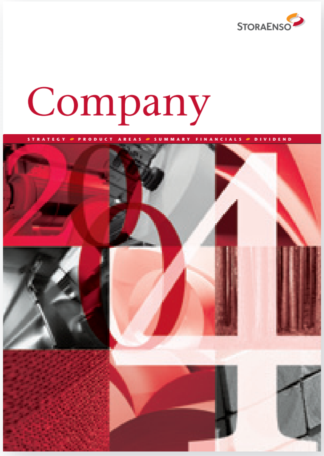
STORAENSO

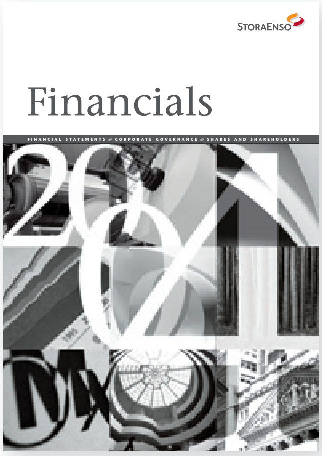
Company

STRATEGY • PRODUCT AREAS • SUMMARY FINANCIALS • DIVIDEND

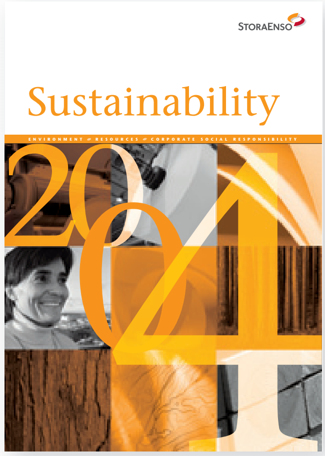
Stora Enso's Annual Report 2004 comprises three separate booklets



- Letter to shareholders
- Strategy and actions in 2004
- Product area presentations
- Board of Directors and management



- Financial statements and notes
- Operating and financial review
- Corporate governance
- Shares and shareholders



- Sustainability governance
- Environment: targets and performance
- Resources: water, energy, fibre sources and other raw materials
- Corporate Social Responsibility: actions in units, employees and business practices

Printed copies of the report may be ordered through our website at www.storaenso.com/order or by contacting any of the corporate offices (see back cover).

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 2004.

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 and paid in US dollars.

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 on Tuesday, 22 March 2005 at 16.00 (Finnish time) at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland. The AGM will be webcast on Stora Enso's website at www.storaenso.com/investors.

AGM AND DIVIDEND CALENDAR FOR 2005

11 March	Record date for AGM
22 March	Annual General Meeting (AGM)
23 March	Ex-dividend date
29 March	Record date for dividend
8 April	Dividend payment effected

For more details, see Information for shareholders on the back cover.

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Stora Enso in brief

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 12.4 billion in 2004. The Group has some 45 000 employees in more than 40 countries in five continents. Its annual production capacity is 16.4 million tonnes of paper and board and 7.7 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Stora Enso's shares are listed in Helsinki, Stockholm and New York.

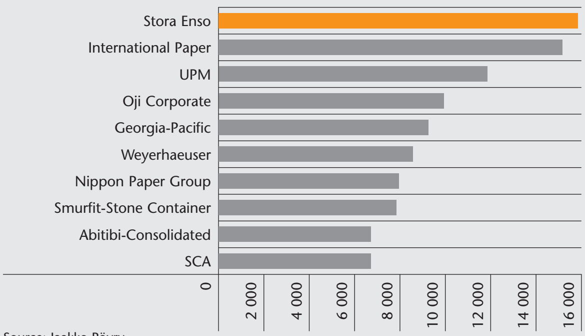
Stora Enso serves its mainly business-to-business customers through its own global sales and marketing network. A global presence provides local customer service. Customers are large and small publishers, printing houses and merchants, as well as the packaging, joinery and construction industries worldwide. 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. Stora Enso is the only forest products company that has been included in the Dow Jones Sustainability Index (DJSI World) since it was launched in 1999. Stora Enso is also included in the FTSE4Good index.

Largest paper and board producers

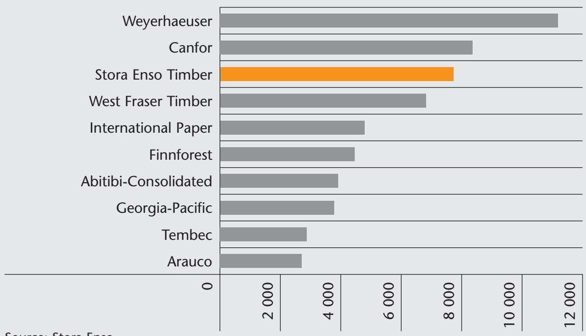
Capacity in 1 000 tonnes



Source: Jaakko Pöyry

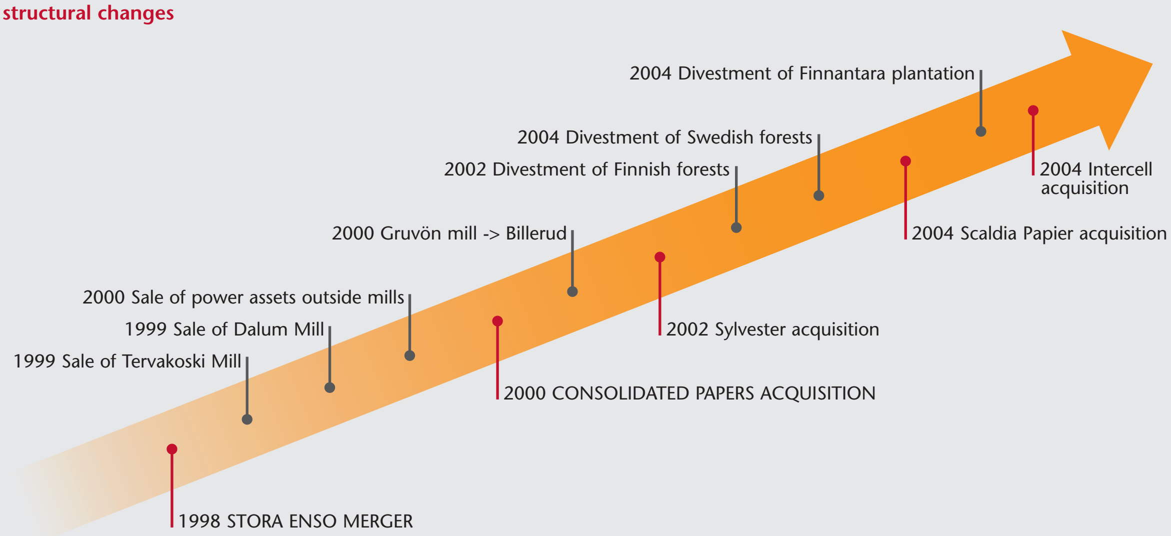
Largest sawn timber producers

Capacity in 1 000 m^3



Source: Stora Enso

Major structural changes



Year 2004 in brief

Demand for Group products continued to improve during the fourth quarter and deliveries increased in all product grades, especially advertising-driven paper grades. In Europe product prices were generally stable, but the earlier announced fine paper price increases did not materialise. Previously announced price increases were largely implemented in the USA. The Group's profitability declined significantly, however, owing to the impact of seasonal shutdowns, the direct and indirect effects of the weak US dollar and higher input costs, including wood harvesting costs due to the wet autumn in Northern Europe.

Main events 2004

In February Stora Enso announced its intention to upgrade and modernise the paper machine and increase sheeting capacity at its fine paper mill in Suzhou, China. The investments total EUR 38 million and the project will be completed in September 2005.

In April Stora Enso Timber inaugurated its second sawmill in Russia in the village of Nebolchi in the Novgorod Region. The investment was EUR 10.3 million and the full production capacity of 100 000 m^3 will be reached by the end of 2005. The mill employs fifty people.

In September Stora Enso finalised the acquisition of the Dutch paper merchant Scaldia Papier B.V. from International Paper. Scaldia Papier, which has 180 employees and had net sales of EUR 109 million in 2003 from a sales volume of 55 000 tonnes of paper, becomes part of Stora Enso Merchants division (Papyrus). The debt free transaction value was EUR 30 million.

In October Stora Enso divested its majority shareholding in PT Finnantara Intiga, which owned the Finnantara plantation in West Kalimantan, Indonesia, to Global Forest Ltd., which is part of the Sinar Mas Group. The book value of the plantation was USD 26 (EUR 21) million.

In December Stora Enso acquired a 66% ownership of the Polish packaging producer Intercell S.A. from private shareholders and the International Finance Corporation.

ENHANCING LOGISTICS

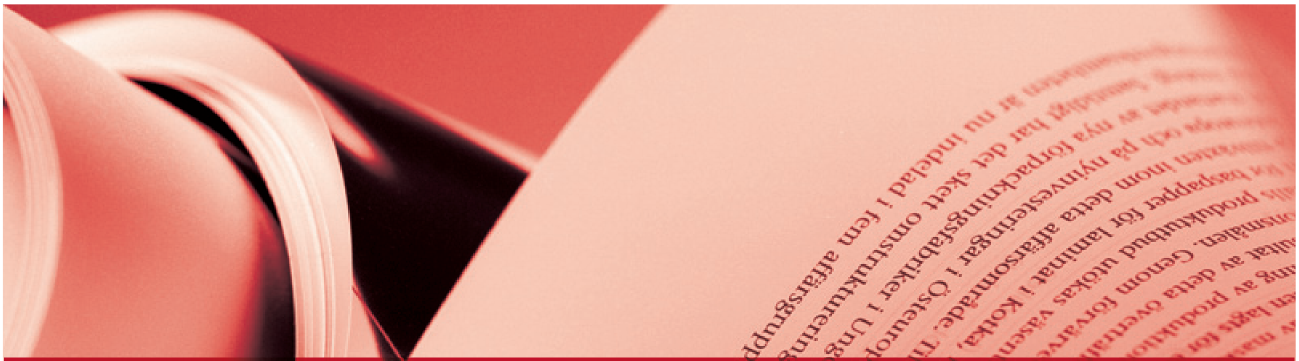
During 2004, Stora Enso started a project called the North European Transport Supply System (NETSS). The aim is to create a next generation transport system, a joint single supply chain for products from Stora Enso's mills in Sweden and Finland. The system will be implemented during 2005–2007 and will contribute to enhanced cost efficiency and improved customer service. Fully implemented, NETSS is expected to generate approximately 15% costs saving compared to current level. The system will also serve as a platform for further development of Stora Enso's transport and distribution services.

Financial highlights

	2003	2004
Sales, EUR million	12 172	12 396
Operating profit, EUR million	471	706
excluding non-recurring items, EUR million	526	336
% of sales	4.3	2.7
Profit before tax and minority interests, EUR million	211	639
excluding non-recurring items, EUR million	319	269
Profit for the period, EUR million	138	740
Capital expenditure, EUR million	1 248	980
Interest-bearing net liabilities, EUR million	3 919	3 052
Capital employed, EUR million	11 613	10 671
Return on capital employed (ROCE), %	4.0	6.3
excluding non-recurring items, %	4.5	3.0
Return on equity (ROE), %	1.7	9.2
Debt/equity ratio	0.49	0.38

	2003	2004
Earnings/share, EUR	0.16	0.89
diluted, EUR	0.16	0.89
excluding non-recurring items, EUR	0.24	0.25
Cash earnings/share, EUR	1.57	2.01
diluted, EUR	1.57	2.01
excluding non-recurring items, EUR	1.63	1.67
Dividend/share, EUR	0.45	*0.45
Equity/share, EUR	9.49	9.81
Payout ratio, %	180	180
Market capitalisation, EUR million, 31 Dec.	9 288	9 486
Deliveries of paper and board, 1 000 tonnes	13 551	14 409
Deliveries of wood products, 1 000 m^3	5 822	6 664
Average number of employees	44 264	43 779

*) Board's dividend proposal



Stora Enso Paper

PUBLICATION PAPER

PRODUCTS

Super-calendered (SC), uncoated machine-finished (MF), machine-finished coated (MFC) and coated (LWC, MWC, HWC) magazine papers, wallpapers, newsprint and newsprint specialities, directory and book papers.

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

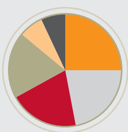
MARKET POSITION

Magazine Paper

- world's second-largest producer of magazine paper
- market share 17% globally (20% in Europe, 18% in North America, 3% in Asia and 10% in Latin America)
- main markets Europe (56% of sales) and North America (39% of sales)
- annual production capacity 4.6 million tonnes

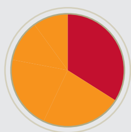
Newsprint

- world's third-largest producer of newsprint and newsprint specialities
- market share 8% globally (22% in Europe, 1% in North America, 4% in Asia and 1% in Latin America)
- main markets Europe (76% of sales), Asia (8% of sales) and North America (6% of sales)
- annual production capacity 3.5 million tonnes



Capacity

Germany	25%
Finland	22%
North America	20%
Sweden	19%
Belgium	7%
France	7%



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, print-on-demand applications, and protecting, transporting, labelling and identifying products.

MARKET POSITION

Graphic Papers

- world's second-largest producer of graphic papers
- market share 9% globally (13% in Europe, 14% in North America, 4% in Asia and 16% in Latin America)
- main markets Europe (40% of sales) and North America (35% of sales)

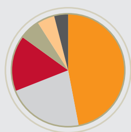
Office Papers

- world's fifth-largest producer of office papers
- market share 4% globally (14% in Europe, 1% in North America, 1% in Asia and 1% in Latin America)
- main markets Europe (82% of sales) and Asia (6% of sales)

Speciality Papers

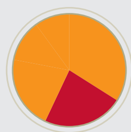
- world's largest producer of speciality papers
- main markets North America (61% of sales) and Europe (29% of sales)

- annual fine paper production capacity 4.6 million tonnes



Capacity

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



Share of the Group sales

Fine Paper	23%

Stora Enso Packaging Boards

PRODUCTS

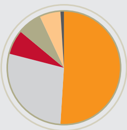
Liquid packaging boards, cupstock, cartonboards, containerboards, corrugated packaging, coreboards, cores, laminating papers, paper sacks, sack and kraft papers.

MARKET POSITION

- one of the world's leading producers of consumer packaging boards
- main markets Europe (82% of sales), Asia (13% of sales) and North America (2% of sales)
- annual production capacity 3.6 million tonnes of packaging boards and papers, 930 million m^2 of corrugated packaging and 215 000 tonnes of cores

FURTHER-PROCESSING

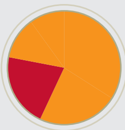
- cores are produced in Canada, China, Finland, Germany, the Netherlands, Spain, Sweden, the UK and the USA
- paper sacks are produced in Poland and Serbia
- corrugated packaging is produced in Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Russia and Sweden



Capacity*

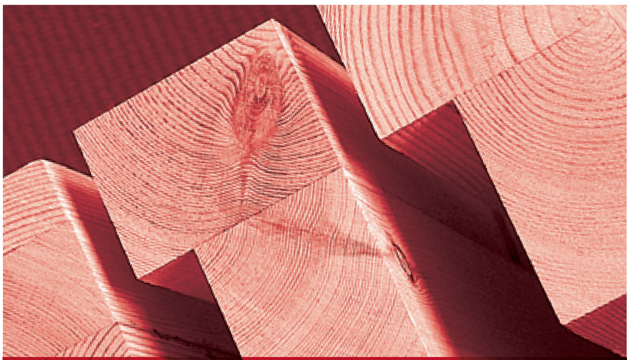
Finland	51%
Sweden	28%
Other Europe	7%
Poland	7%
Germany	6%
North America	1%

*) Excluding converting



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.

