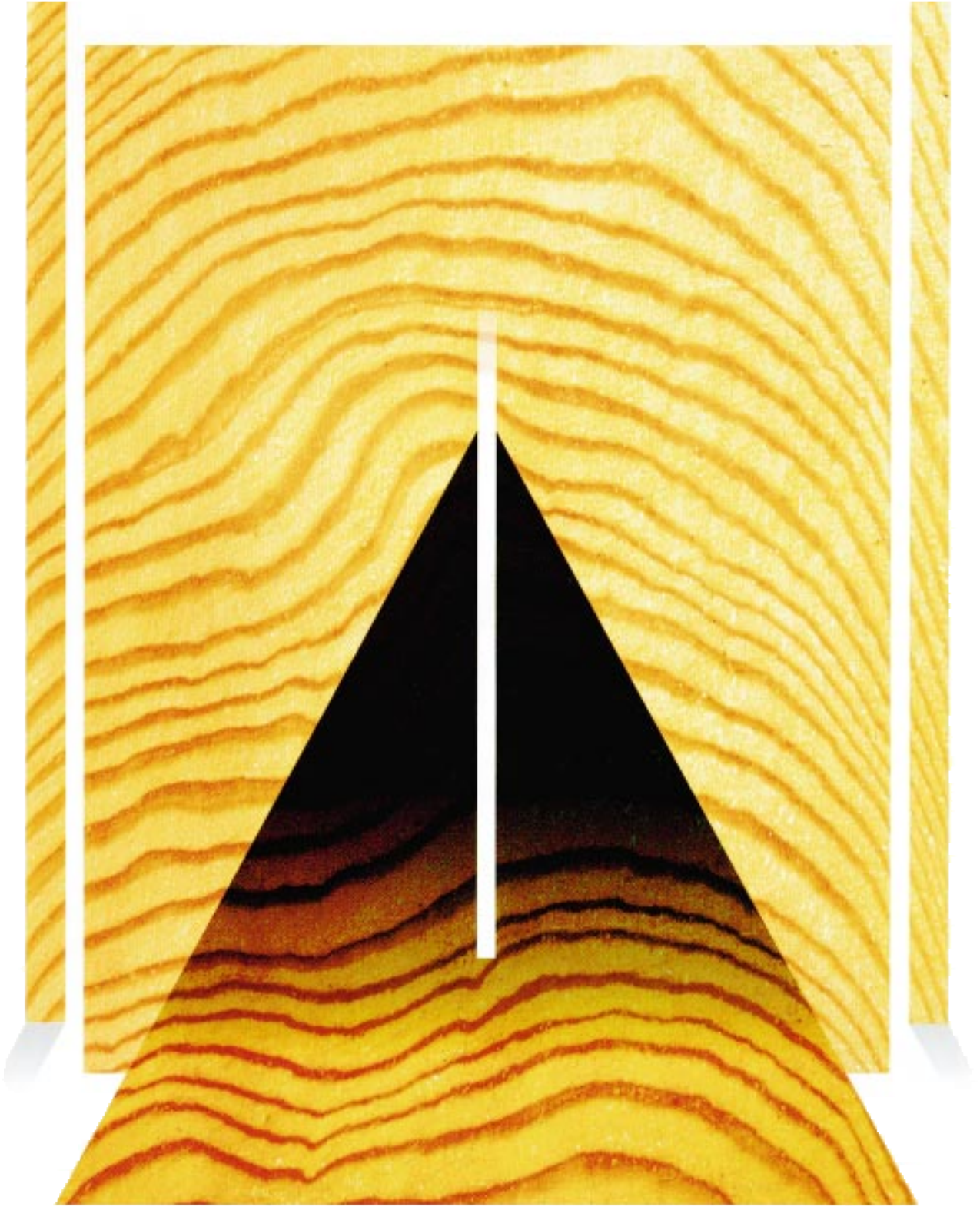


A N N U A L R E P O R T  
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## Information for shareholders

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### ORDINARY MEETING OF SHAREHOLDERS

Enso-Gutzeit Oy's Ordinary Meeting of Shareholders will be held on Tuesday, 9 April 1996 beginning 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's Head Office, address: Kanavaranta 1, Helsinki, of their intention to do so no later than 3.00 pm on 4 April 1996. Notifications may also be sent in writing to Enso-Gutzeit Oy, Legal Department, P.O. Box 309, 00101 Helsinki, Finland, or by phoning +358 0 162 9210, 0 162 9224, or 0 162 9245 before the deadline given above.

Shareholders wishing to attend the meeting must be registered in the list of Enso-Gutzeit Oy shareholders kept by the Central Share Register of Finland on or before 29 March 1996.

Shareholders whose shares have not yet been transferred to the book entry system also have the right to attend the meeting provided they were registered in the company's share register before 30 September 1993. At the meeting, such shareholders must present their share certificates or furnish other proof that their shares have not been transferred to a book entry account.

### PAYMENT OF DIVIDEND

The Board of Directors proposes to the Ordinary Meeting of Shareholders that a dividend of FIM 2.25 per share be paid for the 1995 financial period. If the proposal is approved, dividend will be paid on 17 April 1996 to shareholders entered in the share register at the record date of 12 April 1996.

### PUBLICATION OF INTERIM REVIEWS

Enso-Gutzeit Oy will publish Interim Reviews in Finnish and English for the 1996 financial period as follows:

18 June      Interim Review for January-April  
22 October Interim Review for January-August

### PUBLICATIONS AND FURTHER INFORMATION

#### Corporate Communications,

Kanavaranta 1, 00160 Helsinki, Finland  
Tel. +358 0 162 9296, fax +358 0 162 9267

#### Investor Relations,

Kanavaranta 1, 00160 Helsinki, Finland  
Tel. +358 0 162 9242, fax +358 0 162 9571

## The year in brief

### KEY FIGURES

		1995	1994
Sales	FIM mill.	21 063	17 711
change on previous year	%	18.9	16.3
Operating profit	FIM mill.	3 613	2 404
as % of sales	%	17.2	13.6
Profit after financing items	FIM mill.	2 613	1 578
as % of sales	%	12.4	8.9
Return on investment	%	14.4	11.3
Return on equity	%	21.5	17.1
Interest-bearing net liabilities	FIM mill.	13 094	13 901
Equity ratio	%	42.2	33.4
Earnings per share	FIM	9.97	7.16
Dividend per share	FIM	2.25 <sup>1)</sup>	1.00
Equity per share	FIM	52.02	45.32
Market capitalization	FIM mill.	7 029	8 737
Investment	FIM mill.	1 304	3 798
Average number of employees		14 849	14 747

<sup>1)</sup> Board of Directors' proposal to the Ordinary Meeting of Shareholders.

	CONSOLIDATED SALES			CONSOLIDATED OPERATING PROFIT		
FIM mill.	1995	1994	change,%	1995	1994	change,%
Base Industries Division	4 919	4 533	8.5	898	1 012	- 11.3
Packaging Boards Division	3 976	3 543	12.2	598	745	- 19.7
Graphic Papers and Boards Division	4 580	4 111	11.4	728	269	170.6
Publication Papers Division	5 617	4 004	40.3	733	81	804.9
Industrial Papers and Boards Division	3 541	2 821	25.5	384	133	188.7
Marketing and other companies	937	1 016	- 7.8			
– less internal sales	- 2 507	-2 317	8.2			
Other activities and eliminations <sup>1)</sup>				272	164	65.9
Group total	21 063	17 711	18.9	3 613	2 404	50.3

Those units using chemical pulp pay the market price for pulp purchased within the Enso Group.

However, the buying price of chemical pulp within Enso-Gutzeit Oy's integrated mills is based on costs.

<sup>1)</sup> Includes profits for the sale of fixed assets but excludes extraordinary sales profits.

- There was a clear improvement in profitability. Operating profit was FIM 3613 million and profit after financing items FIM 2613 million, improvements of FIM 1209 million and FIM 1035 million respectively.

- The Group's financial position strengthened considerably. The equity ratio improved to 42.2% and the gearing ratio fell to 103%.

- It was decided to merge Enso-Gutzeit and Veitsiluoto with effect from 1 May 1996, and to build a 360 000 t/a fine paper machine at Oulu, where construction work has already

started. The machine will be ready for start-up in summer 1997.

- The subsidiary Enso Timber Oy Ltd began business operations.

- The market pulp sales company Nordic Fibres AG, which is owned by Enso-Gutzeit and Veitsiluoto, began business operations.

- Sawn goods prices and export volumes began to fall.

- Production of chemical pulp and fine paper had to be reduced by a total of 200 000 tonnes because over-large customer stocks had weakened demand.

## Shares and shareholders

### SHARES AND SHARE CAPITAL

Enso-Gutzeit Oy has two series of shares in issue: Series A and Series R. All shares have a nominal value of FIM 10 and all carry equal rights to receive dividend. At shareholders' meetings, holders of Series A shares are entitled to one vote per share. Holders of Series R shares are entitled to one vote for every ten shares held. However, every shareholder has at least one vote. In the event of an increase in the company's share capital, Series A shares carry entitlement to subscribe Series A shares and Series R shares to subscribe Series R shares.

In accordance with the Articles of Association, the company's issued share capital may be not less than FIM 1 431 636 720 and not more than FIM 5 726 546 880. The share capital may be increased or reduced within these limits without amendment to the Articles of Association. The company's fully paid-in share capital at 31 December 1995, as entered in the Trade Register, was FIM 2 428 533 780. During the year, the share capital was increased three times through the exchange of convertible bonds during the ordinary annual exchange period and one additional exchange period. The share capital is divided between 134 408 400 Series A shares and 108 444 978 Series R shares.

The company's shares are kept in a computerized book entry system.

### SHARE LISTINGS

Enso-Gutzeit Oy's shares have been quoted on the Helsinki Stock Exchange since 1916 and on the London Stock Exchange since 1989. The company's Series R shares are traded on SEAQ International in London.

### BOARD'S RIGHT TO ISSUE SHARES

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

### CONVERTIBLE BOND LOANS

In 1991, the company issued two convertible bond loans totalling FIM 775 000 000. In view of the merger between Enso-Gutzeit Oy and Veitsiluoto Oy, Enso's Board of Directors decided on 14 August 1995 that bonds could be exchanged for shares during an additional period from 2 October to 1 December 1995, after which the right to exchange bonds for company shares lapsed and the loan became an ordinary bond loan on 23 November 1995.

The loan capital outstanding after 1 December 1995 was FIM 12 113 000. Under the terms of the issue, bonds still receive interest at 10% p.a. In accordance with the original terms of the issue, the capital will be repaid in full on 20 June 1998.

During the additional exchange period, bonds worth FIM 744 156 000 were exchanged for shares, which corresponds to 28 277 928 Series A shares. The resulting increases in share capital are shown under 'Increases in share capital 1992-1995' on page 10. The shares obtained carry the right to receive dividend for 1995 and to receive merger consideration.

The bond loans are subject to the same terms, under which each FIM 1000 bond may be exchanged for 38 Series A shares.

### **BONDS WITH WARRANTS**

In 1994, bonds with warrants, total value FIM 1 700 000, were offered for subscription by the company's management. In view of the merger, the Supervisory Board decided on 15 August 1995 that subscriptions may additionally be made during the period 1 March to 21 April 1996. The Supervisory Board decided also that the loan would be repaid prematurely on 30 April 1996. The issue provides for a maximum increase in the company's share capital of FIM 17 000 000. Each warrant entitles the holder to subscribe one Series A share, nominal value FIM 10, at a price of FIM 46.21. The shares represent a maximum of 1.2% of the voting rights generated by the share capital after the exchange and 0.7% of the share capital. The subscription period is 1 December 1998 to 31 December 2001. The bonds carry a coupon of 6%. Shares obtained in exchange for warrants do not entitle the holder to dividend for 1995 but do carry entitlement to merger consideration.

### **DIRECTORS' INTEREST**

At the end of 1995, the members of the Supervisory Board, the members and deputy members of the Board of Directors and the President and Senior Executive Vice President together owned a total of 9659 company shares, 6550 of which were Series A shares.

The number of bonds with warrants owned by members and deputy members of the Board of Directors, and the President and Senior Executive Vice President carry entitlement to subscribe 750 000 Series A shares, which represents 0.5% of the company's total voting rights.

### **STATE OWNERSHIP**

The Finnish State owns 35.2% of the company's shares and 58.1% of the voting rights generated by the shares. The State increased its voting right by 8.9% during the year by exchanging Series R for Series A shares as a result of the transaction with the Bank of Finland's Sponda.

### **SHAREHOLDERS**

At the end of 1995 the company had 18 818 registered shareholders. Non-Finnish nationals held 19% of the shares, 18.5% of them in a nominee's name. The proportion of shares held by non-Finnish nationals decreased in 1995 from 20.5% to 19%.

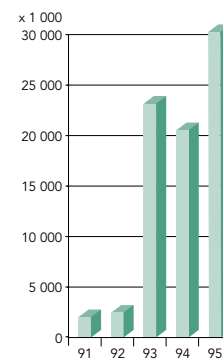


### TRADING IN COMPANY SHARES

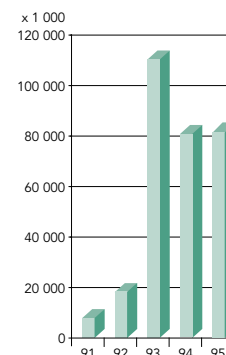
Quotations for Enso-Gutzeit Oy shares fell during 1995, Series A shares by 29.5% and Series R shares by 28.8%. This compares with a drop in the Helsinki Stock Exchange HEX share index of 7.6%. At the end of the year, Series A shares were quoted at FIM 28.90 and Series R shares at FIM 29.00. The highest quotation for Series A shares was FIM 41.70 and for Series R shares FIM 42.00, both on 2 January 1995. The lowest quotation for Series A shares was FIM 26.50 and for Series R shares FIM 26.50, both on 19 December 1995.

A total of 30 720 000 Series A shares and 81 677 000 Series R shares were traded during 1995. The company's market capitalization at the end of the year was FIM 7029 million.

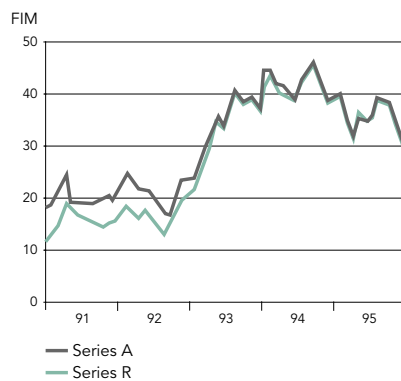
### TRADING VOLUME, SERIES A



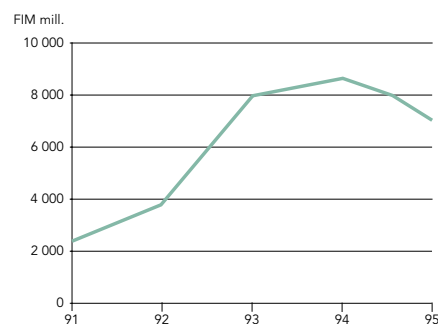
### TRADING VOLUME, SERIES R



### TRENDS IN SHARE PRICES, SERIES A AND R



### MARKET CAPITALIZATION



<b>MAIN SHAREHOLDERS at 31 December 1995</b>	<b>Series A 1000</b>	<b>Series R 1000</b>	<b>% of shares</b>	<b>% of votes</b>
Finnish State	84 230	1 250	35.2	58.1
Social Insurance Institution	16 949	3 739	8.5	11.9
Skofaks Oy	–	12 704	5.2	0.9
Unicarta Oy	3 948	6 243	4.2	3.1
Government Guarantee Fund	678	3 375	1.7	0.7
Merita Bank Ltd.	498	3 245	1.5	0.6
The Local Government Pensions Institution	2 087	1 590	1.5	1.5
Industrial Insurance Company Ltd.	1 460	800	0.9	1.1
Pension-Varma Mutual Insurance Company	1 630	446	0.9	1.2
Sampo Insurance Company Limited	–	1 970	0.8	0.1
Mutual Insurance Company Kaleva	32	1 300	0.5	0.1
Sitra Finnish National Fund for Research and Development	855	450	0.5	0.6
Shares held in nominees' names, total	2 542	42 427	18.5	4.7
Other shareholders (18 805)	19 499	28 906	20.1	15.4
<b>Total</b>	<b>134 408</b>	<b>108 445</b>	<b>100.0</b>	<b>100.0</b>

<b>BREAKDOWN OF SHARE OWNERSHIP at 31 December 1995</b>	<b>no. of shareholders</b>	<b>% of shareholders</b>	<b>no. of shares</b>	<b>% of shares</b>
1 – 100 <sup>1)</sup>	4 403	23.4	358 417	0.2
101 – 1 000	10 184	54.1	4 687 360	1.9
1 001 – 10 000	3 746	19.9	10 944 959	4.5
10 001 – 100 000	399	2.1	10 266 662	4.2
100 001 – 1 000 000	68	0.4	18 805 931	7.7
1 000 001 – 10 000 000	13	0.1	32 000 000	13.2
10 000 001 –	5	0.0	165 790 049	68.3
<b>Total</b>	<b>18 818</b>	<b>100.0</b>	<b>242 853 378</b>	<b>100.0</b>

<sup>1)</sup> Includes 112 435 shares not yet converted into book entry units.

<b>SHARE OWNERSHIP BY SECTOR at 31 December 1995</b>	<b>% of shareholders</b>	<b>% of shares</b>	<b>% of votes</b>
Corporate sector	6.3	11.1	5.4
Financial institutions	1.0	13.4	9.9
Public corporations	0.1	47.4	72.7
Non-profit organizations	2.2	2.7	2.3
Private households	89.9	6.7	5.0
Foreign owners	0.5	18.7	4.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## Increases in share capital

Year	Subscription terms	Increase in share capital	New share capital	Dividend from	Subscription period
1992	Placement with A. Ahlstrom Corporation 6 600 000 Series A shares at FIM 27 37 400 000 Series R shares at FIM 20	440 000 000	1 871 636 720	1.1.1993	4.-29.12.92
1993	Placement with Tampella Corporation 12 900 000 Series A shares at FIM 31 13 800 000 Series R shares at FIM 29	267 000 000	2 138 636 720	1.1.1994	7.5.93
1993	Exchange of convertible bonds 4218 Series A shares	42 180	2 138 678 900	1.1.1993	4.1.-2.4.93
1994	Exchange of convertible bonds 17 214 Series A shares	172 140	2 138 851 040	1.1.1994	4.1.-2.4.94
1995	Exchange of convertible bonds 690 346 Series A shares	6 903 460	2 145 754 500	1.1.1995	4.1.-2.4.95
1995	Exchange of convertible bonds during additional exchange period 2 October to 1 December 9 333 446 Series A shares 18 944 482 Series A shares	93 334 460 189 444 820	2 239 088 960 2 428 533 780	1.1.1995 1.1.1995	2.-31.10. 1.11.-1.12.

## Key share ratios 1991-1995

<b>ENSO-GUTZEIT</b>		<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>
Earnings / share	FIM	9.97	7.16	2.23	- 1.83	- 7.13
Equity / share	FIM	52.02	45.32	36.16	34.37	37.23
Dividend / share	FIM	2.25 <sup>1)</sup>	1.00	0.53	0.31	0.40
Payout ratio	%	22.6	14.0	23.5	neg.	neg.
Effective yield	%					
Series A		7.8	2.5	1.4	1.4	2.1
Series R		7.8	2.5	1.4	1.6	2.5
Price / earnings	%					
Series A		2.9	5.7	16.8	neg.	neg.
Series R		2.9	5.7	16.5	neg.	neg.
Price trend per share	FIM					
Series A						
– closing price for the period		28.90	41.00	37.50	22.00	19.00
– average price		35.82	43.13	35.61	22.55	20.38
– highest price		41.70	49.70	44.10	25.50	28.50
– lowest price		26.50	36.50	22.00	12.60	16.00
Series R						
– closing price for the period		29.00	40.70	36.70	19.50	15.80
– average price		36.70	42.24	36.38	17.70	16.65
– highest price		42.00	49.90	44.20	22.00	20.50
– lowest price		26.50	35.80	19.80	11.80	10.20
Market capitalization at the end of period	FIM mill.					
Series A		3 884	4 323	3 953	2 035	1 633
Series R		3 145	4 414	3 980	1 862	832
Total market capitalization at the end of period	FIM mill.	7 029	8 737	7 933	3 897	2 465
Trading trend						
Series A						
– number of shares traded (1000)		30 720	20 673	23 273	2 526	1 840
– %		22.9	19.6	23.1	2.9	2.1
Series R						
– number of shares traded (1000)		81 677	82 491	114 798	19 382	8 548
– %		75.3	76.1	110.8	33.7	14.9
Adjusted number of shares (1000)						
Series A						
– at the end of period		134 408	105 440	105 423	92 519	85 919
– average for the period		134 408	105 440	100 935	85 955	85 919
Series R						
– at the end of period		108 445	108 445	108 445	94 645	57 245
– average for the period		108 445	108 445	103 643	57 450	57 245
Adjusted number of shares at the end of period		242 853	213 885	213 868	187 164	143 164
Adjusted number of shares, average for the period		242 853	213 885	204 578	143 405	143 164

<sup>1)</sup>Board of Directors' proposal to the Ordinary Meeting of Shareholders.



### **MERGER WILL STRENGTHEN MARKET POSITIONS**

It was also a highly significant year for the future of the Enso Group. The consolidation merger of Enso-Gutzeit Oy and Veitsiluoto Oy will provide a new impetus for growth and will strengthen our market positions.

Enso's financial result in 1995 was the best for many years. While this is mainly attributable to the good markets for our products, it is also due to the full impact of the improvement programmes launched at the different units earlier in the decade, coupled with strategic investments and acquisitions.

Of the many pleasing events in 1995, special mention should be made of the German mill Sachsen Papier, which produces newsprint from recycled fibre. This major investment was completed at the right stage of the business cycle and in its first full year of production clearly exceeded its targets.

In terms of production capacity, the new group formed will be among Europe's largest forest products manufacturers, and one of the ten biggest in the world.

The merger is greatly assisted by the fact that the two companies have few overlapping operations; in fact they complement each other well.

Synergistic benefits worth some FIM 400 million annually will accrue from optimization of production structures, joint procurement of energy and raw materials, the use of a joint international marketing network, and the pooling of research and development resources.

The merger will strengthen the Group's position in the markets for its main products, namely fine papers and publication papers. As with our third core business area - packaging boards - we are among Europe's three biggest manufacturers in these particular segments.

### SIZE PROVIDES ROOM FOR GROWTH

The new Enso has just the right size to secure future growth and for investments in key product segments, markets and technology. Size also provides the right framework for an international expansion of production.

