oy, Eno	98.4	98.4	25 200	10 000	1 196 000
Enso Cartonboards Oy Ltd., Anjalankoski	100.0	100.0	2 000 000	100	470 000
Enso Forest Development Oy Ltd., Imatra	100.0	100.0	10 000	100	2 000
Enso Publication Papers Oy Ltd., Helsinki	100.0	100.0	8 000 000	100	1 100 000
Enso-Yhteispalvelut Oy, Anjalankoski	100.0	100.0	100 000	100	30 000
Laminating Papers Ltd., Helsinki	100.0	100.0	60 000	1 000	120 000
Pakenso Oy, Helsinki	100.0	100.0	5 500 000	20	115 590
Pakkaus-Piste Oy, Helsinki	100.0	100.0	13 600	150	1 000
Puumerkki Oy, Helsinki	100.0	100.0	98 000	500	125 108
Oy Stockfors Ab, Helsinki	100.0	100.0	945 000	60	107 698
Tervakoski Oy, Janakkala	100.0	100.0	1 000 000	100	200 000
Vakuutusosakeyhtiö Pankavara, Helsinki	100.0	100.0	219 999	100	34 245
Other domestic subsidiary shares					252
Shares in housing and real estate companies					12 572
					3 623 641

Main subsidiary shareholdings in sub-groups	Group holding %
Cartiberia, S.A., Barcelona	51.0
Enso Española, S.A., Barcelona	100.0
Enso Papier Format GmbH, Lübeck	100.0
Enso Rose Ltd., Orpington	100.0
Expopak Oy, Ruovesi	100.0
Pakenso Sweden Holding AB/Tambox AB, Jönköping	100.0
Pankakoski Boards Oy Ltd., Lieksa	100.0
Papeteries R Soustre & Fils S.A., St Seurin Sur l'Isle	100.0
Sachsen Papier Eilenburg GmbH, Eilenburg	100.0
Oy Uni-Pak Ab, Kristiinankaupunki	100.0

	% of shares and voting rights held by Group	Group's share of share-holders' equity, FIM mill.	Parent company share-holding, %	No. of shares held by parent company	Nominal value of shares held by parent company	Book value of shares held by parent company, FIM 1000	Profit/loss in latest accounts, FIM mill.
ASSOCIATED COMPANIES, foreign							
Bois du Nord (International) S.A., Evionnaz *)	30.0	7.5	30.0	150	1 000	3 744	1.6
Bois du Nord (Suisse) S.A., Evionnaz *)	30.0	0.7	30.0	30	1 000	203	0.1
Copap S.A., Paris	38.8	0.8	38.8	2 000	200	10 110	0.7
Ladenso Oy, Pitkäranta	49.0	4.4	49.0	490		17 603	0.0
AS Lumiforest, Tallinn	40.0	0.1	40.0	425	1 000	179	0.0
Other foreign associated company shares						58	
*) Year ended 31 December 1993						31 897	
ASSOCIATED COMPANIES, Finnish							
Golfimatra Oy, Imatra	28.6	3.1	27.8	283	10 000	3 292	0.0
Keräyskuitu Oy, Helsinki	31.2	12.6	31.2	9 383	1 000	7 944	0.0
Paperinkeräys Oy, Helsinki	40.4	14.6	40.4	36 372	10	273	0.0
Rauma-Enso Timber Sales Oy Ltd., Helsinki	50.0	4.7	50.0	250	1 000	250	3.1
Rouhialan Voimansiirto Oy, Porvoo	40.0	1.2	40.0	24	5 000	10 580	0.0
Steveco Oy, Hamina	36.7	103.6	36.7	11 017	1 000	14 848	42.0
Sunila Oy, Kotka	50.0	49.9	50.0	76 500	500	22 525	46.6
Tavastimber Oy Ltd., Renko	40.0	30.9	40.0	6 500	100	27 434	39.6
Veitsiluoto Oy, Kemi	35.0	1 056.9	35.0	19 080 958	10	1 500 000	141.5
Wisapak Oy Ab, Helsinki	35.0	27.1	35.0	35 000	1 000	35 000	– 2.4
Other Finnish associated company shares						933	
Shares in housing and real estate companies						14 156	
						1 637 235	
Sub-group associated companies							
Board Packaging Ltd., Amersham	33.0	0.2					0.1
Goiherri S.A., Legorreta	40.0	3.3					0.6
Imprex Products Asia Ltd., Hong Kong	50.0	11.6					4.5
Imprex Products Baltic Oy, Helsinki	50.0	0.5					– 0.6
WKC De Grift B.V., Wapenveld	50.0	4.4					0.0
Österbergs Förpackningsmaskiner AB, Göteborg	50.0	2.6					0.0

Shares held by parent company:	shareholding, %	no.	nominal value	book value FIM 1000
OTHER SHARES AND HOLDINGS				
EffJohn Oy Ab, Helsinki	6.8	919 154	20	36 590
Finnlines Oy, Helsinki	6.5	1 249 456	10	12 495
Indekon Oy, Lappeenranta	2.8	10 000	100	1 250
Oy Investa Ab, Helsinki	1.7	125 000	20	5 000
Kansallis-Metsä, Helsinki	4.3	5 000 000	1	5 000
Oy Keskuslaboratorio, Helsinki	19.8	726 335	1	1 039
Pohjolan Voima Oy, Oulu	4.4	1 253 520	10	280 748
Suomen Osakekeskusrekisteri Osuuskunta, Helsinki	3.6	15	70 000	1 050
Taimi-Tapio Oy, Helsinki	6.3	3 000	1 000	3 000
Vakuutusosakeyhtiö Sampo, Turku	2.2	310 119	20	91 163
Fincarta Capital S.p.A., Parma	10.0	85 000	1 000	1 896
FLAMAND, Treport	15.0	11 043	100	1 973
S.I.N.B.P.L.A., Bouguenais	15.0	23 027	100	17 839
Other shares and holdings				5 790
Shares in housing and real estate companies				6 761
Telephone and electricity board shares				823
				472 417

A detailed list of parent company and subsidiary shares and holdings is appended to the accounts.

Parent company, proposed distribution of profit

The consolidated balance sheet shows distributable shareholders' equity of FIM 1 071 462 136.44 at 31 December 1994. The parent company's balance sheet shows distributable shareholders' equity of FIM 1 420 170 328.96 at 31 December 1994.

The Board of Directors proposes that the profit for the financial year of FIM 526 466 185.39 be distributed as follows:

dividend of FIM 1.00 per share	213 885 104.00
to be retained	312 581 081.39
	FIM 526 466 185.39

Helsinki, 13 March 1995

Jukka Härmälä
Chairman
CEO

Juhani Pohjolainen
Vice Chairman
Executive Vice President

Pauli Hämäläinen Kimmo Kalela

Esko Mäkeläinen Paavo Pitkänen

Jouko Taukojärvi Paavo Uronen

Auditors' report

TO THE SHAREHOLDERS OF ENSO-GUTZEIT OY

We have audited the accounts, the accounting records and the administration of Enso-Gutzeit Oy for the 1994 financial year. The accounts prepared by the Board of Directors and Managing Director include, for both the Group and the parent company, a report on operations, an income statement, a balance sheet and notes to the financial statements. Based on our audit we submit the following statement on the accounts and administration.

We have audited the accounting records, and the accounts, disclosures and presentation of information, including the accounting policies, to the extent required by good auditing practice. The audit of the administration has included obtaining assurance that the actions of the members of the Supervisory Board and Board of Directors and the Managing Director have been in conformity with the relevant legislation.

A continuous audit has been carried out during the financial period by Salmi, Virkkunen & Helenius Oy (accountants) in conjunction with Enso-Gutzeit's internal auditors, and we have studied the reports of this audit.

In our opinion, the accounts, which for the parent company show a profit of FIM 526 466 185.39, have been prepared in accordance with the Accounting Act and other relevant legislation and regulations, and give a true and fair view of the results from operations and financial position of the parent company and the Group.

The accounts, including the consolidated financial statements, may be adopted and the members of the Supervisory Board and Board of Directors and the Managing Director may be discharged from liability for the 1994 financial year.

The proposal of the Board of Directors for disposal of the profit for the period is in accordance with the relevant legislation.

We have read the interim reviews published during the financial year. In our view they have been prepared in accordance with the relevant regulations.

Helsinki, 20 March 1995

Hannu Nieminen, CPFA

Salmi, Virkkunen & Helenius Oy
Certified Public Accountants

Olavi Naulapää, CPFA

Pekka Nikula, CPA

Statement of the Supervisory Board

The Supervisory Board of Enso-Gutzeit Oy has examined the Company's accounts, including the consolidated accounts, as well as the Auditors' Report for 1994. As its statement to the Ordinary Meeting of Shareholders, to be held on 20 April 1995, the Supervisory Board submits that it has no comments to make regarding the accounts, and concurs with the proposal made by the Board of Directors for the distribution of profit for the year.