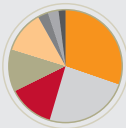
MARKET POSITION

- world's third-largest producer of sawn softwood
- main markets Europe (58% of sales), Asia (25% of sales), North Africa and Middle East (8% of sales) and North America (9% of sales)
- sawn wood products annual production capacity 7.7 million m^3, of which 3.2 million m^3 is value-added products

FURTHER-PROCESSING

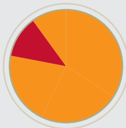
- further-processing mills in Austria, the Czech Republic, Estonia, Finland, Germany, Lithuania, the Netherlands and Sweden

More details about price trends and producer rankings at **www.storaenso.com/2004/company/keyfigures**



Capacity

Finland	30%
Austria	24%
Sweden	13%
Estonia	12%
The Czech Republic	12%
Latvia	3%
Russia	3%
Lithuania	2%



Share of the Group sales

Wood Products	12%

Dear Shareholder,

Stora Enso's Chairman Claes Dahlbäck and CEO Jukka Härmälä.

There were many notable achievements in 2004, such as improved performance of our North American operations and cost savings, but market conditions held back the overall financial performance of the Group and the results were very unsatisfactory. Much improvement is needed in the years ahead.

Stora Enso's profitability was disappointing in 2004. Operating profit excluding non-recurring items was EUR 336 million, down EUR 190 million on the previous year. The Group's net sales totalled EUR 12 396 million, which was only slightly up on the previous year in spite of higher sales volumes.

Demand for Stora Enso's products started to pick up and continued to rise throughout the year. Market conditions improved, especially in North America, where we were able to raise our prices moderately towards the end of the year.

In Europe prices were generally lower than in 2003, offsetting much of the gain from improving demand. Profitability was also affected by the depreciation of the dollar that started at the beginning of the year, accelerated towards the end of the year and has continued into this year. This has affected our pricing power in the markets.

Our North American Profit Enhancement Programme that began in 2002 is a good example of measures to improve Stora Enso's performance. The effect of this programme was showing through by the end of the year as losses in North America were significantly cut back. The full benefits of the programme will be gained when the last two machine rebuilds have been completed.

Our personnel in North America have handled this demanding profit enhancement programme well, including cost cutting and asset modernisations. The programme is proceeding according to plan.

Another key to raising profitability is our asset restructuring programme. For some time now we have been building new machines and modernising and rebuilding others. The fine paper and newsprint assets are generally in excellent shape, and our Langerbrugge recycled newsprint machine is being modified.

During 2005 a new super-calendered (SC) machine will come on stream at Kvarnsveden in Sweden and the Veracel joint venture pulp mill in Brazil will start production in the summer. We shall start benefiting from these projects to improve long-term profitability from the end of this year.

In addition, programmes are improving the profitability and overall efficiency of individual mills.

We have divested the forestlands in Sweden, releasing capital from non-core assets. We intend to invest this capital in emerging markets in projects that meet our financial targets. The areas we are concentrating on are South America, China and Russia.

Following our strategy of increasing the share of packaging boards within the Group's portfolio, we bought a Polish corrugated packaging boards company to develop packaging boards operations in Eastern Europe. Also, in line with our strategy of expanding the merchanting business to improve its profitability and move closer to the customers for paper products, we bought a paper merchant in the Netherlands and are finalising the acquisition of a French paper merchant.

These recent acquisitions have been relatively modest for a company of Stora Enso's size because this has not been an opportune time for making acquisitions. Assets have not been generally of sufficient quality and valuations of potential targets have been too high.

In Europe demand for advertising-driven paper grades is expected to stay healthy and in North America print advertising expenditure remains robust. The price outlook is positive for publication papers and rather good for coated fine papers in Europe and North America, but uncoated fine papers are suffering from increased competition and the weak US dollar.

Demand for packaging boards should remain stable, and some price increases are being implemented in consumer boards and coreboards. Demand for construction and joinery wood products is relatively stable globally, but there is overcapacity in Europe, and weak currencies in important export markets together with higher wood costs are leading to unsatisfactory returns.

Although the outlook for demand is generally positive, Group profits are expected to be depressed in early 2005 by the weak US dollar and costs related to rebuilding publication paper machines. The Group's financial performance will also continue to be adversely affected by rising energy-related and chemical costs. However, despite the near-term challenges to Group profitability, the financial results for the full year 2005 are expected to show an improvement on 2004.

Stora Enso remains strong in many respects. We have a balanced portfolio that makes us an attractive partner for our customers. We have made sound asset investments in recent years and we have highly skilled and international personnel. Our financial strengths are a strong balance sheet, good credit ratings and a steady dividend. The Board of Directors is therefore proposing to the Annual General Meeting of shareholders that the dividend be maintained at EUR 0.45 per share for the year 2004.
A new mandate to buy back shares will be sought from the Annual General Meeting in March 2005.

We would like to thank our personnel for their hard work during a difficult year and look forward to further progress in 2005.

Helsinki, 3 February 2005

Claes Dahlbäck, Chairman

Jukka Härmälä, CEO

Focus on improvement in

performance and cost efficiency

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.

MISSION, VISION AND VALUES

Mission:
We promote communication and the 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
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 customer's first choice
Performance
We deliver results
Responsibility
We comply with principles of sustainable development
Emphasis on people
Motivated people create success
Focus on the future
We take the first step

At Guangxi in China about 14 000 ha of eucalyptus plantations were established by December 2004.

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

Stora Enso wants to be the customer's first choice. The Group provides services that support customers' product development and enhance their value creation, while constantly improving its own products and processes, and developing new products.

Stora Enso is committed to sustainability and strives to be recognised for superior performance in this area. The key to achieving this is enhanced competence and know-how supported by commitment to shared values.

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

Key financial targets

ROCE

Stora Enso measures its profitability by Return on Capital Employed (ROCE). The target is 13% over the cycle. The pre-tax weighted average cost of capital at the end of 2004 was 8.7%. ROCE is a good basic indicator of the profitability of a capital-intensive company.

The ROCE was 3.0% in 2004. The Group was suffering from low sales prices, higher costs and the impact of the low dollar in 2004. Further, the impact of the North American Profit Enhancement Programme is still not fully reflected in the Group's figures, although the division's results improved significantly during the latter part of the year. The programme is on schedule and it is to be completed mid 2005.

Growth

The Company aims to increase its Earning per Share (EPS) through profitable growth, which can be achieved organically and through mergers and acquisitions.

The recent past has been a difficult time for making acquisitions, because the earnings potential of possible acquisitions is out of line with the cost of acquisitions. One reason for high acquisition prices is that many investors are active in the market and some of these competing buyers have different financial and industrial objectives.

Cash flow

Cash flow from operations has been given emphasis. Cash flow should exceed average capital expenditure and dividend calculated on a three-year rolling basis. This measurement is a tool to enhance efficiency in working capital management. Stora Enso will adopt the Cash Value Added (CVA®)[1)] concept in its investment planning to highlight cash flow.

The cash flow in 2004 was EUR 1 209.3 million, so the target was met on a rolling three-year basis.

Stability of the Company

Financial

Financial risk is in part indicated by the debt-to-equity ratio, the target being at or below 0.8.

This measure is a good indicator of the balance sheet strength and financial flexibility of a company. The target was well achieved, the debt-to-equity ratio being 0.38 in 2004. In the absence of potential acquisition targets, the balance sheet strength is currently being utilised by buying back the Company's own shares.

Volatility

Stora Enso aims to reduce the volatility of its business by making its portfolio less cyclical and by geographically diversifying the business.

The strategic target of the company in risk control is to increase the size of the packaging boards business within the Group's portfolio and to continue to expand its operations in emerging markets. Packaging boards now account for 21% of Group turnover, and Group sales outside Europe and North America for 14% of turnover. For more detailed figures, see the tables on pages 16 and 24 in the Financials 2004 report.

Steady dividend

Stora Enso aims to keep the dividend unchanged and to continue buying back its own shares. The current policy is to distribute half of the net profit over the cycle to shareholders as dividend. The Annual General Meeting on 18 March 2004 approved the share buy-back programme under Finnish legislation. By the end of 2004 the Company had purchased 45.5% of the authorisation for R shares.

Acquisition policy to support profitable growth

Stora Enso's acquisition strategy has clear targets. An acquisition must support the Group's core business development and provide customer, production and other synergies.

The acquisition must meet Stora Enso's financial targets. It has to be EPS and Cash Earnings per Share (CEPS) accretive after one year excluding synergies. In the near term returns from the acquisition must exceed the Company's pre-tax weighted average cost of capital of 8.7%, and in the long term the acquisition must support the ROCE target of 13%. Stora Enso is planning to include the Cash Value Added (CVA®)[1)] concept in analysis of acquisition alternatives.

Reaching key financial targets

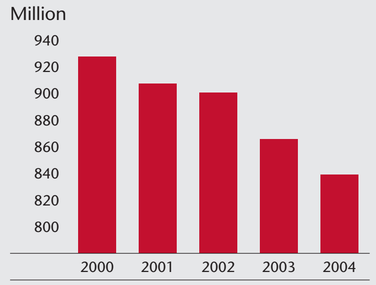
	Target	2000	2001	2002	2003	2004
ROCE, % *	13	15.4	10.6	7.2	4.5	3.0
Debt/Equity ratio	≤ 0.8	0.63	0.58	**0.37	0.49	0.38
Dividend/share, EUR		0.45	0.45	0.45	0.45	***0.45
Payout ratio, % *	50	34	48	82	180	180

* Excluding non-recurring items ** Adjusted with the initial valuation of IAS 41 Agriculture

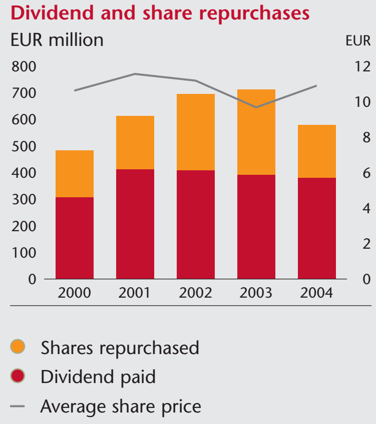
*** Board of Directors' proposal to the AGM

1) Trademark registered by Anelda AB

Shares outstanding



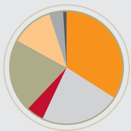
Dividend and share repurchases



Combined shareholder value of dividend and share buy-backs

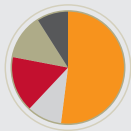
Stora Enso's business drivers

Stora Enso sales 2004
EUR 12.4 billion



Publication Paper	34%
Fine Paper	23%
Merchants	5%
Packaging Boards	21%
Wood Products	12%
Wood Supply Europe	4%
Other	1%

Core business drivers



Advertising	52%
Business	10%
Non-durable goods	16%
Construction	13%
Other	9%

Core business drivers and future paper market trends

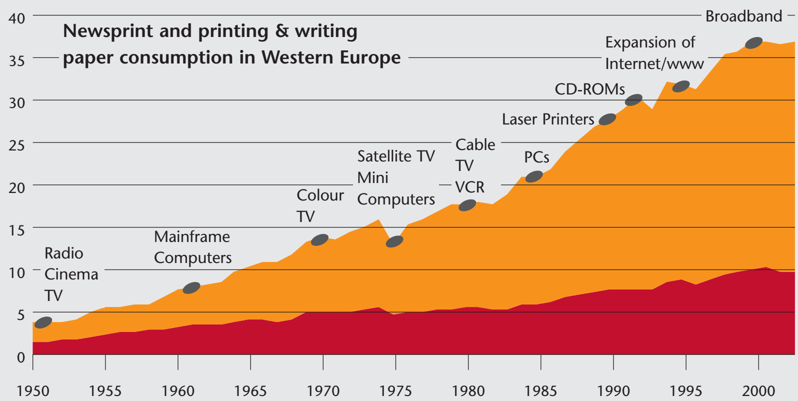
The most important driver for Stora Enso's business is advertising spending. Advertising is the main driver for publication and coated fine papers. Demand for uncoated fine paper depends on business activity and demand for packaging boards depends on non-durable goods.

Stora Enso has undertaken a detailed study concerning graphic papers and their end uses. The study improved the Group's understanding of future graphic paper demand and the end uses of graphic paper in different geographical areas.

Major paper demand drivers were identified. They are marketing spend and marketing mix, developments in technology and competing media, and consumer behaviour and demographics. Their effects on the demand for paper used in newspapers, magazines and commercial printing were determined.

Technology and competing media

Million tonnes



- Printing and writing papers
- Newsprint

Source: Jaakko Pöyry

The study showed that demand for newsprint will grow slowly and for magazine grades moderately in mature markets. Commercial printing and office uses of paper are the fastest-growing segments in mature markets. In emerging markets, however, all segments are expected to grow strongly.

The key strategic responses to the findings are to shift more production towards low-cost regions; to continue to consolidate, improve productivity and increase the added value of products in mature markets; and to utilise fully the comprehensive sales and marketing network and account management concept.

Focus on South America, China and Russia

Stora Enso is concentrating its emerging markets strategy on three areas: South America with its low fibre costs, China with its fast-growing market and Russia with its extensive fibre resources. The Group wants to increase its business in these areas to diversify the asset portfolio geographically, to benefit from a more cost-competitive operating environment and to gain revenue growth in new markets.

The products in emerging markets can be divided in two categories: key products for local and regional consumption such as fine paper, cores and corrugated boards; secondly, fully integrated products not only for local consumption, but also for world markets, such as newsprint, super-calendered (SC) paper and liquid packaging boards.

Cost-competitiveness will be achieved by utilising low-cost wood fibre from South America and Russia, and low production costs in all of these key areas.

Strategy in action in 2004

Profit Enhancement Programme yielding results in North America

Stora Enso North America's Profit Enhancement Programme started to have a positive impact on the Group's results in the second half of 2004. The programme consists of six machine rebuilds and modernisations, four of which have already been completed. The budgeted annual cost savings will be USD 145 million.

Paper price increases implemented during the second half of 2004, along with the profit enhancement measures, improved the financial results. Changes made to Stora Enso's US healthcare plan during the third quarter had a one-time non-cash positive effect of USD 96.4 million and reduced annual costs by USD 6.4 million.

The number of personnel at the end of 2004 was 5 266 and by mid 2005 the workforce will be decreased to 5 000 people in North America.

Divestments of forest assets and Veracel fibre strategy

Stora Enso restructured 1.9 million hectares of its forestlands in Sweden in March 2004. The forests were transferred to Bergvik Skog, a new company owned 43.3% by Stora Enso and 5% by the Group's partner Korsnäs; the remaining shares are held by institutional investors. Stora Enso has a long-term wood supply contract with Bergvik Skog. This restructuring is part of Stora Enso's plan to free up capital from non-core assets and increase financial flexibility in order to develop its core businesses of paper, packaging and forest products.

The rebuilt paper machine 6 at Maxau Mill started up in September 2004.

