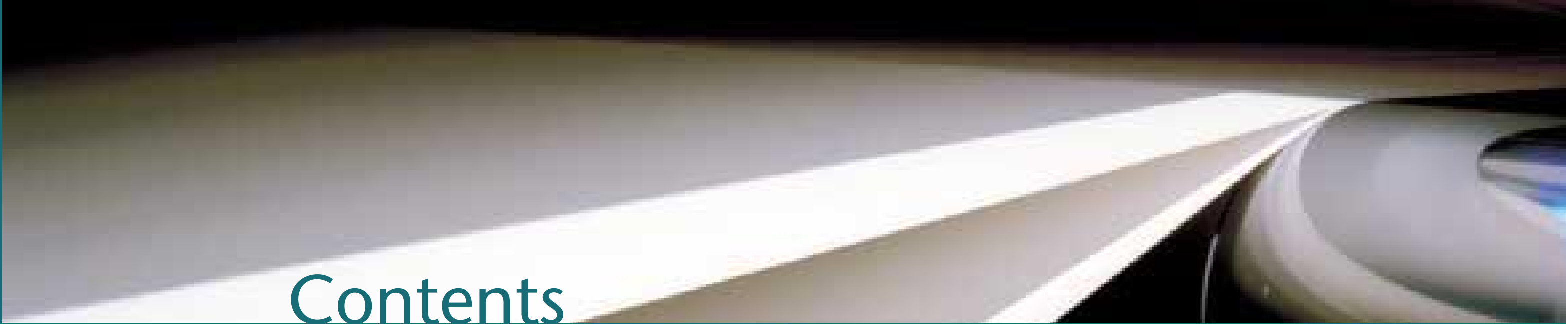
"We are the customers' first choice"

"Stora Enso is the customers' first choice"

ANNUAL REPORT 2000



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Languages

The Annual Report, Interim Review and Environmental Report are available in English, Finnish, Swedish and German.

The Annual Report and Environmental Report will be distributed to all shareholders. The printed Interim Review is available on request from: corporate.communications@storaenso.com or from the back cover addresses.

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

We deliver results

Year 2000 in brief

Good market

During the first nine months of the year demand and prices were strong but from autumn on the market gradually weakened as a result of de-stocking and softening of the US market, which led to production curtailments especially in pulp and coated fine paper. Despite weaker demand prices remained stable. The sawn timber market suffered somewhat from increased supply and high inventories during the year.

Financial result improved

Earnings per share before non-recurring items rose by 48% to EUR 1.32. Cash earnings per share before non-recurring items were EUR 2.61, up 25%.

Operating profit before non-recurring items reached EUR 1,925.6 million, 15% of sales, and profit before tax and minority interests respectively was EUR 1,653.3 million.

The improvements were attributable to higher prices, increased delivery volumes, favourable currency development and improved efficiency, which more than offset high recovered paper prices, the paper industry strike in Finland in April and lower delivery volumes in the autumn resulting from production curtailments.

Financial targets met

Return on capital employed (ROCE) before non-recurring items was 16.8%, the target being 13% over the cycle. The debt/equity ratio was 0.59, well below the target of 0.8. Capital expenditure amounted to EUR 769.3 million, less than the depreciation and consistent with Group's objective that the capital expenditure should not exceed the depreciation.

Stora Enso's synergies totalled EUR 240 million, compared with the target of EUR 170 million for the year 2000.

Dividend raised

The Board of Directors proposes to the Annual General Meeting a dividend per share of EUR 0.45, giving a payout ratio of 34%.

Year of restructuring

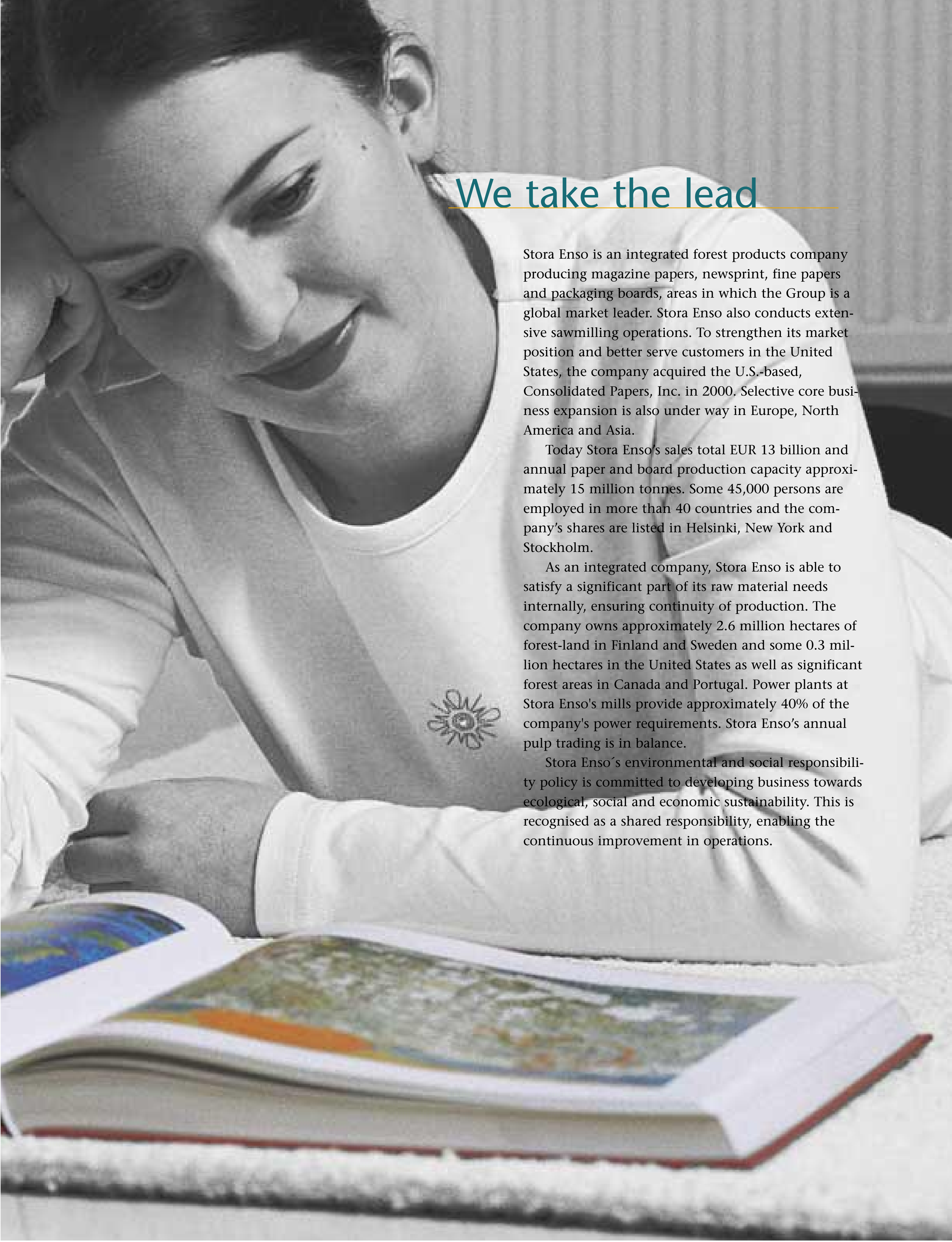
The structural streamlining of the Group continued. The main changes were the sale of power assets outside mills and the decisions to acquire the US-based paper producer, Consolidated Papers, Inc. and to restructure our interest in the Gruvön mill in Sweden.

Financial highlights

	1999	2000
Sales, EUR million	10,635.7	13,017.0
Operating profit, EUR million	1,399.6	2,371.3
– before non-recurring items, EUR million	1,296.6	1,925.6
– % of sales	12.2	14.8
Profit before tax and minority interests, EUR million	1,142.7	2,099.0
– before non-recurring items, EUR million	1,039.7	1,653.3
Profit for the period, EUR million	746.4	1,435.0
Capital expenditure, EUR million	740	769
– % of sales	7.0	5.9
Interest-bearing net liabilities, EUR million	4,783	5,183
Capital employed, EUR million	10,941	13,903

	1999	2000
Return on capital employed (ROCE), %	13.1	20.7
– before non-recurring items, %	12.1	16.8
Debt/equity ratio	0.78	0.59
Earnings per share, EUR	0.98	1.77
- before non-recurring items, EUR	0.89	1.32
Cash earnings per share, EUR	2.18	3.16
- before non-recurring items, EUR	2.09	2.61
Equity per share, EUR	7.8	9.4
Dividend per share, EUR	0.40	0.45[1)]
Market capitalisation, EUR million	13,209	11,733
Deliveries of paper and board, million tonnes	12.0	13.0
Deliveries of timber products, million m^3	4.6	4.9
Average number of employees	40,226	41,785

[1)] proposed dividend



We take the lead

Stora Enso is an integrated forest products company producing magazine papers, newsprint, fine papers and packaging boards, areas in which the Group is a global market leader. Stora Enso also conducts extensive sawmilling operations. To strengthen its market position and better serve customers in the United States, the company acquired the U.S.-based, Consolidated Papers, Inc. in 2000. Selective core business expansion is also under way in Europe, North America and Asia.

Today Stora Enso's sales total EUR 13 billion and annual paper and board production capacity approximately 15 million tonnes. Some 45,000 persons are employed in more than 40 countries and the company's shares are listed in Helsinki, New York and Stockholm.

As an integrated company, Stora Enso is able to satisfy a significant part of its raw material needs internally, ensuring continuity of production. The company owns approximately 2.6 million hectares of forest-land in Finland and Sweden and some 0.3 million hectares in the United States as well as significant forest areas in Canada and Portugal. Power plants at Stora Enso's mills provide approximately 40% of the company's power requirements. Stora Enso's annual pulp trading is in balance.

Stora Enso´s environmental and social responsibility policy is committed to developing business towards ecological, social and economic sustainability. This is recognised as a shared responsibility, enabling the continuous improvement in operations.

PRODUCTS	MARKET POSITION	RESOURCES	OF SALES
Uncoated super-calendered (SC), uncoated machine-finished (MF) papers, lightweight coated (LWC), medium-weight coated (MWC), heavy-weight coated (HWC), machine-finished coated (MFC) papers, wallpaper. Used for magazines, printed advertising material, catalogues, direct marketing products and wallpaper.	• world's second-largest producer of magazine paper • main markets Europe and North America • market share about 22% in Europe and 20% globally • total production capacity 4.5 million tonnes	• 17 mills, located in the USA (5), Finland (4), Germany (4), Sweden (1), Belgium (1), Canada (1) and France (1)	Magazine paper 19%
Standard newsprint and improved newsprint, newsprint specialities and book papers. Used for newspapers, newspaper supplements, advertising leaflets, telephone directories and books.	• world's fourth-largest producer of newsprint • largest producer in Europe • market share about 24% in Europe and 7% globally • total production capacity 3.3 million tonnes	• 9 mills, located in Finland (3), Sweden (2), Germany (2), Belgium (1) and Canada (1)	Newsprint 13%
Graphic papers (coated fine paper) and office papers (uncoated fine paper). Used for high-quality books, document printing paper and promotional material.	• world's second largest producer of graphic papers • main markets Europe, North America and Asia • graphic paper market share 15% in Europe and 10% globally • second-largest European supplier of office papers • total production capacity 4 million tonnes	• 12 graphic paper mills, located in the USA (3), Finland (2), Sweden (4), Germany (2) and China (1) • 6 office paper mills, located in Finland (3), Sweden (2) and the Netherlands (1) • about 20% shareholding in Advance Agro and an agreement to market its production	Fine paper 21%
Liquid packaging boards, cupstock and food service boards, cartonboards, containerboards (corrugated raw materials), corrugated boxes, kraft papers, coreboards, cores, and laminating papers.	• one of the world's leading producers of consumer packaging boards • main markets Europe and Asia • total production capacity 3 million tonnes of packaging boards and papers, 300,000 tonnes of corrugated board, and 135,000 tonnes of cores	• packaging boards and papers are produced in Finland, Sweden, Germany, Spain, France and the USA • cores are produced in Finland, the UK, the USA, Spain, Sweden, Germany and the Netherlands • corrugated board is produced in Finland, Sweden, Estonia, Latvia, Lithuania, Poland and Russia • altogether 45 production facilities	Packaging boards 19%
Sawn timber and its further-processed products. Used in construction, joinery and furniture industries.	• world's third-largest producer of sawn softwood • main markets Europe, North Africa, North America and Asia • sawn timber capacity 5.7 million m^3 and further-processing capacity 1.5 million m^3	• 19 sawmills and 13 further-processing sites • Nordic production sites in Finland (8), Sweden (4) and one in Estonia (33% ownership) • Central European production sites in Austria (4) and the Czech Republic (2) • further-processing factories in Austria, the Czech Republic, Sweden, Finland, Estonia, the Netherlands and Germany	Timber products 7%
Northern bleached softwood kraft (NBSK), Northern bleached hardwood kraft (NBHK), bleached eucalyptus kraft (BEKP) and fluff pulp. Used for various kinds of paper and board, fluff pulp for hygiene products.	• Stora Enso's market pulp covers all major grades • main market Europe • Stora Enso's pulp production and consumption are in balance	• pulp in bales produced at 7 mills, located in Finland (3), Sweden (3) and Portugal (1)	Pulp 12%

Mission, vision and values

Mission

We promote communication and well-being of people by turning renewable fibre into paper, packaging and processed wood products.

Vision

We will be the leading forest products company in the world

- We take the lead in developing the industry
- Customers choose us for the value we create for them
- We attract investors for the value we create
- Our employees are proud to work with us
- We are an attractive partner for our suppliers.

Values

Customer focus
"We are the customers´ first choice"

Performance
"We deliver results"

Responsibility
"We comply with principles of sustainable development"

Emphasis on people
"Motivated people create success"

Focus on future
"We take the first step"

Strategy

To be the world's leading forest products company, Stora Enso will

- focus on three core product areas: publication papers (magazine paper and newsprint), fine paper and packaging boards supported by timber products and pulp
- create shareholder value by conducting business in a profitable and socially responsible way
- continuously improve by identifying and leveraging synergies, enhancing productivity and making carefully identified investments
- grow primarily through mergers and acquisitions

Financial targets

Return on capital employed > 13% over the cycle
Debt/equity ratio ≤ 0.8

Dividend policy

One third of the total net profit

- the dividend is based on long-term profit from business operations and not on year-to-year fluctuations resulting from the nature of the forest industry's business cycle.

A strategy for profitable growth and the creation of value-added

The year 2000 favoured Stora Enso's growth, profitability and globalisation. In line with our strategy, growth towards becoming the world's leading forest products company took place through a selected corporate acquisition and divestments. This also raised shareholder value.

Growth through acquisitions

The acquisition of the U.S. Consolidated Papers in August 2000 marked the first step in the formation of a truly global forest products company. With one corporate acquisition Stora Enso secured a leading position on the North American market as a producer of quality coated papers.

Concentration on core business

Our strategy of concentration on our core business – the production of publication papers, fine paper and packaging boards – was implemented inter alia through the divestment of power plants outside the mills. We closed down some 165,000 tonnes of production capacity and restructured our ownership in the Gruvön mill in Sweden. The company's true competence lies in its core business. By concentrating on this we create value added.

Globally local

For Stora Enso global also means local. Global growth brings us closer to our customers and enables us to give them maximum service. The Consolidated Papers' acquisition supports our strategy in this respect also.

In September 2000 our share was listed on the New York Stock Exchange with the aim of bringing us closer to international investors. Good liquidity on the world's largest capital market alongside our international peers creates prerequisites for a fair valuation of the share and improved visibility in the United States.

Key figures in line with targets

An improved return on capital employed, a decline in the debt/equity ratio and strong cash flow were three of our financial achievements in 2000. Performance was boosted by the good market situation and the realisation of synergy benefits.

Belief in quality management

During 2000 our quality management received external recognition when our subsidiary Laminating Papers won the Finnish quality award. Total Quality Management has led to a clear improvement in profitability and strengthened our common values. The number of units practising TQM evaluation will increase as the Consolidated Papers' units and employees are incorporated in this process.

A foundation built on values

Increasing emphasis is being placed on another of our key values, responsibility. In this area too we have received external recognition. For the second time the Stora Enso share has been included in the Dow Jones Sustainability Group Index which lists the world's leading companies in this area. The growing role played by our environmental management systems also reflects our commitment to responsible operation. By the end of the year 2000 76% of our paper, pulp and board was produced by units holding the ISO 14 001 certificate and/or EMAS registration. We have also decided to draw up a code of conduct to ensure that social responsibility forms part of our day-to-day business. New indicators will be created to facilitate monitoring.

Emphasis on people is a value which receives still greater emphasis in a multi-culture company. We strive to promote cultural inter-action by rewarding people for their work and helping them achieve their targets through training. Employee satisfaction is continuously monitored and we encourage feedback. People form a very important resource and together we will build a company of which we can all be proud.

Growth continues

Stora Enso wishes to be a trail-blazer - the first and best choice for customers, employees and investors. We will continue to work towards this end during the year 2001.

Focus on future

Letter to shareholders

Dear shareholder

The year 2000 was another good year for Stora Enso. We are pleased to report that, against the backdrop of a buoyant world economy, the company has produced a set of excellent financial results. This is a reflection of our successful strategy of global growth and our core businesses. Demand for paper and board remained strong and prices rose accordingly. During the year we successfully completed our integration process following the Stora Enso merger and achieved the synergy and productivity improvement targets of the merger.

Sales and earnings were up and the Board has proposed an increased dividend of EUR 0.45 per share, in line with the policy of maintaining a payout ratio of one third of net profit over the business cycle.

In particular, we are pleased to report that the Company's continued strategy of international diversification remains on course. In September the Group achieved a milestone in gaining a listing of its R share on the New York Stock Exchange (NYSE) via an American Depositary Share. Trading volumes have been sound, meeting the Board's expectations and reflecting international investor confidence in our Company.

During the year under review, we undertook the strategic acquisition of the US company, Consolidated Papers. Through this purchase the Company achieved a strong foothold in North America and gained a significant share of the important US coated paper market. The integration process is off to a good start and proceeding according to plan. We will continue to consolidate our position and improve profitability in North America and will review opportunities to further increase our market shares.

In Asia and South America our objective is to secure access to sustainable short fibre resources. To this end, during the year, Stora Enso strengthened its presence in the reforestation activity in both Indonesia and Brazil.

In addition to our international expansion plans the Company is actively pursuing a strategy to focus on core business areas. As a result, during the year under review, we sold power assets outside our mills and disposed of our interest in the Gruvön mill to the newly-formed Billerud AB, jointly owned with AssiDöman of Sweden.

It is essential that we bring the Company closer to its end customers and continuously improve customer service. In the magazine and newsprint business we have announced our plan to invest in the latest technology and to construct a modern newsprint/SC paper facility in Langerbrugge, Belgium. Conversely, we are ceasing production of two older machines at our mills in Langerbrugge and Summa, Finland.

Increasing the use of recovered paper will improve the Group´s competitiveness. Investing in newer modern facilities, Stora Enso will sustain asset quality. This will position our company to maintain profitable growth in Europe, our key home market, as well as in markets overseas.

Our growth emphasis is on mergers and acquisitions. Opportunities will be evaluated as and when they arise. We will seek those that offer good asset quality and a positive impact on our earnings. In the short term an acquisition may temporarily raise the level of the Company's debt/equity ratio, but it is the Board's objective to maintain a ratio of around 0.8.

The world economy is moving towards globalisation, where scale and flexibility are key to servicing increasingly global customers. To ensure that the Company benefits from this trend, the Board is determined to continue our strategy of globalisation and focus. To maintain this strategy, we will be pursuing profitable business opportunities in mature markets, while extending our global reach.

Our new London International Office, that opened in November 2000, reflects the growing globalisation of the group. It facilitates international job opportunities and provides a venue for management to meet on a regular basis. One of the key objectives for the coming year is to strengthen international investor awareness of our Company. We will strongly promote the Company to international investors, with special priority being in the US.

Our vision is to become the world's leading forest products company, applying sustainability in all that we do. We will therefore carry on implementing the Stora Enso Excellence 2005 programme, which will form the backbone of our quality management system.

The synergies and improved productivity programmes along with the latest investments have placed the Company in a position to pursue profitable global growth. As we look to the future, we will focus on the customer and conduct our business to meet the high standards of our investors and employees, even during possible turbulence and uncertainty in the market.

Helsinki, 7 February 2001

Jukka Härmälä
CEO

Claes Dahlbäck
Chairman

Share performance

Shares and shareholders

Share capital

The Annual General Meeting held on 21 March 2000 approved the proposal to convert the company's share capital into euro denomination and to abolish the nominal value of the shares. In accordance with the Articles of Association, the minimum share capital of the company is EUR 850 million and the maximum EUR 3,400 million within which limits the share capital may be raised or lowered without amending the Articles of Association. The counter-value of the shares is EUR 1.70 per share. On 31 December 2000, the company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1,576.3 million. On 5 January 2001 an increase in share capital was entered in the Finnish Trade Register, which raised the fully paid-up share capital to EUR 1,576.8 million.

Shares

The company's shares are divided between series A and series R shares. All shares carry equal rights to dividend. The difference lies in the voting rights. At an Annual General Meeting, each A share and each ten R shares entitle the holder to one vote. However, each shareholder has at least one vote.

Since 13 September 2000 Stora Enso series R shares are traded on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts (ADRs). Each ADR represents one Stora Enso series R share. Citibank, N.A. is the depositary bank for the ADRs.

The company's shares are entered in the Book-Entry Securities System maintained by the Finnish Central Securities Depositary. On 31 December 2000, 315,062,191 of the company's shares were registered in the Swedish Securities Register Center as VPC shares and 103,337,792 of the company's R shares in the form of ADRs were registered in Citibank, N.A.

Share issues

On 18 August 2000 an Extraordinary General Meeting approved the issuance of up to 200,000,000 new R shares to shareholders of Consolidated Papers for the acquisition of Consolidated Papers, Inc. On 11 September 2000, 167,367,577 new R shares were issued. The new shares were listed on 13 September 2000 on the NYSE in the form of ADRs and carry full right to dividend for the financial year 2000. The issue raised the company's share capital by EUR 284,524,881.

In December 2000, 312,000 new R shares were issued against bonds with warrants issued to management in 1997. The new R shares carry full right to dividend for the financial year 2000. The issue raised the company's share capital by EUR 530,400.

Conversion

Under the Articles of Association, the company's A shares may, at the request of a shareholder, be converted into R shares on dates to be decided annually by the Board of Directors. During the conversion period 16-27 October 2000 a total of 3,258 requests for conversion were made. On the basis of these requests 14,454,732 A shares were converted into R shares.

Share repurchases

On 18 August 2000 the Board of Directors decided on the repurchase of not more than 10,446,000 series A shares and not more than 27,541,000 series R shares in the company. The repurchases have been undertaken as authorised by the AGM on 21 March 2000 with the intention of improving the capital structure, for use in financing or other transactions, or otherwise to be disposed of or redeemed subject to the approval of the AGM in 2001. The first repurchases were made on the Helsinki Exchanges on 14 September 2000. By the year end 318,000 A shares and 16,301,300 R shares had been repurchased at a total cost of EUR 174 million and at an average price per A share of EUR 10.83 and per R share of EUR 10.45. The shares repurchased represent 1.8% of the current share capital and 0.7% of the voting rights.

Shares held by the company carry no right to dividend and no right to voting rights.

Number of shares outstanding 5 January 2001

	Issued	Outstanding	Subscribable
Series A	194,496,456	194,178,456	-
Series R	565,671,233	613,399,718	2,412,000
ADRs	167,367,577	103,337,792	5,679,625
Total	927,535,266	910,915,966	8,091,625

Taking into account shares repurchased and ADRs issued and cancelled

The composition of Stora Enso's share capital is shown in the Change in share capital table (page 13).

Share listings

Stora Enso shares are listed on the Helsinki and Stockholm stock exchanges and as ADRs on the New York Stock Exchange. The shares are quoted in Helsinki in euro (EUR), in Stockholm in Swedish crown (SEK) and euro (EUR) and in New York in US dollar (USD).

Authorisations

The Board of Directors has authorisations to repurchase and dispose of the company's own shares. These authorisations are valid until 20 March 2001. The Board of Directors currently has no authorisations to issue shares, convertible bonds or bonds with warrants.

Option programme for management (1997)

On 7 April 1997, the company issued bonds with warrants with a maximum value of FIM 1,000,000 to 15 members of the senior management. Each FIM 1,000 bond carries one warrant entitling the holder to subscribe for 3,000 R shares at a subscription price of FIM 45.57 (EUR 7.66) each. The exercise period is from 1 December 1998 to 31 March 2004. By the end of year 2000, 588,000 R shares had been issued against warrants. If fully subscribed, the issue will raise the share capital by a maximum of FIM 30 million (approx. EUR 5.05 million). The shares represent about 0.3% of the share capital and about 0.1% of the voting rights after the exercise of warrants.

Option programme for key personnel (1999)

On 20 August 1999, the company announced an annual share option programme for some 200 key persons. The programme is an integrated part of the top management compensation structure. The aim is to provide a programme that contributes to the long-term commitment of persons in managerial and specialist positions. The 1999 programme comprises a total of 2,750,000 options/synthetic options. The seven-year options may be exercised from 15 July 2002 to 15 July 2005 and entitle the holder to cash compensation in the form of the difference between the strike price and the prevailing share price. The strike price is EUR 11.75 based on the average price in May – July 1999 plus a premium of 10%. The option programme is financially hedged against an increase in the share price and will not dilute existing shares.

Option programme for key personnel (2000)

On 21 March 2000, the Board of Directors decided to continue the annual rolling incentive programme initiated in 1999. About 200 Group key employees from some 15 countries were offered options in 2000. The strike price is EUR 12.25 based on the average share price for the period of three days before and after the Annual General Meeting plus 10%. The options/synthetic options may be exercised between 1st April 2003 and 31st March 2007. They are financially hedged and will not dilute existing shares. The option programme comprises a total of 2,800,000 options/synthetic options. Depending on local circumstances, holders will receive either a payment in cash (difference between the strike price and the share price at the time of exercise) or an option to purchase shares already issued (not new). Options are not transferable and expire if the employee leaves the company.

Stora Enso North America option programme for personnel

On 18 August 2000 the Board of Directors decided to convert the Consolidated Papers' share option plans (1989 Stock Option Plan and 1998 Incentive Compensation Plan) into share option plans of Stora Enso. The maximum number of new R shares in the form of ADRs that may be subscribed for is 5,680,000. If fully subscribed the share capital will increase by a maximum of EUR 9,656,000. The exercise period is from 11 September 2000 to 14 June 2010 (depending on the date of grant) and the weighted average subscription price is USD 6.9687. The subscribable shares represent 0.6% of the share capital and 0.2% of the voting rights in the company.

Management interests at 31 December 2000

At the end of 2000, members of Stora Enso's Board of Directors, the CEO and the DCEO owned an aggregate total of 2,765,450 Stora Enso shares, of which 19,275 were series A shares. These shares represent 0.3% of the company's share capital and 0.1% of the voting rights. The CEO is through bonds with warrants entitled to subscribe for 399,000 series R shares representing 0.0% of the company's share capital and voting rights. The CEO holds 222,500 options/synthetic options.

At the end of 2000 members of the Management Group owned a total of 72,595 shares and were through bonds with warrants entitled to subscribe for 1,161,414 series R shares. The Management Group's ownership represents 0.1% of the share capital and 0.1% of the voting rights after the exercise of the warrants. The Management Group holds 1,756,950 options/synthetic options.

Shareholdings of other Group-related bodies at 31 December 2000

E.J. Ljungberg's Training Fund owned 1,880,540 A shares and 4,831,804 R shares. E.J. Ljungberg's Fund owned 39,534 A shares and 106,703 R shares. Mr. and Mrs. Ljungberg's Testamentary Fund owned 5,093 A shares and 13,085 R shares. Stiftelsen Bergslagets Sjuk- och hälsovårdskassa owned 626,269 A shares and 1,609,483 R shares. Enso's pension fund sold its shareholding in Stora Enso during 2000. Stora Enso's profit-sharing programme was liquidated in 2000.

Shareholders

The two major shareholders are the Finnish State, which owns 14.8% of the shares and 23.8% of the voting rights and the Swedish investment group, Investor AB, which owns 8.7% of the shares and 23.8% of the voting rights. After the two largest shareholders the free float is 76.6% of shares and 52.4% of votes. Since June 1998 there has been no requirement for the Finnish State to own Stora Enso shares.

At the end of 2000 the company had approximately 60,000 registered shareholders. Each nominee register is entered in the share register as one shareholder. Approximately 657 million (70.9%) of the company's shares were registered in the name of a nominee. Ownership outside Finland and Sweden is 45% of the shares and 17% of the votes. The number of registered holders of ADRs was at year-end approximately 3,000.

Share price performance and volume

Stora Enso series R share price declined during the year by 30.0% (25.7% in Stockholm). During the same period the HEX General Index fell by 15.0%, the Helsinki portfolio index by 28.5% and the HEX Forest Index by 23.0%. The SX General Index fell by 12.0% and the Stockholm Forest Index by 12.5%. On the NYSE the Stora Enso ADR share price increased by 30.6% during the trading period 13 September 2000 until 31 December 2000. During the same period the Standard & Poor's Paper index rose by 24.6%.

On the last trading day of the year, 29 December 2000, the closing prices on the Helsinki Exchanges were EUR 12.86 per A share and EUR 12.60 per R share. The closing prices on the Stockholm Stock Exchange were SEK 110.50 and SEK 111.50 respectively. The closing price for the Stora Enso ADRs (R share) on the NYSE was USD 11.75. The trading high in Helsinki was EUR 19.00 (3 January 2000) and the trading low EUR 8.70 (26 June 2000) per R share. The volume weighted average price of the R share over the year was EUR 11.27 in Helsinki, SEK 95.58 in Stockholm and USD 9.25 in New York.

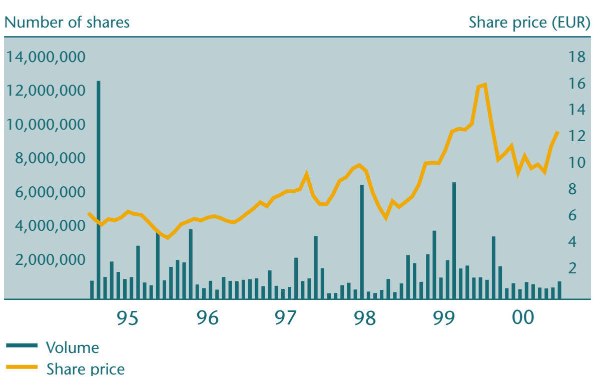
The cumulative trading volume in Helsinki was 409,700,216 shares, in Stockholm 366,439,084 shares and in New York 34,630,600 shares. Total market capitalisation in Helsinki at the year-end was EUR 11.7 billion.

Ownership of STORA shares

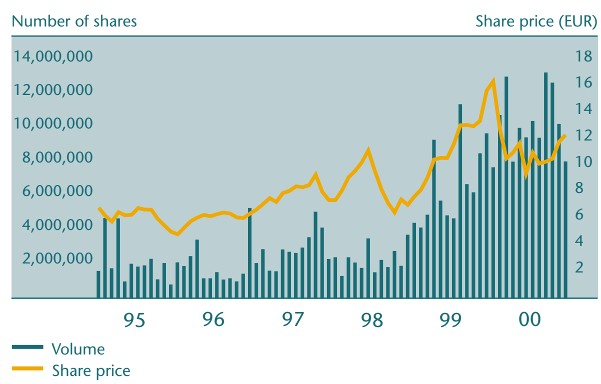
During the year, based on a decision of the arbitration court regarding the compulsory acquisition of STORA shares Stora Enso purchased 4,272,515 outstanding STORA shares for SEK 95 plus annual interest of 8.15% until the date of payment. At the year end Stora Enso held 100% of the shares.

Monthly share price performance on Helsinki Exchanges

Stora Enso A



Stora Enso R

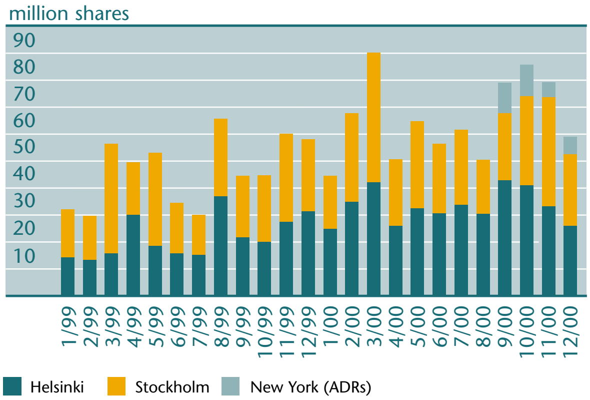


Share price and volume 2000

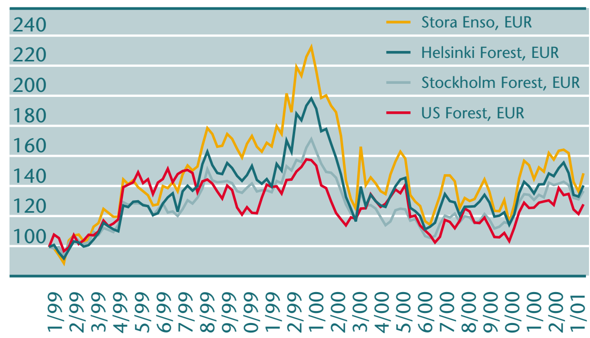
	High		Low		Closing 29 Dec. 2000		Cumulative volume, no	
	Series A	Series R	Series A	Series R	Series A	Series R	Series A	Series R
Helsinki, EUR	18.70	19.00	8.95	8.70	12.86	12.60	12,917,101	396,783,115
Stockholm, SEK	158.50	160.00	74.00	72.00	110.50	111.50	10,509,408	355,929,676
New York, USD*	-	11.75	-	7.38	-	11.75	-	34,630,600

* Trading in New York in ADRs from 13 September 2000

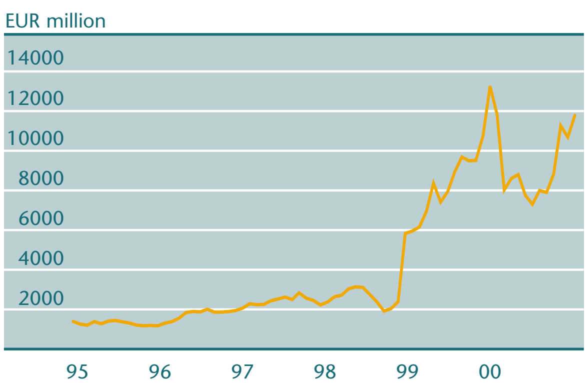
Monthly volumes of R shares 1999-2000



Stora Enso versus Forest indices
1 Jan. 1999 - 31 Jan. 2001



Market capitalisation on Helsinki Exchanges



Stora Enso share is included in at least the following indices

- HEX General Index
- FOX Index
- HEX 20
- HEX Portfolio Index
- HEX Forest Index

- SX General Index
- OMX Index
- Stockholm Forest Index

- DJ Stoxx
- DJ Euro Stoxx
- DJ Stoxx Nordic
- DJ Stoxx Ex UK
- DJ Sustainability Group Index

- FTSE Eurotop 300
- FTSE Norex 30
- FTSE Global Basic Industries Index

Trading codes and lots

	Helsinki	Stockholm	New York
A share	STEAV	STE A and STE AE	
R share	STERV	STE R and STE RE	
ADRs			SEO
Trading lot	100	200	

Distribution by book-entry system, number of shares, 31 December 2000

	Series A	Series R	Total
FCSD-registered (Finnish Central Securities Depository)	113,289,201	395,494,511	508,783,712
VPC-registered (Swedish Securities Register Center)*	81,199,070	233,863,121	315,062,191
Citibank administered American Depositary Receipts*	-	103,337,792	103,337,792
FCSD waiting list	0	0	0
FCSD common account	8,185	31,386	39,571
Total	**194,496,456**	**732,726,810**	**927,223,266**

*VPC-registered shares and ADRs are also FCSD-registered

Major Shareholders as of 31 December 2000

	By voting power	Series A	Series R	% of shares	% of votes
1	Finnish State	55,595,937	81,483,501	14.8%	23.8%
2	Investor AB	61,991,786	18,334,862	8.7%	23.8%
3	Social Insurance Institution of Finland	23,825,086	3,738,965	3.0%	9.0%
4	Sampo-Varma Group	19,438,606	466,874	2.1%	7.3%
	Sampo Life Insurance Company Limited				
	Sampo-Leonia plc				
	Industrial Insurance Company Ltd				
	Sampo Enterprise Insurance Company Limited				
	Varma-Sampo Mutual Pension Insurance Company				
	Kaleva Mutual Insurance Company				
5	Robur	0	38,154,091	4.1%	1.4%
6	Ilmarinen Mutual Pension Insurance Company	2,359,240	3,103,100	0.6%	1.0%
7	Erik Johan Ljungberg's Training Fund	1,880,540	4,831,804	0.7%	0.9%
8	Suomi Mutual Life Assurance Company	1,900,700	0	0.2%	0.7%
9	Knut and Alice Wallenberg Foundation	1,670,467	0	0.2%	0.6%
10	Fourth General Pension Fund	0	15,600,000	1.7%	0.6%
11	Skandia Life	251,208	6,369,273	0.7%	0.3%
12	Bergslaget's Sick and Healthcare Foundation	626,269	1,609,483	0.2%	0.3%
13	Handelsbanken's Pension Fund	635,000	1,180,000	0.2%	0.3%
14	MP-Bolagen i Vetlanda AB	604,000	1,415,500	0.2%	0.3%
15	SPP Insurance Company	10,617	7,314,256	0.8%	0.3%
	Total	**170,789,456**	**183,601,709**	**38.2%**	**70.6%**

Please note that the company has gathered the shareholder information from three different share registers: Finnish Central Securities Depositary, VPC and Citybank. DTC positions in ARDs are not included.

In January 2000 the company was informed that the holding of the funds managed by Franklin Resources Group decreased below 5 percent of the share capital and total votes. In September 2000 the company was informed that the holding of the Finnish State and Investor AB decreased in percentage terms due to the share issue to Consolidated Papers's shareholders.

Share distribution in Stora Enso, 31 December 2000

By size of holding, Series A	Shareholders	%	Shares	%
1 - 100	2,683	34.1	155.547	0.1
101 - 1 000	4,208	53.5	1,684,954	0.9
1 001 - 10 000	892	11.3	2,291,744	1.2
10 001 - 100 000	68	0.9	1,595,059	0.8
100 001 - 1 000 000	8	0.1	2,517,419	1.3
1 000 001 -	10	0.1	186,243,548	95.8
According to the Finnish Central Securities Depositary	**7,869**	**100**	**194,488,271**	**100**

By size of holding, Series R	Shareholders	%	Shares	%
1 - 100	4,777	25.4	325,116	0.0
101 - 1 000	10,764	57.2	4,670,336	0.6
1 001 - 10 000	2,840	15.1	7,932,161	1.1
10 001 - 100 000	331	1.8	9,230,347	1.3
100 001 - 1 000 000	80	0.4	26,728,311	3.6
1 000 001 -	14	0.1	683,809,153	93.3
According to the Finnish Central Securities Depositary	**18,806**	**100**	**732,695,424**	**100**

By shareholding, %	% of shares	% of votes	% of share-holders
Finnish institutions	27.3	45.5	2.4
Swedish institutions	21.8	31.7	3.7
Finnish private persons	1.8	2.0	28.8
Swedish private persons	4.5	4.2	59.6
Non-Finnish/Swedish owners	33.5	12.7	2.0
Of which ADR holders	11.1	3.9	3.5
	100.0	**100.0**	**100.0**

Change in share capital 1997-2000

	Total share capital (FIM million)	Total share capital (EUR million)	Number series A shares	Number series R shares	Total number of shares
Enso Oyj, 31 Dec.1997	3,110.9		116,729,125	194,361,705	311,090,830
Conversion of Enso Oyj A shares into R shares, 7-11 Sep. 98			– 1,357,954	1,357,954	
Conversion of STORA A and B shares					
into Stora Enso Oyj A and R shares, 23 Dec. 1998	1,374.0		128,023,484	320,465,375	448,488,859
Stora Enso Oyj, 31 Dec. 1998	7,595.8		243,394,655	516,185,034	759,579,689
Conversion of Stora Enso Oyj A shares into R shares, 6-24 Sep. 99			– 34,443,467	34,443,467	-
Subscription of new Stora Enso Oyj R shares, 26 Oct. 1999				30,000	
Stora Enso Oyj, 31 Dec 1999	7,596.1		208,951,188	550,658,501	759,609,689
Subscription of new Stora Enso Oyj R shares, 26 Jan. 2000				246,000	
Stora Enso Oyj, 26 Jan. 2000	7,598.6		208,951,188	550,904,501	759,855,689
Conversion of share capital into euro denomination, 4 May 2000		1,291.8			
Share issue of new Stora Enso Oyj R shares in form of ADRs					
(Consolidated Papers, Inc.) 11 Sep. 2000		284.5		167,367,577	
Conversion of Stora Enso A shares into R shares 16 – 27 Oct. 2000			– 14,454,732	14,454,732	
Stora Enso Oyj, 31 Dec. 2000		1,576.3	194,496,456	732,726,810	927,223,266
Subscription of new Stora Enso Oyj R shares 5 Jan. 2001				312,000	
Stora Enso Oyj, 5 Jan. 2001		1,576.8	194,496,456	733,038,810	927,535,266

Key share ratios 1996-2000

According to Helsinki Exchanges	1996	1997	1998	1999	2000
Earnings/share, EUR*	0.50	0.53	0.24	0.98	1.77
Earnings/share, diluted, EUR*	0.50	0.53	0.24	0.98	1.76
Earnings/share, before non-recurring items, EUR*	0.50	0.58	0.59	0.89	1.32
Cash earnings/share, EUR*	1.54	1.63	1.79	2.18	3.16
– before non-recurring items, EUR*	1.54	1.65	1.80	2.09	2.61
Equity/share, EUR*	6.98	7.28	6.94	7.84	9.41
Dividend/share, EUR*	0.30	0.33	0.35	0.40	0.45**
Payout ratio, before non-recurring items, %*	60	57	59	45	34
Dividend yield, %*					
Series A	4.8	4.6	4.6	2.3	3.5
Series R	4.8	4.6	4.6	2.3	3.6
Price / earnings (P/E)*					
Series A	12.5	13.4	31.1	17.9	7.3
Series R	12.6	13.3	31.5	17.6	7.1
Share prices***, EUR					
Series A					
– closing price for the period	6.21	7.15	7.57	17.60	12.86
– average price	6.09	7.75	9.14	11.21	12.01
– highest price	6.48	9.86	11.77	17.60	18.70
– lowest price	5.65	6.22	5.40	6.45	8.95
Series R					
– closing price for the period	6.22	7.10	7.67	17.31	12.60
– average price	6.18	7.97	8.35	11.84	11.27
– highest price	6.59	10.01	11.86	17.70	19.00
– lowest price	5.68	6.17	5.30	6.60	8.70
Market capitalisation at year-end***					
Series A, EUR million	1,116	834	1,842	3,677	2,501
Series R, EUR million	817	1,379	3,959	9,532	9,232
Total market capitalisation at year-end, EUR million***	1,933	2,214	5,801	13,209	11,733
Number of shares at the end of the period (thousands)***					
Series A	179,769	116,729	243,395	208,951	194,496
Series R	131,322	194,362	516,185	550,659	732,727
Total number of shares***	311,091	311,091	759,580	759,610	927,223
Share turnover, (1000)					
Series A	17,305	16,321	12,749	28,349	12,917
% of total number of shares****	9.6%	9.4%		12.1%	6.7%
Series R	74,971	109,698	87,113	259,287	396,783
% of total number of shares ****	57.1%	80.3%		49.3%	55.4%
Average total number of shares (thousands)*	736,828	759,574	759,574	759,580	812,040
Average total number of shares (thousands), including dilution*	736,828	759,691	759,822	760,628	813,488

*Proforma STORA and Enso for years 1996-1998 ** Board of Directors' proposal to the Annual General Meeting *** Figures based on market information are calculated from Enso Oyj's figures before 29 December 1998. **** 1998 figures are not available due to the merger on 28 December 1998, figures before 1998 are based on Enso Oyj's figures

We deliver results

Financial review

Strategic objective

Stora Enso´s objective is to consolidate its position and through business growth become the leading company in the sector. This will be done by carefully monitored investments and expansion that secure the creation of long-term value.

