

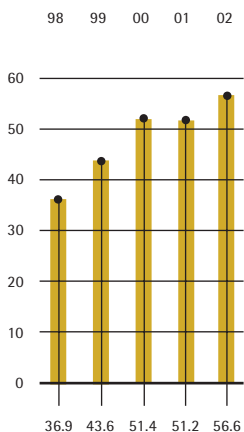
A n n u a l R e p o r t

2 0 0 2

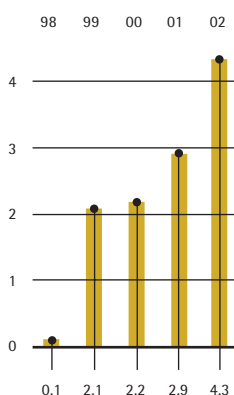


Stromsdal

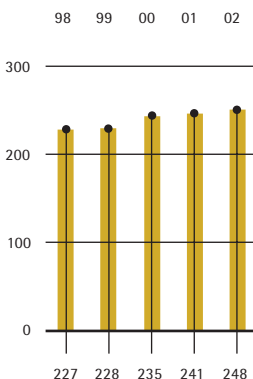
NET SALES, EUR MILLION



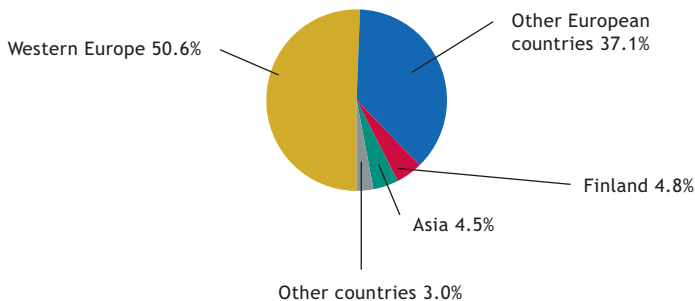
OPERATING PROFIT, EUR MILLION



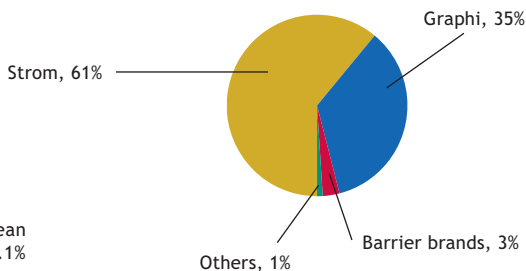
PERSONNEL



SALES BY MARKET AREA 2002



SALES BY GRADE 2002



- Stromsdal in brief 2
- Stromsdal's sales network 3
- Mission, vision, goals and strategy 4
- Managing Director's review 6
- Markets and operating environment 9
- Sales, marketing and customers 10
- Products and product development 13
- Environment 16
- Personnel 17
- Board of Directors' report 18
- Income statements 23
- Balance sheets 24
- Cash flow statements 25
- Notes to the financial statements 26
- Financial indicators 33
- Per-share ratios 34
- Calculation of key indicators 35
- Shares and shareholders 36
- Board of Directors' proposal for profit distribution 40
- Auditors' report 40
- Corporate governance and management 41
- Information for shareholders 44

STROMSDAL IN BRIEF

Stromsdal focuses on the production of premium quality graphical board. The company's strengths lie in its determined specialisation, premium quality products and solid technological expertise. Together with customers and partners, the company actively develops its products' features, seeking innovative new uses for them. Its separate board liner for coating multi-layer board enables flexible production of a comprehensive product range, tailored on demand.

The company's customers are paper wholesalers and various end users such as printing houses, publishing houses and manufacturers of boxes and packaging. Graphical board is used for postcards and greeting cards, posters, folders and book covers, and various publications and catalogues. Stromsdal also produces a special coated board suitable for food packaging and premium quality packaging board for consumer packaging, such as cosmetics, chocolate and pharmaceutical products.

Stromsdal's main markets are Central and Eastern Europe. The plant's production capacity is 70,000 tonnes per year, roughly 95 per cent of which is exported. Stromsdal's production facilities are situated in Juankoski, Central Finland, and the company also owns a sales company in Great Britain.

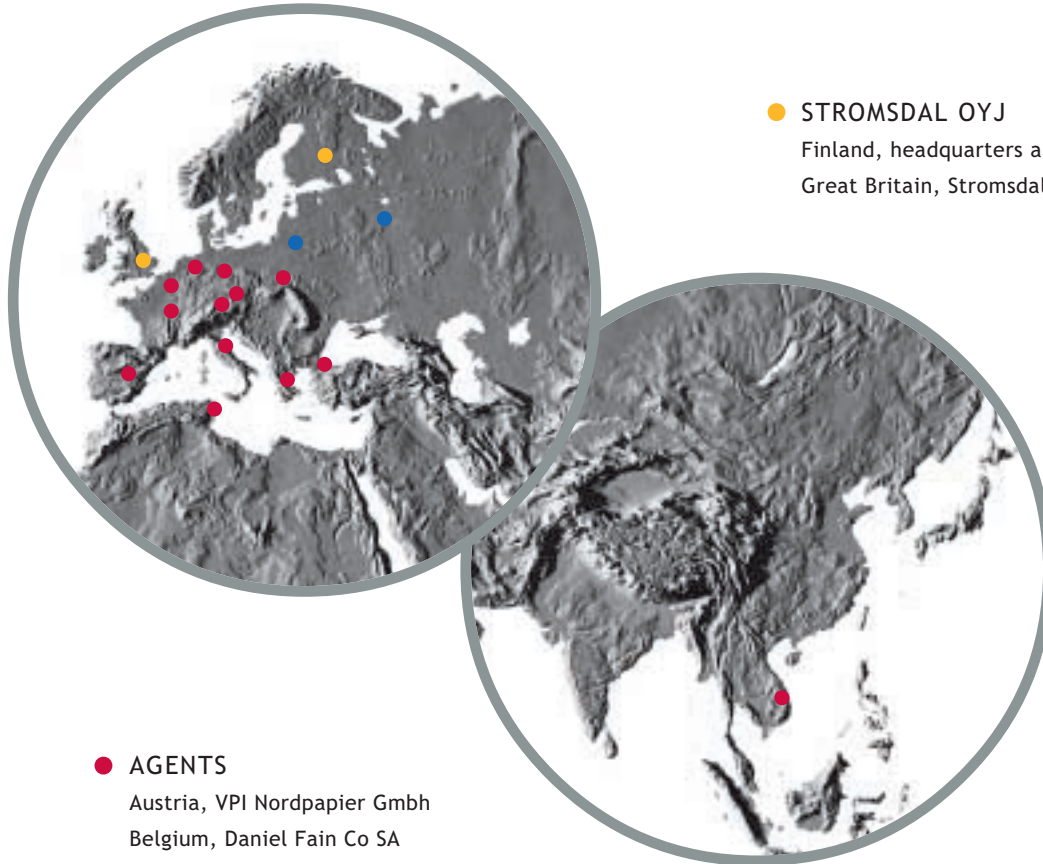
Stromsdal's series B shares have been listed on the Helsinki Exchanges Main List under the company code, STM, since 14 August 1989.

2002 IN BRIEF

- Consolidated net sales amounted to EUR 56.6 million, up 10.5 per cent on a year earlier (EUR 51.2 million).
- Consolidated operating profit came to EUR 4.3 million, improving by 45.3 per cent over the previous year (EUR 2.9 million).
- The company's production volume was 15.0 per cent higher than in 2001, with its total sales volume amounting to almost 60,000 tonnes.
- Stromsdal acquired 43 per cent of UPM-Kymmene's Walki Can liquid packaging system business. Operations will continue under the name of Lamican Oy.
- Stromsdal's share issue in May for existing shareholders was subscribed in full.

KEY FIGURES	2002	2001	Change, %
Production output, tonnes	59,797	51,944	15.1
Net sales, EUR million	56.6	51.2	10.6
Operating profit, EUR million	4.3	2.9	45.3
% of net sales	7.6	5.7	1.9
Profit before appropriations and taxes, EUR million	2.8	1.0	180.0
% of net sales	5.0	2.0	3.0
Balance sheet total, EUR million	40.6	40.7	-0.3
Equity ratio, %	30.9	18.1	12.8
Return on investment, % (ROI)	16.1	12.1	4.0
Return on equity, % (ROE)	24.4	15.1	9.3
Average number of personnel	248	241	2.9

STROMSDAL'S SALES NETWORK



● STROMSDAL OYJ
Finland, headquarters and mill
Great Britain, Stromsdal UK Ltd.

- AGENTS
- Austria, VPI Nordpapier Gmbh
 - Belgium, Daniel Fain Co SA
 - France, Cell International S.A.
 - Germany, Gratenau & Hesselbacher Gmbh & Co KG
 - Greece, QPI – Quality Paper International
 - Holland, BPA Holland
 - Hongkong, Stanley Shao & Co., Ltd
 - Hungary, Kovács & Partner Trading Ltd
 - Italy, Sapii S.R.L.
 - Spain, Renco S.A.
 - Switzerland, ProCart AG
 - Tunis, Color Pack
 - Turkey, Fineks A.S.

● WHOLESALERS

- Poland, Cezex
- Russia, Bereg Ltd.

MISSION, VISION, GOALS AND STRATEGY

Stromsdal's strengths are premium quality and in-depth expertise in board production. As a small, independent operator focusing on its own special field, it presents a positive exception to its competitors. The company invests in product development and is seeking to increase its production volumes.

Stromsdal focuses on the production of premium-quality, highly refined graphical folding box board. The company uses the same production technology for manufacturing premium packaging board with applications close to that of a graphical board. In addition, Stromsdal makes a special coated board for food packaging.

THE AIM: QUALITY LEADERSHIP

Stromsdal aims at being an important European producer of graphical board and becoming the quality leader in selected product segments. The company wishes to be renowned for consistent high quality, technological expertise and excellent customer service. Stromsdal focuses on graphical board product groups differing from those in the volume markets, and is engaged in active product development in order to improve its products' features and to find new applications.

The company aims at profitable growth throughout its businesses. In the long term, it will have the option of expanding through supplementary units or partners, but Stromsdal's current focus is on reinforcing its market position within its key market areas in Central and Eastern Europe. The fact that the company is based in Finland, which is a centre of excellence for the forest industry, this enables it to acquire raw materials efficiently and securely. Moreover, the best possible expertise in the manufacture of graphical board resides in Finland.

ACTIVE STRATEGY

Stromsdal has chosen an active strategy, investing in product development and premium quality and aiming at increasing output. Product development takes place in co-operation with customers and partners, enabling Stromsdal to focus all of its efforts on the correct product development targets through as comprehensive a set of resources as possible. In order to achieve its targets, the company is actively developing not only product quality but also the quality of its business operations at all stages of production, in terms both of deliveries and environmental issues. The company aims to increase its utilisation rates, thus enhancing cost-efficiency.

Stromsdal invests in sales and marketing in order to reinforce the position of its existing key products within its chosen customer segments. The company sells and markets products from its head office in Juankoski, its own sales company in Great Britain and via agents. Stromsdal is systematically expanding its operations within growing markets, such as Eastern Europe, and has chosen product segments in the Middle and Far East, simultaneously striving to reinforce its position in its key market areas in Western Europe.

The Group's key customers are paper wholesalers and end users such as printing houses, publishing houses, box manufacturers and packaging companies. Stromsdal seeks to become a partner with its customers, offering a high quality service and premium products, and to be able to develop its products further according to its customers' needs. The company provides an expert, flexible service for customers, based on its selected range of special products and competencies.

The company is also seeking to expand and develop its business to meet the financial expectations of its owners. As an employer, Stromsdal invests in enhancing the skills of its staff and establishing long-term employment relationships. Its good reputation as an employer entices employees of high quality and expertise into the company.

ENSURING COMPETITIVENESS

Maintaining premium quality is the company's key objective, both in the short and long term. The company's three product groups, graphical boards, premium-quality boxboards and coated special boards, enable it to react quickly to fluctuating demand within any product group and to adapt production flexibly to changing market situations. Its existing products' quality and features are being developed further, so that the changing and more demanding conditions in which the board is used are taken into account in its printing and upgrading. The company's product strategy pays attention to changes in customers' requirements.

Stromsdal's aim is to achieve a 10 per cent share of the market in its main market areas by the year 2005, while its goal in the graphical board market in Eastern Europe is a 20 per cent market share.

To ensure its competitiveness, Stromsdal is developing the expertise and professional skills of its employees on a continual basis. Its sales team is focussing on its market share in premium quality graphical boards, thus striving to improve the profitability of the company. Active sales and marketing efforts are making both Stromsdal's product brands, and the company itself, better known in the markets.