Helsinki, 20 March 1995

Matti Louekoski
Chairman

Matti Väistö
Vice Chairman

Krister Ahlström   Olli Helminen

Carl-Olaf Homén   Jussi Hyyppä

Kari Häkämies   Eero Lankia

Pekka Morri   Markku Mäkinen

Raili Puhakka   Pekka Ruotsalainen

Väinö Saario

IAS financial statements

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial information are as follows:

ACCOUNTING CONVENTION

The financial information has been prepared in Finnish markka under the historical cost convention as modified by the revaluation of certain assets and in accordance with IAS.

The IAS financial statements include certain adjustments of a non-recurring nature so as to render them consistent with the financial statements prepared in accordance with Finland's revised accounting legislation. These adjustments relate to the computation of the financial results of associated companies, amortization of goodwill and capitalized interest expenses.

All adjustments are entered under the appropriate headings in the income statement. The net impact on operating profit is an increase of FIM 21 million. The adjustments do not affect the financial result before taxes and extraordinary items.

BASIS OF CONSOLIDATION

The consolidated financial information includes the accounts of the parent company and its subsidiaries with the exception of certain real estate subsidiaries, the exclusion of which has no significant effect on the consolidated result or financial position. All inter-company transactions have been eliminated. The results of subsidiaries acquired during the year are consolidated from the date of acquisition and those of subsidiaries disposed of during the year up to the date of disposal. Eurocan Pulp and Paper Co. (Eurocan Joint Venture) is included in the 1993 income statement for the period 1 January to 31 August.

GOODWILL

Goodwill arising on the consolidation of subsidiaries, which represents the excess of the purchase consideration over the fair value of the net assets acquired, is written off over a period of 5–10 years. Negative goodwill is credited against the losses of acquired companies.

ASSOCIATED COMPANIES

The Group's share of profits less losses of associated companies (as defined by IAS) is included in the consolidated income statement in accordance with the equity method of accounting. The Group's share of post-acquisition shareholders' equity and reserves (distributable and non-distributable) less deferred tax is added to the cost of associated company investments in the consolidated balance sheet. Contrary to previous practice, the Group's share of the results of associated companies is now stated before operating profit.

FIXED ASSET INVESTMENTS

Investments in other companies are stated at cost; provision is made where necessary to reduce the cost to the estimated net realizable value.

NET SALES

Net sales represent the invoiced value of goods sold and services provided less sales tax, trade discounts, bad debts, compensation paid and exchange differences on sales.

FOREIGN CURRENCIES

Foreign currency receivables and debts of the parent company and its domestic subsidiaries have been converted into Finnish markka at the Bank of Finland's average official rate of exchange at 31 December 1994 or, in the case of forward trading agreements, at the forward rate of exchange. Exchange rate differences for the period have been entered in the income statement.

The accounts of overseas subsidiaries have been translated into Finnish markka at the Bank of Finland's average official rates of exchange at 31 December 1994. Exchange rate differences arising on elimination of shareholders' equity of overseas subsidiaries are entered in the balance sheet under shareholders' equity. Exchange gains and losses arising on protection against foreign currency exposure of the shareholders' equity of overseas subsidiaries are entered in the consolidated balance sheet under shareholders' equity.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation, except for certain land (including growing timber) and water areas and buildings, which are stated at revalued amounts. In the case of fixed assets purchased under long-term construction projects, cost includes attributable interest on borrowings.

Depreciation is calculated on a straight-line basis so as to write off the cost or revalued amounts of fixed assets over their expected useful lives. The principal annual rates are as follows:

Buildings	2.5% – 5.0%
Machinery and equipment	5.0% – 20.0%

No depreciation is provided on land and water areas or construction in progress.

STOCKS

Stocks are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis. The cost of manufactured products includes direct material and labour and an appropriate proportion of production overheads.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed largely as incurred.

PENSION SCHEMES

The Group operates various pension schemes in accordance with local conditions and practices in the countries concerned.

Pension benefits are partly arranged through pension foundations. The pension schemes are funded by contributions to the foundations or by payments to insurance companies. The contributions are based on periodic actuarial calculations and are charged against income. In addition, certain retired employees receive pensions direct from the Company. Provision is made for all unfunded pension liabilities.

DEFERRED TAXES

Income taxes are deferred as a result of appropriation to untaxed reserves and other items. No provision has been made for the deferred taxes of Group companies as the directors do not consider that tax will become payable in the foreseeable future.

DIVIDENDS

Dividends proposed by the Board of Directors and approved at the Ordinary Meeting of Shareholders are not accrued in the financial statements but are accounted for on a paid basis.

Consolidated profit and loss accounts, consolidated balance sheet (IAS)

	Notes	Year ended 31 December 1994 FIM mill.	1993 FIM mill.
Net sales		17 711	15 786
Share of results of associated companies		59	(1)
Cost of sales	1.	(15 276)	(13 840)
Operating profit	2.	2 494	1 945
Net interest and other financial expenses	3.	(864)	(1 538)
Profit before taxes and extraordinary items		1 630	407
Taxation		(56)	–
Minority interest		8	22
Profit before extraordinary items		1 582	429
Extraordinary items	4.	115	92
Profit for the year		1 697	521
Earnings per share, FIM		7.40	2.10
Dividend per share, FIM		1.00	0.60

	Notes	Year ended 31 December 1994 FIM mill.	1993 FIM mill.
Fixed assets			
Tangible fixed assets		19 142	19 062
Investments	5.	2 366	799
Long-term receivables		154	65
Goodwill and other intangible assets		128	98
		21 790	20 024
Current assets			
Stocks		2 299	1 982
Accounts receivable and prepaid expenses		3 467	3 154
Short-term investments		1 072	2 502
Bank and cash		453	408
		7 291	8 046
Current liabilities			
Accounts payable and accrued liabilities		4 030	2 811
Current portion of long-term loans		1 764	2 611
Bank overdrafts and short-term loans		974	1 049
		6 768	6 471
Net current assets		523	1 575
Total assets less current liabilities		**22 313**	**21 599**
Shareholders' fund			
Share capital		2 139	2 139
Reserves	6.	7 306	5 813
Total shareholders' funds		9 445	7 952
Minority interests		89	304
Long-term loans	7.	12 779	13 343
		22 313	**21 599**

Consolidated source and application of funds (IAS)

	Year ended 31 December 1994 FIM mill.	1993 FIM mill.
Source of funds		
From operations		
Profit before taxation and extraordinary items	1 630	407
Extraordinary items	115	92
Adjustments for items not involving the movement of funds:		
Share of results of associated companies	(59)	1
Depreciation of fixed assets and amortization of intangible assets	1 074	1 138
Total funds generated from operations	2 760	1 638
Funds generated from other sources		
Dividends from associated companies	15	3
Sales of fixed assets	748	1 240
Sales of investments	22	203
Decrease in long-term receivables	(89)	171
Issue of shares	0	800
Increase in long-term loans	3 222	2 481
	6 678	6 536
Application of funds		
Purchase of fixed assets	2 164	3 052
Purchase of investments	1 673	1 282
Purchase of intangible assets	31	47
Excess of purchase price over net assets of subsidiaries acquired	(70)	(24)
Repayment of long-term loans	4 586	3 245
Dividends paid	113	57
Taxes paid	56	–
Other (sources)/applications	24	(84)
Decrease (increase) in working capital	(1 899)	(1 039)
Movement in working capital		
Stocks	317	(558)
Accounts receivable and prepaid expenses	313	252
Short-term investments	(1 430)	93
Accounts payable and accrued liabilities	(1 219)	(579)
	(2 019)	(792)
Movements in net liquid funds:		
Bank and cash	45	21
Bank overdrafts and other short-term loans	75	(268)
	(1 899)	(1 039)

Notes to consolidated financial statements (IAS)

	1994 FIM mill.	1993 FIM mill.
1. Cost of sales		
Raw material costs	7 604	5 811
Personnel expenses	3 076	2 765
Depreciation of fixed assets and amortization of intangible assets	1 074	1 138
Other expenses	3 515	4 119
Directors' remuneration	7	7
	15 276	13 840
2. Operating profit		
Geographical analysis		
Finland	2 506	1 971
Other	(12)	(26)
	2 494	1 945
3. Net interest and other financial expenses		
Long-term loans	(1 086)	(1 574)
Bank overdrafts and short-term loans	(124)	(137)
Less interest capitalized	(38)	16
Interest expenses	(1 248)	(1 695)
Interest income	171	357
Exchange rate differences	275	(144)
Net other financial expenses	(62)	(56)
	(864)	(1 538)
4. Extraordinary items		
Profits and losses on sale of shares	134	182
Shares of Sampo Insurance Company Ltd.		95
Unemployment pension liability, lump sum payment		(99)
Compensation to sales associations		(42)
Other	(19)	(44)
	115	92

No tax arose on the above extraordinary items.

	1994 FIM mill.	1993 FIM mill.
5. Investments		
Investments in associated companies:		
Cost of shares	1 708	158
Share of post-acquisition retained earnings	151	92
	1 859	250
Shares in listed companies	141	157
Shares in unlisted companies	366	392
	2 366	799

The market value of shares in listed companies at 31 December 1994 amounted to FIM 238 million.

