STORAENSO

STORA ENSO 2002

PERFORMANCE & RESPONSIBILITY

In Focus

Dividend and AGM information

Payment of dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2002.

Dividends payable on VPC registered shares will be forwarded by VPC and paid in Swedish krona. Dividends payable to ADR-holders will be forwarded by Citibank and paid in US dollars.

Dividend Policy

- Strive to pay stable dividends linked to the long-term performance
- One third of net profits over a business cycle

Annual General Meeting

The Annual General Meeting (AGM) of Stora Enso Oyj will be held at 4 p.m. (Finnish time) on Thursday, 20 March 2003 at the Finlandia Hall: Mannerheimintie 13 e, Helsinki, Finland.

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CORPORATE SOCIAL RESPONSIBILITY

Read more in the Web report

www.storaenso.com/2002

FINANCIAL HIGHLIGHTS

Market situation remained challenging

Magazine Paper, Newsprint and Fine Paper reported lower operating profits than in 2001, mainly due to lower sales prices, while Packaging Boards and Timber Products increased profits. Production was adjusted to market demand in order to avoid excess inventories. Paper production was curtailed by 1 257 000 tonnes, some 8% of the Group's total capacity.

Strong balance sheet

The debt/equity ratio was 0.37. Return on capital employed (ROCE) excluding non-recurring items was 7.1%. Capital expenditure totalled EUR 878 million, which is 70.5% of depreciation.

Key figures

	2001	2002
Sales, EUR million	13 508.8	12 782.6
Operating profit, EUR million	1 486.9	-151.6
excluding non-recurring items, EUR million	1 495.2	926.5
% of sales	11.1	7.2
Profit before tax and minority interests, EUR million	1 223.0	-343.2
excluding non-recurring items, EUR million	1 231.3	734.9
Profit for the period, EUR million	926.3	-222.2
Capital expenditure, EUR million	857.1	877.6
Interest-bearing net liabilities, EUR million	4 819.9	3 055.1
Capital employed, EUR million	13 859.1	11 242.4
Return on capital employed (ROCE), %	10.7	-1.6
excluding non-recurring items, %	10.8	7.1
Return on equity (ROE), %	10.4	-3.3

	2001	2002
Debt/Equity ratio	0.53	0.37
Earnings per share, EUR	1.03	-0.25
excluding non-recurring items, EUR	0.94	0.57
Cash earnings per share, EUR	2.43	2.49
excluding non-recurring items, EUR	2.34	1.97
Equity per share, EUR	10.03	9.36
Dividend per share, EUR	0.45	0.45*
Payout ratio, %	48	79
Market capitalisation, EUR million, 31 Dec.	13 006	9 052
Deliveries of paper and board, 1 000 tonnes	12 858	13 149
Deliveries of wood products, 1 000 m^3	4 860	5 112
Average number of employees	44 275	43 853

*) Board's dividend proposal

For more detailed information on the 2002 results, please see page 35 onwards in the Financials 2002 report.

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 based on mission, vision and values

Stora Enso's strategic goal is to increase the value of the company through profitable growth. Specific criteria have been set for the merger and acquisition policy. The Group wants to be the customers' first choice and constantly focuses on improving products, processes and services.

Single industrial group

Stora Enso is operated and managed as a single industrial group, so it benefits from synergies between divisions. Its core products are graphic and office papers, newsprint, packaging boards and wood products.

Stora Enso's strategic goal is to increase the value of the Company through profitable growth, which will be achieved by means of world-class production assets and excellent management resources, supported by mergers and acquisitions. Sales growth in excess of market growth, high productivity and cost efficiency will generate high profit growth.

Acquisition policy based on specific criteria

Stora Enso has set specific criteria for its merger and acquisition policy. A merger or acquisition should meet Group financial targets, focus on global core products, keep the Group's assets in the top quartile, strengthen its market position and utilise asset restructuring opportunities, customer relationships and synergies. Mergers and acquisitions are undertaken in a disciplined and patient manner.

Stora Enso has identified three avenues for increasing its assets:

- Expansion in existing core products in existing markets such as Europe and the USA;
- Expansion in existing core products into new markets such as Asia, South America and Russia;
- Expansion into new branches of the forest products industry or related business segments in existing markets.

As a responsible member of the financial community and industry, Stora Enso is committed to securing the position of its shareholders by meeting strategic financial targets. The target for Stora Enso's return on capital employed (ROCE) is 13% over the cycle compared with the current WACC of 9.5%. The debt/equity ratio should be at or below 0.8.

Customer and investor focus

Stora Enso wants to be the customers' first choice. The Group provides services that support customers' product development and enhance their value creation. It also undertakes its own continuous product development to improve existing products and production processes, and to develop new products. The aim is to achieve operational excellence and superior performance as a sustainable and socially responsible forest products company.

Dividend policy is in line with Stora Enso's emphasis on maximising total returns for shareholders. Over the cycle the Company is committed to distributing at least one-third of its net profit. Stora Enso's goal is to be a good long-term investment for its shareholders.

Fibre strategy

Stora Enso's fibre strategy aims to provide cost-competitive, high-quality raw materials for the Group's end products, and to ensure that operations are socially and environmentally sustainable. It identifies issues crucial to its fibre demand, availability and supply. The primary sources of raw material are wood, recovered paper and purchased pulp. Important elements of the fibre strategy are own production of pulp and wood products. Through its fibre sourcing and pulping operations, Stora Enso ensures the availability of different types of fibre from multiple sources.

Stora Enso's corporate brand represents its identity as an integrated industrial group

Stora Enso is managed as a single industrial group based on a single strong corporate brand identity that reflects the Group's mission, vision and values. Actions of the Group and its employees promote the brand. Stora Enso is socially responsible, global in its operations and local in its commitment to customers, employees and other stakeholders, and to the communities in which it operates. ■

Strategy in action in 2002

Access to new fibre sources

Practical steps taken by the Group in 2002 to implement its fibre strategy through access to wood supplies in the Baltic States and Russia included the acquisition of Sylvester's sawmilling and wood procurement operations in Estonia and sawmill construction in Russia.

Another good example of the way in which Stora Enso is implementing its fibre strategy is the Veracel joint venture plan in Brazil intended to provide low-cost, high quality eucalyptus fibre ideally suited for fine paper production.

Responsible asset restructuring

In 2002 Stora Enso launched a comprehensive Asset Restructuring Programme to improve customer service by providing cost-competitive, high-quality forest products, with good logistic connections serving customers in the best possible way.

The aim of this programme is to achieve top-quartile asset quality. At the same time Stora Enso recognises the importance of supply discipline. The long-term programme includes asset closures and divestments, as well as machine modernisations and new machines.

Stora Enso is committed to implementing the Asset Restructuring Programme in a responsible way so that capital expenditure stays at or below the level of depreciation over the cycle.

Divestment of non-core assets

Stora Enso has taken the strategic decision to release capital from non-core activities to finance growth of core businesses. Divestment of the Mölndal mill and Finnish and North American forestlands are good examples of the implementation of this strategy during 2002.

By divesting non-core assets Stora Enso is creating a stronger platform for the further development of its core businesses – graphic and office papers, newsprint, packaging boards and wood products.

Sales, marketing and R&D harnessed to improve customer service

During 2002 Stora Enso conducted a customer satisfaction survey that prompted a further improvement in customer focus in the form of a comprehensive customer relationship management project. The project, which began with three paper divisions and already involves more than 300 people, will continue throughout 2003. The purpose of the project is to create and implement a customer relationship management model with defined working principles.

The project targets are to improve profitability, reduce volume volatility, improve supply chain operations, shift from selling products to selling solutions, optimise utilisation of the whole product mix, reduce costs and increase organic growth.

In 2002 Stora Enso spent EUR 91.6 million on research and development, which was 0.7% of net sales. The most important product area for research and development is Consumer Boards, where it supports innovation-based growth strategy. The new InnoCentre, a EUR 4 million investment in industrial-scale converting machinery for raw material development and concept innovation, will be an important tool in developing new converting and packaging technologies and business models. A new concept has already been launched for packaging CDs and DVDs.

Another focus area is product development for digital and other document printing. The product portfolio for different printing technologies has been further developed and complemented. Recent new products are Stora Enso Matt, New StellaPress and CosmoPrint. The main emphasis in product improvement of printing grades has been on brightness, opacity and surface smoothness.

Quality improvement constantly in focus

Total Quality Management was implemented in nearly all Stora Enso units in 2002 through the Excellence 2005 process. Units throughout the Group, from mills and sales companies to service units and corporate staff functions, are systematically assessed to identify their strengths and areas for improvement, leading to enhanced operations.

Excellence 2005 aligns management practices throughout the Group and creates common understanding. It is a comprehensive approach to business development and continuous improvement through utilisation of Performance Excellence models, best practices sharing, productivity programmes and other quality tools, together with customer satisfaction and other surveys.

North America Profit Enhancement Plan launched

A Profit Enhancement Plan has been launched in Stora Enso's North American operations to improve the division's results and competitiveness. North America has been suffering from poor market conditions since the end of 2000. To reflect the current market value of the North American assets acquired that year, management decided to take a one-time impairment charge of EUR 1 167 million (USD 1 081 million), which was booked in the third quarter of 2002.

The aims of the Profit Enhancement Plan are to focus increasingly on core assets, to improve competitiveness in coated groundwood and fine papers and to secure competitive pulp for North American operations. The organisation has been streamlined to match the requirements and targets of the North American division. Since the North American acquisition, the workforce has been reduced from 7 294 to 6 156 and will be further reduced by approximately five hundred.

In 2002 North American operations achieved synergies of USD 91 million. The initial synergy target for the year, USD 110 million, was not met because the capacity utilisation rate was lower during the first half of the year and prices were lower than when the target was set in 2000.

Key strategy unchanged, emphasis on profitable growth

Dear Shareholder,

The year just ended was certainly very demanding for the forest products industry and for Stora Enso. Our forecast for 2002 issued a year ago was not optimistic. However, the market situation in 2002 proved more difficult than could have been foreseen then. Our production increased towards the year end, but profits were down on 2001 mainly due to price erosion.

In North America the business environment was especially demanding. Weakness in advertising had a strong impact on Stora Enso's business, prompting an extensive two-year Profit Enhancement Plan. The plan includes machine modernisations and upgrades as well as permanent asset closures. Even before that we had initiated a cost-cutting programme which included personnel reductions in North America.

Our emphasis on profitable growth remains unchanged. We will grow through mergers and acquisitions when good opportunities arise that meet our financial targets.

In 2002 we concentrated on improving asset quality and profitability. Already two years ago we had begun such a programme, mainly in Newsprint: some older machines have been upgraded and modernised and the least efficient closed down, and some new machines built. The programme will be completed when the new paper machine at Langerbrugge in Belgium comes on stream in mid 2003.

A similar Asset Restructuring Programme was launched in Magazine Paper last year. The main decision was to go forward with a plan to build a new SC paper machine at Kvarnsveden in Sweden.

Our emphasis on profitable growth remains unchanged. We will grow through mergers and acquisitions when good opportunities arise that meet our financial targets.

Environmental and social responsibilities have been important to us for a number of years. In today's world these issues are opportunities for companies that want to be successful.

Our key resource for success is personnel. One related issue that we are currently addressing is benefiting fully from the diversity of our workforce. We have a firm foundation in Finland and Sweden, but today Stora Enso is an international Group that is becoming increasingly global, and one of our hidden assets is our multicultural personnel.

During the past year we have placed even more emphasis on being our customers' first choice and serving them better. In addition to asset restructuring, we have introduced a two-year project to improve customer service that will make our broad and comprehensive product range more easily available to customers.

To serve the financial community better, we made changes in 2002 in the way we provide investor services, which we are sure will be seen as enhancements. Our web site, financial communications, annual report and interim reports are recognised as market leaders, and our intention is to maintain this position.

Stora Enso's business is heavily dependent on the strength of the economies of its main markets. In North America there are some signs of recovery in advertising-related paper grades, but the coming quarters will show whether the upturn in paper demand will prove seasonal or longer lasting. The initial indications are

Stora Enso's Chairman Claes Dahlbäck and CEO Jukka Härmälä

more promising than for the past two years. However, in Europe the demand for paper products is stable at low levels.

As regards products, prospects differ between early-cycle and late-cycle products. In early-cycles such as packaging boards, timber and office papers, there has been some improvement, but no European upturn in demand is yet apparent in late-cycle products such as advertising-driven paper grades.

For our stakeholders our strengths in challenging markets are our strong balance sheet and cash flow, international organisation and broad product range.

Though the past year was rather demanding, we retain our strategic target of distributing one-third of net profit as dividend over the business cycle. Stora Enso Oyj's Board of Directors proposes a dividend of EUR 0.45 for the year 2002.

We want to thank our personnel for a job well done in 2002. Stora Enso will continue to be developed as a sustainable forest products industry leader that creates value for its shareholders, customers and employees.

Helsinki, 30 January 2003

Claes Dahlbäck
Chairman

Jukka Härmälä
CEO

Responsibility & Performance

Stora Enso is an integrated forest products company producing magazine papers, newsprint, fine papers, packaging boards and wood products, areas in which the Group is a global market leader.

Stora Enso sales totalled EUR 12.8 billion in 2002. The Group has some 42 500 employees in more than 40 countries in five continents and about 15 million tonnes of paper and board annual production capacity. Stora Enso's shares are listed in Helsinki, Stockholm and New York.

Stora Enso serves its mainly business-to-business customers through its own global sales and marketing network. A global presence provides local customer service. Customers are large and small publishers, printing houses and merchants, as well as the packaging, joinery and construction industries worldwide. The main markets are Europe, North America and Asia.

The Group has production facilities in Europe, North America and Asia. Its modern production capacity and the good integration between raw material, energy and efficient processes ensure production continuity.

Stora Enso is committed to developing its business towards ecological, social and economic sustainability. This commitment is demonstrated through its values and its environmental and social responsibility policy, and has been recognised by selection for the Dow Jones DJSI World and DJSI STOXX sustainability indexes since they were launched in 1999. Stora Enso had the highest score in this sustainability ranking among forest products companies in 2002. Stora Enso is also included in the FTSE4Good index. ■

MAGAZINE PAPER 10

PRODUCTS

Uncoated super-calendered (SC), uncoated machine-finished (MF) papers, light-weight coated (LWC), medium-weight coated (MWC), heavy-weight coated (HWC), machine-finished coated (MFC) papers and wallpaper.

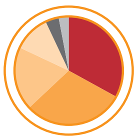
Used for magazines, printed advertising material, catalogues and direct marketing.

MARKET POSITION

- world's second-largest producer of magazine paper, largest producer in North America, second-largest in Europe
- market share 21% in Europe and 17% globally
- main markets Europe (54% of sales) and North America (42% of sales)
- annual production capacity 4.5 million tonnes

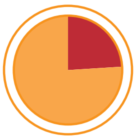
CAPACITY

- North America . 33%
- Germany 30%
- Finland 19%
- France 11%
- Belgium 4%
- Sweden 3%



SHARE OF GROUP SALES

- Magazine Paper 22%



NEWSPRINT 12

PRODUCTS

Standard newsprint and newsprint specialities such as improved newsprint, directory papers and book papers.

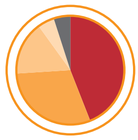
Used for newspapers, newspaper supplements, advertising leaflets, telephone directories, hardback and pocket books.

MARKET POSITION

- world's fourth-largest producer of newsprint and newsprint specialities, largest producer in Europe
- market share 24% in Europe and 7% globally
- main markets Europe (87% of sales) and North America (7% of sales)
- annual production capacity 3.4 million tonnes

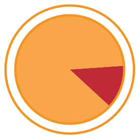
CAPACITY

- Sweden 44%
- Finland 30%
- Germany 16%
- North America. . 5%
- Belgium 5%



SHARE OF GROUP SALES

- Newsprint 12%



FINE PAPER ▶ 14

PRODUCTS

Graphic papers (coated fine paper) and office papers (uncoated fine paper). Used for document printing, commercial printing and high-quality books.

MARKET POSITION

- world's third-largest producer of graphic papers, third-largest producer also in Europe
- world's sixth-largest producer of office papers, second-largest in Europe
- graphic paper market share 14% in Europe and 9% globally
- office paper market share 13% in Europe and 4% globally
- main markets Europe (59% of sales) and North America (24% of sales)
- annual production capacity 3.7 million tonnes

CAPACITY

- Finland 49%
- Sweden 19%
- North America. 18%
- Germany 5%
- Netherlands. . . . 5%
- China 4%

SHARE OF GROUP SALES

- Fine Paper 23%

PACKAGING BOARDS ▶ 16

PRODUCTS

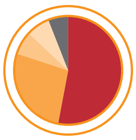
Liquid packaging boards, cupstock, cartonboards, containerboards (corrugated raw materials), corrugated packaging, coreboards, cores, laminating papers, technical papers, flexible packaging and label papers.

MARKET POSITION

- one of the world's leading producers of consumer packaging boards and speciality papers
- main markets Europe (72% of sales), Asia (14% of sales) and North America (10% of sales)
- annual production capacity 3.7 million tonnes of packaging boards and papers, 650 million m^2 of corrugated packaging and 197 000 tonnes of cores

CAPACITY

- Finland 52%
- Sweden 26%
- Germany 7%
- Other Europe. . . 8%
- North America. . 7%

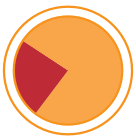


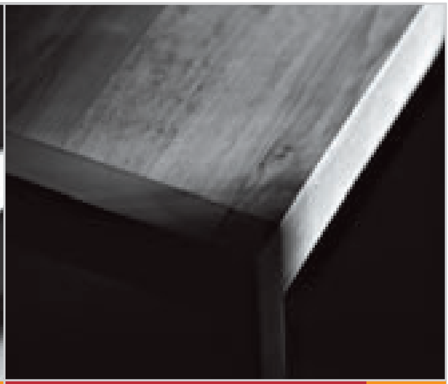
FURTHER PROCESSING

- cores are produced in Canada, China, Finland, Germany, the Netherlands, Spain, Sweden, the UK and the USA
- corrugated packaging is produced in Estonia, Finland, Hungary, Latvia, Lithuania, Russia and Sweden

SHARE OF GROUP SALES

- Packaging Boards 22%





TIMBER PRODUCTS ▶ 18

PRODUCTS

Sawn timber and further-processed products.

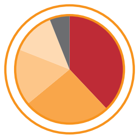
Used by the construction, joinery and furniture industries.

MARKET POSITION

- world's third-largest producer of sawn softwood, largest producer in Europe
- main markets Europe (58% of sales), Asia (22% of sales), North Africa and Middle East (14% of sales) and North America (6% of sales)
- sawn timber annual production capacity 6.0 million m^3, further-processing capacity 2.4 million m^3

CAPACITY

- Finland 38%
- Austria. 26%
- Sweden 17%
- Czech Republic 13%
- Estonia 6%

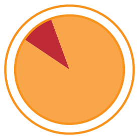


FURTHER PROCESSING

- further-processing factories in Austria, the Czech Republic, Estonia, Germany, Finland, the Netherlands and Sweden

SHARE OF GROUP SALES

- Timber 9%



Asset restructuring enhances competitiveness

The vision of Stora Enso Magazine Paper is to be the preferred and most profitable magazine paper producer, focusing on customer service and cost efficiency, and to be the preferred employer in the industry. The size of the Group is a key factor, enabling it offer a comprehensive product range and service.

A leading market position demands a strong strategy and high-quality products and services. Competitiveness is being enhanced by developing an efficient asset structure and improving cost efficiency and productivity. Benchmarking and transfer of know-how between mills are enhancing profitability.

Close to customers and raw material

Access to competitive fibre resources and mechanical pulp produced within the Group provide a dependable basis for uninterrupted competitive production. Another strength is that the mills are located close to customers and raw material.

Implementation of best practices

Human resources development and best practices further enhance productivity. Attracting and retaining qualified and motivated personnel are essential to maintain high standards of performance and service.

Asset restructuring and acquisitions

To meet the changing needs of international customers, Stora Enso has launched an Asset Restructuring Programme in uncoated magazine papers. The programme will improve the quality and overall competitiveness of assets while meeting the growing quality and volume demands of customers. It includes targeted investments, machine specialisation and divestment of less-competitive production assets. Stora Enso is also looking for profitable acquisitions.

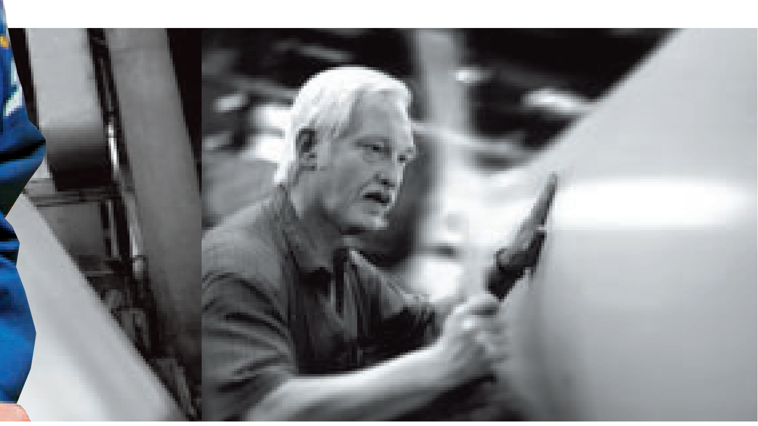
Long-term investment at Kvarnsveden

A major part of the programme is the new paper machine to be built at Kvarnsveden, which will produce high-quality super-calendered (SC) papers based on virgin fibre for use in magazines, catalogues and advertising material. This will be partially balanced by the divestment of the smaller Wolfsheck Mill.

The programme includes investments in SC-B qualities too. PM6 at

Enhancing customer service

Stora Enso is improving service for its diverse customer base through increased inter-division cooperation. Customer Relationship Management (CRM) optimises utilisation of the Group's whole product mix. Customers' needs are defined and new solutions offered or if necessary developed. Solutions include partnerships and stronger focus on technical support, logistics and new products.



the Maxau Mill, which also produces SC-B paper from recovered fibre, will be rebuilt to enhance its productivity and competitiveness. PM3 at Langerbrugge will change over from mainly high-quality SC to exclusively SC-B, allowing the mill to maximise the usage of recovered fibre.

Advertising the main demand driver

The main driving force for publication paper consumption is advertising volume, since 70% of magazine paper revenues depend on this.

The short-term outlook for printed advertising and magazine paper consumption remains stable volume-wise, but with ongoing price pressure due to overcapacity in LWC grades.

In North America, demand has been strengthening because of an increase in the number of advertising pages in magazines. Prices for coated magazine papers and SC papers are rather stable. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	2 818.8	3 449.0	3 036.8	22.2
Operating profit, EUR million	399.4	346.9	79.3	8.6
% of sales	14.2	10.1	2.6	
Operating capital, EUR million	3 529.9	3 314.0	3 050.0	23.0
Return on operating capital, %	15.5	10.1	2.6	
Capital expenditure, EUR million	115.1	148.5	151.0	17.2
Average number of employees	6 205	7 854	7 699	17.6
Production curtailments, tonnes	N/A	560 000	569 000	

*excluding goodwill

1 000 tonnes	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003
SC	864	1 377	1 363	1 660
LWC, MWC, HWC, MFC	2 357	2 452	2 507	2 775
Wallpaper base	48	42	38	65
Total	3 269	3 871	3 908	4 500

Read more in the Web report

Focus on recovered fibre

The vision of Stora Enso Newsprint is to be the customers' preferred choice. The aim is to increase market share in the 40 million tonnes per year global newsprint market through acquisitions, investment and asset enhancement. Cost competitiveness and balanced usage of virgin and recycled fibre will be crucial competitive strengths.

Key customer demands are high paper quality providing excellent printability and runnability, and efficient logistics to ensure reliable and timely supply. Stora Enso's global sales network means that every customer benefits from local service.

Optimal location for different fibre sources

The newsprint mills are favourably located, close to customers and fibre sources. Central Europe is a major source of recovered paper and an important market, whereas the Nordic mills are close to sources of virgin fibre and so concentrate on value-added grades that benefit from the properties of this.

Improving competitiveness and productivity

In the competitive newsprint business, only the most efficient suppliers will thrive. Stora Enso Newsprint constantly focuses on improving competitiveness and productivity to retain its strong market position as a leading newsprint supplier. Good asset quality and size are important factors enabling the Group to offer a comprehensive competitive product range serving the customer's needs.

Asset replacement and upgrading

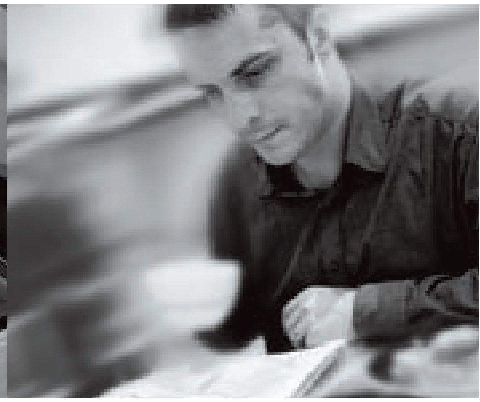
Current challenges include ensuring competitive production through replacement and upgrading of uncompetitive capacity. The ongoing Asset Restructuring Programme is expected to enhance asset quality and cost competitiveness without significantly increasing capacity.

Increasing recovered fibre usage

A major project is the newsprint machine using 100% recovered paper as raw material being built at Langerbrugge. Most of the recovered paper will be collected within 300 kilometres of the mill. The machine will start

World-class performance at the Hylte Mill

The Hylte Mill in southern Sweden is the largest newsprint mill in the western world. Its raw material is 50% recovered fibre. The mill is a stable, long-term profit earner and the largest private employer in the locality. Its four cost-competitive, streamlined paper machines are ideally located close to customers and sources of virgin and recycled raw materials.



up on schedule in June 2003. Its markets will be mainly in Western Europe, but Langerbrugge is also favourably located for serving overseas customers.

Markets improving slowly

The key determinant of newsprint consumption is print media advertising. Other important drivers are newspaper circulation and number of new titles. Following a very weak 2002, advertising is expected to pick up slowly in Europe and North America in 2003. However, newsprint markets are expected to remain difficult in Western Europe. European prices will decrease and market-related curtailments will continue.

In North America the prolonged downturn in prices has come to an end. The markets are improving slowly but still remain weak and further curtailments will be needed. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	1 766.7	1 933.9	1 641.5	12.0
Operating profit, EUR million	268.3	508.8	240.8	26.0
% of sales	15.2	26.3	14.7	
Operating capital, EUR million	1 256.7	1 198.4	1 260.7	9.5
Return on operating capital, %	19.9	41.4	19.1	
Capital expenditure, EUR million	74.8	91.2	331.2	37.7
Average number of employees	5 437	5 530	5 542	12.6
Production curtailments, tonnes	N/A	130 000	305 000	

*excluding goodwill

1 000 tonnes	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003
Newsprint	3 134	3 031	2 899	3 350

Read more in the Web report

Improving productivity through mill specialisation

The vision of Stora Enso Fine Paper is to be the leading fine paper supplier. It is well positioned to compete in the growing fine paper market thanks to cost-efficient production, a comprehensive product portfolio and product quality.

In office paper the aim is to meet the rapidly changing and highly demanding requirements of modern offices around the world, whereas graphic papers are tailored to the high-quality printing needs of printers and publishers globally.

Asset restructuring and acquisitions

To improve performance and maintain its leading position, Stora Enso is currently implementing an Asset Restructuring Programme in office papers. Participation in industry consolidation is also essential as the fine paper sector remains quite fragmented, which may lead to instability in the markets. Growth must go hand in hand with responsible and sustainable business practices.

Higher productivity through mill specialisation

The aim of the Asset Restructuring Programme is to enhance productivity through mill specialisation and production streamlining. Asset optimisation initiatives include the Veitsiluoto Mill specialising in cut-size document printing products. PM1 at the Nymölla Mill, which produces MultiCopy document printing paper, will be upgraded to enhance quality and efficiency.

These measures will ensure efficient production and the ability to supply customers with quality products in standard and premium grades.

Product development in co-operation with customers

To offer comprehensive printing solutions and not just a wide product range, Stora Enso Fine Paper has built up an extensive research and development network comprising customers, suppliers and external partners such as universities and institutes. The objective is to improve product printability and runnability, manufacturing cost competitiveness and environmental sustainability.

Growing market

The main influences on business are advertising expenditure and office technology development, both of which are dependent on the strength

Veitsiluoto Mill – a northern success

The Veitsiluoto Mill, the world's northernmost paper mill, has two profitable fine paper machines. The mill produces a significant proportion of Europe's office paper. The already good asset quality is being enhanced by a new investment plan aimed at improving product competitiveness and quality in the expanding office paper market.

of the economy and GDP growth.

The fine paper market is expected to grow. Annual global growth in office papers demand over the next few years is estimated at 2%. The fastest growth is forecast for China and other Asia and Western Europe. In coated papers, annual growth in global demand is expected to be 4.4%, the fastest growth areas being Western Europe, China and other Asian countries.

Office paper markets are expected to recover slowly, but the graphic paper market is suffering from oversupply, resulting in price pressure in Europe. In the USA the graphic paper outlook is more promising. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	3 473.2	3 617.5	3 108.0	22.7
Operating profit, EUR million	688.8	394.5	292.6	31.6
% of sales	19.8	10.9	9.4	
Operating capital, EUR million	4 507.1	4 161.1	3 483.3	26.2
Return on operating capital, %	20.3	9.1	8.4	
Capital expenditure, EUR million	116.6	193.7	131.6	15.0
Average number of employees	9 562	10 607	9 288	21.2
Production curtailments, tonnes	N/A	670 000	250 000	

*excluding goodwill

1 000 tonnes	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003
Graphic (coated) paper	1 917	1 918	1 826	2 215
Office (uncoated) paper	1 234	1 273	1 330	1 520
Total	3 151	3 191	3 156	3 735

Read more in the Web report

Developing innovative solutions

Stora Enso Packaging Boards aims to be the customers' most rational choice by offering long-term contracts providing price stability, reliable service and stable product quality. Thanks to targeted investments in recent years, the division has good asset quality.

Retaining a strong market share (over 25%) in selected markets and product segments will ensure production stability. The integrated production chain facilitates price stability for customers over the long term.

Product development plays a key role in many segments. One challenge is to work with customers in developing innovative packaging systems and products based on wood fibre that can successfully compete with alternative packaging materials.

Sustainable fibre sourcing

Production is environmentally and socially sound. A major advantage is that board and paper are made from own pulp. Birch, pine and spruce raw materials are procured from sustainably managed northern forests. Recovered paper, such as old corrugated containers (OCC), is collected from areas near mills. The division is a leading recycler of composite materials such as liquid cartons and industrial wrappings.

Further expansion in Russia

Corrugated board production will be further increased, especially in Russia. A new corrugated board mill is under construction at Arzamas, 400 km east of Moscow, to provide new capacity to serve the growing market. The successful Balabanovo Mill has provided important experience on best practices for doing business in Russia.

Integration of Speciality Papers

A major short-term strategic initiative is integration of the Speciality Papers Business Group established within Stora Enso Packaging Boards in 2001. The integration process includes the transfer of medium-size printing paper assets to speciality paper production, and the integration of speciality papers with the Group's own pulp production.

Stable near-term market prospects

Demand for consumer packaging boards is driven by demand for non-durable goods such as food and drinks, but general trends in packaging usage and design also have an impact on demand.

Integrated production at Imatra

The Imatra Mill in southeast Finland is a strong and profitable unit producing consumer packaging boards for liquid cartons, paper cups and graphical applications, as well as speciality, laminating and woodfree papers. The mill has a strong cash flow and modern production assets, including the largest kraft pulp mill in Europe. The headquarters of the Consumer Boards Business Group (sales in 2002 EUR 1.9 billion) are in Imatra, as is one of Stora Enso's research centres.

Prices were stable or rising in 2002, and demand is expected to remain stable in the near future. There is no major overcapacity in the division's business segments. However there may be some market-related downtime during 2003. Growth is expected to continue in Russia and the Baltic States. ■

Key figures*	2000**	2001***	2002	% of the Group
Sales, EUR million	2 975.0	2 724.0	3 043.4	22.3
Operating profit, EUR million	441.3	346.2	365.8	39.5
% of sales	14.8	12.7	12.0	
Operating capital, EUR million	2 732.3	2 670.9	3 048.3	23.0
Return on operating capital, %	15.4	12.8	12.0	
Capital expenditure, EUR million	342.3	294.4	143.5	16.4
Average number of employees	10 635	9 888	10 533	24.0
Production curtailments, tonnes	N/A	180 000	133 000	

*excluding goodwill **including Gruvön mill ***excluding Speciality Papers

1 000 tonnes	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003
Packaging boards and papers	3 417	2 765	3 186	3 660

Read more in the Web report

Competitiveness
through expansion

Stora Enso Timber maintains one of the most modern and competitive asset bases in the wood products business worldwide. Competitiveness is being enhanced through online further processing and expansion in Central and Eastern Europe. The most challenging projects in the short term are the integration of the Estonian wood products company Sylvester and sawmill investments in Russia.

One competitive advantage is a strong global market presence, particularly in Europe, Japan and North Africa. Stora Enso Timber is close to its customers, thanks to its global sales network. The main business segments are in the construction and joinery industries and trade, where wood products remain competitive and environmentally sustainable materials. The comprehensive product range is constantly being developed to meet the expectations of selected end-use segments.

Further-processing according to customers' needs

Markets and end-users favour more advanced, further-processed and engineered products. The division has responded with a vast growth and turnaround programme in all operating regions over the past five years. Streamlining of production assets continues, with production efficiencies sought through mill specialisation and expansion of further-processing capacity and the share of customised products.

Securing a cost-competitive manufacturing base

The Baltic States and Russia are major emerging sources and markets for competitive high quality wood products, and important areas for wood raw material procurement for the Group's other production sites, especially in Finland. Intensifying competition emphasises the need to secure a cost-competitive manufacturing base that will support expansion in Central and Eastern Europe.

Stora Enso Timber's strategy is to set up a competitive sawmilling base in Russia with the initial sawmill investments in 2002 in the Karelia and Novgorod regions. A competitive sawmilling base in the Baltic States is being developed through the acquisition of Sylvester and further greenfield investments. With the aqcuisition, Stora Enso will get five modern softwood mills and add 20% to the annual wood products capacity. Stora Enso

Plana and Zdirec – proofs of a successful strategy

The Plana and Zdirec sawmills in the Czech Republic reflect the strength of Stora Enso Timber's strategic aims of cost-competitive manufacturing in Eastern Europe and online further processing. Their good profitability is based on clear specialisation: Plana concentrates on standardised building products for the North American market and Zdirec on structural building components for the European market. Efficiency has been improved by a new shift work system resulting in increased capacity, log handling and personnel.

is keen to locate further new production capacity close to these raw material sources and markets, and recent investments provide a good platform for further growth.

Stable market conditions

Global demand is growing steadily by 1-2% per year in all wood product areas, and rapidly in target segments. Demand for further-processed products is expected to grow by 9% per year in Japan and 5% in Europe up to 2005.

Market conditions are expected to remain slightly positive through the first half of 2003, but profitability will be under pressure from currency effects and freight rates. The US market will not recover until the current oversupply eases. Low inventories and the coming spring season will keep European and Japanese markets stable. ■

Key figures*	2000	2001	2002	% of the Group
Sales, EUR million	1 242.1	1 180.5	1 235.2	9.0
Operating profit, EUR million	73.3	12.6	46.8	5.1
% of sales	5.9	1.1	3.8	
Operating capital, EUR million	388.2	421.3	421.6	3.2
Return on operating capital, %	18.6	3.1	11.1	
Capital expenditure, EUR million	46.5	64.4	53.5	6.1
Average number of employees	3 593	3 644	3 745	8.5

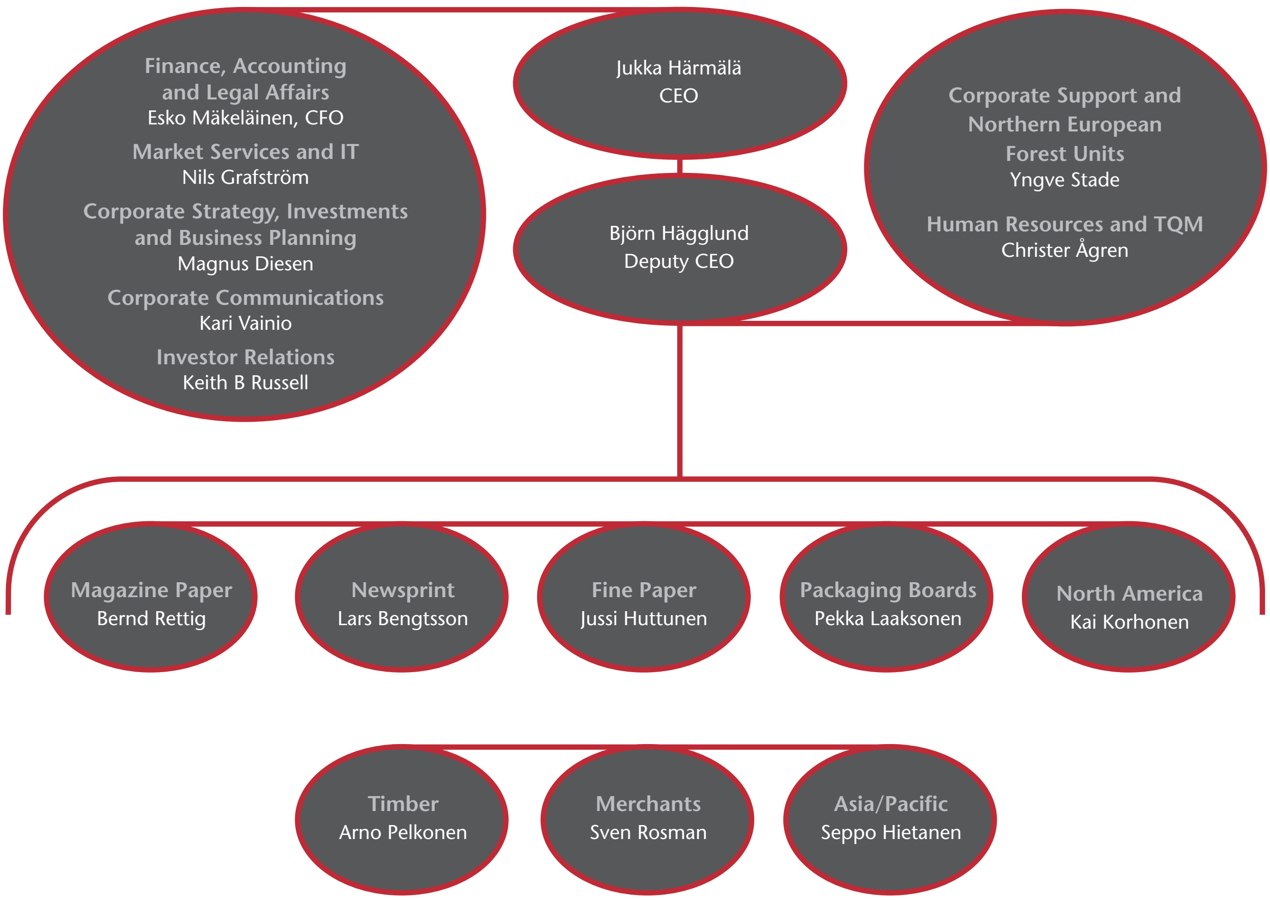
*excluding goodwill

1 000 m³	Deliveries 2000	Deliveries 2001	Deliveries 2002	Capacity 2003*
Sawn wood products	4 880	4 860	5 112	6 045
of which further-processed products	952	1 018	1 207	2 353

*excluding Sylvester

Read more in the Web report

Stora Enso's organisation



Production on three continents

Sales Companies
Argentina, Buenos Aires
Australia, Melbourne
Australia, Sydney
Austria, Brand
Austria, Vienna
Belgium, Diegem
Brazil, São Paulo
Canada, Montreal
Canada, Toronto
Chile, Santiago de Chile
China, Beijing
China, Hong Kong
China, Shanghai
Czech Republic, Prague
Denmark, Copenhagen
Denmark, Kolding
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, Milan
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
UK, Nottingham
UK, Orpington
UK, Wilmslow
USA, Atlanta, GA
USA, Cleveland, OH
USA, Columbia, MD
USA, Dallas, TX
USA, Des Plaines, IL
USA, Detroit, MI
USA, Jacksonville, FL
USA, Kansas City, KS
USA, Los Angeles, CA
USA, Miami, FL
USA, Minneapolis, MN
USA, New York, NY
USA, Philadelphia, PA
USA, Portland, OR
USA, San Francisco, CA
USA, Stamford, CT

Merchants
Belgium, Brussels
Denmark, Taastrup
Estonia, Tallinn
Finland, Vantaa
France, Wissous Cedex
Hungary, Budapest
Latvia, Riga
Lithuania, Vilnius
Netherlands, Ad Culemborg
Norway, Oslo
Poland, Warsaw
Sweden, Mölndal

BOARD OF DIRECTORS

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

Board of Directors unchanged

CLAES DAHLBÄCK
has acted as Chairman of Stora Enso's Board of Directors since December 1998.
Born 1947. M.Sc. (Ec.), Dr. (h.c.)
Chairman of Investor AB
Chairman of the Board of Vin & Sprit, Gambro and EQT Funds; Member of the Board of Findus
Chairman of the Stora Enso Compensation Committee

KRISTER AHLSTRÖM
has acted as Vice Chairman of Stora Enso's Board of Directors since December 1998.
Born 1940. M.Sc. (Eng), Dr. h.c. (Techn.), Dr. h.c. (Arts)
Former Chairman and CEO of A. Ahlstrom Corporation
Member of the Board of Nordea Securities Corporation, EQT Finland and NKT Holding, Denmark and several other international institutions
Member of the Stora Enso Compensation Committee

JOSEF ACKERMANN
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1948. Dr. (Oec.)
Spokesman of the Board of Managing Directors and Chairman of the Group Executive Committee of Deutsche Bank AG; Member of the Supervisory Board of Bayer AG and Linde AG
Chairman of the Stora Enso Financial and Audit Committee

HARALD EINSMANN
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1934. Ph.D. (Econ.)
Member of the Board of British American Tobacco, EMI Group and Tesco Ltd
Member of the Stora Enso Compensation Committee

BJÖRN HÄGGLUND
has acted as Deputy Chief Executive Officer of Stora Enso since December 1998.
Born 1945. Dr. (For.)
Member of the Board of the Federation of Swedish Forest Industries and the Confederation of European Paper Industries

JUKKA HÄRMÄLÄ
has acted as Chief Executive Officer of Stora Enso since December 1998.
Born 1946. B.Sc. (Econ.), Dr. h.c. (Techn.), Dr. h.c. (Econ.)
Member of the Board of the Finnish Forest Industries Federation; Vice Chairman of the Board of Finnlines; Member of the European Round Table of Industrialists

GEORGE W. MEAD
has been a member of Stora Enso's Board of Directors since August 2000.
Born 1927. M.Sc. (Paper Chem.), B.Sc. (Chem.)
Former Chairman of the Board of Consolidated Papers, Inc.

ILKKA NIEMI
has been a member of Stora Enso's Board of Directors since March 2001.
Born 1946. M.Sc. (Econ.)
Independent consultant
Chairman of the Board of Motiva Oy
Member of the Stora Enso Financial and Audit Committee

PAAVO PITKÄNEN
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1942. M.Sc. (Math.)
President and CEO of Varma-Sampo Mutual Pension Insurance Company
Member of the Board of Sampo plc and Wärtsilä Corporation
Member of the Stora Enso Financial and Audit Committee

JAN SJÖQVIST
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1948. MBA
CEO of Swedia Networks AB
Member of the Board of SSAB Svenskt Stål AB, Swedia Networks AB, Green Cargo AB, Lannebo fonder AB and Cell Network AB

MARCUS WALLENBERG
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1956. B.Sc. (Foreign Service)
President and CEO of Investor AB
Member of the Board of Saab AB, Scania AB, Skandinaviska Enskilda Banken AB, Ericsson and the Knut and Alice Wallenberg Foundation
Member of the Stora Enso Financial and Audit Committee

MANAGEMENT GROUP

From left to right: Pekka Laaksonen, Bernd Rettig, Jukka Härmälä, Arno Pelkonen, Yngve Stade, Jussi Huttunen, Esko Mäkeläinen, Lars Bengtsson, Kai Korhonen, Björn Hägglund

JUKKA HÄRMÄLÄ
Chief Executive Officer
Born 1946. Employed by Enso 1970–84
Rejoined the Company 1988

BJÖRN HÄGGLUND
Deputy Chief Executive Officer
Born 1945. Joined the Company 1991
Chairman of the Stora Enso Environmental Committee and R&D Committee

LARS BENGTSSON
Senior Executive Vice President, Newsprint
Born 1945. Joined the Company 1986
Member of the Stora Enso R&D Committee

JUSSI HUTTUNEN
Senior Executive Vice President, Fine Paper
Born 1954. Joined the Company 1979
Member of the Stora Enso R&D Committee

KAI KORHONEN
Senior Executive Vice President,
Stora Enso North America
Regional Manager North America
Born 1951. Joined the Company 1977
Member of the Stora Enso R&D Committee

PEKKA LAAKSONEN
Senior Executive Vice President,
Packaging Boards
Country Manager Finland
Born 1956. Joined the Company 1979

ESKO MÄKELÄINEN
Senior Executive Vice President and CFO,
Finance, Accounting and Legal Affairs
Born 1946. Joined the Company 1970

ARNO PELKONEN
Senior Executive Vice President, Timber Products
Born 1954. Joined the Company 1984

BERND RETTIG
Senior Executive Vice President, Magazine Paper
Born 1956. Joined the Company 1982
Member of the Stora Enso R&D Committee

YNGVE STADE
Senior Executive Vice President, Corporate Support and Northern European Forest Units
Country Manager Sweden
Born 1947. Joined the Company 1994
Member of the Stora Enso Investment Committee, Environmental Committee and R&D Committee

(The Executive Management Group consists of the above persons)

Bergin, Russell and Wager joined
Management Group

From left to right: John F Bergin, Nils Grafström, Sven Rosman, Walter Haberland, Seppo Hietanen, Petri Wager, Keith B Russell, Christer Ågren, Jyrki Kurkinen, Magnus Diesen, Eberhard Potempa, Kari Vainio

JOHN F BERGIN
Senior Vice President, Stora Enso North America
Born 1943. Joined the Company 1968

MAGNUS DIESEN
Executive Vice President, Corporate Strategy, Investments and Business Planning
Born 1944. Joined the Company 1988
Chairman of the Stora Enso Investment Committee, Member of the Environmental Committee and R&D Committee

NILS GRAFSTRÖM
Executive Vice President, Market Services and Information Technology
Born 1947. Employed by Stora 1980-97
Rejoined the Company 2001

WALTER HABERLAND
Senior Vice President, Information Technology
Born 1946. Joined the Company 1995

SEPPO HIETANEN
Executive Vice President, Asia Pacific
Born 1945. Joined the Company 1976

JYRKI KURKINEN
Senior Vice President, Legal Affairs
Born 1948. Joined the Company 1979
Member of the Stora Enso Disclosure Committee

EBERHARD POTEMPA
Senior Vice President, Country Manager Germany
Born 1953. Joined the Company 1976

SVEN ROSMAN
Executive Vice President, Merchants
Born 1945. Joined the Company 1991

KEITH B RUSSELL
Senior Vice President, Investor Relations
Born 1958. Joined the Company 2002

KARI VAINIO
Executive Vice President, Corporate Communications
Born 1946. Employed by Enso 1980–83
Rejoined the Company 1985
Member of the Stora Enso Environmental Committee

PETRI WAGER
Senior Vice President, Corporate Marketing and Sales
Born 1948. Joined the Company 1973

CHRISTER ÅGREN
Executive Vice President, Human Resources and TQM
Born 1954. Joined the Company 1993

Committed to Corporate Governance

General

The duties of the various bodies within Stora Enso Oyj are determined by the laws of Finland and by the Company's 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.

Other governance bodies have an assisting and supporting role.