MANAGING DIRECTOR'S REVIEW

For Stromsdal, 2002 was a year full of positive developments. The markets improved steadily, as supply and demand remained balanced in the European market between boxboard and graphical board. Reasonable raw material prices contributed towards our increased results.

INVESTMENTS PAID OFF

Our target for 2002 was to sell the additional capacity resulting from the Stromsdal 2000 investment programme, completed in 2001, and in this we succeeded well. These investments have increased our production volume by 50 per cent from that of 1997. Our production target for 2002 was 62,000 tonnes, but due to the maintenance and installation downtimes caused by the introduction of the modernised cardboard machine line, we slightly undershot this target. However, the 59,800 tonnes produced exceeded the previous year's volume by 15 per cent.

Stromsdal met the targets set for 2002's results. Consolidated net sales increased by 10.5 per cent year-on-year to EUR 56.6 million. Both return on equity and return on investment were high. Our equity ratio climbed to 30.9 per cent thanks to good results and the share issue implemented in the spring of 2002. Thus, we can be satisfied with the successful timing and results of Stromsdal's investments.

DEVELOPMENT BASED ON COMPETENCIES

We have reinforced our organisation and acquired fresh competencies by hiring new key employees. This was necessary to meet our targets. Our focus on human resources also supports Stromsdal's future development and the implementation of the company's strategy. Temporarily, this has caused an increase in relative personnel costs.

Stromsdal's strength lies in its specialisation in graphical board. We aim at quality leadership in our chosen segment, by actively developing our products' features and investigating the possibilities of complementing our product range with new special products. Customer-driven product development and flexibility form the basis of our operations. Stromsdal's position as a specialist in graphical board is solid, and provides the platform for strong market recognition.

In addition to graphical board, Stromsdal produces and develops highly refined special cardboard for the food industry. In 2002, we doubled our sales of TECTA dispersion coated barrier cardboard. Stromsdal holds a 43 per cent interest in Valkeakoski-based Lamican, a company specialising in the manufacture and sale of aseptic board-based packaging materials. In 2003, Stromsdal will continue investing in the development, sales and marketing of barrier cardboard products.

In order to diminish the impact of pulp price fluctuations and cycles on its business operations, Stromsdal decided to enter into long-term pulp price hedging contracts in 2002.



FUTURE GOALS

During 2003, Stromsdal aims at increasing its capacity utilisation rate to its normal level, which will require 4 per cent growth in production over 2002 levels. This will also require a healthy order backlog throughout the year. The market situation in early 2003 is weaker than that of a year before, but we cannot as yet say anything definite for the entire year due to the uncertainty of world economy caused by the war in Iraq. We will continue our determined efforts towards enhancing the competitiveness of the Juankoski cardboard mill, in relation to both quality and productivity.

Our strategy includes the profitable development of our businesses both at home and in other parts of Europe. Any possible expansion of the company, or co-operation with strategic partners, must further promote the continuous improvements achieved in our Juankoski mill.

In spite of the more difficult market situation, the future looks bright for Stromsdal. Our improved competitive edge provides us with excellent preconditions for achieving our goals and reinforcing our position as a producer of premium quality graphical board. I am confident that the positive trend created by our efforts will continue and become even stronger in years to come.

Juankoski, April 2003

A handwritten signature in dark ink, appearing to read 'Björn Forss'. The signature is written in a cursive, flowing style.

Björn Forss

Managing Director



THE UNIQUE **GRAPHIART DUO** IS A SYMMETRICAL, TWO-SIDE FULLY BLADE-COATED BOARD WITH BLEACHED GROUNDWOOD IN THE MIDDLE LAYER. ITS SMOOTHNESS AND GLOSS ON BOTH SIDES COMBINED WITH EXCELLENT BULK AND STIFFNESS MAKE IT THE IDEAL CHOICE FOR DEMANDING GRAPHICAL APPLICATIONS, LIKE COVERS, BROCHURES, FOLDERS, CARDS OR DISPLAY PRODUCTS. IMPROVED WHITENESS BRINGS OUT PRINT AND VARNISH GLOSS TO THEIR FULL ADVANTAGE. EXTRA OPACITY ENABLES PRINTING TWO-SIDED JOBS ON LIGHTER BOARD.

MARKETS AND OPERATING ENVIRONMENT

The forest industry is a very competitive sector, dominated by a few large corporations. As a small company, Stromsdal specialises in the manufacture of graphical board. Approximately 90 per cent of the company's production volume is sold in Europe, which is its main market area. Market trends were favourable in 2002 due to high demand from consumers with the fastest-growing markets being in Eastern Europe and China.

The forest industry produces several types of paper, board, pulp and various wood-based materials. Stromsdal produces board, specialising in graphical folding box board. Further consolidation has taken place within the forest industry, leaving less room for the volume players, but smaller companies continue to specialise in niche product areas.

A COMPETITIVE MULTINATIONAL INDUSTRY

The forest industry is a large-scale industry subject to fierce competition. Internationalisation and capital intensiveness is typical of the sector, and both the forest industry and graphic arts industry are fairly exposed to cyclical changes. When the market is subdued, demand drops and productivity suffers due to excess production, while in reviving markets, demand picks up and pricing opportunities improve. Economic growth, growing populations, improving educational levels and income and the increasing need for various packaging, are the drivers behind the demand for forest products. Such demand is often largely tied to investment levels, but the demand for graphical board is more affected by developments in general consumer demand.

MARKETS AND VOLUMES

It is estimated that demand for paper and cardboard will continue to increase by around 2.5 per cent on an annual basis. Growth in Eastern Europe is clearly more vigorous than in Western Europe, and the graphic arts industry is growing most rapidly in Eastern Europe and China, as printing is transferred to countries where labour costs are low. The demand for graphical board is also linked to the standard of living. For instance, as the standard of living increases in Eastern Europe within countries applying for EU membership, the demand for graphical board will also grow there.

The total volume of the world's cardboard market is estimated to be 12.5 million tonnes per year, while the European cardboard market is estimated at roughly 5.5 million tonnes per year. For graphical board, the volume of Stromsdal's main market area, Western Europe, is approximately 500,000 tonnes per year, solid board accounting for around 38 per cent of this, and folding board for 56 per cent. Approximately 90 per cent of Stromsdal's production is sold in the European market, and 10 per cent to other countries, for instance in the Middle East, and China. Stromsdal is the fourth largest manufacturer of graphical board in Europe, with a 9 per cent market share.

REVIEW OF 2002

Demand for graphical board in 2002 was high. In spite of the low-key general economic situation, consumer demand remained healthy in Europe, with low pulp prices throughout the year. However, the increase in oil prices was reflected in higher transport and packaging costs, which produced price increases.

The gradual decrease in sales via wholesalers has lately formed a growing trend in the graphical board market. Direct sales to printing houses, publishers and packaging manufacturers have increased, as customers seek direct contact with manufacturers. Intense competition in the wholesale trade lies behind this, reflected in poorer service levels as stocks of paper and cardboard are reduced. At the moment, approximately half of Stromsdal's production is sold via wholesalers while the other is sold directly to customers.

STRENGTH IN SPECIALISATION

Stromsdal's customer base, the graphic arts industry, is very fragmented, mainly comprising small and medium-sized companies, only some of which focus on printing on board. There is a niche in the market for a small, independent cardboard producer like Stromsdal, because customers value the company's special expertise and flexible approach.

The basis of profitability and competitiveness lies in premium quality products, good customer service and solid technological expertise. The company's ability to adapt to trade cycles and varying demand in the sector is crucial to its success. Stromsdal's strategy is to focus on state-of-the-art graphical board products which differ from the volume production market, operating instead in the market for special products.

FUTURE DEVELOPMENTS

Market developments are difficult to predict for 2003, and will generally depend on economic developments linked to global politics. However, Stromsdal aims at strengthening its position in the main markets in Western Europe, and increasing its market share in Eastern Europe and selected non-European markets.

While Western Europe's markets and competitive situation are predicted to remain fairly stable, the market in Eastern Europe should continue to grow faster than in other parts of the continent. Some Asian markets are enjoying vigorous growth, through which the demand for graphical board will increase slightly faster than that for packaging board.

SALES, MARKETING AND CUSTOMERS

Demand for board was buoyant in 2002 and Stromsdal achieved its goal of selling all of the mill's additional output. The company reinforced its sales activities and invested in launching its upgraded Graphi grades. Its future aim is to increase the share of its sales based on highly refined products.

Stromsdal has approximately 300 customers, while the ten largest customers account for roughly 55 per cent of total output. Around 50 per cent of its production goes directly to end users and the other half to paper wholesalers, with printing houses, publishers and box and packaging manufacturers being the most important end users. Sales via paper wholesalers enable our grades to be distributed freely in smaller quantities throughout the market place. Stromsdal's main market area is Europe, which accounts for approximately 90 per cent of sales.



GRAPHIART CARD IS A FULLY OFFLINE COATED PREMIUM PAPERBOARD WITH A WHITE MATT COATED REVERSE. WITH ITS EXCELLENT MULTICOLOUR PRINTING QUALITIES EVEN ON THE REVERSE SIDE, GRAPHIART CARD IS THE NUMBER ONE CHOICE ESPECIALLY FOR CARDS, COVERS, CD AND VIDEO SLEEVES, BROCHURES AND LUXURY PACKAGING FOR COSMETICS, CONFECTIONERY AND PHARMACEUTICAL PRODUCTS. THE SMOOTHNESS AND BULK OF GRAPHIART CARD REPRODUCES COLOURS NATURALLY AND ENABLES LIGHTER GRAMMAGES FOR TWO-SIDED PRINT JOBS.

EFFICIENT SALES NETWORK

Exports take up 95 per cent of Stromsdal's output, the company's sales network operating in 17 countries, covering the market areas of 21 countries in all. In 2002, products were sold to over 40 countries. Stromsdal sells 50 per cent of its products via its own sales offices in Finland and Great Britain, the rest being sold via agents. Sales and marketing are centred in the company headquarters in Juankoski, as most customers prefer to have a central mill contact who has extensive knowledge of the product range. However, the company's comprehensive agent network forms an effective sales channel, complementing the company's own direct sales. Agents have good local networks and in-depth knowledge of Stromsdal's products, the network also facilitating a flexible reaction to changes in demand, thus ensuring the cost-efficiency of sales.

A local presence and person-to-person sales efforts form the basis of board sales. Stromsdal's export personnel maintain close contact with their customers, either by visiting them or having them visit the mill. Sales are a long-term effort involving continuous marketing, and becoming accepted as a supplier is a time-consuming business. However, customer relationships are also usually long-term and Stromsdal has a high profile among potential customers.

FOCUSING ON PRODUCTS THROUGH EXTENSIVE UPGRADING

Stromsdal's strategy is to invest in the sale of products through extensive upgrading. Demand is clearly focused on graphical board, with the share of packaging board left far behind. The company is actively striving to increase its sales of Graphi grades, which in 2002 accounted for 35 per cent of sales, with Strom grades accounting for 61 per cent and barrier and other products 4 per cent.

Sales support promotions and materials comprise of various brochures, customer events, samples, campaigns and advertisements placed in trade publications. Technical customer service and factory visits also form an essential part of sales and marketing coupled with the company's reputation, its products and corporate image as a key role in sales.

THE YEAR 2002 AND FUTURE OBJECTIVES

The key objective for 2002 was to sell the output from our additional production capacity. Demand remained buoyant all year, and Stromsdal achieved its goal, with a 15 per cent increase in sales year-on-year. Stromsdal also reinforced its sales organisation and entered the Chinese market. The new, lighter Graphi grades launched last year were well received.

Stromsdal continues to invest in sales and marketing in 2003, for instance by developing its sales network. The objective is to increase the share of sales of Graphi grades further, alongside active campaigning for GraphiArt Duo. The company is also aiming at increasing sales of barrier products, investing in particular in sales to growing markets, and maintaining a high order volume throughout the entire year. The basic requirement for successful marketing and sales efforts is uninterrupted production.

Stromsdal's information system development project, intended to improve customer services and support the work of its agents, will be one of its key projects for 2003. Its web service offers both product information and real time data on progress in processing orders. This project, which also facilitates electronic ordering, is on schedule to enable the introduction of the web service in the autumn 2003.

PRODUCTS AND PRODUCT DEVELOPMENT

Continuous product development and a regularly modernised product range are the key factors in maintaining the market position we have achieved. Stromsdal's comprehensive product range has expanded from graphical and packaging boards to specialist boards. The company develops the features of its existing products on a continual basis, with the additional aim of finding new uses for them. Improvements in production processes are closely based on product development and quality control.

