StoraEnso

2003 Company

STRATEGY • PRODUCT AREAS • SUMMARY FINANCIALS • DIVIDEND

In Focus

DIVIDEND AND AGM INFORMATION

Payment of dividend

The Board of Directors proposes to the Annual General Meeting (AGM) that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2003.

Dividends payable on VPC registered shares will be forwarded by VPC and paid in Swedish krona. Dividends payable to ADR-holders will be forwarded by Deutshe Bank Trust Company Americas and paid in US dollars. For more details, see Information for Shareholders on page 52.

Dividend Policy

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

Annual General Meeting

The AGM of Stora Enso Oyj will be held at 16.00 (Finnish time) on Thursday, 18 March 2004 at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

Cover picture

View of a cylinder in the dryer section of the new paper machine at Langerbrugge. The end of the cylinder at the top left is yellow, the felt at the bottom right is grey, and reflections off the cylinder surface in between are red.

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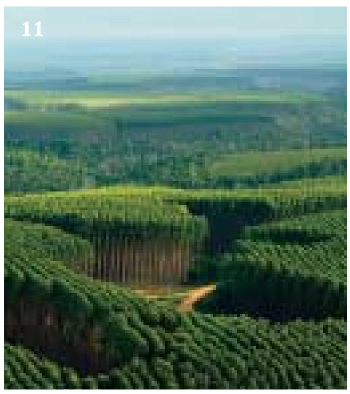
21


11

Creating value

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

Stora Enso sales totalled EUR 12.2 billion in 2003. The Group has some 44 000 employees in more than 40 countries in five continents and an annual production capacity of 15.7 million tonnes of paper and board and 7.4 million cubic metres of sawn wood products, including 2.8 million cubic metres of value-added products. Stora Enso's shares are listed in Helsinki, Stockholm and New York.

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

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

Stora Enso is committed to developing its business towards ecological, social and economic sustainability. This commitment is demonstrated through its values and its environmental and social responsibility policy, and has been recognised by selection for the Dow Jones DJSI World and DJSI STOXX sustainability indexes since they were launched in 1999. Stora Enso had the highest score in this sustainability ranking among forest products companies in 2003. Stora Enso is also included in the FTSE4Good index.

Financial highlights	**2002**	**2003**
Sales, EUR million	12 783	12 172
Operating profit, EUR million	-152	484
excluding non-recurring items, EUR million	927	538
% of sales	7.2	4.4
Profit before tax and minority interests, EUR million	-343	223
excluding non-recurring items, EUR million	735	331
Net profit for the period, EUR million	-222	147
Capital expenditure, EUR million	878	1 248
Interest-bearing net liabilities, EUR million	3 267	3 919
Capital employed, EUR million	11 242	11 744
Return on capital employed (ROCE), %	-1.5	4.1
excluding non-recurring items, %	7.1	4.6
Return on equity (ROE), %	-3.3	1.8

	2002	**2003**
Debt/Equity ratio	**0.37	0.48
Earnings per share, EUR	-0.25	0.17
excluding non-recurring items, EUR	0.57	0.25
Cash earnings per share, EUR	2.49	1.58
excluding non-recurring items, EUR	1.97	1.64
Equity per share, EUR	9.36	9.65
Dividend per share, EUR	0.45	* 0.45
Payout ratio, %	79	180
Market capitalisation, EUR million, 31 Dec.	9 052	9 288
Deliveries of paper and board, 1 000 tonnes	13 149	13 551
Deliveries of wood products, 1 000 m^3	5 112	5 822
Average number of employees	43 853	44 264

*) Board's dividend proposal

**) Adjusted with the initial valuation of IAS 41 Agriculture

Year in Brief

Global uncertainty in forest products industry markets persisted for the third year, mainly because economic stagnation kept demand low, especially in advertising-driven paper grades. The decline in the value of the US dollar negatively impacted the Group's margins on overseas sales and in Europe, where competition increased.

In North America the moderate growth that started in late 2002 accelerated in the second half of the year, allowing the announcement of some price increases, especially in magazine and newsprint grades, but at the end of the year these increases were facing resistance. Imports from Europe and Asia disturbed the supply and demand balance, keeping prices under pressure.

Main events 2003

In February Stora Enso and the owners of AS Sylvester, Estonia's largest sawmill and wood procurement company, closed the previously announced acquisition.

In May Stora Enso Oyj and Aracruz Celulose S.A. announced their decision to go ahead with construction of a 900 000 tonnes per year eucalyptus pulp mill for Veracel Celulose S.A. in Bahia, Brazil. Stora Enso will be entitled to half of the mill's output. The mill will be the largest single-line bleached eucalyptus pulp mill in the world. It is scheduled to begin production in mid 2005.

In December Stora Enso approved a EUR 211 million investment in Skoghall Mill's Energy 2005 project. The new evaporation plant and recovery boiler will start up in autumn 2005 and the biofuel boiler in summer 2006.

In December Stora Enso announced its intention of restructuring ownership of the Group's forestlands in Sweden. Stora Enso's partner in the transaction is Korsnäs. The Swedish forests of Stora Enso and Korsnäs will be transferred to a new company named Bergvik Skog AB. Stora Enso will retain a minority shareholding of 44% in the new company. The rest of the company's shares were placed with institutional investors.

Asset Restructuring Programme (ARP)

In December Stora Enso approved the construction of a new paper machine at Kvarnsveden Mill in Sweden to improve its competitiveness in uncoated magazine paper production as part of the ARP. The total investment is estimated at approximately EUR 450 million and the annual production capacity of the machine will be about 420 000 tonnes of high-quality super-calendered (SC) papers. The machine is expected to start up at the end of 2005. Simultaneously with the start-up 130 000 tonnes of capacity will be shut-down.

Also within the ARP, paper machine 6 which produces SC-B paper at Maxau Mill in Germany will be rebuilt to enhance its productivity and competitiveness.

Read more www.storaenso.com/2003

Stora Enso Paper

PUBLICATION PAPER

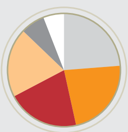
PRODUCTS

Uncoated super-calendered (SC), uncoated machine-finished (MF), light-weight coated (LWC), medium-weight coated (MWC), heavy-weight coated (HWC) and machine-finished coated (MFC) papers, wallpaper, standard newsprint and newsprint specialities such as improved newsprint, directory papers and book papers.

Used for magazines, printed advertising material, catalogues, direct marketing, newspapers, newspaper supplements, advertising leaflets, telephone directories, and hardback and paperback books.

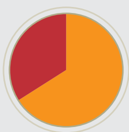
MARKET POSITION

- world's second-largest producer of magazine paper
- magazine paper market share 21% in Europe, 18% in North America and 18% globally
- main magazine paper markets Europe (57% of sales) and North America (40% of sales)
- annual magazine paper production capacity 4.5 million tonnes
- world's fourth-largest producer of newsprint and newsprint specialities
- newsprint market share 20% in Europe, 7% globally and 1% in North America
- main newsprint markets Europe (77% of sales), Far East (7% of sales) and North America (7% of sales)
- annual newsprint production capacity 3.6 million tonnes



Capacity

Germany	24%
Finland	23%
North America	21%
Sweden	20%
Belgium	7%
France	6%



Share of the Group sales

Publication Paper	34%

FINE PAPER

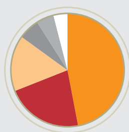
PRODUCTS

Graphic papers (coated fine paper), office papers (uncoated fine paper) and speciality papers (technical, label and flexible packaging papers).

Used for document printing, commercial printing, high-quality books, labelling, print-on-demand applications, and protecting, transporting and identifying products.

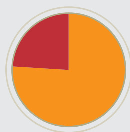
MARKET POSITION

- world's third-largest producer of graphic papers
- graphic paper market share 13% in Europe, 14% in North America and 9% globally
- main graphic paper markets Europe (47% of sales) and North America (38% of sales)
- world's sixth-largest producer of office papers
- office paper market share 14% in Europe and 4% globally
- main office paper markets Europe (80% of sales) and Asia (7% of sales)
- world's largest producer of speciality papers
- main speciality paper markets North America (54% of sales) and Europe (37% of sales)
- annual fine paper production capacity 4.4 million tonnes



Capacity

Finland	47%
North America	22%
Sweden	16%
Germany	6%
Netherlands	5%
China	4%



Share of the Group sales

Fine Paper	24%

Stora Enso Packaging Boards

PRODUCTS

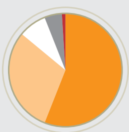
Liquid packaging boards, cupstock, cartonboards, containerboards (corrugated raw materials), corrugated packaging, coreboards, cores and laminating papers.

MARKET POSITION

- one of the world's leading producers of consumer packaging boards
- main markets Europe (80% of sales), Asia (14% of sales) and North America (3% of sales)
- annual production capacity 3.3 million tonnes of packaging boards and papers, 760 million m² of corrugated packaging and 205 000 tonnes of cores

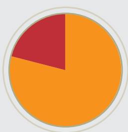
FURTHER PROCESSING

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



Capacity

Finland	56%
Sweden	30%
Other Europe	8%
Germany	5%
North America	1%



Share of the Group sales

Packaging Boards	21%

Stora Enso Forest Products

WOOD PRODUCTS

PRODUCTS

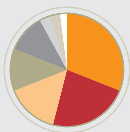
Sawn and further-processed wood products used by the construction and joinery industries and wood products trade.

MARKET POSITION

- world's second-largest producer of sawn softwood
- main markets Europe (55% of sales), Asia (29% of sales), North Africa and Middle East (11% of sales) and North America (5% of sales)
- sawn wood products annual production capacity 7.4 million m³ per year, of which 2.8 million m³ is value-added products

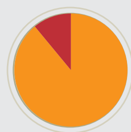
FURTHER PROCESSING

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



Capacity

Finland	31%
Austria	23%
Sweden	15%
Estonia	12%
The Czech Republic	11%
Latvia	3%
Russia	3%
Lithuania	2%



Share of the Group sales

Wood Products	11%

Dear Shareholder,

Stora Enso's CEO Jukka Härmälä and Chairman Claes Dahlbäck

The year 2003 has been a challenging year for the whole forest products industry, including Stora Enso. Economic forecasts for 2003 had been fairly optimistic, but the advertising market remained weak, causing paper demand to be disappointingly static.

Two exceptional factors that impaired our financial results were the Iraq war, which undermined business confidence and restrained demand, and the sharp fall in the value of the US dollar towards the end of the year.

We have done a lot to improve the competitiveness of our North American operations in response to persistently weak markets. The Profit Enhancement Programme already in progress was expanded and two paper machines permanently shut down during the year. Although the programme also includes investment in machine rebuilds and modernisations, it has entailed a regrettable but inevitable reduction in the workforce.

Our programme of asset upgrading in Europe continued, the highlight being the start-up of the new paper machine at Langerbrugge in Belgium, the world's biggest newsprint machine. In magazine paper, PM 6 at Maxau in Germany is being rebuilt and a new SC paper machine, PM 12 at Kvarnsveden in Sweden, is scheduled to start up at the end of 2005. As part of this restructuring, some older capacity will be shut down and other machines switched to manufacturing different products.

Finance is being released through the sale of non-core assets. Following divestment of its forestlands in Finland in 2002, Stora Enso is transferring its forestlands in Sweden to a new company in which it will retain only a minority interest. The proceeds of this restructuring will be invested in businesses with a higher yield, mainly in new strategically important areas such as Russia, South America and China.

The year was very quiet for mergers and acquisitions in general, and in the global forest products industry too. However, we will always consider opportunities to enhance growth through mergers and acquisitions that meet the Group's financial criteria.

The world's economies are showing signs that improvement is in prospect, especially in the USA. Traditionally this boosts the forest products industry. The first half of 2004, however, will remain tough.

Stora Enso is in good shape to benefit from an upturn. We have very good product ranges and customer relationships. Our international personnel and streamlined organisation can deliver results. Our finances are sound, our balance sheet and cash flow strong, and our credit ratings good.

In 2003 we updated our Corporate Governance policy in response to reorganisation of the Group, public interest in governance issues, new stock exchange regulations and the Sarbanes Oxley Act. We also established a Nomination Committee to submit proposals concerning the composition of the Board and the remuneration of its members.

In 2003 Stora Enso changed its dividend policy to raise the proportion of net profits distributed as dividend over the business cycle from one-third to one-half. The dividend proposed by the Board of Directors for the year 2003 is EUR 0.45.

We would like to thank all our personnel for their excellent work during the demanding year.

Our vision is to be the world's leading forest products company, sustainably creating optimum value for all our stakeholders.

Helsinki, 4 February 2004

Claes Dahlbäck, Chairman

Jukka Härmälä, CEO

Mission

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

Vision

We will be the leading forest products company in the world

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

Values

Customer focus – We are the customers' first choice

Performance – We deliver results

Responsibility – We comply with principles of sustainable development

Emphasis on people – Motivated people create success

Focus on future – We take the first step

Close to the customer: at Varkaus in Finland paper goes direct from Stora Enso's paper mill into SanomaWSOY's printing plant on the same site.

Focused strategy will enhance profitability and growth

Stora Enso is operated and managed as a single industrial group. Its core products are graphic and office papers, newsprint, packaging boards and wood products.

Stora Enso's strategic goal is to increase the value of the Company through profitable growth generated by targeted capital expenditure, mergers and acquisitions, world-class facilities, continuous performance improvement and excellent management resources.

Stora Enso strives to be a sustainable forest products company renowned for operational excellence and superior performance. The key to achieving this is enhanced competence and know-how supported by commitment to shared values.

Stora Enso wants to be the customers' first choice. The Group provides services that support customers' product development and enhance their value creation. It also undertakes its own continuous product development to improve existing products and production processes, and to develop new products.

Stora Enso's Return on Capital Employed target remains 13% over the cycle, the weighted average cost of capital at the end of 2003 being 8.7%. The debt/equity ratio must be at or below 0.8, and capital expenditure should not exceed depreciation over the cycle.

Stora Enso's identity is based on a single strong corporate brand identity that reflects the Group's mission, vision and values.

Stora Enso's target is to excel in sustainability and be recognised for it. In 2003 the sustainability governance was restructured to ensure that these issues are better integrated in all the Group's operations (for more information, see the separate Sustainability 2003 report).

Dividend policy will increase shareholders' return

The Company has amended its dividend policy to increase the return to shareholders. The proportion of net profit it is committed to distributing to shareholders as dividend over the cycle has been raised from one-third to one-half.

Fibre strategy amended to reduce costs

Stora Enso's fibre strategy secures high quality, cost-competitive raw materials from socially and environmentally sustainable sources. The aim is to reduce raw material costs, which currently account for 20% of Group costs.

The main raw materials are wood, recovered paper and purchased pulp. The most important elements of the fibre strategy are own production of pulp and wood products, and sourcing of wood from mainly external suppliers. Stora Enso ensures the availability of different types of fibre from multiple sources through its fibre sourcing and pulping operations.

Stora Enso intends to secure and utilise increasing amounts of long fibre from Western Russia and the Baltic States, and short fibre from fast-growing plantations in the Southern Hemisphere.

Disciplined acquisition policy supports core business development

Stora Enso has a disciplined merger and acquisition policy. A merger or acquisition must support core business development, provide customer and production synergies, improve asset quality and competitiveness, and be in line with the market outlook.

The Group has identified three ways of increasing its assets:

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

Such expansion must meet the financial targets of being EPS and CEPS accretive after one year. In the near term it must yield more than the company's weighted average cost of capital, and in the long term clearly support the Group's 13% ROCE target over the cycle.

Reaching key financial targets	Target	1999	2000	2001	2002	2003
ROCE, % *	13	12.1	16.8	10.8	7.1	4.6
Debt/Equity ratio	≤0.8	0.90	0.62	0.57	***0.37	0.48
Dividend/share, EUR		0.40	0.45	0.45	0.45	**0.45
Payout ratio, % *	50	45	34	48	79	180

* Excluding non-recurring items ** Board of Directors' proposal to the AGM

*** Adjusted with the initial valuation of IAS 41 Agriculture

Strategy in action in 2003

Langerbrugge newsprint investment completed

Asset restructuring continued during 2003. In spring the new newsprint machine at Langerbrugge in Belgium started up. The machine will use 500 000 tonnes of recycled fibre per year to make 400 000 tonnes of newsprint when it reaches full capacity in 2005. This investment is the biggest project in Stora Enso's history at EUR 470 million. See more about it on pages 20–21.

Divestment of non-core assets continued

In 2003 further strategic actions were taken to release capital from non-core activities to finance growth of core businesses. The Group's forest assets in Sweden will be restructured by establishing a company jointly owned with Korsnäs of Sweden to which both partners are transferring their Swedish forest assets. Stora Enso will sign long-term wood supply contracts with the new entity.

Fibre strategy in action with new organisation

Wood Supply Europe was created to manage the wood flows that supply raw material to Stora Enso's mills in Europe in the most efficient and cost-effective way.

Stora Enso's fibre sourcing possibilities have been improved by sawmill acquisitions in the Baltic States.

Presence in the Russian wood market is being strengthened through sawmilling operations. Sawmills were started up at Impilahti in Karelia, close to the Finnish border, in August and at Nebolchi in the Novgorod region in the beginning of 2004. Sawmills are cost-efficient means of entering the Russian market, familiarising with Russian practice and legislation, and training personnel for possible future industrial expansion in the country.

The Veracel pulp mill joint venture in Brazil was approved in May. The mill will provide Stora Enso with 450 000 tonnes (50% of the 900 000 tonnes capacity) of top quality short-fibre pulp annually from mid 2005 onwards.

Cost saving through constant development

Stora Enso is constantly developing its operations and systems to improve competitiveness through benchmarking at individual mills. Many European as well as North American mills undertook restructuring during 2003.

Restructuring is part of Stora Enso's Excellence 2005 continuous improvement programme. All Stora Enso units have developed their own competitiveness at all levels by implementing Excellence 2005 through Total Quality Management. This makes it easier to evaluate their operations and agree which areas need improvement.

Excellence 2005 includes a wide range of means of measuring employee and customer satisfaction, a productivity programme and customer relationship management. Each unit evaluates its performance annually against key measures of business success. This ensures that improvements with the greatest impact on profit and strategic success receive the highest priority.

Stora Enso's systematic quality work was once again recognised by the Finnish Quality Award to Ingerois Board Mill. This was already the fourth time a Group unit has been a Finnish Quality Award winner, the previous winners in the competition, which was held for the thirteenth time in 2003, being Veitsiluoto Publication Papers (1998), Laminating Papers (2000) and Oulu Fine Paper Mill (2001).

Further profit enhancement in North America

Results from Stora Enso's North American operations remained unsatisfactory in 2003 due to the persistently weak market since 2000 and an increased cost base. The Profit Enhancement Programme of August 2002 has therefore been expanded to reduce annual costs by a further USD 65 million.

The Profit Enhancement Programme of 2002 as extended in 2003 will improve EPS by altogether EUR 0.09 by 2005. The workforce will be reduced from a total of 7 300 in 2000 to 5 000 in 2005, a 32% reduction. At the end of 2003 the number of employees in North America was 5 670.

Stora Enso Account Management strengthens customer relationships

Stora Enso Account Management (SEAM), which originated from the customer relationship management project launched in 2002, has now been developed and will be fully implemented during 2004.

The goal of SEAM is to enhance value through strengthened customer relationships.

This approach facilitates deployment of the Group's customer-focused strategy. Stora Enso's most important accounts will benefit from customised products and services to meet their business needs. SEAM will increase customer loyalty and improve co-operation in product and process development. Read more about it on pages 12–13.

At Veracel 47% of the land is eucalyptus plantations and 49% Atlantic rainforest fragments and regeneration areas.

R&D reorganisation

In 2003 Stora Enso spent EUR 88.8 million on research and development, equivalent to 0.7% of net sales. An interesting area for research and development continued to be Consumer Boards with its InnoCentre. Read more about it on pages 24–25.

Stora Enso's research and development centres were integrated with business units during the year to increase the emphasis on R&D in the product areas, to integrate R&D into business strategy development and to utilise the scientific and technical expertise of the centres efficiently in customer service and troubleshooting.

Research and development in the Paper product area concentrated on end-use and customer-driven work on printability, improving customer service to printers and preparing for future developments in printing technology.

The growth strategy of Packaging Boards is based on innovation and development. New materials have been developed for cups, trays and liquid cartons utilising new approaches to improve barrier properties and converting characteristics.

In 2003 Stora Enso Timber launched a new product called WoodHeart® that exploits the natural durability of Nordic Scots pine heartwood to meet the needs of the woodworking industry where durability and stability are required, as explained on page 29.

New value-added service for customers

Stora Enso Account Management (SEAM) is an innovation that enhances the value of Stora Enso's customer service by providing a single co-ordinated interface for cross-divisional and cross-market customers. This enables Stora Enso to provide a complete service package to meet all of a customer's various requirements.

Stora Enso launched this innovation in customer relationship management in early 2003 with several pilot projects. The aim is to strengthen relationships with customers and develop a deep understanding of their business.

Customers are becoming increasingly global in scale, so Stora Enso is offering international customers a single, integrated service irrespective of whether they are buying from several divisions in one country, or from one or more divisions in several countries. This makes it is easier for them to do business with Stora Enso.

SEAM is a comprehensive approach to customer relationships covering all aspects of business including logistics, the environment and product development.

Stora Enso recently signed a new supply agreement with PPR. From left to right: Patrick Terrier, Thierry Falque-Pierrotin and Pierre Chazey from REDCATS (PPR), and François-Xavier Danel, Bernd Rettig, Isabelle Portal, Gauthier Tyrel de Poix and Jan-Walter Cappelen from Stora Enso.

Single interface for the customer

Through SEAM Stora Enso provides a specialised team to help key customers develop their business. This has two advantages for customers: they benefit from the team's detailed knowledge of the Group's whole product range and they gain access to comprehensive expertise in technology, product development and logistics. By providing a single interface for each customer, a SEAM team of experts can develop a co-ordinated customer relationship that meets all the needs of an individual customer.

As a global Group, Stora Enso will form a SEAM team from people based in different countries, which gives the team a global view of the customer's business.

Strengthened customer relationships

SEAM strengthens customer relationships and co-operation in product and process development.

"Our customer base is our greatest asset. SEAM will increase the value of this asset by creating added value for our customers," says Petri Wager, Executive Vice President, Market Services.

A deep understanding of the customer's business is needed to provide tailor-made solutions, such as joint proactive product development. Stora Enso achieves this by working closely with its customers, even involving them in planning and budgeting. Objectives are jointly set. Stora Enso and the customer agree volumes and grades to be purchased annually by the customer based on analysis of the customer's requirements.

SEAM benefits the customer and Stora Enso. The customer benefits from a reliable, flexible service and Stora Enso's long-term commitment and targeted expertise. For Stora Enso, SEAM will increase efficiency and hence profitability, and stimulate sales.

Service-minded

"The greatest challenge has been to convince our people of the benefits of the new approach and create a more entrepreneurial spirit. SEAM involves staff from all parts of the Group, such as mills, sales offices, logistics and R&D," says Gauthier de Poix, Managing Director, Stora Enso France, who has been working on several pilot projects.

Customer's view

Pinault-Printemps-Redoute (PPR), a European market leader in specialised distribution and a major player in the luxury goods sector, is one of Stora Enso's major customers.

"We are constantly seeking improvement through a comprehensive relationship with our suppliers covering all aspects of business. With Stora Enso we co-operate on logistics, environmental matters and product development. Thanks to our experience of working together and mutual trust, we have been able to optimise this co-operation through SEAM in a win-win approach and achieve significant results,"

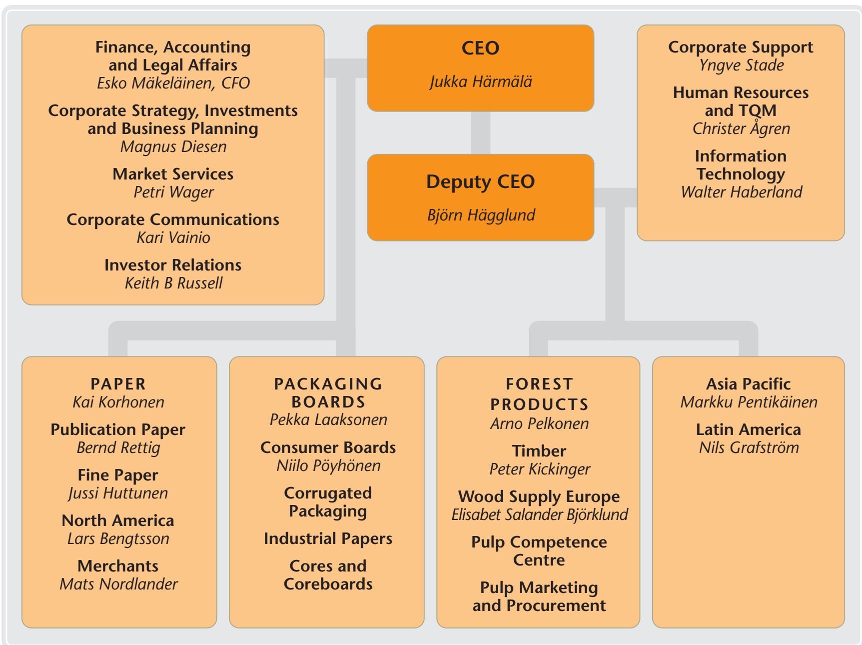
says Pierre Chazey,
Paper & Print Director at REDCATS (PPR).

Improved co-operation within core businesses

In May 2003 Stora Enso was reorganised in line with the Group's strategic principle of being operated and managed as one industrial group. The organisational structure dating from the merger that formed Stora Enso has functioned well, so it only needed to be modified, but not changed fundamentally.

The new organisation is streamlined around Stora Enso's three core product areas: Paper, Packaging Boards and Forest Products. The reorganisation will increase efficiency, especially by improving co-ordination and co-operation between the units within each core product area.

The new organisational structure will make Stora Enso's global businesses even more highly focused and co-ordinated by strengthening the core businesses.



PAPER

The Paper Product Area comprises the paper divisions (Publication Paper, which includes the former Magazine Paper and Newsprint divisions, and Fine Paper), plus the Merchants (Papyrus) and North America divisions. Speciality Papers, formerly part of Packaging Boards, has been transferred to the Fine Paper division.

PACKAGING BOARDS

The Packaging Boards comprises Consumer Boards, Corrugated Packaging, Industrial Papers and Cores and Coreboard.

FOREST PRODUCTS

Forest Products comprises Stora Enso Timber, Stora Enso Wood Supply Europe, the Pulp Competence Centre, and Pulp Marketing and Procurement.

OTHER CHANGES

A new Latin America division was formed to plan and implement Stora Enso's strategic involvement in South America. It manages local projects such as Veracel and co-ordinates sales company activities.

Investment and capacity management

The streamlined organisation will make it easier to prioritise mergers, acquisitions and investments, and capacity will be even more efficiently managed. In the Paper product area, for example, it will be easier to evaluate company acquisitions and investments from the perspective of the entire product area. It will also be easier to adjust to short-term oversupply in the market, especially when there are differences between Europe and North America.

Improved customer management

Simplification of the organisation into three core product areas will improve Customer Relationship Management. Customer service will be better co-ordinated, with a single interface for most customers (read more about Stora Enso's CRM project on pages 12–13).

"Four years after the merger that formed Stora Enso, it was time to evaluate how well the organisational structure was functioning, and identify its strengths and weaknesses.

"The merger between Stora and Enso, and later the integration of Stora Enso North America have proved successful. The working atmosphere in the Group is very good and the customer base has been strengthened.

"The reorganisation did not therefore entail any dramatic changes. It was more an enhancement of the existing structure,"

says Christer Ågren, Executive Vice President, Corporate Human Resources and TQM.

Synergies

Synergies will result from easier exchange of best practice as different parts of the Group are more closely linked with each other: corporate staff and functions with the divisions, and the various divisions with each other, especially within the Paper and the Forest Products product areas, which is why that is where the biggest changes have been made.

Staff functions linked to product areas

Following the reorganisation of the product areas, the focus moved to the staff functions.

The staff organisation has been aligned to the new organisation to increase efficiency. A review of the roles and responsibilities of the staff functions and product areas resulted in a lighter and less bureaucratic set-up where decisions can be taken more rapidly. Resources will be utilised more efficiently by establishing shorter links between the staff and the units they serve. This has already further improved internal customer satisfaction, according to the annual survey in which all Group staff participate.

Value created through scale and global reach

The strengths of the Paper product area are its strong market positions in Europe and North America, attractive product range, and good asset quality providing sound support for growth and asset restructuring.

Formation of the new Paper product area reaffirms and strengthens Stora Enso's commitment to its customers around the world. It also reflects recent and forecast changes in the paper markets, with global trade growing and customers merging to operate on two or more continents. As customers become bigger, their product ranges broaden. In addition, paper grades have become increasingly interchangeable. All this has stimulated customer demand for a one-face-to-customer approach, which is now more easily managed within Paper.

Customers' needs the starting point

Scale enhances product offerings to customers. The Paper product area has a wide product range, and new products are constantly being developed in close co-operation with customers. Stora Enso's global reach, with mills on three continents and a worldwide sales network, provides customer service that is global in breadth and local in depth.

Continuous improvement

Scale allows mill specialisation. This is especially evident in Fine Paper, where mills that previously produced several grades are now specialising in just one or two. Publication paper machines are also specialising in fewer grades, and production that would not be profitable over the long term is being phased out.

In the short term, the most important improvement plan for Stora Enso Paper relates to the cost structure. The North American Profit Enhancement Programme announced in August 2002 and extended in 2003 will further improve the cost competitiveness of the North American operations.

Better utilisation of resources

Scale also enables more efficient use of resources. The new Wood Supply Europe (see page 28), which handles the fibre supply for all the Group's mills in Europe, will be able to procure fibre more efficiently and pass on savings from its increased purchasing power to other product areas.

Specialisation is seen in fibre usage too. Primary fibre is readily available in Northern Europe and North America, so Stora Enso's mills there produce mainly grades made from primary fibre. The mills in Western Europe, which is a major source of recovered paper, concentrate on producing paper mainly from recycled fibre.

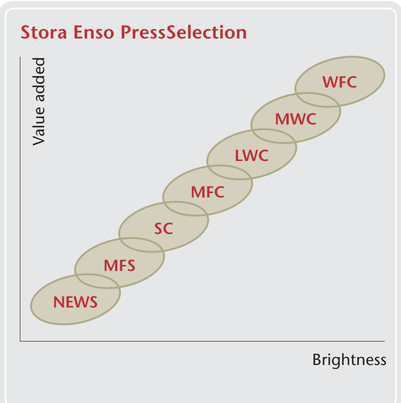
A growing business

Paper production is a steadily growing business. Global demand is forecast to grow in line with GDP. Growth is expected to be below 2% annually in the Western economies, but higher in the rest of the world. In graphical papers (newsprint, magazine paper and coated fine paper) the key driver is printed advertising. In office papers the key driver is usage of office equipment (printers and copiers).

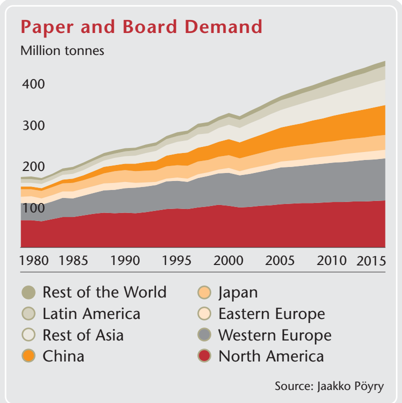
The new Paper product area combines all Stora Enso's paper manufacturing and merchants operations under one management. The new structure enables efficient co-ordination of strategies and plans for marketing, capital investment, R&D and mergers and acquisitions. This will promote sharing of best practices globally and yield synergies.

"The long-term challenge is to be clearly the world's leading paper maker. By leading we mean having consistently high market shares, a comprehensive product range, excellent customer service, trained and motivated people, a performance culture and profitable growth. These are not just words. I believe Stora Enso Paper will fulfil this commitment to high performance and organisational excellence,"

says Kai Korhonen, Senior Executive Vice President, Stora Enso Paper.



The whole printing paper range is now under the same management.



Global paper and board demand is forecast to rise from 325 million tonnes in 2000 to 450 million tonnes in 2015.

Read more www.storaenso.com/2003

Publication Paper

The newly formed Publication Paper division combines the previous Magazine Paper and Newsprint divisions. Its operations are managed as three Business Areas: Newsprint and Book Paper, Coated Magazine Paper, and Uncoated Magazine Paper. The division offers a complete range of papers for newspapers, magazines, books, directories and all forms of advertising material. Customers include printing houses and publishers.

Newsprint and Book Paper
Stora Enso manufactures papers for newspapers and supplements from recycled and primary fibre. The tinted varieties are used for identifying sports, business and political sections of a newspaper. The book paper range includes paper for hardback and paperback books, and directory papers for telephone directories and timetables.

Key figures*	2001	2002	2003	% of the Group
Sales, EUR million	5 414.4	4 715.6	4 295.7	34.3
Operating profit, EUR million	855.7	320.1	114.1	21.2
% of sales	15.8	6.8	2.7	
Operating capital, EUR million	4 512.4	3 969.9	4 024.7	31.4
Return on operating capital, %	18.8	7.5	2.9	
Capital expenditure, EUR million	239.7	482.2	591.6	
Average number of employees	13 384	13 241	12 903	29.2
Market-related production curtailments, tonnes	690 000	874 000	497 000	

*) excluding goodwill

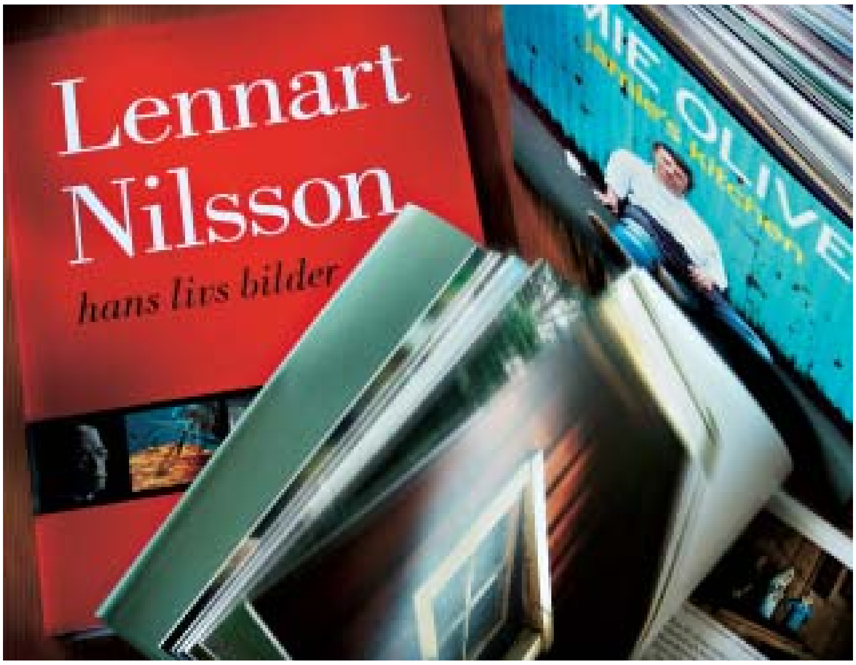
1 000 tonnes	Deliveries 2001	Deliveries 2002	Deliveries 2003	Capacity 2004
Newsprint and book paper	3 031	2 899	2 993	3 550
Uncoated magazine paper (SC)	1 377	1 363	1 440	1 680
Coated magazine paper (LWC, MWC, HWC, MFC)	2 452	2 507	2 482	2 740
Wallpaper base	42	38	39	65
Total	6 902	6 807	6 954	8 035

Uncoated Magazine Paper is used mainly for periodicals and advertising material, such as inserts and flyers. It is also suitable for mass circulation TV magazines and catalogues.

Coated Magazine Paper in various matt, silk and glossy grades is used for special interest and general interest magazines. Other end-uses include supplements, upmarket and home-shopping catalogues, and magazine covers.

Outlook
In Europe, uncoated magazine paper prices remained almost unchanged throughout the year, whereas coated magazine paper prices declined slightly. Revenues were depressed by the depreciation of the US dollar and British pound. The strengthening US economy and growing confidence in a European recovery are expected gradually to increase demand for advertising-driven paper grades. In North America GDP growth has not yet stimulated paper demand or orders. Magazine advertisement page counts, an indicator of paper demand, are still low.

Fine Paper



Asia and South America
Stora Enso benefits from the lower manufacturing costs in Asia and South America. Interests in China include a fine paper mill and a core factory. A prefeasibility study of plantations in southern China is in progress. The Group, which has a permit to build a second paper machine in China, is upgrading the existing machine.

In Brazil a 900 000 tonnes per year eucalyptus pulp mill is being built as a joint venture. The short-fibre pulp that the mill will manufacture is ideal for fine paper production.

Stora Enso Fine Paper comprises three Business Areas: Office Papers, Graphic Papers and Speciality Papers.

Office Papers meet the rapidly changing and highly demanding needs of modern offices around the world. Products include document printing paper, envelope paper, papers used in school notebooks and blocks, business forms for continuous stationery and digital printing paper.

Graphic Papers are tailored for the high quality printing needs of printers and publishers globally. The product range includes multicoated papers used in art books, annual reports and luxury magazines, coated papers used in magazines, catalogues and brochures, and uncoated graphic papers suitable for stationery and manuals.

Key figures*	2001	2002	2003	% of the Group
Sales, EUR million	3 670.4	3 427.4	3 197.7	24.0
Operating profit, EUR million	396.5	303.7	156.0	29.0
% of sales	10.8	8.9	4.9	
Operating capital, EUR million	4 190.2	3 660.6	3 380.6	26.3
Return on operating capital, %	9.2	7.7	4.4	
Capital expenditure, EUR million	193.7	134.6	219.1	
Average number of employees	10 968	9 872	9 521	21.5
Market-related production curtailments, tonnes	670 000	274 000	176 000	

*) excluding goodwill

1 000 tonnes	Deliveries 2001	Deliveries 2002	Deliveries 2003	Capacity 2004
Office (uncoated) paper	1 273	1 330	1 347	1 655
Graphic (coated) paper	1 918	1 826	1 900	2 360
Speciality paper	257	276	344	385
Total	3 448	3 432	3 591	4 400

Speciality Papers are used for various purposes. Flexible packaging papers include paper grades designed for protecting, transporting and identifying primarily food products. Technical papers are manufactured for the Variable Image Print (VIP) and pressure-sensitive markets. Label papers include wet-strength and non-wet-strength grades.

Outlook
In Western Europe fine paper demand was recovering at the end of 2003. Current economic trends suggest modest volume recovery is likely to continue, especially in the short term. Overseas exports are expected to stabilise or even decline owing to the strong euro. Import pressure will persist, especially in uncoated fine paper. The outlook for fine paper prices remains challenging.

In North America competitive imports of coated fine paper continue to influence the North America market, but the weakness of the US dollar seems to have slowed their growth. The outlook is rather stable in volumes and prices. However, prices stay at low levels.

Paper from 100% recovered fibre

Paper machine 4 at Langerbrugge in Belgium, which started up on 31 May 2003, is the world's biggest newsprint machine. It utilises only recovered paper as raw material, and residuals are burnt as fuel, in line with Stora Enso's commitment to sustainable development.

The Langerbrugge paper machine 4 project is Stora Enso's largest ever at a total investment of EUR 470 million. It is part of the Group's Asset Restructuring Programme to enhance competitiveness in publication paper and meet increasing demand for high quality paper. Four-colour printing is rapidly growing in popularity and the latest technology is required to produce top quality paper to meet this demand.

There is also demand from authorities and customers for more use of recovered fibre in paper manufacturing. In the UK, for example, national and regional newspapers have voluntarily promised the government they will progressively increase the recovered fibre content of their newspapers to 70% by 2006.

Close to raw material sources and markets

Langerbrugge's location in the densely populated heart of Western Europe is ideal for Stora Enso's strategy of recycling fibre close to the source and to customers. Recovered paper is collected from within 300 kilometres of the mill, an area with nearly 80 million inhabitants. The recovered paper is transported to the mill from Belgium, the Netherlands, the UK, Germany and France by road and rail.

Currently, the mill aims to sell about 80% of its output in Europe, but Langerbrugge is well located for serving overseas customers because of its deep-water port. Stora Enso's share of the ten million tonnes per year European newsprint market is about 25%. The most important markets are the UK and Germany.

Stig Andersson, Langerbrugge Mill Director, celebrates the start-up of the machine with his colleagues.

Langerbrugge Mill

Stora Enso's Langerbrugge Mill in Belgium is in the deepwater port of Ghent, about 50 kilometres from Brussels. Since paper production at Langerbrugge began in 1932, the annual production capacity has risen to a total of 565 000 tonnes of standard newsprint and uncoated (SC) magazine paper from two paper machines. Langerbrugge Mill has 480 employees. The mill is certified to ISO 9001 and ISO 14001, and EMAS registration is scheduled for 2005.

Sharing best practices

During the project Stora Enso's resources were well utilised for international transfer of expertise. Personnel from other Group mills in Finland, Sweden, Germany and France went to Belgium to provide know-how and start-up support. Customised training for the whole crew included basic tuition, training by equipment suppliers and separate courses for the paper machine, deinking plant, power plant and maintenance personnel. Employees also received on-site training at Hylte Mill in Sweden and Sachsen Mill in Germany.

Ideal location: nearly 80 million people live within 300 km.

Technical facts

When the new machine reaches full capacity in 2005, it will produce 400 000 tonnes of newsprint per year. The mill's total consumption of recovered paper will grow to 500 000 tonnes per year. The wire width is 11.1 metres and speed 2 000 m/min. The total length of the machine and winder section is 154 metres. The project also included a new deinking plant, a 75 MW biofuel power plant, a new warehouse for recovered paper, a product warehouse and a new office building.

Strong manufacturing base and innovation

The Packaging Boards product area comprises four market and product segments: Consumer Boards, Corrugated Packaging, Industrial Papers, and Cores and Core Boards. The raw materials used are primary fibre from the Group's pulp mills and recycled fibre collected from near the board mills in line with Stora Enso's recycling strategy. Stora Enso is the market leader in primary-fibre-based consumer boards in Europe.

Stora Enso aims to be the most rational choice for customers. As an integrated pulp and board producer in a strong financial position, Stora Enso is a stable, reliable long-term supplier. Large shares of business in target markets and product segments have been gained through world-class innovation and environmentally and socially sound operations. This strategy gives a financial return adequate to cover shareholder interests and the future development of the business.

Strength through the value chain

Packaging Boards has advanced production assets, particularly the large efficient machines manufacturing consumer boards. Ownership of the whole value chain from pulp production to recycling of composite materials secures price and supply stability for customers, and the scale of the Group supports an exceptionally large product range. Not surprisingly, Stora Enso has been the supplier of choice for a number of leading companies for more than forty years.

Co-operation in innovation projects is another key benefit for customers (read more about Stora Enso's InnoCentre on pages 24–25), along with recycling of composite materials.

New areas of growth

Packaging Boards is currently concentrated in Northern Europe, so Stora Enso is looking for growth in new geographic areas. Economic development in Central and Eastern Europe is increasing demand for packaging, and corrugated packaging consumption is growing especially fast in Eastern Europe - annual growth there is estimated at 5–10%. In the past eight years Stora Enso has built nine new packaging plants in Russia, Hungary and the Baltic States, the newest being the Arzamas corrugated packaging mill in Russia opened in 2003.

Innovation the way ahead

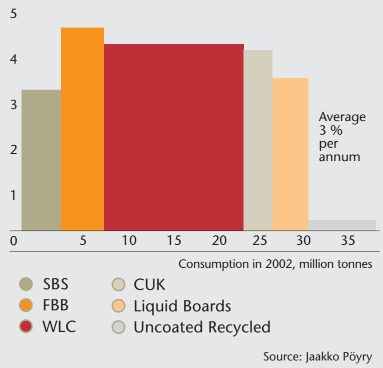
Innovation will maintain and strengthen the competitive advantage of fibre-based packaging materials over alternative materials. Research and development in Packaging Boards was recently reorganised and more closely integrated with strategic business development to improve financial performance and product quality. The new technologies being developed will further enhance the competitiveness of Stora Enso packaging materials.

Outlook

Demand and prices were quite stable at the end of 2003 for most board and paper grades, as well as for corrugated products. Prices for bleached boards (SBS) and laminating papers declined marginally. Demand and prices are generally expected to remain stable in the near future. Some market-related downtime is anticipated because of European producers' weaker competitiveness in overseas markets.

Consumer board demand 2002-2012

Estimated demand growth in 2002-2012, % per annum



Consumer board demand is forecast to grow by 3% per year to 2012.

"We're going for profitable growth. While maximising sales revenues and keeping costs down, we are also open to acquisition opportunities to increase growth. Stora Enso must be the most rational choice for customers,"

says Pekka Laaksonen, Senior Executive Vice President, Stora Enso Packaging Boards.

Key figures*	2001	2002	2003	% of the Group
Sales, EUR million	2 671.1	2 720.2	2 761.6	21.1
Operating profit, EUR million	344.2	354.7	296.9	55.2
% of sales	12.9	13.0	10.8	
Operating capital, EUR million	2 641.8	2 605.3	2 561.0	20.0
Return on operating capital, %	12.5	13.5	11.5	
Capital expenditure, EUR million	294.4	140.5	170.9	
Average number of employees	9 527	9 949	10 068	22.7
Market-related production curtailments, tonnes	180 000	109 000	109 000	

*) excluding goodwill

1 000 tonnes	Deliveries 2001	Deliveries 2002	Deliveries 2003	Capacity 2004
Packaging boards and papers	2 509	2 909	3 006	3 285

Read more www.storaenso.com/2003

Profitable growth through innovation

Stora Enso Consumer Boards established its new InnoCentre to stimulate growth through innovation in packaging manufacturing.

InnoCentre, a packaging research and development centre established by Stora Enso Consumer Boards and Stora Enso Research, became operational in July 2003. It was formed to develop new packaging material concepts, undertake research on packaging engineering and test new technology.

New business from innovation

InnoCentre is intended to generate profitable future growth for Stora Enso Consumer Boards through innovation and adding value to existing businesses.

"Our target is to increase the proportion of Stora Enso Consumer Boards' sales generated by new types of business significantly in the next ten years," says Juha Lehtola, Vice President, New Business Innovations. He emphasises that Stora Enso does not intend to become a full-scale converter itself. The aim is to expand markets through innovations that offer Stora Enso's customers new business opportunities.

One InnoCentre – three locations

InnoCentre comprises three research and development units located at Imatra and Karhula in Finland and Karlstad in Sweden. Each unit specialises in a different aspect of packaging manufacture.

InnoCentre employs experts in fields ranging from packaging development to digital printing technology and heat-sealing techniques. InnoCentre collaborates efficiently with Stora Enso Research.

Services for customers

InnoCentre is itself an innovation in customer service in the packaging board industry, the basic idea being to develop innovations for customers' benefit and to collaborate with them on research and development.

InnoCentre serves Stora Enso's customers by developing and testing packaging and high-barrier boards, and

InnoCentre is part of Stora Enso Partner Services, which also includes Service Centres and PartnerWeb. Read more about these services at Stora Enso's website www.storaenso.com/partnerservices.

making available to them machine technology used in all stages of packaging manufacture. Customers can commission trial runs and product batches for market launches.

Getting the timing right

InnoCentre allocates its resources prudently.

"The starting point is doing the right things at the right time," emphasises Juha Lehtola. InnoCentre concentrates on development projects leading to a market launch within the next three years, so all projects have a strongly commercial and practical orientation. Flexibility and rapid response to trends give InnoCentre a unique advantage in packaging research and development.

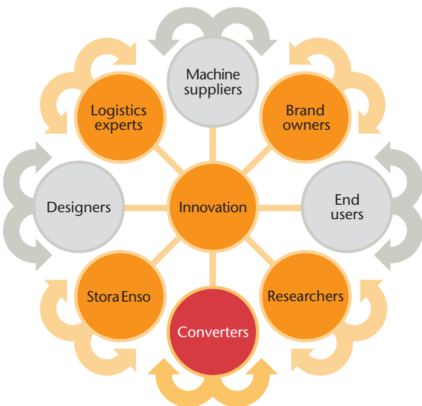
Innovating into CD and DVD markets

This commercial approach is already starting to bear fruit. One example is the successful market launch of Stora Enso's patented DBS (DiscBox Slider) packaging system. Worldwide sales of CD and DVD discs totalled 22 billion in 2002, and DBS is a serious cartonboard rival to plastic CD and DVD covers. The competitive advantages of Stora Enso's DBS are low cost, durability, compactness and unlimited graphical printing potential.

A wealth of possibilities

There is enormous scope for new ideas to add value to packaging.

InnoCentre provides the ideal environment for developing new solutions in consumer boards. InnoCentre turns inspirations into practical applications and business models.



Vertical innovation process involves all parties in the value chain.

Better value for customers from optimised fibre supply

The Forest Products product area has several strategic roles within Stora Enso. It adds value and competitiveness to products throughout the supply chain by optimising the use of wood raw material for paper, packaging and wood products. It reduces Stora Enso's total costs by integrating fibre supply chains. The competitive wood products are a core business for the Group.

Sustainable competitive advantage

The new Forest Products product area will gain the full synergy benefits from integrating the wood supply processes for sawmilling and pulping. Logs and wood fibre account for a significant proportion of Stora Enso's costs, and co-ordinating and optimising the wood supply will maximise overall efficiency and value creation.

For Stora Enso, its wood supplies and wood products are fundamental to sustainability. Wood Supply Europe ensures the acceptability of all Stora Enso's products in the long term by applying and promoting sustainable forest management practices. Sawn and processed wood products also help reduce the greenhouse effect while promoting a functional and visually enjoyable living environment for people.

Expanding into new areas

Wood supply markets are very tight, especially in Northern Europe. Stora Enso plans to expand its wood supply and processing operations in Central and Eastern Europe, including Russia. Expansion into the Baltic States was one of the first steps in this direction, building the first sawmills in Russia another. Over the next few years Stora Enso plans to invest further in sawmills and wood procurement, mainly in the Baltic States and Russia. Current projects in the region include sawmills recently built, being designed or upgraded, or under construction.

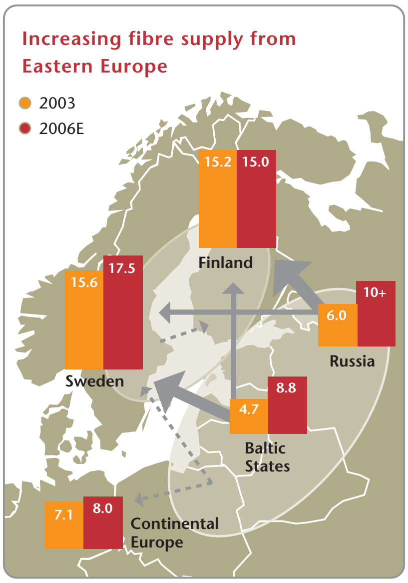
Local manufacturing is a good way of entering emerging wood products markets. By applying internationally acceptable wood trade practices, it also supports development of local wood supply markets.

Adding value for wood products customers

Wood products is one of the core businesses of the Group. Stora Enso Timber is strategically important as a producer and supplier of competitive wood products, and in enhancing wood procurement. Fibre products from the sawmills such as chips and sawdust have a vital role in the Group strategy as raw materials for other mills.

Each sawmill has a specific role in serving customers, depending on its raw material base, capabilities and market demand. Several sawmills in the Nordic countries have been modernised recently to increase production efficiency.

A key element in Stora Enso Timber's strategy is to move from standardised to mass-customised and higher-value-added products. This means offering complete solutions for selected end-use segments. The increasing proportion of further-processed products in the output will increase profits and reduce the volatility of the business.

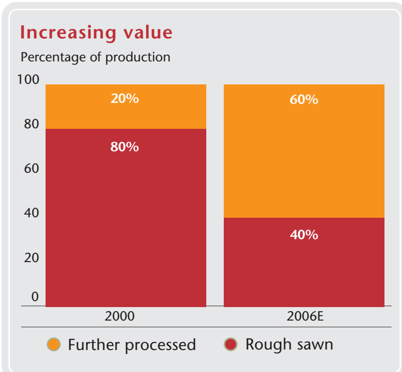


Stora Enso's procurement from different operating areas.

Forest Products comprises Stora Enso Timber, Stora Enso Wood Supply Europe, the Pulp Competence Centre, and Pulp Marketing and Procurement. Stora Enso Timber converts the more valuable parts of the wood supply into competitive wood products. Wood Supply Europe is responsible for procuring and supplying the wood for Stora Enso's European mills, for ensuring the optimal raw material for them, and for forest-related environmental matters globally. The Pulp Competence Centre has an important role in optimising pulp flows, assets and techniques throughout Stora Enso.

"We want the most competitive fibre supply in the industry to gain the maximum benefit from our global purchasing power and to optimise the wood flows. Our top priority is therefore to implement a co-ordinated strategy for the whole product area. Modern sawmilling has a vital role in realising the corporate strategy. We will increase integration of pulping, sawmilling and wood supply to gain synergies and share best practices,"

says Arno Pelkonen, Senior Executive Vice President, Stora Enso Forest Products.



Stora Enso Timber's strategic focus is to increase the share of further-processed products.

Read more www.storaenso.com/2003

Wood Products

Stora Enso Timber is an international wood products company that provides customer-focused solutions to the construction and joinery industries and the wood products trade worldwide. Its annual net sales are EUR 1.4 billion. Stora Enso Timber's total annual production capacity is 7.4 million m³ of sawn wood products, including 2.8 million m³ of value-added products. It employs 4 600 people in 24 softwood sawmills and 20 further-processing plants in ten European countries and in its sales and distribution companies throughout the world.

Stora Enso Timber focuses on customised mass-produced value-added products for growing industrial end-uses. They include laminated, stress-graded and finger-jointed products for standardised building purposes and the joinery industries, as well as basic and commercialised products for timber merchants and importer-distributors.

Outlook

Key factors influencing competitiveness and market balance in Europe in the near future will be output in the Nordic countries, Continental Europe and Russia, and the weak US dollar. As a result, the market outlook, especially for Nordic whitewood and redwood, is uncertain. Demand for wood products is expected to remain relatively stable, supported by steady housing markets in the USA and Japan, and repair and maintenance activity in all market areas.