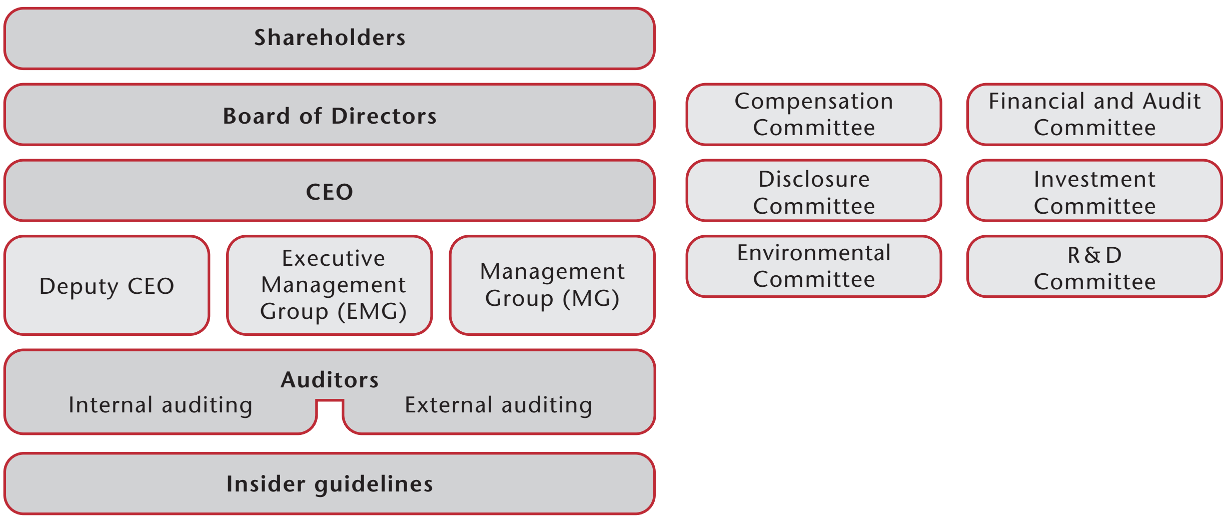
Stora Enso prepares annual and interim financial accounts conforming to international accounting standards (IAS) and published in Finnish, Swedish, English and German. In addition Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

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

Stora Enso Oyj has one or two official 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



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 2002 was the approval of the remuneration programme for the year. The Compensation Committee comprised three members (Claes Dahlbäck acting as Chairman, Krister Ahlström and Harald Einsmann) and convened twice during 2002.

Financial and Audit Committee

The Committee's main task is to assist the Board of Directors in fulfilling its controlling function. The Financial and Audit Committee comprised four members (Josef Ackermann acting as Chairman, Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg) and convened twice during 2002.

CEO

- Executive Management Group (EMG)
- Management Group (MG)

Deputy CEO

- Environmental Committee
- R&D Committee

Other Committees

- Disclosure Committee
- Investment Committee

Day-to-day operational responsibility rests with the divisional management and their operation teams.

Objectives and composition of governance bodies

Board of Directors

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

The Board consists of eleven ordinary members: nine non-executive and two executive 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 Company operations. It is likewise responsible for the proper supervision of accounting and control of financial matters.

The Board elects a Chairman and a Vice Chairman from among its members and appoints the 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 Financial and Audit Committees.

The Board meets at least five times a year. During 2002 it convened nine times.

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 directly in charge of the following: strategy (long-term planning and investments), finance, accounting and legal affairs, corporate communications, investor relations, preparatory work with regard to Board meetings. In addition he supervises decisions regarding key personnel, market services and IT 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 the following operational matters: monitoring and coaching of divisions, corporate support functions, purchasing, 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 and six divisional heads (Magazine Paper, Newsprint, Fine Paper, Packaging Boards, Timber and North America) and the heads of the Finance, Accounting and Legal Affairs (CFO) and Corporate Support staff functions.

The EMG's tasks and responsibilities are: 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 and review of the main features of the sales network.

In addition to customary governance tasks, the EMG undertook the major task of reviewing the most efficient ways of utilising available capital within the framework set by the Board of Directors. This resulted in the Stora Enso Asset Restructuring Programme that lays out the framework and principles for the Company's capital allocation.

The EMG convened twenty times in 2002.

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 members of the EMG and other divisional heads as well as heads of staff functions. Additional members may be appointed by the CEO. In 2002 the Group had twenty-two members.

The MG meets approximately four times a year. In 2002 the Group convened four times.

Disclosure Committee

The Disclosure Committee was nominated in 2002 to comply with the new financial reporting rules based on the Sarbanes Oxley Act. The Committee supervises the reliability of the Group financial reporting and disclosure processes. The Committee is chaired by the Group Controller and the members are the heads of Internal Auditing and Legal Affairs. The Disclosure Commmittee reports to the CEO and CFO.

Investment Committee

The Investment Committee is chaired by the head of the Corporate Strategy, Investments and Business Planning. The Committee's 7-10 members are appointed by the CEO. In 2002 the number of members was ten.

The tasks and responsibilities of the Investment Committee are: coordination of the investment planning and approval process, coordination of the investment completion audit and follow-up process, participation in the planning and execution of large investment projects in the Company's various geographical areas as well as the drawing-up of recommendations on funds available for investments.

During 2002, the Committee developed a focused capital expenditure frame model, which is in line with Company strategy to keep capital expenditure under the depreciations average over the cycle. The Committee also examined major investment proposals and made recommendations on the allocation of divisional funds prior to decision. In co-operation with divisions and the EMG the Committee also developed the Stora Enso Asset Restructuring Programme in line with the capital expenditure frame model.

The Investment Committee convened thirteen times in 2002.

Environmental Committee

The Environmental Committee is chaired by the Deputy CEO. The 8-14 members are appointed by the CEO. In 2002 the Committee had thirteen members.

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

The single largest item on the 2002 agenda was the Climate Change issue, which called for the setting up of a separate work structure to assess opportunities and threats and to shape Group strategy and an action plan. Other significant issues have been fibre strategy, forest certification and the Group Environment and Resources Report 2002.

The Environmental Committee convened four times in 2002.

R&D Committee

The R&D Committee is chaired by the Deputy CEO. The 5–9 members are appointed by the CEO. In 2002 the Committee had nine members.

The purpose and tasks of the R&D Committee are: 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 and to recommend the extent of overall R&D activities within the Group.

During the year, as an important step in reinforcing the focus of R&D strategy for improving the end use performance of Stora Enso products, the Committee decided on the InnoCentre investment, an industrial scale development facility for the innovation of new packaging concepts. The planning of new funding arrangements to facilitate commercialisation of new business ideas was initiated in 2002.

The R&D Committee convened twice in 2002.

Other supervisory bodies and norms

Auditor

The auditor of Stora Enso Oyj is PricewaterhouseCoopers Oy (Authorised Public Accountants) with Pekka Nikula, APA as principal auditor.

Internal Auditing

Stora Enso also has a separate internal auditing organisation, which has a current complement of twelve persons. It independently appraises the adequacy and effectiveness of systems, internal controls and accounting.

Internal Auditing reports its findings to the management, the external auditors and the Financial and Audit Committee. The Senior Vice President of the Internal Auditing Department reports to the Chief Financial Officer on a functional basis and has direct access to the chairman of the Financial and Audit Committee.

The Internal Audit Department conducts regular audits at major mills and other Group units.

Insider guidelines

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

Stora Enso's internal insider guidelines were published in 2001 and are regularly distributed throughout the organisation.

Permanent insiders are members of the Board of Directors, the CEO and Deputy CEO, and the auditor. The CEO has also nominated as permanent insiders members of the Executive and Management Groups as well as persons responsible for legal, financial, accounting, R&D, communications and investor relations.

Management Group interests at 31 December 2002

Information on Management Group ownership of shares and options/synthetic options, and memberships of different committees is given on page 77, Note 24 of the Financials 2002. ■

Proposed dividend EUR 0.45

Stora Enso's shares are divided into A and R shares, which carry equal rights to dividend but different voting rights. The shares are listed on the Helsinki, Stockholm and New York stock exchanges. During 2002, the Company continued to repurchase its shares. Stora Enso has option programmes for key personnel which entitle holders to receive either cash compensation or a share-purchase option.

Shares of Stora Enso Oyj (later referred to as "Company" or "Stora Enso") are divided into series A and series R shares. All shares carry equal rights to dividend but different voting rights. At a Shareholders' Meeting, each A share and each ten R shares carry one vote. However, each shareholder has at least one vote. The counter value of each share is EUR 1.70. On 31 December 2002 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 529.6 million. The total number of shares was 899 778 299 and the number of votes 254 062 846.

Changes in share capital 2000–2002	Number of Series A shares issued	Number of Series R shares issued	Total number of shares	Total share capital (FIM million)	Total share capital (EUR million)
Stora Enso Oyj, 1 Jan 2000	208 951 188	550 658 501	759 609 689	7 596.1	
Subscription of new R shares		246 000	246 000		
Conversion of share capital into euro denomination					1 291.8
Share issue (Consolidated Papers, Inc.), new R shares in ADR form		167 367 577	167 367 577		284.5
Conversion of A shares into R shares	-14 454 732	14 454 732	-		
Stora Enso Oyj, 31 Dec 2000	194 496 456	732 726 810	927 223 266		1 576.3
Cancellation of repurchased shares	-910 600	-22 260 100	-23 170 700		-39.4
Conversion of A shares into R shares	-9 312 271	9 312 271	-		
Subscription of new R shares		2 700 733	2 700 733		
Stora Enso Oyj, 31 Dec 2001	184 273 585	722 479 714	906 753 299		1 541.5
Subscription of new R shares		1 158 000	1 158 000		
Cancellation of repurchased shares	-813 200	-7 319 800	-8 133 000		-13.8
Conversion of A shares into R shares	-1 143 700	1 143 700	-		
Stora Enso Oyj, 31 Dec 2002	182 316 685	717 461 614	899 778 299		1 529.6
Subscription of new R shares	-	3 000	3 000		
Stora Enso Oyj, 9 Jan 2003	182 316 685	717 464 614	899 781 299		1 529.6

Stora Enso continued to repurchase shares in 2002

The Annual General Meeting on 19 March 2002 authorised the Board of Directors to repurchase and dispose of not more than 9 100 000 A shares and not more than 35 500 000 R shares in the Company. The number of shares repurchased shall not exceed 5% of the votes or the share capital. The authorisation is valid up to and including 18 March 2003.

Repurchases began on 24 May 2002. By 31 December 2002, 85 400 A shares and 25 326 834 R shares had been repurchased, representing 0.9% and 71.3% of the target amounts respectively. The average price paid for the A shares was EUR 11.84 and for the R shares EUR 11.09.

The Board of Directors currently has no authorisations to issue shares, convertible bonds or bonds with warrants.

Stora Enso is listed on three stock exchanges

Stora Enso shares are listed on the Helsinki and Stockholm stock exchanges. The R share is also listed in ADR form on the New York Stock Exchange (NYSE). The shares are quoted in Helsinki in euro (EUR), in Stockholm in Swedish krona (SEK) and euro (EUR) and in New York in US dollar (USD).

Citibank, N.A. acts as depositary bank for the Stora Enso ADR programme. The exchange rate between Stora Enso ADRs and R shares is 1:1, i.e. one ADR represents one Stora Enso R share and the ADR ticker is SEO.

Detailed information may be found on pages 24 – 31 of the Financials 2002 report and updated information on the Company's website www.storaenso.com/investors

Share price performance and volumes

Helsinki

The Stora Enso R (STERV) share price fell during 2002 by 30% (10% increase in 2001). During the same period the HEX general index fell by 34%, the Helsinki portfolio index by 17% and the HEX forest index by 23%. The year high was EUR 16.13 and the year low EUR 8.41.

Stockholm

The Stora Enso R (STE R) share price fell during 2002 by 32% (19% increase in 2001). During the same period the Stockholmsbörsen All-Share index fell by 37% and the SX-15 Materials index by 10%. The year high was SEK 148.00 and the year low SEK 77.00.

New York

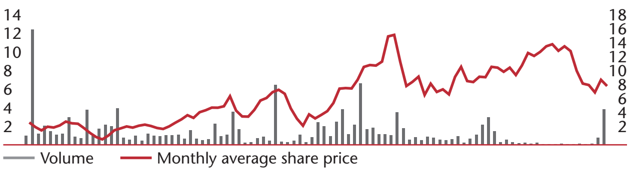
On the NYSE the Stora Enso ADR (SEO) share price fell during 2002 by 15% (4% increase in 2001). During the same period the Standard & Poor's Paper index fell by 2.3%. The year high was USD 14.50 and the year low USD 8.10.

The volume weighted average price of the R share over the year was EUR 12.86 in Helsinki (EUR 12.57 in 2001), SEK 119.50 in Stockholm (SEK 115.61 in 2001) and USD 12.29 in New York (USD 10.95 in 2001).

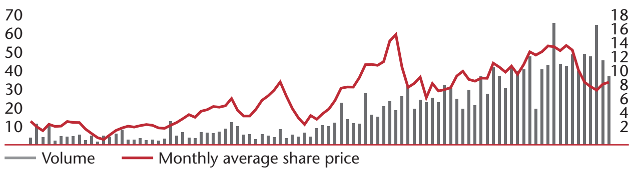
The cumulative trading volume in Helsinki was 751 909 293 shares (67% of total), in Stockholm 351 793 670 shares (31% of total) and in New York 23 768 900 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.1 billion.

Monthly share price performance and volumes on Helsinki Exchanges (1995 – 2002)

Series A



Series R



Stora Enso has some 75 000 registered shareholders

When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 717 million, corresponding to 80% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State. However, since June 1998 the Finnish State has not been required to own Stora Enso shares.

At the end of 2002 the Company had approximately 75 000 registered shareholders, of which some 50 000 are Swedish shareholders and some 3 000 ADR-holders. Each nominee register is entered in the share register as one shareholder. Approximately 657 million (73%) of the Company's shares were registered in the name of a nominee. ■

Major shareholders in Stora Enso on 31 December 2002

	By voting power	% of shares	% of votes
1	Finnish State	10.8%	23.5%
2	Knut and Alice Wallenberg Foundation	6.5%	23.0%
3	Social Insurance Institution of Finland	3.1%	9.5%
4	Varma-Sampo Mutual Pension Insurance Company	1.0%	3.5%
5	Sampo Group	0.7%	2.6%
	Sampo Life Insurance Company Limited		
	If P&C Insurance Company Ltd		
6	Marianne and Marcus Wallenberg Foundation	0.5%	1.9%
7	Ilmarinen Mutual Pension Insurance Company	0.9%	1.5%
8	Suomi Group	0.4%	1.3%
	Suomi Mutual Life Assurance Company		
	Suomi Insurance Company		
9	Erik Johan's Ljungberg's Education Fund	0.7%	0.9%
10	AMF Pensionsförsäkrings AB	1.9%	0.7%
	Total	**26.5%**	**68.4%**
	Nominee registered shares	73.0%	52.6%

The list has been compiled by the Company on the basis of shareholder information obtained from Finnish Central Securities Depository (APK), VPC and a database managed by Citibank.
In 2002, the Finnish State reported sales of Stora Enso shares on 4 April and 14 June.

Ownership distribution, 31 December 2002 (by number of shares held)

- Finnish institutions 14.4%
- Finnish state 10.8%
- Finnish private shareholders 1.6%
- Swedish institutions 18.6%
- Swedish private shareholders 3.7%
- ADR-holders 11.3%
- Under nominee names (non-Finnish/ non-Swedish shareholders) 39.6%

Facts about option programmes

Option/synthetic option programmes

Stora Enso has four option/synthetic option programmes for key personnel. The years of issuance for the options/synthetic options are 1999, 2000, 2001 and 2002. Depending on local circumstances, holders will receive either cash compensation or an option to purchase shares already issued (not new shares).

Warrants

The option programme for management comprises warrants issued in 1997 to members of the senior management. One warrant entitles the holder to subscribe for 3 000 new R shares.

Stora Enso North America option programme

Following the acquisition of Consolidated Papers, Inc. the Board of Directors decided to convert the Consolidated Papers' share option plans into share option plans of Stora Enso. The options entitle the holder to either cash compensation or an option to subscribe for shares already issued (not new shares).

Detailed descriptions of the option programmes may be found on page 77 in the Financials 2002.

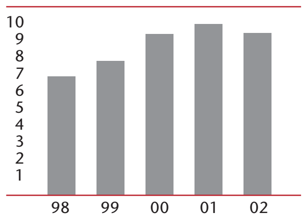
Option programme	Type	Year of issuance	Number of staff	Strike price	Number of options issued	Exercise period	Options outstanding
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	8 Feb 2005- 7 Feb 2009	5 902 000
2001	Synthetic	2001	500	EUR 11.70	4 215 000	1 Apr 2004- 31 Mar 2008	4 215 000
2000	Synthetic	2000	200	EUR 12.25	2 800 000	1 Apr 2003- 31 Mar 2007	2 800 000
1999	Synthetic	1999	200	EUR 11.75	2 750 000	15 Jul 2002- 15 Jul 2006	2 750 000
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	1 Dec 1998- 31 Mar 2004	864 000
North America	Stock options	2000	839	USD 6.9687 (EUR 7.91)	5 680 000	11 Sep 2000- 4 Feb 2010	2 469 984

Key share ratios 1997–2002 (for calculations see Financials 2002 page 97)

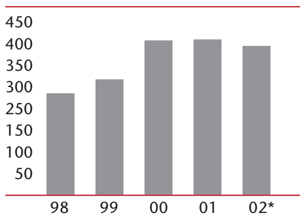
According to Helsinki Stock Exchange	1997	1998	1999	2000	2001	2002
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.03	-0.25
excl. non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.94	0.57
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.43	2.49
excl. non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.34	1.97
Equity/share, EUR*	7.28	6.94	7.84	9.41	10.03	9.36
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45**
Payout ratio, excl. non-recurring items, %*	57	59	45	34	48	79
Dividend yield, %*						
A share	4.6	4.6	2.3	3.5	3.2	4.5
R share	4.6	4.6	2.3	3.6	3.1	4.5
Price/earnings ratio (P/E) excl. non-recurring items*						
A share	12.3	12.8	19.8	9.7	15.1	17.7
R share	12.2	13.0	19.4	9.5	15.3	17.6
Total market capitalisation at year-end, EUR million***	2 214	5 801	13 209	11 733	13 006	9 052
Average number of shares (thousands)						
basic*	759 574	759 574	759 580	812 040	901 506	889 606
diluted*	759 691	759 822	760 628	813 488	902 296	889 956

*Proforma STORA and Enso figures for years 1997-1998. **Board of Directors' proposal to the AGM. ***Figures based on market information are calculated from Enso Oyj's figures before 29 December 1998.

Equity per share, EUR

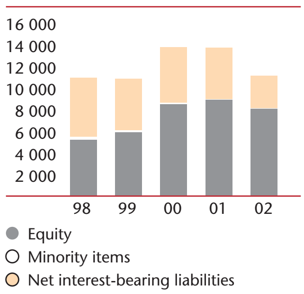


Distributed dividend, EUR million

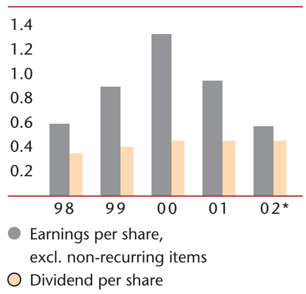


*Board's dividend proposal

Capital structure, EUR million



Earnings and dividend per share, EUR



Annual General Meeting

The Annual General Meeting (AGM) of Stora Enso Oyj will be held at 4 p.m. (Finnish time) on Thursday, 20 March 2003 at the Finlandia Hall: Mannerheimintie 13 e, Helsinki, Finland.

Pursuant to Finnish law nominee-registered shareholders wishing to attend and vote at the AGM must be temporarily registered in the share register of Stora Enso Oyj on the record date, 10 March 2003. Instructions for submitting notice of attendance will be given in the convocation to the AGM, which will be sent to shareholders, and on the Company's website at www.storaenso.com/investors

Main proposals of the Board of Directors to the AGM

- To reduce 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 the repurchase of approximately 9 100 000 A shares and approximately 35 800 000 R shares. The exact numbers will be determined by the AGM.
- To amend the Articles of Association so that shareholders may at any time make a request to convert A shares to R shares.

Payment of dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2002.

Dividends payable on VPC registered shares will be forwarded by VPC and paid in Swedish krona. Dividends payable to ADR-holders will be forwarded by Citibank and paid in US dollars.

AGM and dividend calendar for 2003

10 March	Record date for AGM
20 March	AGM
21 March	Ex-dividend date
25 March	Record date for dividend
4 April	Dividend payment effected

Publication dates for 2003

30 January	Financial results for 2002
6 March	Annual and Environmental reports
29 April	Interim review for January – March
May	Annual report on Form 20-F
24 July	Interim review for January – June
23 October	Interim review for January – September

Distribution of financial information

Printed annual reports are distributed to all shareholders in Finland and all ADR-holders, and to those shareholders in Sweden who have so requested. The annual report is also available on www.storaenso.com/2002

Printed interim reviews are distributed to those shareholders in Finland and Sweden who have so requested, and to all ADR-holders.

Printed annual report on Form 20-F is distributed to all registered ADR-holders, and is available in electronic format on the Company's website as well as on the website of the U.S. Securities Exchange Commission (SEC), and will be sent to anyone on request.

E-mail alerts for stock exchange releases, calendar reminders and new financial information notifications may be subscribed on www.storaenso.com/investors

Trading codes, lots and currencies

	Helsinki	Stockholm	New York
Series A	STEAV	STE A and STE AE	-
Series R	STERV	STE R and STE RE	-
ADRs	-	-	SEO
Lot	100	200	-
Currency	EUR	SEK and EUR	USD

Reuters	STERV.HE
Bloomberg	STERV FH EQUITY

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan was established in January 2002 and is administered by Citibank N.A. The plan makes it easier for existing ADR-holders and first-time purchasers of Stora Enso ADRs to increase their investment by reinvesting cash dividends or by making additional cash investments. The plan is intended only for US residents and is a means for Stora Enso to expand its retail shareholder base in the USA.

Further information on the Stora Enso ADR programme is available on www.citi.com/adr

Citibank contact information for Stora Enso ADR-holders

ADR Depository Bank
Citibank Shareholder Services
P.O. Box 43077
Providence, RI 02940-3077
Toll-Free (within the USA):
1-800-328-5822
Outside the USA: +1-201-536-8057
Fax: +1-201-324-3284
E-mail: citibank@em.fcnbd.com

Filings to SEC through Edgar

Edgar filings (the Electronic Data Gathering and Retrieval system) became mandatory for non-US companies listed on the New York Stock Exchange on 4 November 2002. Stora Enso has filed stock exchange releases and interim reviews into Edgar on a continuous basis since 25 July 2002. Edgar filings may be viewed on SEC's website www.sec.gov

German stock market quotations (Freiverkehr)

	Symbol	CUSIP number	Place of listing
Series A	ENUA	870 734	Berlin, Munich
Series R	ENUR	871 004	Berlin, Frankfurt, Stuttgart, Munich

Updated financial information is available on www.storaenso.com/investors

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.

StoraEnso

CORPORATE SOCIAL RESPONSIBILITY

The challenge of responsibility

Policies and position papers are important. However, what really counts in corporate social responsibility is putting things into practice on the ground, underlines Deputy CEO Björn Hägglund.

"By far the most important issue related to corporate social responsibility is transforming the formal commitments you make in your policies into practice, and ensuring that everyone down the line in the organisation has got the message, as it were. It's also the most demanding thing to do – of course."

Another major challenge is that corporate social responsibility means different things, and different priorities, for different people, says Hägglund.

"Commitment must mean action."

"For sales people, for example, it's all about good business ethics generally. For our mills, health and safety are critical. And all of us have to respect diversity."

"We're talking about different issues, depending on what you do and where you are. In that sense, corporate social responsibility is very different from a corporate mission – and more complicated."

"What's key is that people feel that corporate social responsibility is something that concerns them."

"Taking the time to sit down and think what it means in your own work and your own environment is easier said that done, though. People are always busy, for one thing. Another thing is that many of the issues involved look simple or obvious and don't appear to need any time to be implemented – and they do."

Clear principles

"Small things can sometimes trigger quite large reactions, and wake people up to what we're talking about."

"I remember a case back last summer when we printed a photograph with a girlie calendar in the background in our Global magazine. That photograph generated a lot of reaction. And it made a lot of us realise something – yes, that's sexual harassment if you think about it."

Hägglund also points to bigger questions, such as doing business with countries that are the subject of international embargoes or similar initiatives.

"On issues like this, you simply have to say no."

Never accept double standards

According to Hägglund, getting the balance right between taking account of local culture and corporate principles is key.

"We have to realise that the way we look at things is not universal. And that common sense and a willingness to listen are important wherever you are."

"We must never accept double standards. We must also be prepared to stand behind our principles when it counts. We don't buy timber from rain forests, for example, even though it would often be a lot cheaper for us, we just don't. Just like we don't condone giving kickbacks."

"Being serious about your business ethics means looking into the grey areas of your business, and taking the appropriate action to stop inappropriate practice."

Involving people

Health and safety are also very much part of Stora Enso's approach to corporate social responsibility.

"The worst thing here is a serious accident when one of our people dies on the job – for whatever reason, whether it's a result of bad practise and could have been avoided, or as a result of an accident that couldn't have been foreseen or prevented."

"When something like this happens, it's very, very regrettable. It just highlights the fact that we have to be careful all the time, and take safety very seriously."

Hägglund emphasises that communication – getting the message out to people and getting them to respond – is always a challenge.

"Being ambitious about your goals – which we are – and having the right attitude, is important, but it's not enough. You have to involve people

"Corporate social responsibility is far from being a soft issue."

in achieving those goals, and help them achieve them."

"You must show commitment and enthusiasm yourself, to get people to listen and make things happen."

Adding value where it counts

Hägglund says that a good approach to corporate social responsibility, keeping your house in order, creates value – both for Stora Enso and its partners.

"We can add value to our customers' business, for example, by being a responsible partner that they can rely on across the board, in everything, from quality to ethics and business practices. Being a company you can rely on like this is also important for investors."

"Investors are increasingly risk-averse today. And the concept of risk covers the whole scope of business, so the better our governance and business practices, the better our environmental performance, and the more value we can create."

"Corporate social responsibility is far from being a soft issue."

The courage of your convictions

Having the courage of your convictions is important, believes Hägglund.

"You have to be ready to go the whole course when you commit yourself to something in the area of social responsibility, and not give up half way when things start getting tough or complicated. That means understanding that commitment must mean action too."

Hägglund believes that being ambitious – like Stora Enso is in areas such as operational excellence, performance, and corporate social responsibility – calls for getting everybody on board in the organisation; working with partners, and working in the industry as the whole with all the other players as well.

"Keeping our eye on our goals – and linking them to our everyday life as a company, making them part of the game plan, keeping them fresh – will help ensure that we meet the goals that we have set ourselves." ■

Addressing corporate social responsibility (CSR)

Corporate social responsibility forms part of Stora Enso's overall concept of corporate responsibility, together with environmental and economic issues. By addressing corporate social responsibility issues, Stora Enso wants to underline that its business practices are responsible, that its communication is transparent and based on dialogue, that it is a respected member of the surrounding community, and that it respects human rights wherever it operates.

Corporate social responsibility covers the entire value chain of which Stora Enso is a part. Partnerships with upstream and downstream partners are crucial to success. Through an ambitious strategy and consistent objective-setting, Stora Enso believes that well-managed corporate social responsibility offers a valuable competitive advantage.

Stora Enso formulated its Corporate Social Responsibility principles in 2001 and identified its key stakeholders. The Group is now in the process of integrating these principles into its operations. The processes and self-assessments created as part of the Excellence 2005 quality programme are being used here, to ensure that issues can be described, followed up, evaluated, improved, and shared across units in the Group.

This report provides an overview of Stora Enso's vision and strategy and reports on performance during the 2002 financial year. The scope of the report covers the Group's five core business areas: Magazine Papers, Newsprint, Fine Paper, Packaging Board, and Timber Products.

The report follows the Global Reporting Initiative (GRI) as appropriate and applicable to Stora Enso.

Read more in the Web report

It's an evolution not a revolution

Stora Enso wants to achieve operational excellence, together with superior performance and image in terms of sustainability and social responsibility. The company is committed to achieving this through a competent, learning organisation.

Stora Enso employs some 42 500 employees in more than 40 countries. Being such a large employer brings large responsibilities, but it is also an opportunity.

Human resource management is a key contributor to the Group's ambition of becoming the leading forest industry company – and is based on a strong belief that it is people that make the difference ultimately in relation to competitors. Stora Enso's long-term success is therefore based on 'What People Can Do'.

Stora Enso's vision of human resource management is to create an organisational culture capable of attracting, developing, and keeping the best people and motivating all employees to give their best. Achieving this means focusing on performance culture, competence development, and recruiting and retaining top talent.

Employee well-being, motivation, and pride in one's work underpin Stora Enso's Human Resources strategy. The Group's continuous improvement can only be based on all employees knowing where Stora Enso is going, what is expected of them as employees, and how everyone can contribute to the best of their abilities.

Performance

Stora Enso's total quality management approach, Excellence 2005, in combination with the Group's productivity programme, is a fundamental tool for operational excellence. Using this model, all units strive to improve their operations, competitiveness, and financial results, employing systematic analysis, benchmarking, and best practices to transfer knowledge both within the Group and from outside the Group.

With a strong emphasis on people, teamwork, empowerment, and knowledge management capabilities, Stora Enso aims to create the right prerequisites for excellence in all parts of its operations.

One step ahead of the competition

Competence and skills are acknowledged strengths at Stora Enso. Retaining this strength calls for systematic, long-term competence development. The goals for 2003 in this area include competence planning and developing job mobility.

An appropriate recruitment and retention strategy, together with a strong corporate brand, are also essential to ensuring that top talent stays within the Group.

Management by facts

Stora Enso has a tradition of seeking out its employees' opinions and using this knowledge as the basis for improving its organisation and activities. This has been especially essential when following up the development of the Group's corporate culture, based on the Stora Enso mission, vision, and values.

Stora Enso has organised five Value and Attitude Surveys to date, coordinated by Corporate Human Resources and TQM, and targeted at key managers. The most recent was organised in December 2002. The focus in these surveys has been on personal and organisational values, management practice development, and respondents' suggestions for improvements. The results have led to improvements in divisional and corporate management.

Corporate staff and service units have run three internal customer satisfaction surveys, the latest in October 2002, to generate feedback on their services and functions. The results indicate that many corporate units have improved their performance according to their customers.

Personnel satisfaction surveys are used to evaluate employees' opinions on the Stora Enso organisation, values, management and leadership practices, communications and information flow, job satisfaction, employer image, and quality issues. Organised at regular intervals by Stora Enso units, the results of these surveys are utilised in the self-assessment work arranged as part of Stora Enso Excellence 2005.

A new Web-based survey system was established in 2002 in cooperation with a consultant company, covering both corporate and unit surveys. The database enables trends to be monitored, comparisons to be made between different units, and benchmarking with comparable external data. ■

Human Resources indicators

Key figures	2000	2001	2002
Average number of employees	41 785	44 275	43 853
Sales/employee, EUR	311 524	305 112	291 488
Personnel turnover, %*	3.2	3.1	2.8
Training days / employee	4.1	3.9	4.9

*Based on number of outgoing permanent employees who have left Stora Enso voluntarily.

Employee distribution by country	2000	2001	2002	%
Finland	15 088	15 054	14 676	33
Sweden	10 856	9 433	9 187	21
USA	2 197	6 071	5 731	13
Germany	4 723	4 767	4 761	11
France	1 356	1 368	1 333	3
Austria	1 078	1 127	1 189	3
Netherlands	831	801	858	2
Canada	736	746	850	2
China	801	852	816	2
Belgium	690	694	645	1
UK	783	704	602	1
Russia	474	527	581	1
Other countries	2 172	2 131	2 624	6
Total, average	41 785	44 275	43 853	100
Total, year-end	44 624	42 932	42 461	

Education structure	
Basic education	27.6%
High school/Vocational certificate	48%
College level	12.1%
Bachelor's degree/Polytechnic degree	7.3%
Master's degree	4.7%
Licentiate/Doctorate	0.3%

Securing the future

Any reduction necessary in the workforce shall be carried out with respect for the individual and with proper sensitivity to employees' needs.

Occasional workforce reductions cannot be avoided in today's competitive global market – to secure long-term profitability and to take account of technical developments, shifts in the raw material base, and changes in the product portfolio. For the individuals concerned, the threat of losing one's job or relocation are disruptive. As a result, Stora Enso always tries to take a long-term approach to planning and minimising the negative impact involved. Stora Enso prioritises responsible action in these areas. Identifying internal employment opportunities and providing outplacement services, retirement plans, and further education are always involved. ■

Cases in 2002

Closing down a paper machine in Summa

As part of an asset restructuring programme in Stora Enso's Newsprint and Magazine Paper Divisions, the closure of one of the paper machines at Summa was announced in January 2001. Stora Enso also announced that everyone affected would be offered employment at other Stora Enso mills nearby or receive special pension provisions.

The permanent headcount will be cut from 659 to 490, a reduction of 169, mainly during 2002 and 2003. Of the 169 people affected, 51 have received an early retirement package or will retire and 42 people have found employment at Stora Enso's Anjala, Kotka, Ingerois, and Karhula mills nearby, or elsewhere in Stora Enso. In total, 61 people have been given their notice and all will be eligible for unemployment pension. The average age of the latter is close to 59. A total of nine people are currently on long-term sick leave and six people have left the company.

Restructuring at Nymölla

The decision in 2001 to close the coating machine at the Nymölla Mill meant that 160 positions were to be eliminated. In May 2001, the mill received a new permit to increase its pulp production, which allows production to take place year-round. An additional 15 people were needed as a result.

The final outcome in May 2001 resulted in 38 people being laid off and 62 employees being offered early retirement. The remaining 45 left through personnel attrition.

As the mill needs temporary personnel on a recurring basis, 27 employees who were laid off have formed a pool of temporary workers, and work in different departments as needed. When vacancies for permanent positions open up, they are given priority.

A total of 100 employees were assigned new duties at the mill, after being consulted about their interest in new positions. Training was started immediately after the machine was shut down in February 2002.

The effect of the merger of Stora and Enso on Papyrus UK

In connection with the merger of Stora and Enso in 1999, Caxton Papers UK and Brand were merged into Papyrus UK Ltd. Despite successful cost-saving programmes and a major effort from employees, it proved impossible to make operations profitable and a decision was taken at the beginning of 2002 to close UK operations.

A total of 214 people were affected, of whom 198 were made redundant in May. Some of the business was sold to a competitor, which took on eight people. A further eight continued with Stora Enso until the end of 2002.

95% of the 198 people made redundant have found other jobs or solutions. This success can be attributed to:

- Good communications
- Good project planning
- Excellent legal and tax advice
- Very good cooperation with an outplacement company
- Good teamwork
- TQM principles

Career services at Stora Enso's facilities in North America

During 2002, workforce reductions affected approximately 200 employees at Stora Enso's facilities in North America. In addition to a competitive severance package, these employees were offered career transition services. This programme provides professional counsellors and office space for employees to identify, seek out, and secure new career opportunities. In addition to professional consultation, services include use of computers with Internet access for career searches, telephones to conduct job searches/interviews, word processing assistance, and career search reference material. This programme has proven successful. Placement rates through the career transition services are high, with most employees finding comparable positions or transitioning to other career alternatives.

Diversity means better business

Enhancing diversity in the workforce is critical to securing long-term success in Stora Enso.

By maximising the talent and expertise pool that Stora Enso can draw on, the Group will become more innovative and flexible as an organisation. Diversity also strengthens the recruitment base in general. In today's world of global markets and rapid change, too homogenous a structure can easily become a liability.

Senior management is responsible for fostering and supporting diversity in the Group as a whole. Divisional and unit management are responsible for diversity at the local level. Addressing diversity in everyday work is the responsibility of everyone.

Leveraging diversity

To promote diversity management in Stora Enso, mapping internal best practices, the internal commitment to non-discrimination, and diversity by nationality and gender has started.

The results of the first questionnaire indicate that most units consider equal opportunity issues when recruiting, but that specific procedures or practices are not in place. Equal opportunities are considered in internal operations; and a structured approach exists in 30% of surveyed units.

Stora Enso units in the United States have implemented an Equal Employment Opportunity/Affirmative Action Program based on federal legislation since 1968. All managers are trained in this area, and diversity workshops are arranged for all employees. Workshops also cover harassment issues.

A critical issue

Diversity is seen as critical at Stora Enso to achieving the Group's mission and vision, and to living up to the Group's values. We recognise diversity as a strength and see it as a vital element for a more dynamic organisation. Discrimination against any employee in respect of race, ethnic background, gender, disability, sexual orientation, religion, political opinion, maternity, social origin, or similar is strictly prohibited.

There is still great room for improving the representation of non-Nordic people and women at higher management levels in Stora Enso.

Internal communications tools will be used to promote the Group's internal commitment to non-discrimination. Diversity will also be integrated into employee surveys and leadership training.

A Group-wide monitoring system is under development to increase gender and nationality diversity and to supplement existing information gathered on education, age, and gender by country. ■

Diversity will

- Improve Stora Enso's talent and expertise pool.
- Secure access to a wider and more varied customer, supplier, and investor base.
- Foster innovation, creativity, and flexibility.
- Enhance the Group's ability to change and challenge the status quo.

Indicators

Age distribution in Stora Enso in 2002	
<20	0.59%
21–30	11.39%
31–40	27.75%
41–50	32.37%
51–60	25.54%
>60	2.36%

Gender	
Female	19%
Male	81%

Women in management	
Board	0%
Management Group	0%
Divisional management teams	5%
Unit management teams	14%

WISE – Women in Stora Enso

The core messages from the WISE research project carried out in 2002 showed that top women in Stora Enso enjoy their work, but feel that a change in attitudes has to take place to create truly equal opportunities for female managers. In particular, those involved believe that the company should start recruiting women to the Executive Management Group as well as to top positions in divisions, and set measurable goals for diversity.

To identify the factors that either support or hinder women's careers, 23 of the 25 top female managers at Stora Enso were interviewed. An independent consulting firm interviewed each woman for between two and two and half hours, and presented the results at a joint workshop. Six male managers were also interviewed to provide a male perspective.

"Market yourself!"

The female interviewees had several common features: a high level of education and a strong professional track record. However, only few had applied actively for key positions. Interviewees enjoy their work at Stora Enso, deliver results, and focus on doing a good job.

They also believe that a job well done should be sufficient to promote their careers. The research indicates they do not generally express what they want or what they have achieved. In this sense, they are passive and modest. "Market yourself – if you've done a great job, tell them," was one interviewee's comment.

Respondents felt that women and men are channelled into different areas, often at the recruiting phase. In production in particular, women's career paths are perceived as being less accessible. Experience in production, however, was seen as a precondition for a top career in Stora Enso.

Regular career planning was seen as important for overcoming personal and organisational barriers. Other suggested actions were investigating current recruitment behaviour and stopping thinking in terms of specific male and female areas of expertise. Practically all interviewees were against quotas, even when appointing members to task forces and working groups.

"Pick the right boss!"

Interviewees believed that there is a glass ceiling at Stora Enso. Excellent leaders are appreciated, because they identify a person's potential and channel it optimally. They see women as individuals with specific expertise rather than representatives of their gender.

In the best cases, women have found that their superiors provide encouragement and coaching; others, however, have experienced little or no communication between male superiors and female managers. "You really

Most interviewees seem to believe that merely doing your job well is enough to promote your career, but not all. As one female manager put it: "You must also market yourself – if you've done a great job, then tell them about it."

have to pick the right boss if you want to make a career," commented one manager.

"The sauna door is closed"

Interviewees stressed the importance of good networks, but creating them does not seem to be very successful generally. Women feel that men tend to favour men, particularly when it comes to choosing informal mentors and internal allies.

Other informal behavioural patterns also tend to form barriers. It is common in the Nordic countries to combine business with sauna and hunting, for example. Female managers do not hunt typically and also find themselves sitting alone for a major part of the evening when male colleagues continue the day's discussion in the sauna.

"When I was younger, I thought everything was possible. But now, I don't know. It seems impossible to go higher. The sauna door is closed," said one interviewee.

Certain countries and locations are also perceived as 'out of bounds' to women.

"It will take a lot"

Interviewees underlined the importance of a supportive family, as building a career "takes a lot". On the other hand, getting the balance between work and personal life right should not be seen only as a female issue.

"I hope we don't only want divorced people and people without children working at Stora Enso," commented one woman manager.

Combining work and family seems easier in some countries than others. Some people commented that sites in Sweden are probably more flexible in this respect.

Many women appear to handle their professional and family roles well. Some interviewees pointed out that managing both successfully calls for prioritising. "You have to give up something," said one of the managers interviewed.

Ready to change

Based on the results of the study, both long and short-term action plans will be prepared and approved by top management. The plan will focus on increasing the number of women in top management positions, creating better possibilities for internal networking, and improving the visibility of women in Stora Enso. ■

Keeping healthy, being safe

Employee well-being is a basic prerequisite for good performance.

Employee well-being and occupational health and safety (OH & S) are seen as top priorities at Stora Enso. Personnel are entitled to healthy and safe workplaces.

Stora Enso is committed to a values-driven approach to health and safety, involving management, employees, and all the Group's stakeholders. The vision is for Stora Enso to be a top performer and quality leader in occupational health and safety within the forest industry worldwide.

Implementing OH & S Policy

The Stora Enso Safety, Health and Security Management System has been designed as a practical tool for continuous improvement in these areas in all parts of the Group. The system is compatible with Stora Enso Excellence 2005 principles, international quality standards concerning safety, health, and security (e.g. OHSAS 18001, BS 8800, SCC), and ILO guidelines.

Many Stora Enso mills have had

their safety, health, and security management systems certified by an accredited certification body, and corporate management strongly supports this process. For instance, the following units have had their systems certified: Berghuizer Mill (OHSAS 18001), Anjalankoski, Kotka and Summa Mills (BS 8800), and Baienfurt Mill (SCC). Stora Enso's occupational health services in Finland also have ISO 9001 certification, the first of its kind.

To implement OH & S policies and meet management and employee expectations, Stora Enso's divisions have set their own division-specific OH & S objectives. Individual mills and business units have launched unit-specific OH & S programmes and initiatives, and established occupational safety targets.

The Fors experience

Several programmes focusing on employee well-being and OH & S were implemented in 2002. The issues of absenteeism and long-term health were addressed at Swedish units, based on the pioneering work done at the Fors Mill.

An employee is determined as coming into the category of long-term healthy employees if he or she has not been away from work because of ill health for two years. In December 2002, the Fors Mill was nominated as the Most Healthy Company in 2002 in Sweden by Korpen Sporthuset AB and Dagens Industri in a competition with 29 other companies.

The Fors Mill was the winner both in the category of companies with more than 300 employees and in the whole competition. A project covering long-term healthy employees and involving all Stora Enso's Swedish units has been launched, and the target is that 40% of employees come into this category.

Langerbrugge Mill – no time lost due to accidents in 18 months.

Early actions pay off

In Finland, much emphasis has been placed on early rehabilitation, to ensure that employees showing signs of diminished working ability have the opportunity to attend a week-long early rehabilitation course when needed. The course prioritises proactive measures to maintain and improve mental and physical working capacity, with tailor-made support and follow-up provided by Stora Enso's occupational health care professionals.

A new programme has also been launched in Finland focusing on increasing safety awareness among contractors and suppliers. When the system is fully applied, everyone employed by a contractor or supplier will have to attend safety and security training, followed by an examination, before receiving a safety pass to work at a Stora Enso site. A similar process is ongoing in Stora Enso units in North America.

Much emphasis has been put on accident prevention, and many units have been successful in this area. For example no accidents resulting in lost work days had taken place at the Langerbrugge Mill for a period of 18 months by the end of the year 2002.

OH & S Management

Stora Enso Corporate Management, headed by the CEO and Deputy CEO and assisted by a designated OH & S executive reporting to the Head of Corporate Human Resources and TQM, supervises and coordinates the management, development, and follow-up of OH & S within the Group. At the country level, responsibilities are defined in line with the requirements of national legislation.

Under the Group's principles of corporate governance, Stora Enso coordinates OH & S plans, follows up the fulfilment of these plans, provides OH & S training, and promotes and monitors safe work conduct and working conditions. Risk analysis and prevention forms an integral part of this. Employees are responsible for working safely by complying with OH & S standards and all applicable safety rules and regulations.

Stora Enso also works through collaborative bodies, including the Group's European Works Council, Divisional Works Councils, and unit/mill health and safety committees. ■

OH & S Policy

Stora Enso's Corporate OH & S policy is based on the Group's corporate values, corporate business and human resource strategies, national OH & S legislation, and agreements made between Stora Enso and its stakeholders. The policy is designed to comply with quality management principles, and covers all Stora Enso personnel. Country-, division- and/or unit-specific policies are based on and aligned with the Corporate Policy.

The Corporate Policy is based on two strategic targets: All employees are healthy and capable of working to their full ability; and workplaces are accident- and work-related disease-free.

Measuring performance

Stora Enso benchmarks its safety record against industry standards and other companies within and outside the forest industry on a regular basis.

Common OH & S yardsticks and indicators are used across Stora Enso. The indicators used are: fatal accidents, lost time accidents, accidents causing no lost time, near misses, and sickness- and accident-related absenteeism. Units monitor figures continuously and report quarterly to corporate functions. Beginning in 2003, accidents affecting the employees of Stora Enso's contractors and suppliers at Stora Enso premises will be followed up and reported.

Fatal accidents

Five fatal workplace accidents took place at Stora Enso locations during 2002:

• At the Varkaus Sawmill in Finland, a facility caretaker was run over by a front-end chip loader. Following the accident, action focusing on traffic safety has been taken, including distributing detailed instructions to all Stora Enso and contractor employees.

• At Cartiberia S.A. in Spain, a contractor's employee died when a forklift turned over. Following the accident, forklift operation instructions have been repeated and employees reminded to follow them in detail.

• At the Celbi Pulp Mill in Portugal, a contractor's employee died after a fall during a construction project. Following the accident, more focus has been put on safety training and safety rules related to contracted work.

• At the Corbehem Paper Mill in France, a contractor's employee died when a tractor turned over. Action focused on safety awareness and proper safety instructions has been taken.

• At the Suzhou Paper Mill in China, a contractor's employee died in a fall while repairing drainage pipes. Following the accident, increased attention has been given to safety training and supervision to increase safety awareness among all employees.

An employee at the Group's French sales company, Stora Enso France S.A., was killed in a car accident while on a business trip.

Accident rates

During 2002, the average lost time accident rate in Stora Enso was 24.0 per 10^6 worked hours (4.0 per 100 employees), being lower than in 2001 (26.5/10^6 hrs; 4.5/100 employees).

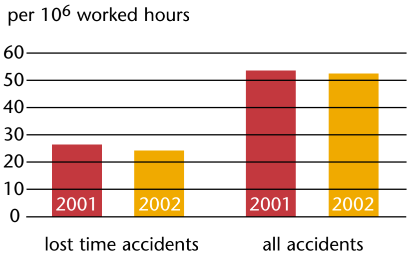
For all workplace accidents, the rate was 52.5 per 10^6 worked hours and 8.7 per 100 employees. In 2001, this rate was 53.6 per 10^6 worked hours (9.1 per 100 employees). From 2002 onwards accident rates of the sales offices are included in the corporate statistics.

Safety performance and accident rates varied between different units and operations, and there were also noticeable country-specific differences in average accident rates. At North American mills, the rates were generally lower than in most European units. Action has been taken to encourage units to learn from best practices in accident prevention, and a special focus has been put on units with low safety performance.

Absenteeism

Average sickness- and accident-related absenteeism in Stora Enso in 2002 was 4.9% of total theoretical working hours. In 2001, the corresponding figure was 4.5%. ■

Accidents in Stora Enso



Better purchasing

It has become increasingly important to manage and incorporate sustainability issues throughout the supply chain.

Stora Enso has evaluated its suppliers against a set of environmental criteria for a number of years, and began work on evaluating supplier's social performance as well during autumn 2002.

Wood is by far the most important raw material for Stora Enso. The company promotes good forest management and tracing the origin of fibre is the most important tool to guarantee that the wood procured is from sustainably managed sources. All fibre sources must be in accordance with the company's values, strategies, and policies. These include the Stora Enso Corporate Social Responsibility Principles, which form the framework for the operations of the Group's regional wood procurement organisation.

Stora Enso is also a large purchaser of transport services. Stora Enso Transport and Distribution is responsible for transporting products from mills to customers, and negotiates its own agreements with transport suppliers on a regional basis. During 2003, the department will focus on addressing CSR Principles in their operations, giving special attention to business practices.

Working with suppliers

The other main categories of materials and services purchased annually by Stora Enso are binders, pigments, chemicals, packaging, paper machine clothing, maintenance, repair and IT investments. Pigments, binders, and chemicals are the single largest categories of materials in terms of volume and value.