Stromsdal's key product is graphical board. The company also produces premium packaging board with applications which are similar to those of graphical board. Stromsdal's latest product innovation is a special coated board for food packaging.

GRAPHI AND STROM GRADES

Stromsdal's GraphiArt Duo belongs to the top grade of graphical boards, the only one of its kind on the market offering symmetrical, two-side fully blade-coated board. Its symmetrical structure enables the production of a high-quality printing surface on both sides, and the bleached groundwood in its middle layer makes the board stiffer and lighter compared to similar solid chemical pulp boards, simultaneously enhancing opacity. GraphiArt Card and Stromcard are premium fully coated paperboards with one coating on one side and two on the other. GraphiArt Card's lightness and printing qualities compete with solid chemical pulp board, whereas Stromcard is a more traditional board for postcards. Strompack is a packaging board with a double-coated surface and uncoated back.

Graphical board is used for postcards and greeting cards, posters, folders and book covers, and various publications and catalogues, while packaging board is suitable for many kinds of consumer packages, such as cosmetics, chocolate and pharmaceutical products.

SPECIAL BOARDS

Barrier products are dispersion-coated boards suitable for food industry packaging needs. Stromsdal's Tecta product family is designed for direct contact with food, its products withstanding moisture, grease and heat, and being recyclable. These are made of ordinary basic board, with a barrier coating, and typical applications include packaging for confectionery and bakery products. 2002 was the first year in which Tecta products were marketed following the completion of their product development stage. In the near future, new applications will be sought for these products, and active efforts will be made in sales and marketing.

HIGHER PRODUCTION VOLUME

Stromsdal modernised its board mill in line with the four-year investment programme completed in 2001, simultaneously increasing the company's output from 40,000 tonnes to 60,000 tonnes per year. The modernisation of the production plant has enhanced the production process, as interruptions and shutdowns have become less frequent. Last year was its first full year in operation following these investments, falling just over 2,000 tonnes short of the targeted 62,000 tonnes. Nevertheless, production volumes increased by approximately 15 per cent.

Stromsdal's production process begins with wood processing at the groundwood mill. Once the spruce logs have been cut and debarked, they are processed into wood pulp (PGV). Peroxide bleaching enhances the brightness of the pulp, and from here the pulp is fed through storage tanks to the board machine. The board contains an inner layer of mechanical pulp, while the surface and back layers are chemical pulp. The board rolls are transferred to an off-machine coater, which applies coating chemicals to give the product the surface qualities required for graphical applications and the completed board is finished by cutting it into rolls or sheets, as specified in the order. As much as 95 per cent of the board produced is cut into sheets. The off-machine coater enables the mill to react flexibly to varying demand by facilitating the production of different grades, as required. Further development of the production process goes hand in hand with quality control and product development.

PRODUCT DEVELOPMENT REACTS TO MARKET NEEDS

Persistent, long-term product development is the basic requirement for Stromsdal's businesses. New product development goes hand in hand with the enhancement of the quality of existing products, the key to the company's long-term success residing in its ability to launch new products onto the market as soon as the lifecycles of the existing products appear to be reaching their end.

Stromsdal focuses its product development in accordance with market requirements. Market-driven product development also involves close co-operation with customers and partners. Contacts with research and testing institutions in the field are crucial when investigating the possibilities of new technology, and we constantly test our new products and their properties through test print runs. Production always has a role in product development, since we have to be able to produce our new products effectively, using the available production technology. The improvement of quality is seamlessly linked to the development of production processes.

PRODUCT DEVELOPMENT FOCUS

In 2002, Stromsdal invested more in product development, targeting 0.2 per cent of net sales at research and development. The company considerably reinforced its development activities, both through the recruitment of new personnel and by acquiring new equipment. Operations focussing on enhancing the consistent quality of its products and developing a new, lighter product range, were launched during the early summer of 2002.

In future, product development will focus mainly on enhancing the printability of all product grades and improving their visual properties, such as lightness. Moreover, we will investigate the possibilities of improving the strength and water resistance of packaging boards.



TECTA - DISPERSION COATED BARRIER BOARDS ARE DEVELOPED FOR FOOD PACKAGES DEMANDING BARRIER PROPERTIES AGAINST WATER, WATER VAPOUR AND GREASE AS WELL AS HEAT RESISTANCE. TECTABASE IS SUITABLE FOR FAST FOOD, BAKERY PRODUCTS AND DRY AND GREASY GROCERIES. TECTAOVEN IS SUITABLE FOR HEATING IN THE MICROWAVE OR CONVENTIONAL OVEN, WHICH MAKES IT AN IDEAL MATERIAL FOR READY MADE FOOD. TECTAVAPOR GIVES AN EXCELLENT STEAM BARRIER, WHICH IS NECESSARY FOR PRODUCTS WITH A LONG SHELF LIFE. TECTA IS RECYCLABLE AND COMPOSTABLE.

ENVIRONMENT

Responsibility is the key term in Stromsdal's approach to the environment. The company aims to minimise the burden on the environment of all its operations, last year's efforts including an increase in resources for environmentally friendly activities and investments in waste management and energy recycling.

Stromsdal's environmental values include respect for both people and nature, forming a natural basis for the company's environmental thinking, since Stromsdal's board mill is situated in the heart of the town of Juankoski, within a beautiful natural landscape. The company's environmentally friendly thinking also emphasises the importance of relationships with the local community, its operational guidelines in this area including its own quality system, government regulations, legislation on chemicals, waste and the environment and EU directives.

The company has appointed an environmental protection engineer who will join all the managers of the plant, development, planning, the production manager as well as the managing director of the sewage treatment company on the environmental workgroup. Between them their task is to work on environmental issues and prepare our application for a new environmental licence.

CONTINUOUS MONITORING OF ENVIRONMENTAL EFFECTS

The biological sewage treatment plant jointly owned by Stromsdal, the town of Juankoski and Kaavi municipality, treats all mill effluents, and all sewage produced its owner town and municipality. Stromsdal analyses the phosphor and nitrogen content of the effluent, chemical oxygen demand (COD), biological oxygen demand (BOD) and the amount of solids, and constantly monitors the environmental burden on the waterway running beneath the factory. Moreover, the company closely monitors the amount of waste produced. With respect to its atmospheric emissions, Stromsdal reduces the levels of sulphur compounds, nitrogen and particulate emissions on a regular basis. The company assesses the environmental effects of its effluents and emissions, both through measurements and comparisons using values applied throughout the forest industry.

THE YEAR 2002

Saving energy aids the prevention of air pollution, and Stromsdal is engaged in a project targeted at enhancing heat recovery. The company is also examining the possibility of switching to domestic fuel sources. In 2002, the company compiled a comprehensive waste management programme, currently being put into practice by diversifying the ways in which waste is sorted. The company also acquired oil spill response equipment capable of sealing off the entire waterway underneath the mill, if necessary.

FOCUS AREAS AND FUTURE CHALLENGES

The most important tasks for 2003 are extending the activities of the effluent treatment plant and decreasing the burden on the waterways, other focus areas including the introduction of a waste management plan, decreasing the amount of waste produced and increasing the amount of waste recycled. The company also invests in monitoring the volume and quality of the plant's effluents, aiming at reducing the amount of water used in production processes.

Putting the waste management plan into practice involves training personnel to adopt environmentally-friendly attitudes, since all Stromsdal employees are given the responsibility of protecting the environment in their daily work. Since it forms an integral element of the company's business, paying attention to environmental issues is linked to the introduction of improvements in production processes and investment projects.

Thriving personnel with excellent professional skills form the key element of a successful business. Stromsdal encourages its staff to build up their expertise and to take an active role in the further development of the company.

Stromsdal's objective is to form a continuously developing and self-renewing work community, with skilful and committed personnel. Because skilled and motivated staff enhance a company's competitive edge, Stromsdal invests in their well-being, striving to promote an open atmosphere and establish a thriving corporate culture.

It is essential for all Stromsdal employees to appreciate the company's business objectives and their own role as part of a greater whole. The possibility to influence and participate in decision-making makes work more meaningful, with regular unit meetings constituting a key channel for the distribution of information.

STAFF STRUCTURE

At the year-end, Stromsdal Group employed 248 persons, 7 (2.9 per cent) more than in 2001. This increase was due to the growth in production volume. The average age of our employees was around 41 years and even though long-term employment is typical of Stromsdal, almost one third of staff have been with the company for less than five years. 83 per cent are men and 17 per cent women.

STAFF DEVELOPMENT

Stromsdal supports the professional training of its employees. All who are willing can sit the paper industry's professional examination, and the company also invests in training superiors with the aim of creating multi-skilled staff in support of job rotation and promoting the efficiency of production processes. In addition, the company maintains a real time educational record. In 2003, Stromsdal will invest even more in the training and promotion of expertise, since human resources are perceived as a crucial asset for the future of the company.

Stromsdal supports recruitment by regularly accepting trainees and summer workers from educational institutions in the field, both from the surrounding area and other parts of the country. Each new worker has a mentor, either an experienced co-worker or his/her closest superior. Orientation also covers occupational safety issues.

WELL-BEING AT WORK AND INCENTIVES

Striking the right balance between work and leisure is crucial to well-being and fitness for work. Stromsdal supports its employees' physical exercise activities, and the company's PE committee arranges various events such as ice-fishing competitions and family sports events. Employees participate eagerly in competitions between departments.

The company urges its employees to suggest improvements in the way it operates, or working conditions, by paying an initiative bonus, whose size depends on the usefulness of the idea. Stromsdal receives dozens of improvement initiatives each year, and pays a profit-sharing bonus to the entire personnel when the financial statements show a profit.

BOARD OF DIRECTORS' REPORT

NET SALES AND FINANCIAL PERFORMANCE

2002 marked the fifteenth year of operations for Stromsdal Oyj. Consolidated net sales for 2002 amounted to EUR 56.6 million, showing a 10.5 per cent improvement on the previous year (EUR 51.2 million in 2001). Reasons for this improvement included the plant's higher production volumes and the favourable market conditions, together with high demand throughout the year. Operating profit came to EUR 4.3 million, having been EUR 2.9 million in 2001. Profit before extraordinary items achieved EUR 2.8 million (EUR 1.0 million). This positive trend was attributable to increasing sales volumes and moderate increases in the cost of key raw materials. Earnings per share were EUR 1.04 (EUR 0.62).

Consolidated net sales for the last quarter of 2002 came to EUR 14.0 million (EUR 11.9 million in the previous year). Net sales developed relatively steadily last year, amounting to EUR 14.5 million (EUR 13.4 million) for the first quarter, EUR 13.2 million (EUR 12.7 million) for the second and EUR 14.9 million (EUR 13.2 million) for the third quarter. The last quarter's profit before extraordinary items was EUR 0.6 million (EUR 0.2 million). Correspondingly, profit before extraordinary items came to EUR 1.0 million in the first quarter (EUR 0.1 million), EUR 0.4 million for the second (EUR 0.0 million) and EUR 0.8 million (EUR 0.7 million) in the third quarter.

Parent-company net sales rose to EUR 55.9 million, compared to EUR 49.9 million in the previous year, of which exports accounted for 95.8 per cent (96.3 per cent). The parent company's operating profit totalled EUR 4.3 million (EUR 3.1 million in 2001), while profit before extraordinary items was EUR 2.9 million, compared to EUR 1.3 million a year earlier.

Rather high maintenance costs and the non-recurring share issue costs entered under other financing expenses were a burden on profits.

Consolidated return on equity (ROE) rose to 24.4 per cent (15.1 per cent 2001) and return on investment (ROI) to 16.1 per cent (12.1 per cent). Earnings per share were EUR 1.04 (EUR 0.62) and equity per share EUR 5.36 (EUR 4.41).

BALANCE SHEET AND FINANCING

The company's liquidity remained tight during most of the year due to the payback of supplier credits originating from the investment programme completed in 2001 and an increased need for working capital. However, liquidity saw clear improvements as of the end of the third quarter, owing to an improved profit performance and changes in the credit structure related to the investment programme.

The company raised EUR 2.7 million through a share issue targeted at existing shareholders in May. Through the issue, which was subscribed in full, Stromsdal Oyj aimed to strengthen its balance sheet and repay its subordinated loan and long-term investment loan, worth a total of EUR 1.4 million.

The consolidated balance sheet total was EUR 40.6 million (EUR 40.7 million), and equity ratio came to 30.9 per cent (18.1 per cent). Including subordinated loans, the equity ratio is 33.7 per cent (22.9 per cent). Interest-bearing liabilities totalled EUR 19.3 million at the year-end (EUR 22.5 million), including the outstanding subordinated loan and constituting 34.1 per cent of consolidated net sales (43.9 per cent).