In order to fulfil this objective Stora Enso has core competences within the following areas:

- Mergers and acquisitions
- Synergy realisation
- Identification and realisation of productivity improvements
- Project management

Merger and acquisition competence is needed in monitoring potential targets, carrying out due diligence studies, negotiating and closing acquisitions and disposals. Skills in post-merger activities are still more important. Stora Enso regularly makes acquisitions and divestments and has increasing experience in this area.

Realising synergies is one of the most important issues in an acquisition. Stora Enso has considerable experience of realising synergies in i.a. purchasing and logistics, benchmarking and best practices as well as in utilisation of the sales organisation. The successful realisation of synergies in recent mergers reflects Stora Enso's experience in this respect.

Productivity improvement is essential in a sector characterised by real price decline in most of its product areas. Stora Enso has a special task force which works closely with responsible people in the mills and which specialises in charting and implementing improvements and transferring these to other units. To support and monitor development the measuring of real productivity has been initiated. In 2000 the measurement covered approximately 60% of capacity and led to an increase of 1.7% in real productivity.

Project management skills are needed in all types of changes and developments. It is of crucial importance to meet timetables and defined targets in restructuring, construction and other development projects. The Group has considerable skilled resources covering this area, but there is a need to develop these.

Value creation

Stora Enso's approach is to manage business so that it creates value for the shareholders. Value created defined as operating profit before non-recurring items, less cost of capital (10% of average capital employed) gives a value creation during the year 2000 of EUR 778.5 million (EUR 197.7 million.)

Value creation by product area is expressed in the table below where the cost of capital calculation is based on operating capital. It should be noted that the high value in pulp is related to pulp-consuming Magazine paper, Fine paper, and Packaging boards. Merchants does not contribute as a result of problems in the UK-based merchant. The calculation is based on the same WACC for all product areas. A lower risk factor in the calculation for the Forest area would have eliminated the negative figure.

Operating profit and value creation by product area

Product area	Operating profit*		Value creation	
EUR million	1999	2000	1999	2000
Magazine paper	308.8	305.4	119.8	66.9
Newsprint	306.4	268.3	164.9	133.8
Fine paper	202.6	462.3	-17.4	179.6
Packaging boards	194.3	266.8	-38.3	16.9
Merchants	4.1	9.9	-14.5	-11.2
Timber products	43.5	73.3	7.9	34.0
Pulp	98.3	507.7	-14.3	395.5
Forest	132.3	115.3	-5.3	-20.3
Other	-22.0	-39.8		
Continuing operations total	**1,268.2**	**1,969.2**	**164.9**	**747.5**
Goodwill amortization	-61.9	-88.3		
Divested units	-1.6			
Discontinuing operations, energy	91.9	44.7		
Total	**1,296.6**	**1,925.6**	**197.7**	**778.5**

*before non-recurring items

Weighted average cost of capital (WACC) in 2000

The cost of equity may be determined by adding 4% risk premium to the assumed long-term risk-free interest rate of 5%, giving 9 % cost of equity after tax. With a tax rate of around 35% this gives a pre-tax cost of equity of around 14%. The cost of debt may be determined by taking the average of Stora Enso´s current loan portfolio, giving around 6%. Using a debt/equity ratio of 0.8, the WACC is approximately 10%.

This cost of capital may be compared to the (ROCE) return on capital employed. Stora Enso´s target is 13% average over a cycle. During 2000 Stora Enso reached 16.8% before non-recurring items and the average over the last five years has been 11%.

Market

Paper and other forest products are global and used throughout the world. The table below shows total consumption of paper and board per main market area. Population growth and the degree of urbanisation are key elements that will affect future consumption in various areas. The Gross Domestic Product (GDP) trend has traditionally been a leading indicator of paper and board demand trend.

The ongoing restructuring in both the supplier chain and the customer base also influence the market, triggering a need for cost competitiveness and a higher service level.

Consumption of paper and boards

Million tonnes	West Europe	North America	Latin America	Africa	Asia (Inc. Oceania)
Newsprint	9.8	13.3	1.8	0.5	11.4
SC paper	3.2	2.6	0.1	0.1	0.5
Coated magazine paper	6.4	5.4	0.4	0.1	2.7
Coated fine paper	6.7	4.9	0.7	0.2	6.8
Uncoated fine paper	7.5*	13.0	2.6	0.9	15.8
Containerboards	20.5	31.6	6.8	1.1	31.7
Cartonboards	6.5	10.6	1.7	0.4	10.6

* Bulk grades only

Source: Stora Enso Business Intelligence

Stora Enso deliveries

Stora Enso´s marketing covers the whole world. Sales distribution by market is shown in the section “Marketing and sales network” on page 40.

In 2000, Stora Enso´s total deliveries of paper and board rose by 8%. The increase was attributable to good demand during most of the year and the Consolidated Papers acquisition.

Stora Enso´s home market is Europe, which accounts for 76% of sales. The North American market share is 12% but this will increase since Consolidated Papers’ sales were included for only 4 months of the year 2000.

Deliveries by product area

1000 tonnes	1998	1999	2000	change %
Magazine paper	2,560	2,756	3,269	+19
Newsprint	3,086	3,122	3,134	0
Fine paper	2,743	2,912	3,151	+8
Packaging boards	3,130	3,196	3,417	+7
Divested paper units	239	10	0	
Total paper and board	**11,758**	**11,995**	**12,971**	**+8**
Timber products,1000 m^3	2,764	4,637	4,880	+5
Pulp, 1000 tonnes	1,964	2,001	2,014	+1
Corrugated board, million m^2	339	355	404	+14

Financial result

Sales increased by 22.4% to EUR 13,017.0 million (EUR 10,635.7 million). Consolidated Papers accounted for EUR 704.1 million, the remainder resulting largely from increased prices in all grades. The currency impact represents EUR 487 million. Consolidated Papers has been consolidated since 1 September 2000.

The paper industry strike in Finland during the second quarter of the year cut sales by about EUR 100 million. The sale of power assets reduced sales by about EUR 60 million.

Operating profit (EBIT) and return on operating capital (ROOC) per product area are presented in the table below excluding non-recurring items. Specification by quarter is shown on page 24.

Sales and operating profit by product area

EUR million	Sales			Operating profit/loss			Return on operating capital*		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Magazine paper	1,851.8	1,950.4	2,598.4	335.1	308.8	305.4	19.0	16.3	12.8
Newsprint	1,693.7	1,641.8	1,766.7	310.2	306.4	268.3	21.2	21.7	19.9
Fine paper	2,003.8	2,163.2	2,972.1	226.9	202.6	462.3	10.6	9.2	16.4
Packaging boards	2,396.9	2,341.5	2,716.0	240.0	194.3	266.8	10.2	8.4	10.7
Merchants	830.3	787.2	890.6	5.4	4.1	9.9	2.8	2.2	4.7
Timber products	733.9	1,140.0	1,242.1	16.0	43.5	73.3	5.4	12.2	18.6
Pulp	846.6	957.8	1,387.7	13.3	98.3	507.7	1.1	8.7	45.3
Forest	1,645.8	1,630.3	1,877.4	103.1	132.3	115.3	7.3	9.6	8.5
Other	– 2,032.9	– 2,101.8	– 2,473.7	12.7	– 22.0	– 47.8			
Continuing operations total	9,969.9	10,510.4	12,977.3	1,262.7	1,268.2	1,961.2			
Divested paper units	399.4	24.7		– 6.4	– 1.6				
Discontinuing operations, Energy	174.6	228.0	70.3	69.9	91.9	52.7			
Internal sales, Energy	– 54.3	– 127.4	– 30.6						
Consolidation goodwill				– 154.4	– 61.9	– 88.3			
Total before non-recurring items				**1,171.8**	**1,296.6**	**1,925.6**	**10.4**	**12.1**	**16.8**
Non-recurring items				– 24.0	103.0	445.7			
Merger cost and restructuring provisions				– 447.0					
Total	**10,489.6**	**10,635.7**	**13,017.0**	**700.8**	**1,399.6**	**2,371.3**	**6.2**	**13.1**	**20.7**

* Group figures represent return on capital employed

Sales by product area

- Magazine paper 19%
- Newsprint 13%
- Fine paper 21%
- Packaging boards 19%
- Timber products............7%
- Pulp............................12%
- Merchants 6%
- Forest 3%

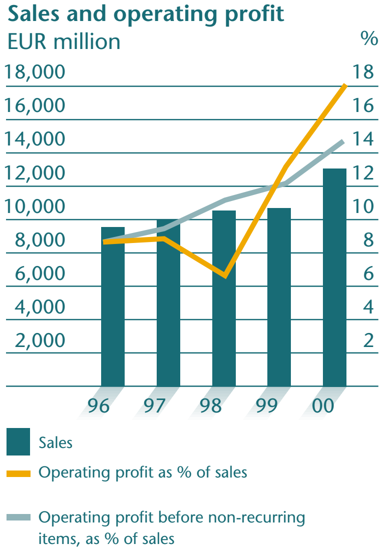
Operating profit by product area

- Magazine paper...........15%
- Newsprint...................13%
- Fine paper...................22%
- Packaging boards.........13%
- Timber products 4%
- Pulp 25%
- Forest............................6%
- Energy 2%

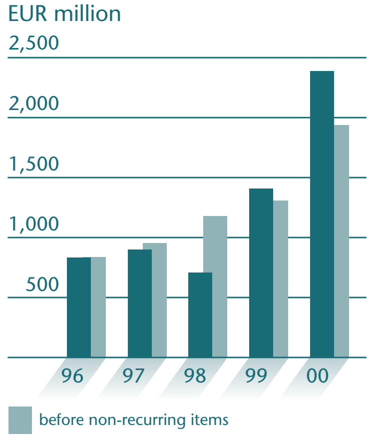
Income statement in brief

EUR million	1999	2000	Change-%
Sales	**10,635.7**	**13,017.0**	**22.4**
Earnings before interest, depreciation and amortisation (EBITDA) before non-recurring items	2,237.7	2,970.2	32.7
Operating profit before non-recurring items	**1,296.6**	**1,925.6**	**48.5**
Non-recurring items	103.0	445.7	
Operating profit	**1,399.6**	**2,371.3**	**69.4**
Share of profits in associated companies	9.7	20.6	
Financial net	– 266.6	– 292.9	
Profit before tax and minority interests	**1,142.7**	**2,099.0**	**83.7**
Tax	– 391.8	– 650.3	
Minority items	– 4.5	– 13.7	
Profit for the period	**746.4**	**1,435.0**	**92.3**

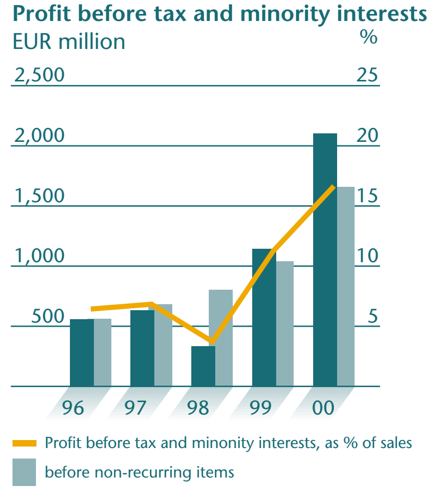
Sales and operating profit



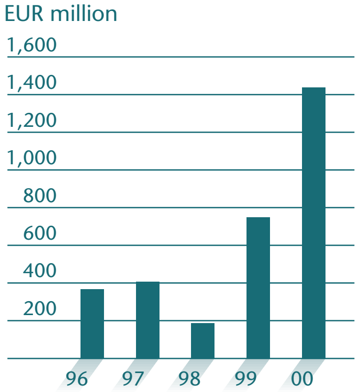
Operating profit



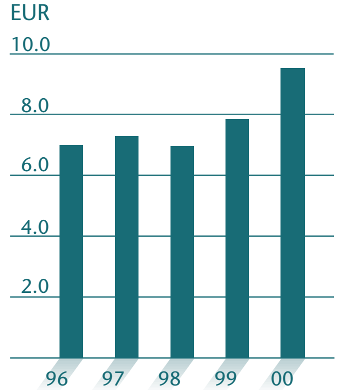
Profit before tax and minority interests



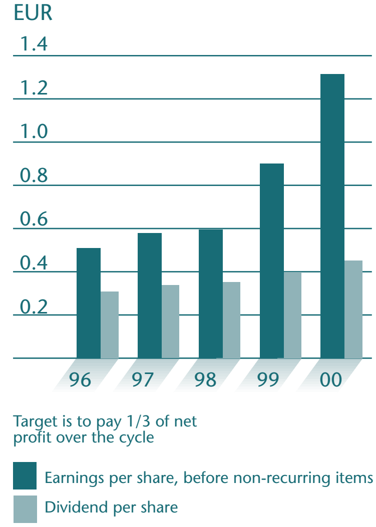
Profit for the period



Equity per share



Earnings and dividend per share



Depreciation and amortisation amounted to EUR 1,129.4 million (EUR million 911.1). The increase attributable to the acquisition of Consolidated Papers was EUR 131,0 million (USD 121,1million), of which EUR 30.8 million (USD 28.4 million) was goodwill. In 2001 depreciation and amortisation will be in the area of EUR 1,400.0 million.

Net financial items amounted to EUR 292.9 million, of which net interest costs represent EUR 305.2 million, 5.9% of the average interest bearing net liabilities.

Depreciation, EUR million	1999	2000	2001e
Depreciation	889.4	956.3	1,250.0
Goodwill	51.7	88.3	150.0
Total	941.1	1,044.6	1,400.0
Non-recurring write-downs	-30.0	84.8	-
Total	**911.1**	**1,129.4**	**1,400.0**

-of which Consolidated Papers*	2000	2001e
Normal depreciation	68.6	213.2
Due to fair valuated assets	31.6	88.7
Goodwill	30.8	92.2
	131.0	**394.1**

* These figures vary from those reported in prior interim reviews, reflecting completion of studies of the average remaining useful life of the property, plant and equipment.

Synergies

Synergy benefits related to the merger of STORA and Enso totalled EUR 240 million during the year 2000. The outcome so far and actual forecasts clearly indicate that the EUR 300 million target will be met; Stora Enso has decided to cease reporting on this development.

STORA and Enso merger synergies

EBIT impact EUR million	1999	2000	2001	2002
June 1998 (projected)	-	72	145	217
January 1999 (estimate)	50	170	240	300
Recorded	**113**	**240**		

Main sources of synergy	%, 1999	%, 2000
Purchasing and logistics	50	23
Sales and administration	23	21
Production streamlining	17	46

Synergies were greatest in	
Fine paper	EUR 59.2 million
Packaging boards	EUR 54.1 million
Magazine paper	EUR 31.9 million

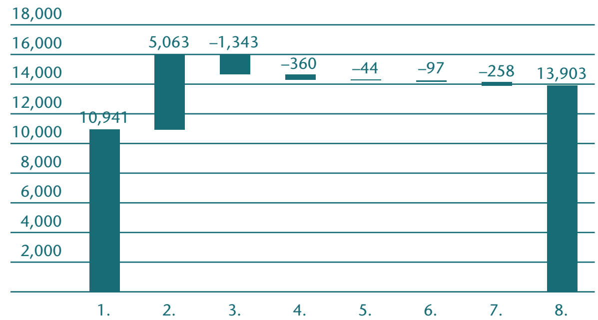
Merger synergies from Consolidated Papers transaction

EBIT impact USD million	2001	2002
Estimate	90	110

Synergies from the Consolidated Papers acquisition have been estimated in total at USD 110 million (EUR 120 million) in 2002 and will be reported every 6 months.

Capital structure, EUR million	1999	2000
Fixed assets	11,528.9	15,280.7
Working capital	1,087.9	1,276.2
Operating capital	**12,616.8**	**16,556.9**
Net tax liabilities	– 1,675.5	– 2,654.0
Capital employed	**10,941.3**	**13,902.9**
Shareholders' equity	5,956.5	8,570.8
Minority items	202.0	149.4
Net interest-bearing net liabilities	4,782.8	5,182.7
Financing	**10,941.3**	**13,902.9**
Debt/equity -ratio	0.78	0.59
Equity per share, EUR	7.84	9.41

Change in Capital employed
EUR million



1. Value 31 Dec 1997 2. Acquisitions 3. Disposals 4. Capex, net of Deprecation
5. Change in Working capital 6. Change in Tax liabilities 7. Translation difference
8. Value 31 Dec 2000

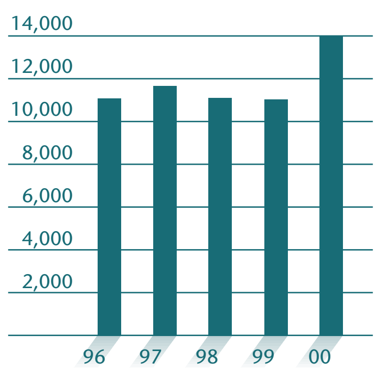
Capital employed

	Operating capital EUR million	%	Net tax liabilities EUR million	%	Capital employed EUR million	%
USA	5,619.6	33.9%	838.5	31.6%	4,781.2	34.4%
Finland	4,233.4	25.6%	376.1	14.2%	3,857.3	27.7%
Sweden	3,244.3	19.6%	1,004.3	37.8%	2,240.0	16.1%
Germany	1,205.6	7.3%	366.0	13.8%	839.6	6.0%
Canada	643.2	3.9%	– 6.8	– 0.3%	650.0	4.7%
France	349.9	2.1%	18.7	0.7%	331.2	2.4%
Portugal	226.5	1.4%	44.1	1.7%	182.4	1.3%
China	225.8	1.4%	0.0	0.0%	225.9	1.6%
Austria	162.5	1.0%	13.4	0.5%	149.0	1.1%
Other	646.1	3.9%	– 0.2	0.0%	646.3	4.6%
Total	**16,556.9**	**100.0%**	**2,654.0**	**100.0%**	**13,902.9**	**100.0%**

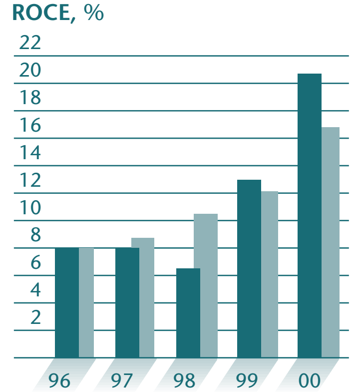
Capital employed by product area

- Magazine paper...........23%
- Newsprint.....................9%
- Fine paper...................28%
- Packaging boards.........17%
- Timber products 3%
- Pulp 8%
- Merchants......................2%
- Forest operations 9%
- Other operations............1%

Capital employed
EUR million



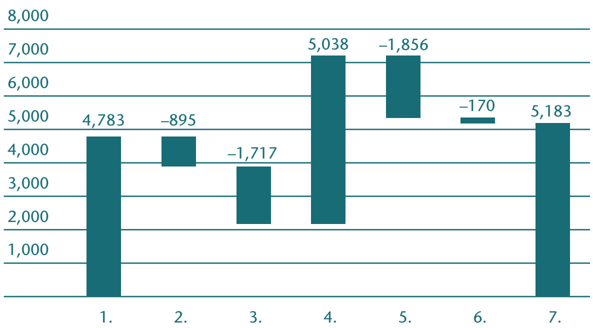
Return on capital employed, ROCE, %



Target > 13% over the cycle

before non-recurring items

Change in interest-bearing net liabilities
EUR million

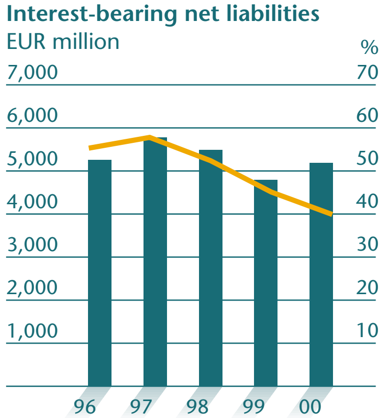


1. 1.1.2000 2. Cash flow from operations 3. Share issue 4. Acquisitions
5. Disposals 6. Translation differences 7. 31.12.2000

The adjacent diagram shows how acquisitions made during the year 2000 were financed. After the new issue of shares, cash flow from the operation and disposals match most of the financing and the increase in interest-bearing debt has been limited to EUR 400 million.

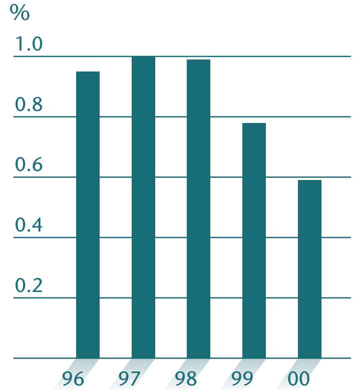
Change in interest-bearing net liabilities, EUR million	Ongoing operations	Sale of power assets	Acquisition of Consolidated Papers	Group cash flow	Translation difference	Impact on balance sheet
Operating profit	1,846.5	524.8		2,371.3		2,371.3
Depreciation	1,129.4			1,129.4		1,129.4
Change in working capital	29.3	– 5.2	– 213.2	– 189.1	0.8	– 188.3
Cash flow from operations	3,005.2	519.6	– 213.2	3,311.6	0.8	3,312.4
Capital expenditure	– 769.3			– 769.3		– 769.3
Acquisitions			– 5,763.3	– 5,763.3		– 5,763.3
Disposals		1,315.3		1,315.3		1,315.3
Other change in fixed assets	13.9			13.9	322.2	336.1
Operating cash flow	2,249.8	1,834.9	– 5,976.5	– 1,891.8	323.0	– 1,568.8
Net financing items	– 272.3			– 272.3		– 272.3
Taxes paid	– 551.5	32.5	913.2	394.2	– 66.0	328.2
Dividends	– 303.9			– 303.9		– 303.9
Share issue	0.0		1,717.2	1,717.2		1,717.2
Other change in shareholders' equity	– 227.5	– 10.9	25.2	– 213.2	– 87.1	– 300.3
Change in net interest-bearing liabilities	894.6	1,856.5	– 3,320.9	– 569.8	169.9	– 399.9

Interest-bearing net liabilities
EUR million



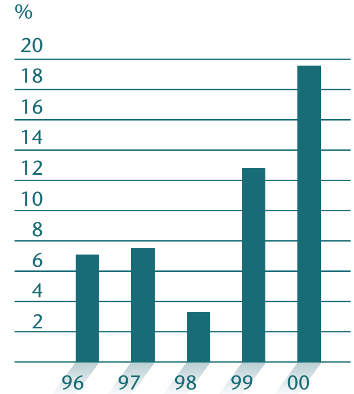
Interest-bearing net liabilities
Interest-bearing net liabilities, as % of sales

Debt/equity ratio
%



Target ≤ 0.8

Return on equity (ROE)
%



Risks and factors affecting earnings

World economic trends and their impact on different markets are the factors having the greatest impact on all business operations. The components of general economic trends are not discussed here; instead, a summary of certain variables that can be quantified and which may have a direct effect on Stora Enso´s earnings are presented.

Price and volume effects

The Group´s profitability is sensitive to changes in sales prices and delivery volumes. The supply and demand has an impact on competition and causes fluctuations in both prices and volumes. The sensitivity analysis shown adjacent indicates the impact on operating profit (EBIT) of the major product areas given a 5% change in the sales prices and volumes.

Sensitivity analysis

	Change +/- 5%	
EBIT impact, EUR million	Price	Volume
Magazine paper	190	80
Newsprint	100	50
Fine paper	200	80
Packaging boards	140	70
Timber products	60	10

Effect of various cost components

Price and volume for different cost components have an effect on profit. The most significant variable costs components relate to transportation and sales commissions, amounting to approximately 10% of sales; wood and timber, 12% of sales; chemical and fillers about 10% and energy for about 7%.

The fixed components, personnel costs, account for about 15% and depreciations for about 8%.

Commodity effects

The price changes described, arising from both purchases and sales, are sometimes called the commodity effect.

The Group has taken the first step to hedge parts of this risk. Efforts have concentrated on the energy and fibre supply areas.

Currency effects

The Group's products are sold to the home market or exported to other countries. When products are invoiced in the currency other than where the main costs are the Group is exposed to currency risks.

Currency breakdown*

Currency EUR million	Sales	Operating costs (cash)
EUR	6,200	5,200
SEK	1,100	1,700
GBP	1,400	300
USD	3,900	2,500
CAD	100	300

*Consolidated Papers included for 12 months

Transaction risk

The impact on Stora Enso's profit attributable to foreign currency exchange is known as the transaction risk. Stora Enso hedging policy aims to cover 50 per cent of the 12-month expected net currency exposure for other currencies than euro. The table beside shows the hedges outstanding at the year-end 2000 and their distribution over time.

Transaction hedges as of 31 December 2000

Currency million	Total	Amount hedged Less than 6 months	6-12 months
AUD	– 7.1	– 7.1	-
CAD	264.2	177.2	87.0
CHF	– 3.5	– 3.5	-
EUR	563.4	439.8	123.6
DKK	– 16.4	– 16.4	-
GBP	– 313.0	– 217.7	– 95.2
JPY	– 1,157.2	– 675.2	– 482.0
SEK	2,918.6	2,177.4	741.2
USD	– 514.0	– 413.5	– 100.5

Translation risk

With assets in currencies other than the reporting currency (euro), the value of net assets (shareholders' equity) will change as a result of changes in foreign exchange rates. This effect is known as the translation risk.

The Group's policy is to minimise this risk by funding the investment in the same currency as the asset whenever this is possible and economically viable.

Breakdown of operating capital

EUR million	Operating capital 1999	Operating capital 2000	Net interest-bearing liabilities 1999	Net interest-bearing liabilities 2000
EUR	6,808.7	6,477.5	1,411.4	2,486.3
SEK	4,660.5	3,244.3	2,405.9	838.8
USD/CAD	689.6	6,281.7	810.2	1,642.6
CNY	205.3	225.8	0.0	0.0
GBP	98.4	79.2	14.1	– 56.0
Others	154.3	248.4	141.2	271.0
Total	**12,616.8**	**16,556.9**	**4,782.8**	**5,182.7**

Other risks

Fire, accident, plant failure, transport problems, etc. may lead to disruptions and losses. Routines to identify risks and measures to minimise or avoid these are established within the risk-management area.

Most of the operating capital consists of fixed assets. Future technological development can effect the future value of such plants. Trends which affect the consumption of paper and board, such as electronic trading, are also of major importance. Stora Enso has substantial research and development resources to monitor and study this.

Customer credits are self-financed and consequently non-payment results in losses. To minimise this risk, credit controls are applied and the customer's financial position monitored on an ongoing basis. Internal credit ratings are drawn up for all customers.

The ability of suppliers to fulfil their quality, environmental compatibility and delivery time commitments is of major importance to the efficiency of the Group's production and its investments. To ensure compliance with these requirements, checks and evaluations of suppliers, their products, transportation methods and other services are conducted on a regular basis.

IT systems are crucial to most of the Group´s routines and processes. To secure optimal IT support security programmes are conducted on a continuous basis throughout the Group. Reputed technology and methods are used to adapt to the continuous development within the IT area. Ongoing projects include the implementation of a new Group-wide order-handling system and an e-commerce system in the Merchants division.

Financing and financing costs

To manage and reduce the risk of refinancing the loan portfolio, Stora Enso has arranged committed long- and short-term credit facilities. These credit facilities cover planned requirements as well as all outstanding commercial paper borrowings. In November 2000 Stora Enso arranged a USD 300 million short-term facility to serve as back-up for the new US commercial paper programme. Unutilised committed credit facilities totalled EUR 1.8 billion at the end of the year 2000.

The Group's objective is to keep the average maturity of outstanding loans and credit commitments between five and seven years. At year-end 2000 the average maturity of the loans in Stora Enso's portfolio was approximately 5.5 years.

In April 2000 Stora Enso arranged two loans to finance the fibre line no. 3 investment in Imatra. A loan of EUR 160 million with a 12-year maturity was arranged with European Investment Bank and a EUR 42 million 12.5-year loan with Nordic Investment Bank.

Another objective is to diversify the sources of borrowing and to use the debt capital markets to a greater extent for financing. The Group was active in using the debt capital markets in year 2000. In June Stora Enso issued a EUR 850 million Eurobond with a 7-year maturity. In November 2000 a SEK 3 billion bond was issued with 2.5 and 5.5-year maturities.

The Group is exposed to changes in interest rates. Due to the cyclical nature of the industry, the Group's interest rate risk management policy is to synchronise the cost of capital with the return on capital employed. This is achieved by swapping long-term fixed interest rates to short-term floating interest rates. The Group's benchmark duration is 12 months.

Stora Enso has a target to maintain two investment grade ratings. Moody's Investors Service has assigned Stora Enso a Baa1-rating for its long-term borrowing programmes and bonds and P-2 for short-term commercial paper borrowing. Standard & Poor's has assigned a rating of BBB+ for Stora Enso's long-term borrowing programmes and bonds and A-2/K-1 ratings for short-term commercial paper borrowing. The rating outlook from both rating agencies is stable.

Capital expenditure

The objective of keeping capital expenditure below the level of depreciation was again met during 2000. Capital expenditure amounted to EUR 769.3 million (EUR 740.2 million), depreciations excluding goodwill and non-recurring write-downs was EUR 956.3 million (EUR 889.4 million). Capital expenditure distributed by product area is shown in the adjacent table.

The largest ongoing project is the new fibre line in the Imatra mill, Finland. This project will come on stream in spring 2001. Another major project that will affect 2001 is the restructuring of production capacity in the Magazine paper and Newsprint divisions. This project includes the construction of a new paper machine as well as closures of two machines.

Capital expenditure by product area

EUR million	1999	2000
Magazine Paper	102	104
Newsprint	72	75
Fine Paper	113	69
Packaging boards	233	335
Merchants	7	7
Timber products	51	47
Pulp	103	66
Forest	14	19
Other	45	47
Total	**740**	**769**
Depreciation according to plan excluding non-recurring write-downs and goodwill amortisation	889	956

Unrealised values

Stora Enso owns certain assets that are entered at lower value than their fair market value. These assets represent an unrealised value of EUR 1,132.7 million. The forest value is based on a discounted cash earnings calculation covering the approximately 2.1 million hectares of productive forestland in the Nordic countries. The other assets are valued at market.

Unrealised values in Nordic forest and marketable shares

EUR million	Carrying value	Fair/Market value	Difference
Nordic forest	1,158.1	2,204.0	1,045.9
Marketable shares	132.3	219.1	86.8
Total	**1,290.4**	**2,423.1**	**1,132.7**

Sales by product area, per quarter

EUR million	I/1999	II/1999	III/1999	IV/1999	1999	I/2000	II/2000	III/2000	IV/2000	2000
Magazine paper	436.5	482.0	493.6	538.3	1,950.4	500.0	531.0	675.6	891.8	2,598.4
Newsprint	410.6	389.1	410.5	431.6	1,641.8	416.0	417.0	449.6	484.1	1,766.7
Fine paper	525.8	518.5	522.5	596.4	2,163.2	637.6	636.7	760.2	937.6	2,972.1
Packaging boards	564.8	595.4	576.9	604.4	2,341.5	661.8	686.1	682.1	686.0	2,716.0
Merchants	205.7	192.8	181.7	207.0	787.2	225.4	221.4	212.9	230.9	890.6
Timber products	247.8	306.3	294.6	291.3	1,140.0	298.1	334.8	293.7	315.5	1,242.1
Pulp	208.3	223.8	253.2	272.5	957.8	330.7	342.6	366.7	347.7	1,387.7
Forest	423.1	407.3	372.7	427.2	1,630.3	508.1	452.2	426.4	490.7	1,877.4
Other	– 466.7	– 429.5	– 497.0	– 708.6	– 2,101.8	– 612.7	– 540.9	– 613.8	– 706.3	– 2,473.7
Continuing operations total	**2,555.9**	**2,685.7**	**2,608.7**	**2,660.1**	**10,510.4**	**2,965.0**	**3,080.9**	**3,253.4**	**3,678.0**	**12,977.3**
Divested paper units	24.7				24.7					
Discontinuing operations, Energy	69.6	46.0	44.4	68.0	228.0	46.4	23.9			70.3
Internal sales, Energy	– 35.5	– 26.2	– 28.8	– 36.9	– 127.4	– 19.7	– 10.9			– 30.6
Total	**2,614.7**	**2,705.5**	**2,624.3**	**2,691.2**	**10,635.7**	**2,991.7**	**3,093.9**	**3,253.4**	**3,678.0**	**13,017.0**

Operating profit by product area, per quarter

EUR million	I/1999	II/1999	III/1999	IV/1999	1999	I/2000	II/2000	III/2000	IV/2000	2000
Magazine paper	64.6	78.7	83.9	81.5	308.8	72.5	67.6	109.5	55.8	305.4
Newsprint	75.4	63.8	88.4	78.7	306.4	62.6	43.2	80.8	81.7	268.3
Fine paper	43.6	42.3	47.7	69.0	202.6	104.6	89.5	136.2	132.0	462.3
Packaging boards	48.2	43.9	56.1	46.1	194.3	82.4	52.7	79.8	51.9	266.8
Merchants	1.4	– 0.4	1.1	2.0	4.1	5.0	2.4	0.5	2.0	9.9
Timber products	5.8	15.2	11.2	11.4	43.5	23.8	21.7	16.5	11.3	73.3
Pulp	– 3.3	13.3	37.6	50.6	98.3	106.3	118.0	147.7	135.7	507.7
Forest	22.3	36.3	32.8	40.9	132.3	28.2	34.5	23.6	29.0	115.3
Other	4.7	0.2	– 21.8	– 5.1	– 22,0	– 12.6	– 1.6	– 11.7	– 21.9	– 47.8
Continuing operations total	262.8	293.4	337.1	374.9	1,268.2	472.8	428.0	582.9	477.5	1,961.2
Divested paper units	– 1.6	0.0	0.0	0.0	– 1.6	0.0	0.0	0.0	0.0	0.0
Discontinued operations, Energy	31.3	18.8	14.3	27.5	91.9	26.9	25.8	0.0	0.0	52.7
Operating profit total (adjusted)	292.5	312.2	351.4	402.4	1,358.5	499.7	453.8	582.9	477.5	2,013.9
Amortisation on consolidation gw	– 15.5	– 15.5	– 15.5	– 15.4	– 61.9	– 14.1	– 14.8	– 22.6	– 36.8	– 88.3
Non-recurring items	24.5	0.0	0.0	78.5	103.0	24.0	554.9	– 23.1	– 110.1	445.7
Operating profit total (IAS)	301.5	296.7	335.9	465.5	1,399.6	509.6	993.9	537.2	330.6	2,371.3
Share of profits of associated co's	0.4	3.0	– 1.2	7.5	9.7	5.8	4.4	2.7	7.7	20.6
Financing items	– 72.8	– 74.0	– 83.0	– 36.9	– 266.6	– 68.8	– 96.5	– 39.4	– 88.2	– 292.9
Profit before tax and minority interests	229.1	225.7	251.7	436.1	1,142.7	446.6	901.8	500.5	250.1	2,099.0
Tax	– 73.5	– 87.0	– 82.8	– 148.4	– 391.8	– 148.5	– 266.9	– 161.9	– 73.0	– 650.3
Profit after taxes	155.6	138.7	168.9	287.7	750.9	298.1	634.9	338.6	177.1	1,448.7
Minority interests	– 2.6	– 2.8	– 2.3	3.2	– 4.5	– 7.4	– 1.0	– 4.1	– 1.2	– 13.7
Profit for the period	153.0	135.9	166.6	290.9	746.4	290.7	633.9	334.5	175.9	1,435.0

Deliveries by product area, per quarter

Deliveries 1999, 1000 tonnes	I/1999	II/1999	III/1999	IV/1999	1999
Magazine paper	616	674	702	765	2,756
Newsprint	779	744	787	812	3,122
Fine paper	740	719	693	760	2,912
Packaging boards & papers	782	824	804	787	3,196
Speciality paper	10				10
Total	**2,927**	**2,961**	**2,985**	**3,124**	**11,995**
Timber products,1000 m³	1,035	1,240	1,131	1,231	4,637
Pulp, 1000 tonnes	531	487	505	479	2,001
Corrugated board, million m²	87	80	87	102	355

Deliveries 2000, 1000 tonnes	I/ 2000	II/ 2000	III/ 2000	IV/ 2000	2000
Magazine paper	676	707	838	1,048	3,269
Newsprint	759	747	789	840	3,134
Fine paper	771	720	793	867	3,151
Packaging boards & papers	876	855	848	838	3,417
Total	**3,082**	**3,029**	**3,268**	**3,593**	**12,971**
Timber products,1000 m³	1,159	1,290	1,120	1,312	4,880
Pulp, 1000 tonnes	548	509	501	456	2,014
Corrugated board, million m²	91	104	102	107	404

Key figures 1996-2000

EUR million	1996	1997	1998	1999	2000
Sales	9,510	9,998	10,490	10,636	13,017
Change on previous year, %	– 10.1	5.1	4.9	1.4	22.4
Wages, salaries and statutory					
employers' contribution	1,688	1,737	1,805	1,754	1,996
as % of sales	17.8	17.4	17.2	16.5	15.3
Depreciation and value adjustments	793	854	1,176	911	1,129
Operating profit	828	893	701	1,400	2,371
as % of sales	8.7	8.9	6.7	13.2	18.2
Operating profit before non-recurring items	832	945	1,172	1,297	1,926
as % of sales	8.7	9.5	11.2	12.2	14.8
Share of profits of associated companies	9	17	10	10	21
Financial income and expenses	– 280	– 280	– 380	– 267	– 293
as % of sales	– 2.9	– 2.8	– 3.6	– 2.5	– 2.3
Profit before tax and minority interests	557	630	331	1,143	2,099
as % of sales	5.9	6.3	3.2	10.7	16.1
Taxes	181	204	146	392	650
Profit for the period	365	405	185	746	1,435
Distribution of dividend	231	254	268	304	419*
Capital expenditure	1,364	1,134	896	740	769
as % of sales	14.3	11.3	8.5	7.0	5.9
R&D expenditure	72	79	80	84	95
as % of sales	0.8	0.8	0.8	0.8	0.7

	1996	1997	1998	1999	2000
Fixed assets	11,059	11,885	11,704	11,905	16,379
Current assets	3,535	3,690	3,718	4,133	4,944
Assets total	**14,594**	**15,575**	**15,422**	**16,038**	**21,323**
Shareholders' equity	5,303	5,528	5,272	5,957	8,571
Minority interests	196	272	279	202	149
Interest-bearing liabilities	6,166	6,565	6,558	5,769	6,856
Operating liabilities	1,538	1,691	1,799	2,357	2,928
Tax liabilities	1,391	1,518	1,514	1,753	2,819
Equity and liabilities total	**14,594**	**15,575**	**15,422**	**16,038**	**21,323**
Capital employed at year-end	10,720	11,572	11,038	10,941	13,903
Operating capital at year-end	12,120	13,078	12,541	12,615	16,557
Interest-bearing net liabilities	5,245	5,772	5,486	4,782	5,183
Return on capital employed (ROCE), %	7.9	8.0	6.2	13.1	20.7
Return on capital employed (ROCE)					
before non-recurring items, %	7.9	8.5	10.4	12.1	16.8
Return on equity (ROE), %	7.0	7.5	3.3	12.8	19.5
Equity ratio, %	37.7	37.2	36.0	38.4	40.9
Debt/equity ratio	0.95	1.00	0.99	0.78	0.59
Average number of employees	41,810	40,301	40,987	40,226	41,785

* Year 2000 dividend is the Board of Director's proposal to the Annual General Meeting

Magazine paper

Presence in North America consolidated with approximately 20% share of the US magazine paper market

Market

Overall the markets remained good due to continuing good economic conditions in Western Europe and North America, which led to an increase in demand for printed advertising. The SC paper market developed favourably throughout the year. Demand rose by 9% in Europe and 10% in North America. Prices in Europe remained stable. In North America prices rose by 6% during the year.