The purchasing of these raw materials is carried out at both the Group and local level. Stora Enso Purchasing, headed by the Senior Vice President, Purchasing, operates on a regional basis in close cooperation with divisions and mills. The unit is responsible for evaluating all suppliers systematically, setting purchase agreement standards and negotiating corporate and regional purchase agreements.

A software solution used to evaluate suppliers' environmental performance has been expanded to evaluate suppliers' social performance. The criteria will become stricter stepwise and implementing these criteria at the local level will be one of the priority areas in 2003. Areas currently under evaluation include:

- Business practice
- Health and safety
- Harassment (sexual, racial, ethnic)
- Child and forced labour
- Discrimination (gender, age, race, religion, sexual orientation)
- Freedom of association

Stora Enso Purchasing has also prepared a document entitled 'How to do business with Stora Enso', outlining the Group's expectations regarding how its partners do business with Stora Enso. This document has been sent to all Group suppliers. ■

A priority area

While business must continue to satisfy customer's key buying criteria, such as quality, appearance, availability, and convenience, ethical standards and global reputation are becoming more important than ever.

Stora Enso has a good reputation as a reliable business partner. The Group's reputation is a combination of many factors, one of the most important being employee behaviour. One of the priority areas in corporate social responsibility has been to create the Group's key message and common codes of conduct in the area of business practice.

During 2002, the sales and marketing organisation created a task force to develop the Stora Enso Business Conduct Guidelines. According to these guidelines, the main principle is to ensure that the Group's reputation and credibility is never endangered because of unethical business practices.

Ethical standards in action

Stora Enso North America is a forerunner in code of conduct issues. Its Code of Business Conduct was adopted in 1997, but some policies have been in place for more than 40 years.

The Code is directed at five key groups: customers, suppliers, employees, shareholders, and local communities. The Principles cover several areas, including antitrust compliance, purchasing policies, confidential information, and environmental management. The very nature of the Code of Business Conduct is about the integrity of decisions and problem-solving in everyday situations.

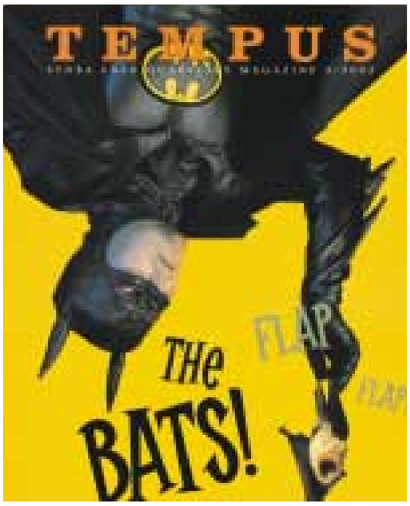
The Code has been distributed to all staff members in North America. The Code is now being revised to reflect Stora Enso's acquisition of Consolidated Papers. The updated Code will discuss compliance requirements for both European and United States securities.

Guidelines

- Cooperation between Stora Enso and our stakeholders shall be open-minded, fair and based on equal terms.
- Practices defined as bribes, kickbacks, price-fixing and similar behaviour are prohibited.
- Employees must avoid conflicts of interest between their private financial activities and the conduct of company business.
- All business transactions on behalf of Stora Enso must be reflected accurately and fairly in the accounts of the company.
- Local legislation regarding free competition on the market must be strictly followed.

Depth and transparency in reporting

In addition to Group-level reporting, a total of 44 Stora Enso units publish environmental statements. These reports comply with the EU's EMAS Regulation and are third party-verified.



Stora Enso's stakeholder magazine Tempus has been widely praised.

The use of environmental management systems ensures that units focus on the most critical aspects of their operations in terms of the environment. In addition, the EMAS Regulation requires annual public reporting on performance. Stora Enso was recognised by the EU for its successful implementation of EMAS in 2002, as well as for its active development of Web-based EMAS reporting.

Although EMAS has been used primarily to improve and monitor the environmental aspects of operations, several Stora Enso units have started to integrate other sustainability-related issues as well. Reports can cover occupational health and safety issues and community involvement, for example. A good example of this is the Oulu Mill; the mill's EMAS statement for 2002 was recognised as the best in Finland.

Perception counts

Several mills conduct image surveys, and there are numerous country- or industry-specific rankings. Due to differences in methodology, sampling, and criteria, it is not possible to derive an overall picture from these, however. How various stakeholders perceive Stora Enso has not been evaluated systematically on the corporate level.

One way to assess the perception of Stora Enso's communications is to participate in various competitions. Stora Enso's annual reports, web communications, and stakeholder magazine have been ranked highly in several national and international surveys.

Openness versus insider rules

In its corporate communications guidelines, Stora Enso employees are encouraged to talk openly about the company. Restrictions affect the financial area, however, where personnel must adhere to the rules and regulations of the different exchanges on which Stora Enso is listed. The Group must provide sufficient and accurate information to all parties on the capital markets, and ensure that they receive the same information simultaneously. The CEO, Deputy CEO, and Head of Communications act as Stora Enso's corporate spokespeople.

Stakeholders ask Stora Enso

The number of sustainability-related questionnaires sent to Stora Enso has increased rapidly over the last few years. Research companies providing services to investors have been particularly active.

During 2002, Stora Enso replied to 23 surveys, including the Dow Jones Sustainability Index, EIRIS, Henderson, the Investor Responsibility Research Center, Robur, and Skandia Asset Management.

Questionnaires normally cover all aspects of sustainability – economic, environmental, and social issues.

Stora Enso's units also answer numerous questions from stakeholders, such as customers, the media, local citizens, and NGOs. The substance and frequency of this dialogue are not monitored systematically. ■

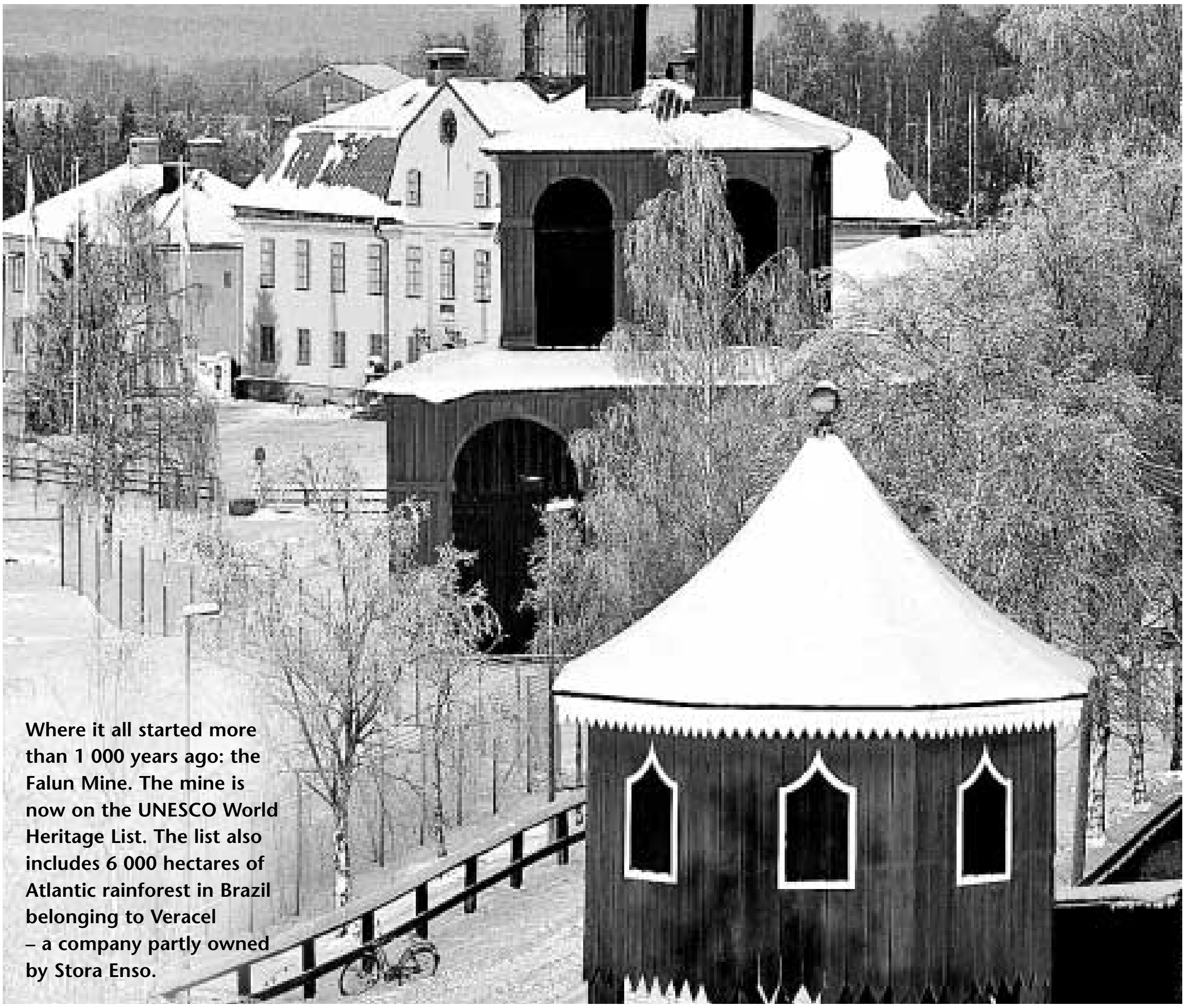
Principles

Credibility and transparency
Information delivered must be accurate, timely, and based on facts. Communication must be transparent.

Responsibility
Stora Enso's communications must be characterised by responsibility and a commitment to the criteria of sustainable development. It must respect the cultures, customs, and values of individuals and groups in countries in which Stora Enso operates. The company must respect local laws, regulations, rules, and agreements.

Proactivity and interaction
Stora Enso provides information promptly, and advocates an open dialogue with stakeholders to work more effectively with them.

Read more in the Web report



Where it all started more than 1 000 years ago: the Falun Mine. The mine is now on the UNESCO World Heritage List. The list also includes 6 000 hectares of Atlantic rainforest in Brazil belonging to Veracel – a company partly owned by Stora Enso.

Engaging stakeholders

Mills play an important and active role in the communities they operate in through close cooperation with schools, local government, shared infrastructure or services, and by sponsoring sports or cultural events.

As this is Stora Enso's first year of reporting on corporate social responsibility issues, a survey was sent out to all units to gather information on their community involvement and to identify best practice within the Group. The results cover 83% of Stora Enso mills.

Community involvement and type of activity

	Share of units
Schools/universities	100%
Public bodies	96%
Trade and business associations	75%
Communications	79%
Sponsorship (cultural, sport, other)	93%
Stakeholder interaction (open house, image surveys)	82%
Shared infrastructure/services	79%

Read more in the Web report

Highlights

- In addition to offering subjects to university students for diploma theses, organising study visits to the mill, and arranging school projects for local students, the Imatra Mill has worked to raise interest in the forestry industry among girls. Since 1996, the mill has worked with ninth-grade girls at local schools in promoting subjects leading to a career in the paper industry.
- At the Nymölla Mill, regular meetings are held with local politicians and other elected representatives throughout the year. Representatives from the mill also attend committee meetings on environmental and fishing issues.
- Stora Enso North America participates in various activities coordinated by state-wide and regional business organisations – including the Wisconsin Paper Council, Wisconsin Manufacturers & Commerce, and Forward Wisconsin – to foster and develop small businesses in the community. Stora Enso North America is also a corporate member of several forestry-related committees devoted to sharing best practices.
- The Celbi Mill has participated in image surveys linked to the image of the paper and pulp industry in Portugal, and has organised open house days for retired employees and local residents. In addition, regular meetings are held with trade union representatives to discuss issues and inform unions about the mill's performance and objectives for the upcoming year.
- Many of Stora Enso's mills work in close cooperation with local fire brigades, and several mills have their own emergency on-site services. In all, nine mills provide district heating to their local communities and some process municipal wastewater in their treatment facilities.

Cooperation yields results

Stora Enso is a sponsor of a project managed by WWF Russia known as the Pskov Model Forest. The project is aimed at developing an environmentally appropriate, socially beneficial, and economically viable forest management model for the Pskov region. It also aims to encourage the dissemination of the positive experiences and lessons learned to the forest industry sector in the region.

The first phase of the project, to be completed in May 2003, has focused on raising public awareness, increasing public participation in the management of the forest resources of the region, and sustainable forest management. Stora Enso leases the land on which the project is being carried out; and Stora Enso's Russian harvesting company, STF-Strug, working in close cooperation with WWF Russia, carries out harvesting.

The project has given Stora Enso invaluable experience on the practical implementation and market impact of forest certification in Russia, experience that can be applied in other regions in Russia.

The organisers of a festival in Strugi Krasnie, Russia bid farewell to winter.

Investing in public awareness

The Pskov Model Forest project has done a lot to increase public awareness of the forestry sector and its importance in the surrounding area. Study visits for local students have been arranged, and training material produced for courses on the fundamentals of forestry.

Ecological trails open to the public have also been built as part of the project. These include information on forestry and the project, and highlight rare plants and tree species. Written material is distributed through the local media and WWF Russia. Forest clubs have been organised in the surrounding communities and local schools; these clubs are open to everyone with an interest in forests, and organise trips to local forests and educate people about sustainable forestry practices.

Preparations and negotiations involving Stora Enso are under way on the second phase of the project, which is scheduled to start in the autumn of 2003. ■

Environmental and social responsibility policy

Responsible business

Stora Enso is committed to developing its business towards ecological, social and economic sustainability. These tasks are recognised as shared responsibilities within Stora Enso enabling a continuous improvement of our operations.

Eco-perspective

Stora Enso's objective is to supply customers with products and services that satisfy various needs related to printed communication, packaging and construction purposes. These products are mainly produced from renewable raw materials, and are recyclable and safe to use.

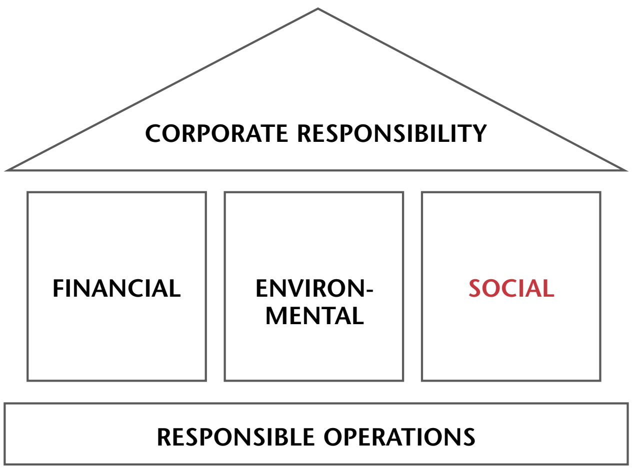
The concept of product life cycle guides our environmental activities and provides the framework for our efforts. We expect the same commitment from our suppliers and partners so that at every stage, from raw material to the end product, the impact on the environment will be minimised.

Social respect

As an international company, Stora Enso acknowledges its role as a model company in the global, national and local society. Our attitude shall be characterised by respect for the cultures, customs and values of individuals and groups in countries where we operate. When developing our business to earn credibility, we will comply with and when necessary go beyond the requirements of national standards and legislation.

Transparent interaction

In order to continuously strengthen our operations and develop environmental and social issues in a sustainable way, Stora Enso considers an open discussion and interaction with all stakeholders, both governmental and non-governmental, as fundamental.



The Stora Enso principles for corporate social responsibility

Business Practice

- Cooperation between Stora Enso and our stakeholders shall be open-minded, fair and based on equal terms.
- Practices defined as bribes, kick-backs, price-fixing and similar behaviour are prohibited.
- Employees must avoid conflicts of interest between their private financial activities and the conduct of company business.
- All business transactions on behalf of Stora Enso must be reflected accurately and fairly in the accounts of the company.

Communication

Communication is based on credibility, responsibility, pro-activity and interaction. These apply equally to all stakeholders. We advocate an open dialogue.

Community Involvement

We shall be a responsible member of the communities in which we operate through focused partnerships at local, national and global levels. We encourage our employees to take part in the local community work.

Reduction in Workforce

Any reduction necessary in the workforce shall be carried out with respect for the individual and proper sensitivity to employees' needs.

We support the UN's Universal Declaration on Human Rights and the core conventions of the International Labour Organization (ILO), from which Stora Enso has derived the following principles:

Working conditions

Our employees are entitled to safe and healthy workplaces. No employee shall be subject to any physical, psychological or sexual harassment, punishment or abuse.

Diversity

We recognize diversity as a strength. Discrimination against any employee in respect of race, ethnic background, gender, disability, sexual orientation, religion, political opinion, maternity, social origin or similar characteristic is prohibited.

Freedom of association

Employees have the right to organise, join associations and bargain collectively, if they wish to.

Free choice of employment

Any form of involuntary labour is prohibited.

Child labour

Use of child labour is not permissible. The minimum age for employment shall be in accordance with the ILO convention (14 or 15 years) or the age specified by local legislation if higher. The employment of young persons shall not jeopardise their education or their development.

Remuneration

Wages shall be paid direct to the employees. Employees shall be paid at least the minimum legal wage or the wage specified in an applicable collective labour agreement.

Working hours

Working hours shall not exceed 48 hours and overtime 12 hours per week on average over a year, unless other conditions are specified in local laws or an applicable collective labour agreement.

Key stakeholders

Customers

All current and potential companies and individuals that choose our company to provide goods or services to them.

Employees

All employees of the company and employees in operations controlled by the company.

Investors

All current and potential owners of our company's equity and debt.

Partners

- Suppliers
- Co-investors and those who join us in other mutually beneficial activities.
- Trade and business associations of which we are members.

Society – Civil

The individuals in our neighbouring communities. Organisations engaged in civic an charitable work as well as non-governmental organisations.

Society – Governmental bodies and administrators

Local and national governmental bodies, administrators, politicians/elected officials and transnational bodies such as the UN.

ORGANISATION AND CONTACTS

Organisation and responsibilities

Operational management has primary responsibility for performance in the corporate social responsibility area and for complying with the Group's commitment. A CSR Steering Committee, chaired by the Deputy CEO, serves as the coordinating body for Group-wide CSR issues. Stora Enso CSR is headed by the Vice President, Corporate Social Responsibility, who reports to the Executive Vice President, Human Resources. The VP, CSR works closely with and supports divisions, units, and staff functions.

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STORAENSO

STORA ENSO 2002

FINANCIALS

Contents

Value Creation
In order to improve profitability, cash flow and capital structure, Stora Enso has set clear operational performance and financial targets which focus management on the business, thereby creating value for shareholders. (More details on page 7)

Key Figures

	2001	2002
Sales, EUR million	13 508.8	12 782.6
Operating profit, EUR million	1 486.9	-151.6
Excluding non-recurring items, EUR million	1 495.2	926.5
Return on Equity (ROE), %	10.4	-3.3
Debt/Equity Ratio	0.53	0.37
Earnings per Share, EUR	1.03	-0.25
Excluding non-recurring items, EUR	0.94	0.57
Cash Earnings per Share, EUR	2.43	2.49
Excluding non-recurring items, EUR	2.34	1.97
Dividend per Share, EUR	0.45	*0.45

* Board's dividend proposal

Group Introduction

Product areas

Magazine Paper

Products
Uncoated super-calendered (SC), uncoated machine-finished (MF) papers, light-weight coated (LWC), medium-weight coated (MWC), heavy-weight coated (HWC), machine-finished coated (MFC) papers and wallpaper. Used for magazines, printed advertising material, catalogues and direct marketing.

Market Position
- World's second-largest producer of magazine paper, largest producer in North America, second-largest in Europe
- Market share 21% in Europe and 17% globally
- Main markets Europe (54% of sales) and North America (42% of sales)
- Annual production capacity 4.5 million tonnes

Newsprint

Products
Standard newsprint and newsprint specialities such as improved newsprint, directory papers and book papers. Used for newspapers, newspaper supplements, advertising leaflets, telephone directories, hardback and pocket books.

Market Position
- World's fourth-largest producer of newsprint and newsprint specialties, largest producer in Europe
- Market share 24% in Europe and 7% globally
- Main markets Europe (87% of sales) and North America (7% of sales)
- Annual production capacity 3.4 million tonnes

Fine Paper

Products
Graphic papers (coated fine paper) and office papers (uncoated fine paper). Used for document printing, commercial printing and high-quality books.

Market Position
- World's third-largest producer of graphic papers, third-largest producer also in Europe
- World's sixth-largest producer of office papers, second-largest in Europe
- Graphic paper market share 14% in Europe and 9% globally
- Office paper market share 13% in Europe and 4% globally
- Main markets Europe (59% of sales) and North America (24% of sales)
- Annual production capacity 3.7 million tonnes

Packaging Boards

Products
Liquid packaging boards, cupstock, cartonboards, containerboards (corrugated raw materials), corrugated packaging, coreboards, cores, laminating papers, technical papers, flexible packaging and label papers.

Market Position
- One of the world's leading producers of consumer packaging boards and speciality papers
- Main markets Europe (72% of sales), Asia (14% of sales) and North America (10% of sales)
- Annual production capacity 3.7 million tonnes of packaging boards and papers, 650 million m^2 of corrugated packaging and 197 000 tonnes of cores

Timber Products

Products
Sawn timber and further-processed products. Used by the construction, joinery and furniture industries.

Market Position
- World's third-largest producer of sawn softwood, largest producer in Europe
- Main markets Europe (58% of sales), Asia (22% of sales), North Africa and Middle East (14% of sales) and North America (6% of sales)
- Sawn timber annual production capacity 6.0 million m^3, further-processing capacity 2.4 million m^3

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

Environmental and Social Responsibility Policy

Responsible Business
Stora Enso is committed to developing its business towards ecological, social and economic sustainability. These tasks are recognised as shared responsibilities within Stora Enso enabling a continuous improvement of our operations.

Eco-perspective
Stora Enso's objective is to supply customers with products and services that satisfy various needs related to printed communication, packaging and construction purposes. These products are mainly produced from renewable raw materials and are recyclable and safe to use. The concept of product life cycle guides our environmental activities and provides the guides framework for our efforts. We expect the same commitment from our suppliers and partners so that at every stage, from raw material to the end product, the impact on the environment will be minimised.

Social Respect
As an international company, Stora Enso acknowledges its role as a model company in the global, national and local society. Our attitude shall be characterised by respect for the cultures, customs and values of individuals and groups in countries where we operate. When developing our business to earn credibility, we will comply with and when necessary go beyond the requirements of national standards and legislation.

Transparent Interaction
In order to continuously strengthen our operations and develop environmental and social issues in a sustainable way, Stora Enso considers an open discussion and interaction with all stakeholders, both governmental and non-governmental, as fundamental.

Corporate Governance

General

The duties of the various bodies within Stora Enso Oyj are determined by the laws of Finland and by the Company's 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.

Other governance bodies have an assisting and supporting role.

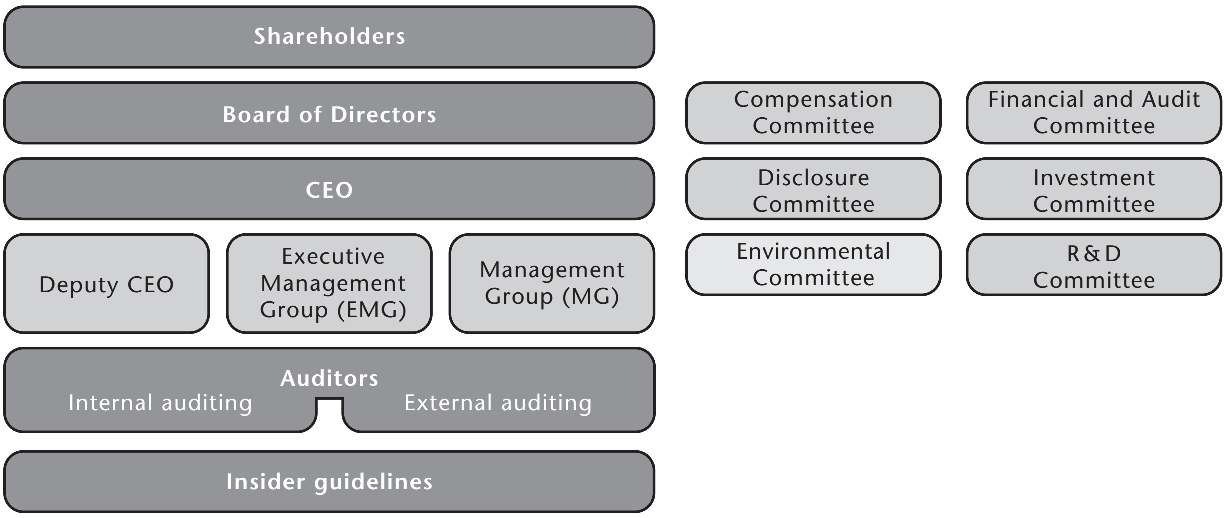
Stora Enso prepares annual and interim financial accounts conforming to international accounting standards (IAS) and published in Finnish, Swedish, English and German. In addition Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

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

Stora Enso Oyj has one or two official 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 2002 was the approval of the remuneration programme for the year. The Compensation Committee comprised three members (Claes Dahlbäck acting as Chairman, Krister Ahlström and Harald Einsmann) and convened twice during 2002.

Financial and Audit Committee

The Committee's main task is to assist the Board of Directors in fulfilling its controlling function. The Financial and Audit Committee comprised four members (Josef Ackermann acting as Chairman, Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg) and convened twice during 2002.

CEO

- Executive Management Group (EMG)
- Management Group (MG)

Deputy CEO

- Environmental Committee
- R&D Committee

Other Committees

- Disclosure Committee
- Investment Committee

Day-to-day operational responsibility rests with the divisional management and their operation teams.

Objectives and Composition of Governance Bodies

Board of Directors

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

The Board consists of eleven ordinary members: nine non-executive and two executive 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 Company operations. It is likewise responsible for the proper supervision of accounting and control of financial matters.

The Board elects a Chairman and a Vice Chairman from among its members and appoints the 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 Financial and Audit Committees.

The Board meets at least five times a year. During 2002 it convened nine times.

Chief Executive Officer (CEO)

The CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issues 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 directly in charge of the following: strategy (long-term planning and investments), finance, accounting and legal affairs, corporate communications, investor relations, preparatory work with regard to Board meetings. In addition he supervises decisions regarding key personnel, market services and IT 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 the following operational matters: monitoring and coaching of divisions, corporate support functions, purchasing, 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 and six divisional heads (Magazine Paper, Newsprint, Fine Paper, Packaging Boards, Timber and North America) and the heads of the Finance, Accounting and Legal Affairs (CFO) and Corporate Support staff functions.

The EMG's tasks and responsibilities are: 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 and review of the main features of the sales network.

In addition to customary governance tasks, in 2002 the EMG undertook the major task of reviewing the most efficient ways of utilising available capital within the framework set by the Board of Directors. This resulted in the Stora Enso Asset Restructuring Programme that lays out the framework and principles for the Company's capital allocation.

The EMG convened twenty times in 2002.

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: members of the EMG and other divisional heads as well as heads of staff functions. Additional members may be appointed by the CEO. In 2002 the Group had twenty-two members.

The MG meets approximately four times a year. In 2002 the Group convened four times.

Disclosure Committee

The Disclosure Committee was nominated in 2002 to comply with the new financial reporting rules based on the Sarbanes Oxley Act. The Committee supervises the reliability of the Group financial reporting and disclosure processes. The Committee is chaired by the Group Controller and the members are the heads of Internal Auditing and Legal Affairs. The Disclosure Committee reports to CEO and CFO.

Investment Committee

The Investment Committee is chaired by the head of the Corporate Strategy, Investments and Business Planning. The Committee's 7–10 members are appointed by the CEO. In 2002 the number of members was ten.

The tasks and responsibilities of the Investment Committee are: co-ordination 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 in the Company's various geographical areas as well as the drawing-up of recommendations on funds available for investments.

During 2002, the Committee developed a focused capital expenditure frame model, which is in line with Company strategy to keep capital expenditure under the depreciations average over the cycle. The Committee also examined major investment proposals and made recommendations on the allocation of divisional funds prior to decision. In co-operation with divisions and the EMG the Committee also developed the Stora Enso Asset Restructuring Programme in line with the capital expenditure frame model.

The Investment Committee convened thirteen times in 2002.

Environmental Committee

The Environmental Committee is chaired by the Deputy CEO. The 8–14 members are appointed by the CEO. In 2002 the Committee had thirteen members.

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

The single largest item on the 2002 agenda was the Climate Change issue, which called for the setting up of a separate work structure to assess opportunities and threats and to shape Group strategy and an action plan. Other significant issues have been fibre strategy, forest certification and the Group Environment and Resources Report 2002.

The Environmental Committee convened four times in 2002.

R&D Committee

The R&D Committee is chaired by the Deputy CEO. The 5–9 members are appointed by the CEO. In 2002 the Committee had nine members.

The purpose and tasks of the R&D Committee are: 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 and to recommend the extent of overall R&D activities within the Group.

During the year, as an important step in reinforcing the focus of R&D strategy on improving the end use performance of Stora Enso products, the Committee decided on the InnoCentre investment, an industrial scale development facility for the innovation of new packaging concepts. The planning of new funding arrangements to facilitate commercialisation of new business ideas was initiated in 2002.

The R&D Committee convened twice in 2002.

Other Supervisory Bodies and Norms

Auditor

The auditor of Stora Enso Oyj is PricewaterhouseCoopers Oy (Authorised Public Accountants) with Pekka Nikula, APA as principal auditor.

Internal Auditing

Stora Enso also has a separate internal auditing organisation, which has a current complement of twelve persons. It independently appraises the adequacy and effectiveness of systems, internal controls and accounting.

Internal Auditing reports its findings to the management, the external auditors and the Financial and Audit Committee. The Senior Vice President of the Internal Auditing Department reports to the Chief Financial Officer on a functional basis and has direct access to the chairman of the Financial and Audit Committee.

The Internal Audit Department conducts regular audits at major mills and other Group units.

Insider Guidelines

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

Stora Enso's internal insider guidelines were published in 2001 and are regularly distributed throughout the organisation.

Permanent insiders are members of the Board of Directors, the CEO and Deputy CEO, and the auditor. The CEO has also nominated as permanent insiders members of the Executive and Management Groups as well as persons responsible for legal, financial, accounting, R&D, communications and investor relations.

Management Group Interests at 31 December 2002

Information on Management Group ownership of shares and options/synthetic options, and memberships of different committees is given on page 77, Note 24 of the Financials 2002.

Stora Enso's Strategy

Stora Enso is operated and managed as a single industrial group, so it benefits from synergies between divisions. Its core products are graphic and office papers, newsprint, packaging boards and wood products.

Stora Enso's strategic goal is to increase the value of the Company through profitable growth, which will be achieved by means of world-class production assets and excellent management resources, supported by mergers and acquisitions. Sales growth in excess of market growth, high productivity and cost efficiency will generate high profit growth.

Acquisition Policy

Stora Enso has set specific criteria for its merger and acquisition policy. A merger or acquisition should meet Group financial targets, focus on global core products, keep the Group's assets in the top quartile, strengthen its market position and utilise asset restructuring opportunities, customer relationships and synergies. Mergers and acquisitions are undertaken in a disciplined and patient manner.

Stora Enso has identified three avenues for increasing its assets: expansion in existing core products in existing markets such as Europe and the USA; expansion in existing core products into new markets such as Asia, South America and Russia; expansion into new branches of the forest products industry or related business segments in existing markets.

As a responsible member of the financial community and industry, Stora Enso is committed to securing the position of its shareholders by meeting strategic financial targets. The target for Stora Enso's return on capital employed (ROCE) is 13% over the cycle compared with the current WACC of 9.5%. The Debt/Equity ratio should be at or below 0.8.

Customer and Investor Focus

Stora Enso wants to be the customers' first choice. The Group provides services that support customers' product development and enhance their value creation. It also undertakes its own continuous product development to improve existing products and production processes and to develop new products. The aim is to achieve operational excellence and superior performance as a sustainable and socially responsible forest products company.

The dividend policy is in line with Stora Enso's emphasis on maximising total returns for shareholders. Over the cycle the Company is committed to distributing at least one-third of its net profit. Stora Enso's goal is to be a good long-term investment for its shareholders.

Fibre Strategy

Stora Enso's fibre strategy aims to provide cost-competitive, high-quality raw materials for the Group's end products, and to ensure that operations are socially and environmentally sustainable. It identifies issues crucial to its fibre demand, availability and supply. The primary sources of raw material are wood, recovered paper and purchased pulp. Important elements of the fibre strategy are own production of pulp and wood products. Through its fibre sourcing and pulping operations, Stora Enso ensures the availability of different types of fibre from multiple sources.

Corporate Brand

Stora Enso is managed as a single industrial group based on a single strong corporate brand identity that reflects the Group's mission, vision and values. Actions of the Group and its employees promote the brand. Stora Enso is socially responsible, global in its operations and local in its commitment to customers, employees and other stakeholders, and to the communities in which it operates.

Development of Operations in 2002

Strategic Return Target and Value Creation

Weighted Average Cost of Capital ("WACC")
WACC represents the aggregate cost of debt and equity. The cost of debt for Stora Enso´s current loan portfolio approximates 5%. The cost of equity represents a risk-free long-term interest rate of 4.5% with an added risk premium of 4%, giving an aggregate cost after tax of 8.5%. Assuming an average tax rate of 35%, the pre-tax cost of equity is approximately 13% and, with a debt/equity ratio of 0.8, the WACC before tax is around 9.5%, being the figure applicable to the ROCE calculations.

Return On Capital Employed ("ROCE")
One of the key Group targets is a ROCE of 13% over the economic cycle. ROCE is defined as operating profit, excluding non-recurring items, divided by average capital employed. The ROCE is compared to the WACC and thus Stora Enso creates value for its shareholders when ROCE exceeds WACC.

The value created by product area is shown below, where the WACC based on average operating capital is deducted from operating profit, excluding non-recurring items, to give the value created. The same WACC is applied to all product areas except for Forest, which uses a rate of 8% as a result of lower risk at operating level.

Operating Profit and Value Creation by Product Area

	Operating Profit			Value Creation		
	Year Ended 31 December			Year Ended 31 December		
EUR million	**2000**	**2001**	**2002**	**2000**	**2001**	**2002**
Magazine Paper	399.4	346.9	79.3	141.9	4.7	-221.8
Newsprint	268.3	508.8	240.8	133.8	386.0	114.9
Fine Paper	688.8	394.5	292.6	350.1	-38.9	-56.9
Packaging Boards	441.3	346.2	365.8	154.7	76.0	59.7
Timber Products	73.3	12.6	46.8	34.0	-27.9	4.6
Merchants	9.9	-7.2	5.5	-11.2	-28.6	-12.0
Forest	115.3	88.1	96.3	6.8	-14.5	-6.6
Other	-35.1	-43.2	-51.8	-	-	-
Continuing operations total	1 961.2	1 646.7	1 075.3	739.5	238.8	-79.0
Goodwill amortisation	88.3	151.5	148.8	-	-	-
Discontinued operations, energy	52.7	-	-	-	-	-
Group Total, excl. non-recurring items	**1 925.6**	**1 495.2**	**926.5**	**778.5**	**107.1**	**-375.8**

Market

Paper and other forest products are produced globally and used throughout the world; the table below shows total consumption of paper and board per main market area. Gross Domestic Product rates have traditionally been a leading indicator for increases in paper and board consumption, though population growth and urbanisation are key elements affecting future consumption in various locations. The ongoing restructuring in both the supplier chain and customer base also influences the market, triggering a need for cost competitiveness and a higher level of service.

Estimated Consumption of Paper and Board 2002

Tonnes, million	Western Europe	North America	Asia (incl. Oceania)
Newsprint	9.8	11.3	10.3
Uncoated mechanical	4.5	5.6	1.8
Coated magazine paper	6.3	5.2	2.1
Coated fine paper	7.1	5.9	8.7
Uncoated fine paper	8.9*	13.5	18.1
Containerboards	20.3	30.2	29.3
Cartonboards	6.5	12.7	10.7

* Bulk grades only

Source: RISI February 2003

Deliveries

The low demand that began already in 2001 continued throughout 2002. Deliveries of paper and board increased by 2%. The low order level, due to the soft economy, was matched by production curtailments to avoid excessive inventories; total curtailments were 1 257 000 (1 540 000) tonnes, equal to about 8% of total capacity. Timber product deliveries increased by 5% compared to the previous year.

The table below sets out Group deliveries but, to achieve compatibility between the years, the following adjustments for Consolidated Papers pre-acquisition deliveries should be added to the figures shown for 2000; an increase of 797 000 tonnes in magazine paper, 492 000 tonnes in fine paper and 20 000 tonnes in packaging boards.

Deliveries by Product Area

	Year Ended 31 December			Change	Curtailments	
1 000 tonnes	**2000**	**2001**	**2002**	**%**	**2001**	**2002**
Magazine Paper	3 269	3 871	3 908	+1	560	569
Newsprint	3 134	3 031	2 899	-4	130	305
Fine Paper	3 151	3 191	3 156	-1	670	250
Packaging Boards	3 417	2 765	3 186	+15	180	133
Divested paper units	-	-	-	-	-	-
Total Paper and Board Deliveries	**12 971**	**12 858**	**13 149**	**+2**	**1 540**	**1 257**
Timber Products, 1 000 cubic metres	4 880	4 860	5 112	+5		
Corrugated board, million square metres	404	434	546	+26		

Stora Enso´s marketing is global though the home market is Europe, which accounts for 70% (69%) of sales; the North American market represents 19% (20%) and Asia Pacific 8% (7%).

External Sales by Destination and Origin

EUR million	Sales By Destination 2000	Sales By Destination 2001	Sales By Destination 2002	Sales By Invoice Origin 2000	Sales By Invoice Origin 2001	Sales By Invoice Origin 2002
Austria	212.8	213.1	195.4	365.3	310.9	315.1
Belgium	366.8	345.1	301.3	212.8	237.8	213.2
Denmark	319.8	307.6	297.9	131.3	116.2	111.7
Finland	821.8	776.0	780.6	4 563.7	4 370.2	4 151.0
France	1 035.4	1 007.0	965.5	529.8	537.8	486.4
Germany	1 987.4	1 840.3	1 673.6	1 518.6	1 489.9	1 442.2
Italy	520.6	403.2	391.5	6.2	0.6	0.1
Netherlands	610.1	581.9	488.4	242.9	247.6	234.0
Portugal	61.7	71.3	60.9	136.9	80.3	59.7
Spain	495.9	445.5	463.4	135.8	139.4	141.5
Sweden	1 052.3	1 026.6	1 034.2	3 315.8	2 980.2	2 895.6
UK	1 446.4	1 324.8	1 053.4	254.7	157.2	59.1
Other EU	221.0	197.8	197.4	3.6	0.2	0.1
Total EU	**9 152.0**	**8 540.2**	**7 903.5**	**11 417.4**	**10 668.3**	**10 109.7**
Other Europe	788.5	813.2	981.4	227.0	252.4	290.1
Total Europe	**9 940.5**	**9 353.4**	**8 884.9**	**11 644.4**	**10 920.7**	**10 399.8**
Canada	76.4	169.4	160.0	363.1	384.0	290.2
China	190.4	188.8	201.5	119.9	111.6	122.3
USA	1 436.3	2 469.7	2 267.3	845.2	2 067.2	1 909.6
Others	1 373.4	1 327.5	1 268.9	44.4	25.3	60.7
Total	**13 017.0**	**13 508.8**	**12 782.6**	**13 017.0**	**13 508.8**	**12 782.6**

Year Ended 31 December

Financial Result (Excluding non-recurring items)

Sales in 2002 totalled EUR 12 782.6 (EUR 13 508.8) million, a decrease of EUR 726.2 million or 5.4% on the previous year; average prices also decreased in all product areas. Sales volumes increased in Magazine Paper, Packaging Boards and Timber Products but decreased in Newsprint and to some extent in Fine Paper.

Operating profit excluding non-recurring items was EUR 926.5 million or 7.2% of sales (EUR 1 495.2 million or 11.1%), a decrease of 38.0% on the previous year. Magazine Paper, Newsprint and Fine Paper reported lower operating profits than in 2001, mainly due to lower sales prices, while Packaging Boards and Timber Products increased profits. The weakening of the US dollar reduced profits by EUR 28 million, which was offset by hedges.

Magazine Paper
Operating profit was EUR 79.3 (EUR 346.9) million, a decrease of EUR 267.6 million or 77% on 2001 mainly as a result of lower sales prices which was, however, to some extent compensated by increased volumes and lower variable costs. Curtailments of 569 000 (560 000) tonnes necessitated by low order volumes led to reduced productivity and somewhat higher relative fixed costs.

Newsprint
Operating profit was EUR 240.8 (EUR 508.8) million, a decrease of EUR 268.0 million or 53% caused mainly by lower sales prices and volumes, though somewhat higher recycled paper prices also had a negative effect. Curtailments of 305 000 (130 000) tonnes were taken to adjust to demand.

Fine Paper
Operating profit was EUR 292.6 (EUR 394.5) million, a decrease of EUR 101.9 million or 26% related to lower sales prices only partly offset by lower variable costs. Curtailments amounted to 250 000 (670 000) tonnes.

Packaging Boards
Operating profit was EUR 365.8 (EUR 346.2) million, an increase of EUR 19.6 million or 6%, higher sales volumes and somewhat lower variable costs having a greater impact than lower sales prices. Curtailments during the year were 133 000 (180 000) tonnes.

Timber Products
Operating profit was EUR 46.8 (EUR 12.6) million, an increase of EUR 34.2 million due primarily to higher volumes and lower fixed costs, partly offset by lower sales prices and increased personnel costs.

Merchants
Operating profit was EUR 5.5 (EUR -7.2) million, an increase of EUR 12.7 million as a result of the closure of the unprofitable unit in England.

Forest
Operating profit was EUR 96.3 (EUR 88.1) million, an increase of EUR 8.2 million or 9% primarily as a result of higher prices and volumes.

Other
Operating losses amounted to EUR 51.8 (EUR 43.2) million.

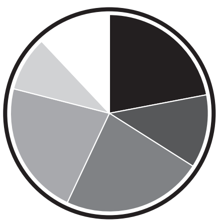
Sales, operating profit (EBIT) and return on operating capital (ROOC) per product area, excluding non-recurring items, are shown in the table below, with a specification by quarter shown on page 22.

Sales and Operating Profit by Product Area

	Sales			Operating Profit			Return on Operating Capital % *		
EUR million	**2000**	**2001**	**2002**	**2000**	**2001**	**2002**	**2000**	**2001**	**2002**
Magazine Paper	2 818.8	3 449.0	3 036.8	399.4	346.9	79.3	15.5	10.1	2.6
Newsprint	1 766.7	1 933.9	1 641.5	268.3	508.8	240.8	19.9	41.4	19.1
Fine Paper	3 473.2	3 617.5	3 108.0	688.8	394.5	292.6	20.3	9.1	8.4
Packaging Boards	2 975.0	2 724.0	3 043.4	441.3	346.2	365.8	15.4	12.8	12.0
Timber Products	1 242.1	1 180.5	1 235.2	73.3	12.6	46.8	18.6	3.1	11.1
Merchants	890.6	840.3	720.6	9.9	-7.2	5.5	4.7	-3.4	3.1
Forest	1 877.4	1 825.6	1 958.7	115.3	88.1	96.3	8.5	6.9	7.5
Other	-2 066.5	-2 062.0	-1 961.6	-35.1	-43.2	-51.8	-	-	-
Continuing Operations Total	**12 977.3**	**13 508.8**	**12 782.6**	**1 961.2**	**1 646.7**	**1 075.3**	-	-	-
Discontinued, Energy	70.3	-	-	52.7	-	-	-	-	-
Internal sales, Energy	-30.6	-	-	-	-	-	-	-	-
Goodwill amortisation	-	-	-	-88.3	-151.5	-148.8	-	-	-
Total excl. Non-Recurring Items	**13 017.0**	**13 508.8**	**12 782.6**	**1 925.6**	**1 495.2**	**926.5**	**16.8**	**10.8**	**7.1**
Non-recurring items	-	-	-	445.7	-8.3	-1 078.1	-	-	-
Total	**13 017.0**	**13 508.8**	**12 782.6**	**2 371.3**	**1 486.9**	**-151.6**	**20.7**	**10.7**	**-1.5**

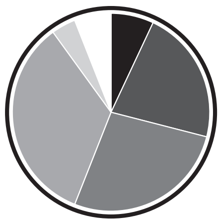
*) Group figures represent return on capital employed

Sales by Product Area



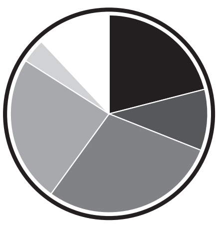
Magazine Paper...........22%
Newsprint 12%
Fine Paper 23%
Packaging Boards 22%
Timber Products 9%
Other 12%

Operating Profit by Product Area



Magazine Paper.............7%
Newsprint 22%
Fine Paper 27%
Packaging Boards 34%
Timber Products 4%
Other 6%

Operating Capital by Product Area



Magazine Paper...........21%
Newsprint 10%
Fine Paper 29%
Packaging Boards 24%
Timber Products 4%
Other 12%

Non-recurring Items

Exceptional transactions not related to normal business operations are accounted for as non-recurring items, always being recorded at Group level; segment results for operational reporting expressly exclude these, though the IAS-based segment notes allocate these items to the segments. The items/transactions must meet certain criteria to be accounted for as non-recurring, amongst others they must impact on earnings per share by at least one cent. The most common non-recurring items are capital gains, additional write-downs and restructuring provisions and gains; shown below are the 2002 non-recurring items, the main items relating to impairments charges and restructuring.

Non-recurring Items

EUR million	Q1/02	Q2/02	Q3/02	Q4/02	2002
Sale of Billerud Shares	-	76.7	-	-	76.7
Closing of Papyrus UK operations	-	-25.1	-	-	-25.1
Closing cost at Summa Mill in Finland	-	-	-8.8	-	-8.8
North America Profit Enhancement Plan	-	-	-54.0	1.1	-52.9
North America Goodwill Impairment charges	-	-	-932.5	18.6	-913.9
North America Asset Impairment charges	-	-	-234.2	4.7	-229.5
Sale of Finnish Forest	-	-	-	25.9	25.9
Sale of US Forest	-	-	-	49.5	49.5
Total	-	**51.6**	**-1 229.5**	**99.8**	**-1 078.1**
Tax on above amounts	-	-17.1	96.6	-24.1	55.4
Tax effect related to depreciation of shares*	-	-	-	298.4	298.4
Total after tax	-	**34.5**	**-1 132.9**	**374.1**	**-724.3**
EPS effect	-	**0.03**	**-1.27**	**0.42**	**-0.82**

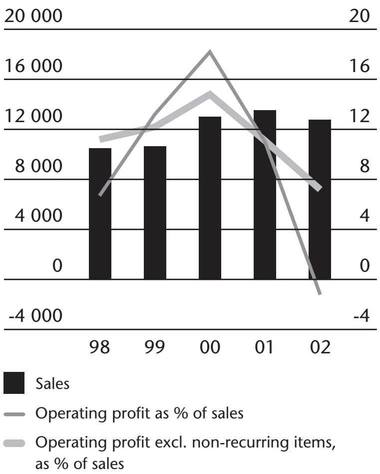
* Stora Enso North America, Corp.