The Group's gross capital expenditure totalled EUR 2.7 million (EUR 10.9 million), consisting mainly of follow-up measures relating to the Stromsdal 2000 investment programme, and maintenance investments.

The Stromsdal 2000 programme, completed in October 2001, led to an approximately 50 per cent increase in production capacity over the initial situation in 1997. In 2002, Stromsdal launched a major system project to enhance factory production control, which will be implemented during the last quarter of 2003.

MARKET DEVELOPMENTS

At the beginning of 2002, order volumes for graphical board began to pick up markedly over the previous year. However, most deliveries to Europe during the first quarter involved restocking, since demand in major Western European markets remained rather weak. In addition to customers' restocking, Stromsdal made deliveries to Eastern Europe and non-European markets, where demand was higher than in Western Europe. Total deliveries for the first quarter were up by 15 per cent on a year earlier.

Demand for graphical board during the second quarter remained better than expected, considering the overall market situation. Sales in major Western European markets remained lower than planned, although clear signs of an upswing were apparent as the period drew to a close and the holiday period approached. Demand in Eastern European markets remained as healthy as in the first quarter. Additionally, non-European demand remained strong. First-half deliveries were up by approximately 12 per cent on a year earlier. Prices remained stable and raw material prices, particularly pulp, stayed reasonable.

Demand for consumer packaging and graphical boards remained fairly brisk during the third quarter, too. Although the autumn price increases were somewhat delayed, they were felt in all Stromsdal's main markets during the fourth quarter, while demand for board remained fairly strong in the whole of Europe, and the East European market continued to grow. The average duration for the fulfilment of orders was three weeks in 2002, good for graphical board.

In spite of the subdued economic situation in general, demand for graphical and packing board was buoyant in 2002. Prices for key raw materials increased moderately, while transport and packaging costs increased throughout the year due to rises in oil prices. Stromsdal consolidated its position, particularly in the so-called new Europe, where market growth remained healthy.

SALES AND PRODUCTION

Stromsdal's total sales volume amounted to 59,600 tonnes in 2002, up 15 per cent over the previous year's 51,800 tonnes. Strom grades accounted for 61.3 per cent (60.3 per cent) of total sales and Graphi grades for 34.8 per cent (37.0 per cent). The remaining percentage was divided between supplier and barrier coating. The company slightly undershot its sales targets, mainly due to unforeseen maintenance and repair shutdowns which lowered the utilisation rate of the board mill. Even though production clearly increased over the previous year, it fell slightly short of the budgeted target. Sales volumes in the fourth quarter were similar to the previous quarters and the sales breakdown for 2002 by geographical area was as follows: Western Europe 50.6 per cent, other European countries 37.1 per cent, Finland 4.8 per cent, Asia 4.5 per cent and other parts of the world 3.0 per cent.

Stromsdal's sales and marketing employs ten persons, four of them in Great Britain at Stromsdal UK Ltd. In addition to domestic sales, the Finnish unit is responsible for part of Scandinavian sales and all sales to the Russian and Polish markets. In other areas, agents handle sales to end customers. Stromsdal decided to wind up its own sales agency in Germany in 2002, and continue sales via other agents. Sales to paper wholesalers and end users are split fifty-fifty between the Group's own sales and those of its agents.

The Group's total number of customers amounted to 309 in 2002. The ten largest customers accounted for a total of 44.0 per cent of net sales.

Production remained uninterrupted all year, except for the shutdowns at Midsummer and Christmas due to collective bargaining, and the two-day maintenance shutdown at the groundwood department in May.

The mill's net output totalled 59,797 tonnes (51,994). Barrier coating of purchased materials amounted to almost 600 tonnes and the subcontracting-based coating of board produced by other mills came to 547 tonnes. The board machine's capacity utilisation rate rose to 90.4 per cent from the previous year's 86.6 per cent. 2001's capacity utilisation rate was affected by investment downtime totalling almost 17 days. Due to savings achieved in raw material consumption and favourable cost developments, production costs per tonne produced decreased by almost 8 per cent, year on year. The production volume target set for 2003 is 63,000 tonnes.

Sales of dispersion coated barrier cardboard doubled in comparison to 2001, amounting to over 1,000 tonnes. The main market areas are Finland and Great Britain. Barrier Pack brands with food packaging certificates are TectaOven, TectaBase and TectaVapor. All barrier brands comprise recyclable raw material for recycled fibre paper for which there is no need to separate the coating. Our goal is to increase sales of barrier brands to over 2,000 tonnes in 2003.

RESEARCH AND DEVELOPMENT

Stromsdal reinforced product development in 2002 by hiring a product development manager. Research and development expenses accounted for 0.2 per cent of 2002 net sales (0.4 per cent in 2001). Product development focussed on the further development of product properties, resulting in the launch of a new, lighter cardboard range. Cardboard lightness is a strategic competitive asset, contributing towards improving the visual look of printed graphical products in particular. In future, the focus of product development will be on enhancing the printability of boards and improving their visual properties. Stromsdal will continue to investigate new end-use applications for barrier brands.

PERSONNEL AND ORGANISATION

During the financial year, the parent company's average number of employees was 243 (235). The Group's staff averaged 248 (241), 2.9 per cent more than in 2001. This increase was due to growing production volumes and the reinforcement of product development and maintenance resources. The year-end personnel figures were 234 for the parent company and 239 for the Group.

Salaries and remuneration for the Managing Director and Board of Directors totalled EUR 173,407 in 2002.

Stromsdal decided to wind down its sales office in Germany and shift to agent-based sales there. Correspondingly, the company invested in the development of sales and marketing by adding to its staff in Juankoski, including the recruitment of a product development manager.

SHARES AND SHAREHOLDERS

A total of 935,641 (EUR 2,572,811) Stromsdal shares were traded in 2002, with 34.2 per cent of the capital stock changing hands. The share's highest quotation was EUR 3.8 (on 4th April 2002) and the lowest EUR 1.9 (9th January 2002), while the weighted average for the entire year was EUR 2.75 and the closing rate on 31st December 2002 EUR 2.85. Correspondingly, the market value of capital stock at year-end totalled EUR 7,178,409. Trading in the company's shares in the fourth quarter came to EUR 744,396, meaning that 10.3 per cent of the capital stock changed hands, with the lowest quotation at EUR 2.05 and the highest at EUR 2.95.

STROMSDAL'S SHARE CAPITAL

The Annual General Meeting of 22nd May 2002 decided to decrease Stromsdal Oyj's share capital by EUR 2,224,181.09, from EUR 5,111,231.09 to EUR 2,887,050.00 through the gratuitous lowering of the nominal values of the company's series A and B shares. The nominal share value was applied to all of the company's series A and B shares, a total of 1,519,500. Furthermore, the AGM decided to transfer the amount of this reduction to non-restricted shareholders' equity. Further to its decision to decrease the share capital and in line with a proposal from the Board of Directors, the AGM decided to increase the company's share capital in accordance with the terms of the share issue from 2nd to 17th May 2002, by a maximum of EUR 2,309,640.00 to EUR 5,196,690.00, based on a rights issue for existing shareholders. A total of 96,160 new series A and 1,119,440 new series B shares were subscribed, i.e. a total of 1,215,600 new shares, with a counter book value of EUR 1.90. The share issue was oversubscribed, and no new shares were made available for subscription on the basis of the underwriting guarantee acquired for the issue.

At year-end, the share capital totalled EUR 5,196,690.00. The company's shares are divided into series A and B. On 31st December 2002 the share capital's distribution was as follows:

	No. of shares	% shares	Votes	% of the votes
Series A	216,360	7.91	4,327,200	63.21
Series B	2,518,740	92.09	2,518,740	36.79

ANNUAL GENERAL MEETING

Stromsdal Oyj's Annual General Meeting was held in Juankoski on 22nd May 2002.

In addition to the issues to be decided by the AGM in accordance with paragraph 11 of the Articles of Association, the AGM decided on the company's minimum and maximum share capital, the deletion of the nominal share value and the minimum and maximum numbers of Series A and B shares. In accordance with the Board of Directors' proposal, the AGM also decided to decrease its share capital by lowering the nominal value of shares and increasing its share capital via a rights issue targeted at existing shareholders, from

EUR 2,887,050 to EUR 5,196,690, by issuing a total of 1,125,600 new shares with a counter book value of EUR 1.90. Moreover, the AGM approved the stock-option plan proposed by the Board of Directors, whereby stock options would be offered to key employees and the Managing Director of Stromsdal Oyj as well as Stromsdal Oyj's wholly owned subsidiaries. The related warrants entitle their holders to subscribe for a maximum of 143,900 Stromsdal Oyj B series shares. Share subscriptions based on stock options may increase the number of the company's shares by a maximum of 143,900 shares, increasing the share capital by a maximum of EUR 273,410.

The Annual General Meeting elected the following members to Stromsdal's Board of Directors: Björn Forss, Mårten Forss, Kim Jokipii, Osmo Jääskeläinen, Petri Kangasperko and Usko Rastas.

The meeting of the Board of Directors which followed the AGM elected Kim Jokipii as Chairman and Ari Ketola as Secretary. The Board of Directors convened 16 times during the financial year.

Eero Lumme, Authorised Public Accountant, was elected as Stromsdal Oyj's accountant, with Kari Hyvönen, Authorised Public Accountant as deputy accountant.

PROSPECTS FOR 2003

Demand for graphical board decreased at the beginning of 2003, and competition in Europe has intensified due to a weak US dollar. Competition will therefore remain tough throughout 2003, particularly as the benefits of price increases implemented towards the end of 2002 seem to be slightly lower than estimated.

Stromsdal anticipates that sales volumes will increase somewhat on last year's, with the sales target set at 63,000 tonnes for 2003.

On the basis of the current prospects, sales to Eastern Europe, focussing on Russia, will remain important in relation to the Group's total sales volume. The impact of a threathning war in Iraq will probably decrease demand and increase oil prices.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

Consolidated distributable funds total EUR 6,025,176.86, while the parent company's distributable funds are EUR 6,222,522.25, of which net profit for the period is EUR 1,864,330.38.

The Board proposes that a dividend of EUR 0.10 per share, a total of EUR 273,510, be paid to holders of Stromsdal Oyj series A and B shares entitled to a dividend for 2002.

In the years to come, the company intends to implement a more active dividend policy, according to which the share of net profits paid as dividends will increase as the equity ratio improves. The company is aiming at an equity ratio of over 40 per cent.

Juankoski, 18 March 2003

Stromsdal Oyj

Board of Directors

INCOME STATEMENTS

EUR	Group		Parent company		Note
	1 Jan.–31 Dec.2002	1 Jan.–31 Dec.2001	1 Jan.–31 Dec.2002	1 Jan.–31 Dec.2001	
NET SALES	56,572,289.69	51,153,805.33	55,922,275.19	49,881,160.40	1.1
Increase or decrease in the stock of finished and unfinished products +/-	48,257.08	210,540.02	26,709.05	251,417.94	
Other operating income	265,548.19	271,144.10	265,548.19	275,870.84	1.2
Materials and services	-34,077,764.74	-32,143,729.62	-33,814,741.84	-31,252,732.74	1.3
Personnel costs	-11,090,546.78	-9,685,937.14	-10,874,359.23	-9,419,241.99	1.4
Depreciation and value adjustment	-2,664,461.68	-2,708,442.18	-2,648,390.97	-2,677,219.50	1.5
Other operating costs	-4,767,799.16	-4,148,406.01	-4,615,769.54	-3,917,179.90	1.6
OPERATING PROFIT	4,285,522.60	2,948,974.50	4,261,270.85	3,142,075.05	
Share of associated companies' losses	-51,788.26	-8,426.80			
Financial income and expenses	-1,418,604.98	-1,901,362.61	-1,358,517.01	-1,878,539.20	1.7
PROFIT BEFORE EXTRAORDINARY ITEMS	2,815,129.36	1,039,185.09	2,902,753.84	1,263,535.85	
Extraordinary items +/-	0.00	999.37	5,552.00	10,680.58	1.8
PROFIT BEFORE APPROPRIATIONS AND TAXES	2,815,129.36	1,040,184.46	2,908,305.84	1,274,216.43	
Appropriations			-932,260.11	0.00	1.9
Income tax	-379,207.59	0.00	-111,715.35	0.00	1.10
PROFIT FOR THE FINANCIAL YEAR	2,435,921.77	1,040,184.46	1,864,330.38	1,274,216.43	