The Lumi 7 paper machine investment will make Oulu one of Europe's most efficient fine paper mills. The new machine, which will produce coated fine paper, is being built alongside its sister machine and will start up in summer 1997. The cost of the investment is spread over two years and is in accordance with the new Enso's normal annual investment programme.

The combination of activities that began in summer 1995 has gone smoothly. For our customers, it was important that we were able to reorganize product sales at a time when the market was good and before other restructuring took place in the Finnish forest industry.

The total quality management programme that has formed the basis for Enso's corporate culture has proceeded well at the different units. The first ENSO STAR quality management competition was won by the Forest Operations unit.

At Enso, quality and environmental protection relate very closely to each other. An important part of marketing communications work is to establish an open dialogue with customers and consumers to convey to them accurate information on our principles of sustainable development.

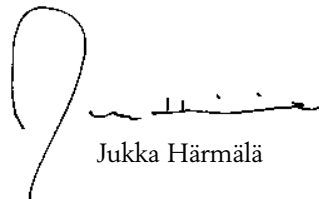
### COMPETITIVE DIVIDEND IN LINE WITH PROFITS

The present faltering in the market for forest products is lasting longer than expected, but at least for the moment we see no reason to talk of a new recession.

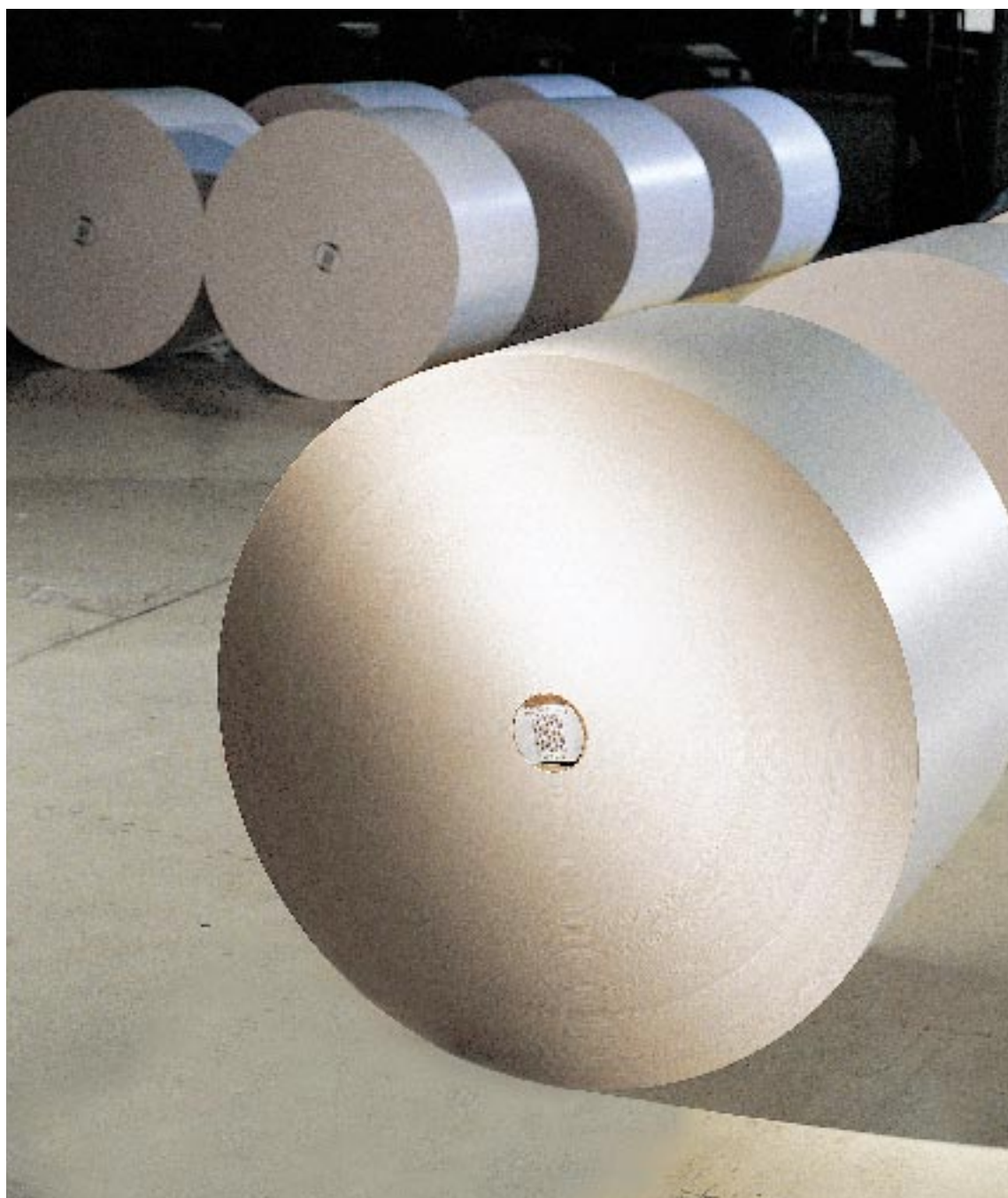
In the main markets, demand for products continues to grow. Neither has the forest industry over-invested in the past few years, so that there has been no significant introduction of new capacity.

In a market affected by uncertainty, Enso's position will be strengthened by the improvement in the balance sheet achieved during the recent upswing and by the synergistic benefits accruing from the merger.

Enso has increased its dividend to reflect the good financial result for 1995. We aim to continue to pay a steady and competitive dividend in the future in accordance with financial results and consistent with the interests of our shareholders and the long-term development of Enso Oy.



Jukka Härmälä



## Report on operations by the Board of Directors 1995

### THE MARKET

The forest industry had high expectations for 1995. However, the downswing that began for some products in the second half of the year changed the situation and buyers started to reduce their stocks.

Economic growth in the main markets kept the market strong for almost all product groups in the first half of the year.

In the sawmilling industry, business peaked during the first few months of the year and the market remained in oversupply until late in the year. Prices fell during the year by 20-30%, depending on the grade in question.

Demand and prices for market pulp and fine papers continued to strengthen during the first half of the year. Demand began to slacken during the summer as buyers started to reduce their over-large stocks.

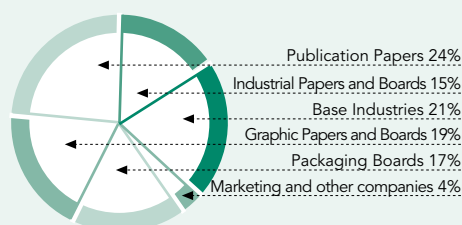
Adapting to the changed situation took longer than expected, and demand for fine papers picked up only slightly during the last few weeks of the year. Having peaked in September-October, market pulp prices began to slip back.

The market for publication papers was good throughout the year. Demand strengthened and the upward trend in prices that had begun late in 1994 continued.

Demand for liquid and food packaging boards also remained good. Price competitiveness in the packaging boards sector was improved by the strengthening of the Swedish krona in the second half of the year.

Trading in wood raw material was good for the whole of 1995, and the restraint shown in the collective wage agreement in the autumn will ease pressure on costs.

### BREAKDOWN OF SALES BY DIVISION



### BREAKDOWN OF SALES BY MARKET



### CONSOLIDATED SALES

FIM mill.	1995	1994
Base Industries	4 919	4 533
Packaging Boards	3 976	3 543
Graphic Papers and Boards	4 580	4 111
Publication Papers	5 617	4 004
Industrial Papers and Boards	3 541	2 821
Marketing and other companies	937	1 016
- less internal sales	- 2 507	- 2 317
Group total	21 063	17 711

### SALES

Consolidated sales for the financial period were FIM 21 063 million, 19% higher than the year before. Sales were boosted by the higher sales prices in foreign currencies resulting from the improvement in the market, and also by the greater volume of deliveries, assisted by the fact that Sachsen Papier Eilenburg GmbH completed its first full year of production.

Growth in sales was held back by the fall in sawn goods prices and by the deterioration in the market for chemical pulp and fine paper during the summer and early autumn, which meant a loss of production of 200 000 tonnes. The value of the Finnish markka averaged about 9% higher than in 1994, and this also slowed down the growth in sales.

Sales by the **BASE INDUSTRIES DIVISION** were FIM 4919 million, an increase of 9%.

Sawmilling produced sales of FIM 2521 million. The 4% increase on the year before is thanks to higher export volumes. Over-supply on the market pushed sales prices down, and some prices are still falling. With little building activity going on in Finland, domestic demand for sawn goods remained slack.

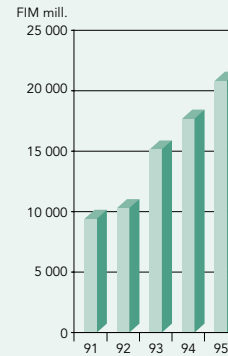
Enocell Oy's pulp mill recorded sales of FIM 1607 million, up 21% on the year before. Sales benefited from the higher prices for market pulp. Curtailment of fine paper production later in the year caused demand for market pulp to weaken.

The Base Industries Division's sales include FIM 791 million from the sale of wood raw material, roughly the same as the year before.

The **PACKAGING BOARDS DIVISION** produced sales of FIM 3976 million, a growth of 12% on the previous year.

Sales of liquid and food packaging boards were 8% up at FIM 2724 million. The increase is due largely to higher sales prices. The weakening of the Swedish krona against the Finnish markka increased competition early in the year. Stability was nevertheless restored towards the end of the year.

## SALES



The Pakenso Group had sales of FIM 1327 million, up 23% on 1994. Sales benefited from the higher product prices brought about by the higher cost of corrugating raw materials.

Sales by the **GRAPHIC PAPERS AND BOARDS DIVISION** were up 11% at FIM 4580 million. The growth is attributable to greater delivery volumes and to higher prices late in 1994 and early in 1995 resulting from the strong market. Demand slackened as customers reduced their over-sized stocks, and production had to be curtailed between August and December.

The **PUBLICATION PAPERS DIVISION** had sales of FIM 5617 million, up 40%. Improved market conditions led to a rise in production volumes and considerably better product prices than in 1994. Sachsen Papier Eilenburg GmbH recorded sales of FIM 832 million for its first full year of operations.

The **INDUSTRIAL PAPERS AND BOARDS DIVISION** returned sales of FIM 3541 million. The growth of 26% is due largely to higher product prices. Demand weakened towards the end of the year and some curtailment of production was necessary.



## OPERATING PROFIT

Operating profit rose FIM 1209 million on the year before to reach FIM 3613 million.

Operating profit was 17.2% of sales, as against 13.6% in 1994.

Operating profit benefited particularly from the rises in product prices. The higher cost of wood raw material, recycled fibre, energy and chemicals, coupled with higher personnel expenditure, held back the increase in operating profit. The cost of wood raw material at the mills averaged 8% higher than in 1994.

The Base Industries Division and the Packaging Boards Division recorded smaller operating profits than the year before. Within the Base Industries Division, the operating profits for the Sawmills and Forest Operations units were down on the previous year. In the case of the Forest Operations unit, the decrease is explained by the FIM 136 million fall in stumpage income due to the lower volume of felling in own forests. In the Sawmills unit and the Packaging Boards Division costs rose faster than sales prices, with a consequent weakening of profitability. Operating profit for the Packaging Boards Division was also reduced by the new internal pricing system for pulp at the Imatra mills, which is now based on actual costs instead of market prices.

Other income includes FIM 32 million in profit from fixed asset sales. The corresponding figure in 1994 was FIM 142 million.

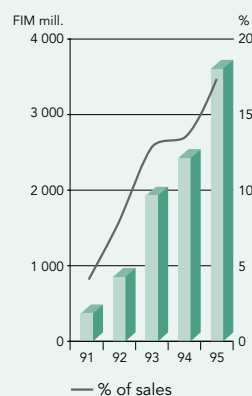
Enso's share of the results of associated companies was FIM 315 million, an increase of

FIM 215 million on the year before. The main contributing factors were the FIM 229 million from Veitsiluoto Oy, FIM 72 million from the Sunila Oy and FIM 18 million from Steveco Oy.

Depreciation according to plan was FIM 1334 million, which is FIM 145 million higher than the previous year. Most of the increase is attributable to Sachsen Papier.

### CONSOLIDATED OPERATING PROFIT

FIM mill.	1995	1994
Base Industries	898	1 012
Packaging Boards	598	745
Graphic Papers and Boards	728	269
Publication Papers	733	81
Industrial Papers and Boards	384	133
Other operations and Eliminations	272	164
Group total	3 613	2 404

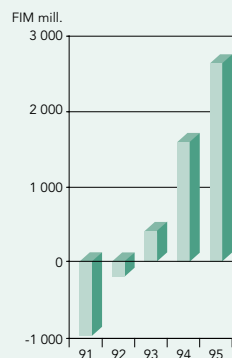


## FINANCIAL RESULTS

The result after financing items was a profit of FIM 2613 million, an improvement of FIM 1035 million on the year before.

Net interest was FIM 1023 million, 4.9% of sales, compared with FIM 1098 million and 6.2% in 1994. The decrease is due to lower interest rates and to the strengthening of the markka against other currencies. Exchange gains of FIM 8 million have been entered in the accounts (FIM 275 million in 1994). Dividends received rose to FIM 18 million from FIM 10 million the previous year.

### RESULT AFTER FINANCING ITEMS

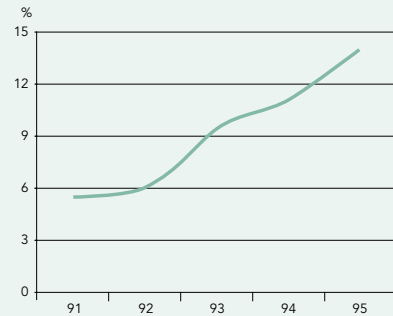


No extraordinary items were entered for 1995. In 1994, extraordinary items totalled FIM 355 million.

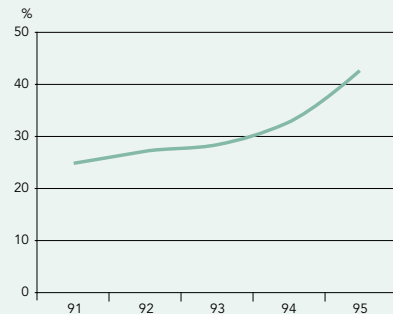
Profit before reserves and taxes was FIM 2613 million. Depreciation in excess of plan totalling FIM 659 million has been entered under adjustments. FIM 62 million from the transitional reserve was used to cover the cost of investments. Taxes for the Group were FIM 195 million.

The Enso Group made a profit in 1995 of FIM 1824 million. Minority interests were FIM 3 million.

### RETURN ON INVESTMENT



### EQUITY RATIO



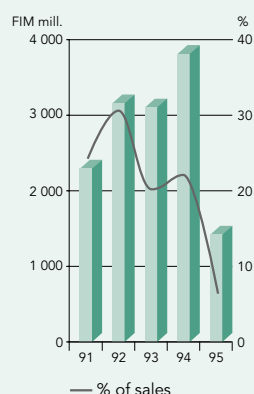
## INVESTMENT

Investment in fixed assets totalled FIM 1304 million in 1995.

The biggest investment projects in terms of expenditure were the modernization of board machine no. 2 and the Condebelt investment on board machine no. 3 at Pankakoski, the chemithermomechanical pulp mill, process water treatment plant and new PE coater being built at the Imatra mills, and construction of a recycled fibre plant for used liquid packagings at Varkaus.

In accordance with a joint decision of the Supervisory Boards of Enso-Gutzeit Oy and Veitsiluoto Oy on 11 May 1995, the project to build a new paper machine at Oulu got under way. Construction began late in 1995, and start-up is scheduled for summer 1997. The

## INVESTMENT



new machine (no. 7) will have a capacity of 360 000 tonnes of coated fine paper. The investment will also improve the efficiency of production on the present paper machine no. 6. The total cost of the Lumi 7 project will be around FIM 2700 million.

The Board of Directors of Enso-Gutzeit Oy approved the construction of a gas-fired combined cycle power plant for Enso Española to secure the mill's energy supply and cut energy costs. The plant will cost an estimated FIM 260 million and will start up in December 1996.

## CHANGES IN GROUP COMPOSITION

On 7 September 1995, extraordinary meetings of shareholders of Enso-Gutzeit Oy and Veitsiluoto Oy approved an agreement for the merger of the two companies to form a new company under the name Enso Oy.

Under the agreement, the new joint stock company, which is to be formed through a consolidation merger, will take over the assets, debts, liabilities and rights of the merging companies in return for its shares. As planned, Enso Oy will begin operations on 1 May 1996, when the merger permit will be registered in the Finnish Trade Register and the new company's shares can be listed on the Helsinki Stock Exchange.

On 1 September 1995, Enso-Gutzeit Oy's sawmilling operations were made into a wholly owned subsidiary under the name Enso Timber Oy Ltd. The company comprises the Inkeroinen, Kitee, Koski, Tolkkinen and Varkaus sawmills, the Honkalahti and Kotka sawmills and planing mills, and Puumerkki Oy, together with the related sales and service units and their business operations.

In preparation for the coming merger, Enocell Oy and Veitsiluoto Oy sold their sawmilling operations to Enso Timber Oy Ltd on 1 January 1996.

The business operations sold by Enocell Oy comprised Uimaharju sawmill and planing mill.

Veitsiluoto's sawmilling operations comprised 75% of the shares of Kittilä Wood Oy, the entire share capital of Ulea Oy, 50% of the shares of Taivalkosken Voima Oy, Kemi sawmill and the business operations of Oulun Puutuote.

In a deal signed on 2 January 1995, Metsäliitto Osuuskunta purchased Enso's 40% interest in Tavastimber Oy Ltd.

On 1 June 1995, Enso-Gutzeit Oy and Veitsiluoto Oy established Nordic Fibres AG, a 50-50 joint venture based in Switzerland. The new company handles worldwide sales of the two owners' market pulp.

Nordic Fibres AG has set up a subsidiary, also in Switzerland, called Pulp Sales AG, to handle sales of market pulp on behalf of other suppliers.

Pulp Sales AG purchased Finncell's sales companies in Hong Kong, Brussels, London, New Jersey and Helsinki from Oy Holy Ab, a company owned by Finncell and its member companies.

On 1 August 1995 Enso set up a new sales company, Enso (Schweiz) AG to handle its sales to Switzerland.

In Germany, the business operations of Enso Presse Druck Vertrieb GmbH were made part of Enso (Deutschland) GmbH.

Enso purchased the remaining 61% of the shares of the French company Copap, which is now a wholly owned Enso subsidiary. The company's name will be changed to Enso (France) S.A.

Enso-Gutzeit Oy's wholly owned subsidiary Nordic Forest Development Holdings Pte. Ltd. began operations in Singapore on 1 January 1995. The company is involved in a joint venture afforestation project in west Kalimantan, Indonesia.

On 1 November 1995, Enso (UK) Ltd bought from Veitsiluoto Oy the entire share capital of Lumipaper Ltd, a sheeting facility in the UK.

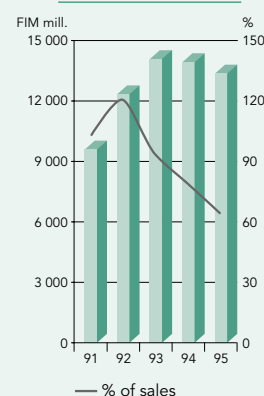
### FINANCING

The Group's equity ratio at 31 December 1995 was 42.2%, compared with 33.4% a year earlier. Exchange of bonds for shares under the convertible bond issue raised the equity ratio by 2.5 percentage points. The aim is to achieve an equity ratio of 45%. Equity per share was FIM 52.02, up FIM 6.70 on the previous year's figure.

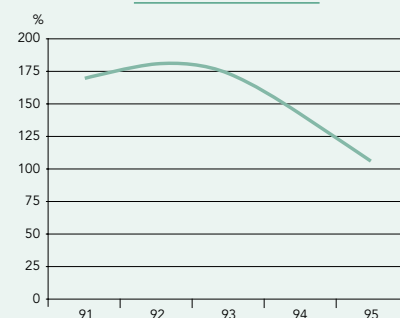
Interest-bearing net liabilities at 31 December were FIM 13 094 million, down FIM 807 million on the 1994 figure. The gearing ratio at 31 December was 103%, compared with 143% at the end of 1994.

Under the terms of Enso-Gutzeit Oy's convertible bond loan, holders of bonds had the right to exchange their bonds for Enso-Gutzeit Oy Series A shares during the period 2 October to 1 December 1995. Bonds to the value

### INTEREST-BEARING NET LIABILITIES



### GEARING RATIO



of FIM 744 million were converted into shares, and 28 277 928 new Series A shares were issued. The shares obtained under the bond issue carry the right to full dividend for the 1995 financial year. As a result, Enso-Gutzeit Oy's share capital was increased to FIM 2 428 533 780. Bonds valued at FIM 12 113 000 were not converted into shares. Conversion rights under the issue have now lapsed.

The number of Enso shareholders at 31 December 1995 was 18 818, compared with 17 821 a year earlier. Non-Finnish nationals held 19% of the shares and 5% of the voting rights. Enso shares worth FIM 4098 million were traded on the Helsinki Stock Exchange during the year, with 112 397 000 shares changing hands.

Approvals for the merger of Enso-Gutzeit Oy and Veitsiluoto Oy have now been obtained from most of the financial institutions concerned.

A syndicated bank loan of USD 250 million was negotiated at the beginning of the year.

## MEMBERS OF THE BOARD OF DIRECTORS

The Supervisory Board appointed Aarre Metsävirta a deputy member of the Board of Directors as of 1 November 1995. However, Mr Metsävirta resigned at the beginning of February 1996 to join another company.

Board member Pauli Hämäläinen retired on 31 December 1995.

## PERSONNEL

In 1995, the Enso Group had an average of 14 849 employees. The average number employed by the parent company was 5932. The average number of employees is 102 higher than the year before. At the end of the year, the Group had 14 153 employees, compared with 14 363 a year earlier. Employee turnover was 2.7%.

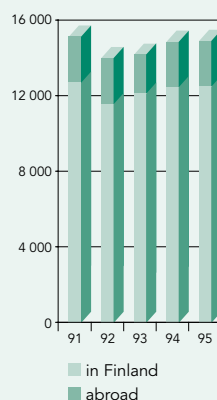
Salaries and fees paid to the parent company's management totalled FIM 8.1 million, including FIM 1 million in directors' fees, and to other employees FIM 956.6 million.

Salaries and fees paid to the members of the Boards of Directors and Managing Directors of Group companies totalled FIM 36.9 million, including FIM 2 million in directors' fees, and to other employees FIM 2339.1 million.

The Board of Directors transferred FIM 27.5 million of profits from 1994 to the employee profit-sharing plan.