Income Statement in Brief

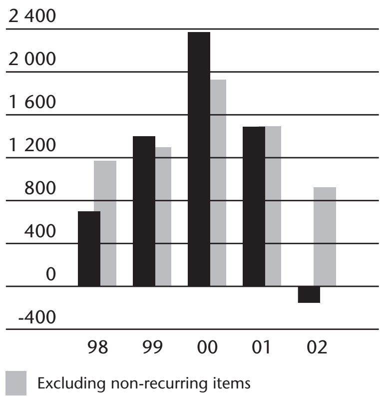
	Year Ended 31 December			Change	Per Share, EUR		
EUR million	**2000**	**2001**	**2002**	**%**	**2000**	**2001**	**2002**
Sales	**13 017.0**	**13 508.8**	**12 782.6**	**-5.4**	**16.03**	**14.98**	**14.21**
EBITDA* excl. non-recurring items	2 970.2	2 762.8	2 172.0	-21.4	3.66	3.06	2.42
Operating profit excl. non-recurring items	1 925.6	1 495.2	926.5	-38.0	2.37	1.66	1.05
Non-recurring items	445.7	-8.3	-1 078.1	-	0.55	-0.01	-1.22
Operating Profit	**2 371.3**	**1 486.9**	**-151.6**	-	**2.92**	**1.65**	**-0.17**
Share of profits in Associated Companies	20.6	79.6	14.6	-	0.03	0.09	0.02
Financial net	-292.9	-343.5	-206.2	-	-0.36	-0.38	-0.24
Profit before Tax and Minority Interests	**2 099.0**	**1 223.0**	**-343.2**	-	**2.58**	**1.36**	**-0.39**
Tax	-650.3	-386.2	-177.5	-	-0.79	-0.43	-0.20
Non-recurring tax items	-	86.6	298.4	-	-	0.10	0.34
Minority items	-13.7	2.9	0.1	-	-0.02	-	-
Net Profit for the Period	**1 435.0**	**926.3**	**-222.2**	-	**1.77**	**1.03**	**-0.25**
Net Profit for the Period excl. non-recurring items	**1 071.9**	**845.3**	**504.9**	-	**1.32**	**0.94**	**0.57**

*Earnings before Interest, Taxes, Depreciation and Amortisation

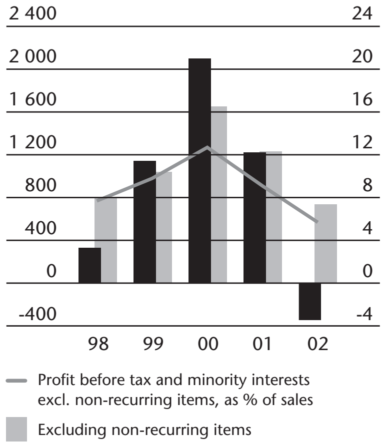
Sales and Operating Profit
EUR million %



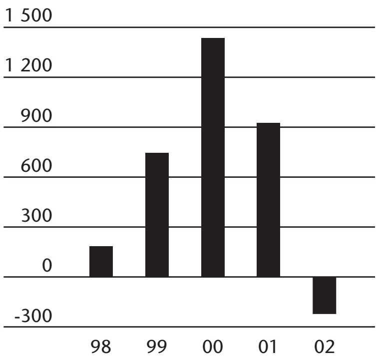
Operating Profit
EUR million



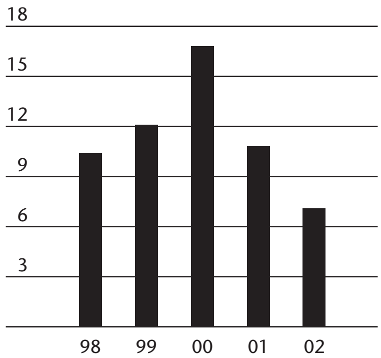
Profit before Tax and Minority Interests
EUR million %



Profit for the Period
EUR million

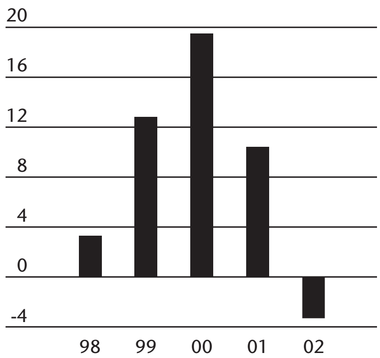


Return on Capital Employed (ROCE)
%



Excluding non-recurring items

Return on Equity (ROE)
%



Depreciation and goodwill amortisation totalled EUR 2 441.9 (EUR 1 267.6) million. An impairment charge related to North American assets was recorded in the third quarter; including currency changes in the fourth quarter, the charge amounts to EUR 1 142.3 million. After adjustment of the impairment charge depreciations and amortisations amounted to EUR 1 299.6 million an increase of EUR 32.0 million.

The share of results of associated companies amounted to EUR 14.6 (EUR 79.6) million, of which EUR -5.5 million came from Tornator Timberland Oy, offset by EUR 5.4 million from Billerud AB and positive results in other associated companies.

Operating profit for the year totalled EUR -151.6 (EUR 1 486.9) million, including non-recurring items of EUR -1 078.1 million.

Net interest costs for the year totalled EUR 229.5 million, which is 4.6% of interest-bearing net liabilities and EUR 103.6 million less than in the previous year, due mainly to lower interest rates and a positive cash flow. Foreign exchange gains in the financials items for the year were EUR 44.9 million and dividend income was EUR 9.2 million. The valuation of financial instruments and derivatives resulted in a net loss of EUR 50.4 million; these items are valued at market value, thus causing volatility in net financial items, although of a non-cash nature.

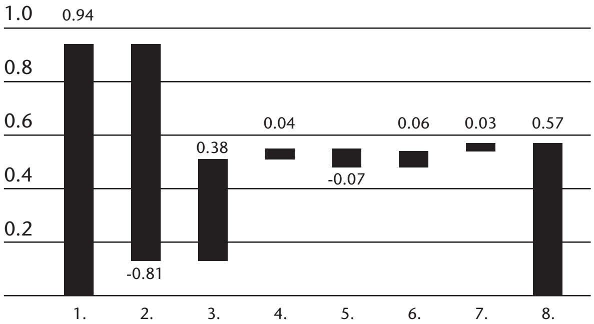
Profit before taxes and minority interests, excluding non-recurring items, amounted to EUR 734.9 (EUR 1 231.3) million.

Net taxes were a positive EUR 120.9 (EUR -299.6) million, thus increasing EPS by EUR 0.14, though cumulative tax excluding non-recurring items represents an underlying rate of 31.4% (31.6%). The write-down of shares in the parent company relating to the impairment depreciation in Stora Enso North America Corp. is tax-deductible according to advanced tax ruling. At the current tax rate of 29%, the value of this tax deduction, which is considered a non-recurring item, is EUR 298.4 million of which EUR 253.4 million will be utilised against the 2002 results with the balance of EUR 45.0 million being deferred to 2003.

Minority interests totalled EUR 0.1 (EUR 2.9) million, leaving a net loss for the period of EUR -222.2 (EUR 926.3 profit) million.

The return on capital employed was 7.1% (10.8%) before non-recurring items. Capital employed was EUR 11 242.4 million at the end of the period, a net decrease of EUR 2 616.7 million from the beginning of the year, reflecting impairment charges in North America, the weakening of the US dollar and divestment of assets.

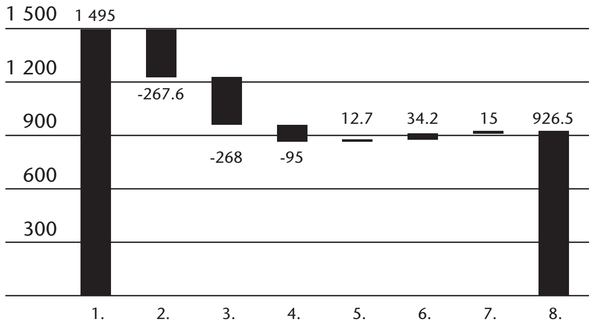
Change in EPS from 2001 to 2002
EUR



1. Group total 2001 2. Sales prices 3. Sales volume 4. Energy 5. Fixed costs 6. Financing costs 7. Other 8. Group total 2002

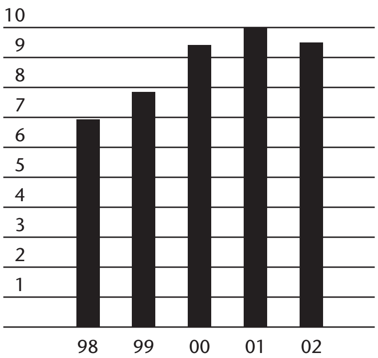
Excluding non-recurring items

Change in Operating Profit
EUR million

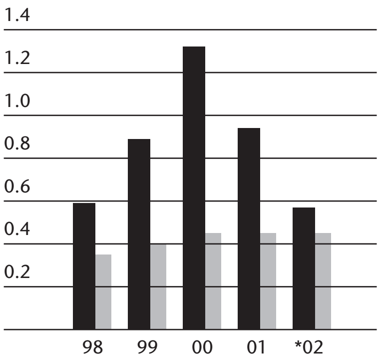


1. Operating Profit 2001 2. Magazine Paper 3. Newsprint 4. Fine Paper 5. Packaging Boards 6. Timber Products 7. Other 8. Operating Profit 2002

Equity per Share
EUR



Earnings and Dividend per Share
EUR

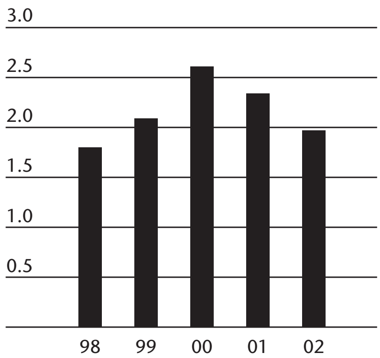


Earnings per share, excl. non-recurring items

Dividend per share

* Board´s dividend proposal

Cash Earnings per Share
EUR



Excluding non-recurring items

Change in Interest-bearing Net Liabilities

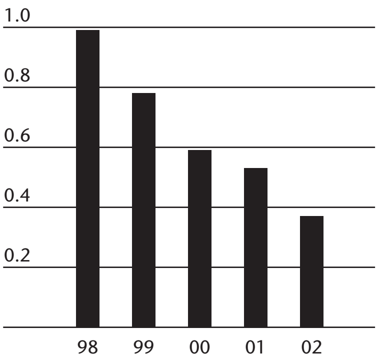
Cash flow from operations totalled EUR 2 083.8 (EUR 2 757.5) million. The cash flow after investing activities amounted to EUR 1 247.7 (EUR 1 849.9) million and the cash earnings per share excluding non-recurring items EUR 1.97 (EUR 2.34).

At the year-end interest-bearing net liabilities were EUR 3 055.1 (EUR 4 819.9) million, down EUR 1 764.8 million compared with 2001, due to positive operational cash-flow, sale of forest assets and translation effect of the lower US-dollar. Unutilised credit facilities and cash and cash-equivalents reserves totalled EUR 1.8 billion.

Capital Expenditure

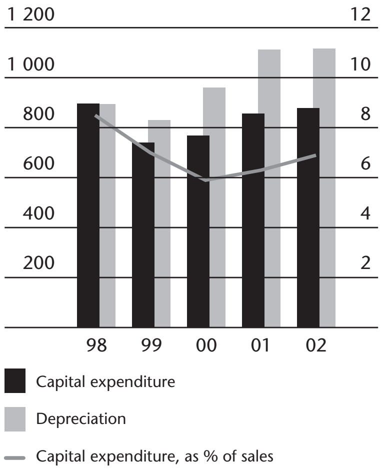
Capital expenditure for the whole year totalled EUR 877.6 million, which is 70.5% of depreciation; this is lower than planned as some expenditures have run over to 2003. The main investments were the new PM4 (EUR 254.1 million) and rebuilding of PM3 (EUR 28.6 million) at Langerbrugge in Belgium, the rebuilding of Oulu PM6 in Finland (EUR 16.5 million), the folding boxboard improvement at Baienfurt in Germany (EUR 10.2 million) and finishing department investment at Fors in Sweden (EUR 10.6 million).

Debt/Equity Ratio

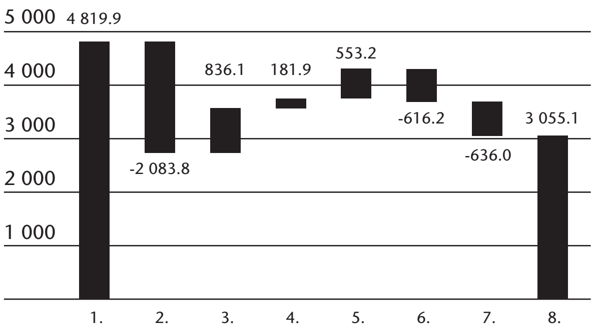


Target ≤ 0.8

Capital Expenditure and Depreciation
EUR million

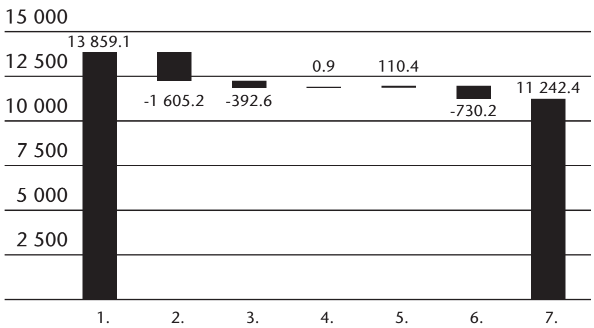


Change in Interest-bearing Net Liabilities
EUR million



1. Interest-bearing Net Liabilities 1 Jan 2002 2. Cash flow from operations 3. Net cash used in investing activities 4. Net cash used in taxes and financing items 5. Net cash used in equity items 6. Structural changes 7. Other changes and translation differences 8. Interest-bearing Net Liabilities 31 Dec 2002

Change in Capital Employed
EUR million



1. Capital Employed 1 Jan 2002 2. Investing activities, net of depreciation 3. Acquisitions and disposals 4. Change in working capital 5. Change in net tax liabilities 6. Translation differences 7. Capital Employed 31 Dec 2002

Capital Structure

EUR million	2000	2001	2002	Per Share, EUR
Fixed assets	15 280.7	14 882.2	12 089.4	13.88
Working capital	1 276.2	1 224.2	1 182.2	1.36
Operating capital	16 556.9	16 106.4	13 271.6	15.24
Net tax liabilities	-2 654.0	-2 247.3	-2 029.2	-2.33
Capital Employed	**13 902.9**	**13 859.1**	**11 242.4**	**12.91**
Shareholders' equity	8 570.8	8 989.0	8 156.9	9.36
Minority interests	149.4	50.2	30.4	0.04
Interest-bearing net liabilities	5 182.7	4 819.9	3 055.1	3.51
	13 902.9	**13 859.1**	**11 242.4**	**12.91**

Capital Employed

EUR million	Operating Capital		Net Tax Liabilities		Capital Employed	
Finland	4 232.9	31.9%	379.8	18.7%	3 872.0	34.4%
USA	3 157.1	23.8%	503.1	24.8%	2 654.0	23.6%
Sweden	2 773.8	20.9%	887.1	43.7%	1 886.7	16.8%
Germany	1 011.2	7.6%	227.4	11.2%	783.8	7.0%
Canada	447.9	3.4%	-43.2	-2.1%	491.1	4.4%
France	266.3	2.0%	31.4	1.5%	235.0	2.1%
Portugal	219.3	1.7%	-6.2	-0.3%	225.5	2.0%
China	203.6	1.5%	0.0	0.0%	203.7	1.8%
Austria	179.8	1.4%	17.5	0.9%	162.3	1.4%
Other	779.7	5.8%	32.3	1.6%	728.3	6.5%
Total	**13 271.6**	**100%**	**2 029.2**	**100%**	**11 242.4**	**100%**

Cash Flow by Product Area

EUR million	Magazine Paper	Newsprint	Fine Paper	Packaging Boards	Timber Products	Other	Ongoing Operations
Operating profit (excluding goodwill and non-recurring items)	79.3	240.8	292.6	365.8	46.8	50.0	1 075.3
Depreciation, non-recurring items and adjustments	314.3	125.8	267.3	254.9	48.2	50.1	1 060.6
Change in working capital	54.9	61.9	50.4	-82.6	-68.7	-68.0	-52.1
Cash Flow from Operations	**448.5**	**428.5**	**610.3**	**538.1**	**26.3**	**32.1**	**2 083.8**

Change in Interest-bearing Net Liabilities

EUR million	Ongoing Operations	Structural Changes	Group Cash Flow	Translation Difference	Impact on the BS
Operating profit	-306.0	154.4	-151.6	0.0	-151.6
Depreciation	2 441.9	0.0	2 441.9	-154.8	2 287.1
Change in working capital	-52.1	51.2	-0.9	42.9	42.0
Cash Flow from Operations	**2 083.8**	**205.6**	**2 289.4**	**-111.9**	**2 177.5**
Capital expenditure	-877.6	0.0	-877.6	0.0	-877.6
Acquisitions	-9.3	-141.1	-150.4	0.0	-150.4
Disposals	58.0	545.6	603.6	0.0	603.6
Other change in fixed assets	-7.2	-11.9	-19.1	949.2	930.1
Operating Cash Flow	**1 247.7**	**598.2**	**1 845.9**	**837.3**	**2 683.2**
Net financing items (incl. Associated Companies)	-190.6	0.0	-190.6	0.0	-190.6
Taxes paid	8.7	0.6	9.3	-107.1	-97.8
Share issue	0.0	0.0	0.0	0.0	0.0
Dividends	-403.6	0.0	-403.6	0.0	-403.6
Share buy-back	-287.3	0.0	-287.3	0.0	-287.3
Other change in equity and minority items	137.7	17.4	155.1	-94.2	60.9
Change in Interest-bearing Net Liabilities	**512.6**	**616.2**	**1 128.8**	**636.0**	**1 764.8**

Strategy in Action during 2002

Fibre Sources

Practical steps taken by the Group in 2002 to implement its fibre strategy through access to wood supplies in the Baltic States and Russia included the acquisition of Sylvester's sawmilling and wood procurement operations in Estonia and sawmill construction in Russia.

Another good example of the way in which Stora Enso is implementing its fibre strategy is the Veracel joint venture plan in Brazil intended to provide low-cost, high quality eucalyptus fibre ideally suited for fine paper production.

Asset Restructuring

In 2002 Stora Enso launched a comprehensive Asset Restructuring Programme to improve customer service by providing cost-competitive, high-quality forest products, with good logistic connections serving customers in the best possible way.

The aim of this programme is to achieve top-quartile asset quality. At the same time Stora Enso recognises the importance of supply discipline. The long-term programme includes asset closures and divestments, as well as machine modernisations and new machines.

Stora Enso is committed to implementing the Asset Restructuring Programme in a responsible way so that capital expenditure stays at or below the level of depreciation over the cycle.

Divestment of Non-Core Assets

Stora Enso has taken the strategic decision to release capital from non-core activities to finance growth of core businesses. Divestment of the Mölndal mill and Finnish and North American forestlands are good examples of the implementation of this strategy during 2002.

By divesting non-core assets Stora Enso is creating a stronger platform for the further development of its core businesses - graphic and office papers, newsprint, packaging boards and wood products.

Sales, Marketing and R&D

During 2002 Stora Enso conducted a customer satisfaction survey that prompted a further improvement in customer focus in the form of a comprehensive customer relationship management project. The project, which began with three paper divisions and already involves more than 300 people, will continue throughout 2003. The purpose of the project is to create and implement a customer relationship management model with defined working principles. The project targets are to improve profitability, reduce volume volatility, improve supply chain operations, shift from selling products to selling solutions, optimise utilisation of the whole product mix, reduce costs and increase organic growth.

In 2002 Stora Enso spent EUR 91.6 million on research and development, which was 0.7% of net sales. The most important product area for research and development is Consumer Boards, where it supports innovation-based growth strategy. The new InnoCentre, a EUR 4 million investment in industrial-scale converting machinery for raw material development and concept innovation, will be an important tool in developing new converting and packaging technologies and business models. A new concept has already been launched for packaging CDs and DVDs.

Another focus area is product development for digital and other document printing. The product portfolio for different printing technologies has been further developed and complemented. Recent new products are Stora Enso Matt, New StellaPress and CosmoPrint. The main emphasis in product improvement of printing grades has been on brightness, opacity and surface smoothness.

Quality Improvement

Total Quality Management was implemented in nearly all Stora Enso units in 2002 through the Excellence 2005 process. Units throughout the Group, from mills and sales companies to service units and corporate staff functions, are systematically assessed to identify their strengths and areas for improvement, leading to enhanced operations.

Excellence 2005 aligns management practices throughout the Group and creates common understanding. It is a comprehensive approach to business development and continuous improvement through utilisation of Performance Excellence models, best practices sharing, productivity programmes and other quality tools, together with customer satisfaction and other surveys.

North America Profit Enhancement Plan

A Profit Enhancement Plan has been launched in Stora Enso's North American operations to improve the division's results and competitiveness. North America has been suffering from poor market conditions since the end of 2000. To reflect the current market value of the North American assets acquired that year, management decided to take a one-time impairment charge of EUR 1 167 million (USD 1 081 million), which was booked in the third quarter of 2002.

The aims of the Profit Enhancement Plan are to focus increasingly on core assets, to improve competitiveness in coated groundwood and fine papers and to secure competitive pulp for North American operations. The organisation has been streamlined to match the requirements and targets of the North American division. Since the North American acquisition, the workforce has been reduced from 7 294 to 6 156 and will be further reduced by approximately five hundred.

In 2002 North American operations achieved synergies of USD 91 million. The initial synergy target for the year, USD 110 million, was not met because the capacity utilisation rate was lower during the first half of the year and prices were lower than when the target was set in 2000.

Risk Analysis

Prices for paper and board products have historically been cyclical, reflecting overall economic conditions as well as the development of capacity within the industry; combined with the volatility of raw material prices, mainly for wood, pulp and energy, along with exposure to exchange rates, this affects the profitability of the forest and paper products industry.

The Group has identified a number of potential risks that could severely impact future profitability and development; these are categorised in three major groups:

Supply and Demand Risk

- Product prices, raw material and energy costs are cyclical and therefore a period of low product prices or high raw material costs affects profitability.
- Reliance on imported wood may oblige the Group to pay higher prices for key raw materials or change manufacturing operations.
- Reliance on outside suppliers for the majority of energy needs leaves the Group susceptible to changes in energy prices as well as shortage of supply.
- Changes in consumer preferences may have an effect on demand for certain products and thus on profitability.
- Exchange rate fluctuations may have a significant impact on financial results.

Investment Risk

- Continued competition in the paper and forest product industry may impact profitability and thus require major capital expenditure.
- Significant capital investments, including future acquisitions, may be necessary to achieve planned growth.
- Planned growth depends in part on achieving successful acquisitions or mergers and failure to do so could have an impact on competitiveness; new acquisitions may also change the risk profile of the Group.
- The value of investments in countries outside Western Europe and North America may be affected by political, economic and legal developments in those countries.

External Structural and Legal Risk

- A few significant shareholders may influence or control the direction of the business.
- Stora Enso may face high compliance and clean-up costs under environmental laws and regulations, which would reduce profit margins and earnings.

In order to achieve a more stable business, it is the policy of the Group to mitigate the impact of risk as discussed later.

Risk Management

Business Risk

Group profit is affected by changes in price and volume, though the effect on operating profit depends on the respective product group in question. The table below shows the operating profit sensitivity to a +/-10% change in either price or volume for different product areas.

Operating Profit: Impact of Changes +/- 10%

EUR million	Price	Volume
Magazine Paper	300	110
Newsprint	160	70
Fine Paper	300	120
Packaging Boards	300	130
Timber Products	120	30

The price and volume of different cost components also have an impact on profit, the table below showing the most important items relative to total costs and sales.

Make-up of Costs and Sales

Cost Items	% of Costs	% of Sales
Variable		
Transport and sales commission	11	10
Logs, pulpwood and recycled fibre	20	18
Chemicals and fillers	11	10
Energy	7	7
Other	14	13
	63	**58**
Fixed		
Personnel	19	18
Other	8	7
	27	**25**
Depreciation and amortisation	10	10
Total costs	**100**	**93**

The main items are personnel costs and the sourcing of logs, pulpwood and recycled fibre; for example, a 1% change in personnel costs is equal to EUR 20 million and 1% on fibre costs represents EUR 30 million. In order to mitigate the impact of these on earnings, the Group has started to hedge some of its open commodity and energy exposure.

Stora Enso had a positive balance in its pulp trading, the total production of 4.87 million tonnes resulting in net external sales of 90 000 tonnes. More information on resources and supplies is given in the Environment and Resources 2002 Report.

Commodity and Energy Price Risk

The Group has implemented an energy risk policy covering energy procurement in order to achieve a consistent hedging process against major exposures. Group companies enter into long-term energy purchase agreements within the framework of the energy risk policy in order to secure supplies, the open price risk being hedged using long-term contracts or financial derivatives.

In fibre derivatives the Group actively supports the development of the market; the Group hedges open price risk in both raw materials and end products.

All financial derivatives used in hedging Group exposure to commodity and energy price risk are accounted for under IAS 39 and, where possible, hedge accounting is applied.

Currency Risk

As an international producer and seller of paper and forest products, Stora Enso is exposed to both transaction and translation risks; transaction risk is the danger that earnings could be affected by foreign exchange rate movements whilst translation risk is the Balance Sheet exposure to those movements.

In respect of exposure to exchange rate fluctuations on the value of the net assets comprising shareholders' equity, Group policy is to minimise this risk by funding investments in the same currency as net assets wherever this is possible and economically viable. The Group has therefore hedged exposures in USD, CAD, GBP and SEK under the IAS 39 hedge accounting rules for net investment in foreign entity; the table below shows the EUR equivalent amount of these hedges.

Translation Risk and Hedges as at 31 December 2002

EUR million	Euro Area	USA	Sweden	Canada	UK	China	Other	Total
Capital employed	5 804	2 654	1 887	491	24	203	179	11 242
Interest-bearing liabilities	-554	-2 191	-2 041	-	-5	-186	-199	-5 176
Interest-bearing assets	361	532	1 023	36	30	11	128	2 121
Minority interests	-31	-	-3	-	-	-	4	-30
Translation Exposure on Equity	**5 580**	**995**	**866**	**527**	**49**	**28**	**112**	**8 157**
Liabilities hedges*	975	-975	-	-	-	-	-	-
Other hedges*								
- EUR/CAD	515	-	-	-515	-	-	-	-
- EUR/GBP	43	-	-	-	-43	-	-	-
- EUR/SEK	328	-	-328	-	-	-	-	-
Translation Exposure after Hedges	**7 441**	**20**	**538**	**12**	**6**	**28**	**112**	**8 157**

* Long-term debt or forward contracts classified as hedges of investment in foreign assets

The hedging policy of Stora Enso in 2002 was to hedge a minimum 25% and maximum 75% of the upcoming 12 months' net exposure in a specific currency, with a benchmark of 50%, though entities reporting in SEK could deviate from this. Due to changes in the geographical distribution of Group business, the transaction hedging policy has been changed from January 2003 so that up to 75% of exposure is hedged according to divisional risk policy, provided these meet hedge accounting criteria. In addition to divisional hedges, Group exposures may be hedged under the authority of senior management.

Transaction Risk and Hedges as at 31 December 2002

EUR million	EUR	USD	GBP	SEK	CAD	Other	Total
Sales during 2002	6 600	3 200	1 000	1 100	200	700	12 800
Costs during 2002	-5 500	-2 400	-200	-2 100	-300	-200	-10 700
Net Operating Cash Flow	**1 100**	**800**	**800**	**-1 000**	**-100**	**500**	**2 100**
IAS 39 hedge-accounted as at 31 Dec 2002							
- EUR/USD	145	-145	-	-	-	-	-
- EUR/GBP	268	-	-268	-	-	-	-
- EUR/SEK	-	-	-	-	-	-	-
- EUR/Other	-5	-	-	-	-	5	-
- USD/SEK	-	-140	-	140	-	-	-
- GBP/SEK	-	-	-183	183	-	-	-
- SEK/Other	-	-	-	-	-	-	-
- USD/CAD	-	-35	-	-	35	-	-
Net Operating Cash Flow after Hedges	**1 508**	**480**	**349**	**-677**	**-65**	**505**	**2 100**
Not hedge-accounted under IAS as at 31 Dec 2002							
- EUR/USD	17	-17	-	-	-	-	-
- EUR/GBP	16	-	-16	-	-	-	-
- EUR/SEK	-	-	-	-	-	-	-
- EUR/Other	23	-	-	-	-	-23	-
- USD/SEK	-	-78	-	78	-	-	-
- GBP/SEK	-	-	-71	71	-	-	-
- SEK/Other	-	-	-	3	-	-3	-
- USD/CAD	-	-1	-	-	1	-	-
Transaction Exposure, Net	**1 564**	**384**	**262**	**-525**	**-64**	**479**	**2 100**

Funding and Financing Costs

Stora Enso's funding policy states that the average maturity of outstanding loans and committed credit facilities covering short-term borrowings should be at least four years and at the most seven years. The policy further states that the Group must have committed credit facilities to cover all known funding needs, commercial paper borrowings and other uncommitted short-term loans.

In accordance with the funding strategy, the Group diversifies sources of finance by increasing debt capital market issues, thus allowing the Group to take advantage of the longer maturities available in the corporate bond markets. In December 2002 the Group agreed a five-year risk mitigation facility of EUR 240 million with the European Bank for Reconstruction and Development (EBRD), the facility taking the form of a syndicated multi-purpose loan facility intended to facilitate investments in Russia and Eastern Europe.

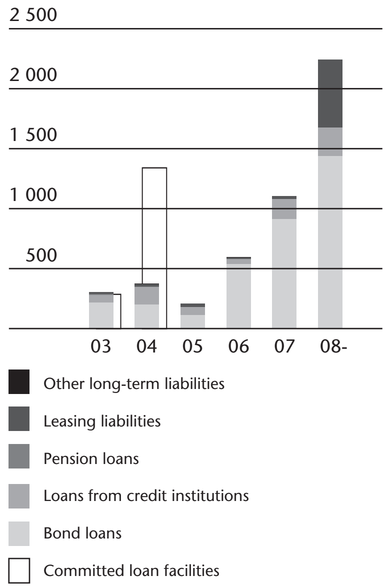
In January 2003 Stora Enso Oyj signed a multi-currency revolving credit facility agreement of EUR 2.5 billion, which has a maturity of five years and a margin of 0.425% p.a. over Euribor. The facility is for general corporate purposes including the refinancing of existing EUR 1.6 billion syndicated facilities.

Funding Structure as at 31 December 2002

Currency million/Maturity	EUR	USD	SEK
Public issues	Eurobond - EUR 850 / 2007 Finnish Serial bond - EUR 247 / 2004	Global bond - USD 750 / 2011	Medium-Term Note - SEK 1 386 / 2003 - SEK 4 000 / 2006
Private placements	EUR 191	USD 601	SEK 2 032
Short-term programmes	Euro Commercial Paper Programme EUR 1 000 Finnish Commercial Paper Programme EUR 750	-	Swedish Commercial Paper Programme SEK 10 000
Committed loan facilities	Syndicated Bank Facility*) DEM 1 500 (EUR 766) / 2004 Syndicated Bank Facility**) EUR 2 500 / 2008	Syndicated Bank Facility*) USD 900 / 2004	-

*) Multi-currency facility terminated on 17 February 2003
**) Multi-currency facility signed on 15 January 2003

Debt Repayment Schedule as at 31 December 2002
EUR million



Stora Enso considers the maintenance of two investment grade ratings an important target; the present rating and outlook from Moody's and Standard & Poor's are shown in the table below.

Credit Rating as at 31 December 2002

Agency	Short-term	Long-term	Outlook
Moody's	P-2	Baa1	Stable
Standard & Poor's	A-2/K-1	BBB+	Stable

Interest Rate Risk
Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the industry, the Group has an interest rate risk policy to synchronise the cost of capital with the return on capital, which is formulated by a benchmark of 12 months duration with a deviation mandate of +/- 6 months. In order to achieve this benchmark, fixed interest rates are converted to floating interest rates using financial derivatives. Since January 2003 the interest risk policy of the Group has changed so that whilst the benchmark duration is unchanged at 12 months, the deviation mandate is now between 3 and 24 months.

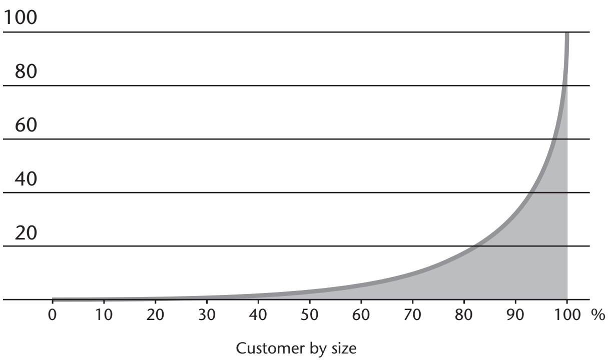
Financial Credit Risk
Credit risk for the Group can be split into two major categories, financial credit risk and customer credit risk.

Financial credit risk is the risk Stora Enso faces in dealings with financial counterparties. In general, financial institutions with credit ratings equal to or better than A1/P1 short-term or AA-/AA3 long-term are accepted as counterparts, all of which are closely monitored, with the total exposure calculated on a regular basis; the Executive Management Group approves financial counterparts having a rating below target.

Stora Enso measures financial risk on several levels using the Value-at-Risk (VaR) methodology on a daily basis.

Customer Credit Risk
Outstanding customer receivables represent a credit risk under which the Group could lose money; accordingly it applies credit control on the receivables portfolio and rates customers on their financial performance. The Group watches larger exposures very carefully because of the impact any default could have on results. As can be seen from the graph below, Receivables per customer, almost 50% of outstanding accounts are from the largest 5% of customers.

Receivables per Customer at 31 December 2002
Receivables accumulated, %



Group receivables are mainly from Western Europe, the USA and Canada, accounting for 86% of the total, as compared with sales to these areas of about 82%. Inside Western Europe the largest accounts receivable are from the UK, France, Germany, Finland and Italy, accounting for 65% of the total.

Supplier Risk
In many areas Stora Enso is dependent on suppliers and their ability to deliver a product at the right time and the right quality. The Group monitors its suppliers and uses, using a wide range in order to avoid situations that might jeopardise production.

Furthermore, the ability of suppliers to meet quality stipulations, environmental compatibility and delivery times is of major importance to the efficiency of production and investment. Accordingly, to ensure compliance with these requirements, evaluation of suppliers, their products, transportation methods and other services is conducted regularly.

Quarterly Data and Key Figures

Deliveries by Product Area

1 000 tonnes	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002
Magazine Paper	994	920	967	990	**3 871**	932	910	986	1 080	**3 908**
Newsprint	780	755	740	756	**3 031**	706	726	717	750	**2 899**
Fine Paper	857	773	760	801	**3 191**	807	792	786	771	**3 156**
Packaging Boards	706	728	678	653	**2 765**	778	823	808	777	**3 186**
Total	**3 337**	**3 176**	**3 145**	**3 200**	**12 858**	**3 223**	**3 251**	**3 297**	**3 378**	**13 149**
Timber Products, 1 000 m^3	1 242	1 276	1 082	1 260	**4 860**	1 203	1 344	1 252	1 313	**5 112**
Corrugated board, million m^2	107	107	109	111	**434**	117	126	180	123	**546**

Sales by Product Area

EUR million	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002
Magazine Paper	910.2	847.6	831.7	859.5	**3 449.0**	767.3	721.0	747.1	801.4	**3 036.8**
Newsprint	501.7	490.7	471.9	469.6	**1 933.9**	412.8	413.2	403.2	412.3	**1 641.5**
Fine Paper	1 021.3	904.1	838.6	853.5	**3 617.5**	827.1	787.0	751.0	742.9	**3 108.0**
Packaging Boards	701.9	704.2	672.8	645.1	**2 724.0**	766.2	781.9	758.6	736.7	**3 043.4**
Timber Products	307.3	311.8	266.2	295.2	**1 180.5**	286.1	320.8	314.1	314.2	**1 235.2**
Merchants	231.4	211.5	188.9	208.5	**840.3**	211.7	183.4	155.8	169.7	**720.6**
Forest	511.5	442.3	410.3	461.5	**1 825.6**	497.9	479.2	464.7	516.9	**1 958.7**
Other	-548.3	-523.8	-479.9	-510.0	**-2 062.0**	-540.2	-453.5	-485.9	-482.0	**-1 961.6**
Total	**3 637.0**	**3 388.4**	**3 200.5**	**3 282.9**	**13 508.8**	**3 228.9**	**3 233.0**	**3 108.6**	**3 212.1**	**12 782.6**

Operating Profit by Product Area excluding Non-recurring Items and Goodwill

EUR million	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002
Magazine Paper	113.6	72.3	83.9	77.1	**346.9**	31.6	2.3	19.6	25.8	**79.3**
Newsprint	134.1	125.6	128.7	120.4	**508.8**	72.8	61.1	64.5	42.4	**240.8**
Fine Paper	167.6	81.9	70.6	74.4	**394.5**	93.1	73.1	70.2	56.2	**292.6**
Packaging Boards	115.1	90.2	97.5	43.4	**346.2**	100.6	70.7	116.2	78.3	**365.8**
Timber Products	5.6	7.9	2.5	-3.4	**12.6**	11.2	14.1	9.7	11.8	**46.8**
Merchants	0.2	-1.3	-1.6	-4.5	**-7.2**	-1.0	1.9	1.2	3.4	**5.5**
Forest	25.3	26.8	15.9	20.1	**88.1**	23.4	25.7	25.3	21.9	**96.3**
Other	-1.9	-17.7	-21.9	-1.7	**-43.2**	-16.6	-17.5	-9.3	-8.4	**-51.8**
Amortisation on consolidation goodwill	-36.6	-39.3	-36.6	-39.0	**-151.5**	-41.1	-41.2	-42.0	-24.5	**-148.8**
Operating Profit excl. Non-recurring Items	**523.0**	**346.4**	**339.0**	**286.8**	**1 495.2**	**274.0**	**190.2**	**255.4**	**206.9**	**926.5**
Non-recurring items	-	-9.6	18.0	-16.7	**-8.3**	-	51.6	-1 229.5	99.8	**-1 078.1**
Operating Profit Total (IAS)	**523.0**	**336.8**	**357.0**	**270.1**	**1 486.9**	**274.0**	**241.8**	**-974.1**	**306.7**	**-151.6**
Net financial items	-121.8	-121.4	-67.7	-32.6	**-343.5**	-45.2	-44.0	-56.2	-60.8	**-206.2**
Share of results of associated companies	28.3	23.3	16.3	11.7	**79.6**	11.7	8.4	-2.4	-3.1	**14.6**
Profit Before Tax and Minority Interests	**429.5**	**238.7**	**305.6**	**249.2**	**1 223.0**	**240.5**	**206.2**	**-1 032.7**	**242.8**	**-343.2**
Income tax expense	-146.0	-82.2	-93.9	22.5	**-299.6**	-79.4	-68.3	36.6	232.0	**120.9**
Profit after Tax	**283.5**	**156.5**	**211.7**	**271.7**	**923.4**	**161.1**	**137.9**	**-996.1**	**474.8**	**-222.3**
Minority interests	-0.2	-1.7	2.0	2.8	**2.9**	-0.1	0.1	-2.6	2.7	**0.1**
Net Profit for the Period	**283.3**	**154.8**	**213.7**	**274.5**	**926.3**	**161.0**	**138.0**	**-998.7**	**477.5**	**-222.2**

Condensed Balance Sheet

EUR million	As at 31 December 1997	1998	1999	2000	2001	2002
Fixed assets and other long-term investments	11 885	11 704	11 905	16 379	16 178	13 245
Current assets	3 690	3 718	4 133	4 944	4 380	4 969
Assets	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**
Shareholders' equity	5 528	5 272	5 957	8 571	8 989	8 157
Minority interests	272	279	202	149	50	30
Interest-bearing liabilities	6 565	6 558	5 769	6 856	6 409	5 176
Operating liabilities	1 691	1 799	2 357	2 928	2 610	2 526
Tax liabilities	1 518	1 514	1 753	2 819	2 500	2 325
Equity and Liabilities	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**

Key Figures 1997–2002

EUR million	1997	1998	1999	2000	2001	2002
Sales	9 998	10 490	10 636	13 017	13 509	12 783
% change on previous year	5.1	4.9	1.4	22.4	3.8	5.4
Wages and salaries	1 737	1 805	1 754	1 996	2 234	2 282
% of sales	17.4	17.2	16.5	15.3	16.5	17.9
EBITDA	1 747	1 877	2 311	3 500	2 755	2 290
Depreciation	806	1 111	849	1 041	1 116	1 090
Goodwill amortisation and impairments	48	65	62	88	152	1 352
Operating profit	893	701	1 400	2 371	1 487	-151.6
% of sales	8.9	6.7	13.2	18.2	11.0	-1.1
Non-recurring items	-52	-471	103	445	-8	-1 078
Operating profit excl. non-recurring items	945	1 172	1 297	1 926	1 495	926.5
% of sales	9.5	11.2	12.2	14.8	11.1	7.2
Share of profits in associated companies	17	10	10	21	80	15
Net financial expense	280	380	267	293	344	206
% of sales	2.8	3.6	2.5	2.3	2.5	1.6
Profit after net financial items	630	331	1 143	2 099	1 223	-343
% of sales	6.3	3.2	10.7	16.1	9.1	-2.7
Profit after net financial items excl. non-recurring items	682	802	1 040	1 654	1 231	735
% of sales	6.8	7.6	9.8	12.7	9.1	5.7
Taxes	-204	-146	-392	-650	-300	+121
Profit for the period	405	185	746	1 435	926	-222
Dividend	254	268	304	407	404	*392
Capital expenditure	1 134	896	740	769	857	878
% of sales	11.3	8.5	7.0	5.9	6.3	6.9
R&D expenditure	79	80	84	95	92	92
% of sales	0.8	0.8	0.8	0.7	0.7	0.7
Operating capital	13 078	12 541	12 615	16 557	16 106	13 272
Capital employed	11 572	11 038	10 941	13 903	13 859	11 242
Interest-bearing net liabilities	5 772	5 486	4 782	5 183	4 820	3 055
ROCE, %	8.0	6.2	13.1	20.7	10.7	-1.5
ROCE excluding non-recurring items, %	8.5	10.4	12.1	16.8	10.8	7.1
Return on equity (ROE), %	7.5	3.3	12.8	19.5	10.4	-3.3
Equity ratio, %	37.2	36.0	38.4	40.9	44.0	45.0
Debt/Equity ratio	1.00	0.99	0.78	0.59	0.53	0.37
Average number of employees	40 301	40 987	40 226	41 785	44 275	43 853

* Board's dividend proposal

Shares and Shareholders

Share Capital

In accordance with the Articles of Association, the minimum share capital of Stora Enso Oyj (later referred to as "Company" or "Stora Enso") is EUR 850 million and the maximum EUR 3 400 million within which limits the share capital may be increased or decreased without amending the Articles of Association. The counter value of the shares is EUR 1.70 per share. On 31 December 2002 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 529.6 million. In December 2002, 3 000 new series R shares were subscribed under 1997 warrants and registered in the Finnish Trade Register on 9 January 2003.

Changes in Share Capital 1998–2002

	No. of A Shares Issued	No. of R Shares Issued	Total No. of Shares	Share Capital (FIM million)	Share Capital (EUR million)
Enso Oyj, 1 Jan 1998	116 729 125	194 361 705	311 090 830	3 110.9	
Conversion of A shares into R shares, 7–11 Sep 1998	-1 357 954	1 357 954			
Conversion of STORA A and B shares into Stora Enso Oyj A and R shares, 23 Dec 1998	128 023 484	320 465 375	448 488 859	1 374.0	
Stora Enso Oyj, 31 Dec 1998	243 394 655	516 185 034	759 579 689	7 595.8	
Conversion of A shares into R shares, 6–24 Sep 1999	-34 443 467	34 443 467			
Subscription of new R shares, 26 Oct 1999		30 000	30 000		
Stora Enso Oyj, 31 Dec 1999	208 951 188	550 658 501	759 609 689	7 596.1	
Subscription of new R shares, 26 Jan 2000		246 000	246 000		
Conversion of share capital into euro denomination, 4 May 2000					1 291.8
Share issue (Consolidated Papers, Inc.), new R shares in ADR form, 11 Sep 2000		167 367 577	167 367 577		284.5
Conversion of A shares into R shares, 16–27 Oct 2000	-14 454 732	14 454 732			
Stora Enso Oyj, 31 Dec 2000	194 496 456	732 726 810	927 223 266		1 576.3
Subscription of new R shares, 5 Jan 2001		312 000	312 000		
Subscription of new R shares, 16 Mar 2001		964 201	964 201		
Cancellation of repurchased shares, 9 Apr 2001	-910 600	-22 260 100	-23 170 700		-39.4
Subscription of new R shares, 29 May 2001		228 000	228 000		
Subscription of new R shares, 20 Jul 2001		773 522	773 522		
Conversion of A shares into R shares, 17–28 Sep 2001	-9 312 271	9 312 271			
Subscription of new R shares, 17 Oct 2001		238 287	238 287		
Subscription of new R shares, 29 Nov 2001		184 723	184 723		
Stora Enso Oyj, 31 Dec 2001	184 273 585	722 479 714	906 753 299		1 541.5
Subscription of new R shares, 10 Jan 2002		1 158 000	1 158 000		
Cancellation of repurchased shares, 3 Apr 2002	-813 200	-7 319 800	-8 133 000		-13.8
Conversion of A shares into R shares, 16–27 Sep 2002	-1 143 700	1 143 700			
Stora Enso Oyj, 31 Dec 2002	182 316 685	717 461 614	899 778 299		1 529.6
Subscription of new R shares, 9 Jan 2003		3 000	3 000		
Stora Enso Oyj, 9 Jan 2003	182 316 685	717 464 614	899 781 299		1 529.6

Shares and Voting Rights

The Company's shares are divided into series A and series R shares. All shares carry equal rights to dividend but different voting rights. At a Shareholders' Meeting, each A share and each ten R shares carry one vote. However, each shareholder has at least one vote. On 31 December 2002 the total number of shares was 899 778 299 and the number of votes 254 062 846.

Share Listings

Stora Enso shares are listed on the Helsinki and Stockholm stock exchanges. The R share is also listed in ADR form on the New York Stock Exchange.
The shares are quoted in Helsinki in euro (EUR), in Stockholm in Swedish krona (SEK) and euro (EUR) and in New York in US dollar (USD).

American Depositary Receipts (ADRs)

Stora Enso R shares have been traded on the New York Stock Exchange (NYSE) in ADR form since 13 September 2000 under the SEO ticker. ADR issuances and cancellations are carried by Citibank, N.A., which acts as depositary bank for the Stora Enso ADR programme. The exchange rate between Stora Enso ADRs and R shares is 1:1, i.e. one ADR represents one Stora Enso R share. In 2002 the trading volume on the NYSE was approximately 2% of the cumulative trading volume on all three exchanges.

Share Registers

The Company's shares are entered in the Book-Entry Securities System maintained by the Finnish Central Securities Depository (APK), which also maintains the official share register of Stora Enso Oyj. On 31 December 2002, 238 563 014 of the Company's shares were registered in the Swedish Securities Register Center as VPC shares and 101 964 446 of the Company's R shares were registered in ADR form in Citibank, N.A.

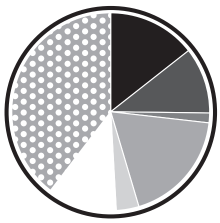
Distribution by Book-Entry System, 31 December 2002

Number of Shares	A Shares	R Shares	Total
FCSD registered (Finnish Central Securities Depository)	107 242 849	452 006 990	559 249 839
VPC registered (Swedish Securities Register Center)*	75 073 836	163 489 178	238 563 014
Citibank administered ADRs*	-	101 964 446	101 964 446
FCSD waiting list	-	1 000	1 000
FCSD joint account	-	-	-
Total	182 316 685	717 461 614	899 778 299

*VPC registered shares and ADRs are both nominee registered in the FCSD

Ownership Distribution, 31 December 2002	% of Shares	% of Votes	% of Shareholders
Finnish institutions	14.4	22.2	2.3
Finnish state	10.8	23.5	0.0
Finnish private shareholders	1.6	1.7	29.0
Swedish institutions	18.6	31.1	4.4
Swedish private shareholders	3.7	3.1	58.6
ADR holders	11.3	4.0	3.8
Under nominee names (non-Finnish/ non-Swedish shareholders)	39.6	14.4	1.9

% of shares held



Share Distribution 31 December 2002

By Size of Holding, A Share	Shareholders	%	Shares	%
1–100	2 375	36.6	130 522	0.1
101–1 000	3 354	51.7	1 320 635	0.7
1 001–10 000	695	10.7	1 742 914	1.0
10 001–100 000	53	0.8	1 302 578	0.7
100 001–1 000 000	3	0.1	1 355 966	0.7
1 000 001–	8	0.1	176 464 070	96.8
Total	6 488	100.0	182 316 685	100.0

By Size of Holding, R Share	Shareholders	%	Shares	%
1-100	4 981	26.7	340 276	0.1
101–1 000	10 550	56.5	4 488 988	0.6
1 001–10 000	2 760	14.8	7 617 235	1.1
10 001–100 000	301	1.6	8 763 311	1.2
100 001–1 000 000	83	0.4	26 767 833	3.7
1 000 001–	14	0.1	669 484 971	93.3
Total	18 689	100.0	717 462 614	100.0

According to the Finnish Central Securities Depository

Conversion

According to the Articles of Association, holders of Stora Enso A shares may convert these shares into R shares during an annual period determined by the Board of Directors. During the conversion period 16–27 September 2002 a total of 1 691 requests for conversion were made. On the basis of these requests 1 143 700 A shares were converted into R shares. The shares were registered on 3 October 2002.