Stora Enso divested its Finnantara plantation in Indonesia because of its declining importance following approval of the Veracel pulp mill project in Brazil and establishment of plantations in Southern China. Veracel, with its superb location close to a port in Brazil, will easily be able to supply fibre worldwide, whereas the Chinese fibre project is targeted at local markets.

Stora Enso's 900 000 tonnes Veracel pulp mill joint venture in Brazil is on schedule. The start-up is due by mid 2005 and the mill will provide 450 000 tonnes per year of cost-efficient short-fibre pulp for Stora Enso's internal use. The pulp will be utilised in China, North America and Europe.

Veracel Mill with its fast-growing eucalyptus plantations is important to Stora Enso's fibre strategy of reducing the cost of fibre. Stora Enso intends to secure and utilise increasing amounts of long fibre from Eastern Europe and short fibre from fast-growing plantations in the Southern Hemisphere.

Benefits coming from recent asset restructuring

Stora Enso's asset restructuring proceeded according to plan in 2004. Asset quality is under constant review and restructuring is an ongoing process in the Group.

Major rebuilding of Maxau paper machine 6 in Germany, which produces super-calendered (SC-B) paper from recovered fibre, was completed and the machine started up in September. Its annual capacity has been increased by 120 000 tonnes to 260 000 tonnes at a total cost of EUR 168 million.

A major ongoing project is the new paper machine 12 at Kvarnsveden Mill in Sweden with annual capacity of 420 000 tonnes of high-quality SC paper. The total investment will be EUR 450 million and the start-up is scheduled for the end of 2005.

Stora Enso has considerably increased the quality of its assets and the Group is now in an excellent position to benefit fully from its high-quality machines. The aim is to be as cost-efficient a producer as possible, and productivity is under constant surveillance. Excellence 2005 is an internal programme that is securing cost savings and quality improvement in parallel with the ongoing asset restructuring.

Prudent steps in China

It was decided to modernise the paper machine at Suzhou Mill in China. The EUR 38 million investment, to be completed by mid 2005, will increase coated fine paper production and sheeting capacity from 165 000 to 240 000 tonnes per year at the mill.

Stora Enso also started a joint venture with Shangdong Huatai Paper of China to assess the feasibility of starting publication paper production in China.

Greenfield developments and acquisition in Eastern Europe

Stora Enso's target in Russia is to strengthen its local presence and improve fibre procurement. The Group inaugurated two new greenfield investments during 2004. The Nebolchi sawmill was started up in the Novgorod region and the second corrugated board mill in Russia was started at Arzamas close to Nizhny Novgorod. The total investment in these two projects was EUR 38 million.

In December Stora Enso moved into the large and fast-growing Polish paper and packaging market. The Group completed the acquisition of the majority interest in Intercell S.A., which is one of Poland's biggest corrugated packaging companies, with integrated operations from waste paper collection to corrugated packaging production. This acquisition also gives Stora Enso the opportunity to expand into sawmilling to improve its already strong wood sourcing position in Eastern Europe.

In R&D work continues towards innovative packaging and new types of paper

In 2004 Stora Enso spent EUR 82.2 million on research and development, which was 0.7% of net sales. Consumer Boards is the division with the most intense research and development programme. Its New Business Innovations, which is part of Consumer Boards, continued intense product development work, launching the Stora Enso Pharma SHR child-resistant, senior-friendly and high-compliance packaging solution. The reclosable carton meets the child-resistance requirements of European standard ISO 8317 and has achieved the highest child-resistance and senior-friendliness rating F=1 in the USA.

During the year New Business Innovation also developed jointly with Xeikon a production line for Stora Enso's DBS (Discbox Slider) paperboard disc packaging that covers the whole process of printing, die cutting, assembling and filling DBS packs. The turnkey solution consists of a Xeikon 5000 digital printing press, DBS converting machine and DBS Pac Master packaging machine.

Consumer Boards launched a new packaging solution for food, too: an airtight cup made of non-foil paperboard. Specially developed board grades, heat-sealed raw-edge taping and innovative lid sealing keep the cup airtight, and this is ensured by rigorous testing procedures, including a new tracer gas test.

In the Paper product area a new type of light-weight uncoated paper was developed for offset and rotogravure printing during the year. It has high brightness, good opacity and excellent printing gloss.

Stora Enso has established a corporate venture function to enhance innovation and support the renewal of the core businesses. The new function has been fully launched and there is already a healthy deal flow both from within and outside of Stora Enso.

Competitive environment and paper flows

The forest products industry is still relatively fragmented compared with other industries: the top five companies hold just over 17% of global, 33% of European, 40% of North American and 26% of Asian production capacity.

Western Europe

Western European production of printing and writing paper in 2004 was estimated to be 36.5 million tonnes and apparent consumption 30.5 million tonnes, up by about 6% on the previous year. Exports to other regions totalled about 7.3 million tonnes and imports 1 million tonnes. The main export markets were Asia and North America, with over 2 million tonnes each.

Newsprint production grew by 4% to 9.5 million tonnes, compared with demand of 9 million tonnes, 3% up on 2003. As exports to other regions increased modestly and imports from Canada declined, total deliveries grew by over 3%.

Western European production of cartonboard was estimated to be 6.1 million tonnes and demand 4.7 million tonnes, 5% up on 2003, including 2.9 million tonnes of white lined chipboard, 1.5 million tonnes of folding boxboard and 0.4 million tonnes of solid bleached sulphate board. Deliveries to Eastern Europe grew robustly to 0.7 million tonnes, and to other regions increased to 1.0 million tonnes.

North America

Printing and writing paper production was estimated to increase to 28.3 million tonnes, up by over 5% on the previous year. Demand was 30.3 million tonnes, 4% higher than in 2003 and nearly equal to the peak in 2000. Demand for coated paper advanced fastest, up by 7%. Imports generally grew modestly and were 3% higher than in 2003, but growth started to accelerate during the second half of the year, especially in coated grades.

Newsprint production totalled 13.4 million tonnes, down by 2%, but capacity shrank by approximately half a million tonnes. Demand in North America declined by over 1% to 11 million tonnes as consumption of US daily newspapers continued to decline. Exports decreased by 4% to 2.5 million tonnes.

EMERGING MARKETS:

Eastern Europe

Printing and writing paper production was estimated to be 7% up on 2003 at 2.8 million tonnes and demand 8% up at 4.3 million tonnes. Imports increased by 18% to over 2 million tonnes.

Newsprint demand rose to 1.7 million tonnes in 2004, 18% more than a year earlier, and imports grew to 0.6 million tonnes.

Asia

Printing and writing paper production was estimated to grow by 5%, driven mainly by growth in China. Capacity in China has been increasing rapidly and at an accelerating pace, and over two million tonnes of new capacity are expected to start up in the next two years.

Regional demand for printing and writing paper rose 5% in 2004 to approximately 32 million tonnes. Demand for newsprint was over 11 million tonnes, 4% higher than in 2003. Imports were 2.5 million tonnes.

Asian demand for cartonboard was estimated to be 13 million tonnes, up by 6%.

South America

Printing and writing paper production was 5% up on 2003 at 4.1 million tonnes. Newsprint demand was 1.7 million tonnes, 4% higher than in 2003. Latin American production totalled 0.7 million tonnes and imports 0.9 million tonnes.

Achieving targets with profitable growth

The Paper product area combines all Stora Enso's paper manufacturing and merchant operations under one management. Stora Enso Paper shares the Group's vision of being the leading forest products company. For Stora Enso Paper, that means substantial market shares, comprehensive global product ranges and excellent customer service. Profitable growth is the means of reaching these targets.

Stora Enso Paper's vision is to be the leading supplier of communication papers. The strategy is to achieve this vision through profitable growth in its core businesses. In the longer term, the focus is on emerging markets while remaining competitive in mature markets.

There are three ways to grow: through mergers and acquisitions, rebuilding existing capacity within the Asset Restructuring Programme and building new capacity. Stora Enso carefully evaluates whether to close down older, less-efficient assets when building new capacity. The main criteria in selecting which way to grow are the Group's financial targets.

Continuous asset restructuring

In the past couple of years Stora Enso Paper has systematically improved and restructured its assets. They are now high standard and the benefits of recent investments are being reaped, but improvement continues. New investments will target growth segments and emerging markets. Asset restructuring is a never-ending process in which the Group analyses the competitiveness and prospects of its assets, and then sets development plans for each. If a paper machine is not competitive enough and the prospects are poor, it will be closed down or converted to manufacture other products.

Stora Enso has recently invested a lot in building new capacity. The newsprint machine at Langerbrugge started up in 2003 and the new magazine paper machine at Kvarnsveden Mill in Sweden will start up in 2005. Another major investment was rebuilding paper machine 6 at Maxau Mill in Germany to improve its productivity and competitiveness. Stora Enso has also closed down or converted some older paper machines in order to improve its profitability.

Emerging markets

The emphasis on emerging markets will increase, as only 2% of the product area's operating capital is currently outside Europe and North America. This is a viable option for decreasing risk through diversification. China, with its rapid growth, is a promising emerging market for Stora Enso Paper. Stora Enso is upgrading its fine paper machine in Suzhou, China. Latin America and Russia are important sources of competitive fibre and markets with promising prospects.

Closer to the customer

In maturing markets Stora Enso needs to strengthen its SEAM (Stora Enso Account Management) approach globally to move closer to the customer in the value chain. SEAM helps Stora Enso gain real customer insight and use this insight in formulating the product area's strategy. The Paper product area is running pilot SEAM projects with key accounts to develop unique offerings. The SEAM approach is progressing rapidly within Stora Enso Paper. Key accounts have been defined and all key account managers and their support teams appointed.

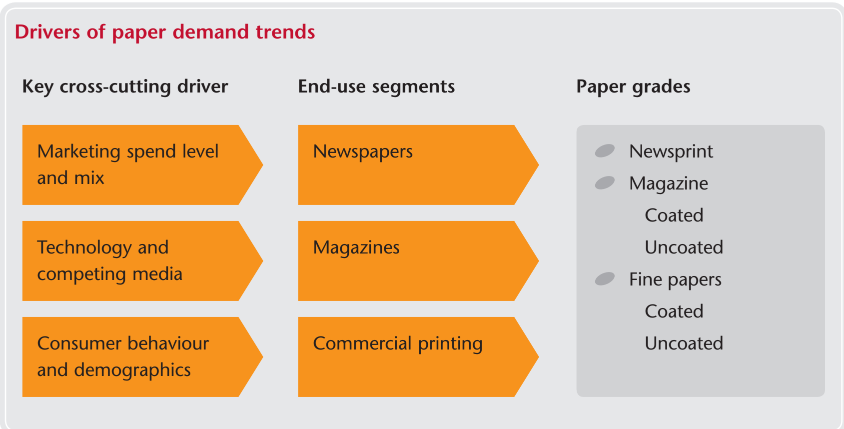
As a customer interface for the Group, Stora Enso's merchant business Papyrus is an important component of Stora Enso's value chain and takes the Group one step closer to the customer. It is vital to the development of the business to understand the end-user.

Papyrus's strategic aim is to become a significant local player in the European merchant business. In 2004 it acquired the Dutch paper merchant Scaldia Papier B.V. to strengthen its presence in the rapidly changing European paper merchant market and achieve synergies with its present operations.

FUTURE PAPER DEMAND

The escalating number of channels has made television a much less efficient medium for advertising than twenty years ago, as different channels are viewed only sporadically and digital video recorders enable consumers to skip advertisements. In recent years some leading consumer goods companies have been shifting their spending away from television, so competition between print and electronic media for advertising is intensifying.

Among paper products, free newspapers and supplements printed on magazine paper are a growth market. Sales of magazines targeted at special interest groups and customised magazines are increasing. Glossy and graphic-intensive magazines are also gaining ground from text-intensive magazines. Strong brands are highly valued in publishing.



Quantifying the drivers of demand trends and potential discontinuities in the most important customer segments and markets will be a key success factor for Stora Enso.

Publication Paper

Stora Enso Publication Paper's 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.

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
There is evidence of a general recovery in the advertising-driven paper business in Europe. Growing demand will enable price increases following the contract negotiations for 2005.

In North America demand for magazine paper should stay strong and further price increases are expected. Newsprint demand will remain stable and some price increases are anticipated.

Key figures*	2002	2003	2004	% of the Group
Sales, EUR million	4 715.6	4 295.7	4 343.3	34.1
Operating profit, EUR million	313.6	111.1	91.3	27.1
% of sales	6.7	2.6	2.1	
Operating capital, EUR million	3 927.3	3 979.1	4 135.7	36.3
Return on operating capital, %	7.5	2.8	2.3	
Capital expenditure, EUR million	482.2	591.6	486.3	49.9
Average number of employees	13 241	12 903	12 317	28.1
Market-related production curtailments, 1 000 tonnes	874	497	240	

* excluding goodwill

1 000 tonnes	Deliveries 2002	Deliveries 2003	Deliveries 2004	Capacity 2005
Newsprint	2 899	2 993	3 309	3 532
Uncoated magazine paper (SC, MF, MFC)	1 430	1 477	1 548	2 098
Coated magazine paper (LWC, MWC, HWC)	2 440	2 445	2 507	2 460
Wallpaper base	38	39	34	65
Total	6 807	6 954	7 398	8 155

Fine Paper

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.

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

Demand for fine paper is expected to remain good in Europe throughout the first quarter. The indirect effect of the weak US dollar may disturb the supply and demand balance. Coated fine paper prices should stay stable during the first quarter of 2005, but prices for some uncoated grades are still under pressure.

In North America demand is expected to remain strong and further price increases are anticipated.

In Asia consumption should improve after the Chinese New Year in February.

Key figures*	2002	2003	2004	% of the Group
Sales, EUR million	3 427.4	3 197.7	3 173.1	23.4
Operating profit, EUR million	298.3	153.5	64.3	19.1
% of sales	8.7	4.8	2.0	
Operating capital, EUR million	3 625.0	3 343.6	3 378.8	29.7
Return on operating capital, %	7.7	4.4	1.9	
Capital expenditure, EUR million	131.6	219.1	198.6	20.4
Average number of employees	9 288	9 521	8 921	20.4
Market-related production curtailments, 1 000 tonnes	274	176	43	

*excluding goodwill

1 000 tonnes	Deliveries 2002	Deliveries 2003	Deliveries 2004	Capacity 2005
Office (uncoated) paper	1 330	1 347	1 393	1 700
Graphic (coated) paper	1 826	1 900	2 120	2 415
Speciality paper	276	344	380	460
Total	3 432	3 591	3 893	4 575

Improving assets and achieving profitability

Stora Enso spent USD 204 million during 2004 to secure the long-term viability of its North American mills and significantly reduce costs. The aim of the Profit Enhancement Programme is to cut costs, upgrade assets and enhance the product mix. When the programme is complete in mid 2005, the Group's fine paper machines will be among the best in North America. Importantly, as a measure of the programmes, profitability is already improving, as seen in the significant improvement between first half and second half 2004 profitability.

Profit Enhancement Programme

Announced in August 2002, two years after Stora Enso acquired Consolidated Papers, the Profit Enhancement Programme aims to improve significantly Stora Enso North America's competitiveness and longer-term profitability, and position its operations for profitable growth in the USA, the world's largest paper market. Action was necessary as the division was making losses for several reasons, including downturn in the economy, increased global competition, and high energy and fixed costs.