	1994 FIM mill.	1993 FIM mill.
6. Reserves		
Distributable reserves	1 071	838
Non-distributable reserves	2 884	4 293
Untaxed reserves		
Inventory reserve	–	6
Credit loss reserve	–	3
Transitional reserve	638	640
Other reserves	2 713	33
	3 351	682
	7 306	5 813
Movement in reserves		
Balance brought forward	5 813	5 284
Profit for the year	1 697	521
Share issue	–	800
Dividends paid	(113)	(57)
Other	(91)	(735)
Balance carried forward	7 306	5 813

All adjustments to reserves to restate the Finnish financial statements on an IAS basis have been taken to non-distributable reserves as the Group's distributable and untaxed reserves under Finnish accounting standards are unchanged by these adjustments.

The amount of any dividend is limited by reference to the statutory distributable reserve of the Company available at the end of the preceding financial year unless the amount of consolidated statutory distributable reserves is lower, in which case dividend payments are limited by such lower amount. At 31 December 1994, amounts available for distribution as dividends by the Enso Group stood at FIM 1071 million.

According to the tax imputation system, shareholders are normally eligible for corporate tax credit of one-third of the amount of dividend received. Tax-exempt corporations and non-profitmaking organizations do not qualify for corporate tax credit. Unless expressly provided in an international tax treaty, a foreign shareholder will not be entitled to such tax credit.

The Company's income tax is determined on the basis of its taxable income. Taxable income may be lowered by making appropriations to untaxed reserves, which appear in the statutory financial statements. The transitional reserve, however, must be credited at the latest by 1997; alternatively, it may be used to cover certain expenditure on the acquisition of fixed assets.

	1994 FIM mill.	1993 FIM mill.
7. Long-term loans		
Loans from financial institutions	9 992	10 882
Pension loans	2 710	2 996
Bonds	362	980
Other long-term loans	1 479	1 096
Less: current portion	(1 764)	(2 611)
	12 779	13 343

Approximately 44% of loans from financial institutions are denominated in Finnish marks, 21% in US dollars, 23% in Deutschmarks and with the balance denominated in a range of other currencies.

Long-term loans are repayable as follows

	Outstanding 31.12.1994 FIM mill.	Repayment dates 1995 FIM mill.	1996	1997–1999	2000–
Loans from financial institutions	9 992	1 517	1 292	5 410	1 773
Pension loans	2 710	158	158	474	1 920
Bonds	362	–	362	–	–
Other long-term loans	1 479	89	57	1 192	141
	14 543	1 764	1 869	7 076	3 834

8. Eurocan Joint Venture

Enso-Gutzeit Oy sold its 50% interest in the Canadian company Eurocan Pulp and Paper Co. (Joint Venture) on 15 September 1993. The Enso Group's share of the company's financial result is included in the consolidated financial statements up to 31 August 1993.

	1993 FIM mill.
The Group's proportionate share of income and expenses	
Net sales	554
Cost of sales	(516)
Net interest and other financial expenses	(7)
	31

9. Adjustments and reclassifications to the Group's annual accounts

The financial information included in this report has been prepared on the basis of IAS. IAS differ in a number of respects from the Finnish accounting policies and principles and methods of classifying assets and liabilities adopted by the Company in the preparation of its statutory financial statements. A reconciliation of the net profit attributable to shareholders in the audited financial statements prepared in accordance with Finnish law and the net profit attributable to shareholders under IAS is set out below:

	1994 FIM mill.	1993 FIM mill.
Net profit for the year as reported in the statutory financial statements	413	110
Increase/(decrease) of profit for adjustment to:		
Untaxed reserves		(235)
Depreciation charge	1 474	634
Stock valuation	1	(38)
Bad depts	22	12
Associated companies	(41)	(1)
Capitalization of interest expenses	(38)	(12)
Sale of fixed assets and investments	(20)	(12)
Write-down in value of shares	–	62
Other (net)	(114)	1
Net profit for the year as stated in the financial information set out above	1 697	521

A reconciliation of net assets, as stated in the annual accounts to the financial information set out above is as follows:

Share capital	2 139	2 139
Distributable reserves	1 071	838
Non-distributable reserves	2 767	2 750
Untaxed reserves	3 716	682
Net assets as stated in the annual accounts	9 693	6 409
Adjustments		
Accumulated depreciation	–	1 142
Stock valuation	–	211
Minority interest	(21)	(19)
Associated companies	–	92
Capitalization of interest expenses	224	262
Untaxed reserves	(365)	–
Other (net)	(86)	(145)
Net assets as stated in the financial information set out above	9 445	7 952

REPORT OF THE AUDITORS

We have examined the accounts set out on pages 34 to 38, which have been prepared using accounting policies that conform to International Accounting Standards. These accounts have been adapted from the Company's statutory accounts, which have been prepared in accordance with Finnish accounting practice. In our opinion the accounting policies used in this adaptation are consistent with the requirements of International Accounting Standards.

Helsinki, 20 March 1995

Coopers & Lybrand Oy
Pekka Nikula
Certified Public Accountant

Computation of key indices

Return on investment (%) =

$$100 \times \frac{\text{Profit after financing items + interest and other financial expenses}}{\text{Total assets – interest-free liabilities}^{1)}}$$

Return on equity (%) =

$$100 \times \frac{\text{Profit after financing items – taxes for the year}}{\text{Equity + minority interests + reserves}^{1)}}$$

Equity ratio (%) =

$$100 \times \frac{\text{Equity + minority interests + reserves}}{\text{Total assets – advance payments}}$$

Net indebtedness = Liabilities – current assets

Interest-bearing net liabilities = Interest-bearing liabilities – current assets

Gearing ratio =

$$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity + minority interests + reserves}}$$

Market value of shares = Number of shares multiplied by stock exchange prices per A and R share at the end of the year

Equity per share = Equity plus reserves divided by share issue-adjusted number of shares at the end of the year. No provision for deferred tax has been made.

Price/earnings ratio = Adjusted share price at 31 December divided by adjusted earnings per share

Adjusted share price = Share issue-adjusted price at the end of the year

Adjusted dividend per share = Dividend per share divided by adjustment factors for share issues made during and after the financial year in question

Dividend yield % = Dividend per share divided by the adjusted share price at 31 December

Payout ratio =

$$100 \times \frac{\text{Share issue-adjusted dividend/share}}{\text{Earnings per share}}$$

Adjusted earnings per share = Profit after financing items less minority interests and taxes divided by the share issue-adjusted average number of shares for the year

Profit after financing items = Profit before extraordinary items and taxes, as "other income and expenses" only includes extraordinary items

1) Average for the beginning and end of the financial period.

Base Industries Division

The division had net sales of FIM 4533 million, 31% up on the previous year. The operating profit rose from FIM 438 million to FIM 1012 million.

FOREST OPERATIONS

At the end of 1994, the Enso Group owned 479 000 hectares of land with 34 million m^3 of standing timber. Felling in Enso's forest produced 1.6 million m^3 with a stumpage value of FIM 220 million.

A total of 15.6 million m^3 of wood was supplied to the Group's Finnish mills and 2.4 million m^3 to other forest industry companies. Wood received from private forests totalled 7.9 million m^3 and from other domestic sources 3.4 million m^3. A further 3.8 million m^3 was imported. Enso's sawmills provided 1.5 million m^3 in the form of by-products. The volume of wood delivered was 33% higher than the year before.

Responsibility for supplying wood to the mills of Tampella Forest Inc. was transferred from Tehdaspuu Oy to Enso on 1 January 1994. This increased procurement by around 2.7 million m^3.

In trading, domestic wood raw material was in much better supply than the year before. The volume of wood coming onto the market from private forests was up 45%, thanks largely to the agreement on basic conditions and price recommendations signed in the spring by the Finnish Forest Industries Federation and the Central Union of Agricultural Producers and Forest Owners.

Enso increased its share of the market in its main wood procurement area in line with its greater wood requirement. The purchasing targets were met as planned. At the end of the year, wood stocks and the volume of wood secured under purchasing agreements were higher than the year before.

Stumpage rates were appreciably higher than in 1993, but were still well below the 1990–1991 rates. Greater efficiency helped to reduce the unit costs of timber harvesting and transport as well as the Forest Operations unit's administrative costs, thus offsetting the higher purchase prices.

Imports of wood from Russia and the Baltic states rose by about 75%. To secure adequate import volumes, wood procurement joint ventures were established with Veitsiluoto Oy in Estonia (AS Lumiforest) and Latvia (Greenforest Ltd.). In Russian Karelia, the joint venture Ladenso signed an agreement to rent around 60 000 hectares of forest.

Enso's wood raw material requirement will increase somewhat in 1995. It is therefore vital that a greater supply of domestic wood be available than in 1994. A modest increase is expected in the costs of timber harvesting, transport and administration.