Authorisations for 2002

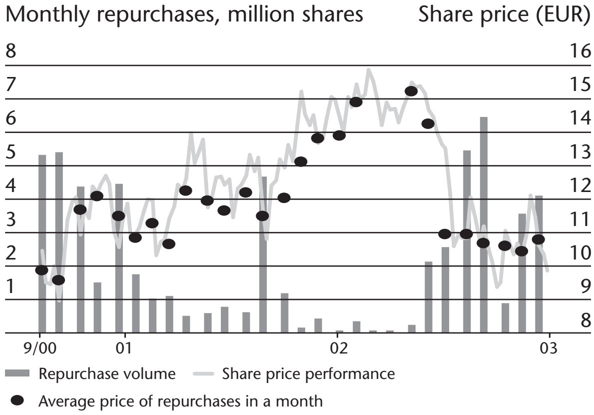
The Annual General Meeting (AGM) on 19 March 2002 authorised the Board of Directors to repurchase and dispose of not more than 9 100 000 A shares and not more than 35 500 000 R shares in the Company. The number of shares repurchased shall not exceed 5% of the votes or the share capital. The authorisation is valid up to and including 18 March 2003. The Board of Directors currently has no authorisations to issue shares, convertible bonds or bonds with warrants.

Share Repurchases and Cancellations

The (AGM) on 19 March 2002 decided to lower the Company's share capital by EUR 13 826 100 through the cancellation of 813 200 A shares and 7 319 800 R shares. The shares were repurchased under the authorisation of the AGM 2001.

Repurchases under the AGM 2002 authorisation were initiated on 24 May 2002. By 31 December 2002, 85 400 A shares and 25 326 834 R shares had been repurchased, representing 0.9% and 71.3% of the target amounts respectively. The average price paid for the A shares was EUR 11.84 and for the R shares EUR 11.09.

Share Repurchases and Share Price Performance



Option/Synthetic Option Programmes

Option/Synthetic Option Programmes
Stora Enso has four option/synthetic option programmes for key personnel. The years of issuance for the options/synthetic options are 1999, 2000, 2001 and 2002. Depending on local circumstances, holders will receive either cash compensation or an option to purchase shares already issued (not new shares).

Warrants
The management option programme comprises warrants issued in 1997 to members of the senior management. One warrant entitles the holder to subscribe for 3 000 new R shares.

Stora Enso North America Option Programme
Following the acquisition of Consolidated Papers, Inc. the Board of Directors decided to convert the Consolidated Papers' share option plans into Stora Enso share option plans. The options entitle the holder to either cash compensation or an option to subscribe for shares already issued (not new shares).

Option programmes are described in detail in Note 24.

Option Programmes

Option Programme	Type	Year of issuance	Number of Staff	Strike Price	Number of Options Issued	Exercise Period	Options Outstanding
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	8 Feb 2005–7 Feb 2009	5 902 000
2001	Synthetic	2001	500	EUR 11.70	4 215 000	1 Apr 2004–31 Mar 2008	4 215 000
2000	Synthetic	2000	200	EUR 12.25	2 800 000	1 Apr 2003–31 Mar 2007	2 800 000
1999	Synthetic	1999	200	EUR 11.75	2 750 000	15 Jul 2002–15 Jul 2006	2 750 000
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	1 Dec 1998–31 Mar 2004	864 000
North America	Stock options	2000	839	USD 6.9687 (EUR 7.91)	5 680 000	11 Sep 2000–4 Feb 2010	2 469 984

Management Interests at 31 December 2002

At the end of 2002 members of Stora Enso Oyj's Board of Directors, the CEO and the Deputy CEO owned an aggregate total of 2 803 921 Stora Enso shares, of which 19 275 were A shares. These shares represent 0.3% of the Company's share capital and 0.1% of the voting rights. Through warrants the CEO is entitled to subscribe for 102 000 R shares representing 0.0% of the Company's share capital and voting rights. The CEO holds 442 500 options/synthetic options and the Deputy CEO 363 750.

At the end of 2002 members of the Management Group owned a total of 154 904 shares and through warrants were entitled to subscribe for 532 468 R shares. Management Group ownership represents 0.1% of the share capital and 0.0% of the voting rights after the exercise of the warrants. The Management Group holds 3 143 750 options/synthetic options.

Further information on Board and Management Group ownerships is given in Notes 17 and 24.

Shareholdings of Other Group-related Bodies at 31 December 2002

1 880 540 A shares and 4 831 804 R shares were owned by E.J.Ljungberg's Education Fund, 5 096 A shares and 13 085 R shares by Mr. and Mrs. Ljungberg's Testamentary Fund and 626 269 A shares and 1 609 483 R shares by Bergslagets Healthcare Foundation.

Shareholders

When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 717 million, corresponding to 80% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State. However, since June 1998 the Finnish State has not been required to own Stora Enso shares.

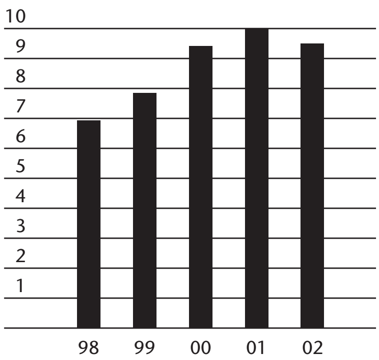
At the end of 2002 the Company had approximately 75 000 registered shareholders, of which about 50 000 are Swedish shareholders and about 3 000 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 657 million (73%) of the Company's shares were registered in the name of a nominee.

Major Shareholders as of 31 December 2002

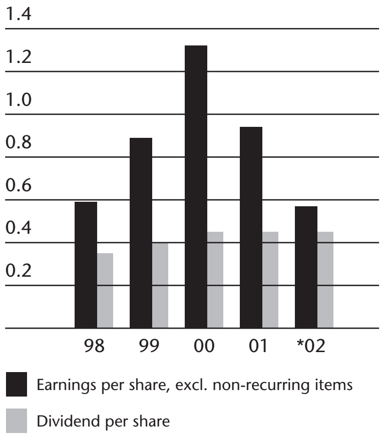
By Voting Power		Series A	Series R	% of Shares	% of Votes
1	Finnish State	55 595 937	41 483 501	10.8	23.5
2	Knut and Alice Wallenberg Foundation	58 379 194	-	6.5	23.0
3	Social Insurance Institution of Finland	23 825 086	3 738 965	3.1	9.5
4	Varma-Sampo Mutual Pension Insurance Group	8 922 117	140 874	1.0	3.5
5	Sampo Group Sampo Life Insurance Company Limited If P&C Insurance Company Ltd	6 485 589	-	0.7	2.6
6	Marianne and Marcus Wallenberg Foundation	4 744 192	-	0.5	1.9
7	Ilmarinen Mutual Pension Insurance Company	3 490 040	4 344 550	0.9	1.5
8	Suomi Group Suomi Mutual Life Assurance Company Suomi Insurance Company	3 240 000	423 200	0.4	1.3
9	Erik Johan Ljungberg's Education Fund	1 880 540	4 831 804	0.7	0.9
10	AMF Pensionförsäkrings AB	-	17 000 000	1.9	0.7
11	MP-Bolagen i Vetlanda AB Werner von Seydlitz	1 521 400	1 655 000	0.4	0.7
12	Robur	-	9 865 904	1.1	0.4
13	Bergslaget's Healthcare Foundation	626 269	1 609 483	0.2	0.3
14	Lamar Mary M (ADRs)	-	4 518 998	0.5	0.2
15	Handelsbanken CEA	380 855	708 435	0.1	0.2
	Total	**169 091 219**	**90 320 714**	**28.8**	**70.2**
	Nominee registered shares	**75 378 219**	**581 796 741**	**73.0**	**52.6**

The list has been compiled by the Company, on the basis of shareholder information obtained from Finnish Central Securities Depository (APK), VPC and a database managed by Citibank. In 2002, the Finnish State reported sales of Stora Enso shares on 4 April and 14 June.

Equity per Share
EUR

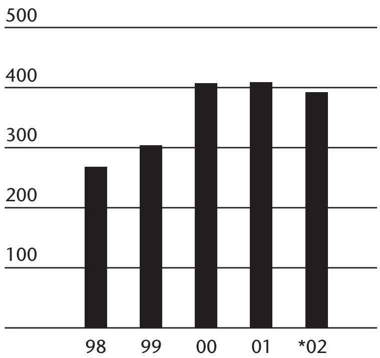


Earnings and Dividend per Share
EUR



* Board´s dividend proposal

Distributed Dividend Amount
EUR million



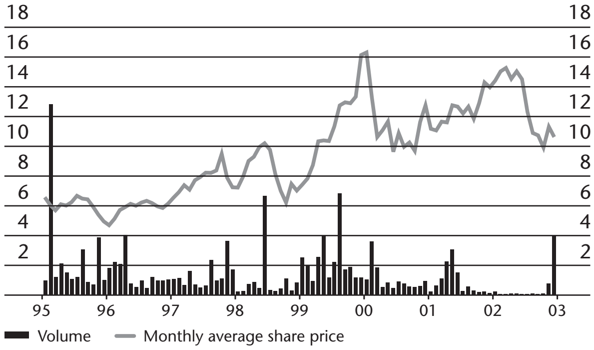
* Board´s dividend proposal

Share Price Performance and Volumes

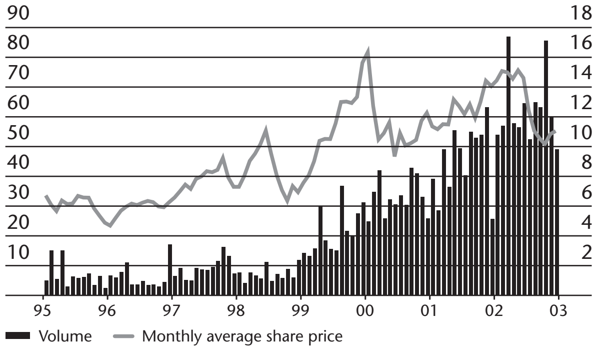
Helsinki

The Stora Enso R (STERV) share price fell during 2002 by 30% (10% increase in 2001). During the same period the HEX general index fell by 34%, the Helsinki portfolio index by 17% and the HEX forest index by 23%.

Stora Enso A
Number of shares, million | Share price (EUR)



Stora Enso R
Number of shares, million | Share price (EUR)



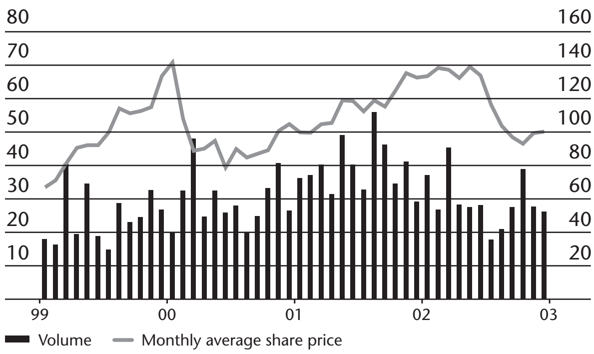
Stockholm

The Stora Enso R (STE R) share price fell during 2002 by 32% (19% increase in 2001). During the same period the Stockholmsbörsen All-Share index fell by 37% and the SX-15 Materials index by 10%.

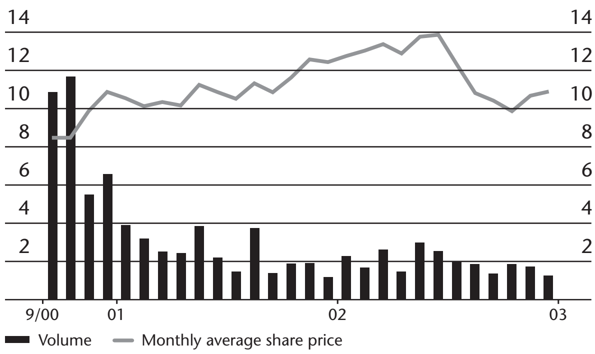
New York

On the NYSE the Stora Enso ADR (SEO) share price fell during 2002 by 15% (4% increase in 2001). During the same period the Standard & Poor's Paper index fell by 2.3%.

Number of shares, million | Share price (SEK)



Number of shares, million | Share price (USD)



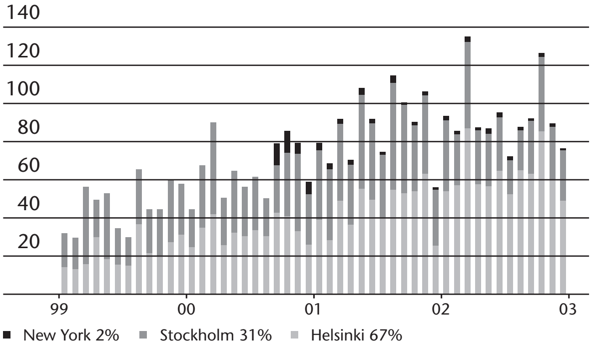
Share Prices and Volumes 2002

		Helsinki, EUR	Stocholm, SEK	New York, USD
High	Series A	16.00	146.00	-
	Series R	16.13	148.00	14.50
Low	Series A	8.50	78.00	-
	Series R	8.41	77.00	8.10
Closing, 31 Dec 2002	Series A	10.10	91.00	-
	Series R	10.05	90.50	10.46
Change from previous year	Series A	-29%	-32%	-
	Series R	-30%	-32%	-15%
Cumulative trading volume	Series A	5 875 221	2 526 585	-
	Series R	751 909 293	351 793 670	23 768 900

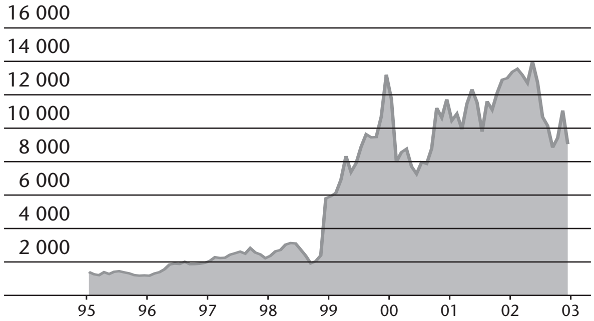
The volume-weighted average price of the R share over the year was EUR 12.86 in Helsinki (EUR 12.57 in 2001), SEK 119.50 in Stockholm (SEK 115.61 in 2001) and USD 12.29 in New York (USD 10.95 in 2001).

The cumulative trading volume in Helsinki was 751 909 293 shares (67% of total), in Stockholm 351 793 670 shares (31% of total) and in New York 23 768 900 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.1 billion.

Monthly R Share Trading Volumes 1999–2002
Number of shares, million



Market Capitalisation on the Helsinki Exchanges
EUR million



Stora Enso is included in at least the following indices

- HEX General Index
- HEX 25
- HEX Portfolio Index
- HEX Forest Index

- Stockholmsbörsen All-Share
- OMX Index
- SX 15 Materials

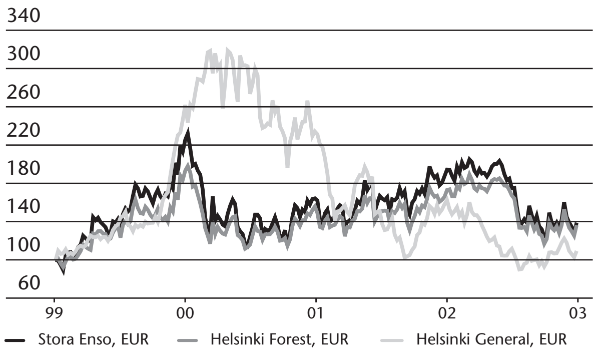
- DJ Stoxx
- DJ EURO STOXX Large and 600
- DJ Stoxx Nordic 30

- DJ STOXX Ex UK Large
- DJ Sustainability Index World
- DJ Sustainability Index EURO STOXX

- FTSE Eurotop 300
- FTSE Norex 30
- FTSE Global Basic Industries
- FTSE4Good Global and Europe Index

- MSCI Provisional Index

Stora Enso R Share versus Helsinki Exhanges´ Indices
1.1.1999 = 100



Key Share Ratios 1997–2002 (for calculations see page 97)

According to Helsinki Exchanges	1997	1998	1999	2000	2001	2002
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.03	-0.25
-diluted, EUR*	0.53	0.24	0.98	1.76	1.03	-0.25
-excluding non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.94	0.57
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.43	2.49
-excluding non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.34	1.97
Equity/share, EUR*	7.28	6.94	7.84	9.41	10.03	9.36
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45**
Payout ratio, excluding non-recurring items, %*	57	59	45	34	48	79
Dividend yield, %*						
A Share	4.6	4.6	2.3	3.5	3.2	4.5
R Share	4.6	4.6	2.3	3.6	3.1	4.5
Price/earnings ratio (P/E), excluding non-recurring items*						
A Share	12.3	12.8	19.8	9.7	15.1	17.7
R Share	12.2	13.0	19.4	9.5	15.3	17.6
Share prices for the period, EUR***						
A Share						
-closing price	7.15	7.57	17.60	12.86	14.20	10.10
-average price	7.75	9.14	11.21	12.01	12.24	11.24
-high	9.86	11.77	17.60	18.70	15.50	16.00
-low	6.22	5.40	6.45	8.95	10.10	8.50
R Share						
-closing price	7.10	7.67	17.31	12.60	14.38	10.05
-average price	7.97	8.35	11.84	11.27	12.57	12.86
-high	10.01	11.86	17.70	19.00	15.67	16.13
-low	6.17	5.30	6.60	8.70	10.12	8.41
Market capitalisation at year-end, EUR million***						
A Share	834	1 842	3 677	2 501	2 617	1 841
R Share	1 379	3 959	9 532	9 232	10 389	7 211
Total	2 214	5 801	13 209	11 733	13 006	9 052
Number of shares at end of period, (thousands)***						
A Share	116 729	243 395	208 951	194 496	184 274	182 317
R Share	194 362	516 185	550 659	732 727	723 638	717 462
Total	311 091	759 580	759 610	927 223	907 912	899 779
Trading volume, (thousands)						
A Share	16 321	12 749	28 349	12 917	10 737	5 875
% of total number of A shares****	9.4	-	12.1	6.7	5.8	3.2
R Share	109 698	87 113	259 287	396 783	548 547	751 909
% of total number of R shares****	80.3	-	49.3	55.4	75.8	104.8
Average number of shares (thousands)						
-basic*	759 574	759 574	759 580	812 040	901 506	889 606
-diluted*	759 691	759 822	760 628	813 488	902 296	889 956

*Proforma STORA and Enso figures for years 1997-1998. **Board of Directors' proposal to the AGM. ***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 29 December 1998, figures before 1998 are based on Enso Oyj's figures.

Report on Operations by the Board of Directors

Markets and Deliveries

Market uncertainty continued for a second year as a result of the faltering global economy with a consequent fall-off in demand for advertising-driven paper grades. Average European paper prices deteriorated due to excess capacity in certain grades, whilst in North America demand for printing and writing paper improved towards the end of the year resulting in price increases in local currencies in newsprint and fine paper.

Paper and board deliveries totalled 13 149 000 tonnes, which is 291 000 tonnes more than in 2001. Deliveries of wood products totalled 5 112 000 cubic metres, compared with the previous year's 4 860 000 cubic metres.

Paper production was curtailed by 1 257 000 tonnes to adjust for market demand (220 000 tonnes in North America), compared with 1 540 000 tonnes (395 000 tonnes in North America) in 2001.

Financial Results (compared with the previous year)

Earnings per share were EUR 0.57 (EUR 0.94) and cash earnings per share EUR 1.97 (EUR 2.34), both excluding non-recurring items. Earnings per share (basic) were EUR -0.25 (EUR 1.03) and cash earnings per share EUR 2.49 (EUR 2.43). The share write-down related to impairment was tax-deductible, resulting in a basic earnings per share increase of EUR 0.34.

Sales totalled EUR 12 782.6 (EUR 13 508.8) million, a decrease of EUR 726.2 million or 5.4% on the previous year. Average prices decreased in all product areas in 2002. Sales volumes increased in Magazine Paper, Packaging Boards and Timber Products but decreased in Newsprint and to some extent in Fine Paper.

The operating profit excluding non-recurring items was EUR 926.5 million, or 7.2% of sales (EUR 1 495.2 million, or 11.1%), a decrease of 38.0% on the previous year. Magazine Paper, Newsprint and Fine Paper reported lower operating profits than in 2001, mainly due to lower sales prices, while Packaging Boards and Timber Products increased profits. The weakening of the US dollar decreased the operating profit by EUR 28 million, which was offset by hedges. The operating profit for the year totalled EUR -151.6 (EUR 1 486.9) million after non-recurring items of EUR -1 078.1 million.

Non-recurring items comprised a EUR -25.1 million provision for closing down the UK merchant Papyrus GB Limited, a EUR 76.7 million capital gain on the sale of Billerud AB shares in Sweden, EUR -54.0 (USD -50.0) million from the North American Profit Enhancement Plan and EUR -1 166.7 (USD -1 081) million of US impairment charge, offset by EUR 24.4 million from a change in the average exchange rate. Other non-recurring items were the EUR 8.8 million closure costs at Summa in Finland and a EUR 75.4 million capital gain on the sale of forest assets in Finland and USA.

The share of results of associated companies amounted to EUR 14.6 (EUR 79.6) million, a loss of EUR 5.5 million from Tornator Timberland Oy being offset by a profit of EUR 5.4 million from Billerud AB and positive results in other associated companies.

Net interest costs for the year totalled EUR 229.5 million, which is 4.6% of interest-bearing net liabilities and EUR 103.6 million less than for the previous year, mainly due to lower interest rates and a positive cash flow. Foreign exchange gains in financial items were EUR 44.9 million and dividend income was EUR 9.2 million. The valuation of financial instruments and derivatives resulted in a net loss of EUR 50.4 million; these items are valued at market value, thus causing volatility in net financial items, although of a non-cash nature.

Profit before taxes and minority interests, excluding non-recurring items, amounted to EUR 734.9 (EUR 1 231.3) million.

Net taxes were a positive EUR 120.9 (EUR -299.6) million, thus increasing EPS by EUR 0.14, though aggregate tax excluding non-recurring items represented an underlying rate of 31.4% (31.6%). The write-down of the shares in the parent company, relating to the impairment depreciation in Stora Enso North America Corp., is tax deductible according to a recently received advanced tax ruling. At the current tax rate of 29%, the value of this tax deduction, which is considered a non-recurring item, is EUR 298.4 million to be utilised against 2002 results.

Minority interests were EUR 0.1 (EUR 2.9) million, leaving a net loss for the period of EUR 222.2 (profit of EUR 926.3) million.

The return on capital employed was 7.1% (10.8%) before non-recurring items. Capital employed was EUR 11 242.4 million at the end of the period, a net decrease of EUR 2 616.7 million since the beginning of the year, reflecting the impairment charges in North America and the weakening US dollar.

Financing
Cash flow from operations totalled EUR 2 083.8 (EUR 2 757.5) million, with cash flow after investing activities amounting to EUR 1 247.7 (EUR 1 849.9) million. The cash earnings per share excluding non-recurring items were EUR 1.97 (EUR 2.34).

At the end of the period, interest-bearing net liabilities were EUR 3 055.1 million, down EUR 1 764.8 million on the previous year. Unutilised credit facilities, and cash and cash-equivalent reserves totalled EUR 1.8 billion.

The debt/equity ratio at 31 December was 0.37 (0.53) and equity per share EUR 9.36 (EUR 10.03).

Capital Expenditure and Asset Restructuring
Capital expenditure for the year totalled EUR 877.6 million, which is 70.5% of depreciation; this is lower than planned as some expenditure ran over to 2003. The main investments were the new PM4 (EUR 254.1 million) and rebuild of PM3 (EUR 28.6 million) at Langerbrugge in Belgium, the rebuilding of Oulu PM6 in Finland (EUR 16.5 million), folding boxboard improvements at Baienfurt in Germany (EUR 10.2 million) and finishing department investment at Fors in Sweden (EUR 10.6 million).

In October Stora Enso's Board of Directors approved a comprehensive Asset Restructuring Programme to improve Group asset quality in the Magazine and Fine Paper segments. This plan is part of an ongoing programme to increase the overall competitiveness of assets, which include about a hundred production units, whilst meeting the growing quality and volume demands of customers. The plan includes targeted investments, machine specialisation measures and elimination of less-competitive production assets. The Asset Restructuring Programme is in line with the Group's capital expenditure policy.

Stora Enso North America
Stora Enso's results in North America improved during the second half of the year though they continue to be unsatisfactory. The operating loss for the first half of 2002 was USD 105 million and for the second half, USD 50 million, giving a loss for the year of USD 155 (EUR 164) million, before goodwill amortisation and impairment and other non-recurring items, compared with a USD 26 (EUR 29) million loss in 2001.

Cash flow after investing activities for the first half of 2002 was USD 25 million and USD 113 million for the second half, making USD 138 (EUR 146) million for the year before non-recurring items, compared with USD 239 (EUR 267) million in 2001.

Market-related downtime totalled 220 000 tonnes, a reduction of 175 000 tonnes on 2001. Synergies, which were mainly derived from transfer of best practices, totalled USD 91 (EUR 96) million.

Research and Development
In 2002 Stora Enso spent EUR 91.6 million on research and development, which is 0.7% of net sales, the emphasis being on consumer board and product development for digital and other document printing. The product portfolio for different printing technologies has also been further enhanced.

Changes in Group Composition
In March Stora Enso announced the sale of Mölndal Mill in Sweden to KLIPPAN AB, a Swedish listed speciality paper company. This divestment is part of the Fine Paper Division's Asset Restructuring Programme to concentrate investment in large, cost-efficient mills.

In May plans to restructure ownership of Group forestlands in Finland and the USA were announced, the transactions actually taking place in December. Stora Enso sold 59% of its shares in its Tornator forest company to a new company established by Finnish institutional investors, leaving it with a 41% share, now accounted for as an associate; the aggregate market value of the forest assets sold was EUR 502 million. At the same time Stora Enso North America Corp. sold some 300 000 acres (125 000 hectares) of forestland to Plum Creek Timber Company, Inc. for USD 141 (EUR 142) million.

In June Stora Enso sold most of its shareholding in Billerud AB in a secondary market transaction resulting in a capital gain of EUR 76.7 million; following the sale Stora Enso now owns only 300 000 shares, being 0.5% of the share capital and votes.

Personnel
Staff numbers were reduced by 472 during the year to 42 461 at 31 December, mainly due to the divestment of Finnish forest assets, the closure of PM1 at Summa Mill in Finland and reductions in North America.

The average number of employees was 43 853, down 422 on the previous year.

Changes in the Management Group
In March Keith B Russell joined the Group as Senior Vice President of Investor Relations, reporting to the CEO.

Also in March Petri Wager was appointed Senior Vice President, Corporate Marketing and Sales, and joined the Management Group, replacing Sven von Holst.

In June, John F Bergin, Senior Vice President, Speciality Papers Business Group (Packaging Boards Division), joined the Management Group, replacing Ronald E. Swanson.

Issues with Competition Authorities
In August the European Commission informed Stora Enso that it had terminated its investigation in the competition case related to newsprint producer operations instituted in 1999, when the European Union Statement of Objection alleged that there had been a newsprint price cartel in the period 1989 to 1995; the case is now closed.

Changes in Share Capital
During 2002 a total of 99 200 A shares and 25 672 634 R shares were repurchased by the Company, representing 2.9% of the shares and 1.0% of the voting rights, and with a nominal value of EUR 43.8 million. The average price paid for A shares was EUR 12.28 and for R shares EUR 11.14. The Annual General Meeting (“AGM”) on 19 March 2002 decided to lower the Company’s share capital by EUR 13.8 million through the cancellation of 813 200 A shares and 7 319 800 R shares. These shares had been repurchased under the authorisation of the AGM in 2001. The AGM on 19 March 2002 further authorised the Board to repurchase and dispose of not more than 9 100 000 A shares and not more than 35 500 000 R shares in the Company. Repurchases started on 24 May 2002 and by 31 December 2002 the Group had repurchased 85 400 A shares and 25 326 834 R shares, 0.9% and 71.3% of the authorised amounts respectively. By 31 December 2002 the Company had allocated 69 303 of the repurchased R shares under the terms of the Stora Enso North America Option Plan, leaving the Company holding 85 400 A shares and 28 257 531 R shares.

During the annual conversion period of 16 to 27 September 2002, a total of 1 143 700 A shares were converted into R shares. A total of 1 161 000 new R shares were issued under the terms of the 1997 warrants, of which 3 000 were registered in the Finnish Trade Register on 9 January 2003.

A total of 864 000 new R shares are subscribable against outstanding warrants.

Share Capital
At the year end Stora Enso Oyj had 182 316 685 A shares and 717 461 614 R shares in issue, of which the Company held 85 400 A shares and 28 257 531 R shares with a nominal value of EUR 48.2 million; this holding represents 3.1% of the Company’s share capital and 1.1% of the voting rights. Shareholders’ equity amounted to EUR 8 156.9 million as against a market capitalisation on the Helsinki Exchanges on 31 December of EUR 9.1 billion. The nominal value of the issued share capital was EUR 1 529.6 million.

Significant Changes in Ownership
In 2002 the Finnish State reported sales of Stora Enso Oyj shares on 4 April and 14 June, following which the Finnish State holds 55 595 937 A shares and 41 483 501 R shares, representing 10.8% of the share capital and 23.5% of the voting rights.

Events after the Period
On 16 January Stora Enso Oyj signed a new EUR 2.5 billion revolving credit facility agreement with a group of 21 banks. The facility, which has a maturity of five years and a margin of 0.425% p.a. over Euribor, is for general corporate purposes including refinancing current syndicated facilities of EUR 1.6 billion.

Outlook
In Europe demand for advertising-driven paper is stable at low levels, but prices are under pressure mainly due to oversupply. Office paper demand has weakened seasonally, but it is expected to recover slightly during the first quarter of 2003. Demand and prices for packaging boards and wood products are expected to remain stable in the near term.

In North America demand improved from low levels in advertising-driven paper grades towards the end of 2002 and has continued thus far in 2003. Demand for wood products is stable and prices will be dependent on the supply and demand balance in the near future.

The further continuation of the positive trend in North America, and indeed the outlook for global paper markets, depends largely on the outcome of the current geopolitical situation.

Distribution of Dividend
The Board of Directors will propose to the forthcoming Annual General Meeting of Shareholders that a dividend of EUR 0.45 per share be paid for the financial year ending 31 December 2002. If the proposal is approved, the dividend will be paid on 4 April to shareholders entered on the dividend record date of 25 March in the register of shareholders maintained by the Finnish Central Securities Depository, Swedish VPC and US Citibank, N.A.

Annual General Meeting
The Annual General Meeting will be held at Finlandia Hall, Helsinki, Finland on Thursday 20 March 2003, beginning at 4.00 p.m. (Finnish time). The Board of Directors will also propose to redeem the shares in treasury as well as a new repurchase programme.

Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	Year Ended 31 December 2000	2001	2002
Sales	3, 4	**13 017.0**	**13 508.8**	**12 782.6**
Changes in inventories of finished goods and work in progress		-51.1	38.4	30.3
Other operating income	6	96.1	63.2	176.1
Gain on disposal of discontinued operations, energy	6	524.8	-	-
Materials and services		-6 037.8	-6 547.8	-6 373.2
Freight and sales commissions		-1 282.2	-1 234.0	-1 240.9
Personnel expenses	7, 18	-1 995.7	-2 234.4	-2 282.0
Depreciation, amortisation and impairment charges	10	-1 129.4	-1 267.6	-2 441.9
Other operating expenses	6	-770.4	-839.7	-802.6
Operating Profit	3, 4	**2 371.3**	**1 486.9**	**-151.6**
Net financial items	8	-292.9	-343.5	-206.2
Share of results in associated companies	12	20.6	79.6	14.6
Profit before Tax and Minority Interests		**2 099.0**	**1 223.0**	**-343.2**
Income tax expense	9	-650.3	-299.6	120.9
Profit after Tax		**1 448.7**	**923.4**	**-222.3**
Minority interests		-13.7	2.9	0.1
Net Profit for the Period		**1 435.0**	**926.3**	**-222.2**
Earnings per Share				
Basic earnings per share, EUR	25	1.77	1.03	-0.25
Diluted earnings per share, EUR	25	1.76	1.03	-0.25

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

Consolidated Balance Sheet

EUR million		Notes	As at 31 December 2000	2001	2002
Assets					
Fixed Assets and Other Long-term Investments					
Goodwill	O	11	2 228.6	2 276.0	1 055.5
Intangible fixed assets	O	11	89.2	89.6	73.3
Property, plant and equipment	O	11	12 785.6	12 335.6	10 812.1
Investments in associated companies	I	12	213.6	306.7	211.7
Listed securities	I	13	132.3	197.4	169.2
Unlisted shares	O	13	177.2	181.0	148.5
Non-current loan receivables	I	16	486.3	505.4	480.6
Deferred tax assets	T	9	11.7	28.1	52.7
Other non-current assets	O	14	254.5	257.9	241.1
			16 379.0	**16 177.7**	**13 244.7**
Current Assets					
Inventories	O	15	1 589.5	1 600.0	1 565.0
Tax receivables	T		153.0	224.3	243.1
Short-term receivables	O	16	2 360.7	1 976.3	1 902.4
Current portion of loan receivables	I	16	96.2	333.1	1 090.5
Cash and cash equivalents	I		744.4	247.0	168.5
			4 943.8	**4 380.7**	**4 969.5**
Total Assets			**21 322.8**	**20 558.4**	**18 214.2**
Shareholders' Equity and Liabilities					
Shareholders' Equity		17			
Share capital			1 576.3	1 541.5	1 529.6
Share premium fund			1 823.2	1 641.9	1 554.0
Treasury shares			-173.7	-125.5	-314.9
Other comprehensive income			-	58.6	233.4
Cumulative translation adjustment			-69.6	-52.5	-144.4
Retained earnings			3 979.6	4 998.7	5 521.4
Net profit for the period			1 435.0	926.3	-222.2
			8 570.8	**8 989.0**	**8 156.9**
Minority Interests			**149.4**	**50.2**	**30.4**
Long-term Liabilities					
Pension and post-employment benefit provisions	O	18	771.8	774.0	747.0
Deferred tax liabilities	T	9	2 247.5	2 011.0	1 787.3
Other provisions	O	20	173.4	153.6	194.5
Long-term debt	I	19	5 514.7	5 182.0	4 525.2
Other long-term liabilities	O		92.6	51.4	36.9
			8 800.0	**8 172.0**	**7 290.9**
Current Liabilities					
Current portion of long-term debt	I	19	262.8	230.0	306.5
Short-term borrowings	I	19	1 078.0	997.5	343.9
Other current liabilities	O	20	1 890.6	1 631.0	1 547.9
Tax liabilities	T		571.2	488.7	537.7
			3 802.6	**3 347.2**	**2 736.0**
Total Shareholders' Equity and Liabilities			**21 322.8**	**20 558.4**	**18 214.2**

Items designated "O" comprise Operative Capital

Items designated "I" comprise Interest-bearing Net Liabilities

Items designated "T" comprise Net Tax Liabilities

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

Statement of Changes in Shareholders' Equity

EUR million	Share Capital	Share Premium	Treasury Shares	OCI	CTA	Retained Earnings	Total
Balance at 1 January 2000	**1 277.6**	**379.6**	-	-	**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	-	-	-	-	-	-1.0	-1.0
Share issue	0.4	-0.4	-	-	-	-	-
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	-	-	-	-	-
Repurchase 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**
Effect of adopting IAS 39	-	-	-	75.7	-	-8.5	67.2
Repurchase of Stora Enso Oyj shares	-	-	-199.8	-	-	-	-199.8
Cancellation of Stora Enso Oyj shares	-39.4	-208.6	248.0	-	-	-	-
Options exercised (Consolidated Papers, Inc)	-	-6.2	-	-	-	-	-6.2
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-407.4	-407.4
Share issue	4.6	31.1	-	-	-	-	35.7
Net profit for the period	-	-	-	-	-	926.3	926.3
OCI entries	-	-	-	-17.1	-	-	-17.1
Translation adjustment	-	-	-	-	19.5	-	19.5
Balance at 31 December 2001	**1 541.5**	**1 639.5**	**-125.5**	**58.6**	**-50.1**	**5 925.0**	**8 989.0**
Repurchase of Stora Enso Oyj shares	-	-	-286.8	-	-	-	-286.8
Cancellation of Stora Enso Oyj shares	-13.8	-83.6	97.4	-	-	-	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-403.6	-403.6
Share issue	1.9	-1.9	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-222.2	-222.2
OCI entries	-	-	-	174.8	-	-	174.8
Translation adjustment	-	-	-	-	-94.3	-	-94.3
Balance at 31 December 2002	**1 529.6**	**1 554.0**	**-314.9**	**233.4**	**-144.4**	**5 299.2**	**8 156.9**

OCI = Other Comprehensive Income – see Note 21

CTA = Cumulative Translation Adjustment

Distributable Funds

	As at 31 December		
EUR million	**2000**	**2001**	**2002**
Retained earnings	5 414.6	5 925.0	5 299.2
Translation adjustment	-69.6	-50.1	-144.4
	5 345.0	5 874.9	5 154.8
Untaxed reserves in retained earnings	-1 979.1	-1 784.6	-1 636.6
Distributable Funds	**3 365.9**	**4 090.3**	**3 518.2**

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

Consolidated Cash Flow Statement

EUR million	Year Ended 31 December 2000	2001	2002
Cash Flow from Operating Activities			
Net profit for the period	1 435.0	926.3	-222.2
Reversal of non-cash items:			
Minority Interests	13.7	-2.9	-0.1
Taxes	650.3	299.6	-120.9
Depreciation, amortisation and impairment charges	1 129.4	1 267.6	2 441.9
Share of results in associated companies	-20.6	-79.6	-14.6
Profits and losses on sale of fixed assets and investments	-597.5	-48.4	-159.1
Net financial income	292.9	343.5	206.2
Interest received	23.0	56.1	46.5
Interest paid, net of amounts capitalised	-318.2	-352.5	-321.4
Dividends received	6.3	17.0	9.2
Other financial items, net	3.0	-27.4	170.0
Income taxes paid	-553.3	-699.6	-62.1
Change in net working capital, net of businesses acquired or sold	96.6	-171.2	-547.2
Net Cash Provided by Operating Activities	**2 160.6**	**1 528.5**	**1 426.2**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares, net of cash	-2 831.9	-233.6	-56.3
Acquisition of shares in associated companies	-	-135.6	-1.5
Acquisition of available-for-sale investments	-10.0	-7.0	-12,8
Capital expenditure	-769.3	-857.1	-877.6
Proceeds from disposal of subsidiary shares, net of cash	590.0	-	360.6
Proceeds from disposal of shares in associated companies	-	62.4	185.5
Proceeds from disposal of available-for-sale investments	20.9	-	16.8
Proceeds from sale of fixed assets	109.9	92.6	202.4
Proceeds from (payment of) long-term receivables, net	-20.6	196.0	-74.4
Net Cash Used in Investing Activities	**-2 911.0**	**-882.3**	**-257.3**
Cash Flow from Financing Activities			
Proceeds from (payment of) long-term liabilities, net	2 077.8	-351.3	-487.6
Proceeds from (payment of) short-term borrowings, net	-744.8	-216.1	-56.3
Dividends paid	-303.9	-407.4	-403.6
Proceeds from issue of share capital	-	29.5	-
Repurchase of own shares	-173.7	-199.8	-286.9
Other	-2.4	-	-
Net Cash Used in Financing Activities	**853.0**	**-1 145.1**	**-1 234.4**
Net Increase (Decrease) in Cash and Cash Equivalents	**102.6**	**-498.9**	**-65.5**
Translation adjustment	-0.4	1.5	-13.0
Cash and cash equivalents at beginning of year	642.2	744.4	247.0
Cash and Cash Equivalents at Year-End	**744.4**	**247.0**	**168.5**

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

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

EUR million	Year Ended 31 December 2000	2001	2002
Change in Net Working Capital consists of:			
Change in inventories	-43.2	-52.6	-17.0
Change in interest-free receivables	-269.4	315.5	31.1
Change in interest-free liabilities	354.7	-211.5	-66.2
Proceeds from (payments of) short-term receivables	54.5	-222.6	-495.1
	96.6	**-171.2**	**-547.2**
Non-cash Investing and Financing Activities:			
Total capital expenditure	769.3	857.1	877.6
Amounts paid	769.3	857.1	877.6
Finance lease obligations incurred	-	-	-
Acquisition of Group Companies			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions	2 879.6	233.6	56.3
Cash and cash equivalents in acquired companies	-47.7	-	-
	2 831.9	233.6	56.3
Non-cash Transaction			
Equity issue/unlisted share exchange	1 717.2	-	27.6
Total Purchase Consideration	**4 549.1**	**233.6**	**83.9**
Acquired Net Assets			
Operating working capital	228.2	-	-8.9
Operating fixed assets	5 820.3	141.5	150.4
Interest-bearing assets less cash and cash equivalents	571.3	-	5.6
Tax liabilities	-915.0	-	-0.8
Interest-bearing liabilities	-1 204.9	-	-79.8
Minority interests	49.2	92.1	17.4
	4 549.1	**233.6**	**83.9**
Disposal of Group Companies			
Cash Flow on Disposals			
Cash flow on disposal	590.0	-	360.6
Non-cash Transaction			
Associate Company shares received	-	129.2	36.8
	590.0	**129.2**	**397.4**
Net Assets Sold			
Operating working capital	-5.2	7.9	42.3
Operating fixed assets	1 315.3	244.3	441.0
Interest-bearing assets less cash and cash equivalents	8.0	129.2	5.3
Tax liabilities	32.5	-31.0	-0.2
Interest-bearing liabilities	-1 274.5	-221.2	-116.9
Minority interests	-10.9	-	-
Gain on sale	524.8	-	25.9
	590.0	**129.2**	**397.4**

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

Notes to the Consolidated Financial Statements

Comparatives

Comparative figures in tables are given for the previous two years for both Balance Sheet and Income Statement items; comparatives in text are given in brackets for the previous year unless otherwise stated. Comparable figures for foreign currency transactions are also given in brackets where appropriate, the foreign currency coming first if that was the operative amount of a transaction.

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, Packaging Boards and Timber Products with the supporting areas being Merchants, Forest and Other, the latter comprising Energy and Head Office together with other corporate functions. The Group's main market is Europe, though it has an expanding presence in North America.

Basis of Preparation

The Consolidated Financial Statements of Stora Enso have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). They include the Financial Statements of Stora Enso Oyj and its subsidiaries and have been prepared under the historical cost convention except as disclosed in the accounting policies below; for example, available-for-sale investments and derivative financial instruments are shown at fair value. The carrying amount of recognised assets and liabilities that are hedged is adjusted to record changes in the fair value attributable to the risks being hedged. In addition, the Group consistently applies trade date accounting.

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.

Consolidation Principles

Stora Enso was formed as a combination of Enso Oyj and Stora Kopparbergs Bergslags Aktiebolag (publ) ("Stora") in December 1998 and, as a result of the merger, Stora is a subsidiary of Stora Enso Oyj (formerly Enso Oyj). The Stora Enso merger was accounted for as a uniting of interests under IAS.

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 through management agreements with majority shareholders, but in which Stora Enso holds less than 50% of the voting rights, are also consolidated. The principal subsidiaries are listed in Note 23.

Associated companies, where Stora Enso holds voting rights of between 20% and 50%, are accounted for using the equity method, which involves recognising in the Income Statement the Group's share of the associate's profit or loss for the year less any amortised goodwill. These companies represent undertakings in which the Group has significant influence, but which it does not control; the most significant such companies are listed in Note 12. The Group's interest in an associated company is carried in the Balance Sheet at an amount that reflects its share of the net assets of the associate together with goodwill on acquisition, as amortised, less any impairment. When the Group share of losses exceeds the carrying amount of an investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group is obliged to satisfy obligations of the investee which it has guaranteed or is otherwise committed to.

Acquired companies are accounted for under the purchase method whereby they are included in the Consolidated Financial Statements from their acquisition date, whereas, conversely, divestments are included up to their date of sale.

All intercompany transactions, receivables, liabilities and unrealised profits, as well as intragroup profit distributions, are eliminated. Accounting policies for subsidiaries have been adjusted where necessary 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.

Foreign Currency Transactions

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

Foreign Currency Translations – Subsidiaries

The Income Statements of subsidiaries, whose measurement and reporting currencies are not euros, are translated into the Group reporting currency using the average exchange rates for the year, whereas the Balance Sheets of such subsidiaries are translated using the exchange rates ruling on 31 December. Exchange differences arising from the retranslation of the net investments in foreign subsidiary and associated undertakings and of financial instruments, which are designated as and are hedges of such investments, are recorded directly in shareholders' equity in the Cumulative Translation Adjustment ("CTA"). The cumulative translation differences of divestments are combined with their gain or loss on disposal.

Derivative Financial Instruments

Financial derivatives are initially recognised in the Balance Sheet at cost and subsequently measured at their fair value on each Balance Sheet date, though the method of recognising the resulting gains or losses is dependent on the nature of the item being hedged. When derivative contracts are entered into, the Group designates them as either hedges of the fair value of recognised assets or liabilities (fair value hedge), hedges of forecast transactions or firm commitments (cash flow hedge), hedges of net investments in foreign entities or as derivative financial instruments not meeting the hedge accounting criteria.

Changes in the fair value of derivatives designated and qualifying as fair value hedges, and which are highly effective, are recorded in the Income Statement, alongside any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

Changes in the fair value of derivatives designated and qualifying as cash flow hedges, and which are effective, are recognised in equity to the Hedging Reserve within Other Comprehensive Income ("OCI"). The cumulative gain or loss of a derivative deferred in equity is transferred to the Income Statement and classified as revenue or expense in the same period in which the hedged item affects the Income Statement.

When a hedging instrument no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss deferred in equity at that time remains in equity and is accounted for as an adjustment to revenue or expense when the committed or forecast transaction is ultimately recognised in the Income Statement. However, if a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the Income Statement under financial items.

Certain derivative transactions, while providing effective economic hedges under Group risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and therefore changes in the fair value of such non-qualifying hedge instruments are immediately recognised in the Income Statement under financial items. All derivatives not qualifying for hedge accounting are considered to be speculative and are also fair valued at each Balance Sheet date with the result immediately recognised in the Income Statement under financial items.

Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Where the hedging instrument is a derivative, any gain or loss thereon relating to the effective portion of the hedge is recognised in equity in the Cumulative Translation Adjustment ("CTA"); the gain or loss relating to the ineffective portion is immediately recognised in the Income Statement. However, the exchange gains and losses arising on the translation of a borrowing that hedges such an investment, including any ineffective portion of the hedge, are also recognised in the CTA.

At the inception of a transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all financial instruments designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The fair values of publicly traded derivatives, along with trading and available-for-sale securities, are based on quoted market prices at the Balance Sheet date; the fair values of interest rate swaps are calculated as the present value of the estimated future cash flows while the fair values of forward foreign exchange contracts are determined using forward exchange market rates at the Balance Sheet date. In assessing the fair values of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions at each Balance Sheet date. Quoted market prices or dealer quotes for identical or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair values for the remaining financial instruments. The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

Revenue Recognition

Sales comprise products, raw materials, energy and services, less indirect sales tax, discounts and exchange differences on sales in foreign currency. Sales are recognised after Stora Enso has transferred the decisive risks and rewards connected with ownership of the goods sold to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods; in the great majority of cases, this means that Sales are recorded upon shipment of goods to customers in accordance with agreed terms of sale. Revenues from services are recorded when the service has been performed. The income from services provided in connection with longer term contracts is realised according to the percentage completion method, provided that the degree of completion can be assessed reliably and the amount of the income and costs related to the contract can also be determined reliably.

Research and Development

Research and development costs ("R&D") are expensed as incurred and included in other operating expenses in the Consolidated Income Statement.

Computer Software Development Costs

Development costs or acquisition costs of new software clearly associated with an identifiable and unique product, which will be controlled by the Group and has probable benefit exceeding its 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, but exclude the cost of maintaining the software, which is expensed as incurred. Website costs are expensed as incurred.