Workforce reductions associated with these changes are difficult and not done without great concern for the well-being of those employees affected. Permanent machine shutdowns have been challenging, too, but workforce and asset restructuring combined with a total of USD 250 million of capital expenditures have infused new life and purpose into the Group's North American mills. North America continues to be an important market for Stora Enso's products.

Stora Enso is investing in the best machines and improving their capacity while closing down older smaller ones. The overall capacity will therefore remain similar following completion of the investment projects.

The machine upgrades improve cost competitiveness, but modernised working practices are also crucial to the success of the programme. Introducing more efficient working practices will ensure the Group remains an attractive and reliable supplier for customers and retains its strong position in the US market.

Personnel reductions

The programme inevitably included significant personnel reductions as some machines that were not or would not be competitive in the long term were shut down. Some difficult decisions therefore had to be made to achieve the full potential of the assets. By 2005 the Group will be employing some 5 000

MAIN FEATURES OF THE NEARLY COMPLETED PROFIT ENHANCEMENT PROGRAMME:

Major equipment and infrastructure investments totalling USD 250 million

- Wisconsin Rapids Pulp Mill converted to fully bleached fine paper pulp
- Rebuild of paper machines at the Wisconsin Rapids, Kimberly and Biron mill sites
- Modifications to paper machines at Niagara and Whiting
- Expansion of the thermomechanical pulp line at Port Hawkesbury

Permanent shutdowns of uncompetitive paper machines and pulping units

- Shutdown of PM12 at Wisconsin Rapids
- Shutdown of PM24 at Biron
- Shutdown of groundwood and high-yield pulp operation at Port Hawkesbury
- Closure of groundwood pulp mill at Kimberly

Improved product portfolio, enhanced quality

Workforce reductions

Wisconsin Rapids mill site.

people in North America, down from 7 300 in 2000.

The percentage reduction in the workforce in North America since 2000 is slightly over 30% for both management and hourly-paid workers. Workforce reductions have been achieved in a number of ways, including severance, retirement and attrition. Stora Enso North America has provided outplacement services to help displaced employees find new employment through a special career centre.

Committed to long-term development

The programme has made Stora Enso North America more competitive in its core product segments – coated fine paper, coated and uncoated magazine paper and speciality papers – with improved quality, reliability and cost competitiveness.

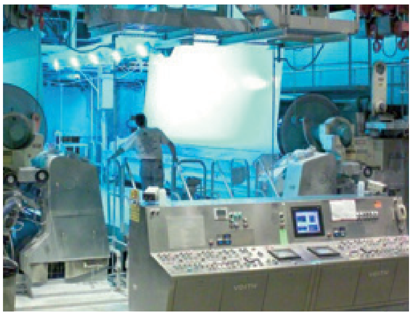
The Profit Enhancement Programme demonstrates Stora Enso's long-term confidence in and commitment to its North American operations and customers. Stora Enso North America will have efficient machines, lower production costs and satisfying printing paper products that secure the Group's aim to be the customer's first choice.

Economic upturn

Demand for paper has improved in 2004 as the North American economies continue to strengthen. The Profit Enhancement Programme is nearing completion, so the Group is well placed to supply quality products to meet the increasing demand.

IMPROVED RESULTS

The target of the Profit Enhancement Programme, including the later announced fixed cost reduction plan, is to improve annual EBITDA by USD 145 million. The programme started delivering a substantial positive contribution during the second half of 2004 and is on target to achieve the expected profitability improvement.



Strength through

the value chain

The Packaging Boards product area has three core businesses: **Consumer Boards** made from pulps from integrated mills, **Corrugated Packaging** made partly from own containerboards and **Cores** made from own coreboards. 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 Packaging Boards aims to be the most rational choice for customers by offering long-term contracts facilitating price stability, reliable service and stable product quality. Large shares of business in targeted 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. The wide and diversified product portfolio reduces fluctuations in financial results and lowers risks.

"Our aim is to focus the Group's traditional and current strengths on the growth opportunities available in the packaging board market," says Pekka Laaksonen, Senior Executive Vice President, Stora Enso Packaging Boards.

Targeted investments and acquisitions

The major investment project during 2004 was Skoghall Mill's Energy 2005 project, which aims to secure the future base for board production and strengthen the mill's energy supply. This will enable cost-effective production with low emissions in both the short and long term. The total investment will amount to EUR 211 million. It will reduce the oil consumption of the mill and increase electricity self-sufficiency.

The acquisition of Intercell announced in October 2004 is part of Stora Enso's strategy of increasing its Packaging Boards operations in Eastern Europe. Intercell's large share of the market and low cost base provide an excellent foundation for growth.

Strength through the value chain

Stora Enso Packaging Boards has a strong manufacturing base, particularly the large efficient machines manufacturing consumer packaging boards. Ownership of the whole value chain from pulp production to recycling of composite materials secures price and supply stability for customers. Stora Enso Packaging Boards is a leading recycler of composite materials such as liquid cartons and industrial wrappings.

Growth strategy preferences

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%. Russia and Eastern Europe have been seen as key areas for development for the past ten years. Eastern and Central Europe are important markets, especially for corrugated packaging. As the corrugated business is by nature local, it is crucial to have local production units in target markets to reach high regional market shares.

The aim is to make further acquisitions if suitable targets are found, while continuously improving the existing large mills and increasing profitability.

Outlook

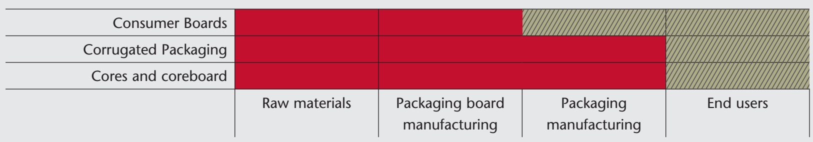
Demand is generally expected to remain stable in all businesses. Moderate price increases are anticipated, but their impact may be offset by the weak US dollar.

INNOVATIVE CO-OPERATION WITH CUSTOMERS

One way to move closer to the consumer in the value chain is to develop new packaging systems and products in close co-operation with customers. Innovations and the new technologies being developed will further enhance the competitiveness of packaging boards over alternative materials. Some recent new products include novel packaging for pharmaceuticals. The reclosable carton meets the strictest standards for child resistance, while being very easy for senior adults to use.

Read more in the Strategy text on page 12.

Stora Enso Packaging Boards in the value chain



In the consumer board business, Stora Enso's customers are the packaging manufacturers. In the corrugated packaging and core businesses, the customers are the end-users.

Key figures*	2002	2003	2004	% of the Group
Sales, EUR million	2 720.2	2 761.6	2 771.5	20.6
Operating profit, EUR million	345.3	292.4	277.6	82.5
% of sales	12.7	10.6	10.0	
Operating capital, EUR million	2 543.1	2 494.0	2 722.6	23.9
Return on operating capital, %	13.5	11.6	10.6	
Capital expenditure, EUR million	143.5	170.9	167.3	17.2
Average number of employees	10 533	10 068	10 113	23.1
Market-related production curtailments, 1 000 tonnes	109	109	81	

*excluding goodwill

1 000 tonnes	Deliveries 2002	Deliveries 2003	Deliveries 2004	Capacity 2005
Packaging boards and papers	2 909	3 006	3 119	3 645

Read more about packaging solutions in the Sustainability 2004 report or at
www.storaenso.com/2004/sustainability

Consumer Boards

Polymer coating at Imatra mills.

Stora Enso Consumer Boards is a market leader in primary-fibre-based consumer boards in Europe. It provides a large selection of boards for packaging a multitude of consumer goods, and a variety of polymer coatings. Products include liquid packaging boards, cartonboards, cigarette boards, food service boards, graphical boards, and complete packaging solutions.

In 2004 Stora Enso Consumer Boards, which has about 5 700 employees, delivered 2.3 million tonnes of boards from its seven mills.

New Business Innovations

Profitable new business models can be created through vertical innovation in the value chain. In response to market trends and consumer preferences, Stora Enso is developing new packaging concepts and business models together with its partners, focusing on food, media and pharmaceutical solutions and digital printing applications.

Liquid Packaging Boards

Stora Enso, with a 32% market share, is the world's leading producer of liquid packaging boards for fresh and aseptic liquid packaging applications. Demand for liquid packaging boards is expected to grow by 3% per year, with the biggest growth areas being the Asian countries.

Cartonboards

Cartonboards are used for packaging chilled, frozen, dry and pet food, beverages, chocolate and confectionery, cosmetics and luxury items, pharmaceuticals, detergents and household products.

The fastest-growing segments in Europe with 3% estimated annual growth are pharmaceuticals cosmetics and luxury packages.

Food Service Boards

Food service boards are used in cups and trays. Stora Enso is a leading cupstock supplier in Europe. Board-based trays are increasingly used in the growing ready-meals market.

Graphical Boards

Stora Enso is a leading producer of graphical boards in Europe. Stora Enso's graphical boards are suitable for a great variety of uses, from greeting cards, book covers and folders to menus, inserts and sleeves.

Cigarette Boards

Stora Enso is a leading producer of cigarette boards.

DBS (Discbox Slider) is Stora Enso's environmentally friendly and cost-effective paperboard packaging for CDs and DVDs.

Stora Enso DBS powered by Xeikon is an on-demand packaging solution for disc producers such as the music, software, movie and games industries. It enables very efficient short runs and personalised packages, which makes it ideal for increasingly fragmented markets, for example in the music business. Stora Enso Digital Solutions N.V., a joint venture of Stora Enso and Xeikon International, is responsible for its development and sales. Further information is available at www.storaenso.com/dbs.

Corrugated packaging

Corrugated packaging is crucial to the process of manufacturing and distributing products as it protects products during storage, transportation and handling.

Stora Enso Packaging, headquartered in Lahti, Finland, is a major producer of corrugated packaging materials and supplier of packaging machines and systems in Northern Europe and Eastern Europe. Its production facilities are located in Finland, Sweden, Russia, Latvia, Estonia, Lithuania, Hungary and Poland, a total of 17 production units manufacturing a wide range of corrugated products to meet the needs of customers.

Stora Enso Packaging's product range includes corrugated packaging for consumer packages, food and non-food packages, transport packages, display stands, corrugated sheets, paper roll and sheet packing systems, and packaging systems and machines.

Corrugated consumer packaging has four basic aims: to protect goods in transportation, to provide product information, to support the identity and profile of the product, and to provide a means of displaying the product in the retail outlet.

Cores

Corenso United Oy Ltd is a leading producer of coreboard and cores and tubes for industrial use. The main users of cores and tubes made from Corenso's coreboard include manufacturers of:

- Paper and board
- Textile yarn
- Plastic films and flexible packaging
- Metal foil

Corenso has four coreboard mills and 14 core factories in Europe, China and North America, and associated companies in Canada and Spain. Corenso is 71% owned by Stora Enso Oyj and 29% by UPM-Kymmene Oyj. Corenso enhances the use of recycled raw materials and recyclable, environmentally friendly end products as vital elements in its corporate vision. All its products

are recyclable. Corenso supplies more than 70 countries all over the world. With the global backing of its owners, Corenso has built up a worldwide marketing and logistic network to serve all customers efficiently.

Energy-efficient production of world-class pulp

Stora Enso's Imatra Mills in eastern Finland form one of the world's biggest wood-processing complexes, including Europe's largest integrated kraft pulp mill. The mills currently produce about 1.1 million tonnes of paper and board per year, the main products being liquid and food packaging boards, in which Imatra Mills are the global market leader.

The mills at Imatra are divided between two sites, Kaukopää and Tainionkoski. About 2 100 people work at the mills, which have three paper machines, four packaging board machines and pulp production lines. About 70% of the output is marketed within the EU.

Highly succesful investment

In 2001 Stora Enso completed a major investment project, building the new short-fibre pulp line 3 and modernising and converting the existing pulp line 2 to long-fibre pulp production.

The investment has proved very successful and paid for itself even sooner than expected. Production targets were exceeded in the third year after start-up.

The top-class pulp yields high quality boards and papers. The short-fibre pulp is very pure, which is essential for boards for the food industry. The quality of the long-fibre pulp has also improved since the investment, especially in strength.

Quality pulp for quality boards

The Imatra pulp mills form by far the biggest pulping complex in Europe and one of the biggest and most advanced in the world. It is also the world's only manufacturer of liquid packaging boards that produces all four different types of pulp required: bleached pine, bleached birch, unbleached pine and chemi-thermomechanical spruce pulp. Since the investment, no pulp needs to be purchased, which reduces costs and enhances quality as there is no need to use dried pulp. Most of the pulp is used by the mills at Imatra, but a small proportion is supplied to Stora Enso's mills at Skoghall and Fors in Sweden.

High energy self-sufficiency

One of the greatest advantages of integrating a pulp mill with paper and board machines at the same site is energy efficiency. Imatra Mills are over 90% self-sufficient as regards thermal energy due to the use of black liquor by-product from pulping and bark from wood processed at the mills as fuel. Natural gas is the only fossil fuel and the only purchased fuel used at the mills, accounting for less than 10% of heat production.

Enhanced energy production

The major investment in pulping completed in 2001 has significantly decreased carbon dioxide emissions from

The reason for using different pulp grades is to achieve maximum stiffness for minimum weight. Fibre is the most expensive component of pulp cost, so a lot of effort is made to minimise fibre consumption.

Pulp grades produced and used in board production at Imatra:

- **bleached birch pulp** used for the top layer to give good printability, smoothness, and opacity without compromising strength properties
- **bleached pine pulp** used for the top and middle layers of packaging boards to give strength and stiffness
- **unbleached pine pulp** used for middle and back layers of packaging boards for liquid cartons to give strength
- **spruce-CTMP** (chemi-thermomechanical pulp) used for the middle layer of liquid packaging boards to give bulk and stiffness

fossil fuels because the increase in pulp production has increased production of by-product black liquor and bark that are used as fuel instead.

This is one major advantage of a mill site that integrates pulping with paper and board production: most of the electricity consumed by the paper and boards machines is generated by burning by-products of pulp production.

Electricity

The mills generate about 60% of the electricity they consume and the rest is purchased. The high degree of self-sufficiency is important in keeping costs down.

Continuous energy improvements

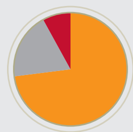
Stora Enso is looking beyond the major savings from increased energy efficiency at Imatra Mills achieved in the past three years. The mills have signed an industrial energy-saving agreement that commits them to continuous improvement in energy efficiency. No major investments have been required in the past couple of years, but minor improvements are being made all the time. This will have important environmental and economic benefits.

Energy procurement at Imatra Mills in 2004

Fuels

	GWh		GWh
Black liquor	4 690	Natural gas	504
Bark	1 261	Oil	5
Domestic fuels	5 951	Imported fuels	509
	TOTAL	**6 460**	

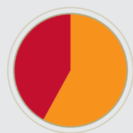
Black liquor 73%
Bark 19%
Gas 8%



Electricity

	GWh
Back pressure power	812
Purchased power	586
TOTAL	**1 398**

Back pressure power 58%
Purchased power 42%



Key role in optimising usage of

wood raw material

The Forest Products product area has two strategic functions:

- Wood Supply Europe maximises efficiency and overall value-added by co-ordinating wood supplies to the sawmills and pulp mills in Europe, and by ensuring best practices throughout the supply chain.
- Stora Enso Timber serves the wood products industries and trade globally by developing and supplying standardised and value-added wood products.