Key figures*	2001	2002	2003	% of the Group
Sales, EUR million	1 180.5	1 235.2	1 400.0	10.6
Operating profit, EUR million	12.6	46.8	27.6	5.1
% of sales	1.1	3.8	2.0	
Operating capital, EUR million	421.3	421.6	654.1	5.1
Return on operating capital, %	3.1	11.1	5.1	
Capital expenditure, EUR million	64.4	53.5	141.9	
Average number of employees	3 644	3 745	4 626	10.5

*) excluding goodwill

1 000 m³	Deliveries 2001	Deliveries 2002	Deliveries 2003	Capacity 2004
Sawn wood products	4 860	5 112	5 822	7 380
of which further-processed wood products	1 018	1 207	1 406	2 845

Wood Supply Europe

Stora Enso's wood procurement units in Europe were integrated in May 2003. The new division, Wood Supply Europe, brings together all the European wood supplying businesses operating in the Baltic States, Continental Europe, Finland, Russia and Sweden. Wood Supply Europe applies sustainable forest management principles and optimises Stora Enso's wood and fibre flows. With 3 000 employees, it procures about 50 million m³ of wood annually, of which about 40 million m³ is supplied to Stora Enso's own mills in Europe.

Outlook

Supplies in wood markets are expected to recover in Finland during the first quarter of 2004, and to remain strong and stable in Russia and good in Continental Europe with no major price changes expected in either region in the first half of 2004.

Window components – adding value through further processing

A strategic aim of Stora Enso Timber is to increase the value of its products through the whole supply chain. Production of window components is a good example of implementing this strategy. Window components and other joinery products and services are being developed to exploit the competitive advantages of wood.

Window manufacturers are a key market for Stora Enso Timber.

"We are convinced that wood is the ideal material for window frames," says Olle Berg, Senior Vice President, Business Line Joinery. Wood is a strong, durable and environmentally friendly choice for window manufacturing. There are long traditions of constructing buildings from wood, especially in the Nordic countries.

Comprehensive product range

In the past two years Stora Enso Timber has invested about EUR 15 million in joinery component manufacturing at Ala in Sweden, Honkalahti in Finland and Imavere and Viljandi in Estonia. Each plant now specialises in particular types of product, and together they offer a comprehensive product range for window and door manufacture including glued, laminated and finger-jointed components.

Online further processing

The window industry is in transition as the value chain is redefined.

Integration within the supply chain is supported by new technology, making it most cost efficient to manufacture components as near the raw material source as possible. Modern sawmilling and component manufacture go well together. Automated scanners and log x-ray machines at sawmills are being integrated to select the most suitable raw material for components and to increase synergies and efficiency throughout the entire process. This allows window manufacturers to concentrate on their core business of assembling, finishing and marketing high-quality wooden windows.

Co-operation with key customers

Taking a step further in the value chain means much closer co-operation with window manufacturers. Products are being developed jointly with key customers, the target being to develop standardised solutions.

"Our strength in the market is our competence. We have people who really understand our customers' processes," says Olle Berg.

Stora Enso WoodHeart® – durable by nature

Stora Enso Timber has developed a new product for the joinery industry called WoodHeart that is ideal for window components requiring high durability and stability. WoodHeart is an environmentally friendly product that exploits the natural properties of Nordic Scots pine. It is manufactured at Honkalahti Sawmill from logs with the highest heartwood content selected using the latest x-ray technology.

What people Can Do

Success is not just about machines – people make the crucial difference. This is stressed in the Stora Enso Human Resources vision "What People Can Do". Developing the quality of human resource work and promoting best practices are key issues in meeting future requirements.

Stora Enso's vision is to create and maintain a corporate culture and competence level that will secure a competitive advantage over rivals. This requires highly motivated personnel with the right skills who are stimulated to achieve their full potential.

Turning strategy into action

The Human Resources strategy has been evolving since 1999, starting right after the Stora Enso merger. An evaluation of what has been accomplished so far confirms that this is the right path.

The three keys to achieving the vision are: **Performance-oriented corporate culture** – a highly motivated and focused organisation in which all employees know their own role and understand how they contribute to achieving business goals and ultimately performance of the highest standard;
Competence development – increasing the competence of employees to meet today's and future demands will enable continual improvement and learning, and ultimately establish a clear competitive advantage;
Attracting and retaining talents – Stora Enso strives to be the most attractive employer in the industry by creating an attractive working environment and allowing people to develop their full potential.

Human Resources indicators

Key figures	2001	2002	2003
Average number of employees	44 275	43 853	44 264
Sales/employees, EUR	305 112	291 488	274 993
Personnel turnover, %*	3.1	2.8	2.2
Training days/employee	3.9	4.9	3.8

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

Employees by country	2001	2002	2003	%
Finland	15 054	14 676	14 479	32
Sweden	9 433	9 187	9 068	20
USA	6 071	5 731	5 182	12
Germany	4 767	4 761	4 785	11
France	1 368	1 333	1 312	3
Austria	1 127	1 189	1 226	3
Estonia	71	132	1 140	3
Canada	746	850	849	2
Netherlands	801	858	829	2
China	852	816	811	2
Russia	227	581	741	2
Belgium	694	645	623	1
Other countries	3 064	3 094	3 219	7
Total, average	44 275	43 853	44 264	100
Total, year-end	42 932	42 461	42 814	

Education	
Basic education	25.4%
High school/Vocational certificate	48.4%
College level	13.2%
Bachelor's degree/ Polytechnic degree	8.2%
Master's degree	4.5%
Licentiate/Doctorate	0.3%

Sven Rignell and Karin Örtenblad in the control room of board machine 3 at Fors Mill in Sweden.

Common thread

Human Resources objectives and benchmarking common to all Stora Enso units have been developed to achieve results and monitor performance improvement in the key areas. This has been integrated into Stora Enso's framework for ensuring continuous improvement, the Excellence 2005 programme, which in 2003 was developed to focus on the Group's strategic objectives and priorities.

There is now a strong common thread linking Stora Enso's ambition to be the leading forest products company, the Human Resources vision "What People Can Do" and the shared Human Resources objectives. With a strong emphasis on setting clear targets and following up results, the framework is in place to overcome the Red Queen Principle – *it takes all the running you can do just to keep in the same place*. The principle, from Alice's adventures *Through the Looking-Glass* by Lewis Carroll, highlights the importance of moving fast to stay in the lead. To gain and maintain a competitive edge requires an innovative approach and real commitment.

First-class leadership

Good leadership is crucial to a strong corporate culture. Managers at all levels within Stora Enso lead by example. A new leadership policy has been introduced to support development of the current managers and recruitment of new managers.

Human Resources objectives in 2004

Performance-oriented corporate culture

- Corporate culture, motivation and job satisfaction are regularly evaluated through attitude surveys.
- Low accident and absenteeism figures confirm successful corporate culture.

Competence development

- All units have a resource plan specifying the overall competence required to gain and maintain high competitiveness and how to achieve it.
- All employees have a personalised programme to monitor their competence and develop it to meet changing requirements through training and improving their own skills themselves.

Attracting and retaining employees

- Stora Enso aims to be the most attractive employer in the forest products industry in each country.
- Recruitment objectives are set for units depending on the key groups for the unit, local availability of skilled workers, development plans and staff turnover.

For further details about employee well-being, diversity and Corporate Social Responsibility, see the separate Sustainability 2003 report.

Stora Enso's managers must be committed to developing its corporate culture and assets. They are selected for their superior leadership and capability as regards:

- Professional competence
- Leadership
- Utilisation of leadership tools

First-class leadership is about delivering excellent and sustainable results. Stora Enso managers are responsible for:

- delivering short-term results;
- improving the competitiveness and long-term results of their unit.

Regeneration

In a Group like Stora Enso with over 40 000 employees in more than 40 countries, key employees of every type are constantly reaching retirement age. Stora Enso ensures a smooth transition by recruiting the most talented candidates, retaining them, training them and developing their skills throughout their career with the Group.

Board of Directors

Claes Dahlbäck
M.Sc. (Econ.), Hon. Ph.D. (Tech. and Arts)
Chairman of Stora Enso Board of Directors since December 1998
Independent member of the Board.
Born 1947. Chairman of the Board of Investor AB, Vin & Sprit AB, Gambro AB and EQT Funds, and member of the Board of Goldman, & Sachs Co. Member of the STORA Board of Directors from May 1990 and Chairman of the Board from May 1997 until the merger with Enso in 1998. Chairman of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has 2 541 A and 19 529 R shares in Stora Enso.

Krister Ahlström
M.Sc. (Eng.), Hon. Ph.D. (Tech. and Arts)
Vice Chairman of Stora Enso Board of Directors since December 1998
Independent member of the Board. Born 1940. Former Chairman of the Board, President and CEO of A. Ahlstrom Corporation. Chairman of the Board of Wermland Paper AB and member of the Board of EQT Finland BV, NKT Holding A/S and several academic institutions and foundations. Member of Enso-Gutzeit Supervisory Board from May 1993 until the merger with STORA in 1998. Member of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has 1 500 A shares in Stora Enso.

Harald Einsmann
Ph.D. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1934. Executive Chairman of the Board of Findus AB, member of the Board of British American Tobacco plc, EMI Group plc, Tesco Ltd and several other international corporations. Member of the STORA Board of Directors from March 1998 until the merger with Enso in 1998. President of Procter & Gamble Europe from 1984 until 1999. Member of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has ADRs representing 4 800 R shares in Stora Enso.

Björn Hägglund
Ph.D. (For.)
Deputy Chief Executive Officer of Stora Enso and member of Stora Enso Board of Directors since December 1998
Born 1945. President of Stora Forest and Timber division from January 1991 until March 1998, and CEO of STORA from March 1998 until December 1998. Chairman of the Research Institute of Industrial Economics (IUI) in Sweden. Member of Royal Swedish Academy of Engineering Sciences and Royal Swedish Academy of Agriculture and Forestry. Member of the Board of Federation of Swedish Forest Industries and Confederation of European Paper Industries. Has 7 877 A and 14 618 R shares and 363 750 year 1999–2002 and 90 000 year 2003 options/synthetic options in Stora Enso.

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

Jukka Härmälä

B.Sc. (Econ.), Hon. Ph.D. (Tech. and Econ.)
Chief Executive Officer of Stora Enso and member of Stora Enso Board of Directors since December 1998

Born 1946. Vice Chairman of the Supervisory Board of Varma Mutual Pension Insurance Company, Vice Chairman of the Board of Finnlines Plc and member of the Board of Finnish Forest Industries Federation and European Round Table of Industrialists. Employed by Enso-Gutzeit from April 1970 to February 1984, he was Senior Vice President and a member of the Board of Management of Kansallis-Osake-Pankki (a predecessor of Nordea Bank) until rejoining Enso-Gutzeit in September 1988 as President and COO until December 1991. From January 1992 Chairman of the Board of Enso-Gutzeit and President and CEO until the merger with STORA in 1998. Has 6 500 R shares, warrants entitling to 102 000 R shares, and 442 500 year 1999–2002 and 110 000 year 2003 options/synthetic options in Stora Enso.

Barbara Kux

MBA (Hons), INSEAD
Independent member of Stora Enso Board of Directors since March 2003

Born 1954. Chief Procurement Officer and member of Group Management Committee of Royal Philips Electronics. Member of the Board of INSEAD, Fontainebleau. Management Consultant of McKinsey & Co, Germany 1984–1989, Vice President of ABB AG and Nestlé S.A. 1989–1999 and Executive Director of Ford Motor Company 1999–2003. Has no shares in Stora Enso.

George W. Mead

M.Sc. (Paper Chem.), B.Sc. (Chem.)
Independent member of Stora Enso Board of Directors since August 2000

Born 1927. Chairman and acting Treasurer of Mead Witter Foundation. Chairman of the Board of Consolidated Papers , Inc. prior to acquisition by Stora Enso. Member of Stora Enso Financial and Audit Committee since 20 March 2003. Has ADRs representing 2 685 492 R shares in Stora Enso.

Ilkka Niemi

M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since March 2001

Born 1946. Senior Advisor and independent consultant on international finance. Chairman of the Board of Motiva Oy and member of the Board of Kvaerner Masa-Yards Oy. CEO and member of the Board of Finnish State Guarantee Board from September 1989 until July 1997. Member of the Board and representative of the Nordic Countries and Baltic States at the World Bank in Washington DC from August 1997 until August 2000. Chairman of Finnish Accounting Standards Board from 1993 to 1996. Member of Stora Enso Financial and Audit Committee since 19 March 2002. Has no shares in Stora Enso.

Paavo Pitkänen

M.Sc. (Math.)
Independent member of Stora Enso Board of Directors since December 1998

Born 1942. President and CEO of Varma Mutual Pension Insurance Company, and member of the Board of Wärtsilä Corporation, Sampo plc and various Finnish insurance institutions. Member of the Enso-Gutzeit Board of Directors from October 1994 until the merger with STORA in 1998. Member of Stora Enso Financial and Audit Committee since 29 December 2000. Has 3 800 A shares in Stora Enso.

Jan Sjöqvist

M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998

Born 1948. CEO and member of the Board of Swedia Networks AB, and member of the Board of SSAB Svenskt Stål AB, Green Cargo AB and Lannebo fonder AB. Member of the STORA Board of Directors from March 1997 until the merger with Enso in 1998. Chairman of Stora Enso Financial and Audit Committee since 20 March 2003. Has 508 A and 1 943 R shares in Stora Enso.

Marcus Wallenberg

B.Sc. (Foreign Service)
Independent member of Stora Enso Board of Directors since December 1998

Born 1956. CEO and President of Investor AB, and member of the Board of Saab AB, Scania AB, Skandinaviska Enskilda Banken AB, Telefonaktiebolaget LM Ericsson, and the Knut and Alice Wallenberg Foundation. Vice President of Stora Feldmühle AG, a STORA subsidiary, from August 1990 until June 1993. Member of the STORA Board of Directors from March 1998 until the merger with Enso in 1998. Member of Stora Enso Financial and Audit Committee since 29 December 2000. Has 3 049 A and 6 019 R shares in Stora Enso.

Josef Ackermann, a member of the Stora Enso Board of Directors since 1998, resigned from office on 20 March 2003. He was Chairman of the Stora Enso Financial and Audit Committee from 29 December 2000 until 20 March 2003.

Years of issue of options/synthetic options:
1999, 2000, 2001, 2002 and 2003.

To be considered “independent”, the Board must resolve that a director has no material relationship with the Company other than as a director.

Enso-Gutzeit became Enso in May 1996.

Executive Management Group

Jukka Härmälä
B.Sc. (Econ.), Hon. Ph.D. (Tech. and Econ.)
Chief Executive Officer since December 1998
Born 1946. He was employed by Enso-Gutzeit from April 1970 to February 1984, and rejoined in September 1988 as President and COO until December 1991, then President and CEO from January 1992 until the merger with STORA in 1998. For further information, see page 33.

Björn Hägglund
Ph.D. (For.)
Deputy Chief Executive Officer since December 1998
Born 1945. He joined STORA in 1991 and was President of Stora Forest and Timber division from January 1991 until March 1998, and CEO of STORA from March 1998 until December 1998. Chairman of Stora Enso R&D and Sustainability Committees. For further information, see page 32.

Lars Bengtsson
M.Sc. (Tech.)
Senior Executive Vice President, Stora Enso North America, since May 2003
Born 1945. Stora Enso Regional Manager for North America and member of the Board of Directors of several subsidiaries and associated companies. He joined STORA in 1986 and was Executive Vice President, Fine Paper, from December 1998 until August 2000, and Senior Executive Vice President, Newsprint, from September 2000 until April 2003. Member of Stora Enso R&D Committee until 31 July 2003. Has no shares in Stora Enso. Has 166 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Jussi Huttunen
M.Sc. (Econ.)
Senior Executive Vice President, Stora Enso Fine Paper, since January 2002
Born 1954. Member of the Board of Directors of several subsidiaries and associated companies. He joined Enso-Gutzeit in 1979 and was Sales Manager at Enso Marketing Co Ltd from March 1983 until December 1985, Managing Director of Enso Rose Ltd from March 1986 until January 1992, Managing Director of Enso Marketing Co Ltd from January 1990 until January 1992, Vice President of Enso Fine Paper Division from January 1992 until July 1994, Managing Director of Enso UK from August 1994 until December 1998, and Managing Director of Stora Enso UK from January 1999 until December 2001. Member of Stora Enso R&D Committee until 31 July 2003. Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 91 800 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Kai Korhonen
M.Sc. (Eng.), eMBA
Senior Executive Vice President, Stora Enso Paper, since May 2003
Born 1951. Member of the Board of Directors of several subsidiaries and associated companies. He joined Varkaus Mill of Enso (previously A. Ahlström Osakeyhtiö) in May 1977, and was Senior Vice President, Corporate Planning, from March 1991 until December 1992, Managing Director of Sachsen Papier Eilenburg GmbH from January 1993 until February 1996, Vice President, Marketing, Enso Publication Papers from January 1996 until December 1998, Senior Executive Vice President, Newsprint, from December 1998 until August 2000, and Senior Executive Vice President, North America, from September 2000 until April 2003. Member of Stora Enso R&D and Sustainability Committees. Has no shares in Stora Enso. Has 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Pekka Laaksonen
M.Sc. (Econ.)
Senior Executive Vice President, Stora Enso Packaging Boards, since December 1998
Born 1956. Stora Enso Country Manager Finland and member of the Board of Directors of several subsidiaries and associated companies, and member of the Board of Suominen Corporation. He joined the Enso Plywood Division in 1979 and was Sales Manager at Enso (Deutschland) from August 1981 until August 1984, Head of the Enso Plywood Division from September 1984 until June 1985, Sales Manager at Enso (Deutschland) from July 1985 until December 1988, Managing Director of Enso (Deutschland) from January 1989 until August 1993, Executive Vice President of Enso Packaging Boards Division from January 1993 until December 1998, and Senior Executive Vice President, Packaging Boards, from December 1998. He was also a deputy member from August 1993 until April 1996 and full member of the Enso Board of Directors from May 1996 until December 1998. Member of Stora Enso Sustainability Committee. Has 10 000 A shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.


From left to right: Esko Mäkeläinen, Björn Hägglund and Jussi Huttunen

Esko Mäkeläinen

M.Sc. (Econ.)

Chief Financial Officer and Senior Executive Vice President, Finance, Accounting and Legal Affairs, since September 2001

Born 1946. Member of the Board of Directors of several subsidiaries and associated companies, and the supervisory board of Mutual Pension Insurance Company Ilmarinen. He joined Enso-Gutzeit in 1970 and was head of accounting at Kotka Mill from November 1970 until December 1976 and at wood products division from December 1976 until April 1977, head of budgeting from May 1977 until October 1983, Vice President and head of corporate accounting from November 1983 until December 1991, Executive Vice President, CFO and member of the Enso-Gutzeit Board of Directors from January 1992 until December 1998, and Senior Executive Vice President, Accounting and Legal Affairs of Stora Enso from December 1998 until August 2001. Has 1 900 A and 4 669 R shares, warrants entitling to 180 000 R shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Arno Pelkonen

M.Sc. (Econ.)

Senior Executive Vice President, Stora Enso Forest Products, since May 2003

Born 1954. Member of the Board of Directors of several subsidiaries and associated companies. He joined Enso-Gutzeit in 1984 and was Enso sawmill division Sales Manager from May 1984 until May 1986, Sales Director from May 1986 until January 1990 and Marketing Director from January 1990 until September 1995, Managing Director of Enso Timber Oy Ltd from September 1995 until December 1998, Executive Vice President and Managing Director of Stora Enso Timber Oy Ltd from December 1998 until August 2001, and Senior Executive Vice President, Timber, from August 2001 until April 2003. Member of Stora Enso Sustainability and R&D Committees. Has no shares in Stora Enso. Has 151 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

From left to right: Arno Pelkonen, Kai Korhonen, Jukka Härmälä and Lars Bengtsson

From left to right: Bernd Rettig, Pekka Laaksonen and Yngve Stade

Bernd Rettig

M.Sc. (Eng.)

Senior Executive Vice President, Stora Enso Publication Paper, since May 2003

Born 1956. Member of the Board of Directors of several subsidiaries and associated companies. He joined STORA in 1982 and was Managing Director of Stora Reisholz GmbH from January 1992 until May 1996, Managing Director of Stora Enso Kabel GmbH from June 1996 until March 1999, and Senior Executive Vice President, Magazine Paper, from April 1999 until May 2003. Member of Stora Enso R&D Committee. Has no shares in Stora Enso. Has 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Yngve Stade

M.Sc. (Eng.)

Senior Executive Vice President, Corporate Support and Energy, since December 1998

Born 1947. Stora Enso Country Manager Sweden and member of the Board of Directors of several subsidiaries and associated companies, and member of the Board of Swedish P&P Research AB, TAPPI (International slot) and Marcus Wallenberg Foundation.
He joined STORA in 1994 and was Senior Vice President of STORA and President of Stora Corporate Research from March 1994 until December 1998. Member of Stora Enso Investment, R&D and Sustainability Committees. Has 725 R shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Enso-Gutzeit became Enso in May 1996.

Management Group

John F Bergin

B.Sc. (Eng.), MBA

Senior Vice President, Stora Enso North America

Born 1943, joined the Company in 1968. Has ADRs representing 72 247 R shares, North America warrants entitling to ADRs representing 66 124 R shares, and 27 500 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Magnus Diesen

M.Sc. (Paper Tech.)

Executive Vice President, Corporate Strategy, Investments and Business Planning

Born 1944, joined the Company in 1988. Chairman of Stora Enso Investment Committee. Member of R&D Committee until 31 July 2003. Has 1 000 A shares, warrants entitling to 15 000 R shares, and 107 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Nils Grafström

LL.M.

Executive Vice President, Stora Enso Latin America

Born 1947, employed by STORA 1980–1997, rejoined the Company in 2001. Has 2 000 A shares, and 45 000 year 2001–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

From left to right: Markku Pentikäinen, Niilo Pöyhönen, Nils Grafström and Kari Vainio

From left to right: Eberhard Potempa, Jyrki Kurkinen, Elisabet Salander Björklund and John F Bergin

Walter Haberland

M.Sc. (Phys.)

Senior Vice President, Information Technology

Born 1946, joined the Company in 1995. Has no shares in Stora Enso. Has 60 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Peter Kickinger

M.Sc. (Econ.)

Executive Vice President, Stora Enso Timber

Born 1964, joined the Company in 1993. Member of Stora Enso Investment Committee. Has no shares in Stora Enso. Has 54 100 year 1999–2002 and 15 000 year 2003 options/synthetic options in Stora Enso.

Jyrki Kurkinen

LL.M.

General Counsel, Senior Vice President, Legal Affairs

Born 1948, joined the Company in 1979. Member of Stora Enso Disclosure Committee. Has 32 568 R shares, warrants entitling to 60 000 R shares, and 100 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Mats Nordlander

M.Sc. (Eng.)

Executive Vice President, Stora Enso Merchants

Born 1961, joined the Company in 1994. Has no shares in Stora Enso. Has 48 400 year 1999–2002 and 12 500 year 2003 options/synthetic options in Stora Enso.

Markku Pentikäinen

M.Sc. (Eng.), eMBA

Executive Vice President, Stora Enso Asia Pacific

Born 1953, joined the Company in 1979. Has no shares in Stora Enso. Has 53 800 year 1999–2002 and 16 500 year 2003 options/synthetic options in Stora Enso.

Eberhard Potempa
M.Sc. (Econ.)
Senior Vice President, Country Manager Germany
Born 1953, joined the Company in 1976. Has no shares in Stora Enso. Has 73 500 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Niilo Pöyhönen
M.Sc. (Econ.)
Executive Vice President,
Stora Enso Consumer Boards
Born 1953, joined the Company in 1978. Member of Stora Enso R&D Committee. Has no shares in Stora Enso. Has 58 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Keith B Russell
B.A.
Senior Vice President, Investor Relations
Born 1958, joined the Company in 2002. Has 7 000 R shares, and 45 000 year 2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Elisabet Salander Björklund
M.Sc. (For.)
Executive Vice President,
Stora Enso Wood Supply Europe
Born 1958, joined the Company in 1995. Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 44 800 year 1999–2002 and 12 500 year 2003 options/synthetic options in Stora Enso.


From left to right: Keith B Russell, Peter Kickinger and Mats Nordlander


From left to right: Christer Ågren, Walter Haberland, Petri Wager and Magnus Diesen

Kari Vainio
B.Sc. (Econ.)
Executive Vice President,
Corporate Communications
Born 1946, employed by Enso-Gutzeit 1980–1983, rejoined the Company in 1985. Member of Stora Enso Sustainability Committee. Has 3 800 R shares, warrants entitling to 45 000 R shares, and 122 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Petri Wager
M.Sc. (For.)
Executive Vice President, Market Services
Born 1948, joined the Company in 1973. Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 66 100 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Christer Ågren
B.A. (Business Adm.)
Executive Vice President,
Corporate Human Resources and TQM
Born 1954, joined the Company in 1993. Member of Stora Enso Sustainability Committee. Has 3 000 R shares, and 122 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Seppo Hietanen, Executive Vice President, Asia Pacific, retired on 31 December 2003.
Sven Rosman, Executive Vice President, Merchants, retired on 31 August 2003.

Years of issue of options/synthetic options: 1999, 2000, 2001, 2002 and 2003.

Corporate Governance

General Governance Issues

The duties of the various bodies within Stora Enso Oyj (Stora Enso or the Company) are determined by the laws of Finland and by the Company's corporate governance policy, which complies with the Finnish Companies Act and Finnish Securities Market Act. The rules and recommendations of the Helsinki, Stockholm and New York Stock Exchanges are also followed, where applicable. This corporate governance policy is decided by the Board of Directors (Board).

The Board, the Chief Executive Officer (CEO) and the Deputy Chief Executive Officer (Deputy CEO) are responsible for the management of the Company. Other governance bodies have an assisting and supporting role.

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

The Company's head office is in Helsinki, Finland. It also has an international office in London, United Kingdom and head office functions in Stockholm, Sweden.

Stora Enso has one or two official auditors, as decided by the shareholders at the Annual General Meeting (AGM).

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

Objectives and Composition of Governance Bodies

The decision-making bodies with responsibility for managing the Company are the Board, CEO and Deputy CEO. The operations of the Company are co-ordinated through the Executive Management Group (EMG), Management Group (MG) and various committees.

Day-to-day operational responsibility rests with the product area and divisional managements and their operation teams supported by various staff and service functions.

Board of Directors

Stora Enso is managed by the Board under international corporate governance principles.

According to the Company's articles of association, the Board consists of 6–11 ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the Board shall have of a majority of independent directors. To be considered "independent", the Board must resolve that a director has no material relationship with the Company other than as a director. Currently, the Board has eleven ordinary members: nine non-executive members who are independent and not affiliated with Stora Enso and two executive members (CEO and Deputy CEO).

All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The shareholders at the AGM decide the remuneration of the Board members (including the remuneration of the members of the Board Committees). As a policy, remuneration is paid to non-executive members only.

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

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

The Board has defined a working order, the principles of which are published in the annual report and on the Company's website.

The Board elects a Chairman and a Vice Chairman from among the Board members and appoints the CEO, Deputy CEO and heads of product areas, divisions and staff functions. The Board approves the organisational structure of the Company.

The Board reviews and determines the compensation of the CEO.

The Board evaluates its performance annually. The Board also reviews the corporate governance policy annually and amends it when required.

The Board's work is supported through its committees – the Financial and Audit Committee, the Nomination Committee and the Compensation Committee. Each committee's chairman and members are appointed by the Board annually.

The Board meets at least five times a year. The non-executive Board members meet regularly without executive members in connection with the Board meetings.

Chief Executive Officer (CEO)

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

The CEO is directly in charge of the following: monitoring and coaching the Paper and Packaging Boards product areas, business strategy (long-range planning and investments), finance (financing, accounting and legal affairs), market services, corporate communications and investor relations, and preparatory work with regard to Board meetings. In addition, he or she supervises decisions regarding key personnel and other important operational matters.

Deputy Chief Executive Officer (Deputy CEO)

The Deputy CEO acts as deputy to the CEO. The Deputy CEO is in charge of the following operational matters: monitoring and coaching the Forest Products product area, Asia Pacific and Latin America divisions, corporate support functions (purchasing, R&D, environmental matters), human resources, energy and information technology.

Executive Management Group (EMG)

The Executive Management Group is chaired by the CEO. The EMG members are appointed by the Board. Currently, it consists of the Deputy CEO and three product area heads (Paper, Packaging Boards and Forest Products), three divisional heads (Publication Paper, Fine Paper and North America) and the heads of Finance (CFO) and Corporate Support.

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

The EMG meets regularly, approximately once a month, and as required.

Management Group (MG)

The tasks and responsibilities of the Management Group are to review the budget, Company strategy and business development.

The MG is chaired by the CEO. The MG consists of members of the EMG and additional members appointed by the CEO.

The MG meets approximately four times a year.

Board committees

Financial and Audit Committee

The Board has a Financial and Audit Committee to support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions. It regularly reviews the system of internal control, management and reporting of financial risks and the audit process. It makes recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries.

The Committee is comprised of 3–5 non-executive board members who are independent and not affiliated with the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Financial and Audit Committee meets regularly at least twice a year. The Committee members meet the external auditor without the management being present in connection with its meetings. The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board. The tasks and responsibilities of the Financial and Audit Committee are defined in its charter, which is approved by the Board. Financial and Audit Committee members may receive compensation solely based on their role as directors. The compensation is decided upon by the shareholders at an AGM.

Nomination Committee

The Board has a Nomination Committee that is responsible for giving guidance to the shareholders through the Board regarding the composition of the Board and remuneration of Board members. Further, it prepares a proposal to the Board on the composition and Chairmen of the Board Committees. The Committee is comprised of 3–4 non-executive board members who are independent and not affiliated with the Company. The Nomination Committee meets regularly at least once a year. The Chairman of the Committee presents the proposals of the Nomination Committee to the Board. The tasks and responsibilities of the Nomination Committee are defined in its charter, which is approved by the Board.

Compensation Committee

The Board has a Compensation Committee that is responsible for recommending, evaluating and approving executive (other than the CEO) nominations and compensations, evaluating the performance and compensation of the CEO, and making recommendations to the Board relating to management compensation issues generally, including equity incentive compensation plans. The Board approves the compensation of the CEO. The Committee is comprised of 3–4 non-executive board members who are in dependent and not affiliated with the Company. The Compensation Committee meets regularly at least once a year. The Chairman of the Committee presents a report on each Compensation Committee meeting to the Board. The tasks and responsibilities of the Compensation Committee are defined in its charter, which is approved by the Board.

Operative committees

Investment Committee

The Investment Committee is chaired by the head of Corporate Strategy, Investments and Business Planning. The Committee's members are appointed by the CEO.

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

The Investment Committee meets at least six times a year and as required.

Sustainability Committee

The Sustainability Committee is chaired by the Deputy CEO. The Committee's members, representing the relevant staff groups and the product areas, are appointed by the CEO.

The tasks of the Sustainability Committee are: to formulate corporate policy and strategy in environmental and corporate social responsibility matters, to ensure that these policies and strategies are well established and respected throughout the Company, to co-ordinate and follow-up relations and communication with stakeholders such as governmental and non-governmental organisations, to take initiatives for the development of relevant management procedures and to produce the annual Sustainability Report.

The Sustainability Committee meets regularly as required.

Research and Development (R&D) Committee

The R&D Committee is chaired by the Deputy CEO. The Committee's members, representing the R&D organisation and the product areas, are appointed by the CEO.

The tasks of the R&D Committee are: to secure a group perspective on R&D in the Company with regard to the relevance of R&D and its quality and efficiency, to initiate R&D policy and strategy at Group level, to monitor group R&D and to supervise Company-financed R&D undertaken externally. In order to facilitate these tasks, the R&D committee must monitor technology and future-oriented product development.

The R&D Committee meets regularly as required.

Disclosure Committee

The Disclosure Committee supervises the reliability of the Company financial reporting and disclosure processes. The Committee is chaired by the Group Controller, and the other permanent members are the head of Internal Auditing and the General Counsel. Other members are nominated by the CEO as required. The Disclosure Committee reports to the CEO and Chief Financial Officer (CFO).

The Disclosure Committee meets regularly as required.

Other supervisory bodies and norms

Auditors

The shareholders at the AGM annually elect one or two auditors for Stora Enso. The Financial and Audit Committee monitors the auditor selection process and gives its recommendation as to who should serve as auditor to the Board and to the shareholders at the AGM. The auditor(s) shall be an authorised public accounting firm or firms, which then appoint(s) the auditor responsible.

Internal Auditing

Stora Enso has a separate internal auditing organisation. It independently appraises the adequacy and effectiveness of systems, internal controls and accounting.

Internal Auditing reports its findings to the management, the external auditors and the Financial and Audit Committee. The head of Internal Auditing reports to the CFO on a functional basis and to the CEO, and has direct access to the Chairman of the Financial and Audit Committee.

Internal Auditing conducts regular audits at major mills, subsidiaries and other Company units.

Insider guidelines

The Company complies fully with the insider guidelines of the Helsinki Exchanges.

The Company's internal insider guidelines are published and regularly distributed throughout the organisation. The Company expects all of its employees to act as required of an insider.

All information that relates to the Company's present and future business operations is expected to be kept strictly confidential. The Company's insider register is publicly available and is maintained by the Finnish Central Securities Depository.

Permanent insiders are members of the Board, the CEO and Deputy CEO, and the auditors. The CEO has decided that other permanent insiders shall be the members of the Management Group and nominated persons in legal, financial, accounting, R&D, communications and investor relations functions.

Persons, who participate in the development and preparation of a project, including mergers or acquisitions, are considered project-specific insiders. A separate project-specific insider register is maintained when considered appropriate by the General Counsel or his or her Deputy.

Corporate Governance in 2003

- In 2003 Stora Enso updated its Corporate Governance in response to reorganisation of the Group, public interest in governance issues, new rules and recommendations of the Helsinki, Stockholm and New York Stock Exchanges and the Sarbanes Oxley Act.
- The Board of Directors convened eight times and had eleven members.
- The Executive Management Group reviewed Stora Enso's organisational structure, in addition to its customary governance tasks. This resulted in a new structure streamlined around the core product areas (see pages 14–15). Other important items on the agenda in 2003 were the restructuring of forest ownership in Sweden, the Veracel pulp mill joint venture in Brazil, the new paper machine at Kvarnsveden and the Energy 2005 project at Skoghall. The EMG convened twenty times and had ten members.
- The Management Group convened four times and had twenty-five members.
- The Financial and Audit Committee comprised five members, Jan Sjöqvist (Chairman from 18 March 2003), Josef Ackermann (member and Chairman until 18 March 2003), George W. Mead (from 18 March 2003), Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg, and convened six times during 2003. During 2003 the Board approved a new charter for the Financial and Audit Committee that defines its authority, tasks and processes.
- The Nomination Committee was established in August 2003. It had three members, Claes Dahlbäck (Chairman), Krister Ahlström and Harald Einsmann, and convened once.
- The Compensation Committee had three members, Claes Dahlbäck (Chairman), Krister Ahlström and Harald Einsmann, and convened three times.
- The Investment Committee examined several major investment proposals and made recommendations on the allocation of divisional funds for consideration by the Board. Important items on the agenda in 2003 were the new paper machine at Kvarnsveden, the new pulp mill in Brazil and modernisations at Maxau and Skoghall. The Investment Committee had six members and convened thirteen times in 2003.
- The Sustainability Committee further developed and strengthened governance related to sustainability issues to reflect Stora Enso's overall approach to sustainability. The former Environment Committee was replaced by a new Sustainability Committee in May 2003. Important items on the agenda in 2003 were climate change, forest certification and wood traceability, CSR, the Group environmental action plan and the Group Sustainability Report 2003. The Environment Committee convened twice and had fourteen members. The Sustainability Committee convened once and had thirteen members.
- The R&D Committee's main task during the year was to change the R&D organisational structure to strengthen the research focus of the Product Areas and the relationship between business units and R&D. New funding arrangements were planned to facilitate commercialisation of new business ideas. The R&D Committee had nine members until 31 July and seven from 1 August onwards. It convened twice in 2003.
- The Disclosure Committee had three members and convened five times.
- The closed period was amended to start two weeks prior to the date when the results of a reporting period are announced. The dates are published in the financial calender on: www.storaenso.com/investors

Shares and Shareholders

Shares of Stora Enso Oyj (hereafter "Company" or "Stora Enso") are divided into series A and series R shares. All shares carry equal rights to dividend but different voting rights. At a shareholders' meeting, each A share and each ten R shares carry one vote. However, each shareholder has at least one vote. The nominal value of each share is EUR 1.70. On 31 December 2003 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 469.3 million. The total number of shares was 864 262 499 and the number of votes 249 516 222.

Changes in share capital 2001–2003	Number of A shares issued	Number of R shares issued	Total number of shares	Share capital (EUR million)
Stora Enso Oyj, 1 Jan 2001	194 496 456	732 726 810	927 223 266	1 576.3
Cancellation of repurchased shares	-910 600	-22 260 100	-23 170 700	-39.4
Conversion of A shares into R shares	-9 312 271	9 312 271	-	
Subscription of new R shares		2 700 733	2 700 733	
Stora Enso Oyj, 31 Dec 2001	184 273 585	722 479 714	906 753 299	1 541.5
Subscription of new R shares		1 158 000	1 158 000	
Cancellation of repurchased shares	-813 200	-7 319 800	-8 133 000	-13.8
Conversion of A shares into R shares	-1 143 700	1 143 700	-	
Stora Enso Oyj, 31 Dec 2002	182 316 685	717 461 614	899 778 299	1 529.6
Subscription of new R shares	-	3 000	3 000	
Cancellation of repurchased shares	-93 800	-35 500 000	-35 593 800	-60.5
Conversion of A shares into R shares	-1 011 805	1 011 805	-	
Subscription of new R shares		75 000	75 000	
Stora Enso Oyj, 31 Dec 2003	181 211 080	683 051 419	864 262 499	1 469.3
Subscription of new R shares		222 000	222 000	
Conversion of A shares into R shares	-27 906	27 906	-	
Stora Enso Oyj, 15 Jan 2004	181 183 174	683 301 325	864 484 499	1 469.6

Stora Enso continued to repurchase shares in 2003

The Annual General Meeting (AGM) on 20 March 2003 authorised the Board of Directors to repurchase and dispose of not more than 9 100 000 A shares and not more than 34 000 000 R shares in the Company. However, the number of shares repurchased could not exceed 5% of the votes or the share capital. The authorisation is valid up to and including 19 March 2004.

Repurchases began on 27 March 2003. By 31 December 2003, 8 100 A shares and 23 504 400 R shares had been repurchased, representing 0.09% and 69.1% of the target amounts respectively. The average price paid for the A shares was EUR 10.11 and for the R shares EUR 9.70.

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

Stora Enso is listed on three stock exchanges

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

Deutsche Bank Trust Company Americas acts as depositary bank for the Stora Enso ADR programme. The administration of the ADR programme was transferred to Deutsche Bank Trust Company Americas from Citibank, N.A. in January 2004. The exchange rate between Stora Enso ADRs and R shares is 1:1, i.e. one ADR represents one Stora Enso R share and the ADR ticker is SEO.

Share price performance and volumes

Helsinki

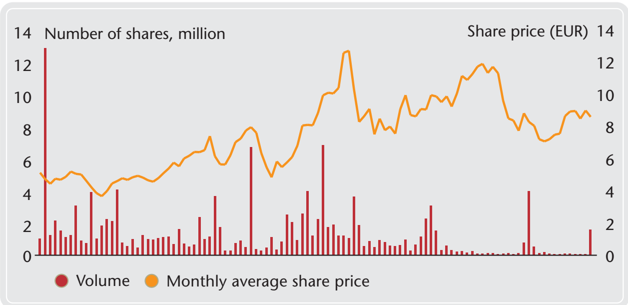
The Stora Enso R (STERV) share price rose during 2003 by 6% (30% decrease in 2002). During the same period the HEX All-Share index fell by 0.3%, the Helsinki Portfolio index rose by 12% and the HEX Forest Industry index fell by 4%. The year high was EUR 12.42 and the year low EUR 8.30.

Stockholm

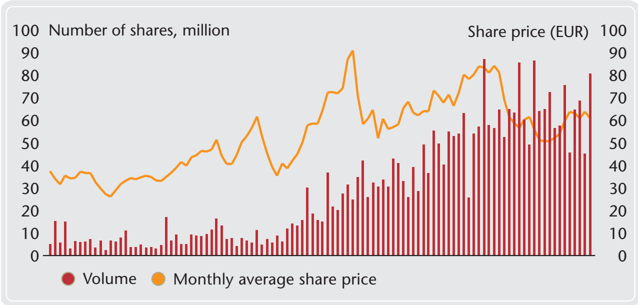
The Stora Enso R (STE R) share price rose during 2003 by 7% (32% decrease in 2002). During the same period the Stockholmsbörsen All-Share index rose by 30% and the SX 15 Materials index by 15%. The year high was SEK 113.50 and the year low SEK 77.50.

Monthly share price performance and volumes on Helsinki Exchanges (1995–2003)

Series A



Series R



New York

On the NYSE the Stora Enso ADR (SEO) share price rose during 2003 by 30% (15% decrease in 2002). During the same period the Standard & Poor's Paper index rose by 30.9%. The year high was USD 14.05 and the year low USD 9.16.

Volumes

The volume weighted average price of the R share over the year was EUR 10.23 in Helsinki (EUR 12.86 in 2002), SEK 93.18 in Stockholm (SEK 119.50 in 2002) and USD 11.77 in New York (USD 12.29 in 2002).

The cumulative trading volume of the R share in Helsinki was 780 890 417 shares (70% of total), in Stockholm 318 984 991 shares (28% of total) and in New York 19 097 500 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.3 billion.

Facts about option programmes

Option/synthetic option programmes

Stora Enso has five option/synthetic option programmes for key personnel. Options/synthetic options were issued in 1999, 2000, 2001, 2002 and 2003. Depending on local circumstances, holders may receive either cash compensation or an option to purchase shares already issued (not new shares).

Warrants

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

Stora Enso North America option programme

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

Detailed descriptions of the option programmes may be found on page 95 in the Financials 2003 report.

Facts about option programmes

Option programme	Type	Year of issuance	Number of staff	Strike price	Number of options issued	Exercise period	Options outstanding
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	8 Feb 2006–7 Feb 2010	6 064 150
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	8 Feb 2005–7 Feb 2009	5 812 000
2001	Synthetic	2001	500	EUR 11.70	4 215 000	1 Apr 2004–31 Mar 2008	4 100 000
2000	Synthetic	2000	200	EUR 12.25	2 800 000	1 Apr 2003–31 Mar 2007	2 602 500
1999	Synthetic	1999	200	EUR 11.75	2 750 000	15 Jul 2002–15 Jul 2006	2 532 750
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	1 Dec 1998–31 Mar 2004	567 000
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	11 Sep 2000–4 Feb 2010	1 899 692

Stora Enso has some 82 000 registered shareholders

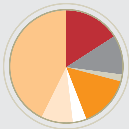
When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 681 million, corresponding to 79% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State. However, since June 1998 the Finnish State has not been required to own Stora Enso shares.

At the end of 2003 the Company had approximately 82 000 registered shareholders, of which some 52 000 are Swedish shareholders and some 3 000 ADR-holders. Each nominee register is entered in the share register as one shareholder. Approximately 611 million (71%) of the Company's shares were registered in the name of a nominee.

Major shareholders in Stora Enso on 31 December 2003

	By voting power	% of shares	% of votes
1	Finnish State	11.2	23.9
2	Knut and Alice Wallenberg Foundation	6.8	23.4
3	Social Insurance Institution of Finland	3.2	9.7
4	Varma-Sampo Mutual Pension Insurance Company	1.0	3.6
5	Sampo Life Insurance Company Limited	0.8	2.6
6	Marianne and Marcus Wallenberg Foundation	0.5	1.9
7	Ilmarinen Mutual Pension Insurance Company	0.8	1.5
8	Suomi Group		
	Suomi Mutual Life Assurance Company	0.4	1.3
	Suomi Insurance Company	0.4	1.3
9	Erik Johan's Ljungberg's Education Fund	0.8	0.9
10	MP-Bolagen i Vetlanda AB		
	Werner von Seydlitz	0.4	0.9
	Total	**26.3**	**71.0**
	Nominee registered shares	**70.7**	**51.3**

Ownership distribution, 31 December 2003 (by number of shares held)



Finnish institutions	15.9%
Finnish state	11.2%
Finnish private shareholders	2.0%
Swedish institutions	15.0%
Swedish private shareholders	4.0%
ADR-holders	9.2%
Under nominee names (non-Finnish/ non-Swedish shareholders)	42.7%

The list has been compiled by the Company on the basis of shareholder information obtained from the Finnish Central Securities Depository (APK), Swedish Securities Register Center (VPC) and a database managed by Citibank.

At the year end Stora Enso had 181 211 080 A shares and 683 051 419 R shares in issue, of which the Company held 8 100 A shares and 26 181 379 R shares with a nominal value of EUR 44.5 million. The holding represents 3.0% of the Company's share capital and 1.1% of the voting rights.

Trading codes, lots and currencies

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

Reuters	STERV.HE
Bloomberg	STERV FH EQUITY

German stock market quotations (Freiverkehr)

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

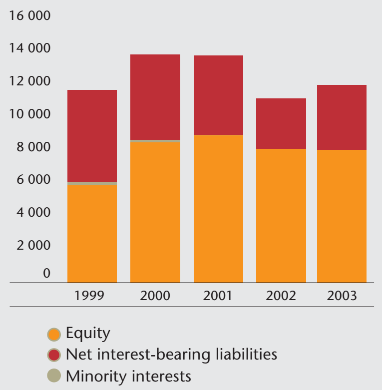
Detailed information may be found on pages 32–39 of the Financials 2003 report and updated information on the Group's website www.storaenso.com/investors

Key share ratios 1997–2003 (for calculations see Financials 2003 page 115)

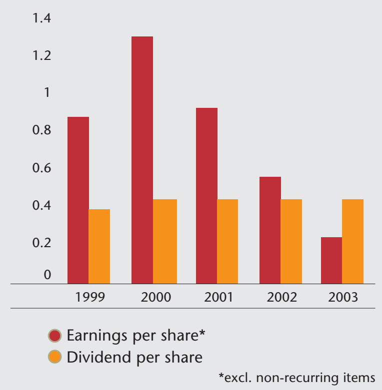
According to Helsinki Stock Exchange	1997	1998	1999	2000	2001	2002	2003
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.03	-0.25	0.17
excl. non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.94	0.57	0.25
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.43	2.49	1.58
excl. non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.34	1.97	1.64
Equity/share, EUR*	7.28	6.94	7.84	9.41	10.03	9.36	9.65
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45	**0.45
Payout ratio, excl. non-recurring items, %*	57	59	45	34	48	79	180
Dividend yield, %*							
A share	4.6	4.6	2.3	3.5	3.2	4.5	4.1
R share	4.6	4.6	2.3	3.6	3.1	4.5	4.2
Price/earnings ratio (P/E), excl. non-recurring items*							
A share	12.3	12.8	19.8	9.7	15.1	17.7	44.0
R share	12.2	31.0	19.4	9.5	15.3	17.6	42.7
Total market capitalisation at year-end, EUR million***	2 214	5 801	13 209	11 733	13 006	9 052	9 288
Average number of shares (thousands)							
basic*	759 574	759 574	759 580	812 040	901 506	889 606	851 128
diluted*	759 691	759 822	760 628	813 488	902 296	889 956	852 423

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

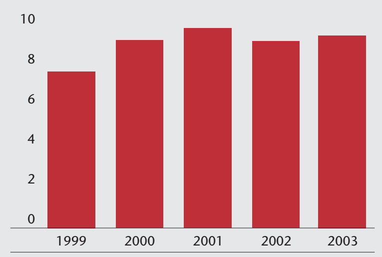
Capital structure, EUR million



Earnings and dividend per share, EUR

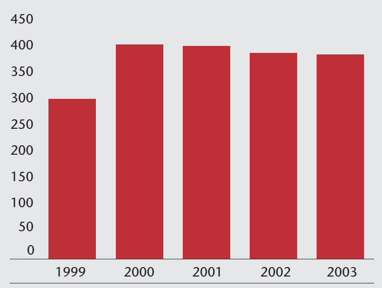


Equity per share, EUR



Read more www.storaenso.com/2003

Distributed dividend, EUR million



Consolidated Income Statement

EUR million	Year Ended 31 December 2001	2002	2003
Sales	**13 508.8**	**12 782.6**	**12 172.3**
Other operating income	63.2	176.1	29.6
Changes in inventories of finished goods and work in progress	38.4	30.3	63.5
Change in net value of biological assets	-	-	11.6
Materials and services	-6 547.8	-6 373.2	-6 192.8
Freight and sales commissions	-1 234.0	-1 240.9	-1 286.8
Personnel expenses	-2 234.4	-2 282.0	-2 285.3
Other operating expenses	-839.7	-802.6	-828.0
Depreciation, amortisation and impairment charges	-1 267.6	-2 441.9	-1 200.4
Operating Profit / (Loss)	**1 486.9**	**-151.6**	**483.7**
Share of results in associated companies	79.6	14.6	-23.0
Net financial items	-343.5	-206.2	-237.7
Profit / (Loss) before Tax and Minority Interests	**1 223.0**	**-343.2**	**223.0**
Income tax expense	-299.6	120.9	-70.6
Profit / (Loss) after Tax	**923.4**	**-222.3**	**152.4**
Minority interests	2.9	0.1	-5.8
Net Profit / (Loss) for the Period	**926.3**	**-222.2**	146.6
Earnings per Share			
Basic earnings / (loss) per share, EUR	1.03	-0.25	0.17
Diluted earnings / (loss) per share, EUR	1.03	-0.25	0.17

For the full financial information, see www.storaenso.com/2003 or the separate Financials 2003 report. Instructions for ordering it are on the back cover of this report.