Environmental Remediation Costs

Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do not contribute to current or future revenues, are expensed as incurred. Environmental liabilities are recorded, 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. Decommisioning costs, being the costs of closing the site and preparing it for future use , are capitalised at the outset of a development and amortised over its expected life so that the full cost of environmental reinstatement will have been expensed by the end of the project.

Discontinuing Operations

A discontinuing operation results from a decision, pursuant to a single disposal plan, to divest an operation comprising a separate major line of business for which the assets less liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes. The pre-tax gain or loss on disposal of discontinuing operations is shown as a separate item in the Consolidated Income Statement.

Income Taxes

The Group 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, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. Principal temporary differences arise from depreciation on property plant and equipment, revaluation of net assets in acquired companies, fair valuation of available-for-sale investments and financial derivatives, intercompany inventory profits, untaxed reserves and tax losses carried forward; the latter is recognised as an asset to the extent that it is probable that future taxable profits 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, but under both Finnish and Swedish Companies Acts, such items in equity are excluded from distributable funds.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group share of net assets of the acquired subsidiary/associated undertaking at the acquisition date. Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity and translated at the closing rate. Goodwill is tested periodically for impairment but is otherwise amortised on a straight-line basis over its expected useful life, which may 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; they are stated at historical cost and are amortised on a straight-line basis over expected useful lives which may vary from 3 to 10 years.

Investment Properties

Investment properties are deemed to be those held for long-term rental yields, but at present Stora Enso considers that it holds no such property.

Property, Plant and Equipment

Property, plant and equipment acquired by Group companies are stated at historical cost, augmented where appropriate by terminal environmental reinstatement costs; assets coming into the Group on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition. Depreciation is computed on a straight-line basis, as adjusted for any impairment and disposal charges; the Balance Sheet value represents cost less accumulated depreciation and any impairment charges. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to complete and prepare the property for its intended use. Other tangible assets include capitalised charges arising from the planting and care of forest holdings.

Under the current forest accounting policy, timber and timberlands are recorded at cost, with reforestation costs, less depletion for the cost of timber harvested, being capitalised; depletion is computed by the units-of-production method.

Land is not depreciated as it is deemed to have an indefinite life, but otherwise depreciation is based on the following expected useful lives:

Asset class	Depreciation Years
Buildings, industrial	10–50
Buildings, 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
Heavy machinery	10–20
Converting factories	10–15
Sawmills	10–15
Computers	3–5
Vehicles	5
Office equipment	3–5
Railway, harbours	20–25
Forest roads	10–35
Roads, fields, bridges	15–20

Ordinary maintenance and repair charges are expensed as incurred, however, the costs of significant renewals and improvements are capitalised and depreciated over the remaining useful lives of the related assets. Retirements, sales and disposals of property, plant and equipment are recorded by removing the cost and accumulated depreciation from the accounting records with any resulting terminal depreciation adjustments reflected in impairment charges in the Income Statement; capital gains are shown in Other Operating Income.

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

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 with an impairment loss being recognised whenever the carrying amount exceeds the recoverable amount.

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

Accounting for Leases

Leases of property, plant and equipment where the Group has substantially all the rewards 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 the estimated present value of the underlying lease payments. Each lease payment is allocated between the capital liability and finance charges, so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being taken to the 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, where the lessor retains all the risks and benefits of ownership, are classified as operating leases and payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods. When an operating lease is terminated before the expiry of the lease period, any obligatory payment to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Inventories
Inventories are reported at the lower of cost and net realisable value with cost being determined by the first-in first-out (FIFO) method or, alternatively, weighted average cost ("WAC") where it approximates FIFO. The cost of finished goods and work in progress comprises raw material, direct labour, depreciation, other direct costs and related production overhead but excludes interest expenses.

Trade Receivables
Trade receivables are reported at their anticipated realisable value, an estimate being 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
The Group classifies its investments into three categories of trading, held-to-maturity and available-for-sale. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments, to be classified as current assets, whereas investments with fixed maturity, which management has the intent and ability to hold to maturity, are classified as held-to-maturity, to be disclosed in non-current assets; during the period the Group held no investments in these categories. Investments intended to be held for an indefinite period of time, but which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the Balance Sheet, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Prior to the adoption of IAS 39 on 1 January 2001 the Group accounted for investments in marketable equity securities at the lower of cost and market value determined on a portfolio basis. The Group evaluated the carrying amount of its long-term investments and recognised declines, other than temporary ones, in the value of the investments on an individual basis. Under IAS 39 investments are recorded on the Balance Sheet at their fair value with the difference between fair value and acquisition cost recorded direct to equity in the Available-for-sale Reserve in Other Comprehensive Income (OCI), from where it is released to the Income Statement when the investments are sold or when the assets are impaired.

Borrowings
Borrowings are recognised initially as proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and redemption value is recognised in the Income Statement over the period of the borrowings.

Interest expenses are accrued for and recorded in the Income Statement for each period.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Environmental provisions for site reinstatement are made when a project starts production, the capitalised cost of the provision, along with the historic cost of the asset, being amortised over the useful life of the asset.

Employee Benefits
The Group operates a number of defined benefit and 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. Group 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 maturity terms approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

Executive Share Options

The costs of all option plans, synthetic option plans and other executive remuneration or incentive plans, are charged to the Income Statement as personnel expenses in the period in which the options are exercised or the costs crystallise. The synthetic option programmes 1999-2002 are hedged by Total Return Swaps ("TRS").

Restricted Equity

The components of restricted equity include the share premium account, the translation adjustment for foreign subsidiaries (CTA), Other Comprehensive Income (OCI) and the legal reserves required by law in certain countries where subsidiaries are incorporated.

Government Grants

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

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted earnings per share 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 issue 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.

New Accounting Standards

The new accounting standard, IAS 41 Accounting for Biological Assets, under which Stora Enso's biological assets in the form of standing trees are shown on the Balance Sheet at market value, came into effect on 1 January 2003. The initial valuation surplus, net of related deferred tax, will be entered directly on the Balance Sheet in equity, the gross amont being added to assets. Periodic future changes resulting from growth, price and other premise changes will be entered in the Income Statement.

IAS 41 requires biological assets, such as forests, to be accounted for at fair value less estimated point-of-sale costs at harvest, there being a presumption that fair values can be measured for these assets. That presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not avalaible and for which alternative estimates of fair value are determined to be clearly unreliable.

There is limited guidance in the IAS Statements on how to value forest assets with long growth cycles of 60 to 120 years, but the consensus is to use generally accepted methods for valuing forest assets as in arms lengths transactions. Such market transactions have recently been based on discounted cash flow models whereby the fair value of the biological assets was calculated using cash flows from continuous operations, that is, based on sustainable forest management plans taking into account growth potential. The yearly harvest made from the forecasted tree growth is multiplied by actual wood prices and the cost of fertiliser and harvesting is then deducted. The fair value of the biological asset is measured as the present value of the harvest from one growth cycle based on the productive forestland, taking into consideration environmental restrictions and other reservations. Biological assets that are physically attached to land are recognised and measured at their fair value separately from the land.

Dividend

The dividend proposed by the Board is not deducted from distributable shareholders' equity until approved by the shareholders at the Annual General Meeting.

The conduct of Stora Enso's international industrial operations presents a number of financial market risks that the Group is responsible for managing under policies approved by the Board. The overall objective of the Group Treasury is to provide cost-effective funding to Group companies as well as to manage financial risks in order to minimise the negative effects of market fluctuations on Group 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 finance for operations at a given point in time. In order to minimise the cost of refinancing the Group loan portfolio and to ensure that funding is obtainable, the Group Treasury must have committed credit facilities to cover general corporate funding needs and all commercial paper borrowings. The average maturity of outstanding loans and committed credit facilities should be at least four years and not more than seven.

Interest Rate Risk
The Group is exposed to changes in interest rates as a result of the cyclical nature of the industry. The Group interest rate risk management policy is to synchronise the cost of capital with the return on capital employed by swapping long-term fixed interest rates to short-term floating interest rates with an average duration of twelve months and a deviation mandate of six months either way.

Foreign Exchange Risk
The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations. Transaction risk, being foreign currency-denominated sales and purchases together with foreign currency Balance Sheet items, as well as translation risk, being net investments in foreign subsidiaries, in aggregate comprise the foreign currency exchange risk of Stora Enso. The Group policy for transaction risk is to hedge a minimum 25% and maximum 75% of the upcoming 12 months net exposure in a specific currency, with a benchmark of 50% though, entities reporting in SEK can deviate from this. The policy relating to translation risk exposure is to minimise this risk by funding investments in the same currency as the net assets whenever this is possible and economically viable.

Commodity Risk
Prices for Stora Enso's main products have been cyclical in nature and thus Group earnings are exposed to commodity price volatility. The Group has implemented a commodity risk management framework in the areas of fibre and energy procurement whereby subsidiaries are responsible for measuring their open commodity price risks and hedging these through the Group Treasury.

Credit Risk
Credit insurance has been obtained for customers in the main market areas of Western Europe, Canada and the United States. In other market areas, measures to reduce credit risks include letters of credit, prepayments and bank guarantees. The Group has also obtained export guarantees, covering both political and commercial risks, which are used in connection with individual customers outside the OECD area. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for Stora Enso.

Supply Risk
Group manufacturing operations depend on obtaining adequate and timely supplies of raw materials, principally of wood, energy and chemicals. 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. Group companies may at times be substantially dependent on a limited number of key resource suppliers due to availability, locality, price, quality and other constraints; additionally, suppliers may sometimes extend lead times, limit supplies or increase prices due to capacity constraints or other factors. In an attempt to mitigate supply risk, the Group works closely with its key suppliers around the world and also produces some of its key resources in-house.

NOTE 3 Segment Information

The accounting policies of the reportable segments are the same as those set out in Note 1 to the Consolidated Financial Statements; see Note 4 for details of energy operations discontinued in 2000. Segment sales include intersegment sales valued at arm's length prices. The Pulp segment was dissolved in 2001 on the reallocation of the non-integrated pulp mills to the Magazine Paper, Fine Paper and Packaging Boards segments; comparatives have been restated accordingly.

Information on Stora Enso's reportable segments as at and for the years ended 31 December 2000, 2001 and 2002 is shown in the following tables.

Sales by Segment

	Year Ended 31 December								
	2000			2001			2002		
EUR million	**External**	**Internal**	**Total**	**External**	**Internal**	**Total**	**External**	**Internal**	**Total**
Magazine Paper	2 738.3	80.5	2 818.8	3 396.4	52.6	3 449.0	2 992.7	44.1	3 036.8
Newsprint	1 677.3	89.4	1 766.7	1 845.3	88.6	1 933.9	1 602.4	39.1	1 641.5
Fine Paper	3 119.6	353.6	3 473.2	3 153.3	464.2	3 617.5	2 820.6	287.4	3 108.0
Packaging Boards	2 835.5	139.5	2 975.0	2 553.8	170.2	2 724.0	2 891.2	152.2	3 043.4
Timber Products	1 151.7	90.4	1 242.1	1 090.2	90.3	1 180.5	1 139.4	95.8	1 235.2
Merchants	879.7	10.9	890.6	838.5	1.8	840.3	718.8	1.8	720.6
Forest	388.9	1 488.5	1 877.4	453.6	1 372.0	1 825.6	444.0	1 514.7	1 958.7
Other and elimination of internal sales	186.3	-2 252.8	-2 066.5	177.7	-2 239.7	-2 062.0	173.5	-2 135.1	-1 961.6
Continuing Operations Total	**12 977.3**	**-**	**12 977.3**	**13 508.8**	**-**	**13 508.8**	**12 782.6**	**-**	**12 782.6**
Discontinued operations	39.7	-	39.7	-	-	-	-	-	-
Group Total	**13 017.0**	**-**	**13 017.0**	**13 508.8**	**-**	**13 508.8**	**12 782.6**	**-**	**12 782.6**

Segment Share of Associated Company Results and Operating Profit

	Year Ended 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	Share of Results of Associated Companies			Operating Profit		
Magazine Paper	27.1	16.4	-	357.8	282.7	-991.5
Newsprint	-	-	-	263.5	503.1	235.3
Fine Paper	-1.4	-	-1.0	628.9	324.7	69.3
Packaging Boards (1)	-	57.0	5.3	352.2	339.5	345.7
Timber Products	1.9	5.2	3.1	69.1	5.2	32.4
Merchants	-	-	-	8.3	-10.0	-24.6
Forest	-	-	-5.5	118.7	88.1	122.2
Other	-7.0	1.0	12.7	-4.7	-46.4	59.6
Continuing Operations Total	**20.6**	**79.6**	**14.6**	**1 793.8**	**1 486.9**	**-151.6**
Discontinued operations	-	-	-	577.5	-	-
Group Total	**20.6**	**79.6**	**14.6**	**2 371.3**	**1 486.9**	**-151.6**

1) The associated company result for Packaging Boards arose from the establishment of Billerud AB in January 2001 and ended on its sale in 2002.

Capital Expenditure and Depreciation, Amortisation & Impairment Charges by Segment

	Year Ended 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	Capital Expenditure			Depreciation & Impairment		
Magazine Paper	115.1	148.5	151.0	255.0	389.5	1 382.5
Newsprint	74.8	91.2	331.2	137.6	132.9	140.1
Fine Paper	116.6	193.7	131.6	274.6	412.0	493.2
Packaging Boards	342.3	294.4	143.5	313.1	225.3	275.1
Timber Products	46.5	64.4	53.5	38.0	43.1	54.6
Merchants	6.8	5.0	0.0	12.4	10.2	11.5
Forest	18.7	21.2	24.9	39.9	35.8	39.0
Other	46.0	38.7	41.9	53.0	18.8	45.9
Continuing Operations Total	**766.8**	**857.1**	**877.6**	**1 123.6**	**1 267.6**	**2 441.9**
Discontinued operations	2.5	-	-	5.8	-	-
Total	**769.3**	**857.1**	**877.6**	**1 129.4**	**1 267.6**	**2 441.9**

Assets and Liabilities by Segment

	As at 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	Assets			Liabilities		
Magazine Paper	5 120.0	4 940.4	3 433.2	693.7	660.2	653.0
Newsprint	1 630.3	1 526.9	1 631.4	304.3	276.2	265.3
Fine paper	6 295.7	5 800.8	4 298.9	660.6	585.7	482.6
Packaging Boards	3 289.2	3 126.8	3 582.9	517.1	420.8	410.1
Timber Products	619.9	718.3	721.7	167.6	156.8	172.7
Merchants	403.7	334.0	256.0	146.1	119.2	84.6
Forest	1 488.0	1 487.6	1 131.4	206.5	203.6	214.3
Other	2 476.0	2 623.6	3 158.7	9 906.7	9 096.7	7 744.3
Total	**21 322.8**	**20 558.4**	**18 214.2**	**12 602.6**	**11 519.2**	**10 026.9**

Operating Capital by Segment

	As at 31 December		
EUR million	2000	2001	2002
Magazine Paper	4 426.3	4 280.2	2 780.2
Newsprint	1 326.0	1 250.7	1 366.1
Fine Paper	5 635.1	5 215.1	3 816.3
Packaging Boards	2 772.1	2 706.0	3 172.8
Timber Products	452.3	561.5	549.0
Merchants	257.6	214.8	171.4
Forest	1 281.5	1 284.0	917.1
Other	406.0	594.1	498.7
Total	**16 556.9**	**16 106.4**	**13 271.6**

Reconciliation to Total Assets

	As at 31 December		
EUR million	2000	2001	2002
Operating capital	16 556.9	16 106.4	13 271.6
Gross-up for operating liabilities	2 928.5	2 610.0	2 526.3
Interest-bearing receivables	1 672.7	1 589.6	2 120.5
Tax receivables	164.7	252.4	295.8
Total Assets	**21 322.8**	**20 558.4**	**18 214.2**

Operating capital ("O" items) is designated thus on the Balance Sheet and represents the sum of fixed assets and other long-term investments (excl loan receivables, investments and deferred tax assets), inventories, short-term receivables, other provisions, other long-term liabilities and other current liabilities.

Average Personnel

Segment	Year ended 31 December 2000	2001	2002
Magazine Paper	6 205	7 854	7 699
Newsprint	5 437	5 530	5 542
Fine Paper	9 562	10 607	9 288
Packaging Boards	10 635	9 888	10 533
Timber Products	3 593	3 644	3 745
Merchants	1 606	1 580	1 411
Forest	2 236	2 176	2 265
Other	2 433	2 996	3 370
Continuing Operations Total	**41 707**	**44 275**	**43 853**
Discontinued operations	78	-	-
Total	**41 785**	**44 275**	**43 853**

Location	Year ended 31 December 2000	2001	2002
Finland	15 088	15 054	14 676
Sweden	10 856	9 433	9 187
Germany	4 723	4 767	4 761
France	1 356	1 368	1 333
Other EU	4 592	4 478	4 462
Total EU	**36 615**	**35 100**	**34 419**
Other Europe	1 234	1 343	1 879
Canada	736	746	850
USA (Part year in 2000)	2 197	6 071	5 731
Other	1 003	1 015	974
Total	**41 785**	**44 275**	**43 853**

External Sales by Destination and Origin

	Year Ended 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	Sales By Destination			Sales By Invoice Origin		
Austria	212.8	213.1	195.4	365.3	310.9	315.1
Belgium	366.8	345.1	301.3	212.8	237.8	213.2
Denmark	319.8	307.6	297.9	131.3	116.2	111.7
Finland	821.8	776.0	780.6	4 563.7	4 370.2	4 151.0
France	1 035.4	1 007.0	965.5	529.8	537.8	486.4
Germany	1 987.4	1 840.3	1 673.6	1 518.6	1 489.9	1 442.2
Italy	520.6	403.2	391.5	6.2	0.6	0.1
Netherlands	610.1	581.9	488.4	242.9	247.6	234.0
Portugal	61.7	71.3	60.9	136.9	80.3	59.7
Spain	495.9	445.5	463.4	135.8	139.4	141.5
Sweden	1 052.3	1 026.6	1 034.2	3 315.8	2 980.2	2 895.6
UK	1 446.4	1 324.8	1 053.4	254.7	157.2	59.1
Other EU	221.0	197.8	197.4	3.6	0.2	0.1
Total EU	**9 152.0**	**8 540.2**	**7 903.5**	**11 417.4**	**10 668.3**	**10 109.7**
Other Europe	788.5	813.2	981.4	227.0	252.4	290.1
Total Europe	**9 940.5**	**9 353.4**	**8 884.9**	**11 644.4**	**10 920.7**	**10 399.8**
Canada	76.4	169.4	160.0	363.1	384.0	290.2
China	190.4	188.8	201.5	119.9	111.6	122.3
USA	1 436.3	2 469.7	2 267.3	845.2	2 067.2	1 909.6
Others	1 373.4	1 327.5	1 268.9	44.4	25.3	60.7
Total	**13 017.0**	**13 508.8**	**12 782.6**	**13 017.0**	**13 508.8**	**12 782.6**

Total Assets and Capital Employed by Location

EUR million	Total Assets 2000	Total Assets 2001	Total Assets 2002	Capital Employed 2000	Capital Employed 2001	Capital Employed 2002
	As at 31 December					
Austria	222.8	221.4	233.7	149.0	161.8	162.3
Belgium	588.8	419.2	525.8	139.4	97.6	325.7
Finland	5 184.8	5 354.3	5 692.1	3 903.4	4 146.5	3 872.0
France	478.6	386.9	367.7	331.2	248.2	235.0
Germany	2 040.0	1 895.0	1 754.4	839.6	889.5	783.8
Portugal	375.7	246.7	242.6	182.4	234.0	225.5
Sweden	4 025.8	3 700.9	3 727.7	2 240.0	1 980.2	1 886.7
Other EU	577.7	485.9	415.6	310.2	301.8	199.4
Total EU	**13 494.2**	**12 710.3**	**12 959.6**	**8 095.2**	**8 059.6**	**7 690.4**
Other Europe	161.7	188.1	201.4	130.6	162.3	161.4
Total Europe	**13 655.9**	**12 898.4**	**13 161.0**	**8 225.8**	**8 221.9**	**7 851.9**
Canada	693.5	706.0	561.0	650.0	631.7	491.1
China	259.0	277.4	224.8	225.9	252.7	203.7
USA	6 657.9	6 613.6	4 166.7	4 781.2	4 741.3	2 654.0
Other	56.5	63.0	100.7	20.0	11.5	41.7
Total	**21 322.8**	**20 558.4**	**18 214.2**	**13 902.9**	**13 859.1**	**11 242.4**

Total capital employed represents operating capital less net tax liabilities

Capital Expenditure and Depreciation, Amortisation & Impairment by Location

EUR million	Capital Expenditure 2000	Capital Expenditure 2001	Capital Expenditure 2002	Depreciation & Impairment 2000	Depreciation & Impairment 2001	Depreciation & Impairment 2002
	Year Ended 31 December					
Austria	9.9	25.2	22.1	14.2	15.4	17.8
Belgium	10.9	30.7	290.6	21.2	16.2	27.1
Finland	384.5	392.1	211.7	369.8	341.5	391.6
France	19.6	7.8	13.9	29.3	28.2	28.8
Germany	65.1	91.6	55.1	157.9	159.2	138.0
Portugal	12.7	14.9	18.5	13.9	10.5	11.7
Sweden	189.8	158.5	141.0	304.3	198.4	208.8
Other EU	19.4	18.2	16.6	27.6	21.6	26.7
Total EU	**711.9**	**739.0**	**769.5**	**938.2**	**791.0**	**850.5**
Other Europe	6.7	23.9	9.1	8.5	10.0	14.2
Total Europe	**718.6**	**762.9**	**778.6**	**946.7**	**801.0**	**864.7**
Canada	10.3	12.9	12.7	34.5	34.2	85.7
China	3.4	3.4	3.3	12.0	13.0	14.5
USA	33.3	66.9	74.4	131.5	416.7	1 479.5
Other	3.7	11.0	8.6	4.7	2.7	-2.5
Total	**769.3**	**857.1**	**877.6**	**1 129.4**	**1 267.6**	**2 441.9**

NOTE 4 Discontinued Operations

There were no discontinued operations in either 2002 or 2001, though in 2002 a material part of Forest operations, mainly in Finland, was sold (see Note 5).

The sale of Stora Enso's non-mill power assets to Fortum Oyj was closed in mid-2000, the deal having a total asset value of EUR 1 889.8 million, profit before tax of EUR 524.8 million and related tax expense of EUR 110.4 million. From 1 January 2001 energy operations are included in 'Other' segment and accordingly prior year information has been restated to include the results of the remaining energy operations, now consisting of the Energy Department of Stora Enso Oyj, together with shares in Gasum Oy and Pohjolan Voima Oy.

NOTE 5 Acquisitions and Disposals

There were no major changes to the Group during 2001 and 2002. The substantial acquisition of Consolidated Papers, Inc. in 2000 has been followed by a period of consolidation and adjustment. In the meantime, the Group has taken steps to restructure its existing assets consistent with the strategy to release capital and enhance financial flexibility in order to develop its core business; hence, although there were no major acquisitions in 2002, there were certain divestments along with an emphasis on asset quality (see Note 11 – Fixed Assets).

Acquisitions

In 2002 Letters of Intent were signed by the Timber Division to acquire a major new interest in Estonia, but the acquisition is not due for completion until early 2003 (see Note 26 - Subsequent Events).

In August 2001 the Board approved the purchase of the Schweighofer family's minority holding in Stora Enso Timber Oy for a total acquisition cost of EUR 154.5 million, of which EUR 81.5 million represented goodwill to be amortised over ten years; following this purchase, the company became a wholly-owned subsidiary. Stora Enso had acquired a majority holding in Holzindustrie Schweighofer GmbH in December 1998 for a total acquisition cost of EUR 122.9 million, of which EUR 82.9 million represented goodwill. A portion of the purchase price was paid in cash and the remainder in shares of Stora Enso Timber Oy, leaving the Schweighofer family, through SPB Beteiligungsverwaltung GmbH of Austria, with a 26.5% interest. By unifying ownership in 2001, the purchase facilitated growth and enabled the Group to take a more active role in the consolidation and development of the timber industry.

In October 2001 Stora Enso acquired Purple Charta Investments' 20% shareholding in Stora Enso Suzhou Paper Co, thereby raising its stake to 80.87%, with the local Suzhou Hua Sheng Paper Mill and Suzhou Handicraft Industry Cooperative holding the remaining 19.13%. The total acquisition cost of USD 21.9 (EUR 24.0) million resulted in a goodwill element of EUR 28.4 million due to the negative net assets of the business, but the intention is to develop the business. Stora Enso Suzhou Paper Co is currently the second biggest supplier of coated fine paper in the Chinese market, with an annual capacity of 150 000 tonnes, and consists of Suzhou Mill near Shanghai together with a sales network of six offices covering all the main markets in China.

The acquisition of Consolidated Papers, Inc. ("CPI") was completed on 31 August 2000 at a purchase price of USD 3 604.1 million, EUR 4 046.3 million at the prevailing exchange rate of USD 0.8907 to the Euro; this was subsequently adjusted to USD 3 600.4 million. The price was allocated to assets and liabilities based on estimated fair values at the acquisition date, these subsequently being adjusted by USD -18.8 million and deferred taxes by USD 6.8 million. The ultimate value of the goodwill, being USD 1 715.2 (EUR 1 635.5) million, represented the excess of the purchase price over the estimated fair value of the acquired net assets and is amortised over 20 years. The assets were, however, subject to impairment in September 2002 in the sum of USD 1 081.0 (EUR 1 143.3) million, of which USD 868.8 (EUR 918.9) million related to goodwill; the value of the remaining goodwill at 31 December 2002 amounted to USD 659.5 (EUR 628.8) million, to be amortised over a further 17 years.

Consolidated Papers Inc. Acquisition Goodwill		
Million	**USD**	**EUR**
Conversion of CPI shares	1 529.7	1 717.2
Cash purchase	2 030.1	2 279.4
Conversion of CPI stock options	22.0	24.7
Acquisition related expenses	18.6	20.9
Total Purchase Price for the Equity	3 600.4	4 042.2
Less:		
Book value of net assets acquired	1 363.2	1 530.7
Fair valuation of net assets	950.6	1 067.1
Deferred taxes from valuation	-428.6	-481.2
Fair Value of Net Assets Acquired	1 885.2	2 116.6
Goodwill (at orginal euro exhange rate)	1 715.2	1 925.6
Translation difference	N/A	-290.1
Goodwill restated at 31 Dec 2002	**1 715.2**	**1 635.5**

Disposals

Stora Enso launched a forest restructuring programme in 2002, primarily in the US and Finland:

1. In September 2002 Stora Enso North America Corp. signed an agreement to sell some 125 000 hectares of its forestland to Plum Creek Timber Company, Inc, the sale being finalised on 3 December in the sum of USD 141.0 (EUR 149.1) million and realising a capital gain of USD 46.8 (EUR 49.5) million.

2. In December 2002 the Group completed the disposal of the greater part of its Finnish forest holdings. Forestland of some 600 000 hectares, along with related operations, was initially transferred in July to a subsidiary, Tornator Forest Oy, the shares then being sold on to a new company, Tornator Timberland Oy, established by Finnish institutional investors. The sale of shares amounted to EUR 364.5 million and a capital gain of EUR 25.9 million was realised. Stora Enso owns 41% of the shares in the new company following the sale and this is shown as an Associate Company on the Balance Sheet (see Note 12).

   Stora Enso Forest, the Group's Finnish wood procurement arm, has entered into a longterm wood procurement agreement with the new company under which they will supply about 1.5 million cubic metres of timber annually to Stora Enso at market rates.

In April 2002 Stora Enso announced plans to close its UK merchant arm, Papyrus GB Ltd, as it had not proved possible to reach a satisfactory level of profitability in recent years despite extensive rationalisation. The company formerly distributed 100 000 tonnes of fine paper and board annually, half being Group products. A non-recurring charge of EUR 24.8 million was made to cover closure costs, the remaining provision being EUR 5.9 million at the year end.

In March 2002 the Group divested its Mölndal mill in Sweden to Klippan AB, a speciality paper maker. The total transaction price approximated book value and amounted to SEK 254.3 (EUR 27.8) million.

In November 2000 Stora Enso and AssiDomän AB signed an agreement concerning the formation of a new 50/50-owned company, Billerud AB, the formal merger taking place on 1 January 2001. This released operating capital of EUR 350 million, though an impairment charge of EUR 71.1 million was recorded in 2000. In October 2001 Stora Enso sold 40% of its shareholding to AssiDomän AB for SEK 580.7 (EUR 62.8) million, the financial effect being minor as the sales price approximated book value with little change in interest-bearing net debt. Billerud AB shares were listed on the Stockholm Stock Exchange on 20 November 2001, at which time Stora Enso had a 30% shareholding. In June 2002 the Group reduced its holding further to 0.5%, realising a gain of SEK 702.5 (EUR 76.7) million (see Note 12).

The sale of the Stora Enso non-mill power assets to Fortum Oyj was closed in mid-2000, the deal having a total asset value of EUR 1 889.8 million, a profit before tax of EUR 524.8 million and a related tax expense of EUR 110.4 million; the transaction did not include Stora Enso's shares in Pohjolan Voima Oy.

The Newton Kyme mill in the UK ceased production in December 2000; all assets have been sold, though the site disposal is not expected to be completed until mid-2003.

NOTE 6 Other Operating Income

EUR million	Year Ended 31 December 2000	2001	2002
Gains on sale of fixed assets and other long-term investments	606.8	48.4	159.1
Gain on disposal of discontinued operations: energy	524.8	-	-
	82.0	48.4	159.1
Rent	7.4	9.3	10.0
Subsidies	6.7	5.5	7.0
Total	**96.1**	**63.2**	**176.1**
Other Operating Expenses include			
Research and Development	94.5	92.3	91.6
Losses on sale of fixed assets and other long-term investments	9.3	8.4	42.4

In 2002 gains on disposal of long-term investments and fixed assets included respectively a profit of SEK 702.5 (EUR 76.7) million on the sale of the greater part of the Group holding in its associate company, Billerud AB (see Note 12) and EUR 75.4 relating to its forest holdings in Finland and the USA.

In 2001 gains on sale of fixed assets and other long-term investments included a capital gain of EUR 18.0 million on the sale of the Düsseldorf office building.

In 2000 gains on sale of fixed assets and other long-term investments included a gain of EUR 524.8 million on the sale of non-mill power assets and EUR 24.0 million profit on the sale of the Stockholm office building.

NOTE 7 Staff Costs

Personnel Expenses

EUR million	Year Ended 31 December 2000	2001	2002
Wages and salaries	1 482.8	1 659.0	1 656.3
Pensions	198.6	260.3	309.0
Other statutory employer costs	261.1	196.1	176.4
Other voluntary costs	53.2	119.0	140.3
Total	**1 995.7**	**2 234.4**	**2 282.0**

Pensions

EUR million	Year Ended 31 December 2000	2001	2002
Defined benefit plans	47.2	6.3	56.7
Defined contribution plans	143.8	223.1	217.1
Other post-employment benefits	7.6	30.9	35.2
Total Pension Costs	**198.6**	**260.3**	**309.0**

Full details of pension costs are shown in Note 18.

Board Remuneration

EUR thousand	Year Ended 31 December 2000	2001	2002
Claes Dahlbäck, Chairman	117.8	134.5	135.0
Krister Ahlström, Vice Chairman	42.1	84.0	85.0
Josef Ackermann	33.6	58.9	60.0
Harald Einsmann	33.6	58.9	60.0
Björn Hägglund, Deputy CEO	-	-	-
Jukka Härmälä, CEO	-	-	-
Raimo Luoma	33.6	-	-
George W. Mead	10.2	58.9	60.0
Ilkka Niemi	-	58.9	60.0
Paavo Pitkänen	33.6	58.9	60.0
Jan Sjöqvist	33.6	58.9	60.0
Marcus Wallenberg	33.6	58.9	60.0
Total Remuneration as Directors	**371.7**	**630.8**	**640.0**

Executive Management Group ("EMG") Remuneration

EMG annual salaries are normally reviewed once a year and new salaries have historically been valid from 1 January. Basic annual salaries totalled EUR 4.5 (EUR 4.1) million, of which EUR 1.1 (1.0) million related to the CEO as detailed below.

Executive Remuneration: CEO

	Year Ended 31 December		
EUR thousand	**2000**	**2001**	**2002**
Annual salary	700.2	1 039.2	1 142.3
Benefits	28.5	27.2	76.3
Bonus (variable salary)	226.7	250.2	220.2
Total Remuneration	**955.4**	**1 316.6**	**1 438.8**

Chief Executive Officer: Jukka Härmälä

In addition to his basic salary, the CEO is also entitled to a short-term incentive plan, decided on by the Board each year, giving a maximum 50% of annual fixed salary. The plan is 50% related to Stora Enso's Return on Capital Employed ("ROCE") with the other 50% being related to personal key targets.

The retirement age for the CEO has been set at 60 years, the pension arising from the compulsory Finnish TEL and a Stora Enso voluntary plan amounting to 66% of the average of the last four years Finnish remuneration preceding retirement. Pensionable remuneration in 2002 was EUR 912 295, thus the cost to the Company of the compulsory TEL plan was EUR 178 633 (EUR 219 553); no funding was needed for the Stora Enso voluntary plan, but costs according to IAS can be calculated at EUR 140 144 (EUR 123 732).

Executive Management Group

The deputy CEO is entitled to a similar incentive plan as the CEO, whilst the other EMG members have plans up to a maximum 40% of annual fixed salary; the pay-out in 2002, relating to 2001, was EUR 584 266 (EUR 805 025). Benefits amounting to EUR 175 847 (EUR 163 018) were provided, though additional sums relating to the foreign assignments of five members were provided at a total cost of EUR 262 787 (EUR 190 196).

EMG members have a retirement age of 60 with pensions consistent with local practices within their respective home countries; pension costs in 2002 totalled EUR 908 829 (EUR 637 859)

Contracts of employment for the CEO, DCEO and other EMG members provide for notice of six months prior to termination with compensation being twelve months basic salary and a further optional twelve months salary depending on employment. They are also entitled to a certain number of shares through warrants and options/synthetic options, full details of which are shown in Note 24.

NOTE 8 Net Financial Items

EUR million	Year Ended 31 December 2000	2001	2002
Interest Expense			
Bank borrowings	-347.1	-340.2	-233.5
Finance leases	-14.4	-44.1	-34.3
Interest income	59.3	51.2	38.3
Dividend income	6.3	17.0	9.2
Exchange gains and losses	5.9	-58.5	44.9
Other financial income	10.1	44.7	48.1
Other financial expense	-13.0	-13.6	-78.9
Total	**-292.9**	**-343.5**	**-206.2**

Gains and losses on derivative financial instruments are shown in Note 21.

The aggregate foreign exchange gains and losses included in the Consolidated Income Statement are:

EUR million	Year Ended 31 December 2000	2001	2002
Sales	4.6	28.6	-19.0
Costs and expenses	-9.9	-0.1	2.5
Net financial items	5.9	-58.5	44.9
Total	**0.6**	**-30.0**	**28.4**

NOTE 9 Income Taxes

Profit Before Tax and Minority Interests

EUR million	Year Ended 31 December 2000	2001	2002
Finnish companies	780.5	796.5	353.7
Swedish companies	989.7	541.2	539.4
German companies	167.2	210.9	107.9
Other companies	161.6	-325.6	-1 344.2
Total	**2 099.0**	**1 223.0**	**-343.2**

Income Tax Expense

EUR million	Year Ended 31 December 2000	2001	2002
Current Tax Expense			
Finnish companies	194.5	176.8	-98.6
Swedish companies	235.8	159.8	106.4
German companies	166.0	161.4	50.0
Other companies	77.2	20.8	58.6
Change in Deferred Taxes			
Finnish companies	30.5	67.0	-103.2
Swedish companies	11.4	-20.6	47.7
German companies	-62.7	-156.1	-2.1
Other companies	-9.4	-132.5	-179.4
Associated Company Taxes	7.0	23.0	-0.3
Total	**650.3**	**299.6**	**-120.9**

Income Tax Reconciliation

EUR million	Year Ended 31 December 2000	2001	2002
Tax at domestic rates applicable to profits in the country concerned	624.2	352.0	-249.6
Non-deductible expenses and tax exempt income	38.6	57.9	34.5
Losses where no deferred tax benefit is recognised	-1.3	-14.9	33.7
Impairment of North American assets	-	-	363.2
Write-down of shares in Stora Enso North America Corp.	-	-	-298.4
Change in legal status, Germany	-	-86.6	0
Other items	-11.2	-8.8	-4.3
Income Taxes in the Consolidated Income Statement	**650.3**	**299.6**	**-120.9**
Effective Tax Rate	**31.0%**	**24.5%**	**35.2%**

In 2002 Stora Enso wrote down the surplus acquisition value of its North American assets by USD 1 081.0 (EUR 1 143.3) million and a related write-down of EUR 1 028.8 million was also made in the books of Stora Enso Oyj in respect of the reduced value of its investment in Stora Enso North America Corp. The Finnish tax authorities have confirmed that tax relief will be given on this and at the current tax rate of 29%, this amounts to EUR 298.4 million; EUR 253.4 million will be utilised against the 2002 results with the balance of EUR 45.0 million being deferred to 2003. Group tax excluding these effects represents a tax rate of 31.4%.

An increase in the tax base of German assets in 2001 following a change in the legal status of former Feldmühle subsidiaries resulted in a tax credit of EUR 86.6 million for that year, thereby lowering the Group effective tax rate to 24.5% from 31.6%.

The Group has recognised a deferred tax asset for its net operating loss carry-forwards and established a valuation allowance against this amount based on an analysis of the probability for set-off against future profits in the relevant tax jurisdictions. At 31 December 2002 Stora Enso had losses carried forward, mainly attributable to foreign subsidiaries, of EUR 1 055 (EUR 890) million of which some EUR 421 million had no expiry date, EUR 91 million expire during the years 2003–2007 and the remainder expire thereafter. Tax loss carry-forwards are netted against deferred tax liabilities within each jointly taxed group of companies and are only shown separately as an asset to the extent that they exceed such liabilities.

No deferred tax liability has been recognised for the undistributed earnings of Finnish subsidiaries as, in most cases, such earnings may be transferred to the Parent Company without any tax consequences. The Group does not provide for deferred taxes on undistributed earnings of non-Finnish subsidiaries to the extent that such earnings are intended to be permanently reinvested in those operations.

Reconciliation of Deferred Tax Balances in 2002

EUR million	As at 1 Jan 2002	Charge in Income Statement	Acquisitions and Divestments	CTA	OCI	As at 31 Dec 2002
Deferred Tax Liabilities						
Depreciation differences and untaxed reserves	1 715.1	-168.8	0.7	-86.6	-	1 460.4
Group eliminations	10.8	14.1	-	-	-0.7	24.2
Tax losses c/fwd and other temporary differences	-273.1	-23.3	0.3	34.7	-	-261.4
Fair value adjustments for acquired net assets	536.6	-34.4	5.6	-39.8	-	468.0
	1 989.4	-212.4	6.6	-91.7	-0.7	1 691.2
Fair valuation of available-for-sale investments and derivative financial instruments	21.6	-	-	-	74.5	96.1
	2 011.0	**-212.4**	**6.6**	**-91.7**	**73.8**	**1 787.3**
Deferred Tax Assets						
Tax losses carried forward	103.2	41.7	-	-	-	144.9
Less valuation allowance	-75.1	-17.1	-	-	-	-92.2
	28.1	**24.6**	**-**	**-**	**-**	**52.7**
Change in Net Deferred Tax Liabilities	**1 982.9**	**-237.0**	**6.6**	**-91.7**	**73.8**	**1 734.6**

OCI = Other Comprehensive Income Statement – see note 21

CTA = Cumulative Translation Adjustment

Reconciliation of Deferred Tax Balances in 2001

EUR million	As at 1 Jan 2001	Charge in Income Statement	Acquisitions and Divestments	CTA	OCI	As at 31 Dec 2001
Deferred Tax Liabilities						
Depreciation differences and untaxed reserves	1 744.0	-5.1	-29.1	5.3	-	1 715.1
Group eliminations	-15.8	13.8	-	-	12.8	10.8
Tax losses c/fwd and other temporary differences	-54.0	-218.3	1.5	-2.3	-	-273.1
Fair value adjustments for acquired net assets	573.3	-16.2	-28.8	8.3	-	536.6
	2 247.5	-225.8	-56.4	11.3	12.8	1 989.4
Fair valuation of available-for-sale investments and derivative financial instruments	27.6	-	-	-	-6.0	21.6
	2 275.1	**-225.8**	**-56.4**	**11.3**	**6.8**	**2 011.0**
Deferred Tax Assets						
Tax losses carried forward	70.5	32.7	-	-	-	103.2
Less valuation allowance	-58.8	-16.3	-	-	-	-75.1
	11.7	**16.4**	**-**	**-**	**-**	**28.1**
Change in Net Deferred Tax Liabilities	**2 263.4**	**-242.2**	**-56.4**	**11.3**	**6.8**	**1 982.9**

NOTE 10 Depreciation, Amortisation and Impairment Charges

EUR million	Year Ended 31 December 2000	2001	2002
Depreciation and Amortisation			
Intangible assets	14.7	17.5	16.4
Buildings and structures	100.4	96.0	98.0
Plant and equipment	793.8	955.0	932.5
Other tangible fixed assets	52.1	44.8	42.6
Goodwill	88.3	150.4	148.8
Total	**1 049.3**	**1 263.7**	**1 238.3**
Impairment and disposal losses			
Plant and equipment	80.1	2.8	267.3
Other fixed assets	-	-	17.4
Goodwill	-	1.1	918.9
Total	**80.1**	**3.9**	**1 203.6**
Depreciation, Amortisation and Impairment Charges	**1 129.4**	**1 267.6**	**2 441.9**

Impairment of Property, Plant & Equipment and Goodwill for the Year Ended 31 December 2002

In September 2002, as a result of weakened market conditions in North America, the Group's North American assets were subject to impairment in the sum of USD 1 081.0 (EUR 1 143.3) million, of which USD 868.8 (EUR 918.9) million related to goodwill; the value of the remaining US goodwill at 31 December 2002 amounted to USD 659.5 (EUR 628.8) million, to be amortised over a further 17 years. The impairment was calculated with a discount rate of 9.5% using the Value in Use method for each cash generating unit, the resulting charges relating to the segments as to EUR 1 017.1 million for Magazine Paper and EUR 126.2 million for Fine Paper. In addition, as a result of the North American Profit Enhancement Plan, a further USD 50.0 (EUR 52.9) million impairment charge was made to restructure selected manufacturing assets.

Impairment for the Year Ended 31 December 2001

There were no material impairments for the year.

Impairment of Property, Plant & Equipment for the Year Ended 31 December 2000

Gruvön / Billerud (Packaging Boards)
In November 2000 Stora Enso acquired a 50% interest in a new company, Billerud AB, in exchange for its Gruvön paper mill. Based on the fair value of the Gruvön mill, an impairment of fixed assets was evident and accordingly a charge of EUR 71.1 million was entered for 2000. The sale of Billerud shares in 2002, however, realised a profit of EUR 76.7 million.

Newton Kyme (Packaging Boards)
The Newton Kyme mill in the UK ceased production in December 2000 resulting in a fixed asset impairment of EUR 2.9 million and a closure provision of EUR 12.0 million; no further costs are anticipated and the sale of the site is scheduled for completion in early 2003.

Langerbrugge (Magazine Paper)
In January 2001 Stora Enso announced its intention to build a new paper machine in Langerbrugge, Belgium, and to permanently shut down two paper machines in Langerbrugge and Summa, Finland. After a write-down of EUR 5.8 million for Langerbrugge in 2000, the residual book values of both machines were depreciated over their remaining useful lives; no further costs are anticipated for Langerbrugge.

Nymölla (Fine Paper)
In February 2002 Stora Enso shut down a 140 000 tonnes per year off-line coater in Nymölla, Sweden; most of the impairment was booked in 1998 but with an additional charge of EUR 5 million in 2000; a redundancy provision of EUR 9.6 million was entered in 2001.

NOTE 11 Fixed Assets

Fixed Asset Summary

EUR million	Property, Plant & Equipment	Intangible Fixed Assets	Goodwill on Consolidation	Total Fixed Assets
	Year Ended 31 December 2002			
Acquisition Cost				
At 1 January	20 902.3	177.3	3 036.4	24 116.0
Translation difference	-713.5	-8.2	-318.0	-1 039.7
Reclassifications	-	-1.1	21.1	20.0
Companies acquired	212.0	0.7	26.7	239.4
Additions	849.6	28.0	-	877.6
Disposals	-1 069.0	-1.4	-0.8	-1 071.2
At 31 December	**20 181.4**	**195.3**	**2 765.4**	**23 142.1**
Accumulated Depreciation and Amortisation				
At 1 January	8 566.7	87.7	760.4	9 414.8
Translation difference	-136.3	-2.5	-119.7	-258.5
Reclassifications	-	20.3	2.3	22.6
Companies acquired	88.5	0.5	-	89.0
Disposals	-506.4	-1.4	-0.8	-508.6
Charge for the year	1 073.1	16.4	148.8	1 238.3
Impairment charges	283.7	1.0	918.9	1 203.6
At 31 December	**9 369.3**	**122.0**	**1 709.9**	**11 201.2**
Net Book Value at 31 December 2002	**10 812.1**	**73.3**	**1 055.5**	**11 940.9**
Net Book Value at 31 December 2001	**12 335.6**	**89.6**	**2 276.0**	**14 701.2**
Net Book Value at 31 December 2000	**12 785.6**	**89.2**	**2 228.6**	**15 103.4**

Property, Plant & Equipment

EUR million	Land and Water	Buildings and Structures	Plant and Equipment	Other Tangible Assets	Assets in Progress	Total
	Year ended 31 December 2002					
Acquisition Cost						
At 1 January	1 415.8	2 705.7	15 756.0	782.8	242.0	20 902.3
Translation difference	5.3	-53.5	-634.8	-23.4	-7.1	-713.5
Reclassifications	-	12.4	181.1	7.3	-200.8	-
Companies acquired	0.2	43.8	167.6	0.4	-	212.0
Additions	8.1	33.4	280.3	56.8	471.0	849.6
Disposals	-467.6	-38.4	-493.4	-69.6	-	-1 069.0
At 31 December	**961.8**	**2 703.4**	**15 256.8**	**754.3**	**505.1**	**20 181.4**
Accumulated Depreciation and Amortisation						
At 1 January	-	1 036.3	7 179.4	351.0	-	8 566.7
Translation difference	-	-6.9	-129.4	-	-	-136.3
Reclassifications	-	-	-	-	-	-
Companies acquired	-	13.7	74.8	-	-	88.5
Disposals	-	-23.6	-476.4	-6.4	-	-506.4
Charge for the year	-	98.0	932.5	42.6	-	1 073.1
Impairment charges	-	16.4	267.3	-	-	283.7
At 31 December	**-**	**1 133.9**	**7 848.2**	**387.2**	**-**	**9 369.3**
Net Book Value at 31 December 2002	**961.8**	**1 569.5**	**7 408.6**	**367.1**	**505.1**	**10 812.1**
Net Book Value at 31 December 2001	**1 415.8**	**1 669.4**	**8 576.6**	**431.8**	**242.0**	**12 335.6**
Net Book Value at 31 December 2000	**1 466.5**	**1 714.9**	**8 854.3**	**374.3**	**375.6**	**12 785.6**

The Group's Fixed Assets at 31 December 2002 include capitalised balances for unamortised computer software development costs, interest (at 6% to 11%) on the construction of qualifying assets and finance lease assets:

Capitalised Values

	As at 31 December								
	2000	2001	2002	2000	2001	2002	2000	2001	2002
EUR million	**Computer Software**			**Capitalised Interest**			**Finance Leases**		
At 1 January	11.4	23.2	18.4	84.4	71.1	68.2	180.1	853.3	818.7
Translation difference	-	-1.9	-	-	-	-	-	22.1	-125.5
Acquisitions and disposals	-	-	-	-	-	-1.2	701.5	-	-24.9
Capitalised in the year	14.7	-	23.0	3.3	7.9	9.0	-	-	-
Charge to Income Statement	-2.9	-2.9	-5.1	-16.6	-10.8	-8.5	-28.3	-66.7	-53.9
At 31 December	**23.2**	**18.4**	**36.3**	**71.1**	**68.2**	**67.5**	**853.3**	**818.7**	**614.4**

Fixed Asset Additions

There have been no material acquisitions during the year, which was rather a period of consolidation and adjustment of the existing portfolio with an emphasis on the quality enhancement of existing assets. Total acquisitions of Group companies in 2002 amounted to EUR 56.3 million; the acquisition value of the operating fixed assets therein came to EUR 150.4 million, of which EUR 26.7 million related to Goodwill. As for disposals, assets failing to generate adequate returns have been disposed of, as in the case of the UK merchant, and assets with lower returns than the Group target have been divested, as in the case of the Finnish and US forest interests.