The Forest Products product area comprises Stora Enso Timber, Stora Enso Wood Supply Europe, the Pulp Competence Centre, and Pulp Marketing and Procurement. Stora Enso Timber converts the most valuable parts of the wood supply into competitive wood products for customers worldwide. Wood Supply Europe is responsible for procuring and supplying cost-competitive wood to Stora Enso's European mills, for securing the optimal raw material for each end use from sustainable sources, and for forest-related environmental matters globally. The Pulp Competence Centre focuses on transferring best practices, sharing and co-ordinating expertise, and research and development in chemical pulp. Pulp Marketing and Procurement manages both internal and external pulp flows for Stora Enso.

Optimising utilisation of wood

Stora Enso Forest Products ensures the maximum synergy benefits are gained from integrating wood supplies to the sawmills and pulp mills. Wood raw material is a major cost and co-ordinating the wood supply as an entity greatly improves overall efficiency and value creation.

Stora Enso Forest Products has been actively pursuing this strategy in 2004 by strengthening its presence in all areas of operation and establishing a comprehensive wood supply system that makes it one of Europe's leading and most competitive wood suppliers.

Expansion to secure supplies and growth

Wood supply markets are very tight, especially in Northern Europe, so Stora Enso is expanding wood sourcing and processing into new areas.

Russia is important to the Group as a supplier of wood raw material and a growth market for its products. Stora Enso has strengthened its Russian wood procurement operations, which can serve as a platform for future industrial expansion in Russia. Following acquisition of wood procurement companies in Russia in 2004, Stora Enso is looking to increase its own cutting rights to gain greater control of the wood supply chain and improve social and environmental performance and transparency.

Stora Enso is also developing a wood terminal network in Russia to acquire wood raw material and transport it efficiently to the mills. Stora Enso has several terminals in operation and intends to increase the network. The Group is following a stepwise strategy for expansion in Russia, aiming to keep risks in balance.

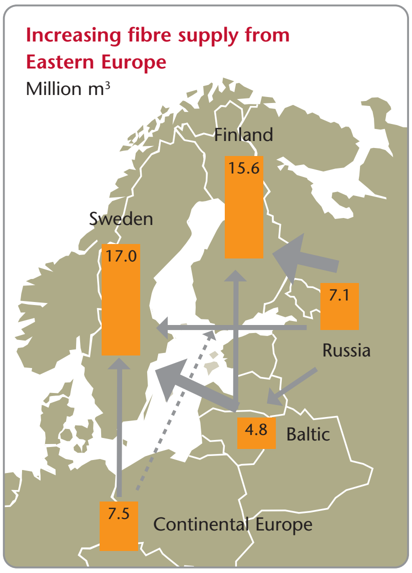
Wood supply operations have been increasing rapidly in 2003 and 2004 in the Baltic States, along with increases in manufacturing output. The next natural area for expansion for Wood Supply Europe is Poland, following acquisition of the Polish packaging producer Intercell in October 2004.

Adding value for wood products customers

Wood Products is one of the core businesses of the Group. Stora Enso Timber supplies sawn and processed softwood products to its customers worldwide. The focus is on strong growth sectors within the construction and joinery industries and timber retail markets.

A cornerstone of Stora Enso Timber's strategy is to increase value for the customer by moving from bulk to standardised, mass-customised and higher-value-added products, and by offering complete solutions for selected end-use segments. Stora Enso Timber is developing internal product standards to ensure consistent performance in various end uses. The increasing proportion of further-processed products in the output reduces the volatility of the business and increases profitability. Local customer service is being enhanced by developing distribution solutions and in-depth expertise in products and end-uses.

Stora Enso Timber has increased its production efficiency and output in all areas of operation in the past two years, especially in Russia and the Baltic States. New further-processing capacity has come on stream in Finland, Sweden and Estonia, and major investments are in progress in Central Europe and Estonia to manufacture glue-laminated posts and beams for the house-building industries.



Stora Enso's procurement from different operating areas in 2004

COMPETITIVE WOOD PRODUCTS

Stora Enso Timber is developing from a commodity sawn timber producer into a strong, globally operating supplier of wood products and related services. The product properties required nowadays determine the species used, and pine (redwood) and spruce (whitewood) are specifically sought for only some end-uses. Stora Enso Timber's growth markets are in the construction and joinery industries, and wood products trade.

Products for timber frame construction are solid or glued standardised posts, beams, studs and joists, usually made from whitewood, whereas Nordic redwood is often more suitable for joinery customers manufacturing windows, doors and furniture.

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 1.6 billion. Stora Enso Timber's total annual production capacity is 7.7 million m^3 of sawn wood products, including 3.2 million m^3 of value-added products. It employs 4 900 people in 25 softwood sawmills and 23 further-processing plants in ten European countries and in its sales and distribution companies throughout the world.

Stora Enso Timber focuses on mass-customised value-added products for growing industrial end-uses. They include glue-laminated, stress-graded and finger-jointed products and components for standardised building purposes and the joinery industries. Another focus area is timber retailers, merchants and importer-distributors, served with wide range of sawn and processed wood products.

Outlook

Globally the wood products market is stable but European suppliers are suffering from oversupply as well as currency fluctuations and rises in maritime freight rates. In the North American and Japanese markets oversupply puts pressure on prices. Increased wood supply resulting from the recent storm in Northern Europe will put pressure on sawn product prices. In the USA the construction market is strong but mortgage rate increases will affect demand. Japanese construction activity should remain largely unchanged. However, the further weakening of the US dollar has caused some repatriation of volumes and decreased profits. In the joinery and retail businesses, volumes and prices are quite stable.

Key figures*	2002	2003	2004	% of the Group
Sales, EUR million	1 235.2	1 400.0	1 566.8	11.7
Operating profit, EUR million	44.5	26.5	34.7	10.3
% of sales	3.6	1.9	2.2	
Operating capital, EUR million	408.0	637.7	687.5	6.0
Return on operating capital, %	10.9	5.1	5.2	
Capital expenditure, EUR million	53.3	141.9	68.1	7.0
Average number of employees	3 745	4 626	4 856	11.1

*excluding goodwill

1 000 m^3	Deliveries 2002	Deliveries 2003	Deliveries 2004	Capacity 2005
Sawn wood products	5 112	5 822	6 664	7 720
of which further-processed wood products	1 207	1 406	1 803	3 207

Wood Supply Europe

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.

Outlook

The wood market around the Baltic is expected to turn into a short-term oversupply of long-fibre wood due to storm damage to forests in Sweden and the Baltic States. Most of the short-term fall in wood costs will be offset by increased harvesting and transport costs in the storm-affected areas.

Key figures	2002	2003	2004
Internal deliveries, million m^{3}sub	31.3	39.3	41.6
External deliveries, million m^{3}sub	8.7	10.2	10.1
Average number of employees	2 265	2 599	3 157

Customer-focused business in Japan

Stora Enso Timber's mission is to provide competitive wood products for selected end-use segments worldwide. Business Line Construction's development work is a good example of putting this commitment into practice for the Japanese market. It has resulted in a comprehensive range of wood products for building Japanese-style houses, comprising components of consistently high quality tailor-made for their specific end-uses.

Japan is the biggest single market for Stora Enso Timber. Deliveries to Japan totalled about one million cubic metres in 2004.

Stora Enso Timber's Central European and Nordic mills were European pioneers in marketing sawn timber in Japan in 1992. Since then, in line with Stora Enso Timber's strategy, Business Line Construction has developed the business together with customers into supplying components for house frames. The product range has been enhanced to meet more demanding customer requirements and taken a step further along the value chain. In the construction sector Stora Enso Timber's main customers are house building companies.

During the last five years sales of glue-laminated posts and beams have greatly increased in Japan and Stora Enso Timber has developed a comprehensive product range for the leading system for building traditional Japanese post and beam houses.

"We wanted to get close to the end-user without building houses ourselves. The full product range including glue-laminated products is our response to the needs of our customers and their customers," explains Matti Mikkola, Senior Vice President, Business Line Construction.

Building in Japan

Japan has a long tradition of building with wood. Timber frames are strong and elastic, and so resilient in earthquakes. Japan is the second-biggest house building market in the world, with about half of its house frames built of wood. Stora Enso is the leading European supplier of this market, known for its commitment to long-term business relationships.

In Japan the construction sector is in transition. Housing starts are decreasing, but the market is evolving and demand for quality products is increasing. Markets for glue-laminated post and beam are growing clearly faster than markets for wood products in general.

Investments in advanced technology for customer benefit

Growth in Japan has required investment in product development, manufacturing technologies and customer service. In the past five years many of Stora Enso Timber's investments have focused on the manufacture of glue-laminated products at Brand and Ybbs in Austria, Imavere in Estonia and Holzwerke Wimmer in Germany and the Czech Republic. A modern strength-grading device at Kitee in Finland ensures optimal utilisation of the natural strength properties of European spruce. The efficiency gained through integrating further-processing with sawmilling and raw material supply is one cornerstone of Stora Enso Timber's strategy.

Innovative service solutions

Stora Enso Timber has recently relocated its marketing and sales in Japan to Tokyo. Local customer service and support, the real-time extranet service eTimber and the customer-oriented supply chain give Stora Enso Timber an edge in the highly competitive Japanese market.

Stora Enso Timber's strength is its close relationship with the customer, which benefits from the ability to manage the whole chain from procurement of raw material to final end use. More than half of Stora Enso Timber's mills supply the Japanese market, providing a wide and advanced product range in high volumes, efficiently and securely delivered by Stora Enso's global logistic system.

People
the key to operational excellence

In 2004 Stora Enso defined the key success factors for managing and developing human resources throughout the whole Group. The human resources strategy takes its lead from Stora Enso's vision and longer-term aspirations and creates a framework for people management and development across the whole organisation.

From strategy to action

Stora Enso Human Resources supports the vision of being the world's leading forest products company by recruiting the best people and creating a corporate culture that motivates and enables them to achieve their full potential.

The human resources strategy is based on three key success factors: performance culture (motivation), competence development (skills) and attracting and retaining talent (people magnet). Specific benchmarks and targets to be achieved by 2006 have been set for each of these key success factors.

"We have put a lot of effort into creating standardised means of implementing this strategy and ways of measuring how well we are performing. The target is to achieve the same level of excellence throughout the whole Group," says Christer Ågren, Executive Vice President, Corporate Human Resources and TQM.

One means of implementing the strategy in individual business units is the Stora Enso Excellence 2005 programme, which provides a framework for continuous improvement.

Each unit, division and country has its own human resources action plan based on Group strategy. Stora Enso Human Resources has been developing and upgrading its systems for monitoring performance and implementation of these plans.

Strongly motivated

Skilled and motivated personnel are crucial to success. The very challenging goals the Group has set for itself will be achieved only by people motivated to perform and deliver exceptional results. Stora Enso encourages its employees to do their best and continuously develop their skills, and rewards their accomplishments.

"We want to establish ourselves as the world's leading forest products company. We understand what it will take to achieve this goal. We need a demanding organisational culture, but we also want to ensure high employee satisfaction," says Christer Ågren.

Leadership and management are crucial in attaining the vision and strategic targets. Managers at all levels within Stora Enso lead by example. They are responsible for creating a professional environment that promotes teamwork, motivation, health and well-being, and in which people gain personal satisfaction. Vital qualities identified as essential in Stora Enso managers are outstanding:

- Professional expertise
- Leadership
- Ability to utilise management tools

Competence for today and the future

By increasing the capabilities of all its employees, Stora Enso develops the competence of the whole Group and thereby further enhances its competitiveness. The focus in developing competence is on Stora Enso's long-term requirements, so training is closely linked to business planning in order to develop the capabilities crucial to the future of the business.

Competence development within Stora Enso is divided into programmes at Group level and programmes at product area or divisional level. At Group level, Stora Enso organises several management development programmes, including Trainee Programme, Manager Programme and Stora Enso Executive Programme. There is also training in international operations and other special-focus programmes. The programmes developed in co-operation with experts from leading business schools are specifically devised for Stora Enso.

In addition to these programmes, Stora Enso's product areas and divisions provide training at all levels to secure the competence and expertise required for business development.

Change of generation

Stora Enso ensures continuity and the transfer of know-how between generations by recruiting the most talented candidates, retaining them and developing their skills throughout their career with the Group.

Stora Enso is preparing for change in top management as a number of key persons reach retirement age in the next three years. The managerial change is being carefully planned to ensure a smooth transition.

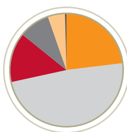
Human Resources indicators

Key figures	2002	2003	2004
Average number of employees	43 853	44 264	43 779
Sales/employee, EUR	291 488	274 993	283 145
Personnel turnover, %*	2.8	2.2	5.2
Training days/employee	4.9	3.8	3.4
Absenteeism due to sickness and accidents, % (of total theoretical working hours)	4.9	4.8	4.6

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

Employees by country	2002	2003	2004	%
Finland	14 676	14 479	13 820	31
Sweden	9 187	9 068	8 848	20
Germany	4 761	4 785	4 734	11
USA	5 731	5 182	4 644	11
Russia	581	741	1 710	4
Austria	1 189	1 226	1 261	3
France	1 333	1 312	1 260	3
Estonia	132	1 140	970	2
Netherlands	858	829	954	2
China	816	811	849	2
Canada	850	849	775	2
Belgium	645	623	603	1
Other countries	3 094	3 219	3 351	8
Total, average	43 853	44 264	43 779	100
Total, year-end	42 461	42 814	45 307	

Education	
Basic education	21.6%
High school/Vocational certificate	45.4%
College level	13.3%
Bachelor's degree/Polytechnic degree	8.3%
Master's degree	4.6%
Licentiate/Doctorate	0.4%



NEW STUDENTS PAGES FROM STORA ENSO

Stora Enso is targeting students in its communications in a number of ways, including special web pages. The Students section of the Careers part of Stora Enso's website was revised in 2004, adding new pages specially for students in Stora Enso's main countries of operation. Students and graduates in these countries can now obtain helpful information in their own language.

The website provides students with up-to-date information about the forest products industry, the Stora Enso Group, its activities and opportunities for young people, and tips on applying for jobs. It will also include real-life examples of personnel presentations, job descriptions and career paths.

Besides providing helpful information, the new web pages will facilitate recruitment and enhance the Group's image. This demonstrates Stora Enso Human Resources' commitment to innovative and active communication with students.

STORAENSO.COM/STUDENTS

For further details about employee well-being, diversity and Corporate Social Responsibility, see the separate Sustainability 2004 report.

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.

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 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 (see Financials 2004) 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.

IN 2004

The Board of Directors had eleven members and convened eight times. On average directors attended 98% of the 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.

IN 2004

The Executive Management Group had 10 members and convened 19 times. Important items on the agenda in 2004 were finalising restructuring of the ownership of forestlands in Sweden and Canada, the divestment of the Finnantara plantation interest in Indonesia and acquisition of 66% ownership of the Polish packaging producer Intercell S.A.

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.

IN 2004

The Management Group had 25 members and convened four times.

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.