Long-term personnel-related development projects based on the Group's business strategies were launched during the year. The aims

## PERSONNEL



include securing adequate human resources, personnel development and management training. Talks with employee representatives led to agreement on the establishment of European councils and to a renewal of domestic cooperation.

A survey was started in conjunction with the Institute of Occupational Health aimed at improving employee welfare and the working community throughout the Enso Group. A quality system was completed for occupational health care and the development of a similar system for occupational safety and health was started.

The Board of Directors approved the introduction of quality award criteria in the form of a total quality management model known as ENSO STAR. The system is based on annual assessments by the individual units of points requiring improvement; the resulting programme of improvements is then incorporated into the unit's normal activities. The quality management model also includes an award, for which nine units applied during its first year of existence. The winner in 1995 was the Forest Operations unit.

In preparation for the coming merger, work began towards the end of the year on harmonizing personnel functions with Veitsiluoto Oy.

### **EVENTS OCCURRING AFTER THE CLOSING OF ACCOUNTS**

Veitsiluoto Oy established wholly owned subsidiaries under the names Enso Fine Papers Oy, Veitsiluoto Publication Papers Oy, Kemijärven Sellu Oy and Enso Paperikemia Oy.

Veitsiluoto's fine paper and art printing paper businesses were transferred to Enso Fine Papers Oy, paper machines nos. 1 and 5 and the groundwood mill at Kemi were transferred to Veitsiluoto Publication Papers Oy, the business operations of Kemijärvi pulp mill were transferred to Kemijärven Sellu Oy, and the paper chemicals business at Oulu was transferred to Enso Paperikemia Oy.

Enso-Gutzeit Oy's new organization came into force on 1 March 1996. Operations are based on the following divisions: Base Industries, Packaging Boards, Fine Papers, Publication Papers and Forest Chemicals.

Enso-Gutzeit Oy entered into its biggest-ever financing deal by signing agreements for a syndicated bank loan on 5 March 1996. The loan capital of USD 1240 million (around FIM 5700 million) is being put up by 38 banks lead managed by Union Bank of Switzerland and Finnish Merita Bank. The loan will be used for financing purposes by Enso Oy, including refinancing of the loans to be transferred from Veitsiluoto Oy.

### **OUTLOOK FOR 1996**

Uncertainty has increased in the markets for forest products. Deliveries to fine paper merchants declined during autumn 1995 as the wholesale sector reduced its stock levels. At the same time, economic growth in continental

Europe began to slow down, and several European countries revised downwards their economic growth forecasts for 1996.

Order stocks for fine papers seem to be taking longer than expected to return to normal. Uneasiness has spread to chemical pulp, the raw material for fine paper production. Pulp stocks grew early in the year, hastening the fall in pulp prices.

The market for publication papers is strong, although paper shortages are no longer a problem for publishers as they were last year. The market for food packaging boards is still in balance.

After weakening at the beginning of 1995, the market for sawn goods seems to be embarking on a slow recovery. Prices are still unsatisfactory, however.

Efforts by some countries to speed up economic growth, and the spur provided by the fall in interest rates, could boost demand for forest industry products in the second half of 1996.

In view of the uncertainty that exists, Enso Group's 1996 result will be somewhat weaker.

Enso-Gutzeit Oy and Veitsiluoto Oy are to merge to form Enso Oy on 1 May 1996. Enso Oy's first financial period will end on 31 December 1996. The two companies' business organizations were combined at the beginning of 1996 and all the most important appointments have been made.

To permit comparison of financial results, unofficial financial statements for Enso Oy have been produced for 1995 and are published at the end of this annual report. Financial reporting in 1996 will be based on Enso Oy's figures from the beginning of the year.

## Consolidated income statement

		1.1.-31.12.1995	1.1.- 31.12.1994
	Note	FIM mill.	FIM mill.
<b>SALES</b>	1.	<b>21 063.4</b>	<b>17 711.3</b>
Finished and semi-finished goods, increase (+)		360.9	+ 9.5
Production for own use		73.1	87.3
Share of profits of associated companies		314.5	100.0
Other operating income	2.	191.1	271.3
Costs and expenses			
Materials, supplies and goods			
Purchased during the period		9 675.7	7 565.5
Increase (-) in inventories		- 456.0	+ 40.0
Outside services		3 578.4	2 976.6
Personnel expenses	3.	3 295.2	3 082.9
Rents		242.6	232.5
Other costs and expenses		720.6	688.8
		- 17 056.5	- 14 586.3
Depreciation according to plan	4.1	- 1 333.7	- 1 188.7
<b>OPERATING PROFIT</b>		<b>3 612.8</b>	<b>2 404.4</b>
Financial income and expenses			
Dividend income		18.4	10.5
Interest income on long-term investments		6.2	25.2
Interest income on short-term investments		106.9	139.5
Other financial income		37.4	6.2
Exchange rate differences		+ 8.1	+ 275.1
Interest expenses		- 1 143.6	- 1 219.2
Other financial expenses		- 30.0	- 49.4
Depreciation on investments		- 3.0	- 13.8
		- 999.6	- 825.9
<b>PROFIT AFTER FINANCING ITEMS</b>		<b>2 613.2</b>	<b>1 578.5</b>
Extraordinary income and expenses	6.		
Extraordinary income		0	409.7
Extraordinary expenses		- 0	- 54.9
		0	354.8
<b>PROFIT BEFORE RESERVES AND TAXES</b>		<b>2 613.2</b>	<b>1 933.3</b>
Increase (-) in accumulated depreciation	4.2	- 659.4	- 1 474.5
Decrease (+) in voluntary reserves		62.1	0.1
Direct taxes			
For the period		- 207.4	- 73.3
For previous periods		12.6	16.6
<b>PROFIT FOR THE PERIOD BEFORE MINORITY INTEREST</b>		<b>1 821.1</b>	<b>402.2</b>
Minority interest		2.7	10.4
<b>PROFIT FOR THE PERIOD</b>		<b>1 823.8</b>	<b>412.6</b>



## Consolidated balance sheet

ASSETS		31.12.1995	31.12.1994
	Note	FIM mill.	FIM mill.
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>	7.-9.		
Intangible assets			
Intangible rights		75.2	63.0
Goodwill		14.8	12.1
Goodwill on consolidation		96.7	53.4
Other fixed assets		94.3	108.4
		281.0	236.9
Tangible assets			
Land and water		3 438.5	3 354.9
Buildings and structures		3 383.5	3 372.9
Machinery and equipment		10 913.8	11 381.3
Other tangible assets		583.3	547.1
Advance payments and construction in progress		460.7	309.0
		18 779.8	18 965.2
Financial assets			
Shares and holdings, associated companies		2 113.1	1 859.2
Shares and holdings, other companies		499.4	506.5
Loans receivable		68.9	74.6
		2 681.4	2 440.3
		<b>21 742.2</b>	<b>21 642.4</b>
<b>VALUATION ITEMS</b>			
Capitalized interest	10.	<b>238.2</b>	<b>279.0</b>
<b>CURRENT ASSETS</b>	11.		
Inventories			
Materials and supplies		1 432.7	1 010.0
Work in progress		261.1	121.7
Finished products		1 251.3	988.2
Advance payments		214.8	179.5
		<b>3 159.9</b>	<b>2 299.4</b>
Receivables			
Accounts receivable		2 755.1	2 775.9
Loans receivable		10.5	14.2
Prepaid expenses		204.2	231.4
Other receivables		552.2	540.8
		<b>3 522.0</b>	<b>3 562.3</b>
Investments			
Other investments		<b>1 011.8</b>	<b>1 071.6</b>
Cash and bank		<b>442.0</b>	<b>453.3</b>
		<b>30 116.1</b>	<b>29 308.0</b>

<b>LIABILITIES</b>		<b>31.12.1995</b>	<b>31.12.1994</b>
	<b>Note</b>	<b>FIM mill.</b>	<b>FIM mill.</b>
<b>SHAREHOLDERS' EQUITY</b>	13.		
Non-distributable shareholders' equity			
Share capital		2 428.5	2 138.9
Reserve fund		2 888.8	2 413.5
Revaluation fund		350.5	353.0
		<u>5 667.8</u>	<u>4 905.4</u>
Distributable shareholders' equity			
Other shareholders' equity		640.0	650.4
Retained earnings		206.7	8.4
Profit for the period		1 823.8	412.6
		<u>2 670.5</u>	<u>1 071.4</u>
		<b>8 338.3</b>	<b>5 976.8</b>
<b>MINORITY INTEREST</b>		<b>65.1</b>	<b>68.4</b>
<b>RESERVES</b>	14.		
Accumulated depreciation		<b>3 368.0</b>	<b>2 708.4</b>
Voluntary reserves			
Investment reserve		345.9	365.3
Transitional reserve		576.8	638.2
Other voluntary reserves		5.0	4.2
		<u>927.7</u>	<u>1 007.7</u>
Obligatory provisions		<b>50.7</b>	<b>49.1</b>
<b>LONG-TERM AND CURRENT LIABILITIES</b>			
Long-term	15.		
Bond loans		12.1	361.8
Convertible bond loans		-	776.1
Loans from financial institutions		9 459.3	8 874.1
Pension loans		2 833.5	2 552.1
Other long-term liabilities		124.3	215.1
		<u>12 429.2</u>	<u>12 779.2</u>
Current			
Loans from financial institutions		1 398.3	1 601.2
Pension loans		151.9	157.8
Advances received		14.3	59.5
Accounts payable		1 187.9	1 161.7
Accrued liabilities		1 294.2	1 264.0
Other current liabilities		890.5	2 474.2
		<u>4 937.1</u>	<u>6 718.4</u>
		<b>30 116.1</b>	<b>29 308.0</b>

## Consolidated source and application of funds

	1995 FIM mill.	1994 FIM mill.
<b>OPERATIONS</b>		
Funds from operations		
Operating profit <sup>1)</sup>	3 581.2	2 262.4
Depreciation	1 333.7	1 188.7
Financial income and expenses	- 955.8	- 827.0
Extraordinary items	-	354.8
Taxes	- 194.7	- 56.7
Share of results of associated companies	- 286.7	- 136.1
	<b>3 477.7</b>	<b>2 786.1</b>
<b>CHANGE IN WORKING CAPITAL</b>		
Increase (-) in inventories	- 860.4	- 506.1
Decrease (+) in current receivable	36.5	- 411.6
Decrease (-) in non-interest bearing current receivables	- 1 240.9	+ 1 168.9
	<b>- 2 064.8</b>	<b>+ 251.2</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>1 412.9</b>	<b>3 037.3</b>
<b>INVESTMENTS</b>		
Capital expenditure	- 1 303.8	- 3 798.3
Proceeds from sale of fixed assets	179.8	911.4
	<b>- 1 124.0</b>	<b>- 2 886.9</b>
<b>CASH FLOW BEFORE FINANCING</b>	<b>288.9</b>	<b>150.4</b>
<b>FINANCING</b>		
Decrease (+) in long-term receivables	9.4	24.2
Decrease (-) in long-term loans	- 230.7	- 1 363.6
Decrease (-) in short-term loans	- 658.1	- 71.9
Dividends	- 213.9	- 113.3
Share issue	762.3	0.5
	<b>- 331.0</b>	<b>- 1 524.1</b>
<b>DECREASE (-) IN LIQUID FUNDS IN STATEMENT</b>	<b>- 42.1</b>	<b>- 1 373.7</b>
Adjustments	- 29.0	- 13.7
<b>DECREASE (-) IN LIQUID FUNDS IN BALANCE SHEET</b>	<b>- 71.1</b>	<b>- 1 387.4</b>
<b>LIQUID FUNDS IN BALANCE SHEET AT 1 JAN.</b>	<b>- 1 524.9</b>	<b>- 2 912.4</b>
<b>LIQUID FUNDS IN BALANCE SHEET AT 31 DEC.</b>	<b>1 453.8</b>	<b>1 525.0</b>
	<b>- 71.1</b>	<b>- 1 387.4</b>

<sup>1)</sup> Profits from assets sales are included under "Proceeds from sale of fixed assets".

## Parent company, income statement and source and application of funds

INCOME STATEMENT	Note	1.1.-31.12. 1995	1.1.-31.12. 1994
		FIM mill.	FIM mill.
<b>SALES</b>	1.	<b>11 191.9</b>	<b>10 260.0</b>
Finished and semi-finished goods, increase (+)		49.4	- 79.1
Production for own use		54.9	37.5
Other operating income	2.	176.4	174.3
Costs and expenses			
Materials, supplies and goods Purchased during the period		6 097.6	4 689.3
Increase (-) in inventories		388.3	+ 91.9
Outside services		2 170.9	2 091.4
Personnel expenses	3.	1 353.8	1 302.0
Rents		165.6	132.5
Other costs and expenses		152.8	94.9
		- 9 552.4	- 8 402.0
Depreciation according to plan	4.1	- 474.5	- 481.7
<b>OPERATING PROFIT</b>		<b>1 445.7</b>	<b>1 509.0</b>
Financial income and expenses	5.		
Dividend income		56.8	46.3
Interest income on long-term investments		393.5	374.5
Interest income on short-term investments		117.2	128.3
Other financial income		26.7	22.9
Exchange rate differences	+	20.4	+ 211.3
Interest expenses	-	990.8	- 1 103.0
Other financial expenses	-	12.7	- 26.2
Depreciation on investments	-	20.6	- 28.3
		- 409.5	- 374.2
<b>PROFIT AFTER FINANCING ITEMS</b>		<b>1 036.2</b>	<b>1 134.8</b>
Extraordinary income and expenses	6.		
Extraordinary income		257.9	450.3
Extraordinary expenses	-	33.6	- 290.1
		224.3	160.2
<b>PROFIT BEFORE RESERVES AND TAXES</b>		<b>1 260.5</b>	<b>1 295.0</b>
Decrease (+) in accumulated depreciation	4.2	337.9	- 703.9
Decrease (+) in voluntary reserves		60.0	-
Direct taxes			
For the period	-	184.6	- 56.1
For previous periods	-	7.4	- 8.5
<b>PROFIT FOR THE PERIOD</b>		<b>1 466.4</b>	<b>526.5</b>

SOURCE AND APPLICATION OF FUNDS	1995	1994
	FIM mill.	FIM mill.
<b>OPERATIONS</b>		
Funds of operations		
Operating profit <sup>1)</sup>	1 394.6	1 395.7
Depreciation	474.5	481.7
Financial income and exp.	- 379.6	- 336.4
Extraordinary items	224.3	160.2
Taxes	- 192.0	- 64.6
	<b>+1 521.8</b>	<b>+1 636.6</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Increase (-) in inventories	- 469.6	- 182.2
Decrease (+) in current receivables	+ 57.2	- 5.6
Decrease (-) in non-interest bearing current liabilities	- 1 225.5	+ 625.7
	<b>- 1 637.9</b>	<b>+ 437.9</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>- 116.1</b>	<b>+2 074.5</b>
<b>INVESTMENTS</b>		
Capital expenditure	- 1 064.3	- 2 331.2
Proceeds from sale of fixed assets	792.4	653.5
	<b>- 271.9</b>	<b>- 1 677.7</b>
<b>CASH FLOW BEFORE FINANCING</b>	<b>- 388.0</b>	<b>396.8</b>
<b>FINANCING</b>		
Decrease (+) in long-term receivables	+ 323.4	- 873.0
Increase (+) in long-term loans	+ 175.6	- 1 135.6
Decrease (-) in short-term loans	- 1 014.1	+ 363.8
Dividends	- 213.8	- 113.3
Share issue	+ 762.3	+ 0.5
	<b>+ 33.4</b>	<b>- 1 757.6</b>
<b>DECREASE (-) IN LIQUID FUNDS IN BALANCE SHEET</b>	<b>- 354.6</b>	<b>- 1 360.8</b>
<b>LIQUID FUNDS IN BALANCE SHEET AT 1 JAN</b>	<b>- 1 540.6</b>	<b>- 2 901.4</b>
<b>LIQUID FUNDS IN BALANCE SHEET AT 31 DEC.</b>	<b>1 186.0</b>	<b>1 540.6</b>
	<b>- 354.6</b>	<b>- 1 360.8</b>

<sup>1)</sup> Profits from asset sales are included under "Proceeds from sale of fixed assets".

## Parent company, balance sheet

ASSETS	Note	31.12. 1995	31.12. 1994	LIABILITIES	Note	31.12. 1995	31.12. 1994
		FIM mill.	FIM mill.			FIM mill.	FIM mill.
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>				<b>SHAREHOLDERS' EQUITY</b>			
	7.-9. and 18.				13.		
Intangible assets				Non-distributable shareholders' equity			
Intangible rights		26.7	31.3	Share capital		2 428.5	2 138.9
Goodwill		3.3	1.8	Reserve fund		2 831.3	2 358.7
Other fixed assets		5.1	3.3	Revaluation fund		330.0	332.4
		35.1	36.4			5 589.8	4 830.0
Tangible assets				Distributable shareholders' equity			
Land and water		3 149.7	3 091.3	Other shareholders' equity		640.0	640.0
Buildings and structures		1 216.8	1 341.4	Retained earnings		566.3	253.7
Machinery and equipment		3 625.1	3 930.8	Profit for the period		1 466.4	526.5
Other tangible assets		280.9	315.8			2 672.7	1 420.2
Advance payments and construction in progress		252.7	142.6			<b>8 262.5</b>	<b>6 250.2</b>
		8 525.2	8 821.9				
Long-term investments and loans receivable				<b>RESERVES</b>	14.		
Shares and holdings, Group companies		4 450.4	4 252.8	Accumulated depreciation difference		<b>1 403.0</b>	<b>1 740.9</b>
Shares and holdings, associated companies		1 599.0	1 669.1	Voluntary reserves			
Shares and holdings, other companies		468.3	472.4	Transitional reserve		<b>482.0</b>	<b>542.0</b>
Loans receivable		3 988.3	4 320.7	Obligatory provisions		<b>0.3</b>	-
		10 506.0	10 715.0				
		<b>19 066.3</b>	<b>19 573.3</b>	<b>LONG-TERM AND CURRENT LIABILITIES</b>			
<b>VALUATION ITEMS</b>				Long-term	15.		
Capitalized interest	10.	<b>64.1</b>	<b>73.5</b>	Bond loans		12.1	361.8
				Convertible bond loans			776.1
<b>CURRENT ASSETS</b>	11.			Loans from financial institutions		7 957.7	7 515.5
Inventories				Pension loans		2 757.1	2 452.4
Materials and supplies		909.6	521.3	Other long-term liabilities		10.5	50.8
Work in progress		144.6	92.9			<b>10 737.4</b>	<b>11 156.6</b>
Finished products		398.9	401.2	Current			
Advance payments		206.7	174.8	Loans from financial institutions		1 293.5	1 059.7
		<b>1 659.8</b>	<b>1 190.2</b>	Pension loans		145.5	149.7
Receivables				Advances received		2.4	45.4
Accounts receivable		1 146.2	1 440.5	Accounts payable		639.1	592.4
Loans receivable		535.3	526.4	Accrued liabilities		704.0	670.6
Prepaid expenses		168.7	176.2	Other current liabilities		752.8	2 664.7
Other receivables		596.0	351.4			<b>3 537.3</b>	<b>5 182.5</b>
		<b>2 446.2</b>	<b>2 494.5</b>				
Investments							
Other investments		<b>1 115.8</b>	<b>1 452.7</b>				
Cash and bank		<b>70.3</b>	<b>88.0</b>				
		<b>24 422.5</b>	<b>24 872.2</b>			<b>24 422.5</b>	<b>24 872.2</b>

## Notes to the financial statements

The financial statements have been prepared in accordance with Finland's revised Accounting Act. Figures are given in Finnish markka. The Group's financial period is the calendar year. Differences in accounting principles between Finnish practice and International Accounting Standards (IAS) are indicated in italics.

### 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, together with the most important associated companies. Housing and real estate companies are not included. These companies have no bearing on the Group's distributable shareholders' equity.

Companies acquired during the year are included in the consolidated financial statements from the date of their acquisition. Companies sold are included up to the date of sale. A list of subsidiary and associated companies appears under note 18 in these Notes to the accounts.

### Principles of consolidation

The purchase method has been adopted, with the exception of Pankavara Insurance Company, which, being outside the Group's core businesses, has been consolidated using the equity method. The difference between the acquisition cost of shares in subsidiaries and shareholders' equity at the date of acquisition is generally entered as goodwill. With the exception of Pakenso Sweden AB, reserves are not included in shareholder's equity in arriving at goodwill for the Group. 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 consolidated financial statements comprise the combined income statements and balance sheets of the parent company and its subsidiaries. Unless local regulations require otherwise, the financial statements of foreign subsidiaries have been prepared using the same accounting principles as for the Enso Group. All inter-company transactions, receivables, liabilities and unrealized profits as well as the distribu-

tion of profits within the Group have been eliminated. Minority interests have been disclosed separately from the shareholders' equity and profit of each subsidiary and are recorded as a separate deduction in the income statement and balance sheet.

Associated companies have been consolidated using the equity method. The Group's share of the results of associated companies, adjusted by the amortization of goodwill on acquisition, is included in operating profit. Dividends received from associated companies have been deducted from Group dividends received. In the consolidated balance sheet the value of shares in associated companies is the Group's share of the shareholders' equity, taking into account goodwill and amortization of goodwill. Deferred tax on reserves is also taken into account for associated companies.

*In the IAS financial statements, minority interest is calculated from the depreciation difference and voluntary reserves.*

### 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.

Unmatured instruments used to hedge shareholders' equity of overseas subsidiaries are translated into Finnish markka using the rates of exchange prevailing at the balance sheet date. Exchange gains on unmaturing hedging instruments used to secure future cash flows are entered as they mature.

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. Group shareholders' equity

contains a corresponding entry in respect of exchange differences arising on translation of the value of instruments used to hedge shareholders' equity of overseas subsidiaries.

### Sales and other operating income

Sales includes the sale of products and services, raw materials and supplies, and energy less indirect sales taxes, sales discounts and bad debts.

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

### Obligatory provisions

Provision is made in the balance sheet 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 can be considered likely in the future.

### Fixed assets and depreciation

Fixed assets are stated at cost less straight-line depreciation according to plan. Land is stated at revalued amounts. Depreciation according to plan 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 5 years
- other tangible assets 10 - 20 years
- intangible assets 5 - 10 years

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

The Group has no significant fixed assets acquired under leasing agreements. Leasing payments are entered in the income statement as rentals.

*Under IAS, finance leases are included in fixed assets. Interest on long-term construction of fixed assets is capitalized in the accounts and amortized in accordance with planned depreciation for the investment in question. Contributions to the Sachsen Papier Eilenburg GmbH investment have been deducted from the acquisition cost of fixed assets.*

## Notes to the financial statements

### Inventories

Inventories are stated at FIFO based purchase cost, which 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.