Capital expenditure for the year amounted to EUR 877.6 million, the main projects being:

1. Newsprint Division is constructing a new paper machine ("PM") no. 4 on a greenfield site at Langerbrugge Mill, Belgium, for a total cost of some EUR 500 million, of which EUR 254.1 million was expended during the year.
2. Also at Langerbrugge, Magazine Division is rebuilding the existing PM3 in a project worth EUR 33 million, of which EUR 28.6 million was spent in 2002.
3. The rebuilding of PM6 in Oulu, Finland, at a cost of EUR 82.2 million was completed in 2002, expenditure of EUR 16.5 million having been incurred for the year.
4. Packaging Boards Division completed the new EUR 356 million Imatra pulping line in Finland with capital expenditure in the year of EUR 11.8 million. In Russia, the Balabanovo expansion was completed in the year and a new EUR 33 million corrugated board mill project at Arzamas commenced, costs of EUR 5.1 million being incurred to date. In Germany, a EUR 70 million investment at the Baienfurt mill to enhance folding boxboard production commenced with initial expenditure of EUR 10.2 million.

In 2002 the Group announced a Profit Enhancement Plan for its North American assets and an Asset Restructuring Plan for printing papers. Under the North American Plan, weaker market conditions obliged the Company to impair the value of its fixed assets by USD 1 081.0 (EUR 1 143.3) million, whilst at the same time the Group determined to close unprofitable capacity balanced by restructuring selected manufacturing assets through targeted capital investment projects; this resulted in further impairment charges of USD 50.0 (EUR 52.9) million. Under the Restructuring Plan for printing papers, the Board approved a plan to improve asset quality in the Magazine and Fine Paper businesses by targeted investments, machine specialisation and the elimination of less competitive assets:

1. In Magazine Paper, the Group will:
   - Build a new machine in Kvarnsveden, Sweden, for some EUR 450 million, balanced by the closure of PM 9 there.
   - In Germany rebuild PM 6 at Maxau at a cost of some EUR 170 million, balanced by the divestment of Wolfscheck Mill.
   - In France rebuild the Corbehem PM5 for some EUR 60 million.
   - Invest EUR 30 million to improve the quality and productivity at Kotka Mill, Finland.
2. In Fine Paper, the Group will:
   - Invest EUR 125 million to upgrade its PM3 at Veitsiluoto in Finland.
   - Upgrade and modernise office PM1 at Nymölla, Sweden, at a cost of EUR 23 million.

3. In Newsprint, the existing stone groundwood pulp line at Varkaus Mill, which is no longer competitive, will be replaced by a new thermomechanical pulping line at a cost of some EUR 50 million.
4. In Timber Products, the Group will:
   • Modernise and enhance the Varkaus sawmill in Finland at a cost of EUR 20 million.
   • Invest EUR 13 million in two sawmills in the Russian regions of Karelia and Novgorod.
5. In North America the Group will spend EUR 13 million to rebuild a machine at the Kimberly mill, as well as making targeted investments at the mills in Wisconsin Rapids, Biron, Niagara and Whiting in the US and expand the thermomechanical pulp line at Port Hawkesbury in Canada. These investments will be balanced by the closure of unprofitable capacity at Wisconsin Rapids, Biron, Kimberly and Port Hawkesbury.

Capital expenditure in 2001 totalled EUR 857.1 million. The main investments were the new pulping line no. 3 (EUR 134.5 million) and the rebuilding of board machine no. 5 (EUR 11.2 million) in Imatra, Finland, the rebuilding of fine PM6 (EUR 56.7 million) in Oulu, Finland, fine PM2 (EUR 22.1 million) in Uetersen, Germany, and newsprint PM3 (EUR 14.5 million) in Summa, Finland. An asset restructuring programme to increase competitiveness in the newsprint and magazine paper businesses was also initiated; the programme included a newsprint production line, expected to go on stream in June 2003, a biofuel power plant and the rebuilding of PM3 in Langerbrugge, Belgium.

Total acquisitions of Group companies in 2001 amounted to EUR 233.6 million, though this principally related to buying out minorites in Stora Enso Timber Oy and Stora Enso Suzhou Paper Co; the acquisition value of the operating fixed assets came to EUR 141.5 million of which EUR 127.5 million related to Goodwill.

Capital expenditure in 2000 of EUR 769.3 million was overshadowed by the strategic acquisition of Consolidated Papers Inc. in August 2000 for a total consideration of USD 3 604.1 million, being EUR 4 046.3 million at prevailing exchange rates; the operating fixed assets therein amounted to EUR 5 820.3 million, of which EUR 1 940.4 million related to goodwill.

Fixed Asset Disposals

	Year Ended 31 December		
EUR million	**2000**	**2001**	**2002**
Acquisition cost	1 919.0	694.8	1 071.2
Accumulated depreciation	558.6	391.6	508.6
Net Book Value of Disposals	1 360.4	303.2	562.6
Net Gains on disposals	589.6	33.7	37.2
Disposals Proceeds	**1 950.0**	**336.9**	**599.8**
Represented by			
Cash sales proceeds	109.9	92.6	202.4
Non-cash sales proceeds	-	244.3	36.8
Group company disposals	1 840.1	-	360.6
Total Fixed Asset Disposals	**1 950.0**	**336.9**	**599.8**

The principal fixed asset disposal in 2002 consisted of the divestment of forest assets in Finland, EUR 360.6 million, and in the US, USD 141 (EUR 149.1) million; the Finnish transaction was partly in exchange for 41% of the shares in a new associate company, Tornator Timberland Oy. The remaining disposals were in the normal course of trading.

The main disposal in 2001 related to the establishment of Billerud AB on 1 January 2001 in a non-cash transaction whereby the Group transferred both assets and liabilities to the new company in exchange for a 50% shareholding therein. The remaining disposals were in the normal course of trading.

The sale of the Stora Enso non-mill power assets to Fortum Oy represented the major disposal in 2000 and was accounted for by the disposal of the companies in which the fixed assets were vested.

NOTE 12 Associated Companies

Carrying Values

EUR million	2000	2001	2002
	Year Ended 31 December		
Historical Cost			
At 1 January	133.2	178.2	231.2
Translation difference	-0.2	-8.5	-27.9
Additions	59.0	127.5	38.3
Disposals	-13.8	-65.4	-115.3
Transfer to available-for-sale investments	-	-0.6	-1.8
Historical cost at 31 December	**178.2**	**231.2**	**124.5**
Equity Adjustment to Investments in Associated Companies			
At 1 January	32.3	35.4	75.5
Share of results before tax	20.6	79.6	14.6
Translation difference	6.3	-2.4	0.1
Dividends received	-1.2	-14.9	-9.5
Income taxes	-7.0	-23.0	0.3
Disposals and other changes	-15.6	0.8	6.2
Equity Adjustment at 31 December	**35.4**	**75.5**	**87.2**
Carrying Value of Associated Companies at 31 December	213.6	306.7	211.7

The principal addition in 2002 consisted of the acquisition of a 41% holding in Tornator Timberland Oy, a company established in conjunction with Finnish financial institutions, in exchange for the divestment of the greater part of Stora Enso's Finnish forestry assets (see Note 5). The intention is to further reduce the Group interest, but the holding will continue to be subject to equity accounting until it drops below 20%.

The principal disposal in 2002 related to the disposal of 18.5 million shares in Billerud AB, representing 29.5% of that company's share capital. The net sales proceeds amounted to SEK 1 667 (EUR 182.1) million, resulting in a capital gain of SEK 702 (EUR 76.7) million. The Group residual holding in Billerud now comprises 300 000 shares, valued at EUR 3.1 million and representing 0.5% of the share capital and votes; this is shown as a Listed Security under Available-for-Sale-Investments.

The principal disposal in 2001 also related to Billerud AB, comprising the sale in October of 40% of the Group's shareholding, representing 20% of that company, for SEK 580.7 (EUR 62.8) million at a sales price approximating book value; at the year end Stora Enso had a 30% shareholding.

Principal Associated Companies

Company	Domicile	2002	2000	2001	2002
		As at 31 December			
		%	EUR million		
Sunila Oy (pulp mill)	Finland	50.0	51.4	51.8	45.3
Tornator Timberland Oy (forest)	Finland	41.0	-	-	29.2
Billerud AB (pulp, SC, fluting, kraft papers)	Sweden	N/A	-	100.2	-
Thiele Kaolin Company	USA	34.9	-	36.7	34.1
Steveco Oy (stevedoring)	Finland	34.3	14.1	15.2	14.9
Veracel (pulp mill project)	Brazil	45.0	55.7	49.5	27.3
Mitsubishi HiTec Paper Bielefeld GmbH (technical office papers)	Germany	24.0	19.3	18.1	17.7
Mitsubishi HiTec Paper Flensburg GmbH (technical office papers)	Germany	24.1	5.7	5.2	4.5
			146.2	276.7	173.0
Others			67.4	30.0	38.7
Carrying Value of Associated Companies at 31 December			**213.6**	**306.7**	**211.7**

Related Party Balances

EUR million	As at 31 December 2000	2001	2002
Receivables from Associated Companies			
Long-term loan receivables	2.1	4.4	2.8
Trade receivables	19.3	25.5	16.0
Short-term investments and receivables	0.1	4.8	6.2
Prepaid expenses and accrued income	0.2	-	0.6
Liabilities due to Associated Companies			
Long-term interest bearing liabilities	0.2	0.5	-
Trade payables	22.7	12.1	11.0
Accrued liabilities and deferred income	0.4	1.7	0.3
Other current interest-bearing liabilities	0.7	2.4	1.4

Related Party Transactions

EUR million	Year Ended 31 December 2000	2001	2002
Sales to associated companies	122.8	86.2	119.0
Interest on associated company loan receivables	0.3	0.1	0.4
Purchases from associated companies	-31.4	-78.3	-79.8

The Group occasionally engages in transactions with associated companies, such as sales of wood material and purchases of wood, energy and pulp products. All agreements are negotiated at arm's length and are conducted on terms that the Group considers customary in the industry and generally no less favourable than would be available from independent third parties.

NOTE 13 Available-for-Sale Investment

The Group classifies its investments into the three categories of trading, held-to-maturity and available-for-sale; at the Balance Sheet date the Group held only available-for-sale investments. All available-for-sale investments are considered to be non-current assets unless they are expected to be realised within twelve months.

Summary of Values

EUR million	Year Ended 31 December 2000	2001	2002
Acquisition cost at 1 January			
Listed – Listed securities	49.3	132.3	138.9
Unlisted – Shares in other companies	280.4	177.2	181.0
Investments reclassified as available-for-sale	329.7	309.5	319.9
Effect of IAS 39: OCI	-	87.1	58.5
Available-for-Sale investments at 1 January	329.7	396.6	378.4
Translation difference	-0.4	-0.8	0.8
Additions	20.6	20.5	12.8
Disposal proceeds	-49.3	-15.6	-44.4
Change in fair values (OCI)	-	-28.6	-34.5
Income Statement	8.9	6.3	2.8
Transfer from Associated Companies	-	-	1.8
Carrying Amount at 31 December	**309.5**	**378.4**	**317.7**

Disposals

EUR million	2000	2001	2002
	Year Ended 31 December		
Sale proceeds	49.3	15.6	44.4
Carrying value	40.4	9.3	41.6
Gain on Sale	**8.9**	**6.3**	**2.8**

The fair value of publicly traded securities are based on quoted market prices at the Balance Sheet date whereas the fair value of other securities are assessed using a variety of methods and assumptions based on market conditions existing at each Balance Sheet date; quoted market prices or dealer quotes for similar or identical securities may be obtained, alternatively, other techniques such as option pricing models and estimated discounted values of future cash flows, may also be used.

Principal Available-for-Sale Investments

	As at 31 December 2002			
EUR million	Holding %	Number of Shares	Acquisition Cost	Market Value
Listed Securites				
Advance Agro PCL, Thailand	18.9	100 536 328	69.1	32.0
Alfred Berg Global B (growth), Finland	10.1	5 361 002	4.5	3.0
Alfred Berg Euro Obligaatio Pro B (growth), Finland	3.5	1 219 287	1.3	1.4
Alfred Berg Europe (growth), Finland	4.7	6 300 205	4.0	3.7
Billerud AB, Sweden	0.5	300 000	1.8	3.1
CPI Group Ltd, Australia (11.5% of voting rights)	8.5	4 784 142	5.0	2.5
Finnlines Oyj, Finland	5.5	1 104 670	1.9	22.6
Nordea AB, Sweden	0.1	3 091 213	7.3	13.0
Nordea Foresta (growth), Finland	4.3	5 000 000	0.8	1.6
Nordea Pro Corporate Bond (growth), Finland	5.5	4 517 751	5.0	5.4
Nordea Pro Euro Obligaatio (growth), Finland	8.4	495 771	5.6	6.2
Sampo Plc, A series, Finland	1.6	8 911 140	25.7	64.6
Sea Containers Ltd, Bermuda	1.1	195 904	3.2	1.7
Others	-	N/A	10.0	8.4
Total Listed Securities			**145.2**	**169.2**
Unlisted Shares			**148.5**	**148.5**
Total Available-for-Sale Investments at 31 December 2002			**293.7**	**317.7**
Total Available-for-Sale Investments at 31 December 2001			**319.9**	**378.4**

The difference of EUR 24.0 (EUR 58.5) million between the acquisition cost and market value of the available-for-sale investments represents the adjustment required by IAS 39 for OCI, as shown in Note 21.

NOTE 14 Other Non-Current Assets

EUR million	2000	2001	2002
	As at 31 December		
Stora Enso			
North America Corp.:			
Overfunded pension plan			
(Note 18)	191.2	205.7	163.4
Others	63.3	52.2	77.7
Total	**254.5**	**257.9**	**241.1**

NOTE 15 Inventories

EUR million	2000	2001	2002
	As at 31 December		
Materials and supplies	678.8	707.5	640.8
Work in progress	92.5	87.6	91.5
Finished goods	757.7	752.5	740.2
Other inventories	38.4	29.9	59.3
Advance payments	22.1	22.5	33.2
Total	**1 589.5**	**1 600.0**	**1 565.0**

NOTE 16 Receivables

Short-term Receivables

EUR million	As at 31 December 2000	2001	2002
Trade receivables	2 028.2	1 732.7	1 490.1
Prepaid expenses and accrued income	125.8	81.2	234.6
Other receivables	206.7	162.4	177.7
Total	**2 360.7**	**1 976.3**	**1 902.4**

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

Loan Receivables

EUR million	As at 31 December 2000	2001	2002
Restricted US cash balance for cross-border leasing	454.2	482.4	460.9
Derivative financial instruments (Note 21)	-	188.2	643.0
Other loan receivables	128.3	167.9	467.2
	582.5	**838.5**	**1 571.1**
Current Assets: Receivable within 12 months	96.2	333.1	1 090.5
Non-current Assets: Receivable after 12 months	486.3	505.4	480.6
Total	**582.5**	**838.5**	**1 571.1**

Loan receivables at 31 December 2002 attracted annual interest rates ranging from 1.35% (2.14%) to 6.11% (6.21%).
In accordance with IAS 39, financial instrument comparatives for 2000 have not been restated.

Due to the nature of the Group financial assets, their carrying value is considered to approximate their fair value.

NOTE 17 Shareholders' Equity

Under the Articles of Association, the minimum issued share capital of the Company is EUR 850 million and the maximum EUR 3 400 million, within the limits of which it may be increased or reduced without amendment to the Articles; the minimum number of shares that may be issued is 500 million and the maximum number 2 000 million. Series A shares entitle the holder to one vote per share whereas Series R shares entitle the holder to one vote per ten shares with a minimum of one vote, though the nominal value of both shares is the same. The maximum number of Series A shares is 500 million and Series R shares, 1 600 million, the aggregate not exceeding 2 000 million. Series A shares may be converted into Series R shares at the request of a shareholder on dates decided annually by the Board of Directors. At 31 December 2002 the Company's fully paid-up share capital as entered in the Finnish Trade Register was EUR 1 529.6 (EUR 1 541.5) million.

As from 1997, the Finnish Companies Act determined that the individual nominal value of shares would no longer be a fixed sum, but would instead represent the total value of the issued share capital divided by the number of shares in issue. The current nominal value of each issued share is EUR 1.70, unchanged from the previous year.

The Board of Directors will propose to the forthcoming Annual General Meeting to continue to reduce the registered share capital of the Company by cancelling repurchased own shares. The issued share capital will be reduced by not more than 5%, being EUR 75.8 million, through the cancellation of a maximum of 9 100 000 Series A shares and a maximum of 35 500 000 Series R shares, all of which will have been repurchased by the Company under the authorisation granted by the Annual General Meeting 2002 on the basis of the established programme for the repurchase of own shares. At 31 December 2002 Stora Enso Oyj held shares with an acquisition cost of EUR 314.9 (EUR 125.5) million, comprising 85 400 Series A shares along with 28 257 531 Series R shares, and representing 3.1% of the share capital and 1.1% of voting rights.

At the end of 2002 Directors and Management Group members owned 34 175 (23 175) Series A shares and 2 895 655 (2 781 669) Series R shares, representing 0.1% of the total voting rights of the Company. A full description of Company Option Programmes, along with full details of Director and Executive interests, is shown at Note 24; at 31 December 2002 the impact on the issued share capital of these Programmes, comprising 864 000 new Series R shares subscribable against warrants, amounted to less than 0.1% of both the share capital and voting rights after the exercise of the options.

On 4 April and 14 June 2002 the largest shareholder, the Finnish State, reported the sale of 23 000 000 and 17 000 000 Stora Enso Series R shares respectively, following which it now holds 55 595 937 Series A shares and 41 483 501 Series R shares, representing 10.8% of the share capital and 23.5% of the votes.

At 31 December 2002 shareholder equity amounted to EUR 8 156.9 (8 989.0) million against a market capitalisation on the Helsinki Exchanges of EUR 9.1 (13.0) billion.

Change in Share Capital

	Series A	Series R	Total
At 1 January 2000	208 951 188	550 658 501	759 609 689
Warrants exercised and registered 26 Jan	-	246 000	246 000
Share issue (Consolidated Papers, Inc.) 11 Sep	-	167 367 577	167 367 577
Conversion of Series A shares to Series R shares 16–27 Oct	-14 454 732	14 454 732	-
At 31 December 2000	194 496 456	732 726 810	927 223 266
Warrants exercised and registered 5 Jan	-	312 000	312 000
Warrants exercised and registered 16 Mar	-	964 201	964 201
Cancellation of repurchased shares 9 Apr	-910 600	-22 260 100	-23 170 700
Warrants exercised and registered 29 May	-	228 000	228 000
Warrants exercised and registered 20 Jul	-	773 522	773 522
Conversion of Series A shares to Series R shares 17–28 Sep	-9 312 271	9 312 271	-
Warrants exercised and registered 17 Oct	-	238 287	238 287
Warrants exercised and registered 29 Nov	-	184 723	184 723
At 31 December 2001	184 273 585	722 479 714	906 753 299
Warrants exercised and registered 10 Jan	-	1 158 000	1 158 000
Cancellation of repurchased shares 3 Apr	-813 200	-7 319 800	-8 133 000
Conversion of Series A shares to Series R shares 16–27 Sep	-1 143 700	1 143 700	-
At 31 December 2002	182 316 685	717 461 614	899 778 299
Warrants exercised and registered 9 Jan	-	3 000	3 000
Shares in Issue at 9 January 2003	**182 316 685**	**717 464 614**	**899 781 299**
Number of votes as at 31 December 2002	182 316 685	71 746 461	254 063 146
Share Capital at 31 December 2002, EUR million	**309.9**	**1 219.7**	**1 529.6**
Share Capital at 31 December 2001, EUR million	**313.2**	**1 230.2**	**1 541. 5**
Share Capital at 31 December 2000, EUR million	**330.6**	**1 245.6**	**1 576.3**

Nominal Value for all Shares is EUR 1.70

In December 2002, 3 000 (1 158 000) shares were issued under 1997 bonds with warrants, but these were not registered in the Finnish Trade Register until 9 January 2003; this increased the total number of shares to the amounts shown above.

Treasury Shares

	Series A	Series R	Total
Shares held at 1 January 2002	799 400	9 953 671	10 753 071
Total shares repurchased in the year	99 200	25 672 634	25 771 834
Shares cancelled on 3 April	-813 200	-7 319 800	-8 133 000
Shares allocated to Option Programmes	-	-48 974	-48 974
Total Shares held at 31 December 2002	**85 400**	**28 257 531**	**28 342 931**

The Annual General Meeting on 19 March 2002 decided to reduce the Company's share capital by EUR 13.8 million by cancelling 813 200 A shares and 7 319 800 R shares; these shares were repurchased between March 2001 and March 2002 under authorisation granted by the previous Annual General Meeting.

Quarterly Share Repurchases

	Number of Shares			Cost in EUR million		
	Series A	Series R	Total	Series A	Series R	Total
January - March	13 800	345 800	359 600	0.2	5.2	5.4
April - June	26 200	2 344 700	2 370 900	0.4	33.6	34.0
July - September	46 400	14 436 434	14 482 834	0.5	156.4	156.9
October - December	12 800	8 545 700	8 558 500	0.1	90.9	91.0
Total	**99 200**	**25 672 634**	**25 771 834**	**1.2**	**286.1**	**287.3**
Shares allocated to Option Programmes				-	-0.5	-0.5
Net Cost of Shares Repurchases				**1.2**	**285.6**	**286.8**

Quarterly Values per Share

	Series A			Series R		
EUR	Lowest	Average	Highest	Lowest	Average	Highest
January - March	14.76	14.94	15.01	13.91	14.91	15.01
April - June	13.36	14.45	15.01	13.48	14.34	15.31
July - September	9.93	10.71	11.75	9.91	10.84	11.85
October - December	10.01	10.65	11.71	9.90	10.63	11.80
Summary for 2002	**9.93**	**12.28**	**15.01**	**9.90**	**11.14**	**15.31**

NOTE 18 Post-employment Benefits

The Group has established a number of pension plans for its operations throughout the world. In Finland pension cover is now entirely arranged through local insurance companies, though in previous years some cover was provided through Stora Enso's own funds, which were closed in 2000 and 2001. In Sweden cover is arranged through both insurance companies and through book reserves in accordance with the Swedish "PRI/FPG System" applying to the vast majority of large Swedish corporations. Pension arrangements outside Scandinavia are made in accordance with the regulations and practice of the countries in question, mostly being defined benefit pension plans with retirement, disability, death and termination income benefits; the retirement benefits are generally a function of years worked and final salary and are coordinated with local national pensions. The Group also has some fully insured plans and defined contribution plans, the charge to the Income Statement for the latter amounting to EUR 217.1 (EUR 223.1) million for the year.

Group policy for funding its defined benefit plans is intended to satisfy local statutory funding requirements for tax deductible contributions, together with adjusting to market rates the discount rates used in actuarial calculations of liability in book reserves; the charge in the Income Statement for year amounted to EUR 56.7 (EUR 6.3) million.

The Group also funds certain other post-employment benefits in North America relating to retirement medical and life insurance programmes, the charge for the year being EUR 35.2 (EUR 30.9) million.

Retirement age for the management of Group companies has been agreed at between 60 and 65 years and for members of the Executive Management Group, 60.

Pension and Post-Employment Benefit Provisions

	As at 31 December		
EUR million	**2000**	**2001**	**2002**
Defined benefit plans	373.5	323.3	351.9
Other post-employment benefits	207.1	245.0	231.7
Stora Enso North America Corp.: Overfunded pension plan shown in assets (Note 14)	191.2	205.7	163.4
Total Liability	**771.8**	**774.0**	**747.0**

Balance Sheet Reconciliation

	As at 31 December		
EUR million	**2000**	**2001**	**2002**
Net liability at 1 January	575.5	771.8	774.0
Translation difference	-10.6	18.5	-37.5
Acquisition	223.0	-7.4	-
Increase	55.4	4.0	91.9
Decrease	-71.5	-12.9	-81.4
Net Liability at 31 December	**771.8**	**774.0**	**747.0**

Amounts Recognised in the Balance Sheet

	As at 31 December					
	2000	**2001**	**2002**	**2000**	**2001**	**2002**
EUR million	**Defined Benefit Pension Plans**			**Other Post-Employment Benefits**		
Present value of funded obligations	996.4	958.9	912.5	267.6	379.0	361.2
Present value of unfunded obligations	534.8	521.0	521.4	10.8	12.8	12.9
Fair value of plan assets	-1 086.0	-915.4	-727.8	-55.2	-39.7	-18.6
Unrecognised actuarial gains and losses	-57.3	-227.9	-345.4	-16.1	-110.9	-137.9
Unrecognised prior service cost	-14.4	-13.3	-8.8	-	3.8	14.1
Net Liability in the Balance Sheet	**373.5**	**323.3**	**351.9**	**207.1**	**245.0**	**231.7**

Amounts Recognised in the Income Statement

	Year Ended 31 December					
	2000	**2001**	**2002**	**2000**	**2001**	**2002**
EUR million	**Defined Benefit Pension Plans**			**Other Post-Employment Benefits**		
Current service cost	23.2	30.6	24.6	2.5	8.5	7.1
Interest cost	53.4	77.1	75.3	7.0	25.2	24.6
Expected return on plan assets	-34.8	-82.8	-55.8	-1.9	-4.4	-2.1
Net actuarial losses (gains) recognised in year	5.4	0.2	12.6	-	-0.8	5.6
Settlements	-	-21.4	-	-	-	-
Loss curtailment	-	2.6	-	-	2.4	-
Total Included in Personnel Expenses	**47.2**	**6.3**	**56.7**	**7.6**	**30.9**	**35.2**

The actual return on plan assets was EUR 29.4 (EUR 75.6) million.

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December									
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
	Canada		Finland		Germany		Sweden		USA	
Discount rate %	7.0	7.0	5.8	5.5	6.0	5.5	5.5	5.5	7.3	6.8
Expected return on plan assets %	8.5	8.5	5.8	5.5	4.5	4.5	N/A	N/A	9.0	9.0
Future salary increase %	2.0	2.0	4.0	4.0	3.0	2.8	3.0	3.0	5.0	5.0
Future pension increases %	1.5	1.5	2.8	2.3	2.0	1.8	2.0	2.0	0.0	0.0
Expected average remaining working lives of staff (years)	14.8	14.8	15.0	13.0	14.4	13.4	14.0	14.0	15.5	15.5

Benefit Plan Reconciliation

	Year Ended 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Net liability at 1 January	575.5	373.5	323.3	-	207.1	245.0
Translation difference	-10.6	6.5	34.1	-	12.0	-38.8
Acquisition	-174.8	-7.4	-	206.6	-	-
Divestment	-7.2	-	-	-	-	-
Net expense recognised in the Income Statement	47.2	6.3	56.7	7.6	30.9	35.2
Contributions paid	-57.2	-51.9	-55.7	-7.1	-5.0	-9.7
Settlements	0.6	-3.7	-6.5	-	-	-
Net Liability in the Balance Sheet	**373.5**	**323.3**	**351.9**	**207.1**	**245.0**	**231.7**

Benefit Plan Summary by Country

	Year Ended 31 December 2002						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	141.4	100.2	4.6	-	1 005.6	21.9	1 273.7
Present value of unfunded obligations	16.7	-	264.4	246.1	-	7.1	534.3
Fair value of plan assets	-113.7	-89.0	-2.6	-	-520.1	-21.0	-746.4
Unrecognised actuarial gains and losses	-40.0	3.6	-2.9	-24.4	-413.9	-0.4	-478.0
Net Liability in the Balance Sheet	**4.4**	**14.8**	**263.5**	**221.7**	**71.6**	**7.6**	**583.6**
Represented by							
Defined Benefit Pension Plans	-4.8	14.8	263.5	221.7	-149.2	5.9	351.9
Other Post-Employment Benefits	9.2	-	-	-	220.8	1.7	231.7
Net Liability in the Balance Sheet	**4.4**	**14.8**	**263.5**	**221.7**	**71.6**	**7.6**	**583.6**

Benefit Plan Summary by Country

	Year Ended 31 December 2001						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	137.2	97.4	4.1	-	1 089.2	10.0	1 337.9
Present value of unfunded obligations	16.0	-	265.9	237.5	-	14.4	533.8
Fair value of plan assets	-135.1	-84.3	-2.4	-	-728.2	-5.1	-955.1
Unrecognised actuarial gains and losses	-11.5	0.6	3.4	-11.9	-327.5	-1.4	-348.3
Net Liability in the Balance Sheet	**6.6**	**13.7**	**271.0**	**225.6**	**33.5**	**17.9**	**568.3**
Represented by							
Defined Benefit Pension Plans	-3.9	13.7	271.0	225.6	-199.5	16.4	323.3
Other Post-Employment Benefits	10.5	-	-	-	233.0	1.5	245.0
Net Liability in the Balance Sheet	**6.6**	**13.7**	**271.0**	**225.6**	**33.5**	**17.9**	**568.3**

NOTE 19 Borrowings

Loans from international credit institutions consist of borrowings with varying maturities, the latest being in 2023, and with either fixed or floating interest rates ranging from 1.00% (1.68%) to 9.99% (9.99%). The majority of Group loans are denominated in Euros, the principal other currencies being Swedish Kronas and US Dollars. At 31 December 2002 the Group's unused credit facilities totalled EUR 1 625.1 (EUR 2 809.4) million.

In 2002 Stora Enso bought back bonds with a nominal value of SEK 797 (EUR 87.1) million, resulting in a loss in financial items of SEK 4.7 (EUR 0.5) million, USD 35 (EUR 37.0) million at par and EUR 88.0 million resulting in a loss of EUR 2.2 million. Purchases were financed from the strong positive cash flow of the Group.

During 2001 Stora Enso bought back bonds with a nominal value of SEK 924 (EUR 99.3) million with a gain in financial items of SEK 10.7 (EUR 1.2) million, USD 3 (EUR 3.4) million with a loss of USD 0.3 (EUR 0.3) million and EUR 3 million resulting in a loss of EUR 0.1 million.

In 2000 Stora Enso bought back debt with a nominal value of SEK 1 200 (EUR 141) million, resulting in a gain in financial items of SEK 18 (EUR 2.1) million. The purchase was financed with a new SEK bond issue and, in connection with the early debt repayment, the Group terminated swaps hedging these issues.

Net interest-bearing liabilities are designated as such on the Balance Sheet and amounted to EUR 3 055.1 (EUR 4 819.9) million at 31 December 2002; most of this net liability is represented by long-term debt. The breakdown of net interest-bearing liabilities and operating capital by principal country/area is detailed below:

Country/Area Breakdown

	As at 31 December					
	2000	2001	2002	2000	2001	2002
EUR million	**Net Interest-bearing Liabilities**			**Operating Capital**		
Euro area	2 486.3	-593.2	193.0	6 477.5	6 570.1	6 415.3
Sweden	838.8	1 409.9	1 017.6	3 244.3	2 799.0	2 773.8
USA	1 643.5	3 351.1	1 659.7	5 638.5	5 503.9	3 157.1
Canada	-0.9	-29.9	-35.4	643.2	613.1	447.9
China	-	228.8	176.0	225.8	252.7	203.6
UK	-56.0	12.8	-25.4	79.2	92.7	24.9
Other	271.0	440.4	69.6	248.4	274.9	249.0
Total	**5 182.7**	**4 819.9**	**3 055.1**	**16 556.9**	**16 106.4**	**13 271.6**

Repayment Schedule of Long-term Debt

	As at 31 December						
EUR million	**2003**	**2004**	**2005**	**2006**	**2007**	**2008+**	**Total**
Bond loans	219.3	202.8	115.0	538.5	911.3	1 437.3	3 424.2
Loans from credit institutions	61.6	144.7	64.6	39.3	167.8	236.6	714.6
Pension loans	6.8	0.1	0.1	0.1	0.1	0.5	7.7
Financial lease liabilities	16.3	22.1	28.6	15.9	25.2	564.1	672.2
Other long-term liabilities	2.5	4.3	0.9	0.7	0.6	4.0	13.0
Total Long-term Debt	**306.5**	**374.0**	**209.2**	**594.5**	**1 105.0**	**2 242.5**	**4 831.7**
Current Liabilities: Repayable within the next 12 months							**306.5**
Long-term Liabilities: Repayable after 12 months							**4 525.2**

Due to the short-term nature of most Group financial liabilities, their carrying value is considered to approximate their fair value. However, the carrying value of long-term term debt, exclusive of the current part, is deemed to have a fair value of EUR 4 875.7 (EUR 5 503.9) million as against a carrying value of EUR 4 525.2 (EUR 5 182.0) million.

Bond Loans in Long-term Debt

Issue/ Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value Issued	Outstanding As at 31 December 2001	Outstanding As at 31 December 2002	Carrying Value As at 31 December 2001	Carrying Value As at 31 December 2002
				Currency million			EUR million	
Fixed Rate								
1991-2006	Series C Senior Notes 2006 *	9.99	USD	50.4	50.4	44.5	60.6	42.5
1993-2003	Series B Senior Notes 2003 *	8.64	USD	65.0	62.0	62.0	70.4	59.1
1993-2003	Swedish Medium Term Note *	8.96	SEK	350.0	328.0	328.0	49.1	40.1
1993-2003	Swedish Medium Term Note *	9.50	SEK	255.0	89.0	89.0	13.3	10.9
1993-2004	Series B Senior Notes 2004 *	7.11	USD	7.0	7.0	7.0	8.1	7.1
1993-2019	Series C Senior Notes 2019 *	8.60	USD	50.0	50.0	50.0	56.7	47.6
1994-2004	Swedish Medium Term Note *	8.00	SEK	500.0	50.0	50.0	5.9	5.8
1996-2006	Swedish Medium Term Note *	7.90	SEK	470.0	470.0	470.0	86.4	73.0
1997-2004	Senior Notes Series A 2004	6.71	USD	81.0	81.0	81.0	90.7	79.5
1997-2004	Finnish Serial Bond 1/1997 *	6.00	FIM	1 484.0	1 466.2	1 044.0	246.6	175.6
1997-2007	Senior Notes Series B 2007	6.82	USD	102.0	102.0	102.0	112.5	105.9
1997-2009	Senior Notes Series C 2009	6.90	USD	48.5	48.5	48.5	53.2	51.0
1997-2012	Senior Notes Series D 2012	7.00	USD	22.5	22.5	22.5	24.4	23.6
1997-2017	Senior Notes Series E 2017	7.14	USD	23.0	23.0	23.0	24.6	20.7
1997-2017	Euro Medium Term Note *	4.105	JPY	10 000.0	10 000.0	10 000.0	87.2	80.4
1998-2009	Swedish Medium Term Note *	4.00	SEK	264.4	250.0	250.0	26.9	28.8
1998-2009	Senior Notes Series F 2009	6.93	USD	30.0	30.0	30.0	32.7	31.3
1998-2018	Senior Notes Series G 2018	7.24	USD	65.0	65.0	65.0	68.0	57.4
1998-2023	Senior Notes Series H 2023	7.30	USD	65.0	65.0	65.0	66.9	56.5
1999-2006	Swedish Medium Term Note *	5.90	SEK	500.0	43.0	43.0	4.5	4.6
1999-2008	Swedish Fixed Real Rate *	4.00	SEK	100.0	105.3	100.0	10.8	9.5
2000-2003	Euro Medium Term Note *	5.25	SEK	1 000.0	1 000.0	600.0	108.2	65.6
2000-2006	Euro Medium Term Note *	6.25	SEK	2 000.0	2 000.0	2 000.0	214.1	228.3
2000-2007	Euro Bond 6.375 % Notes 2007 *	6.375	EUR	850.0	850.0	850.0	840.7	842.2
2000-2007	Euro Medium Term Note *	6.90	SEK	200.0	200.0	200.0	21.5	21.8
2001-2003	Euro Medium Term Note *	5.25	SEK	500.0	500.0	386.0	54.2	42.3
2001-2006	Euro Medium Term Note *	6.25	SEK	2 000.0	2 000.0	2 000.0	219.3	231.0
2001-2011	Global 7.375 % Notes 2011 *	7.375	USD	750.0	750.0	750.0	862.5	817.2
Loans matured and extinguished in 2002							26.9	-
Total Fixed Rate Bond Loans							**3 546.9**	**3 259.3**
Floating Rate								
1997-2007	Euro Medium Term Note *	Libor+0.35	FIM	110.0	110.0	110.0	18.5	18.5
1998-2008	Euro Medium Term Note *	Libor+0.35	USD	30.0	30.0	30.0	34.0	28.6
1998-2008	Euro Medium Term Note *	Libor+0.33	USD	40.0	40.0	40.0	45.4	38.1
1999-2005	Swedish Medium Term Note *	Stibor+0.318	SEK	300.0	300.0	300.0	32.3	32.7
1999-2005	Euro Medium Term Note	Stibor+0.45	SEK	110.0	110.0	110.0	11.8	12.0
2000-2007	Swedish Medium Term Note *	Euribor+0.75	EUR	10.0	10.0	10.0	10.0	10.0
2000-2010	Euro Medium Term Note *	Euribor+0.8	EUR	25.0	25.0	25.0	25.0	25.0
Loans matured and extinguished in 2002							21.6	-
Total Floating Rate Bond Loans							**198.6**	**164.9**
Total Bond Loans							**3 745.5**	**3 424.2**

* Parent company liabilities

Short-term Borrowings

EUR million	2000	As at 31 December 2001	2002
Short-term loans	1 078.0	917.2	272.5
Derivative financial instruments (Note 21)	-	80.3	71.4
	1 078.0	**997.5**	**343.9**

In accordance with IAS 39, financial instrument comparatives for 2000 have not been restated.

Group short-term loans are principally denominated in euros (41.0%), Chinese renminbi (32.0%) and US dollars (15.7%), with maturities of between one week and four months. Short-term loans also include commercial paper with applicable weighted average interest rates of 3.4% (3.68%) for the euro.

Finance Lease Liabilities

Stora Enso has a number of finance leasing agreements for machinery and equipment maturing between 2008 and 2015 for which capital costs of EUR 614.4 (EUR 818.7) million are included in machinery and equipment; the depreciation thereon was EUR 53.9 (EUR 66.7) million. The aggregate leasing payments amounted to EUR 76.6 (EUR 80.2) million, the interest element being EUR 34.3 (EUR 44.1) million.

Finance Lease Liabilities

EUR million	2000	As at 31 December 2001	2002
Minimum lease payments			
Less than 1 year	78.5	87.2	78.1
1–5 years	344.3	325.8	252.9
Over 5 years	1 061.4	1 082.6	841.2
	1 484.2	1 495.6	1 172.2
Future finance charges	-703.2	-712.8	-500.0
Present Value of Finance Lease Liabilities	**781.0**	**782.8**	**672.2**

Annual repayments are shown in the Repayment Schedule of Long-Term Debt table on page 69.

NOTE 20 Other Current Liabilities and Other Provisions

Other Current Liabilities

EUR million	2000	As at 31 December 2001	2002
Advances received	9.2	7.0	5.2
Trade payables	912.2	840.6	824.1
Other current liabilities	355.6	276.1	234.1
Accrued liabilities and deferred income	613.6	507.3	484.5
Total	**1 890.6**	**1 631.0**	**1 547.9**

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

Other Provisions

EUR million	Environmental	Other	Total
Carrying Value at 1 January 2001	69.7	103.7	173.4
Translation difference	-2.0	-1.9	-3.9
Increase	7.8	38.1	45.9
Decrease	-18.0	-43.8	-61.8
Carrying Value at 31 December 2001	**57.5**	**96.1**	**153.6**
Translation difference	0.6	0.5	1.1
Increase	8.0	63.9	71.9
Decrease	-11.6	-20.5	-32.1
Carrying Value at 31 December 2002	**54.5**	**140.0**	**194.5**

NOTE 21 Financial Instruments

Shareholders' Equity

Other Comprehensive Income ("OCI")

With the adoption of IAS 39 on 1 January 2001, certain derivatives were designated as cash flow hedges and measured to fair value with the fair value movements being recorded in the separate equity category of OCI: Hedging Reserve. The other component of OCI is the Available-for-Sale Reserve, representing the difference between the fair value of investments and their cost (see Note 13). Movements in the year for these two reserves, together with the balances at the year end, are as shown below.

OCI Reserves

	Hedging Reserve			Available-	Total
	Forward	Commodity	Total	for-Sale	OCI
EUR million	Contracts	Hedges		Reserve	Reserves
OCI at 1 January 2002					
Gains and losses from changes in fair value	-8.0	33.3	25.3	58.5	83.8
Deferred taxes	2.6	-10.0	-7.4	-17.8	-25.2
	-5.4	**23.3**	**17.9**	**40.7**	**58.6**
Net change in OCI in 2002					
Gains and losses from changes in fair value	59.7	220.5	280.2	-34.5	245.7
Deferred taxes	-17.6	-63.5	-81.1	10.2	-70.9
	42.1	**157.0**	**199.1**	**-24.3**	**174.8**
OCI at 31 December 2002					
Gains and losses from changes in fair value	51.7	253.8	305.5	24.0	329.5
Deferred taxes	-15.0	-73.5	-88.5	-7.6	-96.1
	36.7	**180.3**	**217.0**	**16.4**	**233.4**

The gain on derivative financial instruments designated as cash flow hedges that was realised from OCI through the Income Statement amounted to EUR 70.1 million.

Hedging of Net Investment in Foreign Entities

Group policy for translation risk exposure is to minimise this by funding assets, whenever possible and economically viable, in the same currency, but if matching of the assets and liabilities in the same currency is not possible, hedging of the remaining translation risk may take place. The gains and losses, net of tax, on all financial liabilities and instruments used for hedging purposes, are offset in the Cumulative Translation Adjustment ("CTA") in Equity against the respective currency movements arising from the restatement of the net investments at current exchange rates on the Balance Sheet date; the net amount of gains included in CTA during the period came to EUR 308.6 (EUR 31.2) million.

- The Group had USD 1 023.0 (USD 1 008.0) million, being EUR 975.5 (EUR 1 143.8) million, of borrowings and USD 0.0 (USD 330.0) million, being EUR 0.0 (EUR 374.4) million, of forward contracts hedging its net investment in Stora Enso North America Corp. The unrealised exchange gain on the borrowings was EUR 128.4 (EUR 3.9) million and, for the forward contracts, an unrealised fair value loss of EUR 0.0 (EUR 2.1) million in CTA.
- CAD 852.0 (EUR 514.8) million (CAD 852.0

(EUR 605.2) million) of forward contracts are designated as hedges of the net investment in Stora Enso Port Hawkesbury Ltd with an unrealised fair value gain of EUR 29.4 (EUR 31.9) million being included in CTA.
- Forward contracts of GBP 28.0 (EUR 43.0) million (GBP 50.0 (EUR 82.2) million) hedge the Group's UK exposure with an unrealised fair value gain of EUR 0.3 (EUR -0.1) million included in CTA.
- Forward contracts of SEK 3 005 (EUR 328.3) million hedge the Group's Swedish exposure with an unrealised fair value gain of EUR 1.2 million included in CTA.

Fair Values of Financial Instruments

Derivative financial instruments are recorded on the Balance Sheet at their fair values, defined as the amount at which the instrument could be exchanged between willing parties in a current transaction, other than in a liquidation or forced sale. The fair values of such financial items have been estimated on the following basis:
- Currency option contract values are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The carrying amounts of foreign exchange forward contracts are calculated using year end market rates and thus they approximate fair values.
- The fair values of interest rate swaps have been calculated using a discounted cash flow analysis.
- Swaption contract fair values are calculated using year end interest rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- Cross currency swaps are fair valued against discounted cash flow analysis and year end foreign exchange rates.
- The fair values of interest rate futures have been calculated by using either discounted cash flow analysis or quoted market prices on future exchanges, the carrying amounts approximating fair values.
- Commodity contract fair values are computed with reference to quoted market prices on future exchanges and thus the carrying amounts approximate fair values.
- The fair values of commodity options are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The fair values of Total Return (Equity) Swaps are calculated using year end equity prices as well as year end interest rates.
- The Group had no outstanding embedded derivatives at either 31 December 2001 or 2002.

Certain gains and losses on financial instruments are taken directly to equity, either to offset Cumulative Translation Adjustments (CTA) or deferred under Other Comprehensive Income (OCI). The remaining fair value movements are taken to the Income Statement as Net Financial Items (Note 8) as shown below.

Fair Value Hedge Gains and Losses

	Year Ended 31 December	
EUR million	**2001**	**2002**
Net gains on qualifying hedges, incl. fair value changes in hedged items	12.5	1.8
Net losses/gains on non-qualifying hedges	-4.8	26.3
Net Fair Value Gains in Net Financial Items	**7.7**	**28.1**

Fair Values of Derivative Financial Instruments

	As at				
	1 Jan 2001	**31 Dec 2001**	**31 December 2002**		
EUR million	**Net Fair Values**	**Net Fair Values**	**Positive Fair Values**	**Negative Fair Values**	**Net Fair Values**
Interest rate swaps	15.8	27.6	205.4	2.6	202.8
Cross currency swaps	-11.7	-50.6	1.6	23.2	-21.6
Forward contracts	125.5	23.2	192.0	11.7	180.3
Commodity contracts	5.0	33.1	252.4	-	252.4
Equity swaps	0.9	23.0	-	55.5	-55.5
Total	**135.5**	**56.3**	**651.4**	**93.0**	**558.4**

Positive and negative fair values of financial instruments are shown under Loan Receivables, Short-term Borrowings and Long-term Debt.

Nominal Values of Derivative Financial Instruments

EUR million	As at 31 December 2000	2001	2002
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	96.6	16.1	109.3
Maturity 2–5 years	307.6	766.5	922.8
Maturity 6–10 years	259.5	947.5	1 088.1
	663.7	1 730.1	2 120.2
Interest rate options	-	500.0	-
Total	**663.7**	**2 230.1**	**2 120.2**
Foreign Exchange Derivatives			
- Cross-currency swap agreements	286.9	243.7	216.5
- Forward contracts	4 515.0	7 526.2	3 902.4
Total	**4 801.9**	**7 769.9**	**4 118.9**
Commodity Derivatives			
Forward agreements	108.0	-	-
Commodity options	-	-	6.8
Commodity swaps	67.9	270.1	531.8
Total	**175.9**	**270.1**	**538.6**
Equity Swaps	**73.8**	**131.0**	**216.5**

NOTE 22 Commitments and Contingencies

Commitments

EUR million	As at 31 December 2000	2001	2002
On Own Behalf			
Pledges given (1)	38.9	18.7	0.8
Mortgages	400.8	396.6	111.4
On Behalf of Associated Companies			
Mortgages	1.0	1.0	1.0
Guarantees	14.5	68.3	59.3
On Behalf of Others			
Pledges given	0.4	0.6	0.3
Guarantees	102.8	98.0	16.8
Other Commitments, own			
Operating leases, in next 12 months	30.3	43.4	41.5
Operating leases, after next 12 months	106.9	257.3	237.2
Pension liabilities	2.9	2.1	2.7
Other contingencies (2)	87.2	92.5	71.5
Total	**785.7**	**978.5**	**542.5**
Pledges given	39.3	19.3	1.1
Mortgages	401.8	397.6	112.4
Guarantees	117.3	166.3	76.1
Operating leases	137.2	300.7	278.7
Pension liabilities	2.9	2.1	2.7
Other contingencies	87.2	92.5	71.5
Total	**785.7**	**978.5**	**542.5**

(1) Pledged assets consist of marketable securities, inventories and fixed assets.

(2) Includes USD 64 (EUR 61.0) million as a maximum contingent liability pursuant to the indemnification provision of the sale and purchase agreement dated 9 February 1994 between Stora Kopparberg Bergslags AB and Wahid Vermögensverwaltungs GmbH in the relation to the disposal of Tarkett Inc.

Unconditional Purchase Agreements ("UPA"), being the outstanding balances on binding contracts, amount to EUR 1 502 million, of which EUR 510 million relates to the next 12 months, EUR 648 million for the period from one to five years and EUR 344 million after five years. UPA for materials and supplies amounts to EUR 1 177 million, the biggest item being a take or pay power supply contract in Germany, representing a commitment of EUR 288 million spread over the next four and a half years; the penalty clause for cancellation amounts to EUR 48.6 million. UPA for capital expenditure commitments amounts to EUR 327 million, the largest contract being EUR 133.6 million for machinery at Langerbrugge Mill in Belgium.