Collaboration with Veitsiluoto Oy will be stepped up in 1995, particularly in the procurement of imported wood. More sources of wood raw material will be sought, and imports of eucalyptus will be started.

Enso began a forest audit during the year, and the Group's management produced the first environmental review. A forest biodiversity programme was also produced ready for implementation in 1995. It is hoped to extend the programme to private forests and to areas just outside Finland where Enso has wood harvesting operations.

SAWMILLS

Net sales for sawmilling operations were FIM 2415 million, 16% higher than in 1993. The financial result improved considerably and showed a profit.

Greater competitiveness achieved as a result of cost adjustments and changes in exchange rates helped Nordic suppliers to increase their share of the market in continental Europe.

Short supplies of sawn goods led to some overheating late in the year and stocks grew, particularly in the large European market for whitewood goods. Prices in foreign currencies rose. The strengthening of the Finnish markka held back prices at the mills. Output by producers in mainland Europe recovered quickly during the year, and capacity will continue to grow in 1995.

At the end of the year Enso purchased Koski Sawmill from Tavastimber Oy.

The wood handling facilities at Uimaharju Sawmill were rebuilt. All sawmills are now equipped for quantity measurement and quality pricing of incoming sawlogs.

The greater economic viability of sawmilling has led to capacity increases in Europe, and this will affect the balance between supply and demand. In Finland, the increase in capacity will cause problems with the availability of raw material. An over-supply of whitewood goods is likely during 1995, and this might affect profits for the sawmilling industry as a whole.

Puumerkki Oy had net sales of FIM 624 million, up 31% on 1993. The company made a profit.

Building activity in Finland picked up during 1994 but was still rather slack. Demand for structural repairs continued to grow and this business now accounts for an estimated 40% of the total value of building construction.

Sawn goods, Puumerkki's main product, accounted for almost half of total sales. A new outlet was opened in Lappeenranta, and the Järvenpää business was sold. A better year is expected in 1995 in terms of both net sales and financial result.

ENOCELL OY

Net sales were FIM 1651 million, of which the pulp mill accounted for FIM 1328 million and the sawmill for FIM 323 million. Growth on the previous year was 66%.

The profitability of pulp production improved thanks to higher market prices and higher production. The pulp mill returned a profit for the year.

Pulp markets improved throughout 1994 as a result of greater demand for paper and because of occasional pulpwood shortages in different parts of the world. World market prices for pulp rose by around 80% during the year.

Pulp production was 464 000 tonnes, 28% higher than the year before. The mill achieved its rated monthly production figures during the second half of the year.

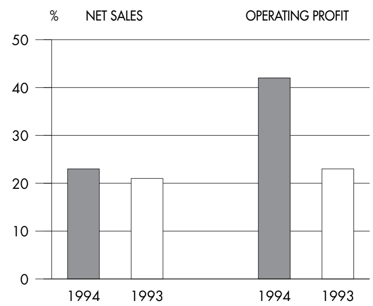
Enocell's pulp mill is among the world's cleanest in terms of its effluent loadings. Treatment of malodorous gases was further improved. An environmental management system will be established as part of the ISO 9002 quality system.

Market demand for pulp is expected to remain good in 1995. Prices will continue to rise, although not as strongly as in 1994.

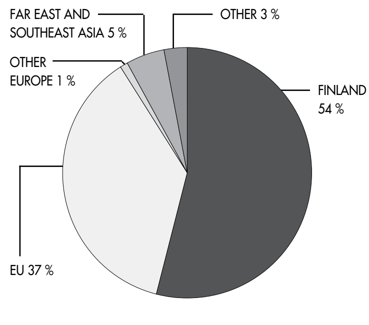
KEY FIGURES

NET SALES, FIM mill.	**1994**	**1993**
FOREST OPERATIONS	790	576
SAWMILLS	2 415	2 088
ENOCELL OY (PULP)	1 328	800
NET SALES TOTAL	4 533	3 464
OPERATING PROFIT, FIM mill.	1 012	438
CAPITAL EXPENDITURE, FIM mill.	272	336
PERSONNEL 31 Dec.	2 992	2 952
PRODUCTION		
PULP (ENOCELL OY), 1000 t	464	362
SAWN GOODS, 1000 m^3	1 615	1 454
FURTHER PROCESSED SAWN GOODS, 1000 m^3	111	113

DIVISION'S CONTRIBUTION TO CONSOLIDATED NET SALES AND OPERATING PROFIT



DIVISIONAL NET SALES BY MARKET AREA



Packaging Boards Division

Net sales were FIM 3543 million, up 9% on 1993. The growth is due partly to the fact that the packaging operations purchased from Tampella in spring 1993 were included in the division for the whole year. The operating profit rose to FIM 956 million (FIM 789 million in 1993). A major contribution came from the pulp unit at the Imatra mills, as invoicing within the Enso Group was based on market prices. The division made a profit.

Enso-Surya Pte. Ltd., of which Enso owns 51%, began operations in Singapore in 1994. The company handles export marketing, raw material imports and product development work on liquid packaging board at the Kedir mill for the Indonesian partner PT Surya-Pamenang.

In December, together with Valio, Elopak and Tetra Pak, Enso established Suomen NP-Kierrätys Oy, a company to organize the collection of used liquid packagings on a national basis. Collections will begin in the Helsinki area in spring 1995.

LIQUID AND FOOD PACKAGING BOARDS

Net sales were FIM 2526 million, up 7% on 1993. The increase is due to higher sales volumes, as prices were lower than the year before.

The over-supply situation that prevailed early in the year eased during the summer, and by autumn demand was well in excess of supply. The strengthening of the Finnish markka greatly reduced the unit's competitiveness in relation to its main Swedish and American rivals. Competitiveness was also weakened by rising costs in Finland. The unit's machines operated at full capacity. Overall efficiency improved and several machines set new production records.

IMATRA MILLS

Production by the Imatra Mills reached record figures. Output of bleached pulp was 564 000 tonnes and of paper and board 942 000 tonnes. Chemithermomechanical pulp (CTMP) was introduced as raw material for liquid packaging boards and, on a trial basis, for other board grades. At the end of the year Enso decided to build its own CTMP mill, as not enough market pulp is available to meet the rapidly rising need for CTMP. The new mill will be completed in 1996. It was also decided to build a new treatment plant for intake water at the Kaukopää mill.

PAKENSO OY

Net sales for Pakenso's first year of operations were FIM 1078 million and the company made a profit. The minority interest in the Italian company Tambox CCC was sold to Esswell Packaging group. Pakenso's 50% stake in Tamfresh Ltd. was sold to Pacific Asia Technologies Inc. In Sweden, Enso increased its interest in the Österberg engineering works, which builds packaging machines, from 33% to 50%.

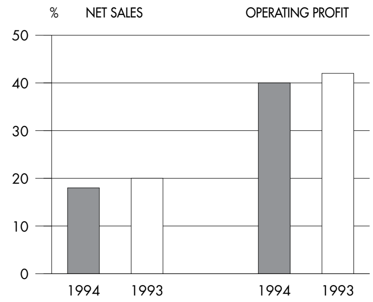
Demand for corrugated board in both Finland and Sweden was almost 14% up on the previous year. Further growth is expected in 1995. A new company, Pakenso Baltika SIA, was established in the Latvian capital Riga, where corrugated board production is to start in autumn 1995.

There was a further growth in exports of Pure-Pak blanks to the Czech Republic, Hungary, the Baltic countries and Russia. In Finland, demand remained steady.

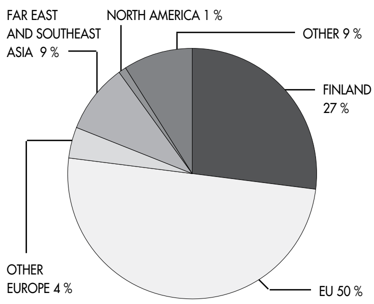
KEY FIGURES

NET SALES, FIM mill.	**1994**	**1993**
LIQUID AND FOOD PACKAGING BOARDS	2 526	2 356
IMATRA MILLS	30	11
PAKENSO OY	1 078	838
ENSOPACK LTD.	21	32
ELIMINATIONS	– 112	–
NET SALES TOTAL	3 543	3 237
OPERATING PROFIT, FIM mill.	956	789
CAPITAL EXPENDITURE, FIM mill.	119	115
PERSONNEL 31 Dec.	3 244	3 282
PRODUCTION, 1000 t		
LIQUID PACKAGING BOARDS	419	368
FOOD PACKAGING BOARDS	96	90
CONVERTED PRODUCTS	162	128

DIVISION'S CONTRIBUTION TO CONSOLIDATED NET SALES AND OPERATING PROFIT



DIVISIONAL NET SALES BY MARKET AREA



Graphic Papers and Boards Division

Net sales rose 12% on the previous year to FIM 4111 million. Operating profit decreased from FIM 103 million to FIM 58 million. The division again made a loss, partly due to the fact that in computing the financial result pulp is invoiced at market prices, even between integrated units. Net sales benefited from the sharp rise in prices quoted in foreign currencies and by the 12% growth in sales volumes on 1993. The capacity utilization rate rose to 94%. Financial progress was held back by the strengthening markka and the spiralling price of market pulp.

