Annual Report 2002

SUNILA

Contents

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Report of the Board of Directors

Pulp market

Market pulp production in the Nordic countries and North America (Norscan) totalled 21.8 million tonnes (20.7 million tonnes in 2001). Production was 1.1 million tonnes higher than the year before. The operating rate was 91 per cent compared to 87 per cent in 2001. Market pulp production in Finland amounted to 2.20 million tonnes (1.86 million tonnes). Operating rate rose from 79 per cent to 83 per cent.

Pulp stocks at the beginning of the year were 1.7 million tonnes. During the second quarter the stocks decreased to a low of 1.3 million tonnes, but increased again by the year-end to over 1.6 million tonnes.

Operation and result

Sunila Oy's turnover was EUR 127 million (EUR 160 million). The average sales price of pulp was EUR 419, meaning a decrease of EUR 113 compared to the previous year. Operating profit was EUR 1.8 million (EUR 33 million) and profit/loss before extraordinary items EUR –0.1 million (EUR 31 million). The result fell mainly due to the declined sales price.

Pulp production totalled 301 840 tonnes (300 536 tonnes). The operating rate was 86 per cent (88 per cent). In addition to the production stops determined by the labour agreement there was no production on 42 days (28 days). The production ran smoothly, not counting the cooking department sieve damage in January, which caused the production to halt for a week. A new production record was achieved in April, 1053 tonnes/d on an average. The previous record from May 2001 was exceeded by 40 tonnes/d. An indicator of the improved production capacity is that in four months in 2002 more pulp was produced than in the record month of May 2001.

Pulp sales were 286 861 tonnes (296 911 tonnes) meaning 82 per cent (87 per cent) of the available capacity. Sales to the shareholding companies amounted to 268 218 tonnes showing a decrease of 23 550 tonnes compared to 2001. Reason for this was the shareholding companies' market situation and operational changes at their mills. Market pulp sales grew to 18 642 tonnes (5 143 tonnes). Export sales were 81 519 tonnes (78 981 tonnes). Pulp stock at the end of the year was 29 681 tonnes (14 703 tonnes), which corresponds to four weeks' production.

Investments

Investments totalled EUR 12.1million (EUR 25.4 million).

The main investment is the ongoing construction of the four 40 000 m^3 chip silos. The goal of this investment is to be able to produce improved pulp of constant quality. The first two silos will be taken into use in January and the last two in the autumn of 2003.

Production of chlorine dioxide was rebuilt to a single line peroxide based process. At the same time the production capacity of chlorine dioxide was increased. Due to the exceptionally low flow rate of the Kymi River measures were taken to ensure the intake of fresh raw water to the mill by building a new intake plant 700 metres upstream. As a part of the mill area traffic safety improvement plan a new scale was built to serve the wood transports from the harbour.

Personnel

The number of persons employed on a permanent basis was 300 (297) at the end of the year, the average for the year being 316 (322). Long sick leaves made the personnel's absences caused by illness or accidents to rise to 10.2 per cent (6.3 per cent).

With the aim of facilitating the management and steering of the operations an "Annual Clock" approach was developed. This approach combines the self-evaluations, audits, strategy process, management reviews, management meetings and action plans into a continuous, interwoven process.

In the area of safety the "Zero Accident" program was adopted. Guidelines for the use of personal safety equipment were compiled and the internal safety inspections were made more effective.

Environmental protection

EMAS environmental protection certificate was granted to Sunila Oy.

Landscaping work was conducted in the old dumping place.

Emissions into air and water remained at a low level. However, occasional odour, noise and dust emissions lead to environmental inquiries.

Research and development

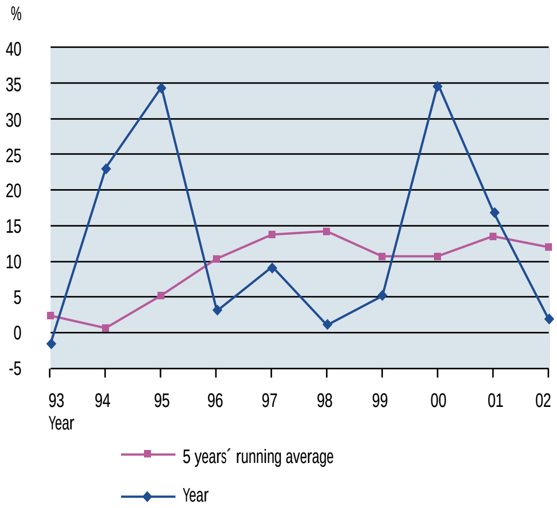
Both in the research co-operation and in own research the focus was in the pulp quality improvement work. A thesis work regarding the cooking process was done.

Outlook for the year 2003

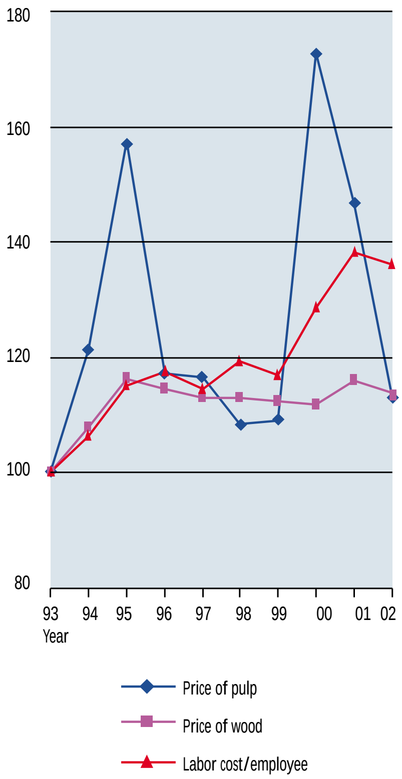
The paper market shows no speedy recovery. The Norscan stocks at the end of the year were above 1.6 million tonnes. However, the producers have announced a 40-USD price increase effective as of the beginning of February. This increase has been justified with cost reasons and lack of raw material causing loss of production at the North-American mills. The strong depreciation of the USD has a negative effect on the profitability of the plants operating with the euro.