IN 2004

The Financial and Audit Committee comprised five members, Jan Sjöqvist (Chairman), Barbara Kux (from 18 March 2004 onwards), George W. Mead (until 18 March 2004), Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg, and convened seven times. In April 2004 the Committee appointed Jan Sjöqvist as a Financial Expert in line with the Sarbanes-Oxley Act of 2002. In addition to the regular tasks based on the Committee's charter, during 2004 the Committee performed an evaluation of the Company's key financial targets and reviewed the preparations for the internal control assessment pursuant to Section 404 of the Sarbanes-Oxley Act (see also Disclosure Committee's tasks in 2004).

Board remuneration

EUR	Chairman	Vice Chairman	Board Member
2004	135 000	85 000	60 000
2003	135 000	85 000	60 000
2002	135 000	85 000	60 000

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.

IN 2004

The Nomination Committee comprised four members, Krister Ahlström (Chairman), Claes Dahlbäck, Harald Einsmann and Ilkka Niemi, and convened once. During 2004 the main tasks were to prepare guidance for the Board and Annual General Meeting regarding the election of Board members and their remunerations.

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.

IN 2004

The Compensation Committee comprised four members, Claes Dahlbäck (Chairman), Krister Ahlström, Harald Einsmann and Ilkka Niemi, and convened twice. During 2004 the main tasks were to prepare Stora Enso's top management's salary and other benefit matters, the bonus plan of the CEO and the stock option scheme principles for the year 2004.

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 eight times a year and as required.

IN 2004

The Investment Committee examined several major investment proposals and made recommendations on the allocation of divisional funds for consideration by the EMG. Important items on the agenda in 2004 were rebuilding Suzhou paper machine 1, Stora Enso Packaging's corrugated business expansions in Russia and the North European Transport Supply System. During the first quarter of 2004 the Committee updated the Guidelines for feasibility of large investments, which were prepared and taken into use. In addition, the Committee audited ten major projects started in 2002 and 2003 to gather experience for future use and to secure technology transfer within the Group. The Investment Committee had six members and convened 14 times in 2004.

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.

IN 2004

In April 2004, Stora Enso published its Code of Ethics, which applies to all employees. It is in compliance with the Sarbanes-Oxley Act of 2002. Additional important items on the agenda in 2004 were the Group environmental action plan, Group environmental performance targets, wood traceability, climate change and the Group Sustainability Report 2004. The Sustainability Committee had 13 members and convened twice in 2004.

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.

IN 2004

The R&D Committee initiated a review of the ownership and membership policy of external R&D and defined policy objectives and changes. It examined the implementation and success of the new R&D organisation. The R&D Committee had seven members and convened twice in 2004.

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.

IN 2004

In 2004 a special programme was initiated to ensure compliance with the Sarbanes Oxley Act Section 404, Management Assessment of Internal Controls, a section that requires companies and their external auditors to evaluate the effectiveness of the Company's internal control over financial reporting and to report on material control weaknesses. As a foreign private issuer, Stora Enso is required to include the management assessment in its 2005 Annual Report (20-F) to SEC. The first phases of the programme were completed according to plan by the end of 2004. The Disclosure Committee had three members and convened five times.

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 Stock Exchange.

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 by the Company when considered appropriate by the General Counsel or his or her Deputy.

During the closed period insiders are not allowed to trade in the Company's securities. The period starts two weeks prior to the date when the results of a reporting period are announced. The dates are published in the financial calendar at www.storaenso.com/investors.

For more detailed information about e.g. BOD's working order, committee charters and comparison with NYSE's Corporate Governance Rules, see **www.storaenso.com/2004/Financials/CorporateGovernance**

Board of Directors

Claes Dahlbäck
M.Sc. (Econ.), Ph.D.h.c
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 member of 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 Nomination Committee since 14 August 2003, and Chairman since 18 March 2004. Member of Compensation Committee since 23 December 1998. Has 1 500 A shares in Stora Enso.

Lee A. Chaden
MBA, B.Sc. (Ind. Eng.)
Independent member of Stora Enso Board of Directors since March 2004
Born 1942. Executive Vice President of Sara Lee Corporation and CEO of Sara Lee Branded Apparel. Previously Executive Vice President of Global Marketing and Sales for Sara Lee Corporation. Member of the Board of several civic and non-profit organisations. Has ADRs representing 3 500 R shares in Stora Enso.

Harald Einsmann
Ph.D. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1934. Member of the Board of Tesco Ltd, Checkpoint Systems USA, Carlson Companies USA 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 453 750 year 1999–2003 and 45 000 year 2004 options/synthetic options in Stora Enso.

From left to right: Marcus Wallenberg, Ilkka Niemi, Lee A. Chaden, Harald Einsmann, Krister Ahlström, Paavo Pitkänen, Barbara Kux, Björn Hägglund, Jukka Härmälä, Jan Sjöqvist and Claes Dahlbäck

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, Chairman of the Board of TT Foundation, member of the Board of Finnish Forest Industries Federation, The Research Institute of the Finnish Economy ETLA, Finnish Business and Policy Forum EVA, 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, and 552 500 year 1999–2003 and 60 000 year 2004 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. Member of Stora Enso Financial and Audit Committee since 18 March 2004. Has no 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 since 2001 and member of the Board of Aker Finnyards Inc. since 2003. 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, and member of Nomination Committee and Compensation Committee since 18 March 2004. Has no shares in Stora Enso.

Paavo Pitkänen
M.Sc. (Math.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1942. Former President and CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wärtsilä Corporation. 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 R shares in Stora Enso.

Jan Sjöqvist
M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1948. Chairman of the Board of ODEN Anläggningsentreprenad AB and member of the Board of 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, and Financial and Audit Committee Financial Expert since 21 April 2004. 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 2 795 A and 5 367 R shares in Stora Enso.

George W. Mead, a member of the Stora Enso Board of Directors since August 2000, resigned from office on 18 March 2004. He was a member of Stora Enso Financial and Audit Committee from 20 March 2003 until 18 March 2004.

Year of issue of options/synthetic options: 1999, 2000, 2001, 2002, 2003 and 2004.

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 37.

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 36.

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. Has no shares in Stora Enso. Has 211 900 year 1999–2003 and 22 500 year 2004 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 Sustainability Committee. Has no shares in Stora Enso. Has 136 800 year 1999–2003 and 22 500 year 2004 options/synthetic options in Stora Enso.

From left to right: Esko Mäkeläinen, Yngve Stade, Jukka Härmälä, Bernd Rettig and Björn Hägglund

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 226 900 year 1999–2003 and 22 500 year 2004 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. Has been elected Chairman of the Board of Finnish Forest Industries Federation as of 1 January 2005. 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, and Executive Vice President of Enso Packaging Boards Division from January 1993 until 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 15 000 A shares, and 226 900 year 1999–2003 and 22 500 year 2004 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, and 226 900 year 1999–2003 and 22 500 year 2004 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, and member of the Board of Kuusakoski Oy. 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 196 900 year 1999–2003 and 22 500 year 2004 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 226 900 year 1999–2003 and 22 500 year 2004 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 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 226 900 year 1999–2003 and 22 500 year 2004 options/synthetic options in Stora Enso.

From left to right: Pekka Laaksonen, Jussi Huttunen, Arno Pelkonen, Lars Bengtsson and Kai Korhonen

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 80 715 R shares, and 50 000 year 1999–2003 and 11 250 year 2004 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. Has 1 000 A shares, and 137 900 year 1999–2003 and 15 000 year 2004 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 75 000 year 2001–2003 and 22 500 year 2004 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 82 900 year 1999–2003 and 11 250 year 2004 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 69 100 year 1999–2003 and 15 000 year 2004 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, and 122 900 year 1999–2003 and 11 250 year 2004 options/synthetic options in Stora Enso.

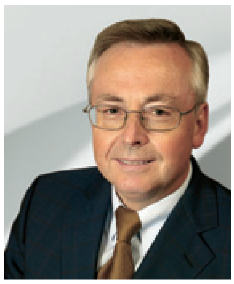
Mats Nordlander

Dip. Eng.
Executive Vice President, Stora Enso Merchants
Born 1961, joined the Company in 1994. Has no shares in Stora Enso. Has 60 900 year 1999–2003 and 15 000 year 2004 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 70 300 year 1999–2003 and 15 000 year 2004 options/synthetic options in Stora Enso.

Eberhard Potempa



B.Sc. (Econ.)
Senior Vice President, Country Manager Germany
Born 1953, joined the Company in 1976. Has no shares in Stora Enso. Has 96 000 year 1999–2003 and 11 250 year 2004 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 80 900 year 1999–2003 and 11 250 year 2004 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 90 000 year 2002–2003 and 22 500 year 2004 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 57 300 year 1999–2003 and 15 000 year 2004 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, and 152 900 year 1999–2003 and 15 000 year 2004 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 88 600 year 1999–2003 and 15 000 year 2004 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 152 900 year 1999–2003 and 15 000 year 2004 options/synthetic options in Stora Enso.

Years of issue of options/synthetic options: 1999, 2000, 2001, 2002, 2003 and 2004.

Enso-Gutzeit became Enso in May 1996.

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 2004 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 423.3 million. The total number of shares was 837 243 399 and the number of votes 244 868 011.

Changes in share capital 2002–2005	No. of A shares issued	No. of R shares issued	Total no. of shares	Share capital (EUR million)
Stora Enso Oyj, 1 Jan 2002	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	-	78 000	78 000	
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	-	
Stora Enso Oyj, 31 Dec 2003	181 211 080	683 051 419	864 262 499	1 469.3
Subscription of new R shares		789 000	789 000	
Cancellation of repurchased shares	-8 100	-27 800 000	-27 808 100	-47.3
Conversion of A shares into R shares	-2 154 457	2 154 457		
Stora Enso Oyj, 31 Dec 2004	179 048 523	658 194 876	837 243 399	1 423.3
Conversion of A shares into R shares	-114	114		
Stora Enso Oyj, 17 Jan 2005	179 048 409	658 194 990	837 243 399	1 423.3

Stora Enso continued to repurchase shares in 2004

The Annual General Meeting (AGM) on 18 March 2004 authorised the Board of Directors to repurchase and dispose of not more than 9 000 000 A shares and not more than 32 700 000 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 17 March 2005.

Repurchases began on 31 March 2004. By 31 December 2004, 12 300 A shares and 14 889 400 R shares had been repurchased, representing 0.1% and 45.5% of the target amounts respectively. The average price paid for the A shares was EUR 10.65 and for the R shares EUR 10.78.

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 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 2004 by 6% (6% increase in 2003). During the same period the HEX All-Share index rose by 2%, the Helsinki Portfolio index rose by 12% and the HEX Forest Industry index rose by 2%. The year high was EUR 12.11 and the year low EUR 9.60.

Stockholm

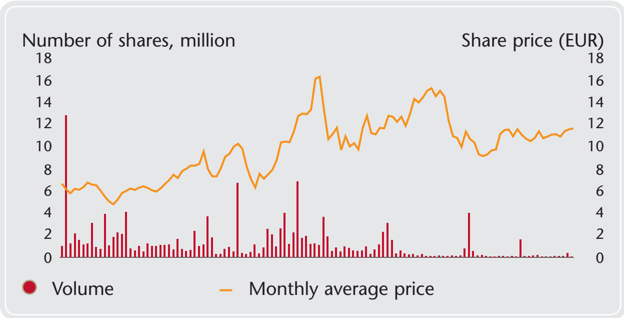
The Stora Enso R (STE R) share price rose during 2004 by 5% (7% increase in 2003). During the same period the Stockholmsbörsen All-Share index rose by 18% and the SX 15 Materials index by 2%. The year high was SEK 108.00 and the year low SEK 90.00.

New York

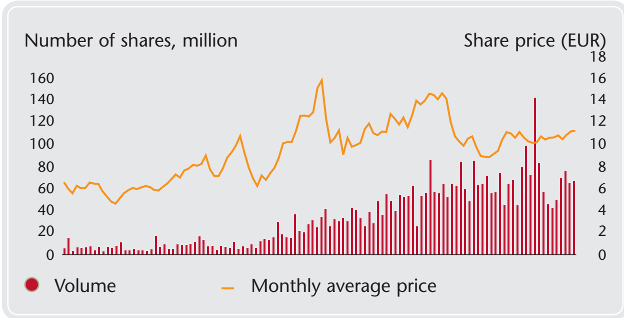
On the NYSE the Stora Enso ADR (SEO) share price rose during 2004 by 12% (30% increase in 2003). During the same period the Standard & Poor's Paper index rose by 8%. The year high was USD 16.08 and the year low USD 12.10.

Monthly share price performance and volumes on Helsinki Stock Exchange (1995–2004)

Series A



Series R



Volumes

The volume-weighted average price of the R share over the year was EUR 11.50 in Helsinki (EUR 10.23 in 2003), SEK 99.39 in Stockholm (SEK 93.18 in 2003) and USD 13.51 in New York (USD 11.77 in 2003).

The cumulative trading volume of the R share in Helsinki was 880 001 514 shares (77% of total), in Stockholm 244 369 314 shares (21% of total) and in New York 18 433 700 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.5 billion.

Stora Enso has some 76 000 registered shareholders

When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 654 million, corresponding to 78% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State.

At the end of 2004 the Company had approximately 76 000 registered shareholders, of which about 47 000 are Swedish shareholders and about 2 800 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 590 million (71%) of the Company's shares were registered in the name of a nominee.

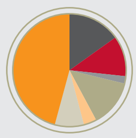
Major shareholders in Stora Enso on 31 December 2004

By voting power		% of shares	% of votes
1	Finnish State	11.6	24.4
2	Knut and Alice Wallenberg Foundation	7.0	23.8
3	Social Insurance Institution of Finland	3.3	9.9
4	Varma Mutual Pension Insurance Company	1.1	3.6
5	Sampo Life Insurance Company Limited	0.8	2.7
6	Marianne and Marcus Wallenberg Foundation	0.6	1.9
7	Ilmarinen Mutual Pension Insurance Company	0.8	1.6
8	MP-Bolagen i Vetlanda AB Werner von Seydlitz	0.5	1.1
9	Erik Johan Ljungberg's Education Fund	0.8	1.0
10	Suomi Mutual Life Assurance Company	0.1	0.4
	Total	**26.5**	**70.4**
	Nominee registered shares	**70.5**	**51.5**

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 Deutsche Bank Trust Company Americas.

At the year end Stora Enso had 179 048 523 A shares and 658 194 876 R shares in issue, of which the Company held 12 300 A shares and 16 794 931 R shares with a nominal value of EUR 28.6 million. The holding represents 2.0% of the Company's share capital and 0.7% of the voting rights.

Ownership distribution, 31 December 2004 (by number of shares held)



- Finnish institutions 15.1%
- Finnish state 11.6%
- Finnish private shareholders 2.1%
- Swedish institutions 13.4%
- Swedish private shareholders 3.7%
- ADR holders 8.3%
- Under nominee names (non-Finnish/non Swedish shareholders) 45.8%

Facts about incentive programmes

Share-Based Option Programmes

In 2004 Stora Enso established two new share-based option programmes for top 200 managers. The purpose of the programmes is to complement and replace 50% of the existing option programmes for these employees. The new programmes are synthetic share awards where designated employees may receive shares already issued (not new shares). The total number of shares that may be awarded under these two programmes is 652 500.