*In the IAS accounts, capitalized interest is included in the acquisition cost of the investment.*

### 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 the Group's overseas subsidiaries are made in accordance with the regulations and practice of the country in question. The Group's pension liability is fully covered.

Pension costs are included in statutory employer's contributions and the company's own pension liability is entered under obligatory provisions.

### Research and development

Research and development costs are expensed as incurred. The equipment acquired for research and development purposes is included in 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.

### Change in depreciation difference and voluntary reserves

The change in depreciation difference and voluntary reserves is reported as adjustments. Tax legislation in Finland and certain other countries allows companies to make tax-deductible adjustments in the accounts provided such adjustments are shown in the financial statements. Accumulated adjustments are entered separately in the balance sheet. Profit before adjustments and taxes is shown in the consolidated income statement.

*Under IAS, such adjustments are not deducted from profit. Accumulated adjustments are included in shareholders' equity in the balance sheet.*

### Taxes

The consolidated income statement includes taxes for Group companies in respect of financial results or distribution of dividends or as required by local tax legislation. No deferred tax is calculated in respect of allocations to reserves, as the directors do not consider that tax will become payable in the foreseeable future.

Depreciation entered in the accounts in previous years but not entered in the tax declaration in the previous years has been entered in 1995 tax declaration. Tax for the period includes tax calculated on the basis of proposed dividends.

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

### Dividends

Dividends proposed by the Board of Directors are not entered in the financial statements.

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

### 1.1. SALES BY COUNTRY

	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
Finland	3 900.7	3 488.4	4 500.6	3 676.7
Germany	2 533.1	2 073.1	947.2	960.4
UK	2 437.1	2 196.7	845.8	885.1
France	1 531.9	1 245.8	573.9	551.5
The Netherlands	1 332.9	1 179.0	627.6	605.1
Spain	1 221.7	916.8	618.8	571.5
Italy	711.1	535.7	341.9	299.9
Other EU countries	2 468.0	2 162.5	724.0	849.9
Other European countries	1 022.4	617.5	396.6	282.3
North America	388.6	387.4	93.1	76.7
Far East and Southeast Asia	1 881.3	1 734.7	1 004.6	894.6
Other countries	1 634.6	1 173.7	517.8	606.3
	21 063.4	17 711.3	11 191.9	10 260.0

### 1.2. SALES BY DIVISION

Base Industries	4 918.9	4 532.8	3 820.1	3 614.4
Packaging Boards	3 975.7	3 543.2	2 766.5	2 566.7
Graphic Papers and Boards	4 580.1	4 111.1	3 293.7	3 017.7
Publication Papers	5 617.3	4 003.8	1 311.6	1 061.2
Industrial Papers and Boards	3 540.9	2 821.4		
Marketing and transport companies	937.3	1 016.1		
Eliminations	- 2 506.8	- 2 317.1		
	21 063.4	17 711.3	11 919.9	10 260.0



	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
<b>2. OTHER OPERATING INCOME</b>				
Profit from sale of fixed assets	31.5	141.9	54.1	114.2
Other	159.6	129.4	122.3	60.1
	191.1	271.3	176.4	174.3
<b>3. PERSONNEL EXPENSES</b>				
Wages and salaries	2 456.3	2 310.0	950.1	933.6
Pension costs	438.3	443.0	215.9	220.6
Other statutory employer's contributions	400.6	329.9	187.8	147.8
	3 295.2	3 082.9	1 353.8	1 302.0
Fringe benefits	17.4	10.9	3.2	3.5
	3 312.6	3 093.8	1 357.0	1 305.5
<b>4.1 DEPRECIATION ACCORDING TO PLAN</b>				
Intangible rights	15.2	9.5	5.3	5.0
Goodwill	1.7	1.3	0.3	0.3
Other fixed assets	29.1	15.3	1.4	1.7
Buildings and structures	140.6	137.8	51.8	57.3
Machinery and equipment	1 114.0	993.8	391.5	389.7
Other tangible assets	53.8	50.4	24.2	27.7
Goodwill on consolidation	14.9	28.2	-	-
Crediting of negative goodwill	- 35.6	- 47.6	-	-
	1 333.7	1 188.7	474.5	481.7
<b>4.2. CHANGE IN DEPRECIATION DIFFERENCE</b>				
Intangible rights	- 0.7	- 0.3	- 0.8	- 0.3
Goodwill	0.3		0.5	0.0
Other fixed assets	7.8	2.0	1.6	- 1.0
Buildings and structures	237.9	132.8	7.0	28.9
Machinery and equipment	405.3	1 292.6	- 344.4	643.9
Other tangible assets	8.8	47.4	- 1.8	32.4
	659.4	1 474.5	- 337.9	+ 703.9
<b>5. INTRA-GROUP FINANCIAL INCOME AND EXPENSES</b>				
Financial income from Group companies				
Dividend received			16.7	23.5
Interest income on long-term investments			388.4	352.6
Interest income on short-term investments			14.8	18.7
			419.9	394.8
Financial expenses to Group companies				
Interest expenses			36.0	106.3
<b>6. EXTRAORDINARY INCOME AND EXPENSES</b>				
Extraordinary income				
Retained earnings from associated companies		50.8		-
Change in valuation practice for product stocks		211.7		102.6
Profit on sale of shares		147.2		146.4
Group contributions received		-	257.9	65.0
Profit on merger		-	-	136.3
		409.7	257.9	450.3
Extraordinary expenses				
Change in valuation practice for spare parts stocks		36.0		15.2
Fine imposed by EU Comissions on board manufacturers		18.9		18.9
Group contributions made		-	33.6	256.0
		54.9	33.6	290.1

## Notes to the financial statements

7. TANGIBLE AND INTANGIBLE ASSETS	Goodwill	Negative goodwill	Other intangible rights and goodwill	Other fixed assets	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets
<b>GROUP</b>								
Acquisition cost 1 Jan.	267.0	- 136.3	104.0	157.6	3 354.9	3 996.3	15 524.3	782.3
Increase	29.0	- 0.2	33.8	7.6	93.0	171.2	854.5	93.5
Decrease	- 0.3		- 5.5	- 2.2	- 9.4	- 75.5	- 502.8	- 18.2
Acquisition cost 31 Dec.	295.7	- 136.5	132.3	163.0	3 438.5	4 092.0	15 876.0	857.6
Accumulated depreciation	- 199.0	136.5	- 42.3	- 68.7	-	- 708.5	- 4 962.2	- 274.3
Book value								
31 Dec. 1995	96.7	0.0	90.0	94.3	3 438.5	3 383.5	10 913.8	583.3
Book value								
31 Dec. 1994	88.8	- 35.4	75.1	108.4	3 354.9	3 372.9	11 381.3	547.1
Accumulated depreciation difference			2.8	-1.9	-	355.8	2 289.0	62.6
Increase			1.5	7.8	-	247.0	739.7	17.9
Decrease			- 1.9	-	-	- 9.1	- 334.1	- 9.1
Accumulated depreciation difference 31 Dec. 1995			2.4	5.9	-	593.7	2 694.6	71.4
<b>PARENT COMPANY</b>								
Acquisition cost 1 Jan.			55.1	16.1	3 091.3	1 713.8	6 293.1	476.0
Increase			8.1	0.4	63.6	123.2	417.8	12.8
Decrease			- 9.1	-	- 5.2	- 244.0	- 584.9	- 35.5
Acquisition cost 31 Dec.			54.1	16.5	3 149.7	1 593.0	6 126.0	453.3
Accumulated depreciation difference 31 Dec.			- 24.1	- 11.4	-	- 376.2	- 2 500.9	- 172.4
Book value 31 Dec. 1995			30.0	5.1	3 149.7	1 216.8	3 625.1	280.9
Book value 31 Dec. 1994			33.1	3.3	3 091.3	1 341.4	3 930.8	315.8
Accumulated depreciation difference			2.6	-1.6	-	167.1	1 537.8	35.1
Increase			1.5	1.6	-	12.7	1.9	0.3
Decrease			- 1.8	-	-	- 5.7	- 346.3	- 2.2
Accumulated depreciation difference 31 Dec. 1995			2.3	0.0	-	174.1	1 193.4	33.2

	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
<b>8. TAXABLE VALUE OF FIXED ASSETS</b>				
Land	1 537.0	1 245.5	1 374.7	1 104.5
Buildings and structures	1 720.7	1 707.2	461.1	551.5
Shares and holdings	795.4	868.7	4 368.7	3 296.6
Taxable value of subsidiary shares is not included in the Group's taxable value.				
<b>9. STOCKS, SHARES AND LOANS RECEIVABLE RELATING TO LONG-TERM INVESTMENTS</b>				
Group companies				
Shares			4 450.4	4 252.8
Loans receivable			3 933.3	4 260.5
Total			8 383.7	8 513.3
Associated companies				
Shares			1 599.0	1 669.1
Loans receivable			20.2	46.8
Total			1 619.2	1 715.9
<b>10. VALUATION ITEMS</b>				
Capitalized interest 1 Jan.	279.0	264.1	73.5	82.9
Increase 1 Jan. - 31 Dec.	-	44.3		-
Decrease 1 Jan. - 31 Dec.	- 40.8	- 29.5	- 9.4	- 9.4
Capitalized interest 31 Dec.	238.2	279.0	64.1	73.5
<b>11. CURRENT ASSETS</b>				
Receivables due for payment in one year or more				
Accounts receivable	21.4	47.8	2.7	9.5
Receivables and liabilities, Group companies and associated companies				
Accounts receivable, Group companies			348.9	370.1
Accounts receivable, associated companies			39.5	42.0
Loans receivable, Group companies			526.1	514.1
Loans receivable, associated companies			5.1	9.4
Prepaid expenses, Group companies			37.2	18.0
Prepaid expenses, associated companies			0.7	0.2
Other receivables, Group companies			347.6	135.7
Other receivables, associated companies			23.8	1.4
Other securities, Group companies			158.4	387.5
Receivables total			1 487.3	1 478.4
Accounts payable, Group companies			82.1	106.6
Accounts payable, associated companies			26.0	63.4
Accrued liabilities, Group companies			3.0	5.4
Accrued liabilities, associated companies				8.0
Other current liabilities, Group companies			246.2	513.7
Other current liabilities, associated companies				100.0
Liabilities total			357.3	797.1

## Notes to the financial statements

### 12. MANAGEMENT PENSION COMMITMENT AND LOANS MADE TO MANAGEMENT OR SHAREHOLDERS

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

Loans to company management at 31 December 1995 totalled FIM 570 000.00. The interest on these loans is 0.5% above the Bank of Finland's base rate. The loans are repayable within the next 3-5 years.

	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
<b>13. SHAREHOLDERS' EQUITY</b>				
Share capital 1 Jan.	2 138.9	2 138.7	2 138.9	2 138.7
Exchange of bonds for shares	289.6	0.2	289.6	0.2
Share capital 31 Dec.	2 428.5	2 138.9	2 428.5	2 138.9
Reserve fund 1 Jan.	2 413.5	2 389.8	2 358.7	2 358.4
Premium on exchange of bonds	472.6	0.3	472.6	0.3
Translation difference	2.7	23.5		
Reserve fund 31 Dec.	2 888.8	2 413.5	2 831.3	2 358.7
Revaluation reserve 1 Jan.	353.0	360.5	332.5	339.5
Decrease, sale of fixed assets	- 2.5	- 7.4	- 2.5	- 7.0
Translation difference	-	- 0.1		
Revaluation reserve 31. Dec.	350.5	353.0	330.0	332.5
Distributable shareholders' equity 1 Jan.	1 071.4	838.3	1 420.2	1 007.0
Dividend paid	- 213.9	- 112.3	- 213.9	- 112.3
Translation difference	- 10.8	- 66.2		
Placed at the disposal of the Board of Directors	0	- 1.0		- 1.0
Profit for the period	1 823.8	412.6	1 466.4	526.5
Distributable shareholders' equity 31 Dec.	2 670.5	1 071.4	2 672.7	1 420.2

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

Breakdown of share capital	1995	1994
Series A shares (1 vote/share)	134 408 400	105 440 126
Series R shares (1 vote/10 shares, min. 1 vote)	108 444 978	108 444 978
	242 853 378	213 885 104
Series A (1 vote/share)		1 344.1
Series R shares (1 vote/10 shares, min. 1 vote)		1 084.4
		2 428.5
		2 138.9

Subsidiaries hold 5644 Series R shares, nominal value FIM 56 440. At 31 December 1995, members of the Supervisory Board, members and deputy members of the Board of Directors, and the Managing Director held 6550 Series A shares and 3109 Series R shares, total 9659 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.

	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
<b>14. RESERVES</b>				
Accumulated depreciation difference by type of fixed assets				
Intangible rights	2.1	2.8	1.8	2.6
Goodwill	0.3	- 0.0	0.5	0.0
Other fixed assets	5.9	- 1.9	0.0	- 1.6
Buildings and structures	593.7	355.9	174.1	167.1
Machinery and equipment	2 694.6	2 289.0	1 193.4	1 537.8
Other tangible assets	71.4	62.6	33.2	35.0
	3 368.0	2 708.4	1 403.0	1 740.9
Voluntary reserves				
Investment reserve	345.9	365.3		
Transitional reserve	576.8	638.2	482.0	542.0
Other voluntary reserves	5.0	4.2		
	927.7	1 007.7	482.0	542.0
Change in voluntary reserves				
Transitional reserve	- 61.5	-1.5	- 60.0	-
Other reserves	- 0.6	+1.4		-
	- 62.1	- 0.1	- 60.0	-

Deferred tax on voluntary reserves computed at the rate of 28% is FIM 1 208.8 million.

#### 15. LONG-TERM LIABILITIES

Liabilities maturing in five years or more				
	<b>Balance 31 Dec.</b>	<b>1996 - 2000</b>	<b>2001 -</b>	
Bond loans	12.1	12.1	-	
Loans from financial institutions	9 459.3	7 006.1	2 453.2	
Pension loans	2 833.5	597.6	2 235.9	
Other loans	124.3	76.6	47.7	
Total	12 429.2	7 692.4	4 736.8	
Bond loans, parent company	<b>Mill.</b>	<b>1995</b>	<b>1994</b>	<b>1995</b>
10% 1991-96	CHF	100	100	378.8
Total				378.8
Convertible bond loans, parent company				
10%, 1991 - 98				700.0
10%, 1991 - 98				75.0
Loan principal, paid				775.0
- exchanged for shares 4 Jan. - 2 April 1993				- 0.1
- exchanged for shares 4 Jan. - 2 April 1994				- 0.5
- exchanged for shares 4 Jan. - 2 April 1995				- 18.2
- exchanged for shares 2 Oct. - 1 Dec. 1995				- 744.1
- transferred to bond loans; right for exchange expired				- 12.1
				0
Warrant bond loan to company management				774.4
6%, 1994 - 96				1.7
31 Dec.				1.7

Each bond with warrants issued for subscription by the company's management entitles the bearer to subscribe for one (1) Enso-Gutzeit Oy Series A share, nominal value ten Finnish markka (FIM 10), at the price of FIM 46.21. Shares may be subscribed for between 1 March and 21 April 1996. The resulting increase in the company's share capital may be maximum of FIM 17 000 000, i.e. 1 700 000 new shares. According to the merger agreement between Enso-Gutzeit Oy and Veitsiluoto Oy those bonds not exchanged for shares shall be paid back prematurely on 30 April 1996.

## Notes to the financial statements

	Group 1995 FIM mill.	Group 1994 FIM mill.	Parent company 1995 FIM mill.	Parent company 1994 FIM mill.
<b>16. SECURITIES AND GUARANTEES</b>				
On own behalf				
Mortgages	4 050.9	3 488.1	2 587.5	2 167.7
On behalf of Group companies				
Pledges given			77.2	132.2
Guarantees			851.5	1 096.8
On behalf of associated companies				
Mortgages	-	2.5	-	2.5
Guarantees	225.2	239.5	225.2	239.5
On behalf of others				
Mortgages	26.3	26.3	-	-
Guarantees	64.7	53.6	63.7	44.4
Other commitments, own				
Leasing commitments, in 1996	24.0	28.6	3.2	5.2
Leasing commitments, after 1996	52.9	59.3	3.1	4.7
Pension liability	-	0.2	0.0	0.3
Other commitments	6.5	5.8		
Total				
Pledges given			77.2	132.2
Mortgages	4 077.2	3 516.9	2 587.5	2 170.2
Guarantees	289.9	293.1	1 140.4	1 380.7
Leasing commitments	76.9	87.9	6.3	9.9
Pension liability	-	0.2		0.3
Other commitments	6.5	5.8		
	4 450.5	3 903.9	3 811.4	3 693.3

### DERIVATIVE LIABILITIES

Most of the Group's sales are invoiced in foreign currencies. The Group has considerable amounts of interest bearing receivables and payables in foreign currencies. Thus the management of foreign exchange and interest rate risks is an essential part of the Group's risk management. Foreign exchange and interest rate risks are managed through loans taken in foreign currencies, forward agreements, currency swaps, interest rate swaps, options and futures contracts. At the end of 1995 the Group's currency and interest rate swaps totalled FIM 9104 million, forward agreements FIM 1665 million (gross), currency options FIM 913 million and interest rate futures FIM 500 million.

	Group 1995 FIM mill.	Group 1994 FIM mill.
<b>17. IAS-ADJUSTMENT AND RECLASSIFICATION OF THE GROUP'S STATUTORY FINANCIAL STATEMENTS</b>		
Net profit for the year as reported in statutory financial statements	1 824	413
Increase / (decrease) of profit for adjustment to:		
Untaxed reserves	- 62	
Depreciation difference	659	1 474
Stock valuation		1
Bad debts	16	22
Associated companies		- 41
Capitalization of interest expenses	- 15	- 38
Sale of fixed assets and investments	- 3	- 20
Change in minority interest	- 38	- 2
Other	5	- 112
	2 386	1 697
Share capital	2 429	2 139
Distributable reserves	2 671	1 071
Non-distributable reserves	3 239	2 767
Untaxed reserves	4 295	3 716
Shareholders' equity and reserves in statutory financial statements	12 634	9 693
Adjustments:		
Minority interest	- 59	- 21
Capitalization of interest expenses	209	224
Untaxed reserves	- 346	- 365
Other (net)	- 65	- 86
	12 373	9 445



## Notes to the financial statements

	% of shares and voting rights held by Group	Parent company shareholding, %	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
<b>18. SHARES AND HOLDINGS</b>					
<b>Subsidiaries, foreign</b>					
Berghuizer Papierfabriek, N.V., Wapenveld	99.9	99.9	1 924 072	10	284 088
Copap S.A., Paris	100.0	100.0	5 150	200	29 963
Enso-Eurocan Asia Pacific Ltd., Hong Kong	100.0	100.0	540 000	10	1 264
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 Ibérica 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 AS, Oslo	100.0	100.0	400	1 000	282
S.A. Enso N.V., Brussels	100.0	99.9	999	1 250	164
Ensopack Ltd, Barbados	97.1	97.1	6 020 000	1	12 210
Enso (Schweiz) AG, Zürich	100.0	100.0	500	1 000	1 839
Enso Sverige 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
Nordic Forest Development Holdings Pte Ltd., Singapore	100.0	100.0	100 000	1	299
Other foreign subsidiary shares					51
					650 823
<b>Subsidiaries, Finnish</b>					
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 Timber Oy Ltd, Helsinki	100.0	100.0	100 000	1 000	300 000
Enso-Yhteisäpalvelut 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, Heinola	100.0	100.0	5 500 000	20	115 590
Pakkaus-Piste Oy, Helsinki	100.0	100.0	13 600	150	1 000
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
Pankavara Insurance Company, Helsinki	100.0	100.0	219 999	100	34 245
Shares in housing and real estate companies					13 899
					3 799 570
<b>Main subsidiary shareholdings in sub-groups %</b>					
Oy Borgå Stuveri Ab, Porvoo	100.0		Pakenso Baltika Sia, Riga		100.0
Berghuizer-Enso Formaafabriek B.V., Wapenveld	100.0		Pakenso Eesti AS, Tallinn		100.0
Cartiberia S.A., Barcelona	51.0		Pakenso Sweden Holding AB /		
Enso Española S.A., Barcelona	100.0		Tambox AB, Jönköping		100.0
Enso Papier Format GmbH, Lübeck	100.0		Pankakoski Boards Oy Ltd, Lieksa		100.0
Enso Rose Ltd, Orpington	100.0		Papeteries R Soustre & Fils S.A., St Seurin Sur l'Isle		100.0
Expopak Oy, Ruovesi	100.0		Puumerkki Oy Ltd, Helsinki		100.0
Lumipaper Ltd., Mendlesham	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 shareholders' equity, FIM mill.	Parent company shareholding, %	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.
<b>Associated companies, foreign</b>							
Ladenso Oy, Pitkäranta	49.0	0.0	49.0	490		0	0.0
AS Lumiforest, Tallinn	40.0	- 11.1	40.0	425	1 000	179	- 21.0
Nordic Fibres AG, Zürich	49.9	10.7	49.0	1 995	1 000	399	0.2
						578	
<b>Associated companies, Finnish</b>							
Golfimatra Oy, Imatra	28.4	3.2	27.8	283	10 000	3 292	- 0.3
Keräyskuitu Oy, Helsinki	31.2	12.6	31.2	9 383	1 000	7 944	0.4
Paperinkeräys Oy, Helsinki	40.4	16.2	40.4	36 372	10	273	2.8
Steveco Oy, Hamina	36.7	90.7	36.7	11 017	1 000	14 848	48.8
Sunila Oy, Kotka	50.0	121.7	50.0	76 500	500	22 525	91.1
Veitsiluoto Oy, Kemi	33.2	1 257.4	33.2	19 080 958	10	1 500 000	148.8
Wisapak Oy Ab, Helsinki	35.0	27.0	35.0	35 000	1 000	35 000	- 4.5
Other Finnish associated company shares						371	
Shares in housing and real estate companies						14 156	
						1 598 409	
<b>Sub-group associated companies</b>							
Board Packaging Ltd., Amersham	33.3	0.3					0.3
Bois du Nord France S.A., Fecamp <sup>1)</sup>	30.0	0.0					0.0
Bois du Nord (International) S.A., Evionnaz <sup>1)</sup>	30.0	7.2					1.6
Bois du Nord (Suisse) S.A., Evionnaz <sup>1)</sup>	30.0	0.7					0.1
Imprex Products Asia Ltd., Hong Kong	50.0	10.9					1.0
Imprex Products Baltic Oy, Helsinki	50.0	0.3					- 0.4
Rauma-Enso Timber Sales Oy Ltd, Helsinki	50.0	4.7					6.2
WKC De Grift BV, Wapenveld	50.0	6.5					13.0
Österberg's Förpackningsmaskiner AB, Göteborg	50.0	2.5					- 0.3
<sup>1)</sup> Year ended 31 December 1994							
<b>Other companies</b>							
Finnlines Oy, Helsinki			6.5	1 249 456	10	12 495	
Indekon Oy, Lappeenranta			3.1	10 000	100	1 250	
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	
Silja Oy Ab, Helsinki			6.8	919 154	20	36 590	
Suomen Osakekeskusrekisteri							
Osuuskunta, Helsinki			3.6	15	70 000	1 050	
Sampo Insurance Company, Turku			2.2	310 119	20	91 163	
Fincarta Capital S.p.A., Sparta			10.0	85 000	1 000	1 896	
FLAMAND, Treport			15.0	11 043	100	1 973	
AS Imavere Saeveski, Imavere			19.9	3 749	1 000	4 341	
S.I.N.B.P.L.A., Bouguenais			15.0	23 027	100	17 839	
Other companies						4 405	
Shares in housing and real estate companies						6 543	
Telephone and electricity board shares						781	
Deposits to public utilities						1 193	
						468 306	

The market value of listed shares owned by Enso-Gutzeit Oy totalled FIM 174.9 million and the corresponding balance sheet value was FIM 140.9 million at 31 Dec. 1995.