Consolidated Balance Sheet

EUR million		2001	2002	2003
		As at 31 December		
Assets				
Fixed Assets and Other Long-term Investments				
Goodwill	O	2 276.0	1 055.5	902.6
Intangible fixed assets	O	89.6	73.3	80.4
Property, plant and equipment	O	12 335.6	10 812.1	9 964.5
Biological assets	O	-	-	1 587.8
Investment in associated companies		306.7	211.7	319.0
Listed securities	I	197.4	169.2	227.7
Unlisted shares	O	181.0	148.5	140.8
Non-current loan receivables	I	505.4	480.6	44.3
Deferred tax assets	T	28.1	52.7	12.1
Other non-current assets	O	257.9	241.1	170.3
		16 177.7	**13 244.7**	**13 449.5**
Current Assets				
Inventories	O	1 600.0	1 565.0	1 623.5
Tax receivables	T	224.3	243.1	182.5
Short-term operative receivables	O	1 976.3	1 902.4	1 703.3
Interest-bearing receivables	I	333.1	1 090.5	781.8
Cash and cash equivalents	I	247.0	168.5	201.5
		4 380.7	**4 969.5**	**4 492.6**
Total Assets		**20 558.4**	**18 214.2**	**17 942.1**
Shareholders' Equity and Liabilities				
Shareholders' Equity				
Share capital		1 541.5	1 529.6	1 469.3
Share premium fund		1 641.9	1 554.0	1 247.4
Treasury shares		-125.5	-314.9	-258.0
Other comprehensive income		58.6	233.4	114.6
Cumulative translation adjustment		-52.5	-144.4	-197.1
Retained earnings		4 998.7	5 521.4	5 570.9
Net profit for the period		926.3	-222.2	146.6
		8 989.0	**8 156.9**	**8 083.7**
Minority Interests		**50.2**	**30.4**	**60.3**
Long-term Liabilities				
Pension and post-employment benefit provisions	O	774.0	747.0	727.6
Other provisions	O	153.6	194.5	97.1
Deferred tax liabilities	T	2 011.0	1 787.3	1 830.8
Long-term debt	I	5 182.0	4 525.2	3 404.6
Other long-term operative liabilities	O	51.4	36.9	77.7
		8 172.0	**7 290.9**	**6 137.8**
Current Liabilities				
Current portion of long-term debt	I	230.0	306.5	359.5
Interest-bearing liabilities	I	997.5	343.9	1 410.1
Short-term operative liabilities	O	1 631.0	1 547.9	1 538.3
Tax liabilities	T	488.7	537.7	352.4
		3 347.2	**2 736.0**	**3 660.3**
Total Shareholders' Equity and Liabilities		**20 558.4**	**18 214.2**	**17 942.1**

Items designated "O" comprise Operative Capital

Items designated "I" comprise Interest-bearing Net Liabilities

Items designated "T" comprise Net Tax Liabilities

Read more www.storaenso.com/2003

Consolidated Cash Flow Statement

EUR million	Year Ended 31 December 2001	2002	2003
Cash Flow from Operating Activities			
Net profit / (loss) for the period	926.3	-222.2	146.6
Reversal of non-cash items:			
Minority interests	-2.9	-0.1	5.8
Taxes	299.6	-120.9	70.6
Depreciation, amortisation and impairment charges	1 267.6	2 441.9	1 200.4
Change in value of biological assets	-	-	-11.6
Share of results of associated companies	-79.6	-14.6	23.0
Profits and losses on sale of fixed assets and investments	-48.4	-159.1	-10.5
Net financial income	343.5	206.2	237.7
Interest received	56.1	46.5	24.6
Interest paid, net of amounts capitalised	-352.5	-321.4	-228.1
Dividends received	17.0	9.2	5.8
Other financial items, net	-27.4	170.0	-0.4
Income taxes paid	-699.6	-62.1	-233.8
Change in net working capital, net of businesses acquired or sold	-171.2	-547.2	458.7
Net Cash Provided by Operating Activities	**1 528.5**	**1 426.2**	**1 688.8**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares, net of cash	-233.6	-56.3	-125.2
Acquisition of shares in associated companies	-135.6	-1.5	-103.5
Acquisition of available-for-sale investments	-7.0	-12.8	-12.6
Capital expenditure	-857.1	-877.6	-1 226.7
Investment in biological assets	-	-	-6.2
Proceeds from disposal of subsidiary shares, net of cash	-	360.6	-
Proceeds from disposal of shares in associated companies	62.4	185.5	0.4
Proceeds from disposal of available-for-sale investments	-	16.8	18.5
Proceeds from sale of fixed assets	92.6	202.4	47.5
Proceeds from (payment of) long-term receivables, net	196.0	-74.4	336.2
Net Cash Used in Investing Activities	**-882.3**	**-257.3**	**-1 071.6**
Cash Flow from Financing Activities			
Proceeds from (payment of) long-term liabilities, net	-351.3	-487.6	-962.5
Proceeds from (payment of) short-term borrowings, net	-216.1	-56.3	1 097.0
Dividends paid	-407.4	-403.6	-387.7
Proceeds from issue of share capital	29.5	-	2.3
Repurchase of own shares	-199.8	-286.9	-319.1
Net Cash Used in Financing Activities	**-1 145.1**	**-1 234.4**	**-570.0**
Net Increase (Decrease) in Cash and Cash Equivalents	**-498.9**	**-65.5**	**47.2**
Cash and bank in acquired companies	-	-	3.0
Translation adjustment	1.5	-13.0	-17.2
Cash and cash equivalents at beginning of year	744.4	247.0	168.5
Cash and Cash Equivalents at Year End	**247.0**	**168.5**	**201.5**

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
Change in Net Working Capital consists of:			
Change in inventories	-52.6	-17.0	-63.5
Change in interest-free receivables	315.5	31.1	214.9
Change in interest-free liabilities	-211.5	-66.2	-5.8
Proceeds from (payment of) short-term receivables	-222.6	-495.1	313.1
	-171.2	**-547.2**	**458.7**
Non-cash Investing and Financing Activities:			
Total capital expenditure	857.1	877.6	1 248.2
Amounts paid	857.1	877.6	1 226.7
Finance lease obligations incurred	-	-	**21.5**
Acquisition of Group Companies			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions	233.6	56.3	128.2
Cash and cash equivalents in acquired companies	-	-	3.0
	233.6	56.3	125.2
Non-cash Transaction			
Unlisted share exchange	-	27.6	-
Total Purchase Consideration	**233.6**	**83.9**	**125.5**
Acquired Net Assets			
Operating working capital	-	-8.9	31.2
Operating fixed assets	141.5	150.4	206.4
Interest-bearing assets less cash and cash equivalents	-	5.6	5.7
Tax liabilities	-	-0.8	-0.2
Interest-bearing liabilities	-	-79.8	-94.1
Minority interests	92.1	17.4	-23.8
	233.6	**83.9**	**125.2**
Disposal of Group Companies			
Cash Flow on Disposals			
Cash flow on disposal	-	360.6	-
Non-cash Transaction			
Associate company shares received	129.2	36.8	-
	129.2	**397.4**	-
Net Assets Sold			
Operating working capital	7.9	42.3	-
Operating fixed assets	244.3	441.0	-
Interest-bearing assets less cash and cash equivalents	129.2	5.3	-
Tax liabilities	-31.0	-0.2	-
Interest-bearing liabilities	-221.2	-116.9	-
Gain on sale	-	25.9	-
	129.2	**397.4**	-

Read more www.storaenso.com/2003

Key Figures 1997–2003

EUR million	1997	1998	1999	2000	2001	2002	2003
Sales	9 998	10 490	10 636	13 017	13 509	12 783	12 172
% change on previous year	5.1	4.9	1.4	22.4	3.8	-5.4	-4.8
Wages and salaries	1 737	1 805	1 754	1 996	2 234	2 282	2 285
% of sales	17.4	17.2	16.5	15.3	16.5	17.9	18.8
EBITDA	1 747	1 877	2 311	3 500	2 755	2 290	1 684
Depreciation	806	1 111	849	1 041	1 116	1 090	1 084
Goodwill amortisation and impairments	48	65	62	88	152	1 352	116
Operating profit	893	701	1 400	2 371	1 487	-152	484
% of sales	8.9	6.7	13.2	18.2	11.0	-1.1	4.0
Non-recurring items	-52	-471	103	445	-8	-1 078	-108
Operating profit excl. non-recurring items	945	1 172	1 297	1 926	1 495	926	538
% of sales	9.5	11.2	12.2	14.8	11.1	7.2	4.4
Share of profits in associated companies	17	10	10	21	80	15	-23
Net financial expense	280	380	267	293	344	206	238
% of sales	2.8	3.6	2.5	2.3	2.5	1.6	2.0
Profit after net financial items	630	331	1 143	2 099	1 223	-343	223
% of sales	6.3	3.2	10.7	16.1	9.1	-2.7	1.8
Profit after net financial items excl. non-recurring items	682	802	1 040	1 654	1 231	735	331
% of sales	6.8	7.6	9.8	12.7	9.1	5.7	2.7
Taxes	-204	-146	-392	-650	-300	+121	-71
Profit for the period	405	185	746	1 435	926	-222	147
Dividend	254	268	304	407	404	392	*389
Capital expenditure	1 134	896	740	769	857	878	1 248
% of sales	11.3	8.5	7.0	5.9	6.3	6.9	10.3
R&D expenditure	79	80	84	95	92	92	89
% of sales	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Operating capital	13 078	12 541	12 615	16 557	16 106	13 272	13 733
Capital employed	11 572	11 038	10 941	13 903	13 859	11 242	11 744
Interest-bearing net liabilities	6 090	5 783	5 524	5 396	5 127	3 267	3 919
ROCE, %	8.0	6.2	13.1	20.7	10.7	-1.5	4.1
ROCE excluding non-recurring items, %	8.5	10.4	12.1	16.8	10.8	7.1	4.6
Return on equity (ROE), %	7.5	3.3	12.8	19.5	10.4	-3.3	1.8
Equity ratio, %	37.2	36.0	38.4	40.9	44.0	45.0	45.4
Debt/Equity ratio	1.05	1.04	0.90	0.62	0.57	**0.37	0.48
Average number of employees	40 301	40 987	40 226	41 785	44 275	43 853	44 264

* Board's dividend proposal ** Adjusted with the initial valuation of IAS 41 Agriculture

Auditors' Report

To the shareholders of Stora Enso Oyj

We have audited the accounting records, the financial statements and the administration of Stora Enso Oyj for the year ended 31 December 2003. The financial statements prepared by the Board of Directors and the Chief Executive Officer include the report of the Board of Directors, consolidated financial statements of the Stora Enso Group prepared in accordance with International Financial Reporting Standards (IFRS), and parent company financial statements prepared in accordance with prevailing rules and regulations in Finland (FAS). Based on our audit, we express an opinion on these financial statements and on the parent company's administration.

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

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

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

Helsinki, 13 February, 2004

PricewaterhouseCoopers Oy

Authorised Public Accountants

Pekka Nikula

Authorised Public Accountant

Read more www.storaenso.com/2003

Annual General Meeting (AGM)

The AGM of Stora Enso Oyj will be held at 16.00 (Finnish time) on Thursday 18 March 2004 at Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

Pursuant to Finnish law nominee-registered shareholders wishing to attend and vote at the AGM must be temporarily registered in the share register of Stora Enso Oyj on the record date, 8 March 2004. Instructions for submitting notice of attendance will be given in the convocation to the AGM, which will be sent to shareholders, and on the Company's website at www.storaenso.com/investors.

Main proposals of the Board of Directors to the AGM

- The share capital of the Company be reduced through the cancellation of repurchased shares.
- The Board of Directors be authorised to repurchase and dispose of shares in the Company. The authorisation would entitle the repurchase of approximately 9 000 000 A shares and approximately 34 100 000 R shares, the exact numbers to be determined by the AGM.

Payment of dividend

The Board of Directors will propose to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2003.

Dividends payable on VPC-registered shares will be forwarded by VPC and paid in Swedish krona. Dividends payable to ADR holders will be forwarded by Deutsche Bank Trust Company Americas (DBTCA) and paid in US dollars.

AGM and dividend calendar for 2004

8 March	Record date for AGM
18 March	AGM
19 March	Ex-dividend date
23 March	Record date for dividend
2 April	Dividend payment issued

Publication dates for 2004

4 February	Financial results for 2003
4 March	Annual and Sustainability reports
28 April	Interim review for January – March
May	Annual report on Form 20-F
28 July	Interim review for January – June
27 October	Interim review for January – September

Distribution of financial information

The Stora Enso **annual report** comprising three separate reports (Company, Sustainability and Financials) is published in English, Finnish, German and Swedish.

The Company and Sustainability reports are distributed to those shareholders in Finland and Sweden who have so requested, and to all ADR holders. The Financials report can be ordered by using the online order form (www.storaenso.com/order) or by contacting any of the corporate offices. The annual report is also available at www.storaenso.com/2003.

The **annual report on Form 20-F** is distributed on request and downloadable as a PDF file from the Company's website and from the website of the US Securities and Exchange Commission (www.sec.gov). ADR holders in North America may request a printed copy from DBTCA.

Printed **interim reviews**, which are available in English, Finnish and Swedish, are distributed to those shareholders in Finland and Sweden who have so requested. ADR holders in North America may request printed copies of interim reviews from DBTCA.

The interim reviews are published on the Company's website, from which they can be downloaded as PDF files.

E-mail alerts for stock exchange releases, calendar reminders and new financial information notifications can be ordered by subscribing at www.storaenso.com/email.

Mailing lists for financial information

Please notify any change of address or request for addition to or removal from the mailing lists as follows:

Finnish shareholders: by e-mail corporate.communications@storaenso.com, by mail Stora Enso Oyj, Financial Communications, P.O. Box 309, FIN-00101 Helsinki or by tel. +358 2046 131.

Swedish shareholders: by e-mail storaenso@strd.se, by fax +46 8 449 88 10 or by mail Stora Enso, SE-12088 Stockholm.

Registered ADR holders should contact DBTCA. Beneficial owners of Stora Enso ADRs should contact their broker.

Other stakeholders: see details for Finnish shareholders.

Unsubscribe or subscribe to e-mail alerts via www.storaenso.com/email. On unsubscribing, you will be deleted from all of the e-mail alert lists to which you subscribed. If your e-mail address has changed, please unsubscribe your old e-mail address, then subscribe again using your new e-mail address.

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan was established in January 2002 and is administered by Deutsche Bank Trust Company Americas (DBTCA). The plan makes it easier for existing ADR holders and first-time purchasers of Stora Enso ADRs to increase their investment by reinvesting cash dividends or by making additional cash investments. The plan is intended only for US residents. Further information on the Stora Enso ADR programme is available at www.adr.db.com.

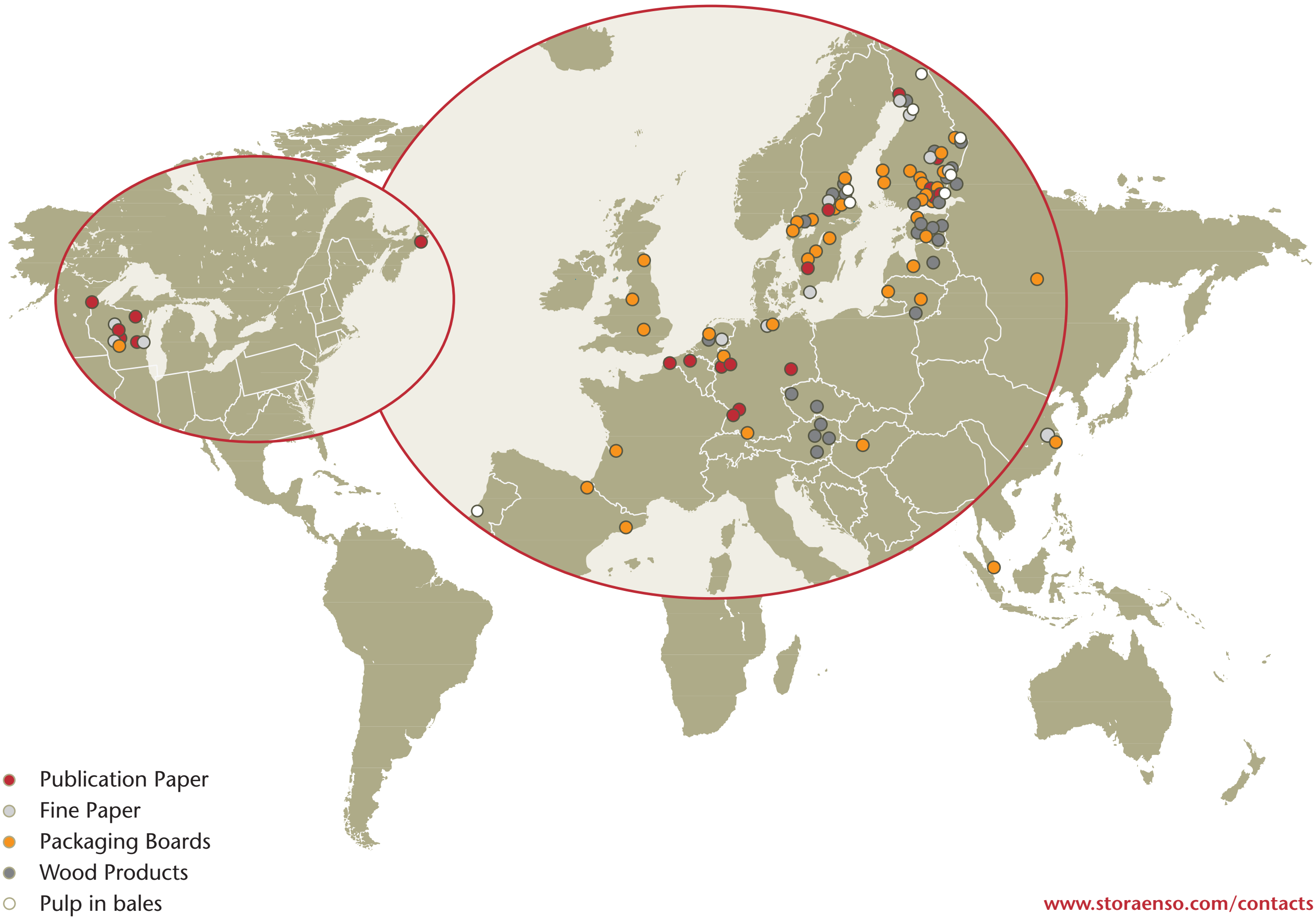
Contact information for Stora Enso ADR holders

Deutsche Bank Trust Company Americas
85 Challenger Road, Ridgefield Park
NJ 07660, USA
Toll-Free (within the USA only):
+1 800 249 1707

Filings to SEC through EDGAR

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

Group worldwide presence



www.storaenso.com/contacts

Sales Companies
Argentina, Buenos Aires
Australia, Melbourne
Australia, Sydney
Austria, Vienna
Belgium, Diegem
Brazil, São Paulo
Canada, Montreal
Canada, Toronto
Chile, Santiago de Chile
China, Beijing
China, Hong Kong
China, Shanghai
Czech Republic, Prague
Denmark, Copenhagen
Denmark, Kolding
Finland, Helsinki
France, Croissy-sur-Seine
France, La Rochelle
France, Paris
Germany, Düsseldorf
Germany, Hamburg
Greece, Athens
Hungary, Budapest
India, New Delhi
Indonesia, Jakarta
Ireland, Dublin
Italy, Milan
Japan, Osaka
Korea, Seoul
Malaysia, Kuala Lumpur
Netherlands, Amsterdam
Norway, Oslo
Poland, Warsaw
Portugal, Estoril
Portugal, Matosinhos
Russia, Moscow
Russia, St. Petersburg
Singapore, Singapore
Slovenia, Kopper
South Africa, Cape Town
Spain, Barcelona
Spain, Madrid
Sweden, Falun
Sweden, Stockholm
Switzerland, Zürich
United Arab Emirates, Dubai
UK, Nottingham
UK, Orpington
UK, Wilmslow
USA, Atlanta, GA
USA, Cleveland, OH
USA, Columbia, MD
USA, Dallas, TX
USA, Des Plaines, IL
USA, Detroit, MI
USA, Jacksonville, FL
USA, Kansas City, KS
USA, Los Angeles, CA
USA, Miami, FL
USA, Minneapolis, MN
USA, New York, NY
USA, Philadelphia, PA
USA, Portland, OR
USA, San Francisco, CA
USA, Stamford, CT

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

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

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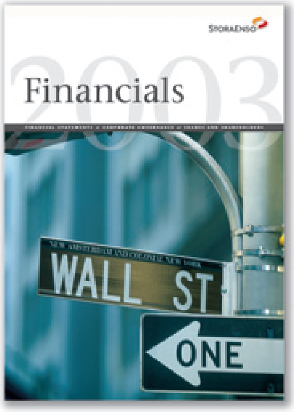
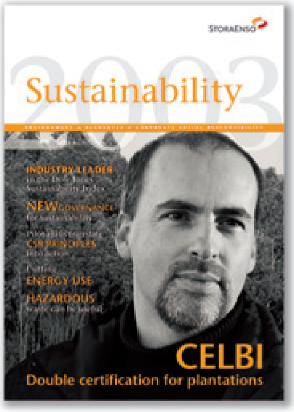
Stora Enso's Annual Report 2003 comprises three separate booklets





Printed copies of the report may be ordered through our website at *www.storaenso.com/order* or by contacting any of the corporate offices above.

Graphic design: Incognito
Photos: Lasse Arvidson/Hill and Knowlton, Lehtikuva,
Hanna Koikkalainen and Stora Enso image archives
Printing: Libris Oy
Cover stock: LumiSilk 200 g/m², Stora Enso, Oulu Mill
(ISO 14001-certified and EMAS-registered FIN-000021)
Text stock: Stora Enso Matt 130 g/m², Stora Enso, Grycksbo Mill
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StoraEnso

2003 Financials

FINANCIAL STATEMENTS • CORPORATE GOVERNANCE • SHARES AND SHAREHOLDERS

Publication dates for 2004

4 February	Financial results for 2003
4 March	Annual and Sustainability reports
28 April	Interim Review for January – March
May	Annual Report on Form 20-F
28 July	Interim Review for January – June
27 October	Interim Review for January – September

AGM and dividend calendar for 2004

8 March	Record date for AGM
18 March	Annual General Meeting (AGM)
19 March	Ex-dividend date
23 March	Record date for dividend
2 April	Dividend payment issued

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Contents

Value Creation
In order to improve profitability, cash flow and capital structure, Stora Enso has set clear operational performance and financial targets which focus management on the business, thereby creating value for shareholders. (More details on page 14)

Key Figures

	2002	2003
Sales, EUR million	12 783	12 172
Operating profit, EUR million	-152	484
excluding non-recurring items, EUR million	926	538
% of sales	7.2	4.4
Profit before tax and minority interests, EUR million	-343	223
excluding non-recurring items, EUR million	735	331
Profit for the period, EUR million	-222	147
Capital expenditure, EUR million	878	1 248
Interest-bearing net liabilities, EUR million	3 267	3 919
Capital employed, EUR million	11 242	11 744
Return on capital employed (ROCE), %	-1.5	4.1
Excluding non-recurring items, %	7.1	4.6
Return on equity (ROE), %	-3.3	1.8

	2002	2003
Debt/equity ratio	**0.37	0.48
Earnings per share, EUR	-0.25	0.17
excluding non-recurring items, EUR	0.57	0.25
Cash earnings per share, EUR	2.49	1.58
excluding non-recurring items, EUR	1.97	1.64
Equity per share, EUR	9.36	9.65
Dividend per share, EUR	0.45	*0.45
Payout ratio, %	79	180
Market capitalisation, EUR million, 31 Dec.	9 052	9 288
Deliveries of paper and board, 1 000 tonnes	13 149	13 551
Deliveries of wood products, 1 000 m^3	5 112	5 822
Average number of employees	43 853	44 264

*) Board's dividend proposal
**) Adjusted with the initial valuation of IAS 41, Agriculture

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Group Introduction

Stora Enso is an integrated paper, packaging and forest products company producing publication and fine papers, packaging boards and wood products, areas in which the Group is a global market leader. Stora Enso sales totalled EUR 12.2 billion in 2003. The Group has some 44 000 employees in more than 40 countries in five continents and an annual production capacity of 15.7 million tonnes of paper and board, and 7.4 million cubic metres of sawn wood products, including 2.8 million cubic metres of value-added products. Stora Enso's shares are listed in Helsinki, Stockholm and New York.

Stora Enso Organisation and Reporting Structure

Organisation	Segment Reporting
Stora Enso Paper Stora Enso Publication Paper Stora Enso Fine Paper Stora Enso North America Merchants	**Paper** Publication Paper, Segment Fine Paper, Segment Merchants, Segment
Stora Enso Packaging Boards Stora Enso Consumer Boards Corrugated Packaging Industrial Papers Cores and Coreboards	**Packaging Boards** Packaging Boards, Segment
Stora Enso Forest Products Stora Enso Wood Products Stora Enso Wood Supply Europe Pulp Competence Centre Pulp Marketing and Procurement	**Forest Products** Wood Products, Segment Wood Supply Europe, Segment
Stora Enso Latin America Stora Enso Asia Pacific	

Stora Enso Paper

Publication Paper
Share of Group sales 34%

Products
Uncoated super-calendered (SC), uncoated machine-finished (MF), light-weight coated (LWC), medium-weight coated (MWC), heavy-weight coated (HWC) and machine-finished coated (MFC) papers, wallpaper, standard newsprint and newsprint specialities such as improved newsprint, directory papers and book papers.

Used for magazines, printed advertising material, catalogues, direct marketing, newspapers, newspaper supplements, advertising leaflets, telephone directories, and hardback and paperback books.

Market Position
- world's second-largest producer of magazine paper
- magazine paper market share 21% in Europe, 18% in North America and 18% globally
- main magazine paper markets Europe (57% of sales) and North America (40% of sales)
- annual magazine paper production capacity 4.5 million tonnes

- world's fourth-largest producer of newsprint and newsprint specialities
- newsprint market share 20% in Europe, 7% globally and 1% in North America
- main newsprint markets Europe (77% of sales), Far East (7% of sales) and North America (7% of sales)
- annual newsprint production capacity 3.6 million tonnes

Fine Paper
Share of Group sales 24%

Products
Graphic papers (coated fine paper), office papers (uncoated fine paper) and speciality papers (technical, label and flexible packaging papers).

Used for document printing, commercial printing, high-quality books, labelling, print-on-demand applications, and protecting, transporting and identifying products.

Market Position
- world's third-largest producer of graphic papers
- graphic paper market share 13% in Europe, 14% in North America and 9% globally
- main graphic paper markets Europe (47% of sales) and North America (38% of sales)
- world's sixth-largest producer of office papers
- office paper market share 14% in Europe and 4% globally
- main office paper markets Europe (80% of sales) and Asia (7% of sales)
- world's largest producer of speciality papers
- main speciality paper markets North America (54% of sales) and Europe (37% of sales)
- annual fine paper production capacity 4.4 million tonnes

Merchants
Share of Group sales 5%

General
Merchants is a service company selling and distributing mainly fine paper products to the graphical industry. Merchants operate under the name of Papyrus.

Market Position
- seventh-largest paper merchant in Europe
- operating in 12 countries in Europe
- the Nordic region is the main market in Europe
- the customer base comprises primarily approximately 35 000 printers
- Stora Enso products account for approximately 35% of the volume distributed

Stora Enso Packaging Boards

Share of Group sales 21%

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

Market Position
- one of the world's leading producers of consumer packaging boards
- main markets Europe (80% of sales), Asia (14% of sales) and North America (3% of sales)
- annual production capacity 3.3 million tonnes of packaging boards and papers, 760 million m^2 of corrugated packaging and 205 000 tonnes of cores

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

Stora Enso Forest Products

Wood Products
Share of Group sales 11%

Products
Sawn and further-processed wood products used by the construction and joinery industries and wood products trade.

Market Position
- world's second-largest producer of sawn softwood
- main markets Europe (55% of sales), Asia (29% of sales), North Africa and Middle East (11% of sales) and North America (5% of sales)
- sawn wood products annual production capacity 7.4 million m^3 of which 2.8 million m^3 is value-added products

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

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Wood Supply Europe
Share of Group sales 4%

General
Stora Enso Wood Supply Europe is responsible for wood procurement and supply to Stora Enso's European mills. The organisation applies sustainable forest management principles and optimises Stora Enso's wood and fibre flows.

Market Position
- organised in five business areas: Baltic States, Continental Europe, Finland, Russia and Sweden
- operations in 11 countries
- procures about 50 million m^3 of wood annually, of which about 40 million m^3 is supplied to Stora Enso's own mills in Europe

Mission, Vision and Values

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

Vision
We will be the leading forest products company in the world
- We take the lead in developing the industry
- Customers choose us for the value we create for them
- We attract investors for the value we create
- Our employees are proud to work with us
- We are an attractive partner for our suppliers.

Values
Customer focus – We are the customers' first choice

Performance – We deliver results

Responsibility – We comply with principles of sustainable development

Emphasis on people – Motivated people create success

Focus on future – We take the first step

Environmental and Social Responsibility Policy

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

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

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

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

Corporate Governance

General Governance Issues

The duties of the various bodies within Stora Enso Oyj (Stora Enso or the Company) are determined by the laws of Finland and by the Company's corporate governance policy, which complies with the Finnish Companies Act and Finnish Securities Market Act. The rules and recommendations of the Helsinki, Stockholm and New York Stock Exchanges are also followed, where applicable. This corporate governance policy is decided by the Board of Directors (Board).

The Board, the Chief Executive Officer (CEO) and the Deputy Chief Executive Officer (Deputy CEO) are responsible for the management of the Company. Other governance bodies have an assisting and supporting role.

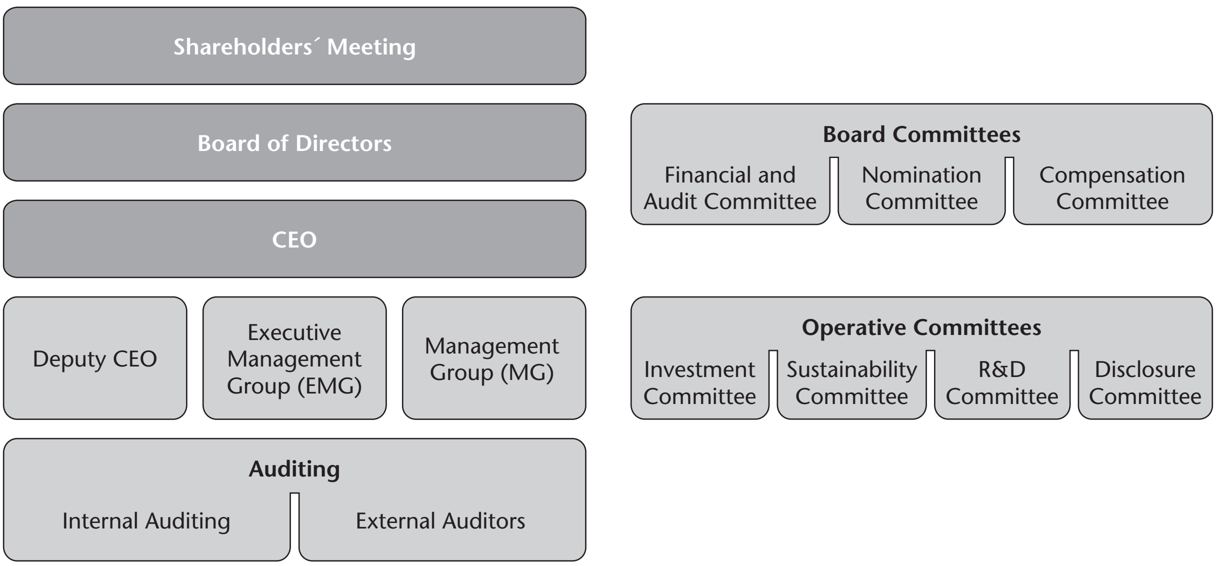
Stora Enso prepares annual and interim financial accounts conforming to International Financial Reporting Standards (IFRS). These reports are published in Finnish, Swedish, English and German. In addition, Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

The Company's head office is in Helsinki, Finland. It also has an international office in London, United Kingdom and head office functions in Stockholm, Sweden.

Stora Enso has one or two official auditors, as decided by the shareholders at the Annual General Meeting (AGM).

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

Objectives and Composition of Governance Bodies



The decision-making bodies with responsibility for managing the Company are the Board, CEO and Deputy CEO. The operations of the Company are co-ordinated through the Executive Management Group (EMG), Management Group (MG) and various committees.

Day-to-day operational responsibility rests with the product area and divisional managements and their operation teams supported by various staff and service functions.

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Board of Directors

Stora Enso is managed by the Board under international corporate governance principles.

According to the Company's articles of association, the Board consists of 6–11 ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the Board shall have of a majority of independent directors. To be considered "independent", the Board must resolve that a director has no material relationship with the Company other than as a director. Currently, the Board has eleven ordinary members: nine non-executive members who are independent and not affiliated with Stora Enso and two executive members (CEO and Deputy CEO).

All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The shareholders at the AGM decide the remuneration of the Board members (including the remuneration of the members of the Board Committees).
As a policy, remuneration is paid to non-executive members only.

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

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

The Board has defined a working order, the principles of which are published in the annual report and on the Company's website.

The Board elects a Chairman and a Vice Chairman from among the Board members and appoints the CEO, Deputy CEO and heads of product areas, divisions and staff functions. The Board approves the organisational structure of the Company.

The Board reviews and determines the compensation of the CEO.

The Board evaluates its performance annually. The Board also reviews the corporate governance policy annually and amends it when required.

The Board's work is supported through its committees – the Financial and Audit Committee, the Nomination Committee and the Compensation Committee. Each committee's chairman and members are appointed by the Board annually.

The Board meets at least five times a year. The non-executive Board members meet regularly without executive members in connection with the Board meetings.

Chief Executive Officer (CEO)

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

The CEO is directly in charge of the following: monitoring and coaching the Paper and Packaging Boards product areas, business strategy (long-range planning and investments), finance (financing, accounting and legal affairs), market services, corporate communications and investor relations, and preparatory work with regard to Board meetings. In addition, he or she supervises decisions regarding key personnel and other important operational matters.

Deputy Chief Executive Officer (Deputy CEO)

The Deputy CEO acts as deputy to the CEO. The Deputy CEO is in charge of the following operational matters: monitoring and coaching the Forest Products product area, Asia Pacific and Latin America divisions, corporate support functions (purchasing, R&D, environmental matters), human resources, energy and information technology.

Executive Management Group (EMG)

The Executive Management Group is chaired by the CEO. The EMG members are appointed by the Board. Currently, it consists of the Deputy CEO and three product area heads (Paper, Packaging Boards and Forest Products), three divisional heads (Publication Paper, Fine Paper and North America) and the heads of Finance (CFO) and Corporate Support.

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

The EMG meets regularly, approximately once a month, and as required.

Management Group (MG)

The tasks and responsibilities of the Management Group are to review the budget, Company strategy and business development.

The MG is chaired by the CEO. The MG consists of members of the EMG and additional members appointed by the CEO.

The MG meets approximately four times a year.

Board Committees

Financial and Audit Committee
The Board has a Financial and Audit Committee to support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions. It regularly reviews the system of internal control, management and reporting of financial risks and the audit process. It makes recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries.

The Committee is comprised of 3-5 non-executive board members who are independent and not affiliated with the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Financial and Audit Committee meets regularly at least twice a year. The Committee members meet the external auditor without the management being present in connection with its meetings. The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board. The tasks and responsibilities of the Financial and Audit Committee are defined in its charter, which is approved by the Board. Financial and Audit Committee members may receive compensation solely based on their role as directors. The compensation is decided upon by the shareholders at an AGM.

Nomination Committee
The Board has a Nomination Committee that is responsible for giving guidance to the shareholders through the Board regarding the composition of the Board and remuneration of Board members. Further, it prepares a proposal to the Board on the composition and Chairmen of the Board Committees. The Committee is comprised of 3-4 non-executive board members who are independent and not affiliated with the Company. The Nomination Committee meets regularly at least once a year. The Chairman of the Committee presents the proposals of the Nomination Committee to the Board. The tasks and responsibilities of the Nomination Committee are defined in its charter, which is approved by the Board.

Compensation Committee
The Board has a Compensation Committee that is responsible for recommending, evaluating and approving executive (other than the CEO) nominations and compensations, evaluating the performance and compensation of the CEO, and making recommendations to the Board relating to management compensation issues generally, including equity incentive compensation plans. The Board approves the compensation of the CEO. The Committee is comprised of 3-4 non-executive board members who are independent and not affiliated with the Company. The Compensation Committee meets regularly at least once a year. The Chairman of the Committee presents a report on each Compensation Committee meeting to the Board. The tasks and responsibilities of the Compensation Committee are defined in its charter, which is approved by the Board.

Operative Committees

Investment Committee
The Investment Committee is chaired by the head of Corporate Strategy, Investments and Business Planning. The Committee's members are appointed by the CEO.

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

The Investment Committee meets at least six times a year and as required.

Sustainability Committee
The Sustainability Committee is chaired by the Deputy CEO. The Committee's members, representing the relevant staff groups and the product areas, are appointed by the CEO.

The tasks of the Sustainability Committee are: to formulate corporate policy and strategy in environmental and corporate social responsibility matters, to ensure that these policies and strategies are well established and respected throughout the Company, to co-ordinate and follow-up relations and communication with stakeholders such as governmental and non-governmental organisations, to take initiatives for the development of relevant management procedures and to produce the annual Sustainability Report.

The Sustainability Committee meets regularly as required.

Research and Development (R&D) Committee
The R&D Committee is chaired by the Deputy CEO. The Committee's members, representing the R&D organisation and the product areas, are appointed by the CEO.

The tasks of the R&D Committee are: to secure a group perspective on R&D in the Company with regard to the relevance of R&D and its quality and

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efficiency, to initiate R&D policy and strategy at Group level, to monitor group R&D and to supervise Company-financed R&D undertaken externally. In order to facilitate these tasks, the R&D committee must monitor technology and future-oriented product development.

The R&D Committee meets regularly as required.

Disclosure Committee

The Disclosure Committee supervises the reliability of the Company financial reporting and disclosure processes. The Committee is chaired by the Group Controller, and the other permanent members are the head of Internal Auditing and the General Counsel. Other members are nominated by the CEO as required. The Disclosure Committee reports to the CEO and Chief Financial Officer (CFO).

The Disclosure Committee meets regularly as required.

Other Supervisory Bodies and Norms

Auditors

The shareholders at the AGM annually elect one or two auditors for Stora Enso. The Financial and Audit Committee monitors the auditor selection process and gives its recommendation as to who should serve as auditor to the Board and to the shareholders at the AGM. The auditor(s) shall be an authorised public accounting firm or firms, which then appoint(s) the auditor responsible.

Internal Auditing

Stora Enso has a separate internal auditing organisation. It independently appraises the adequacy and effectiveness of systems, internal controls and accounting.

Internal Auditing reports its findings to the management, the external auditors and the Financial and Audit Committee. The head of Internal Auditing reports to the CFO on a functional basis, to the CEO, and has direct access to the Chairman of the Financial and Audit Committee.

Internal Auditing conducts regular audits at major mills, subsidiaries and other Company units.

Insider Guidelines

The Company complies fully with the insider guidelines of the Helsinki Exchanges.

The Company's internal insider guidelines are published and regularly distributed throughout the organisation. The Company expects all of its employees to act as required of an insider.

All information that relates to the Company's present and future business operations is expected to be kept strictly confidential. The Company's insider register is publicly available and is maintained by the Finnish Central Securities Depository.

Permanent insiders are members of the Board, the CEO and Deputy CEO, and the auditors. The CEO has decided that other permanent insiders shall be the members of the Management Group and nominated persons in legal, financial, accounting, R&D, communications and investor relations functions.

Persons, who participate in the development and preparation of a project, including mergers or acquisitions, are considered project-specific insiders. A separate project-specific insider register is maintained when considered appropriate by the General Counsel or his or her Deputy.

Working Order of the Board of Directors

Summary of Key Contents

Board Meetings

- Regularly, at least five times a year, according to a schedule decided in advance
- Special Board Meetings shall, if requested by a Board member or the CEO, be held within 14 days of the date of request
- Agenda and material shall be delivered to Board members one week before the meeting

Information

- The Board shall receive information monthly concerning financial performance, the market situation and significant events within the Company's and the Group's operations
- Board members shall be informed about all significant events immediately

Matters to be handled at Board Meetings

- Matters specified by the Finnish Companies Act
- Approval of Business Strategy
- Matters concerning organisation and personnel
  - Decisions concerning the basic top management organisation
  - Decisions concerning the composition of the Executive Management Group
  - Remuneration of the CEO
  - Appointment and dismissal of the CEO, Deputy CEO, heads of product areas and other senior officers in the EMG
  - Appointment of Board Committees (including chairmen)

- Economic and financial matters
  - Review of annual budget
  - Approval of loans and guarantees
- Investment matters
  - Approval of Group's investment policy
  - Approval of major investments
- Other matters
  - Report of the CEO on the Group's operations
  - Reports of the Compensation Committee, Nomination Committee and Financial and Audit Committee by the chairmen of the respective committees
  - Approval and regular review of Corporate Governance and the charters of the Board Committees
  - Annual self-assessment of Board work and performance
- Other matters submitted by a member of the Board or the CEO

Board Committees – Summary of Charters

Applicable to all Committees
- The tasks and responsibilities of the Committees are defined in their charters, which are approved by the Board
- Committees evaluate their performance annually
- Committees are allowed to use external consultants and experts when necessary
- Committees shall have access to all information needed

Financial and Audit Committee

Main Tasks
- To support the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions
- Regularly to review the system of internal control, management and reporting of financial risks and the audit process
- To make recommendations regarding the appointment of external auditors for the parent company and the main subsidiaries

Composition
- 3-5 non-executive Board members who are independent and not affiliated with the Company
- At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company
- Financial and Audit Committee members may receive compensation based solely on their role as Directors, such compensation to be decided by the shareholders at an AGM
- Composition 31 December 2003: Jan Sjöqvist (Chairman), George W. Mead, Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg

Meetings and Reporting to the Board
- The Financial and Audit Committee meets regularly at least twice a year
- Regular participants in the Committee's meetings
  - External Auditors
  - Head of Internal Audit, CFO and Legal Counsel acting as secretary to the Committee
  - Other persons such as SVP Finance, General Counsel and Group Controller invited by the Chairman
- The Committee members meet the external auditors without the management being present in connection with its meetings
- The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board

Nomination Committee

Main Tasks
- To give guidance to the shareholders through the Board regarding the composition of the Board and remuneration of Board members
- To prepare a proposal to the Board on the composition and chairmen of the Board Committees

Composition
- 3-4 non-executive Board members who are independent and not affiliated with the Company
- Composition 31 December 2003: Claes Dahlbäck (Chairman), Krister Ahlström, Harald Einsmann

Meetings and Reporting to the Board
- The Nomination Committee meets regularly at least once a year
- The Chairman of the Committee presents the proposals of the Nomination Committee to the Board

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Compensation Committee

Main Tasks

- Responsible for recommending, evaluating and approving executive (other than the CEO) nominations and compensations
- To evaluate the performance and compensation of the CEO
- To make recommendations to the Board relating to management compensation issues generally, including equity incentive compensation plans
- The Board approves the compensation of the CEO

Composition

- 3-4 non-executive board members who are independent and not affiliated with the Company
- Composition 31 December 2003: Claes Dahlbäck (Chairman), Krister Ahlström, Harald Einsmann

Meetings and Reporting to the Board

- Regularly at least once a year
- The Chairman presents a report on each Compensation Committee meeting to the Board

Corporate Governance in 2003

- In 2003 Stora Enso updated its Corporate Governance in response to reorganisation of the Group, public interest in governance issues, new rules and recommendations of the Helsinki, Stockholm and New York Stock Exchanges and the Sarbanes Oxley Act.
- The Board of Directors convened eight times and had eleven members.
- The Executive Management Group reviewed Stora Enso's organisational structure, in addition to its customary governance tasks. This resulted in a new structure streamlined around the core product areas. Other important items on the agenda in 2003 were the restructuring of forest ownership in Sweden, the Veracel pulp mill joint venture in Brazil, the new paper machine at Kvarnsveden Mill and the Energy 2005 project at Skoghall Mill. The EMG convened twenty times and had ten members.
- The Management Group convened four times and had 25 members.
- The Financial and Audit Committee comprised five members, Jan Sjöqvist (Chairman from 18 March 2003), Josef Ackermann (member and Chairman until 18 March 2003), George W. Mead (from 18 March 2003), Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg, and convened six times during 2003. During 2003 the Board approved a new charter for the Financial and Audit Committee that defines its authority, tasks and processes.
- The Nomination Committee was established in August 2003. It had three members, Claes Dahlbäck (Chairman), Krister Ahlström and Harald Einsmann, and convened once.
- The Compensation Committee had three members, Claes Dahlbäck (Chairman), Krister Ahlström and Harald Einsmann, and convened three times.
- The Investment Committee examined several major investment proposals and made recommendations on the allocation of divisional funds for consideration by the Board. Important items on the agenda in 2003 were the new paper machine at Kvarnsveden, the new pulp mill in Brazil and modernisations at Maxau and Skoghall. The Investment Committee had six members and convened thirteen times in 2003.
- The Sustainability Committee further developed and strengthened governance related to sustainability issues to reflect Stora Enso's overall approach to sustainability. The former Environment Committee was replaced by a new Sustainability Committee in May 2003. Important items on the agenda in 2003 were climate change, forest certification and wood traceability, CSR, the Group environmental action plan and the Group Sustainability Report 2003. The Environment Committee convened twice and had fourteen members. The Sustainability Committee convened once and had thirteen members.
- The R&D Committee's main task during the year was to change the R&D organisational structure to strengthen the research focus of the Product Areas and the relationship between business units and R&D. New funding arrangements were planned to facilitate commercialisation of new business ideas. The R&D Committee had nine members until 31 July and seven from 1 August onwards. It convened twice in 2003.
- The Disclosure Committee had three members and convened five times.
- In 2003 Stora Enso amended its closed period to start two weeks prior to the date when the results of a reporting period are announced. The dates are published in the financial calendar on www.storaenso.com/investors.

Stora Enso's Strategy

Stora Enso is operated and managed as a single industrial group. Its core products are graphic and office papers, newsprint, packaging boards and wood products.

Stora Enso's strategic goal is to increase the value of the Company through profitable growth generated by targeted capital expenditure, mergers and acquisitions, world-class facilities, continuous performance improvement and excellent management resources.

Stora Enso strives to be a sustainable forest products company renowned for operational excellence and superior performance. The key to achieving this is enhanced competence and know-how supported by commitment to shared values.

Stora Enso wants to be the customers' first choice. The Group provides services that support customers' product development and enhance their value creation. It also undertakes its own continuous product development to improve existing products and production processes, and to develop new products.

Stora Enso's Return on Capital Employed target remains 13% over the cycle, the weighted average cost of capital at the end of 2003 being 8.7%. The debt/equity ratio must be at or below 0.8, and capital expenditure should not exceed depreciation over the cycle.

Stora Enso's identity is based on a single strong corporate brand identity that reflects the Group's mission, vision and values.

Stora Enso's target is to excel in sustainability and be recognised for it. In 2003 the sustainability governance was restructured to ensure that these issues are better integrated in all the Group's operations (for more information, see the separate Sustainability 2003 report).

Dividend policy will increase shareholders' return

The Company has amended its dividend policy to increase the return to shareholders. The proportion of net profit it is committed to distributing to shareholders as dividend over the cycle has been raised from one-third to one-half.

Fibre strategy amended to reduce costs

Stora Enso's fibre strategy secures high quality, cost-competitive raw materials from socially and environmentally sustainable sources. The aim is to reduce raw material costs, which currently account for 20% of Group costs.

The main raw materials are wood, recovered paper and purchased pulp. The most important elements of the fibre strategy are own production of pulp and wood products, and sourcing of wood from mainly external suppliers. Stora Enso ensures the availability of different types of fibre from multiple sources through its fibre sourcing and pulping operations.

Stora Enso intends to secure and utilise increasing amounts of long fibre from Western Russia and the Baltic States, and short fibre from fast-growing plantations in the Southern Hemisphere.

Disciplined acquisition policy supports core business development

Stora Enso has a disciplined merger and acquisition policy. A merger or acquisition must support core business development, provide customer and production synergies, improve asset quality and competitiveness, and be in line with the market outlook.

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The Group has identified three ways of increasing its assets:

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

Such expansion must meet the financial targets of being EPS and CEPS accretive after one year. In the near term it must yield more than the company's weighted average cost of capital, and in the long term clearly support the Group's 13% ROCE target over the cycle.

Reaching key financial targets

	Target	1999	2000	2001	2002	2003
ROCE, % *	13	12.1	16.8	10.8	7.1	4.6
Debt/Equity ratio	0.8	0.90	0.62	0.57	***0.37	0.48
Dividend/share, EUR		0.40	0.45	0.45	0.45	**0.45
Payout ratio, % *	50	45	34	48	79	180

* Excluding non-recurring items ** Board of Directors' proposal to the AGM *** Adjusted with the initial valuation of IAS 41, Agriculture

Strategy in Action in 2003

Langerbrugge newsprint investment completed
Asset restructuring continued during 2003. In spring the new newsprint machine at Langerbrugge in Belgium started up. The machine will use 500 000 tonnes of recycled fibre per year to make 400 000 tonnes of newsprint when it reaches full capacity in 2005. This investment is the biggest project in Stora Enso's history at EUR 470 million.

Divestment of non-core assets continued
In 2003 further strategic actions were taken to release capital from non-core activities to finance growth of core businesses. The Group´s forest assets in Sweden will be restructured by establishing a company jointly owned with Korsnäs of Sweden to which both partners are transferring their Swedish forest assets will restructure the Group's forest assets in Sweden. Stora Enso will sign long-term wood supply contracts with the new entity.

Fibre strategy in action with new organisation
Wood Supply Europe was created to manage the wood flows that supply raw material to Stora Enso's mills in Europe in the most efficient and cost-effective way.

Stora Enso's fibre sourcing possibilities have been improved by sawmill acquisitions in the Baltic States.

Presence in the Russian wood market is being strengthened through sawmilling operations. Sawmills were started up at Impilahti in Karelia, close to the Finnish border, in August and at Nebolchi in the Novgorod region in the beginning of 2004. Sawmills are cost-efficient means of entering the Russian market, familiarising with Russian practice and legislation, and training personnel for possible future industrial expansion in the country.

The Veracel pulp mill joint venture in Brazil was approved in May. The mill will provide Stora Enso with 450 000 tonnes (50% of the 900 000 tonnes capacity) of top quality short-fibre pulp annually from mid 2005 onwards.

Cost saving through constant development
Stora Enso is constantly developing its operations and systems to improve competitiveness through benchmarking at individual mills. Many European as well as North American mills undertook restructuring during 2003.

Restructuring is part of Stora Enso's Excellence 2005 continuous improvement programme. All Stora Enso units have developed their own competitiveness at all levels by implementing Excellence 2005 through Total Quality Management. This makes it easier to evaluate their operations and agree which areas need improvement.

Excellence 2005 includes a wide range of means of measuring employee and customer satisfaction, a productivity programme and customer relationship management. Each unit evaluates its performance annually against key measures of business success. This ensures that improvements with the greatest impact on profit and strategic success receive the highest priority.

Stora Enso's systematic quality work was once again recognised by the Finnish Quality Award to Ingerois Board Mill. This was already the fourth time a Group unit has been a Finnish Quality Award winner, the previous winners in the competition, which was held for the thirteenth time in 2003, being Veitsiluoto Publication Papers (1998), Laminating Papers (2000) and Oulu Fine Paper Mill (2001).

Further profit enhancement in North America

Results from Stora Enso's North American operations remained unsatisfactory in 2003 due to the persistently weak market since 2000 and an increased cost base. A further USD 65 million has therefore expanded the Profit Enhancement Programme of August 2002 to reduce annual costs.

The Profit Enhancement Programme of 2002 as extended in 2003 will improve EPS by altogether EUR 0.09 by 2005. The workforce will be reduced from a total of 7 300 in 2000 to 5 000 in 2005, a 32% reduction. At the end of 2003 the number of employees in North America was 5 670.

Stora Enso Account Management strengthens customer relationships

Stora Enso Account Management (SEAM), which originated from the customer relationship management project launched in 2002, has now been developed and will be fully implemented during 2004. The goal of SEAM is to enhance value through strengthened customer relationships.

This approach facilitates deployment of the Group's customer-focused strategy. Stora Enso's most important accounts will benefit from customised products and services to meet their business needs. SEAM will increase customer loyalty and improve co-operation in product and process development.

R&D reorganisation

In 2003 Stora Enso spent EUR 88.8 million on research and development, equivalent to 0.7% of net sales. An interesting area for research and development continued to be Consumer Boards with its InnoCentre.

Stora Enso's research and development centres were integrated with business units during the year to increase the emphasis on R&D in the product areas, to integrate R&D into business strategy development and to utilise the scientific and technical expertise of the centres efficiently in customer service and troubleshooting.

Research and development in the Paper product area concentrated on end-use and customer-driven work on printability, improving customer service to printers and preparing for future developments in printing technology.

The growth strategy of Packaging Boards product area is based on innovation and development. New materials have been developed for cups, trays and liquid cartons utilising new approaches to improve barrier properties and converting characteristics.

In 2003 Stora Enso Timber launched a new product called WoodHeart® that exploits the natural durability of Nordic Scots pine heartwood to meet the needs of the woodworking industry where durability and stability are required.

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Development of Operations in 2003

Strategic Return Target and Value

Weighted Average Cost of Capital ("WACC")
WACC represents the aggregate cost of debt and equity. The cost of debt for Stora Enso´s current loan portfolio approximates 4.5%. The cost of equity represents a risk-free long-term interest rate of 4.0% with an added risk premium of 4%, giving an aggregate cost after tax of 8.0%. Assuming an average tax rate of 33%, the pre-tax cost of equity is approximately 12% and, with a debt/equity ratio of 0.8, the WACC before tax is around 8.7%, being the figure applicable to the ROCE calculations.

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

The value created by segment is shown below, where the WACC based on average operating capital is deducted from operating profit, excluding non-recurring items, to give the value created. The same WACC is applied to all segments except for Wood Supply Europe, which uses a 1.5% lower rate as a result of lower risk at operating level. The WACC used in the table below was 10.0% for 2001, 9.5% for 2002 and 8.7% for 2003.

Operating Profit and Value Statement by Segment

	Operating Profit			Value Statement		
	Year Ended 31 December			Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**
Publication Paper	855.7	320.1	114.1	390.7	-106.9	-233.7
Fine Paper	396.5	303.7	156.0	-41.5	-87.3	-150.3
Merchants	-7.2	5.5	-6.6	-28.6	-12.0	-19.9
Packaging Boards	344.2	354.7	296.9	78.6	90.1	72.2
Wood Products	12.6	46.8	27.6	-27.9	4.6	-19.3
Wood Supply Europe	88.1	96.3	117.2	-14.5	-6.6	-11.2
Other	-43.2	-51.8	-51.1	-	-	-
Goodwill amortisation	-151.5	-148.8	-116.0	-	-	-
Group Total, excl. Non-Recurring Items	**1 495.2**	**926.5**	**538.1**	**107.1**	**-375.8**	**-488.9**

Market

Global uncertainty in the market for forest industry products continued for the third year, mainly due to sluggish economic activity, this resulting in low demand, especially for advertising-driven paper grades. Gross Domestic Product rates have traditionally been a leading indicator for increases in paper and board consumption, though population growth and urbanisation are key elements affecting future consumption in various locations. Ongoing restructuring in both the supplier chain and customer base, as well as changing consumer behaviour patterns also influence the market, prompting a need for greater cost competitiveness and enhanced levels of service. The table below shows total consumption of paper and board per main market area:

Estimated Consumption of Paper and Board in 2003

Tonnes, million	Western Europe	North America	Asia (incl. Oceania)
Newsprint	9.9	11.2	10.7
Uncoated mechanical paper	4.6	5.6	1.9
Coated magazine paper	6.4	5.5	2.4
Coated fine paper	7.4	5.6	9.3
Uncoated fine paper	*8.7	13.5	19.1
Containerboards	20.5	30.1	35.6
Cartonboards	6.7	12.8	12.4

* Bulk grades only

Source: RISI February 2004

Deliveries

Deliveries of paper and board increased by 3% to 13 551 000 tonnes, though even this improvement did not prevent production curtailments being made to match orders, thus avoiding any build-up of excessive inventories; total curtailments were 782 000 (1 257 000) tonnes, equal to about 5% of total capacity. Deliveries of wood products increased by about 14% compared to the previous year, mainly due to the acquisition of additional capacity in the Baltic States.

Deliveries by Segment

	Year Ended 31 December			Change	Curtailments	
1 000 tonnes	2001	2002	2003	%	2002	2003
Publication Paper	6 902	6 807	6 954	+2	874	497
Fine Paper	3 448	3 432	3 591	+5	274	176
Packaging Boards	2 509	2 910	3 006	+3	109	109
Divested paper units	-	-	-		-	
Total Paper and Board Deliveries	**12 858**	**13 149**	**13 551**	**+3**	**1 257**	**782**
Wood Products, 1 000 cubic metres	4 860	5 112	5 822	+14		
Corrugated board, million square metres	434	546	500	-8		

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Stora Enso sales are global though the home market of Europe accounts for 70% (70%) of turnover; the North American market represents 16% (19%) and Asia Pacific 9% (8%). The table below shows the highest sales figure coming from Finland with 32% (32%) followed by Sweden at 23% (23%) and Germany at 11% (11%).

External Sales by Destination and Origin

	Year Ended 31 December					
	2001	2002	2003	2001	2002	2003
EUR million	**Sales by Destination**			**Sales by Invoice Origin**		
Austria	213.1	195.4	222.0	310.9	315.1	363.5
Belgium	345.1	301.3	267.2	237.8	213.2	200.8
Denmark	307.6	297.9	276.1	116.2	111.7	107.9
Finland	776.0	780.6	786.9	4 370.2	4 151.0	3 951.9
France	1 007.0	965.5	862.7	537.8	486.4	447.7
Germany	1 840.3	1 673.6	1 616.1	1 489.9	1 442.2	1 381.8
Italy	403.2	391.5	380.7	0.6	0.1	0.1
Netherlands	581.9	488.4	491.9	247.6	234.0	226.4
Portugal	71.3	60.9	64.9	80.3	59.7	50.5
Spain	445.5	463.4	499.4	139.4	141.5	145.6
Sweden	1 026.6	1 034.2	994.4	2 980.2	2 895.6	2 840.2
UK	1 324.8	1 053.4	979.3	157.2	59.1	23.4
Other EU	197.8	197.4	203.9	0.2	0.1	-
Total EU	**8 540.2**	**7 903.5**	**7 645.5**	**10 668.3**	**10 109.7**	**9 739.8**
Other Europe	813.2	981.4	897.8	252.4	290.1	390.6
Total Europe	**9 353.4**	**8 884.9**	**8 543.3**	**10 920.7**	**10 399.8**	**10 130.4**
Canada	169.4	160.0	143.7	384.0	290.2	287.7
China	188.8	201.5	228.6	111.6	122.3	109.4
USA	2 469.7	2 267.3	1 918.3	2 067.2	1 909.6	1 583.6
Others	1 327.5	1 268.9	1 338.4	25.3	60.7	61.2
Total	**13 508.8**	**12 782.6**	**12 172.3**	**13 508.8**	**12 782.6**	**12 172.3**

Financial Results (excluding non-recurring items)

Sales in 2003 totalled EUR 12 172.3 (EUR 12 782.6) million, a decrease of EUR 610.3 million or 4.8% on the previous year; average prices decreased in all segments and the fall in the US dollar also had an adverse effect. Sales volumes, however, increased in all segments.

Operating profit excluding non-recurring items was EUR 538.1 (EUR 926.5) million, a decrease of 41.9% on the previous year. All segments except Wood Supply Europe reported lower operating profits than in 2002, mainly due to the lower sales prices and weak dollar. Cash flow hedging, mainly of the US dollar and British pound, reduced the negative impact from currency changes by EUR 105.1 (EUR 41.7) million.