Sales outlook for Sunila Oy is better than the year before, which indicates that long production stops may not be needed in 2003.

Return on capital employed (ROCE)



Operations / Indeces



Organisation 1 January 2003

Board of Directors

Directors		Deputy members
Sverre Norrgård	Chairman	Heikki Räty
Jarmo Alm	Deputy Chairman	Jukka Heiko
Markku Halonen		Jorma Kangas
Erkki Varis		Nils-Eric Wikman

Management Group

Juhani Kautto	Managing Director
Ari Haakana	Development Manager
Markku Hynninen	Workers' Representative
Mikko Karppelin	Safety and Quality Manager
Seppo Liimatainen	Salaried Employees' Representative
Petri Lundén	Recovery Line Operations Manager
Pekka Pelkonen	Personnel and Procurement Manager
Jarmo Rinne	Production Manager
Tea Sundén	Customer Service Manager
Matti Suokas	Director of Finance

Auditor

Ari Ahti, Authorised Public Accountant (KHT)

Board Committees

	Chairman
Marketing Committee	Nils-Eric Wikman
Forestry Committee	Dan Forsberg
Financial Committee	Veli-Matti Tahvanainen

Shareholders

Myllykoski Paper Oy	50 %
Stora Enso Oyj	50 %

Profit and loss account and balance sheet

EUR million	PARENT COMPANY		GROUP	
	2002	2001	2002	2001
PROFIT AND LOSS ACCOUNT				
Turnover	127.49	160.43	128.25	161.18
Change in inventory of finished goods	4.76	1.80	4.76	1.80
Share in the profit of affiliated companies				-0.01
Other income	1.71	0.70	1.71	0.70
Materials and supplies	-91.41	-93.99	-91.45	-94.03
Personnel costs	-14.63	-15.13	-14.82	-15.33
Depreciation	-10.32	-10.06	-14.45	-13.87
Other operating expenditure	-15.78	-11.12	-10.58	-5.73
= Operating profit	1.83	32.63	3.42	34.70
- Financial income and expenditure	-1.93	-1.93	-3.53	-4.32
= Profit before extraordinary items	-0.10	30.71	-0.10	30.39
Extraordinary items		-0.22		
Change in accumulated depreciation difference		-12.24		
Direct taxes	0.03	-5.29	0.03	-8.84
PROFIT FOR THE YEAR	-0.07	12.96	-0.07	21.54
BALANCE SHEET	2002	2001	2002	2001
Material goods	127.21	125.37	170.05	172.20
Investments	0.92	0.92	0.59	0.59
Inventories	20.80	16.08	20.80	16.08
Receivables, long-term	4.45	5.27	4.45	5.27
Receivables, short-term	16.15	22.22	15.67	21.81
Cash in hand and in bank	4.52	12.52	4.53	12.54
	174.06	182.39	216.09	228.50
Shareholders' equity, restricted	13.00	13.00	13.00	13.00
Shareholders' equity, unrestricted	52.41	65.36	77.48	90.42
Affiliated companies			-0.02	-0.02
Minority interest			0.01	0.01
Accrued provisions	35.61	35.61		
Liabilities, long-term	34.86	37.82	83.20	90.38
Liabilities, short-term	38.17	30.60	42.43	34.70
	174.06	182.39	216.09	228.50

Statement of changes in financial position

	PARENT COMPANY		GROUP	
EUR million	2002	2001	2002	2001
OPERATION				
Turnover	135.08	162.72	135.26	163.92
- Operating expenditure, net	-122.01	-123.23	-121.49	-114.18
- Financial expenditure, net	-2.09	-2.23	-3.68	-4.63
- Taxes	0.55	-10.04	0.55	-10.04
- Other income and expenditure		-0.22		
Share in the profit of affiliated companies				
= Cash flow from the year's operation	11.54	26.99	10.64	35.07
INVESTMENTS				
- Investments, material	-10.45	-16.69	-10.25	-27.35
- Investments, shares				0.01
+ Sales of fixed assets				
= Increase/-decrease in capital after investments	1.09	10.30	0.39	7.73
FINANCING				
- Increase/+decrease in other receivables				
+ Increase/-decrease in short-term liabilities	5.91	-3.18	10.03	-6.83
+ Increase/-decrease in long-term liabilities	-2.41	-13.82	-5.55	-7.64
Dividends and other profit distribution	-12.87	-20.80	-12.87	-20.80
+ Increase in share capital				
Increase/decrease in liquid assets	-8.01	-27.50	-8.01	-27.55
Liquid assets 31 Dec.	4.52	12.52	4.53	12.54

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the Finnish Accounting Act and other standards and regulations governing financial statements. The consolidated financial statements include the parent company and those companies in which the parent company owns more than half of the voting shares plus those affiliated companies in which the parent company owns more than 20 per cent. Intercompany transactions, receivables and liabilities have been eliminated in consolidation.