## Parent company, proposed distribution of profit

The consolidated balance sheet shows distributable shareholders' equity of FIM 2 670 568 667.56 at 31 December 1995.

The parent company's balance sheet shows distributable shareholders' equity of FIM 2 672 645 351.55 at 31 December 1995.

The Board of Directors proposes to the Ordinary Meeting of Shareholders' that the profit for the financial year of FIM 1 466 360 126.59 be distributed as follows:

dividend of	
FIM 2.25 per share	546 420 100.50
to be retained	919 940 026.09
	<u>FIM 1 466 360 126.59</u>

Helsinki, 4 March 1996

Jukka Härmälä  
Chairman  
CEO

Juhani Pohjolainen  
Vice Chairman  
Senior Executive Vice President

Kimmo Kalela

Esko Mäkeläinen

Paavo Pitkänen

Jouko Taukojärvi

Paavo Uronen

### TO THE SHAREHOLDERS OF ENSO-GUTZEIT OY

We have audited the accounts, the accounting records and the administration of Enso-Gutzeit Oy for the 1995 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 conducted our audit in accordance with generally accepted auditing standards. We have audited the accounting records, and the accounts, disclosures and presentation of information, including the accounting policies, to an extent sufficient to give us reasonable assurance that they are free from material misstatement. 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 provisions of the Companies Act.

A continuous audit has been carried out during the financial period by SVH Coopers & Lybrand 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 1 466 360 126.59, have been prepared in accordance with the Accounting Act and other relevant legislation and regulations, and give 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 1995 financial year.

The proposal of the Board of Directors for disposal of the profit for the period is in accordance with the Companies Act.

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, 11 March 1996

SVH Coopers & Lybrand Oy  
Certified Public Accountants

Pekka Nikula, CPA

## Statement of the Supervisory Board

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The Supervisory Board of Enso-Gutzeit Oy has examined the Company's accounts, including the consolidated accounts, as well as the Auditors' Report for 1995. As its statement to the Ordinary Meeting of Shareholders, to be held on 9 April 1996, 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.

The terms of the following members of the Supervisory Board will expire at the 1996 Ordinary Meeting of Shareholders: Krister Ahlström, Carl-Olaf Homén, Raili Puhakka and Pekka Ruotsalainen.

Helsinki, 11 March 1996

Matti Louekoski  
Chairman

Matti Väistö  
Vice Chairman

Krister Ahlström

Olli Helminen

Carl-Olaf Homén

Kari Häkämies

Eero Lankia

Pekka Morri

Markku Mäkinen

Raili Puhakka

Pekka Ruotsalainen

Väinö Saario









## Base Industries Division

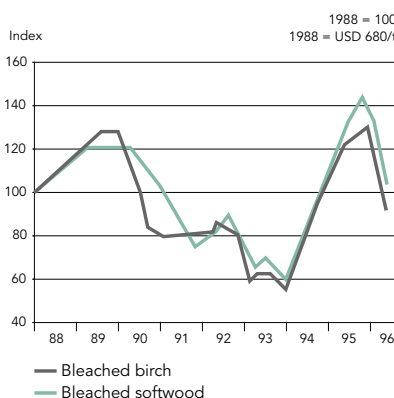
### THE MARKET

**MARKET PULP** prices rose by 54% in 1995. Prices peaked in September-October, reaching USD 1000 for softwood pulp and ECU 750 for birch pulp. Prices have since fallen and in March 1996 the list prices were USD 600 and ECU 400, respectively. Producers' pulp stocks are still exceptionally high at over 2 million tonnes, despite production curtailments in the Nordic countries. This, combined with the weak market for fine papers, is putting pulp prices under severe pressure.

Consumption of **SAWN GOODS** fell considerably in 1995, and prices dropped by an average of 20-30%. A further slight fall in consumption is forecast for Europe in 1996. Prices are expected to pick up towards the end of the year when over-supply on the market is eased.

**The division recorded sales of FIM 4919 million, 9% higher than the year before. Operating profit fell from FIM 1012 million to FIM 898 million.**

### MARKET PULP PRICE TREND IN WESTERN EUROPE



### FOREST OPERATIONS

At the end of 1995, the Enso Group owned 484 000 hectares of land with 36 million m<sup>3</sup> of standing timber. Felling in own forests produced 0.6 million m<sup>3</sup> with a stumpage value of FIM 89 million.

Wood received from private forests totalled 9.5 million m<sup>3</sup> and from other domestic sources 3.1 million m<sup>3</sup>. A further 5 million m<sup>3</sup> was imported.

A total of 14.6 million m<sup>3</sup> of wood raw

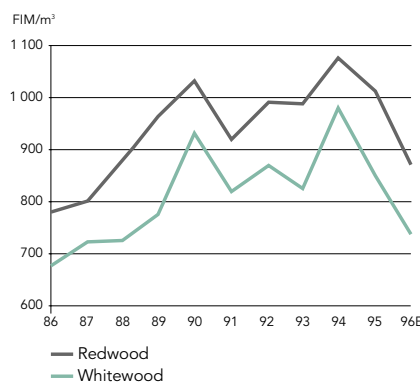
material was supplied to the Group's Finnish mills and 3.2 million m<sup>3</sup> to other forest industry companies. The volume delivered was 0.5% down on the year before.

Invoicing for deliveries was

FIM 4168 million. Enso's sawmills supplied 1.5 million m<sup>3</sup> of wood.

The recommendations agreed on in the regional wood trading negotiations promoted brisk trading in wood raw material, especially

### EXPORT PRICES OF SAWN GOODS



early in the year, and purchasing targets were met. Stumpage rates were an average of 11% higher than in autumn 1994. This caused prices at the mills to rise by an average of 8%.

In the procurement of imported wood, Enso has now joined forces with Veitsiluoto's wood procurement organization. Deliveries exceeded the targets. Stocks of pine and birch pulpwood are exceptionally large due to the favourable supply situation and to downtime at the mills late in the year.

It is important for future wood supplies that buyers and sellers on the domestic wood raw material market reach a mutual understanding on how the market should operate. The situation is expected to be clarified in 1996 when the European Union takes a stand on competition practices.

Forest utilization and management issues were discussed during the year by representatives of forest industry companies and conservation organizations. This was reflected in changes in working practices and principles and in personnel training.

Information management and logistic systems for wood procurement were further developed during the year. This work will continue in 1996.

Enso-Gutzeit and Veitsiluoto will combine their wood procurement organizations during 1996. As a result, the provinces of Oulu and Lapland will become Enso Oy's northern Finland procurement area.

Enso Oy's total annual wood procurement will be around 25 million m<sup>3</sup>.

#### **ENOCCELL OY**

Enocell Oy's pulp mill had sales of FIM 1607 million, a growth of 21% on the year before.

Operating profit was FIM 621 million and the result was a profit.

The market was good throughout the early part of the year and world market prices rose by 54%. Towards the end of the year demand weakened rapidly due to falling demand for fine paper.

Pulp output was 479 000 tonnes, 3% up on 1994 despite lost production of about 65 000 tonnes in October-December due to market reasons.

In October, the mill was awarded an ISO 9002 quality certificate and a BS 7750 environmental certificate.

Demand for pulp in 1996 is expected to be about the same, on average, as in 1995. Demand is likely to be slack early in the year but should improve towards the year-end.

Enocell Oy sold its Uimaharju sawmill and planing mill to Enso Timber Oy Ltd. on 1 January 1996.

#### **ENSO TIMBER OY LTD**

Sawmilling operations produced sales of FIM 2521 million, 4% higher than the year before. Operations showed a profit.

Rising production costs coupled with lower capacity utilization and falling product prices greatly affected financial performance.

Production of spruce goods made a loss during the final four months of the year, and the profitability of pine goods production also weakened considerably.

Puumerkki Oy improved its financial result, but progress was held back in the final four months by slack domestic building activity.

Consumption of sawn goods peaked in Europe and North America in 1994 and has since fallen noticeably. This is due to the de-

cline in building activity brought about by the persistently high interest rates on the one hand, and to a slowing down of general economic activity on the other.

At the same time, production of sawn goods has been stepped up in Europe, Enso's main market, and noticeably also in Scandinavia. This has resulted in over-supply on sawn goods markets and caused an uncontrolled slide in prices. Prices for lower grades have actually fallen by as much as a third within a few months. Sawmilling has been unprofitable in most parts of Europe.

Production was reduced by around 62 000 m<sup>3</sup>, largely towards the end of the year.

Enso reorganized its sawmilling operations on 1 September 1995 under Enso Timber Oy Ltd, a new wholly-owned subsidiary. Operations have been divided into pine and spruce business units and further processing. The sub-group formed by the company also includes subsidiaries concerned with sawn goods manufacture, processing and distribution. The most important of these is Puumerkki Oy, a chain of builders' merchants operating throughout Finland. The purchase of a unit in Tampere in September brought the number of outlets to 18.

Enocell Oy's Uimaharju sawmill and planing mill and Veitsiluoto Oy's mechanical wood-processing units were made part of Enso Timber on 1 January 1996.

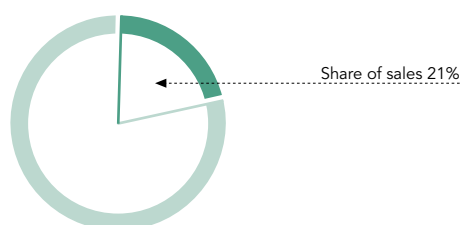
European consumption of sawn goods is forecast to show a further slight decline in 1996. However, the market will return to balance by the end of the year as unprofitable sawn goods production is reduced in most parts of Europe.

Over-supply is causing prices to weaken early in 1996, and satisfactory profitability will not be restored until the end of the year at the earliest.

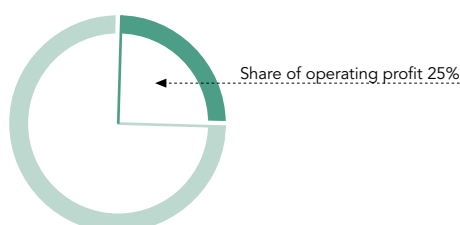
## Key figures

Sales, FIM mill.	1995	1994
Forest Operations	791	790
Enso Timber Oy Ltd	2 521	2 415
Enocell Oy (pulp)	1 607	1 328
<b>Sales total</b>	<b>4 919</b>	<b>4 533</b>
<b>Operating profit</b>	<b>898</b>	<b>1 012</b>
<b>Investment</b>	<b>156</b>	<b>272</b>
<b>Personnel, 31 Dec.</b>	<b>2 888</b>	<b>2 992</b>
<b>Production</b>		
Pulp, 1000 t (Enocell Oy)	479	464
Sawn goods, 1000 m <sup>3</sup>	1 673	1 615
Further processed sawn goods, 1000 m <sup>3</sup>	91	111

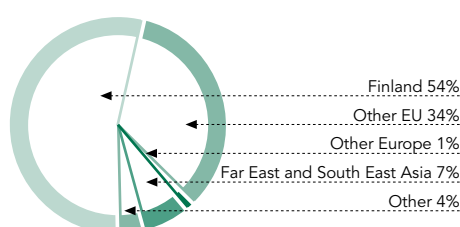
### DIVISION'S CONTRIBUTION TO CONSOLIDATED SALES



### DIVISION'S CONTRIBUTION TO OPERATING PROFIT



### DIVISIONAL SALES BY MARKET AREA





## Packaging Boards Division

The profitability of business operations weakened as costs rose faster than product prices. Despite this, the division made a profit.

### IMATRA PAPERBOARDS

The business unit had sales of FIM 2724 million, 8% up on the previous year. The growth is due both to greater sales volumes and to higher prices.

Demand for cupstock exceeded supply early in the year, but returned to normal towards the year-end. The strengthening of the Swedish

**Sales were 12% higher than the year before at FIM 3976 million. Operating profit fell from FIM 745 million to FIM 598 million.**

krona in the autumn improved the unit's competitiveness, and the loss of market shares that had threatened in the summer did not materialize.

The mills operated at almost full capacity and several machines set new production records.

The unit's name was changed in autumn from Liquid and Food Packaging Boards to Imatra Paperboards to reflect the fact that business has expanded beyond the traditional end uses.

### IMATRA MILLS

All pulp production capacity was in use until early in the autumn, when production had to be slowed down because of weakening demand for paper and board. Nevertheless, output for the year was similar to the peak level of 1994.

During the year, work began on building a new CTMP plant, plastic coating line and raw water treatment plant. All three projects are on schedule. The water treatment plant was completed late in the year, the CTMP plant started up in March 1996 and the coating line will be operational early in the summer.

### PAKENSO OY

Sales were FIM 1327 million, 23% higher than in 1994. The unit made a profit.

Although demand for corrugated board was weaker at the end of the year than in 1994, average demand was about the same in both years. Having risen sharply, raw material prices levelled off at the end of the year, easing pressure to raise prices for corrugated board boxes.

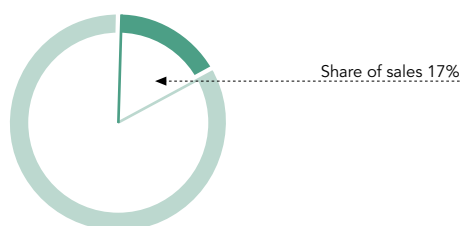
The Latvian corrugated board mill project fell slightly behind schedule because of a delay with building permits. However, construction has gone to plan and production can start in the first half of 1996.

Exports of Pure-Pak blanks grew, while domestic demand remained steady.

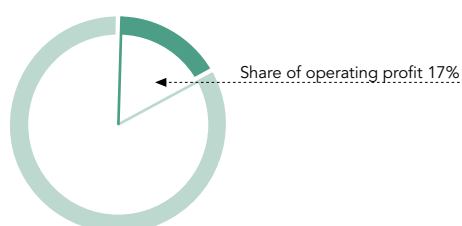
## Key figures

Sales, FIM mill.	1995	1994
Imatra Paperboards	2 724	2 526
Imatra Mills	43	30
Pakenso Oy	1 327	1 078
Ensopack Ltd	25	21
Eliminations	- 143	- 112
<b>Sales total</b>	<b>3 976</b>	<b>3 543</b>
<b>Operating profit</b>	<b>598</b>	<b>745</b>
<b>Investment</b>	<b>448</b>	<b>119</b>
<b>Personnel, 31 Dec.</b>	<b>3 279</b>	<b>3 244</b>
<b>Production</b>		
Liquid packaging boards, 1000 t	427	419
Food packaging boards, 1000 t	117	96
Corrugated board, mill. m <sup>2</sup>	293	282

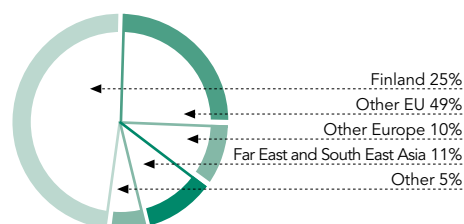
### DIVISION'S CONTRIBUTION TO CONSOLIDATED SALES

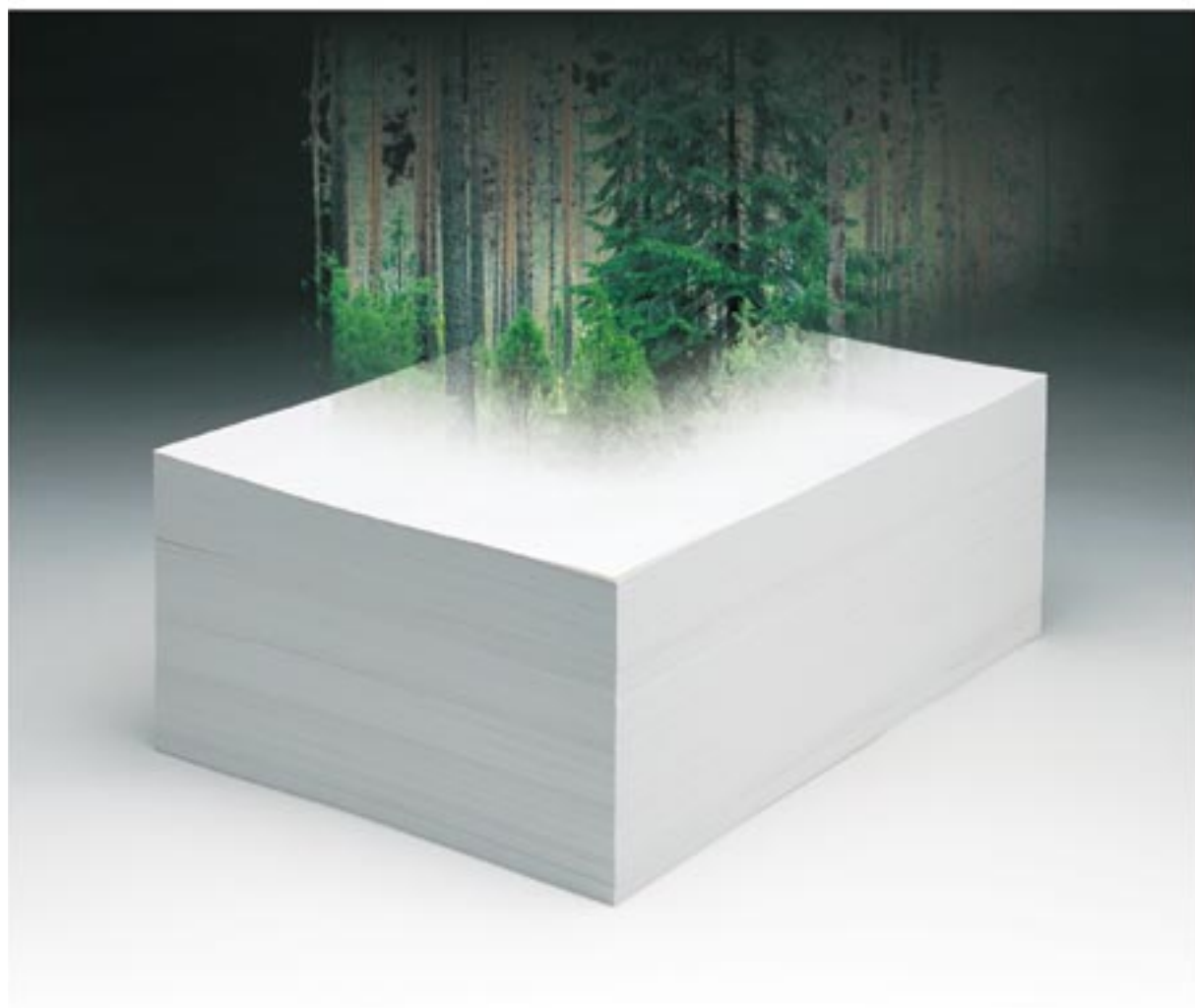


### DIVISION'S CONTRIBUTION TO OPERATING PROFIT



### DIVISIONAL SALES BY MARKET AREA





## Graphic Papers and Boards Division

### THE MARKET

Consumption of **UNCOATED FINE PAPER** increased in Europe by 100 000 tonnes, i.e. 2% and that of **COATED FINE PAPER** by 5%, equivalent to around 350 000 tonnes, in 1995. Prices in foreign currencies rose 22% in 1995. Demand fell sharply from August onwards as merchants began to reduce their overly large stocks. Fine paper machines operated at 85% of capacity in 1995, compared with 96% in 1994. Demand for fine papers strengthened slightly towards the end of the year. Supply and demand could move into balance by the end of 1996 if the European economy continues its present rate of growth.

The division had sales of FIM 4580 million, 11% higher than the year before. Operating profit improved from FIM 269 million in 1994 to FIM 728 million in 1995.

The good financial result is thanks to the fact that the rise in prices that started in 1994 continued into 1995. During the summer, merchants and end users began to run down their overly large stocks, bringing the rise in prices to a halt. As demand slackened, production had to be substantially curtailed between August and December, bringing capacity utilization rates for the year down below 90%.

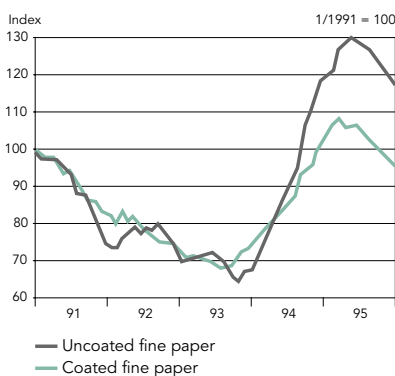
Construction of a second paper machine at

Oulu began in the autumn. The machine will start up in summer 1997 and will have a capacity of 360 000 t/a of coated fine paper.

The Berga range of office papers was brought onto the market. The corresponding Lumi range

of coated fine papers will be launched in the first half of 1996. An extensive range of papers has also been developed for digital printing purposes.