Publication Paper

Operating profit was EUR 114.1 (EUR 320.1) million, a decrease of EUR 206.0 million or 64% on 2002 mainly as a result of lower sales prices, however, to some extent compensated by increased volumes. Curtailments of 497 000 (874 000) tonnes necessitated by low order volumes led to reduced productivity and somewhat higher relative fixed costs.

Fine Paper

Operating profit was EUR 156.0 (EUR 303.7) million, a decrease of EUR 147.7 million or 49% related to lower sales prices only partly offset by higher volumes. Curtailments amounted to 176 000 (274 000) tonnes.

Merchants

The operating result was EUR -6.6 (EUR 5.5) million, a decrease of EUR 12.1 million as a result of lower sales prices and provision for redundancies.

Packaging Boards

Operating profit was EUR 269.9 (EUR 354.7) million, a decrease of EUR 84.8 million or 24%, lower sales prices, mainly due to the weakening dollar, being only partly compensated by higher sales volumes. Curtailments during the year were 109 000 (109 000) tonnes.

Wood Products

Operating profit was EUR 27.6 (EUR 46.8) million, a decrease of EUR 19.2 million due to negative currency effects, somewhat lower sales prices and higher fixed costs, partly offset by higher volumes.

Wood Supply Europe

Operating profit was EUR 117.2 (EUR 96.3) million, an increase of EUR 20.9 million, or 22%, primarily as a result of higher prices.

Other

Operating losses amounted to EUR 51.1 (EUR 51.8) million. This included unallocated corporate overheads and the elimination of group internal margins on consolidation.

Sales, operating profit (EBIT) and return on operating capital (ROOC) per segment, excluding non-recurring items, are shown in the table below, with a specification by quarter shown on page 30.

Sales and Operating Profit by Segment

	Sales			Operating Profit			Return on Operating Capital % *		
EUR million	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**
Publication Paper	5 414.4	4 715.6	4 295.7	855.7	320.1	114.1	18.8	7.5	2.9
Fine Paper	3 670.4	3 427.4	3 197.7	396.5	303.7	156.0	9.2	7.7	4.4
Merchants	840.3	720.6	627.6	-7.2	5.5	-6.6	-3.4	3.1	-4.3
Packaging Boards	2 671.1	2 720.2	2 761.6	344.2	354.7	296.9	12.5	13.5	11.5
Wood Products	1 180.5	1 235.2	1 400.0	12.6	46.8	27.6	3.1	11.1	5.1
Wood Supply Europe	1 825.6	1 958.7	2 074.3	88.1	96.3	117.2	6.9	7.5	6.6
Other	-2 093.5	-1 995.1	-2 184.6	-43.2	-51.8	-51.1	-	-	-
Goodwill amortisation	-	-	-	-151.5	-148.8	-116.0	-	-	-
Total excl. Non-Recurring Items	**13 508.8**	**12 782.6**	**12 172.3**	**1 495.2**	**926.5**	**538.1**	**10.8**	**7.1**	**4.6**
Non-recurring items	-	-	-	-8.3	-1 078.1	-54.4	-	-	-
Total	**13 508.8**	**12 782.6**	**12 172.3**	**1 486.9**	**-151.6**	**483.7**	**10.7**	**-1.5**	**4.1**

*) Group figures represent return on capital employed.

Sales by Segment

Operating Profit by Segment

Operating Capital by Segment

Non-Recurring Items

Exceptional transactions outside normal business operations are accounted for as non-recurring items at Group level. Segment results for operational reporting expressly exclude them though IAS-based segment notes do allocate them to the segments. The items/transactions must meet certain criteria to be accounted for as non-recurring, amongst others being that they must impact on earnings per share by at least one cent.

The most common non-recurring items are capital gains, additional write-downs and restructuring provisions and gains. Non-recurring items in the 2003 operating profit totalled EUR -54.4 (EUR -1 078.1) million, or EUR -0.04 (-0.82) per share, the related expense in net financial items being EUR -54.0 (EUR 0.0) million relating to a USD -61.1 million charge for the early termination of some finance leases. The table below shows the non-recurring items for the year:

Non-Recurring Items

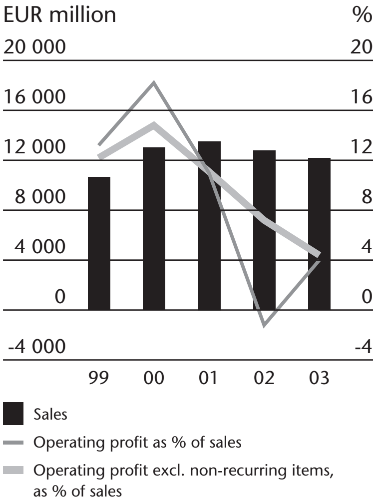
EUR million	Q1/03	Q2/03	Q3/03	Q4/03	2003
Operative Items					
North America increased Profit Enhancement Plan	-	-	-24.6	-	-24.6
Corbehem Mill, France, restructuring plan	-	-	-15.3	-	-15.3
Expected capital loss on sale of forestland in Ontario, Canada	-	-		-14.5	-14.5
	-	-	**-39.9**	**-14.5**	**-54.4**
Financial Items					
Termination of US cross-border lease	-	-	-	-54.0	-54.0
Total Non-Recurring Items	-	-	**-39.9**	**-68.5**	**-108.4**
Tax on above amounts	-	-	14.7	27.4	42.1
Total after Tax	-	-	**-25.2**	**-41.1**	**-66.3**
EPS Effect	-	-	**-0.03**	**-0.05**	**-0.08**

Income Statement in Brief

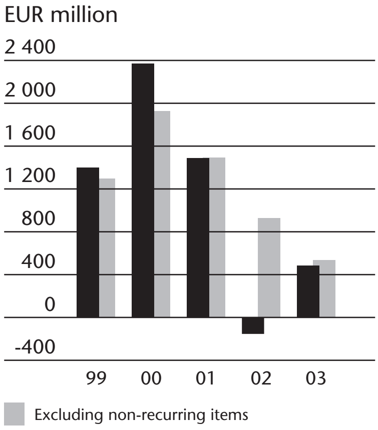
EUR million	Year Ended 31 December 2001	2002	2003	Change %	Per Share, EUR 2001	2002	2003
Sales	**13 508.8**	**12 782.6**	**12 172.3**	**-4.8**	**14.98**	**14.21**	**14.47**
EBITDA* excl. non-recurring items	2 762.8	2 172.0	1 722.9	-20.7	3.06	2.42	2.05
Operating profit excl. non-recurring items	1 495.2	926.5	538.1	-41.9	1.66	1.05	0.64
Non-recurring items	-8.3	-1 078.1	-54.4	-	-0.01	-1.22	-0.06
Operating Profit	**1 486.9**	**-151.6**	**483.7**	-	**1.65**	**-0.17**	**0.58**
Share of profits in Associated Companies	79.6	14.6	-23.0	-	0.09	0.02	-0.03
Net financial items	-343.5	-206.2	-237.7	-	-0.38	-0.24	-0.28
Profit before Tax and Minority Interests	**1 223.0**	**-343.2**	**223.0**	-	**1.36**	**-0.39**	**0.27**
Tax	-386.2	-177.5	-70.6	-	-0.43	-0.20	-0.09
Non-recurring tax item	86.6	298.4	-	-	0.10	0.34	-
Minority items	2.9	0.1	-5.8	-	-	-	-0.01
Net Profit for the Period	**926.3**	**-222.2**	**146.6**	-	**1.03**	**-0.25**	**0.17**
Net Profit for the Period excl. Non-Recurring Items	**845.3**	**504.9**	**212.9**	-	**0.94**	**0.57**	**0.25**

*Earnings before Interest, Taxes, Depreciation and Amortisation

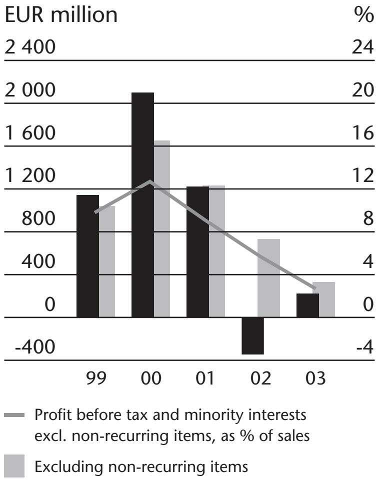
Sales and Operating Profit



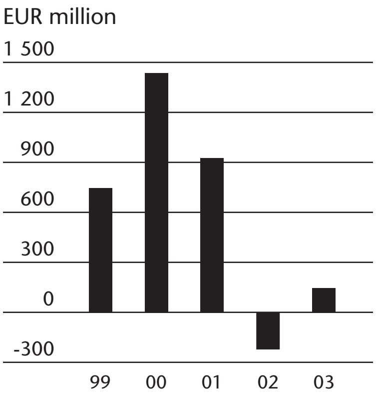
Operating Profit



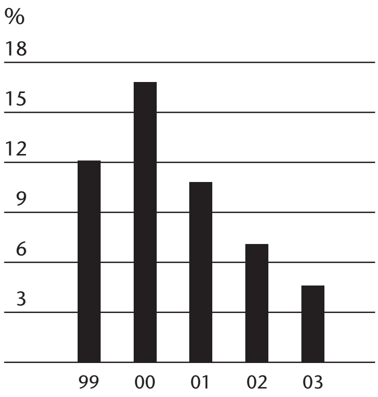
Profit before Tax and Minority Interests



Profit for the Period

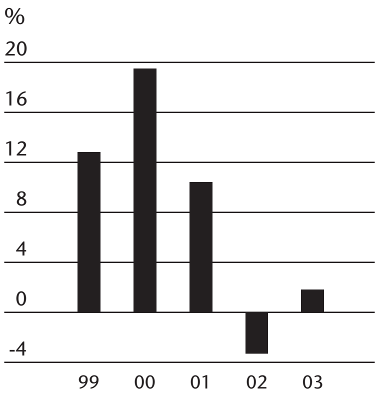


Return on Capital Employed (ROCE)



Excluding non-recurring items

Return on Equity (ROE)



Depreciation, impairment and goodwill amortisation totalled EUR 1 200.4 (EUR 2 441.9) million, a decrease of EUR 99.2 million after adjustment for the us impairment charge made in 2002.

The share of results of associated companies amounted to EUR -23.0 (EUR 14.6) million, of which the main part came from Veracel Celulose S.A. and Mitsubishi HiTec Paper Group, partly compensated by a positive result from Tornator Timberland Oy.

Operating profit for the year totalled EUR 483.7 (EUR -151.6) million, including non-recurring items of EUR -54.4 (EUR -1 078.1) million.

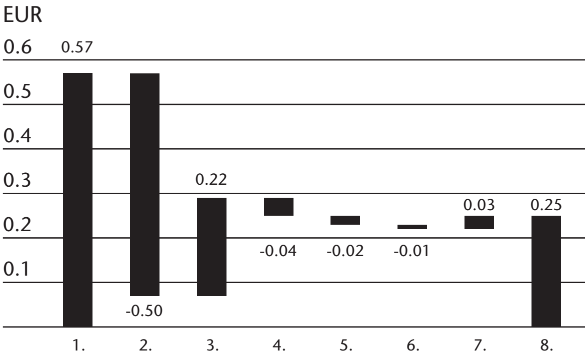
Net interest costs for the year totalled EUR 186.1 (EUR 229.5) million, which is 4.3% of interest-bearing net liabilities, a decrease of EUR 43.4 million on the previous year due to lower interest rates to some extent offset by increased interest-bearing net liabilities. Foreign exchange gains in the financial items for the year were EUR 12.5 (EUR 44.9) million and dividend income was EUR 5.8 (EUR 9.2) million. The valuation of financial instruments and derivatives resulted in a net loss of EUR 0.2 (EUR -50.4) million; these items are valued at market value, thus causing volatility in net financial items, although of a non-cash nature.

Profit before taxes and minority interests, excluding non-recurring items, amounted to EUR 331.4 (EUR 734.9) million.

Net taxes were EUR -70.6 (positive EUR 120.9) million, representing an underlying rate of 31.7% (31.4%). Minority interests totalled EUR -5.8 (EUR 0.1) million, leaving a net profit for the period of EUR 146.6 (EUR 222.2 loss) million.

The return on capital employed was 4.6% (7.1%) before non-recurring items. Capital employed was EUR 11 744.0 (EUR 11 242.4) million at the end of the period, a net increase of EUR 501.6 million on the beginning of the year.

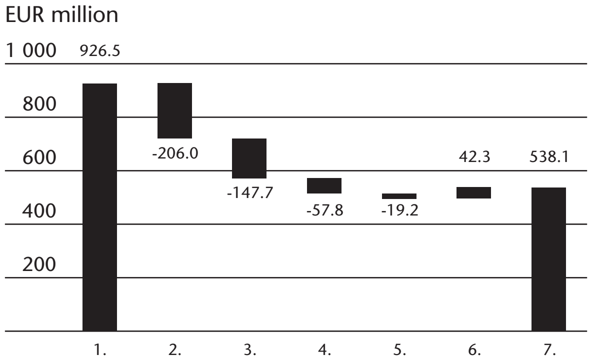
Change in EPS from 2002 to 2003



1. Group total 2002 2. Sales prices 3. Sales volume 4. Energy 5. Fixed costs 6. Financing costs 7. Other 8. Group total 2003

Excluding non-recurring items

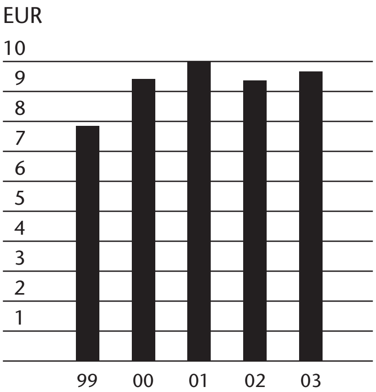
Change in Operating Profit



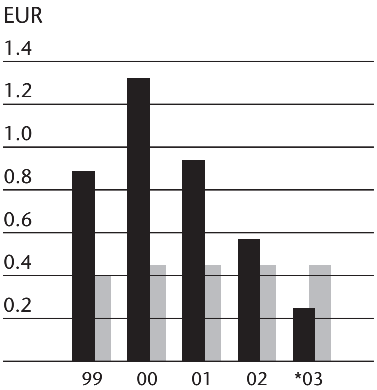
1. Operating Profit 2002 2. Publication Paper 3. Fine Paper 4. Packaging Boards 5. Wood Products 6. Other 7. Operating Profit 2003

Excluding non-recurring items

Equity per Share



Earnings and Dividend per Share

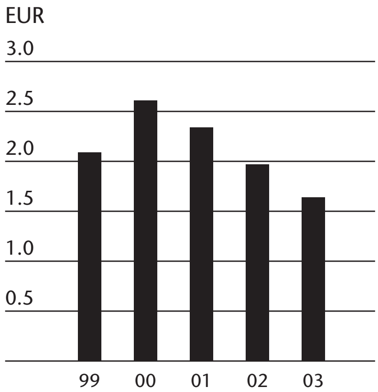


Earnings per share, excl. non-recurring items

Dividend per share

* Board´s dividend proposal

Cash Earnings per Share

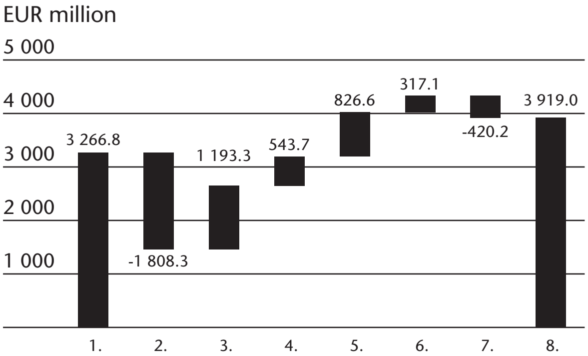


Excluding non-recurring items

Change in Interest-bearing Net Liabilities
Cash flow from operations totalled EUR 1 808.3 (EUR 2 083.8) million with cash flow after investing activities amounting to EUR 615.0 (EUR 1 247.7) million and cash earnings per share excluding non-recurring items EUR 1.64 (EUR 1.97).

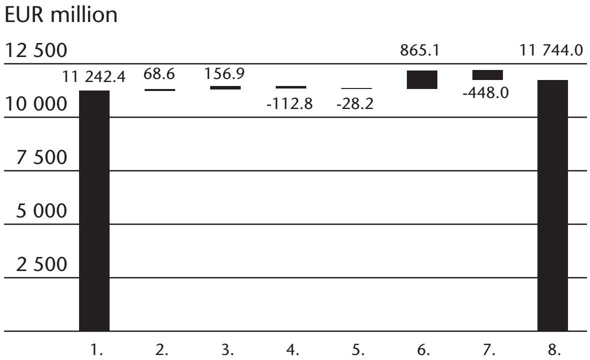
At the year end interest-bearing net liabilities were EUR 3 919.0 (EUR 3 266.8) million, up EUR 652.2 million on 2002 due to the repurchase of own shares and capital expenditure higher than depreciation, to some extent reduced by translation effects of the lower US dollar. Unutilised credit facilities and cash and cash-equivalents reserves totalled EUR 2.7 billion.

Change in Interest-bearing Net Liabilities



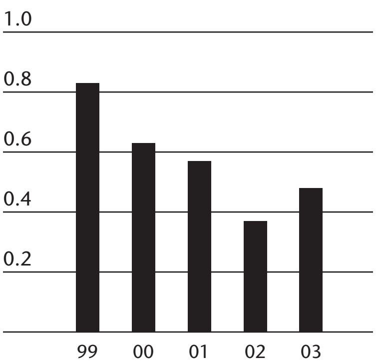
1. Interest-bearing Net Liabilities 1 Jan 2003 2. Cash flow from operations 3. Net cash used in investing activities 4. Net cash used in taxes and financing items 5. Net cash used in equity items 6. Structural changes 7. Other changes and translation differences 8. Interest-bearing Net Liabilities 31 Dec 2003

Change in Capital Employed



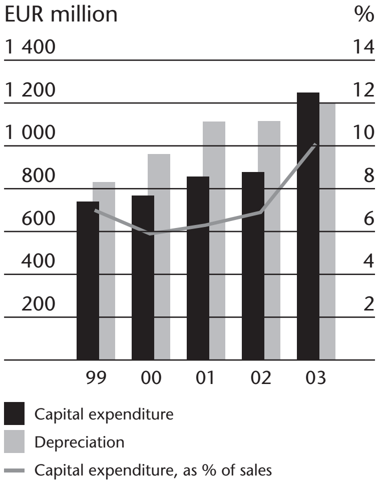
1. Capital Employed 1 Jan 2003 2. Investing activities, net of depreciation 3. Acquisitions and disposals 4. Change in working capital 5. Change in net tax liabilities 6. IAS 41 Adjustment 7. Translation differences 8. Capital Employed 31 Dec 2003

Debt/Equity Ratio



Target ≤ 0.8

Capital Expenditure and Depreciation



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Financing

The debt/equity ratio at 31 December 2003 was 0.48 (0.37) and equity per share EUR 9.65 (EUR 9.36). The calculation of the debt/equity ratio has been changed from the fourth quarter of 2003 onwards so that associated companies are no longer treated as interest-bearing assets. The change reflects the increased investment in associated companies, which are intended as long-term investments; the previous quarters' debt/equity ratios have been adjusted accordingly. At the end of the year, the debt/equity ratio was 0.44 as calculated under the old definition, a difference of 0.04 compared with the new definition. The currency effect on equity was EUR -52.7 million, net of the hedging of equity translation risks, and share buy-backs also decreased equity by EUR 319.1 million.

Capital Expenditure

Capital expenditure of EUR 1 248.2 (EUR 877.6) million was EUR 163.8 million more than depreciation for the year due to costs running over from 2002.

The main project in 2003 was the new paper machine 4 at Langerbrugge Mill in Belgium (EUR 201.1 million). Other major projects were the rebuilding of paper machine 3 at Veitsiluoto Mill in Finland (EUR 82.4 million) and paper machine 6 at Maxau Mill in Germany (EUR 52.9 million), the new boiler at Kvarnsveden Mill in Sweden (EUR 23.6 million), phase 1 of rebuilding paper machine 26 at Biron Mill in the USA (EUR 18.9 million) and folding boxboard asset improvements at Baienfurt Mill in Germany (EUR 29.8 million).

Capital Structure

EUR million	2001	2002	2003	Per Share, EUR
Fixed assets	14 882.2	12 089.4	12 676.1	15.13
Working capital	1 224.2	1 182.2	1 056.5	1.26
Operating capital	**16 106.4**	**13 271.6**	**13 732.6**	**16.39**
Net tax liabilities	-2 247.3	-2 029.2	-1 988.6	-2.38
Capital Employed	**13 859.1**	**11 242.4**	**11 744.0**	**14.01**
Associated companies	306.7	211.7	319.0	0.38
Total	**14 165.8**	**11 454.1**	**12 063.0**	**14.39**
Shareholders' equity	8 989.0	8 156.9	8 083.7	9.65
Minority interests	50.2	30.4	60.3	0.07
Interest-bearing net liabilities	5 126.6	3 266.8	3 919.0	4.67
Financing Total	**14 165.8**	**11 454.1**	**12 063.0**	**14.39**

Capital Employed

EUR million	Operating Capital		Net Tax Liabilities		Capital Employed	
Finland	3 936.2	28.7%	420.6	21.1%	3 515.6	29.9%
USA	2 457.1	17.9%	313.5	15.8%	2 143.6	18.3%
Sweden	3 630.4	26.4%	1 048.0	52.7%	2 582.4	22.0%
Germany	1 068.4	7.8%	175.0	8.8%	893.4	7.6%
Belgium	585.9	4.3%	1.3	0.1%	584.6	5.0%
Canada	492.5	3.6%	0.8	0.0%	491.7	4.2%
France	255.6	1.9%	10.0	0.5%	245.6	2.1%
Portugal	211.9	1.5%	-2.9	-0.1%	214.8	1.8%
China	157.2	1.1%	0.0	0.0%	157.3	1.3%
Austria	187.4	1.4%	11.8	0.6%	175.6	1.5%
Other	750.0	5.4%	10.5	0.5%	739.4	6.3%
Total	**13 732.6**	**100%**	**1 988.6**	**100%**	**11 744.0**	**100%**

Cash Flow by Segment

EUR million	Publication Paper	Fine Paper	Packaging Boards	Wood Products	Other	Ongoing Operations
Operating profit (excl. goodwill and non-recurring items)	114.1	156.0	296.9	27.6	59.5	654.1
Depreciation, non-recurring items and adjustments	384.7	287.2	227.5	54.4	54.1	1 007.9
Change in working capital	-85.5	20.3	40.2	-42.9	214.2	146.3
Cash Flow from Operations	**413.3**	**463.5**	**564.6**	**39.1**	**327.8**	**1 808.3**

Change in Interest-bearing Net Liabilities

EUR million	Ongoing Operations	Structural Changes	IAS 41	Group Cash Flow	Translation Difference	Impact on the BS
Operating profit	472.1		11.6	483.7		483.7
Depreciation	1 189.9			1 189.9		1 189.9
Change in working capital	146.3	-31.2	-3.0	112.1	13.7	125.8
Cash Flow from Operations	**1 808.3**	**-31.2**	**8.6**	**1 785.7**	**13.7**	**1 799.4**
Capital expenditure	-1 248.2			-1 248.2		-1 248.2
Acquisitions	-12.2	-206.4		-218.6		-218.6
Acquisitions associated companies		-103.5	-44.0	-147.5	24.5	-123.0
Disposals	61.7			61.7		61.7
Other change in fixed assets	5.4		-864.4	-859.0	503.1	-355.9
Operating Cash Flow	**615.0**	**-341.1**	**-899.8**	**-625.9**	**541.3**	**-84.6**
Net financing items	-237.7			-237.7		-237.7
Associated companies	-23.0			-23.0		-23.0
Taxes paid	-283.0	0.2	240.4	-42.4	-68.8	-111.2
Share issue	2.3			2.3		2.3
Dividends	-387.7			-387.7		-387.7
Share buy–back	-319.1			-319.1		-319.1
Other change in equity and in minority items	-122.1	23.8	659.4	561.1	-52.3	508.8
Change in Interest-bearing Net Liabilities	**-755.3**	**-317.1**	**0.0**	**-1 072.4**	**420.2**	**-652.2**

Biological Assets

The new accounting standard IAS 41, Agriculture, under which Stora Enso's biological assets in the form of standing trees are fair market valued, came into effect on 1 January 2003. At the adoption of IAS 41, the Group's forest assets were measured at fair value, which increased the book value of EUR 705.9 million to a fair value of EUR 1 561.7 million. The revaluation reserve amounted to EUR 855.8 million, which resulted in an increase in equity of EUR 615.5 million after the deduction of deferred tax; in accordance with IAS 8, this was credited directly to Retained Earnings.

Capital Structure

EUR million	At 31 Dec 2002	Revaluation	At 1 Jan 2003
Fixed assets	12 089.4	855.8	12 945.2
Working capital	1 182.2	-	1 182.2
Operating Capital	**13 271.6**	**855.8**	**14 127.4**
Net tax liabilities	-2 029.2	-240.4	-2 269.6
Capital Employed	**11 242.4**	**615.4**	**11 857.8**
Associated companies	211.7	44.0	255.7
Total	**11 454.1**	**659.4**	**12 113.5**
Shareholders' equity	8 156.9	659.4	8 816.3
Minority interests	30.4	-	30.4
Interest-bearing net liabilities	3 266.8	-	3 266.8
Financing Total	**11 454.1**	**659.4**	**12 113.5**

Periodic future changes resulting from growth, price and other factors are recorded through the Income Statement so that operating profit for the year includes an adjustment for the change in the value of the standing forest during the period. The change in value comprises growth, harvesting and price fluctuations. The result for 2003 includes EUR 116.2 million in respect of change in fair value (growth and price effect), less EUR 104.6 million for harvesting, resulting in a net gain of EUR 11.6 million.

At 31 December 2003 Stora Enso's biological assets had a fair value of EUR 1 587.8 million and were located by value in Sweden (95.0%), Portugal (3.3%), Canada (0.1%), China (0.3%) and Indonesia (1.3%). In addition, the Group has two Associated Companies where IAS 41 is taken into account in computing their results:

- Tornator Timberland Oy, a 41% owned associate which acquired the Group's Finnish forest interests in 2002, had biological assets at a fair value of EUR 628.9 million.
- Veracel Celulose S.A., a 50% owned associate in Brazil, also has substantial forest plantations fair valued at EUR 67.4 million.

The fair value adjustment of these associated companies had a combined effect of EUR 44 million on the Group's equity at 1 January 2003.

The following table, Valuation Sensitivity, indicates that assumption changes may have a material effect on values; the discount rate used in the calculation is 6.25% before tax (the Swedish forest), which is lower than the Group WACC due to the lower risk of forest assets compared to other assets, but the table shows that for every 0.5% change in the discount rate, there will be an impact of EUR 152 million.

Valuation Sensitivity

	Year Ended 31 December 2003	
Millions	**Change In Base %**	**Change in Value EUR (+/-)**
Discount Rate	0.5%	152
Real wood prices	0.5% p.a.	206
Real logging costs	0.5% p.a.	61

Changes in Associates

A strategic step was taken in late 2003 to release capital in favour of the Group's core activities. In December 2003 Stora Enso announced plans to restructure its forestlands in Sweden in conjunction with Korsnäs AB, a Swedish forest industry company controlled by the Kinnevik Group. The Swedish forests of both companies will be sold to a new entity named Bergvik Skog AB in which the two partners will retain minority shareholdings of 44% and 5% respectively, the remaining shares to be made available to external investors. At the same time Bergvik Skog AB agreed to the SEK 11.1 billion (EUR 1 213 million) syndicated loan facility necessary to finance the purchase of the forestlands.

The sales price will be about EUR 1.5 billion in all, leaving the Group with an investment in its new associated company of some EUR 0.3 billion. This will also result in a net reduction in interest-bearing net liabilities of about EUR 1.2 billion and an increase in equity of about EUR 0.3 billion.

The transaction will improve the debt to equity ratio by about 0.16 to 0.32 as at 31 December 2003. However, operating profit will be reduced by about EUR 100 million on an annual basis, partly offset by lower financial charges due to the reduction in interest-bearing net liabilities and by income from associates.

The Veracel pulp mill joint venture in Brazil was approved in May whereby the new mill to be constructed will annually provide Stora Enso with 450 000 tonnes (50% of the 900 000 tonnes capacity) of short-fibre pulp from mid 2005 onwards.

In December 2003 and January 2004 Veracel Celulose S.A. signed a USD 80 (EUR 63) million loan agreement with the European Investment Bank, a USD 70 (EUR 56) million loan agreement with Nordic Investment Bank and a BRL 1 452 (EUR 403) million loan agreement with Banco Nacional de Desenvolvimento Econômico e Social. Stora Enso Oyj and Aracruz Celulose S.A., the joint 50 % owners of Veracel, have severally guaranteed these loans.

Risk Analysis

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

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

Supply and Demand Risk

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

Investment Risk

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

External Structural and Legal Risk

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

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

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Risk Management

Operational Risk

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

Operating Profit: Impact of Changes +/- 10%

EUR million	Price	Volume
Publication Paper	400	130
Fine Paper	250	100
Packaging Boards	260	120
Wood Products	140	30

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

Make-up of Costs and Sales

Costs	% of Costs	% of Sales
Variable		
Transport and sales commission	11	10
Logs, pulpwood and recycled fibre	20	19
Chemicals and fillers	10	10
Energy	9	9
Other	13	12
	63	**60**
Fixed		
Personnel	20	19
Other	7	7
	27	**26**
Depreciation and amortisation	**10**	**10**
Total costs	**100**	**96**

The main items are personnel costs and the sourcing of logs, pulpwood and recycled fibre; for example, a 1% change in personnel costs is equal to EUR 23 million and 1% on fibre costs represents EUR 23 million. In order to mitigate the impact of these on earnings, the Group has started to hedge some of its open commodity and energy exposure.

Stora Enso had a positive balance in its pulp trading, the total production of 5 million tonnes resulting in net external sales of 178 000 tonnes. More information on resources and supplies is given in the Sustainability 2003 report.

Commodity and Energy Price Risk

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

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

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

Currency Risk

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

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

For more information on Risk Management, see Note 2 on page 55.

Translation Risk and Hedges as at 31 December 2003

EUR million	Euro Area	USA	Sweden	Canada	UK	China	Other	Total
Capital employed	5 795	2 144	2 582	492	21	157	553	11 744
Associated Companies	175	38	1	-	-	-	105	319
Net interest-bearing liabilities	-975	-1 517	-1 184	-19	23	-129	-118	-3 919
Minority interests	-29	-	-3	-	-	-	-28	-60
Translation Exposure on Equity	**4 966**	**665**	**1 396**	**473**	**44**	**28**	**512**	**8 084**
Liability hedges*	657	-657	-	-	-	-	-	-
Other hedges*								
- EUR/CAD	462	-	-	-462	-	-	-	-
- EUR/GBP	40	-	-	-	-40	-	-	-
- EUR/SEK	479	-	-479	-	-	-	-	-
Translation Exposure after Hedges	**6 604**	**8**	**917**	**11**	**4**	**28**	**512**	**8 084**

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

The hedging policy of Stora Enso is to hedge a maximum 75% of the net transaction exposure in a specific currency according to operational/divisional decisions, provided these meet hedge accounting criteria. In addition to these operational hedges, Group exposures may be hedged under the authority of senior management.

Indirect currency effects, such as when a product becomes cheaper to produce elsewhere, impacts prices. If this change becomes permanent, structural adjustments may be needed, hence the Group's ambition to be global can be seen as a strategy to reduce these effects.

Transaction Risk and Hedges as at 31 December 2003

EUR million	EUR	USD	GBP	SEK	CAD	Other	Total
Sales during 2003	6 200	3 100	900	1 100	100	800	12 200
Costs during 2003	-5 800	-2 000	-200	-1 900	-200	-400	-10 500
Net Operating Cash Flow	**400**	**1 100**	**700**	**-800**	**-100**	**400**	**1 700**
Transaction Hedges as at 31 Dec		**257**	**260**	**-218**	**-54**		
Hedging Percentage as at 31 Dec, %		**23.4**	**37.1**	**27.3**	**54.0**		
Average Hedging % during 2003		**37.8**	**57.5**	**42.2**	**37.2**		

Funding and Financing Costs

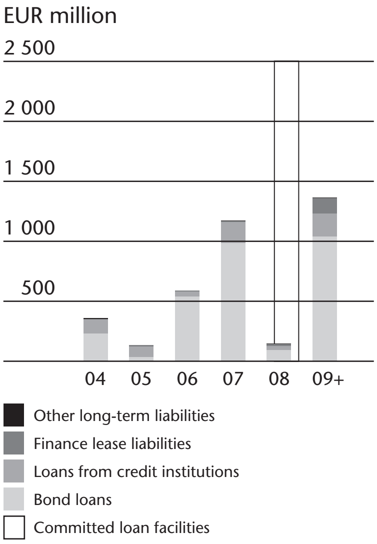
Stora Enso's funding policy states that the average maturity of outstanding loans and committed credit facilities covering short-term borrowings should be at least four years and at the most seven years. The policy further states that the Group must have committed credit facilities to cover all known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

In January 2003 Stora Enso Oyj signed a multi-currency revolving credit facility agreement of EUR 2.5 billion, which has a maturity of five years. The facility is for general corporate purposes including the refinancing of maturing EUR 1.6 billion syndicated loan facilities.

Funding Structure as at 31 December 2003

Currency million/Maturity	EUR	USD	SEK
Public issues	Eurobond - EUR 850 / 2007 Finnish Serial bond - EUR 247 / 2004	Global bond - USD 750 / 2011	Medium-Term Note - SEK 4 000 / 2006
Private placements	EUR 173	USD 531	SEK 1 503
Short-term programmes	Euro Commercial Paper Programme EUR 1 000 Finnish Commercial Paper Programme EUR 750	-	Swedish Commercial Paper Programme SEK 10 000
Committed loan facilities	Syndicated Bank Facility EUR 2 500 / 2008		-

Debt Repayment Schedule as at 31 December 2003



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

Credit Rating as at 31 December 2003

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

Interest Rate Risk
Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the industry, the Group has an interest rate risk policy to synchronise the cost of capital with the return on capital, which is formulated by a benchmark of 12 months duration with a deviation mandate of 3 and 24 months. In order to achieve this benchmark, fixed interest rates are converted to floating interest rates using financial derivatives.

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

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

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

Customer Credit Risk
Outstanding receivables represent a short-term credit risk under which Stora Enso could lose money and therefore the Group has established a Corporate Credit Policy setting out the internal rules and methods to evaluate customers. All customers are regularly assessed accordingly on their creditworthiness with their receivables being carefully controlled.

Country risks are monitored on a continuous basis and credit granting is restricted in countries where the political and/or economic situation is unstable. Currently, 87% of the Group´s total receivables are from OECD countries, which represents a very low country risk.

Supplier Risk
In many areas Stora Enso is dependent on suppliers and their ability to deliver a product at the right time and of the right quality. The most important inputs of goods and services are as seen in the table “Make up of costs” on page 26, wood, transport, chemicals and energy as well as machinery and equipment in capital expenditure projects. In some of these areas, a limited number of suppliers is a risk. The Group monitors its suppliers, using a wide range in order to avoid situations that might jeopardise production or development projects.

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

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Quarterly Data and Key Figures

Deliveries by Segment

1 000 tonnes	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003
Publication Paper	1 774	1 675	1 707	1 746	**6 902**	1 638	1 636	1 703	1 830	**6 807**	1 654	1 678	1 763	1 859	**6 954**
Fine Paper	925	806	855	862	**3 448**	874	866	859	833	**3 432**	885	895	894	917	**3 591**
Packaging Boards	638	695	583	592	**2 509**	711	749	735	715	**2 910**	756	781	755	714	**3 006**
Total	**3 337**	**3 176**	**3 145**	**3 200**	**12 858**	**3 223**	**3 251**	**3 297**	**3 378**	**13 149**	**3 295**	**3 354**	**3 412**	**3 490**	**13 551**
Wood Products, 1 000 m^3	1 242	1 276	1 082	1 260	**4 860**	1 203	1 344	1 252	1 313	**5 112**	1 283	1 644	1 337	1 558	**5 822**
Corrugated board, million m^2	107	107	109	111	**434**	117	126	180	123	**546**	120	128	121	131	**500**

Sales by Segment

EUR million	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003
Publication Paper	1 418.0	1 346.1	1 324.6	1 325.7	**5 414.4**	1 189.4	1 143.4	1 159.7	1 223.1	**4 715.6**	1 058.3	1 042.8	1 086.3	1 108.3	**4 295.7**
Fine Paper	1 035.9	917.3	850.7	866.5	**3 670.4**	909.2	873.6	832.4	812.2	**3 427.4**	852.3	793.9	788.5	763.0	**3 197.7**
Merchants	231.4	211.5	188.9	208.5	**840.3**	211.7	183.4	155.8	169.7	**720.6**	176.1	155.4	139.5	156.6	**627.6**
Other	-122.5	-103.9	-95.4	-99.5	**-421.3**	-94.7	-68.7	-62.5	-63.6	**-289.5**	-72.0	-69.0	-70.4	-69.9	**-281.3**
Paper	**2 562.8**	**2 371.0**	**2 268.8**	**2 301.2**	**9 503.8**	**2 215.6**	**2 131.7**	**2 085.4**	**2 141.4**	**8 574.1**	**2 014.7**	**1 923.1**	**1 943.9**	**1 958.0**	**7 839.7**
Packaging Boards	**686.2**	**692.1**	**660.8**	**632.0**	**2 671.1**	**681.3**	**696.4**	**675.9**	**666.6**	**2 720.2**	**699.0**	**711.4**	**691.1**	**660.1**	**2 761.6**
Wood Products	307.3	311.8	266.2	295.2	**1 180.5**	286.1	320.8	314.1	314.2	**1 235.2**	316.5	385.6	335.5	362.4	**1 400.0**
Wood Supply Europe	511.5	442.3	410.3	461.5	**1 825.6**	497.9	479.2	464.7	516.9	**1 958.7**	534.2	526.7	475.0	538.4	**2 074.3**
Other	-121.3	-114.4	-111.3	-129.0	**-476.0**	-132.6	-124.6	-135.8	-138.3	**-531.3**	-143.5	-149.9	-131.7	-165.9	**-591.0**
Forest Products	**697.5**	**639.7**	**565.2**	**627.7**	**2 530.1**	**651.4**	**675.4**	**643.0**	**692.8**	**2 662.6**	**707.2**	**762.4**	**678.8**	**734.9**	**2 883.3**
Other	-309.5	-314.4	-294.3	-278.0	**-1 196.2**	-319.4	-270.5	-295.7	-288.7	**-1 174.3**	-321.8	-339.9	-326.4	-324.2	**-1 312.3**
Total	**3 637.0**	**3 388.4**	**3 200.5**	**3 282.9**	**13 508.8**	**3 228.9**	**3 233.0**	**3 108.6**	**3 212.1**	**12 782.6**	**3 099.1**	**3 057.0**	**2 987.4**	**3 028.8**	**12 172.3**

Operating Profit by Segment excluding Non-recurring Items and Goodwill

EUR million	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02	Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003
Publication Paper	247.7	197.9	212.6	197.5	**855.7**	104.4	63.4	84.1	68.2	**320.1**	36.4	-5.2	39.9	43.0	**114.1**
Fine Paper	164.2	82.8	71.0	78.5	**396.5**	95.1	78.1	75.6	54.9	**303.7**	81.3	40.9	23.7	10.1	**156.0**
Merchants	0.2	-1.3	-1.6	-4.5	**-7.2**	-1.0	1.9	1.2	3.4	**5.5**	1.5	-1.2	-1.5	-5.4	**-6.6**
Paper	**412.1**	**279.4**	**282.0**	**271.5**	**1 245.0**	**198.5**	**143.4**	**160.9**	**126.5**	**629.3**	**119.2**	**34.5**	**62.1**	**47.7**	**263.5**
Packaging Boards	**118.5**	**89.3**	**97.1**	**39.3**	**344.2**	**98.6**	**65.7**	**110.8**	**79.6**	**354.7**	**90.5**	**66.6**	**88.5**	**51.3**	**296.9**
Wood Products	5.6	7.9	2.5	-3.4	**12.6**	11.2	14.1	9.7	11.8	**46.8**	7.3	15.2	-4.4	9.5	**27.6**
Wood Supply Europe	25.3	26.8	15.9	20.1	**88.1**	23.4	25.7	25.3	21.9	**96.3**	34.7	34.0	23.3	25.2	**117.2**
Forest Products	**30.9**	**34.7**	**18.4**	**16.7**	**100.7**	**34.6**	**39.8**	**35.0**	**33.7**	**143.1**	**42.0**	**49.2**	**18.9**	**34.7**	**144.8**
Other Areas	-1.9	-17.7	-21.9	-1.7	**-43.2**	-16.6	-17.5	-9.3	-8.4	**-51.8**	-8.5	-15.6	-6.2	-20.8	**-51.1**
Goodwill amortisation	-36.6	-39.3	-36.6	-39.0	**-151.5**	-41.1	-41.2	-42.0	-24.5	**-148.8**	-32.1	-28.0	-23.5	-32.4	**-116.0**
Operating Profit excl. Non-recurring Items	**523.0**	**346.4**	**339.0**	**286.8**	**1 495.2**	**274.0**	**190.2**	**255.4**	**206.9**	**926.5**	**211.1**	**106.7**	**139.8**	**80.5**	**538.1**
Non-recurring items	-	-9.6	18.0	-16.7	**-8.3**	-	51.6	-1 229.5	99.8	**-1 078.1**	-	-	-39.9	-14.5	**-54.4**
Operating Profit Total (IAS)	**523.0**	**336.8**	**357.0**	**270.1**	**1 486.9**	**274.0**	**241.8**	**-974.1**	**306.7**	**-151.6**	**211.1**	**106.7**	**99.9**	**66.0**	**483.7**
Net financial items	-121.8	-121.4	-67.7	-32.6	**-343.5**	-45.2	-44.0	-56.2	-60.8	**-206.2**	-81.3	-11.3	-23.4	-121.7	**-237.7**
Share of results of associated companies	28.3	23.3	16.3	11.7	**79.6**	11.7	8.4	-2.4	-3.1	**14.6**	-0.5	-8.5	-9.0	-5.0	**-23.0**
Profit Before Tax and Minority Interests	**429.5**	**238.7**	**305.6**	**249.2**	**1 223.0**	**240.5**	**206.2**	**-1 032.7**	**242.8**	**-343.2**	**129.3**	**86.9**	**67.5**	**-60.7**	**223.0**
Income tax expense	-146.0	-82.2	-93.9	22.5	**-299.6**	-79.4	-68.3	36.6	232.0	**120.9**	-40.8	-28.3	-22.0	20.5	**-70.6**
Profit after Tax	**283.5**	**156.5**	**211.7**	**271.7**	**923.4**	**161.1**	**137.9**	**-996.1**	**474.8**	**-222.3**	**88.5**	**58.6**	**45.5**	**-40.2**	**152.4**
Minority interests	-0.2	-1.7	2.0	2.8	**2.9**	-0.1	0.1	-2.6	2.7	**0.1**	-3.2	-2.3	1.7	-2.0	**-5.8**
Net Profit for the Period	**283.3**	**154.8**	**213.7**	**274.5**	**926.3**	**161.0**	**138.0**	**-998.7**	**477.5**	**-222.2**	**85.3**	**56.3**	**47.2**	**-42.2**	**146.6**

Condensed Balance Sheet

EUR million	As at 31 December 1997	1998	1999	2000	2001	2002	2003
Fixed assets and other long term investments	11 885	11 704	11 905	16 379	16 178	13 245	13 449
Current assets	3 690	3 718	4 133	4 944	4 380	4 969	4 493
Assets	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**	**17 942**
Shareholders' equity	5 528	5 272	5 957	8 571	8 989	8 157	8 084
Minority interests	272	279	202	149	50	30	60
Interest-bearing liabilities	6 565	6 558	5 769	6 856	6 409	5 176	5 174
Operating liabilities	1 691	1 799	2 357	2 928	2 610	2 526	2 441
Tax liabilities	1 518	1 514	1 753	2 819	2 500	2 325	2 183
Equity and Liabilities	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**	**17 942**

Key Figures 1997–2003

EUR million	1997	1998	1999	2000	2001	2002	2003
Sales	9 998	10 490	10 636	13 017	13 509	12 783	12 172
% change on previous year	5.1	4.9	1.4	22.4	3.8	-5.4	-4.8
Wages and salaries	1 737	1 805	1 754	1 996	2 234	2 282	2 285
% of sales	17.4	17.2	16.5	15.3	16.5	17.9	18.8
EBITDA	1 747	1 877	2 311	3 500	2 755	2 290	1 684
Depreciation	806	1 111	849	1 041	1 116	1 090	1 084
Goodwill amortisation and impairments	48	65	62	88	152	1 352	116
Operating profit	893	701	1 400	2 371	1 487	-152	484
% of sales	8.9	6.7	13.2	18.2	11.0	-1.1	4.0
Non-recurring items	-52	-471	103	445	-8	-1 078	-108
Operating profit excl. non-recurring items	945	1 172	1 297	1 926	1 495	926	538
% of sales	9.5	11.2	12.2	14.8	11.1	7.2	4.4
Share of profits in associated companies	17	10	10	21	80	15	-23
Net financial expense	280	380	267	293	344	206	238
% of sales	2.8	3.6	2.5	2.3	2.5	1.6	2.0
Profit after net financial items	630	331	1 143	2 099	1 223	-343	223
% of sales	6.3	3.2	10.7	16.1	9.1	-2.7	1.8
Profit after net financial items excl. non-recurring items	682	802	1 040	1 654	1 231	735	331
% of sales	6.8	7.6	9.8	12.7	9.1	5.7	2.7
Taxes	-204	-146	-392	-650	-300	+121	-71
Profit for the period	405	185	746	1 435	926	-222	147
Dividend	254	268	304	407	404	392	*389
Capital expenditure	1 134	896	740	769	857	878	1 248
% of sales	11.3	8.5	7.0	5.9	6.3	6.9	10.3
R&D expenditure	79	80	84	95	92	92	89
% of sales	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Operating capital	13 078	12 541	12 615	16 557	16 106	13 272	13 733
Capital employed	11 572	11 038	10 941	13 903	13 859	11 242	11 744
Interest-bearing net liabilities	6 090	5 783	5 524	5 396	5 127	3 267	3 919
ROCE, %	8.0	6.2	13.1	20.7	10.7	-1.5	4.1
ROCE excluding non-recurring items, %	8.5	10.4	12.1	16.8	10.8	7.1	4.6
Return on equity (ROE), %	7.5	3.3	12.8	19.5	10.4	-3.3	1.8
Equity ratio, %	37.2	36.0	38.4	40.9	44.0	45.0	45.4
Debt/Equity ratio	1.05	1.04	0.90	0.62	0.57	**0.37	0.48
Average number of employees	40 301	40 987	40 226	41 785	44 275	43 853	44 264

* Board's dividend proposal ** Adjusted with the initial valuation of IAS 41, Agriculture

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Shares and Shareholders

Share Capital
In accordance with the Articles of Association, the minimum share capital of Stora Enso Oyj (hereafter “Company” or “Stora Enso”) is EUR 850 million and the maximum EUR 3 400 million within which limits the share capital may be increased or decreased without amending the Articles of Association.

The nominal value of the shares is EUR 1.70 per share. On 31 December 2003 the Company’s fully paid-up share capital entered in the Finnish Trade Register was EUR 1 469.3 million. In December 2003, 222 000 new series R shares were subscribed under 1997 warrants. These shares were registered in the Finnish Trade Register on 8 and 15 January 2004.

Changes in Share Capital 1998–2003

	No. of A Shares Issued	No. of R Shares Issued	Total No. of Shares	Share Capital (FIM million)	Share Capital (EUR million)
Enso Oyj, 1 Jan 1998	116 729 125	194 361 705	311 090 830	3 110.9	
Conversion of A shares into R shares, 7–11 Sep 1998	-1 357 954	1 357 954			
Conversion of STORA A and B shares into Stora Enso Oyj A and R shares, 23 Dec 1998	128 023 484	320 465 375	448 488 859	1 374.0	
Stora Enso Oyj, 31 Dec 1998	243 394 655	516 185 034	759 579 689	7 595.8	
Conversion of A shares into R shares, 6–24 Sep 1999	-34 443 467	34 443 467			
Subscription of new R shares, 26 Oct 1999		30 000	30 000		
Stora Enso Oyj, 31 Dec 1999	208 951 188	550 658 501	759 609 689	7 596.1	
Subscription of new R shares, 26 Jan 2000		246 000	246 000		
Conversion of share capital into euro denomination, 4 May 2000					1 291.8
Share issue (Consolidated Papers, Inc.), new R shares in ADR form, 11 Sep 2000		167 367 577	167 367 577		284.5
Conversion of A shares into R shares, 16–27 Oct 2000	-14 454 732	14 454 732			
Stora Enso Oyj, 31 Dec 2000	194 496 456	732 726 810	927 223 266		1 576.3
Subscription of new R shares, 5 Jan 2001		312 000	312 000		
Subscription of new R shares, 16 Mar 2001		964 201	964 201		
Cancellation of repurchased shares, 9 Apr 2001	-910 600	-22 260 100	-23 170 700		-39.4
Subscription of new R shares, 29 May 2001		228 000	228 000		
Subscription of new R shares, 20 Jul 2001		773 522	773 522		
Conversion of A shares into R shares, 17–28 Sep 2001	-9 312 271	9 312 271			
Subscription of new R shares, 17 Oct 2001		238 287	238 287		
Subscription of new R shares, 29 Nov 2001		184 723	184 723		
Stora Enso Oyj, 31 Dec 2001	184 273 585	722 479 714	906 753 299		1 541.5
Subscription of new R shares, 10 Jan 2002		1 158 000	1 158 000		
Cancellation of repurchased shares, 3 Apr 2002	-813 200	-7 319 800	-8 133 000		-13.8
Conversion of A shares into R shares, 16–27 Sep 2002	-1 143 700	1 143 700			
Stora Enso Oyj, 31 Dec 2002	182 316 685	717 461 614	899 778 299		1 529.6
Subscription of new R shares, 9 Jan 2003		3 000	3 000		
Cancellation of repurchased shares, 31 Mar 2003	-93 800	-35 500 000	-35 593 800		-60.5
Conversion of A shares into R shares, May-Nov 2003	-1 011 805	1 011 805			
Subscription of new R shares, 12 Dec 2003		75 000	75 000		
Stora Enso Oyj, 31 Dec 2003	181 211 080	683 051 419	864 262 499		1 469.3
Subscription of new R shares, 8 Jan 2004		27 000	27 000		
Subscription of new R shares, 15 Jan 2004		195 000	195 000		
Conversion of A shares into R shares, Dec 2003	-27 906	27 906			
Stora Enso Oyj, 15 Jan 2004	181 183 174	683 301 325	864 484 499		1 469.6

Shares and Voting Rights

The Company's shares are divided into series A and series R shares. All shares carry equal rights to dividend but different voting rights. At a shareholders' meeting, each A share and each ten R shares carry one vote. However, each shareholder has at least one vote.
On 31 December 2003 the total number of shares was 864 262 499 and the number of votes 249 516 222.

Share Listings

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

American Depositary Receipts (ADRs)

Stora Enso R shares are traded on the New York Stock Exchange (NYSE) in ADR form under the SEO ticker. ADR issuances and cancellations are carried by Deutsche Bank Trust Company Americas, which acts as depositary bank for the Stora Enso ADR programme. The administration of the ADR programme was transferred to Deutsche Bank Trust Company Americas from Citibank, N.A. in January 2004.

The exchange rate between Stora Enso ADRs and R shares is 1:1, i.e. one ADR represents one Stora Enso R share. In 2003 the trading volume on the NYSE was approximately 2% of the total trading volume on all three exchanges.

Share Registers

The Company's shares are entered in the Book-Entry Securities System maintained by the Finnish Central Securities Depository (APK), which also maintains the official share register of Stora Enso Oyj. On 31 December 2003, 186 090 675 of the Company's shares were registered in the Swedish Securities Register Center as VPC shares and 79 514 312 of the Company's R shares were registered in ADR form in Citibank, N.A.

Distribution by Book-Entry System, 31 December 2003

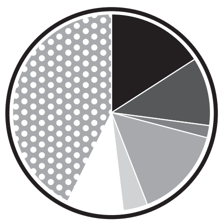
Number of Shares	A shares	R shares	Total
FCSD registered (Finnish Central Securities Depository)	107 033 512	491 624 000	598 657 512
VPC registered (Swedish Securities Register Center)*	74 177 568	111 913 107	186 090 675
Citibank administered ADRs*	-	79 514 312	79 514 312
FCSD waiting list	-	-	-
FCSD joint account	-	-	-
Total	**181 211 080**	**683 051 419**	**864 262 499**

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

Ownership Distribution, 31 December 2003

	% of Shares	% of Votes	% of Shareholders
Finnish institutions	15.9	22.8	2.5
Finnish State	11.2	23.9	0.0
Finnish private shareholders	2.0	1.9	31.0
Swedish institutions	15.0	30.2	4.3
Swedish private shareholders	4.0	3.1	57.5
ADR holders	9.2	3.1	3.5
Under nominee names (non-Finnish/non-Swedish shareholders)	42.7	15.0	1.2

% of shares held



Share Distribution, 31 December 2003

By Size of Holding, A shares	Shareholders	%	Shares	%
1–100	2 386	36.27	133 456	0.07
101–1 000	3 439	52.27	1 355 147	0.75
1 001–10 000	699	10.62	1 765 780	0.97
10 001–100 000	45	0.68	1 020 090	0.56
100 001–1 000 000	2	0.03	914 900	0.50
1 000 001–	8	0.12	176 021 707	97.14
Total	**6 579**	**100.0**	**181 211 080**	**100.0**

By Size of Holding, R shares	Shareholders	%	Shares	%
1–100	5 370	24.63	377 857	0.06
101–1 000	12 545	57.55	5 520 972	0.81
1 001–10 000	3 438	15.77	9 665 307	1.42
10 001–100 000	343	1.57	9 899 222	1.45
100 001–1 000 000	86	0.39	30 003 211	4.39
1 000 001–	17	0.08	627 584 850	91.88
Total	**21 799**	**100.0**	**683 051 419**	**100.0**

According to the Finnish Central Securities Depository

Conversion

The Annual General Meeting (AGM) of the Company on 20 March 2003 decided to allow shareholders to request at any time that the Company convert their A shares into R shares. During the year a total of 1 011 805 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 12 December 2003.