Fixed assets are stated in the balance sheet at cost less planned straight-line depreciation. Planned depreciation for vital machinery in 1998 has been defined on the basis of the estimated replacement year, with 10 to 25 years of estimated economic lives. The estimated economic lives of buildings range from 20 to 40 years and those of other machinery from 5 to 10 years. Tangible assets leased through financial leasing contracts are stated in the consolidated financial statements as fixed assets, and the obligations of these contracts as interest-bearing liabilities.

Inventories are stated at first in, first out cost, including variable expenses resulting from purchase and manufacture as well as the related proportion of fixed expenses or at a lower, most probable sales price.

Receivables and liabilities in foreign currencies are stated at the average exchange rates at year-end.

Taxes included in the profit and loss account are stated as accounted.

Notes to the profit and loss account

EUR	2002	2001
1. Turnover by market area		
Finland	91 542 708.06	118 248 938.50
Other EU countries	25 289 897.33	22 661 065.56
Other parts of the world	10 660 762.12	19 515 179.49
Parent company	127 493 367.51	160 425 183.55
Subsidiaries	757 077.68	751 183.70
Group total	128 250 445.19	161 176 367.25
2. Other income		
Rental income	702 184.59	702 184.59
	702 184.59	702 184.59
3. Materials and supplies		
Materials purchased	-78 858 805.93	-84 047 618.12
Change in inventory	-40 682.24	86 329.77
External services purchased	-11 842 258.49	-10 025 515.26
Parent company	-90 741 746.66	-93 986 803.61
Subsidiaries	-34 984.29	-45 272.21
Group total	-90 776 730.95	-94 032 075.82
4. Personnel costs		
Management salaries and bonuses	-121 740.00	-119 717.00
Other salaries and wages	-10 898 648.06	-11 002 385.64
Pension costs	-2 255 459.57	-2 155 342.13
Other indirect personnel costs	-1 306 525.87	-1 803 273.72
Fringe benefits	-44 884.80	-47 307.91
Parent company	-14 627 258.30	-15 128 026.40
Subsidiaries	-195 344.02	-201 808.60
Group total	-14 822 602.32	-15 329 835.00
Average number of		
Salaries employees	235	82
Workers	81	240
Parent company	316	322
Subsidiaries	5	5
Group total	321	327

5. Planned depreciation		
Buildings	-1 158 292.91	-1 143 485.08
Machinery and equipment	-9 158 573.14	-8 920 764.74
Parent company	-10 316 866.05	-10 064 249.82
Subsidiaries and leasing	-4 137 832.00	-3 806 162.78
Group total	-14 454 698.05	-13 870 412.60
6. Financial income and expenditure		
Dividend income	65 774.65	48 638.04
Interest income	300 532.68	251 784.02
Net exchange rate differences	-276 542.93	68 079.99
Interest expenditure	-1 947 744.73	-2 253 904.15
Other financial expenditure	-74 742.49	-41 850.46
Parent company	-1 932 722.82	-1 927 252.56
Subsidiaries and leasing	-1 595 463.57	-2 395 499.46
Group total	-3 528 186.39	-4 322 752.02
7. Extraordinary items and expenditure		
Group contribution		-216 500.00
8. Change in accumulated depreciation difference		12 241 000.00
9. Direct taxes on operations	-18 613.02	-5 814 368.65
Change in deferred tax receivable	49 390.10	521 474.98
Parent company	30 777.08	-5 292 893.67
Change in deferred tax		-3 549 890.00
Group total	30 777.08	-8 842 783.67

EUR

1. INTANGIBLE AND TANGIBLE ASSETS

Parent company

	Tangible assets Land areas	Buildings and constructions	Machinery and equipment	In progress
Acquisition value 1 Jan.	1 271 597.18	41 321 066.86	220 251 101.40	1 625 419.47
Additions		694 393.23	2 500 053.35	8 962 765.63
Reclassification		104 899.68	1 520 519.79	-1 625 419.47
Sales				
Accumulated depreciation		-13 867 066.86	-125 230 101.40	
Depreciation for period		-1 158 292.91	-9 158 573.14	
Balance 31 Dec.	1 271 597.18	27 095 000.00	89 883 000.00	8 962 765.63

Group

	Tangible assets Land areas	Buildings and constructions	Machinery and equipment	In progress
Acquisition value 1 Jan.	1 443 196.80	45 006 021.92	357 865 737.00	1 625 419.47
Additions		694 393.23	2 523 353.35	8 962 765.63
Reclassification		104 899.68	1 520 519.79	-1 625 419.47
Sales				
Accumulated depreciation		-16 248 793.92	-217 498 301.00	
Depreciation for period		-1 158 350.91	-13 136 237.14	
Balance 31 Dec.	1 443 196.80	28 398 170.00	131 275 072.00	8 962 765.63

2. STOCKS AND SHARES	% of capital	Number of shares	Nominal value	Book value
Subsidiaries:				
Karhulan-Sunilan Rautatie Oy, Kotka	100	300	50 500.00	253 963.76
Sunivalli Oy, Kotka	100	200	34 000.00	34 000.00
Kiinteistö Oy Sunilan Kesäniemi, Kotka	77.8	4740	23 916.32	27 186.33
Participating interest companies:				
Sunilan Kantola Oy, Kotka	50	125	210 250.00	210 250.00
Sunilan Mittayhtiö Oy, Kotka	33.3	8	8 000.00	8 000.00
Sunilan Puhdistamo Oy, Kotka	33.3	8	294 400.00	294 400.00
Other shares:				
RP Kuljetustekniikka Oy, Kotka	6.4	20	3 363.76	3 363.76
Others			66 967.37	85 531.29
Total			691 397.45	916 695.14
Shares and stock owned by subsidiaries			310.81	7 543.22