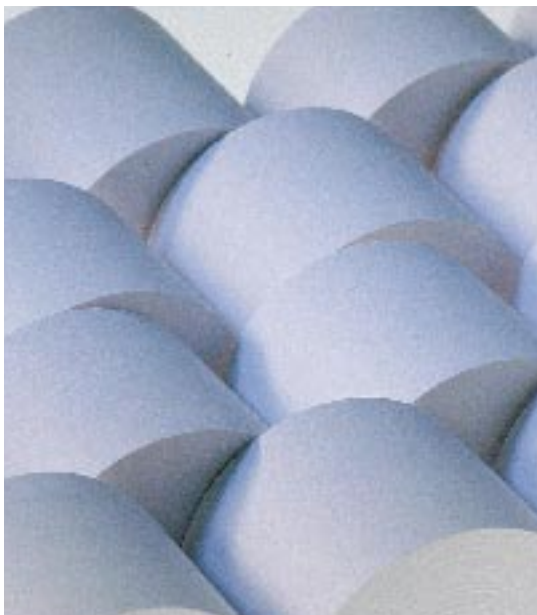
**FINE PAPER PRICE TREND IN WESTERN EUROPE**





Over-large stocks will be reduced at the latest during the first half of 1996, and steady growth in the market will allow machines to run at about 90% of capacity. Production curtailments will take place early in 1996 and, as customary, during the summer holiday period. Preparations have been made for a possible over-supply of coated grades towards the end of the year. However, the economies in the division's main markets will have to continue to grow at over 2% to ensure a favourable trend. Any further fall in market pulp prices will put pressure on fine paper prices and add uncertainty to order stocks in the near future.

Enso-Gutzeit Oy and Veitsiluoto Oy combined their fine paper business operations on 1 January 1996, and all products are now marketed through Enso's sales network. Veitsiluoto's fine papers business was made into a



company called Enso Fine Papers Oy, which will acquire Enso-Gutzeit's Imatra and Varkaus fine paper units on 1 May 1996.

Responsibility for the business of board machine no. 2 at the Kaukopää business unit was transferred to the Packaging Boards Division on 1 January 1996.

#### **KAUKOPÄÄ BUSINESS UNIT**

Sales were FIM 1917 million, up 6% on the year before.

On-site PCC production and the new chemical treatment of raw water have greatly improved competitiveness by providing better production economy and raising the brightness of the mill's fine papers. The soft calender that went into production on paper machine no. 6 in December has extended the range to include one-side coated grades. The new product will be marketed under the name Lumi-flex.

#### **VARKAUS FINE PAPERS**

Sales were 14% higher than the previous year at FIM 1204 million.

The pulp mill's oxygen bleaching unit went into production in April, improving product quality and lowering emissions. The winder started up on paper machine no. 11 in December will make the machine more competitive.

An environmental audit of the unit's processes has been started.



### TERVAKOSKI OY

Sales were FIM 629 million, up 9% on 1994.

As a supplier of thin printing papers for multi-colour catalogues, Tervakoski had a highly successful year. Deliveries of cigarette tip and 4CC colour copier papers also rose.

The drying section of paper machine no. 11 was rebuilt in March, improving quality uniformity and raising the machine's capacity by 15%. Plans are now being made for a rebuild of paper machine no. 8.

### BERGHUIZER PAPIERFABRIEK N.V.

The company reported sales of FIM 825 million, 23% up on 1994.

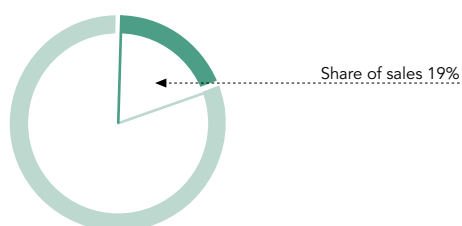
A project to improve internal efficiency was completed in collaboration with the employees. As a result, competitiveness will be significantly better in 1996. The gas-fired combined cycle power plant that started up in November will also improve competitiveness.

Berghuizer specializes in category A office papers and RCF-based products.

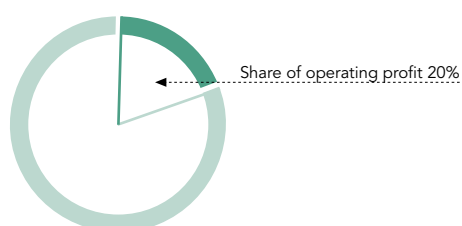
## Key figures

Sales, FIM mill.	1995	1994
Kaukopää Business Unit	1 917	1 798
Varkaus Fine Papers	1 204	1 056
Tervakoski Oy	629	577
Berghuizer Papierfabriek N.V.	825	669
Others	5	11
<b>Sales total</b>	<b>4 580</b>	<b>4 111</b>
<b>Operating profit</b>	<b>728</b>	<b>269</b>
<b>Investment</b>	<b>262</b>	<b>152</b>
<b>Personnel, 31 Dec.</b>	<b>2 503</b>	<b>2 557</b>
<b>Production, 1000 t</b>		
Coated papers	122	148
Uncoated papers	238	285
Copying papers	209	236
Graphic boards	146	161
Speciality papers	81	78

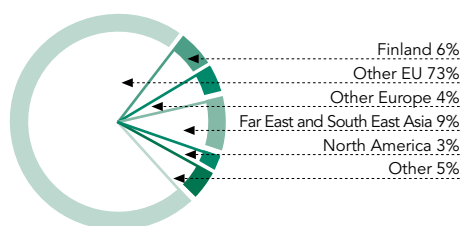
### DIVISION'S CONTRIBUTION TO CONSOLIDATED SALES



### DIVISION'S CONTRIBUTION TO OPERATING PROFIT



### DIVISIONAL SALES BY MARKET AREA





## THE MARKET

The market for **NEWSPRINT** was good during 1995. Consumption in Western Europe totalled 9.2 million tonnes, 2% higher than in 1994. Prices rose by an average of 24%. In Finland, 98% of capacity was in use. The favourable market is forecast to continue. Little new capacity is due on the market in the next few years. The price of **RECYCLED FIBRE** rose to almost DEM 400 in summer 1995. It then fell rapidly to DEM 120, where it had been for several years before the sharp rise in prices that began in mid-1994. Some rise in the prices is expected by summer 1996.

Sales for the division were FIM 5617 million, up 40% on 1994. Operating profit was FIM 733 million, compared with FIM 81 million the year before.

The growth in sales is due to higher product prices and to a considerable increase in sales volumes by almost all business units. The fact that Sachsen Papier completed its first full year of production also contributed.

The increase in operating profit is due to the fact that average paper prices increased while costs only rose slightly.

Newsprint consumption in Europe grew by about 2% which is slightly less than the year before.

Growth in magazine paper consumption was stronger thanks to the improved economic situation, and was some 7% higher than the year before.

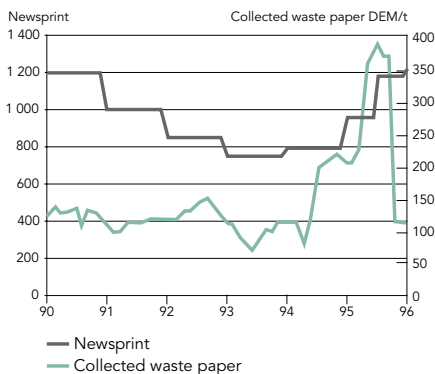
With no major changes in production capacity anticipated, supply and demand will probably continue to be well balanced in 1996, allowing high capacity utilization rates and leading to good financial results.

Marketing the extended range of products, which now includes Veitsiluoto's publication papers, will be one of the main challenges in 1996. Improving production efficiency and quality management will be given special attention at all business units.

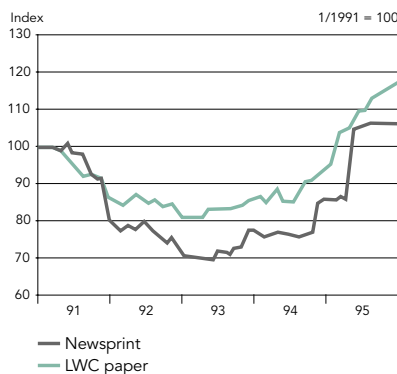
## ENSO PUBLICATION PAPERS OY LTD

Sales for the **ANJALA** business unit were FIM 1589 million, a growth of 27%. Production of pigmented book paper began on the recently rebuilt paper machine no. 1. Investments were made in sludge handling and power generation to reduce emissions and to make energy generation more efficient.

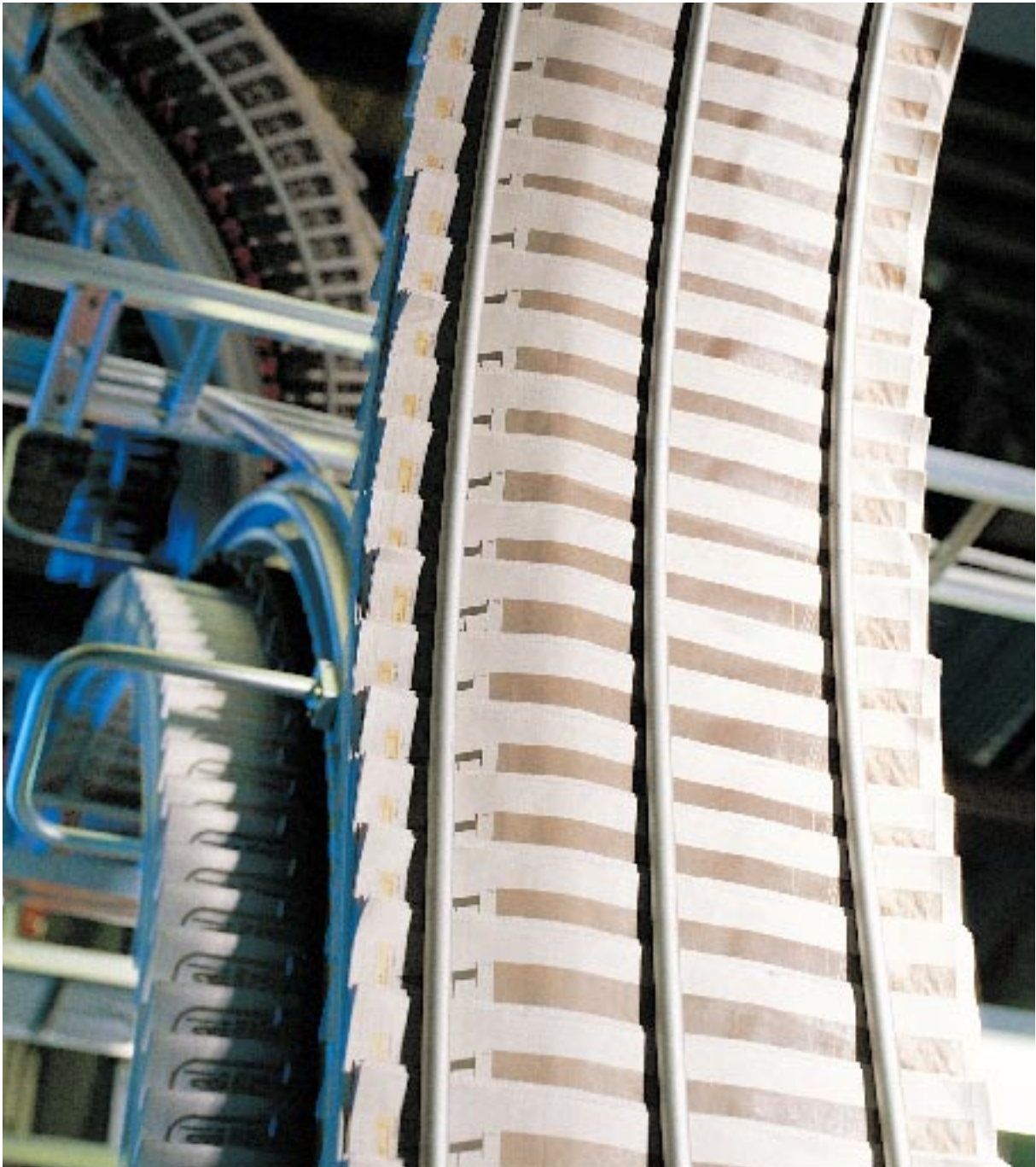
### NEWSPRINT AND COLLECTED WASTE PAPER PRICE TREND



### PUBLICATION PAPERS PRICE TREND IN WESTERN EUROPE







The **KOTKA** Business Unit reported sales of FIM 563 million, up 13% on the previous year. A new annual production record was set. There was a substantial improvement in the market, and profitability was good.

The **SUMMA** business unit had sales of FIM 1342 million, 26% higher than in 1994. The division of production between the Summa and Anjala mills was clarified during the year. Mechanical specialities accounted for a much higher proportion of sales. The rise in product prices during the summer boosted profitability.

Sales for the **VARKAUS** business unit were FIM 924 million, 26% up on the year before. The unit set a new annual production record and strengthened its position on the European market for specialities. The mechanical stock screening facilities and the headbox of paper machine no. 2 were rebuilt.

#### **SACHSEN PAPIER EILENBURG GMBH**

Production for the mill's first full year of operations was 237 976 tonnes. The mill's paper rapidly reached good commercial quality and was well received by customers. Sales were FIM 832 million and profitability was in line with the target.

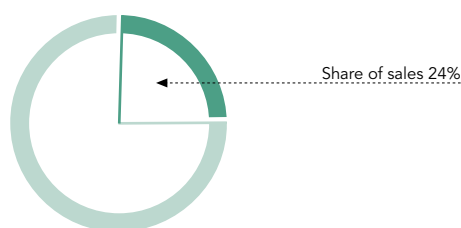
Supply and demand for collected waste paper fluctuated greatly during the year, and this was directly reflected in raw material prices. However, by the end of the year prices had settled below the long-term trend.

Order stocks for newsprint remained good. The introduction onto the market of deinked pulp went as expected.

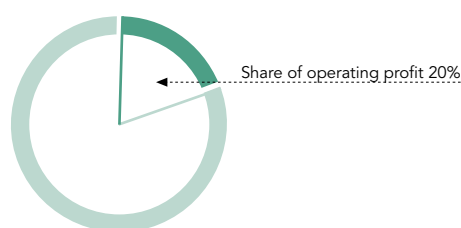
### **Key figures**

Sales, FIM mill.	1995	1994
Enso Publication Papers Oy Ltd	4 418	3 551
Sachsen Papier Eilenburg GmbH	832	131
Enso-Yhteispalvelut Oy	367	322
<b>Sales total</b>	<b>5 617</b>	<b>4 004</b>
<b>Operating profit</b>	<b>733</b>	<b>81</b>
<b>Investment</b>	<b>160</b>	<b>2 715</b>
<b>Personnel, 31 Dec.</b>	<b>2 402</b>	<b>2 395</b>
<b>Production, 1000 t</b>		
Newsprint	848	735
Coated papers	235	205
Other woodcontaining papers	384	310
Deinked pulp	30	11

#### **DIVISION'S CONTRIBUTION TO CONSOLIDATED SALES**

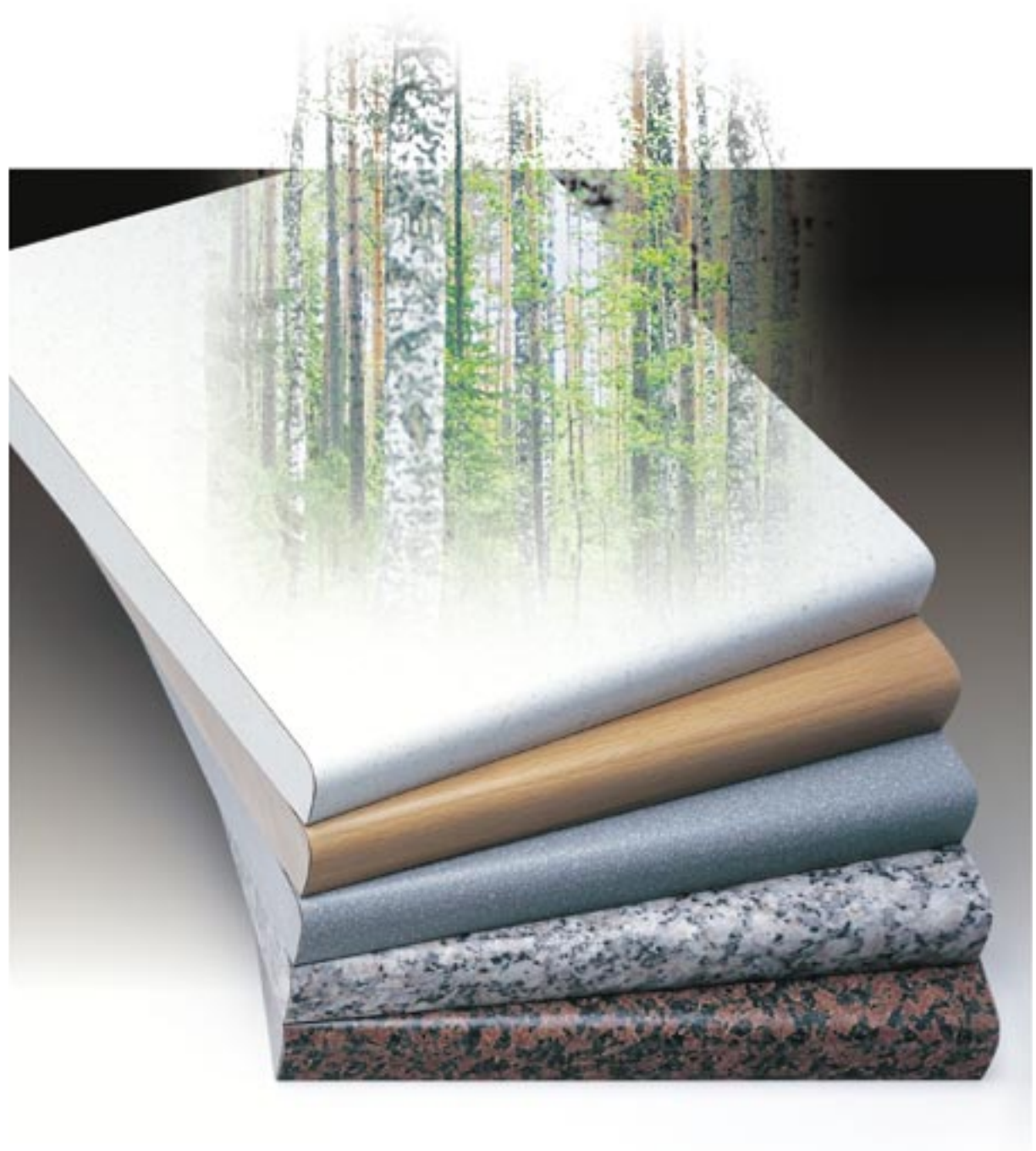


#### **DIVISION'S CONTRIBUTION TO OPERATING PROFIT**



#### **DIVISIONAL SALES BY MARKET AREA**





## Industrial Papers and Boards Division

### HEINOLA FLUTING MILL

Sales were FIM 588 million, an increase of 28% on 1994. The unit made a profit.

After a good start to the year, the market rapidly deteriorated. Orders became harder to get and fluting prices began to fall.

Production was more efficient and 96% of capacity was in use.

Market conditions are expected to return to normal in 1996, and sales volumes will be about the same as in 1995.

**The division's sales were FIM 3541 million, a growth of 26% on the previous year. Operating profit increased from FIM 133 million to FIM 384 million.**

### ENSO CARTONBOARDS OY LTD

The Enso Cartonboards sub-group comprises Ingerois Board Mill, Pankakoski Boards Oy Ltd and Enso Española S.A. Sales in 1995 were FIM 1511 million, a growth of 23% on the previous year.

The strengthening of the market that had begun in 1994 continued in the first half of 1995, and there were significant price rises in

all product groups. In the second half of the year the market weakened rapidly as customers reduced stocks, and a shortage of orders forced the mills to take downtime.

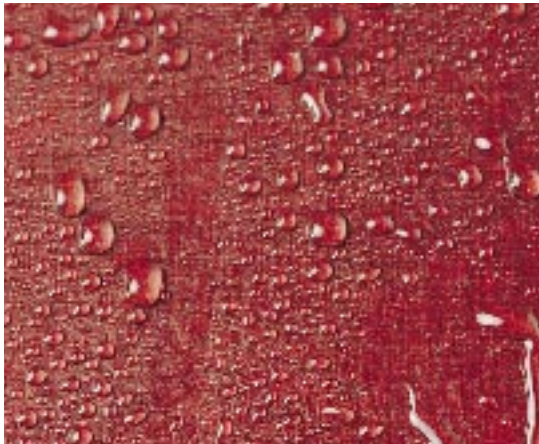
Despite the low rate of capacity utilization late in the year, the sub-group made a profit.

Customers will continue to reduce their stocks in the first quarter of 1996, but capacity utilization rates are then expected to be higher than in the last quarter of 1994.

**INGEROIS BOARD MILL** had sales of FIM 661 million, up 18% on the year before. Production for the year was 150 730 tonnes, 3% down on 1994 because of a shortage of orders late in the year.

**PANKAKOSKI BOARDS OY LTD** had sales of FIM 281 million, 6% higher than the previous year. Production totalled 75 186 tonnes, 2% below the 1994 figure because of shutdowns for investments early in the year and a shortage of orders nearing the year-end.





The new coating unit on board machine no. 2 went into production in February, allowing the machine to focus on groundwood-based boxboards and specialities. It was also decided to equip board machine no. 3 with a Condebelt dryer, which represents new boardmaking technology.

**ENSO ESPAÑOLA S.A.** had sales of FIM 568 million, 42% higher than in 1994. Despite a shortage of orders late in the year, the mill set a new production record of 135 684 tonnes, 12% higher than the previous record. Production focused exclusively on recycled fibre boards. The company's profitability was much better than in 1994.

In May, it was decided to build a gas-fired combined cycle power plant to secure future energy supplies. The plant will have an output of 50 MW and some of the electricity generated will be sold to Spanish consumers. The plant will be operational by December 1996.

The company expects a further improvement in profitability in 1996.

#### **LAMINATING PAPERS LTD**

Sales were FIM 662 million, 8% higher than the previous year. The company returned a profit.

Demand for surface films and brown Absorbex was brisk early in the year and machines operated at full capacity. Prices also rose, but not enough to fully absorb the higher costs. Demand for brown Absorbex levelled off towards the year-end. Demand for films in Southeast Asia also began to fall. Quieter trade with China affected all product groups. Prices remained steady.

Demand for white Absorbex continued to grow. Increasing competition prevented sales prices from being increased in line with price rises for market pulp. The results were also affected by unfavourable exchange rates and the fact that sales volumes were down on 1994.

Research and development work focused on white and brown Absorbex, and on surface films. The first stage of a project to raise the capacity of paper machine no. 1 was completed in August.

With economic growth continuing strong in the Far East, sales volumes are expected to be reasonably good in 1996. Despite increasing competition, sales volumes can be further increased.

## CORENSO UNITED OY LTD

The company had sales of FIM 585 million, up 27% on the year before. The growth is explained by higher prices for coreboard and paperboard tubes. Thanks to the improved price/cost ratio, the company made a profit.

Conditions on the coreboard market were good until the autumn, and the capacity utilization rate was high. There was a shortage of recycled fibre raw material. This caused recycled fibre prices to rise, which in turn pushed coreboard prices up by 25-30%.