Economic recovery in all the division's markets led to a rise in consumption of fine papers. Demand for uncoated fine paper rose by 13% and that for coated grades by 17%. Copying papers showed the fastest growth. Demand for graphic boards improved by 15%.

Growing demand caused prices to rise during the year. The rises were supported by the pressure that had built up as a result of the rising cost of pulp raw material. Product prices in foreign currencies gradually returned to near their pre-recession levels. Prices for several fine papers rose by almost 50%.

Board prices rose by only 7%, but then price fluctuations had been much smaller than in the case of fine papers.

The business climate for 1995 is good. Growth in demand will allow the mills to operate at full capacity, as no significant production capacity is due on the market.

Market pulp prices will continue to rise due to the global shortage of fibre, and this will force paper manufacturers to raise their prices.

Provided costs in Finland do not rise faster than those in competitor countries, the division has every prospect of returning a profit in 1995.

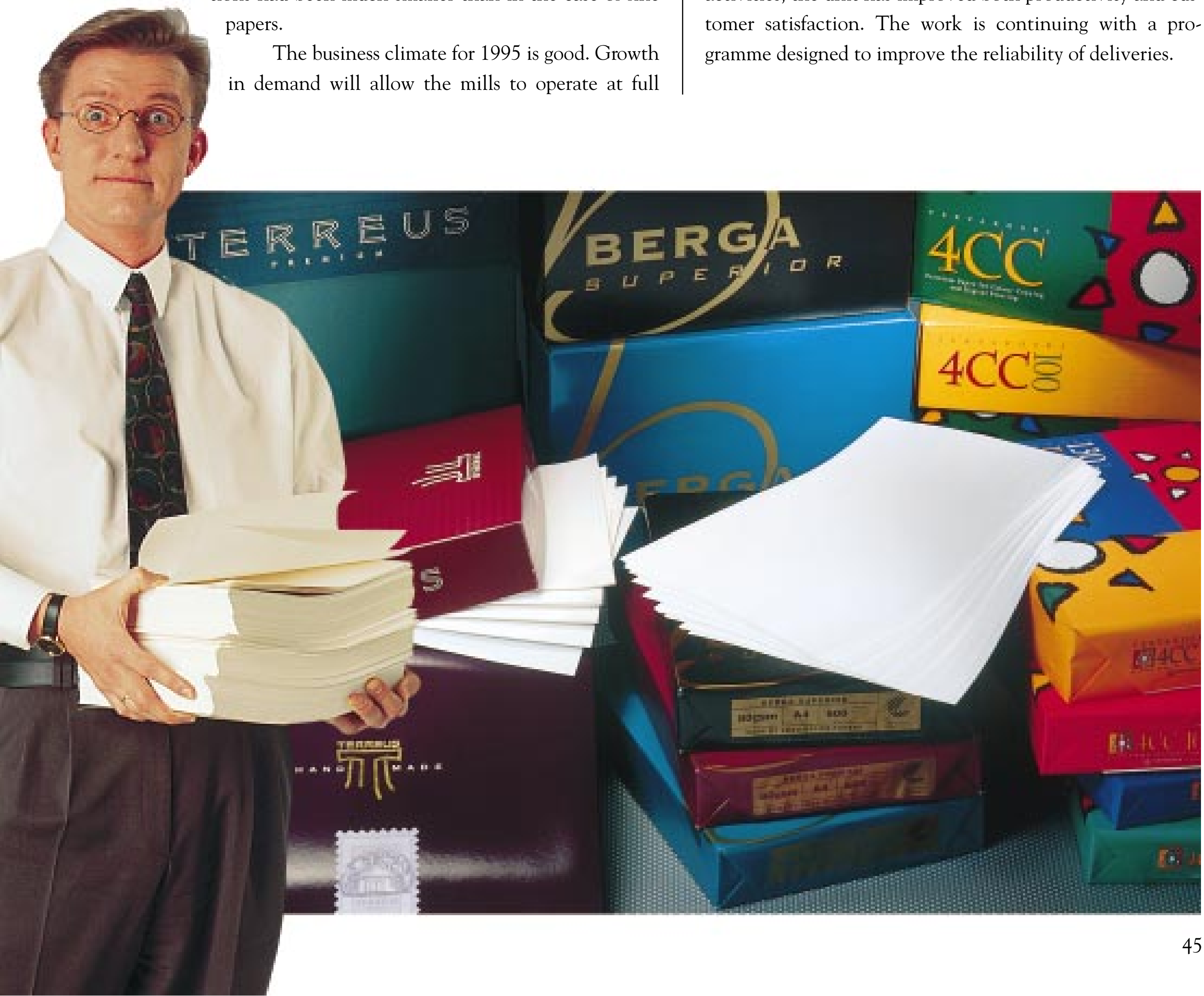
Closer cooperation with Veitsiluoto Oy is significantly strengthening the division's market position. Enso and Veitsiluoto have a combined capacity of 1.6 million tonnes, the second largest for graphic papers and boards in Europe.

KAUKOPÄÄ BUSINESS UNIT

Net sales were FIM 1798 million, up 13% on the year before.

Board products increased their share of the market for packaging materials in Western Europe, and this kept board machine no. 2 running at full capacity. Successful quality development work on paper machine no. 6 has helped its products find the right applications.

By concentrating on developing the total quality of its activities, the unit has improved both productivity and customer satisfaction. The work is continuing with a programme designed to improve the reliability of deliveries.



VARKAUS FINE PAPERS

Net sales were FIM 1056 million, 16% more than the previous year.

The unit set a new production record of 274 000 tonnes. The 2-year programme of measures aimed at improving financial results was completed during 1994. The programme raised production by 70 000 tonnes (35%) on 1993.

The unit was awarded an ISO 9002 quality certificate and the right to use the Nordic Swan environmental label, the criteria for which have now been revised. The oxygen bleaching unit being built to improve pulp quality is due for completion in April 1995. It will reduce emissions of chlorine compounds and organic matter.

TERVAKOSKI OY

Net sales increased by 9% to FIM 577 million. The company made a profit.

Sales of thin printing papers, notably coated grades, increased in the unit's main markets. Sales of filter tip papers and cigarette tissue also rose. The market for colour copying papers and the Terreus range of products was widened. Demand for release paper increased and the sales targets were exceeded.

BERGHUIZER PAPIERFABRIEK N.V.

Net sales were FIM 669 million, 7% higher than in 1993. The company made a loss.

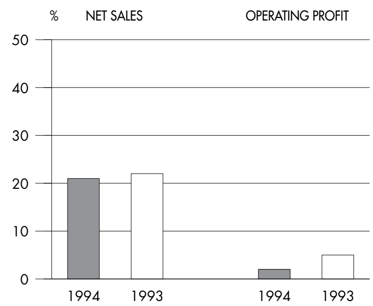
The offer made to the company's minority shareholders went ahead according to plan, and Enso now owns almost the entire share capital of Berghuizer. Quotations for the company's shares on the Amsterdam Stock Exchange ceased on 31 December 1994.

The company and its products are now being integrated into the division. Berghuizer will focus on class A copying and envelope papers. Products based on recycled fibre are a new addition.

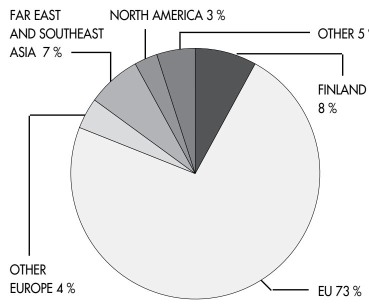
KEY FIGURES

NET SALES, FIM mill.	**1994**	**1993**
KAUKOPÄÄ BUSINESS UNIT	1 798	1 587
VARKAUS FINE PAPERS	1 056	912
TERVAKOSKI OY	577	530
BERGHUIZER PAPIERFABRIEK N.V.	669	626
OTHERS	11	–
NET SALES TOTAL	4 111	3 655
OPERATING PROFIT, FIM mill.	58	103
CAPITAL EXPENDITURE, FIM mill.	152	241
PERSONNEL 31 Dec.	2 557	2 629
PRODUCTION, 1000 t		
COATED PAPERS	148	134
UNCOATED PAPERS	285	250
COPYING PAPERS	236	203
GRAPHIC BOARDS	161	111
SPECIALITY PAPERS	78	73

DIVISION'S CONTRIBUTION TO CONSOLIDATED NET SALES AND OPERATING PROFIT



DIVISIONAL NET SALES BY MARKET AREA



Publication Papers Division

Net sales were FIM 4004 million, 23% more than the year before. The increase is due to the growth in sales volumes. The start-up of Sachsen Papier's mill in August and the fact that Anjala Paper Mill was part of the division for the whole year also boosted net sales.