BALANCE SHEETS

EUR	Group		Parent company		Note
	31 Dec. 2002	31 Dec. 2001	31 Dec. 2002	31 Dec. 2001	
ASSETS					
FIXED ASSETS					
Intangible assets	110,551.59	247,348.31	110,551.59	247,348.31	2.1.1
Tangible assets	23,521,638.54	23,397,108.86	23,196,625.77	23,052,389.97	2.1.1
Shares in Group companies			304,926.56	304,926.56	2.1.2
Other investments	553,307.97	533,006.25	939,844.67	867,754.69	2.1.2
TOTAL FIXED ASSETS	24,185,498.10	24,177,463.42	24,551,948.59	24,472,419.53	
CURRENT ASSETS					
Inventories	4,348,097.74	4,215,825.21	4,087,144.12	3,971,102.70	2.1.3
Long-term receivables	243,756.46	287,079.36	337,605.32	380,928.22	2.1.4
Current receivables	10,134,048.97	9,183,176.60	10,503,549.51	9,457,432.79	2.1.5
Cash at bank and in hand	1,691,223.82	2,846,545.07	1,430,350.59	2,612,554.14	
TOTAL CURRENT ASSETS	16,417,126.99	16,532,626.24	16,358,649.54	16,422,017.85	
TOTAL ASSETS	40,602,625.09	40,710,089.66	40,910,598.13	40,894,437.38	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	5,196,690.00	5,111,231.09	5,196,690.00	5,111,231.09	2.2.1
Share premium fund	425,460.00	0.00	425,460.00	0.00	2.2.2
Reserve fund	588,918.20	588,918.20	588,918.20	588,918.20	2.2.3
Other funds	2,224,181.09	0.00	2,224,181.09	0.00	2.2.4
Currency translation difference	32,362.06	44,033.76			2.2.5
Profit brought forward	1,640,441.98	600,257.52	2,134,010.78	859,794.35	2.2.5
Profit for the financial year	2,435,921.77	1,040,184.46	1,864,330.38	1,274,216.43	2.2.5
Subordinated loans	1,029,310.35	1,893,795.98	1,029,310.35	1,893,795.98	2.2.6
TOTAL SHAREHOLDERS' EQUITY	13,573,285.45	9,278,421.01	13,462,900.80	9,727,956.05	
APPROPRIATIONS			932,260.11	0.00	2.2.7
LIABILITIES					
Deferred tax liability	270,355.43	0.00			2.2.8
Long-term liabilities	10,540,438.41	12,929,666.93	10,540,438.41	12,929,666.93	2.2.9
Short-term liabilities	16,218,545.80	18,502,001.72	15,974,998.81	18,236,814.40	2.2.10
TOTAL LIABILITIES	27,029,339.64	31,431,668.65	26,515,437.22	31,166,481.33	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	40,602,625.09	40,710,089.66	40,910,598.13	40,894,437.38	

CASH FLOW STATEMENTS

EUR	Group		Parent company	
	1 Jan.-31 Dec.2002	1 Jan.-31 Dec.2001	1 Jan.-31 Dec.2002	1 Jan.-31 Dec.2001
BUSINESS OPERATIONS				
Operating profit/loss	4,285,522.60	2,948,974.50	4,261,270.85	3,142,075.05
Adjustment to operating profit/loss	2,624,566.45	2,708,442.18	2,648,390.97	2,677,219.50
Change in net working capital	-3,366,600.82	5,075,487.26	-3,423,973.73	4,896,284.50
Interest	-1,276,523.67	-1,327,118.50	-1,246,261.25	-1,307,209.70
Dividends received	6,541.02	5,260.27	12,093.02	31,760.27
Other financial items	-148,622.33	-578,504.41	-118,796.78	-592,409.19
Taxes	-111,977.45	0.00	-111,715.35	0.00
NET CASH FLOW FROM BUSINESS OPERATIONS	2,012,905.80	8,832,541.30	2,021,007.73	8,847,720.43
INVESTMENTS				
Purchases of other fixed assets	-2,652,194.64	-10,934,566.59	-2,655,830.05	-10,927,394.69
Increase in other long-term investments	-20,301.72	8,426.80	-72,089.98	0.00
TOTAL CASH FLOW FROM INVESTMENTS	-2,672,496.36	-10,926,139.79	-2,727,920.03	-10,927,394.69
CASH FLOW BEFORE FINANCING	-659,590.56	-2,093,598.49	-706,912.30	-2,079,674.26
FINANCING				
Share issue	2,735,100.00	0.00	2,735,100.00	0.00
Draw of long-term loans	0.00	168,329.74	0.00	168,329.74
Increase/decrease in subordinated loans	-864,485.63	1,893,795.98	-864,485.63	1,893,795.98
Instalments of long-term loans	-2,389,228.52	-165,542.70	-2,389,228.52	-165,542.70
Increase/decrease in long-term receivables	43,322.90	34,913.51	43,322.90	34,913.51
Others	-20,439.44	-3,908.81		
TOTAL FINANCING	-495,730.69	1,927,587.72	-475,291.25	1,931,496.53
Increase/decrease in liquid funds	-1,155,321.25	-166,010.77	-1,182,203.55	-148,177.73
Liquid funds on 1 Jan.	2,846,545.07	3,012,555.84	2,612,554.14	2,760,731.87
LIQUID FUNDS ON 31 DEC.	1,691,223.82	2,846,545.07	1,430,350.59	2,612,554.14

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES 2002

SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Stromsdal Oyj is the parent company of a Group that comprises the following subsidiaries: Juantehtaan Ympäristö Oy, Stromsdal UK Ltd.

Juantehtaan Ympäristö Oy, based in Juankoski, owns and leases industrial real estates and land areas.

Stromsdal UK Ltd., based in Chorley, is a sales company in charge of selling the parent company's products in the UK and Ireland.

The consolidated financial statements also include the accounts of the associated companies Koillis-Savon Ympäristöhuolto Oy, Alfarin Oy and Lamican Oy.

ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

INTRA-GROUP HOLDINGS, INTERNAL BUSINESS TRANSACTIONS AND PROFIT MARGINS, AND CONVERSION DIFFERENCE

The acquisition cost method is applied to eliminate intra-Group holdings. Intra-Group receivables and payables, income and expenditure as well as profit margins are eliminated. Foreign subsidiary figures are converted into euros using the exchange rate quoted by the European Central Bank on the closing day. The conversion difference is entered as conversion difference under non-restricted shareholders' equity.

Associated companies

The accounts of associated companies are consolidated using the equity method. In proportion to Group holding in the associated company, the Group's share of the associated company's profits and losses is shown under financial items.

Fixed assets, depreciation and amortisation

Fixed assets are valued at cost less planned depreciation. Planned depreciation is recorded on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and the groundwood mill	20 years
Board machines	12 years
Coating machines	12 years
Other machinery and equipment	5–10 years
Computer hardware and software	5 years
Other long-term assets	3–5 years

Inventories

Inventories are stated at the lower of acquisition cost or likely net realisable value. Cost is determined on a first-in-first-out (FIFO) basis. In the inventory valuation, in addition to direct acquisition costs, indirect purchasing and manufacturing costs are capitalised.

R&D expenses and long-term assets

Research and development expenses are charged as expenses as incurred.

Items denominated in foreign currencies

All receivables and debts denominated in foreign currencies are valued at the exchange rate of the closing day. Realised and unrealised translation differences are entered in the income statement, with the exception of certain long-term currency loans raised from 1996 until 2001. Exchange rate losses arising from these long-term currency loans are entered in valuation items in the balance sheet, and they are fully depreciated during the financial year.

Leasing contracts

Leasing rates are entered as renting expenses. The leasing rates of the remaining leasing contract period are entered as leasing liabilities in Notes to the Financial Statements.

NOTES TO THE INCOME STATEMENTS

1.1 Net sales by market area (EUR 1,000)

	Group		Parent company	
	2002	2001	2002	2001
Finland	2,792	1,891	2,792	1,891
EU	27,939	25,360	27,289	24,087
Rest of Europe	21,796	20,720	21,796	20,720
USA and Canada	0	1	0	1
Asia	2,595	1,905	2,595	1,905
Other countries	1,450	1,277	1,450	1,277
	56,572	51,154	55,922	49,881

1.2 Other operating income

Other operating income was based on the sale of refuse bark unsuitable for use in the production process for energy generation, on maintenance and servicing provided for the Group's associated companies and from product development contribution.

1.3 Materials and services (EUR 1,000)

	Group		Parent company	
	2002	2001	2002	2001
Materials and supplies				
Purchases during the financial year	27,959	27,140	28,007	26,556
Change in inventories	89	-648	89	-648
	28,048	26,492	28,096	25,908
External services	6,030	5,652	5,719	5,345
	34,078	32,144	33,815	31,253

1.4 Personnel costs (EUR 1,000)

Wages of the production personnel	5,480	4,761	5,480	4,761
Other wages and salaries	3,162	2,853	2,996	2,630
Fringe benefits	44	43	44	43
Pension costs	1,417	1,155	1,386	1,136
Other social costs	1,030	918	1,011	893
	11,134	9,729	10,917	9,463

Management salaries and remuneration

Managing Directors	109	91	109	91
Members of the Board	64	51	64	51
	173	142	173	142

The average number of personnel employed by the Group and parent company during the financial year

Office personnel	52	50	47	44
Operative staff	196	191	196	191
	248	241	243	235

1.5 Depreciation and value adjustment (EUR 1,000)

Buildings and constructions	308	278	308	278
Machinery and equipment	2,181	2,245	2,165	2,214
Intangible rights	110	101	110	101
Other long-term expenditure	33	52	33	52
Factory redemption right	32	32	32	32
	2,664	2,708	2,648	2,677

Planned depreciations within the Group are calculated in keeping with consistent principles, by making straight-line depreciations on the original acquisition price, based on the useful life of fixed assets.

1.6. Other operating costs

Other operating costs primarily consist of fixed costs associated with maintenance, marketing, insurances and services purchased from outside the company.

1.7 Financial income and expenses (EUR 1,000)	Group		Parent company	
	2002	2001	2002	2001
Dividends income				
From others	7	5	7	5
Interest income from long-term investments				
From Group companies	0	0	36	31
From associated companies	14	20	14	20
Total revenue from long-term investments	21	25	57	56
Other interest income and financial income				
Interest income from Group companies	0	0	0	31
Interest income from others	29	69	24	27
Exchange rate gains	671	329	671	329
Interest income from long-term investments, other interest income and financial income, total	721	423	752	443
Interest expenses and other financial expenses				
Interest expenses	-1,320	-1,416	-1,320	-1,416
Depreciation of valuation items and currency translation losses	-472	-751	-443	-749
Other financial expenses	-348	-157	-348	-157
Interest expenses and other financial expenses	-2,140	-2,324	-2,111	-2,322
Total financial income and expenses	-1,419	-1,901	-1,359	-1,879

1.8 Extraordinary income and expenses (EUR 1,000)

Extraordinary income	0	17	6	27
Extraordinary expenses	0	-16	0	-16
	0	1	6	11

Parent company extraordinary income includes Group contribution paid by the subsidiary.