Falling output by the paper industry weakened demand for coreboard in the autumn, and production had to be curtailed during the last three months of the year. Prices for collected waste paper fell sharply nearing the end of the year but then began to rise again in December. If this trend continues, there will be pressure to raise coreboard prices.

Domestic demand for paperboard tubes was good early in the year but started to slacken in the autumn as paper and board output declined.

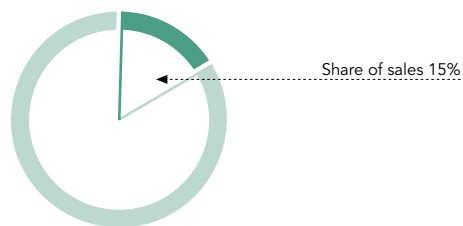
A new recycled fibre line went into production at Varkaus towards the end of the year. The line processes plastic-coated paper and board, mainly collected liquid packagings.

Demand is expected to return to normal during the early part of 1996. The trend in coreboard prices depends greatly on collected waste paper prices.

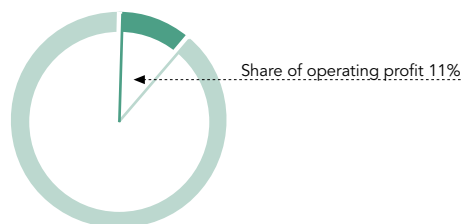
## Key figures

Sales, FIM mill.	1995	1994
Heinola Fluting Mill	588	458
Corenso United Oy Ltd	585	461
Enso Cartonboards Oy Ltd	1 511	1 226
Laminating Papers Ltd	662	614
Energy	711	508
Eliminations	- 516	- 446
<b>Sales total</b>	<b>3 541</b>	<b>2 821</b>
<b>Operating profit</b>	<b>384</b>	<b>133</b>
<b>Investment</b>	<b>175</b>	<b>242</b>
<b>Personnel, 31 Dec.</b>	<b>2 244</b>	<b>2 252</b>
<b>Production, 1 000 t</b>		
Laminating papers	144	155
Pankaboards	75	77
Cartonboards	286	277
Fluting	234	237
Coreboards	190	187
Tubes	28	27

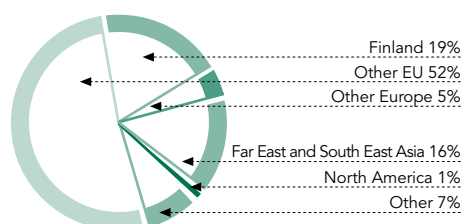
### DIVISION'S CONTRIBUTION TO CONSOLIDATED SALES



### DIVISION'S CONTRIBUTION TO OPERATING PROFIT



### DIVISIONAL SALES BY MARKET AREA





### ENVIRONMENTAL PROTECTION

Enso-Gutzeit Oy's Forest Operations unit published a strategy for the preservation of biodiversity in its own wood harvesting work. The strategy will be widened to cater for the new Enso Oy and to embrace the whole of the new group's wood procurement and harvesting. Forest utilization became the main topic of discussion in the environmental debate towards the end of 1995.

A start was made on setting up environmental management systems at most units during 1995. Enocell Oy became the first Enso unit to obtain a BS 7750 certificate for its environmental system.

Enso played an active role in the European recycled fibre debate. The recycled fibre line completed at Corenso United Oy Ltd's Varkaus coreboard mill in December is one practical example of Enso's commitment in this area. The line processes used liquid packagings.

Water cycle closure continued to be the main target of research and development work.

The Group's environmental policy will be revised in 1996 in line with Enso Oy's operating models.

Environmental matters are dealt with in more detail in Enso's Environmental Report.

### RESEARCH AND DEVELOPMENT

R & D expenditure totalled FIM 122 million and involved altogether 197 man-years of work. The Research Centre had an average staff of 107.

The focus of R & D work was on renewing the fibre raw material base and on new ways of achieving water cycle closure at the paper mills.

Work aimed at paper mill water cycle closure involves assessing different separation techniques and how best to combine them. A vacuum evaporation unit is being tested at the Kotka mill. At Varkaus, a mechanical vapour compression evaporator is being used to help close the woodroom water cycle, while Kotka is to start experimenting with membrane technology.

The fibre raw material base was renewed by adding the recycling of plastic-coated wrappings and used liquid packagings. Development of bleaching and stock preparation methods has improved pulp characteristics in line with the requirements of the products manufactured.

In product development the main focus was on tailoring paper characteristics to meet the needs of the rapidly developing digital printing and non-impact colour printing. Attention was also given to the development of food packaging boards.



## Board of Directors, Supervisory Board and Auditors



*Enso-Gutzeit Oy's Board of Directors on 1 March 1996. From left Pekka Laaksonen, Kimmo Kalela, Jouko Taukojärvi, Jukka Härmälä, Juhani Pohjolainen, Esko Mäkeläinen, Paavo Uronen and Paavo Pitkänen.*

### BOARD OF DIRECTORS

#### **JUKKA HÄRMÄLÄ, CHAIRMAN**

born 1946, B.Sc.(Econ.), President and CEO, Enso-Gutzeit Oy, member since 1988

#### **JUHANI POHJOLAINEN, VICE CHAIRMAN**

born 1938, M.Sc.(Eng.), Senior Executive Vice President, Enso-Gutzeit Oy, member since 1987

#### **KIMMO KALELA**

born 1941, M.Sc.(Eng.), Executive Vice President, Enso-Gutzeit Oy, member since 1991

#### **ESKO MÄKELÄINEN**

born 1946, M.Sc.(Econ.), Executive Vice President, Enso-Gutzeit Oy, member since 1992

#### **PAAVO PITKÄNEN**

born 1942, M.A., President, Eläke-Varma Mutual Insurance Company, member since 1994

#### **JOUKO TAUKOJÄRVI**

born 1941, M.Sc.(Econ.), Executive Vice President, Enso-Gutzeit Oy, member since 1989

#### **PAAVO URONEN**

born 1938, Professor, Rector, Helsinki University of Technology, member since 1994

Deputy member:

#### **PEKKA LAAKSONEN**

born 1956, M.Sc.(Econ.), Executive Vice President, Enso-Gutzeit Oy, deputy member since 1993

## **SUPERVISORY BOARD**

### **MATTI LOUEKOSKI, CHAIRMAN**

born 1941, MP, II Deputy Speaker of Parliament, member since 1994

### **MATTI VÄISTÖ, VICE CHAIRMAN**

born 1949, MP, member since 1992

### **KRISTER AHLSTRÖM**

born 1940, Chairman and CEO, A. Ahlstrom Corporation, member since 1993

### **OLLI HELMINEN**

born 1933, Director, Social Insurance Institution, member since 1992

### **CARL-OLAF HOMÉN**

born 1936, Managing Director, Industrial Insurance Company Ltd, member since 1984

### **KARI HÄKÄMIES**

born 1956, Minister of Justice, member since 1992

## **PERSONNEL REPRESENTATIVES PARTICIPATING IN THE WORK OF THE SUPERVISORY BOARD**

### **TERHO AHONEN**

born 1949, Shift Manager, representative since 1994

### **VEIJO JUUTI**

born 1944, Metering Supervisor, representative since 1994

### **PENTTI KOMI**

born 1939, Repair Worker, representative since 1985

### **EERO LANKIA**

born 1951, Head of Organizational Department, Finnish Centre Party, member since 1994

### **PEKKA MORRI**

born 1939, Director, Social Insurance Institution, member since 1973

### **MARKKU MÄKINEN**

born 1945, Director General, Ministry of Trade and Industry, member since 1986

### **RAILI PUHAKKA**

born 1940, Farm Producer, member since 1994

### **PEKKA RUOTSALAINEN**

born 1947, Managing Director, member since 1990

### **VÄINÖ SAARIO**

born 1942, MP, member since 1992

## **AUDITORS**

SVH Coopers & Lybrand Oy,  
Corporation of Certified Public Accountants,  
with Pekka Nikula, CPA, as responsible auditor

## Key figures 1991-1995

		1995	1994	1993 <sup>1)</sup>	1992	1991
Sales	FIM mill.	21 063	17 711	15 232	10 263	9 331
Change on previous year	%	18.9	16.3	27.3 <sup>2)</sup>	10.0	- 5.8
Exports and foreign operations	%	81.2	80.3	80.8	84.4	83.2
Wages, salaries and statutory employer's contributions	FIM mill.	3 295	3 083	2 623	2 433	2 521
As % of sales	%	15.6	17.4	17.2	23.7	27.0
Depreciation according to plan	FIM mill.	1 334	1 189	1 104	786	692
Operating profit	FIM mill.	3 613	2 404	1 922	843	380
As % of sales	%	17.2	13.6	12.6	8.2	4.1
Net financial expenses	FIM mill.	1 000	826	1 516	1 035	1 331
As % of sales	%	4.7	4.7	10.0	10.1	14.3
Profit after financing items	FIM mill.	2 613	1 578	406	- 192	- 950
As % of sales	%	12.4	8.9	2.7	- 1.9	- 10.2
Profit before adjustments and taxes	FIM mill.	2 613	1 933	448	358	- 515
As % of sales	%	12.4	10.9	2.9	3.5	- 5.5
Taxes	FIM mill.	195	57	- 11	51	16
Profit	FIM mill.	1 824	413	110	61	- 122
Distribution of dividend	FIM mill.	546 <sup>3)</sup>	214	112	57	57
Investment	FIM mill.	1 304	3 798	3 077	3 128	2 274
Fixed assets	FIM mill.	21 742	21 642	19 686	16 184	12 742
Valuation items	FIM mill.	238	279	264	289	134
Inventories	FIM mill.	3 160	2 299	1 793	2 316	1 995
Current assets	FIM mill.	4 976	5 087	6 089	5 984	7 617
Shareholders' equity	FIM mill.	8 338	5 977	5 727	4 924	4 099
Minority interests	FIM mill.	65	68	285	322	202
Voluntary reserves	FIM mill.	4 296	3 716	2 006	1 510	1 231
Obligatory provisions	FIM mill.	51	50	-	-	-
Interest-bearing liabilities	FIM mill.	14 625	15 515	17 000	15 780	14 847
Interest-free liabilities	FIM mill.	2 741	3 982	2 814	2 237	2 108
Total assets	FIM mill.	30 116	29 308	27 832	24 773	22 488
Capital invested, average	FIM mill.	26 350	25 172	23 777	21 457	18 957
Return on investment	%	14.4	11.3	9.6	6.1	5.5
Return on equity	%	21.5	17.1	5.6	- 4.0	- 16.6
Equity ratio	%	42.2	33.4	28.8	27.3	24.6
Interest-bearing net liabilities	FIM mill.	13 094	13 901	13 975	12 242	9 404
Gearing ratio	%	103.1	143.0	175.0	181.2	170.0
Net indebtedness	FIM mill.	12 390	14 410	13 647	12 033	9 338
Net indebtedness / sales	%	58.8	81.4	89.6	117.2	100.1
Average number of employees		14 849	14 747	14 071	13 918	15 005
Sales / employees	FIM 1000	1 418	1 201	1 083	737	622

<sup>1)</sup> Reclassified to correspond with the new accounting principles.

<sup>2)</sup> Change (%) calculated on sales stated according to the old accounting principles.

<sup>3)</sup> Board of Directors' proposal to the Ordinary Meeting of Shareholders.

## Trimesterly data

FIM million	I	II	III	1995 Total	I	II	III	1994 Total	
CONSOLIDATED SALES									
Base Industries	1 702	1 637	1 580	4 919	1 256	1 602	1 675	4 533	
Packaging Boards	1 204	1 406	1 366	3 976	1 094	1 186	1 263	3 543	
Graphic Papers and Boards	1 695	1 636	1 249	4 580	1 276	1 368	1 467	4 111	
Publication Papers	1 652	1 780	2 185	5 617	1 238	1 237	1 529	4 004	
Industrial Papers and Boards	1 150	1 239	1 152	3 541	950	918	953	2 821	
Marketing and other companies	336	293	308	937	385	322	309	1 016	
– less internal sales	- 854	- 852	- 801	-2 057	- 689	- 860	- 768	-2 317	
GROUP TOTAL	6 885	7 139	7 039	21 063	5 510	5 773	6 428	17 711	
CONSOLIDATED OPERATING PROFIT <sup>1)</sup>									
Base Industries	384	309	205	898	198	413	401	1 012	
Packaging Boards	223	231	144	598	252	246	247	745	
Graphic Papers and Boards	295	342	91	728	22	120	127	269	
Publication Papers	130	187	416	733	82	33	- 34	81	
Industrial Papers and Boards	108	157	119	384	53	18	62	133	
Other activities and eliminations <sup>2)</sup>	84	153	35	272	94	26	44	164	
GROUP TOTAL	1 224	1 379	1 010	3 613	701	856	847	2 404	
Financial income and expenses, net	- 346	- 335	- 327	-1 008	- 374	- 393	- 334	-1 101	
Exchange gains and losses	56	12	- 60	8	38	44	193	275	
PROFIT AFTER FINANCING ITEMS	934	1 056	623	2 613	365	507	706	1 578	
PRODUCTION, 1000 t/m³/m²									
Base Industries									
Enocell Oy	t	173	179	127	479	146	166	152	464
Sawmills	m³	594	532	638	1 764	548	543	635	1 726
Packaging Boards									
Liquid and food									
packaging boards	t	184	188	172	544	174	170	171	515
Corrugated board	1000 m²	102	96	95	293	96	85	101	282
Graphic Papers and Boards	t	321	280	195	796	303	296	309	908
Publication Papers	t	500	495	502	1 497	407	334	520	1 261
Industrial Papers and Boards	t	345	336	276	957	315	315	330	960

<sup>1)</sup> Those units using chemical pulp pay the market price for pulp purchased within the Enso Group.

However, the buying price of chemical pulp within Enso-Gutzeit Oy's integrated mills is based on costs.

<sup>2)</sup> Includes profits for the sale of fixed assets but excludes extraordinary sales profits.



## Computation of key indices

<b>RETURN ON INVESTMENT (%) =</b>	$100 \times \frac{\text{Result after financing items + interest and other financial expenses}}{\text{Total assets - interest-free liabilities}^{1)}$
<b>RETURN ON EQUITY (%) =</b>	$100 \times \frac{\text{Result after financing items - taxes for the period}}{\text{Equity + minority interest + accumulated adjustments}^{1)}$
<b>EQUITY RATIO (%) =</b>	$100 \times \frac{\text{Equity + minority interest + accumulated adjustments}}{\text{Total assets - advance payments}}$
<b>NET INDEBTEDNESS =</b>	Liabilities - current assets
<b>INTEREST-BEARING NET LIABILITIES =</b>	Interest-bearing liabilities - interest-bearing financial assets
<b>GEARING RATIO (%) =</b>	$100 \times \frac{\text{Interest-bearing net liabilities}}{\text{Equity + minority interest + accumulated adjustments}}$
<b>EARNINGS PER SHARE =</b>	$\frac{\text{Result after financing items - taxes - minority interests}}{\text{Share issue-adjusted average number of shares for the period}}$
<b>EQUITY PER SHARE =</b>	$\frac{\text{Equity + accumulated adjustments}}{\text{Share issue-adjusted number of shares at the end of the period}}$
<b>DIVIDEND PER SHARE =</b>	$\frac{\text{Dividend for the period}}{\text{Share issue-adjusted number of shares at the end of the period}}$
<b>EFFECTIVE DIVIDEND YIELD (%) =</b>	$100 \times \frac{\text{Dividend per share}}{\text{Share issue-adjusted share price at the end of the period}}$
<b>PAYOUT RATIO (%) =</b>	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
<b>AVERAGE SHARE PRICE =</b>	$\frac{\text{Total value of shares traded}}{\text{Share issue-adjusted number of shares traded during the period}}$
<b>MARKET CAPITALIZATION=</b>	Number of shares at the end of the period multiplied by stock exchange prices per A and R share at the end of the period.
<b>RESULT AFTER FINANCING ITEMS =</b>	Result before extraordinary items and taxes, as "other income and expenses" only includes extraordinary items.

<sup>1)</sup>Average for beginning and end of financial period.

Enso Oy will officially open for business on 1 May 1996 as planned. In practice, however, business activities and decision-making have been conducted in accordance with the new organization from the beginning of 1996. Enso Oy anticipates total sales of around FIM 28 billion for 1996. The number of employees is about 19 000.

Enso is an international forest industry group and a major producer of fine papers, publication papers and packaging boards. Its capacity for paper and board production is 5.4 million t/a and for chemical pulp 2.6 million t/a, of which some 400 000 t/a will be marketed. Enso's sawmilling capacity is 2.1 million m<sup>3</sup>.

In terms of production capacity, Enso is Europe's third largest forest products group. It has significant positions in all its main product segments: in liquid packaging boards the world's largest, in fine papers Europe's second largest, and in publication papers Europe's third largest.

Exports and overseas operations account for 83% of sales. Exports from Finland are worth around FIM 20 billion, 11% of Finland's total goods exports. The main market is the European Union, where the U.K., Germany, France and the Netherlands are biggest buyers. Other important markets are the Far East and Southeast Asia.

In Finland, Enso owns 588 000 hectares of forest, which provides about 4% of the group's annual wood requirement. The procurement area covers the whole of Finland, with the exception of the west.

Enso's Finnish mills obtain 90% of their electricity from power plants owned or control-

led by the group and through shares in power companies. Among the latter is Pohjolan Voima Oy, in which Enso has a 22% shareholding.

Enso's products are sold through its own worldwide marketing network.

#### **GOALS AND DIVIDEND POLICY**

Enso's core businesses are fine papers, publication papers and packaging boards. The goal is to be among Europe's leading manufacturers of these products in terms of both production capacity and efficiency.

The raw material base is a balance of wood fibre and collected waste paper designed to satisfy customers and environmental requirements and to ensure cost effectiveness. In raw material procurement, the aim is to comply with the principles of sustainable development.

#### **THE PRIMARY GOAL IS LONG-TERM GROWTH AND PROFITABILITY IN ORDER TO ACHIEVE**

- an equity ratio averaging over 45% to enable the group to cope with all stages of the business cycle
- average growth at least on a par with the market
- an increasing proportion of production capacity outside Finland.

The aim is a steady and competitive dividend policy in accordance with financial results. In deciding on its dividends, the company will take into account its shareholders' interests as well as its own requirements for long-term development and the related investment. Enso wants to be an interesting and profitable investment.

## Enso Oy

## ORGANIZATION

Enso's operations are handled by five divisions: Base Industries, Fine Papers, Publication Papers, Packaging Boards and Forest Chemicals. The Base Industries Division comprises wood procurement, sawmilling and market pulp, while the Forest Chemicals unit produces paper-making chemicals, tall oil and turpentine.

As part of the reorganization, the following wholly owned Veitsiluoto subsidiaries were formed. On 1 May 1996 these will become Enso Oy subsidiaries.

Enso Fine Papers Oy, comprising Kemi's paper machines 2 and 3, sheeting plant and pulp mill; Oulu paper machine 6 and paper machine 7 project, sheeting plant and pulp mill; 100% of the French company Cie Brand & Ass. S.A., 100% of the British company R.A.

Brand & Co. Ltd., 35% of the Finnish company Oy Paperi-Dahlberg Ab, and 100% of the Belgian company Lumipaper N.V. Enso Fine Papers Oy has sales of about FIM 3600 million.

Kemijärvi pulp mill is now Kemijärven Sellu Oy, a company with sales of about FIM 600 million.

Veitsiluoto Publication Papers Oy comprises Kemi's paper machines 1 and 5 and groundwood mill. Its sales are around FIM 1400 million.

Enso Paperikemia Oy consists of Veitsiluoto's paper chemicals business operations at Oulu. It has sales of roughly FIM 400 million.

Also as part of the reorganization, Veitsiluoto's sawmills were transferred to Enso Timber Oy Ltd.

The following persons have been appointed members of the Supervisory Board of Enso Oy:

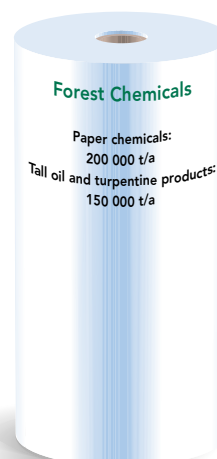
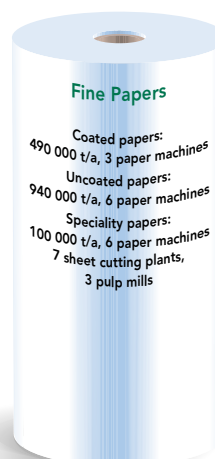
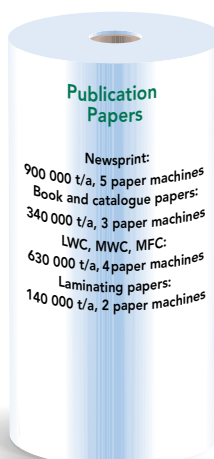
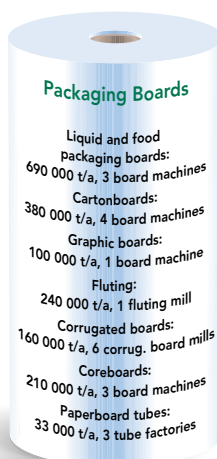
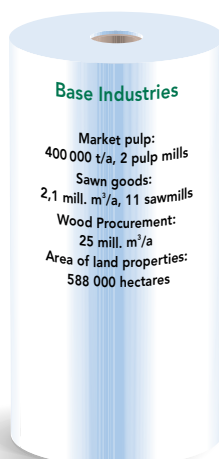
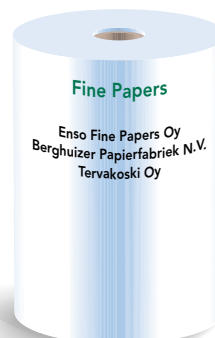
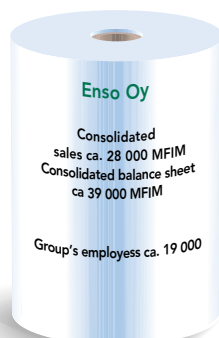
Matti Louekoski, Chairman  
b. 1941, II Deputy Speaker of Parliament, Member of Parliament  
Matti Väistö, Vice Chairman  
b. 1949, Member of Parliament  
Krister Ahlström  
b. 1940, President & CEO of A. Ahlstrom Corporation  
Carl-Olaf Homén  
b. 1936, Managing Director of Industrial Insurance Company Ltd.  
Kari Häkämies  
b. 1956, Minister of Justice  
Eeva Laatikainen  
b. 1962, Special Assistant, Ministry of Finance  
Ulla Lähteenmäki  
b. 1939, Professor, Director of Centre for Metrology and Accreditation  
Pekka Morri  
b. 1939, Social Insurance Institution  
Markku Mäkinen  
b. 1945, Director General of the Ministry of Trade and Industry  
Kauko Mäki vuoti  
b. 1938, Agent for Puutyöväenliitto, Oulu office  
Pekka Ruotsalainen  
b. 1947, Managing Director of Imatran Seudun Kehitysyhtiö Oy  
Sisko Seppä  
b. 1954, Special Advisor, Ministry of Finance

The following persons have been elected members of the Board of Directors of Enso Oy:

Jukka Härmälä, Chairman  
b. 1946, President & CEO of Enso Oy  
Juhani Pohjolainen, Vice Chairman  
b. 1938, Senior Executive Vice President of Enso Oy  
Kimmo Kalela  
b. 1941, Executive Vice President, Enso Oy  
Pekka Laaksonen  
b. 1956, Executive Vice President, Enso Oy  
Esko Mäkeläinen  
b. 1946, Executive Vice President, Enso Oy  
Paavo Pitkänen  
b. 1942, Managing Director of Eläke-Varma Mutual Insurance Company  
Jouko Taukojärvi  
b. 1941, Executive Vice President, Enso Oy  
Paavo Uronen  
b. 1938, Professor, Rector of Helsinki University of Technology

Deputy member: Pentti Juvakka  
b. 1938, Executive Vice President, Enso Oy

## THE GROUP AND ITS COMPANIES 1996



### SHARE CAPITAL AND SHAREHOLDERS

Enso Oy has two series of shares: Series A and Series R. All shares have a nominal value of FIM 10 and all carry equal rights to receive dividend. At shareholders' meetings, holders of Series A shares are entitled to one vote per share and holders of Series R shares to one vote for every ten shares. However, every shareholder has at least one vote. In the event of an increase in the company's share capital, Series A shares carry entitlement to subscribe Series A shares and Series R shares to subscribe Series R shares.