Demand for LWC was also good and market growth amounted to 10% in Europe and 4% in North America. However, the North American market for medium-weight grades was slightly affected by softening US economy during the last quarter. Prices rose by 3-5% in Europe and 6% in North America. Calculated in euros, Western European prices were more than 30% below those applying in North America.

Producers' inventories at the year-end were about 17 days, which is slightly below normal.

Globally during 2000 some 250,000 tonnes of uncoated capacity was upgraded to coated capacity and a further 250,000 tonnes of LWC paper entered the market in Europe. In North America, only minor new capacity has started-up.

Performance and synergies

Sales rose by 33% to EUR 2,598.4 million, of which EUR 411.9 million was due to Consolidated Papers. Operating profit was EUR 305.4 million, down somewhat on the previous year. During the last quarter performance was affected by accounting adjustments and 70,000 tonnes of downtime due to the weaker market situation in North America and seasonal stoppages in Europe. Return on operating capital (ROOC) was 12.8%.

In respect of cost structure, major price increases for the most important raw materials have been incurred.

Rises in the price of chemical pulp, energy and recovered paper offset operating profit by EUR 140 million.

Stora Enso synergies amounted to EUR 32 million, accounting for 13% of total synergies and consisted mainly of economies of scale in purchasing and applying best practice at the mills.

New projects and structural changes

Capital expenditure totalled EUR 104.3 million. Only minor projects were completed during 2000. Investment activities focused on preparatory work for the capacity increase of Kabel's paper machine no. 4 and on productivity and quality improvements at Veitsiluoto's paper machine no. 1, both implemented in early 2001.

Following the Consolidated Papers acquisition, Stora Enso now has 1,650,000 tonnes of magazine paper capacity in North America. The company's market share is about 20%, making it North America's leading supplier of magazine paper.

Facts and figures

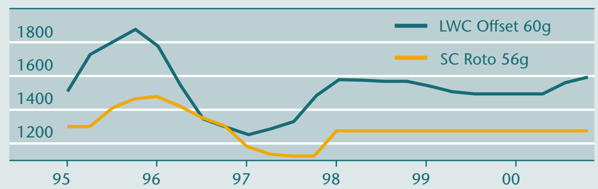
Key figures*	1999	2000	% of the Group
Sales, EUR million	1,950.4	2,598.4	18.6
Operating profit, EUR million	308.8	305.4	14.8
– % of sales	15.8	11.8	
Operating capital, EUR million	1,776.2	3,273.6	22.8
Return on operating capital, %	16.3	12.8	
Capital expenditure, EUR million	102.2	104.3	13.6
Average number of employees	4,745	5,658	
Operating rate	92%	97%	

* excluding goodwill

	Deliveries		Capacity
1 000 tonnes	1999	2000	2001
SC	1,115	864	1,602
LWC, MVC, HWC, MFC	1,593	2,357	2,875
Wallpaper base	48	48	48
Total	**2,756**	**3,269**	**4,525**

Magazine paper price trend in Germany

DEM/tonnes



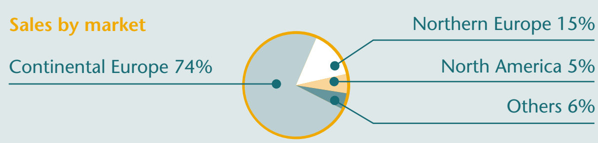
Source: PPI

On 9 January 2001, Stora Enso announced its intention to build a new 400,000 tonnes newsprint/SC machine in Langerbrugge and shut down paper machine no. 2 (SC 120,000 tonnes per year) at the same site and paper machine no. 1 at Summa in Finland (newsprint 110,000 tonnes per year) after the new machine comes in operation. The new machine is expected to go on stream at the end of 2002.

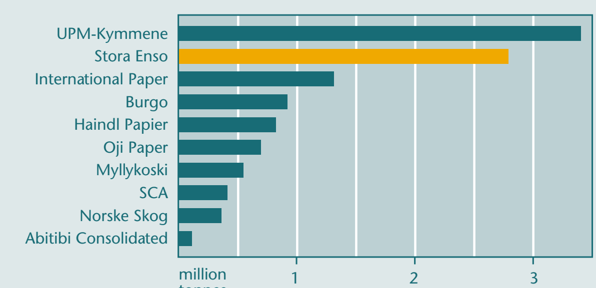
Outlook for 2001

At the beginning of the year, SC and LWC paper prices in Europe rose up to 8%. Overall, the market environment is expected to remain stable and demand favourable although growth will be slower than in 2000. More than 1 million tonnes of new capacity in LWC and coated woodfree will come on stream in 2001 and may have an effect on the favourable market balance.

Sales by market

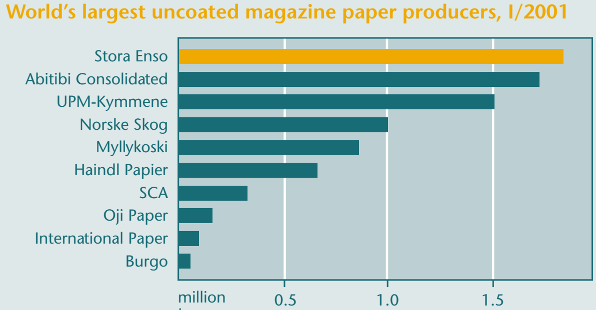


World's largest coated magazine paper producers, I/2001



Source: Jaakko Pöyry

World's largest uncoated magazine paper producers, I/2001



Source: Jaakko Pöyry

Newsprint

Restructuring of capacity in process to improve competitiveness and boost recovered paper utilisation

Market

The European newsprint market was characterised by good demand. Prices were stable throughout the year, but remained roughly at the 1999 levels. Demand rose by 5%. Canadian exports to Europe amounted to 786,000 tonnes, 4% above the 1999 level. Russian exports to Western Europe have decreased by 7%.

The North American market was characterised by several price rises during the year and prices were more than 30% higher than in Europe at the end of 2000. Demand grew approximately 1% thanks to the increased volume of advertising.

Capacity grew only marginally during the year. In Europe no newsprint machines were started up, but capacity was upgraded into higher value-added products.

Producers' inventories at the year-end were 24% below last year, down to the lowest level in the last five years.

Performance and synergies

Sales rose by 8% to EUR 1,766.7 million and operating profit was EUR 268.3 million, down 12%. Operating profit was affected by the high recovered paper price, which rose 70% during the year. Return on operating capital (ROOC) was 20%.

Stora Enso synergies accrued as planned and totalled EUR 32 million. Newsprint synergies accounted for 13% of total synergies and consisted mainly of switching production between mills.

Facts and figures

New projects and structural changes

Capital expenditure totalled EUR 74.8 million. In line with an earlier decision the implementation of the waste-water treatment improvement of the Hylte mill was initiated (EUR 28 million).

New projects decided in 2000 included the quality and capacity improvement of the Keräyskuitu Oy deinking plant and the capacity enhancement of the Kvarnsveden paper machines no. 9 and 11 by some 15,000 tonnes/a. Capital expenditure for these projects is about EUR 15 million.

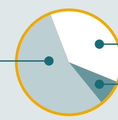
On 9 January 2001 Stora Enso announced its intention to build a 400,000 tonnes per year newsprint/SC paper machine in Langerbrugge and to shut down paper machine no. 1 at Summa with newsprint capacity of 110,000 tonnes per year and paper machine no. 2 (SC 120,000 tonnes per year) at Langerbrugge once the new machine is in operation. The machine is expected to go on stream at the end of 2002.

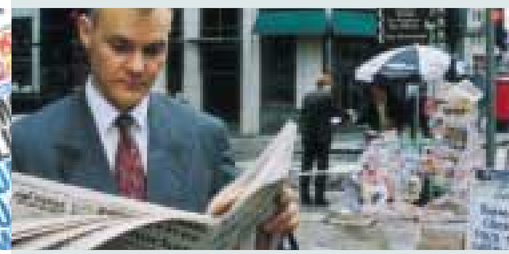
Key figures*	1999	2000	% of the Group
Sales, EUR million	1,641.8	1,766.7	12.6
Operating profit, EUR million	306.4	268.3	13.0
– % of sales	18.7	15.2	
Operating capital, EUR million	1,347.6	1,256.7	8.8
Return on operating capital, %	21.7	19.9	
Capital expenditure, EUR million	72.3	74.8	9.7
Average number of employees	5,564	5,437	
Operating rate	95%	95%	

* excluding goodwill

1 000 tonnes	Deliveries 1999	Deliveries 2000	Capacity 2001
Newsprint	3,122	3,134	3,260

Sales by market

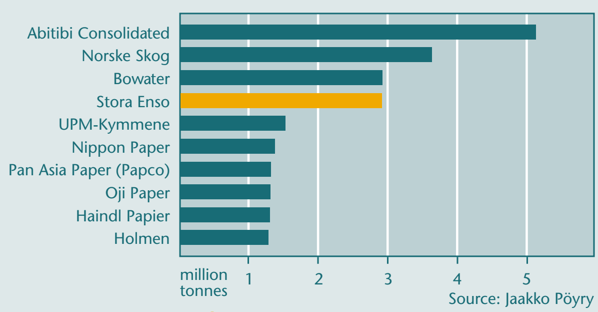




Outlook for 2001

Annual contracts for 2001 were agreed at prices substantially higher than in the previous year. In Western Europe, after all the year 2000 capacity change announcements, the net newsprint capacity increase is expected to be about 260,000 tonnes in 2000-2003. However, the good demand/supply balance is expected to continue.

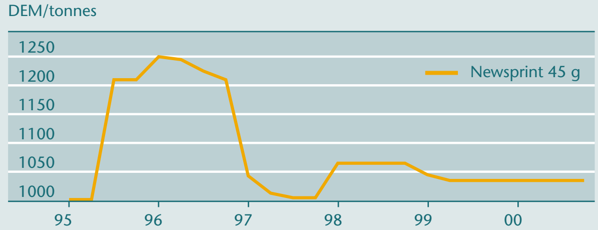
World's largest newsprint producers, I/2001



Source: Jaakko Pöyry

Newsprint price trend in Germany

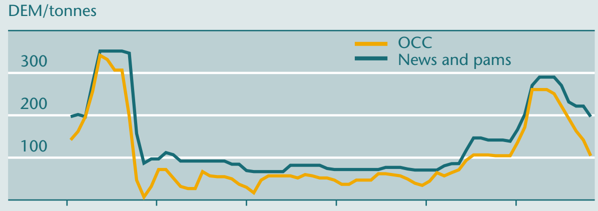
DEM/tonnes



Source: PPI

Recovered paper price trend in Germany

DEM/tonnes



Source: Euwid

Fine paper

North America – the first major step on the world's largest paper market

Market

The overall market for fine paper (free sheet) was strong. Demand developed positively until the end of the summer, when demand for coated fine paper sheets began to weaken, primarily as a result of de-stocking in the supply chain. The market for uncoated fine paper currently remains good in both Europe and the USA as well as in Asia.

In Europe, fine paper demand was up about 6% and prices rose by 3% over the year.

In North America, demand grew by 5% and prices were up by 8%. The North American market balance suffered from Asian imports.

In Asia demand was reasonably good until the autumn when it was affected by increased production and pressure to reduce inventories quickly. The weakness of the euro against the US dollar made it difficult for Asian suppliers to sell excess supply to Europe. Imports of fine paper from Asia to Europe totalled 200,000 tonnes.

The year saw the start up of 3 new fine paper machines in Asia and one in Europe. No new fine paper machine start-ups are scheduled in the world for 2001 but some uncoated fine paper capacity will be upgraded to coated fine paper.

Producers' inventories grew slightly during the year but nevertheless remained within normal levels.

Performance and synergies

Sales totalled EUR 2,972.1 million, up 37%. Consolidated Papers accounted for 13% of sales. Operating profit was EUR 462.3 million, significantly higher than in the previous year. The result was strengthened by higher prices and good delivery volumes but affected by weakening demand in the autumn, which led to production curtailments at Stora Enso mills totalling of 110,000 tonnes. Return on operating capital (ROOC) was 16%.

The cost structure remained unchanged from the previous year.

Stora Enso synergies amounted to EUR 59 million. Fine paper synergies accounted for 25% of total synergies and consisted mainly of production streamlining, purchasing and logistics.

New projects and structural changes

Capital expenditure totalled EUR 69.2 million. New projects decided in August 2000 are the rebuilds of Oulu paper machine no. 6 and Uetersen paper machine no. 2 at a total cost of some EUR 100 million. The investments will raise Stora Enso's fine paper capacity by 126,000 tonnes by the end of the year 2001.

Facts and figures

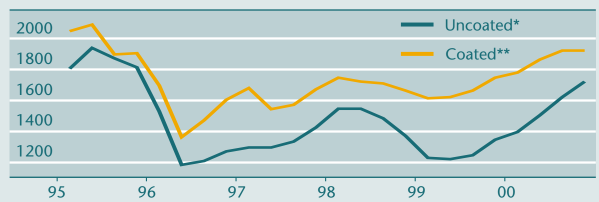
Key figures*	1999	2000	% of the Group
Sales, EUR million	2,163.2	2,972.1	21.2
Operating profit, EUR million	202.6	462.3	22.4
– % of sales	9.4	15.6	
Operating capital, EUR million	2,196.7	4,032.0	28.1
Return on operating capital, %	9.2	16.4	
Capital expenditure, EUR million	112.9	69.2	9.0
Average number of employees	7,565	8,344	
Operating rate	95%	94%	

* excluding goodwill

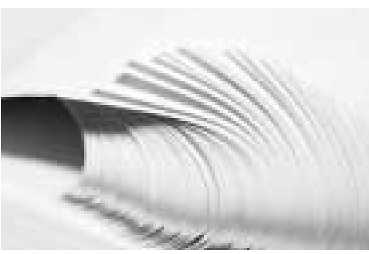
1 000 tonnes	Deliveries 1999	Deliveries 2000	Capacity 2001
Graphic (coated) paper	1,560	1,917	2,685
Office (uncoated) paper	1,352	1,234	1,410
Total	**2,912**	**3,151**	**4,095**

Fine paper price trend in Germany

DEM/tonnes



Source: PPI * UWF reels 60g ** CWF sheets 100g

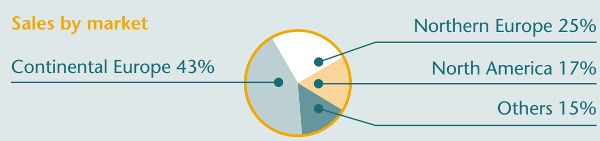


Following the Consolidated Papers acquisition Stora Enso now has 895,000 tonnes of coated fine paper capacity in North America. The company's US market share is 13%, making it North America's second largest supplier of coated fine paper.

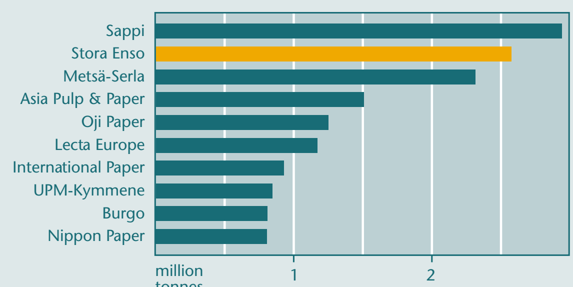
Outlook for 2001

The coated fine paper market is expected to remain weak during spring 2001. Producers are likely to continue to take some downtime to adjust production in line with this, but a large part of inventory adjustments were taken already during 2000. Overall, the market is anticipated to improve towards the end of the year. The uncoated market should remain strong due to capacity conversion.

Sales by market

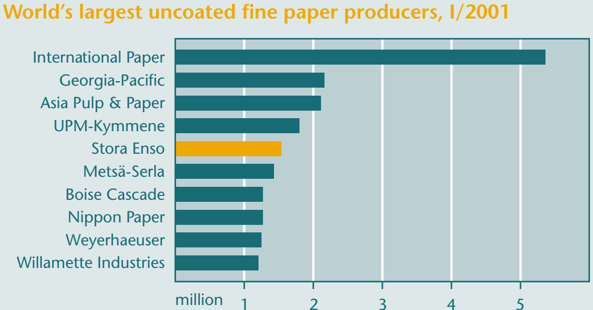


World's largest coated fine paper producers, I/2001



Source: Jaakko Pöyry

World's largest uncoated fine paper producers, I/2001



Source: Jaakko Pöyry and Stora Enso

Packaging boards

Focus on streamlined production and capital expenditure targeted to productivity improvements

Market

The packaging board market was fairly good during the year. Demand for liquid packaging board remained stable but prices were low. The year saw a clear improvement in demand for and prices of cupstock, folding boxboard (FBB) and white lined chipboard (WLC).

In Finland, Sweden and Russia demand for corrugated boards was good and prices strengthened. From spring on, markets in the Baltic countries began to improve. Demand for containerboards and kraft paper remained sound in Europe, but in North America inventory building took place, putting pressure on prices. Demand for coreboard and cores as well as for laminating papers was good and prices improved.

Performance and synergies

Sales were EUR 2,716.0 million, up 16% on the previous year. Operating profit was EUR 266.8 million, up 37%. The improvement was due to increased deliveries and higher prices. The result was, however, affected by the paper industry strike in Finland in April and the investment stoppages in the fourth quarter curtailing production by 60,000 tonnes. The increase in the cost of raw material, especially energy and recovered paper also affected the result somewhat. About 15% of production is based on recovered paper. The strong US dollar has improved the competitiveness of European producers. Return on operating capital (ROOC) was 11%.

Stora Enso synergies amounted to EUR 54 million, 23% of total synergies, and consisted mainly of economies of scale in purchasing and applying best practises at the mills.

New projects and structural changes

Capital expenditure totalled EUR 335.0 million. The Imatra pulp project (EUR 350 million) proceeded according to plan. The new fibre line no. 3 will start production in spring 2001. The rebuild of Imatra board machine no. 4 (EUR 34 million) took place in November 2000. The rebuild will improve product quality and raise capacity by 20,000 tonnes. In addition, a decision was taken to rebuild Imatra board machine no. 5 (EUR 16 million) in order to improve the quality competitiveness of liquid packaging boards. At Kotka the Absorbex 2000 project (EUR 27 million) was initiated in order to improve the profitability of paper machine no. 1. Both projects will be completed in autumn 2001.

During the year Stora Enso acquired Huhtamäki Van Leer's tube plants in the Netherlands and Sweden. The 45,000 tonnes Mölndal board mill in Sweden was closed in April and the 40,000 tonnes of packaging board production was closed at Newton Kyme in the UK in December. In January 2001 Stora Enso closed down its wholly-owned subsidiary Ensopack Ltd in Barbados as its production was no longer profitable. Ensopack had annual sales of EUR 3 million and an annual capacity of 4,900 tonnes of liquid and cigarette packages.

In June the Stora Enso subsidiary, Stora Enso Packaging, and Huhtamäki Van Leer set up a joint venture to sell and market packaging solutions for the mobile communications industry. To support this strategy it was decided to build a mobile phone packaging plant in Hungary and expand production capacity at Ruovesi, Finland. The Budapest plant will start up in summer 2001.

In September, Stora Enso signed a letter of intent to purchase Tetra Pak's Forshaga packaging material production unit in Sweden by 30 June 2001. The acquisition will raise the company's plastic coating capacity.

In November, Stora Enso signed a final agreement concerning a 50/50 joint venture with Sweden's AssiDomän. The new company, Billerud, started operations on 1 January 2001 and the Gruvön mill (600,000 tonnes of packaging paper) in Sweden is part of this.

Outlook for 2001

The market is expected to be slightly weaker in 2001.

Facts and figures

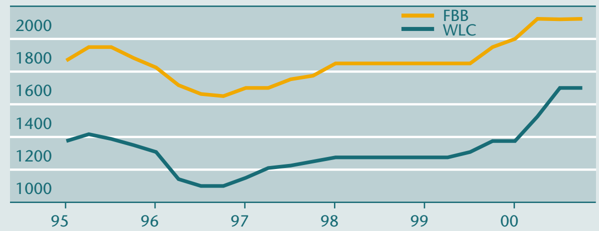
Key figures*	1999	2000	% of the Group
Sales, EUR million	2,341.5	2,716,0	19.4
Operating profit, EUR million	194.3	266,8	12.9
– % of sales	8.3	9,8	
Operating capital, EUR million	2,338.2	2,381.4	16.6
Return on operating capital, %	8.4	10,7	
Capital expenditure, EUR million	232.7	335.0	43.5
Average number of employees	10,114	10,132	
Operating rate	89%	95%	

* excluding goodwill

1 000 tonnes	Deliveries 1999	Deliveries 2000	Capacity 2001
Packaging boards and papers	3,196	3,417	3,055

Packaging board price trend in Germany

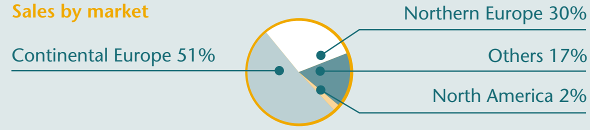
DEM/tonnes



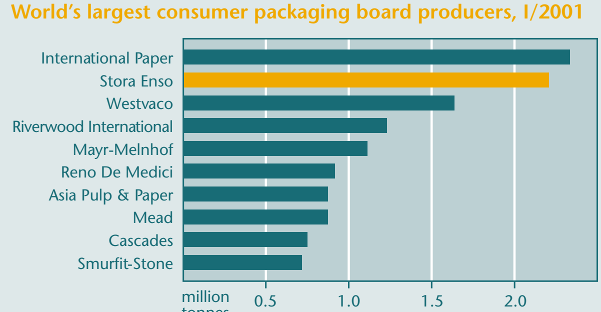
Source: PPI



Sales by market



World's largest consumer packaging board producers, I/2001



Source: Jaakko Pöyry

Timber products

Focus on selected strategic market segments, enhanced end-use value and improved efficiency

Market

The year 2000 began with strong demand and good prices for timber products. During the summer uncertainty in the economy began to affect demand and prices. During the last quarter of 2000 the market showed flattening demand also in Europe. At the same time increasing supply from Scandinavia and Russia put further pressure on prices. In Europe, the markets for low-grade framing and packaging material were further pressed by the oversupply of logs in France and Germany resulting from the storm damage of close to 200 million m^3 at the end of 1999. In Japan, demand and price development has been more positive, especially for higher value system building products. Also in Asia the supply of low grade standard products exceeded demand and prices were under pressure. Over the year Nordic whitewood prices rose by 7%, redwood by 5% and Central European timber prices by 1%.

Producers' inventories are high in all timber segments but the supply line inventories are generally on a normal level.

Performance and synergies

Sales rose by 9% to EUR 1,241.1 million and operating profit was EUR 73.3 million, up 69% on the previous year. The good performance was attributable to high deliveries, increased prices and value-added specialised production and fully exploited synergies. The difficult log supply in Finland led to some minor production problems in the last quarter of 2000. Return on operating capital (ROOC) was 18.6%.

The cost structure remained unchanged, but costs rose as a result of higher wood prices in Finland and Sweden.

Stora Enso synergies amounted to EUR 23 million, accounting for 10% of total synergies.

New projects and structural changes

Capital expenditure totalled EUR 46.5 million. The main project was the modernisation of the Ala, Kopparfors and Gruvön sawmills in Sweden (EUR 46 million). The modernisation will be completed in

Kopparfors and Gruvön by June 2001 and in Ala by the end of 2002. The modernisation project aims at improving the efficiency and profitability of the mills. Extensive further processing capacity will be built directly on-line at both the Kopparfors and Gruvön mills. This will enable the mills to offer a more advanced and competitive processed product to the strategic end use segments in the construction and interior decoration industries.

Other investments in progress are the planer mill at Bad St Leonhard, the post mill at Brand and thermowood production in Kotka. At Bad St Leonhard, a processing mill is under construction. The aim is to improve customer service, productivity and profitability by re-positioning the product offering from low value framing and packaging material to higher value system building end uses. At Brand, a lamination plant is being built to complement the existing product range in engineered wood products for the Japanese construction industry. At Kotka, capacity for specially heat treated timber "thermowood" will be operative from June 2001. The aim is to offer wood users an environmentally friendly alternative to chemically treated timber for end-uses where exceptional durability is required.

To consolidate market position and exploit the rapid growth of European Timber framing markets, a 49% stake in Holzwerke Wimmer GmbH was acquired in December. Wimmer further processes sawn goods into housing and other system-building components at Plarrkirchen, Germany mainly for the European pre-fabricated housing industry. Since the acquisition the company has decided to build a building component plant on the premises of Stora Enso Timber's Zdirec sawmill. The investment will be completed by August 2001.

Outlook for 2001

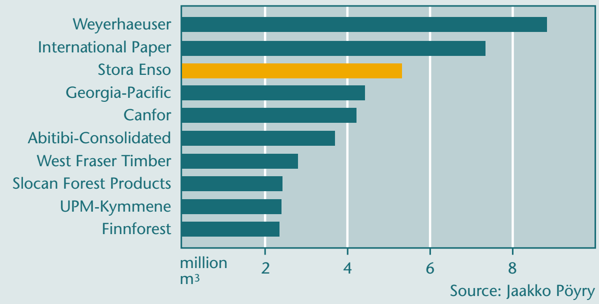
The world-wide demand for wood products is expected to remain rather flat. The market situation will remain challenging throughout the first half of 2001. The main market pressure will be created by low-grade standard products in the coming months. Specialised system building wood and high-grade joinery will hold up rather well.

Facts and figures

Key figures*	1999	2000	% of the Group
Sales, EUR million	1,140.0	1,242.1	6.9
Operating profit, EUR million	43.5	73.3	3.6
– % of sales	3.8	5.9	
Operating capital, EUR million	377.2	388.2	2.7
Return on operating capital, %	12.2	18.6	
Capital expenditure, EUR million	51.3	46.5	6.0
Average number of employees	3,605	3,593	
Operating rate	96%	97%	

* excluding goodwill

World's largest sawn timber producers

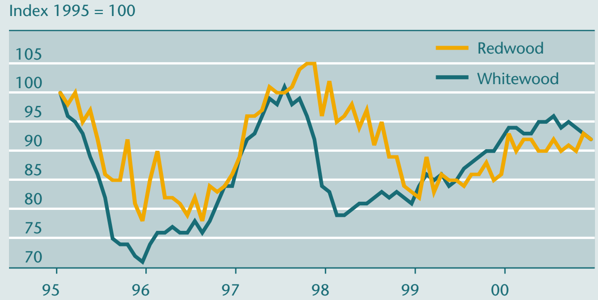


Source: Jaakko Pöyry

1 000 m³	Deliveries 1999	Deliveries 2000	Capacity 2001
Nordic Whitewood	1,451	1,479	1,890
Nordic Redwood	1,386	1,443	1,705
Central European Timber	1,800	1,958	2,075
Total	**4,637**	**4,880**	**5,670**

Price trend of sawn products in Finland

Index 1995 = 100



Source: Finnish Forest Industries Federation

Price trend of sawn products in Sweden

Index 1995 = 100

Source: Swedish Wood Association

Merchants

Papyrus, the leading Nordic merchant, offers a European-wide e-service solution

Market

The European paper merchanting industry recorded a 5% growth in volume over 1999. Price levels increased particularly during the first half of the year. The pace of increase slowed towards the end of the year due to destocking.

Performance and synergies

Sales rose by 13% to EUR 890.6 million and operating profit was EUR 9.9 million, up on the previous year. The improved performance was attributable to high deliveries and increased prices. Return on operating capital (ROOC) was 4.7%.

Stora Enso synergies amounted to EUR 4.5 million, accounting for 2% of total synergies.

E-service solution

During the year Papyrus began the implementation of Papyrus e-point – the third generation e-service platform. This is now available in seven European countries and will be marketed further during the first quarter of 2001. The aim is to implement it in at least two more European markets later in 2001.

Structural changes

With the acquisition of the Finnish merchant Paperi Dahlberg and the Norwegian merchant Carl Emil, Papyrus became the number one paper merchant in the Nordic region currently with a 40% market share.

With the acquisition of the Estonian merchant Tallinna Paberibörs raised market share in Estonia to 40% during 2000, consolidating the overall position in the Baltic region, one of Stora Enso's strategic areas. Our strong position in the Nordic and Baltic region will form a base for further growth and achievements in the rest of Europe.

Market outlook

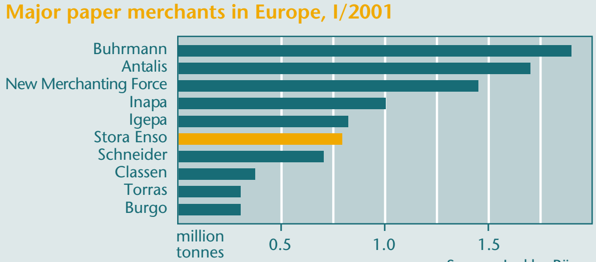
The coated fine paper market is expected to remain weak during the early part of 2001 because of oversupply and weak demand.

The present consolidation trend is expected to continue. Paper merchants, printer groups and fine paper producers are all expected to consolidate further.

Key figures*	1999	2000
Sales, EUR million	787.2	890.6
Operating profit, EUR million	4.1	9.9
– % of sales	0.5	1.1
Operating capital, EUR million	162.8	234.0
Return on operating capital, %	2.2	4.7
Capital expenditure, EUR million	6.6	6.8
Average number of employees	1,577	1,606

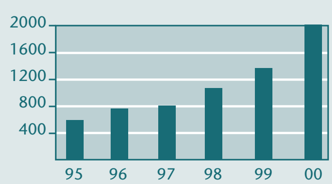
* excluding goodwill

Major paper merchants in Europe, I/2001



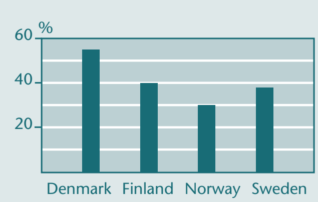
Source: Jaakko Pöyry

E-customer development



Since the launch of the first e-service solution in Sweden in 1985, the number of customers has grown steadily.

Nordic market shares



With a market share of between 30% and 55% in the various Nordic markets, Papyrus has established a leading position in the region.

Pulp

Balance in annual pulp trading supports the Group's fibre strategy

Market

The pulp market was very strong until the autumn, when demand weakened due to lower demand for coated fine paper. Low demand led to production curtailments during the last quarter. Global pulp inventories were at a low level throughout the year, increasing however, towards the end of the year. At the year-end Norscan inventories were 1.7 million tonnes, the ten-year average being 1.6 million tonnes. During the year the price of long-fibre pulp and short-fibre pulp rose by about 20%. The list price for long-fibre pulp was USD 710 and for short-fibre EUR 720 at the end of January 2001.

Performance and synergies

Sales rose by 45% to EUR 1,387.7 million and operating profit to EUR 507.7 million. The improvement was attributable to an increase in both prices and deliveries. However, the good development was offset by curtailments of 40,000 tonnes during the last quarter. Return on operating capital (ROOC) was 45%.

Stora Enso synergies totalled EUR 21 million and accounted for 9% of total Group synergies. Synergies mainly comprised benchmarking and operational efficiency.

New projects and structural changes

During the year Stora Enso set up a joint venture with Aracruz Celulose S.A. and Odebrecht S. A. to develop the Veracel pulp mill project in Brazil. The decision on whether to build is scheduled to take place at the end of 2002. Stora Enso owns 45% of Veracel.

With the Consolidated Papers acquisition complete, annual pulp purchases and sales will be well balanced in 2001.

Outlook for 2001

Pulp shipments are anticipated to remain at lower than average until the fine paper markets recover. Capacity utilisation rates will be adjusted to market demand. On the other hand no new green-field pulp mills will start up in 2001. Thus the fundamentals for a balanced supply and demand of market pulp are better than for many years.

Key figures*	1999	2000	% of the Group
Sales, EUR million	957.8	1,387.7	12.5
Operating profit, EUR million	98.3	507.7	24.6
– % of sales	10.3	36.6	
Operating capital, EUR million	1,120.3	1,101.4	7.7
Return on operating capital, %	8.7	45.3	
Capital expenditure, EUR million	103.3	65.7	8.5
Average number of employees	2,383	2,333	
Operating rate	93%	92 %	

* excluding goodwill

Pulp balance 2000 1 000 tonnes*	Long-fibre	Short-fibre	Fluff	Total
Own production	2,404	2,133	195	4,732
Sunila (50%)	131			131
Total production	2,535	2,133	195	4,863
Deliveries to own mills	2,068	1,736		3,804
Deliveries to externally	467	397	195	1,059
Puchases externally	695	371		1,066
Balance	– 228	26	195	– 7

* Consolidated Papers included for 12 months

1 000 tonnes	Deliveries 1999	Deliveries 2000	Capacity 2001
Short-fibre pulp	826	935	955
Long-fibre pulp	983	884	930
Fluff pulp	191	195	215
Total	**2,001**	**2,014**	**2,100**

Nordic forest

Co-operation with forest owners in wood procurement creates value added

The Finnish wood market.
The price of pulpwood from privately-owned forests remained stable but sawlog prices rose by 6% during 2000. Throughout the year the supply from privately-owned forests was steadier than previously and trading volumes reached the level of record years. An exceptionally warm and rainy autumn made deliveries critical until the end of December. Problems were encountered in securing both domestic and import supplies. Imports were slightly lower than planned in 1999. Oil-based costs increased expenses in wood operations.

The Swedish wood market.
Trees downed by storms in Western Europe and Scandinavia in late 1999 affected the wood market in 2000 in two ways - the relocation of harvesting and transport resources and a strong flow of pulpwood and saw logs.

The price of pulpwood was stable while the price of logs decreased somewhat due to oversupply.
In summer, the increased prices of pulp and paper led to higher pulpwood prices during the second half of the year. However, saw log prices fell during the autumn. The import to Sweden of pulpwood, chips and logs reached an all-time high as a result of higher mill consumption.

Warm and very wet weather in summer and late autumn seriously hampered deliveries of spruce pulpwood and saw logs due to soft roads and reduced access in harvesting operations.

Purchases from private forest-owners stayed at the previous year´s level.

Performance and synergies
Sales rose to EUR 1,877.4 million mainly as a result of high wood demand. Operating profit fell by 13% to EUR 115.3 million mainly due to IAS depletion on forest asset value and high operating costs in the last quarter resulting from bad weather conditions in Finland and Sweden. Stora Enso's forest synergies totalled EUR 11 million.

Wood deliveries
Total deliveries to mills in the Nordic countries rose by 11% to 39.6 million m^3 (solid wood under bark). Deliveries of imported wood grew by 8% to 9.1 million m^3. Felling in Group forests rose by 10% to 5.2 million m^3. The supply from privately-owned forests rose to 11.8 million m^3, up 21%.

Structural changes
The development of co-ordination in wood procurement and logistics in Western Europe began during the year.

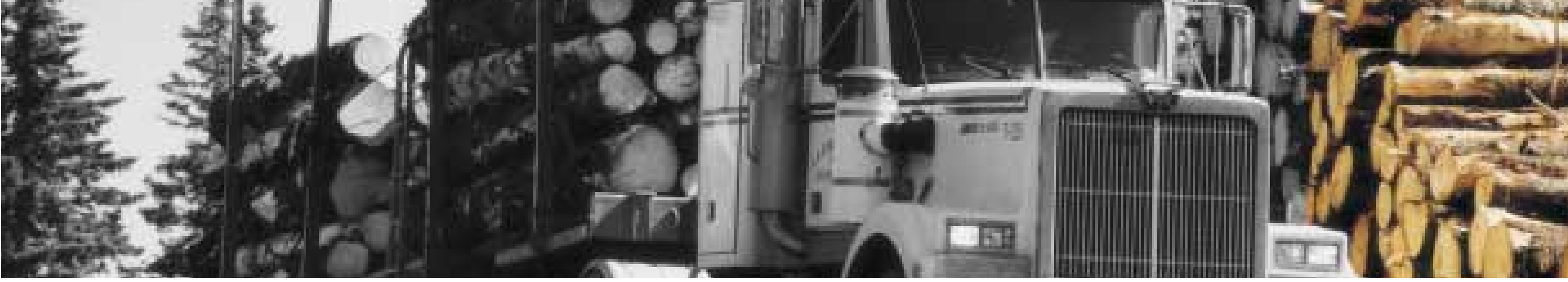
Outlook for 2001
Wood needs appear to be staying at a high level and Finland will see the start-up of new wood-consuming capacity, such as the Imatra pulp mill and the Oulu paper machine no. 6 rebuild. Wood resources are well balanced. In Sweden, wood resources for the beginning of 2001 are good. High oil and diesel prices will keep transportation costs high.

Key figures*	1999	2000
Sales, EUR million	1,630.3	1,877.4
Operating profit, EUR million	132.3	115.3
Operating profit, %	8.1	6.1
Operating capital, EUR million	1,321.6	1,281.5
Return on operating capital, %	9.6	8.5
Capital expenditure, EUR million	13.8	18.7
Average number of employees	2,134	2,236

* excluding goodwill

Harvesting/growth in Stora Enso's Nordic forest (m^3 fo million)	1999	2000
Opening growing stock	234.6	238.2
Net growth	9.5	9.6
Final felling	-4.3	– 4.5
Thinning	– 1.5	– 1.8
Tax reassessment/additional land holdings	– 0.1	0.0
Closing growing stock	238.2	241.5

Procurement for Nordic mills	%
Private forest-owners	30
Delivered by other companies	28
Goverment forest	5
Company-owned forest	13
Import from Russia	13
Import from other countries	11



North American division

On 31 August 2000 Stora Enso acquired the United States-based Consolidated Papers, Inc. This is an ideal strategic fit. At the time of the acquisition, Consolidated Papers was North America's largest producer of coated fine papers and supercalendered printing papers. With a focused product range, a century-old reputation for business excellence, a successful marketing and sales organisation and outstanding customer relationships, the acquisition provides Stora Enso with a solid platform for further growth in North America.

Today the former Consolidated Papers organisation represents the core of a new division – Stora Enso North America. The new division also includes Stora Enso's Port Hawkesbury mill in Nova Scotia, Canada and Stora Enso's North American marketing network. The North American division´s total sales since its formation were EUR 901.6 million and operating profit amounted to EUR 79.2 million. The number of employees is 6,860.

The year saw the completion of the USD 100 million cost-reduction programme initiated by Consolidated Papers in 1999. The programme focused on improved raw material costs, increased productivity and higher efficiency. A further component of the cost-reduction programme was a carefully planned workforce cutback approximately 10%, in the U.S. workforce. Synergy benefits from the acquisition were initially estimated to reach about EUR 100 million (USD 90 million) in 2001 and total approximately EUR 123 million (USD 110 million) by the end of 2002. The targeted synergy benefits were analysed more in detail during the autumn, but the analysis did not result in any material change. The synergy process is in place and will be reported in July in connection with the six-month reporting.

New projects and structural changes

During the year, two paper machines, one LWC machine and one fine paper machine, were permanently shut down. These shut-downs reduced the division's capacity by 80,000 tonnes.

The North American division's capital expenditure programme will be fully integrated with that of the Group. Targeted capital expenditures will increase productivity and enhance quality to ensure customer satisfaction.

The division's financial results are reported under the product areas.

Asia/Pacific division

The function of the Asia/Pacific division is to look after the Group's interests in the Asian-Pacific area and co-ordinate the Asian marketing network. Currently its main interests in the area are the development of the Suzhou mill in China, a co-operation with Advance Agro Pcl in Thailand and taking care of Group interests in Laminating Papers Pacific Films and PT Finnantara Intiga, the Indonesia plantation project. Stora Enso's stake in both companies is 60%.

Customer focus
Marketing and sales network

Our position as a preferred supplier to customers world-wide strengthened with the acquisition of U.S. Consolidated Papers, Inc.

Stora Enso's global marketing and sales network has an established presence in all continents comprising more than 30 sales companies as well as a number of external agents. To ensure a productive relationship between production, sales and customers, Stora Enso has product specialists at the mills and the sales companies represent the product locally. The total volume channelled via sales companies and agents amounts to approximately 15 million tonnes annually.

Integration

Globally Stora Enso has more than 1,200 employees in the marketing and sales network, an increase of about 20% compared with 1999, due to the acquisition of Consolidated Papers. The sales companies continue to integrate and deploy their organisation to serve global, regional and local customers effectively.

Future

Stora Enso´s objective is to become the customer's preferred supplier and first choice, an essential achievement to succeed in an industry that continues to follow a path of global consolidation.

The marketing and sales network is responsible for day-to-day service contacts with the Group's customers worldwide in all product areas. The sales network ensures the company´s strong identity with customers by establishing a local presence in key markets. This constitutes a continuous process of attentive customer relations. The marketing and sales organisation works with R&D, production, technical service, IT and logistics to deliver products that meet customers' quality and performance expectations on time.

Our activities include the development of e-commerce systems aimed at improving service and reducing transaction costs. Improved visibility achieved by using the e-tool will also lead to better demand management, forecasting and planning. In the long term this is expected to reduce cyclicality.




Sales by country, EUR million	1999	2000
Germany	1,825.7	1,987.4
UK	1,321.7	1,446.4
France	974.0	1,035.4
Sweden	810.5	1,052.3
Finland	730.2	821.8
The Netherlands	538.8	610.1
Italy	450.7	520.6
Spain	349.4	495.9
Belgium	440.0	366.8
Denmark	286.8	319.8
Other EU	423.0	495.5
Total EU	**8,150.8**	**9,152.0**

Sales by country, EUR million	1999	2000
Other Europe	635.3	788.5
North America	607.4	1,512.7
Asia Pacific	773.6	1,023.9
Others	468.6	539.9
Total	**10,635.7**	**13,017.0**

Environment

Environmental management

Environmental management has long been identified as the key to improving environmental performance, by guaranteeing continuous improvement and uniform practices throughout the Group. By the end of 2000, 80% of the company's pulp, paper and board production capacity was covered by ISO 14001 and/or EMAS.

During 2000 ten more units were certified according to ISO 14001 and/or registered according to EMAS. In the US, Stora Enso North America aims to have all pulp and paper production, including related forest resources operations, ready for certification by the end of 2001 and certified by the end of 2002.