Authorisations for 2003

The AGM on 20 March 2003 authorised the Board of Directors to repurchase and dispose of not more than 9 100 000 A shares and not more than 34 000 000 R shares in the Company. The number of shares repurchased could not exceed 5% of the votes or the share capital. The authorisation is valid up to and including 19 March 2004. The Board of Directors currently has no authorisations to issue shares, convertible bonds or bonds with warrants.

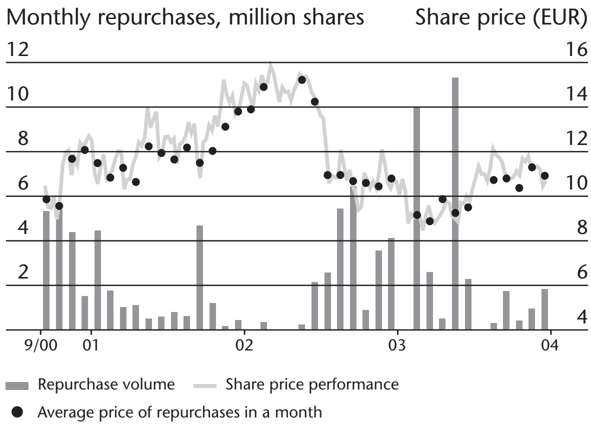
Share Repurchases and Cancellations

The AGM on 20 March 2003 decided to lower the Company's share capital by EUR 60 509 460 through the cancellation of 93 800 A shares and 35 500 000 R shares. The shares had been repurchased under the authorisation of the AGM 2002.

Repurchases under the AGM 2003 authorisation were initiated on 27 March 2003. By 31 December 2003, 8 100 A shares and 23 504 400 R shares had been repurchased, representing 0.09% and 69.1% of the target amounts respectively. The average price paid for the A shares was EUR 10.11 and for the R shares EUR 9.70.

Shares can be repurchased for the purpose of developing the capital structure of the Company, to be used in the financing of corporate acquisitions and other transactions or for the purpose of being sold or otherwise transferred or cancelled. The cancellation of shares requires a separate resolution by a shareholders' meeting to reduce the share capital of the Company.

Share Repurchases and Share Price Performance



Option/Synthetic Option Programmes

Option/Synthetic Option Programmes
Stora Enso has five option/synthetic option programmes for key personnel. Options/synthetic options were issued in 1999, 2000, 2001, 2002 and 2003. Depending on local circumstances, holders may receive either cash compensation or an option to purchase shares already issued (not new shares).

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

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

Option programmes are described in detail in Note 26.

Option Programmes

Option Programme	Type	Year of Issuance	Number of Staff	Strike Price	Number of Options Issued	Exercise Period	Options Outstanding
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	8 Feb 2006-7 Feb 2010	6 064 150
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	8 Feb 2005-7 Feb 2009	5 812 000
2001	Synthetic	2001	500	EUR 11.70	4 215 000	1 Apr 2004-31 Mar 2008	4 100 000
2000	Synthetic	2000	200	EUR 12.25	2 800 000	1 Apr 2003-31 Mar 2007	2 602 500
1999	Synthetic	1999	200	EUR 11.75	2 750 000	15 Jul 2002-15 Jul 2006	2 532 750
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	1 Dec 1998-31 Mar 2004	567 000
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	11 Sep 2000-4 Feb 2010	1 899 692

Management Interests at 31 December 2003
At the end of 2003 members of Stora Enso Oyj's Board of Directors, the CEO and the Deputy CEO owned an aggregate total of 2 758 176 Stora Enso shares, of which 19 275 were A shares. These shares represent 0.3% of the Company's share capital and 0.1% of the voting rights. Through warrants the CEO is entitled to subscribe for 102 000 R shares representing 0.0% of the Company's share capital and voting rights. The CEO holds 552 500 options/synthetic options and the Deputy CEO 453 750.

At the end of 2003 members of the Management Group owned a total of 167 904 shares and through warrants were entitled to subscribe for 468 124 R shares. Management Group ownership would represent 0.1% of the share capital and 0.0% of the voting rights after the exercise of the warrants. The Management Group holds 4 073 950 options/synthetic options.

Further information on Board and Management Group ownerships is given in Note 18 and 26.

Shareholdings of Other Group-related Bodies at 31 December 2003
E.J.Ljungberg's Education Fund owned 1 880 540 A shares and 4 831 804 R shares, Mr. and Mrs. Ljungberg's Testamentary Fund owned 5 093 A shares and 13 085 R shares and Bergslaget's Healthcare Foundation owned 626 269 A shares and 1 609 483 R shares.

Shareholders

When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 681 million, corresponding to 79% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State. However, since June 1998 the Finnish State has not been required to own Stora Enso shares.

At the end of 2003 the Company had approximately 82 000 registered shareholders, of which about 52 000 are Swedish shareholders and about 3 000 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 611 million (71%) of the Company's shares were registered in the name of a nominee.

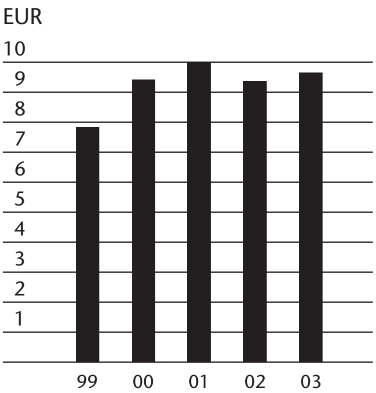
Major Shareholders as of 31 December 2003

	By Voting Power	Series A	Series R	% of Shares	% of Votes
1	Finnish State	55 595 937	41 483 501	11.2	23.9
2	Knut and Alice Wallenberg Foundation	58 379 194	0	6.8	23.4
3	Social Insurance Institution of Finland	23 825 086	3 738 965	3.2	9.7
4	Varma Mutual Pension Insurance Company	8 922 117	140 874	1.0	3.6
5	Sampo Life Insurance Company Limited	6 493 889	0	0.8	2.6
6	Marianne and Marcus Wallenberg Foundation	4 744 192	0	0.5	1.9
7	Ilmarinen Mutual Pension Insurance Company	3 492 740	3 742 627	0.8	1.5
8	Suomi Group Suomi Mutual Life Assurance Company Suomi Insurance Company	3 226 300	300 000	0.4	1.3
9	Erik Johan Ljungberg's Education Fund	1 880 540	4 831 804	0.8	0.9
10	MP-Bolagen i Vetlanda AB Werner von Seydlitz	2 066 200	1 676 000	0.4	0.9
11	Robur Funds	0	8 469 944	1.0	0.3
12	Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3	0.3
13	Kaleva Mutual Insurance Company	774 900	0	0.1	0.3
14	Handelsbanken Funds	0	6 579 056	0.8	0.3
15	The State Pension Fund	0	5 900 000	0.7	0.2
	Total	**170 027 364**	**78 472 254**	**28.8**	**71.3**
	Nominee registered shares	**74 491 979**	**536 337 020**	**70.7**	**51.3**

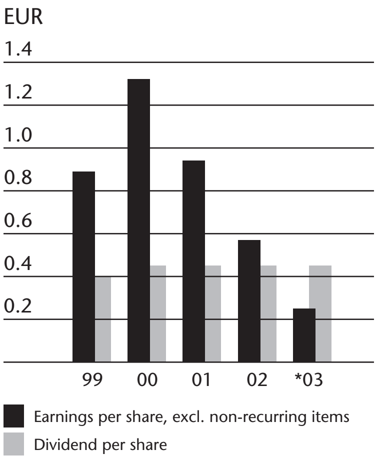
The list has been compiled by the Company, on the basis of shareholder information obtained from Finnish Central Securities Depository (APK), Swedish Securities Register Center (VPC) and a database managed by Citibank.

At the year end Stora Enso had 181 211 080 A shares and 683 051 419 R shares in issue, of which the Company held 8 100 A shares and 26 181 379 R shares with a nominal value of EUR 44.5 million. The holding represents 3.0% of the Company's share capital and 1.1% of the voting rights.

Equity per Share

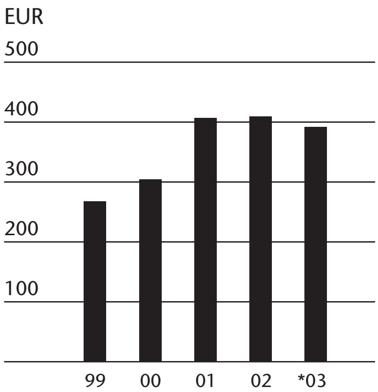


Earnings and Dividend per Share



*Board's dividend proposal

Distributed Dividend Amount



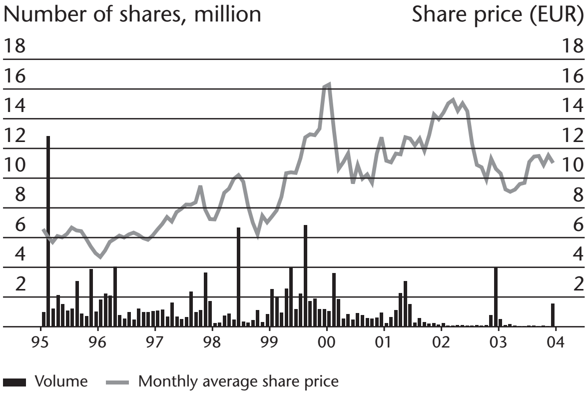
*Board's dividend proposal

Share Price Performance and Volumes

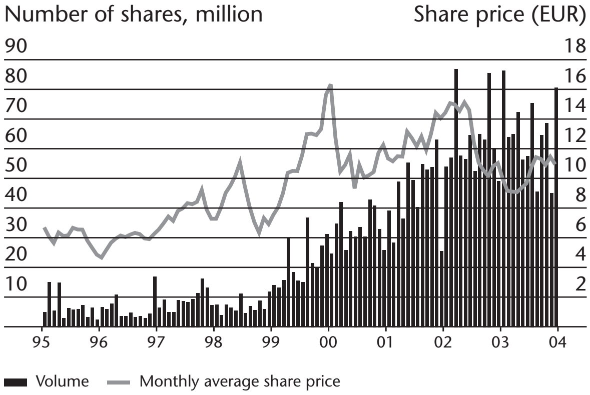
Helsinki

The Stora Enso R (STERV) share price rose during 2003 by 6% (30% decrease in 2002). During the same period the HEX All-Share index fell by 0.3%, the Helsinki Portfolio index rose by 12% and the HEX Forest Industry index fell by 4%.

Stora Enso A

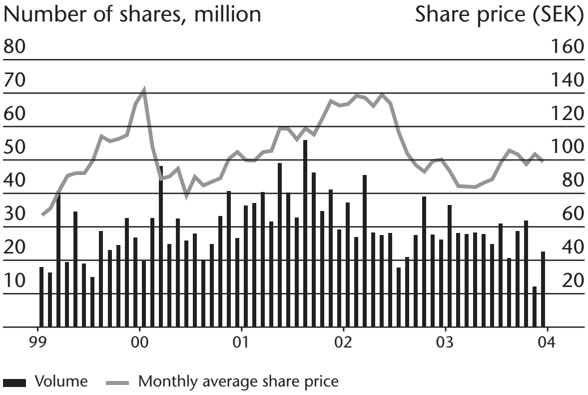


Stora Enso R



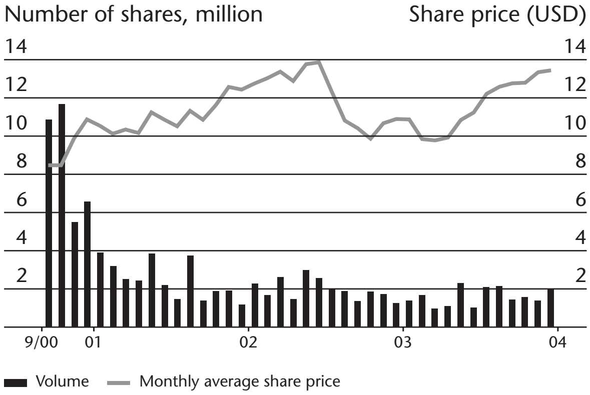
Stockholm

The Stora Enso R (STE R) share price rose during 2003 by 7% (32% decrease in 2002). During the same period the Stockholmsbörsen All-Share index rose by 30% and the SX 15 Materials index by 15%.



New York

On the NYSE the Stora Enso ADR (SEO) share price rose during 2003 by 30% (15% decrease in 2002). During the same period the Standard & Poor's Paper index rose by 30.9%.



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Share Prices and Volumes 2003

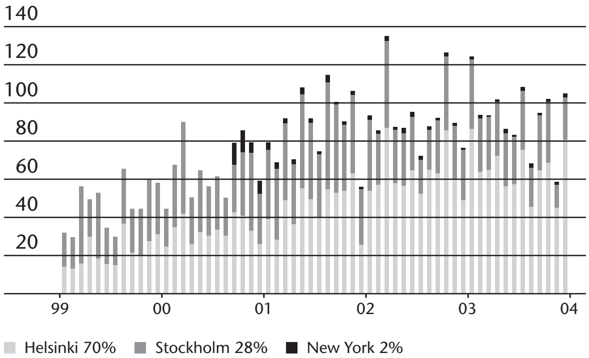
		Helsinki, EUR	Stockholm, SEK	New York, USD
	Series A	12.48	113.00	-
High	Series R	12.42	113.50	14.05
	Series A	8.25	78.00	-
Low	Series R	8.30	77.50	9.16
	Series A	11.00	97.50	-
Closing, 31 Dec 2003	Series R	10.68	96.50	13.56
	Series A	+9%	+7%	-
Change from previous year	Series R	+6%	+7%	+30%
	Series A	2 936 840	3 867 897	-
Cumulative trading volume	Series R	780 890 417	318 984 991	19 097 500

The volume-weighted average price of the R share over the year was EUR 10.23 in Helsinki (EUR 12.86 in 2002), SEK 93.18 in Stockholm (SEK 119.50 in 2002) and USD 11.77 in New York (USD 12.29 in 2002).

The cumulative trading volume of the R share in Helsinki was 780 890 417 shares (70% of total), in Stockholm 318 984 991 shares (28% of total) and in New York 19 097 500 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.3 billion.

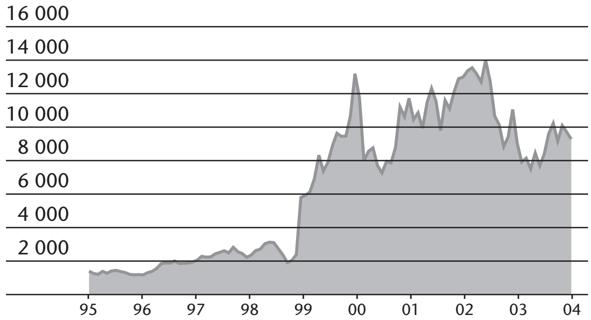
Monthly R Share Trading Volumes 1999–2003

Number of shares, million



Market Capitalisation on the Helsinki Exchanges

EUR million



Stora Enso is included in at least the following indices

- HEX All-Share Index
- HEX 25
- HEX Portfolio Index
- HEX Forest Industry Index

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

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

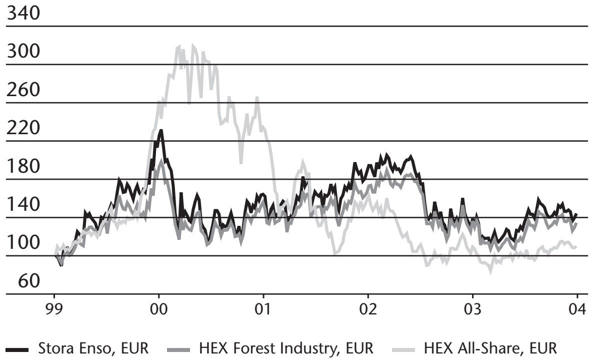
- DJ Sustainability Index World
- DJ Sustainability Index EURO STOXX

- FTSE Eurofirst 100
- FTSE Eurotop 300
- FTSE Norex 30
- FTSE Global Basic Industries
- FTSE4Good Global and Europe Index

- MSCI Finland
- MSCI Europe
- MSCI World

Stora Enso R Share versus HEX Indices

1.1.1999 = 100



Key Share Ratios 1997–2003 (for calculations see page 115)

According to Helsinki Exchanges	1997	1998	1999	2000	2001	2002	2003
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.03	-0.25	0.17
-diluted, EUR*	0.53	0.24	0.98	1.76	1.03	-0.25	0.17
-excl. non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.94	0.57	0.25
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.43	2.49	1.58
-excl. non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.34	1.97	1.64
Equity/share, EUR*	7.28	6.94	7.84	9.41	10.03	9.36	9.65
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45	**0.45
Payout ratio, excl. non-recurring items, %*	57	59	45	34	48	79	180
Dividend yield, %*							
A share	4.6	4.6	2.3	3.5	3.2	4.5	4.1
R share	4.6	4.6	2.3	3.6	3.1	4.5	4.2
Price/earnings ratio (P/E), excl. non-recurring items*							
A share	12.3	12.8	19.8	9.7	15.1	17.7	44.0
R share	12.2	13.0	19.4	9.5	15.3	17.6	42.7
Share prices for the period, EUR***							
A share							
-closing price	7.15	7.57	17.60	12.86	14.20	10.10	11.00
-average price	7.75	9.14	11.21	12.01	12.24	11.24	10.63
-high	9.86	11.77	17.60	18.70	15.50	16.00	12.48
-low	6.22	5.40	6.45	8.95	10.10	8.50	8.25
R share							
-closing price	7.10	7.67	17.31	12.60	14.38	10.05	10.68
-average price	7.97	8.35	11.84	11.27	12.57	12.86	10.23
-high	10.01	11.86	17.70	19.00	15.67	16.13	12.42
-low	6.17	5.30	6.60	8.70	10.12	8.41	8.30
Market capitalisation at year-end, EUR million***							
A share	834	1 842	3 677	2 501	2 617	1 841	1 993
R share	1 379	3 959	9 532	9 232	10 389	7 211	7 295
Total	2 214	5 801	13 209	11 733	13 006	9 052	9 288
Number of shares at the end of period, (thousands)***							
A share	116 729	243 395	208 951	194 496	184 274	182 317	181 211
R share	194 362	516 185	550 659	732 727	723 638	717 462	683 051
Total	311 091	759 580	759 610	927 223	907 912	899 779	864 262
Trading volume, (thousands)							
A share	16 321	12 749	28 349	12 917	10 737	5 875	2 937
% of total number of A shares****	9.4	-	12.1	6.7	5.8	3.2	1.6
R share	109 698	87 113	259 287	396 783	548 547	751 909	780 890
% of total number of R shares****	80.3	-	49.3	55.4	75.8	104.8	114.3
Average number of shares (thousands)							
-basic*	759 574	759 574	759 580	812 040	901 506	889 606	851 128
-diluted*	759 691	759 822	760 628	813 488	902 296	889 956	851 326

*Proforma STORA and Enso figures for years 1997–1998. **Board of Directors' proposal to the AGM. ***Figures based on market information are calculated from Enso Oyj's figures before 29 December 1998. ****1998 figures are not available due to the merger on 29 December 1998, figures before 1998 are based on Enso Oyj's figures.

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Report on Operations by the Board of Directors

Comparatives

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

Markets and Deliveries

Global uncertainty in forest products markets persisted for the third year, mainly because economic stagnation kept demand low, especially in advertising-driven paper grades. The decline in the value of the US dollar negatively impacted the Group's margins on overseas sales and in Europe, where competition increased and euro prices came under pressure.

In North America the moderate growth that started in late 2002 accelerated in the second half of the year, allowing the announcement of some price increases, especially in magazine and newsprint grades, but at the end of the year these increases were facing resistance. Imports from Europe and Asia disturbed the supply and demand balance, keeping prices under pressure.

Production was curtailed by a total of 782 000 tonnes to adjust to market demand. In Europe the curtailments were 703 000 tonnes and in North America 79 000 tonnes. This compares with the previous year's total of 1 257 000 tonnes, comprising 1 037 000 tonnes in Europe and 220 000 tonnes in North America.

Paper and board deliveries totalled 13 551 000 tonnes, which is 402 000 tonnes more than the previous year's 13 149 000 tonnes. Production volumes at 13 685 000 tonnes were 440 000 tonnes less than in the previous year. Deliveries of wood products totalled 5 822 000 cubic metres, compared with the previous year's 5 112 000 cubic metres.

Financial Results (compared with the previous year)

Sales decreased by EUR 610.3 million to EUR 12 172.3 million, a decline of 4.8% mainly due to lower prices, especially in paper products, and the depreciation of the US dollar. Sales volumes increased in all product areas.

Operating profit excluding non-recurring items decreased by EUR 388.4 million, or 41.9%, to EUR 538.1 million. Profits were lower in all business segments except Wood Supply Europe. The operating profit for the year totalled EUR 483.7 (EUR -151.6) million after non-recurring items of EUR -54.4 million.

Operating profit includes gains on cash flow currency hedge contracts, mainly for the US dollar and British pound, amounting to EUR 105.1 million. With the current exchange rates, this impact is expected to decrease considerably in the coming quarters.

Average interest expense was 4.3% (4.6%).

Profit before taxes and minority interests excluding non-recurring items decreased by EUR 403.5 million to EUR 331.4 million.

Net tax expense was EUR 70.6 (tax income of EUR 120.9) million, or EUR -0.08 per share, representing an average tax rate of 31.7% (31.4% in previous year excluding non-recurring tax benefits).

Minority interests were EUR -5.8 (EUR 0.1) million, leaving a net profit for the period of EUR 146.6 (loss of EUR 222.2) million.

Non-recurring items in operating profit totalling EUR -54.4 (EUR -1 078.1) million, or EUR -0.04 (-0.82) per share, included USD -27.4 (EUR -24.6) million of restructuring charges related to the cost reduction programme in North America, a provision of EUR -15.3 million for restructuring costs at Corbehem Mill in France and USD -16.4 (EUR -14.5) million due to the expected capital loss on the sale of forestland in Ontario, Canada. Non-recurring items in net financial items were USD -61.1 (EUR -54.0) million due to the provision for expected losses from the termination of US cross-border leasing contracts.

The share of results in associated companies amounted to EUR -23.0 (EUR 14.6) million, of which Veracel accounted for EUR -15.0 million due to expenses not qualified to be capitalised.

Earnings per share were EUR 0.25 (EUR 0.57) and cash earnings per share EUR 1.64 (EUR 1.97), both excluding non-recurring items. The main impacts on EPS were EUR 0.22 due to increased sales volumes offsetting EUR -0.02 due to increased fixed costs and EUR -0.50 due to lower sales prices. Earnings per share (basic) were EUR 0.17 (EUR -0.25) and cash earnings per share EUR 1.58 (EUR 2.49).

The return on capital employed was 4.6% (7.1%) excluding non-recurring items. Capital employed was EUR 11 744.0 million at the end of the year, a net decrease of EUR 113.8 million since the beginning of the year excluding the IAS 41 adjustments.

Financing

Cash flow from operations totalled EUR 1 808.3 (EUR 2 083.8) million, with cash flow after investing activities amounting to EUR 615.0 (EUR 1 247.7) million.

At the end of the year, interest-bearing net liabilities were EUR 3 919.0 million, up EUR 652.2 million on the previous year. Unutilised credit facilities, and cash and cash-equivalent reserves totalled EUR 2.7 billion.

The debt/equity ratio at 31 December was 0.48 (0.37) and equity per share EUR 9.65 (EUR 9.36).

Capital Expenditure and Asset Restructuring

Capital expenditure for the year totalled EUR 1 248.2 million, which was EUR 163.8 million more than depreciation, due to investment expenditures delayed from the previous year.

The main project in 2003 was the new paper machine 4 at Langerbrugge Mill in Belgium (EUR 201.1 million). Other major projects were the rebuilding of paper machine 3 at Veitsiluoto Mill in Finland (EUR 82.4 million) and paper machine 6 at Maxau Mill in Germany (EUR 52.9 million), the new boiler at Kvarnsveden Mill in Sweden (EUR 23.6 million), phase 1 of rebuilding paper machine 26 at Biron Mill in the USA (EUR 18.9 million) and folding boxboard asset improvements at Baienfurt Mill in Germany (EUR 29.8 million).

In October Stora Enso announced the upgrading and modernisation of paper machine 2 at its publication paper mill at Summa Mill, Finland. The machine manufactures magazine and improved newsprint papers. The capital expenditure of EUR 53 million will be incurred equally in years 2004 and 2005. The project is scheduled to be completed in April 2005.

In December Stora Enso approved the construction of a new paper machine at Kvarnsveden Mill in Sweden to improve its competitiveness in uncoated magazine paper production as part of the Asset Restructuring Programme. The total investment is estimated at approximately EUR 450 million and the annual production capacity of the machine will be about 420 000 tonnes of high-quality super-calendered (SC) papers. The machine is expected to start up at the end of 2005. Paper machine 9 at Kvarnsveden Mill, which has an annual capacity of 130 000 tonnes of improved newsprint, will be shut down when the new SC machine starts up.

The Asset Restructuring Programme also includes other investments in uncoated magazine paper. Paper machine 6 at Maxau Mill in Germany will be rebuilt to enhance its productivity and competitiveness. That machine produces SC-B paper made from recovered fibre.

When the new paper machine at Kvarnsveden has started up, paper machine 3 at Langerbrugge Mill, which has an annual capacity of 165 000 tonnes, will change from making mainly high-quality SC to exclusively SC-B paper. This will allow Langerbrugge Mill to maximise the usage of recycled fibre.

In addition, the Group will cease non-competitive production of SC paper on paper machine 5 at Wolfsheck Mill in Germany when the new machine at Kvarnsveden starts-up. The Group is investigating options for paper machine 5 at Wolfsheck Mill, but it will not continue in production within the Publication Paper division. The mill currently has two paper machines producing some 150 000 tonnes of high-quality SC paper and wallpaper base annually.

In December Stora Enso also approved a EUR 211 million investment in Skoghall Mill's Energy 2005 project, which aims to secure the future base for board production and strengthen the mill's energy supply. The new evaporation plant and recovery boiler will start up in autumn 2005 and the biofuel boiler in summer 2006.

Stora Enso North America

Stora Enso North America's operating loss for the first half of 2003 was USD 98 million and for the second half USD 86 million, giving a loss for the year of USD 184 (EUR 163) million before goodwill amortisation and non-recurring items. This compares with a USD 155 (EUR 164) million loss in 2002.

Operating cash flow after investing activities for the first half of 2003 was a negative USD 71 million and for the second half a negative USD 50 million, making a negative USD 121 (EUR 96) million for the year excluding non-recurring items, compared with USD 138 (EUR 146) million in 2002. Capital expenditure in the first half of 2003 totalled USD 74 million, and in the second half USD 109 million, giving a total of USD 183 (EUR 145) million for the year. The capital expenditure primarily associated with the division's previously announced profit enhancement initiative.

Market-related downtime totalled 79 000 tonnes, compared with 220 000 tonnes in 2002.

Research and Development

In 2003 Stora Enso spent EUR 88.8 (EUR 91.6) million on research and development, equivalent to 0.7% of sales.

Stora Enso's research and development centres were integrated with business units during the year to increase the emphasis on R&D in the product areas, to integrate R&D into business strategy development and to utilise the scientific and technical expertise of the centres efficiently in customer service and troubleshooting. InnoCentre, a packaging research and development centre, was set up by Consumer Boards to develop new packaging material concepts, undertake research on packaging engineering and test new technology.

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Changes in Group Composition

In February Stora Enso and the owners of AS Sylvester, Estonia's largest sawmilling and wood procurement company, closed the previously announced acquisition. Stora Enso gained 66% ownership of Sylvester's sawmilling operations and 100% ownership of Sylvester's wood procurement operations in the Baltic States.

In March Stora Enso announced a change in organisational structure to reflect its strategic principle of being operated and managed as one industrial group. The new structure, which took effect on 1 May 2003, is streamlined around Stora Enso's three core product areas: Paper, Packaging Boards and Forest Products.

Personnel

The number of employees increased by 353 during the year to 42 814 on 31 December 2003, mainly due to the acquisition of Sylvester in the Baltic States (1 242) and new sawmills in Russia (254), partly offset by reductions in Finland (-249) and North America (-656). The average number of employees was 44 264, up 411 on the previous year.

Changes in the Management Group

New members of the Management Group during the year were:

- Niilo Pöyhönen, appointed Executive Vice President, Stora Enso Consumer Boards, in March;
- Peter Kickinger, appointed Executive Vice President, Stora Enso Timber, in April;
- Elisabet Salander Björklund, appointed Executive Vice President, Stora Enso Wood Supply Europe, in April;
- Mats Nordlander, appointed Executive Vice President, Merchants, in September 2003, replacing Sven Rosman, who retired;
- Markku Pentikäinen, appointed Executive Vice President, Stora Enso Asia Pacific, effective from 1 January 2004, replacing Seppo Hietanen, who retired.

Environmental issues

Stora Enso's environmental liabilities at 31 December totalled EUR 47.2 (EUR 54.5) million, mainly due to the removal of mercury and other contaminants from sites in Sweden and Finland. An audited report on environmental matters is published in the separate Sustainability volume of the annual report.

Changes in Share Capital

During the calendar year 2003 a total of 16 500 A shares and 33 471 600 R shares were repurchased by the Company, representing 3.9% of the shares and 1.3% of the voting rights, and with a nominal value of EUR 56.9 million. The average price paid for A shares was EUR 9.60 and for R shares EUR 9.54.

The Annual General Meeting (AGM) on 20 March 2003 decided to lower the Company's share capital by EUR 60.5 million through the cancellation of 93 800 A shares and 35 500 000 R shares. These shares had been repurchased under the authorisation of the AGM in 2002.

The AGM on 20 March 2003 further authorised the Board of Directors to repurchase and dispose of not more than 9 100 000 A shares and not more than 34 000 000 R shares in the Company. Repurchases started on 27 March 2003 and by 31 December 2003 the Group had repurchased 8 100 A shares at an average price of EUR 10.11 and 23 504 400 R shares at an average price of EUR 9.70. This represents 0.09% of the current authorisation for A shares and 69.1% for R shares.

By 31 December 2003 the Company had allocated 47 752 of the repurchased R shares under the terms of the Stora Enso North America Option Plan, leaving the Company holding 8 100 A shares and 26 181 379 R shares.

During the year a total of 1 011 805 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 12 December 2003.

A total of 300 000 new R shares were issued under the terms of the 1997 warrants, of which 222 000 were registered in the Finnish Trade Register on 8 and 15 January 2004. A total of 567 000 new R shares are subscribable against warrants outstanding.

Share Capital

At the year end Stora Enso had 181 211 080 A shares and 683 051 419 R shares in issue, of which the Company held 8 100 A shares and 26 181 379 R shares with a nominal value of EUR 44.5 million. The holding represents 3.0% of the Company's share capital and 1.1% of the voting rights. Shareholders' equity amounted to EUR 8 083.7 million. The nominal value of the issued share capital was EUR 1 469.3 million. Market capitalisation on the Helsinki Exchanges on 31 December 2003 was EUR 9.3 billion.

Events after the Period

In January 2004 Stora Enso approved implementation of the first phase of the North European Transport Supply System (NETSS), which will enhance cost efficiency and improve services. It will also serve as a platform for further development of Stora Enso's transport and distribution services in Europe. The current shipping services from southern Finland to the UK and Belgium will be replaced by a next-generation system based on the "hub and spoke" principle. Cargo flows from southern Finland will be concentrated through the port of Kotka. The port of Gothenburg, which currently handles Stora Enso's cargo from Sweden, will expand its operations to include cargo from Finland. It is expected that the first phase of NETSS will result in cost savings of at least 10% from the current level of approximately EUR 80 million annually once the system is implemented.

In February Stora Enso announced that it will upgrade and modernise the paper machine and increase sheeting capacity at its fine paper mill in Suzhou, China. The investment, totalling EUR 38 million, will improve productivity and safeguard market presence in the fast-growing Chinese market. The project will be completed in September 2005. The aim of the rebuilding is to maintain Stora Enso's position as a quality leader by extending the product range of the mill and increasing its annual capacity by 75 000 tonnes to 240 000 tonnes.

Outlook

In Europe growing confidence in the economic recovery is expected to increase demand for advertising-driven paper. Pressure on prices still persists in magazine paper grades, and newsprint prices will at best maintain last year's levels. Prices for packaging boards are rather stable, while fine paper prices seem to be stabilising at low levels. Demand for wood products is fairly good, but prices are under pressure. The weak US dollar and increasing competition will continue to have an adverse effect on the Group's European operations.

In North America the economy is recovering, but that has only marginally increased the demand for paper. There are some signs that demand is increasing, and this is expected gradually to affect paper prices during the second half of 2004. In coated fine paper oversupply persists in the form of imports, mainly from Asia. Stora Enso North America's results for the first quarter of 2004 will be negatively impacted by the major rebuilding of fine paper machine 16 at Wisconsin Rapids.

In China the economy is growing rapidly and boosting the demand for fine paper and packaging boards.

The Group's intensified savings measures that started in 2003 are proceeding according to plan.

The objective remains to keep the capital expenditure in the 2003–04 period in line with the Group's depreciation charges.

Distribution of Dividend

The Board of Directors will propose to the forthcoming Annual General Meeting of Shareholders that a dividend of EUR 0.45 per share be paid for the financial year ending 31 December 2003. If the proposal is approved, the dividend payment will be issued on 2 April 2004 to shareholders entered on the dividend record date of 23 March 2004 in the register of shareholders maintained by the Finnish Central Securities Depository, Swedish VPC and Deutsche Bank Trust Company Americas.

Annual General Meeting

The Annual General Meeting will be held at 16.00 (Finnish time) on Thursday 18 March 2004 at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland. The Board of Directors will propose to the Annual General Meeting cancellation of the shares in treasury and a new repurchase programme.

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Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	Year Ended 31 December 2001	2002	2003
Sales	3	**13 508.8**	**12 782.6**	**12 172.3**
Other operating income	5	63.2	176.1	29.6
Changes in inventories of finished goods and work in progress		38.4	30.3	63.5
Change in net value of biological assets	12	-	-	11.6
Materials and services		-6 547.8	-6 373.2	-6 192.8
Freight and sales commissions		-1 234.0	-1 240.9	-1 286.8
Personnel expenses	6, 19	-2 234.4	-2 282.0	-2 285.3
Other operating expenses	5	-839.7	-802.6	-828.0
Depreciation, amortisation and impairment charges	10	-1 267.6	-2 441.9	-1 200.4
Operating Profit / (Loss)	3	**1 486.9**	**-151.6**	**483.7**
Share of results in associated companies	13	79.6	14.6	-23.0
Net financial items	7	-343.5	-206.2	-237.7
Profit / (Loss) before Tax and Minority Interests		**1 223.0**	**-343.2**	**223.0**
Income tax expense	8	-299.6	120.9	-70.6
Profit / (Loss) after Tax		**923.4**	**-222.3**	**152.4**
Minority interests		2.9	0.1	-5.8
Net Profit / (Loss) for the Period		**926.3**	**-222.2**	**146.6**
Earnings per Share				
Basic earnings / (loss) per share, EUR	24	1.03	-0.25	0.17
Diluted earnings / (loss) per share, EUR	24	1.03	-0.25	0.17

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

Consolidated Balance Sheet

EUR million		Note	As at 31 December 2001	2002	2003
Assets					
Fixed Assets and Other Long-term Investments					
Goodwill	O	11	2 276.0	1 055.5	902.6
Intangible fixed assets	O	11	89.6	73.3	80.4
Property, plant and equipment	O	11	12 335.6	10 812.1	9 964.5
Biological assets	O	12	-	-	1 587.8
Investment in associated companies		13	306.7	211.7	319.0
Listed securities	I	14	197.4	169.2	227.7
Unlisted shares	O	14	181.0	148.5	140.8
Non-current loan receivables	I	17	505.4	480.6	44.3
Deferred tax assets	T	8	28.1	52.7	12.1
Other non-current assets	O	15	257.9	241.1	170.3
			16 177.7	**13 244.7**	**13 449.5**
Current Assets					
Inventories	O	16	1 600.0	1 565.0	1 623.5
Tax receivables	T		224.3	243.1	182.5
Short-term operative receivables	O	17	1 976.3	1 902.4	1 703.3
Interest-bearing receivables	I	17	333.1	1 090.5	781.8
Cash and cash equivalents	I		247.0	168.5	201.5
			4 380.7	**4 969.5**	**4 492.6**
Total Assets			**20 558.4**	**18 214.2**	**17 942.1**
Shareholders' Equity and Liabilities					
Shareholders' Equity		18			
Share capital			1 541.5	1 529.6	1 469.3
Share premium fund			1 641.9	1 554.0	1 237.4
Treasury shares			-125.5	-314.9	-258.0
Other comprehensive income			58.6	233.4	114.6
Cumulative translation adjustment			-52.5	-144.4	-197.1
Retained earnings			4 998.7	5 521.4	5 570.9
Net profit for the period			926.3	-222.2	146.6
			8 989.0	**8 156.9**	**8 083.7**
Minority Interests			**50.2**	**30.4**	**60.3**
Long-term Liabilities					
Pension and post-employment benefit provisions	O	19	774.0	747.0	727.6
Other provisions	O	21	153.6	194.5	97.1
Deferred tax liabilities	T	8	2 011.0	1 787.3	1 830.8
Long-term debt	I	20	5 182.0	4 525.2	3 404.6
Other long-term operative liabilities	O		51.4	36.9	77.7
			8 172.0	**7 290.9**	**6 137.8**
Current Liabilities					
Current portion of long-term debt	I	20	230.0	306.5	359.5
Interest-bearing liabilities	I	20	997.5	343.9	1 410.1
Short-term operative liabilities	O	21	1 631.0	1 547.9	1 538.3
Tax liabilities	T		488.7	537.7	352.4
			3 347.2	**2 736.0**	**3 660.3**
Total Shareholders' Equity and Liabilities			**20 558.4**	**18 214.2**	**17 942.1**

Items designated "O" comprise Operative Capital
Items designated "I" comprise Interest-bearing Net Liabilities
Items designated "T" comprise Net Tax Liabilities

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

Consolidated Cash Flow Statement

EUR million	Year Ended 31 December 2001	2002	2003
Cash Flow from Operating Activities			
Net profit / (loss) for the period	926.3	-222.2	146.6
Reversal of non-cash items:			
Minority interests	-2.9	-0.1	5.8
Taxes	299.6	-120.9	70.6
Depreciation, amortisation and impairment charges	1 267.6	2 441.9	1 200.4
Change in value of biological assets	-	-	-11.6
Share of results of associated companies	-79.6	-14.6	23.0
Profits and losses on sale of fixed assets and investments	-48.4	-159.1	-10.5
Net financial income	343.5	206.2	237.7
Interest received	56.1	46.5	24.6
Interest paid, net of amounts capitalised	-352.5	-321.4	-228.1
Dividends received	17.0	9.2	5.8
Other financial items, net	-27.4	170.0	-0.4
Income taxes paid	-699.6	-62.1	-233.8
Change in net working capital, net of businesses acquired or sold	-171.2	-547.2	458.7
Net Cash Provided by Operating Activities	**1 528.5**	**1 426.2**	**1 688.8**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares, net of cash	-233.6	-56.3	-125.2
Acquisition of shares in associated companies	-135.6	-1.5	-103.5
Acquisition of available-for-sale investments	-7.0	-12.8	-12.6
Capital expenditure	-857.1	-877.6	-1 226.7
Investment in biological assets	-	-	-6.2
Proceeds from disposal of subsidiary shares, net of cash	-	360.6	-
Proceeds from disposal of shares in associated companies	62.4	185.5	0.4
Proceeds from disposal of available-for-sale investments	-	16.8	18.5
Proceeds from sale of fixed assets	92.6	202.4	47.5
Proceeds from (payment of) long-term receivables, net	196.0	-74.4	336.2
Net Cash Used in Investing Activities	**-882.3**	**-257.3**	**-1 071.6**
Cash Flow from Financing Activities			
Proceeds from (payment of) long-term liabilities, net	-351.3	-487.6	-962.5
Proceeds from (payment of) short-term borrowings, net	-216.1	-56.3	1 097.0
Dividends paid	-407.4	-403.6	-387.7
Proceeds from issue of share capital	29.5	-	2.3
Repurchase of own shares	-199.8	-286.9	-319.1
Net Cash Used in Financing Activities	**-1 145.1**	**-1 234.4**	**-570.0**
Net Increase (Decrease) in Cash and Cash Equivalents	**-498.9**	**-65.5**	**47.2**
Cash and bank in acquired companies	-	-	3.0
Translation adjustment	1.5	-13.0	-17.2
Cash and cash equivalents at beginning of year	744.4	247.0	168.5
Cash and Cash Equivalents at Year End	**247.0**	**168.5**	**201.5**

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

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

	Year Ended 31 December		
EUR million	2001	2002	2003
Change in Net Working Capital consists of:			
Change in inventories	-52.6	-17.0	-63.5
Change in interest-free receivables	315.5	31.1	214.9
Change in interest-free liabilities	-211.5	-66.2	-5.8
Proceeds from (payment of) short-term receivables	-222.6	-495.1	313.1
	-171.2	**-547.2**	**458.7**
Non-cash Investing and Financing Activities:			
Total capital expenditure	857.1	877.6	1 248.2
Amounts paid	857.1	877.6	1 226.7
Finance lease obligations incurred	-	-	**21.5**
Acquisition of Group Companies			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions	233.6	56.3	128.2
Cash and cash equivalents in acquired companies	-	-	3.0
	233.6	56.3	125.2
Non-cash Transaction			
Unlisted share exchange	-	27.6	-
Total Purchase Consideration	**233.6**	**83.9**	**125.5**
Acquired Net Assets			
Operating working capital	-	-8.9	31.2
Operating fixed assets	141.5	150.4	206.4
Interest-bearing assets less cash and cash equivalents	-	5.6	5.7
Tax liabilities	-	-0.8	-0.2
Interest-bearing liabilities	-	-79.8	-94.1
Minority interests	92.1	17.4	-23.8
	233.6	**83.9**	**125.2**
Disposal of Group Companies			
Cash Flow on Disposals			
Cash flow on disposal	-	360.6	-
Non-cash Transaction			
Associate company shares received	129.2	36.8	-
	129.2	**397.4**	-
Net Assets Sold			
Operating working capital	7.9	42.3	-
Operating fixed assets	244.3	441.0	-
Interest-bearing assets less cash and cash equivalents	129.2	5.3	-
Tax liabilities	-31.0	-0.2	-
Interest-bearing liabilities	-221.2	-116.9	-
Gain on sale	-	25.9	-
	129.2	**397.4**	-

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

Statement of Changes in Shareholders' Equity

EUR million	Share Capital	Share Premium	Treasury Shares	OCI	CTA	Retained Earnings	Total
Balance at 1 January 2001	**1 576.3**	**1 823.2**	**-173.7**	**-**	**-69.6**	**5 414.6**	**8 570.8**
Effect of adopting IAS 39	-	-	-	75.7	-	-8.5	67.2
Repurchase of Stora Enso Oyj shares	-	-	-199.8	-	-	-	-199.8
Cancellation of Stora Enso Oyj shares	-39.4	-208.6	248.0	-	-	-	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-407.4	-407.4
Options exercised	4.6	24.9	-	-	-	-	29.5
Net profit for the period	-	-	-	-	-	926.3	926.3
OCI entries	-	-	-	-17.1	-	-	-17.1
Translation adjustment	-	-	-	-	19.5	-	19.5
Balance at 31 December 2001	**1 541.5**	**1 639.5**	**-125.5**	**58.6**	**-50.1**	**5 925.0**	**8 989.0**
Repurchase of Stora Enso Oyj shares	-	-	-286.8	-	-	-	-286.8
Cancellation of Stora Enso Oyj shares	-13.8	-83.6	97.4	-	-	-	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-403.6	-403.6
Options exercised	1.9	-1.9	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-222.2	-222.2
OCI entries	-	-	-	174.8	-	-	174.8
Translation adjustment	-	-	-	-	-94.3	-	-94.3
Balance at 31 December 2002	**1 529.6**	**1 554.0**	**-314.9**	**233.4**	**-144.4**	**5 299.2**	**8 156.9**
Effect of adopting IAS 41 Agriculture							
Subsidiary companies	-	-	-	-	-	615.4	615.4
Associated companies	-	-	-	-	-	44.0	44.0
Balance at 1 January 2003 (restated)	**1 529.6**	**1 554.0**	**-314.9**	**233.4**	**-144.4**	**5 958.6**	**8 816.3**
Repurchase of Stora Enso Oyj shares	-	-	-319.1	-	-	-	-319.1
Cancellation of Stora Enso Oyj shares	-60.5	-315.5	376.0	-	-	-	-
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-387.7	-387.7
Options exercised	0.2	-1.1	-	-	-	-	-0.9
Net profit for the period	-	-	-	-	-	146.6	146.6
OCI entries	-	-	-	-118.8	-	-	-118.8
Translation adjustment	-	-	-	-	-52.7	-	-52.7
Balance at 31 December 2003	**1 469.3**	**1 237.4**	**-258.0**	**114.6**	**-197.1**	**5 717.5**	**8 083.7**

OCI = Other Comprehensive Income – see Note 22
CTA = Cumulative Translation Adjustment

Distributable Funds

	As at 31 December		
EUR million	**2001**	**2002**	**2003**
Retained earnings	5 925.0	5 299.2	5 717.5
Translation adjustment	-50.1	-144.4	-197.1
Treasury shares	-125.5	-314.9	-258.0
Effect of adopting IAS 41	0	0	-659.4
	5 749.4	4 839.9	4 603.0
Untaxed reserves in retained earnings	-1 784.6	-1 636.6	-2 053.3
Distributable Funds	**3 964.8**	**3 203.3**	**2 549.7**

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

Notes to the Consolidated Financial Statements

Note 1 Accounting Principles

Principal Activities
Stora Enso Oyj ("the Company") is a Finnish limited liability company organised under the laws of the Republic of Finland, domiciled in Helsinki. The operations of Stora Enso Oyj and its subsidiaries (together "Stora Enso" or the "Group") are organised into core product areas and supporting areas. The core product areas are Paper (Publication Paper, Fine Paper and Merchants), Packaging Boards and Forest Products (Wood Products and Wood Supply Europe). Supporting areas in segment Other comprise Energy and Head Office, together with other corporate functions. The Group's main market is Europe, though it has an expanding presence in the Americas.

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

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

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

The Consolidated Financial Statements include the parent company, Stora Enso Oyj, and all companies in which it holds, directly or indirectly, over 50% of the voting rights. The Financial Statements of some companies, which Stora Enso controls through management agreements with majority shareholders, but in which Stora Enso holds less than 50% of the voting rights, are also consolidated. The principal subsidiaries are listed in Note 25.

Associated companies, where Stora Enso holds voting rights of between 20% and 50%, are accounted for using the equity method, which involves recognising in the Income Statement the Group's share of the associate's profit or loss for the year less any amortised goodwill. These companies represent undertakings in which the Group has significant influence, but which it does not control; the most significant such companies are listed in Note 13. The Group's interest in an associated company is carried in the Balance Sheet at an amount that reflects its share of the net assets of the associate together with goodwill on acquisition, as amortised, less any impairment. When the Group share of losses exceeds the carrying amount of an investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group is obliged to satisfy obligations of the investee which it has guaranteed or is otherwise committed to.

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

All intercompany transactions, receivables, liabilities and unrealised profits, as well as intragroup profit distributions, are eliminated. Accounting policies for subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by Stora Enso. Minority interests have been disclosed separately from the consolidated shareholders' equity and are recorded as a separate deduction in the Consolidated Income Statement.

Foreign Currency Transactions

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

Foreign Currency Translations - Subsidiaries

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

Derivative Financial Instruments

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

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

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

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

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

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

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

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

Revenue Recognition

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

Research and Development

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

Computer Software Development Costs

Development costs or acquisition costs of new software clearly associated with an identifiable and unique product, which will be controlled by the Group and has probable benefit exceeding its cost beyond one year, are recognised as an intangible asset and depreciated over the software’s expected useful life. Associated costs include staff costs of the development team and an appropriate portion of overhead, but exclude the cost of maintaining the software, which is expensed as incurred. Website costs are expensed as incurred.

Environmental Remediation Costs

Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do not contribute to current or future revenues, are expensed as incurred. Environmental liabilities are recorded, based on current interpretations of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Amounts accrued do not include third-party recoveries. Decommisioning costs, being the costs of closing the site and preparing it for future use, are capitalised at the outset of a development and amortised over its expected life so that the full cost of environmental reinstatement will have been expensed by the end of the project.

Discontinuing Operations

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

Income Taxes

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

Deferred income taxes are provided using the liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. Principal temporary differences arise from depreciation on property plant and equipment, revaluation of net assets in acquired companies, fair valuation of available-for-sale investments and financial derivatives, intercompany inventory profits, untaxed reserves and tax losses carried forward; the latter is recognised as an asset to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised.

Temporary differences for accumulated depreciation and untaxed reserves (appropriations) are recorded in shareholders’ equity and deferred tax liability in the Consolidated Balance Sheet, but under both Finnish and Swedish Companies Acts, such items in equity are excluded from distributable funds.

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Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group share of net assets of the acquired subsidiary/associated undertaking at the acquisition date. Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity and translated at the closing rate. Goodwill is tested periodically for impairment but is otherwise amortised on a straight-line basis over its expected useful life, which may vary from 5 to 20 years depending on the nature of the acquisition. Expected useful lives are reviewed at each Balance Sheet date and where these differ from previous estimates, amortisation periods are adjusted accordingly.

Intangible Assets
Intangible assets include trademarks, patents, copyrights and software licenses; they are stated at historical cost and are amortised on a straight-line basis over expected useful lives which may vary from 3 to 10 years.

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

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

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

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

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

Assets to be disposed of are reported at the lower of the carrying amount and the fair value less selling costs as disclosed in Note 4 as under Assets-Held-for-Sale.

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

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

Accounting for Leases

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

Leases of assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases and payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods. When an operating lease is terminated before the expiry of the lease period, any obligatory payment to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Lease termination benefits are recognized on a discounted basis.

Biological Assets

The new accounting standard, IAS 41 Agriculture, requires that biological assets in the form of standing trees are shown on the Balance Sheet at market value. Group forests are thus accounted for at fair value less estimated point-of-sale costs at harvest, there being a presumption that fair values can be measured for these assets.

The valuation of Stora Enso's forest assets is based on discounted cash flow models whereby the fair value of the biological assets is calculated using cash flows from continuous operations, that is, based on sustainable forest management plans taking into account growth potential. The yearly harvest made from the forecasted tree growth is multiplied by actual wood prices and the cost of fertiliser and harvesting is then deducted. The fair value of the biological asset is measured as the present value of the harvest from one growth cycle based on the productive forestland, taking into consideration environmental restrictions and other reservations. Biological assets that are physically attached to land are recognised and measured at their fair value separately from the land.

Inventories

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

Trade Receivables

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

Cash and Cash Equivalents

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

Investments

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

Under IAS 39 investments are recorded on the Balance Sheet at their fair value with the difference between fair value and acquisition cost recorded direct to equity in the Available-for-sale Reserve in Other Comprehensive Income (OCI), from where it is released to the Income Statement when the investments are sold or when the assets are impaired.

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Borrowings

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

Provisions

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

Employee Benefits

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

For defined benefit plans, pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Income Statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every year. The pension obligation is measured as the present value of estimated future cash outflows using interest rates of government securities that have maturity terms approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

Executive Share Options

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

Restricted Equity

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

Government Grants

Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition value of the asset, the net cost being capitalised.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted earnings per share has been computed by applying the "treasury stock" method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or if later, on issue and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options.

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

Dividend

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

The conduct of Stora Enso's international industrial operations presents a number of financial market risks that the Group is responsible for managing under policies approved by the Board. The overall objective of the Group Treasury is to provide cost-effective funding to Group companies as well as to manage financial risks in order to minimise the negative effects of market fluctuations on Group net income. The main exposures for the Group are funding risk, interest rate risk, currency risk and commodity risk.

Funding Risk
Funding risk arises from the difficulty of obtaining finance for operations at a given point in time. In order to minimise the cost of refinancing the Group loan portfolio and to ensure that funding is obtainable, the Group Treasury must have committed credit facilities to cover general corporate funding needs and all commercial paper borrowings. The average maturity of outstanding loans and committed credit facilities should be at least four years and not more than seven.

Interest Rate Risk
The Group is exposed to changes in interest rates as a result of the cyclical nature of the industry. The Group interest rate risk management policy is to synchronise the cost of capital with the return on capital employed by swapping long-term fixed interest rates to short-term floating interest rates with an average duration of 12 months and a deviation mandate of between 3 and 24 months.

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

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

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

Supply Risk
Group manufacturing operations depend on obtaining adequate and timely supplies of raw materials, principally of wood, energy and chemicals. The result of operations could be adversely affected if the Group were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

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

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The accounting policies of the reportable segments are the same as those set out in Note 1 to the Consolidated Financial Statements. Segment sales include intersegment sales valued at arm's length prices. The Group evaluates the performance of its operating segments and allocates resources to them based on their operating performance, which is equivalent to the segment result.

On 1 May Stora Enso changed its organisational structure to reflect its strategic principle of being operated and managed as one industrial group, the new structure being streamlined around the core product areas of Paper, Packaging and Forest Products. For management purposes, Stora Enso's business segments are organised worldwide by Product Area into operating divisions, these being the basis on which the Group reports its primary segment information.

- The new Paper product area comprises Publication Paper, Fine Paper, and Merchants. The former Newsprint and Magazine Paper divisions were merged to form the new Publication Paper segment, whilst Speciality Papers, which was part of Packaging Boards, formed a new business unit within Fine Paper.
- The Packaging Product Area remains largely unchanged and comprises Consumer Boards, Corrugated Packaging, Industrial Papers and Cores plus Coreboard.
- Timber, the Pulp Competence Centre and Forest were brought together as the new Forest Products.

Market Services, consisting of the Sales Network and Transport and Distribution, along with Energy and Head Office functions, comprise segment Other.

The former Pulp segment was dissolved in 2001 on the reallocation of the non-integrated pulp mills to the Publication Paper, Fine Paper and Packaging Boards segments. All comparatives have been restated to take into account organisational changes.

The activities of the reportable segments are:

Paper

- Publication Paper develops and manufactures both magazine paper and newsprint. It supplies uncoated and coated magazine paper grades to printers and publishers for use in magazines, catalogues, brochures and other printed advertising products. As for newsprint, it supplies standard and speciality grades to printers and publishers to be used in newspapers, supplements, advertising, directories and paperback books.
- Fine Paper develops, manufactures and supplies graphic coated and office uncoated fine paper grades for publishers and paper merchants. Graphic coated fine paper is used for advertising material, brochures, high quality books and magazines, whereas office uncoated fine paper products are copy and offset paper, envelopes, writing paper and continuous stationery paper.
- Merchants distribute paper to printers, merchants, offices and other agencies, acting as the link in the distribution of the Group's fine paper products to the graphic industry.