1.9 Appropriations (EUR 1,000)

	Group		Parent company	
	2002	2001	2002	2001
Difference between planned depreciation and depreciation for tax purposes			-932	0

1.10 Direct taxes (EUR 1,000)

Direct taxes on actual business operations	-109	0	-112	0
Change in deferred tax liability	-270	0	0	0
	-379	0	-112	0

NOTES TO THE BALANCE SHEETS

2.1.1 Intangible and tangible assets (EUR 1,000)

	Group		Parent company	
	2002	2001	2002	2001
Intangible rights				
Acquisition cost on 1 Jan.	786	785	786	785
Increases 1 Jan.–31 Dec.	6	1	6	1
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost on 31 Dec.	792	786	792	786
Accumulated planned depreciation 31 Dec.	-681	-572	-681	-572
Book value 31 Dec.	111	214	111	214
Other long-term expenditure				
Acquisition cost on 1 Jan.	247	247	247	247
Increases 1 Jan.–31 Dec.	0	0	0	0
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost on 31 Dec.	247	247	247	247
Accumulated planned depreciation 31 Dec.	-247	-214	-247	-214
Book value 31 Dec.	0	33	0	33
Total intangible assets	111	247	111	247

	Group		Parent Company	
	2002	2001	2002	2001
Land				
Acquisition cost on 1 Jan.	259	259	0	0
Increases 1 Jan.–31 Dec.	0	0	0	0
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost on 31 Dec.	259	259	0	0
Buildings and constructions				
Acquisition cost on 1 Jan.	6,054	5,399	6,054	5,399
Increases 1 Jan.–31 Dec.	508	659	508	659
Decreases 1 Jan.–31 Dec.	0	-4	0	-4
Acquisition cost on 31 Dec.	6,562	6,054	6,562	6,054
Accumulated planned depreciation 31 Dec.	-3,245	-2,937	-3,245	-2,937
Book value 31 Dec.	3,317	3,117	3,317	3,117
Redemption right for an industrial hall				
Acquisition cost on 1 Jan.	638	638	638	638
Increases 1 Jan.–31 Dec.	0	0	0	0
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost on 31 Dec.	638	638	638	638
Accumulated planned depreciation 31 Dec.	-479	-447	-479	-447
Book value 31 Dec.	159	191	159	191
Machinery and equipment				
Acquisition cost on 1 Jan.	39,747	30,004	39,595	29,808
Increases 1 Jan.–31 Dec.	2,052	9,841	2,031	9,787
Decreases 1 Jan.–31 Dec.	-99	-98	-13	0
Acquisition cost on 31 Dec.	41,700	39,747	41,613	39,595
Accumulated planned depreciation 31 Dec.	-22,363	-20,444	-22,343	-20,378
Book value 31 Dec.	19,337	19,303	19,270	19,217
Investments in progress				
Acquisition cost on 1 Jan.	527	43	527	43
Change during the year	-77	484	-77	484
Investments in progress on 31 Dec.	450	527	450	527
Total tangible assets	23,522	23,397	23,196	23,052

Production machinery and equipment				
book value on 31 Dec.	19,016	18,999	19,016	18,999

2.1.2 Shares in Group companies and other investments (EUR 1,000)

Group	Shares	
	Associated companies	Others
Acquisition cost on 1 Jan.	515	18
Increases	42	30
Decreases	0	0
Share of profit/loss for the period	-52	0
Value adjustments	0	0
Acquisition cost on 31 Dec.	505	48

	Group	
	2002	2001
Goodwill on consolidation for associated companies, 31 Dec.	21	32

Parent company	Shares	Shares	Share of the joint contribution fund	Shares
	Group companies	Associated companies		
Acquisition cost on 1 Jan.	305	303	547	18
Increases	0	42	0	30
Decreases	0	0	0	0
Value adjustments	0	0	0	0
Acquisition cost on 31 Dec.	305	345	547	48

Group companies and associated companies	Group holding, %	Parent company holding, %
Subsidiaries		
Juantehtaan Ympäristö Oy	100	100
Stromsdal UK Ltd.	100	100
Associated companies		
Koillis-Savon Ympäristöhuolto Oy	45	45
Alfarin Oy	22.5	22.5
Lamican Oy	43	43

2.1.3 Taxable value of fixed assets (EUR 1,000)	Group		Parent company	
	2002	2001	2002	2001
Materials and supplies	2,664	2,575	2,664	2,575
Work in progress	84	113	84	113
Finished goods	1,600	1,528	1,339	1,283
	4,348	4,216	4,087	3,971

2.1.4 Long-term receivables (EUR 1,000)

Receivables from Group companies				
Loan receivables	0	0	94	94
Receivables from associated companies				
Loan receivables	244	279	244	279
Other receivables	0	0	0	0
Receivables from others				
Loan receivables	0	8	0	8
	244	287	338	381

2.1.5 Current receivables (EUR 1,000)

Accounts receivable	9,166	7,399	7,910	5,772
Receivables from Group companies				
Accounts receivable	0	0	1,649	1,924
Receivables from associated companies				
Accounts receivable	34	6	34	6
Loan receivables	38	35	38	35
Deferred income	0	5	0	5
Receivables from others				
Other receivables	543	1,097	543	1,097
Deferred income	353	493	330	470
Valuation items	0	148	0	148
	10,134	9,183	10,504	9,457

2.2.1 Share capital and changes in shareholders' equity

The parent company's and the Group's share capital comprises the following shares:

Series	No. of shares		Nominal value, EUR	Share capital (EUR 1,000)	
	2002	2001		2002	2001
A	216,360	120,200	1,90	411	404
B	2,518,740	1,399,300	1,90	4,786	4,707
	2,735,100	1,519,500		5,197	5,111

Changes in shareholders' equity (EUR 1,000)

	Group		Parent company	
	2002	2001	2002	2001
Share capital, 1 Jan.	5,111	5,111	5,111	5,111
Increases	2,310	0	2,310	0
Decreases (entry in other funds)	-2,224	0	-2,224	0
Share capital, 31 Dec.	5,197	5,111	5,197	5,111

2.2.2. Share premium fund (EUR 1,000)

Share premium fund 1 Jan.	0	0	0	0
Increases	425	0	425	0
Share premium fund 31 Dec.	425	0	425	0

2.2.3. Reserve fund (EUR 1,000)	Group		Parent company	
	2002	2001	2002	2001
Reserve fund 1 Jan.	589	589	589	589
Increases	0	0	0	0
Reserve fund 31 Dec.	589	589	589	589

2.2.4. Other funds (EUR 1,000)

Other funds 1 Jan.	0	0	0	0
Increases	2,224	0	2,224	0
Other funds 31 Dec.	2,224	0	2,224	0

2.2.5. Profit brought forward (EUR 1,000)

Profit brought forward on 1 Jan.	1,685	640	2,134	860
Payment of dividends	0	0	0	0
Change in translation difference	-12	5	0	0
Profit/loss for the financial year	2,436	1,040	1,864	1,274
Profit brought forward on 31 Dec.	4,109	1,685	3,998	2,134

2.2.6 Subordinated loans as defined in Chapter 5 in the Finnish Companies Act*

Subordinated loans as defined in Chapter 5 in the Finnish Companies Act*	1,029	1,893	1,029	1,893
Total shareholders' equity on 31 Dec.	13,573	9,278	13,462	9,727

Calculation of funds eligible for profit distribution

Profit brought forward	1,640	600	2,134	860
Net profit for the period	2,436	1,040	1,864	1,274
Other funds	2,224	0	2,224	0
Accrued depreciation difference entered in shareholders' equity	-662	0	0	0
Consolidated associated companies' losses	387	335	0	0
Distributable funds	6,025	1,975	6,222	2,134

* The loan raised by Juankosken Kehitysmasuuni Oy (EUR 841 thousand) at 10 per cent interest will fall due for payment in 2006. In addition, the company has subordinated loan (EUR 188 thousand), granted by the National Technology Agency (TEKES) for product development, the loan interest being based on the base rate less one percentage point, but not less than 3 per cent. The loan will fall due for payment during 2003–2005.

2.2.7 Appropriations	Group		Parent company	
	2002	2001	2002	2001
Accrued depreciation difference, 31 Dec.			932	0

2.2.8 Deferred tax liabilities

On appropriations	270	0	0	0
-------------------	-----	---	---	---

2.2.9 Long-term liabilities (EUR 1,000)

Loans from financial institutions	8,904	10,789	8,904	10,789
Pension loans	506	507	506	507
Other long-term debt	1,130	1,634	1,130	1,634
Total long-term liabilities	10,540	12,930	10,540	12,930

Debts maturing after five years or later

Loans from financial institutions	917	1,437	917	1,437
Pension loans	208	409	208	409
	1,125	1,846	1,125	1,846

2.2.10 Short-term liabilities (EUR 1,000)	Group		Parent company	
	2002	2001	2002	2001
Loans from financial institutions	7,704	7,651	7,704	7,651
Accounts payable	5,261	8,131	5,233	8,083
Payables to Group companies				
Payables	0	0	0	-17
Accruals	0	0	7	0
Payables to associated companies				
Payables	60	90	60	90
Accruals	90	0	90	0
Other payables	545	581	322	201
Accruals	2,559	2,049	2,559	2,229
Total short-term liabilities	16,219	18,502	15,975	18,237

Accruals include debts of EUR 1,923 thousand due to annual holiday pay and other payrelated debts, and a total of EUR 194 thousand in deferred interests, and commission-based and annual discount based debt of EUR 298 thousand.

OTHER NOTES

3.1 Contingent liabilities and pledges given (EUR 1,000)	Parent company and the Group	
	2002	2001
For own debt		
Mortgages on buildings and leases	5,174	5,174
Mortgage on company assets	7,568	7,568
Pledges given	8,303	6,004
Shares given as pledge	303	303
Guarantees on Group company's debt	0	0
	21,348	19,049

The mortgages and pledged shares are collateral for loans worth EUR 11.3 million in total, and the other pledges given are collateral for loans totalling EUR 5.6 million.

Stromsdal Oyj guarantees the operations of Stromsdal UK Ltd. for the coming 12 months.

3.2 Leasing liabilities (EUR 1,000)	Parent company and the Group	
	2002	2001
Leasing payments in 2003	155	167
Payments to be made later	177	284
Total leasing liabilities on 31 Dec.	332	451

3.3 Outstanding derivatives contracts, market and par values, 31 December (EUR 1,000)

Commodity swaps		
Market value	-1,077	0
Par value	11,926	0

On 31 December 2002, for the purpose of hedging its pulp purchases, the company had commodity swaps to hedge 5,400 tonne pulp purchases until the end of 2003 and 17,400 tonne pulp purchases until the end of 2004. The swap contract based cash flows realised during the financial year were entered in the income statement. The cash flows from the swaps for their remaining term will be entered in the income statement as they are realised.

In addition, the company concluded a commodity swap contract at a nominal value of EUR 4.8 million after the end of the report period, for the purpose of hedging a total of 9,000 tonne pulp purchases during 2004–2005.

3.5 Pension scheme and pension liabilities

All the Group's employees in Finland are covered by the Employee's Pension Act (TEL), and the pension schemes of those working abroad are arranged as required by the legislation of the country in question. Future unemployment and disability pension liabilities amount to EUR 220 thousand subject to allocation in 2003–2006. These liabilities amount to approximately EUR 100 thousand in 2003.

FINANCIAL INDICATORS

	2002	2001	2000	1999	1998
Production output, tonnes	59,797	51,994	52,452	46,753	39,174
Net sales, EUR million	56.6	51.2	51.4	43.6	36.9
Research and development costs, EUR million	0.10	0.19	0.19	0.33	0.15
% of net sales	0.2	0.4	0.4	0.8	0.4
Gross capital expenditure, EUR million	2.7	10.9	1.9	4.0	4.3
% of net sales	4.8	21.3	3.7	9.2	11.5
Personnel, on average	248	241	235	228	227
Operating profit, EUR million	4.3	2.9	2.2	2.1	0.1
% of net sales	7.6	5.8	4.4	4.7	0.3
Profit before extraordinary items, EUR million	2.8	1.0	0.4	-0.2	-1.4
% of net sales	4.9	2.0	0.8	-0.5	-3.9
Profit before appropriations and taxes, EUR million	2.8	1.0	0.4	-0.2	-1.4
% of net sales	4.9	2.0	0.8	-0.4	-3.9
Return on equity, % (ROE)	24.4	15.1	6.4	-2.9	-21.5
Return on investment, % (ROI)	16.1	12.1	12.8	8.5	1.1
Current ratio	1.0	0.9	1.2	1.0	1.1
Equity ratio, %	30.9	18.1	18.7	17.0	19.5
Interest-bearing liabilities, EUR million	19.3	22.5	19.6	20.9	18.9

Calculation of key indicators is presented on page 35.

PER-SHARE RATIOS

(Calculated on the basis of the general instructions issued by the Finnish Accounting Standards Board)	2002	2001	2000	1999	1998
Earnings per share (EPS)**, EUR	1.04	0.62	0.24	-0.08	-0.87
Total earnings per share, EUR	1.04	0.62	0.24	-0.08	-0.87
Shareholders' equity, EUR/share**	5.36	4.41	3.79	3.55	3.62
Dividend, EUR/B share*	0.10	-	-	-	-
Dividend on profit, %/B share*	10.34	-	-	-	-
Share-issue adjusted dividend/B share*	0.10	-	-	-	-
Payout ratio, %/B share*	9.61	-	-	-	-
Effective dividend yield, %/B share*	3.5	-	-	-	-
Price/earnings ratio, B share	2.7	2.8	4.6	-22.8	-2.0
Share-issue adjusted price on 31 Dec., EUR/B share	2.85	1.72	1.09	1.86	1.71
Share-issue adjusted lowest price, EUR/B share	1.90	1.09	1.09	1.63	1.60
Share-issue adjusted highest price, EUR/B share	3.80	1.82	2.26	2.45	4.08
Share-issue adjusted average price, EUR/B share	2.75	1.48	1.65	1.95	3.00
Market capitalisation, B share, EUR million	7.2	2.7	1.7	2.9	2.6
Development of share trading, B share					
1,000 shares	936	311	535	452	1,046
Trading, %	43.4	22.2	38.2	32.3	74.8
Number of issue-adjusted shares,					
Series B share, 1,000					
Weighted average for the period	2,154.67	1,541.64	1,541.64	1,541.64	1,541.64
Average for the period, diluted	2,111.22	-	-	-	-
At period-end	2,518.74	1,541.64	1,541.64	1,541.64	1,541.64
Number of shares adjusted for dilution	2,475.31	-	-	-	-
Series A share, 1,000					
Weighted average for the period	185.09	132.43	132.43	132.43	132.43
At period-end	216.36	132.43	132.43	132.43	132.43

* Board's proposal to the Annual General Meeting.