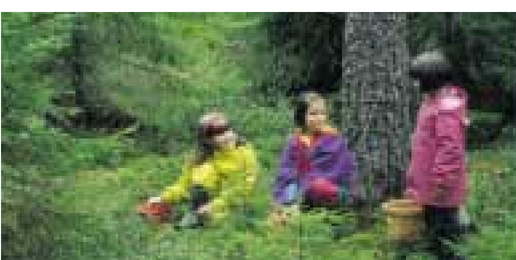
During 2000 Stora Enso decided that systematic environmental management procedures should also be introduced in service units.

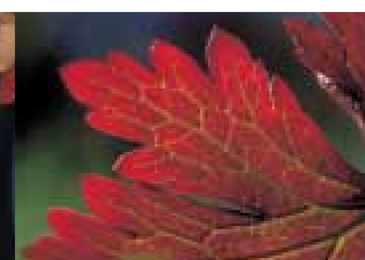
The introduction of forest certification systems in countries where Stora Enso operates has continued strongly.

Environmental principles for transportation were defined during the year.

Financial review

In 2000, Stora Enso spent EUR 229 million (EUR 171 million) on environmental investments and costs.





The figure includes capital expenditure as well as operating and maintenance costs, but excludes interest and depreciation. Total environmental investments amounted to EUR 103 million, while environmental costs totalled EUR 127 million.

Examples of major investments during 2000 are: Skutskär waste water plant, Gruvön evaporation plant and Varkaus gasification plant which were completed or are in their final stages. At Anjalankoski a combined heat and power plant was taken into use along with a thermal dryer, designed to increase the energy value of fibre sludge.

The Hylte waste-water plant and Imatra fibre line are projects continuing into 2001.

The following Stora Enso units are due to update their environmental permits between 2001 and 2005: Ala Sawmill, Anjalankoski, Berghuizer, Biron, Celbi, Corbehem, Corenso Pori, Corenso St. Seurin, Duluth, Enocell, Falun Redpaint, Gruvön sawmill, Heinola Fluting, Honkalahti sawmill, Hylte, Imatra, Kabel, Kaunas, Kemijärvi, Kimberly, Kitee sawmill, Koski Timber, Kotka, Kvarnsveden, Niagara, Norrsundet incl. Kopparfors sawmill, Nymölla, Oulu, Pankakoski, Plana sawmill, Sachsen, Skoghall, Skutskär, Stevens Point, Summa, Varkaus, Veitsiluoto, Whiting, Wisconsin Rapids Paperboard, Paper and Pulp Mills, Water Quality Centre and Water Renewal Centre.

Estimates indicate that a total of EUR 70 million will be required to cover future corporate environmental liabilities.

Environmental performance

The year 2000 was a year of continued improvements in environmental performance: Reductions were achieved in waste disposal (3%), emissions of SO_2 (4%), and NOx (5%) despite increased production. COD and AOX-emissions per product tonnes were reduced. The share of renewable sources of energy in fuels consumed increased from 62% to 64%.

The new Baseport system, for the transport of goods from Swedish mills to customers in continental Europe and overseas, went into operation, indicating that the expected environmental improvements will be realised.

Stora Enso has also been recognised for its commitment to environmental matters. The company was selected for the Dow Jones Sustainability Group Index for the second time in row. The index tracks the performance of the leading sustainability-driven companies worldwide.

For more information, see Environmental Report or visit www.storaenso.com/Environment

We take the first step
Research and development

Research and development is an integrated part of Stora Enso's business environment. Outlined below are some of the innovations and success stories where we have been able to develop new products and tools that provide customers with added value, not only in a traditional sense, but also by providing application know-how and helping to enhance their own product development.

The virtual package concept

In order to help customers choose the right material for the right purpose and increase speed in their product development and evaluation of new materials and ideas, we have developed "the virtual package" concept.

Traditionally, packages are developed by making prototype packages, which are subjected to consumer tests and finally brought into full-scale production. The design of prototypes typically includes selection of material, design, images and other features in a somewhat time-consuming process.

The "virtual package" concept enables Stora Enso development people to collaborate with converters, consumer goods' manufacturers and retailers in creating virtual packages with chosen design and print before producing any prototype packages. The virtual package can not only be viewed in three dimensions, but also be felt and touched. The possibility to feel the package and hence to influence user properties such as grip stiffness by changing shape and the choice of board grades is important in reducing lead time in developing new packages.

Enso Silver Barr - a new product in the Ensobarr family

Food packages are used to protect food during transport and storage and also to provide a good surface for advertisement. A good package increases the shelf-life of the product and benefits food manufacturers, transporters, retailers and consumers.

Paperboard laminates are excellent packaging materials for foods and beverages, combining extremely low weight and high stiffness as well as providing a barrier for light, oxygen and other vapours.

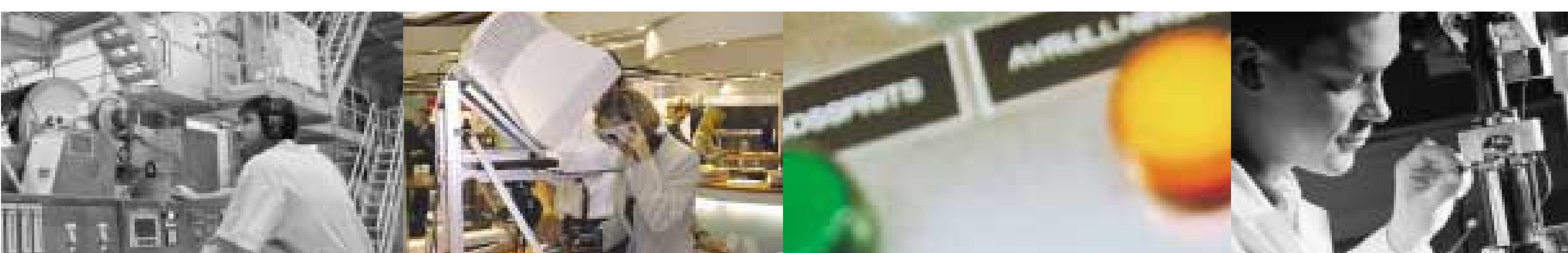
The highest degree of protection, and hence shelf-life, is traditionally achieved by laminating a thin aluminium foil to a paperboard with suitable polymers.

Enso Silver Barr, a new product with high light barrier properties, has now been developed and introduced. By using the effective light-scattering properties of an optimised mixture of pigments and polymers in an innovative way, we have designed a product that allows a substantial increase in storage time for fruit juices at room temperature. Building functionality with a minimum of material enhances simultaneous source reduction.

So far Enso Silver Barr has been evaluated only for liquid food applications. A whole new range of potential applications for this material exists also in the dry-food sector.

Classic-pigmented, mechanical book paper

Stora Enso's Anjala mill has combined new technologies and raw materials to develop a product family of book papers. The first surface-treated, pigmented, mechanical book paper to be used for printing high quality novels was introduced in 1995.



The newest, pigmented, mechanical book paper in the product family is Classic. Stiff, very bright, opaque paper is suited to a wide range of high-quality novels, dictionaries, educational books and four-colour comic books where high contrast and an excellent printing image need to be combined with cost-effectiveness. Classic encompasses the brightness of traditional offset paper but can be printed on cold set and heat set. Opaque paper allows low basis weight, saving fibre and offering a large printing area per weight. The excellent paper properties come partly from a special pressurised ground-wood fibre recipe and from the surface treatment.

Emphasis on people

Human resources

Activities during 2000

The principle tasks of Human Resources were to support the continuing development of the Group, identify areas for improvement, support the creation of a performance culture, further develop the implementation of Total Quality Management and implement a performance-based award system. The key target has been the establishment of a well-functioning organisation and a good working climate characterised by a performance-oriented spirit. This has been achieved by selecting and retaining the best people as well as by having up-to-date human resources processes and practices.

Internal attitude surveys

During 2000 Stora Enso continued to monitor employee satisfaction and evaluate corporate governance. An employee attitude survey directed to all Stora Enso employees worldwide, with the exception of the recently acquired operations in North America, was conducted during the year. Further, an internal customer-satisfaction survey was implemented to assess the success of corporate governance activities as well as the effectiveness of the company's various units in satisfying internal customers. Following the acquisition of Consolidated Papers, a select group of North American employees was targeted to assess similarities and differences in attitudes and perceptions in our organisations.

As the year 2000 ended, a company-wide values and attitude survey directed towards key managers was introduced. Results so far show that the positive development within Stora Enso is continuing and that the areas in need of improvement identified in the 1999 survey have seen the greatest improvement.

Evidence of our success is measurable in other ways also. Over the past two and a half years, and in an exceptionally competitive labour market, we have lost only 2% of an identified group of 200 top employees in leadership positions.

Stora Enso will continue its policy of asking employees their opinions and experiences, using this knowledge as the basis for a continued effort towards excellence.

Performance culture

We continuously aim at improved performance. Recognising that our corporate culture is the basis of our success, we assess our strengths and weaknesses in order to gauge the facts necessary for the improvement of our human resources operations. The evaluation tool is the total quality management system (TQM) – Stora Enso Excellence 2005, which was launched in its present form in 1995 and is making excellent progress towards its objective of making Stora Enso a Business Excellence company in 2005.

During the year 60 Stora Enso units participated in the Excellence 2005 process. The internal award for 2000 was won by Stora Enso's wholly-owned subsidiary, Laminating Papers Oy, which also won the top national Quality Award. This management tool will continue to be an integral part of our activities and the Human Resources division.

The challenges we continue to meet include: the high average age of personnel, a rather low level of education in many production units, a traditional organisation, and the difficulties encountered in employing skilled, progressive employees in a highly competitive labour market.

Competence development

Competence development refers to investment in future capabilities to guarantee improved employee performance. Competence development activities are based on the human resources development plans of the various business units, derived from business strategies and individual development plans originating in appraisal discussions.

In 2000 ten major Stora Enso training programmes at Group level were organised, seven as in-house programmes and three as consortium programmes with other companies. In all, some 500 employees participated in these programmes. The in-house management development programmes place emphasis on Stora Enso Excellence 2005, intercultural relations, change enablement and the importance of acting in accordance with the company's mission, vision and values.

To improve the credentials of top leadership in 2001, practical leadership training will be made available to our 200 top managers. Recognising the need to ”live” our mission, vision and values, we will work to increase the number of managers acting as role models. Over time, this training will be implemented at other levels of the organisation and within intercultural groups to maximise success.

Attracting top talent

Stora Enso wishes to be the most attractive forest industry employer. To this end we have clear guidelines for university relations and an internal trainee programme for newly-recruited graduates.

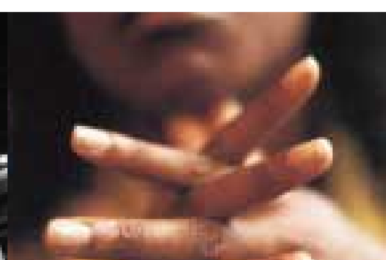
Our efforts to attract top talent compete with those of other business sectors, specifically with the "high-tech" industries. To ensure our success, we have scaled up efforts to attract top professional talent and expand future recruitment by increasing our profile in schools and encouraging students to study forest products industry-related subjects.

A Stora Enso career web site is also in place to increase employee mobility within Group units and divisions.

Compensation

Employees

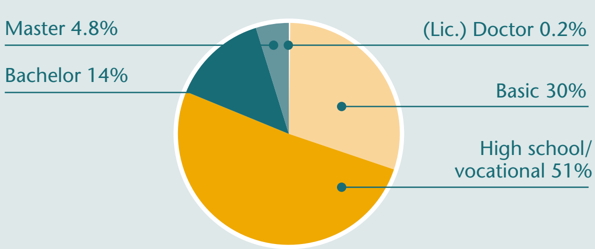
Stora Enso has a performance-based bonus system where bonuses are based on company profits and the achievement of key business targets. The bonus is calculated as a percentage of each employee's annual base salary, capped in the case of non-managerial employees at 7%.

Key figures	1999	2000
Average number of employees	40,226	41,785
Sales / employee, EUR	264,399	311,524
Personnel turnover, %*	1.5	3.2
Training days / employee	4.2	4.1

* Based on number of outgoing permanent employees who have left the company voluntarily

Education structure



Average number of employees	1999	2000	%
Finland	15,116	15,088	36%
Sweden	11,285	10,856	26%
Germany	4,817	4,723	11%
USA	52	2,197	5%
France	1,398	1,356	3%
Austria	1,033	1,078	3%
The Netherlands	769	831	2%
China	817	801	2%
UK	859	783	2%
Canada	712	736	2%
Belgium	694	690	2%
Other countries	2,674	2,646	6%
Total	**40,226**	**41,785**	**100%**

The bonus system currently covers some 60% of all employees. In the future, the system will be implemented on a planned basis in all countries; however, global implementation will take time due to local practices, contracts and legislation.

Management

For middle and top management, a bonus programme exists where the bonus comprises up to 20% to 50% of annual base salary depending on the person's position in the company. The bonus is linked to the corporate return on capital employed (ROCE) target, divisional ROCE targets and individual business objectives.

An annual rolling incentive programme is also in place. In 2000 this consisted of an option/synthetic option programme for about 200 persons in managerial and specialist positions. Participants have been given seven-year options which may be exercised from 1 April 2003. The strike price is EUR 12.25. The annual incentive programme is described in greater detail under Note 25, page 85 – 86.

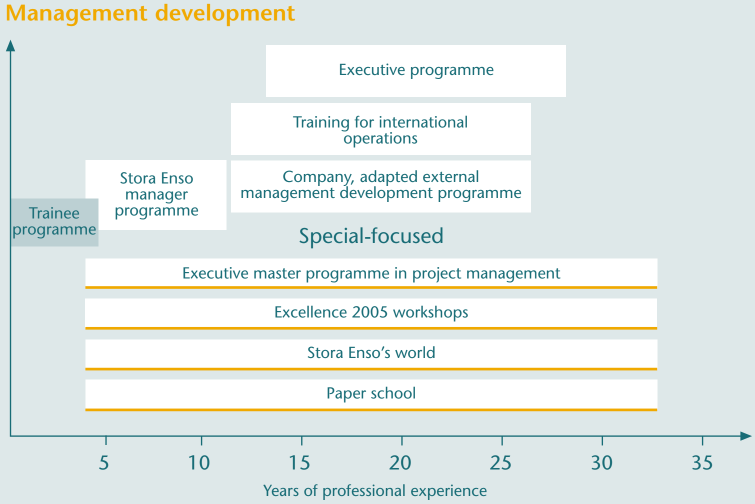
Employee relationship

Stora Enso's management considers that it enjoys good relations with employees and their representatives and historically the company has faced few industrial disturbances.

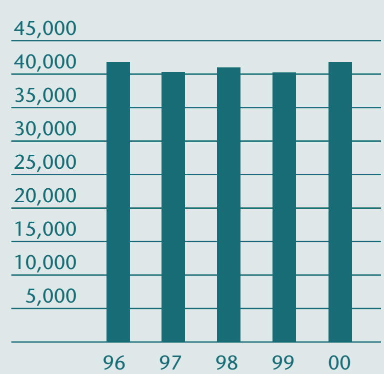
In April 2000, however, the Finnish forest products industry, Stora Enso included, experienced an 8-day strike before a national collective bargaining agreement was reached. The strike resulted in lost sales of approximately EUR 100 million and lost operating profit of approximately EUR 40 million.




Management development



Average number of employees



Report on operations

Report on operations by the Board of Directors

Markets and deliveries

Demand for paper and board products increased during the first three quarters of the year in Western European and US markets, but slowed down in the fourth quarter owing to destocking and the softening of the US economy. During the fourth quarter Stora Enso took 280,000 tonnes of production downtime due to the weaker market situation especially in coated fine paper and pulp, and seasonal and investment stoppages. Downtime taken in North America accounted for 95,000 tonnes of the curtailments.

Paper and board deliveries totalled 12,971,000 (11,995,000) tonnes. Deliveries of market pulp outside the Group amounted to 1,059,000 (1,251,000) tonnes, and pulp purchases from outside sources to 782,000 (750,000) tonnes. Sawn timber deliveries were 4,880,000 (4,637,000) m^3.

Sales and financial results

Earnings per share (basic) were EUR 1.32 (EUR 0.89) and cash earnings per share EUR 2.61 (EUR 2.09), before non-recurring items in both cases. Earnings per share (basic) amounted to EUR 1.77 (EUR 0.98). Cash earnings per share were EUR 3.16 (EUR 2.18).

Sales for the year amounted to EUR 13,017.0 million (EUR 10,635.7 million), an increase of 22.4% compared with the previous year. The increase in sales is attributable to higher product prices and/or delivery volumes in all core product areas and in pulp. The acquisition of Consolidated Papers increased sales by EUR 740.1 million from 1 September 2000 onwards. The paper industry strike in Finland in the second quarter reduced the sales increase by EUR 100 million.

The earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) before non-recurring items totalled EUR 2,970.2 million, or 22.8% of sales (EUR 2,237.7 million or 21.0%), an increase of 32.7% on the previous year.

The operating profit before non-recurring items was EUR 1,925.6 million, or 14.8% of sales (EUR 1,296.6 million or 12.2%), an increase of 48.5% on the previous year. The improvement due to higher sales prices and delivery volumes was partly offset by an increase in recovered paper prices and EUR 40 million lost in operating profit due to the paper industry strike in Finland in the second quarter.

All product areas except magazine, newsprint and forest operations reported higher operating profits than in 1999. Newsprint suffered from high recovered paper prices. Bad weather conditions increased procurement costs and decreased the operating profit in forest operations.

The strengthening of the US dollar, British pound and Swedish krona accounted for EUR 487 million of the sales growth compared with the previous year. The corresponding estimated currency effect on operating profit was about EUR 189 million.

Operating profit for the year totalled EUR 2,371.3 million (EUR 1,399.6 million). Non-recurring items in this figure totalled EUR 445.7 million, the main items being capital gains of EUR 548.8 million from the sale of power assets outside mills and the Stockholm office, a surplus of EUR 34.0 million in the Swedish pension system (SPP), asset write-downs and closing costs of EUR 99.4 million at the Gruvön, Newton Kyme, Langerbrugge and Nymölla mills and a one-time increase in costs of EUR 36.0 million due to inventory fair valuation in the Consolidated Papers acquisition.

Depreciation and goodwill amortisation totalled EUR 1,129.4 million (EUR 911.1 million). The acquisition of Consolidated Papers increased depreciation by EUR 100.2 million, including EUR 31.6 million due to fair valuation of property, plant and equipment. The increase in goodwill amortisation due to the Consolidated Papers acquisition amounted to EUR 30.8 million (USD 28.4 million).

The share of results of associated companies amounted to EUR 20.6 million (EUR 9.7 million), of which EUR 26.8 million was from the pulp mill Sunila Oy.

Net interest for the period was EUR 305.2 million, which is 5.9% of interest-bearing net liabilities and EUR 3.0 million more than for the previous year. Foreign exchange gains of EUR 5.9 million were allocated to the period. Dividend income was EUR 6.3 million.

Stora Enso's productivity programme has progressed according to plan. The part already implemented will have an annual impact on future operating profits of about EUR 100 million. An additional EUR 50 million has been identified and the implementation process has started. In 2000 EUR 75 million was realised. This means that the initial target will be reached.

Stora Enso synergies amounted to EUR 240 million, the target for the year 2000 being EUR 170 million. Synergies were greatest in fine paper, packaging boards and magazine paper. The main synergy sources were streamlining of production and purchasing and logistics. As accrual of the synergies is well above reported estimates, the EUR 300 million final target will certainly be achieved. The company has decided to cease reporting on the Stora Enso synergies and the productivity programme.

Profit before taxes and minority interests amounted to EUR 2,099.0 million (EUR 1,142.7 million), an increase of EUR 956.3 million on the previous year. Profit before non-recurring items was EUR 1,653.3 million, up 59.0% on the same period of 1999. Taxes amounted to EUR 650.3 million (EUR 391.8 million), equivalent to a tax rate of 31.0% (34.3%). Minority interest on profits was EUR 13.7 million (EUR 4.5 million). Profit for the period was EUR 1,435.0 million (EUR 746.4 million).

Return on capital employed was 16.8% (12.1%) before non-recurring items. Capital employed was EUR 13,902.9 million at the end of the period, a net increase of EUR 2,961.6 million from the beginning of the year after the sale of power assets (EUR -1,232 million) and the acquisition of Consolidated Papers (EUR 5,063 million).

Fourth quarter results

The earnings per share for October to December were EUR 0.28 (EUR 0.37), down 24% on the previous quarter, and cash earnings per share were EUR 0.61 (EUR 0.67), before non-recurring items in both cases. The decline was due to market-related production curtailments.

Sales for the quarter were EUR 3,678 million. Earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) were EUR 748.9 million, before non-recurring items. Operating profit was EUR 440.7 million before non-recurring items, 21.3% less than in the third quarter and 12.0% of sales. The operating profit was affected by production curtailments and adjustments due to accounting principles. The strong US dollar accounted for approximately EUR 29 million of the sales increase and an estimated EUR 6 million of the operating profit increase compared with the previous quarter. Interest costs of pension liabilities have been reclassified from interest costs to pension expenses to the extent of EUR 20 million. This amount refers to the full year. The non-recurring cost in the fourth quarter totalled EUR 110.1 million.

Profit before taxes and minority interests amounted to EUR 250.1 million (previous quarter EUR 500.5 million). The net interest cost totalled EUR 95.6 million and exchange rate differences EUR 7.5 million. Profit for the period was EUR 175.8 million (previous quarter EUR 334.6 million).

Financing

The cash flow from operations was EUR 2,818.0 million (EUR 1,988.0 million). The operating cash flow (cash flow from operations minus investing activities) amounted to EUR –1,800.9 million (EUR 1,415.9 million). The net effect of the sale of power assets and the acquisition of Consolidated Papers on the operating cash flow was EUR –3,891.8 million.

At the end of the period interest-bearing net liabilities were EUR 5,182.7 million, up EUR 399.9 million compared with the end of 1999. The increase in interest-bearing net liabilities due to the acquisition of Consolidated Papers was EUR 3,320.9 million. Due to standardisation of the Group's accounting principles, the Swedish and German pension liabilities have been reclassified from interest-bearing to operating liabilities. The amount adjusted was EUR 584.9 million at the end of the period. Unutilised credit facilities totalled EUR 1.8 billion at the end of the period.

The debt/equity ratio at 31 December was 0.59, compared with 0.78 at the end of 1999. Equity per share was EUR 9.41 (EUR 7.84 at the end of 1999).

Acquisition of Consolidated Papers, Inc.

On 22 February, Stora Enso announced its intention to acquire Consolidated Papers, Inc., North America's leading producer of coated and supercalendered printing papers. The acquisition was completed on 31 August 2000.

The equity price of the company was EUR 4,046.3 million (USD 3,604.1 million). The excess of the purchase price over the estimated fair value of the acquired net assets was approximately EUR 1,916.1 million (USD 1,706.9 million).

Shares for which it was elected to receive stock in exchange were exchanged at the rate of 3.621 Stora Enso ADRs for each Consolidated Papers share. Shares for which it was elected to receive cash in exchange were exchanged for a combination of cash and stock, with shareholders receiving cash for 53.61208% of their shareholding at the rate of USD 44 per share. The remainder of their shareholding was converted into Stora Enso ADRs at the rate of 3.621 Stora Enso ADRs for each share of Consolidated Papers. No fractional shares were issued. Shareholders received cash in lieu of fractional ADRs at the rate of USD 9.11 per ADR (EUR 10.26).

In total 167,367,577 new R shares were issued to exchange Consolidated Papers shares into Stora Enso shares. The subscription price was EUR 10.26 per share.

The synergy benefits from the Consolidated Papers transaction announced on 22 February were analysed in more detail during the autumn. However, the analysis did not result in any material change in the initial estimates of USD 90 million in 2001 and in total USD 110 million in 2002. In fact, under current weaker market circumstances it is more demanding to achieve the near-term targets. The accrual of synergies will be reported for the first time together with the six months results at the end of July.

By the end of the year the target of USD 100 million of the profit improvement programme started by Consolidated Papers before the acquisition had been achieved. Reporting on this programme will cease.

Stora Enso North America consists of Consolidated Papers, Port Hawkesbury mill in Canada and the sales company. Since its formation reported sales for the new division amounted to EUR 901.6 million and operating profit before non-recurring items and goodwill amortisation was EUR 79.2 million.

Capital expenditure

Capital expenditure totalled EUR 769.3 million (EUR 740.2 million). The main investments were the rebuild of Imatra board machine no. 4 (EUR 30 million) to improve quality and profitability, the new fibre line at the Imatra mill (EUR 161 million) and modernisation of sawmills in Sweden (EUR 14 million). During the third quarter it was decided to rebuild Oulu paper machine no. 6 and Uetersen paper machine no. 2 at a total cost of about EUR 100 million to improve efficiency and increase production. It was also decided to build a new plant producing mobile phone packaging in Budapest, Hungary, and expand production capacity in Finland. The total cost of these investments amounts to EUR 11 million. The capital expenditure in 2001 will be in line with the Group's policy not to exceed the level of depreciation.

Major changes in Group composition

In January the Group acquired two merchants, Carl Emil A/S from Norway and Paperi-Dahlberg Oy from Finland.

On 22 February, Stora Enso announced that it was to acquire Consolidated Papers, Inc., North America's leading producer of coated and supercalendered printing papers. The acquisition was completed on 31 August 2000.

In March, the Group signed an agreement to acquire Huhtamäki Van Leer's tube plants in the Netherlands and Sweden.

On 5 June Stora Enso closed the deal with Fortum Corporation, Finland, concerning the sale of Stora Enso's power assets outside mills in Sweden and Finland. The total asset value of the deal was EUR 1,889.8 million. The profit on the sale was EUR 524.8 million before taxes and the related tax expense was EUR 110.4 million.

In June, Nordic Forest Development Holdings Pte Ltd, a subsidiary of Stora Enso, increased its holding in PT Finnantara Intiga, a joint venture developing a pulpwood plantation in West Kalimantan, Indonesia, from 30% to 60% of the shares.

In June, Stora Enso´s subsidiary Stora Enso Packaging and Huhtamäki Van Leer established a joint venture to sell and market packaging solutions to the mobile communications industry.

In July, Stora Enso set up a joint venture with Aracruz Celulose S.A. and Odebrecht S.A. to develop the Veracel pulp mill project in Brazil. The decision on whether to build is scheduled to take place at the end of 2002. Stora Enso owns 45% of Veracel.

On 19 September Stora Enso signed a letter of intent to buy Tetra Pak's Forshaga packaging material production unit in Sweden to increase the company's plastic-coating capacity. The transaction is expected to be completed by 30 June 2001.

In October, Stora Enso and AssiDomän reached an agreement in principle to form a new 50/50-owned company named Billerud AB from the paper mills Gruvön (Stora Enso) and Karlsborg and Skärblacka (AssiDomän). The new company started operations on 1 January 2001.

Research and Development (R&D)

The Group's research and development expenditure amounted to EUR 94.5 million (EUR 84.0 million), which is 0.7% of sales. The focus of R&D was in the development of new materials for food and beverage packages and in developing products for the digital printing industry.

Personnel

The number of employees increased by 5,571 during the year to 44,624 at the year-end. The increase was mainly due to the 6,147 employees from Consolidated Papers. The sale of power assets reduced the number of employees in Sweden by about 200. The average number of employees was 41,785, up 1,559 on the previous year.

Issues outstanding with competition authorities

The company has given its reply to a statement of objection from the European Commission in autumn 1999 related to newsprint producers' operations from 1989 to 1995. The Company is still waiting for the EU's response. No provision has been made in this respect.

There is pending a Statement of Objections issued by the European Commission against, inter alia, Stora Enso Oyj and the former Stora Carbonless Paper GmbH related to an alleged cartel with respect to carbonless paper during the period from January 1992 to March 1997. The 76% of Stora Carbonless Paper shares were sold at the end of 1998. Stora Enso has given its reply to the Commission. No provision has been made.

On 29 November the Finnish Competition Council imposed a FIM 10 million (EUR 1.7 million) fine on Stora Enso for breach of the Act on Competition Restrictions in respect of illegal collaboration between forest companies in wood trade follow-up meetings. This has been entered in the accounts and the matter is still pending at the Supreme Administrative Court in Finland.

Events occurring after the closing of the accounts

On 9 January 2001, Stora Enso announced its intention to restructure production capacity in its magazine and newsprint businesses. The target is to improve competitiveness by increasing the usage of recovered paper and utilising the latest technology. The Group intends to build a 400,000 tonnes per year newsprint/SC paper machine in Langerbrugge, Belgium. At the same time it intends to shut down newsprint machine no. 1 in Summa, Finland (110,000 tonnes per year) and paper machine no. 2 producing SC paper in Langerbrugge (120,000 tonnes per year). These two machines will be shut down after the new machine is in operation. After the write-down of EUR 5.8 million entered for the fourth quarter of 2000, the remaining carrying value will be depreciated in their remaining useful lifetime before the machines are closed down.

The Nymölla mill will close down its off-line coater in order to improve machine specialisation and profitability in February 2002 and focus its 400,000 tonnes of annual capacity on uncoated fine paper. Most of the write-down was already booked in 1998. An additional write-down of EUR 5 million is entered in the accounts for the fourth quarter of 2000.

These machine shutdowns in Summa and Nymölla will affect about 360 people, and any costs will be entered later.

Stora Enso shares

Trading

Stora Enso's shares have been listed on the New York Stock Exchange since 13 September 2000 under ticker SEO. In New York the average number of shares traded per day from 13 September to the end of the year was 517,817, compared with 1,647,376 in Helsinki and 1,487,180 in Stockholm.

Changes in share capital

In September 167,367,577 R shares were issued to exchange Consolidated Papers shares into Stora Enso shares. The subscription price was EUR 10.26 per share.

At its meeting on 18 August the Board of Directors decided, as authorised by the Annual General Meeting on 21 March 2000, to repurchase up to 10,446,000 A shares and up to 27,541,000 R shares in the company. By the end of 2000 Stora Enso had purchased 318,000 of its A shares and 16,301,300 of its R shares, which is 3.04% and 59.19% of target respectively. The average price paid for each A share was EUR 10.83 and for each R share EUR 10.45. The total cost was EUR 173.7 million.

During the annual period for conversion of A shares to R shares, 16 October to 27 October, 3,258 requests for conversion were submitted pursuant to which 14,454,732 A shares were converted into R shares.

In December 312,000 new R shares were subscribed under the terms of the bond with warrants issue to the management of 10 April 1997. The shares subscribed in December were registered on 5 January 2001.

Share Capital

Stora Enso had 194,496,456 A shares and 732,726,810 R shares at the end of the year, of which 194,178,456 A shares and 716,425,510 R shares were outstanding. Shareholders' equity amounted to EUR 1.576,3 million at the year-end.

The Board of Directors

The Annual General Meeting held on 21 March 2000 decided that the previous Board of Directors should remain in office for the year 2000.

With the acquisition of Consolidated Papers, the Articles of Association were amended to allow up to eleven board members, and at the Extraordinary General Meeting of shareholders held on 18 August 2000 George W. Mead was elected a board member.

Outlook for 2001

Currently, the prospects look weaker for the full year 2001 than the previous year owing to uncertainty, especially in coated fine paper and pulp. Packaging board market is anticipated to be slightly weaker. Paperboard grades such as raw material for corrugated boards might be affected during the months to come. The sawn timber market will be difficult in the first half of 2001 and influenced by destocking.

However, we expect our main market, Europe, to remain fairly well balanced. Publication papers still enjoy a stable market due to a better balance between capacity and demand. Despite the economic slowdown in the US and Asia, if GNP grows as forecast, underlying demand should still be healthy. Stora Enso intends to control capacity utilisation to adjust to the market demand. We believe that Stora Enso's market position and balance sheet are strong enough to face possible turbulence and uncertainty in the market.

Consolidated income statements
(IAS)

EUR million	Note	1 Jan. – 31 Dec. 1998 restated	1 Jan. – 31 Dec. 1999 restated	1 Jan. – 31 Dec. 2000
Sales	**2, 3**	**10,489.6**	**10,635.7**	**13,017.0**
Changes in inventories of finished goods and work in progress		41.8	–119.4	–51.1
Other operating income	5	44.9	77.9	96.1
Gain on disposal of discontinuing operations, energy			48.2	524.8
Materials and services		–5,016.3	–4,826.4	–6,037.8
Freight and sales commissions		–1,016.0	–993.5	–1,282.2
Personnel expenses	6, 25	–1,805.2	–1,754.3	–1,995.7
Depreciation, amortisation and impairment changes	9	–1,176.5	–911.1	–1,129.4
Other operating expenses		–861.5	–757.5	–770.4
Operating profit	**2, 3**	**700.8**	**1,399.6**	**2,371.3**
Net financial items	7	–379.2	–266.6	–292.9
Share of results of associated companies	11	9.9	9.7	20.6
Profit before tax and minority interests		**331.5**	**1,142.7**	**2,099.0**
Income tax expense	8	–146.0	–391.8	–650.3
Profit after tax		**185.5**	**750.9**	**1,448.7**
Minority interests		–0.2	–4.5	–13.7
Net profit for the period		**185.3**	**746.4**	**1,435.0**
Basic earnings per share, EUR	26	0.24	0.98	1.77
Diluted earnings per share, EUR	26	0.24	0.98	1.76

The income statements for the years ended 31 December 1998 and 1999 have been restated to reflect the adoption of the new forest accounting policy. EUR – 7.9 million operating profit and taxes EUR 2.2 million for the year 1998 and EUR – 8.8 million operating profit and taxes EUR 2.8 million for the year 1999 have been reclassified from shareholders' equity to materials and services and depreciation and income taxes respectively. The effect for the year 2000 was EUR – 11.2 million operating profit and taxes EUR 3.2 million.

The accompanying Notes are an integral part of these Consolidated Financial Statements.
All 1998 balances have been restated from Finnish markka into euros using the conversion rate as of 1 January 1999.

Consolidated balance sheets
(IAS)

Assets, EUR million	Note	31 Dec. 1999 restated	31 Dec. 2000
Fixed assets and other long-term investments	**10**		
Intangible assets		60.3	89.2
Goodwill		466.4	2,228.6
Property, plant and equipment		10,721.7	12,785.6
Investments in associated companies	11, 12	165.5	213.6
Investments in other companies	13	280.4	177.2
Investments	14	49.3	132.3
Non-current loan receivables	17	66.8	486.3
Deferred tax assets	8	5.9	11.7
Other non-current assets		88.6	254.5
		11,904.9	**16,379.0**
Current assets			
Inventories	15	1,265.6	1,589.5
Tax receivables		71.9	153.0
Short-term receivables	16	2,090.5	2,360.7
Current portion of loan receivables	17	63.0	96.2
Cash and cash equivalents	17	642.2	744.4
		4,133.2	**4,943.8**
Total assets		**16,038.1**	**21,322.8**

Shareholders' equity and liabilities, EUR million	Note	31 Dec. 1999 restated	31 Dec. 2000
Shareholders' equity	**18**		
Share capital		1,277.6	1,576.3
Share issue premium		379.6	1,823.2
Treasury shares		0.0	–173.7
Cumulative translation adjustment		15.7	–69.6
Retained earnings		3,537.2	3,979.6
Net profit		746.4	1,435.0
		5,956.5	**8,570.8**
Minority interests		202.0	149.4
Commitments and contingencies	23		
Long-term liabilities			
Pension provisions	20	575.5	771.8
Deferred tax liabilities	8	1,489.7	2,247.5
Other provisions	20	186.5	173.4
Long-term debt	19	3,846.2	5,514.7
Other long-term liabilities		87.0	92.6
		6,184.9	**8,800.0**
Current liabilities			
Current portion of long-term debt	19	446.7	262.8
Short-term borrowings	19	1,476.6	1,078.0
Other current liabilities	20	1,507.8	1,890.6
Tax liabilities		263.6	571.2
		3,694.7	**3,802.6**
Total shareholders' equity and liabilities		**16,038.1**	**21,322.8**

The accompanying Notes are an integral part of these Consolidated Financial Statements.
All 1998 balances have been restated from Finnish markka into euros using the conversion rate as of 1 January 1999.

Equity reconciliation
(IAS)

EUR million	Share capital	Share issue premium	Treasury shares	Cumulative translation adjustments	Retained earnings	Total
Balance at 31 December 1998	**1,277.5**	**377.7**		**– 188.0**	**3,826.3**	**5,293.5**
Effect of adopting IAS 19 (revised)					– 27.2	– 27.2
Change in accounting policy with respect to forest accounting (net of deferred tax)					6.4	6.4
Balance at 31 December 1998, restated	**1,277.5**	**377.7**	**0.0**	**– 188.0**	**3,805.5**	**5,272.7**
Warrants exercised	0.1	1.9				2.0
Dividends paid (EUR 0.35 per share)					– 268.3	– 268.3
Net profit for the period					746.4	746.4
Translation adjustment				203.7		203.7
Balance at 31 December 1999, restated	**1,277.6**	**379.6**	**0.0**	**15.7**	**4,283.6**	**5,956.5**
Balance at 31 December 1999, as previously reported	**1,277.6**	**379.6**		**12.7**	**4,283.3**	**5,953.2**
Change in accounting policy with respect to forest accounting (net of deferred tax)				3.0	0.3	3.3
Balance at 31 December 1999, restated	**1,277.6**	**379.6**	**0.0**	**15.7**	**4,283.6**	**5,956.5**
Dividends paid (EUR 0.40 per share)					– 303.9	– 303.9
To be placed at the disposal of the Board of Directors					– 1.0	– 1.0
Share issue	0.4	– 0.4				0.0
Share issue (Consolidated Papers, Inc.)	284.5	1,432.7				1,717.2
Conversion of share capital from FIM to EUR	13.8	– 13.8				0.0
Acquisition of Stora Enso Oyj shares			– 173.7			– 173.7
Options issued (Consolidated Papers, Inc.)		25.1			0.9	26.0
Net profit for the period					1,435.0	1,435.0
Translation adjustment				– 85.3		– 85.3
Balance at 31 December 2000	**1,576.3**	**1,823.2**	**– 173.7**	**– 69.6**	**5,414.6**	**8,570.8**

EUR million	31 Dec. 1999	31 Dec. 2000
Distributable funds		
Retained earnings and translation adjustment at 31 December	4,299.3	5,345.0
Untaxed reserves included in retained earnings	– 935.2	– 1,979.1
Distributable funds at 31 December	**3,364.1**	**3,365.9**
Cumulative translation differences at 31 December	**15.7**	**– 69.6**

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

All 1998 balances have been restated from Finnish markka into euros using the conversion rate as of 1 January 1999.

Consolidated cash flow statements
(IAS)

EUR million	1 Jan. – 31 Dec. 1998	1 Jan. – 31 Dec. 1999	1 Jan. – 31 Dec. 2000
Net profit for the period	**185.3**	**746.4**	**1,435.0**
Reversal of non-cash items:			
Minority interests	0.2	4.5	13.7
Taxes	146.0	391.8	650.3
Depreciation, amortisation and impairment charges	1,176.5	911.1	1,129.4
Share of results of associated companies	– 9.9	– 9.7	– 20.6
Profits and losses on sale of fixed assets	6.4	– 97.5	– 597.5
Net financial income	379.2	266.6	292.9
Interest received	17.9	12.8	23.0
Interest paid, net of amounts capitalised	– 378.4	– 279.3	– 318.2
Dividends received	2.3	3.9	6.3
Other financial items, net	– 21.0	37.3	3.0
Income taxes paid	– 39.1	– 310.9	– 553.3
Change in net working capital, net of businesses acquired or sold	136.0	– 218.0	96.6
Net cash provided by operating activities	**1,601.4**	**1,459.0**	**2,160.6**
Cash flow from investing activities			
Acquisition of subsidiary shares, net of cash	– 402.8	– 87.1	– 4,549.1
Acquisition of shares in associated companies	– 42.4	– 2.7	–
Investment in shares in other companies	– 68.8	– 14.1	– 10.0
Capital expenditures	– 896.4	– 729.1	– 769.3
Proceeds from dispositions of subsidiary shares, net of cash	125.8	140.4	590.0
Proceeds from dispositions of shares in associated companies	–	72.0	–
Proceeds from dispositions of shares in other companies	3.7	1.5	20.9
Proceeds from sale of fixed assets	35.4	28.7	109.9
Proceeds from (payments of) long-term receivables, net	– 42.9	11.1	– 20.6
Net cash used in investing activities	**– 1,288.4**	**– 579.3**	**– 4,628.2**
Cash flow from financing activities			
Proceeds from (payments of) long-term liabilities, net	313.2	– 613.6	2,077.8
Proceeds from (payments of) short-term borrowings, net	– 143.2	35.2	– 744.8
Dividends paid	– 244.8	– 268.8	– 303.9
Proceeds from issuance of share capital	–	2.0	1,717.2
Repurchase of own shares	–	–	– 173.7
Other	4.2	–	– 2.4
Net cash used in financial activities	**– 70.6**	**– 845.2**	**2,570.2**
Net increase (decrease) in cash and cash equivalents	**242.4**	**34.5**	**102.6**
Effect of exchange rate changes on cash and cash equivalents	– 3.1	12.7	– 0.4
Cash and cash equivalents at beginning of year	355.7	595.0	642.2
Cash and cash equivalents at end of year	**595.0**	**642.2**	**744.4**

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

All 1998 balances have been restated from Finnish markka into euros using the conversion rate as of 1 January 1999.