Packaging Boards

- Packaging operations are split into business units for consumer board, corrugated packaging, industrial paper and cores and coreboard, all of which the Group develops, manufactures and supplies to industrial customers, the food industry in particular.

Forest Products

- Wood Products develops, manufactures and supplies sawn goods used in the joinery, furniture and construction industry, including prefabricated houses; it also has an increasing amount of value added capacity for further processing of the basic sawn timber.
- Wood Supply Europe not only manage Stora Enso's timberlands, but it also procures and supplies timber to Group mills.

Information on Stora Enso's reportable segments as at and for the years ended 31 December 2001, 2002 and 2003 is shown in the following tables; comparatives have been restated for the above organisational changes.

Sales by Segment

EUR million	2001 External	2001 Internal	2001 Total	2002 External	2002 Internal	2002 Total	2003 External	2003 Internal	2003 Total
	Year Ended 31 December								
Publication Paper	5 296.1	118.3	5 414.4	4 599.2	116.4	4 715.6	4 179.3	116.4	4 295.7
Fine Paper	3 205.6	464.8	3 670.4	3 140.0	287.4	3 427.4	2 923.2	274.5	3 197.7
Merchants	838.5	1.8	840.3	718.8	1.8	720.6	625.8	1.8	627.6
Packaging Boards	2 501.4	169.7	2 671.1	2 571.9	148.3	2 720.2	2 562.5	199.1	2 761.6
Wood Products	1 090.2	90.3	1 180.5	1 139.4	95.8	1 235.2	1 294.6	105.4	1 400.0
Wood Supply Europe	453.6	1 372.0	1 825.6	444.0	1 514.7	1 958.7	492.6	1 581.7	2 074.3
Other and elimination of internal sales	123.4	-2 216.9	-2 093.5	169.3	-2 164.4	-1 995.1	94.3	-2 278.9	-2 184.6
Group Total	**13 508.8**	**-**	**13 508.8**	**12 782.6**	**-**	**12 782.6**	**12 172.3**	**-**	**12 172.3**

Segment Share of Operating Profit and Associated Companies

EUR million	Operating Profit 2001	Operating Profit 2002	Operating Profit 2003	Share of Results in Associated Companies 2001	Share of Results in Associated Companies 2002	Share of Results in Associated Companies 2003	Investment in Associated Companies 2001	Investment in Associated Companies 2002	Investment in Associated Companies 2003
	Year Ended 31 December								
Publication Paper	785.8	-756.2	50.2	16.4	-	-16.3	75.1	67.5	57.2
Fine Paper	330.7	73.3	102.6	-	-1.0	-0.2	-	-	3.3
Merchants	-10.0	-24.6	-8.8	-	-	-	-	-	-
Packaging Boards (1)	333.5	341.7	285.0	57.0	5.3	-	100.2	-	4.2
Wood Products	5.2	32.4	7.6	5.2	3.1	-0.9	12.1	13.4	7.6
Wood Supply Europe	88.1	122.2	117.2	-	-5.5	13.7	-	29.2	83.0
Other	-46.4	59.6	-70.1	1.0	12.7	-19.3	119.3	101.6	163.7
Group Total	**1 486.9**	**-151.6**	**483.7**	**79.6**	**14.6**	**-23.0**	**306.7**	**211.7**	**319.0**

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

Capital Expenditure and Depreciation, Amortisation & Impairment by Segment

EUR million	Capital Expenditure 2001	Capital Expenditure 2002	Capital Expenditure 2003	Depreciation / Impairment 2001	Depreciation / Impairment 2002	Depreciation / Impairment 2003
	Year Ended 31 December					
Publication Paper	239.7	482.2	591.6	522.4	1 522.6	447.6
Fine Paper	193.7	134.6	219.1	413.9	532.8	340.5
Merchants (1)	5.0	0.0	25.6	10.2	11.5	8.1
Packaging Boards	294.4	140.5	170.9	223.4	235.5	239.4
Wood Products	64.4	53.5	141.9	43.1	54.6	74.4
Wood Supply Europe	21.2	24.9	20.2	35.8	39.0	16.2
Other	38.7	41.9	78.9	18.8	45.9	74.2
Total	**857.1**	**877.6**	**1 248.2**	**1 267.6**	**2 441.9**	**1 200.4**

1) Includes finance lease on buildings of EUR 21.5 million.

Assets and Liabilities by Segment

EUR million	As at 31 December 2001 Assets	2002	2003	2001 Liabilities	2002	2003
Publication Paper	6 464.0	5 059.3	5 018.6	933.1	913.0	840.9
Fine Paper	5 833.2	4 869.9	4 421.9	589.1	530.5	510.0
Merchants	334.0	256.0	237.9	119.2	84.6	77.7
Packaging Boards	3 080.5	3 011.8	2 981.0	403.7	362.1	383.9
Wood Products	718.3	721.7	1 018.9	156.8	172.7	191.7
Wood Supply Europe	1 487.6	1 131.4	2 030.4	203.6	214.3	221.1
Other	2 640.8	3 164.1	2 233.4	9 113.7	7 749.7	7 572.8
Total	**20 558.4**	**18 214.2**	**17 942.1**	**11 519.2**	**10 026.9**	**9 798.1**

Operating Capital by Segment

EUR million	As at 31 December 2001	2002	2003
Publication Paper	5 530.9	4 146.3	4 177.7
Fine Paper	5 244.1	4 339.4	3 911.9
Merchants	214.8	171.4	160.3
Packaging Boards	2 676.9	2 649.6	2 597.0
Wood Products	561.5	549.0	828.3
Wood Supply Europe	1 284.0	917.1	1 809.4
Other	594.2	498.8	248.1
Total	**16 106.4**	**13 271.6**	**13 732.7**

Reconciliation to Total Assets

EUR million	As at 31 December 2001	2002	2003
Operating Capital	16 106.4	13 271.6	13 732.7
Gross-up for operating liabilities	2 610.0	2 526.3	2 440.6
Interest-bearing receivables	1 589.6	2 120.5	1 574.3
Tax receivables	252.4	295.8	194.5
Total Assets	**20 558.4**	**18 214.2**	**17 942.1**

Operating capital (“O” items) is designated thus on the Balance Sheet and represents the sum of fixed and biological assets, unlisted shares, other non-current assets, inventories, short-term operative receivables and liabilities, provisions and other long-term operative liabilities.

Average Personnel

Segment	Year Ended 31 December 2001	2002	2003
Publication Paper	13 384	13 241	12 903
Fine Paper	10 968	9 872	9 521
Merchants	1 580	1 411	1 254
Packaging Boards	9 527	9 949	10 068
Wood Products	3 644	3 745	4 626
Wood Supply Europe	2 176	2 265	2 599
Other	2 996	3 370	3 293
Total	**44 275**	**43 853**	**44 264**

Location	Year Ended 31 December 2001	2002	2003
Finland	15 054	14 676	14 479
Sweden	9 433	9 187	9 068
Germany	4 767	4 761	4 785
France	1 368	1 333	1 312
Other EU	4 478	4 462	4 335
Total EU	**35 100**	**34 419**	**33 979**
Other Europe	1 343	1 879	3 234
Canada	746	850	849
USA	6 071	5 731	5 182
Other	1 015	974	1 020
Total	**44 275**	**43 853**	**44 264**

External Sales by Destination and Origin

EUR million	Year Ended 31 December 2001	2002	2003	2001	2002	2003
	Sales By Destination			Sales By Invoice Origin		
Austria	213.1	195.4	222.0	310.9	315.1	363.5
Belgium	345.1	301.3	267.2	237.8	213.2	200.8
Denmark	307.6	297.9	276.1	116.2	111.7	107.9
Finland	776.0	780.6	786.9	4 370.2	4 151.0	3 951.9
France	1 007.0	965.5	862.7	537.8	486.4	447.7
Germany	1 840.3	1 673.6	1 616.1	1 489.9	1 442.2	1 381.8
Italy	403.2	391.5	380.7	0.6	0.1	0.1
Netherlands	581.9	488.4	491.9	247.6	234.0	226.4
Portugal	71.3	60.9	64.9	80.3	59.7	50.5
Spain	445.5	463.4	499.4	139.4	141.5	145.6
Sweden	1 026.6	1 034.2	994.4	2 980.2	2 895.6	2 840.2
UK	1 324.8	1 053.4	979.3	157.2	59.1	23.4
Other EU	197.8	197.4	203.9	0.2	0.1	-
Total EU	**8 540.2**	**7 903.5**	**7 645.5**	**10 668.3**	**10 109.7**	**9 739.8**
Other Europe	813.2	981.4	897.8	252.4	290.1	390.6
Total Europe	**9 353.4**	**8 884.9**	**8 543.3**	**10 920.7**	**10 399.8**	**10 130.4**
Canada	169.4	160.0	143.7	384.0	290.2	287.7
China	188.8	201.5	228.6	111.6	122.3	109.4
USA	2 469.7	2 267.3	1 918.3	2 067.2	1 909.6	1 583.6
Others	1 327.5	1 268.9	1 338.4	25.3	60.7	61.2
Total	**13 508.8**	**12 782.6**	**12 172.3**	**13 508.8**	**12 782.6**	**12 172.3**

Total Assets and Capital Employed by Location

EUR million	As at 31 December 2001	2002	2003	2001	2002	2003
	Total Assets			Capital Employed		
Austria	221.4	233.7	238.5	161.8	162.3	175.6
Belgium	419.2	525.8	650.0	97.6	325.7	584.6
Finland	5 354.3	5 692.1	5 344.5	4 146.5	3 872.0	3 515.6
France	386.9	367.7	364.5	248.2	235.0	245.6
Germany	1 895.0	1 754.4	1 750.7	889.5	783.8	893.4
Portugal	246.7	242.6	227.5	234.0	225.5	214.8
Sweden	3 700.9	3 727.7	4 328.9	1 980.2	1 886.7	2 582.4
Other EU	485.9	415.6	377.3	301.8	199.4	233.1
Total EU	**12 710.3**	**12 959.6**	**13 281.9**	**8 059.6**	**7 690.4**	**8 445.1**
Other Europe	188.1	201.4	435.1	162.3	161.4	477.7
Total Europe	**12 898.4**	**13 161.0**	**13 717.0**	**8 221.9**	**7 851.9**	**8 922.8**
Canada	706.0	561.0	488.1	631.7	491.1	491.7
China	277.4	224.8	180.8	252.7	203.7	157.3
USA	6 613.6	4 166.7	3 385.1	4 741.3	2 654.0	2 143.6
Other	63.0	100.7	171.1	11.5	41.7	28.6
Total	**20 558.4**	**18 214.2**	**17 942.1**	**13 859.1**	**11 242.4**	**11 744.0**

Total capital employed represents operating capital less net tax liabilities.

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Capital Expenditure and Depreciation, Amortisation & Impairment by Location

EUR million	2001	2002	2003	2001	2002	2003
	Year Ended 31 December					
	Capital Expenditure			Depreciation / Impairment		
Austria	25.2	22.1	18.7	15.4	17.8	18.2
Belgium	30.7	290.6	209.7	16.2	27.1	29.5
Finland	392.1	211.7	371.5	341.5	391.6	367.0
France	7.8	13.9	36.3	28.2	28.8	34.9
Germany	91.6	55.1	126.8	159.2	138.0	155.2
Portugal	14.9	18.5	5.8	10.5	11.7	11.9
Sweden	158.5	141.0	197.3	198.4	208.8	220.6
Other EU	18.2	16.6	34.3	21.6	26.7	21.5
Total EU	**739.0**	**769.5**	**1 000.4**	**791.0**	**850.5**	**858.8**
Other Europe	23.9	9.1	88.9	10.0	14.2	40.7
Total Europe	**762.9**	**778.6**	**1 089.3**	**801.0**	**864.7**	**899.5**
Canada	12.9	12.7	45.3	34.2	85.7	45.0
China	3.4	3.3	1.3	13.0	14.5	13.0
USA	66.9	74.4	109.0	416.7	1 479.5	240.4
Other	11.0	8.6	3.3	2.7	-2.5	2.5
Total	**857.1**	**877.6**	**1 248.2**	**1 267.6**	**2 441.9**	**1 200.4**

Note 4 Acquisitions and Disposals

There have been no major changes to the Group since the substantial acquisition of Consolidated Papers, Inc. in 2000. In the past three years the Group has concentrated on restructuring its existing assets consistent with the strategy to release capital and enhance financial flexibility in order to develop its core business, along with an emphasis on asset quality (see Note 11 – Fixed Assets).

Acquisitions

In February 2003 Stora Enso completed the acquisition of AS Sylvester, Estonia's largest sawmilling and wood procurement company, for EUR 122.7 million, of which EUR 72.0 million represented goodwill; the Group previously had a 34% associated interest worth EUR 7.1 million in Sylvester's largest Estonian mill at Imavere. Letters of Intent had been signed in 2002 and the deal was subsequently finalised in February 2003 after the competition authorities had accepted Stora Enso Timber's 66% ownership of Sylvester's sawmilling operations and Stora Enso Mets' 100% ownership of Sylvester's wood procurement operations in the Baltic States. Sylvester sawmilling operations then became Stora Enso Timber AS. The company's four softwood sawmills in Estonia, one in Latvia (Launkalne) and one in Lithuania (Alytus), increased Group sawn wood capacity by more than 1 million m^3; a components factory in Estonia added a further 100 000 m^3 of value-added capacity.

In August 2001 the Board approved the purchase of the Schweighofer family's 26.5% minority holding in Stora Enso Timber Oy for a total acquisition cost of EUR 154.5 million, of which EUR 81.5 million represented goodwill to be amortised over ten years; following this purchase, the company became a wholly-owned subsidiary. Stora Enso had acquired a majority holding in Holzindustrie Schweighofer GmbH in December 1998 for a total acquisition cost of EUR 122.9 million, of which EUR 82.9 million represented goodwill.

In October 2001 Stora Enso acquired Purple Charta Investments' 20% shareholding in Stora Enso Suzhou Paper Co, thereby raising its stake to 80.87%. The total acquisition cost of USD 21.9 (EUR 24.0) million resulted in goodwill of EUR 28.4 million due to the negative net assets of the business, but the intention was to develop the business such that Stora Enso Suzhou Paper Co is now the second biggest supplier of coated fine paper in the Chinese market.

Disposals

There have been no material disposals during 2003, though steps have been taken to divest the greater part of Group forestry interests in Sweden; this is expected to be completed in early 2004 and the financial effect is shown on the following page under Assets-held-for-Sale. Stora Enso had launched its forest restructuring programme in 2002:

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

2. In December 2002 the Group completed the disposal of the greater part of its Finnish forest holdings to a new company, Tornator Timberland Oy, established by Finnish institutional investors. The sale of shares amounted to EUR 364.5 million and a capital gain of EUR 25.9 million was realised. Stora Enso owns 41% of the shares in the new company following the sale and this is shown as an Associate Company on the Balance Sheet (see Note 13). Stora Enso Forest, the Group's Finnish wood procurement arm, has entered into a longterm wood procurement agreement at market rates with Tornator Timberland Oy.

In April 2002 Stora Enso announced plans to close its UK merchant arm, Papyrus GB Ltd, as it had not proved possible to reach a satisfactory level of profitability in recent years despite extensive rationalisation. A charge of EUR 24.8 million was made to cover closure costs.

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

Assets-Held-for-Sale

In December 2003 Stora Enso announced its plan to restructure its forestlands in Sweden in conjunction with Korsnäs AB, a Swedish forest industry company controlled by the Kinnevik Group. The Swedish forests of both companies will be transferred to a new entity named Bergvik Skog AB in which the two partners will retain minority shareholdings of 44% and 5% respectively. The disposal is scheduled for completion in early 2004 along with a further forestland disposal in Ontario, Canada. The major classes of assets and liabilities included as part of these disposals at 31 December 2003 are presented below:

EUR million	As at 31 December 2003
Fixed assets and other long-term investments	1 625.4
Current Assets	3.0
Total Assets	**1 628.4**
Long-term Liabilities	479.4
Current Liabilities	15.9
Total Liabilities	**495.3**

Note 5 Other Operating Income & Expense

EUR million	Year Ended 31 December 2001	2002	2003
Capital gain on sale of fixed assets	42.1	79.6	12.4
Gain on sale of long-term investments	6.3	79.5	2.6
Rent	9.3	10.0	8.3
Subsidies	5.5	7.0	6.3
Total	**63.2**	**176.1**	**29.6**
Other Operating Expenses include			
Research and Development	92.3	91.6	88.8
Rents paid	96.1	95.7	93.2
Loss on sale of long-term investments	**8.4**	-	**4.5**

In 2003 there were no material gains on the disposal of long-term investments and fixed assets, whereas in 2002 these items included respectively a profit of SEK 702.5 (EUR 76.7) million on the sale of the greater part of the Group holding in its associate company, Billerud AB (see Note 13), and EUR 75.4 million relating to its forest holdings in Finland and the USA. In 2001 gains on sale of fixed assets included a capital gain of EUR 18.0 million on the sale of the Düsseldorf office building.

Aggregate fees for professional services rendered to the Group by the principal independent auditor, PricewaterhouseCoopers, are shown in the table below for 2002 and 2003 only. Audit fees relate to the audit of the annual financial statements or ancillary services normally provided in connection with statutory and regulatory filings. Audit-related fees are incurred for assurance and associated services that are reasonably related to the performance of the audit or review of financial statements. Tax fees are incurred on account of tax compliance, advice and planning.

Principal Independent Auditor's Fees & Services

EUR million	Year Ended 31 December 2002	2003
Audit fees	2.1	2.5
Audit-related fees	0.5	1.0
Tax fees	0.4	0.5
Other fees	0.1	0.4
Total	**3.1**	**4.4**

Note 6 Staff Costs

Personnel Expenses

EUR million	2001	2002	2003
	Year Ended 31 December		
Wages and salaries	1 659.0	1 656.3	1 662.3
Pensions	260.3	309.0	332.8
Other statutory employer costs	196.1	176.4	272.2
Other voluntary costs	119.0	140.3	18.0
Total	**2 234.4**	**2 282.0**	**2 285.3**

Pensions

EUR million	2001	2002	2003
	Year Ended 31 December		
Defined benefit plans	6.3	56.7	78.0
Defined contribution plans	223.1	217.1	223.4
Other post-employment benefits	30.9	35.2	31.4
Total Pension Costs	**260.3**	**309.0**	**332.8**

Full details of pension costs are shown in Note 19.

Board Remuneration

EUR thousand	2001	2002	2003
	Year Ended 31 December		
Claes Dahlbäck, Chairman	134.5	135.0	135.0
Krister Ahlström, Vice Chairman	84.0	85.0	85.0
Josef Ackermann (resigned 20 March 2003)	58.9	60.0	15.0
Harald Einsmann	58.9	60.0	60.0
Björn Hägglund, Deputy CEO	-	-	-
Jukka Härmälä, CEO	-	-	-
Barbara Kux (appointed 20 March 2003)	-	-	45.0
George W. Mead	58.9	60.0	60.0
Ilkka Niemi	44.2	60.0	60.0
Paavo Pitkänen	58.9	60.0	60.0
Jan Sjöqvist	58.9	60.0	60.0
Marcus Wallenberg	58.9	60.0	60.0
Total Remuneration as Directors	**616.1**	**640.0**	**640.0**

Executive Management Group ("EMG") Remuneration

EMG annual salaries are normally reviewed once a year and new salaries have historically been valid from 1 January, though this was changed to 1 March in 2003. Basic annual salaries totalled EUR 4.5 (EUR 4.5) million, of which EUR 1.1 (EUR 1.1) million related to the CEO as detailed as over.

Executive Remuneration: CEO

EUR thousand	2001	2002	2003
	Year Ended 31 December		
Annual salary	1 039.2	1 142.3	1 063.1
Benefits	27.2	76.3	114.8
Bonus (variable salary)	250.2	220.2	197.1
Total Remuneration	**1 316.6**	**1 438.8**	**1 375.0**

Chief Executive Officer: Jukka Härmälä

In addition to his basic salary, the CEO is also entitled to a short-term incentive plan, decided on by the Board each year, giving a maximum 50% of annual fixed salary. The plan for 2003 was 50% related to Stora Enso's Return on Capital Employed ("ROCE") with the other 50% being related to personal key targets.

The retirement age for the CEO has been set at 60 years, the pension arising from the compulsory Finnish TEL and a Stora Enso voluntary plan amounting to 66% of the average of the last four years Finnish remuneration preceding retirement. Pensionable remuneration in 2003 was EUR 930 350 (EUR 912 295), thus the cost to the Company of the compulsory TEL plan was EUR 174 083 (EUR 178 633); no funding was needed for the Stora Enso voluntary plan.

Executive Management Group

The deputy CEO is entitled to a similar incentive plan as the CEO, whilst the other EMG members have plans up to a maximum 40% of annual fixed salary; the payout in 2003, relating to 2002, was EUR 610 020 (EUR 584 266). Benefits amounting to EUR 263 172 (EUR 175 847) were provided, though additional sums relating to the foreign assignments of five members were provided at a cost of EUR 326 233 (EUR 262 787).

EMG members have a retirement age of 60 with pensions consistent with local practices within their respective home countries; pension costs totalled EUR 1 367 397 (EUR 908 829).

Contracts of employment for the CEO, Deputy CEO and other EMG members provide for notice of six months prior to termination with compensation being twelve months basic salary and a further optional twelve months salary depending on employment. They are also entitled to a certain number of shares through warrants and options/synthetic options, full details of which are shown in Note 26.

Note 7 Net Financial Items

EUR million	Year Ended 31 December 2001	2002	2003
Interest Expense			
Bank borrowings	-348.1	-242.5	-188.9
Finance leases	-44.1	-34.3	-30.2
Interest capitalised	7.9	9.0	5.2
Interest income	51.2	38.3	27.8
Dividend income	17.0	9.2	5.8
Exchange gains and losses	-58.5	44.9	12.5
Other financial income	44.7	48.1	36.7
Other financial expense	-13.6	-78.9	-106.6
Total	**-343.5**	**-206.2**	**-237.7**

Gains and losses on derivative financial instruments are shown in Note 22.

A provision of EUR 53.9 (USD 61.1) million for additional leasing costs arising from the early termination of finance leases is included in Other Financial Expense. Stora Enso North America Inc is in the process of terminating a portfolio of finance leases entered into in 1996 with a group of UK banks to finance PM16 at Wisconsin Rapids Mill and PM26 at Biron Mill. These leases were due to expire in 2011, but as a consequence of changes in the interpretation of UK leasing tax rules, termination of the leases is now appropriate. The transaction will be closed in early 2004 when the UK banks will formerly offset the restricted cash balance of EUR 443.6 million against the principal of the debt, with the Group paying over an amount for the additional costs as final settlement.

The aggregate foreign exchange gains and losses included in the Consolidated Income Statement are:

EUR million	Year Ended 31 December 2001	2002	2003
Sales	28.6	-19.0	-47.9
Costs and expenses	-0.1	2.5	5.2
Net financial items	-58.5	44.9	12.5
Total	**-30.0**	**28.4**	**-30.2**

Note 8 Income Taxes

Profit before Tax and Minority Interests

EUR million	Year Ended 31 December 2001	2002	2003
Finnish companies	796.5	353.7	186.9
Swedish companies	541.2	539.4	329.5
German companies	210.9	107.9	25.8
Other companies	-325.6	-1 344.2	-319.2
Total	**1 223.0**	**-343.2**	**223.0**

Income Tax Expense

EUR million	Year Ended 31 December 2001	2002	2003
Current Tax Expense			
Finnish companies	176.8	-98.6	5.2
Swedish companies	159.8	106.4	77.5
German companies	161.4	50.0	1.1
Other companies	20.8	58.6	31.4
Change in Deferred Taxes			
Finnish companies	67.0	-103.2	52.2
Swedish companies	-20.6	47.7	14.4
German companies	-156.1	-2.1	11.1
Other companies	-132.5	-179.4	-120.6
Associated Company Taxes	23.0	-0.3	-1.7
Total	**299.6**	**-120.9**	**70.6**

Income Tax Reconciliation

EUR million	Year Ended 31 December 2001	2002	2003
Tax at domestic rates applicable to profits in the country concerned	352.0	-249.6	25.8
Non-deductible expenses and tax exempt income	57.9	34.5	-6.8
Losses where no deferred tax benefit is recognised	-14.9	33.7	48.9
Impairment of North American assets	-	363.2	-
Write-down of shares in Stora Enso North America Corp.	-	-298.4	-
Change in legal status, Germany	-86.6	-	-
Change in tax rate	-8.8	-4.3	2.7
Income Taxes in the Consolidated Income Statement	**299.6**	**-120.9**	**70.6**
Effective Tax Rate	**24.5%**	**35.2%**	**31.7%**

In 2002 Stora Enso wrote down the surplus acquisition value of its North American assets by USD 1 081.0 (EUR 1 143.3) million, and a related write-down of EUR 1 028.8 million was also made in the books of Stora Enso Oyj in respect of the reduced value of its investment in Stora Enso North America Corp. Tax relief on this amounted EUR 298.4 million, of which

EUR 253.4 million was utilised in 2002 and the balance of EUR 45.0 million in 2003. Group tax excluding these effects represented a tax rate of 31.4% in 2002.

An increase in the tax base of German assets in 2001 following a change in the legal status of former Feldmühle subsidiaries resulted in a tax credit of EUR 86.6 million for that year, thereby lowering the Group effective tax rate to 24.5% from 31.6%.

The Group has recognised a deferred tax asset for its net operating loss carry-forwards and established a valuation allowance against this amount based on an analysis of the probability for set-off against future profits in the relevant tax jurisdictions. At 31 December 2003 Stora Enso had losses carried forward, mainly attributable to foreign subsidiaries, of EUR 982 (EUR 1 055) million of which some EUR 509 million had no expiry date, EUR 52 million expire during the years 2004–2008 and the remainder expire thereafter. Tax loss carry-forwards are netted against deferred tax liabilities within each jointly taxed group of companies and are only shown separately as an asset to the extent that they exceed such liabilities.

No deferred tax liability has been recognised for the undistributed earnings of Finnish subsidiaries as, in most cases, such earnings may be transferred to the Parent Company without any tax consequences. The Group does not provide for deferred taxes on undistributed earnings of non-Finnish subsidiaries to the extent that such earnings are intended to be permanently reinvested in those operations.

Reconciliation of Deferred Tax Balances in 2003

EUR million	As at 1 Jan 2003	Charge in Income Statement	Acquisitions and Divestments	CTA	OCI	As at 31 Dec 2003
Deferred Tax Liabilities						
Depreciation differences and untaxed reserves	1 460.4	47.8	12.8	-81.1	-	1439.9
Group eliminations	24.2	6.8	-	-	-0.6	30.4
Tax losses c/fwd and other temporary differences	-261.4	19.6	-18.6	30.0	-	-230.4
Fair value adj. for acquired net assets and IAS 41 (1)	708.4	-157.7	11.0	-19.8	-	541.9
	1 931.6	-83.5	5.2	-70.9	-0.6	1 781.8
Fair valuation of available-for-sale investments and derivative financial instruments	96.1	-	-	-	-47.1	49.0
	2 027.7	**-83.5**	**5.2**	**-70.9**	**-47.7**	**1 830.8**
Deferred Tax Assets						
Tax losses carried forward	144.9	-24.9	-	-	-	120.0
Less valuation allowance	-92.2	-15.7	-	-	-	-107.9
	52.7	**-40.6**	-	-	-	**12.1**
Change in Net Deferred Tax Liabilities	**1 975.0**	**-42.9**	**5.2**	**-70.9**	**-47.7**	**1 818.7**

OCI = Other Comprehensive Income Statement – see note 22

CTA = Cumulative Translation Adjustment

1) The opening balance for the fair value adjustment relating to acquired net assets has been restated to take into account deferred tax of EUR 240.4 million relating to the initial valuation surplus on the adoption of IAS 41 Agriculture on 1 January 2003.

The current part of deferred tax amounts to EUR -180.8 (54.6) million.

Reconciliation of Deferred Tax Balances in 2002

EUR million	As at 1 Jan 2002	Charge in Income Statement	Acquisitions and Divestments	CTA	OCI	As at 31 Dec 2002
Deferred Tax Liabilities						
Depreciation differences and untaxed reserves	1 715.1	-168.8	0.7	-86.6	-	1 460.4
Group eliminations	10.8	14.1	-	-	-0.7	24.2
Tax losses c/fwd and other temporary differences	-273.1	-23.3	0.3	34.7	-	-261.4
Fair value adjustments for acquired net assets	536.6	-34.4	5.6	-39.8	-	468.0
	1 989.4	-212.4	6.6	-91.7	-0.7	1 691.2
Fair valuation of available-for-sale investments and derivative financial instruments	21.6	-	-	-	74.5	96.1
	2 011.0	**-212.4**	**6.6**	**-91.7**	**73.8**	**1 787.3**
Deferred Tax Assets						
Tax losses carried forward	103.2	41.7	-	-	-	144.9
Less valuation allowance	-75.1	-17.1	-	-	-	-92.2
	28.1	**24.6**	-	-	-	**52.7**
Change in Net Deferred Tax Liabilities	**1 982.9**	**-237.0**	**6.6**	**-91.7**	**73.8**	**1 734.6**

Note 9 Valuation Provisions

Provisions for doubtful accounts, obsolete inventories, low inventory market values and tax valuation allowances are shown below:

Valuation and Qualifying Accounts

EUR million	Doubtful Accounts	Stock Obsolescence	Stock Valuation	Deferred Tax	Total Allowances
Carrying value at 1 January 2001	**29.8**	**15.8**	-	**58.8**	**104.4**
Translation difference	0.3	5.2	-	-	5.5
Charge in Income Statement	1.9	13.0	-	16.3	31.2
Reversal in Income Statement	-1.5	-12.3	-	-	-13.8
Carrying Value at 31 December 2001	**30.5**	**21.7**	-	**75.1**	**127.3**
Translation difference	-1.0	-2.2	-	-	-3.2
Charge in Income Statement	11.7	26.4	1.5	17.1	56.7
Reversal in Income Statement	-4.7	-20.3	-	-	-25.0
Carrying Value at 31 December 2002	**36.5**	**25.6**	**1.5**	**92.2**	**155.8**
Translation difference	-0.9	-0.9	-	-	-1.8
Charge in Income Statement	10.1	7.5	4.8	15.7	38.1
Reversal in Income Statement	-5.1	-3.6	-	-	-8.7
Carrying Value at 31 December 2003	**40.6**	**28.6**	**6.3**	**107.9**	**183.4**

Note 10 Depreciation, Amortisation and Fixed Asset Impairment Charges

EUR million	Year Ended 31 December 2001	2002	2003
Depreciation and Amortisation			
Intangible fixed assets	17.5	16.4	17.0
Buildings and structures	96.0	98.0	109.3
Plant and equipment	955.0	932.5	904.9
Other tangible fixed assets	44.8	42.6	25.1
Goodwill	150.4	148.8	116.1
Total	**1 263.7**	**1 238.3**	**1 172.4**
Impairment and disposal losses			
Plant and equipment	2.8	267.3	12.1
Other fixed assets	-	17.4	15.9
Goodwill	1.1	918.9	-
Total	**3.9**	**1 203.6**	**28.0**
Depreciation, Amortisation and Impairment Charges	**1 267.6**	**2 441.9**	**1 200.4**

Total depreciation, amortisation and impairment charges in the Income Statement amounted EUR 1 200.4 million against which there are minor capital gains on the disposal of fixed assets, shown in Other Operating Income, amounting to EUR 12.3 million, principally relating to land and a few buildings. In 2002 net losses on the disposal of fixed assets amounted to EUR 42.4 million, whilst capital gains on the disposal of fixed assets amounted to EUR 79.6 million, principally relating to the sale of US forests and other land.

In December 2003 the Group contracted to sell its forestlands in Ontario, Canada, simultaneously writing down the asset by EUR 17.6 million. The forestlands are now stated at their net realisable value of EUR 15.6 million and are included in Note 4 as an Asset-Held-for-Sale.

In September 2002, as a result of weakened market conditions in North America, the Group's North American assets were subject to impairment in the sum of USD 1 081.0 (EUR 1 143.3) million, of which USD 868.8 (EUR 918.9) million related to goodwill; the value of the remaining Stora Enso North America Inc goodwill at 31 December 2002 amounted to USD 645.9 (EUR 615.9) million, to be amortised over a further 17 years. The impairment was calculated with a discount rate of 9.5% using the Value in Use method for each cash generating unit, the resulting charges relating to the segments as to EUR 1 014.5 million for Magazine Paper and EUR 128.8 million for Fine Paper. In addition, as a result of the North American Profit Enhancement Plan, a further USD 50.0 (EUR 52.9) million impairment charge was made to restructure selected manufacturing assets.

Note 11 Fixed Assets

Fixed Asset Summary

EUR million	Year Ended 31 December 2003 Property Plant & Equipment	Intangible Fixed Assets	Goodwill	Total Fixed Assets
Acquisition Cost				
At 1 January	20 181.4	195.3	2 765.4	23 142.1
Translation difference	-544.6	-3.5	-276.3	-824.4
Reclassifications	-727.0	5.5	-	-721.5
Companies acquired	161.8	0.5	73.8	236.1
Additions	1 228.2	20.0	-	1 248.2
Disposals	-328.5	-9.3	-3.9	-341.7
At 31 December	**19 971.3**	**208.5**	**2 559.0**	**22 738.8**
Accumulated Depreciation and Amortisation				
At 1 January	9 369.3	122.0	1 709.9	11 201.2
Translation difference	-142.7	-1.8	-165.7	-310.2
Reclassifications	-23.2	-	-	-23.2
Companies acquired	29.6	0.1	-	29.7
Disposals	-293.5	-9.2	-3.9	-306.6
Charge for the year	1 039.3	17.0	116.1	1 172.4
Impairment charges	28.0	-	-	28.0
At 31 December	**10 006.8**	**128.1**	**1 656.4**	**11 791.3**
Net Book Value at 31 December 2003	**9 964.5**	**80.4**	**902.6**	**10 947.5**
Net Book Value at 31 December 2002	**10 812.1**	**73.3**	**1 055.5**	**11 940.9**
Net Book Value at 31 December 2001	**12 335.6**	**89.6**	**2 276.0**	**14 701.2**

Property, Plant & Equipment

EUR million	Year Ended 31 December 2003 Land and Water	Buildings and Structures	Plant and Equipment	Other Tangible Assets	Assets in Progress	Total
Acquisition Cost						
At 1 January	961.8	2 703.4	15 256.8	754.3	505.1	20 181.4
Translation difference	-2.2	-46.2	-485.6	-5.8	-4.8	-544.6
Reclassifications	-611.3	166.9	573.8	-83.6	-772.8	-727.0
Companies acquired	2.1	35.1	117.0	1.9	5.7	161.8
Additions	2.0	67.5	399.2	15.5	744.0	1 228.2
Disposals	-1.2	-25.2	-180.5	-113.2	-8.4	-328.5
At 31 December	**351.2**	**2 901.5**	**15 680.7**	**569.1**	**468.8**	**19 971.3**
Accumulated Depreciation and Amortisation						
At 1 January	-	1 133.9	7 848.2	387.2	-	9 369.3
Translation difference	-	-5.9	-135.5	-1.3	-	-142.7
Reclassifications	-	-2.2	-30.4	9.4	-	-23.2
Companies acquired	-	6.9	22.7	-	-	29.6
Disposals	-	-11.9	-168.3	-113.3	-	-293.5
Charge for the year	-	109.3	904.9	25.1	-	1039.3
Impairment charges	-	-	12.1	15.9	-	28.0
At 31 December	-	**1 230.1**	**8 472.6**	**323.0**	-	**10 006.8**
Net Book Value at 31 December 2003	**351.2**	**1 671.4**	**7 227.0**	**246.1**	**468.8**	**9 964.5**
Net Book Value at 31 December 2002	**961.8**	**1 569.5**	**7 408.6**	**367.1**	**505.1**	**10 812.1**
Net Book Value at 31 December 2001	**1 415.8**	**1 669.4**	**8 576.6**	**431.8**	**242.0**	**12 335.6**

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Reclassifications of fixed assets amounted to EUR 698.3 million, being cost of EUR 721.5 million less accumulated depreciation of EUR 23.2 million. The net reclassification comprised:

- A longterm operative receivable of EUR 7.6 million in Canada was reclassified into fixed assets.
- Biological assets, in the form of free standing trees and amounting to EUR 705.9 million, were reclassified, principally from land, to Biological Assets (see Note 12).

The Group's Fixed Assets at 31 December 2003 include capitalised balances for unamortised computer software development costs, interest (at 6% to 11%) on the construction of qualifying assets and finance lease assets:

Capitalised Values

	As at 31 December								
	2001	2002	2003	2001	2002	2003	2001	2002	2003
EUR million	**Computer Software**			**Capitalised Interest**			**Finance Leases**		
At 1 January	23.2	18.4	36.3	83.9	81.4	79.4	853.3	818.7	614.4
Translation difference	-1.9	-	-0.2	0.4	-1.3	-1.3	22.1	-125.5	-88.5
Acquisitions and disposals	-	-	-	-	-1.2	-	-	-24.9	-369.4
Capitalised in the year	-	23.0	18.5	7.9	9.0	5.2	-	-	21.5
Depreciation	-2.9	-5.1	-7.9	-10.8	-8.5	-6.2	-66.7	-53.9	-35.7
At 31 December	**18.4**	**36.3**	**46.7**	**81.4**	**79.4**	**77.1**	**818.7**	**614.4**	**142.3**

Fixed Asset Additions

There was only one material acquisition in 2003, total acquisitions of Group companies amounting to EUR 241.3 (EUR 56.3) million; the acquisition value of the operating fixed assets therein came to EUR 206.4 (EUR 150.4) million, of which EUR 73.8 (EUR 26.7) million related to Goodwill. Total acquisitions of Group companies in 2001 amounted to EUR 233.6 million, though this principally related to buying out minorities in Stora Enso Timber Oy and Stora Enso Suzhou Paper Co; the acquisition value of the operating fixed assets came to EUR 141.5 million of which EUR 127.5 million related to Goodwill.

Capital expenditure for the year in Stora Enso Oyj and its subsidiaries amounted to EUR 1 248.2 (EUR 877.6) million. However, a further major investment is being undertaken at the Veracel Pulp Mill in Brazil, where the Group will inject some EUR 500 million; fixed assets in this company amounted to some EUR 230 (BRL 840) million, but as the Group interest in this joint venture is only 50%, it is dealt with under equity accounting and is included on the Balance Sheet as an Investment in an Associate Company; see Note 13. The other main projects in 2003 were:

Paper

1. As part of Stora Enso's asset restructuring programme, Publication Paper has restructured its newsprint production at Langerbrugge Mill, Belgium following the May inauguration of its new PM4. Costing an expected EUR 485 million, this machine is the Group's largest investment to date, EUR 201.1 million having been spent in 2003 with a further EUR 273.8 million the previous year. It has an annual production capacity of 400 000 tonnes drawn from an input of some 500 000 tonnes of recovered paper and is expected to reach full capacity in 2005. A de-inking plant and a 75 MW bio-fuel power plant have also been built on site.
2. In line with its strategy for Publication Paper, the Group will continue to increase the specialisation of its paper machines and phase out production that does not prove to be profitable over the long term. Thus Summa Mill's PM1 in Finland and Langebrugge Mill´s PM 2 have been closed, whilst Langerbrugge Mill´s PM3, with an annual capacity of 165 000 tonnes, has been modernised at a cost of EUR 38 million, of which EUR 5.7 million was spent in 2003 and EUR 32.5 million the year before.
3. The Asset Restructuring Programme also includes an investment in uncoated magazine paper, PM6 at Maxau Mill in Germany being rebuilt at an estimated cost of EUR 168 million, EUR 52.9 million being expended in 2003. Also in Germany, the

Group is modernising its PM1 at Sachsen Mill at a cost of EUR 14 million, of which EUR 13.1 million was expended during the year.

4. In France, Corbehem Mill's magazine PM5 is being rebuilt at a cost of EUR 60 million and a new energy plant is being constructed for EUR 23 million, EUR 6.0 million and EUR 14.8 million having been spent this year respectively.
5. In Sweden, Kvarnsveden Mill has a new EUR 55 million boiler under construction with an expected start-up in mid-2005; EUR 23.6 million was spent in 2003.
6. In Finland, some EUR 30 million is being invested at Kotka Mill's Solaris Press PM2 and at Varkaus a further EUR 37 million is being spent on a new thermo-mechanical pulp ("TMP") line; EUR 27.3 million and EUR 9.5 million were expended during the year respectively.
7. Stora Enso is building a peroxide bleaching plant at its Veitsiluoto Mill in Finland to enhance the quality of magazine paper and at the same time it will enlarge the biological effluent treatment plant to meet future wastewater treatment requirements. The project started in April 2003 and is scheduled for completion in May 2004 at a cost of EUR 30 million, of which EUR 4.4 million was expended in 2003.
8. In Canada, the Group is installing a TMP line at Port Hawkesbury Mill in a project worth EUR 50 million designed to provide TMP for PM1, thus enabling the closure of outdated high-yield sulphate and groundwood plants. EUR 31.1 million was spent in 2003.
9. In the US, Stora Enso spent EUR 19.4 (USD 24.5) million on the rebuild of Biron Mill's PM26 in a targeted investment of EUR 59 (USD 74) million. The Group also completed a EUR 10 (USD 13) million investment for Kimberly Mill PM96, the rebuild focusing on improving quality and enabling conversion of the machine to low basis weight wood-free coated products. A further EUR 38 (USD 48) million investment was commenced during the year to rebuild the Wisconsin Rapids Mill PM16 where the rebuild is designed to significantly increase production by enabling the transfer to higher basis weight products; EUR 11.3 (USD 14.3) million was spent in 2003. Moreover, the Group also started the preparations for the Spring 2004 Kimberly Mill PM97 rebuild, the investment of EUR 19 (USD 24) million being designed to increase operating speed resulting in additional production capacity; EUR 5.0 (USD 6.2) million was spent in 2003. The Group has also commenced a pulp conversion project with targeted investment of EUR 21 (USD 27) million at three mills, Wisconsin Rapids pulp mill, Biron Mill and Kimberly Mill, which aims at converting Wisconsin Rapids pulp mill to all-hardwood pulp production and integrating the output to Wisconsin Rapids and Kimberly paper mills; EUR 5.3 (USD 6.7) million was spent in 2003.
10. Fine Paper has invested EUR 82.4 million during the year to upgrade its PM3 at Veitsiluoto Mill in Finland out of a project budget of EUR 117 million; the rebuilt machine is expected to come on line in 2004.
11. A further EUR 10.7 million has been spent by Fine Paper in 2003 on the upgrade and modernisation of its office PM1 at Nymölla in Sweden; the total project cost is EUR 23 million.
12. Fine Paper has also spent EUR 6.7 million on a major Graphic Paper investment of EUR 18 million at Oulu and, for Office Paper, EUR 10.6 million at Veitsiluoto and a further EUR 15.6 million at Nymölla, the project values being EUR 27 million and EUR 60 million respectively.

Packaging Boards

1. In Germany, a EUR 67 million investment at Baienfurt Mill to enhance folding boxboard production resulted in expenditure for the year of EUR 29.8 million, a further EUR 10.2 million having been expended previously and a further EUR 30 million being scheduled prior to completion in 2004.
2. In Russia, the new Arzamas corrugated board mill project incurred costs in 2003 of EUR 19.3 million out of an estimated total of EUR 33 million, EUR 7.2 million having been expended previously. Completion of the project is scheduled for 2004.
3. In Sweden, finishing department improvements were being undertaken at Fors Mill in a recently completed EUR 25 million project, EUR 13.8 million being spent in 2003 and EUR 10.6 million in 2002.
4. Also in Sweden, Skoghall Mill's new Energy 2005 investment project aims to secure the future base for board production there and strengthen the mill's energy supply to enable production with low emissions in both the short and long term. The project includes a new recovery boiler area, evaporation plant and conversion of an oil boiler into a biofuel boiler. Project implementation started in late 2003, the new evaporation plant and recovery boiler starting-up in Autumn 2005 and the biofuel boiler in Summer 2006. The total investment will amount to EUR 211 million and will reduce the oil consumption of the mill by some 60 000 m^3 annually and increase electricity self-sufficiency from 15% to about 40%. Costs of EUR 20.0 million were incurred in 2003.

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Forest Products

1. In the Baltic States, AS Sylvester had already started, prior to its acquisition by Stora Enso, to build a sawmill in Lithuania in an investment of some EUR 20 million; the mill will have an annual production capacity of 150 000 m^3 of sawn wood products, of which 100 000 m^3 will be on-line further processed. Additionally a major investment programme was also in progress during 2003 at all six existing mills in Estonia and Latvia; this includes several projects to add product value by increasing the kiln drying and further processing capacity of the mills. The total investment will be some EUR 30 million and the capacity of these mills will consequently be raised to over 1 million m^3 of sawn wood products. Capital expenditure in 2003 totalled EUR 32.2 million in the Baltics.
2. In Russia, Stora Enso Timber division completed its new Impilahti sawmill at Pitkäranta in Carelia and continued to construct a second at Nebolchi in the Novgorod region. Capital expenditure in the year was EUR 10.7 million at Pitkäranta and a further EUR 6.2 million at Nebolchi, the two sawmills providing a total capacity of 200 000 m^3.
3. In Finland the Varkaus and Kotka sawmills were modernised at a cost of EUR 25.6 million.

Certain other material investment projects were commenced only in late 2003 or had only received recent approval:

1. A new EUR 450 million paper machine at Kvarnsveden Mill in Sweden will be built to improve competitiveness in uncoated magazine paper production. The annual production capacity of the machine will be some 420 000 tonnes of supercalendered (SC) paper, commissioning expected in late 2005. Kvarnsveden Mill PM9, which has an annual capacity of 130 000 tonnes, will be shut down when the new machine starts up; at the same time, Langerbrugge Mill PM3 will change from making mainly high-quality SC to exclusively SC-B paper and PM5 at Wolfsheck Mill in Germany will cease non-competitive production of SC paper.
2. Publication Paper will upgrade and modernise PM2 at its mill at Summa, Finland, the machine making magazine paper and improved newsprint. The capital expenditure of EUR 53 million will be allocated equally between 2004 and 2005, the project being scheduled to be completed in April 2005.

In 2002 the Group announced a Profit Enhancement Plan for its North American assets and an Asset Restructuring Plan for printing papers. Under the North American Plan, weaker market conditions obliged the Company to impair the value of its fixed assets by USD 1 081.0 (EUR 1 143.3) million, whilst at the same time the Group determined to close unprofitable capacity balanced by restructuring selected manufacturing assets through targeted capital investment projects; this resulted in further impairment charges of USD 50.0 (EUR 52.9) million. Under the Restructuring Plan for printing papers, the Board approved a plan to improve asset quality in the Magazine and Fine Paper businesses by targeted investments, machine specialisation and the elimination of less competitive assets. With the exception of the new machine to be built at Kvarnsveden Mill, Sweden, for some EUR 450 million, all the projects decided upon in the 2002 plans have been commenced in the current period and are detailed above.

Capital expenditure in 2002 totalled EUR 877.6 million. The main investments were the new Langerbrugge Mill PM4 in Belgium (EUR 254.1 million), the rebuild of Langerbrugge Mill PM3 (EUR 28.6 million), the completion of PM6 at Oulu Mill, Finland (EUR 16.5 million) and the new Balabanovo packaging board mill in Russia (EUR 11.4 million).

Capital expenditure in 2001 totalled EUR 857.1 million. The main investments were the new pulping line no. 3 (EUR 134.5 million) and rebuild of board machine no. 5 (EUR 11.2 million) at Imatra Mill, Finland, the rebuild of fine PM6 (EUR 56.7 million) at Oulu Mill, Finland, fine PM2 (EUR 22.1 million) at Uetersen Mill, Germany, and newsprint PM3 (EUR 14.5 million) at Summa Mill, Finland. An Asset Restructuring Programme to increase competitiveness in the newsprint and magazine paper businesses was also initiated; the programme included the new Langebrugge newsprint production line and biofuel power plant along with the rebuild of PM3 at Langerbrugge Mill, Belgium, counterbalanced by the retirement of PM2 at Langerbrugge Mill and PM1 at Summa Mill.

Read more about product areas in Company 2003 report.

Fixed Asset Disposals

EUR million	Year Ended 31 December 2001	2002	2003
Acquisition cost	694.8	1 071.2	341.7
Accumulated depreciation	391.6	508.6	306.6
Net book value of disposals	303.2	562.6	35.1
Net gains on disposals	33.7	37.2	12.4
Disposals Proceeds	**336.9**	**599.8**	**47.5**
Represented by			
Cash sales proceeds	92.6	202.4	47.5
Non-cash sales proceeds	244.3	36.8	-
Group company disposals	-	360.6	-
Total Fixed Asset Disposals	**336.9**	**599.8**	**47.5**

There were no fixed asset disposals in 2003 other than minor sales in the normal course of operations. However, steps have been taken to divest the greater part of the Group's Swedish forest interests in early 2004.

The principal fixed asset disposal in 2002 consisted of the divestment of forest assets in Finland, EUR 360.6 million, and in the US, USD 141 (EUR 149.1) million; the Finnish transaction was partly in exchange for 41% of the shares in a new associate company, Tornator Timberland Oy.

The main disposal in 2001 related to the establishment of Billerud AB on 1 January 2001 in a non-cash transaction whereby the Group transferred both assets and liabilities to the new company in exchange for a 50% shareholding therein.

The new accounting standard IAS 41, Agriculture, under which Stora Enso's biological assets in the form of standing trees are fair market valued, came into effect on 1 January 2003. The value of Group forests was thus increased from a previous book value of EUR 705.9 million to a fair value of EUR 1 561.3 million. The revaluation reserve amounted to EUR 855.8 million, which resulted in an increase in equity of EUR 615.4 million after the deduction of deferred tax; in accordance with IAS 8, this was credited directly to Retained Earnings as non-distributable equity.

Periodic future changes resulting from growth, price and other factors will be entered in the Income Statement so that operating profit includes an adjustment for the change in value of the standing forest during the year. This change in value is made up of growth, harvesting and price fluctuations. The result for 2003 includes EUR 116.2 million in respect of the change in fair value, being the growth and price effect, less EUR 104.6 million for harvesting, resulting in the net gain of EUR 11.6 million shown in the Income Statement.

At 31 December 2003 Stora Enso's biological assets had a fair value of EUR 1 587.8 million and were located by value in Sweden (95.0%), Portugal (3.3%), Canada (0.1%), China (0.3%) and Indonesia (1.3%). In addition, the Group has two Associated Companies where IAS 41 is taken into account in computing their results:

- Tornator Timberland Oy, a 41% owned associate which acquired the Group's Finnish forest interests in 2002, had biological assets at a fair value of EUR 628.9 million.
- Veracel, a 50% owned associate in Brazil, also has substantial forest plantations fair valued at EUR 67.4 million, though with a growing cycle of only seven years.

The initial IAS 41 fair value adjustment to Group equity on account of these associates amounted to EUR 44.0 million net of deferred tax.

Biological Assets

EUR million	As at 31 December 2003
Assets reclassified from Fixed Assets (see Note 11)	705.9
Fair valuation surplus	855.8
Carrying value at 1 January 2003	**1 561.7**
Translation difference	8.3
Additions	7.2
Disposals	-1.0
Change in fair value	116.2
Decrease due to harvest	-104.6
Total Biological Assets	**1 587.8**

The value of the Group's free standing trees is EUR 1 587.8 million, whereas the total value of the Group's forest assets amounts to EUR 1 705.6 million. The difference of EUR 117.8 million is represented by the land under the trees, EUR 98.5 million, and the roads thereon, EUR 19.3 million; the forestland is shown under Fixed Assets in Land and the forest roads are in Fixed Assets under Other Tangible Assets.

Note 13 Associated Companies

Carrying Values

EUR million	Year Ended 31 December 2001	2002	2003
Historical Cost			
At 1 January	178.2	251.3	225.3
Translation difference	0.5	-6.9	-7.0
Additions	135.6	1.5	103.5
Disposal proceeds	-62.4	-185.5	-0.4
Equity adjustment disposal	-	60.8	-
Income Statement – Profit on disposal	-	76.7	0.3
Subsidiary transfers	-	29.2	-2.4
Transfer to available-for-sale investments	-0.6	-1.8	0.4
Historical cost at 31 December	**251.3**	**225.3**	**319.7**
Equity Adjustment to Investments in Associated Companies			
At 1 January	19.2	55.4	-13.6
Translation difference	-6.3	-13.6	-1.9
Disposals	-	-60.8	-
Effect of adopting IAS 41 Agriculture	-	-	44.0
Share of results before tax	79.6	14.6	-23.0
Dividends received	-14.9	-9.5	-3.2
Income taxes	-23.0	0.3	1.7
Subsidiary transfers	0.8	-	-4.7
Equity Adjustment at 31 December	**55.4**	**-13.6**	**-0.7**
Carrying Value of Associated Companies at 31 December	**306.7**	**211.7**	**319.0**

The principal addition in 2003 related to the Group's Brazilian interests. Stora Enso and its Brazilian partner, Aracruz Celulose S.A., are going ahead with the construction of a 900 000 tonnes per year eucalyptus pulp mill for their jointly owned associate company Veracel Celulose S.A. at Eunápolis in the state of Bahia, Brazil; each company has a 50% stake and will be entitled to half of the mill's output. The pulp mill project cost is estimated at USD 870 (EUR 690) million and a further USD 70 (EUR 56) million will be spent in infrastructure. An additional USD 300 (EUR 238) million has already been spent in forestry-related activities and construction of infrastructure, mainly roads and a harbour. Construction of the mill began in mid-2003 and start-up is scheduled for mid-2005.

The project is financed by 45% equity and 55% loans provided by a number of development banks. The equity injections to date amount to EUR 192.6 (USD 218.8) million and after the deduction of start-up costs of EUR 24.8 million and currency fluctuations of EUR 63.1 million, gives a carrying value to the Group of EUR 104.7 million.

The principal addition in 2002 consisted of the acquisition of a 41% holding in Tornator Timberland Oy, a company established in conjunction with Finnish financial institutions, in exchange for the divestment of the greater part of Stora Enso's Finnish forestry assets (see Note 4). The intention is to further reduce the Group interest, but the holding will continue to be subject to equity accounting until it drops below 20%.