Operating profit fell from FIM 347 million to FIM 81 million. The division made a loss, largely because the rise in product prices was much smaller than the increase in the external value of the markka. The rising prices of market pulp and wood raw material also had a negative impact towards the end of the year.

The service functions at Anjalankoski were made into a company under the name Enso-Yhteispalvelut Oy, which serves Enso's units at Anjalankoski in matters relating to personnel, maintenance and energy.

Consumption of newsprint rose 6% in Europe, growth being particularly rapid in Great Britain. Demand for newsprint specialities also rose along with the increase in 4-colour printing. Consumption of magazine papers increased by about 10%. The annual delivery agreements already in force prevented the improvement in the market from being translated into price rises.

The prospects for 1995 are good. There is no over-capacity and machine capacity utilization rates are high. Demand is expected to grow further along with the general economic recovery. Substantial price rises are being forecast for 1995 and the financial result is expected to be much better than in 1994. However, spiralling market pulp prices and rising costs in Finland pose a considerable threat.

ENSO PUBLICATION PAPERS OY LTD.

The **Anjala Business Unit** recorded net sales of FIM 1249 million, 51% higher than net sales consolidated in 1993. The transfer of the unit's sales to Enso's sales network went smoothly. Anjala Paper Mill received an ISO 9002 quality certificate. The unit set a new annual production record, although not all production targets were met. Work on rebuilding paper machine no. 1 began towards the end of the year.

Net sales for the **Kotka Business Unit** were FIM 497 million, a decrease of 11% on 1993. The market improved considerably towards the end of the year.

The **Summa Business Unit** had net sales of FIM 1068 million, 2% less than the year before. The unit set a new production record. However, profitability was poor because of low prices and the stronger markka. Demand for specialities increased at the end of the year, notably in the heat-set printing segment, and the growth in sales is forecast to continue in 1995.

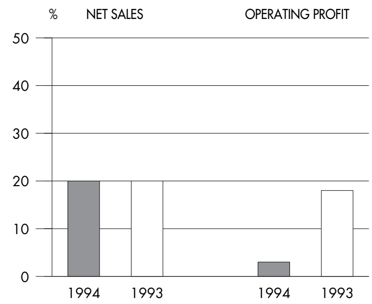
The **Varkaus Business Unit** recorded net sales of FIM 736 million. Despite the greater sales volume, net sales were some 9% down on 1993 because of changes in exchange rates. The unit strengthened its position on the market for paper specialities.

All units of Enso Publication Papers Oy Ltd. now hold ISO 9002 quality certificates. Special attention will continue to be given to quality management and personnel development in the future.

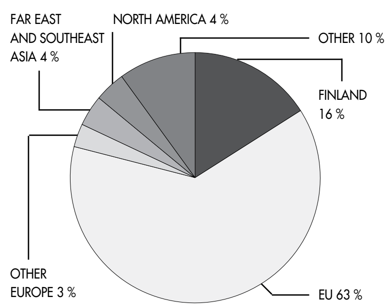
KEY FIGURES

NET SALES, FIM mill.	**1994**	**1993**
ENSO PUBLICATION PAPERS OY LTD.	3 551	3 247
SACHSEN PAPIER EILENBURG GmbH	131	–
ENSO-YHTEISPALVELUT OY	322	–
NET SALES TOTAL	4 004	3 247
OPERATING PROFIT, FIM mill.	81	347
CAPITAL EXPENDITURE, FIM mill.	2 715	1 014
PERSONNEL 31 Dec.	2 395	1 918
PRODUCTION, 1000 t		
NEWSPRINT	735	446
COATED PAPERS	205	184
OTHER WOOD CONTAINING PAPERS	310	393
DEINKED PULP	11	–

DIVISION'S CONTRIBUTION TO CONSOLIDATED NET SALES AND OPERATING PROFIT



DIVISIONAL NET SALES BY MARKET AREA



Production at the mill began on 31 August 1994, two weeks ahead of schedule. Start-up went according to plan, and the quality of the paper met with the approval of customers in the main markets.

Production and marketing of deinked pulp began as planned.

The mill holds a good stock of orders for both newsprint and deinked pulp and is likely to meet the targets set for 1995.

The division increased its net sales by 33% to FIM 2821 million. Operating profit decreased from FIM 141 million to 133 million. The division made a loss.

HEINOLA FLUTING MILL

Net sales were FIM 458 million, a growth of 72% on the net sales consolidated year before. The unit made a profit.

Market conditions improved during the year. After a prolonged decline, demand in Western Europe began to grow and prices rose by 40–60%. Once again, the mill set a new production record for the year of 230 000 tonnes.

The recycling process for cooking chemicals was modernized early in the year, reducing the mill's emissions to the air. In autumn, a new barking drum was installed and the wood room's water circulation system improved.

A better year is anticipated in 1995. The market will continue to be good and there is the possibility of fresh price rises. The availability of wood raw material could be a problem.

ENSO CARTONBOARDS OY LTD.

The company began business operations in 1 January 1994. This sub-group comprises Ingerois Board Mill, Pankakoski Boards Oy Ltd. and Enso Española S.A. Net sales were FIM 1226 million, an increase of 53% on the net sales consolidated in 1993.

Demand for cartonboards strengthened during the early part of the year, and capacity utilization was high at all units. However, the company made a loss, partly because of the strengthening of the markka and the sharp rise in the prices of market pulp and waste paper. Although product prices were raised several times, the increase in costs could not be incorporated in full into product prices.

Demand for the company's products will remain good, at least for the first half of 1995 and prices rose early in the year. Although Pankakoski's investment programme will consume considerable resources, a better financial result is anticipated in 1995.

Ingerois Board Mill set a new production record of 155 580 tonnes, 12% more than the previous year's figure. Net sales were FIM 630 million, a growth of 68% on the net sales consolidated in 1993.

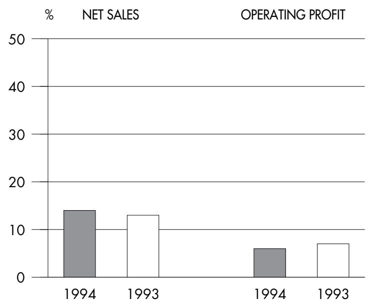
Pankakoski Boards Oy Ltd. recorded net sales of FIM 270 million, an increase of 15%. Demand was good throughout the year and prices in foreign currencies were raised substantially. The stronger markka combined with rising costs meant that profitability was again poor.

Pankakoski's FIM 120 million investment programme began in January. Improvements to groundwood screening and waste water treatment were made during the summer. Board machine no. 2 was stopped for installation work in December, and began production of coated cartonboards in February 1995. Also in February, it was decided to construct a dryer based on the new Condebelt technology for board machine no. 3.

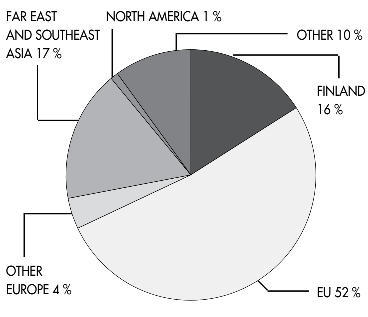
Enso Española S.A. had net sales of FIM 399 million, 93% up on the net sales consolidated the year before. Sales were transferred to Enso's marketing network on 1 January 1994, and the mill now produces exclusively recycled fibre boards. Production of folding boxboard has been transferred to Ingerois Board Mill. To increase sheeting capacity, a sheet cutter was acquired for Cartiberia S.A.

KEY FIGURES		
NET SALES, FIM mill.	**1994**	**1993**
HEINOLA FLUTING MILL	458	267
ENSO CARTONBOARDS OY LTD.	1 226	799
LAMINATING PAPERS LTD.	614	585
CORENSO UNITED OY LTD.	461	370
ENERGY	508	374
ELIMINATIONS	– 446	– 266
NET SALES TOTAL	2 821	2 129
OPERATING PROFIT, FIM mill.	133	141
CAPITAL EXPENDITURE, FIM mill.	142	74
PERSONNEL 31 Dec.	2 252	2 239
PRODUCTION, 1000 t		
LAMINATING PAPERS	155	135
PANKABOARDS	77	76
CARTONBOARDS	277	159
FLUTING	237	153
COREBOARDS	187	154
CORES	27	20

DIVISION'S CONTRIBUTION TO CONSOLIDATED NET SALES AND OPERATING PROFIT



DIVISIONAL NET SALES BY MARKET AREA



Enso Española set a new production record of 121 726 tonnes, 20% higher than the year before. The improvement in profitability that began late in the year is expected to continue in 1995.

LAMINATING PAPERS LTD.