Consolidated cash flow statements
(IAS)

Supplemental Cash Flow Information EUR million	1 Jan. – 31 Dec. 1998	1 Jan. – 31 Dec. 1999	1 Jan. – 31 Dec. 2000
Change in net working capital consist of:			
Change in inventories	– 43.2	120.7	–43.2
Change in interest-free receivables	221.4	– 203.4	– 269.4
Change in interest-free liabilities	107.1	– 87.0	354.7
Proceeds from (payments of) short-term receivables	– 149.3	– 48.3	54.5
	136.0	**– 218.0**	**96.6**
Non-cash investing and financing activities:			
Finance lease obligations incurred		11.1	
Acquisition of Group companies			
Cash flow on acquisitions			
Purchase consideration on acquisitions	411.9	87.1	4,596.8
Cash and cash equivalents in acquired companies	– 9.1	–	– 47.7
	402.8	**87.1**	**4,549.1**
Acquired net assets			
Operating working capital	42.3	1.2	**228.2**
Operating fixed assets	598.6	1.5	5,820.3
Interest-bearing assets less cash and cash equivalents	1.3	–	571.3
Tax liabilities	– 3.4	–	– 915.0
Interest-bearing liabilities	– 183.6	1.0	– 1,204.9
Minority interests	– 23.8	83.4	49.2
	431.4	**87.1**	**4,549.1**
Disposition of subsidiary shares			
Cash flow on disposal	128.7	140.4	590.0
Cash and cash equivalents in sold companies	– 2.9	–	–
	125.8	**140.4**	**590.0**
Net assets sold			
Operating working capital	69.1	27.8	– 5.2
Operating fixed assets	154.4	75.9	1,315.3
Interest-bearing assets less cash and cash equivalents	0.2	–	8.0
Tax liabilities	– 34.5	–	32.5
Interest-bearing liabilities	– 45.6	–	– 1,274.5
Minority interests	– 4.4	–	– 10.9
Gain (loss) on sale	– 13.4	36.7	524.8
	125.8	**140.4**	**590.0**

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

All 1998 balances have been restated from Finnish markka into euros using the conversion rate as of 1 January 1999.

Notes to the Consolidated Financial Statements
(IAS)

Note 1 Accounting principles

Principal activities
Stora Enso Oyj (the "Company") is a Finnish limited liability company organised under the laws of the Republic of Finland, domiciled in Helsinki. The operations of Stora Enso Oyj and its subsidiaries (together "Stora Enso" or the "Group") are organised into core product areas and supporting areas. The core product areas are magazine paper, newsprint, fine paper and packaging boards. The supporting areas are timber products, pulp, paper merchants and forest operations. The Group's main market is Europe.

Basis of presentation
The consolidated financial statements of Stora Enso are prepared in accordance with and comply with International Accounting Standards (IAS). They include the financial statements of Stora Enso Oyj and its subsidiaries. The financial statements are prepared under the historical cost convention. Previously Stora Enso has prepared and reported its consolidated financial statements in Finnish markka ("FIM"). With the introduction of the euro ("EUR") on 1 January 1999, Stora Enso has elected to present the consolidated financial statements in euro. Accordingly, the Finnish markka consolidated financial statements for each period presented have been restated into euros using the Finnish markka/euro irrevocable conversion rate as of 1 January 1999, EUR 1.00=FIM 5.94573. Stora Enso's restated euro financial statements depict the same trends as would have been presented had it continued to present its consolidated financial statements in Finnish markka. Stora Enso's consolidated financial statements will, however, not be comparable to the euro financial statements of other companies that previously reported their financial information in a currency other than Finnish markka.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Principles of consolidation
Stora Enso was formed as a combination of Enso Oyj and Stora Kopparbergs Bergslags Aktiebolag (publ). In December 1998, the shareholders of Stora Kopparbergs Bergslags Aktiebolag (publ) converted 96.1% of their shares into shares of Stora Enso Oyj. As a result of the merger Stora Kopparbergs Bergslags Aktiebolag is a subsidiary of Stora Enso Oyj (formerly Enso Oyj). The Stora Enso merger was accounted for as a uniting of interests under IAS. Accordingly, the historical information of Enso and STORA has been restated as if the companies had been combined for all periods presented.

The consolidated financial statements include the parent company, Stora Enso Oyj, and all companies in which it holds, directly or indirectly, over 50% of the voting rights. The financial statements of some companies which Stora Enso controls but in which Stora Enso holds less than 50% of the voting rights are also consolidated. The principal subsidiaries are listed in Note 24.

Associated companies (voting rights between 20% and 50%) are consolidated using the equity method. The most significant associated companies are listed in Note 11. These are undertakings in which the Group has significant influence, but which it does not control. Provisions are recorded for long-term impairment value. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on the acquisition.

Companies that have been acquired are accounted for under the purchase method and are included in the consolidated financial statements from the date of their acquisition. Divestments are included in the consolidated financial statements until the date of sale.

All inter-company transactions, receivables, liabilities and unrealised profits, as well as the distribution of profits within the Group, are eliminated. When necessary, accounting policies for subsidiaries have been adjusted to ensure consistency with the policies adopted by Stora Enso. Minority interests have been disclosed separately from the consolidated shareholders' equity and are recorded as a separate deduction in the consolidated income statement.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. An approximate exchange rate is used for transactions entered into during a month. At the end of the month, foreign currency-denominated receivables and liabilities are translated using the month-end exchange rate. The foreign exchange differences of operating business items are entered into the respective income statement account before operating profit. Foreign exchange differences on financial assets and liabilities are entered as a net amount in the financial items of the income statement.

Subsidiaries

The income statements of subsidiaries outside Finland are translated into the reporting currency using the average exchange rates for the year. The balance sheets of subsidiaries outside Finland are translated into the reporting currency using the exchange rates prevailing at the balance sheet date. The resulting translation differences are recorded directly to shareholders' equity. The cumulative translation differences of divestments are offset against the gain or loss on disposal.

Derivative financial instruments

The Group enters into derivative financial instruments to hedge its exposure against foreign currency fluctuations on some balance sheet assets, liabilities, and anticipated transactions denominated in foreign currencies. The derivative financial instruments used to hedge foreign exchange risk are forward exchange contracts, foreign exchange options and currency swaps.

The subsidiaries handle all their foreign currency dealings in conjunction with the Group treasury. Their foreign currency exposure is largely hedged through forward agreements. Gains and losses on forward exchange contracts hedging future cash flows are recognised by the subsidiaries in the period when the sale or purchase transactions are recognised. The Group treasury values all outstanding forward exchange contracts with market rates prevailing at the balance sheet date and the unrealised gains and losses are recorded in the income statement under financial items. These forward exchange contracts are short-term in nature, maturing on average within six months.

Premiums paid for purchased foreign currency options are entered under option premiums paid and premiums received for written options are entered as premiums received at the date of the payment under financial items. Profits and losses are booked on maturity of the agreements and entered as adjustments to financial items. Option contracts are valued at the balance sheet date by using generally approved option valuation models and the resulting unrealised gains and losses (i.e., fair values) are recorded under financial items.

Currency swaps are valued at the balance sheet date by using foreign exchange rates prevailing at the balance sheet date. Interest rate payables and receivables under currency swaps are accrued and recorded under interest income and expense.

The Group enters into derivative financial instruments such as interest rate swaps, forwards, futures, options and combinations of these instruments to hedge its exposure to interest rate risk.

Profits and losses on interest rate forward rate agreements are recorded when cash flows are realised.

Cash flows from interest rate futures are realised at the maturities of the contracts. Interest income and expenses are included in financial items as the cash flows are realised and are not accrued at balance sheet dates.

Premiums paid on interest options purchased are included in interest expense. Correspondingly, premiums received on options sold are included in interest income. Option contracts are valued at the balance sheet date by using generally approved option valuation models and the resulting unrealised gains and losses (i.e., fair values) are included in financial items.

Interest payable and receivable under interest rate swaps is accrued at the balance sheet date and included in interest income or expense.

Commodity instruments are used to ensure the Group's access to raw materials at appropriate prices. Outright purchase or sale transactions are recorded at the contracted rates. Changes in the fair values of open commodity instruments are not recognised until the actual purchase transactions are recognised in the financial statements. Commodity futures and swaps are used for hedging commodity risk.

Revenue recognition

Sales are recorded upon shipment of products to customers in accordance with agreed terms of sales.

Sales include the sale of products, raw material, energy supplies, services and energy less indirect sales tax, sales discounts and exchange differences on sales in foreign currencies.

Then, the following conditions of the realisation of income upon selling goods and products are fulfilled:

- the company has transferred the decisive risks (danger of accidental destruction) and chances connected with ownership of the goods and products sold, to the buyer;
- the company retains neither a continuing right to dispose of the goods and products, such as usually; connected with ownership, nor an effective control of the goods and products sold
- the amount of the revenue can be determined reliably;
- it is sufficiently probable that the company will profit from the economic benefit resulting from the sale; and
- the costs incurred or still arising in connection with the sale can be determined reliably.

Revenue from services shall be recorded when the service has been performed. The income from selling services is realised according to the percentage of completion method.

The following conditions have to be met in the percentage of completion method:

- the amount of the income can be determined reliably; and
- it is sufficiently probable that the company will profit from the economic benefit resulting from the business deal; and
- the degree of completion of the business deal on the closing date can be assessed reliably; and
- the costs realised for the business deal and the costs to be expected until its final completion can be determined reliably.

Research and development

Research and development costs are expensed as incurred. Research and development expenses totalled EUR 80.0 million, EUR 84.0 million and EUR 94.5 million for the years ended 31 December 1998, 1999 and 2000 respectively. Research and development expenses are included in other operating expenses in the consolidated income statement.

Computer software development costs

Development costs or acquisition costs of new software that are clearly associated with an identifiable and unique product which will be controlled by the Group and has probable benefit exceeding the cost beyond one year are recognised as an intangible asset and depreciated over the software's expected useful life. Associated costs include staff costs of the development team and an appropriate portion of overhead. The cost of maintaining software is expensed as incurred. Costs associated with the development or adjustment of software for the euro conversion and year 2000 were expensed as incurred.

Environmental remediation costs

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

Discontinued operations

A discontinued operation results from a decision to divest an operation, disposed pursuant to a single plan, that represents a separate, major line of business of which the assets, net profit or losses on operations may be distinguished physically, operationally and for financial reporting purposes. The pre-tax gain or loss on disposal of discontinued operations is shown as a separate item in the consolidated income statement.

Income taxes

The Group's income tax expense includes taxes of Group companies based on taxable profit for the period together with tax adjustments for previous periods, the change in deferred income taxes and share of tax of associated companies.

Deferred income taxes are provided using the liability method to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates. Principal temporary differences arise from intercompany profit in inventory, depreciation on property, plant and equipment, untaxed reserves, and tax losses carried forward. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which unused tax losses can be utilised.

Temporary differences for accumulated depreciation and untaxed reserves (appropriations) are recorded in shareholders' equity and deferred tax liability in the consolidated balance sheet. Under

Finland's Companies Act, the temporary differences for untaxed reserves and accumulated depreciation difference included in shareholders' equity are excluded from distributable funds.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of the acquisition. Goodwill is reported using the exchange rate at the date of balance sheet. Goodwill is amortised on a straight-line basis over its expected useful life. Useful lives vary from 5 to 20 years, depending on the nature of the acquisition. Expected useful lives are reviewed at each balance sheet date and where these differ from previous estimates, amortisation periods are adjusted accordingly.

Intangible assets

Intangible assets include trademarks, patents, copyrights and software licenses. Intangible assets are stated at historical cost and are amortised on a straight-line basis over expected useful lives. Useful lives vary from 5 to 10 years.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less straight-line accumulated depreciation. Interest cost on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the property for its intended use, as part of the asset. Other tangible assets include charges arising from the planting and care of forest holdings.

As a consequence of the merger with Consolidated Papers, Stora Enso harmonised its forest accounting policies in the third quarter of the fiscal year 2000. The comparative figures for the previous periods have been restated in accordance with the benchmark treatment of IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policy, to reflect the impact of this change. EUR –7.9 million operating profit and taxes EUR 2.2 million for the year 1998 and EUR –8.8 million operating profit, tax EUR 2.8 million for the year 1999 have been reclassified from materials and services and depreciation and income taxes respectively. The effect for the year 2000 was EUR –11.2 million operating profit and taxes EUR 3.2 million.

Under the new forest accounting policy, timber and timberlands are recorded at cost, and reforestation cost is capitalised, less depletion for the cost of timber harvested. Depletion is computed by the units-of-production method. Previously, forest assets were stated at historical acquisition cost. For forest holdings outside Finland and Sweden, reforestation costs, arising from the planting and care of fast-growing forest holdings, were included. Reforestation costs related to the forest holdings in Finland and Sweden were expensed as incurred.

Depreciation is based on the following expected useful lives:

Asset class	Depreciation, years
Buildings, industrial	10–50
Buildings, residential	20–50
Buildings, office	20–50
Groundwood mills	15–20
Hydro-electric power	40
Paper mills, main machines	20
Board mills, main machines	20
Pulp mills, main machines	20
Converting factories	10–15
Sawmills	10–15
Computers and applications	3–5
Vehicles	5
Office equipment	3–5
Railway, harbours	20–25
Forest roads	10–35
Roads, fields, bridges	15–20

Land is not depreciated as it is deemed to have an indefinite life.

Ordinary maintenance and repair charges are expensed as incurred. However, the cost of significant renewals and improvements is capitalised and depreciated over the remaining useful life of the related asset. Retirements, sales and disposals of property, plant and equipment are recorded by removing the cost and accumulated depreciation from the accounting records with any resulting gain or loss reflected in the income statement.

Assets to be disposed of are reported at the lower of the carrying amount and fair value less cost to sell.

Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed, unless (a) the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur; and (b) subsequent external events have occurred that reverse the effect of that event.

Accounting for leases

Leases of property, plant and equipment where the Group assumes substantially all benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in interest-bearing liabilities. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leasing contracts are depreciated over the lesser of the useful life of the asset or lease period.

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and rental agreements are expensed on a straight-line basis over the period of the lease.

When an operating lease is terminated before expiry of the lease period any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Inventories

Inventories are reported at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overhead but excludes interest expenses.

Trade receivables

Trade receivables are reported at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other liquid investments with original maturity of less than three months. Bank overdrafts are included in short-term borrowings under current liabilities.

Investments

Investments in marketable equity securities are carried at the lower of cost and market value determined on a portfolio basis. The Group evaluates the carrying amounts of its long-term investments and recognises declines other than temporary in the value of the investments on an individual basis.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying an economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Employee benefits

The Group operates a number of defined benefits and defined contribution plans throughout the world, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries. The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

For defined benefit plans, pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every year. The pension obligation is measured as the present value of estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees. In 1999 the Group implemented IAS 19 (revised) Employee Benefits and accounted for the transitional liability by adjusting the retained earnings at 1 January 1999.

Restricted equity

The components of restricted equity include share premium account, translation adjustment for foreign subsidiaries, and legal reserves, as required by law in certain countries where subsidiaries are incorporated.

Government grants

Government grants relating to the purchase of property, plants and equipment are included in non-current liabilities as deferred income. The grants are credited to the income statement on a straight-line basis over the expected life of the related assets.

Earnings per share

Earnings per share is computed by dividing net profit for the year by the weighted average number of shares outstanding during each period. The average number of treasury shares has been deducted from the number of shares outstanding.

Diluted earnings per share has been computed by applying the "treasury stock" method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or if later, on issuance and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options.

The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the common stock during the period. The warrants and options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the warrants and options.

Dividends

The dividend proposed by the Board is not deducted from the distributable shareholders' equity until the shareholders' decision at the Annual General Meeting. At the Annual General Meeting on 20 March 2001, a dividend of EUR 0.45 will be proposed resulting in a total dividend of EUR 419,946,869.70. On 7 February 2001 Stora Enso's Board of Directors authorised these consolidated financial statements for issue.

New accounting standards

IAS 39, Financial Instruments: Recognition and Measurement, requires all financial assets and financial liabilities including all derivatives to be recognised on the balance sheet. They are initially measured at cost, which is the fair value or whatever was paid or received to acquire the financial asset or liability. Subsequent to initial recognition, all financial assets should be measured to fair value except for specified exceptions. After acquisition, most financial liabilities should be measured at original recorded amount less principal repayments and amortisation. IAS 39 imposes also strict limits on the use of hedge accounting, even for the hedges that are economically effective. The standard is effective for financial statements for financial years beginning on or after 1 January 2001.

In March 2000, the IASC Board approved IAS 40, Investment Property. IAS 40 requires that an enterprise must choose either a fair value model or a cost model for the valuation of its investment property. Investment property is land or a building or part of a building or both held to earn rentals or for capital appreciation or both rather than for use by itself or held for sale. In the fair value model, investment property should be measured at fair value and changes in fair value should be recognised in the income statement. In the cost model, investment property should be measured at depreciated cost less any accumulated impairment losses. An enterprise should apply the model chosen to all its investment property. IAS 40 is effective for periods beginning on or after 1 January 2001. Earlier application is permitted. Stora Enso has chosen the cost model. The adoption of the standard is unlikely to have any effect because Stora Enso follows the historical cost convention.

Note 2 Segment information

The accounting policies of the reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements. See Note 3 for a discussion of discontinued energy operations. Segment sales include intersegment sales valued at arm's length transfer prices. The Group evaluates the performance of its operating segments and allocates resources to them on the basis of operating performance.

Information on Stora Enso's reportable segments as of and for the years ended 31 December 2000, 1999 and 1998 is shown in the following tables.

Sales by segment

EUR million	1998 External	1998 Intergroup	1998 Total	1999 External	1999 Intergroup	1999 Total	2000 External	2000 Intergroup	2000 Total
Magazine paper	1,847.1	4.7	1,851.8	1,920.7	29.7	1,950.4	2,576.4	22.0	2,598.4
Newsprint	1,658.2	35.5	1,693.7	1,599.0	42.8	1,641.8	1,677.3	89.4	1,766.7
Fine paper	1,842.0	161.8	2,003.8	1,927.9	235.3	2,163.2	2,717.4	254.7	2,972.1
Packaging boards	2,347.8	49.1	2,396.9	2,266.9	74.6	2,341.5	2,654.2	61.8	2,716.0
Timber products	636.2	97.7	733.9	1,044.1	95.9	1,140.0	1,151.7	90.4	1,242.1
Market pulp	470.4	376.2	846.6	624.2	333.6	957.8	790.4	597.3	1,387.7
Merchants	829.3	1.0	830.3	753.9	33.3	787.2	879.7	10.9	890.6
Forest operations	223.1	1,422.7	1,645.8	226.5	1,403.8	1,630.3	388.9	1,488.5	1,877.4
Other operations and elimination of internal sales	134.2	– 2,167.1	– 2,032.9	147.2	– 2,249.0	– 2,101.8	141.3	– 2,615.0	– 2,473.7
Continuing operations total	**9,988.3**	**– 18.4**	**9,969.9**	**10,510.4**	**0.0**	**10,510.4**	**12,977.3**	**0.0**	**12,977.3**
Divested units	381.0	18.4	399.4	24.7		24.7			
Discontinued operations	120.3	54.3	174.6	100.6	127.4	228.0	39.7	30.6	70.3
Elimination of internal sales		– 54.3	– 54.3		– 127.4	– 127.4		– 30.6	– 30.6
Group total	**10,489.6**	**0.0**	**10,489.6**	**10,635.7**	**0.0**	**10,635.7**	**13,017.0**	**0.0**	**13,017.0**

Share of results of associated companies and operating profit by segment

EUR million	Share of results of associated companies 1998	1999	2000	Operating profit by segment 1998	1999	2000
Magazine paper	–	0.1	0.2	238.8	287.6	264.0
Newsprint	–	–	–	292.3	299.1	263.5
Fine paper	1.2	1.4	– 1.4	106.9	204.3	403.8
Packaging boards	0.2	– 0.1	–	61.8	193.1	177.7
Timber products	0.7	2.3	1.9	3.2	41.0	69.1
Market pulp	0.9	1.6	26.9	– 18.0	106.1	506.1
Merchants	–	0.6	–	– 22.9	0.5	8.3
Forest operations	–	–	–	100.9	132.3	118.7
Other operations	6.9	3.8	– 7.0	– 117.7	– 27.4	– 17.4
Continuing operations total	**9.8**	**9.7**	**20.6**	**645.3**	**1,236.6**	**1,793.8**
Divested units	–	–	–	– 59.0	22.9	–
Discontinued operations	0.1	–	–	114.5	140.1	577.5
Group total	**9.9**	**9.7**	**20.6**	**700.8**	**1,399.6**	**2,371.3**

Operating profit by segment

EUR million	Full year 1999	Jan–Mar 1999	Apr–June 1999	Jul–Sep 1999	Oct–Dec 1999
Magazine paper	287.6	59.3	73.4	78.6	76.3
Newsprint	299.1	73.6	62.0	86.6	76.9
Fine paper	204.3	41.4	40.1	45.5	77.3
Packaging boards	193.1	46.8	42.5	54.7	49.1
Merchants	0.5	0.5	– 1.3	0.2	1.1
Timber products	41.0	4.4	13.8	9.8	13.0
Pulp	106.1	– 4.1	12.5	36.8	60.9
Forest operations	132.3	22.3	36.3	32.8	40.9
Other	– 27.4	3.1	– 1.4	– 23.4	– 5.7
Continuing operations total	**1,236.6**	**247.3**	**277.9**	**321.6**	**389.8**
Divested paper units	22.9	22.9	–	–	–
Discontinuing operations, Energy	140.1	31.3	18.8	14.3	75.7
Operating profit total	**1,399.6**	**301.5**	**296.7**	**335.9**	**465.5**
Associated companies	9.7	0.4	3.0	– 1.2	7.5
Financial items	– 266.6	– 72.8	– 74.0	– 83.0	– 36.9
Profit before tax and minority interests	**1,142.7**	**229.1**	**225.7**	**251.7**	**436.1**
Income tax expense	– 391.8	– 73.5	– 87.0	– 82.8	– 148.4
Profit after tax	**750.9**	**155.6**	**138.7**	**168.9**	**287.7**
Minority interests	– 4.5	– 2.6	– 2.8	– 2.3	3.2
Net profit for the period	**746.4**	**153.0**	**135.9**	**166.6**	**290.9**

EUR million	Full year 2000	Jan–Mar 2000	Apr–June 2000	Jul–Sep 2000	Oct–Dec 2000
Magazine paper	264.0	67.2	62.5	99.4	34.9
Newsprint	263.5	61.0	43.2	79.2	80.1
Fine paper	403.8	102.6	90.8	110.6	99.8
Packaging boards	177.7	81.0	56.8	78.4	– 38.5
Merchants	8.3	4.1	2.8	0.3	1.1
Timber products	69.1	22.4	21.7	15.1	9.9
Pulp	506.1	105.7	119.4	146.3	134.7
Forest operations	118.7	28.2	36.7	26.5	27.3
Other	– 17.4	10.5	9.4	– 18.6	– 18.7
Continuing operations total	**1,793.8**	**482.7**	**443.3**	**537.2**	**330.6**
Divested paper units	–	–	–	–	–
Discontinuing operations, Energy	577.5	26.9	550.6	–	–
Operating profit total	**2,371.3**	**509.6**	**993.9**	**537.2**	**330.6**
Associated companies	20.6	5.8	4.4	2.7	7.7
Financial items	– 292.9	– 68.8	– 96.5	– 39.4	– 88.2
Profit before tax and minority interests	**2,099.0**	**446.6**	**901.8**	**500.5**	**250.1**
Income tax expense	– 650.3	– 148.5	– 266.9	– 161.9	– 73.1
Profit after tax	**1,448.7**	**298.1**	**634.9**	**338.6**	**177.0**
Minority interests	– 13.7	– 7.4	– 1.0	– 4.1	– 1.2
Net profit for the period	**1,435.0**	**290.7**	**633.9**	**334.5**	**175.9**

The income statements for the years ended 31 December 1998 and 1999 have been restated to reflect the adoption of the new forest accounting policy. EUR –7.9 million operating profit and taxes EUR 2.2 million for the year 1998 and EUR –8.8 million operating profit and taxes EUR 2.8 million for the year 1999 have been reclassified from shareholders' equity to materials and services and depreciation and income taxes respectively. The effect for the year 2000 was EUR –11.2 million operating profit and taxes EUR 3.2 million.

Operating capital by segment (1)

EUR million	1999	2000
Magazine paper	1,941.3	4,236.2
Newsprint	1,428.1	1,326.0
Fine paper	2,261.6	5,052.8
Packaging boards	2,365.7	2,421.2
Timber products	446.9	452.3
Pulp	1,157.8	1,142.7
Merchants	173.5	257.6
Forest operations	1,321.6	1,281.5
Other operations	54.3	386.6
Continuing operations total	**11,150.8**	**16,556.9**
Divested units	–	–
Discontinued operations	1,466.0	–
Total	**12,616.8**	**16,556.9**

(1) Operating capital represents the sum of fixed assets and other long-term investments (excluding investments, loan receivables, and deferred tax assets), inventories, short-term receivables, other provisions, other long-term liabilities and other current liabilities.

Reconciliation of operating capital to total assets

EUR million	1999	2000
Operating capital	12,616.8	16,556.9
Operating liabilities	2,356.7	2,928.5
Interest-bearing receivables	986.8	1,672.7
Tax receivables	77.8	164.7
Total assets	**16,038.1**	**21,322.8**

Assets and liabilities by segment

EUR million	1999		2000	
	Assets	Liabilities	Assets	Liabilities
Magazine paper	2,351.9	410.6	4,899.2	663.0
Newsprint	1,723.5	295.4	1,630.3	304.3
Fine paper	2,602.7	341.1	5,615.6	562.8
Packaging boards	2,779.7	414.0	2,897.3	476.1
Timber products	595.4	148.5	619.9	167.6
Pulp	1,316.8	159.0	1,322.1	179.4
Merchants	326.1	152.6	403.7	146.1
Forest operations	1,537.7	216.1	1,488.0	206.5
Other operations	1,314.2	7,718.2	2,446.7	9,896.8
Continuing operations total	**14,548.0**	**9,855.5**	**21,322.8**	**12,602.6**
Divested units	–	–	–	–
Discontinued operations	1,490.1	24.1	–	–
Total	**16,038.1**	**9,879.6**	**21,322.8**	**12,602.6**

Capital expenditure by segment

EUR million	1998	1999	2000
Magazine paper	219.9	102.2	104.3
Newsprint	103.8	72.3	74.8
Fine paper	127.0	112.9	69.2
Packaging boards	211.7	232.7	335.0
Timber products	33.8	51.3	46.5
Pulp	96.3	103.3	65.7
Merchants	12.0	6.6	6.8
Forest operations	22.3	13.8	18.7
Other operations	29.5	33.3	45.8
Continuing operations total	**856.3**	**728.4**	**766.8**
Divested units	20.5	0.4	–
Discontinued operations	19.6	11.4	2.5
Total	**896.4**	**740.2**	**769.3**

Depreciation, amortisation and impairment charges by segment

EUR million	1998	1999	2000
Magazine paper	207.3	183.9	234.4
Newsprint	150.8	139.9	137.6
Fine paper	248.3	177.7	231.3
Packaging boards	296.3	188.7	282.7
Timber products	25.6	39.2	38.0
Pulp	93.6	89.1	97.0
Merchants	13.1	12.3	12.4
Forest operations	37.8	37.8	39.9
Other operations	27.0	24.7	50.3
Continuing operations total	**1,099.8**	**893.3**	**1,123.6**
Divested units	66.5	2.6	–
Discontinued operations	10.2	15.2	5.8
Total	**1,176.5**	**911.1**	**1,129.4**

Average personnel by segment

EUR million	1998	1999	2000
Magazine paper	4,887	4,745	5,658
Newsprint	5,651	5,564	5,437
Fine paper	7,310	7,565	8,344
Packaging boards	10,189	10,114	10,132
Timber products	2,188	3,605	3,593
Pulp	2,474	2,383	2,333
Merchants	1,680	1,577	1,606
Forest operations	2,212	2,134	2,236
Other operations	2,387	2,216	2,368
Continuing operations total	**38,978**	**39,903**	**41,707**
Divested units	1,800	115	–
Discontinued operations	209	208	78
Total	**40,987**	**40,226**	**41,785**

Capital expenditure by location

EUR million	1998	1999	2000
Sweden	359.4	290.9	189.8
Finland	190.5	222.3	384.5
Germany	115.5	86.8	65.1
Portugal	20.4	40.7	12.7
France	15.1	12.5	19.6
Canada	127.5	6.2	10.3
Other	68.0	80.8	87.3
Total	**896.4**	**740.2**	**769.3**

Sales by destination

EUR million	1998	1999	2000
Germany	1,827.0	1,825.7	1,987.4
UK	1,436.9	1,321.7	1,446.4
France	1,003.6	974.0	1,035.4
Sweden	881.0	810.5	1,052.3
Finland	726.0	730.2	821.8
The Netherlands	555.0	538.8	610.1
Italy	432.6	450.7	520.6
Spain	400.4	440.0	495.9
Belgium	373.9	349.4	366.8
Denmark	329.6	286.8	319.8
Other EU	321.0	423.0	495.5
Total EU	**8,287.0**	**8,150.8**	**9,152.0**
Other Europe	733.9	635.3	788.5
North America	445.5	607.4	1,512.7
Asia Pacific	406.2	773.6	1,023.9
Others	617.0	468.6	539.9
Total	**10,489.6**	**10,635.7**	**13,017.0**

Total assets by location

EUR million	1999	2000
USA	91.5	6,657.9
Finland	5,569.8	5,496.1
Sweden	5,509.5	4,135.8
Germany	1,929.6	2,040.0
Canada	661.1	655.3
France	485.4	478.6
Portugal	250.9	375.7
Austria	250.6	222.8
China	234.7	259.0
Other	1,055.0	1,001.6
Total	**16,038.1**	**21,322.8**

Capital employed by location (1)

EUR million	1999	2000
USA	30.5	4,781.2
Finland	4,188.5	3,857.3
Sweden	3,703.9	2,240.0
Germany	919.6	839.6
Canada	654.6	650.0
France	325.3	331.2
China	205.3	225.9
Portugal	208.8	182.4
Austria	159.3	149.0
Other	545.5	646.3
Total	**10,941.3**	**13,902.9**

(1) Total capital employed represents operating capital less net tax liabilities.

Note 3 Discontinued operations

In August 1999, Stora Enso announced a plan to sell its off-mill site energy operations. Subsequently, Stora Enso sold its shares in Teollisuuden Sähkönmyynti Oy and some of its shares in Pohjolan Voima Oy, recording a pre-tax gain of EUR 48.2 million (related tax of EUR 13.5 million). The remaining shares in Pohjolan Voima Oy are held for disposal.

The transaction to sell Stora Enso's power assets outside the mills to Fortum was closed in Finland on 31 May 2000 and in Sweden on 5 June 2000. The total asset value of the deal was EUR 1,889.8 million, profit before taxes EUR 524.8 million and related tax expense EUR 110.4 million. The transaction did not include Stora Enso's shares in Pohjolan Voima Oy. From 1 January 2001 energy operations are included in ”other” segment. The remaining energy department will consist of the Energy Department of Stora Enso Oyj, shares of Gasum Oy and Pohjolan Voima Oy.

EUR million	Continuing operations			Discontinued operations, Energy			Total		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Sales	**10,315.0**	**10,407.7**	**12,946.7**	**174.6**	**228.0**	**70.3**	**10,489.6**	**10,635.7**	**13,017.0**
Changes in inventories of finished goods and work in progress	42.0	– 119.9	– 50.8	– 0.2	0.5	– 0.3	41.8	– 119.4	– 51.1
Other operating income	43.3	77.4	63.2	1.6	0.5	32.9	44.9	77.9	96.1
Capital gain on disposal of energy operations	–	–	–	–	48.2	524.8	–	48.2	524.8
Materials and services	– 4,985.3	– 4,810.9	– 6,027.1	– 31.0	– 15.5	– 10.7	– 5,016.3	– 4,826.4	– 6,037.8
Freight and sales commissions	– 1,016.0	– 993.5	– 1,282.2	–	–	–	– 1,016.0	– 993.5	– 1,282.2
Personnel expenses	– 1,795.3	– 1,745.0	– 1,991,4	– 9.9	– 9.3	– 4.3	– 1,805.2	– 1,754.3	– 1,995.7
Depreciation, amortisation and impairment charges	– 1,166.3	– 895.9	– 1,123,6	– 10.2	– 15.2	– 5.8	– 1,176.5	– 911.1	– 1,129.4
Other operating expenses	– 851.1	– 660.4	– 741.0	– 10.4	– 97.1	– 29.4	– 861.5	– 757.5	– 770.4
Operating profit	**586.3**	**1,259.5**	**1,793.8**	**114.5**	**140.1**	**577.5**	**700.8**	**1,399.6**	**2,371.3**
Net financial items	– 323.8	– 211.1	– 276.4	– 55.4	– 55.5	– 16.5	– 379.2	– 266.6	– 292.9
Share of results of associated companies	9.9	9.6	20.6	–	0.1	–	9.9	9.7	20.6
Profit before tax and minority interests	272.4	1,058.0	1,538.0	59.1	84.7	561.0	331.5	1,142.7	2,099.0
Income tax expense	– 130.9	– 365.0	– 539.9	– 15.1	– 26.8	– 110.4	– 146.0	– 391.8	– 650.3
Profit after tax	141.5	693.0	998.1	44.0	57.9	450.6	185.5	750.9	1,448.7
Minority interests	– 0.2	– 4.5	– 13.7	–	–	–	– 0.2	– 4.5	– 13.7
Net profit for the period	**141.3**	**688.5**	**984.4**	**44.0**	**57.9**	**450.6**	**185.3**	**746.4**	**1,435.0**

The income statements for the years ended 31 December 1998 and 1999 have been restated to reflect the adoption of the new forest accounting policy. EUR – 7.9 million operating profit and taxes EUR 2.2 million for the year 1998 and EUR – 8.8 million operating profit and taxes EUR 2.8 million for the year 1999 have been reclassified from shareholders' equity to materials and services and depreciation and income taxes respectively. The effect for the year 2000 was EUR – 11.2 million operating profit and taxes EUR 3.2 million.

EUR million	Continuing operations 1999	Continuing operations 2000	Discontinued operations, Energy 1999	Discontinued operations, Energy 2000	Total 1999	Total 2000
Assets						
Fixed assets and other long-term investments						
Intangible assets	60.3	89.2	–	–	60.3	89.2
Goodwill	466.4	2,228.6	–	–	466.4	2,228.6
Property, plant and equipment	9,456.0	12,777.7	1,265.7	7.9	10,721.7	12,785.6
Investments in associated companies	159.6	213.6	5.9	–	165.5	213.6
Investments in other companies	96.3	30.8	184.1	146.4	280.4	177.2
Investments	49.3	132.3	–	–	49.3	132.3
Long-term loan receivables	17.5	486.3	49.3	–	66.8	486.3
Deferred tax assets	5.9	11.7	–	–	5.9	11.7
Other non-current assets	84.9	254.5	3.7	–	88.6	254.5
	10,396.2	**16,224.7**	**1,508.7**	**154.3**	**11,904.9**	**16,379.0**
Current assets						
Inventories	1,264.9	1,589.2	0.7	0.3	1,265.6	1,589.5
Tax receivables	71.3	152.8	0.6	0.2	71.9	153.0
Short-term receivables	2,031.0	2,325.2	59.5	35.5	2,090.5	2,360.7
Current portion of long-term receivables	63.0	96.2	–	–	63.0	96.2
Cash and cash equivalents	522.1	613.1	120.1	131.3	642.2	744.4
	3,952.3	**4,776.5**	**180.9**	**167.3**	**4,133.2**	**4,943.8**
Total assets	**14,348.5**	**21,001.2**	**1,689.6**	**321.6**	**16,038.1**	**21,322.8**

EUR million	Continuing operations 1999	Continuing operations 2000	Discontinued operations, Energy 1999	Discontinued operations, Energy 2000	Total 1999	Total 2000
Shareholders' equity and liabilities						
Shareholders' equity	**5,592.8**	**8,282.0**	**363.7**	**288.8**	**5,956.5**	**8,570.8**
Minority interests	196.1	149.4	5.9	–	202.0	149.4
Long-term liabilities						
Pension provisions	568.1	771.8	7.4	–	575.5	771.8
Deferred tax liabilities	1,411.5	2,247.5	78.2	–	1,489.7	2,247.5
Other provisions	186.5	173.4	0.0	–	186.5	173.4
Long-term debt	2,730.3	5,514.7	1,115.9	–	3,846.2	5,514.7
Other long-term liabilities	87.0	92.6	–	–	87.0	92.6
	10,772.3	**17,231.4**	**1,571.1**	**288.8**	**12,343.4**	**17,520.2**
Current liabilities						
Current portion of long-term debt	440.9	262.8	5.8	–	446.7	262.8
Short-term borrowings	1,413.0	1,078.0	63.6	–	1,476.6	1,078.0
Other current liabilities	1,461.7	1,858.6	46.1	32.0	1,507.8	1,890.6
Tax liabilities	260.6	570.4	3.0	0.8	263.6	571.2
	3,576.2	**3,769.8**	**118.5**	**32.8**	**3,694.7**	**3,802.6**
Total shareholders' equity and liabilities	**14,348.5**	**21,001.2**	**1,689.6**	**321.6**	**16,038.1**	**21,322.8**

EUR million	Continuing operations			Discontinued operations, Energy			Total		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Cash flow from operating activities									
Net profit for the period	141.3	688.5	984.4	44.0	57.9	450.6	185.3	746.4	1,435.0
Reversal of non-cash items									
Minority interests	0.2	4.5	13.7	–	–	–	0.2	4.5	13.7
Taxes	130.9	365.0	539.9	15.1	26.8	110.4	146.0	391.8	650.3
Depreciation, amortisation and impairment charges	1,166.3	895.9	1,123.6	10.2	15.2	5.8	1,176.5	911.1	1,129.4
Share of results of associated companies	– 9.9	– 9.6	– 20.6	–	– 0.1	–	– 9.9	– 9.7	– 20.6
Profit and losses on sale of fixed assets	6.4	– 49.3	– 72.7	–	– 48.2	– 524.8	6.4	– 97.5	– 597.5
Net financial income	323.8	211.1	276.4	55.4	55.5	16.5	379.2	266.6	292.9
Interest received	17.9	12.8	23.0	–	–	–	17.9	12.8	23.0
Interest paid, net of amount capitalised	– 323.0	– 223.8	– 301.7	– 55.4	– 55.5	– 16.5	– 378.4	– 279.3	– 318.2
Dividends received	2.3	3.9	6.3	–	–	–	2.3	3.9	6.3
Other financial items, net	– 21.0	37.3	3.0	–	–	–	– 21.0	37.3	3.0
Income taxes paid	– 24.0	– 268.8	– 442.9	– 15.1	– 42.1	– 110.4	– 39.1	– 310.9	– 553.3
Change in net working capital	144.7	– 136.2	90.0	– 8.7	– 81.8	6.6	136.0	– 218.0	96.6
Net cash provided by operating activities	**1,555.9**	**1,531.3**	**2,222.4**	**45.5**	**– 72.3**	**– 61.8**	**1,601.4**	**1,459.0**	**2,160.6**
Cash flow from investing activities									
Acquisitions	– 514.0	– 103.9	– 4,559.1	–	–	–	– 514.0	– 103.9	– 4,559.1
Divestments	164.9	170.6	130.8	–	72.0	590.0	164.9	242.6	720.8
Capital expenditures	– 877.9	– 705.7	– 769.3	– 18.5	– 23.4	–	– 896.4	– 729.1	– 769.3
Proceeds from (payments of) long-term receivables, net	– 48.2	4.3	– 20.6	5.3	6.8	–	– 42.9	11.1	– 20.6
Net cash used in investing activities	**– 1,275.2**	**– 634.7**	**– 5,218.2**	**– 13.2**	**55.4**	**590.0**	**– 1,288.4**	**– 579.3**	**– 4,628.2**
Cash flow from financing activities									
Dividends paid	– 244.8	– 268.8	– 303.9	–	–	–	– 244.8	– 268.8	– 303.9
Other cash flow from financing activities	206.4	– 705.1	3,391.1	– 32.2	128.7	– 517.0	174.2	– 576.4	2,874.1
Net cash used in financing activities	**– 38.4**	**– 973.9**	**3,087.2**	**– 32.2**	**128.7**	**– 517.0**	**– 70.6**	**– 845.2**	**2,570.2**
Net increase (decrease) in cash and cash equivalents	242.3	– 77.3	91.4	0.1	111.8	11.2	242.4	34.5	102.6
Effect of exchange rate changes on cash and cash equivalents	– 3.1	12.5	– 0.4	–	0.2	–	– 3.1	12.7	– 0.4
Cash and cash equivalents at beginning of year	347.7	586.9	522.1	8.0	8.1	120.1	355.7	595.0	642.2
Cash and cash equivalents at end of year	**586.9**	**522.1**	**613.1**	**8.1**	**120.1**	**131.3**	**595.0**	**642.2**	**744.4**

Note 4 Effect of major acquisitions and disposals

Acquisitions

The acquisition of Consolidated Papers, Inc. was completed on 31 August 2000. The purchase price for the equity of EUR 4,046.3 million (USD 3,604.1 million) has been allocated to the assets and liabilities based on estimated fair values as of the date of acquisition. The excess of the purchase price over the estimated fair value of the acquired net assets (goodwill) is approximately EUR 1,916.1 million (USD 1,706.9 million). The amortisation of consolidation goodwill is 20 years.

million	USD	EUR
Conversion of Consolidated Papers shares	1,529.7	1,717.2
Cash purchase	2,033.7	2,283.5
Conversion of Consolidated Papers stock options	22.0	24.7
Acquisition-related expenses	18.6	20.9
Total purchase price for the equity	**3,604.1**	**4,046.3**
Less:		
Book value of net assets acquired	1,363.2	1,530.7
Fair valuation of net assets	969.4	1,088.4
Deferred taxes from valuation	– 435.4	– 488.9
Fair value of net assets acquired	**1,897.2**	**2,130.2**
Goodwill	**1,706.9**	**1,916.1**

Goodwill

In January 1999, Stora Enso initiated a compulsory redemption of STORA and offered to buy all remaining outstanding STORA series A and series B shares at a price of SEK 88 per share. At 31 December 1999, Stora Enso held 98.7% of the shares. A total of EUR 83 million was used to purchase minority shares between January and December 1999. A total of EUR 49 million was used to purchase the remainder of the shares in 2000. At 31 December 2000, Stora Enso held 100% of the shares.

Stora Enso acquired E. Holtzmann & Cie AG in several steps between April 1997 and November 1998. The total acquisition cost of the shares amounted to EUR 599.6 million. The acquisition resulted in goodwill of EUR 165.2 million.