The list of the main shareholders is based on the assumption that Enso Oy's share capital is FIM 3 068 509 530, divided among 193 172 220 Series A shares and 113 678 733 Series R shares. This assumes that no shares will be subscribed under Enso-Gutzeit Oy's warrant bond issue and that all holders of Veitsiluoto Series A shares choose Enso Series A shares. No merger consideration will be paid in respect of Veitsiluoto shares owned by Enso-Gutzeit Oy. Enso Oy's final share capital will not be settled until the merger, when it is known how many Enso-Gutzeit Oy and Veitsiluoto Oy shareholders will seek redemption of their shares, which share series holders of Veitsiluoto Oy Series A shares will choose, and whether or not subscription rights under the warrant bond issue will be exercised.

<b>Enso Oy's ten biggest shareholders (31 December 1995)</b>	<b>% of shares</b>	<b>% of votes</b>
Finnish State	44.8	66.6
Social Insurance Institution Eläke-Varma	8.9	9.4
Mutual Insurance Company	2.0	2.8
Unicarta Oy/Repola Oy	3.3	2.2
Industrial Insurance Company Ltd.	1.0	1.2
The Local Government Pensions Institution	1.2	1.1
Nova Life Insurance Company Ltd.	0.4	0.6
Skofaks Oy	4.1	0.6
Government Guarantee Fund	1.3	0.5
Sitra Finnish National Fund for Research and Development	0.4	0.4
Nominee registered	14.8	3.4
Others	17.8	11.2

Enso Oy will seek a listing for its shares on the Helsinki Stock Exchange, the intention being to begin trading in the new company's shares on 2 May 1996. A listing for the company's shares will also be sought on SEAQ International in London.

### ENSO OY'S RESOURCES

#### Synergy benefits

The important synergy benefits accruing to Enso Oy as a result of the merger will be most conspicuous in raw material procurement, optimization of the product structure and the combining of marketing channels. As a large company, Enso Oy will be less susceptible to risks and will be able to offer a wider range of products. This will provide a buffer against cyclical fluctuations and offer customers a better and wider choice of products.

### Wood procurement

Enso's Finnish mills have an annual wood requirement of about 20 million m<sup>3</sup>. The group owns 588 000 hectares of land with some 41 million m<sup>3</sup> of standing timber. With the exception of western Finland, the procurement area covers the entire country. Most of the wood procured comes from private forests. In 1995, private forests supplied roughly 11 million m<sup>3</sup>. Enso's own forests supplied 0.6 million m<sup>3</sup>, or 3% of total procurement. A further 5.6 million m<sup>3</sup> of wood was imported. Most of the imported wood is birch, largely from Russia and the Baltic countries.

### Chemical pulp

Enso is self-sufficient in chemical pulp. Roughly 2 million tonnes of pulp production is used at the group's own integrated mills. The amount available for sale is currently around 400 000 tonnes. This is sold on world markets through the subsidiary Nordic Fibres AG.

### Recycled fibre

Enso uses some 700 000 t/a of recycled fibre as raw material. This is used by Sachsen Papier to produce newsprint, by Enso Española and Pankakoski Boards in board production, and by Corenso United Oy Ltd in coreboard production.

### Energy procurement

Enso's annual electricity procurement is around 10 TWh and consumption at its mills just over 8 TWh. The electricity supplied by power plants owned or controlled by Enso and through shares in power companies covers 90% of Enso's domestic requirement. The remainder is purchased from outside suppliers, principally Imatran Voima Oy and Vattenfall AB. Annual electricity consumption by Enso's mills outside Finland is less than 1 TWh, over half of which is generated in-house. Annual fuel consumption is equivalent to 28.8 TWh, with wood-based fuels from the mills accounting for 74%. One of Enso's aims is to increase its self-sufficiency in energy.

### Investment

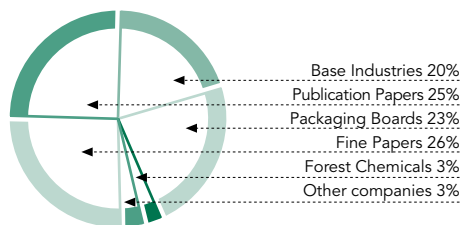
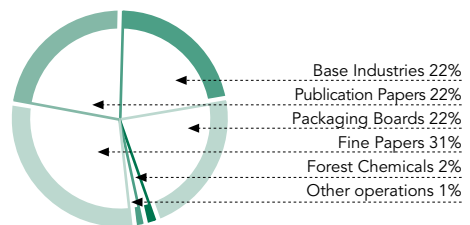
Enso has begun construction of a new 360 000 t/a fine paper mill at Oulu. It will be completed in summer 1997 at a total cost of around FIM 2.7 billion. The investment will be financed without causing undue weakening of the group's financing structure.

Investment in 1996 will total around FIM 2.8 billion, roughly 10% of sales. In addition to the Oulu fine paper mill project, the figure includes a 200 000 t/a chemithermo-mechanical pulp mill at Kaukopää due for completion in spring 1996, an increase in PE coating capacity, also at Kaukopää, a rebuild of Kemi's LWC paper machine and modernization of Kemijärvi pulp mill.

**ENSO OY, FINANCIAL RESULTS, BALANCE SHEET AND KEY DATA (PRO FORMA)**

<b>CONSOLIDATED FINANCIAL RESULTS</b>	<b>1995 FIM mill.</b>	<b>1994 FIM mill.</b>	<b>CONSOLIDATED BALANCE SHEET</b>	<b>31.12.95 FIM mill.</b>	<b>31.12.94 FIM mill.</b>
Sales	28 026	23 773	Fixed assets and other		
Shares of results of associated companies	79	67	long-term investments	28 042	27 613
Expenses and other operating income	- 21 364	- 18 971	Valuation items	334	279
Depreciation	- 1 808	- 1 663	Inventories	4 426	3 138
Operating profit	4 933	3 206	Current assets	6 193	9 135
Financial income and expenses	- 1 292	- 1 470	Non-distributable shareholders' equity	6 625	5 789
Exchange differences	- 118	790	Distributable shareholders' equity	2 654	1 186
Profit after financing items	3 523	2 526	Minority interest	121	111
Extraordinary items	- 94	348	Accumulated depreciation difference	4 813	3 200
Profit before adjustments and taxes	3 429	2 874	Voluntary reserves	935	1 128
Change in accumulated depreciation	- 1 616	- 1 658	Obligatory provisions	51	49
Change in voluntary reserves	175	1	Long-term liabilities	16 356	18 632
Direct taxes	- 241	- 72	Current liabilities	7 440	10 070
Minority interest	- 10	8			
Profit for the period	1 737	1 153	Balance sheet total	38 995	40 165

<b>KEY DATA</b>		<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>
Sales	FIM mill.	28 026	23 773	20 433	14 360	12 234
Operating profit	FIM mill.	4 933	3 206	2 292	777	36
as % of sales	%	17.6	13.5	11.2	5.4	0.3
Profit after financing items	FIM mill.	3 523	2 526	- 21	- 1 185	- 1 578
as % of sales	%	12.6	10.6	- 0.1	- 8.3	- 12.9
Profit before adjustments and taxes	FIM mill.	3 429	2 874	371	- 474	- 1 136
as % of sales	%	12.2	12.1	1.8	- 3.3	- 9.3
Return on equity	%	24.7	23.6	0.0	- 17.0	- 21.1
Return on investment	%	14.9	12.5	8.2	4.3	3.2
Interest-bearing net liabilities	FIM mill.	17 664	18 857	20 479	18 776	15 261
Gearing ratio	%	117.1	165.8	205.2	236.2	218.2
Equity ratio	%	39.0	28.6	24.8	22.1	23.3
Gross investment in fixed assets	FIM mill.	2 070	2 751	3 638	3 490	3 835
as % of sales	%	7.4	11.6	17.8	24.3	31.3
Personnel, average		19 298	19 334	18 753	18 814	19 794

**CONSOLIDATED SALES****CONSOLIDATED OPERATING PROFIT****SALES BY MARKET AREA**



Enso Oy's consolidated financial statements (pro forma) have been produced by combining the statutory consolidated financial statements of Enso-Gutzeit Oy and Veitsiluoto Oy. There are no material differences in the way the financial statements of the two companies are produced.

### SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Enso-Gutzeit Oy and Veitsiluoto Oy and their subsidiaries as well as those companies in which Enso Oy, either directly or indirectly, controls over half of the votes generated by the total number of shares or in which it has a controlling interest.

Enso Oy's consolidated financial statements include the principal associated companies.

Nordic Fibres AG (Enso-Gutzeit Oy 50% and Veitsiluoto Oy 50%) and AS Lumiforest (Enso-Gutzeit Oy 35% and Veitsiluoto Oy 65%) are treated as Enso Group subsidiaries. Pohjolan Voima Oy (Enso-Gutzeit Oy 4.4% and Veitsiluoto 17.6%) is treated as an associated company.

### PRINCIPLES OF CONSOLIDATION

Enso Oy's share capital will consist of 193 172 220 Series A shares and 113 678 733 Series R shares, provided all holders of Veitsiluoto Oy Series A shares exchange their shares for Enso Oy Series A shares and that the conversion rights under the management warrant bond issue are not exercised.

Under the terms of the merger agreement, Enso Oy shares will not be offered in exchange for Veitsiluoto Oy shares owned directly by Enso-Gutzeit Oy.

The original purchase price of Veitsiluoto Oy shares held by Enso-Gutzeit Oy has been eliminated from Enso Oy's share capital (FIM 318 million), from the reserve fund (FIM 1182 million) and from shares in associated companies included in fixed assets.

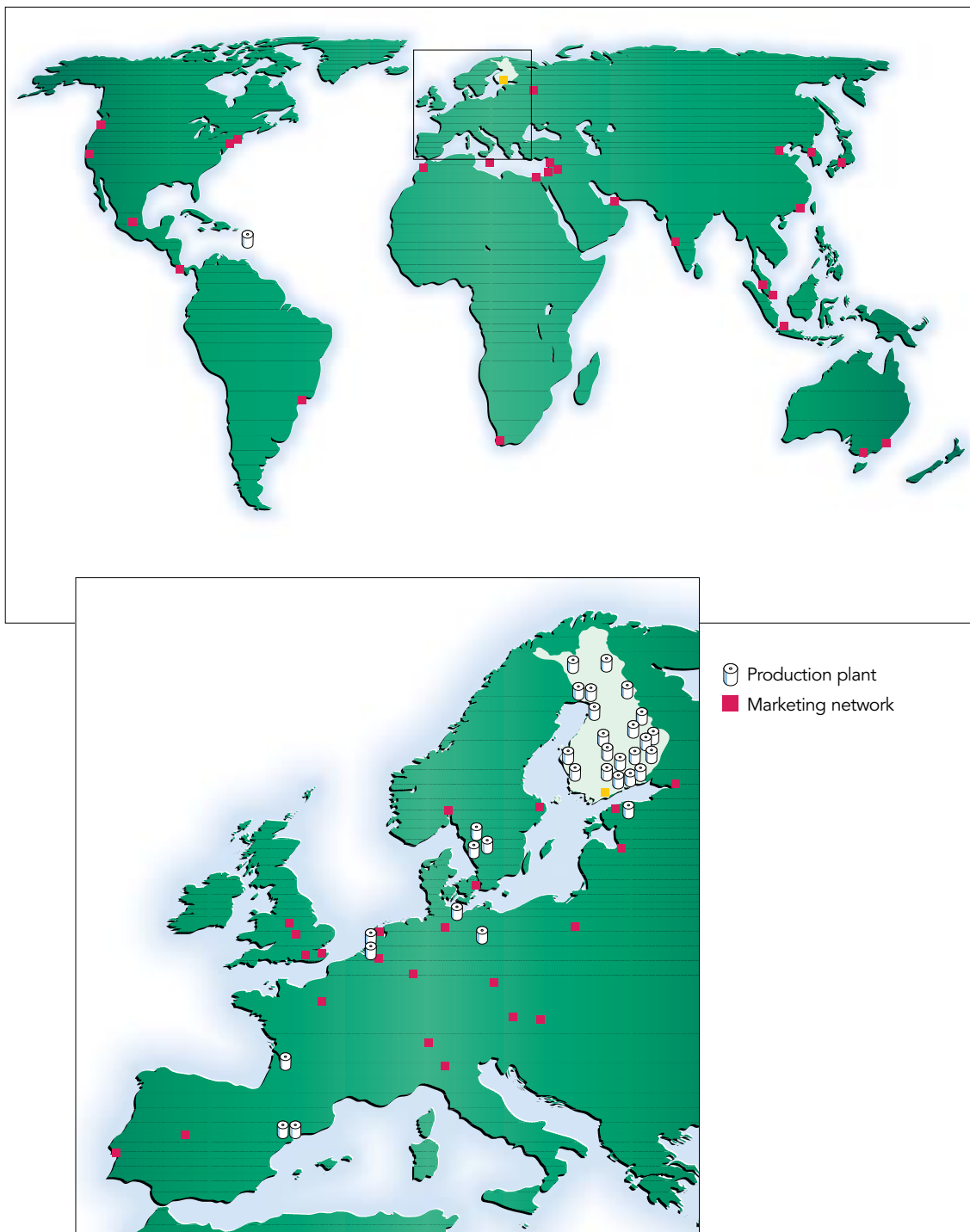
The results of associated companies computed from the Veitsiluoto Group and included in Enso-Gutzeit Oy's consolidated distributable shareholders' equity will be eliminated from the Enso Group's distributable shareholders' equity and from associated company shares included in fixed assets.

All Enso Group inter-company transactions, receivables, liabilities, unrealized internal profits on inventories, and dividends paid by Veitsiluoto Oy to Enso-Gutzeit Oy have also been eliminated. In the income statement and balance sheet, minority interests have been disclosed separately from the profit and shareholders' equity of each subsidiary.

The principal transactions between Enso-Gutzeit and Veitsiluoto are the sale of processed forest chemicals and raw materials, corrugated board products, wood raw material and energy.

Enso Oy's share capital is made up as follows:	Exchange ratio	No. of shares	FIM mill.
Enso-Gutzeit Oy shareholders	1 / 1	242 853 378	2 428,5
Veitsiluoto Oy shareholders	3 / 5	95 799 172	958,0
Veitsiluoto Oy's shares owned by Enso Gutzeit Oy	3 / 5	- 31 801 597	- 318,0
Total		306 850 953	3 068,5

## Enso Oy's production plants and marketing network



## Enso Oy's production plants

BASE INDUSTRIES	Location	Type of plant	Annual capacity
<b>Forest Operations</b>	Imatra	Wood procurement	23.7 mill. m <sup>3</sup>
<b>Enso Timber Oy Ltd</b>			
Honkalahti Sawmill	Joutseno	Sawmill	385 000 m <sup>3</sup>
		Planing mill	106 800 m <sup>3</sup>
Inkeroinen Sawmill	Inkeroinen	Sawmill	80 000 m <sup>3</sup>
Kitee Sawmill	Kitee	Sawmill	300 000 m <sup>3</sup>
Koski Sawmill	Hämeenkoski	Sawmill	95 000 m <sup>3</sup>
Kotka Sawmill	Kotka	Sawmill	160 000 m <sup>3</sup>
		Planing mill	35 000 m <sup>3</sup>
Tolkinen Sawmill	Tolkinen	Sawmill	240 000 m <sup>3</sup>
Uimaharju Sawmill	Uimaharju	Sawmill	250 000 m <sup>3</sup>
Varkaus Sawmill	Varkaus	Sawmill	280 000 m <sup>3</sup>
Veitsiluoto Sawmill	Kemi	Sawmill	200 000 m <sup>3</sup>
Kittilä Wood Oy	Kittilä	Sawmill	30 000 m <sup>3</sup>
Ulea Oy	Taivalkoski	Sawmill	70 000 m <sup>3</sup>
<b>Tornion Pakkauslava Oy</b>	Tornio, Kemi	Packaging pallets	720 000 pcs
<b>Enocell Oy</b>	Uimaharju	Sulphate pulp mill	530 000 t
<b>Kemijärven Sellu Oy</b>	Kemijärvi	Sulphate pulp mill	210 000 t
<b>PACKAGING BOARDS</b>			
<b>Imatra Paperboards</b>	Imatra	Board machine 1	150 000 t
		Board machine 2	210 000 t
		Board machine 4	230 000 t
		Board machine 5	220 000 t
		Pulp mill (TA)	180 000 t
		PE extuder 3	90 000 t
	Karhula	PE extuder 4	50 000 t
		PE-extuder 5, start-up in May 1996	120 000 t
		CTMP-plant, start-up in March 1996	200 000 t
<b>Imatra Mills</b>	Imatra	Imatra pulp	600 000 t
<b>Heinola Fluting Mill</b>	Heinola	Fluting mill	245 000 t
<b>Pakenso Oy</b>			
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	10 000 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	25 000 t

## Enso Oy's production plants

<b>PACKAGING BOARDS</b>	Location	Type of plant	Annual capacity
<b>Enso Cartonboards Oy Ltd</b>			
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	140 000 t
Cartiberia, S.A.	Spain, Barcelona	Sheet cutting plant	85 000 t
		Sheet cutting plant	25 000 t
Enso Pack Ltd.	Barbados, St. Michel	Packaging factory	4 000 t
<b>Corenso United Oy Ltd</b>			
Pori Mills	Pori	Board mill	100 000 t
		Tube factory	8 000 t
Varkaus Mill	Varkaus	Board mill	70 000 t
Imatra Factory	Imatra	Tube factory	5 000 t
Loviisa Factory	Loviisa	Tube factory	22 000 t
Papeteries R. Soustre & Fils S.A.	France, Bordeaux	Board mill	55 000 t
<b>FINE PAPERS</b>			
<b>Enso Fine Papers Oy</b>			
Kaukopää Business Unit	Imatra	Paper machine 6	90 000 t
		Paper machine 8	185 000 t
		Sheet cutting plant	75 000 t
Oulu Business Unit	Oulu	Sulphate pulp mill	370 000 t
		Paper machine 6	330 000 t
		Sheet cutting plant	137 000 t
Varkaus Business Unit	Varkaus	Paper machine 1	82 000 t
		Paper machine 3	215 000 t
		Sheet cutting plant	20 000 t
		Sulphate pulp mill	210 000 t
Veitsiluoto Business Unit	Kemi	Sulphate pulp mill	365 000 t
		Paper machine 2	200 000 t
		Paper machine 3	185 000 t
		Sheet cutting plant	245 000 t
Berghuizer Papierfabriek N.V.	Netherlands, Wapenveld	Paper mill	165 000 t
Berghuizer-Enso Formaatfabriek B.V.	Netherlands, Wapenveld	Sheet cutting plant	225 000 t
Lumipaper N.V.	Belgium, Antwerp	Sheet cutting plant	75 000 t
<b>Tervakoski Oy</b>	Tervakoski	Speciality paper mill	85 000 t
<b>Lumipaper Ltd.</b>	UK, Mendlesham	Sheet cutting plant	35 000 t

PUBLICATION PAPERS		Location	Type of plant	Annual capacity	
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	135 000 t		
Summa Business Unit	Vehkalahti	Groundwood mill	150 000 t		
		TMP plant	230 000 t		
		Newsprint mill	440 000 t		
Varkaus Business Unit	Varkaus	Groundwood mill	60 000 t		
		TMP plant	170 000 t		
		Newsprint mill	268 000 t		
Sachsen Papier Eilenburg GmbH	Germany, Eilenburg	Newsprint mill	280 000 t		
		Deinking plant	330 000 t		
Laminating Papers Ltd					
Kotka Mills	Kotka	Sulphate pulp mill	130 000 t		
		Paper mill	130 000 t		
		Impregnating plant	25 000 t		
Tainionkoski Mill	Imatra	Paper mill	25 000 t		
Veitsiluoto Publication Papers Oy	Kemi	Paper machine 1	150 000 t		
		Paper machine 5	210 000 t		
		Groundwood mill	160 000 t		
FOREST CHEMICALS					
Enso Paperikemia Oy	Oulu	Latex plant	40 000 t		
		Chlorine plant			
		* chlorine	40 000 t		
		* sodium hydroxide	44 000 t		
		Chlorate plant	53 000 t		
		Chlorine dioxide plant			
		* chlorine dioxide	12 000 t		
		* hydrochloric acid	35 000 t		
		Aluminate plant	10 000 t		
		Polyaluminium chloride plant	30 000 t		
		Tecnal Corporation	USA, Anacortes	Turpentine distillation plant	12 000 t
		Forchem Oy	Oulu	Tall oil distillation plant	140 000 t
Turpentine distillation plant	18 000 t				
Rosin upgrading plant	37 000 t				
Valkeakoski	Tall oil distillation plant		40 000 t		

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- 3 Saw goods
- 4 Pulp
- 5 Forest chemicals

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- 2 Packaging products
- 3 Saw goods
- 4 Pulp
- 5 Forest chemicals

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