Stora Enso Oyj has guaranteed leasing agreements relating to Stora Enso Barcelona SA to a maximum of EUR 28.5 (EUR 31.7) million at 31 December 2002; the commitment lasts to 23 December 2003.

Guarantees are made in the ordinary course of business on behalf of associated companies and occasionally others; the guarantees, entered into with financial institutions and other credit guarantors, generally obligate the Group to make payment in the event of default by the borrower. The guarantees have off-Balance Sheet credit risk representing the accounting loss that would be recognised at the reporting date if counterparties failed to perform completely as contracted. The credit risk amounts are equal to the contract sums, assuming the amounts are paid in full and are irrecoverable from other parties.

The Group leases office and warehouse space under various non-cancellable operating leases, some of which contain renewal options. The future cost for contracts exceeding one year and for non-cancellable operating leasing contracts are:

Repayment Schedule of Operating Lease Commitments

EUR million	
2003	41.5
2004	42.4
2005	25.7
2006	19.3
2007	18.5
2008-	131.3
	278.7

Contingent Liabilities

Stora Enso is party to legal proceedings that arise in the ordinary course of business and which primarily involve claims arising out of commercial law. The Group is also involved in administrative proceedings relating primarily to competition law. The Directors do not consider that liabilities related to such proceedings, before insurance recoveries, if any, are likely to be material to the Group financial condition or results of operations.

Stora Timber Finance B.V. has been found responsible for soil pollution at the Port of Amsterdam, but has appealed the decision to the Court of Appeal in Amsterdam; EUR 2.5 million was recorded as a provision at 31 December 2002.

NOTE 23 Principal Subsidiaries as at 31 December 2002

The following is a list of the Company's fifty principal operating subsidiary undertakings ranked by external sales; these companies, along with the parent, account for 96% of Group external sales. The principal country in which each subsidiary operates is the country of incorporation. The Group's effective interest in the undertakings is 100% except where indicated and is held in each case by a subsidiary undertaking except for those companies marked with "+" which are held directly by the Parent Company. The countries operating outside the Euro area are indicated by "*".

Subsidiary Companies (ranked by external sales)	Country	Magazine Paper	Newsprint	Fine Paper	Packaging Boards	Timber Products	Merchants	Forest	Other
Stora Enso North America Corp. +*	USA	X		X	X				X
Stora Enso Publication Papers Oy Ltd +	Finland	X	X						
Stora Enso Skoghall AB *	Sweden				X				
Stora Enso Maxau GmbH & Co KG	Germany	X	X						
Stora Enso Hylte AB *	Sweden		X						
Stora Enso Kabel GmbH & Co KG	Germany	X							
Stora Enso Kvarnsveden AB *	Sweden	X	X						
Stora Enso Corbehem SA	France	X							
Stora Enso Port Hawkesbury Ltd *	Canada	X	X						
Stora Enso Timber Oy Ltd +	Finland					X			
Stora Enso Nymölla AB *	Sweden			X					
Stora Enso Fors AB *	Sweden				X				
Stora Enso Timber AG	Austria					X			
Papyrus Sweden AB *	Sweden						X		
Stora Enso Pulp AB *	Sweden	X		X					
Stora Enso Skog AB *	Sweden							X	
Puumerkki Oy	Finland					X			
Stora Enso Sachsen GmbH	Germany		X						
Stora Enso Uetersen GmbH & Co KG	Germany			X	X				
Berghuizer Papierfabriek NV +	Netherlands			X					
Stora Enso Grycksbo AB *	Sweden			X					
Stora Enso Baienfurt GmbH & Co KG	Germany				X				
Stora Enso Ingerois Oy +	Finland				X				
Stora Enso Barcelona S.A.	Spain				X				
Stora Enso Reisholz GmbH & Co KG	Germany	X							
Stora Enso Langerbrugge NV +	Belgium	X	X						
Stora Enso Timber AB *	Sweden					X			
De Ruysscher Papyrus SA	France						X		
Stora Enso Suzhou Paper Co Ltd (80.9%) *	China			X					
Enocell Oy (98.4%) +	Finland				X				
Laminating Papers Oy +	Finland				X				
Papyrus A/S *	Denmark						X		
Sydved AB (66.7%) *	Sweden							X	
Stora Enso Packaging AB *	Sweden				X				
Stora Enso Packaging Oy +	Finland				X				
Papyrus SA	Belgium						X		
Stora Enso Timber US Corp*	USA					X			
Celulose Beira Industrial SA	Portugal			X					
Stora Enso Timber Zdirec sro *	Czech					X			
Stora Enso Timber Bad St Leonard GmbH	Austria					X			
Corenso United Oy Ltd (71.0%) +	Finland				X				
Papyrus Norge A/S *	Norway						X		
Papyrus BV	Netherlands						X		
ZAO Stora Enso Packaging (93.5%) *	Russia				X				
Papyrus Finland Oy +	Finland						X		
Stora Enso Pankakoski Oy Ltd	Finland				X				
Stora Enso Australia Pty Ltd *	Australia								X
Sydved Energileveranser AB (66.7%) *	Sweden							X	
Stora Enso Bois SA	France					X			
Stora Enso Timber Plana sro *	Czech					X			

The majority of production employees are members of labour unions with which either the Group or the forest industry customarily negotiate collective bargaining agreements in Europe. Salaries for senior management are negotiated individually. Stora Enso has incentive plans that take into account the performance, development and results of both business units and individual employees. This performance-based bonus system is based on profitability as well as on attaining key business targets and the benefits are given either in the form of bonus payments or the granting of options/synthetic options.

Bonus Programmes
Division and Business Unit management have annual bonus programmes based on the corporate target return on capital employed of 13% and on the results of their respective areas of responsibility, together with the achievement of separately defined key personal targets; the bonus amounts to between 10 and 40% of salary depending on the person's position in the Company. Staff participate in another bonus plan in which the payment is calculated as a percentage of annual salary up to a maximum of 7%. All bonuses are discretionary and are triggered only when results exceed a predetermined minimum level. The Group has decided to continue its performance-based programmes and has expanded these to cover 75% to 80% of employees globally where allowed by local practice and regulations.

Option/Synthetic Option Programmes

Option Programme	Type	Year of Issue	No. of Staff	Strike Price	Number of Options Issued	Number of Options Outstanding	Exercise Period
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	5 902 000	8 Feb 2005-7 Feb 2009
2001	Synthetic	2001	500	EUR 11.70	4 215 000	4 215 000	1 Apr 2004-31 Mar 2008
2000	Synthetic	2000	200	EUR 12.25	2 800 000	2 800 000	1 Apr 2003-31 Mar 2007
1999	Synthetic	1999	200	EUR 11.75	2 750 000	2 750 000	15 Jul 2002-15 Jul 2006
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	864 000	1 Dec 1998-31 Mar 2004
North America	Stock options	2000	839	USD 6.9687 (EUR 7.91)	5 680 000	2 469 984	11 Sep 2000-4 Feb 2010

Option Programmes for Management (1999 to 2002)
In 1999 the Board announced an annual share option programme for some 200 key staff as part of an integrated top management compensation structure intended to provide a programme contributing to the long-term commitment of managerial and specialist personnel; this programme has since been extended into subsequent years and now covers some 500 staff. The seven year programmes consist of financially hedged options and synthetic options, which avoid diluting the number of shares in issue, with strike prices set at levels representing then-current market prices plus 10% premiums. Depending on local circumstances, option holders will receive either a payment in cash, representing the difference between the strike price and the share price at the time of exercise, or an option to purchase existing R shares, though not new shares. Options are not transferable and expire if the employee leaves the Group.

The strike price for the 2002 Programme has been set at EUR 16.50 based on the average price for R shares from 31 January to 7 February 2002, plus a 10% premium. The strike price for the 2001 Programme has been set at EUR 11.70 based on the average price for

R shares from 8 to 14 February 2001, plus a 10% premium. The strike price for the 2000 Programme is EUR 12.25 based on the average share price for the period of three days before and after the Annual General Meeting on 21 March 2000, plus a 10% premium. The strike price for the 1999 Programme is EUR 11.75, based on the average share price from May to July 1999, plus a 10% premium; the earliest exercise date was 15 July 2002, but as of the year end, no options had been taken up.

Stora Enso North America Option Programme
On 18 August 2000 the Board decided to convert the Consolidated Papers, Inc. share option plans (1989 Stock Option Plan and 1998 Incentive Compensation Plan) into Stora Enso programmes entitling holders to purchase a maximum 5 680 000 R shares, in the form of ADRs, at a weighted average strike price of USD 6.9687. The exercise period is from 11 September 2000 to 4 February 2010, depending on the grant date.

On 16 October 2001 the Board decided to amend the Programme to simplify administration and speed up delivery of shares to option holders. Thus, as of 1 November 2001, no new R shares will be issued under the terms of the Programme, but instead, repurchased R shares have been reserved for distribution. A total of 2 001 733 new R shares were issued before the terms were amended, thereby increasing the share capital by EUR 3.4 million. During the year, 746 007 options were exercised, of which 697 033 resulted in cash compensation and 48 974 in the allocation of repurchased R shares. At 31 December 2002, 2 469 984 options were still outstanding.

Option Programme for Management (1997)
On 7 April 1997 the Company issued 1 000 warrants with a maximum value of EUR 168 187 (FIM 1 million) to 15 members of senior management. Each bond accrues annual interest of 4.0%, has a maturity of five years and carries one warrant entitling the holder to subscribe for 3 000 new R shares at a subscription price of EUR 7.66 (FIM 45.57). The exercise period runs from 1 December 1998 to 31 March 2004 and the bond entitles the holder to receive a dividend for the year in which the warrants are exercised. By 9 January 2003, 2 136 000 new R shares had been issued against the warrants, representing 0.1% of the share capital, and if the Programme is fully subscribed, the further issue of 864 000 new shares will raise share capital by another EUR 1.5 million.

Director and Management Group Interests at 31 December 2002

Board of Directors	Series A Shares Held	Series R Shares Held	Series R Shares Granted by Warrants	Options/ Syn. Options 1999/2001	Options/ Synthetic Options 2002	Committee Memberships
Claes Dahlbäck, Chairman	2 541	19 529	-	-	-	Compensation
Krister Ahlström, Vice Chairman	1 500	-	-	-	-	Compensation
Josef Ackermann	-	1 300	-	-	-	Financial & Audit
Harald Einsmann (ADRs)	-	4 800	-	-	-	Compensation
Björn Hägglund, Deputy CEO	-	-	-	-	-	-
Jukka Härmälä, CEO	-	-	-	-	-	-
George W. Mead (ADRs)	-	2 729 937	-	-	-	-
Ilkka Niemi	-	-	-	-	-	Financial & Audit
Paavo Pitkänen	3 800	-	-	-	-	Financial & Audit
Jan Sjöqvist	508	1 943	-	-	-	-
Marcus Wallenberg	3 049	6 019	-	-	-	Financial & Audit
Total	**11 398**	**2 763 528**	-	-	-	

Executive Management Group	Series A Shares Held	Series R Shares Held	Series R Shares Granted by Warrants	Options/ Syn. Options 1999/2001	Options/ Synthetic Options 2002	Committee Memberships
Jukka Härmälä, CEO	-	6 500	102 000	332 500	110 000	-
Björn Hägglund, Deputy CEO	7 877	14 618	-	273 750	90 000	R&D, Enviromental
Lars Bengtsson	-	-	-	121 900	45 000	R&D
Jussi Huttunen	-	-	-	46 800	45 000	R&D
Kai Korhonen	-	-	-	136 900	45 000	R&D
Pekka Laaksonen	10 000	-	-	136 900	45 000	-
Esko Mäkeläinen	1 900	4 669	180 000	136 900	45 000	-
Arno Pelkonen	-	-	-	106 900	45 000	-
Bernd Rettig	-	-	-	136 900	45 000	R&D
Yngve Stade	-	725	-	136 900	45 000	R&D,Investment, Environmental
Total	**19 777**	**26 512**	**282 000**	**1 556 350**	**560 000**	

Management Group Consisting of the Executive Management Group and:	Series A Shares Held	Series R Shares Held	Series R Shares Granted by Warrants	Options/ Syn. Options 1999/2001	Options/ Synthetic Options 2002	Committee Memberships
Christer Ågren	-	3 000	-	92 900	30 000	-
John F Bergin (ADRs)	-	72 247	28 468	12 500	15 000	-
Magnus Diesen	1 000	-	30 000	77 900	30 000	R&D,Investment, Environmental
Nils Grafström	2 000	-	-	15 000	30 000	-
Walter Haberland	-	-	-	37 900	22 500	-
Seppo Hietanen	-	2 000	75 000	92 900	30 000	-
Jyrki Kurkinen	-	20 568	72 000	77 900	22 500	Disclosure
Eberhard Potempa	-	-	-	28 500	22 500	-
Sven Rosman	-	-	-	92 900	30 000	-
Keith B Russell	-	4 000	-	-	45 000	-
Kari Vainio	-	3 800	45 000	92 900	30 000	Environmental
Petri Wager	-	-	-	43 600	22 500	-
Total	**3 000**	**105 615**	**250 468**	**687 400**	**330 000**	
Total	**34 175**	**2 895 655**	**532 468**	**2 253 750**	**890 000**	

Details of officers who retired during the year are not given.

NOTE 25 Earnings per Share

	Year Ended 31 December		
	2000	2001	2002
Net profit for the period, EUR million	**1 435.0**	**926.3**	**-222.2**
Weighted average number of Series A and R shares	**812 040 498**	**901 505 846**	**889 606 185**
Effect of warrants	1 448 301	790 990	349 362
Diluted number of shares	**813 488 799**	**902 296 836**	**889 955 547**
Basic Earnings per Share, EUR	**1.77**	**1.03**	**-0.25**
Diluted Earnings per Share, EUR	**1.76**	**1.03**	**-0.25**

NOTE 26 Subsequent Events

Stora Enso Timber Oy Ltd signed a letter of intent in August 2002 to acquire 66% of the shares of the sawmill operations and 100% of the wood procurement operations of AS Sylvester, Estonia's largest sawmill company, which has annual net sales of some EUR 160 million. The purchase agreement was signed in December and will result in the Group becoming the leading sawmill and wood procurement company in the Baltic States. The Agreement has been filed with the competition authorities for approval and is scheduled for completion in the first quarter of 2003.

Parent Company Financial Statements

Parent Company Income Statement

EUR million	Note	Year Ended 31 December 2001	2002
Sales		2 435.5	3 100.2
Finished and semi-finished goods, increase		-12.0	18.8
Production for own use		7.9	3.7
Other operating income	2	109.5	239.7
Materials and services	3	-1 611.8	-1 919.6
Personnel expenses	4	-266.2	-319.5
Depreciation and value adjustments	7	-153.1	-222.3
Other operating expenses	5	-351.2	-555.5
Operating Profit		**158.6**	**345.5**
Net financial items	6	1 777.3	83.0
Profit before Extraordinary Items		**1 935.9**	**428.5**
Extraordinary income	8	514.5	176.5
Extraordinary expense	8	-4.7	-
Profit before Appropriations and Taxes		**2 445.7**	**605.0**
Appropriations	10	-72.8	-53.0
Income Tax expense		-164.6	2.4
Net Profit for the Period		**2 208.3**	**554.4**

The operations of the subsidiary companies Stora Enso Fine Papers Oy, Lumi-Hamina Oy, Enso Paperikemia Oy and Tornion Pakkauslava Oy were merged into the Parent Company on 1 July 2001 and the above figures include those companies from that date.

Parent Company Cash Flow Statement

EUR million	Year Ended 31 December 2001	2002
Cash Provided by Operating Activities		
Net profit for the period	2 208.3	554.4
Reversal of non-cash items:		
Taxes	164.6	-2.4
Appropriations	72.8	53.0
Extraordinary items	-509.8	-176.5
Depreciation, amortisation and impairment	153.1	1 253.1
Profit/losses on sale of fixed assets	-11.8	-62.0
Net financial income	-1 777.3	-1 113.8
Interest received	187.7	108.0
Interest paid, net of amounts capitalised	-362.4	-237.8
Dividends received	1 884.1	789.3
Other financial items, net	-16.5	480.2
Income taxes paid	-234.8	-160.2
Change in net working capital	642.0	394.8
Net Cash Provided by Operating Activities	**2 400.0**	**1 880.1**
Cash Flow from Investing Activities		
Acquisition of subsidiary shares, net of cash	-1 382.5	-98.0
Acquisition of shares in associated companies	-	-38.4
Investment in shares in other companies	-1.6	-2.0
Capital expenditure	-495.4	-128.9
Proceeds from disposal of subsidiary shares, net of cash	6.8	399.3
Proceeds from disposal of shares in associated companies	0.1	7.6
Proceeds from disposal of shares in other companies	6.0	35.1
Proceeds from sale of fixed assets	7.2	5.9
Proceeds from (payment of) long-term receivables, net	1 331.4	-12.8
Net Cash Used in Investing Activities	**-528.0**	**167.8**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities, net	-280.2	-279.5
Proceeds from (payment of) short-term borrowings, net	217.5	-1 609.6
Dividends paid	-407.7	-403.6
Share repurchases	-199.8	-286.9
Proceeds from issue of share capital	35.7	-
Net Cash Used in Financing Activities	**-634.5**	**-2 579.6**
Net Increase (Decrease) in Cash and Cash Equivalents	**1 237.5**	**-531.7**
Cash and cash equivalents in merged companies	41.3	-
Cash and cash equivalents at beginning of year	1 394.0	2 672.8
Cash and Cash Equivalents at Year End	**2 672.8**	**2 141.1**

Parent Company Balance Sheet

Assets

EUR million	Note	As at 31 December 2001	2002
Fixed Assets and Other Long-term Investments			
Intangible assets	9	132.5	136.6
Tangible assets	9	2 668.2	1 974.8
Shares in Group companies	12	9 407.5	9 551.3
Shares in associated companies	12	22.6	54.6
Shares in other companies	12	298.8	267.4
Long-term loan receivables		1 408.8	212.3
		13 938.4	**12 197.0**
Current Assets			
Inventories	13	309.1	322.0
Long-term receivables, Group companies		0.3	-
Short-term receivables	14	904.9	779.4
Interest-bearing receivables	15	2 839.4	2 313.2
Treasury shares	16	125.5	314.9
Cash and cash equivalents		2.8	2.6
		4 182.0	**3 732.1**
Total Assets		**18 120.4**	**15 929.1**

Shareholders' Equity and Liabilities

EUR million	Note	As at 31 December 2001	2002
Shareholders' Equity			
Share capital		1 541.5	1 529.6
Share issue		8.9	-
Share premium fund		5 021.9	4 945.2
Revaluation reserve		183.6	-
Treasury shares		125.5	314.9
Reserve fund		353.9	353.9
Retained earnings		947.4	2 532.7
Net profit for the period		2 208.3	554.4
	16	**10 391.0**	**10 230.7**
Appropriations			
Depreciation reserve	**10**	**859.2**	**912.2**
Provisions			
Other provisions		**9.9**	**10.4**
Long-term Liabilities	**17**	**3 705.1**	**3 167.9**
Current Liabilities			
Current portion of long-term debt	17	155.4	275.6
Short-term borrowings	18	2 649.0	1 043.5
Other current liabilities	19	346.7	288.8
Tax liabilities		4.1	-
		3 155.2	**1 607.9**
Total Shareholders' Equity and Liabilities		**18 120.4**	**15 929.1**

The operations of the subsidiary companies Stora Enso Fine Papers Oy, Lumi-Hamina Oy, Enso Paperikemia Oy and Tornion Pakkauslava Oy were merged into the Parent Company on 1 July 2001 and the above figures include those companies from that date.

Notes to the Parent Company Financial Statements

NOTE 1 Accounting Principles

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principals in Finland, "Finnish GAAP"; see Group Consolidated Financial Statements, Note 1.

NOTE 2 Other Operating Income

	Year Ended 31 December	
EUR million	**2001**	**2002**
Profit on sale of fixed assets	11.8	104.9
Rent	11.2	13.0
Insurance compensation	0.3	-
Subsidies	2.7	1.8
Other	83.5	120.0
	109.5	**239.7**

NOTE 3 Materials and Services

	Year Ended 31 December	
EUR million	**2001**	**2002**
Materials and supplies		
Purchases during the period	1 356.3	1 553.4
Change in inventories	-25.9	9.5
	1 330.4	1 562.9
External Services	281.4	356.7
	1 611.8	**1 919.6**

NOTE 4 Personnel Expenses

	Year Ended 31 December	
EUR million	**2001**	**2002**
Wages and salaries	195.1	244.7
Pensions	50.8	51.3
Other statutory employer contributions	20.3	23.5
	266.2	**319.5**

The remuneration of the Board of Directors and the CEO amounted to EUR 1.3 (EUR 1.6) million.

Average Number of Personnel	**6 660**	**6 395**

NOTE 5 Other Operating Expenses

	Year Ended 31 December	
EUR million	**2001**	**2002**
Loss on sale of fixed assets / shares	-	**42.9**

Included in other operating expenses

NOTE 6 Net Financial Items

	Year Ended 31 December	
EUR million	**2001**	**2002**
Financial Income		
Dividend income		
Group companies	1 845.0	766.4
Associated companies	16.1	9.5
Other companies	23.0	13.4
	1 884.1	789.3
Interest income from long-term investments		
Group companies	119.4	30.3
Other	0.6	0.5
	120.0	30.8
Other Interest and Financial Income		
Group companies	88.8	78.7
Other	1.2	5.8
	90.0	84.5
Total Investment, Interest and Financial Income	**2 094.1**	**904.6**
Exchange Rate Difference on Financial Items	**34.9**	**443.9**
Value Adjustments on Long-term Financial Investments	**-**	**-1 030.8**
Interest and Other Financial Expense		
Group companies	-121.7	-54.8
Other	-230.0	-179.9
	-351.7	**-234.7**
Net Financial Items	**1 777.3**	**83.0**

NOTE 7 Depreciation According to Plan

	Year Ended 31 December	
EUR million	2001	2002
Intangible rights	4.8	7.2
Goodwill	5.5	10.7
Other intangible assets	1.1	0.9
Total for Intangibles	11.4	18.8
Buildings and structures	14.4	20.3
Machinery and equipment	120.3	173.7
Other tangible assets	7.0	9.5
Total Depreciation	**153.1**	**222.3**

NOTE 8 Extraordinary Items

	Year Ended 31 December	
EUR million	2001	2002
Income		
Group contributions	454.4	176.5
Merger gains	60.1	-
	514.5	**176.5**
Expense		
Group contributions	-3.3	-
Merger losses	-1.4	-
	-4.7	-

NOTE 9 Fixed Assets

	Year Ended 31 December 2002				
EUR million	Intangible Assets	Land and Water	Buildings and Structures	Machinery and Equipment	Other Tangible Assets
Acquisition Cost					
At 1 January	160.2	612.5	538.0	2 167.6	188.5
Additions	23.2	1.6	10.9	72.1	22.5
Disposals	-0.8	-590.6	-1.3	-5.8	-11.6
Acquisition Cost at 31 December	182.6	23.5	547.6	2 233.9	199.4
Accumulated Depreciation					
At 31 December	46.0	-	124.8	846.6	58.2
Net Book Value at 31 December 2002	**136.6**	**23.5**	**422.8**	**1 387.3**	**141.2**
Net Book Value at 31 December 2001	**132.5**	**612.5**	**432.3**	**1 489.1**	**134.3**

The net book value of fixed assets includes EUR Nil (38.8) million in leased assets.

The Company had capitalised interest on the construction of qualifying assets at the year end of EUR 18.0 (EUR 21.1) million; the amount added for the year totalled EUR 1.5 (EUR 19.5) million with a corresponding amortisation charge amounting to EUR 3.3 (EUR 3.5) million.

NOTE 10 Depreciation Reserve

	Year Ended 31 December 2002				
EUR million	Intangible Assets	Buildings and Structures	Machinery and Equipment	Other Tangible Assets	Total
Accumulated difference at 1 January	7.2	151.6	675.8	24.6	859.2
Increase	-0.9	1.8	49.7	6.7	57.3
Decrease	0.2	-0.2	-5.0	0.7	-4.3
Accumulated difference at 31 December 2002	**6.5**	**153.2**	**720.5**	**32.0**	**912.2**

NOTE 11 Receivables from Management

There were no receivables from Group Management.

NOTE 12 Long-term Investments and Loan Receivables

EUR million	As at 31 December 2001	2002
Group Companies		
Shares	9 407.5	9 551.3
Loan receivables	1 399.7	211.5
Total	**10 807.2**	**9 762.8**
Associated Companies		
Shares	22.6	54.6
Loan receivables	1.6	0.1
Total	**24.2**	**54.7**
Other Companies		
Shares	183.8	152.4
Revaluations	115.0	115.0
	298.8	267.4
Loan receivables	7.5	0.7
Total	**306.3**	**268.1**

The Company's holdings in listed companies had a net book value of EUR 75.6 (EUR 74.9) million and a market value of EUR 134.4 (EUR 163.8) million.

NOTE 13 Inventories

EUR million	As at 31 December 2001	2002
Materials and supplies	154.0	144.5
Work in progress	30.9	35.5
Finished goods	121.9	136.0
Other inventories	2.3	6.0
	309.1	**322.0**

NOTE 14 Short-term Receivables

EUR million	As at 31 December 2001	2002
Accounts Receivable		
Group companies	82.2	76.0
Associated companies	2.7	2.4
Others	316.6	312.0
	401.5	**390.4**
Prepaid Expenses and Accrued Income		
Group companies	2.6	0.6
Others	12.9	174.0
	15.5	**174.6**
Other Receivables		
Group companies	454.5	185.2
Others	33.4	29.2
	487.9	**214.4**
Total Short-term Receivables	**904.9**	**779.4**

NOTE 15 Interest-Bearing Receivables

EUR million	As at 31 December 2001	2002
Group		
Loan receivables	65.0	118.0
Interest receivable	86.7	34.9
Other securities	2 670.0	2 138.5
	2 821.7	**2 291.4**
Others		
Loan receivables	1.3	0.1
Interest receivable	16.4	21.7
Other securities	0.1	-
Total	**2 839.4**	**2 313.2**

NOTE 16 Shareholders' Equity

EUR million	As at 31 December 2001	2002
Share capital at 1 January	1 576.3	1 541.5
Cancellation of treasury shares (nominal value)	-39.4	-13.8
Warrants exercised	4.6	1.9
Share Capital at 31 December	**1 541.5**	**1 529.6**

Full details of shares in issue are shown in Note 17 for the Group.

Share Issue (option rights)	**8.9**	-
Share premium fund at 1 January	5 205.8	5 021.9
Increase / (-decrease)	-183.9	-76.7
Share Premium Fund at 31 December	**5 021.9**	**4 945.2**
Revaluation reserve at 1 January	184.0	183.6
Transfer from retained earnings	-	29.9
Decrease related to sale of fixed assets	-0.4	-213.5
Revaluation Reserve at 31 December	**183.6**	-
Treasury shares at 1 January	173.7	125.5
Repurchase of own shares	199.8	286.8
Cancellation of shares	-248.0	-97.4
Treasury Shares at 31 December	**125.5**	**314.9**
Reserve Fund	**353.9**	**353.9**
Retained earnings at 1 January	1 306.7	3 155.7
Dividends paid	-407.4	-403.6
Acquisition of treasury shares	-199.8	-286.9
Cancellation of treasury shares	248.0	97.4
Transfer to revaluation reserve	-	-29.9
	947.4	**2 532.7**
Profit for the period	2 208.3	554.4
Retained Earnings at 31 December	**3 155.7**	**3 087.1**
Total Shareholders' Equity	**10 391.0**	**10 230.7**
Distributable Funds		
Non-restricted equity	3 281.2	3 402.0
Treasury shares	-125.5	-314.9
	3 155.7	**3 087.1**

NOTE 17 Long-term Liabilities

	Repayment Schedule of Long-term Debt as at 31 December						
	2003	2004	2005	2006	2007	2008–	Total
Bond loans	219.3	225.3	39.7	515.2	890.4	982.9	2 872.8
Loans from credit institutions	26.4	113.1	44.8	23.7	155.5	165.7	529.2
Pension loans	6.7	-	-	-	-	-	6.7
Other long-term liabilities	0.2	0.2	0.1	0.1	0.1	11.1	11.8
Other long-term liabilities: Group companies	23.0	-	-	-	-	-	23.0
	275.6	**338.6**	**84.6**	**539.0**	**1 046.0**	**1 159.7**	**3 443.5**
Current Liabilities: Repayable within 12 months							**275.6**
Long-term Liabilities: Repayable after 12 months							**3 167.9**

NOTE 18 Short-term Borrowings

EUR million	As at 31 December 2001	2002
Group companies	2 548.7	949.5
Others	100.3	94.0
Total	**2 649.0**	**1 043.5**

NOTE 19 Other Current Liabilities

EUR million	As at 31 December 2001	2002
Advances Received		
Others	**1.7**	**1.2**
Trade Payables		
Group companies	51.9	36.2
Associated companies	0.9	1.0
Others	150.2	123.7
	203.0	**160.9**
Other Current Liabilities		
Group companies	4.4	2.5
Others	20.2	16.3
	24.6	**18.8**
Accrued Liabilities and Deferred Income		
Group companies	5.3	5.5
Others	112.1	102.4
	117.4	**107.9**
Total	**346.7**	**288.8**

NOTE 20 Commitments and Contingent Liabilities

EUR million	As at 31 December 2001	2002
On own behalf		
Pledges given	9.2	0.8
Mortgages	312.6	29.5
On behalf of Group companies		
Guarantees	1 810.1	1 259.2
On behalf of associated companies		
Guarantees	56.4	46.9
On behalf of others		
Guarantees	79.0	0.8
Other commitments, own		
Leasing commitments, next 12 months	3.2	3.2
Leasing commitments, after next 12 months	15.6	13.3
Other commitments	2.3	1.1
Total	**2 288.4**	**1 354.8**
Pledges given	9.2	0.8
Mortgages	312.6	29.5
Guarantees	1 945.5	1 306.8
Leasing commitments	18.8	16.6
Other commitments	2.3	1.1
Total	**2 288.4**	**1 354.8**

Stora Enso Oyj has guaranteed leasing agreements relating to Stora Enso Barcelona SA. to a maximum EUR 28.5 million at 31 December 2002; the commitment lasts to 23 December 2003.

NOTE 21 Fair Value of Open Financial Instruments

	As at 31 December			
	Nominal Value		Fair Value	
EUR million	**2001**	**2002**	**2001**	**2002**
Interest-Rate Derivatives				
Interest-rate swap agreements	1 518.2	2 419.6	29.7	172.8
Foreign Exchange Derivatives				
Forward agreements	3 678.4	1 206.4	88.0	63.3
Cross-currency swap agreements	159.5	216.5	-24.0	-21.6
Foreign Exchange Derivatives	3 837.9	1 422.9	64.0	41.8
Commodity Derivatives: Energy	88.7	61.3	18.8	72.7
Equity Swaps	131.0	216.5	23.0	-55.5

The fair value of a derivative represents the result to date, being the movement away from the par nominal value

Proposal for the Distribution of Dividend

The Consolidated Balance Sheet at 31 December 2002 shows retained shareholders' equity of EUR 5 154.8 million, of which EUR 3 518.2 million is distributable.

The Parent Company distributable shareholders' equity at 31 December 2002 amounted to EUR 3 087 003 280.29 and therefore the Board of Directors proposes to the Annual General Meeting of the Company that the profit for the financial period of EUR 554 362 253.46 be transferred to retained earnings and that the dividend be distributed as follows:

Profits from previous periods	2 847 547 533.76
Purchase of own shares	-314 906 506.93
Profit for the financial period	554 362 253.46
Dividend of EUR 0.45 per share to be distributed on 899 781 299 shares	-404 901 584.55
Retained earnings after distribution of dividend	2 682 101 695.74

Helsinki, 30 January 2003

Claes Dahlbäck *Chairman*	Krister Ahlström *Vice Chairman*
Josef Ackermann	Harald Einsmann
George W. Mead	Ilkka Niemi
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 December 31, 2002. The financial statements prepared by the Board of Directors and the Chief Executive Officer include the report of the Board of Directors, consolidated financial statements of the Stora Enso Group prepared in accordance with International Financial Reporting Standards (IFRS), 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 as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 ensure 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 Financial Reporting Standards (IFRS) give a true and fair view of the consolidated result of operations, as well as of the financial position of the Stora Enso Group. The consolidated financial statements have been prepared 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 governing the preparation of the financial statements. The parent company financial statements give a true and a fair view, as defined in the Accounting Act, of the 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 discharged from liability for the period audited by us. The proposal of the Board of Directors regarding the distributable funds is in compliance with the Finnish Companies’ Act.

Helsinki, 7 February, 2003

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Nikula
Authorised Public Accountant

Board of Directors

Claes Dahlbäck
has acted as Chairman of Stora Enso's Board of Directors since December 1998.
Born 1947. M.Sc. (Ec.), Dr. (h.c.) • Chairman of Investor AB • Chairman of the Board of Vin & Sprit, Gambro and EQT Funds; Member of the Board of Findus • Chairman of the Stora Enso Compensation Committee • Number of shares held in Stora Enso: 2 541 A and 19 529 R

Krister Ahlström
has acted as Vice Chairman of Stora Enso's Board of Directors since December 1998.
Born 1940. M.Sc. (Eng), Dr. h.c. (Techn.), Dr.h.c. (Arts) • Former Chairman and CEO of A. Ahlstrom Corporation • Member of the Board of Nordea Securities Corporation, EQT Finland and NKT Holding, Denmark and several other international institutions • Member of the Stora Enso Compensation Committee • Number of shares held in Stora Enso: 1 500 A

Josef Ackermann
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1948. Dr. (Oec.) • Spokesman of the Board of Managing Directors and Chairman of the Group Executive Committee of Deutsche Bank AG; Member of the Supervisory Board of Bayer AG and Linde AG • Chairman of the Stora Enso Financial and Audit Committee • Number of shares held in Stora Enso: 1 300 R

Harald Einsmann
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1934. Ph.D. (Econ.) • Member of the Board of British American Tobacco, EMI Group and Tesco Ltd • Member of the Stora Enso Compensation Committee • Number of shares held in Stora Enso: 4 800 R shares in form of ADRs

Björn Hägglund
has acted as Deputy Chief Executive Officer of Stora Enso since December 1998.
Born 1945. Dr. (For.) • Member of the Board of the Federation of Swedish Forest Industries and the Confederation of European Paper Industries • Number of shares held in Stora Enso: 7 877 A and 14 618 R • Number of options/synthetic options 1999–2001: 273 750; 2002: 90 000

Jukka Härmälä
has acted as Chief Executive Officer of Stora Enso since December 1998.
Born 1946. B.Sc. (Econ.), Dr. h.c.(Techn.), Dr. h.c. (Econ.) • Member of the Board of the Finnish Forest Industries Federation; Vice Chairman of the Board of Finnlines; Member of the European Round Table of Industrialists • Number of shares held in Stora Enso: 6 500 R • Warrants entitling to 102 000 R shares • Number of options/synthetic options 1999–2001: 332 500; 2002: 110 000

George W. Mead
has been a member of Stora Enso's Board of Directors since August 2000.
Born 1927. M.Sc. (Paper Chem.), B.Sc. (Chem.) • Former Chairman of the Board of Consolidated Papers, Inc. • Number of shares held in Stora Enso: 2 729 937 R shares in form of ADRs

Ilkka Niemi
has been a member of Stora Enso's Board of Directors since March 2001.
Born 1946. M.Sc. (Econ.) • Independent consultant • Chairman of the Board of Motiva Oy • Member of the Stora Enso Financial and Audit Committee • Number of shares held in Stora Enso: 0

Paavo Pitkänen
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1942. M.Sc. (Math.) • President and CEO of Varma-Sampo Mutual Pension Insurance Company • Member of the Board of Sampo plc and Wärtsilä Corporation • Member of the Stora Enso Financial and Audit Committee • Number of shares held in Stora Enso: 3 800 A

Jan Sjöqvist
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1948. MBA • CEO of Swedia Networks AB • Member of the Board of SSAB Svenskt Stål AB, Swedia Networks AB, Green Cargo AB, Lannebo fonder AB and Cell Network AB • Number of shares held in Stora Enso: 508 A and 1 943 R

Marcus Wallenberg
has been a member of Stora Enso's Board of Directors since December 1998.
Born 1956. B.Sc. (Foreign Service) • President and CEO of Investor AB • Member of the Board of Saab AB, Scania AB, Skandinaviska Enskilda Banken AB, Ericsson and the Knut and Alice Wallenberg Foundation • Member of the Stora Enso Financial and Audit Committee • Number of shares held in Stora Enso: 3 049 A and 6 019 R

Years of issue of options/synthetic options are 1999, 2000, 2001 and 2002.

Management Group

Jukka Härmälä
Chief Executive Officer
Born 1946. Employed by Enso 1970–84 • Rejoined the Company 1988 • Number of shares held in Stora Enso: 6 500 R • Warrants entitling to 102 000 R shares • Number of options/synthetic options 1999–2001: 332 500; 2002: 110 000

Björn Hägglund
Deputy Chief Executive Officer
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 1999–2001: 273 750; 2002: 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 1999–2001: 121 900; 2002: 45 000

Jussi Huttunen
Senior Executive Vice President, Fine Paper
Born 1954. 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 1999–2001: 46 800; 2002: 45 000

Kai Korhonen
Senior Executive Vice President, Stora Enso North America
Regional Manager North America
Born 1951. Joined the Company 1977 • Member of the Stora Enso R&D Committee • Number of shares held in Stora Enso: 0 • Number of options/synthetic options 1999–2001: 136 900; 2002: 45 000

Pekka Laaksonen
Senior Executive Vice President, Packaging Boards
Country Manager Finland
Born 1956. Joined the Company 1979 • Number of shares held in Stora Enso: 10 000 A • Number of options/synthetic options 1999–2001: 136 900; 2002: 45 000

Esko Mäkeläinen
Senior Executive Vice President and CFO, Finance, 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 1999–2001: 136 900; 2002: 45 000

Arno Pelkonen
Senior Executive Vice President, Timber Products
Born 1954. Joined the Company 1984 • Number of shares held in Stora Enso: 0 • Number of options/synthetic options 1999–2001: 106 900; 2002: 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 1999–2001: 136 900; 2002: 45 000

Yngve Stade
Senior Executive Vice President, Corporate Support and Northern European Forest Units
Country Manager Sweden
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 1999–2001: 136 900; 2002: 45 000

(The Executive Management Group consists of the above-mentioned persons)

Years of issue of options/synthetic options are 1999, 2000, 2001 and 2002.

John F Bergin
Senior Vice President, Stora Enso North America
Born 1943. Joined the Company 1968 • Number of shares held in Stora Enso: 72 247 R shares in form of ADRs • Stora Enso North America warrants entitling to 28 468 R shares in form of ADRs • Number of options/synthetic options 2001: 12 500; 2002: 15 000

Magnus Diesen
Executive Vice President, Corporate Strategy, Investments and Business Planning
Born 1944. Joined the Company 1988 • Chairman of the Stora Enso Investment Committee, Member of the Environmental Committee and R&D Committee • Number of shares held in Stora Enso: 1 000 A • Warrants entitling to 30 000 R shares • Number of options/synthetic options 1999–2001: 77 900; 2002: 30 000

Nils Grafström
Executive Vice President, Market Services and Information Technology
Born 1947. Employed by Stora 1980–97 • Rejoined the Company 2001 • Number of shares held in Stora Enso: 2 000 A • Number of options/synthetic options 2001: 15 000; 2002: 30 000

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 1999–2001: 37 900; 2002: 22 500

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 1999–2001: 92 900; 2002: 30 000

Jyrki Kurkinen
Senior Vice President, Legal Affairs
Born 1948. Joined the Company 1979 • Member of the Stora Enso Disclosure Committee • Number of shares held in Stora Enso: 20 568 R • Warrants entitling to 72 000 R shares • Number of options/synthetic options 1999–2001: 77 900; 2002: 22 500

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 1999–2001: 51 000; 2002: 22 500

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 1999–2001: 92 900; 2002: 30 000

Keith B Russell
Senior Vice President, Investor Relations
Born 1958. Joined the Company 2002 • Number of shares held in Stora Enso: 4 000 R • Number of options/synthetic options 2002: 45 000

Kari Vainio
Executive Vice President, Corporate Communications
Born 1946. Employed by Enso 1980–83 • Rejoined the Company 1985 • Member of the Stora Enso Environmental Committee • Number of shares held in Stora Enso: 3 800 R • Warrants entitling to 45 000 R shares • Number of options/synthetic options 1999–2001: 92 900; 2002: 30 000

Petri Wager
Senior Vice President, Corporate Marketing and Sales
Born 1948. Joined the Company 1973 • Number of shares held in Stora Enso: 0 • Number of options/synthetic options 1999–2001: 43 600; 2002: 22 500

Christer Ågren
Executive Vice President, Human Resources and TQM
Born 1954. Joined the Company 1993 • Number of shares held in Stora Enso: 3 000 R • Number of options/synthetic options 1999–2001: 92 900; 2002: 30 000

Capacities by Mill

Magazine Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	MFC	150
Biron	USA	LWC	375
Corbehem	FRA	LWC	510
Duluth	USA	SC	220
Kabel	DEU	MWC, HWC, LWC	605
Kimberly	USA	LWC	150
Kotka *	FIN	MFC	145
Kvarnsveden	SWE	SC	115
Langerbrugge **	BEL	SC	165
Maxau	DEU	SC	400
Niagara	USA	LWC	220
Port Hawkesbury	CAN	SC	330
Reisholz	DEU	SC	220
Summa ***	FIN	MF	120
Veitsiluoto	FIN	LWC, MWC	425
Whiting	USA	LWC	195
Wolfsheck	DEU	SC, wallpaper	155
Total			**4 500**

*) Capacity increase up to 170 000 tonnes p.a. as of mid October 2003
**) Including the new PM, start-up end of May 2003. Calculated as available capacity for remaining of 2003.
***) Closure of PM1 in May 2003

Newsprint

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	Impr. news, book	375
Hylte	SWE	News	850
Kvarnsveden	SWE	News, impr. news	610
Langerbrugge	BEL	News, impr. news, dir.	175
Maxau	DEU	News	195
Port Hawkesbury	CAN	News	185
Sachsen	DEU	News, directory	330
Summa	FIN	News, impr. news	340
Varkaus	FIN	Dir, impr. news, news	290
Total			**3 350**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Berghuizer	NLD	Uncoated	195
Grycksbo	SWE	Coated	250
Imatra	FIN	Uncoated	215
Kimberly	USA	Coated	280
Nymölla	SWE	Uncoated	445
Oulu	FIN	Coated	875
Suzhou	CHN	Coated	160
Uetersen	DEU	Coated	180
Wisconsin Rapids	USA	Coated	380
Varkaus	FIN	Coated	90
Varkaus	FIN	Uncoated	225
Veitsiluoto	FIN	Uncoated	440
Total			**3 735**

Packaging Boards

Mill	Location	Grade	Capacity 1 000 t
Consumer Boards			
Baienfurt	DEU	FBB	190
Barcelona	ESP	WLC	170
Fors	SWE	FBB	350
Imatra	FIN	SBS, FBB, LPB	865
Ingerois	FIN	FBB	195
Pankakoski	FIN	FBB, GWB, SBB	95
Skoghall	SWE	LPB, FBB, WTL	600
Total			**2 465**
Industrial Papers			
Heinola	FIN	SC fluting	280
Imatra	FIN	Laminating papers	25
Kotka	FIN	Laminating papers	160
Total			**465**
Speciality Papers			
Imatra	FIN	Coated spec.	80
Kimberly	USA	Coated spec.	85
Stevens Point	USA	Coated spec.	185
Uetersen	DEU	Coated spec.	70
Total			**420**
Coreboard			
Pori	FIN	Coreboard	110
St. Seurin-sur-l'Isle	FRA	Coreboard	80
Varkaus	FIN	Coreboard	85
Wisconsin Rapids	USA	Coreboard	35
Total			**310**
TOTAL PAPER & BOARD			**3 660**

Packaging Boards

Mill	Location	Grade	Capacity 1 000 t
Plastic Coating Plants			
Forshaga	SWE	Plastic coating	140
Hammarby	SWE	Plastic coating	35
Imatra	FIN	Plastic coating	280
Karhula	FIN	Plastic coating	45
Total			**500**
Core Factories			
China	CHN	Cores	10
Corenso Edam	NLD	Cores	7
Corenso Elfes	DEU	Cores	30
Corenso Svenska	SWE	Cores	25
Corenso Tolosana	ESP	Cores	15
Corenso UK	GBR	Cores	40
Imatra	FIN	Cores	5
Loviisa	FIN	Cores	25
Pori	FIN	Cores	15
Wisconsin Rapids	USA	Cores	25
Total			**197**
Packaging Plants			
Balabanovo	RUS	Corrugated packaging	
Heinola	FIN	Corrugated packaging	
Jönköping	SWE	Corrugated packaging	
Kaunas	LTU	Corrugated packaging	
Klaipeda	LTU	Corrugated packaging	
Lahti	FIN	Corrugated packaging	
Páty	HUN	Corrugated packaging	
Riga	LTU	Corrugated packaging	
Ruovesi	FIN	Corrugated packaging	
Skene	SWE	Corrugated packaging	
Tallinn	EST	Corrugated packaging	
Tartu	EST	Corrugated packaging	
Uni-Pak Oy, Tiukka	FIN	Corrugated packaging	
Vikingstad	SWE	Corrugated packaging	
Total (million m²)			**650**

Market Pulp

Mill	Location	Grade	Capacity 1 000 t
Celbi	PRT	Short-fibre (euca)	295
Enocell	FIN	Short and long-fibre	630
Kemijärvi	FIN	Long-fibre	230
Norrsundet	SWE	Long-fibre	295
Oulu	FIN	Short and long-fibre	80
Skutskär	SWE	Short, long-fibre and fluff pulp	545
Pulp segment (in bales)			**2 075**

Timber Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³
Bad St. Leonhard	AUT	330	200
Brand	AUT	325	230
Plana	CZE	330	210
Sollenau	AUT	320	240
Ybbs	AUT	600	310
Zdirec	CZE	480	60
Ala	SWE	300	10
Gruvön	SWE	360	200
Honkalahti	FIN	420	140
Kitee	FIN	360	-
Kopparfors	SWE	320	200
Kotka	FIN	290	80
Koski *	FIN	-	-
Linghed	SWE	40	-
Tolkkinen	FIN	270	-
Uimaharju	FIN	300	-
Varkaus	FIN	330	-
Veitsiluoto	FIN	290	-
Imavere **	EST	380	58
Amsterdam	NLD	-	110
Lamco, Sollenau *	AUT	-	85
Wimmer, Pfarrkirchen ***	DE	-	120
Wimmer, Zdirec ***	CZE	-	120
Total		**6 045**	**2 373**

*51% owned by Stora Enso
**33% owned by Stora Enso
***49% owned by Stora Enso

DIP

Mill	Location	Grade	Capacity 1 000 t
Duluth	USA	DIP	40
Keräyskuitu	FIN	DIP	75
Sachsen	DEU	DIP	75
Total DIP			**190**

Associated Company

Mill	Location	Grade	Capacity 1 000 t
Sunila (50%)	FIN	Long-fibre pulp	175

The formula:
(Sum of net saleable production of two best consecutive months / Available time of these two consecutive months) x Available time of the year

Notes

Calculation of Key Figures

Return on capital employed, ROCE (%)	$100 \times \frac{\text{Operating profit}}{\text{Capital employed}^{1)\ 2)}}$
Return on operating capital, ROOC (%)	$100 \times \frac{\text{Operating profit}}{\text{Operating capital}^{1)\ 2)}}$
Return on equity, ROE (%)	$100 \times \frac{\text{Profit before tax and minority items – taxes}}{\text{Equity + minority interests}^{2)}}$
Equity ratio (%)	$100 \times \frac{\text{Equity + minority interests}}{\text{Total assets}}$
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	$\frac{\text{Profit for the period + depreciation}}{\text{Average number of shares}}$
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	$100 \times \frac{\text{Dividend per share}}{\text{Share price at the close of the period}}$
Payout ratio (%)	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$

1) Capital employed = Operating capital – Net tax liabilities
2) Average for the financial period

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Cover stock: Ensocoat 190 g/m^2, Stora Enso, Imatra Mills
(ISO 14001-certified and EMAS-registered FIN-000009)
Text stock: SpectraPress 48,8 g/m^2, Stora Enso, Varkaus Mill
(ISO 14001-certified and EMAS-registered FIN-000015)