The principal disposal in 2002 related to the disposal of 18.5 million shares in Billerud AB, representing 29.5% of that company's share capital. The net sales proceeds amounted to SEK 1 667 (EUR 182.1) million, resulting in a capital gain of SEK 702 (EUR 76.7) million. The Group residual holding in Billerud at 31 December 2002 and 2003 now comprises 300 000 shares, valued at EUR 2.9 (EUR 3.1) million and representing 0.5% of the share capital and votes; this is shown as a Listed Security under Available-for-Sale Investments.

The principal disposal in 2001 also related to Billerud AB, comprising the sale in October of 40% of the Group's shareholding, representing 20% of that company, for SEK 580 (EUR 62.4) million at a sales price approximating book value; at the year end Stora Enso had a 30% shareholding.

Principal Associated Companies

Company	Domicile	2003 %	2001 EUR million	2002 EUR million	2003 EUR million
			As at 31 December		
Veracel Celulose S.A.: pulp mill & plantation	Brazil	50.0	49.5	27.3	104.7
Tornator Timberland Oy: forest	Finland	41.0	-	29.2	83.0
Sunila Oy: pulp mill	Finland	50.0	51.8	45.3	44.4
Thiele Kaolin Company Inc: China clay	USA	34.9	36.7	34.1	37.1
Steveco Oy: stevedores	Finland	34.3	15.2	14.9	12.5
Mitsubishi HiTec Paper Group (Bielefeld & Flensburg): office papers	Germany	24.0	23.3	22.2	7.3
Holzwerke Wimmer GmbH: timber processing	Germany	49.0	6.6	6.8	5.6
Billerud AB: pulp, SC, fluting, kraft papers (formerly 50.0%)	Sweden	n/a	100.2	-	-
AS Imavere Saeveski: sawmill (33.3% to subsidiaries in 2003)	Estonia	n/a	5.5	6.6	-
			288.8	186.4	294.6
Others			17.9	25.3	24.4
Carrying Value of Associated Companies at 31 December			**306.7**	**211.7**	**319.0**

Related Party Balances

EUR million	2001	2002	2003
	As at 31 December		
Receivables from Associated Companies			
Long-term loan receivables	4.4	2.8	34.8
Trade receivables	25.5	16.0	21.6
Short-term loan receivables and investments	4.8	6.2	14.4
Prepaid expenses and accrued income	-	0.6	0.8
Liabilities due to Associated Companies			
Trade payables	12.1	11.0	13.6
Accrued liabilities and deferred income	1.7	0.3	0.1

Related Party Transactions

EUR million	2001	2002	2003
	Year Ended 31 December		
Sales to associated companies	86.2	119.0	139.6
Interest on associated company loan receivables	0.1	0.4	3.1
Purchases from associated companies	-78.3	-79.8	-54.2

The Group engages in transactions with associated companies, such as sales of wood material and purchases of wood, energy and pulp products. All agreements are negotiated at arm's length and are conducted on terms that the Group considers customary in the industry and generally no less favourable than would be available from independent third parties.

Note 14 Available-for-Sale Investments

The Group classifies its investments into the three categories of trading, held-to-maturity and available-for-sale; at the Balance Sheet date the Group held only available-for-sale investments. All available-for-sale investments are considered to be non-current assets unless they are expected to be realised within twelve months.

Summary of Values

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
Acquisition cost at 1 January			
Listed – Listed securities	132.3	138.9	145.2
Unlisted – Shares in other companies	177.2	181.0	148.5
Investments reclassified as available-for-sale	309.5	319.9	293.7
Effect of IAS 39: OCI	87.1	58.5	24.0
Available-for-Sale investments at 1 January	396.6	378.4	317.7
Translation difference	-0.8	0.8	0.1
Additions	20.5	12.8	28.4
Change in fair values (OCI)	-28.6	-34.5	56.5
Disposal proceeds	-15.6	-44.4	-33.3
Income Statement – Profit/loss on disposal	6.3	2.8	-0.9
Transfer from Associated Companies	-	1.8	-
Carrying Amount at 31 December	**378.4**	**317.7**	**368.5**

Unrealised Gains and Losses in Marketable Equity Securities

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
Unrealised holding gains	92.0	68.4	92.9
Unrealised holding losses	-33.5	-44.4	-12.4
Net unrealised holding gains (OCI)	**58.5**	**24.0**	**80.5**
Cost	319.9	293.7	288.0
Market value	**378.4**	**317.7**	**368.5**
Net unrealised holding gains (OCI)	58.5	24.0	80.5
Deferred tax	-17.8	-7.6	-24.1
Unrealised holding gains shown in equity as OCI	**40.7**	**16.4**	**56.4**
Change for the year in unrealised holding gains	**-21.2**	**-24.3**	**40.0**

The fair value of publicly traded securities are based on quoted market prices at the Balance Sheet date whereas the fair value of other securities are assessed using a variety of methods and assumptions based on market conditions existing at each Balance Sheet date; quoted market prices or dealer quotes for similar or identical securities may be obtained, alternatively, other techniques such as option pricing models and estimated discounted values of future cash flows, may also be used.

Principal Available-for-Sale Investments

EUR million	Holding %	Number of Shares	Acquisition Cost	Market Value
	As at 31 December 2003			
Listed Securites				
Advance Agro PCL, Thailand	18.9	100 536 328	69.1	62.3
Alfred Berg Global B (growth), Finland	11.1	5 388 051	4.5	3.0
Alfred Berg Euro Obligaatio Pro B (growth), Finland	4.02	1 219 287	1.3	1.4
Alfred Berg Europe (growth), Finland	5.8	6 326 415	4.0	4.1
Billerud AB, Sweden	0.5	300 000	1.8	2.9
CA-AM Dynarbitrage VaR4, Russia	0.3	390 000	2.0	2.0
CPI Group Ltd, Australia (11.5 % of voting rights)	8.5	4 784 142	5.0	2.4
Finnlines Oyj, Finland	5.5	1 104 670	1.9	31.8
FIM Russia (growth), Russia	1.2	61 022	2.0	2.0
Nordea AB, Sweden	0.1	3 091 213	7.3	18.4
Nordea Foresta (growth), Finland	4.3	5 000 000	0.8	1.8
Nordea Europa Plus (growth), Finland	12.5	2 984	2.0	2.1
Nordea Pro Euro Korko, Finland	0.7	891 051	7.8	7.9
Sampo Plc, A series, Finland,	1.6	8 911 140	25.7	74.1
Sea Containers Ltd, Bermuda	1.1	195 904	3.2	2.8
Others	-	N/A	8.8	8.7
Total Listed Securities			**147.2**	**227.7**
Unlisted Shares			**140.8**	**140.8**
Total Available-for-Sale Investments at 31 December 2003			**288.0**	**368.5**
Total Available-for-Sale Investments at 31 December 2002			**293.7**	**317.7**
Total Available-for-Sale Investments at 31 December 2001			**319.9**	**378.4**

The difference of EUR 80.5 (EUR 24.0) million between the acquisition cost and market value of the available-for-sale investments represents the OCI Reserve as shown in Note 22.

Note 15 Other Non-Current Assets

EUR million	2001	2002	2003
	As at 31 December		
Stora Enso North America Corp.:			
Overfunded pension plan			
(Note 19)	205.7	163.4	124.4
Others	52.2	77.7	45.9
Total	**257.9**	**241.1**	**170.3**

Note 16 Inventories

EUR million	2001	2002	2003
	As at 31 December		
Cutting rights	31.0	28.1	14.9
Materials and supplies	435.5	411.2	393.5
Work in progress	87.6	91.5	76.2
Finished goods	787.5	783.5	813.3
Spare Parts and consumables	251.0	256.1	299.2
Other inventories	29.9	23.9	31.9
Advance payments	12.5	14.0	29.4
Obsolescence provision	-35.0	-43.3	-28.6
Market value provision	-	-	-6.3
Total	**1 600.0**	**1 565.0**	**1 623.5**

Note 17 Receivables

Short-term Operative Receivables

EUR million	As at 31 December 2001	2002	2003
Trade receivables	1 763.2	1 526.6	1 461.2
Provision for doubtful debts	-30.5	-36.5	-40.6
Prepaid expenses and accrued income	81.2	234.6	109.8
Other receivables	162.4	177.7	172.9
Total	**1 976.3**	**1 902.4**	**1 703.3**

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

Interest-bearing Receivables

EUR million	As at 31 December 2001	2002	2003
Restricted US cash balance for cross-border leasing	482.4	460.9	443.6
Derivative financial instruments (Note 22)	188.2	643.0	277.0
Other loan receivables	167.9	467.2	105.5
	838.5	**1 571.1**	**826.1**
Current Assets: Receivable within 12 months	333.1	1 090.5	781.8
Non-current Assets: Receivable after 12 months	505.4	480.6	44.3
Total	**838.5**	**1 571.1**	**826.1**

Annual interest rates for loan receivables at 31 December 2003 ranged from 1.77% (1.35%) to 7.1% (6.11%).

Due to the nature of the Group financial assets, their carrying value is considered to approximate their fair value.

Under the Articles of Association, the minimum issued share capital of the Company is EUR 850 million and the maximum EUR 3 400 million, within the limits of which it may be increased or reduced without amendment to the Articles; the minimum number of shares that may be issued is 500 million and the maximum number 2 000 million. Series A shares entitle the holder to one vote per share whereas Series R shares entitle the holder to one vote per ten shares with a minimum of one vote, though the nominal value of both shares is the same. The maximum number of Series A shares is 500 million and Series R shares, 1 600 million, the aggregate not exceeding 2 000 million. Series A shares may be converted into Series R shares at any time at the request of a shareholder. At 31 December 2003 the Company's fully paid-up share capital as entered in the Finnish Trade Register was EUR 1 469.3 (EUR 1 529.6) million.

As from 1997, the Finnish Companies Act determined that the individual nominal value of shares would no longer be a fixed sum, but would instead represent the total value of the issued share capital divided by the number of shares in issue. The current nominal value of each issued share is EUR 1.70, unchanged from the previous year.

The Board of Directors will propose to the forthcoming Annual General Meeting to continue to reduce the registered share capital of the Company by cancelling repurchased own shares. The issued share capital will be reduced by not more than 5%, being EUR 73.5 million, through the cancellation of a maximum of 9 100 000 Series A shares and a maximum of 34 000 000 Series R shares, all of which will have been repurchased by the Company under the authorisation granted by the Annual General Meeting 2003 on the basis of the established programme for the repurchase of own shares. At 31 December 2003 Stora Enso Oyj held shares with an acquisition cost of EUR 258.0 (EUR 314.9) million, comprising 8 100 Series A shares along with 26 181 379 Series R shares, and representing 3.0% of the share capital and 1.1% of voting rights.

At the end of 2003 Directors and Management Group members owned 34 175 (34 175) Series A shares and 2 862 910 (2 895 655) Series R shares, representing 0.1% of the total voting rights of the Company. A full description of Company Option Programmes, along with full details of Director and Executive interests, is shown at Note 26; at 31 December 2003 the impact on the issued share capital of these Programmes, comprising 567 000 new Series R shares subscribable against warrants, amounted to less than 0.1% of both the share capital and voting rights after the exercise of the options.

At 31 December 2003 shareholder equity amounted to EUR 8 083.7 (8 156.9) million against a market capitalisation on the Helsinki Exchanges of EUR 9.3 (EUR 9.1) billion; the market values of the shares were EUR 11.00 (EUR 10.10) for A shares and EUR 10.68 (EUR 10.05) for the R shares.

Change in Share Capital

	Series A	Series R	Total
At 1 January 2001	**194 496 456**	**732 726 810**	**927 223 266**
Warrants exercised and registered 5 Jan	-	312 000	312 000
Warrants exercised and registered 16 Mar	-	964 201	964 201
Cancellation of repurchased shares 9 Apr	-910 600	-22 260 100	-23 170 700
Warrants exercised and registered 29 May	-	228 000	228 000
Warrants exercised and registered 20 Jul	-	773 522	773 522
Conversion of Series A shares to Series R shares 17-28 Sep	-9 312 271	9 312 271	-
Warrants exercised and registered 17 Oct	-	238 287	238 287
Warrants exercised and registered 29 Nov	-	184 723	184 723
At 31 December 2001	**184 273 585**	**722 479 714**	**906 753 299**
Warrants exercised and registered 10 Jan	-	1 158 000	1 158 000
Cancellation of repurchased shares 3 Apr	-813 200	-7 319 800	-8 133 000
Conversion of Series A shares to Series R shares 16-27 Sep	-1 143 700	1 143 700	-
At 31 December 2002	**182 316 685**	**717 461 614**	**899 778 299**
Warrants exercised and registered 9 Jan	-	3 000	3 000
Cancellation of repurchased shares 31 Mar	-93 800	-35 500 000	-35 593 800
Conversion of Series A shares to Series R shares 16 June	-16 118	16 118	-
Conversion of Series A shares to Series R shares 15 July	-1 400	1 400	-
Conversion of Series A shares to Series R shares 15 Aug	-34 200	34 200	-
Conversion of Series A shares to Series R shares 15 Sept	-21 841	21 841	-
Conversion of Series A shares to Series R shares 15 Oct	-502 923	502 923	-
Conversion of Series A shares to Series R shares 17 Nov	-121 166	121 166	-
Conversion of Series A shares to Series R shares 12 Dec	-314 157	314 157	-
Warrants exercised and registered 12 Dec	-	75 000	-
At 31 December 2003	**181 211 080**	**683 051 419**	**864 262 499**
Warrants exercised and registered 8 Jan	-	27 000	27 000
Warrants exercised and registered 15 Jan	-	195 000	195 000
Conversion of Series A shares to Series R shares 15 Jan	-27 906	27 906	-
Shares in Issue at 15 January 2004	**181 183 174**	**683 301 325**	**864 484 499**
Number of votes as at 31 December 2003	**181 211 080**	**68 305 141**	**249 516 221**
Share Capital at 31 December 2003, EUR million	**308.1**	**1 161.2**	**1 469.3**
Share Capital at 31 December 2002, EUR million	**309.9**	**1 219.7**	**1 529.6**
Share Capital at 31 December 2001, EUR million	**313.2**	**1 230.2**	**1 541. 5**

Nominal Value for all Shares is EUR 1.70.

In December 2003, 222 000 (3 000) shares were issued under 1997 bonds with warrants, but these were not registered in the Finnish Trade Register until the above dates in January 2004.These two issues increased the total number of shares to the amounts shown above, being the total shares eligible to vote at the forthcoming Annual General Meeting.

Treasury Shares

	Number of Shares in 2003			Cost in EUR million		
	Series A	Series R	Total	2001	2002	2003
Shares held at 1 January	85 400	28 257 531	28 342 931	173.7	125.5	314.9
Total shares repurchased in the year	16 500	33 471 600	33 488 100	200.0	287.3	319.6
Shares cancelled	-93 800	-35 500 000	-35 593 800	-248.0	-97.4	-376.0
Shares allocated to Option Programmes	-	-47 752	-47 752	-0.2	-0.5	-0.5
Total Shares held at 31 December	**8 100**	**26 181 379**	**26 189 479**	**125.5**	**314.9**	**258.0**

The Annual General Meeting on 20 March 2003 decided to reduce the Company's share capital by EUR 60.5 million by cancelling 93 800 A shares and 35 500 000 R shares; these shares were repurchased between March 2002 and February 2003 under authorisation granted by the previous Annual General Meeting.

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Quarterly Share Repurchases

	Number of Shares			Cost in EUR million		
	Series A	Series R	Total	Series A	Series R	Total
January – March	8 400	12 573 200	12 581 600	0.1	114.5	114.6
April – June	3 300	14 100 100	14 103 400	-	131.4	131.4
July – September	3 200	2 042 500	2 045 700	0.1	22.0	22.1
October – December	1 600	4 755 800	4 757 400	-	51.5	51.5
Total Shares Repurchased	**16 500**	**33 471 600**	**33 488 100**	**0.2**	**319.4**	**319.6**
Shares allocated to Option Programmes	-	-47 752	-47 752	-	-0.5	-0.5
Net Share Repurchases in 2003	**16 500**	**33 423 848**	**33 440 348**	**0.2**	**318.9**	**319.1**

Quarterly Values per Share

	Series A			Series R		
EUR	Lowest	Average	Highest	Lowest	Average	Highest
January – March	9.00	9.11	9.25	8.70	9.11	9.42
April – June	9.00	9.14	9.45	8.90	9.32	10.06
July – September	10.56	10.68	10.76	10.60	10.80	11.34
October – December	10.51	10.97	11.41	10.37	10.82	11.52
Summary for 2003	**9.00**	**9.60**	**11.41**	**8.70**	**9.54**	**11.52**
Summary for 2002	**9.93**	**12.28**	**15.01**	**9.90**	**11.14**	**15.31**
Summary for 2001	**10.32**	**11.87**	**14.01**	**10.35**	**11.52**	**14.02**

At 31 December 2003 the Group's distributable equity amounted to EUR 2 549.7 (EUR 3 203.3) million, being Retained Earnings of EUR 5 717.5 (EUR 5 299.2) less EUR 3 167.8 (EUR 2 095.9) million for non-distributable translation differences, treasury shares, unrealised forest revaluation surpluses and untaxed reserves.

Note 19 Post-employment Benefits

The Group has established a number of pension plans for its operations throughout the world. In Finland pension cover since 2001 has been entirely arranged through local insurance companies, whereas in Sweden cover is arranged through both insurance companies and book reserves in accordance with the Swedish "PRI/FPG System". Pension arrangements outside Scandinavia are made in accordance local regulations and practice, mostly being defined benefit pension plans with retirement, disability, death and termination income benefits; the retirement benefits are generally a function of years worked and final salary and are coordinated with national pensions. The Group also has some fully insured plans and defined contribution plans, the charge to the Income Statement for the latter amounting to EUR 223.4 (EUR 217.1) million for the year.

Group policy for funding its defined benefit plans is intended to satisfy local statutory funding requirements for tax deductible contributions, together with adjusting to market rates the discount rates used in actuarial calculations of liability in book reserves; the charge in the Income Statement for year amounted to EUR 78.0 (EUR 56.7) million.

The Group also funds certain other post-employment benefits in North America relating to retirement medical and life insurance programmes, the charge for the year being EUR 31.4 (EUR 35.2) million.

Retirement age for the management of Group companies has been agreed at between 60 and 65 years and for members of the Executive Management Group, 60.

Pension and Post-Employment Benefit Provisions

EUR million	As at 31 December 2001	2002	2003
Defined benefit plans	323.3	351.9	388.4
Other post-employment benefits	245.0	231.7	214.8
Stora Enso North America: Overfunded pension plan shown in assets (Note 15)	205.7	163.4	124.4
Total Liability	**774.0**	**747.0**	**727.6**

Balance Sheet Reconciliation

EUR million	As at 31 December 2001	2002	2003
Net liability at 1 January	771.8	774.0	747.0
Translation difference	18.5	-37.5	-37.7
Acquisition	-7.4	-	1.3
Increase	4.0	91.9	109.4
Decrease	-12.9	-81.4	-92.4
Net Liability at 31 December	**774.0**	**747.0**	**727.6**

Amounts Recognised in the Balance Sheet

	As at 31 December					
	2001	2002	2003	2001	2002	2003
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Present value of funded obligations	958.9	912.5	815.2	379.0	361.2	417.0
Present value of unfunded obligations	521.0	521.4	495.0	12.8	12.9	13.6
Fair value of plan assets	-915.4	-727.8	-640.7	-39.7	-18.6	-7.9
Unrecognised actuarial gains and losses	-227.9	-345.4	-272.6	-110.9	-137.9	-217.0
Unrecognised prior service cost	-13.3	-8.8	-8.5	3.8	14.1	9.1
Net Liability in the Balance Sheet	**323.3**	**351.9**	**388.4**	**245.0**	**231.7**	**214.8**

Amounts Recognised in the Income Statement

	Year Ended 31 December					
	2001	2002	2003	2001	2002	2003
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Current service cost	30.6	24.6	26.5	8.5	7.1	5.6
Interest cost	77.1	75.3	68.8	25.2	24.6	21.5
Expected return on plan assets	-82.8	-55.8	-41.4	-4.4	-2.1	-1.0
Net actuarial losses (gains) recognised in year	0.2	12.6	23.9	-0.8	5.6	6.8
Settlements	-21.4	-	-	-	-	-
Loss curtailment	2.6	-	0.2	2.4	-	-1.5
Total Included in Personnel Expenses	**6.3**	**56.7**	**78.0**	**30.9**	**35.2**	**31.4**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December									
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
	Canada		Finland		Germany		Sweden		USA	
Discount rate %	7.0	7.0	5.5	5.3	5.5	5.5	5.5	5.5	6.8	6.0
Expected return on plan assets %	8.5	7.5	5.5	5.3	4.5	4.5	n/a	n/a	9.0	8.5
Future salary increase %	2.0	2.0	4.0	4.5	2.8	2.5	3.0	3.0	5.0	5.0
Future pension increases %	1.5	1.5	2.3	2.3	1.8	1.5	2.0	2.0	0.0	0.0
Expected average remaining working years of staff	14.8	14.7	13.0	13.0	13.4	13.1	14.0	14.0	15.5	15.5

Benefit Plan Reconciliation

	Year Ended 31 December					
	2001	2002	2003	2001	2002	2003
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Net liability at 1 January	373.5	323.3	351.9	207.1	245.0	231.7
Translation difference	6.5	34.1	27.3	12.0	-38.8	-37.3
Acquisition	-7.4	-	1.3	-	-	-
Net expense recognised in the Income Statement	6.3	56.7	78.0	30.9	35.2	31.4
Contributions paid	-51.9	-55.7	-70.1	-5.0	-9.7	-11.0
Settlements	-3.7	-6.5	-	-	-	-
Net Liability in the Balance Sheet	**323.3**	**351.9**	**388.4**	**245.0**	**231.7**	**214.8**

Benefit Plan Summary by Country

	Year Ended 31 December 2003						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	151.4	80.5	5.2	-	1 010.2	-15.1	1 232.2
Present value of unfunded obligations	16.9	-	254.4	237.1	-	0.2	508.6
Fair value of plan assets	-139.6	-61.7	-2.8	-	-475.6	31.1	-648.6
Unrecognised actuarial gains and losses	-34.3	-2.2	3.7	-12.7	-441.7	-1.8	-489.0
Net Liability in the Balance Sheet	**-5.6**	**16.6**	**260.5**	**224.4**	**92.9**	**14.4**	**603.2**
Represented by							
Defined Benefit Pension Plans	-15.2	16.6	260.5	224.4	-110.8	12.9	388.4
Other Post-Employment Benefits	9.6	-	-	-	203.7	1.5	214.8
Net Liability in the Balance Sheet	**-5.6**	**16.6**	**260.5**	**224.4**	**92.9**	**14.4**	**603.2**

Benefit Plan Summary by Country

	Year Ended 31 December 2002						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	141.4	100.2	4.6	-	1 005.6	21.9	1 273.7
Present value of unfunded obligations	16.7	-	264.4	246.1	-	7.1	534.3
Fair value of plan assets	-113.7	-89.0	-2.6	-	-520.1	-21.0	-746.4
Unrecognised actuarial gains and losses	-40.0	3.6	-2.9	-24.4	-413.9	-0.4	-478.0
Net Liability in the Balance Sheet	**4.4**	**14.8**	**263.5**	**221.7**	**71.6**	**7.6**	**583.6**
Represented by							
Defined Benefit Pension Plans	-4.8	14.8	263.5	221.7	-149.2	5.9	351.9
Other Post-Employment Benefits	9.2	-	-	-	220.8	1.7	231.7
Net Liability in the Balance Sheet	**4.4**	**14.8**	**263.5**	**221.7**	**71.6**	**7.6**	**583.6**

Note 20 Borrowings

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

Loans from international credit institutions consist of borrowings with varying maturities, the latest being in 2023, and with either fixed or floating interest rates ranging from 1.0% (1.0%) to 9.99% (9.99%). The majority of Group loans are denominated in Euros, the principal other currencies being Swedish Kronas and US Dollars. At 31 December 2003 the Group's unused committed credit facilities totalled EUR 2 500.0 (EUR 1 625.1) million, of which EUR 0.0 (EUR 286.1) million was classified as short-term.

In 2003 Stora Enso bought back bonds with a nominal value of SEK 110 (EUR 12.1) million at par and EUR 22.1 million resulting in a loss of EUR 0.7 million.

In 2002 Stora Enso bought back bonds with a nominal value of SEK 797 (EUR 87.1) million, resulting in a loss in financial items of SEK -4.7 (EUR -0.5) million, USD 35 (EUR 37.0) million at par and EUR 88.0 million resulting in a loss of EUR 2.2 million. Purchases were financed from strong positive cash flow.

During 2001 Stora Enso bought back bonds with a nominal value of SEK 924 (EUR 99.3) million with a gain in financial items of SEK 10.7 (EUR 1.2) million, USD 3 (EUR 3.4) million with a loss of USD 0.3 (EUR 0.3) million and EUR 3 million resulting in a loss of EUR 0.1 million.

Net interest-bearing liabilities are designated as such on the Balance Sheet and amounted to EUR 3 919.0 (EUR 3 266.8) million at 31 December 2003; most of this net liability is represented by long-term debt. The breakdown of net interest-bearing liabilities and operating capital by principal country/area is detailed below:

Country/Area Breakdown

	As at 31 December					
	2001	2002	2003	2001	2002	2003
EUR million	Net interest-bearing Liabilities			Operating Capital		
Euro area	-424.7	337.7	975.1	6 570.1	6 415.3	6 421.3
Sweden	1 510.9	1 018.2	1 183.7	2 799.0	2 773.8	3 630.4
USA	3 388.3	1 693.8	1 515.7	5 503.9	3 157.1	2 457.1
Canada	-29.9	-35.4	19.4	613.1	447.9	492.5
China	228.8	176.0	129.2	252.7	203.6	157.2
UK	12.8	-25.4	-22.5	92.7	24.9	18.9
Other	440.4	101.9	118.4	274.9	249.0	555.6
Total	**5 126.6**	**3 266.8**	**3 919.0**	**16 106.4**	**13 271.6**	**13 733.0**

Repayment Schedule of Long-term Debt

	As at 31 December						
EUR million	2004	2005	2006	2007	2008	2009+	Total
Bond loans	232.9	37.2	539.9	982.8	92.4	1 037.3	2 922.5
Loans from credit institutions	113.3	87.0	41.7	179.0	36.8	195.6	653.4
Financial lease liabilities	8.0	8.9	8.1	7.9	15.9	126.2	175.0
Other long-term liabilities	5.3	3.2	0.5	0.3	0.2	3.7	13.2
Total Long-term Debt	**359.5**	**136.3**	**590.2**	**1170.0**	**145.3**	**1 362.8**	**3 764.1**
Current Liabilities: Repayable within the next 12 months							**359.5**
Long-term Liabilities: Repayable after 12 months							**3 404.6**

Due to the short-term nature of most Group financial liabilities, their carrying value is considered to approximate their fair value. However, the carrying value of long-term term debt, exclusive of the current part, is deemed to have a fair value of EUR 3 626.1 (EUR 4 875.7) million as against a carrying value of EUR 3 404.6 (EUR 4 525.2) million.

Bonds Loans in Long-term Debt

Issue / Maturity Dates	Description Of Bond	Interest Rate %	Currency Of Bond	Nominal Value Issued 2003	Outstanding As at 31 December 2002	Outstanding As at 31 December 2003	Carrying Value As at 31 December 2002	Carrying Value As at 31 December 2003
				Currency million			EUR million	
Fixed Rate								
1991-2006	Series C Senior Notes 2006 *	9.99	USD	50.4	44.5	37.3	42.5	29.6
1993-2004	Series B Senior Notes 2004 *	7.11	USD	7.0	7.0	7.0	7.1	5.5
1993-2019	Series C Senior Notes 2019 *	8.60	USD	50.0	50.0	50.0	47.6	39.6
1994-2004	Swedish Medium Term Note *	8.00	SEK	500.0	50.0	50.0	5.8	5.5
1996-2006	Swedish Medium Term Note *	7.90	SEK	470.0	470.0	470.0	73.0	61.3
1997-2004	Senior Notes Series A 2004	6.71	USD	81.0	81.0	81.0	79.5	63.9
1997-2004	Finnish Serial Bond 1/1997 *	6.00	FIM	1 484.0	1 044.0	912.7	175.6	153.5
1997-2007	Senior Notes Series B 2007	6.82	USD	102.0	102.0	102.0	105.9	86.3
1997-2009	Senior Notes Series C 2009	6.90	USD	48.5	48.5	48.5	51.0	41.3
1997-2012	Senior Notes Series D 2012	7.00	USD	22.5	22.5	22.5	23.6	19.2
1997-2017	Senior Notes Series E 2017	7.14	USD	23.0	23.0	23.0	20.7	17.3
1997-2017	Euro Medium Term Note *	4.105	JPY	10 000.0	10 000.0	10 000.0	80.4	74.0
1998-2009	Swedish Medium Term Note *	4.00	SEK	264.4	250.0	250.0	28.8	28.8
1998-2009	Senior Notes Series F 2009	6.93	USD	30.0	30.0	30.0	31.3	25.4
1998-2018	Senior Notes Series G 2018	7.24	USD	65.0	65.0	65.0	57.4	47.9
1998-2023	Senior Notes Series H 2023	7.30	USD	65.0	65.0	65.0	56.5	47.1
1999-2006	Swedish Medium Term Note *	5.90	SEK	500.0	43.0	43.0	4.6	4.7
1999-2008	Swedish Fixed Real Rate *	4.00	SEK	105.3	100.0	100.0	9.5	9.7
2000-2006	Euro Medium Term Note *	6.25	SEK	2 000.0	2 000.0	2 000.0	228.3	231.1
2000-2007	Euro Bond 6.375 % Notes 2007 *	6.375	EUR	850.0	850.0	850.0	842.2	846.0
2000-2007	Euro Medium Term Note *	6.90	SEK	200.0	200.0	200.0	21.8	22.0
2001-2006	Euro Medium Term Note *	6.25	SEK	2 000.0	2 000.0	2 000.0	231.0	230.8
2001-2011	Global 7.375 % Notes 2011 *	7.375	USD	750.0	750.0	750.0	817.2	690.0
Loans matured and extinguished in 2003							218.0	-
Total Fixed Rate Bond Loans							**3 259.3**	**2 780.5**
Floating Rate								
1997-2007	Euro Medium Term Note *	Libor+0.35	FIM	110.0	110.0		18.5	18.5
1998-2008	Euro Medium Term Note *	Libor+0.35	USD	30.0	30.0		28.6	23.8
1998-2008	Euro Medium Term Note *	Libor+0.33	USD	40.0	40.0		38.1	31.7
1999-2005	Swedish Medium Term Note *	Stibor+0.58	SEK	300.0	300.0		32.7	33.0
2000-2007	Swedish Medium Term Note *	Euribor+0.75	EUR	10.0	10.0		10.0	10.0
2000-2010	Euro Medium Term Note *	Euribor+0.8	EUR	25.0	25.0		25.0	25.0
Loans matured and extinguished in 2003							12.0	-
Total Floating Rate Bond Loans							**164.9**	**142.0**
Total Bond Loans							**3 424.2**	**2 922.5**

* Parent company liabilities

Interest-bearing Liabilities

	As at 31 December		
EUR million	2001	2002	2003
Short-term loans	917.2	272.5	929.1
Derivative financial instruments (Note 22)	80.3	71.4	-19.1
US finance lease terminal liability (See below & Note 8)	-	-	500.1
	997.5	**343.9**	**1 410.1**

The receivable for financial derivatives is shown by deduction as it offsets long-term debt.
The finance lease liability consists of EUR 446.2 million of principal and the provision of EUR 53.9 million for termination costs.

Group short-term loans are principally denominated in euros (30.0%), Chinese renminbi (7.2%) and SEK (53.3%), with maturities of between 2 days and 10 months. Short-term loans also include commercial paper with applicable weighted average interest rates of 2.2% (3.4%).

Finance Lease Liabilities

At 31 December 2002 Stora Enso had a number of finance leasing agreements for machinery and equipment for which capital costs of EUR 614.4 million were included in machinery and equipment; the depreciation thereon was EUR 53.9 million. The aggregate leasing payments in 2002 amounted to EUR 76.6 million, the interest element being EUR 34.3 million.

The principal lease liability in 2002 consisted of a portfolio of finance leases entered into in 1996 with a group of UK banks to finance PM16 at Wisconsin Rapids Mill and PM26 at Biron Mill. However, as at 31 December 2003 Stora Enso North America Inc. was in the process of terminating these leases as a consequence of changes in the interpretation of UK leasing tax rules (see Note 7). All amounts due under these leases are no longer shown under Finance Lease Liabilities, but are instead shown on the Balance Sheet under current Interest-bearing Liabilities; see above. The transaction will be closed in early 2004 when the UK banks will formerly offset the restricted cash balance of EUR 443.6, shown in Note 17, against the principal of the debt, with the Group paying over an amount for the additional costs as final settlement. The Group's statement of Capitalised Finance Leases in Note 11 has been adjusted to take into account these changes.

In 2003 a new leasing commitment of EUR 21.5 million relating to buildings was incurred by the Danish merchant subsidiary, the only lease termination being as above. At 31 December 2003 the remaining capitalised values relating to finance leasing agreements for buildings, machinery and equipment amounted to EUR 142.3 million, the depreciation for the year being EUR 35.7 million (see Note 11). The aggregate leasing payments in 2002 amounted to EUR 35.1 million, the interest charge on the outstanding principal element being EUR 30.2 million.

Finance Lease Liabilities

EUR million	As at 31 December 2001	2002	2003
Minimum lease payments			
Less than 1 year	87.2	78.1	19.3
1-2 years	88.8	78.9	21.7
2-3 years	89.9	75.7	17.8
3-4 years	87.1	48.4	17.8
4-5 years	60.0	49.9	17.8
Over 5 years	1 082.6	841.2	222.6
	1 495.6	1 172.2	317.0
Future finance charges (see below)	-712.8	-500.0	-142.0
Present Value of Finance Lease Liabilities	**782.8**	**672.2**	**175.0**
Present Value of Finance Lease Liabilities			
Less than 1 year	83.3	74.9	18.5
1-2 years	74.6	67.1	20.2
2-3 years	69.1	59.4	14.9
3-4 years	61.3	35.0	13.7
4-5 years	38.7	33.5	12.6
Over 5 years	455.8	402.3	95.1
	782.8	**672.1**	**175.0**

Annual repayments of principal are shown on page 83 in the Repayment Schedule of Long-term Debt.

Other Provisions

EUR million	Environmental	Reorganisation	Other Obligatory	Total Provisions
Carrying value at 1 January 2002	**57.5**	**21.7**	**74.4**	**153.6**
Translation difference	0.6	0.1	0.4	1.1
Charge in Income Statement				
New provisions	2.0	33.9	50.9	86.8
Increase in existing provisions	6.7	0.8	3.3	10.8
Reversal of existing provisions	-0.7	-	-	-0.7
Payments	-11.6	-31.8	-13.7	-57.1
Carrying Value at 31 December 2002	**54.5**	**24.7**	**115.3**	**194.5**
Translation difference	-0.1	0.1	0.1	0.1
Reclassification	-	-	-76.2	-76.2
Charge in Income Statement				
New provisions	-	53.2	1.6	54.8
Increase in existing provisions	1.8	-	2.0	3.8
Reversal of existing provisions	-4.6	-	-4.6	-9.2
Payments	-4.4	-29.4	-6.4	-40.2
Carrying Value at 31 December 2003	**47.2**	**48.6**	**31.8**	**127.6**
Current Liabilities: Payable within 12 months	4.8	25.7	-	30.5
Non-current Liabilities: Payable after 12 months	42.4	22.9	31.8	97.1
	47.2	**48.6**	**31.8**	**127.6**

Reorganisation Provisions

- **Stora Enso North America Fixed-Cost Reduction Programme**
  Stora Enso North America announced the extension of its Profit Enhancement Programme of August 2002 under which the new programme includes a reduction in Stora Enso North America's total workforce of about 12% or 700 employees by mid 2005. At the year end Stora Enso employed 5 669 people in North America, but after the programme has been fully implemented, numbers will be about 5 000, compared to 7 300 at the time of the acquisition in 2000. A restructuring charge of EUR 24.6 (USD 27.4) million was entered in 2003, the charge in 2002 having been EUR 52.9 (USD 50.0) million. At 31 December 2003 the remaining provision amounted to EUR 15.1 (EUR 0.0) million.

  The original 2002 Profit Enhancement Programme comprised a comprehensive range of measures to improve the Group's competitive position and profitability, the main elements being to restructure selected manufacturing assets with the loss of some 500 jobs. The restructuring charge of EUR 52.9 (USD 50.0) million entered in 2002 related to asset impairment aspect of the plan.
- **Corbehem Mill Restructuring Programme**
  Stora Enso launched a restructuring programme at Corbehem Mill in France to secure the site's long-term competitiveness in continuing depressed market conditions. The programme includes a major reorganisation of the whole mill, including a decrease of some 160 permanent positions by 2006, a variable-cost reduction plan and investments in PM5. A provision of EUR 15.3 million was made, of which EUR 14.2 million related to redundancy payments and EUR 1.1 million to other costs; EUR 6.9 million was outstanding at the year end.
- **Nymölla Mill, Sweden**
  The restructuring provision of EUR 2.0 million at 31 December 2002 related to the closing down of a coating machine in early 2002 which resulted in 70 redundancies; this provision has subsequently been supplemented by a further reorganisation whereby costs have been set aside to cover the redundancy costs of some 90 staff. At 31 December 2003, the provision amounted to EUR 6.2 million.
- **Port Hawkesbury Mill, Nova Scotia, Canada**
  A provision of EUR 4.9 million, all of which was outstanding at the year end, was made in late 2003 for severance and related benefits related to workforce downsizing of some 135 staff.

- **Papyrus GB Ltd**
  In May 2002 Stora Enso closed down Papyrus GB Ltd, its merchant arm in the UK; although rationalisation had taken place in recent years, it had not proved possible to reach a satisfactory trading position. A restructuring charge of EUR 25.1 million was recorded in 2002 for the exit costs, of which EUR 9.5 million related to staff and a further EUR 15.6 million to lease terminations and asset write-downs. At 31 December 2003 the remaining provision amounted to EUR 4.8 (EUR 5.9) million, mainly pension-related.
- **Summa Paper Mill, Finland**
  As part of its asset improvement plan, the Group closed down PM1 at Summa Mill in Finland, charging restructuring costs of EUR 8.8 million in 2002, of which EUR 3.4 million related to staff and a further EUR 5.4 million to site clean-up and restoration costs and inventory write-downs. At 31 December 2003 the remaining provision amounted to EUR 2.8 (EUR 7.0) million.

Environmental Remediation
The provision for environmental remediation amounted to EUR 47.2 (EUR 54.5) million at 31 December 2003 and largely related to the removal of mercury and other contaminants from sites in Sweden and Finland:

- Following an agreement between Stora Enso and the City of Falun, the Group is obliged to clean-up pollution to the area caused by the original Kopparberg mine; the provision amounted to EUR 12.9 (EUR 12.8) million.
- A provision of EUR 10.4 (EUR 11.4) million has been made for removing mercury from the harbour basin at Skutskär.
- The site of Skoghall Mill contains ground pollutants that must be eliminated; the provision amounts to EUR 10.9 (EUR 11.5) million.
- There are a further five cases in Finland where the total provision amounts to EUR 9.1 (EUR 10.4) million; the largest relates to pollution in the vicinity of Patenniemi sawmill, being EUR 5.1 (EUR 3.4) million.

Short-term Operative Liabilities

EUR million	As at 31 December 2001	2002	2003
Advances received	7.0	5.2	21.0
Trade payables	840.6	824.1	770.6
Other payables	276.1	234.1	196.6
Accrued liabilities and deferred income	507.3	484.5	519.6
Current portion of provisions	-	-	30.5
Total	**1 631.0**	**1 547.9**	**1 538.3**

Accrued liabilities and deferred income consist mainly of personnel costs, customer discounts, and other accruals.

Note 22 Financial Instruments

Shareholders' Equity - Other Comprehensive Income ("OCI")
With the adoption of IAS 39 on 1 January 2001, certain derivatives were designated as cash flow hedges and measured to fair value with the fair value movements being recorded in the separate equity category of OCI: Hedging Reserve. The other component of OCI is the Available-for-Sale Reserve, representing the difference between the fair value of investments and their cost (see Note 14). Movements in the year for these two reserves, together with the balances at the year end, are as shown below.

OCI Reserves

EUR million	Hedging Reserve: Forward & Swap Contracts	Hedging Reserve: Commodity Hedges	Hedging Reserve: Total	Available-for-Sale Reserve	Total OCI Reserves
OCI at 1 January 2003					
Gains and losses from changes in fair value	51.7	253.8	305.5	24.0	329.5
Deferred taxes	-15.0	-73.5	-88.5	-7.6	-96.1
	36.7	**180.3**	**217.0**	**16.4**	**233.4**
Net change in OCI in 2003					
Gains and losses from changes in fair value	-40.1	-182.3	-222.4	56.5	-165.9
Deferred taxes	11.2	52.4	63.6	-16.5	47.1
	-28.9	**-129.9**	**-158.8**	**40.0**	**-118.8**
OCI at 31 December 2003					
Gains and losses from changes in fair value	11.6	71.5	83.1	80.5	163.6
Deferred taxes	-3.8	-21.1	-24.9	-24.1	-49.0
Total	**7.8**	**50.4**	**58.2**	**56.4**	**114.6**

The gain on derivative financial instruments designated as cash flow hedges that was realised from OCI through the Income Statement amounted to EUR 225.4 (EUR 70.1) million.

The hedging reserve includes an interest rate swap showing a deferred loss of EUR 19.0 million in respect of Stora Enso's new wholly owned subsidiary Bergvik Skog AB. This amount relates to a fair value loss on the effective hedge of Bergvik Skog AB's forecasted debt issue denominated in Swedish Krona estimated to take place in early 2004.

The estimated net amount of unrealised gains and losses expected to be reclassified as earnings within the next twelve months amounted to EUR 72.0 (EUR 256.3) million, of which EUR 30.6 (EUR 51.7) million related to currencies and EUR 41.4 (EUR 204.6) million to commodities.

Hedging of Net Investment in Foreign Entities

Group policy for translation risk exposure is to minimise this by funding assets, whenever possible and economically viable, in the same currency, but if matching of the assets and liabilities in the same currency is not possible, hedging of the remaining translation risk may take place. The gains and losses, net of tax, on all financial liabilities and instruments used for hedging purposes, are offset in the Cumulative Translation Adjustment ("CTA") in Equity against the respective currency movements arising from the restatement of the net investments at current exchange rates on the Balance Sheet date; the net amount of gains included in CTA during the period came to EUR 106.2 (EUR 306.1) million, details of the unrealised gains being shown below.

	As at 31 December								
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Million	Nominal Amount (Currency)			Nominal Amount (EUR)			Unrealised Gain/Loss (EUR)		
Forward Exchange Contracts									
Canada	852.0	852.0	750.0	605.2	514.8	462.0	31.9	29.4	27.9
Sweden	-	3 005.0	4 345.0	-	328.3	478.5	-	1.2	4.1
UK	50.0	28.0	28.0	82.2	43.0	39.7	-0.1	0.3	0.3
US	330.0	-	-	374.0	-	-	-2.1	-	-
				1 061.4	886.1	980.2	29.7	30.9	32.3
Borrowings									
US	1 008.0	1 023.0	830.0	1 143.8	975.5	657.2	3.9	128.4	240.0
Total Hedging				**2 205.2**	**1 861.6**	**1 637.4**	**33.6**	**159.3**	**272.3**

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Fair Values of Financial Instruments

Derivative financial instruments are recorded on the Balance Sheet at their fair values, defined as the amount at which the instrument could be exchanged between willing parties in a current transaction, other than in a liquidation or forced sale. The fair values of such financial items have been estimated on the following basis:

- Currency option contract values are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The carrying amounts of foreign exchange forward contracts are calculated using year end market rates and thus they approximate fair values.
- The fair values of interest rate swaps have been calculated using a discounted cash flow analysis.
- Swaption contract fair values are calculated using year end interest rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- Cross currency swaps are fair valued against discounted cash flow analysis and year end foreign exchange rates.
- The fair values of interest rate futures have been calculated by using either discounted cash flow analysis or quoted market prices on future exchanges, the carrying amounts approximating fair values.
- Commodity contract fair values are computed with reference to quoted market prices on future exchanges and thus the carrying amounts approximate fair values.
- The fair values of commodity options are calculated using year end market rates together with common option pricing models, the fair values being implicit in the resulting carrying amounts.
- The fair values of Total Return (Equity) Swaps are calculated using year end equity prices as well as year end interest rates.
- The Group had no outstanding embedded derivatives at either 31 December 2002 or 2003.

Certain gains and losses on financial instruments are taken directly to equity, either to offset Cumulative Translation Adjustments (CTA) or deferred under Other Comprehensive Income (OCI). The remaining fair value movements are taken to the Income Statement as Net Financial Items (Note 7) as shown below.

Fair Value Hedge Gains and Losses

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
Net gains on qualifying hedges, incl. fair value changes in hedged items	12.5	1.8	-9.8
Net losses/gains on non-qualifying hedges	-4.8	26.3	-11.2
Net gains/losses on Total Return (Equity) Swaps	22.0	-78.5	20.8
Net Fair Value Gains in Net Financial Items	**29.7**	**-50.4**	**-0.2**

Hedging Ineffectiveness in Net Financial Items

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
FX forward contracts	-84.4	41.8	13.7
Commodity contracts	3.2	-1.1	2.6
Total hedging ineffectiveness	**-81.2**	**40.7**	**16.3**

Fair Values of Derivative Financial Instruments

	As at 31 December				
	2001	2002	2003		
EUR million	Net Fair Values	Net Fair Values	Positive Fair Values	Negative Fair Values	Net Fair Values
Interest rate swaps	27.6	202.8	129.5	-22.7	106.8
Interest rate options	-	-	0.5	0.0	0.5
Cross currency swaps	-50.6	-21.6	2.4	-13.4	-11.0
Forward contracts	23.2	180.3	179.2	-6.4	172.8
Currency options	-	-	1.3	-0.6	0.7
Commodity contracts	33.1	252.4	72.1	-0.6	71.5
Equity swaps	23.0	-55.5	9.3	-45.3	-36.0
Total	**56.3**	**558.4**	**394.3**	**-89.0**	**305.3**

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Long-term Debt.

Nominal Values of Derivative Financial Instruments

	As at 31 December		
EUR million	2001	2002	2003
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	16.1	109.3	113.7
Maturity 2–5 years	766.5	922.8	1 080.4
Maturity 6–10 years	947.5	1 088.1	1 439.2
	1 730.1	2 120.2	2 633.3
Interest rate options	500.0	-	23.8
Total	**2 230.1**	**2 120.2**	**2 657.1**
Foreign Exchange Derivatives			
Cross-currency swap agreements	243.7	216.5	129.5
Forward contracts	7 526.2	3 902.4	3 112.5
Currency options	-	-	208.1
Total	**7 769.9**	**4 118.9**	**3 450.1**
Commodity Derivatives			
Commodity contracts	**270.1**	**538.6**	**477.0**
Equity Swaps	**131.0**	**216.5**	**308.4**

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Note 23 Commitments and Contingencies

Commitments

EUR million	As at 31 December 2001	2002	2003
On Own Behalf			
Pledges given (1)	18.7	0.8	3.8
Mortgages	396.6	111.4	103.5
On Behalf of Associated Companies			
Mortgages	1.0	1.0	0.8
Guarantees	68.3	59.3	48.4
On Behalf of Others			
Pledges given	0.6	0.3	2.2
Mortgages	-	-	10.9
Guarantees	98.0	16.8	13.1
Other Commitments, own			
Operating leases, in next 12 months	43.4	41.5	34.3
Operating leases, after next 12 months	257.3	237.2	171.2
Pension liabilities	2.1	2.7	3.0
Other contingencies	92.5	71.5	95.9
Total	**978.5**	**542.5**	**487.1**
Pledges given	19.3	1.1	6.0
Mortgages	397.6	112.4	115.2
Guarantees	166.3	76.1	61.5
Operating leases	300.7	278.7	205.5
Pension liabilities	2.1	2.7	3.0
Other contingencies	92.5	71.5	95.9
Total	**978.5**	**542.5**	**487.1**

(1) Pledged assets consist of marketable securities, inventories and fixed assets.

Other Contingencies includes a contingent liability pursuant to the indemnification provision of the sale and purchase agreement dated 9 February 1994 between the former Stora Kopparberg Bergslags AB, now assigned to Stora Enso AB, and Wahid Vermögensverwaltungs GmbH in the relation to the divestment of the Tarkett Group. The sales contract included some indemnification clauses relating to exposure to hazardous substances and other matters; the Group's theoretical maximum aggregate contractual liability under the hazardous substance indemnification is limited to USD 62.5 (EUR 50.1) million, under the on-site environmental indemnification, SEK 328 (EUR 36.1) million, and under the off-site environmental indemnification, without limit. Stora Enso has settled, bar some minor remaining costs not expected to exceed EUR 1 million, all known claims relating to off-site liabilities and there is currently no reason to believe that any further such claims will materialise; however, the limitations period for these to occur does not expire until 2024.

The outstanding balances under Purchase Agreements, being binding contracts, amount to EUR 1 990 (EUR 1 504) million, of which EUR 766 (EUR 510) million relates to the next 12 months, EUR 798 (EUR 648) million for the period from one to five years and EUR 426 (EUR 344) million after five years. Purchase Agreements for materials and supplies amounts to EUR 1 610 (EUR 1 177) million, the biggest item being a take or pay power supply contract in Germany, representing a commitment of EUR 288 (EUR 288) million spread over the next four and a half years; the penalty clause for cancellation amounts to EUR 48.6 (EUR 48.6) million. Purchase Agreements for capital expenditure commitments amount to EUR 379 (EUR 327) million, the two largest contracts in 2003 being EUR 67.1 million for a new recovery boiler at Skoghall Mill in Sweden and EUR 38.0 million for the rebuild of PM 6 at Maxau Mill in Germany; the largest contract in 2002 was EUR 133.6 million for machinery at Langerbrugge Mill in Belgium.

Guarantees are made in the ordinary course of business on behalf of associated companies and occasionally others; the guarantees, entered into with financial institutions and other credit guarantors, generally obligate the Group to make payment in the event of default by the borrower. The guarantees have off-Balance Sheet credit risk representing the accounting loss that would be recognised at the reporting date if counterparties failed to perform completely as contracted. The credit risk amounts are equal to the contract sums, assuming the amounts are not paid in full and are irrecoverable from other parties.

Stora Enso Oyj has guaranteed the liabilities of many of its subsidiaries up to a maximum of EUR 966.3 (EUR 732.9) million as of 31 December 2003.

Stora Enso Oyj guaranteed the pension liabilities of its Swedish subsidiaries at the time of the 1998 merger; as of 31 December 2003, this guarantee amounted to EUR 252.8 (EUR 278.2) million, but maturity dates cannot be determined with any certainly.

The Group leases office and warehouse space under various non-cancellable operating leases, some of which contain renewal options. The future cost for contracts exceeding one year and for non-cancellable operating leasing contracts are:

Contingent Liabilities

Stora Enso is party to legal proceedings that arise in the ordinary course of business and which primarily involve claims arising out of commercial law. The Group is also involved in administrative proceedings relating primarily to competition law. The Directors do not consider that liabilities related to such proceedings, before insurance recoveries, if any, are likely to be material to the Group financial condition or results of operations.

Stora Timber Finance B.V. has been found responsible for soil pollution at the Port of Amsterdam, but has appealed the decision to the Court of Appeal in Amsterdam; EUR 2.4 million was recorded as a provision at 31 December 2003.

Repayment Schedule of Operating Lease Commitments

	Year Ended 31 December		
EUR million	**2001**	**2002**	**2003**
Less than 1 year	43.4	41.5	34.3
1-2 years	48.3	42.4	26.0
2-3 years	23.3	25.7	21.2
3-4 years	20.0	19.3	17.8
4-5 years	19.1	18.5	16.9
Over 5 years	146.6	131.3	89.3
	300.7	**278.7**	**205.5**

Note 24 Earnings per Share

	Year Ended 31 December		
	2001	**2002**	**2003**
Net profit/(loss) for the period, EUR million	**926.3**	**-222.2**	**146.6**
Weighted average number of Series A and R shares	**901 505 846**	**889 606 185**	**851 127 954**
Effect of warrants	790 990	349 362	198 214
Diluted number of shares	**902 296 836**	**889 955 547**	**851 326 168**
Basic Earnings/(Loss) per Share, EUR	**1.03**	**-0.25**	**0.17**
Diluted Earnings/(Loss) per Share, EUR	**1.03**	**-0.25**	**0.17**

Note 25 Principal Subsidiaries as at 31 December 2003

The following is a list of the Company's fifty principal operating subsidiary undertakings ranked by external sales; these companies, along with the parent, account for 95% (96%) of Group external sales. The principal country in which each subsidiary operates is the country of incorporation. The Group's effective interest in the undertakings is 100% except where indicated and is held in each case by a subsidiary undertaking except for those companies marked with "+" which are held directly by the Parent Company. The countries operating outside the Euro area are indicated by "*".