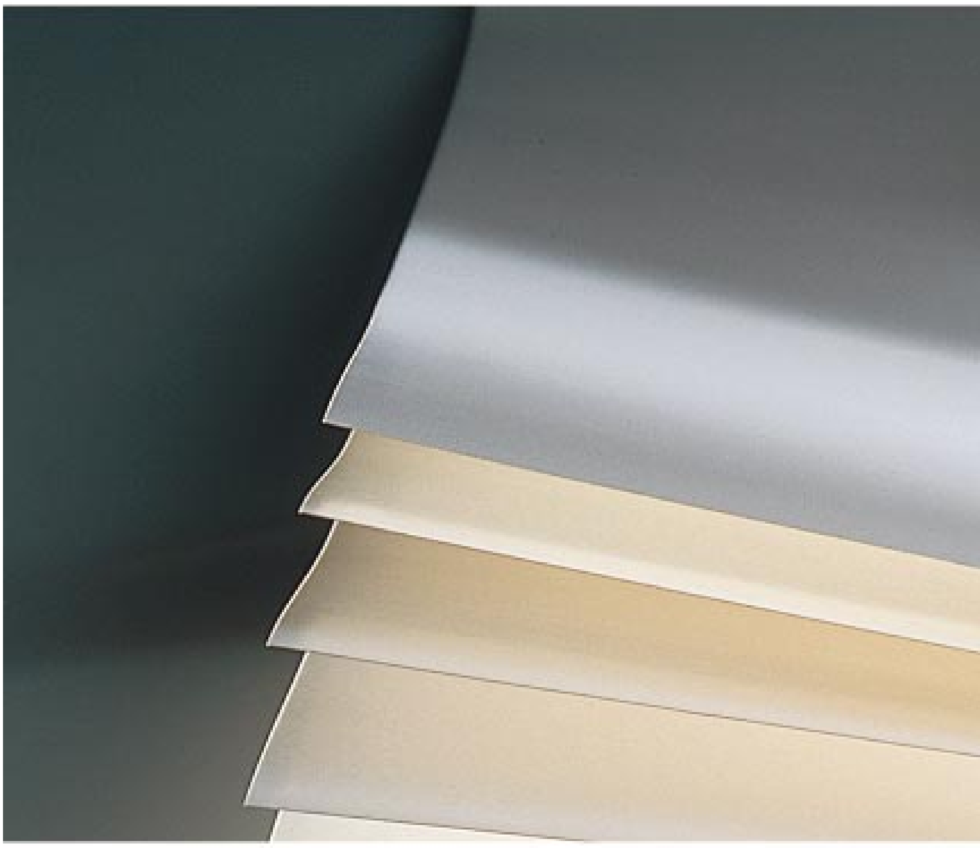
Net sales were FIM 614 million, up 5% on the previous year. The company made a profit.

Demand for surface films and for brown and white Absorbex was good in all the main product segments. Sales of white Absorbex made particularly good progress in the Far East. All production lines set new production records. Prices improved, although not enough to offset the strengthening of the markka. Raw material costs also rose in certain product segments, but the company was unable to incorporate the increases in full into sales prices.

Research and development work focused on white Absorbex, for which sales and production volumes doubled. The most notable investment in environmental protection concerned closure of the paper machine's water circulation.

In 1995, particular attention will be given to the development of surface films and brown Absorbex. In support of this, production of brown Absorbex will be increased towards the end of the year and quality further improved.

The favourable trend in the European economy and continued strong growth in the Far East are expected to raise sales volumes and production in 1995. An improvement in sales prices is anticipated in response to rising costs, and a satisfactory financial result is forecast for 1995.



CORENSO UNITED OY LTD.

Net sales improved by 25% to reach FIM 461 million. The increase is due to higher capacity utilization rates at the board mills, improved product prices, and the purchase of the business operations of Porin Hylsy Oy on 1 March 1994. The company again made a loss.

The coreboard market improved in 1994 and the board mills operated at high capacity throughout the year. The price of recycled fibre, one of the company's raw materials, rose dramatically on the European market. Coreboard prices began to show a clear improvement in summer 1994, and this improved the company's financial result later in the year.

Demand for paperboard tubes on the Finnish market remained good thanks to high capacity utilization rates at paper and board mills. The acquisition of Porin Hylsy Oy's business operations has made Corenso Finland's largest manufacturer of paperboard tubes.

The main investment project of the year was the start-up of a biological waste water treatment plant for Soustre in France. In Finland, Corenso participated in the city of Pori's waste water treatment plant project.

Towards the end of the year it was decided to build a recycled fibre line at Varkaus. The raw material for the line will be collected plastic-coated paper and board, much of it used liquid packagings. Start-up is due to take place in late 1995.

The results are expected to improve in 1995. Demand is good and the mills have a healthy stock of orders. Price rises are forecast for 1995.

Environmental protection

Enso's customers have maintained a keen interest in the environmental impacts of the Group's products. This interest has primarily concerned the forest as the main source of raw material. In Germany, the graphic industry and the Ministry of the Environment reached agreement concerning the voluntary collection and greater utilization of waste paper. The agreement has rendered statutory enforcement unnecessary, at least for the present.

Enso's environmental policy was revised to correspond more closely with the latest thinking in this area, particularly in relation to recycling and forest management. Implementation of Enso's environmental policy will be made a more integral part of business management. Preparations have also been made to establish the environmental management systems needed to comply with the model set out in European Union legislation.

Enso seeks to play an active role in establishing a recycling system for paper in Europe. The start-up in August of the new Sachsen Papier newsprint mill, which uses collected waste paper as its raw material, is one example of this. In other respects too, the mill represents the latest achievements in environmental protection in the paper industry.

The Forest Operations unit has been working on a plan to take more account of biodiversity in Enso's forest management and timber harvesting work. The idea was to produce a clearly worded programme for the conservation of both dominant and endangered species in commercial forests through judicious forest management. The plan, completed in March 1995, is based on the preservation of overall biodiversity.

Issues relating to the environment are dealt with more fully in a separate report.

Research and development

R & D expenditure totalled FIM 111.7 million in 1994 and involved altogether 194 man-years of work. The Research Centre had an average staff of 101. The focus of R & D work was on renewal of the fibre raw material base, product and process development for board production, and the application of new ways of achieving water cycle closure at the mills.

On the boardmaking side, progress was made with products, production processes and the raw material base. The main points of development concerned the RCF-based cartonboard produced on Pankakoski's rebuilt no. 2 machine, pilot tests with the new Condebelt drying technology, the use of CTMP for production of liquid packaging board, and the recycling of used liquid packagings in coreboard production. The use of CTMP and used liquid packagings will reduce dependence on birch pulpwood and improve the quality of products.

Studies relating to newsprint production at Sachsen Papier were continued after the mill had started up. Manufacturing newsprint entirely from collected waste paper is a radical departure from Enso's previous raw material base and at the same time a considerable technological challenge. At Anjala Paper Mill, film coating was introduced for the new book paper.

As part of plans to close the paper machine water cycle, the Kotka Mill introduced a vacuum evaporation unit, which produces clean water from the TMP mill's circulating water.

RECORD NUMBER OF INITIATIVES

It was a record year for initiatives. Altogether 17.5% of the Group's employees put forward initiatives, for which awards totalling FIM 1.98 million were made. Both figures are new records. In some units, over 60% of employees put forward at least one initiative during the year.

Key figures 1990–1994

THE ENSO GROUP		1994	1993 [1]	1992	1991	1990
Net sales	FIM mill.	17 711	15 232	10 263	9 331	9 903
Change on previous year	%	16.3	27.3 [2]	10.0	– 5.8	– 8.0
Wages, salaries and statutory employer's contributions	FIM mill.	3 083	2 623	2 433	2 521	2 489
As % of net sales	%	17.4	17.2	23.7	27.0	25.1
Depreciation according to plan	FIM mill.	1 189	1 104	786	692	616
Operating profit	FIM mill.	2 404	1 922	843	380	816
As % of net sales	%	13.6	12.6	8.2	4.1	8.2
Net financial expenses	FIM mill.	826	1 516	1 035	1 331	562
As % of net sales	%	4.7	10.0	10.1	14.3	5.7
Profit/loss after financing items	FIM mill.	1 578	406	– 192	– 950	255
As % of net sales	%	8.9	2.7	– 1.9	– 10.2	2.6
Profit/loss before adjustments and taxes	FIM mill.	1 933	448	358	– 515	544
As % of net sales	%	10.9	2.9	3.5	– 5.5	5.5
Taxes	FIM mill.	57	– 11	51	16	233
Profit	FIM mill.	413	110	61	– 122	170
Distribution of dividend	FIM mill.	214 [3]	112	57	57	115
Capital expenditure	FIM mill.	3 798	3 077	3 128	2 274	1 947
Fixed assets	FIM mill.	21 642	19 686	16 184	12 742	11 494
Valuation items	FIM mill.	279	264	289	134	135
Inventories	FIM mill.	2 299	1 793	2 316	1 995	2 360
Current assets	FIM mill.	5 087	6 089	5 984	7 617	5 429
Shareholders' equity	FIM mill.	5 977	5 727	4 924	4 099	4 352
Minority interests	FIM mill.	68	285	322	202	188
Voluntary reserves	FIM mill.	3 716	2 006	1 510	1 231	1 556
Obligatory provisions	FIM mill.	50	–	–	–	–
Interest-bearing liabilities	FIM mill.	15 515	17 000	15 780	14 847	11 439
Interest-free liabilities	FIM mill.	3 982	2 814	2 237	2 108	1 883
Total assets	FIM mill.	29 308	27 832	24 773	22 488	19 418
Return on investment	%	11.3	9.6	6.1	5.5	7.5
Return on equity	%	17.1	5.6	– 4.0	– 16.6	0.4
Equity ratio	%	33.4	28.8	27.3	24.6	31.6
Interest-bearing net liabilities	FIM mill.	13 976	14 048	12 242	9 404	7 887
Gearing ratio		1.43	1.75	1.81	1.70	1.29
Net indebtedness	FIM mill.	14 460	13 647	12 033	9 338	7 893
Net indebtedness/net sales	%	81.6	89.6	117.2	100.1	79.7
Average number of employees		14 747	14 071	13 918	15 005	15 974
Net sales/employee	FIM 1000	1 201	1 083	737	622	620

1) Reclassified to correspond with new accounting principles.
2) Change (%) calculated on net sales stated according to old accounting principles.
3) Board of Directors' proposal to the Ordinary Meeting of Shareholders.