The Group acquired Holzindustrie Schweighofer GmbH in December 1998 for a total acquisition cost of EUR 122.9 million. A portion of the purchase price was paid in cash and the remainder was paid in shares of Stora Enso Timber Oy, giving the Schweighofer family a 33% interest in Stora Enso Timber Oy. The acquisition resulted in goodwill of EUR 82.9 million.

In 1998, the Group acquired 60% of Suzhou Papyrus Paper Co. Ltd. The purchase price of EUR 79.0 million is contingent upon the performance of the mill and will not be finalised until 2001.

In 1998, the Group acquired a 19.9% interest in the Thai company Advance Agro Plc for EUR 67.9 million. A marketing agreement was also signed giving Stora Enso sole rights to market Advance Agro's pulp and fine paper outside Thailand.

In 1997, the Group invested EUR 257.0 million for a 50% joint venture interest in the construction of a Brazilian pulp mill.

Disposals

On 10 November 2000 Stora Enso Oyj and AssiDomän AB signed an agreement concerning the formation of a company, Billerud, which will be 50/50-owned. In October an agreement in principle was reached on the formation of a new company from the paper mills Gruvön (Stora Enso) and Karlsborg and Skärblacka (AssiDomän). The amount of operating capital released is EUR 350 million. An impairment charge of EUR 71.1 million was entered for 2000. The formal merger and formation took place on 1 January 2001.

On 10 October Stora Enso announced that it would close down its Newton Kyme mill in the UK during the early part of 2001. The mill has an annual capacity of 40,000 tonnes of packaging boards impermeable to fat and moisture. The manufacture of these products is no longer commercially viable. A write-down of EUR 2.9 million and a provision to cover closure costs of EUR 11.9 million were entered for 2000.

The sales of Stora Enso's power assets outside the mills to Fortum was closed in Finland on 31 May 2000 and in Sweden on 5 June 2000. The total asset value of the deal was EUR 1,889.8 million, the profit before taxes EUR 524.8 million and the related tax expense EUR 110.4 million. The transaction did not include Stora Enso's shares in Pohjolan Voima Oy.

During 1999 Stora Enso sold Tervakoski Oy to an Austrian company Trierenberg AG and the fixed assets of Dalum to a group of Danish investors. The sale price totalled EUR 120 million. The gain on the sale of Tervakoski Oy amounted to EUR 24.5 million. Dalum was sold at book value, after a write-down of EUR 32.0 million in 1998 to net realisable value based on a letter of intent, thus no gain or loss on sale was recorded in 1999.

In 1999, Stora Enso sold its holdings in Teollisuuden Sähkönmyynti Oy and its holdings of series C shares of Pohjolan Voima to Eastern Group plc (see Note 3).

In December 1998, the Group sold its technical office papers businesses to Mitsubishi Corporation. The Group retained a 24% stake in the technical office papers manufacturer. A loss of EUR 20.6 million was recorded on the sale.

In 1997, the recycled fibre-based board mill was sold to Cascades SA at a loss of EUR 26.4 million.

Note 5 Other operating income

EUR million	1998	1999	2000
Gains on sale of fixed assets and other long-term investments	23.3	111.7	606.8
Rent	17.0	10.1	7.4
Subsidies	4.6	4.3	6.7
Total	**44.9**	**126.1**	**620.9**
Losses on sale of fixed assets and other long-term investments included in other operating expenses	**– 29.7**	**– 14.2**	**– 9.3**

In 2000, gains on the sale of fixed assets and other long-term investments include a gain of EUR 524.8 million from the sale of power assets and EUR 24.0 million profit on the sale of the Stockholm office. In 1999, gains on the sale of fixed assets and other long-term investments include a gain of EUR 48.2 million from the sale of Pohjolan Voima Oy shares and a gain of EUR 24.5 million from the sale of Tervakoski Oy.

Losses on the sale of fixed assets and other long-term investments in 1998 included a loss on the sale of shares of Stora Carbonless and Stora Spezialpapiere of EUR 20.6 million and EUR 3.2 million from the sale of shares of Svenska Dagbladet.

Note 6 Personnel expenses

EUR million	1998	1999	2000
Wages and salaries	1,364.4	1,333.0	1,482.8
Pensions and other statutory employers' contributions	440.8	421.3	512.9
Total	**1,805.2**	**1,754.3**	**1,995.7**

Pension expense and other statutory employers´ contributions

EUR million	1998	1999	2000
Pension expenses paid to pension funds			
Obligatory	40.6	48.2	58.7
Voluntary	11.2	6.7	24.6
Pension expenses paid to insurance companies			
Obligatory	58.2	66.8	81.9
Voluntary	25.9	5.4	10.4
Accrued pension liabilities in the period	18.8	12.5	20.4
Top management pension arrangements	2.6	–	2.6
Training	1.0	–	–
Other personnel costs			
Obligatory	281.5	260.3	261.1
Voluntary	1.0	21.3	53.2
Total	**440.8**	**421.2**	**512.9**

Shares, warrants and options/synthetic options of the Board of Directors and Management Group at 31 December 2000

	Series A shares	Series R shares	Warrants entitling to series R shares	Options/ synthetic options 1999	Options/ synthetic options 2000
Board of Directors					
Claes Dahlbäck, chairman	2,541	19,529	–	–	–
Krister Ahlström	1,500	–	–	–	–
Josef Ackermann	–	1,300	–	–	–
Harald Einsmann	–	–	–	–	–
Björn Hägglund, Deputy CEO	7,877	14,618	–	93,750	90,000
Jukka Härmälä, CEO	–	4,500	399,000	112,500	110,000
Raimo Luoma	–	–	–	–	–
George W. Mead	–	2,699,266 *	12,452*	–	–
Paavo Pitkänen	3,800	–	–	–	–
Jan Sjöqvist	508	943	–	–	–
Marcus Wallenberg	3,049	6,019	–	–	–
Total	**19,275**	**2,746,175**	**411,452**	**206,250**	**200,000**
Executive Management Group					
Jukka Härmälä, CEO (see above)					
Björn Hägglund, Deputy CEO (see above)					
Lars Bengtsson	–	–	–	46,900	30,000
Kimmo Kalela	–	–	180,000	46,900	45,000
Kai Korhonen	–	85	–	46,900	45,000
Pekka Laaksonen	–	–	–	46,900	45,000
Esko Mäkeläinen	1,900	4,669	180,000	46,900	45,000
Ingvar Petersson	2,602	6,251	–	46,900	45,000
Bernd Rettig	–	–	–	46,900	45,000
Yngve Stade	–	725	–	46,900	45,000
Jouko Taukojärvi	1,000	–	90,000	46,900	45,000
Total	**5,502**	**11,730**	**450,000**	**422,100**	**390,000**

*Series R shares in form of ADRs

Shares, warrants and options/synthetic options of the Board of Directors and Management Group at 31 December 2000

	Series A shares	Series R shares	Warrants entitling to series R shares	Options/ synthetic options 1999	Options/ synthetic options 2000
Management Group					
Management Group consists of Executive Management Group and following persons:					
Magnus Diesen	–	–	30,000	32,900	22,500
Walter Haberland	–	–	–	10,400	5,000
Seppo Hietanen	–	2,000	75,000	32,900	30,000
Sven von Holst	–	–	–	32,900	22,500
Jyrki Kurkinen	2,648	14,920	75,000	32,900	22,500
Arno Pelkonen	–	4,000	–	46,900	30,000
Eberhard Potempa	–	–	–	13,500	15,000
Sven Rosman	–	–	–	32,900	30,000
Ronald E. Swanson	–	–	72,414 *	–	–
Kari Vainio	–	4,800	60,000	32,900	30,000
Christer Ågren	–	–	–	32,900	30,000
Total	**2,648**	**25,720**	**312,414**	**301,100**	**237,500**
Total	**27,425**	**2,783,625**	**1,173,866**	**929,450**	**827,500**

*Series R shares in form of ADRs.

In 2000, the annual salary for the CEO was EUR 727,083 and bonus EUR 226,658. The annual salary for the DCEO was EUR 633,877 and bonus EUR 185,477. The total remuneration for the members of the Board of Directors amounted to EUR 1,732,749 in 2000.

Note 7 Net financial items

EUR million	1998	1999	2000
Dividend income	2.3	3.9	6.3
Interest income	17.9	20.9	59.3
Other financial income	38.6	12.6	10.1
Exchange gains and losses	– 30.3	31.6	5.9
Interest expenses	– 378.4	– 328.0	– 361.5
Other financial expenses	– 29.2	– 7.5	– 13.0
Total	**– 379.1**	**– 266.5**	**– 292.9**

The aggregate foreign exchange gains and losses included in the consolidated income statements for the years ended December 31, 1998, 1999 and 2000 are as follows:

EUR million	1998	1999	2000
Sales	– 20.8	24.1	4.6
Costs and expenses	– 1.0	– 2.0	– 9.9
Net financial items	– 30.3	31.6	5.9
Total	**– 52.1**	**53.7**	**0.6**

Note 8 Income taxes

Profit before tax and minority interests is as follows:

EUR million	1998	1999	2000
Profit before tax and minority interests			
Finnish Group companies	350.5	574.2	780.5
Swedish Group companies	– 0.3	299.1	989.7
Other Group companies	– 18.7	269.4	328.8
Total	**331.5**	**1,142.7**	**2,099.0**

The (expense) credit for income taxes consists of the following:

EUR million	1998	1999	2000
Tax (expense) credit			
Current tax expense			
Finnish Group companies	– 110.3	– 141.0	– 194.5
Swedish Group companies	– 102.8	– 79.4	– 235.8
Other Group companies	77.8	– 73.8	– 243.2
Change in deferred taxes			
Finnish Group companies	5.3	– 26.1	– 30.5
Swedish Group companies	66.1	0.4	– 11.4
Other Group companies	– 79.6	– 69.5	72.1
Taxes of associated companies	– 2.5	– 2.4	– 7.0
Total	**– 146.0**	**– 391.8**	**– 650.3**

The following is reconciliation of income taxes to the nominal tax rates

EUR million	1998	1999	2000
Profit before tax and minority interests	331.5	1,142.7	2,099.0
Tax at the domestic rates applicable to profits in the country concerned	89.4	377.1	624.2
Tax effect of non-deductible expenses and tax-exempt income	78.0	18.2	38.6
Tax effect of losses incurred where no deferred tax benefit is recognised	– 1.2	– 15.3	– 1.3
Other items	– 20.2	11.8	– 11.2
Income taxes in the consolidated income statement	**146.0**	**391.8**	**650.3**

Deferred income tax assets and liabilities are summarised as follows:

EUR million	1999	2000
Deferred tax assets:		
Tax losses carried forward	68.5	70.5
Less valuation allowance	– 62.6	– 58.8
Total deferred tax assets in the balance sheet	**5.9**	**11.7**
Deferred tax liabilities:		
Depreciation in excess of planning and untaxed reserves	1,140.9	1,744.0
Group eliminations	– 5.9	– 15.8
Tax losses carried forward and other temporary differences	6.3	– 54.0
Fair value adjustments for acquired net assets	348.4	573.5
Total deferred tax liabilities in the balance sheet	**1,489.7**	**2,247.5**
Net deferred tax liabilities in the balance sheet	**1,483.8**	**2,235.8**

The Group has recognised a deferred tax asset for its net operating loss carry-forwards and established a valuation allowance against this amount. That determination was based upon an analysis of the probability criterion applied to each tax jurisdiction of the Group. The valuation allowance for net deferred tax assets decreased by EUR 3.8 million in 2000.

At 31 December 2000, Stora Enso had loss carry-forwards attributable mainly to foreign subsidiaries of EUR 674 million of which approximately EUR 353 million have no expiration. EUR 55 million expires during the years 2001-2004 and the rest thereafter.

The reconciliation of changes of deferred tax liabilities and deferred tax assets as at 31 December 1999 and 2000 is as follows:

EUR million	As at 31 Dec. 1999	Adoption of forest accounting	Charge (credit) to income statement	Acquisitions/ divestments	Exchange difference	As at 31 Dec. 2000
Deferred tax liabilities						
Depreciation in excess of planning and untaxed reserves	1,140.9		22.4	599.2	– 18.5	1,744.0
Group eliminations	– 5.9		– 9.9			– 15.8
Tax losses carried forward and other temporary differences	5.5	0.8	– 29.7	– 29.9	-0.7	– 54.0
Fair value adjustments for acquired net assets	348.4		– 7.2	233.9	– 1.8	573.3
Total deferred tax liabilities	**1,488.9**	**0.8**	**– 24.4**	**803.2**	**– 21.0**	**2,247.5**
Deferred tax assets						
Tax losses carried forward	5.9		5.8			11.7
Change in net deferred tax liabilities	**1,483.0**	**0.8**	**– 30.2**	**803.2**	**– 21.0**	**2,235.8**

EUR million	As at 31 Dec. 1998	Adoption of IAS 19 revised	Adoption of forest accounting	Charge (credit) to income statement	Acquisitions/ divestments	Exchange difference	As at 31 Dec. 1999
Deferred tax liabilities							
Depreciation difference and untaxed reserves	1,111.3			– 29.2		58.8	1,140.9
Group eliminations	– 10.4			4.5			– 5.9
Tax losses carried forward and other temporary differences	– 129.4	– 10.6	2.5	141.8		2.0	6.3
Fair value adjustments for acquired net assets	365.8			– 23.8	– 12.9	19.3	348.4
Total deferred tax liabilities	**1,337.3**	**– 10.6**	**2.5**	**93.3**	**– 12.9**	**80.1**	**1,489.7**
Deferred tax assets							
Tax losses carried forward	7.8			– 1.9			5.9
Change in net deferred tax liabilities	**1,329.5**	**– 10.6**	**2.5**	**95.2**	**– 12.9**	**80.1**	**1,483.8**

No deferred tax liability has been recognised for undistributed earnings of Finnish subsidiaries because, in most cases, such earnings may be transferred to the parent company without tax consequences. The Group does not provide for deferred income taxes on undistributed earnings of non-Finnish subsidiaries because such earnings are intended to be permanently reinvested in those operations, except in specific situations where the Group has elected to distribute earnings of these subsidiaries.

Note 9 Depreciation, amortisation and impairment changes

EUR million	1998	1999	2000
Depreciation and amortisation			
Intangible assets	– 13.6	– 12.7	– 14.7
Buildings and structures	– 95.4	– 85.4	– 100.4
Machinery and equipment	– 742.3	– 687.1	– 793.8
Other tangible assets	– 42.6	– 44.3	– 52.1
Goodwill	– 64.5	– 61.9	– 88.3
Total	**– 958.4**	**– 891.4**	**– 1,049.3**
Impairment charges			
Buildings and structures	– 1.5	–	–
Machinery and equipment	– 126.7	– 18.6	– 80.1
Other tangible assets	–	– 1.1	–
Goodwill	– 89.9	–	–
Total	**– 218.1**	**– 19.7**	**– 80.1**
Depreciation, amortisation and impairment charges	**– 1,176.5**	**– 911.1**	**– 1,129.4**

Impairment of machinery and equipment for the year ended 31 December 2000 consisted of the following:

Gruvön (packaging boards)
On 10 November 2000 Stora Enso Oyj and AssiDomän AB signed an agreement concerning the formation of a company, Billerud, which will be 50/50-owned. The company consists of the paper mills Gruvön (Stora Enso), Karlsborg and Skärblancka (AssiDomän). Considering the fair value of Gruvön as indicated in the agreement an impairment of fixed assets was evident. An impairment charge of EUR 71.1 million to net realisable value was entered for 2000. The formal merger and formation took place on 1 January 2001.

Newton Kyme (packaging boards)
On 10 October Stora Enso announced that it would close down its Newton Kyme mill in the UK during the early part of 2001. The mill has an annual capacity of 40,000 tonnes of packaging boards impermeable to fat and moisture. The manufacture of these products is no longer commercially viable. An impairment for fixed assets of EUR 2.9 million and a provision to cover closure costs of EUR 12.0 million were entered for 2000.

Langerbrugge (magazine paper)
On 9 January 2001 Stora Enso announced its intention to build a paper machine in Langerbrugge, Belgium and to shut down permanently two paper machines in Langerbrugge and Summa, Finland. After the write-down of EUR 5.8 million entered for the fourth quarter 2000, the remaining carrying value will be depreciated in their remaining useful lifetime before the machines are closed down. Any closing costs related to Nymölla, Summa or Langerbrugge will be entered later.

Nymölla (fine paper)
Stora Enso will also shut down a 140,000 tonnes per year off-line coater in Nymölla (fine paper), Sweden. Most of the write-down was already booked in 1998. An additional write-down of EUR 5 million was entered for the fourth quarter 2000.

Impairment of machinery and equipment for the year ended 31 December 1998 consisted of the following:

The market situation and the poor profitability of some assets led the Group to evaluate long-life assets for possible impairment. The values of such assets were determined using discounted future cash flow analysis and estimated market values for specified assets as if they were to be sold or disposed of. As a result, the Group recognised an impairment charge of EUR 126.7 million. Of the total charge, EUR 32.0 million related to the write-down of the Dalum paper mill assets (fine paper segment) to net realisable value based on a signed letter of intent. The mill was divested in 1999. EUR 30.2 million related to the write-down of assets in Mölndal fine paper mill (fine paper segment) in accordance with a plan to close down the mill. EUR 22.9 million relate to Nymölla off-machine coater (fine paper segment), which continues to be in use but has been producing negative cash flows for several years. Summa Paper Machine (newsprint segment) and Pankakoski Board Machine (packaging boards segment) were written-down by EUR 6.0 million and EUR 8.4 million respectively, due to the out-of-date technology and continuing negative operating performance of these machines. The remaining EUR 27.2 million reflects impairments of assets containing out-of-date technology that are no longer in use.

Impairment of goodwill for the year ended 31 December 1998 consisted of the following:

Uetersen (fine paper)
Declining profitability due to increased competition in coated fine paper production led the Group to evaluate long-life assets and associated goodwill of this activity for possible impairment. As a consequence of these factors, the recoverability of the carrying amounts of such assets was tested for impairment. These tests led to impairment at 31 December 1998 for goodwill amounting to EUR 27.7 million.

Corbehem (magazine paper)
The closing down of two paper machines and the increased market capacity of light-weight coated paper and Corbehem's relative position as a small producer led the Group to evaluate long-life assets and associated goodwill of this activity for possible impairment. As a consequence of these factors, the recoverability of the carrying amounts of such assets was tested for impairment. These tests led to impairment at 31 December 1998 for goodwill amounting to EUR 12.5 million.

Reisholz (magazine paper)
Increased supercalendered paper capacity and quality requirements in the market and Reisholz's limited ability to compete with a small machine led the Group to evaluate long-life assets and associated goodwill of this activity for possible impairment. As a consequence of these factors, the recoverability of the carrying amounts of such assets was tested for impairment. These tests led to impairment at 31 December 1998 for goodwill amounting to EUR 25.1 million.

Baienfurt (packaging boards)
Low profitability at Baienfurt mill due to decreased product prices led the Group to evaluate long-life assets and associated goodwill of this activity for possible impairment. As a consequence of these factors, the recoverability of the carrying amounts of such assets was tested for impairment. These tests led to impairment at 31 December 1998 for goodwill amounting to EUR 24.6 million.

The values in the use of such assets referred to above were determined using discounted cash flows over the life of the long-life assets and associated goodwill. Discounted cash flows were estimated based upon the following criteria:

– future cash flows are discounted on a four-year basis,
– the terminal value is discounted based on the average cash flow of a normalised year which has been calculated using trend prices,
– a discount factor of 6.52% was used for Uetersen and Baienfurt, 6.63% for Corbehem and 6.5% for Reisholz.

Note 10 Fixed assets and long-term investments

EUR million	Goodwill	Intangible assets	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets
Year ended 31 December 2000						
Acquisition cost at 1 January	986.5	121.5	2,261.1	2,569.3	12,305.3	701.4
Translation difference	– 84.6	0.9	– 25.6	– 17.7	– 91.4	– 5.5
Reclassifications	–	–	–	– 3.6	– 40.3	43.9
Acquisitions	1,932.9	9.1	16.1	275.8	3,216.2	278.0
Additions	–	35.4	25.9	121.3	652.8	300.1
Disposals	–	– 2.1	– 811.0	– 260.3	– 599.4	– 246.2
Acquisition cost at 31 December	2,834.8	164.8	1,466.5	2,684.8	15,443.2	1,071.7
Accumulated depreciation and amortisation at 1 January	**520.1**	**61.2**	–	**901.9**	**5,946.4**	**267.1**
Accumulated depreciation and amortisation of companies acquired	–	1.3	–	34.0	289.1	5.4
Translation difference	– 2.2	– 0.1	–	– 6.9	– 73.1	– 0.8
Depreciation and amortisation	88.3	14.7	–	100.4	793.8	52.1
Accumulated depreciation and amortisation of assets sold	–	– 1.5	–	– 59.5	– 447.4	– 1.9
Impairment charges	–	–	–	–	80.1	–
Accumulated depreciation and amortisation at 31 December	606.2	75.6	–	969.9	6,588.9	321.9
Net book value at 31 December 2000	**2,228.6**	**89.2**	**1,466.5**	**1,714.9**	**8,854.3**	**749.9**
Net book value at 31 December 1999	**466.4**	**60.3**	**2,261.1**	**1,667.4**	**6,358.9**	**434.3**

Intangible assets include computer software development costs of EUR 11.4 million and EUR 23.2 million at 31 December 1999 and 2000, respectively. Amortisation for the period amounted to EUR 0.8 million in 1999 and EUR 2.9 million in 2000.

The Group has capitalised interest on the construction of qualifying assets using interest rates ranging from 6% to 11%. The amount of interest capitalised for the years ended 31 December 1999 and 2000 totalled EUR 0.3 million and EUR 3.3 million, respectively. Amortisation for the period amounted to EUR 11.9 million in 1999 and EUR 16.6 million in 2000.

Note 11 Associated companies

EUR million	1998	1999	2000
Historical cost at 1 January	273.1	289.9	133.2
Translation difference	– 14.9	1.8	– 0.2
Additions	42.3	20.2	59.0
Disposals	– 1.2	– 36.8	– 13.8
Transfer to investments in other companies	– 9.4	– 141.9	–
Historical cost at 31 December	**289.9**	**– 133.2**	**178.2**
Equity adjustment to investments in associated companies at 1 January	44.8	44.2	32.3
Share of results of associated companies before tax	9.9	9.7	20.6
Translation difference	– 0.1	– 27.3	6.3
Dividends received during the year	– 7.2	– 3.1	– 1.2
Income taxes	– 2.5	– 2.4	– 7.0
Disposals and other changes	– 0.7	11.2	– 15.6
Equity adjustment at 31 December	44.2	32.3	35.4
Carrying value of investments in associated companies at December 31	**334.1**	**165.5**	**213.6**

The 1999 transfer from investments in associated companies to investments in other shares includes EUR 134.6 million relating to the reduction of the shareholding in Pohjolan Voima Oy to 16.5% at 31 December 1999.

Shares in significant associated companies are as follows:

	1998 %	1999 EUR	2000 EUR	Domicile
Sunila Oy (pulp mill)	50.0	28.8	51.4	Finland
Steveco Oy (stevedoring)	36.7	14.6	14.1	Finland
Veracel (pulp mill project)	45.0	73.2	55.7	Brazil
Mitsubishi HiTec Paper Bielefeld GmbH (technical office papers)	24.0	18.1	19.3	Germany
Mitsubishi HiTec Paper Flensburg GmbH (technical office papers)	24.0	5.9	5.7	Germany

Note 12 Related party transactions

EUR million	1999	2000
Receivables from and payables to associated companies		
Long-term loans receivable	11.3	2.1
Trade receivables	22.1	19.3
Short-term investments and receivables	35.9	0.1
Prepaid expenses and accrued income	0.1	0.2
Other receivables	–	–
Long-term interest-bearing liabilities	–	0.2
Trade payables	11.4	22.7
Accrued liabilities and deferred income	0.2	0.4
Other current interest-bearing liabilities	5.8	0.7

EUR million	1998	1999	2000
Sales to associated companies	103.3	122.7	122.8
Purchases from associated companies	– 285.1	– 150.1	– 31.4

Interest income on long-term loan receivables from associated companies totalled EUR 1.5 million, EUR 1.5 million and EUR 0.3 million for the years ended 31 December 1998, 1999 and 2000.

The Group occasionally engages in transactions, including sales of wood material and purchases of energy and pulp products, with associated companies. In each case terms of the agreements are negotiated on an arm's length basis and are conducted on terms that the Group believes to be customary in the industry and generally no less favourable than would be available from unaffiliated third parties.

Stora Enso is entitled to borrow amounts from its Finnish pension funds. At 31 December 1999 and 2000, the Group's long-term borrowings from its Finnish pension funds totalled EUR 244.4 million and EUR 17.5 million, respectively. Interest expenses associated with such borrowings amounted to EUR 11.5 million and EUR 10.8 million in 1999 and 2000, respectively.

Note 13 Investments in other companies

EUR million	1998	1999	2000
Acquisition cost at 1 January	57.0	128.8	280.5
Translation differences	– 1.1	0.5	– 0.4
Additions	68.8	13.4	12.4
Disposals	– 4.8	– 7.1	– 40.5
Write-downs	– 0.5	3.0	–
Transfer to capital investment shares	–	–	– 74.8
Transfer from associated companies	9.4	141.9	–
Net carrying amount at 31 December	**128.8**	**280.5**	**177.2**

Investments in other companies include listed investments of EUR 74.8 million in 1999 and EUR 72.2 million in 1998. At the balance sheet date, the market value of these investments was EUR 58.5 million in 1999 and EUR 51.9 million in 1998. In 2000 these shares have been transferred to capital investment shares.
The 1999 transfer from investments in associated companies to investments in other shares includes EUR 134.6 million relating to the reduction of the shareholding in Pohjolan Voima Oy to 16.5% at 31 December 1999.

Note 14 Investments

EUR million	%	Number of shares	Carrying value	Market value
Finnlines Oyj, Helsinki	5.5%	1,104,670	1.9	19.9
Finnair Oyj, Helsinki	0.0%	14,400	0.1	0.1
Elisa Communications Oyj, Helsinki	0.0%	42,605	0.2	1.0
Kemira Oyj, Helsinki	0.1%	160,000	0.9	0.9
Kesko Oyj, Helsinki, series B	0.0%	38,000	0.4	0.4
KSP Yhtiöt Oyj, Jyväskylä	0.0%	1,430	0.0	0.0
Merita Foresta, Helsinki		5,000,000	0.8	1.7
Nordea AB, Stockholm	0.1%	3,706,214	8.7	31.1
Silja Oyj, Helsinki	2.0%	1,261,211	2.5	1.1
Outokumpu Oyj, Espoo	0.0%	47	0.0	0.0
Raisio Yhtymä Oyj, Raisio, V-series	0.1%	120,000	0.5	0.2
Raisio Yhtymä Oyj, Raisio, K-series	0.0%	5,100	0.0	0.0
Rautaruukki Oyj, Helsinki	0.1%	130,000	0.8	0.5
Sampo-Leonia Insurance Company plc, Turku, A-series	1.8%	1,822,228	26.0	104.8
Sonera Oyj, Helsinki	0.0%	50,000	0.7	1.0
Tampereen Puhelin Oyj, Tampere	0.8%	3,250	0.0	0.0
Tietoenator Oyj, Espoo	0.0%	29,160	0.6	0.9
Advance Agro Public Company Ltd, Thailand	19.9%	100,536,328	69.1	36.9
Otor SA, France	0.0%	44,250	0.4	0.1
CPI Group Ltd, Australia	8.3%	4,624,507	4.9	4.7
Merita Pro Euro bond		59,559	0.5	0.6
KB Metro Flyg	33.0%		6.0	6.0
KB Mega Carrier	33.0%		7.2	7.2
Total			**132.3**	**219.1**

Proceeds from disposals of investments were as follows:

EUR million	1999	2000
Net book amount	4.4	–
Gain on sale	3.1	–
Total	**7.5**	–

Note 15 Inventories

EUR million	1999	2000
Materials and supplies	550.2	678.8
Work in progress	65.4	92.5
Finished goods	590.5	757.7
Other inventories	59.5	60.5
Total	**1,265.6**	**1,589.5**

Note 16 Short-term receivables

EUR million	1999	2000
Trade receivables	1,732.7	2,028.2
Prepaid expenses and accrued income	154.5	125.8
Other receivables	203.3	206.7
Total	**2,090.5**	**2,360.7**

Receivables falling due after one year are included in non-recurring receivables.

Note 17 Other financial assets

EUR million	1999	2000
Non-current loan receivables	66.8	486.3
Short-term receivables:		
Current portion of loan receivables	63.0	96.2
Cash and cash equivalents	642.3	744.5
Total other financial assets	**772.1**	**1,326.9**

Non-current loan receivables include EUR 454.2 million of receivables that relate to cross-border leasing at Consolidated Papers at 31 December.
Non-current loan receivables include EUR 49.3 million of receivables that relate to discontinued operations at 31 December 1999.
Interest rates on the receivables range from 6.5% to 6.7% per annum.

Note 18 Shareholders' equity

Under the Articles of Association, the Company's issued share capital may be not less than EUR 850 million and not more than EUR 3,400 million. The issued share capital may be raised or lowered within these limits without amendment to the Articles of Association. The minimum number of shares that may be issued is 500,000,000 and the maximum number 2,000,000,000. Series A shares entitle the holder to one vote per share. Series R shares entitle the holder to one vote per ten shares with a minimum of one vote. The maximum number of Series A shares is 500,000,000 and Series R shares 1,600,000,000. The combined total number of Series A and R shares may not exceed 2,000,000,000. The Company's Series A shares may, at the request of a shareholder, be converted into Series R shares on dates that are decided annually by the Board of Directors.

Changes in number of shares

	Series A	Series R	Total
At 31 December 1998	243,394,655	516,185,034	759,579,689
Conversion of Series A shares to Series R shares 6–24 Sep. 1999	– 34,443,467	34,443,467	0
Warrants exercised and registered 26 Oct. 1999	–	30,000	30,000
At 31 December 1999	208,951,188	550,658,501	759,609,689
Conversion of Series A shares to Series R shares 16–27 Oct. 2000	– 14,454,732	14,454,732	0
Warrants exercised and registered 26 Jan. 2000		246,000	246,000
Share issue (Consolidated Papers) 11 Sep. 2000		167,367,577	167,367,577
At 31 December 2000	194,496,456	732,726,810	927,223,266
Warrants exercised and registered 5 Jan. 2001		312,000	312,000
At 5 Jan. 2001	194,496,456	733,038,810	927,535,266
Number of votes as at 31 Dec. 2000	194,496,456	73,272,681	267,769,137
Share capital at 31 December 2000, EUR millions	330.6	1,245.6	1,576.3

The counter-value for each Series A and R shares is EUR 1.70.
On 19–29 December 2000 312,000 warrants issued on 10 April 1997 had been exercised but were not registered in the Finnish Trade Register until 5 January 2001. Subsequent to registration, the number of Series R shares rose to 733,038,801 and the total number of shares to 927,535,266.

Number of shares repurchased

	Series A	Series R	Total
September	101,700	5,231,500	5,333,200
October	51,400	5,345,200	5,396,600
November	111,200	4,270,500	4,381,700
December	53,700	1,454,100	1,507,800
	318,000	**16,301,300**	**16,619,300**

Value of shares repurchased, EUR

	Series A	Series R	Total
September	1,000,835.15	51,618,345.59	52,619,180.74
October	491,390.36	51,136,468.13	51,627,858.49
November	1,298,820.51	49,954,936.78	51,253,757.29
December	654,181.18	17,560,031.38	18,214,212.56
	3,445,227.20	**170,269,781.88**	**173,715,009.08**

Per share -figures, EUR

	Average price	Lowest price	Highest price
Series A			
September	9.84	9.25	10.50
October	9.56	9.00	10.03
November	11.68	10.71	12.30
December	12.18	11.30	12.50
Series R			
September	9.87	9.32	10.52
October	9.57	8.85	10.10
November	11.70	10.70	12.33
December	12.08	11.30	12.50

At 31 December 2000 Stora Enso Oyj held 318,000 Series A shares and 16,301,300 Series R shares, countervalue EUR 173.7 million. This represents 1.8% of the company's share capital and 0.7% of voting rights. At 31 December 2000 Merivienti Oy (a subsidiary of Stora Enso Oyj) held 5,601 Series R treasury shares with a total carrying value of EUR 8.478. At the end of 2000 the Board of Directors and the Chief Executive Officer owned 19,275 Series A shares and 2,746,175 Series R shares representing less than 0.1% of the total voting rights of the company.

The Board of Directors proposes to the Annual General Meeting that the registered share capital of the company be lowered through the cancellation of shares in the company held by the same. The share capital will be reduced by not more than EUR 64,577,900 through the cancellation of not more than 10,446,000 Series A shares held by the company and not more than 27,541,000 Series R shares held by the company. The shares proposed to be cancelled have been repurchased by the company pursuant to its established scheme for the repurchase of its own shares.

In 1997, shareholders approved the plan to offer 15 members of the senior management bonds with warrants in a maximum amount of FIM 1,000,000 (EUR 168,187). Each FIM 1,000 (EUR 168.19) bond carries one warrant entitling the holder to subscribe for 3,000 Series R shares at a subscription price per share of FIM 45.57 (EUR 7.66). The bonds accrue interest at 4.0% per annum and have a maturity of five years.

On 18 August 2000 the Board of Directors decided to convert the Consolidated Papers' stock option plans (1989 Stock Option Plan and 1998 Incentive Compensation Plan) into stock option plans of Stora Enso. The maximum number of R shares in the form of ADRs that may be subscribed for is 5,680,000. If fully subscribed the share capital will increase by a maximum of EUR 9,656,000. The exercise period is from 11 September 2000 to 14 June 2010 (depending on the date of grant) and the weighted average subscription price is USD 6.9687. The shares represent some 0.6% of the share capital and 0.2% of the voting rights after the exercise of options.

At 31 December 2000 the number of R-shares subscribable against bonds with warrants was 2,412,000 and the number of R-shares subscribable on the basis of the converted CPI-option programme 5,679,625.

See note 6 for a specification of management's shares, warrants and synthetic options.

Note 19 Borrowings

The repayment schedule of long-term interest-bearing liabilities, including current portion at 31 December 2000, is as follows:

EUR million	2001	2002	2003	2004	2005	After 2005	Total
Bonds with warrants	–	0.2	–	–	–	–	0.2
Bond loans	66.5	143.0	260.6	371.8	120.3	1,861.5	2,823.7
Loans from credit institutions	91.9	88.5	49.7	1,172.8	59.8	437.5	1,900.2
Pension loans	53.0	32.1	26.2	13.7	13.6	92.0	230.5
Leasing liabilities	46.6	17.5	9.2	18.1	36.3	653.3	781.0
Other long-term liabilities	4.8	6.6	6.7	4.7	5.8	13.3	42.0
Total	**262.8**	**287.8**	**352.4**	**1,581.1**	**235.8**	**3,057.6**	**5,777.5**

At 31 December 2000, the Group's unused credit facilities totalled EUR 1,828.0 million.

The Group bought back debt denominated in SEK during 2000 and in this connection terminated swaps that were hedging these issues. The puchase was refinanced with a new bond issued in SEK. The gain included under financial items was SEK 18 million (related tax effect of SEK 5 million.)

As at 31 December 1999 and 2000 bond loans included in long-term debt consist of the following:

EUR million	Interest rate	Currency	Original amount	1999	2000
Fixed rate					
1991–2000 *)	8.22	USD	35.0	34.8	
1991–2001 *)	9.68	USD	43.0	42.8	46.2
1991–2006	9.99	USD	50.4	50.2	54.2
1993–2001	6.74	USD	45.0	44.8	48.4
1993–2003	9.50	SEK	150.0	17.5	
1993–2003	9.50	SEK	25.0	2.9	2.8
1993–2003	8.96	SEK	350.0	40.9	39.6
1993–2003	9.50	SEK	255.0	29.8	28.9
1993–2003 *)	8.64	USD	65.0	64.7	69.9
1993–2004	7.11	USD	7.0	7.0	7.5
1993–2019	8.60	USD	50.0	49.8	53.7
1994–2004	8.00	SEK	500.0	58.4	23.1
1995–2001 *)	7.75	USD	20.0	49.8	20.9
1996–2006	8.75	SEK	250.0	29.2	
1996–2006	7.90	SEK	470.0	54.9	53.2
1997–2000 *)	1.26	JPY	3,000.0	29.2	
1997–2004 *)	6.00	FIM	1,484.0	249.6	249.6
1997–2004	6.71	USD	81.0		87.0
1997–2007	7.25	SEK	500.0	58.4	
1997–2007	6.82	USD	102.0		109.6
1997–2009	6.90	USD	48.5		52.1
1997–2012	7.00	USD	22.5		24.2
1997–2017 *)	4.11	JPY	10,000.0	97.3	93.5
1997–2017	7.14	USD	23.0		24.7
1997–2012	3.90	USD	5.0		5.4
1998–2000 *)	4.97	FIM	100.0	16.8	
1998–2002	5.50	SEK	200.0	23.4	17.0
1998–2002	5.50	SEK	50.0	5.8	
1998–2002	5.50	SEK	50.0	5.8	
1998–2004	5.35	SEK	200.0	23.4	
1998–2005	5.20	SEK	200.0	23.4	
1998–2005	4.63	SEK	200.0	23.4	
1998–2008	4.00	SEK	264.4	30.9	28.3
1998–2009	6.93	USD	30.0		32.2
1998–2018	7.24	USD	65.0		69.9
1998–2023	7.30	USD	65.0		69.9
1999–2005	4.75	SEK	135.0	15.8	15.3
1999–2005	4.75	SEK	165.0	19.3	18.7
1999–2006	5.90	SEK	500.0	58.4	11.3
2000–2005 *)	6.50	SEK	100.0		11.3
2000–2003 *)	5.25	SEK	1,000.0		113.2
2000–2006 *)	6.25	SEK	2,000.0		226.5
2000–2007 *)	6.38	EUR	850.0		850.0
2000–2007 *)	6.90	SEK	200.0		22.6

As at 31 December 1999 and 2000 bond loans included in long-term debt consist of the following:

EUR million	Interest rate	Currency	Original amount	1999	2000
Floating rate					
1995–2000 *)	LIBOR + 0.325	USD	75.0	74.7	
1995–2000 *)	LIBOR + 0.35	USD	50.0	49.8	
1997–2007 *)	LIBOR + 0.35	FIM	110.0	18.5	18.5
1998–2001	STIBOR + 0.25	SEK	200.0	23.4	22.6
1998–2002	STIBOR + 0.25	SEK	100.0	11.7	11.3
1998–2005	STIBOR + 0.27	SEK	80.0	9.3	
1998–2005	STIBOR + 0.34	SEK	200.0	23.4	22.6
1998–2008 *)	LIBOR + 0.35	USD	30.0	29.9	32.2
1998–2008 *)	LIBOR + 0.33	USD	40.0	39.9	43.0
1999–2005	STIBOR + 0.318	SEK	300.0	35.0	34.0
1999–2005	STIBOR + 0.45	SEK	110.0	12.8	12.5
1999–2008	STIBOR + 0.75	SEK	105.3	12.3	11.3
2000–2007 *)	EURIBOR+0.75	EUR	10.0		10.0
2000–2010 *)	EURIBOR+0.80	EUR	25.0		25.0
Total				**1,598.7**	**2,823.7**

*) These loans marked with an asterisk belong to parent company liabilities.

Loans from credit institutions consist of international credit institution borrowings with varying maturities and either fixed or floating interest rates. The majority of the Group's loans from credit institutions are denominated in euro currencies. Other credit institution loans are denominated mainly in Swedish crowns and US dollars. At 31 December 2000 the interest rates of the loans ranged from 1.68% per cent to 7.08% and the last loans mature in 2012.

As permitted in Finland, a portion of annual pension payments have been borrowed from pension insurance companies at specified interest rates. Principal payments are due annually based on 7.0% of the remaining outstanding balance on the anniversary date of the loan. The Group may elect to borrow up to 55.0% of the annual pension contribution. The interest rate on such pension loans, which is regulated by the Finnish Ministry of Social Affairs and Health, was 5.75% at 31 December 2000.

As at 31 December 1999 and 2000 the breakdown of operating capital / net interest-bearing liabilities by currencies is as follows:

	Operating capital		Net interest-bearing liabilities	
EUR million	1999	2000	1999	2000
EUR	6,808.7	6,477.5	1,411.4	2,486.3
SEK	4,660.5	3,244.3	2,405.9	838.8
USD/CAD	689.6	6,281.7	810.2	1,642.6
CNY	205.3	225.8	–	–
GBP	98.4	79.2	14.1	– 56.0
Other	154.3	248.4	141.2	271.0
Total	**12,616.8**	**16,556.9**	**4,782.8**	**5,182.7**

Finance lease liabilities

Stora Enso has a number of finance leasing agreements for machinery and equipment maturing between 2008-2015. The aggregate rent expenses amounted to EUR 54.0 million and EUR 58.7 million for the years ended 31 Dec. 2000 and 1999. EUR 853.3 million and EUR 180.1 million is included in machinery and equipment as at 31 Dec. 2000 and 1999, respectively. Interest expense is EUR 14.4 million and depreciation expense EUR 28.3 million for the year ended 31 Dec. 2000.

EUR million	1999	2000
Minimum lease payments		
Less than 1 year	63.3	78.5
1–5 years	253.4	344.3
Over 5 years	224.0	1,061.4
	540.6	**1,484.2**
Future finance charges on finance leases	– 237.1	– 703.2
Repayment schedule for finance lease liabilities		
Present value of finance lease liabilities	303.5	781.0
Less than 1 year	58.9	75.0
1–5 years	169.7	265.6
Over 5 years	74.8	440.4
	303.5	**781.0**

Short-term borrowings

EUR million	1999	2000
Short-term loans	1,476.6	1,078.0

The Group's short-term loans are denominated mainly in Swedish crowns (37%) and euros (63%).

The maturities of short-term loans are from 2 weeks to 9 months for SEK and EUR. Short-term loans consisted mainly of commercial papers at 31 December 1999 and 2000 and the weighted average interest rate applicable to short-term borrowings was 3.80% (SEK) and 3.44% (EUR) and 4.28% (SEK) and 5.14% (EUR) respectively.