3. INVENTORIES	2002	2001	Change
Materials	9 673 480.63	9 714 162.87	-40 682.24
Finished products (Year 2002: sales price)	11 130 375.00	6 366 399.00	4 763 976.00
	20 803 855.63	16 080 561.87	4 723 293.76

4. RECEIVABLES	2002		2001	
Long-term				
Loans receivable from participating interest companies	4 440 463.33		5 247 765.37	
Accrued income from participating interest companies		4 440 463.33		5 247 765.37
Other loans receivable	11 100.51		24 038.51	
Other accrued income		11 100.51		24 038.51
		4 451 563.84		5 271 803.88
Short-term				
Receivable from participating interest companies	2 769.40		123.83	
Loans receivable from participating interest companies	807 000.00		807 000.00	
Accrued income from participating interest companies	26 327.69	836 097.09	320 047.18	1 127 171.01
Accrued income from group companies	509 377.67	509 377.67	160 721.72	160 721.72
Other receivable	13 960 005.41		17 512 584.11	
Other accrued income	797 639.67	14 757 645.08	3 422 028.50	20 934 612.61
		16 103 119.84		22 222 505.34
Deferred tax receivable		49 390.10		0.00
Subsidiaries		-509 377.67		-411 865.74
Group total		15 643 132.27		21 810 639.60

5. CHANGES IN SHAREHOLDERS' EQUITY	Parent company		Group	
	2002	2001	2002	2001
Share capital 1 Jan.	13 000 000.00	13 000 000.00	13 000 000.00	13 000 000.00
Capitalisation issue				
Share capital 31 Dec.	13 000 000.00	13 000 000.00	13 000 000.00	13 000 000.00
Other reserve				
Retained earnings 1 Jan.	65 357 724.05	73 201 964.05	90 406 196.52	89 666 473.86
Paid dividend	-12 870 000.00	-20 800 000.00	-12 870 000.00	-20 800 000.00
Profit for the year	-73 758.97	12 955 760.00	-72 735.08	21 539 722.66
Retained earnings 31 Dec.	52 413 965.08	65 357 724.05	77 463 461.44	90 406 196.52
Shareholders' equity 31 Dec.	65 413 965.08	78 357 724.05	90 463 461.44	103 406 196.52
Distributable funds				
Retained earnings 31 Dec.	52 413 965.08	65 357 724.05	77 463 461.44	90 406 196.52
Portion of accumulated depreciation difference transferred to shareholders			-25 285 940.00	-25 285 940.00
Total	52 413 965.08	65 357 724.05	52 177 521.44	65 120 256.52

6. APPROPRIATIONS

Accumulated depreciation	35 614 000.00	35 614 000.00
deferred tax liability	10 328 060.00	10 328 060.00

Loans from financial institutions	26 814 896.35
Pension premium loans	7 446 784.90
Other long-term liabilities	600 000.00
Other to group companies	

7. LONG-TERM LIABILITIES 34 861 681.25

	2003	2004	2005	2006	2007	2008 -
Repayment of loans	10 957 874	13 159 000	9 109 000	1 991 000	1 799 000	8 803 681
Repayment of leasing liabilities	4 116 366	4 268 259	4 425 819	6 097 107	1 605 721	20 838 100
Leasing liabilities total 31 Dec. 2002	41 351 372					

8. LIABILITIES

		2002		2001
Long-term				
* Advances received from participating interest companies			702 184.60	
* Accrued liabilities to participating interest companies				702 184.60
* Loans from financial institutions	26 814 896.35		27 953 783.43	
* Pension premium loans	7 446 784.90		8 563 589.63	
* Other liabilities	600 000.00		600 000.00	
* Other accrued liabilities		34 861 681.25		37 117 373.06
		34 861 681.25		37 819 557.66
* Subsidiaries		770 000.00		880 000.00
* Leasing		37 238 006.00		41 352 306.00
* Deferred tax liability		10 328 060.00		10 328 060.00
Group total		83 197 747.25		90 379 923.66
Short-term				
* Accounts payable to participating interest companies	380.64		78 842.10	
* Advances received from participating interest companies	702 184.60		702 184.59	
* Other liabilities to participating interest companies	5 917 788.78		5 840 735.33	
* Accrued liabilities to participating interest companies		6 620 354.02		6 621 762.02
* Other accounts payable	10 794 640.59		8 612 246.88	
* Loans from financial institutions	9 138 886.97		9 138 886.76	
* Pension premium loans	1 116 802.14		1 144 396.00	
* Other	6 956 947.82		1 015 068.97	
* Other accrued liabilities	3 537 900.75	31 545 178.27	4 063 289.59	23 973 888.20
		38 165 532.29		30 595 650.22
* Subsidiaries		144 132.03		134 270.40
* Leasing		4 116 366.00		3 969 000.00
Group total		42 426 030.32		34 698 920.62