Option/Synthetic Option Programmes

Stora Enso has six option/synthetic option programmes for key personnel. Options/synthetic options were issued in 1999, 2000, 2001, 2002, 2003 and 2004. Depending on local circumstances, holders may receive either cash compensation or an option to purchase shares already issued (not new shares)

Warrants

A maximum of 3 000 000 new Stora Enso Series R shares were subscribed under the terms of the bonds with warrants issued to members of the senior management on 10 April 1997. According to the terms of the option programme, the exercise period was 1 December 1998 to 31 March 2004 and the subscription price FIM 45.57 (about EUR 7.66) each. The programme is fully subscribed and closed.

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).

Facts about option programmes

Option programme	Type	Year of issue	Number of staff	Strike price	Number of options issued	Number of options outstanding	Exercise period
2004	Synthetic	2004	1 000	EUR 11.15	4 675 300	4 644 050	1 Mar 2007-28 Feb 2011
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	5 945 400	8 Feb 2006-7 Feb 2010
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	5 702 000	8 Feb 2005-7 Feb 2009
2001	Synthetic	2001	500	EUR 11.70	4 215 000	3 995 000	1 Apr 2004-31 Mar 2008
2000	Synthetic	2000	200	EUR 12.25	2 800 000	2 555 000	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 (closed)	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	0	1 Dec 1998-31 Mar 2004
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	1 166 559	11 Sep 2000-4 Feb 2010

Key share ratios 1997–2004 (for calculations see Financials 2004 report page 113)

According to Helsinki Stock Exchange	1997	1998	1999	2000	2001	2002	2003	2004
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.02	-0.27	0.16	0.89
diluted, EUR*	0.53	0.24	0.98	1.76	1.02	-0.27	0.17	0.89
excl. non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.93	0.55	0.24	0.25
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.42	2.50	1.57	2.01
diluted, EUR*	1.63	1.79	2.18	3.13	2.42	2.50	1.57	2.01
excl. non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.33	1.97	1.63	1.67
Equity/share, EUR*	7.28	6.94	7.84	9.41	9.90	9.22	9.49	9.81
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45	0.45	**0.45
Payout ratio, excl. non-recurring items, %*	57	59	45	34	48	82	180	180
Dividend yield, %*								
A share	4.6	4.6	2.3	3.5	3.2	4.5	4.1	3.9
R share	4.6	4.6	2.3	3.6	3.1	4.5	4.2	4.0
Price/earnings ratio (P/E)*								
A share	12.3	12.8	19.8	9.7	15.1	17.7	44.0	46.2
R share	12.2	13.0	19.4	9.5	15.3	17.6	42.7	45.1
Average share prices for the period, EUR***								
A share	7.75	9.14	11.21	12.01	12.24	11.24	10.63	11.11
R share	7.97	8.35	11.84	11.27	12.57	12.86	10.23	10.89
Total market capitalisation at year-end, EUR million***	2 214	5 801	13 209	11 733	13 006	9 052	9 288	9 486
Average number of shares (thousands)								
basic*	759 574	759 574	759 580	812 040	901 506	889 606	851 128	829 935
diluted*	759 691	759 822	760 628	813 488	902 296	889 956	851 326	830 456

*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.

Detailed descriptions of the option programmes may be found on pages 97–99 in the Financials 2004 report.

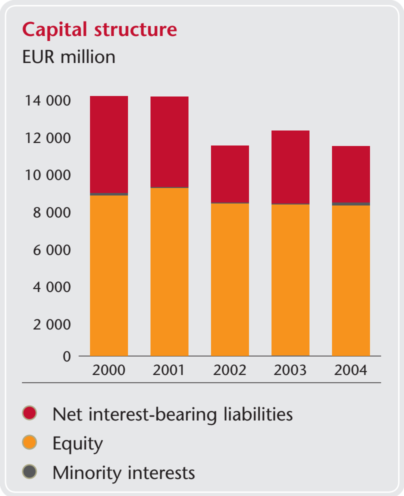
Trading codes, lots and currencies

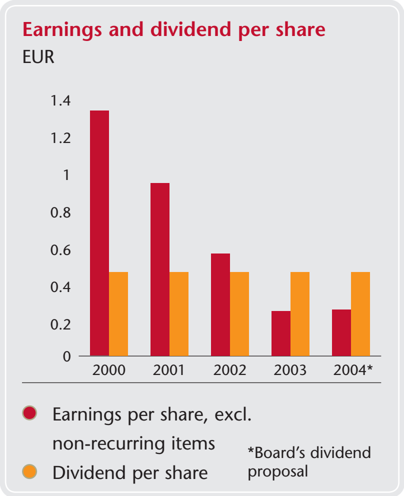
	Helsinki	Stockholm	New York
Series A	STEAV	STE A	-
Series R	STERV	STE R	-
ADRs	-	-	SEO
Lot	100	200	-
Currency	EUR	SEK	USD

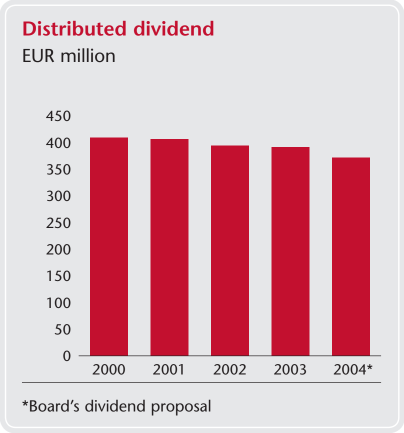
Reuters	STERV.HE
Bloomberg	STERV FH EQUITY

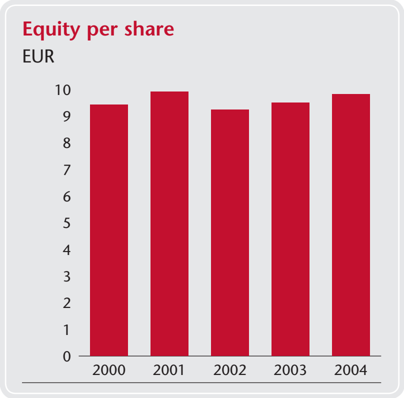
German stock market quotations (Freiverkehr)

	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 2004 report and updated information on the Company's website
www.storaenso.com/investors

Consolidated Income Statement

EUR million	Year Ended 31 December 2002	2003	2004
Sales	**12 782.6**	**12 172.3**	**12 395.8**
Other operating income	218.6	39.3	146.7
Changes in inventories of finished goods and work in progress	30.3	63.5	39.0
Change in net value of biological assets	-	11.6	7.1
Materials and services	-6 415.7	-6 202.5	-6 573.6
Freight and sales commissions	-1 240.9	-1 286.8	-1 367.8
Personnel expenses	-2 308.1	-2 297.6	-1 937.3
Other operating expenses	-802.6	-828.0	-831.8
Depreciation, amortisation and impairment charges	-2 441.9	-1 200.4	-1 172.0
Operating Profit / (Loss)	**-177.7**	**471.4**	**706.1**
Share of results in associated companies	14.6	-23.0	38.9
Net financial items	-206.2	-237.7	-106.0
Profit / (Loss) before Tax and Minority Interests	**-369.3**	**210.7**	**639.0**
Income tax expense	128.5	-67.0	108.8
Profit / (Loss) after Tax	**-240.8**	**143.7**	**747.8**
Minority interests	0.1	-5.8	-8.1
Net Profit / (Loss) for the Period	**-240.7**	**137.9**	**739.7**
Earnings per Share			
Basic earnings / (loss) per share, EUR	-0.27	0.16	0.89
Diluted earnings / (loss) per share, EUR	-0.27	0.16	0.89

For the full financial information, see www.storaenso.com/2004 or the separate Financials 2004 report.

Consolidated Balance Sheet

EUR million		As at 31 December 2002	2003	2004
Assets				
Fixed Assets and Other Long-term Investments				
Goodwill	O	1 055.5	902.6	787.9
Intangible fixed assets	O	73.3	80.4	108.1
Property, plant and equipment	O	10 812.1	9 964.5	9 754.8
Biological assets	O	-	1 587.8	64.6
Investment in associated companies	A	211.7	319.0	568.1
Listed securities	I	169.2	227.7	220.1
Unlisted shares	O	148.5	140.8	132.8
Non-current loan receivables	I	480.6	44.3	233.1
Deferred tax assets	T	52.7	12.1	11.4
Other non-current assets	O	241.1	170.3	210.5
		13 244.7	**13 449.5**	**12 091.4**
Current Assets				
Inventories	O	1 565.0	1 623.5	1 771.3
Tax receivables	T	243.1	182.5	160.9
Short-term operative receivables	O	1 902.4	1 703.3	1 865.3
Interest-bearing receivables	I	1 090.5	781.8	248.7
Cash and cash equivalents	I	168.5	201.5	274.3
		4 969.5	**4 492.6**	**4 320.5**
Total Assets		**18 214.2**	**17 942.1**	**16 411.9**
Shareholders' Equity and Liabilities				
Shareholders' Equity				
Share capital		1 529.6	1 469.3	1 423.3
Share premium fund		1 554.0	1 237.4	1 009.2
Treasury shares		-314.9	-258.0	-180.8
Other comprehensive income		233.4	114.6	67.6
Cumulative translation adjustment		-144.4	-197.1	-218.8
Retained earnings		5 417.8	5 448.8	5 210.9
Net profit for the period		-240.7	137.9	739.7
		8 034.8	**7 952.9**	**8 051.1**
Minority Interests		**30.4**	**60.3**	**136.1**
Long-term Liabilities				
Pension and post-employment benefit provisions	O	919.0	911.9	637.8
Other provisions	O	194.5	97.1	60.9
Deferred tax liabilities	T	1 737.4	1 777.3	1 320.6
Long-term debt	I	4 525.2	3 404.6	3 328.1
Other long-term operative liabilities	O	36.9	77.7	153.2
		7 413.0	**6 268.6**	**5 500.6**
Current Liabilities				
Current portion of long-term debt	I	306.5	359.5	102.1
Interest-bearing liabilities	I	343.9	1 410.1	597.4
Short-term operative liabilities	O	1 547.9	1 538.3	1 673.1
Tax liabilities	T	537.7	352.4	351.5
		2 736.0	**3 660.3**	**2 724.1**
Total Shareholders' Equity and Liabilities		**18 214.2**	**17 942.1**	**16 411.9**

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

Consolidated Cash Flow Statement

EUR million	Year Ended 31 December 2002	2003	2004
Cash Flow from Operating Activities			
Net profit / (loss) for the period	-240.7	137.9	739.7
Reversal of non-cash items:			
Minority interests	-0.1	5.8	8.1
Taxes	-128.5	67.0	-108.8
Depreciation, amortisation and impairment charges	2 441.9	1 200.4	1 172.0
Change in value of biological assets	-	-11.6	-7.1
Share of results of associated companies	-14.6	23.0	-38.9
Profits and losses on sale of fixed assets and investments	-159.1	-10.5	-125.8
Net financial income	206.2	237.7	106.0
Interest received	46.5	24.6	15.6
Interest paid, net of amounts capitalised	-321.4	-228.1	-182.3
Dividends received	9.2	5.8	24.6
Other financial items, net	170.0	-0.4	17.3
Income taxes paid	-169.2	-278.0	-114.2
Change in net working capital, net of businesses acquired or sold	-521.1	471.0	-100.8
Net Cash Provided by Operating Activities	**1 319.1**	**1 644.6**	**1 405.4**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares	-56.3	-125.2	-176.4
Acquisition of shares in associated companies	-1.5	-103.5	-250.4
Acquisition of available-for-sale investments	-12.8	-12.6	-13.2
Capital expenditure	-877.6	-1 226.7	-975.1
Investment in biological assets	-	-6.2	-4.5
Proceeds from disposal of subsidiary shares	360.6	-	197.9
Proceeds from disposal of shares in associated companies	185.5	0.4	-
Proceeds from disposal of available-for-sale investments	16.8	18.5	32.8
Proceeds from sale of fixed assets	202.4	47.5	36.4
Proceeds from (payment of) long-term receivables, net	-74.4	336.2	-182.5
Net Cash Used in Investing Activities	**-257.3**	**-1 071.6**	**-1 335.0**
Cash Flow from Financing Activities			
Proceeds from (payment of) long-term liabilities, net	-487.3	-957.4	1 261.2
Proceeds from (payment of) short-term borrowings, net	50.8	1 141.2	-697.4
Dividends paid	-403.6	-387.7	-375.7
Minority dividends	-0.3	-1.9	-1.9
Options Exercised	-	-0.9	1.6
Repurchase of own shares	-286.9	-319.1	-198.6
Net Cash Used in Financing Activities	**-1 127.3**	**-525.8**	**-10.8**
Net Increase (Decrease) in Cash and Cash Equivalents	**-65.5**	**47.2**	**59.6**
Cash and bank in acquired companies	-	3.0	45.9
Cash and bank in divested companies	-	-	-29.5
Translation adjustment	-13.0	-17.2	-3.2
Cash and cash equivalents at beginning of year	247.0	168.5	201.5
Cash and Cash Equivalents at Year End	**168.5**	**201.5**	**274.3**

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Change in Net Working Capital consists of:			
Change in inventories	-17.0	-63.5	-106.8
Change in interest-free receivables	31.1	214.9	-226.2
Change in interest-free liabilities	-40.1	6.5	-212.1
Proceeds from (payment of) short-term receivables	-495.1	313.1	444.3
	-521.1	**471.0**	**-100.8**
Non-cash Investing and Financing Activities:			
Total capital expenditure	877.6	1 248.2	975.1
Amounts paid	877.6	1 226.7	975.1
Finance lease obligations incurred	-	**21.5**	-
Acquisition of Group Companies			
Cash Flow on Acquisitions			
Purchase consideration on acquisitions	56.3	128.2	176.4
Cash and cash equivalents in acquired companies	-	3.0	-45.9
	56.3	125.2	130.5
Non-cash Transaction			
Unlisted/Associate share exchange	27.6	-	3.9
Total Purchase Consideration	**83.9**	**125.5**	**134.4**
Acquired Net Assets			
Operating working capital	-8.9	31.2	44.0
Operating fixed assets	150.4	206.4	190.2
Interest-bearing assets less cash and cash equivalents	5.6	5.7	0.7
Tax liabilities	-0.8	-0.2	-19.2
Interest-bearing liabilities	-79.8	-90.3	-11.4
Minority interests	17.4	-27.6	-69.9
	83.9	**125.2**	**134.4**
Disposal of Group Companies			
Cash Flow on Disposals			
Cash flow on disposal	360.6	-	197.9
Cash and cash equivalents in divested companies	-	-	-29.5
	360.6	-	168.4
Non-cash Transaction			
Associate company shares received	36.8	-	-
	397.4	-	**168.4**
Net Assets Sold			
Operating working capital	42.3	-	62.2
Operating fixed assets	441.0	-	94.1
Biological assets	-	-	1 541.2
Interest-bearing assets less cash and cash equivalents	5.3	-	23.1
Tax liabilities	-0.2	-	-222.9
Interest-bearing liabilities	-161.1	-	-1 518.8
Gain on sale	25.9	-	113.0
	353.2	-	91.9
Provision for unrealised gain	44.2	-	76.5
	397.4	-	**168.4**