Note 20 Other current liabilities and provisions

Other current liabilities

EUR million	1999	2000
Advances received	17.4	9.2
Trade payables	748.4	912.2
Other current liabilities	305.6	355.6
Accrued liabilities and deferred income	436.4	613.6
Total	**1,507.8**	**1,890.6**

Accrued liabilities and deferred income consist mainly of personnel expenses, VAT liability, discounts and other accruals.

Other provisions

EUR million	Environmental	Pension	Other
Carrying value at 31 December 1999	61.6	575.5	124.9
Translation difference	– 1.1	– 10.6	– 1.7
Acquisition	6.2	223.0	0.9
Increase	4.9	55.4	24.7
Decrease	– 1.9	– 71.5	– 45.1
Carrying value at 31 December 2000	**69.7**	**771.8**	**103.7**

Note 21 Fair value of financial instruments

The following table presents the carrying amounts and fair values of the Group's financial instruments outstanding at 31 December 1999 and 2000. The fair values of financial instruments are defined as the amount at which the instrument could be exchanged between willing parties in a current transaction, other than in a forced liquidation or sale.

EUR million	1999		2000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current loan receivables	66.8	66.8	486.3	486.3
Current portion of loan receivables	63.0	63.0	96.2	96.2
Short-term money market instruments	202.9	202.9	27.5	27.5
Financial liabilities				
Short-term borrowings	1,476.6	1,476.6	1,078.0	1,078.0
Long-term debt	3,846.2	3,947.0	5,514.7	5,339.0
Current portion of long-term debt	446.7	446.7	262.8	262.8
Off-balance sheet instruments				
Currency options purchased	–	–	–	–
Currency options written	–	–	–	–
Forward foreign exchange contracts	12.0	12.0	125.5	125.5
Interest-rate swaps	4.3	3.3	–0.5	16.7
Interest-rate futures	–	–	–	–
Cross currency swaps	29.7	20.7	-22.4	–11.7
Interest-rate options	–	–	–	–
Energy derivatives	–	–	–	2.6
Commodity derivatives	–	–	–	2.4

Fair values of financial instruments have been estimated as follows.

Financial assets
Because of the short-term maturity of the instruments the carrying amounts of financial assets are a reasonable estimate of the fair values. Bank account balances are not included in the amounts.

Short-term borrowings and current portion of long-term debt
Because of the short-term maturity of such instruments the carrying amounts are a reasonable estimate of the fair values.

Long-term debt
The carrying amounts of floating rate long-term debt approximate fair values. Carrying amounts of pension loans approximate fair values. The fair values of fixed rate long-term debts are estimated using a discounted cash flow analysis.

Currency options
The carrying amounts of currency option contracts are calculated using year-end market rates and generally used option pricing models and thus the carrying amounts approximate fair values.

Foreign exchange forward contracts
The carrying amounts of forward contracts are calculated using year-end market rates and thus the carrying amounts approximate fair values.

Interest-rate swaps
The fair values of interest rate swaps have been calculated using a discounted cash flow analysis. The carrying amount of interest rate swaps is the amount of net accrued interest.

Cross-currency swaps
The fair values of cross-currency swaps have been calculated using a discounted cash flow analysis and year-end foreign exchange rates. The carrying amount of cross-currency swaps is the foreign exchange differential between contract rate and year-end market rate and the amount of net accrued interest.

Interest rate futures
The fair values of interest rate futures have been calculated using either a discounted cash flow analysis or quoted market prices on future exchanges. Thus the carrying amounts approximate fair values.

Note 22 Risk management contracts

The nominal values of risk management contracts are as follows:

EUR million	1999	2000
Interest-rate derivatives		
Forward agreements	1,694.4	–
Interest-rate swap agreements	799.2	737.5
Interest-rate options	–	–
Interest-rate derivatives, total	**2,493.6**	**737.5**
Foreign exchange derivatives		
Forward agreements	2,940.6	4,515.0
Options	–	–
Purchased	–	–
Written	–	–
Cross-currency swap agreements	425.1	286.9
Foreign exchange derivatives, total	**3,365.7**	**4,801.9**
Commodity derivatives		
Forward agreemens	–	108.0
Commodity swaps	–	67.9
		175.9
Maturity of interest-rate swap contracts		
Under 1 year	87.0	96.6
1–5 years	350.1	307.6
5–10 years	362.1	333.3
Over 10 years	–	–
Total	**799.2**	**737.5**

Financial risk management
The conduct of the Group's international industrial operations presents a number of market risks. During 1999 the financial risks of the Group were managed by different financial centres and to some extent by subsidiaries. By the end of 1999 the responsibility for managing financial risk had been transferred to the Group treasury, Stora Enso Financial Services, S.A. At the same time proprietary trading operations were discontinued.

The overall objective of the Group treasury is to provide cost-effective funding to subsidiaries as well as to manage financial risks in order to minimise the negative effects of market fluctuations on the Group's net income. The main exposures for the Group are funding risk, interest rate risk, currency risk and commodity risk.

Funding risk
Funding risk arises from the difficulty of obtaining financing for operations at a given point in time. Funding risk is the ratio of long-term financing divided by capital employed, which should not be less than one.

In order to minimise the cost of refinancing Stora Enso's loan portfolio and to ensure that funding can be obtained, the Group treasury must have committed credit facilities to cover the Group's general corporate funding needs and all of its commercial paper borrowings. The average maturity of the outstanding loans and committed credit facilities should be at least four years.

Interest-rate risk

The Group is exposed to changes in interest rates. Due to the cyclical nature of the industry, the Group's interest rate risk management policy is to synchronise the cost of capital with the return on capital employed. This is achieved by swapping long-term fixed interest rates to short-term floating interest rates.

Foreign exchange risk

The Group operates internationally and is thus exposed to currency exchange risk arising from fluctuations in foreign exchange rates. Foreign currency-denominated sales and purchases and foreign currency-denominated balance sheet items (i.e. transaction risk) as well as net investments in foreign subsidiaries (i.e. translation risk) give rise to currency exchange risk.

The benchmark for hedging transaction risk is to hedge 50% of the upcoming 12 month's net exposure in a specific currency. The Group's policy is to hedge at minimum 25% and maximum 75% of the net exposure in that currency.

The policy of the Group is to minimise translation risk exposure by funding the assets, whenever economically possible, in the same currency. If matching of assets and liabilities in the same currency is not possible, hedging of the remaining translation risk may take place. The Group does not hedge translation risk of currencies that it believes will, in the future, join the European economic and monetary union.

Commodity risk

Prices for the Group's main products have been cyclical in nature and thus the Group's earnings are highly exposed to commodity price volatility. The Group has begun implementing a commodity risk management framework in the areas of fibres and energy. Subsidiaries are responsible for measuring and hedging their commodity risks and may enter into hedging instruments through the Group treasury.

Proprietary operations

The proprietary operations of Stora Enso were discontinued at the end of 1999. These operations took market risk positions, employing directional and relative value risk-taking strategies, diversified across markets and instruments. Directional strategies anticipated changes in absolute rate and price levels; relative value strategies anticipated changes in relationship between markets and classes of instruments. Proprietary operations were active in the following areas: fixed income, foreign exchange and equity markets.

Credit risk

Credit insurance has been obtained for customers in the main market areas in Western Europe, the United States and Canada. In other market areas of the world, measures to reduce credit risks include letters of credit, prepayments and bank guarantees. The Group has also obtained export guarantees covering both political and commercial risks from Finnvera. These export guarantees are used in connection with individual customers outside the Organization for Economic Co-operation and Development area.

Management believes that no significant concentration of credit risk with any individual customer, counter-party or geographical region exists for Stora Enso.

Supply risk

The Group's manufacturing operations depend upon obtaining adequate supplies of raw materials on a timely basis. Stora Enso's principal raw materials are wood, energy and chemicals. Group companies may at times be substantially dependent on a limited number of suppliers of key resources due to availability, locality, price, quality and other considerations. Also, from time to time suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. The Group works closely with its key suppliers around the world in an attempt to mitigate supplier risk. In addition, the Group produces some of its key resources in house.

The result of operations could be adversely affected if the Group were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

Note 23 Commitments and contingencies

EUR million	1999	2000
On own behalf		
Pledges given (1)	64.6	38.9
Mortgages	649.0	400.8
On behalf of associated companies		
Mortgages	1.0	1.0
Guarantees	11.6	14.5
On behalf of others		
Pledges given	2.5	0.4
Guarantees	198.9	102.8
Other commitments, own		
Leasing commitments, in 2001	24.2	30.3
Leasing commitments, after 2001	92.6	106.9
Pension liabilities	3.4	2.9
Other contingencies (2)	45.5	87.2
Total		
Pledges given	67.1	39.3
Mortgages	650.0	401.8
Guarantees	210.5	117.3
Leasing commitments	116.8	137.2
Pension liabilities	3.4	2.9
Other contingencies	45.5	87.2
Total	**1,093.3**	**785.7**

(1) Assets pledged at 31 December 1999 and 2000 consist of marketable securities, inventories and fixed assets.
(2) Includes USD 64 million as maximum contingent liability pursuant to the indemnification provision of a sale and purchase agreement, dated 9 February 1994, among Stora Enso Kopparberg Bergslags AB and Wahid Vermögensverwaltungs GmbH in the relation to the disposal of Tarkett Inc.

Stora Enso has guaranteed leasing agreements relating to Stora Enso Barcelona SA to a maximum EUR 34,915,137 at 31 December 2000. The commitment extends until 23 December 2003.

Guarantees are made in the ordinary course of business on behalf of associated companies and others in limited circumstances. The guarantees are entered into with financial institutions and other credit guarantors and generally obligate the Group to make payment in the event of default by the borrower.

The guarantees have off-balance sheet credit risk which represents the accounting loss that would be recognised at the reporting date if counter-parties failed to perform completely as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that no amounts could be recovered from other parties.

The Group leases offices and warehouse space under various non-cancelable operating leases. Some contracts contain renewal options. The future cost for contracts exceeding one year and for non-cancelable operating leasing contracts are as follows:

EUR million	2001	2002	2003	2004	2005	after 2005	Total
	30.3	24.4	19.4	11.5	7.8	43.8	137.2

Schweighofer Privatstiftung holds 26.5% of Stora Enso Timber Oy shares. Schweighofer Privatstiftung has a put option allowing them to sell their shares to Stora Enso Oyj at a predetermined price. The put option may be exercised between 1 January 2002 and 30 June 2006.

Contingent liabilities

The Group is a party to legal proceedings that arise in the ordinary course of business. These lawsuits primarily involve claims arising out of commercial law issues. Stora Enso is also involved in administrative proceedings relating primarily to competition law. Management does not believe that liabilities related to such proceedings in the aggregate, before insurance recoveries, if any, are likely to be material to the Group's financial condition or result of operations.

The company has given its reply to a statement of objection from the European Commission in autumn 1999 related to newsprint producers' operations from 1989 to 1995. The Company is still waiting for the EU's response. No provision has been made in this respect.

There is pending a Statement of Objections issued by the European Commission against inter alia Stora Enso Oyj and the former Stora Carbonless Paper GmbH related to an alleged cartel with respect to carbonless paper during the period from January 1992 to March 1997. The 76% of Stora Carbonless Paper shares were sold at the end of 1998. Stora Enso has given its reply to the Commission. No provision has been made.

On 29 November the Finnish Competition Council imposed a FIM 10 million (EUR 1.7 million) fine on Stora Enso for breach of the Act on Competition Restrictions in respect of illegal collaboration between forest companies in wood trade follow-up meetings. This has been entered in the accounts and the matter is still pending at the Supreme Administrative Court in Finland.

Stora Timber Finance B.V. has been found responsible for pollution of soil in part of the harbour of Amsterdam. Stora Timber Finance B.V. has appealed the decision to the Court of Appeal of Amsterdam. EUR 2.5 million was recorded as a provision at 31 December 2000.

Note 24 Principal Stora Enso subsidiaries at 31 December 2000

	Country	% of shares and voting rights held by the Group	Currency	Nominal currency value of shares in thousands	Book value in EUR, thousands	Net profit for the period in EUR, thousands
Stora Kopparbergs Bergslags AB	SE	100.0	SEK	1,697,519	4,786,488	2,403,622
Newsprint & Magazine Paper						
Stora Enso Publication Papers Oy Ltd	FI	100.0	EUR	135,391	186,689	– 4,743
Kymenso Oy	FI	100.0	EUR	2,523	6,728	– 241
Varenso Oy	FI	100.0	EUR	1,682	5,046	– 20
Stora Enso Sachsen GmbH	DE	100.0	EUR	51,129	55,196	– 7,257
Stora Enso Maxau GmbH & Co KG	DE	100.0	EUR	38,347	544,625	7,036
Stora Enso Langerbrugge NV	BE	100.0	EUR	23,550	190,550	4,350
Stora Enso Corbehem SA	FR	100.0	EUR	97,028	308,344	25,079
Stora Enso Kabel GmbH	DE	100.0	EUR	17,384	52,663	6,962
Stora Enso Reisholz GmbH	DE	100.0	EUR	4,602	13,549	– 1,030
Stora Enso Hylte AB	SE	100.0	SEK	200,000	324,425	2,029
Stora Enso Kvarnsveden AB	SE	100.0	SEK	150,000	231,793	– 7,692
Stora Enso Port Hawkesbury Ltd	CA	100.0	CAD	852,550	521,877	7,595
Fine Paper						
Stora Enso Fine Papers Oy	FI	100.0	EUR	84,094	162,857	18,545
Berghuizer Papierfabriek NV	NL	100.0	EUR	8,743	47,845	– 5,301
Stora Enso Fine Paper AB	SE	100.0	SEK	487,585	320,083	473
Stora Enso Nymölla AB	SE	100.0	SEK	142,727	149,139	– 2,512
Stora Enso Grycksbo AB	SE	100.0	SEK	125,000	16,964	2,744
Stora Enso Mölndal AB	SE	100.0	SEK	75,000	0	15,698
Stora Enso Uetersen GmbH	DE	100.0	EUR	9,715	28,632	13,292
Stora Enso Suzhou Paper Co Ltd	CN	60.7	USD	75,000	35,102	– 16,414
Packaging Boards						
Corenso United Oy Ltd	FI	71.0	EUR	18,628	26,019	10,418
Stora Enso Ingerois Oy	FI	100.0	EUR	34,000	79,048	2,355
Stora Enso Pankakoski Oy Ltd	FI	100.0	EUR	5,100	11,773	1,177
Laminating Papers Oy	FI	100.0	EUR	10,091	20,183	– 1,052
Stora Enso Barcelona S.A.	ES	100.0	EUR	41,332	39,332	1,770
Stora Enso Packaging Oy	FI	100.0	EUR	18,501	19,441	10,926
ZAO Stora Enso Packaging	RU	100.0	RUR	137,865	11,776	1,934
Stora Enso Packaging AB	SE	100.0	SEK	46,000	22,557	5,150
Stora Enso Packaging SIA	LV	100.0	LVL	570	833	– 1,139
Stora Enso Skoghall AB	SE	100.0	SEK	350,000	11,621	26,171
Stora Enso Paperboard AB	SE	100.0	SEK	50,000	11,329	– 527
Stora Enso Fors AB	SE	100.0	SEK	180,000	110,312	4,496
Stora Enso Newton Kyme Ltd	GB	100.0	GBP	1,500	0	– 20,071
Timber Operations						
Stora Enso Timber Oy Ltd	FI	73.5	EUR	39,098	148,506	23,448
Holzindustrie Schweighofer AG	AU	100.0	EUR	436	120,078	11,281
Puumerkki Oy	FI	100.0	EUR	8,330	21,042	149
Stora Enso Timber AB	SE	100.0	SEK	100,000	45,293	– 8,347
Market Pulp						
Kemijärven Sellu Oy	FI	100.0	EUR	8,409	28,592	1,634
Enocell Oy	FI	98.4	EUR	42,383	201,153	– 9,645
Stora Enso Pulp AB	SE	100.0	SEK	25,000	105,876	37,004
Cellulose Beira Industrial SA	PT	100.0	EUR	772,802	73,773	61,792
Paper Merchants						
Papyrus Merchants AB	SE	100.0	SEK	1,000	96,182	– 4,100
Papyrus AB	SE	100.0	SEK	21,000	87,756	– 1,064
Forest Operations						
AS Stora Enso Mets	EE	100.0	EEK	2,126	1,584	– 416
Stora Enso Skog AB	SE	100.0	SEK	25,000	190,352	– 5,838
North America						
Stora Enso North America Corp.	US	100.0	USD	1,529,740	1,734,403	– 67,180

Note 25 Employee benefits

Short-term employee benefits and equity compensation benefits

Most of the employees directly involved in production are members of labour unions. Collective bargaining agreements are customarily negotiated between respective unions and the forest industry. Salaries for senior management are negotiated individually.

Stora Enso has the following incentive programmes:

In 1999, the Group implemented a bonus plan based on synthetic options for 120 management employees. The amount of the bonus was based on Stora Enso's weighted average price for Series R shares traded on the Helsinki Stock Exchange during the period 1 October 1999 to 31 December 1999. If the weighted average share price was between EUR 7.57 to 11.77 per share bonuses would be earned to a maximum of EUR 12,614 or EUR 25,228 depending on the grant. The bonuses were paid in January 2000.

In 1999, a profit-sharing plan was made available to virtually all permanent employees of the former STORA Group. Of the amount of Group profit exceeding the equivalent amount of 12.0% return on capital employed, 10.0% was accrued for employees, up to a maximum of one sixth of the dividend paid to Stora Enso shareholders.

Stora Enso has an incentive plan that takes into account the performance, development and results of the business units, as well as individual employee performance. Stora Enso's performance-based bonus system is based on company profits and on the achievement of key business targets.

Management of divisions and business units have an annual bonus plan based on the result of the respective division or business unit and the achievement of personal key targets in separately defined areas. The maximum bonus is two months' salary. Employees participate in another bonus plan in which the bonus is calculated as a percentage of each employee's annual salary, the maximum being 7%. All bonuses are discretionary and are not partially triggered if the results of the Group do not exceed a predetermined minimum level.

Bonus plan from year 2000 onwards

The Group has decided to continue the performance-based bonus plans from year 2000 onwards. Initially the system will cover Finland, Sweden and a few other countries and will later be expanded depending on local practice and legislation.

Management

For middle and top management a bonus plan exists of up to 20-40% of salary depending on the person's position in the company. The bonus is linked to the corporate return on capital employed target of 13% and to individual business targets.

Option programme for management (2000)

The Board of Directors decided to continue the annual rolling incentive programme initiated in 1999. Some 200 Group key employees from about 15 different countries were offered options in 2000. The strike price of the options is EUR 12.25 per share. The options may be exercised between 1st April 2003 and 31st March 2007. The option programme comprises a total of some 3,000,000 options. Depending on local circumstances, participants will either receive a payment in cash (difference between the strike price and the share price at the time of exercise) or an option to purchase already issued shares (not new). Options are not transferable and expire if the employee leaves the company. Since these options are synthetic, there is no dilution on outstanding shares.

Stora Enso North America option programme for personnel

On 18 August 2000 the Board of Directors decided to convert the Consolidated Papers' stock option plans (1989 Stock Option Plan and 1998 Incentive Compensation Plan) into stock option plans of Stora Enso. The maximum number of R shares in the form of ADRs that may be subscribed for is 5,680,000. If fully subscribed the share capital will increase by a maximum of EUR 9,656,000. The exercise period is from 11 September 2000 to 14 June 2010 (depending on the date of grant) and the weighted average subscription price is USD 6.9687. The shares represent some 0.6% of the share capital and 0.2% of the voting rights after the exercise of options.

Option programme for key personnel (1999)

The plan is an integrated part of the top management compensation structure. Participation and terms of future plans will be decided each year. The 1999 plan comprises synthetic options. The seven-year options may be exercised between 15 July 2002 and 15 July 2005 entitling the participant to cash compensation in the form of the difference between the strike price and the prevailing share price. The strike price is EUR 11.75 based on the average Series R share price from May through July plus a premium of 10%. In an attempt to minimise the cost of the option plan, Stora Enso has entered into a financial derivative agreement. Since these options are synthetic, there is no dilution on outstanding shares. The options are not transferable and expire if the employee leaves the Group.

Option programme for management (1997)

In 1997, shareholders approved the plan to offer 15 members of the senior management bonds with warrants in a maximum amount of FIM 1,000,000 (EUR 168,187). Each FIM 1,000 (EUR 168.19) bond carries one warrant entitling the holder to subscribe for 3,000 Series R shares at a subscription price per share of FIM 45.57 (EUR 7.66). The bonds accrue interest at 4.0% per annum and have a maturity of five years.

Post-retirement benefits

Pension plans

The Group has established a number of pension plans for its operations throughout the world. In Finland pension cover is arranged through Stora Enso's own pension funds and partly through Finnish insurance companies. In Sweden pension cover is arranged through book reserves in accordance with the Swedish "PRI/FPG System" which covers the vast majority of large Swedish corporations. Pension arrangements for companies outside Finland and Sweden are made in accordance with the regulations and practice of each country in question. Most of these programmes are defined benefit pension plans with retirement, disability, death and termination income benefits. The retirement benefits are generally a function of years of employment and final salary and coordinated with local national pensions.

The Group's policy for funding its defined benefit plans is to satisfy local statutory funding requirements for tax deductible contributions. The discount rate used in actuarial calculations of liability in book reserves has been adjusted to market rate. The Group has also some fully-insured plans and defined contribution plans. The retirement age of the management of Group companies has been agreed at between 60-65 years. For members of the Executive Management Group the retirement age has been agreed at 60 years.

Defined benefit pension plans

The amounts recognised in the balance sheet are as follows:

EUR million	1999	2000
Present value of funded obligations	334.2	996.4
Fair value of plan assets	– 302.3	– 1,086.0
Present value of unfunded obligations	548.9	534.8
Unrecognised actuarial gains and losses	3.5	– 57.3
Unrecognised prior service cost	– 8.9	– 14.4
Net liability in the balance sheet	**575.5**	**373.5**

The amounts recognised in the income statement are as follows:

EUR million	1999	2000
Current service cost	18.4	23.2
Interest cost	37.1	53.4
Expected return on plan assets	– 10.4	– 34.8
Net actuarial losses (gains) recognised in year	– 19.3	5.4
Losses on curtailment	0.4	
Total included in personnel expenses	**26.1**	**47.2**

Actual return on plan assets was EUR 80.9 million at 31 December 2000 (EUR 24.5 million at 31 December 1999).

Movements in the liability recognised in the balance sheet are as follows:

EUR million	1999	2000
Net liability at the beginning of year	531.7	575.5
Effect of adopting IAS 19 (adjusted to opening balance of retained earnings)	37.9	–
Translation differences	26.2	– 10.6
Acquisition	–	– 174.8
Divestment	–	– 7.2
Net expense recognised in the income statement	26.1	47.2
Contributions paid	– 46.4	– 57.2
Settlement	–	0.6
Net liability at the end of the year	**575.5**	**373.5**

Weighted average assumptions used in calculations of pension obligations are as follows:

	1999	2000
Discount rate %	5.0–7.3	5.5–7.5
Expected return on plan assets %	5.5–8.0	4.5–9.0
Future salary increase %	1.0–4.0	2.0–5.0
Future pension increases %	1.5–2.8	1.5–2.8
Expected average remaining working lives of employees	11–18	14–18

Other post-retirement benefits

Other post-retirement benefits relate to post-retirement medical and life insurance programmes in North America.

The amounts recognised in the balance sheet are as follows:

EUR million	2000
Present value of funded obligations	267.6
Fair value of plan assets	– 55.2
Present value of unfunded obligations	10.8
Unrecognised actuarial gains and losses	– 16.1
Net liability in the balance sheet	**207.1**

The amounts recognised in the income statement are as follows:

EUR million	2000
Current service cost	2.5
Interest cost	7.0
Expected return on plan assets	– 1.9
Total included in personnel expenses	**7.6**

Movements in the liability recognised in the balance sheet are as follows:

EUR million	2000
Net liability at the beginning of year	–
Translation differences	
Acquisition	206.6
Net expense recognised in the income statement	7.6
Contributions paid	– 7.1
Net liability at the end of the year	**207.1**

Reconciliation of net liability to pension provisions in the balance sheet liabilities:

EUR million	1999	2000
Defined benefit plans	575.5	373.5
Other post retirement benefits		207.1
Overfunded pension plan of Consolidated Papers Included in non-current assets		191.2
Total net liability	**575.5**	**771.8**

Weighted average assumptions used in calculations of pension obligations are as follows:

	2000
Discount rate %	7.5
Expected return on plan assets %	9.0
Future salary increase %	5.0
Expected average remaining working lives of employees	16

EUR million	1999	2000
Defined contribution payments	72.5	81.4

Note 26 Earnings per share

Basic earnings per share is calculated as follows:

	1998	1999	2000
Net profit for the period, EUR million	185.3	746.4	1,435.0
Weighted average number of Series A and R shares	759,574,088	759,579,513	812,040,498
Basic earnings per share, EUR	0.24	0.98	1.77

Diluted earnings per share is calculated as follows:

	1998	1999	2000
Weighted average number of Series A and R shares	759,574,088	759,579,513	812,040,498
Effect of warrants	247,904	1,048,530	1,448,301
Diluted number of shares	759,821,992	760,628,043	813,488,799

	1998	1999	2000
Net profit for the period, EUR million	185.3	746.4	1,435.0
Adjusted weighted average number of Series A and R shares and assumed conversion	759,821,992	760,628,043	813,488,799
Diluted earnings per share, EUR	0.24	0.98	1.76

Note 27 Subsequent events

On 9 January 2001 Stora Enso announced it intention to build a paper machine in Langerbrugge, Belgium and to shut down permanently two paper machines in Langerbrugge and Summa, Finland. After the write-down of EUR 5.8 million entered for the fourth quarter 2000, the remaining carrying value will be depreciated in their remaining useful lifetime before the machines are closed down. Stora Enso will also shut down a 140,000 tonnes per year off-line coater in Nymölla, Sweden. Most of the write-down was already booked in 1998. An additional write-down of EUR 5 million was entered for the fourth quarter 2000. Possible closing costs related to Nymölla, Summa or Langerbrugge will be entered later.

Parent company income statements

EUR million	Note	1 Jan. – 31 Dec. 1999	1 Jan. – 31 Dec. 2000
Sales		**1,839.1**	**1,904.0**
Finished and semi-finished goods, increase (+)		– 5.4	14.7
Other operating income	28	138.1	112.0
Materials and services		– 1,333.3	– 1,383.5
Personnel expense	29	– 179.2	– 184.8
Depreciation and value adjustments	32	– 74.2	– 83.6
Other operating expenses	30	– 200.5	– 269.2
Operating profit		184.5	109.6
Financing net	31	10.0	475.1
Profit before extraordinary items		194.5	584.7
Extraordinary income		321.3	658.1
Extraordinary expense		– 0.5	
Profit before adjustments and tax		515.3	1,242.8
Adjustments		– 35.8	– 36.9
Tax		– 138.7	– 186.3
Net profit		340.8	1,019.6

Parent company cash flow statements

EUR million	1 Jan. – 31 Dec. 1999	1 Jan. – 31 Dec. 2000
Net profit for the period	340.8	1,019.6
Reversal of non-cash items:		
Taxes	138.7	186.3
Adjustments	35.8	36.9
Group contributions	– 320.8	– 658.1
Depreciation, amortisation and impairment	74.2	83.6
Profit/losses on sale of fixed assets	– 77.5	12.1
Net financial income	– 10.0	– 475.1
Interests received	92.7	83.2
Interests paid, net of amounts capitalised	– 153.7	– 225.4
Dividends received	40.3	600.6
Other financial items, net	28.8	101.2
Income taxes paid	– 155.1	– 144.0
Change in net working capital	70.6	604.1
Net cash provided by operating activities	**104.8**	**1,225.0**
Cash flow from investing activities		
Acquisition of subsidiary shares, net of cash	– 264.6	– 4,611.4
Acquisition of shares in associated companies	– 0.2	– 0.3
Investment in shares in other companies	– 15.6	– 15.5
Capital expenditures	– 80.4	– 235.8
Proceeds from dispositions of subsidiary shares, net of cash	136.4	19.0
Proceeds from dispositions of shares in associated companies	72.2	0.3
Proceeds from dispositions of shares in other companies	5.3	20.9
Proceeds from sale of fixed assets	8.0	– 19.6
Proceeds from (payments of) long-term receivables, net	613.2	355.0
Net cash used in investing activities	**474.3**	**– 4,487.5**
Cash flow from financing activities		
Proceeds from (payments of) long-term liabilities, net	2,387.2	2,144.7
Proceeds from (payments of) short-term borrowings, net	– 754.3	– 847.8
Dividends paid	– 268.3	– 303.9
Proceeds from issuance of share capital	2.1	1,719.6
Other		– 1.0
Net cash used in financial activies	1,366.7	2,711.5
Net increase (decrease) in cash and cash equivalents	1,945.8	– 551.0
Cash and cash equivalents at beginning of year	172.9	2,118.7
Cash and cash equivalents at end of year	**2,118.7**	**1,567.7**

Parent company balance sheets

Assets EUR million	Note	31 Dec. 1999	31 Dec.2000
Fixed assets and other long-term investments	**33, 34, 39**		
Intangible assets		16.7	28.7
Property, plant and equipment		1,315.7	1,452.2
Shares, Group companies	24	5,761.8	8,169.3
Shares, associated companies		10.2	22.6
Shares, other companies		343.7	299.2
Long-term loan receivables		860.9	2,688.8
		8,309.1	**12,660.8**
Current assets			
Inventories	36	148.9	140.9
Short-term receivables	37	681.6	963.0
Short-term investments and receivables	38	2,236.9	1,530.6
Treasury shares			173.7
Cash and cash equivalents		130.9	9.6
		3,198.3	2,817.8
Total assets		**11,507.4**	**15,478.6**

Shareholders' equity and liabilities, EUR million	Note	31 Dec. 1999	31 Dec.2000
Shareholders' equity	40		
Share capital		1,277.6	1,576.3
Share issue		1.9	2.4
Share premium fund		3,771.7	5,205.8
Revaluation reserve		201.2	184.0
Treasury shares			173.7
Reserve fund		367.7	353.9
Retained earnings		424.9	287.1
Profit for the period		340.8	1,019.6
		6,385.8	**8,802.8**
Accumulated depreciation difference	33	165.8	202.7
Provisions			
Pension provisions			
Other provisions		5.9	6.8
Long-term liabilities	**45**	**1,498.2**	**3,666.5**
Current liabilities			
Current portion of long-term debt		195.6	169.2
Short-term borrowings	42	3,038.1	2,276.9
Other current liabilities	43	189.0	282.4
Tax liability		29.0	71.3
		3,451.7	**2,799.8**
Total shareholders' equity and liabilities		**11,507.4**	**15,478.6**

Notes to the Parent company Financial Statements (FAS)

Note 28 Other operating income

EUR million	1999	2000
Profit on sale of fixed assets	77.7	30.5
Rent	10.0	10.4
Insurance compensation	0.0	0.1
Subsidies	1.7	1.1
Other	48.6	69.9
	138.1	**112.0**

Note 29 Personnel expenses

EUR million	1999	2000
Wages and salaries	137.9	143.7
Pensions	28.3	24.9
Other statutory employeer contributions	13.0	16.2
	179.2	**184.8**
Remuneration of members of the Board of Directors and CEO	1.1	1.3
Specification of pensions and other statutory employer contributions		
Pension expenses paid to pension funds		
Obligatory	22.2	9.9
Voluntary	2.0	1.7
Pension expenses paid to insurance companies		
Obligatory	2.9	7.3
Voluntary	1.6	3.4
Top management pension arrangements	– 0.4	2.6
Other personnel costs		
Obligatory	13.0	16.2
	41.3	**41.1**
Average number of personnel	4,202	4,308

Note 30 Other operating expenses

EUR million	1999	2000
Loss on sale of fixed assets / shares	0.2	42.6
Included in other operating expenses		

Note 31 Net financing cost

Intergroup financial income and expenses at parent company

EUR million	1999	2000
Dividend income		
Intergroup companies	31.6	591.3
Associated companies	3.4	0.6
Other	5.3	8.7
Total	**40.3**	**600.6**
Interest income from long-term investments		
Intergroup	91.4	104.1
Other	1.3	1.2
	92.7	**105.3**
Total income from long-term investments	133.1	705.9
Other interest income and financial income		
Intergroup	7.0	90.5
Other	7.7	19.8
	14.7	**110.3**
Total income from long-term investments and other interest income and financial income	147.7	816.2
Exchange rate difference on financial items	14.2	– 9.2
Value adjustments of long-term financial investments	1.8	– 22.7
Interest expense and other financial expense		
Intergroup	– 24.0	– 139.8
Other	– 129.8	– 169.4
	– 153.7	**– 309.2**
Financing net	10.0	475.1

Note 32 Depreciation

EUR million	1999	2000
Depreciation according to plan		
Intangible rights	– 2.3	– 3.6
Goodwill	– 0.2	– 0.2
Other intangible assets	– 0.1	– 0.3
Buildings and structures	– 8.0	– 8.7
Machinery and equipment	– 58.7	– 65.4
Other tangible assets	– 4.8	– 5.4
	– 74.2	**– 83.6**

Note 33 Fixed assets and long-term investments

Parent company 1 Jan.– 31 Dec.2000	Other intangible assets	Land and water	Buildings and structures	Machinery equipment	Other tangible assets
Acquisition cost on 1 Jan.	29.4	610.9	255.1	956.2	148.3
Additions	16.6	4.4	21.4	67.9	126.4
Disposals	– 0.5	– 3.0	– 1.3	– 22.2	– 3.9
Acquisition cost on 31 Dec.	45.5	612.3	275.2	1,001.9	270.8
Accumulated depreciation on 1 Jan.	12.7		83.1	503.5	42.0
Depreciation according to plan	4.1		8.7	65.4	5.4
Accumulated depreciation on 31 Dec.	16.8		91.8	568.9	47.4
Carrying value at 31 Dec. 2000	28.7	612.3	183.4	433.0	223.4
Carrying value at 31 Dec. 1999	16.7	610.9	170.9	430.5	103.4

The carrying value of fixed assets for the parent company at 31 Dec. 2000 includes EUR 42.5 million leasing assets.

Accumulated depreciation difference by type of fixed assets at parent company					
Accum. depreciation difference at 31 Dec.1999	3.7		27.3	125.7	9.2
Increase	0.2		3.2	32.3	2.4
Decrease	– 0.4				– 1.0
Accum. depreciation difference at 31 Dec.2000	3.5		30.5	158.0	10.6

Note 34 Stocks, shares and loans receivables

EUR million	1999	2000
At parent company		
Group companies		
Shares	5,761.8	8,169.3
Loans receivable	851.6	2,679.2
Total	**6,613.5**	**10,848.5**
Associated companies		
Shares	10.2	22.6
Loans receivable	1.3	1.5
Total	**11.5**	**24.1**

EUR million	Carrying value	Market value
Listed companies	74.9	186.7

Note 35 Receivables from Management

EUR million	1999	2000

There are no receivables from Group Management.

Note 36 Inventories

EUR million	1999	2000
Materials and supplies	88.3	66.1
Work in progress	16.7	15.6
Finished goods	42.6	58.4
Other inventories	1.3	0.8
	148.9	**140.9**

Note 37 Short-term receivables

EUR million	1999	2000
Accounts receivable		
Intergroup	110.8	126.7
Associated	3.8	3.1
Others	101.2	101.8
	215.8	**231.6**
Prepaid expenses and accrued income		
Intergroup	17.3	0.6
Associated	0.0	
Others	84.6	27.7
	101.9	**28.3**
Other receivables		
Intergroup	330.6	682.9
Associated	0.0	
Others	33.3	20.2
	363.9	**703.1**
Total short-term receivables	**681.6**	**963.0**

Note 38 Short-term investments and receivables

EUR million	1999	2000
Intergroup receivables		
Loan receivables	241.5	116.5
Interest receivable	5.1	14.8
Other securities	1,983.6	1,376.4
Total	**2,230.2**	**1,507.7**
Loan receivables	1.1	1.1
Interest receivable	1.4	13.7
Other securities	4.2	8.0
Total	**2,236.9**	**1,530.5**

Note 39 Capitalised interest included in property, plant and equipment

EUR million	1999	2000
1 Jan.	5.5	4.2
Increase 1 Jan.–31 Dec.	0.3	3.2
Depreciation 1 Jan.–31 Dec.	– 1.6	– 1.9
31 Dec.	**4.2**	**5.5**

Note 40 Shareholders' equity

EUR million	1999	2000
Share capital at 1 Jan.	1,277.5	1,277.6
Conversion of share capital from FIM to EUR		13.8
Share issue 11 Sep. 2000		284.5
Warrants exercised	0.1	0.4
Share capital at 31 Dec.	**1,277.6**	**1,576.3**
Share issue (option rights)	1.9	2.4
Premium fund 1 Jan.	3,771.5	3,771.7
Increase	0.2	1,434.1
Premium fund 31 Dec.	**3,771.7**	**5,205.8**
Revaluation reserve 1 Jan.	239.1	201.2
Decrease related to sale of fixed assets	– 37.9	– 17.2
Revaluation reserve 31 Dec.	**201.2**	**184.0**
Treasury shares 1 Jan.		
Increase		173.7
Treasury shares 31 Dec.		**173.7**
Reserve fund 1 Jan.	367.7	367.7
Conversion of share capital from FIM to EUR		– 13.8
Reserve fund 31 Dec.	**367.7**	**353.9**
Retained earnings 1 Jan.	693.2	765.7
Dividends paid	– 268.3	– 303.9
Acquisition of treasury shares		– 173.7
To be placed at the disposal of Board of Directors		– 1.0
Retained earnings 31 Dec.	**424.9**	**287.1**
Profit for the period	340.8	1,019.6
Distributable funds		
Non-restricted equity	765.7	1,480.4
Treasury shares		– 173.7
Distributable funds 31 Dec.	**765.7**	**1,306.7**

Note 41 Number of shares

See note 18, page 77.

Note 42 Short-term borrowings

EUR million	1999	2000
Other short-term loans		
Intergroup	2,475.5	2,182.0
Associated companies	0.3	0.0
Others	562.3	94.9
Total	**3,038.1**	**2,276.9**

Note 43 Other current liabilities

EUR million	1999	2000
Advances received		
Intergroup	0.0	
Others	1.2	0.1
	1.2	**0.1**
Trade payables		
Intergroup	23.9	36.9
Associated	0.5	0.0
Others	91.3	118.5
	115.7	**155.4**
Other current liabilities		
Intergroup	0.5	0.4
Others	14.3	53.1
	14.8	**53.5**
Accrued liabilities and deferred income		
Intergroup	0.1	12.3
Associated	0.1	0.0
Others	57.0	61.1
	57.2	**73.4**
	189.0	**282.4**

Note 44 Commitments and contingent liabilities

EUR million	1999	2000
On own behalf		
Pledges given	12.6	9.2
Mortgages	423.1	335.3
On behalf of Group companies		
Guarantees	2,289.3	2,014.9
On behalf of associated companies		
Guarantees	9.6	13.1
On behalf of others		
Guarantees	96.9	88.4
Other commitments, own		
Leasing commitments, in 2001	2.4	3.1
Leasing commitments, after 2001	19.8	18.2
Pension liabilities	0.5	
Total		
Pledges given	12.6	9.2
Mortgages	423.1	335.3
Guarantees	2,395.8	2,116.4
Leasing commitments	22.2	21.3
Pension liabilities	0.5	0.0
Total	**2,854.2**	**2,482.2**

Stora Enso Oyj has undertaken to guarantee leasing agreements relating to Stora Enso Barcelona SA. The value of this commitment amounted to EUR 34,915,137.00 at 31 December 2000. The commitment extends until 23 December 2003.

Note 45 Borrowings

The repayment schedule of long-term interest-bearing liabilities including current portion at 31 Dec. 2000

EUR million	2001	2002	2003	2004	2005	2006-	Total
Convertible bond loans	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Bond loans	100.0	0.0	183.1	249.6	11.3	1,321.4	1,865.3
Own bond loans	– 33.4	0.0	0.0	0.0	0.0	0.0	– 33.4
Loans from credit institutions	48.6	48.3	26.4	1,163.1	51.3	388.7	1,726.5
Pension loans	51.2	30.3	24.6	12.2	12.2	74.2	204.7
Leasing liabilities	2.9	3.0	3.1	3.2	3.3	32.2	47.6
Other long-term liabilities	0.1	0.1	0.1	0.1	0.2	0.8	1.2
	169.3	**81.9**	**237.3**	**1,428.2**	**78.3**	**1,817.2**	**3,812.1**

The market value of Consolidated Papers' option programme amounting to USD 22,015,821.36 as at the moment of acquisition has been entered into line "other long-term liabilities". In the acquisition the options entitling to Consolidated Papers shares were changed to options for Series R shares. This liability is converted as share premium fund when the options are exercised or when the option programme comes to an end.