Subsidiary Companies (ranked by external sales)

	Country	% Sales	Publication Paper	Fine Paper	Merchants	Packaging Boards	Wood Products	Wood Supply Europe	Other
Stora Enso Oyj	**Finland**	**18.23**	X	X		X		X	X
Stora Enso North America Corp +*	USA	11.43	X	X		X			X
Stora Enso Publication Papers Oy Ltd +	Finland	5.33	X						
Stora Enso Skoghall AB *	Sweden	3.92				X			
Stora Enso Maxau GmbH & Co KG	Germany	3.37	X						
Stora Enso Kabel GmbH & Co KG	Germany	2.95	X						
Stora Enso Hylte AB *	Sweden	2.86	X						
Stora Enso Kvarnsveden AB *	Sweden	2.67	X						
Stora Enso Fors AB *	Sweden	2.47				X			
Stora Enso Corbehem SA	France	2.40	X						
Stora Enso Port Hawkesbury Ltd *	Canada	2.36	X						
Stora Enso Nymölla AB *	Sweden	2.21		X					
Stora Enso Timber Oy Ltd +	Finland	2.18					X		
Stora Enso Timber AG	Austria	1.93					X		
Stora Enso Skog AB *	Sweden	1.66						X	
Stora Enso Pulp AB *	Sweden	1.51	X	X					
Papyrus Sweden AB *	Sweden	1.49			X				
Puumerkki Oy	Finland	1.48					X		
Stora Enso Uetersen GmbH & Co KG	Germany	1.45		X					
Berghuizer Papierfabriek NV +	Netherlands	1.35		X					
Stora Enso Sachsen GmbH	Germany	1.24	X						
Stora Enso Baienfurt GmbH & Co KG	Germany	1.22				X			
Stora Enso Grycksbo AB *	Sweden	1.17		X					
Stora Enso Barcelona S.A.	Spain	1.10				X			
Stora Enso Ingerois Oy +	Finland	1.09				X			
Stora Enso Timber AB *	Sweden	1.07					X		
Stora Enso Langerbrugge NV +	Belgium	1.05	X						
Stora Enso Reisholz GmbH & Co KG	Germany	0.94	X						
Enocell Oy (98.4%) +	Finland	0.90				X			
Sydved AB (66.7%) *	Sweden	0.90						X	
Laminating Papers Oy +	Finland	0.89				X			
De Ruysscher Papyrus SA	France	0.88			X				
Stora Enso Suzhou Paper Co Ltd (80.9%) *	China	0.86		X					
Papyrus A/S	Denmark	0.83			X				
Stora Enso Packaging Oy +	Finland	0.77				X			
Stora Enso Packaging AB *	Sweden	0.77				X			
Stora Enso Timber AS (66.0%) * (1)	Estonia	0.75					X		
Papyrus SA	Belgium	0.60			X				
Stora Enso Timber US Corp*	USA	0.58					X		
Stora EnsoTimber Bad St Leonard GmbH	Austria	0.49					X		
Stora Enso Timber Zdirec sro *	Czech	0.48					X		
Celulose Beira Industrial SA	Portugal	0.41		X					
Corenso United Oy Ltd (71.0%) +	Finland	0.40				X			
ZAO Stora Enso Packaging (93.5%) *	Russia	0.35				X			
Papyrus Norge A/S *	Norway	0.33			X				
Stora Enso Pankakoski Oy Ltd	Finland	0.32				X			
Sydved Energileveranser AB (66.7%) *	Sweden	0.32						X	
Stora Enso North America Sales Corp *	USA	0.30							X
Stora Enso Lumber Trading GmbH	Austria	0.30					X		
Stora Enso Bois SA	France	0.30					X		
Kemijärven Sellu Oy	Finland	0.30	X						

1) Stora Enso Timber AS is the former AS Sylvester and was acquired on 28 February 2003.

The majority of production employees are members of labour unions with which either the Group or the forest industry customarily negotiate collective bargaining agreements in Europe. Salaries for senior management are negotiated individually. Stora Enso has incentive plans that take into account the performance, development and results of both business units and individual employees. This performance-based bonus system is based on profitability as well as on attaining key business targets and the benefits are given either in the form of bonus payments or the granting of options/synthetic options.

Bonus Programmes

Division and Business Unit management have annual bonus programmes based on the corporate target return on capital employed of 13% and on the results of their respective areas of responsibility, together with the achievement of separately defined key personal targets; the bonus amounts to between 10% and 40% of salary depending on the person's position in the Company. Staff participate in another bonus plan in which the payment is calculated as a percentage of annual salary up to a maximum of 7%. All bonuses are discretionary and are triggered only when results exceed a predetermined minimum level. The Group has decided to continue its performance-based programmes and has expanded these to cover 75% to 80% of employees globally where allowed by local practice and regulations.

Option/Synthetic Option Programmes

Option Programme	Type	Year of Issue	Number of Staff	Strike Price	Number of Options Issued	Number of Options Outstanding	Exercise Period
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	6 064 150	8 Feb 2006-7 Feb 2010
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	5 812 000	8 Feb 2005-7 Feb 2009
2001	Synthetic	2001	500	EUR 11.70	4 215 000	4 100 000	1 Apr 2004-31 Mar 2008
2000	Synthetic	2000	200	EUR 12.25	2 800 000	2 602 500	1 Apr 2003-31 Mar 2007
1999	Synthetic	1999	200	EUR 11.75	2 750 000	2 532 750	15 Jul 2002-15 Jul 2006
1997	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	567 000	1 Dec 1998-31 Mar 2004
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	1 899 692	11 Sep 2000-4 Feb 2010

Option Programmes for Management (1999 to 2003)

In 1999 the Board announced an annual share option programme for some 200 key staff as part of an integrated top management compensation structure intended to provide a programme contributing to the long-term commitment of managerial and specialist personnel; this programme has since been extended into subsequent years and now covers some 1 000 staff. The programmes consist of financially hedged options and synthetic options, which avoid diluting the number of shares in issue, with strike prices set at levels representing then-current market prices plus 10% premiums. Depending on local circumstances, option holders will receive either a payment in cash, representing the difference between the strike price and the share price at the time of exercise, or an option to purchase existing R shares, though not new shares. Options are not transferable and expire if the employee leaves the Group.

The strike price for the 2003 Programme has been set at EUR 10.00 based on the average price for R shares from 31 January 2003 to 7 February 2003, plus a 10% premium. The strike price for the 2002 Programme has been set at EUR 16.50 based on the average price for R shares from 31 January to 7 February 2002, plus a 10% premium. The strike price for the 2001 Programme has been set at EUR 11.70

based on the average price for R shares from 8 to 14 February 2001, plus a 10% premium. The strike price for the 2000 Programme is EUR 12.25 based on the average share price for the period of three days before and after the Annual General Meeting on 21 March 2000, plus a 10% premium; the earliest exercise date was 1 April 2003. The strike price for the 1999 Programme is EUR 11.75, based on the average share price from May to July 1999, plus a 10% premium; the earliest exercise date was 15 July 2002. As of 31 December 2003, no options from the 1999 and 2000 programmes had been taken up.

Stora Enso North America Option Programme

On 18 August 2000 the Board decided to convert the Consolidated Papers, Inc. share option plans (1989 Stock Option Plan and 1998 Incentive Compensation Plan) into Stora Enso programmes entitling holders to purchase a maximum 5 680 000 R shares, in the form of ADRs, at a weighted average strike price of USD 6.9687. The exercise period of the currently existing plans is from 11 September 2000 to 4 February 2010, depending on the grant date.

On 16 October 2001 the Board decided to amend the Programme to simplify administration and speed up delivery of shares to option holders. Thus, as of 1 November 2001, no new R shares will be issued under the terms of the Programme, but instead, repurchased R shares have been reserved for distribution. A total of 2 001 733 new R shares were issued before the terms were amended, thereby increasing the share capital by EUR 3.4 million. During the year, 570 292 (746 007) options were exercised, of which 522 540 (697 033) resulted in cash compensation and 47 752 (48 974) in the allocation of repurchased R shares. At 31 December 2003, 1 899 692 (2 469 984) options were still outstanding.

Option Programme for Management (1997)

On 7 April 1997 the Company issued 1 000 warrants with a maximum value of EUR 168 187 (FIM 1 million) to 15 members of senior management. Each bond accrues annual interest of 4.0%, has a maturity of five years and carries one warrant entitling the holder to subscribe for 3 000 new R shares at a subscription price of EUR 7.66 (FIM 45.57). The exercise period runs from 1 December 1998 to 31 March 2004 and the bond entitles the holder to receive a dividend for the year in which the warrants are exercised. By 15 January 2004, 2 433 000 new R shares had been issued against the warrants, representing 0.1% of the share capital, and if the Programme is fully subscribed, the further issue of 567 000 new shares will raise share capital by another EUR 1.0 million.

Director and Management Group Interests at 31 December 2003

Board of Directors	Series A Shares Held	Series R Shares Held	Options & Warrants	Committee Memberships (1) Chairman
Claes Dahlbäck, Chairman	2 541	19 529	-	Compensation, Nomination (1)
Krister Ahlström, Vice Chairman	1 500	-	-	Compensation, Nomination
Harald Einsmann (ADRs)	-	4 800	-	Compensation, Nomination
Björn Hägglund, Deputy CEO	-	-	-	-
Jukka Härmälä, CEO	-	-	-	-
Barbara Kux	-	-	-	-
George W. Mead (ADRs)	-	2 685 492	-	Financial & Audit
Ilkka Niemi	-	-	-	Financial & Audit
Paavo Pitkänen	3 800	-	-	Financial & Audit
Jan Sjöqvist	508	1 943	-	Financial & Audit (1)
Marcus Wallenberg	3 049	6 019	-	Financial & Audit
Total	**11 398**	**2 717 783**	-	

In 2003 the Board of Directors established a Nomination Committee for Stora Enso Oyj, the main task being to give guidance on the composition of the Board, remuneration thereof and preparing proposals on the composition of the other Board committees. The Nomination Committee comprises three or four non-executive Directors nominated annually by the Board.

Executive Management Group (EMG)	Series A Shares Held	Series R Shares Held	R Shares Granted by Warrants	Synthetic Options 1999/2002	Synthetic Options 2003	Committee Memberships (1) Chairman
Jukka Härmälä, CEO	-	6 500	102 000	442 500	110 000	-
Björn Hägglund, Deputy CEO	7 877	14 618	-	363 750	90 000	Sustainability (1) R&D (1)
Lars Bengtsson	-	-	-	166 900	45 000	R&D
Jussi Huttunen	-	-	-	91 800	45 000	R&D
Kai Korhonen	-	-	-	181 900	45 000	R&D
Pekka Laaksonen	10 000	-	-	181 900	45 000	-
Esko Mäkeläinen	1 900	4 669	180 000	181 900	45 000	-
Arno Pelkonen	-	-	-	151 900	45 000	-
Bernd Rettig	-	-	-	181 900	45 000	R&D
Yngve Stade	-	725	-	181 900	45 000	R&D,Investments
Total	**19 777**	**26 512**	**282 000**	**2 126 350**	**560 000**	

Management Group Consisting of the EMG and:	Series A Shares Held	Series R Shares Held	R Shares Granted by Warrants	Synthetic Options 1999/2002	Synthetic Options 2003	Committee Memberships (1) Chairman
Christer Ågren	-	3 000	-	122 900	30 000	-
John F Bergin (ADRs)	-	72 247	66 124	27 500	22 500	-
Magnus Diesen	1 000	-	15 000	107 900	30 000	Investment (1) Sustainability
Nils Grafström	2 000	-	-	45 000	30 000	-
Walter Haberland	-	-	-	60 400	22 500	-
Peter Kickinger	-	-	-	54 100	15 000	Investment
Jyrki Kurkinen	-	32 568	60 000	100 400	22 500	Disclosure
Mats Nordlander	-	-	-	48 400	12 500	-
Markku Pentikäinen	-	-	-	53 800	16 500	-
Eberhard Potempa	-	-	-	73 500	22 500	-
Niilo Pöyhönen	-	-	-	58 400	22 500	R&D
Keith B Russell	-	7 000	-	45 000	45 000	-
Elisabet Salander Björklund	-	-	-	44 800	12 500	
Kari Vainio	-	3 800	45 000	122 900	30 000	Sustainability
Petri Wager	-	-	-	66 100	22 500	-
Total	**3 000**	**118 615**	**186 124**	**1 031 100**	**356 500**	
Total	**34 175**	**2 862 910**	**468 124**	**3 157 450**	**916 500**	

Details of officers who retired during the year are not given; full details of the Management Group are given on pages 109 and 110.

Read more www.storaenso.com/2003

Parent Company Financial Statements

Parent Company Income Statement

EUR million	Note	Year Ended 31 December 2002	2003
Sales		**3 100.2**	**3 021.8**
Finished and semi-finished goods, increase		18.8	-6.9
Production for own use		3.7	2.7
Other operating income	2	239.7	128.8
Materials and services	3	-1 919.6	-1 932.7
Personnel expenses	4	-319.5	-319.4
Depreciation and value adjustments	7	-222.3	-227.0
Other operating expenses	5	-555.5	-531.4
Operating Profit		**345.5**	**135.9**
Net financial items	6	83.0	1 838.7
Profit before Extraordinary Items		**428.5**	**1 974.6**
Extraordinary income	8	176.5	91.9
Extraordinary expense	8	-	-0.6
Profit before Appropriations and Taxes		**605.0**	**2 065.9**
Appropriations	10	-53.0	-33.5
Income tax expense		2.4	-50.7
Net Profit for the Period		**554.4**	**1 981.7**

The operations of the subsidiary companies Veitsiluodon Voima Oy and Oulun Voima Oy were merged into the Parent Company on 1 December 2003 and the above figures include their results from that date.

Parent Company Cash Flow Statement

EUR million	Year Ended 31 December 2002	2003
Cash Provided by Operating Activities		
Net profit for the period	554.4	1 981.7
Reversal of non-cash items:		
Taxes	-2.4	50.7
Appropriations	53.0	33.5
Extraordinary items	-176.5	-91.3
Depreciation, amortisation and impairment	1 253.1	227.0
Profit/losses on sale of fixed assets	-62.0	1.6
Net financial income	-1 113.8	-1 838.7
Interest received	108.0	102.0
Interest paid, net of amounts capitalised	-237.8	-198.5
Dividends received	789.3	232.3
Other financial items, net	480.2	179.1
Income taxes paid	-160.2	92.3
Change in net working capital	394.8	250.3
Net Cash Provided by Operating Activities	**1 880.1**	**1 022.0**
Cash Flow from Investing Activities		
Acquisition of subsidiary shares, net of cash	-98.0	-610.0
Acquisition of shares in associated companies	-38.4	-
Investment in shares in other companies	-2.0	-
Capital expenditure	-128.9	-207.3
Proceeds from disposal of subsidiary shares, net of cash	399.3	0.9
Proceeds from disposal of shares in associated companies	7.6	0.3
Proceeds from disposal of shares in other companies	35.1	17.3
Proceeds from sale of fixed assets	5.9	0.8
Proceeds from (payment of) long-term receivables, net	-12.8	-286.5
Net Cash Used in Investing Activities	**167.8**	**-1 084.5**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities, net	-279.5	-299.7
Proceeds from (payment of) short-term borrowings, net	-1 609.6	1 532.7
Dividends paid	-403.6	-387.7
Share repurchases	-286.9	-319.1
Proceeds from issue of share capital	-	2.3
Net Cash Used in Financing Activities	**-2 579.6**	**528.5**
Net Increase (Decrease) in Cash and Cash Equivalents	**-531.7**	**466.0**
Cash and cash equivalents at beginning of year	2 672.8	2 141.1
Cash and Cash Equivalents at Year End	**2 141.1**	**2 607.1**

Parent Company Balance Sheet

Assets

EUR million	Note	As at 31 December 2002	2003
Fixed Assets and Other Long-term Investments			
Intangible assets	9	136.6	128.8
Tangible assets	9	1 974.8	2 058.8
Shares in Group companies	12	9 551.3	11 600.4
Shares in associated companies	12	54.6	53.9
Shares in other companies	12	267.4	292.2
Long-term loan receivables	12	212.3	528.2
		12 197.0	**14 662.3**
Current Assets			
Inventories	13	322.0	318.6
Short-term receivables	14	779.4	523.6
Interest-bearing receivables	15	2 313.2	2 957.8
Treasury shares	16	314.9	258.0
Cash and cash equivalents		2.6	66.1
		3 732.1	**4 124.1**
Total Assets		**15 929.1**	**18 786.4**

Shareholders' Equity and Liabilities

EUR million	Note	As at 31 December 2002	2003
Shareholders' Equity			
Share capital		1 529.6	1 469.3
Share issue		-	1.7
Share premium fund		4 945.2	4 630.2
Treasury shares		314.9	258.0
Reserve fund		353.9	353.9
Retained earnings		2 532.7	2 756.2
Net profit for the period		554.4	1 981.7
	16	**10 230.7**	**11 451.0**
Appropriations			
Depreciation reserve	10	**912.2**	**946.3**
Provisions			
Other provisions		**10.4**	**9.2**
Long-term Liabilities	17	**3 167.9**	**2 869.4**
Current Liabilities			
Current portion of long-term debt	17	275.6	265.2
Short-term borrowings	18	1 043.5	2 921.5
Other current liabilities	19	288.8	323.8
		1 607.9	**3 510.5**
Total Shareholders' Equity and Liabilities		**15 929.1**	**18 786.4**

Notes to the Parent Company Financial Statements

Note 1 Accounting Principles

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principals in Finland, "Finnish GAAP"; see Group Consolidated Financial Statements, Note 1. The main differences between the accounting policies of the Group and the Parent Company are:

- The valuation of financial assets, financial liabilities, derivative financial instruments and securities
- Accounting for associated company results
- The presentation and accounting for deferred tax.

Note 2 Other Operating Income

EUR million	Year Ended 31 December 2002	2003
Profit on sale of fixed assets	104.9	1.4
Rent	13.0	15.3
Insurance compensation	-	1.2
Subsidies	1.8	2.4
Other	120.0	108.5
	239.7	**128.8**

Note 3 Materials and Services

EUR million	Year Ended 31 December 2002	2003
Materials and supplies		
Purchases during the period	1 553.4	1 561.6
Change in inventories	9.5	-3.5
	1 562.9	1 558.1
External Services	356.7	374.6
	1 919.6	**1 932.7**

Note 4 Personnel Expenses

EUR million	Year Ended 31 December 2002	2003
Wages and salaries	244.7	247.4
Pensions	51.3	47.6
Other statutory employer contributions	23.5	24.4
	319.5	**319.4**

The remuneration of the Board of Directors
and the CEO amounted to EUR 0.9 (EUR 1.3) million.

Average Number of Personnel	6 395	6 352

Note 5 Other Operating Expenses

EUR million	Year Ended 31 December 2002	2003
Loss on sale of fixed assets / shares	**42.9**	**3.0**

Included in other operating expenses

Note 6 Net Financial Items

EUR million	Year Ended 31 December 2002	2003
Financial Income		
Dividend income		
Group companies	766.4	1 686.0
Associated companies	9.5	2.4
Other companies	13.4	9.0
	789.3	1 697.4
Interest income from long-term investments		
Group companies	30.3	18.6
Other	0.5	2.2
	30.8	20.8
Other Interest and Financial Income		
Group companies	78.7	71.7
Other	5.8	67.7
	84.5	139.4
Total Investment, Interest and Financial Income	**904.6**	**1 857.6**
Exchange Rate Difference on Financial Items	**443.9**	**164.4**
Value Adjustments on Long-term Financial Investments	**-1 030.8**	**29.7**
Interest and Other Financial Expense		
Group companies	-54.8	-57.9
Other	-179.9	-155.1
	-234.7	**-213.0**
Net Financial Items	**83.0**	**1 838.7**

Note 7 Depreciation According to Plan

EUR million	Year Ended 31 December 2002	2003
Intangible rights	7.2	9.0
Goodwill	10.7	10.7
Other intangible assets	0.9	0.2
Total for Intangibles	18.8	19.9
Buildings and structures	20.3	20.4
Machinery and equipment	173.7	177.3
Other tangible assets	9.5	9.4
Total Depreciation	**222.3**	**227.0**

Note 8 Extraordinary Items

EUR million	Year Ended 31 December 2002	2003
Income		
Group contributions	176.5	91.5
Merger gains	-	0.4
	176.5	**91.9**
Expense		
Group contributions	-	0.6

Note 9 Fixed Assets

EUR million	Intangible Assets	Land and Water	Buildings and Structures	Machinery and Equipment	Other Tangible Assets
	Year Ended 31 December 2003				
Acquisition Cost					
At 1 January	182.6	23.5	547.6	2 233.9	199.4
Additions	12.1	0.5	24.2	171.9	104.7
Disposals	-0.3	0.0	-0.7	-8.4	-25.3
Acquisition Cost at 31 December	194.4	24.0	571.1	2 397.4	278.8
Accumulated Depreciation					
At 31 December	-65.6	-	-145.0	-999.9	-67.6
Net Book Value at 31 December 2003	**128.8**	**24.0**	**426.1**	**1 397.5**	**211.2**
Net Book Value at 31 December 2002	**136.6**	**23.5**	**422.8**	**1 387.3**	**141.2**

The Company had capitalised interest on the construction of qualifying assets at the year end of EUR 16.0 (EUR 18.0) million; the amount added for the year totalled EUR 0.0 (EUR 1.5) million with a corresponding amortisation charge amounting to EUR 2.0 (EUR 3.3) million.

Note 10 Depreciation Reserve

EUR million	Intangible Assets	Buildings and Structures	Machinery and Equipment	Other Tangible Assets	Total
	Year Ended 31 December 2003				
Accumulated difference at 1 January	6.5	153.2	720.5	32.0	912.2
Increase	-0.4	-0.2	33.5	4.7	37.6
Decrease	-0.2	0.1	-3.4	0.0	-3.5
Accumulated difference at 31 December 2003	**5.9**	**153.1**	**750.6**	**36.7**	**946.3**

Note 11 Receivables from Management

There were no receivables from Group Management.

Note 12 Long-term Investments and Loan Receivables

EUR million	As at 31 December 2002	2003
Group Companies		
Shares	9 551.3	11 600.4
Loan receivables	211.5	527.7
Total	**9 762.8**	**12 128.1**
Associated Companies		
Shares	54.6	53.9
Loan receivables	0.1	-
Total	**54.7**	**53.9**
Other Companies		
Shares	152.4	177.2
Revaluations	115.0	115.0
	267.4	292.2
Loan receivables	0.7	0.5
Total	**268.1**	**292.7**

Holdings in listed companies had a net book value of EUR 107.8 (EUR 75.6) million and a market value of EUR 190.5 (EUR 134.4) million.

Note 13 Inventories

EUR million	As at 31 December 2002	2003
Materials and supplies	144.5	149.5
Work in progress	35.5	7.2
Finished goods	136.0	157.5
Other inventories	6.0	4.4
	322.0	**318.6**

Note 14 Short-term Receivables

EUR million	As at 31 December 2002	2003
Accounts Receivable		
Group companies	76.0	92.4
Associated companies	2.4	5.4
Others	312.0	265.5
	390.4	**363.3**
Prepaid Expenses and Accrued Income		
Group companies	0.6	2.5
Others	174.0	37.4
	174.6	**39.9**
Other Receivables		
Group companies	185.2	92.4
Others	29.2	28.0
	214.4	**120.4**
Total Short-term Receivables	**779.4**	**523.6**

Note 15 Interest-bearing Receivables

EUR million	As at 31 December 2002	2003
Group		
Loan receivables	118.0	85.6
Interest receivable	34.9	20.0
Other securities	2 138.5	2 639.9
	2 291.4	**2 745.5**
Others		
Loan receivables	0.1	0.1
Interest receivable	21.7	212.2
Total	**2 313.2**	**2 957.8**

Note 16 Shareholders' Equity

EUR million	As at 31 December 2002	2003
Share capital at 1 January	1 541.5	1 529.6
Cancellation of treasury shares (nominal value)	-13.8	-60.5
Warrants exercised	1.9	0.2
Share Capital at 31 December	**1 529.6**	**1 469.3**

Full details of shares in issue are shown in Note 18 for the Group.

Share Issue (option rights)	**-**	**1.7**
Share premium fund at 1 January	5 021.9	4 945.2
Increase / (-decrease)	-76.7	-315.0
Share Premium Fund at 31 December	**4 945.2**	**4 630.2**
Revaluation reserve at 1 January	183.6	-
Transfer from retained earnings	29.9	-
Decrease related to sale of fixed assets	-213.5	-
Revaluation Reserve at 31 December	**-**	**-**
Treasury shares at 1 January	125.5	314.9
Repurchase of own shares	286.8	319.1
Cancellation of shares	-97.4	-376.0
Treasury Shares at 31 December	**314.9**	**258.0**
Reserve Fund	**353.9**	**353.9**
Retained earnings at 1 January	3 155.7	3 087.1
Dividends paid	-403.6	-387.7
Acquisition of treasury shares	-286.9	-319.2
Cancellation of treasury shares	97.4	376.0
Transfer to revaluation reserve	-29.9	0.0
	2 532.7	**2 756.2**
Profit for the period	554.4	1 981.7
Retained Earnings at 31 December	**3 087.1**	**4 737.9**
Total Shareholders' Equity	**10 230.7**	**11 451.0**
Distributable Funds		
Non-restricted equity	3 402.0	4 995.9
Treasury shares	-314.9	-258.0
	3 087.1	**4 737.9**

Read more www.storaenso.com/2003

Note 17 Long-term Liabilities

EUR million	Repayment Schedule of Long-term Debt as at 31 December 2004	2005	2006	2007	2008	2009+	Total
Bond loans	170.3	38.6	520.6	896.2	95.7	741.2	2 462.6
Loans from credit institutions	94.7	50.2	32.4	156.1	30.1	175.4	538.9
Other long-term liabilities	0.2	0.1	0.1	0.1	0.1	7.3	7.9
Other long-term liabilities: Group companies	-	-	-	125.2	-	-	125.2
	265.2	**88.9**	**553.1**	**1177.6**	**125.9**	**923.9**	**3 134.6**
Current Liabilities: Repayable within 12 months							265.2
Long-term Liabilities: Repayable after 12 months							**2 869.4**

Note 18 Short-term Borrowings

EUR million	As at 31 December 2002	2003
Group companies	949.5	2 133.9
Others	94.0	787.6
Total	**1 043.5**	**2 921.5**

Note 19 Other Current Liabilities

EUR million	As at 31 December 2002	2003
Advances Received		
Others	**1.2**	**16.5**
Trade Payables		
Group companies	36.2	41.6
Associated companies	1.0	0.8
Others	123.7	106.3
	160.9	**148.7**
Other Current Liabilities		
Group companies	2.5	0.7
Others	16.3	32.3
	18.8	**33.0**
Accrued Liabilities and Deferred Income		
Group companies	5.5	13.5
Others	102.4	112.1
	107.9	**125.6**
Total	**288.8**	**323.8**

Note 20 Commitments and Contingent Liabilities

EUR million	As at 31 December 2002	2003
On own behalf		
Pledges given	0.8	0.8
Mortgages	29.5	21.4
On behalf of Group companies		
Guarantees	1 259.2	966.3
On behalf of associated companies		
Guarantees	46.9	23.7
On behalf of others		
Guarantees	0.8	0.7
Other commitments, own		
Leasing commitments, next 12 months	3.2	1.3
Leasing commitments, after next 12 months	13.3	0.4
Other commitments	1.1	0.7
Total	**1 354.8**	**1 015.3**
Pledges given	0.8	0.8
Mortgages	29.5	21.4
Guarantees	1 306.8	990.7
Leasing commitments	16.6	1.7
Other commitments	1.1	0.7
Total	**1 354.8**	**1 015.3**

Note 21 Fair Value of Open Financial Instruments

	As at 31 December			
	Nominal Value		Fair Value	
EUR million	**2002**	**2003**	**2002**	**2003**
Interest Rate Derivatives				
Interest rate swap agreements	2 419.6	1 945.8	172.8	108.7
Interest rate options	-	23.8	-	0.5
Foreign Exchange Derivatives				
Forward agreements	1 206.4	4 491.3	63.3	61.3
Cross currency swap agreements	216.5	129.4	-21.6	-11.0
Currency options	-	208.1	-	0.7
Foreign Exchange Derivatives	1 422.9	4 828.8	41.8	51.0
Commodity Derivatives	61.3	879.1	72.7	18.5
Equity Swaps	216.5	308.4	-55.5	-36.0

The fair value of a derivative represents the result to date, being the movement away from the par nominal value.

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Proposal for the Distribution of Dividend

The Consolidated Balance Sheet at 31 December 2003 shows retained shareholders' equity of EUR 5 717.5 million, of which EUR 2 549.7 million is distributable.

The Parent Company distributable shareholders' equity at 31 December 2003 amounted to EUR 4 737 825 199.10 and therefore the Board of Directors proposes to the Annual General Meeting of the Company that the profit for the financial period of EUR 1 981 750 779.42 be transferred to retained earnings and that the dividend be distributed as follows:

Profits from previous periods	3 014 079 976.38
Purchase of own shares	-258 005 556.70
Profit for the financial period	1 981 750 779.42
Dividend of EUR 0.45 per share to be distributed on 864 484 499 shares	-389 018 024.55
Retained earnings after the distribution of dividend	4 348 807 174.55

Helsinki, 3 February 2004

Claes Dahlbäck
Chairman

Krister Ahlström
Vice Chairman

Harald Einsmann

Barbara Kux

George W. Mead

Ilkka Niemi

Paavo Pitkänen

Jan Sjöqvist

Marcus Wallenberg

Jukka Härmälä
CEO

Björn Hägglund
Deputy CEO

Auditors' Report

To the shareholders of Stora Enso Oyj

We have audited the accounting records, the financial statements and the administration of Stora Enso Oyj for the year ended 31 December 2003. The financial statements prepared by the Board of Directors and the Chief Executive Officer include the report of the Board of Directors, consolidated financial statements of the Stora Enso Group prepared in accordance with International Financial Reporting Standards (IFRS), and parent company financial statements prepared in accordance with prevailing rules and regulations in Finland (FAS). Based on our audit, we express an opinion on these financial statements and on the parent company's administration.

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

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

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

Helsinki, 13 February, 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Nikula
Authorised Public Accountant

Read more www.storaenso.com/2003

Board of Directors

Claes Dahlbäck
M.Sc. (Econ.), Hon. Ph.D. (Tech. and Arts)
Chairman of Stora Enso Board of Directors since December 1998
Independent member of the Board.
Born 1947. Chairman of the Board of Investor AB, Vin & Sprit AB, Gambro AB and EQT Funds, and member of the Board of Goldman, & Sachs Co. Member of the STORA Board of Directors from May 1990 and Chairman of the Board from May 1997 until the merger with Enso in 1998. Chairman of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has 2 541 A and 19 529 R shares in Stora Enso.

Krister Ahlström
M.Sc. (Eng.), Hon. Ph.D. (Tech. and Arts)
Vice Chairman of Stora Enso Board of Directors since December 1998
Independent member of the Board.
Born 1940. Former Chairman of the Board, President and CEO of A. Ahlstrom Corporation. Chairman of the Board of Wermland Paper AB and member of the Board of EQT Finland BV, NKT Holding A/S and several academic institutions and foundations. Member of Enso-Gutzeit Supervisory Board from May 1993 until the merger with STORA in 1998. Member of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has 1 500 A shares in Stora Enso.

Harald Einsmann
Ph.D. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1934. Executive Chairman of the Board of Findus AB, member of the Board of British American Tobacco plc, EMI Group plc, Tesco Ltd and several other international corporations. Member of the STORA Board of Directors from March 1998 until the merger with Enso in 1998. President of Procter & Gamble Europe from 1984 until 1999. Member of Stora Enso Compensation Committee since 23 December 1998 and Nomination Committee since 14 August 2003. Has ADRs representing 4 800 R shares in Stora Enso.

Björn Hägglund
Ph.D. (For.)
Deputy Chief Executive Officer of Stora Enso and member of Stora Enso Board of Directors since December 1998
Born 1945. President of Stora Forest and Timber division from January 1991 until March 1998, and CEO of STORA from March 1998 until December 1998. Chairman of the Research Institute of Industrial Economics (IUI) in Sweden. Member of Royal Swedish Academy of Engineering Sciences and Royal Swedish Academy of Agriculture and Forestry. Member of the Board of Federation of Swedish Forest Industries and Confederation of European Paper Industries. Has 7 877 A and 14 618 R shares and 363 750 year 1999–2002 and 90 000 year 2003 options/synthetic options in Stora Enso.

Jukka Härmälä
B.Sc. (Econ.), Hon. Ph.D. (Tech. and Econ.)
Chief Executive Officer of Stora Enso and member of Stora Enso Board of Directors since December 1998
Born 1946. Vice Chairman of the Supervisory Board of Varma Mutual Pension Insurance Company, Vice Chairman of the Board of Finnlines Plc and member of the Board of Finnish Forest Industries Federation and European Round Table of Industrialists. Employed by Enso-Gutzeit from April 1970 to February 1984, he was Senior Vice President and a member of the Board of Management of Kansallis-Osake-Pankki (a predecessor of Nordea Bank) until rejoining Enso-Gutzeit in September 1988 as President and COO until December 1991. From January 1992 Chairman of the Board of Enso-Gutzeit and President and CEO until the merger with STORA in 1998. Has 6 500 R shares, warrants entitling to 102 000 R shares, and 442 500 year 1999–2002 and 110 000 year 2003 options/synthetic options in Stora Enso.

Years of issue of options/synthetic options: 1999, 2000, 2001, 2002 and 2003.

To be considered "independent", the Board must resolve that a director has no material relationship with the Company other than as a director.

Enso-Gutzeit became Enso in May 1996.

Barbara Kux
MBA (Hons), INSEAD
Independent member of Stora Enso Board of Directors since March 2003
Born 1954. Chief Procurement Officer and member of Group Management Committee of Royal Philips Electronics. Member of the Board of INSEAD, Fontainebleau. Management Consultant of McKinsey & Co, Germany 1984–1989, Vice President of ABB AG and Nestlé S.A. 1989–1999 and Executive Director of Ford Motor Company 1999–2003. Has no shares in Stora Enso.

George W. Mead
M.Sc. (Paper Chem.), B.Sc. (Chem.)
Independent member of Stora Enso Board of Directors since August 2000
Born 1927. Chairman and acting Treasurer of Mead Witter Foundation. Chairman of the Board of Consolidated Papers , Inc. prior to acquisition by Stora Enso. Member of Stora Enso Financial and Audit Committee since 20 March 2003. Has ADRs representing 2 685 492 R shares in Stora Enso.

Ilkka Niemi
M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since March 2001
Born 1946. Senior Advisor and independent consultant on international finance. Chairman of the Board of Motiva Oy and member of the Board of Kvaerner Masa-Yards Oy. CEO and member of the Board of Finnish State Guarantee Board from September 1989 until July 1997. Member of the Board and representative of the Nordic Countries and Baltic States at the World Bank from August 1997 until August 2000. Chairman of Finnish Accounting Standards Board from 1993 to 1996. Member of Stora Enso Financial and Audit Committee since 19 March 2002. Has no shares in Stora Enso.

Paavo Pitkänen
M.Sc. (Math.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1942. President and CEO of Varma Mutual Pension Insurance Company, and member of the Board of Wärtsilä Corporation, Sampo plc and various Finnish insurance institutions. Member of the Enso-Gutzeit Board of Directors from October 1994 until the merger with STORA in 1998. Member of Stora Enso Financial and Audit Committee since 29 December 2000. Has 3 800 A shares in Stora Enso.

Jan Sjöqvist
M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1948. CEO and member of the Board of Swedia Networks AB, and member of the Board of SSAB Svenskt Stål AB, Green Cargo AB and Lannebo fonder AB. Member of the STORA Board of Directors from March 1997 until the merger with Enso in 1998. Chairman of Stora Enso Financial and Audit Committee since 20 March 2003. Has 508 A and 1 943 R shares in Stora Enso.

Marcus Wallenberg
B.Sc. (Foreign Service)
Independent member of Stora Enso Board of Directors since December 1998
Born 1956. CEO and President of Investor AB, and member of the Board of Saab AB, Scania AB, Skandinaviska Enskilda Banken AB, Telefonaktiebolaget LM Ericsson, and the Knut and Alice Wallenberg Foundation. Vice President of Stora Feldmühle AG, a STORA subsidiary, from August 1990 until June 1993. Member of the STORA Board of Directors from March 1998 until the merger with Enso in 1998. Member of Stora Enso Financial and Audit Committee since 29 December 2000. Has 3 049 A and 6 019 R shares in Stora Enso.

Josef Ackermann, a member of the Stora Enso Board of Directors since 1998, resigned from office on 20 March 2003. He was Chairman of the Stora Enso Financial and Audit Committee from 29 December 2000 until 20 March 2003.

Management Group

Executive Management Group

Jukka Härmälä
B.Sc. (Econ.), Hon. Ph.D. (Tech. and Econ.)
Chief Executive Officer since December 1998
Born 1946. He was employed by Enso-Gutzeit from April 1970 to February 1984, and rejoined in September 1988 as President and COO until December 1991, then President and CEO from January 1992 until the merger with STORA in 1998.
For further information, see page 108.

Björn Hägglund
Ph.D. (For.)
Deputy Chief Executive Officer since December 1998
Born 1945. He joined STORA in 1991 and was President of Stora Forest and Timber division from January 1991 until March 1998, and CEO of STORA from March 1998 until December 1998. Chairman of Stora Enso R&D and Sustainability Committees.
For further information, see page 108.

Lars Bengtsson
M.Sc. (Tech.)
Senior Executive Vice President, Stora Enso North America, since May 2003
Born 1945. Stora Enso Regional Manager for North America and member of the Board of Directors of several subsidiaries and associated companies. He joined STORA in 1986 and was Executive Vice President, Fine Paper, from December 1998 until August 2000, and Senior Executive Vice President, Newsprint, from September 2000 until April 2003. Member of Stora Enso R&D Committee until 31 July 2003. Has no shares in Stora Enso. Has 166 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Jussi Huttunen
M.Sc. (Econ.)
Senior Executive Vice President, Stora Enso Fine Paper, since January 2002
Born 1954. Member of the Board of Directors of several subsidiaries and associated companies. He joined Enso-Gutzeit in 1979 and was Sales Manager at Enso Marketing Co Ltd from March 1983 until December 1985, Managing Director of Enso Rose Ltd from March 1986 until January 1992, Managing Director of Enso Marketing Co Ltd from January 1990 until January 1992, Vice President of Enso Fine Paper Division from January 1992 until July 1994, Managing Director of Enso UK from August 1994 until December 1998, and Managing Director of Stora Enso UK from January 1999 until December 2001. Member of Stora Enso R&D Committee until 31 July 2003. Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 91 800 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Kai Korhonen
M.Sc. (Eng.), eMBA
Senior Executive Vice President, Stora Enso Paper, since May 2003
Born 1951. Member of the Board of Directors of several subsidiaries and associated companies. He joined Varkaus Mill of Enso (previously A. Ahlström Osakeyhtiö) in May 1977, and was Senior Vice President, Corporate Planning, from March 1991 until December 1992, Managing Director of Sachsen Papier Eilenburg GmbH from January 1993 until February 1996, Vice President, Marketing, Enso Publication Papers from January 1996 until December 1998, Senior Executive Vice President, Newsprint, from December 1998 until August 2000, and Senior Executive Vice President, North America, from September 2000 until April 2003. Member of Stora Enso R&D and Sustainability Committees. Has no shares in Stora Enso. Has 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Pekka Laaksonen
M.Sc. (Econ.)
Senior Executive Vice President, Stora Enso Packaging Boards, since December 1998
Born 1956. Stora Enso Country Manager Finland and member of the Board of Directors of several subsidiaries and associated companies, and member of the Board of Suominen Corporation. He joined the Enso Plywood Division in 1979 and was Sales Manager at Enso (Deutschland) from August 1981 until August 1984, Vice President of the Enso Plywood Division from September 1984 until June 1985, Sales Manager at Enso (Deutschland) from July 1985 until December 1988, Managing Director of Enso (Deutschland) GmbH & Co. from January 1989 until August 1993, Executive Vice President of Enso Packaging Boards Division from January 1993 until December 1998, and Senior Executive Vice President, Packaging Boards, from December 1998 until April 2003. He was also a deputy member from August 1993 until April 1996 and full member of the Enso Board of Directors from May 1996 until December 1998. Member of Stora Enso Sustainability Committee. Has 10 000 A shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Esko Mäkeläinen
M.Sc. (Econ.)
Chief Financial Officer and Senior Executive Vice President, Finance, Accounting and Legal Affairs, since September 2001
Born 1946. Member of the Board of Directors of several subsidiaries and associated companies, and the supervisory board of Mutual Pension Insurance Company Ilmarinen. He joined Enso-Gutzeit in 1970 and was head of accounting at Kotka Mill from November 1970 until December 1976 and at wood products division from December 1976 until April 1977, head of budgeting from May 1977 until October 1983, Vice President and head of corporate accounting from November 1983 until December 1991, Executive Vice President, CFO and member of the Enso-Gutzeit Board of Directors from January 1992 until December 1998, and Senior Executive Vice President, Accounting and Legal Affairs from December 1998 until August 2001. Has 1 900 A and 4 669 R shares, warrants entitling to 180 000 R shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Arno Pelkonen
M.Sc. (Econ.)
Senior Executive Vice President, Stora Enso Forest Products, since May 2003
Born 1954. Member of the Board of Directors of several subsidiaries and associated companies. He joined Enso-Gutzeit in 1984 and was Enso sawmill division Sales Manager from May 1984 until May 1986, Sales Director from May 1986 until January 1990 and Marketing Director from January 1990 until September 1995, Managing Director of Enso Timber Oy Ltd from September 1995 until December 1998, Executive Vice President and Managing Director of Stora Enso Timber Oy Ltd from December 1998 until August 2001, and Senior Executive Vice President, Timber, from August 2001 until April 2003. Member of Stora Enso Sustainability and R&D Committees. Has no shares in Stora Enso. Has 151 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Bernd Rettig
M.Sc. (Eng.)
Senior Executive Vice President, Stora Enso Publication Paper, since May 2003
Born 1956. Member of the Board of Directors of several subsidiaries and associated companies. He joined STORA in 1982 and was Managing Director of Stora Reisholz GmbH from January 1992 until May 1996, Managing Director of Stora Enso Kabel GmbH from June 1996 until March 1999, and Senior Executive Vice President, Magazine Paper, from April 1999 until May 2003. Member of Stora Enso R&D Committee. Has no shares in Stora Enso. Has 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Yngve Stade
M.Sc. (Eng.)
Senior Executive Vice President, Corporate Support and Energy, since December 1998
Born 1947. Stora Enso Country Manager Sweden and member of the Board of Directors of several subsidiaries and associated companies, and member of the Board of Swedish P&P Research AB, TAPPI (International slot) and Marcus Wallenberg Foundation. He joined STORA in 1994 and was Senior Vice President of STORA and President of Stora Corporate Research from March 1994 until December 1998. Member of Stora Enso Investment, R&D and Sustainability Committees. Has 725 R shares, and 181 900 year 1999–2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Management Group

John F Bergin
B.Sc. (Eng.), MBA
Senior Vice President, Stora Enso North America
Born 1943, joined the Company in 1968.
Has ADRs representing 72 247 R shares, North America warrants entitling to ADRs representing 66 124 R shares, and 27 500 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Magnus Diesen
M.Sc. (Paper Tech.)
Executive Vice President, Corporate Strategy, Investments and Business Planning
Born 1944, joined the Company in 1988.
Chairman of Stora Enso Investment Committee. Member of R&D Committee until 31 July 2003. Has 1 000 A shares, warrants entitling to 15 000 R shares, and 107 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Nils Grafström
LL.M.
Executive Vice President, Stora Enso Latin America
Born 1947, employed by STORA 1980–97, rejoined the Company in 2001. Has 2 000 A shares, and 45 000 year 2001–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Walter Haberland
M.Sc. (Phys.)
Senior Vice President, Information Technology
Born 1946, joined the Company in 1995.
Has no shares in Stora Enso. Has 60 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Peter Kickinger
M.Sc. (Econ.)
Executive Vice President, Stora Enso Timber
Born 1964, joined the Company in 1993.
Member of Stora Enso Investment Committee. Has no shares in Stora Enso. Has 54 100 year 1999–2002 and 15 000 year 2003 options/synthetic options in Stora Enso.

Jyrki Kurkinen
LL.M.
General Counsel, Senior Vice President, Legal Affairs
Born 1948, joined the Company in 1979.
Member of Stora Enso Disclosure Committee. Has 32 568 R shares, warrants entitling to 60 000 R shares, and 100 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Mats Nordlander
M.Sc. (Eng.)
Executive Vice President, Stora Enso Merchants
Born 1961, joined the Company in 1994.
Has no shares in Stora Enso. Has 48 400 year 1999–2002 and 12 500 year 2003 options/synthetic options in Stora Enso.

Markku Pentikäinen
M.Sc. (Eng.), eMBA
Executive Vice President, Stora Enso Asia Pacific
Born 1953, joined the Company in 1979.
Has no shares in Stora Enso. Has 53 800 year 1999–2002 and 16 500 year 2003 options/synthetic options in Stora Enso.

Eberhard Potempa
M.Sc. (Econ.)
Senior Vice President, Country Manager Germany
Born 1953, joined the Company in 1976.
Has no shares in Stora Enso. Has 73 500 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Niilo Pöyhönen
M.Sc. (Econ.)
Executive Vice President, Stora Enso Consumer Boards
Born 1953, joined the Company in 1978.
Member of Stora Enso R&D Committee. Has no shares in Stora Enso. Has 58 400 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Keith B Russell
B.A.
Senior Vice President, Investor Relations
Born 1958, joined the Company in 2002.
Has 7 000 R shares, and 45 000 year 2002 and 45 000 year 2003 options/synthetic options in Stora Enso.

Elisabet Salander Björklund
M.Sc. (For.)
Executive Vice President, Stora Enso Wood Supply Europe
Born 1958, joined the Company in 1995.
Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 44 800 year 1999–2002 and 12 500 year 2003 options/synthetic options in Stora Enso.

Kari Vainio
B.Sc. (Econ.)
Executive Vice President, Corporate Communications
Born 1946, employed by Enso-Gutzeit 1980–83, rejoined the Company in 1985.
Member of Stora Enso Sustainability Committee. Has 3 800 R shares, warrants entitling to 45 000 R shares, and 122 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Petri Wager
M.Sc. (For.)
Executive Vice President, Market Services
Born 1948, joined the Company in 1973.
Member of Stora Enso Sustainability Committee. Has no shares in Stora Enso. Has 66 100 year 1999–2002 and 22 500 year 2003 options/synthetic options in Stora Enso.

Christer Ågren
B.A. (Business Adm.)
Executive Vice President, Corporate Human Resources and TQM
Born 1954, joined the Company in 1993.
Member of Stora Enso Sustainability Committee. Has 3 000 R shares, and 122 900 year 1999–2002 and 30 000 year 2003 options/synthetic options in Stora Enso.

Seppo Hietanen, Executive Vice President, Asia Pacific, retired on 31 December 2003.

Sven Rosman, Executive Vice President, Merchants, retired on 31 August 2003.

Years of issue of options/synthetic options: 1999, 2000, 2001, 2002 and 2003.

Enso-Gutzeit became Enso in May 1996.

Capacities by Mill

Publication Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	MFC, impr. news, book	530
Biron	USA	LWC	320
Corbehem	FRA	LWC	495
Duluth	USA	SC	220
Hylte	SWE	News	840
Kabel	DEU	LWC, MWC, HWC	620
Kimberly	USA	LWC	130
Kotka	FIN	MFC	150
Kvarnsveden	SWE	SC, news, impr. news	730
Langerbrugge	BEL	SC, news, impr. news, directory	565
Maxau	DEU	SC, news	610
Niagara	USA	LWC	220
Port Hawkesbury	CAN	SC, news	555
Reisholz	DEU	SC	215
Sachsen	DEU	News, directory	330
Summa	FIN	MF, news, impr. news	405
Varkaus	FIN	Directory, impr. news, news	290
Veitsiluoto	FIN	LWC, MWC	435
Whiting	USA	LWC	220
Wolfsheck	DEU	SC, wallpaper base	155
Total			**8 035**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Berghuizer	NLD	WFU	220
Grycksbo	SWE	WFC	265
Imatra	FIN	WFU, coated specialities	295
Kimberly	USA	WFC, coated specialities	400
Nymölla	SWE	WFU	445
Oulu	FIN	WFC	925
Stevens Point	USA	Coated specialities	155
Suzhou	CHN	WFC	165
Uetersen	DEU	WFC	260
Wisconsin Rapids	USA	WFC	405
Varkaus	FIN	WFC, WFU	315
Veitsiluoto	FIN	WFU	550
Total			**4 400**

Packaging Boards

Mill	Location	Grade	Capacity 1 000 t
Consumer Boards			
Baienfurt	DEU	FBB	180
Barcelona	ESP	WLC	170
Fors	SWE	FBB	350
Imatra	FIN	SBS, FBB, LPB	875
Ingerois	FIN	FBB	200
Pankakoski	FIN	FBB, WPB, SBS	95
Skoghall	SWE	LPB, FBB, WTL	640
Total			**2 510**
Industrial Papers			
Heinola	FIN	SC fluting	280
Imatra	FIN	Laminating papers	25
Kotka	FIN	Laminating papers	160
Total			**465**
Coreboard			
Pori	FIN	Coreboard	110
Soustre	FRA	Coreboard	85
Varkaus	FIN	Coreboard	90
Wisconsin Rapids	USA	Coreboard	35
Total			**320**
TOTAL PACKAGING PAPER & BOARD			**3 295**
Plastic coating plants			
Forshaga	SWE	Plastic coating	140
Hammarby	SWE	Plastic coating	35
Imatra	FIN	Plastic coating	280
Karhula	FIN	Plastic coating	45
Total			**500**
Core factories			
China	CHN	Cores	10
Corenso Edam	NLD	Cores	10
Corenso Elfes	DEU	Cores	30
Corenso Svenska	SWE	Cores	30
Corenso Tolosana	ESP	Cores	15
Corenso UK	GBR	Cores	40
Imatra	FIN	Cores	5
Loviisa	FIN	Cores	25
Pori	FIN	Cores	15
Wisconsin Rapids	USA	Cores	25
Total			**205**

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Packaging Boards

Mill	Location	Grade	Capacity 1 000 t
Corrugated Packaging			
Arzamas	RUS	Corrugated packaging	
Balabanovo	RUS	Corrugated packaging	
Heinola	FIN	Corrugated packaging	
Jönköping	SWE	Corrugated packaging	
Kaliningrad	RUS	Corrugated packaging	
Kaunas	LTU	Corrugated packaging	
Klaipeda	LTU	Corrugated packaging	
Lahti	FIN	Corrugated packaging	
Páty	HUN	Corrugated packaging	
Riga	LTA	Corrugated packaging	
Ruovesi	FIN	Corrugated packaging	
Skene	SWE	Corrugated packaging	
Tallinn	EST	Corrugated packaging	
Tartu	EST	Corrugated packaging	
Tiukka	FIN	Corrugated packaging	
Vikingstad	SWE	Corrugated packaging	
Total (million m²)			**760**

Market Pulp

Mill	Location	Grade	Capacity 1 000 t
Celbi	PRT	Short-fibre (euca)	300
Enocell	FIN	Short and long-fibre	635
Kemijärvi	FIN	Long-fibre	230
Norrsundet	SWE	Long-fibre	290
Oulu	FIN	Short and long-fibre	60
Skutskär	SWE	Short, long-fibre and fluff pulp	535
Pulp segment (in bales)			**2 050**

Deinked Pulp (DIP)

Mill	Location	Grade	Capacity 1 000 t
Duluth	USA	DIP	100
Keräyskuitu	FIN	DIP	70
Sachsen	DEU	DIP	50
Total DIP			**220**

Associated Company

Mill	Location	Grade	Capacity 1 000 t
Sunila (50%)	FIN	Long-fibre pulp	175

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³
Bad St. Leonhard	AUT	330	200
Brand	AUT	360	230
Plana	CZE	330	220
Sollenau	AUT	330	255
Ybbs	AUT	670	330
Zdirec	CZE	480	60
Ala	SWE	360	25
Gruvön	SWE	360	200
Honkalahti	FIN	420	140
Impilahti	RUS	100	-
Kitee	FIN	360	100
Kopparfors	SWE	320	200
Kotka	FIN	320	80
Linghed	SWE	40	-
Tolkkinen	FIN	270	-
Uimaharju	FIN	300	-
Varkaus	FIN	345	100
Veitsiluoto	FIN	290	-
Alytus**	LIT	180	80
Imavere**	EST	400	60
Paikuse**	EST	220	-
Näpi**	EST	150	60
Launkalne**	LAT	215	-
Sauga**	EST	130	60
Nebolchi	RUS	100	-
Viljandi**	EST	-	10
Amsterdam	NLD	-	110
Lamco, Sollenau*	AUT	-	85
Wimmer, Pfarrkirchen***	DEU	-	120
Wimmer, Zdirec***	CZE	-	120
Total		**7 380**	**2 845**

*51% owned by Stora Enso

**66% owned by Stora Enso

***49% owned by Stora Enso

Abbreviations used in the tables:

LWC, light-weight coated paper
SC, super-calendered paper
MWC, medium-weight coated paper
HWC, heavy-weight coated paper
MFC, machine-finished coated paper
MF, machine-finished paper

WFU, wood free uncoated
WFC, wood free coated

FBB, folding boxboard
WLC, white lined chipboard
SBS, solid bleached sulphate board
LPB, liquid packaging board
WPB, wood pulp board
WTL, white top liner

DIP, deinked pulp

The formula: (Sum of net saleable production of two best consecutive months / Available time of these two consecutive months) x Available time of the year

Calculation of Key Figures

Return on capital employed, ROCE (%)	100 x	$\frac{\text{Operating profit}}{\text{Capital employed}^{1)\,2)}}$
Return on operating capital, ROOC (%)	100 x	$\frac{\text{Operating profit}}{\text{Operating capital}^{1)\,2)}}$
Return on equity, ROE (%)	100 x	$\frac{\text{Profit before tax and minority items – taxes}}{\text{Equity + minority interests}^{2)}}$
Equity ratio (%)	100 x	$\frac{\text{Equity + minority interests}}{\text{Total assets}}$
Interest-bearing net liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/Equity ratio		$\frac{\text{Interest-bearing net liabilities}}{\text{Equity + minority interests}}$
Earnings per share		$\frac{\text{Profit for the period}}{\text{Average number of shares}}$
Cash earnings per share		$\frac{\text{Profit for the period + depreciation}}{\text{Average number of shares}}$
Equity per share		$\frac{\text{Equity}}{\text{Number of shares at the close of the period}}$
Dividend per share		$\frac{\text{Dividend for the period}}{\text{Number of shares}}$
Dividend yield	100 x	$\frac{\text{Dividend per share}}{\text{Share price at the close of the period}}$
Payout ratio (%)	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$

1) Capital employed = Operating capital – Net tax liabilities

2) Average for the financial period

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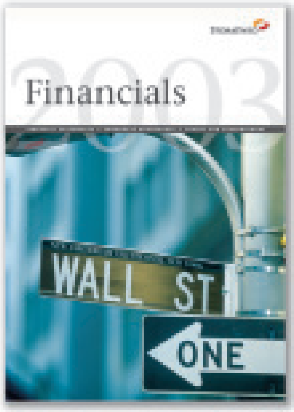
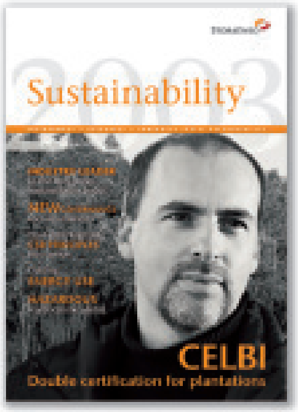
Stora Enso's Annual Report 2003 comprises three separate booklets





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Graphic design: Incognito
Photo: Arto Wiikari
Printing: Hansaprint
Cover stock: Berga Cream 200 g/m², Stora Enso, Berghuizer Mill
(ISO 14001-certified and EMAS-registered NL-000018)
Text stock: SpectraPress 48,8 g/m², Stora Enso, Varkaus Mill
(ISO 14001-certified and EMAS-registered FIN-000015)