9. CONTINGENT LIABILITIES

		Liabilities with mortgages given as security		
		Pension premium loans	Loans from financial institutions	Other mortgages
Real estate mortgages	39 569 871	3 044 716	20 542 420	6 527 871
Business mortgages	10 763 900		10 763 900	
Free	44 196 170			
Total	94 529 941	3 044 716	31 306 320	6 527 871

10. OPEN DERIVATE CONTRACTS

None

Proposal of the Board of Directors

The Board of Directors proposes to the Annual Shareholders' Meeting that

the loss from the financial year	EUR	-73 758.97
and the profit from the previous years	EUR	52 487 724.05
be transferred to the profit and loss account		
whereafter the profit and loss account will contain a profit of	EUR	52 413 965.08
Consolidated unrestricted shareholders' equity is	EUR	52 177 521.44

Dividends will not be paid and
balance carried forward

Kotka, 21 February 2003

Sverre Norrgård
Chairman of the Board

Jarmo Alm *Markku Halonen*

Erkki Varis *Juhani Kautto*
Managing Director

Auditor's report

To the shareholders of Sunila Oy

I have audited the accounting records and the financial statements as well as administration by the Board of Directors and the Managing Director of Sunila Oy for the year ended on 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 the audit, I express an opinion on these financial statements and the company's administration.

The audit has been conducted in accordance with the Finnish Generally Accepted Auditing Standards. Those 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 the audit of the administration has been to examine that the Board of Directors and the Managing Director of the parent company have complied with the rules of the Finnish Companies Act.

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

Helsinki, 24 February 2003

Ari Ahti
Authorized Public Accountant

Statistical information 1993 – 2002

Group		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Turnover	EUR million	109.00	137.89	179.18	117.74	129.76	117.82	117.84	187.43	161.18	128.25
change from previous year	%	-1.3	26.5	29.9	-34.3	10.2	-9.2	0.0	59.1	-14.0	-20.4
Operating profit	EUR million	3.41	24.98	51.47	3.63	13.63	1.35	8.29	68.19	34.70	3.42
Operating profit	% of turnover	3.1	18.1	28.7	3.1	10.5	1.1	7.0	36.4	21.5	2.7
Profit/loss before extraordinary items	EUR million	-11.03	8.06	45.17	-0.77	8.10	-2.72	4.60	63.82	30.39	-0.10
Profit/loss before extraordinary items	% of turnover	-10.1	5.8	25.2	-0.7	6.2	-2.3	3.9	34.1	18.9	-0.1
Profit/loss for accounting period	EUR million	-9.13	7.81	24.18	-0.91	9.57	1.89	3.31	45.12	21.54	-0.07
Dividends paid	EUR million	0	0	0	0	0	0	0	0	20.80	12.87
Balance sheet total	EUR million	190.86	183.83	187.25	164.16	176.02	176.69	215.75	243.49	228.05	216.09
Fixed assets	EUR million	121.48	118.17	127.81	120.95	128.41	141.87	159.31	160.37	172.79	170.64
Inventories	EUR million	7.54	11.89	12.90	9.05	11.16	8.87	10.26	14.19	16.08	20.80
Current assets	EUR million	30.85	35.73	46.54	34.16	36.46	25.95	46.17	68.93	39.62	24.65
Adjusted equity		30.99	18.04	0.00	0.00	0.00	0.00				
Adjusted equity [1]	EUR million	8.81	16.69	40.75	42.77	52.34	54.23	57.54	102.68	103.42	90.47
Liabilities	EUR million	182.05	167.14	146.50	121.39	123.68	122.46	158.21	140.81	124.63	125.62
Fire insurance value of fixed assets	EUR million	387.22	417.43	430.22	437.77	424.11	434.24	475.48	459.96	477.76	489.81
Gross investments	EUR million	4.77	7.24	21.25	5.36	19.93	23.50	28.68	12.62	26.30	12.30
of which leasing financing	EUR million					11.34	13.55	22.65	3.81	3.74	
Average number of personnel	persons	369	355	354	334	337	345	332	326	322	321
Personnel costs	EUR million	12.89	13.17	14.04	13.50	13.30	14.19	13.38	14.45	15.33	14.82
Return on equity [2]	%	-115.3	23.1	157.3	-1.8	17.0	-5.1	8.2	79.7	29.5	-0.1
Return on investment [3]	%	2.2	15.4	34.4	3.1	9.3	1.1	5.2	34.8	17.0	1.9
Current ratio [4]		0.88	0.91	0.75	0.61	0.90	0.77	1.02	1.69	1.46	0.97
Equity ratio [5]	% of balance	4.6	9.1	21.8	26.1	29.7	30.7	26.7	42.2	45.3	41.9
Gearing [6]	%	1806.4	701.6	199.5	193.6	151.6	166.6	185.3	58.6	79.4	103.2
Degree of self-financing of investments [7]	%	35.8	253.5	182.1	211.8	120.2	44.0	9.5	506.2	102.7	86.5
Total production costs [8]	EUR/tonne	402	421	429	432	402	405	393	420	441	425
Interest-bearing net debts [9]	% of turnover	146.0	84.9	45.4	70.3	61.2	76.7	90.5	32.1	51.0	72.8
Production, pulp	tonnes	299374	305997	319447	269078	307343	292394	285325	301097	300536	301840
Crude tall oil	tonnes	14405	13142	11002	9313	11119	10378	11687	10293	8719	8312
Turpentine	tonnes	1945	1607	1388	1314	1563	1581	1038	654	952	896
Operating rate	%	93	95	94	79	90	86	84	89	88	86