Note 46 Fair value of financial instruments

Risk management contracts open at 31 Dec. , EUR million	1999	2000
Current value		
Interest-rate derivatives		
Interest-rate swap agreements	– 5.0	14.3
Foreign exchange derivatives		
Forward agreements	23.2	– 3.3
Cross-currency swap agreements	49.9	11.5
Foreign exchange derivatives, total	73.1	8.2
Commodity derivatives		
Energy derivatives	0.0	2.4
Nominal value		
Interest-rate derivatives		
Interest-rate swap agreements	253.9	365.3
Foreign exchange derivatives		
Forward agreements	4,702.0	137.1
Cross-currency swap agreements	191.6	90.1
Foreign exchange derivatives, total	4,893.6	227.2
Commodity derivatives		
Energy derivatives	0.0	105.7

Proposal for the Distribution of dividend

The consolidated balance sheet shows retained shareholders' equity at 31 December, 2000, of EUR 5,345.0 million of which EUR 3,365.9 million is distributable. Distributable shareholders' equity of the parent company was EUR 1,306,650,501.55 at 31 December 2000. The Board of Directors proposes to the Annual General Meeting that the profit for the financial period of EUR 1,019,600,454.66 be transferred to retained earnings and that dividend be distributed as follows:

Profits from previous periods	460,765,055.97
Purchase of own shares	-173,715,009.08
Profit for the financial period	1,019,600,454.66
Dividend of EUR 0.45 per share to be distributed to maximum 933,215,266 shares	-419,946,869.70
Retained earnings after distribution of dividend minimum	886,703,631.85

Helsinki, 7 February 2001

Claes Dahlbäck
Chairman

Krister Ahlström
Vice Chairman

Josef Ackermann

Harald Einsmann

Raimo Luoma

George W. Mead

Paavo Pitkänen

Jan Sjöqvist

Marcus Wallenberg

Jukka Härmälä
CEO

Björn Hägglund
Deputy CEO

Auditors' report

To the shareholders of Stora Enso Oyj

We have audited the accounting records, the financial statements and the administration of Stora Enso Oyj for the year ended 31 December 2000. The financial statements prepared by the Board of Directors and the Chief Executive Officer include a report of the Board of Directors, consolidated financial statements of the Stora Enso Group prepared in accordance with International Accounting Standards (IAS), and parent company financial statements prepared in accordance with prevailing rules and regulations in Finland (FAS). Based on our audit, we express an opinion on these financial statements and on the parent company's administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the members of the Board of Directors and the Chief Executive Officer have legally complied with the rules of the Finnish Companies' Act.

In our opinion, the consolidated financial statements prepared in accordance with International Accounting Standards (IAS) give a true and fair view of the Stora Enso Group's consolidated result of operations, as well as of the financial position. The consolidated financial statements are in accordance with prevailing rules and regulations in Finland and can be adopted.

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations and give a true and a fair view of the parent company's result of operations and financial position. The parent company's financial statements can be adopted and the members of the Board of Directors and the Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Finnish Companies' Act.

Helsinki, 14 February 2001

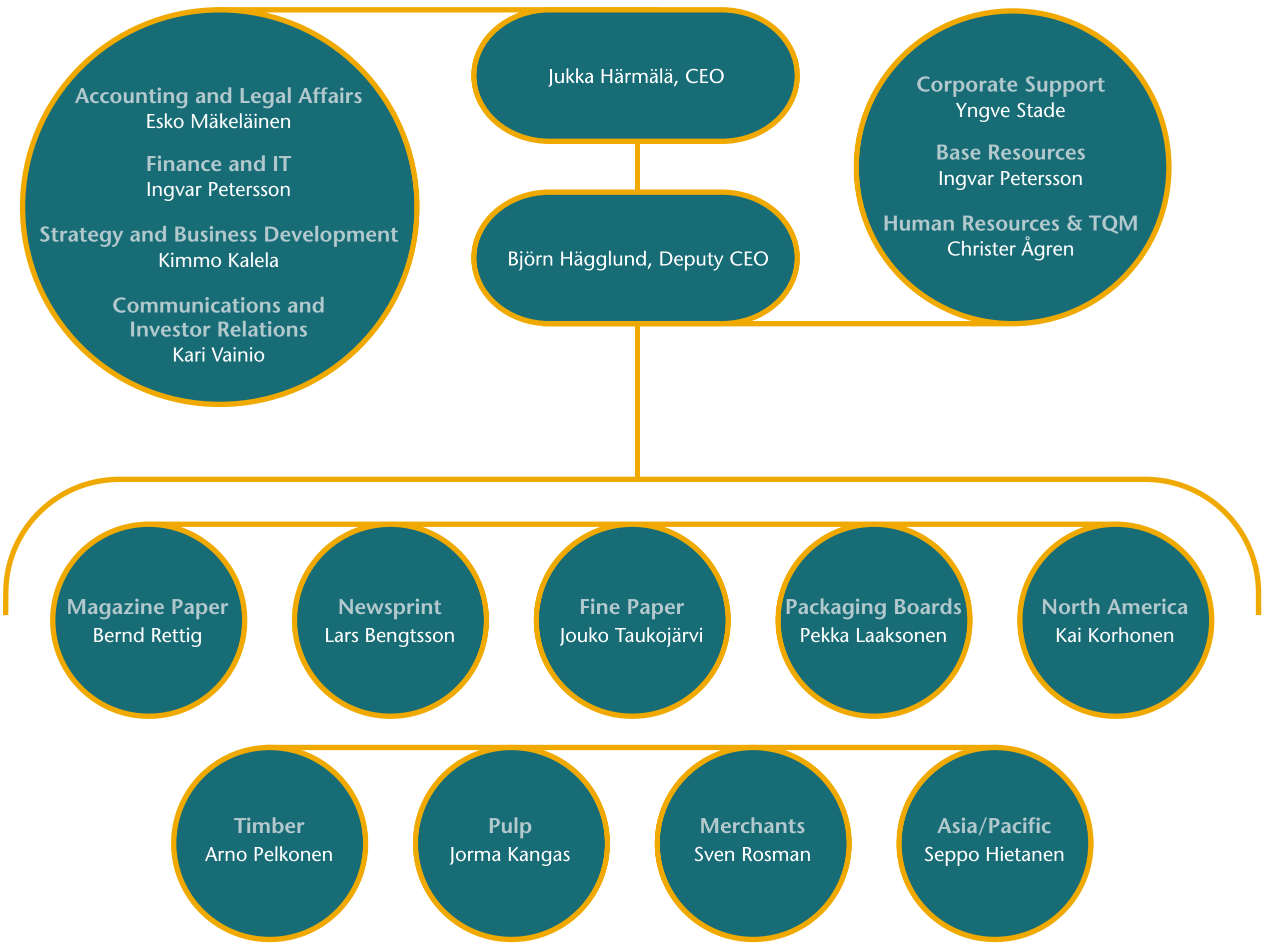
SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Pekka Nikula
Authorised Public Accountant

KPMG Wideri Oy Ab
Authorised Public Accountants

Hannu Niilekselä
Authorised Public Accountant

Group structure



Board of Directors

Claes Dahlbäck
Chairman
Born 1947. M.Sc. (Ec.), Dr. (h.c.).
Executive Vice Chairman of Investor AB.
Chairman of the Board of Vin & Sprit, Gambro, EQT, IBX and imGO; Vice Chairman of the Board of Skandinaviska Enskilda Banken; Member of the Board of Findus.
Member of the Stora Enso Compensation Committee
Number of shares held in Stora Enso: 2,541 A and 19,529 R

Krister Ahlström
Vice Chairman
Born 1940. M.Sc. (Eng), Dr. (h.c.).
Former Chairman and CEO of A. Ahlstrom Corporation.
Chairman of the Board of ArosMaizels Corporate Finance; Member of the Board of ABB-Finland, EQT-Finland and NKT Holding, Denmark; Member of the Supervisory Board of Merita Bank.
Member of the Stora Enso Compensation Committee
Number of shares held in Stora Enso: 1,500 A

Josef Ackermann
Born 1948. Dr. (Oec.).
Member of the Group Board of Deutsche Bank AG; Member of the Board of Vodafone Airtouch and EUREX Zürich AG; Member of the Supervisory Board of Linde AG, EUREX Frankfurt AG and several other international institutions.
Member of the Stora Enso Audit Committee
Number of shares held in Stora Enso: 1,300 R

Harald Einsmann
Born 1943, Ph.D. (Econ.).
Member of the Board of British American Tobacco, EMI Group and Tesco Ltd; Member of the Advisory Board of the University of Boston in Brussels and Member of the Board of the Festival of Flanders.
Member of the Stora Enso Compensation Committee
Number of shares held in Stora Enso: 0

Björn Hägglund
Deputy CEO
Born 1945. Dr. (For.)
Chairman of the Federation of Swedish Forest Industries; Member of the Board of the Federation of Swedish Industries, the Swedish Employers' Confederation and the Swedish University of Agricultural Sciences
Number of shares held in Stora Enso: 7,877 A and 14,618 R
Number of options/synthetic options 1999: 93,750; 2000: 90,000

Jukka Härmälä
CEO
Born 1946. B.Sc. (Econ.), Dr. (h.c.).
Member of the Board of the Confederation of Finnish Industry and Employers and the Finnish Forest Industries Federation; Chairman of the Board of Sampo-Leonia Insurance Company plc; Vice Chairman of the Board of Finnlines Plc.
Number of shares held in Stora Enso: 4,500 R and warrants entitling to 399,000 R shares.
Number of options/synthetic options 1999: 112,500; 2000: 110,000

Raimo Luoma
Born 1959. Master of Laws, Attorney-at-Law. LL.M. (Brussels).
Partner and Vice Chairman of the Board of Asianajotoimisto Krogerus & Pirilä Oy.
Number of shares held in Stora Enso: 0

George W. Mead
Born 1927. M.Sc. (Paper Chem.), B.Sc. (Chem.).
Former Chairman of the Board of Consolidated Papers, Inc.
Member of the Board of Snap-on, Inc. and Thiele Kaolin.
Number of shares held in Stora Enso: 2,699,266 R shares in form of ADRs and Stora Enso North America warrants entitling to 12,452 R shares in form of ADRs.

Paavo Pitkänen
Born 1942. M.Sc. (Math.).
President and CEO of Varma-Sampo Mutual Pension Insurance Company.
Member of the Board of Partek, Sampo-Leonia Insurance Company plc and Wärtsilä; Vice Chairman of the Supervisory Board of Alma Media; Member of the Board of several other companies.
Member of the Stora Enso Audit Committee
Number of shares held in Stora Enso: 3,800 A

Jan Sjöqvist
Born 1948. MBA.
President and CEO of NCC AB.
Member of the Board of NCC AB and SSAB Svenskt Stål AB.
Number of shares held in Stora Enso: 508 A and 943 R

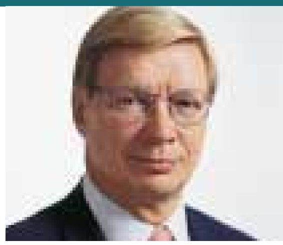
Marcus Wallenberg
Born 1956. B.Sc. (Foreign Service).
President and CEO of Investor AB.
Vice Chairman of the Board of Ericsson and Saab; Member of the Board of Astra AB, AstraZeneca, Scania AB, Skandinaviska Enskilda Banken, SAS Assembly of Representatives and the Knut and Alice Wallenberg Foundation.
Member of the Stora Enso Audit Committee
Number of shares held in Stora Enso: 3,049 A and 6,019 R

From left to right: Jan Sjöqvist, Krister Ahlström, Jukka Härmälä, George W. Mead, Harald Einsmann, Josef Ackermann, Marcus Wallenberg, Claes Dahlbäck, Björn Hägglund, Raimo Luoma and Paavo Pitkänen.

Years of issue of options/synthetic options are 1999 and 2000.

Management

Executive Management Group



Jukka Härmälä

CEO

Born 1946. Employed by Enso 1970-84. Rejoined the company 1988.
Number of shares held in Stora Enso: 4,500 R
Warrants entitling to 399,000 R shares
Number of options/synthetic options 1999: 112,500; 2000: 110,000

Björn Hägglund

Deputy CEO

Born 1945. Joined the company 1991.
Chairman of the Stora Enso Environmental Committee and R&D Committee.
Number of shares held in Stora Enso: 7,877 A and 14,618 R
Number of options/synthetic options 1999: 93,750; 2000: 90,000

Lars Bengtsson

Senior Executive Vice President, Newsprint

Born 1945. Joined the company 1986.
Member of the Stora Enso R&D Committee.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 46,900; 2000: 30,000

Kimmo Kalela

Senior Executive Vice President, Strategy and Business Development

Born 1941. Joined the company 1986.
Member of the Stora Enso Investment Committee and R&D Committee.
Number of shares held in Stora Enso: 0
Warrants entitling to 180,000 R shares
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Kai Korhonen

Senior Executive Vice President, North America

Born 1951. Joined the company 1977.
Number of shares held in Stora Enso: 85 R
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Pekka Laaksonen

Senior Executive Vice President, Packaging Boards

Born 1956. Joined the company 1979.
Member of the Stora Enso R&D Committee.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Esko Mäkeläinen

Senior Executive Vice President, Accounting and Legal Affairs

Born 1946. Joined the company 1970.
Number of shares held in Stora Enso: 1,900 A and 4,669 R
Warrants entitling to 180,000 R shares
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Ingvar Petersson

Senior Executive Vice President, Finance and IT; Base Resources

Born 1941. Joined the company 1986.
Number of shares held in Stora Enso: 2,602 A and 6,251 R
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Bernd Rettig

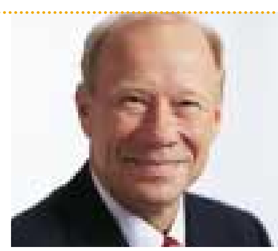
Senior Executive Vice President, Magazine Paper

Born 1956. Joined the company 1982.
Member of the Stora Enso R&D Committee.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Yngve Stade

Senior Executive Vice President, Corporate Support

Born 1947. Joined the company 1994.
Member of the Stora Enso Investment Committee, Environmental Committee and R&D Committee.
Number of shares held in Stora Enso: 725 R
Number of options/synthetic options 1999: 46,900; 2000: 45,000



Jouko Taukojärvi

Senior Executive Vice President, Fine Paper

Born 1941. Joined the company 1964.
Member of the Stora Enso R&D Committee.
Number of shares held in Stora Enso: 1,000 A
Warrants entitling to 90,000 R shares
Number of options/synthetic options 1999: 46,900; 2000: 45,000

Years of issue of options/synthetic options are 1999 and 2000 ement

Group

Magnus Diesen

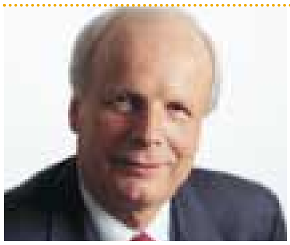
**Senior Vice President,
Corporate Strategy and Investments**

Born 1944. Joined the company 1988. Member of the Stora Enso Investments Committee.
Number of shares held in Stora Enso: 0
Warrants entitling to 30,000 R shares
Number of options/synthetic options 1999: 32,900; 2000: 22,500

Walter Haberland

**Senior Vice President,
Information Technology**

Born 1946. Joined the company 1995.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 10,400; 2000: 5,000



Seppo Hietanen

Executive Vice President, Asia Pacific

Born 1945. Joined the company 1976.
Number of shares held in Stora Enso: 2,000 R
Warrants entitling to 75,000 R shares
Number of options/synthetic options 1999: 32,900; 2000: 30,000

Sven von Holst

**Senior Vice President,
Corporate Marketing and Sales**

Born 1948. Joined the company 1995.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 32,900; 2000: 22,500

Jyrki Kurkinen

Senior Vice President, Legal Affairs

Born 1948. Joined the company 1979.
Number of shares held in Stora Enso: 2,648 A and 14,920 R
Warrants entitling to 75,000 R shares
Number of options/synthetic options 1999: 32,900; 2000: 22,500

Arno Pelkonen

Executive Vice President, Timber Products

Born 1954. Joined the company 1984.
Number of shares held in Stora Enso: 4,000 R
Number of options/synthetic options 1999: 46,900; 2000: 30,000

Eberhard Potempa

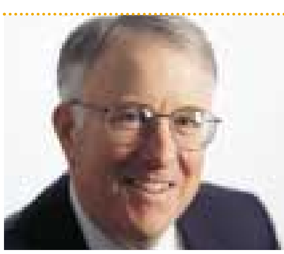
**Senior Vice President,
Country Manager Germany**

Born 1953. Joined the company 1976.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 13,500; 2000: 15,000

Sven Rosman

Executive Vice President, Merchants

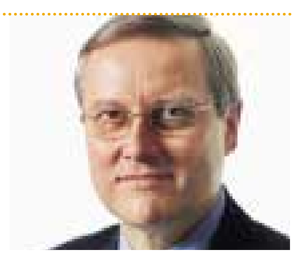
Born 1945. Joined the company 1991.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 32,900; 2000: 30,000



Ronald E. Swanson

**Senior Vice President,
Stora Enso North America**

Born 1949. Joined the company 1989.
Member of the Stora Enso R&D Committee
Number of shares held in Stora Enso: 0
Stora Enso North America warrants entitling to 72,414 R shares in form of ADRs



Kari Vainio

**Executive Vice President,
Communications and Investor Relations**

Born 1946. Joined the company 1985.
Member of the Stora Enso Environmental Committee.
Number of shares held in Stora Enso: 4,800 R
Warrants entitling to 60,000 R shares
Number of options/synthetic options 1999: 32,900; 2000: 30,000

Christer Ågren

Executive Vice President, Human Resources

Born 1954. Joined the company 1993.
Number of shares held in Stora Enso: 0
Number of options/synthetic options 1999: 32,900; 2000: 30,000

Corporate governance

The duties of the various bodies within Stora Enso are determined by the laws of Finland and by the corporate governance policy which complies with the Finnish Companies Act and is decided by the Board of Directors.

The Board of Directors, the Chief Executive Officer (CEO) and the Deputy Chief Executive Officer (Deputy CEO) are responsible for the management of the company.

The other governance bodies have an assisting and supporting role.

Stora Enso prepares annual and interim financial accounts conforming to international accounting standards and published in Finnish, Swedish and English. In addition Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

Stora Enso is managed from dual headquarters in Finland and Sweden. Stora Enso also has an international office in London, UK.

Stora Enso has one or two auditors as decided by the Annual General Meeting.

To the fullest extent possible, corporate actions and corporate records are taken and recorded in English.

Governance bodies

The decision-making bodies with responsibility for managing the company are:

Board of Directors
- Compensation Committee
  The main decision taken by the committee during the year 2000 was the approval of the remuneration programme for the year.
- Audit Committee was established in December 2000. Its main task is to cooperate closely with internal and external auditing and to report to the remaining Board members.

CEO and Deputy CEO
- Executive Management Group (EMG)
- Management Group (MG)
- Investment Committee
- Environmental Committee
- R&D Committee

Day-to-day operational responsibility rests with the divisional managements and their operations teams.

Board of Directors

Stora Enso is managed by a Board of Directors under international two-tier corporate governance principles.

The Board of Directors consists of 11 ordinary members: 9 non-executives and 2 executives. The members are appointed by the Annual General Meeting for a one-year term.

The Board supervises the operation and management of Stora Enso and decides on significant matters relating to strategy, investments, organisation and finance.

The Board is responsible for the management and proper organisation of the operations of the company. It is likewise responsible for the proper supervision of the accounting and the control of the financial matters of the company.

The Board elects a Chairman and a Vice-Chairman from among its members and appoints a CEO, deputy CEO and heads of divisions and staff functions. The Board approves the organisational structure of the company.

The Board appoints the Compensation and Audit Committees.

The Board convened 10 times during 2000.

Chief Executive Officer (CEO)

The CEO is in charge of the day-to-day management of the company in accordance with instructions and orders issued by the Board of Directors. It is the duty of the CEO to ensure that the company's accounting methods comply with the law and that financial matters are handled in a reliable manner.

The CEO is in charge of the following: strategy (long-range planning and investments), finance and financial planning, corporate communications, investor relations, preparatory work with regard to board meetings. In addition he supervises decisions regarding personnel and other important operational matters.

Deputy Chief Executive Officer (Deputy CEO)

The Deputy CEO acts as deputy to the CEO. The Deputy CEO is in charge of operational matters as follows: monitoring and coaching of the divisions, corporate support functions (purchasing, logistics), resources (wood, energy), R&D, environmental matters and human resources.

Executive Management Group (EMG)

The Executive Management Group is chaired by the CEO. It consists of the Deputy CEO, five divisional heads (Magazine Paper, Newsprint, Fine Paper, Packaging Boards and North America) and the heads of the following staff functions: Strategic Business Development Group, Accounting and Legal Affairs, Finance, IT and Base Resources, Corporate Support.

The EMG's tasks and responsibilities are as follows: investment planning and follow-up, control of mergers and acquisitions and divestments, preparation of strategic guidelines, allocation of resources, review of key day-to-day operations and operational decisions, preparatory work with regard to board meetings, review of main aspects of sales network.

The EMG convened 6 times in 2000 and in the future will meet approximately once or twice a month.

Management Group (MG)

The tasks and responsibilities of the Management Group are to review the budget, strategy and daily business development. The members of the Management Group are as follows: the members of the EMG and other divisional heads as well as heads of staff functions.

The CEO may also appoint additional members. The MG meets approximately 4 times a year.

The Management Group convened 5 times in 2000.

Investment Committee

The Investment Committee is chaired by the head of the Strategic Business Development Group. Committee members are appointed by the CEO.

The tasks and responsibilities of the Investment Committee are as follows: coordination of investment planning and the approval process, coordination of the investment completion audit and follow-up process, participation in the planning and execution of large investment projects and the making of recommendations regarding funds available for investments.

The Investment Committee convened 10 times in 2000.

The committee examined the major investment proposals and recommended on the allocation of divisional funds prior to decision.

Environmental Committee

The Environmental Committee is chaired by the Deputy CEO. Committee members are appointed by the CEO.

The purpose and tasks of the Environmental Committee are as follows: to formulate and communicate corporate environmental strategy and policy for divisions, to coordinate relations and communication with governmental / non-governmental organisations and other stakeholders, to establish environmental management procedures, to produce the annual Environmental Report.

The Environmental Committee convened 3 times in 2000.

The Committee defined, and the EMG approved the principles for transport and a recommendation on how to proceed with further implementation of the EMS in different Group operations.

R&D Committee

The R&D Committee is chaired by the deputy CEO. Members are appointed by the CEO.

The purpose and tasks of the R&D Committee are as follows: to assist the Group's businesses to achieve and maintain quality and productivity leadership by facilitating high-quality R&D, to monitor technology and future-oriented product development, to recommend the extent of overall R&D activities within the Group.

The R&D Committee convened 3 times in 2000.

The Committee recommended to change the skill- and technology-based organisation of Stora Enso research to a product- and application-based structure. It defined a general approach for R&D and the focus of proprietary R&D within the framework of different R&D providers within the forest cluster. It also determined membership and participation policy for joint R&D.

Other supervisory norms and bodies

Auditors

The auditors of Stora Enso Oyj are SVH Pricewaterhouse Coopers Oy (Authorisised Public Accountants) with Pekka Nikula, APA, as the principal auditor and KPMG Wideri Oy Ab with Hannu Niilekselä, APA, as the principal auditor.

Stora Enso also has a separate internal auditing organisation.

The Company fully complies with the guidelines for insiders of the Helsinki Exchanges, which have been in force since 1 March 2000.

Information on management remuneration, their share ownership and membership in different committees is given on page 70-71 in the notes section.

Glossary of technical terms

Pulp

Sulphate (kraft) pulp: Chemical pulp produced by cooking woodchips in an alkaline solution of sodium hydroxide and sodium sulphide.

Sulphite pulp: Chemical pulp produced by cooking woodchips in a solution of calcium-, sodium- or magnesium-sulphite.

Mechanical pulp: Produced from debarked wood which is either applied to a grindstone under water pressure (SGW, stone groundwood pulp), or cut into chips and ground in refiners, when the fibres are liberated and produce a pulp.

TMP: Thermomechanical pulp. A mechanical pulp produced by the pressurised pre-steaming of woodchips prior to defibration in a refiner.

DIP: De-inked pulp. A wastepaper pulp which has been de-inked through chemical or mechanical processing.

CTMP: Chemi-thermomechanical pulp is produced by refining chemically impregnated, pre-heated woodchips.

NS: Neutral sulphite, semi-chemical pulp is produced by cooking in a neutral sulphite solution.

Fluff pulp: A special sulphate (kraft) or CTMP pulp used for absorbent materials, such as diapers and feminine hygiene products. After dry defibration the pulp takes on a cotton-like appearance.

Bleaching: During the cooking process, the binding agent lignin is removed from the wood. The lignin residue and other substances remaining after cooking tend to discolour the pulp brown or yellow. Bleaching using, for example, chlorine dioxide, hydrogen peroxide and ozone, provides the pulp with the desired brightness and protection against aging.

ECF: Elementary Chlorine Free. Pulp which has been bleached using, for example, chlorine dioxide and not elementary chlorine (chlorine gas).

TCF: Totally Chlorine free bleached pulp. Pulp in which neither chlorine nor any chlorine compounds have been used during bleaching.

Oxygen bleaching: A bleaching process using oxygen gas, alkali solution and stabilising substances.

Magazine paper

SC: Super-calendered paper is an uncoated paper produced from mechanical, chemical and de-inked pulp and filler. The paper is calendered to achieve a glossy printing surface. Used for magazines, catalogues and advertising materials.

LWC, MWC, HWC: Light-weight, medium-weight and heavy-weight coated papers are produced from mechanical and chemical pulp. The paper is coated to provide a high quality printing surface. Used for special and general interest magazines, catalogues and advertising materials.

MF, MFC: Machine-finished and machine-finished coated papers are produced from mechanical and chemical pulp. The soft calendering gives a matt finish to the surface. Used for special and general interest magazines, catalogues and advertising materials.

Newsprint

Various furnish mixes are used for newsprint production. Newsprint may contain recycled fibre (up to 100%), mechanical pulp (TMP, SGW pulp) and sometimes also sulphate (kraft) pulp.

Fine paper (free sheet, woodfree paper)

Fine papers: Printing, writing and office papers of the finest quality, produced from a bleached chemical pulp with very little or no mechanical pulp. May be either coated or uncoated.

Coated fine papers: Fine papers with a pigmented surface layer which increases the uniformity of the printing surface and provides improved printing properties, particularly for the reproduction of illustrations.

Label papers: One-side machine-coated or cast-coated papers for labels for the beverage and food industry.

Specialty paper: Custom-designed coated and uncoated papers designed and produced to meet the unique packaging, printing and labelling needs of customers with diverse and highly specialised paper needs.

Packaging boards

Folding Boxboard (FBB): A multi-layer board, often mineral coated, with an outer layer of sulphate (kraft) pulp and middle layer of mechanical pulp (groundwood, pressure groundwood or TMP). In the top grades also CTMP pulp may be used. Used primarily for consumer cartons for packaging dry and moist foods, cigarettes and other consumer products. The board is also used in the graphic industry for catalogue covers, postcards and folders, etc.

Solid Bleached Sulphate Board (SBS): A board consisting of one or several layers of bleached chemical pulp, often also pigment-coated. Used in the graphic industry and for various consumer cartons for packaging dry and moist food products. In the non-food sector SBS boards are typically used for cigarette and luxury goods cartons.

Solid Unbleached Sulphate Board (SUS): Boards consisting of a bleached chemical pulp top layer, an unbleached back and unbleached chemical and/or mechanical pulp middle layers. SUS Boards are used for food and non-food cartons.

Coated Kraft Back Boards (CKB): Board consisting of either bleached chemical pulp or a mineral-coated top layer or both, an unbleached back and a middle layer of unbleached chemical and/or mechanical pulp. CKB is used for packaging food and non-food products.

Liquid Packaging Boards, milkstock (LPB): Any of the above grades, FBB, SBS, SUS and CKB is used to pack liquid food and non-food products. They are plastic coated for fresh beverages and often laminated for long-life beverages. They are used by all major liquid packaging systems.

Cupstock: FBB and SBS boards are used for papercup production. The boards are plastic coated and suitable for cold or hot beverages and for food and non-food packaging.

White Lined Chipboard (WLC): Boards made mainly or wholly from recovered fibres, often mineral coated, and used for consumer cartons for dry food and non-food products.

Greyboard: Boards made of recovered fibres and used for cartons and boxes in various packaging applications, as dividers, display boards and for book-binding. They are often laminated with other papers and boards.

Plastic coating and laminating: Papers and boards may be coated by polymers, typically polyethylene, and/or laminated with other materials, typically aluminium foil, plastic film or other paper and board. Plastic coating and laminating provides barrier and other functional properties, making it possible to select raw material for a specific end use from alternative paper groups.

Kraftliners: Unbleached Kraftliner is produced from unbleached sulphate (kraft) pulp, and used for corrugated board. Fully Bleached Kraftliner is produced from bleached sulphate pulps and is used as top layer in corrugated boards. White Top Liner and White Mottled Kraftliner have bleached top layers and unbleached body and are typically used as the surface layer for corrugated board. The surface of White Top Coated liner is additionally coated with mineral pigments to improve printability for high demand uses.

Testliners: Testliners are linerboards made partly or wholly from recovered fibres. The range, covering unbleached, white top, mottled and coated grades, is used by the corrugated board industry.

SC fluting: Boards made from unbleached semi-chemical pulp and used as a middle layer for corrugated board.

Wellenstoff: Boards made from recovered fibres and used as a middle layer for corrugated board.

Corrugated board: Corrugated board consists of surface layers of liners glued to a rippled board layer of fluting or wellenstoff. The liner grades may be any of those listed above.

MG kraft paper: One-sided calendered paper produced mainly from sulphate (kraft) pulp. Used for paper bags, wrapping paper, carrier bags, flexible packaging, etc.

Sack paper: Paper used for the production of bags and sacks. Made from sulphate (kraft) pulp, with high-strength properties.

Coreboard: Coreboards are produced from recovered papers, sometimes combined with a small proportion of primary wood pulp. They are used to produce papercores.

Cores: Papercores produced from coreboard are used by the paper and board, textile-yarn and plastic-film industries.
Laminating papers: These include base kraft papers and phenolic resin impregnated papers.
Saturated Base Kraft (SBK): Brown Absorbex® Kraft Paper is produced from unbleached sulphate pulp made from sawdust. Brown Absorbex® is used mainly in decorative high-pressure laminates (HPL). White Absorbex® Kraft Paper is manufactured from bleached sulphate pulp and is used for electrical applications.
Phenolic Resin Impregnated Papers: Core Stock is used in the laminate industry as the core material in decorative high-pressure laminates, such as compact, fire-retardant and post-forming laminates.

More terms: www.storaenso.com > Media Center > Glossary

Capacity 2001

Mill	Location	Grade	Capacity 1,000 tonnes
Magazine paper			
Anjala	FI	MFC	145
Biron	US	LWC	415
Corbehem	FR	LWC	515
Duluth	US	SC	220
Kabel	DE	MWC, HWC, LWC	595
Kimberly	US	LWC	245
Kotka	FI	MFC	145
Kvarnsveden	SE	SC	115
Langerbrugge	BE	SC	115
Maxau	DE	SC	395
Niagara	US	LWC	205
Port Hawkesbury	CA	SC	350
Reisholz	DE	SC	210
Summa	FI	SC	105
Veitsiluoto	FI	LWC, MWC	410
Whiting	US	LWC	200
Wolfsheck	DE	SC, wallpaper	140
Total			**4,525**
Newspaper			
Anjala	FI	Book, news, impr. news	365
Hylte	SE	News	820
Kvarnsveden	SE	News, impr. news	595
Langerbrugge	BE	News, impr. news, directory	125
Maxau	DE	News	190
Port Hawkesbury	CA	News	190
Sachsen	DE	News, directory	315
Summa	FI	News, impr. news	380
Varkaus	FI	Directory, impr.news, news	280
Total			**3,260**
Fine paper			
Berghuizer	NL	Uncoated	175
Grycksbo	SE	Coated	240
Imatra	FI	Coated Spec.	85
Imatra	FI	Uncoated	210
Kimberly	US	Coated	235
Mölndal	SE	Coated	65
Mölndal	SE	Uncoated	35
Nymölla	SE	Coated	110
Nymölla	SE	Uncoated	325
Oulu *	FI	Coated	810
Stevens Point	US	Coated Spec.	175
Suzhou	CN	Coated	140
Uetersen *	DE	Coated	180
Uetersen	DE	Coated Spec.	70
Varkaus	FI	Coated	90
Varkaus	FI	Uncoated	225
Veitsiluoto	FI	Uncoated	440
Wisconsin Rapids	US	Coated	485
Total			**4,095**

Mill	Location	Grade	Capacity 1,000 tonnes
Packaging boards			
Consumer boards			
Baienfurt	DE	FBB	190
Barcelona	ES	WLC	145
Fors	SE	FBB	320
Imatra	FI	SBS, FBB, LPB	840
Ingerois	FI	FBB	190
Pankakoski	FI	FBB, coreboard, liner	95
Skoghall	SE	LPB, FBB, WTL	550
Total			**2,330**
Industrial papers			
Heinola	FI	SC fluting	260
Imatra	FI	Laminating papers	25
Kotka	FI	Laminating papers	140
Total			**425**
Coreboards			
Pori	FI	Coreboard	100
St. Seurin-sur-l'Isle	FR	Coreboard	80
Varkaus	FI	Coreboard	85
Wisconsin Rapids	US	Coreboard	35
Total			**300**
Plastic coating plants			
Forshaga (1Jul.2001)	SE		140
Hammarby	SE		35
Imatra	FI		300
Karhula	FI		50
Total			**525**
Core factories			
Corenso Edam	NL		10
Corenso Elfes	DE		25
Corenso Svenska	SE		5
Corenso Tolosana	ES		15
Corenso UK	UK		10
Imatra	FI		5
Loviisa	FI		25
Pori	FI		15
Wisconsin Rapids	US		25
Total			**135**

* Announced capasity increase in effect from 2002

Capacity

Mill	Location	Grade	Capacity 1,000 tonnes
Packaging plants			
Balabanovo	RU		45
Grudiadz	PL		10
Heinola	FI		30
Jönköping	SE		35
Kaunas	LI		10
Lahti	FI		60
Riga	LT		20
Ruovesi	FI		10
Skene	SE		35
Tallinn	EE		5
Uni-Pak Oy, Tiukka	FI		20
Vikingstad	SE		20
Total			**300**
Pulp in bales			
Celbi	PT	Short-fibre (euca)	295
Enocell	FI	Short and long-fibre	635
Kemijärvi	FI	Long-fibre	220
Norrsundet	SE	Long-fibre	295
Nymölla	SE	Short and long-fibre	35
Oulu	FI	Short and long-fibre	80
Skutskär	SE	Short, long-fibre and fluff pulp	540
Total			**2,100**

Mill	Location	Grade	Capacity 1,000 tonnes
DIP			
Duluth	US	DIP	40
Keräyskuitu	FI	DIP	75
Sachsen	DE	DIP	70
Total			**185**

Pulp can be supplied either to own mills (=captive sales) or to external parties

Mill	Location	Grade	Capacity 1,000 tonnes
Associated companies			
Sunila (50%)	FI	Long-fibre pulp	165
Billerud (50%)	SE	Long- and short fibre pulp	165
Billerud (50%)	SE	Kraft paper, WTL, MG paper, Sack, Fluting	505

Mill	Location	Grade	Capacity 1,000 m³	Further processing capacity 1,000 m³
Timber products				
Ala	SE	Redwood	370	10
Amsterdam	NL			110
Bad St Leonhard	AT	Central European timber	280	70
Brand	AT	Central European timber	300	180
Gruvön	SE	Whitewood, redwood	330	
Honkalahti	FI	Redwood	430	140
Imavere *	EE	Whitewood, redwood	290	10
Kitee	FI	Whitewood	365	
Kopparfors	SE	Whitewood	265	
Koski**	FI	Redwood	90	
Kotka	FI	Whitewood	245	70
Lamco ***	AT			100
Linghed	SE	Redwood	45	
Plana	CZ	Central European timber	255	160
Sollenau	AT	Central European timber	310	200
Tolkkinen	FI	Whitewood	265	
Uimaharju	FI	Redwood	300	
Varkaus	FI	Whitewood	345	
Veitsiluoto	FI	Redwood	255	
Wimmer, Pfarrkirchen****	DE			120
Ybbs	AT	Central European timber	570	310
Zdirec	CZ	Central European timber	360	55
Total			**5,670**	**1,535**

* 33% owned by Stora Enso
** 51% owned by Stora Enso
*** 51% owned by Stora Enso / Schweighofer Stiftung
**** 49% owned by Stora Enso

Group world wide presence

Sales Companies

Argentina, Buenos Aires
Australia, Melbourne
Australia, Sydney
Austria,Brand
Austria, Vienna
Belgium, Machelen
Brazil, Sáo Paulo
Canada, North York
Canada, Pointe Claire
Chile, Santiago de Chile
China, Beijing
China, Hong Kong
China, Shanghai
Czech Republic, Praha
Denmark, Copenhagen
Denmark, Ribe
Finland, Helsinki
France, Croissy-sur-Seine

France, La Rochelle
France, Paris
Germany, Düsseldorf
Germany, Hamburg
Greece, Athens
Hungary, Budapest
India, New Delhi
Indonesia, Jakarta
Ireland, Dublin
Italy, Milano
Japan, Osaka
Korea, Seoul
Malaysia, Kuala Lumpur
Netherlands, Amsterdam
Norway, Oslo
Poland, Warsaw
Portugal, Estoril
Portugal, Matosinhos

Russia, Moscow
Russia, St. Petersburg
Singapore, Singapore
South Africa, Cape Town
Spain, Barcelona
Spain, Madrid
Sweden, Falun
Sweden, Stockholm
Switzerland, Zürich
United Arab Emirates, Dubai
United Kingdom, Nottingham
United Kingdom, Orpington
United Kingdom, Wilmslow
U.S.A., Alpharetta, GA
U.S.A., Chicago, IL
U.S.A., Dallas, TX
U.S.A., Des Plaines, IL
U.S.A., Diamond Bar, CA

U.S.A., Dublin, CA
U.S.A., Englewood, CO
U.S.A., Greenbelt, MD
U.S.A., Hudson, OH
U.S.A., Jacksonville, FL
U.S.A., Manhattan Beach, CA
U.S.A., Miami, FL
U.S.A., Minneapolis, MN
U.S.A., Mt. Laurel, NJ
U.S.A., New York, NY
U.S.A., Overland Park, KS
U.S.A., Portland, OR
U.S.A., San Francisco, CA
U.S.A., Schaumburg, IL
U.S.A., Stamford, CT
U.S.A., Stevens Point, WI
U.S.A., Troy, MI
U.S.A., Westport, CT

Merchants

Belgium, Brussels
Denmark, Ballerup
Denmark, Bondby
Estonia, Tallinn
Finland, Vantaa
France, Wissous
Hungary, Budapest
Latvia, Riga
Lithuania, Vilnus
Netherlands, Ad Culembo
Norway, Oslo
Poland, Warsaw
Sweden, Mölndal
United Kingdom,
Waltham Cross

> www.storaenso.com/cont

Calculation of key figures

Return on capital employed, ROCE (%)	100 x	$\frac{\text{Operating profit}}{\text{Capital employed}^{1)\,2)}}$
Return on operating capital, ROOC (%)	100 x	$\frac{\text{Operating profit}}{\text{Operating capital}^{2)}}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and minority items – taxes}}{\text{Equity + minority interests}^{2)}}$
Equity ratio (%)	100 x	$\frac{\text{Equity + minority interests}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity + minority interests}}$
Earnings per share		$\frac{\text{Profit for the period}}{\text{Average number of shares}}$
Cash earnings per share		$\frac{\text{Profit for the period + depreciations}}{\text{Average number of shares}}$
Equity per share		$\frac{\text{Equity}}{\text{Number of shares at the close of the period}}$
Dividend per share		$\frac{\text{Dividend for the period}}{\text{Number of shares}}$
Dividend yield	100 x	$\frac{\text{Dividend per share}}{\text{Share price at the close of the period}}$
Payout ratio (%)	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$

1) Capital employed = Operating capital – Net tax liabilities
2) Average of beginning and close of financial period

Information to shareholders

Annual General Meeting

The Annual General Meeting (AGM) of Stora Enso Oyj will be held on Tuesday, 20 March 2001 at 4.00 p.m. (Finnish time) at the Marina Congress Center: Katajanokanlaituri 6, Helsinki, Finland.

Notice of attendance
By mail: Stora Enso Oyj, Legal Department
P.O.Box 309, FIN-00101 Helsinki, Finland
By telephone: +358 2046 21224, +358 2046 21097
or +358 2046 21210
By fax: +358 2046 21359
On the Internet: www.storaenso.com/investors
No later than 4.00 p.m. (Finnish time) on Thursday, 15 March 2001.

Right to participate in the meeting
To participate in the AGM shareholders must be registered on the record date 9 March 2001 in the share register of Stora Enso Oyj, maintained by the Finnish Central Securities Depository Ltd.

Shareholders whose shares have not been transferred to the book-entry system also have the right to participate in the AGM provided that they were registered in Enso-Gutzeit Oy's share register before 30 September 1993, or in the share register of Veitsiluoto Oy before 30 April 1996. At the AGM, such shareholders must present their share certificates or furnish other evidence that their shares have not been transferred to a book-entry account.

VPC registered shares

Shareholders wishing to attend and vote at the AGM and whose shares are registered in the Swedish Securities Center (VPC) must contact VPC and request temporary registration in the share register of Stora Enso Oyj. Such request shall be submitted to VPC before 4.00 p.m. (Swedish time) on 7 March 2001, since the shares must be registered in the Finnish register no later than 9 March 2001.

American Depositary Receipts (ADRs)

Registered holders of ADRs representing Stora Enso R shares will receive from the Depositary, Citibank, N.A. proxy material that will include instructions on the process of attending the AGM by proxy. If ADRs are registered in the holder's name directly, and are in the holder's possession, the holder should receive material by 23 February 2001. If such holder fails to receive material by that date he or she should contact Citibank, N.A. the Depositary, at 1-800-328-5822. The material should be returned to Citibank, N.A. not later than 2 March 2001. If ADRs are held through a bank, broker, or custodian, the holder should contact such bank, broker, or custodian directly.

Payment of Dividend

The Board of Directors is proposing to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2000.

Record date for AGM	9 March 2001
AGM	20 March 2001
Ex-date for dividend	21 March 2001
Record date for dividend	23 March 2001
Dividend payment effected	4 April 2001

Dividends payable on VPC-registered shares will be forwarded by VPC and paid in Swedish crowns. Dividends payable to ADR-holders will be forwarded by Citibank and paid in US dollars.

Shareholders who have not transferred their shares to a book-entry account will receive their dividend when their shares have been transferred.

Main board proposals to the Annual General Meeting on 20 March 2001

- To lower the share capital of the company through the cancellation of repurchased shares.
- To authorise the Board of Directors to repurchase and dispose of own shares. The authorisation would entitle to repurchase approximately 9,700,000 Series A shares and approximately 36,600,000 Series R shares. The exact numbers will be determined by the AGM.

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Stora Enso Annual Report 2000

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