Information on parent company shares

	1994	1993	1992	1991	1990
Share capital at 31 Dec. [1]**, FIM mill.**	2 138.9	2 138.6	1 431.6	1 431.6	1 431.6
Share issues					
Rights issue		267.0	440.0		
Exchange of convertible bonds	0.5				
Total market value of shares	8 736.8	7 933.3	3 897.0	2 464.6	2 224.4
Number of shares (1000)	213 885	213 868	187 164	143 164	143 164
Series A	105 440	105 423	92 519	85 919	85 919
Series R	108 445	108 445	94 645	57 245	57 245
Adjusted number of shares (1000)	213 885	213 868	187 164	143 164	143 164
Adjusted average number of shares (1000)	213 885	204 577	143 405	143 164	143 164
Value per share at 31 Dec., FIM					
Nominal value	10.00	10.00	10.00	10.00	10.00
Equity/share, adjusted	45.32	36.16	34.37	37.23	41.27
Market price					
Series A	41.00	37.50	22.00	19.00	18.00
Series R	40.70	36.70	19.70	14.10	11.80
Adjusted price					
Series A	41.00	37.50	22.00	19.00	18.00
Series R	40.70	36.70	19.70	14.10	11.80
Price/earnings ratio					
Series A	5.7	16.8	–	–	24.9
Series R	5.7	16.5	–	–	16.3
Yield on shares					
Dividend, FIM mill.	213.9 [2]	112.3	57.3	57.3	114.5
Dividend/share, FIM	1.00 [2]	0.60	0.40	0.40	0.80
Adjusted dividend/share [3], FIM	1.00 [2]	0.60	0.40	0.40	0.80
Dividend yield [3], %	2.5	1.6	1.8	2.1	4.4
Adjusted earnings/share, FIM	7.16	2.23	– 1.83	– 7.13	0.72
Payout ratio, %	14.0	26.9	–	–	111.1
Shares traded on the Helsinki Stock Exchange					
Series A FIM mill.	891.6	769.3	56.7	37.5	102.6
Series A 1000	20 673	23 273	2 526	1 840	3 885
Series R FIM mill.	3 484.3	4 074.7	345.8	137.1	227.9
Series R 1000	82 491	114 798	19 382	8 548	12 187
Number of shareholders at 31 December	17 821	15 555	17 960	17 863	17 655

1) Registered.
2) Board of Directors' proposal to the Ordinary Meeting of Shareholders.
3) Series A shares (1989–1991 restricted Series A shares).

Computation of key indices is shown on page 39.

Group production plants

BASE INDUSTRIES DIVISION			Annual capacity
Forest Operations	Imatra	Wood procurement	17.0 mill. m^3
Sawmills			
Honkalahti Sawmill	Joutseno	Sawmill	361 000 m^3
		Planing mill	65 800 m^3
Inkeroinen Sawmill	Inkeroinen	Sawmill	80 000 m^3
Kitee Sawmill	Kitee	Sawmill	300 000 m^3
Koski Sawmill	Hämeenkoski	Sawmill	95 000 m^3
Kotka Sawmill and Planing Mill	Kotka	Sawmill	160 000 m^3
		Planing mill	25 000 m^3
Tolkkinen Sawmill	Tolkkinen	Sawmill	255 000 m^3
Varkaus Sawmill	Varkaus	Sawmill	240 000 m^3
Enocell Oy	Uimaharju	Sulphate pulp mill	500 000 t
		Sawmill	245 000 m^3
		Planing mill	20 000 m^3

PACKAGING BOARDS DIVISION			
Liquid & Food Packaging Boards	Imatra	Board machine 1	130 000 t
		Board machine 4	220 000 t
		Board machine 5	220 000 t
		Pulp mill (TA)	180 000 t
		PE extruder 3	80 000 t
	Karhula	PE extruder 4	50 000 t
Imatra Mills	Imatra	Imatra pulp	570 000 t
Pakenso Oy			
Lahti Mills	Lahti	Corrugated board mill	50 000 t
		Pure-Pak blank factory	30 000 t
Heinola Mills	Heinola	Corrugated board mill	25 000 t
Varkaus Mills	Varkaus	Food packaging plant	3 500 t
Oy Uni-Pak Ab	Kristiinankaupunki	Corrugated box factory	7 000 t
Expopak Oy	Jäminkipohja	Corrugated board mill	5 000 t
Formeca Oy	Lahti	Packaging machine plant	
Pakenso Eesti AS	Estonia, Tallinn	Corrugated box factory	2 000 t
Tambox AB			
Jönköping Factory	Sweden, Jönköping	Corrugated board mill	30 000 t
Skene Factory	Sweden, Skene	Corrugated board mill	25 000 t
Vikingstad Factory	Sweden, Vikingstad	Corrugated board mill	10 000 t
Ensopack Ltd.	Barbados, St. Michel	Packaging factory	4 000 t

GRAPHIC PAPERS AND BOARDS DIVISION			
Kaukopää Business Unit	Imatra	Paper machine 6	90 000 t
		Paper machine 8	185 000 t
		Sheet cutting plant	75 000 t
		Board machine 2	185 000 t
Varkaus Fine Papers	Varkaus	Fine paper mill	280 000 t
		Sheet cutting plant	20 000 t
		Sulphate pulp mill	200 000 t
Tervakoski Oy	Tervakoski	Speciality paper mill	85 000 t
Berghuizer Papierfabriek N.V.	Netherlands, Wapenveld	Paper mill	155 000 t
Berghuizer-Enso Formaatfabriek B.V.	Netherlands, Wapenveld	Sheet cutting plant	225 000 t

Enso Rose Ltd.	England, Orpington	Sheet cutting plant	50 000 t
Enso Papier Format GmbH	Germany, Lübeck	Sheet cutting plant	12 000 t

PUBLICATION PAPERS DIVISION

Enso Publication Papers Oy Ltd.			
Anjala Business Unit	Anjalankoski	Groundwood mill	450 000 t
		TMP plant	90 000 t
		Paper mill	460 000 t
Kotka Business Unit	Kotka	TMP plant	120 000 t
		Paper mill	132 000 t
Summa Business Unit	Vehkalahti	Groundwood mill	150 000 t
		TMP plant	230 000 t
		Newsprint mill	430 000 t
Varkaus Business Unit	Varkaus	Groundwood mill	54 000 t
		TMP plant	166 000 t
		Newsprint mill	268 000 t
Sachsen Papier Eilenburg GmbH	Germany, Eilenburg	Newsprint mill	280 000 t
		Deinking plant	330 000 t

INDUSTRIAL PAPERS AND BOARDS DIVISION

Heinola Fluting Mill	Heinola	Fluting mill	240 000 t
Corenso United Oy Ltd.			
Pori Mills	Pori	Board mill	90 000 t
		Tube factory	8 000 t
Varkaus Mills	Varkaus	Board mill	67 000 t
Imatra Factory	Imatra	Tube factory	5 000 t
Loviisa Factory	Loviisa	Tube factory	20 000 t
Papeteries R. Soustre & Fils S.A.	France, Bordeaux	Board mill	55 000 t
Enso Cartonboards Oy Ltd.			
Ingerois Board Mill	Anjalankoski	Board mill	175 000 t
		Sheet cutting plant	110 000 t
Pankakoski Boards Oy Ltd.	Lieksa	Groundwood mill	50 000 t
		Board mill	100 000 t
		Further processing plant	35 000 t
Enso Española, S.A.	Spain, Barcelona	Board mill	125 000 t
Cartiberia, S.A.	Spain, Barcelona	Sheet cutting plant	85 000 t
Laminating Papers Ltd.			
Kotka Mills	Kotka	Sulphate pulp mill	115 000 t
		Paper mill	115 000 t
		Impregnating plant	25 000 t
Tainionkoski Mill	Imatra	Paper mill	25 000 t

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