Notes to statistical information

1) Adjusted equity

Equity + Reserves ± Difference between actual and planned depreciations – tax credit

2) Return on equity %

$$\frac{\text{Profit/loss before extraordinary items – Direct taxes}}{\text{Equity}^{a)}}$$

3) Return on investment %

$$\frac{\text{Profit/loss before extraordinary items + Interest and other financial expenses}}{\text{Balance sheet total – Non-interest-bearing liabilities}^{a)}}$$

4) Current ratio

$$\frac{\text{Inventories + Short-term receivables + Cash in bank and in hand}}{\text{Short-term liabilities}}$$

5) Equity ratio

$$\frac{\text{Adjusted equity + Minority interest + Accrued provisions}}{\text{Balance sheet total – Advances received}}$$

6) Gearing %

$$\frac{\text{Interest bearing debts – Liquid funds}}{\text{Shareholders' equity + Minority interest + Accrued provisions}}$$

7) Degree of self-financing of investments

$$\frac{\text{Income from year's operations in the funds statement}}{\text{Net investments}}$$

8) Total production costs

$$\frac{\text{Turnover – Profit/loss before extraordinary items}}{\text{Sales (tonnes)}}$$

9) Interest-bearing net debts

$$\frac{\text{Interest-bearing liabilities – Interest-bearing current assets}}{\text{Turnover}}$$

a) Average at the beginning and end of the year

Operation reviews

Total Quality Management

In 2002 a modus operandi was put together to facilitate the management and steering of the company. This “Annual Clock” connects the self-evaluations, internal and external audits, strategy process, management reviews, management meetings and action plans into a logical chain with each process serving one another. In conjunction with the creating of this model the essential metrics for operations were charted. These metrics are used to measure and follow-up the improvements in the key areas.

The work to integrate the quality, environmental and safety systems into an operational system was started in March. This work was started with the determination of the core and support processes of the operations.

Safety and environment

Environmental protection

Landscaping of the old dumping place was started. Process waste, soda sediment and bark boiler ash as well as old bark as top layer were utilised in the landscaping work.

New fuel stations were taken into use. The fuel station for the mill machines was finalised in February and the one for the harbour machines in October.

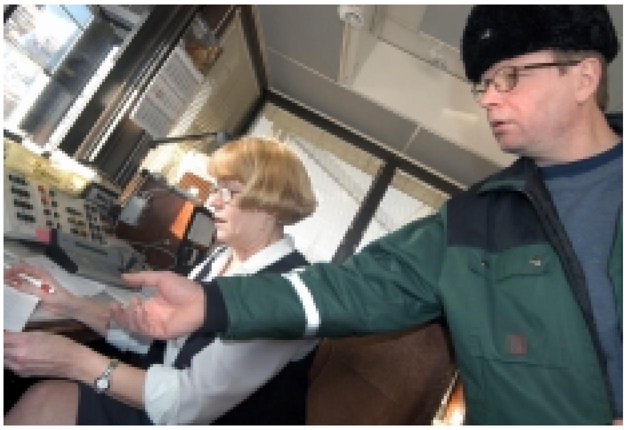
During the year 41 environmental inquiries were recorded, of which 22 were made in June – August regarding the odour emissions caused by the machinery or process disturbances, 4 regarding noise and 15 regarding dust emissions. As a result of the dry summer the wind blew dry dust sediment from the dumping place to the nearby residential area. As corrective action the dumping place was sprayed with water, the storage piles were worked on and cleaning help was extended to the households affected.

The biological water treatment plant worked well all year long.

The company’s first EU-directive based EMAS environmental report was certified.

Safety

The “Zero Accident” program was approved in March. As a first step in the program emphasis was put on the use of personal safety equipment and more working efficiency of the Safety Inspection Partners. Guidelines for the use of personal safety equipment were approved in the December meeting of the Health and Safety Committee. Two training sessions were arranged for the Safety Inspection Partners. The number of accidents to own employees rose from 31 in the previous year to 35 in 2002. The employees of the partner companies with operations in the Sunila area had 9 (4) accidents.



The mill area traffic safety was improved by building a new scale for the wood transports from the harbour. This scale was taken into use in October and it reduced the traffic at the mill main gate. The traffic arrangements in the mill area will face further changes in the coming three years.

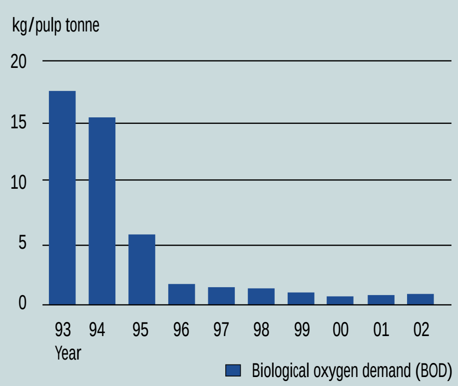
The harbour operating safety was improved by repairing the base and deck of the pier.

A Safety Management Team was set up to coordinate and supervise matters concerning work safety.

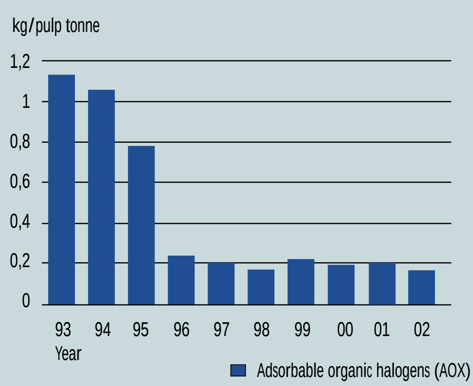
Sulphur dioxide, which was used as deoxidiser of sodium chlorate in the production of chlorine dioxide was replaced by hydrogen peroxide. With this change the use of sulphur dioxide in the mill could be decreased.