** The figure is not presented as diluted since it would exceed the undiluted one.

CALCULATION OF KEY INDICATORS

- 1) RETURN ON EQUITY (ROE)
$$\frac{\text{(Profit before extraordinary items - taxes for the financial year)}}{\text{Shareholders' equity + minority interest + provisions (on average during the year)}} \times 100$$
- 2) RETURN ON INVESTMENT (ROI)
$$\frac{\text{(Profit before extraordinary items + interest cost and other financial expenses)}}{\text{Balance sheet total - interest-free liabilities (on average during the year)}} \times 100$$
- 3) EQUITY RATIO
$$\frac{\text{(Shareholders' equity + minority interest)}}{\text{Balance sheet total - payments received in advance}} \times 100$$
- 4) CURRENT RATIO
$$\frac{\text{Financial assets + inventories}}{\text{Current liabilities}}$$
- 5) EARNINGS PER SHARE (EPS)
$$\frac{\text{Profit before extraordinary items - taxes - minority interest}}{\text{Share issue adjusted average number of shares}}$$
- 6) TOTAL EARNINGS PER SHARE
$$\frac{\text{Profit before appropriations - taxes for the financial year}}{\text{Share issue adjusted average number of shares}}$$
- 7) DIVIDEND RATIO
$$\frac{\text{Share issue adjusted dividend per share}}{\text{Earnings per share}} \times 100$$
- 8) EFFECTIVE DIVIDEND YIELD
$$\frac{\text{Share issue adjusted dividend per share}}{\text{Share issue adjusted quoted price on the closing day}} \times 100$$
- 9) SHAREHOLDERS' EQUITY PER SHARE
$$\frac{\text{Restricted and non-restricted equity}}{\text{Share issue adjusted average number of shares}}$$
- 10) PRICE PER EARNINGS (P/E) RATIO
$$\frac{\text{Share issue adjusted quoted price on the closing day}}{\text{Profit per share}}$$
- 11) SHARE ISSUE ADJUSTED AVERAGE PRICE
$$\frac{\text{Total turnover of shares in EUR}}{\text{Share issue adjusted number of shares traded during the financial year}}$$
- 12) MARKET CAPITALISATION
$$\text{Number of shares} \times \text{share price on the closing date}$$

SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

Stromsdal Oyj's minimum share capital is EUR 4 million and maximum share capital EUR 50 million: its upper and lower limits without revisions to the Articles of Association. The company's registered share capital totalled EUR 5.2 million on 31 December 2002, comprising 2,735,100 shares. The nominal share value is EUR 1.90, and it is divided into series A and series B shares, the latter being quoted on the Main List of the Helsinki Exchanges.

All of Stromsdal's 2,735,100 shares have been entered into the book-entry securities system. Of the shares, 216,360 are series A and 2,518,740 series B, each series A share entitling the holder to 20 votes at the AGM and each series B share entitling the voter to one vote.

Of Stromsdal's capital stock, 7.91 per cent are series A shares, accounting for 63.12 per cent of the votes, held by five owners. Series B shares account for 92.09 per cent of the capital stock and 36.79 per cent of the votes.

A rights issue was implemented in 2002, offering Stromsdal's existing shareholders the possibility to subscribe for new shares against the shares they owned, in accordance with the pre-determined subscription ratio, meaning that for each five existing shares, shareholders could subscribe for four new shares at a subscription price of EUR 2.25.

The series A shares were fully subscribed, and the 1,119,440 series B shares oversubscribed by 196,331. This rights issue increased the company's share capital by 96,160 series A shares and 1,119,440 series B shares, resulting in a total increase of EUR 2,309,640 in share capital. The new shares correspond to 44.44 per cent of Stromsdal Oyj's share capital and voting rights. Trading in the new series B shares subscribed to in the rights issue began on the Main List of the Helsinki Exchanges on 24 May 2002.

QUOTATION OF SHARES

Stromsdal's series B shares have been quoted on the Main List of the Helsinki Exchanges since 14 August 1989. The company's trading code is STMB5 and its stock lot 100 shares. The share series' ISIN code for international securities clearance is FI0009003453.

SHAREHOLDERS

At year-end, Stromsdal had a total of 1,283 shareholders, of which 1,281 were under direct ownership and 2 nominee-registered. The number of shares in joint accounts was 15,024, all of which were series B shares, representing 0.55 per cent of all shares. A total of 117,120 series B shares were nominee-registered on 31 December 2002.

Stromsdal's ten largest shareholders owned a total of approximately 23 per cent of the shares, accounting for 69 per cent of voting rights. A total of 1.12 per cent of shares were in foreign ownership, all directly owned.

Shareholding and voting rights of Stromsdal Oyj's ten major shareholders, excluding nominee-registered owners, on 31 December 2002:

	No. of A shares	No. of B shares	%	Votes	%
Juankosken Kehitysmasuuni Oy	95,400	19,016	4.18	1,927,016	28.15
Forcera Oy	90,720	11,047	3.72	1,825,447	26.66
PIM Partners Ab	10,080	12,574	0.83	214,174	3.13
CHC-Invest Oy	10,080		0.37	201,600	2.94
RMG-yhtiöt Oy	10,080		0.37	201,600	2.94
Enterpack Oy		117,860	4.31	117,860	1.72
Uusitalo Reino		108,860	3.98	108,860	1.59
Oksanen Markku		60,916	2.23	60,916	0.89
Jylhä Tapio		50,000	1.83	50,000	0.73
Jensen Kim		44,600	1.63	44,600	0.65
Total	216,360	424,873	23.44	4,742,073	69.41

Members of Stromsdal's Board of Directors and the Managing Director held, either directly, or indirectly via companies they owned, around 6.8 per cent of company shares, thus controlling around 27.8 per cent of votes. Of the Board members, Petri Kangasperko owned 26,233 and Kim Jokipii 54,000 series B shares. Kim Jokipii's shares were in administrative registration, while Björn Forss, Managing Director, and Mårten Forss, Member of the Board, did not own any shares directly, but through their partnerships in the investment company, Forcera Oy. Other members of the Board did not own any shares in Stromsdal Oyj.

PARTNERSHIP AGREEMENT

Owners of Stromsdal's series A shares signed a partnership agreement on 4 December 2001, binding them to co-ordinate their votes in electing members of the Board at Stromsdal's general meetings. The partners are committed to promoting Stromsdal's profitability, and seek to retain the majority of voting rights, their holdings entitling them to 63.4 per cent of voting rights at the moment.

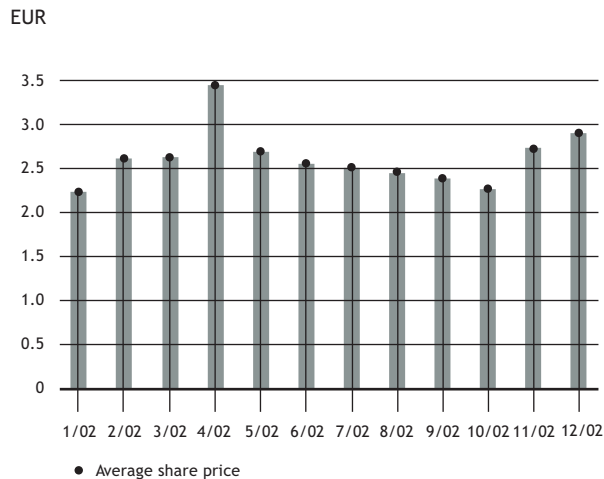
SHARE TRADING AND SHARE PRICE DEVELOPMENT

In 2002, a total of 935,641 Stromsdal B shares were traded on the Helsinki Exchanges, constituting 34.2 per cent of the capital stock. The share's highest quotation was EUR 3.8 (on 4 April 2002) and the lowest EUR 1.9 (9 January 2002), while the average rate was EUR 2.75 and the closing rate on 31 December 2002 EUR 2.85. Correspondingly, the market value of capital stock at the year-end totalled EUR 7,178,409.

Stromsdal Oyj shares have been quoted on the Helsinki Exchanges since 14 August 1989. During the year, the company's shares were traded as follows:

Shares traded		Share price		Average		Market value, EUR	Taxable value, EUR
EUR	No.	highest EUR	lowest EUR	daily turnover EUR	No.		
2,572,811	935,641	3.80	1.90	10,333	3,758	7,178,409	2.01

Monthly performance of Stromsdal's series B share in 2002:



STROMSDAL'S DIVIDEND POLICY

In the years to come, the company intends to implement a more active dividend policy, according to which the share of net profits paid as dividends will increase as the equity ratio improves. The company is aiming at an equity ratio of over 40 per cent.

DIVIDEND FOR 2002

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share, a total of EUR 273,510, be paid to holders of Stromsdal Oyj series A and B shares who are entitled to a dividend for 2002.

TAXABLE VALUE OF THE SHARE IN FINLAND

The taxable value in Finland for Stromsdal's shares has been confirmed at EUR 2.01 for 2002.

STOCK OPTIONS

Stromsdal's Annual General Meeting of 22 May 2002 approved a stock-option plan, whereby stock options would be offered to key employees and the Managing Director of Stromsdal Oyj as well as Stromsdal Oyj's wholly owned subsidiaries. The related warrants entitle their holders to subscribe for a maximum of 143,900 Stromsdal Oyj series B shares. This corresponds to approximately 5.0 per cent of company shares and 2.1 per cent of votes.

One half or 71,950 stock options entitle their holders to subscribe for shares as of 1 July 2005 and the other half, 71,950, as of 1 July 2006. The period of subscription for all warrants will end on 1 July 2007. Share subscriptions based on stock options may increase the number of Stromsdal's shares by a maximum of 143,900 shares, increasing the share capital by a maximum of EUR 273,410. In accordance with the company's stock option plan terms, the subscription price for series A options is EUR 3.44 and for series B, EUR 3.58.

Shares entitle the holder to a dividend for the period during which the shares have been subscribed. Other rights will take effect after the increase in share capital has been entered in the trade register.

The option plan is intended as part of the incentive and loyalty reward scheme for Stromsdal's personnel.

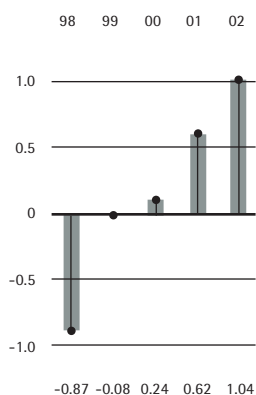
The distribution of shareholders by sector as of 31 December 2002:

	Shareholders	%	No. of shares	%	No. of votes	%
Companies	111	8.59	679,209	24.83	4,790,049	69.97
Financial institutions and insurance companies	6	0.39	145,862	5.33	145,862	2.13
Public-sector organisations	1	0.08	12	0.00	12	0.00
Non-profit organisations	2	0.16	1,100	0.04	1,100	0.02
Households	1,159	90.47	1,863,131	68.13	1,863,131	27.21
Foreign shareholders	4	0.31	30,762	1.12	30,762	0.45
Total	1,283	100.0	2,720,076	99.45	6,830,916	99.78
Total on waiting list			0	0.00	0	0.00
In joint account			15,024	0.55	15,024	0.22
Number of shares issued			2,735,100	100.0	6,845,940	100.0

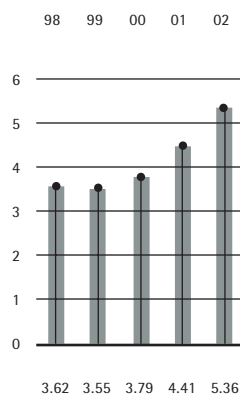
Distribution of shareholders by number of shares held, as of 31 December 2002:

Shares	No. of shareholders	%	No. of shares held	%	No. of votes	%
1-100	420	32.74	13,609	0.50	13,609	0.20
101-200	95	7.40	16,759	0.61	16,759	0.24
201-500	171	13.33	69,908	2.56	69,908	1.02
501-1,000	224	17.46	196,074	7.17	196,074	2.86
1,001-	373	29.07	2,423,726	88.61	6,534,566	95.46
Total	1,283	100.0	2,720,076	99.45	6,830,916	99.78
Total on waiting list			0	0.00	0	0.00
In joint account			15,024	0.55	15,024	0.22
Number of shares issued			2,735,100	100.0	6,845,940	100.0

EARNINGS PER SHARE, EUR



SHAREHOLDERS' EQUITY, EUR/SHARE



BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The Group's distributable funds total EUR 6,025,176.86. The parent company's distributable funds amount to EUR 6,222,522.25, including a net profit of EUR 1,864,330.38 for the financial year. The Board proposes that a dividend of EUR 0.10 per share, a total of EUR 273,510.00, be paid for 2002.