Waste waters of Sunila Oy

Biological oxygen demand (BOD)



Adsorbable organic halogens (AOX)



Production

Production was 301 840 tonnes. The cooking department sieve damage in the beginning of January caused a 7-day production stop. After this stop the production ran well until the summer stoppage. Due to market reasons a 4-week summer stoppage was held, during which most of the production staff took their annual vacation. The production downtime was utilised to revamp the chloride dioxide process. This process change caused problems for the runnability of the mill. In August the budgeted production rate was achieved again and this level of production was maintained until the Christmas stoppage. Due to the poor pulp market situation the Christmas downtime was prolonged to 11 days.

During the spring the production reached a higher level than before. A new monthly production record was reached in April with an average of 1053.0 tonnes/d. A basis for the achieved production rate was the improved efficiency of the DM6 and the meeting of the goals set for the super concentrator project.

Due to the production curtailments there were only a total of 315.5 operating days and the production volume was 12 850 tonnes behind the budget.

		2002	2001
Pulp	tonnes	301 840	300 536
Crude tall oil	tonnes	8 312	8 718
Turpentine	tonnes	896	952
Pulp stock 31 Dec.	tonnes	29 681	14 703
Operating days	days	315,5	329,5

Energy

Most of the electricity was produced by bio energy: black liquor and bark. Bio energy was sold to Holland using the Green Energy certificates.

During 1.5 months the AEG-turbine blade damage caused a loss of electricity production, which amounted to 16 GWh.

Natural gas consumption was 23.9 million m^3 (24.1 million m^3), of which the limekilns accounted for 62 per cent (62 per cent).

Customer service

Pulp demand remained at a low level. In addition to the production stops determined by the labour agreement the production was curtailed in June – July for 26 days and at Christmastime 7.5 days. Pulp stocks were at the year end 29 681 tonnes, compared to 14 703 tonnes a year before.

Deliveries to the domestic shareholding companies declined due to the weak market situation and operational changes at the paper mills. Also, part of the pulp could be replaced by ground wood at the paper machines as a result of the improved tear tensile of the pulp. Because of these reasons the export and market pulp volumes grew.

Of the total deliveries 92 per cent went to wood containing papers, 3 per cent to fine paper, 3 per cent to the other paper grades and 2 per cent to board.

Because of the market situation Sunila Oy delivered exceptionally high volumes of export market pulp in the last quarter. Market pulp deliveries accounted for 6.5 per cent of the total sales. Deliveries to StoraEnso North-America reached again a considerable volume. Of the total sales exports cover 28.8 per cent. The EU-countries accounted for 69 per cent, the United States for 25 per cent and other countries for 6 per cent of the total export sales.

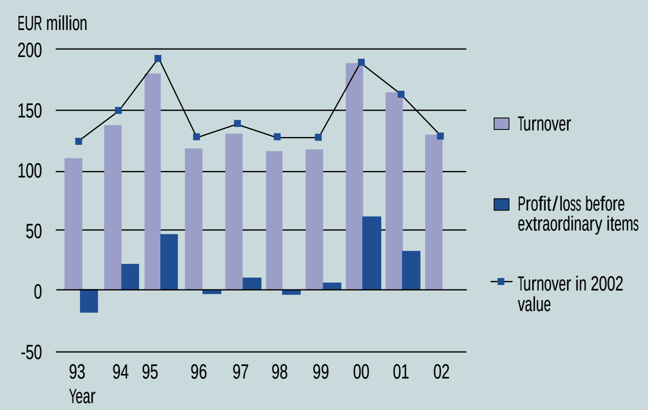
The technical customer service conducted trials with the shareholding companies aiming to develop better pulp to meet each mill's individual needs.

Of the total pulp export 93 per cent was shipped through the Sunila harbour. Containering of pulp was started in Sunila.

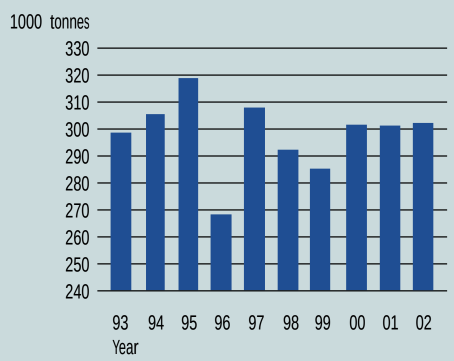
Total pulp sales fell by 3.4 per cent. Exports grew by 3.2 per cent and the share of market pulp grew by more than double compared to 2001. Crude tall oil sales fell by 7.7 per cent and turpentine sales by 10.3 per cent.