Juankoski, 18 March 2003



Kim Jokipii



Mårten Forss



Petri Kangasperko



Osmo Jääskeläinen



Björn Forss



Usko Rastas

AUDITORS' REPORT

TO THE SHAREHOLDERS OF STROMSDAL OYJ

I have audited the accounting, the financial statements and the corporate governance of Stromsdal Oyj for the period 1 January to 31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on my audit I express an opinion on these financial statements and on corporate governance.

I have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that I perform the audit to obtain reasonable assurance about 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 significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of my audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In my opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by me. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 18 March 2003



Eero Lumme, Authorised Public Accountant

CORPORATE GOVERNANCE AND MANAGEMENT

CORPORATE GOVERNANCE AND MANAGEMENT

CORPORATE GOVERNANCE

Stromsdal's corporate governance is based on generally accepted corporate governance and ethical principles, as stated in the Finnish Companies Act, security markets legislation and other rules and regulations applicable to the governance of public companies. The principles mentioned are intended to complement the legislation in force.

ANNUAL GENERAL MEETING

Stromsdal's Annual General Meeting, Board of Directors and Chief Executive Officer bear the main responsibility for the company's governance and operations. The company's shareholders exercise the final decision-making powers at the Annual General Meeting, which convenes once a year. The AGM decides on the number of members to be elected to the Board of Directors, and elects them. Moreover, in accordance with the Companies Act, the AGM's tasks include possible revisions of the Articles of Association, the adoption of the financial statements, setting the amount of the dividend and appointing auditors.

THE BOARD OF DIRECTORS

The Annual General Meeting elects three to ten members for the Board of Directors for a term of one year. According to the shareholders' agreement for holders of series A shares, the members of Stromsdal's Board of Directors must be persons approved by such shareholders. However, if they cannot reach mutual agreement on the membership of the Board, it shall consist of the following:

- Two members appointed by the town of Juankoski, of which only one may be a town employee
- Two members appointed by Forcera Oy and
- One member appointed jointly by PIM Partners AB, CHC-Invest Oy and RMG-yhtiöt Oy.

The Board shall elect one of its members to serve as Chairman. If the Board members cannot agree on the Chairman, all of the parties concerned shall jointly elect one more member to the Board, and the Board shall appoint this person Chairman of the Board.

The Finnish Companies Act and other applicable legislation define the tasks and responsibilities of Stromsdal's Board of Directors. The Board has general authority in all company matters not defined by the law or Articles of Association as matters to be decided or performed by other bodies. Among other things, the Board is responsible for Stromsdal's strategic policy and the effective organisation of the company's business operations and corporate administration. The Board of Directors must work in the interests of the company at all times.

The Board's main tasks include confirming the Group's business strategy, making final investment decisions and other major, strategically important decisions such as company acquisitions and purchasing or winding down business operations, defining the company's dividend policy and drafting proposals to the AGM on the payment of the annual dividend, appointing the managing director or his deputy, and issues related to risk management and internal administration.

Stromsdal's Board of Directors convened 16 times in 2002.

MANAGING DIRECTOR

The Board of Directors appoints Stromsdal's Managing Director. The Managing Director is in charge of the company's business operations and operational management in accordance with the instructions and authorisation issued by the Board of Directors.

Björn Forss has been the Managing Director of Stromsdal since 1 October 1991.

MANAGEMENT TEAM

Stromsdal's management team consists of five members, but its membership can be expanded, if required by the matter in hand. The management team's main task is to assist the managing director and monitor and develop the company's operations in line with the set targets, to share information and prepare investment decisions for the Board of Directors. The management team convenes on a regular basis, once a month.

AUDITORS

The company's auditors are Eero Lumme, Authorised Public Accountant, holding the main responsibility for the audit, and Kari Hyvönen, Authorised Public Accountant, as deputy auditor.

SALARIES AND REMUNERATION

The Annual General Meeting confirms the remuneration of Board members on an annual basis in advance. The Board of Directors confirms the salary and other benefits of the Managing Director and other top executives of the company. In 2002, the total sum of salaries and remuneration with other benefits paid to the Board of Directors of Stromsdal Oyj was EUR 64,050. The Managing Director's salary and remuneration with other benefits totalled EUR 109,356.

Since 1997, Stromsdal has implemented a profit-sharing bonus system covering its entire personnel, excluding the employer's representatives on the management team. The profit-sharing bonus is paid each year in which Stromsdal Oyj's financial statements show a profit, and is approved by the Annual General Meeting. The bonus is determined on the basis of profit after financial items.

MONITORING SYSTEMS

The company auditor elected by the Annual General Meeting is also responsible for the internal auditing of the relevant parts of the company. Eero Lumme, Authorised Public Accountant, is in charge of instructing and co-ordinating the audit. The auditors issue shareholders with the statutory auditors' report on the annual financial statements and report their findings to the Board of Directors in connection with quarterly reviews.

BOARD OF DIRECTORS

KIM JOKIPII, born in 1948

Member of the Board since 2002,

Chairman of the Board since 2002

Education: B.Com., MBA, LL.M.

Other positions: 1990-1995 Managing

Director, Sappi Europe, London; 1995-1998

Managing Director, Papeis INAPA, Lisbon;

Managing Director since 1999, MERCOR Ltd

Ownership of Stromsdal's shares: owns

54,000 of Stromsdal Oyj's series B shares

representing a total of 1.97 per cent of the

company's share capital

No stock options

BJÖRN FORSS, born in 1948

Member of the Board 1987-1994 and since 1996

Education: M.Sc. (Eng.)

Managing Director of Stromsdal Oyj since 1991

Other positions: 1984-1991 Managing

Director, Roibox Oy; Member of the Board

since 2002, Kuopio Chamber of Commerce;

Member of the Board since 1996,

Finnish Forest Industries Federation

Ownership of Stromsdal's shares: a partner

in the investment company, Forcera Oy,

which owns 90,720 of Stromsdal's series

A shares and 11,047 series B shares,

representing a total of 3.72 per cent

of the company's share capital

44,900 stock options

MÄRTEN FORSS, born in 1955

Member of the Board since 2002

Education: B.Sc.(Econ.), Authorised Public

Accountant

Other positions: 1979-1993 accountant,

partner, Arthur Andersen & Co.; 1993-2002

Chairman of the Board, partner, Revico

Grant Thornton Oy; Chairman of the Board

and Group Managing Director since 2002,

Flag Holding Oy

Ownership of Stromsdal's shares: partner in

the investment company Forcera Oy, which

owns 90,720 of Stromsdal's series A shares and

11,047 series B shares representing a total

of 3.72 per cent of the company's share capital

No stock options

OSMO JÄÄSKELÄINEN, born in 1942

Member of the Board since 1996

Education: M.Sc. (Forestry)

Other positions: 1987-1997 Managing

Director, Kuopio Chamber of Commerce;

Member of the Board since 1993, Lujayhtiöt

Oy; Chairman of the Board since 1994,

Scantarp Oy; Vice Chairman of the Board

since 2000, Iisalmen Sahat (IPO Oy)

Ownership of Stromsdal's shares: no shares

No stock options

PETRI KANGASPERKO, born in 1953

Member of the Board since 1996

Education: M.A.(Soc.Sc.)

Other positions: 1993-1998 Municipal



From left to right: Board member Petri Kangasperko, Chairman of the Board Kim Jokipii, Board member Björn Forss, Secretary of the Board Ari Ketola and Board members Osmo Jääskeläinen, Usko Rastas and Mårten Forss



From left to right: members of the Management team Elina Rehn, Björn Forss, Ari Ketola, Pirjo Pitkänen and Matti Mäkeläinen

Manager, Juankoski; Town Manager since 1998, Juankoski; Vice Chairman of the Board since 1996, Koillis-Savon Kehitys Oy; 1999-2001 Vice Chairman of the Board, 2002 Chairman of the Board, 2003 Vice Chairman of the Board, Savon Energia Holding Oy
 Ownership of Stromsdal's shares: owns 26,233 of Stromsdal Oyj's series B shares representing 0.96 per cent of the company's share capital
 No stock options

USKO RASTAS, born in 1940
 Member of the Board since 2002
 Education: M.Sc. (Forestry)
 Other positions: 1996-1998 Managing Director, Enso Group, Anjalankoski mills; 1998-2002 Managing Director, Stora Enso, Ingerois Oy; 1998-2002 General Manager, Stora Enso, Anjalankoski mills
 Ownership of Stromsdal's shares: no shares
 No stock options

MANAGEMENT TEAM

BJÖRN FORSS, born in 1948
 Member since 1991, Chairman of the management team
 Education: M.Sc. (Eng.)
 Ownership of Stromsdal's shares: partner in the investment company Forcera Oy, which owns 90,720 of Stromsdal's series A shares and 11,047 series B shares representing a total of 3.72 per cent of the company's share capital
 44,900 stock options

ARI KETOLA, born in 1951
 Member since 1991
 Education: M.Sc. (Econ.), B.A.
 Ownership of Stromsdal's shares: owns 26 of Stromsdal Oyj's series B shares representing 0.001 per cent of the company's share capital
 No stock options

MATTI MÄKELÄINEN, born in 1943
 Member since 1998
 Education: M.Sc. (Eng.)
 Ownership of Stromsdal's shares: no shares
 40,000 stock options

ELINA REHN, born in 1949
 Member since 2001
 Education: M.Sc. (Eng.), Export Marketing Programme/Export Manager
 Ownership of Stromsdal's shares: no shares
 No stock options

PIRJO PITKÄNEN, born in 1947
 Employee representative since 2002
 Laboratory technician
 Ownership of Stromsdal's shares: owns 18 of Stromsdal Oyj's series B shares representing 0.0007 per cent of the company's share capital
 No stock options

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

Stromsdal Oyj's Annual General Meeting will be held in Stromsdal's conference facilities in Juankoski at 10 a.m. on 15 May 2003. All shareholders registered by 5 May 2003 in the company's shareholder register, maintained by the Finnish Central Securities Depository Ltd, are entitled to attend the meeting.

Furthermore, shareholders whose shares have not been entered into the book-entry securities system but who were entered as shareholders in the share register by 7 April 1997, or who have notified the company of their title and provided evidence thereof, are also entitled to attend the meeting. In such cases, shareholders must present their share certificates at the meeting, or be able to account for the whereabouts of the certificates, or provide an explanation as to why their shares have not yet been entered into the book-entry securities account. Such shareholders are kindly requested to contact the company in advance to furnish such an explanation.

Shareholders who wish to attend the Annual General Meeting must notify the company by noon on 14 May 2003, either by letter, addressed to Stromsdal Oyj, Share Register, P.O. Box 33, FIN-73501 Juankoski, telefax +358 17 612 008, e-mail tuija.lepisto@stromsdal.fi or phone +358 17 688 641 (Ms Tuija Lepistö). Written notifications of attendance must arrive by the above date. Any proxies must be submitted together with the notifications of attendance.

FINANCIAL INFORMATION IN 2003

In addition to the report on the financial statements and Annual Report for 2002, Stromsdal will publish three interim reports for 2003 as follows:

- Interim report for January–March 5 May 2003
- Interim report for January–June 1 August 2003
- Interim report for January–September 7 November 2003

The Annual Report and interim reports will be issued in both Finnish and English. Copies are available from Stromsdal Oyj, P.O. Box 33, FIN-73501 Juankoski, tel. +358 17 688 641, fax +358 17 612 008, e-mail stromsdal@stromsdal.fi. Financial information is also available on the company website, at www.stromsdal.com.

STROMSDAL OYJ'S SHARES

The company has a total of 2,735,100 shares, 216,360 of which are series A and 2,518,740 series B. Series B shares are quoted on the Helsinki Exchanges. Stromsdal switched to the book-entry securities system in 1997. After the registration date, shareholders can only receive dividends and exercise their subscription rights after their share certificates have been exchanged for book-entry securities.

Stromsdal Oyj has not adopted the new insider instructions, effective since 1 March 2000 and recommended to public companies. These instructions extend the group of permanent insiders and specify trading restrictions prior to the disclosure of company results.

Stromsdal Oyj FIN-73500 Juankoski, Finland tel. +358 17 688 641 fax +358 17 612 008

e-mail: stromsdal@stromsdal.fi www.stromsdal.com