		2002	2001
Total deliveries	tonnes	286 861	296 911
Deliveries to shareholders	tonnes	268 218	291 768
Market pulp	tonnes	18 642	5 143
Export	tonnes	82 499	78 981
Pulp stock 31 Dec.	tonnes	29 681	14 703
Crude tall oil	tonnes	8 045	8 718
Turpentine	tonnes	854	952

Turnover 1993-2002



Pulp production 1993-2002



Wood procurement

Purchases of wood were 1 664 000 m³, which is somewhat lower than the year before. All the strategic standards set for the wood were significantly better met than previously. Share of chips of the total deliveries rose to 41 per cent (34 per cent in 2001) and spruce to 44 per cent (40 per cent). Fresh wood share was 78 per cent. Despite the long summer stoppage and increased share of imported wood this is only slightly lower than the record level of last year (80 per cent). Meeting of the quality standards was partly enhanced by the low operating rate of the paper mills causing more abundant supply of chips to the pulp mills. Share of certified wood was 45 per cent (38 per cent) of the total deliveries.

The domestic raw material share came down further to 59 per cent (67 per cent). The increased share of wood imported from Estonia was more notable than before. Of the imported wood 75 per cent (59 per cent) came from Estonia. The other Baltic countries accounted for 17 per cent (20 per cent) and Russia for 8 per cent (8 per cent).

By the delivery method, the raw material was delivered by road 50 per cent (54 per cent), by rail 10 per cent (15 per cent) and with the increased share of imported wood, by sea 40 per cent (31per cent).

		2002	2001
Total procurement	m³	1 664 441	1 725 242
Import	m³	679 943	573 246
Chips	m³	679 189	588 390
Spruce	m³	734 590	690 623
Wood stock 31 Dec.	m³	69 808	79 559

Harbour

The total volume of Sunila harbour was 715 000 tonnes. A total of 300 vessels visited the harbour in 2002. The operating rate was significantly increased due to the increased volume of imported wood and pulp shipments (490 000 tonnes in 2001). The shipments of raw materials or products of Sunila Oy or its shareholding companies accounted for 97 per cent of the total volume.

		2002	2001
Total volume	tonnes	715 000	490 000
Pulp	tonnes	124 000	73 000
Chips	m³	385 900	256 200
Round wood	m³	372 200	303 700

Investments and development

During the period under review, the development investments totalled EUR 8.3 M and maintenance investments EUR 3.8 M.

The two-year renewal project of the chip storage and feeding was started. This project consists of a bark storage renewal, receiving equipment for chips delivered by road and four roofed, concrete framed chip silos. This investment makes it possible to separately store and feed of the different raw material components to the production thus improving the consistency of the end product. The bark storage was taken into use in the summer of 2002, the two chip silos and the chip receiving equipment will be taken into use in the beginning of 2003 and the other two chip silos in the autumn of 2003.

The exceptionally low flow rate of the Kymi River caused the salty seawater to enter the water intake bringing the mill to a halt. As a result a new intake plant was built 700 metres upstream from the current raking plant. This project was carried out in a tight schedule of less than three months.

Building a new road connection and a truck scale for the chip and wood transports from the harbour to the wood handling started the mill area traffic safety improvement project, which will stretch out for several years.

The production of chlorine dioxide was changed to a single line peroxide based process and the production capacity of chlorine dioxide was increased. At the same time a new operating model was adopted. In the new model the pulp mill buys the ready chlorine dioxide from the chemical producer and not the raw materials to produce it, as was done previously.

In the research and development the focus was on pulp quality development. One of the research areas was mill scale cooking process.

Participated in the Lappeenranta University of Technology Pulp Technology Research Professorship founded in Kotka by committing to pay part of the expenses during five years.

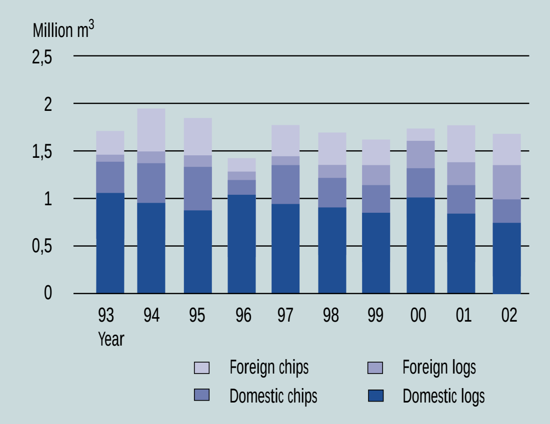
Personnel

At the end of the year Sunila Oy employed 300 (297) permanent employees, the average of the year being 316 (322) persons.

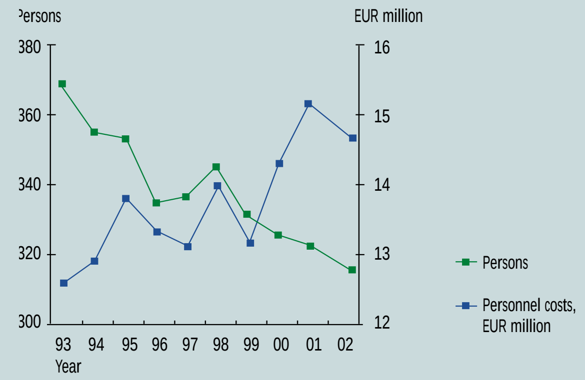
The personnel's absences caused by illness or accidents were 10.2 per cent (6.3 per cent). Reason for the increased level was long sick leaves. Efforts were made to lower the number of absences caused by illness or accidents in co-operation with the employees' health care by arranging rehabilitation and holding group meetings with persons on long sick leaves to find the right corrective measures.

Training on company economics for the whole personnel was completed. At the end of the year discussions on Sunila Oy values were started. The whole personnel will participate in these discussions.

Wood deliveries 1993-2002



Personnel and personnel costs



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