Key Figures 1997–2004

EUR million	1997	1998	1999	2000	2001	2002	2003	2004
Sales	9 998	10 490	10 636	13 017	13 509	12 783	12 172	12 396
% change on previous year	5.1	4.9	1.4	22.4	3.8	-5.4	-4.8	1.8
Wages and salaries	1 737	1 805	1 738	2 023	2 246	2 308	2 298	*1 937
% of sales	17.4	17.2	16.3	15.4	16.6	18.1	18.9	15.6
EBITDA	1 747	1 877	2 328	3 472	2 743	2 288	1 672	1 878
Depreciation	806	1 111	849	1 041	1 116	1 397	1 084	1 082
Goodwill amortisation and impairments	48	65	62	88	152	1 069	116	90
Operating profit	893	701	1 416	2 344	1 475	-178	471	706
% of sales	8.9	6.7	13.3	18.0	10.9	-1.4	3.9	5.7
Non-recurring items	-52	-471	103	445	-8	-1 078	-54	370
Operating profit excl. non-recurring items	945	1 172	1 314	1 899	1 483	900	526	336
% of sales	9.5	11.2	12.4	14.6	11.0	7.0	4.3	2.7
Share of profits in associated companies	17	10	10	21	80	15	-23	39
Net financial expense	280	380	267	293	344	206	238	106
% of sales	2.8	3.6	2.5	2.3	2.5	1.6	2.0	0.9
Profit after net financial items	630	331	1 160	2 071	1 211	-369	211	639
% of sales	6.3	3.2	10.9	15.9	9.0	-2.9	1.7	5.2
Profit after net financial items excl. non-recurring items	682	802	1 057	1 626	1 219	709	319	269
% of sales	6.8	7.6	9.9	12.5	9.0	5.5	2.6	2.2
Taxes	-204	-146	-397	-642	-296	+129	-67	+109
Profit for the period	405	185	758	1 415	918	-241	138	740
Dividend	254	268	304	407	404	392	388	**376
Capital expenditure	1 134	896	740	769	857	878	1 248	980
% of sales	11.3	8.5	7.0	5.9	6.3	6.9	10.3	7.9
R&D expenditure	79	80	84	95	92	92	89	82
% of sales	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Operating capital	13 078	12 541	12 510	16 423	16 252	13 100	13 548	12 170
Capital employed	11 572	11 038	10 866	13 808	13 963	11 120	11 613	10 671
Interest-bearing net liabilities	6 090	5 783	5 524	5 396	5 127	3 267	3 919	3 051
ROCE, %	8.0	6.2	12.9	19.0	10.6	-1.4	4.0	6.3
ROCE excluding non-recurring items, %	8.5	10.4	12.0	15.4	10.6	7.2	4.5	3.0
Return on equity (ROE), %	7.5	3.3	12.8	19.7	10.4	-2.8	1.7	9.2
Equity ratio, %	37.2	36.0	38.4	40.6	43.8	44.3	44.7	49.9
Debt/Equity ratio	1.05	1.04	0.90	0.63	0.58	***0.37	0.49	0.38
Average number of employees	40 301	40 987	40 226	41 785	44 275	43 853	44 264	43 779

* Including income relating to the change in the Finnish disability pension scheme ** 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 December 31, 2004. 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, and parent company financial statements prepared in accordance with prevailing rules and regulations in Finland. 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 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.

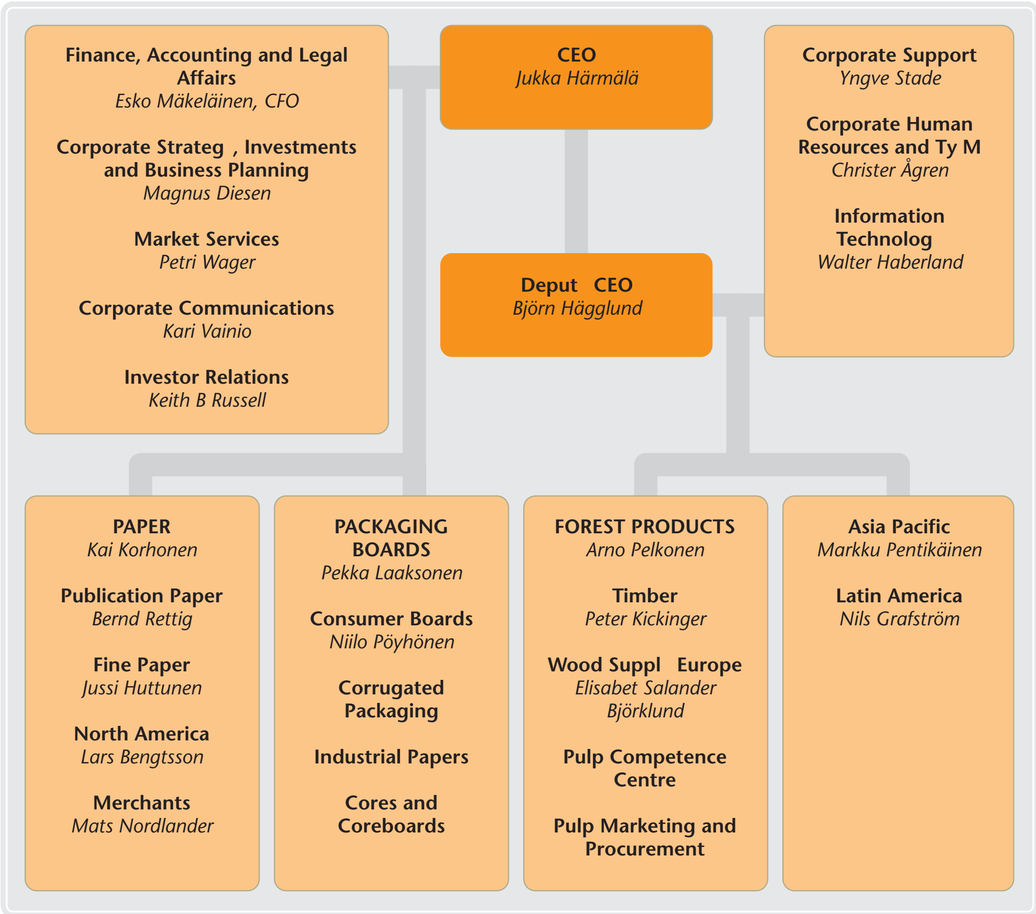
Helsinki, 28 February, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela

Authorised Public Accountant

Stora Enso's organisation



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.

Stora Enso worldwide

North America

North America is the world's biggest paper and board market, accounting for about 16% of Stora Enso's sales, 17% of its production capacity and 12% of personnel. It is also the world's biggest single market for wood products and Stora Enso is among the biggest European exporters to that market. Local production and sales in the USA provide a natural hedge, which reduces the Group's exposure to the US dollar.

Stora Enso North America is the continent's leading producer of coated and super-calendered paper. It also manufactures cores and coreboards, and speciality papers for packaging and labelling consumer products.

South America

South America is a key emerging market for Stora Enso because costs there are very competitive, especially for pulpwood from fast-growing plantations.

Stora Enso owns 50% of Veracel, which is building a 900 000 tonnes per year eucalyptus pulp mill in Brazil scheduled to start up in mid 2005. Stora Enso will be entitled to half of the mill's output. Veracel has 70 000 hectares of eucalyptus plantations. Special emphasis is put on integrating sustainability aspects into all operations to achieve Veracel's vision of becoming the world's leading pulp mill and plantation.

Europe

Europe is Stora Enso's main m
sales, 82% of its production ca

For Stora Enso, Eastern and Ce
manufacturing wood products
wood procurement. The recen
may be followed by further ac
corrugated packaging and saw
for acquisitions are limited.

- Publication Paper
- Fine Paper
- Packaging Boards
- Wood Products
- Pulp in bales

SALES COMPANIES

Argentina
Buenos Aires

Australia
Melbourne
Sydney

Austria
Brand
Vienna
Ybbs

Belgium
Diegem

Brazil
São Paulo

Canada
Montreal
Toronto

Chile
Santiago de Chile

China
Beijing
Hong Kong
Shanghai
Chengdu
Guangzhou
Shenzhen
Zhengzhou

Czech Republic
Prague

Denmark
Copenhagen
Kolding

Estonia
Tallinn

Finland
Helsinki
Kerava

France
Croissy-sur-Seine
La Rochelle
Paris

Germany
Düsseldorf
Hamburg

Greece
Athens

Hungary
Budapest

India
New Delhi

Indonesia
Jakarta

Ireland
Dublin

Italy
Milan

Japan
Tokyo

Latvia
Riga

Lithuania
Alytus

Malaysia
Kuala Lumpur

Mexico
Mexico City

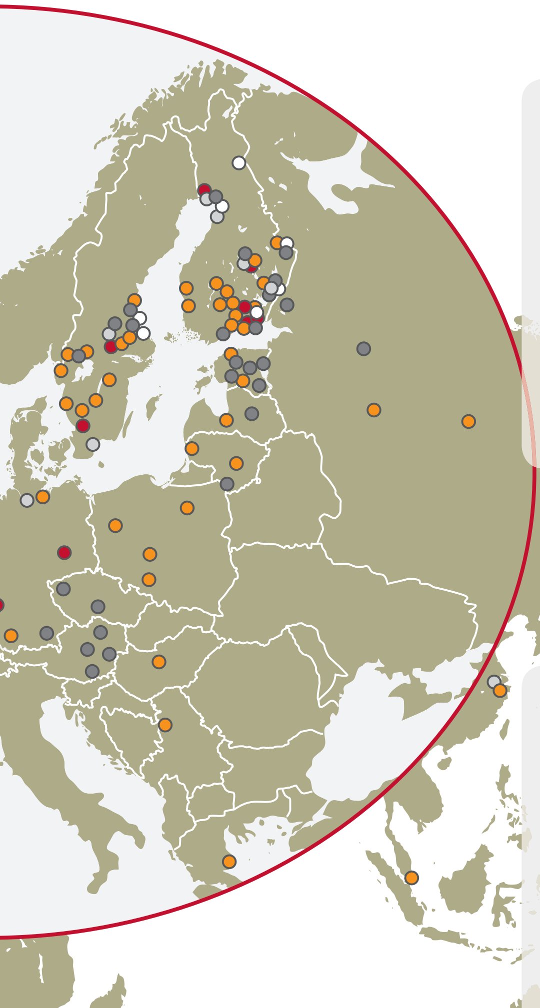
Netherlan
Amsterdam

Norway
Oslo

Poland
Warsaw

Portugal
Estoril
Matosinho

Russia
Moscow
St. Petersbu



Russia

Russia is an interesting, fast-growing market for many of Stora Enso's products. The Group has two sawmills and two corrugated packaging mills in Russia, and sees scope for carefully planned and risk-assessed strategic investment in new mills in these product segments. The long-term strategic intention is to expand in pulp, paper or paperboard too when the conditions for a major investment are right.

Russia is also a major source of wood raw material for the Group, supplying wood to Stora Enso's mills in the Baltic States, Finland and Sweden in 2004. Stora Enso aims to expand its own wood procurement in Russia to gain more control of the whole value chain and increase environmental and social transparency.

Asia

Asia, especially China, is an emerging market with great growth potential. Stora Enso has a fine paper machine in Suzhou, a core factory in Hangzhou and a eucalyptus plantation in Guangxi in southern China. Stora Enso has recently begun a joint venture with a Chinese partner in publication papers.

China is a huge, fast-growing market, and Stora Enso will utilise its established position there to market paper and board from the Group's mills. Stora Enso is the biggest European exporter of wood products to China. At the same time Stora Enso will be strengthening its local presence, using plantations in southern China and Veracel pulp from South America to overcome the shortage of wood fibre in China.

arket with about 70% of the Group's
pacity and 86% of personnel.

entral Europe are important areas for
s and corrugated packaging, and for
t acquisition of Intercell in Poland
quisitions or greenfield investments in
mills. In Western Europe opportunities

www.storaenso.com/contacts

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Singapore
Singapore

Slovenia
Koper

South Africa
Cape Town

Spain
Barcelona
Madrid

Sweden
Falun
Stockholm

Switzerland
Zürich

Taiwan
Taipei Hsien

United Arab Emirates
Dubai

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Nottingham
Orpington
Wilmslow

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Baltimore, MD
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Dallas, TX
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Minneapolis, MN
New York, NY
Philadelphia, PA
Portland, OR
San Francisco, CA
Stamford, CT

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Brussels

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Taastrup

Estonia
Tallinn

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Vantaa

France
Wissous

Hungary
Budapest

Latvia
Riga

Lithuania
Vilnius

Netherlands
Nijmegen
Culemborg

Norway
Oslo

Poland
Warsaw

Sweden
Mölndal

Information for shareholders

Annual General Meeting (AGM)

The AGM of Stora Enso Oyj will be held at 16.00 (Finnish time) on Tuesday 22 March 2005 at Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

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, 11 March 2005. Instructions for submitting notice of attendance will be given in the summons 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 (BOD) to the AGM

- The share capital of the Company be reduced through the cancellation of repurchased shares.
- The BOD be authorised to repurchase and dispose of shares in the Company.
- Appointment of Nomination Committee

Payment of dividend

The BOD will propose to the AGM that a dividend of EUR 0.45 per share be paid for the fiscal year ending 31 December 2004.

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.

Publication dates for 2005

3 February	Financial results for 2004
8 March	Annual and Sustainability reports
27 April	Interim review for January – March
May	Annual report on Form 20-F
27 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, Financials and Sustainability) 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 registered ADR holders. The Financials report can be ordered at www.storaenso.com/order or from any of the corporate offices. The annual report is also available at www.storaenso.com/2004.

A **summary annual report on Form 20-F** is distributed to all registered ADR holders. The **complete Form 20-F** is available 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).

Printed **interim reviews** (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 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 at www.storaenso.com/email.

Unsubscribe 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 have subscribed. If your e-mail address has changed, please unsubscribe your old e-mail address, then subscribe again using your new e-mail address.

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, FI-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-120 88 Stockholm.

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

Other stakeholders: see details for Finnish shareholders.

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan 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 are mandatory for non-US companies listed on the New York Stock Exchange. Stora Enso's filed stock exchange releases and interim reviews may be viewed at SEC's website www.sec.gov and at www.storaenso.com/investors.

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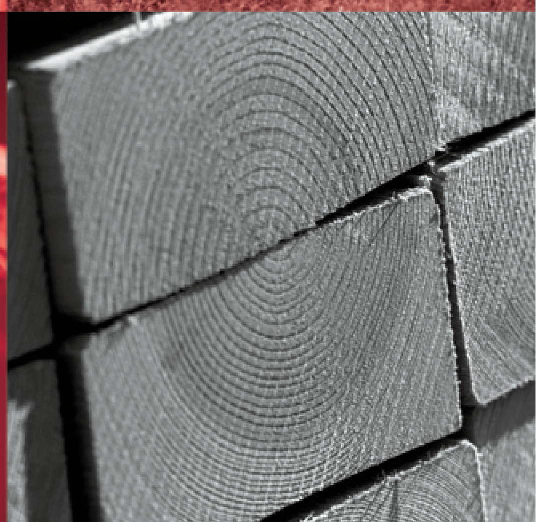
Fax +44 20 7016 3200

www.storaenso.com • corporate.communications@storaenso.com



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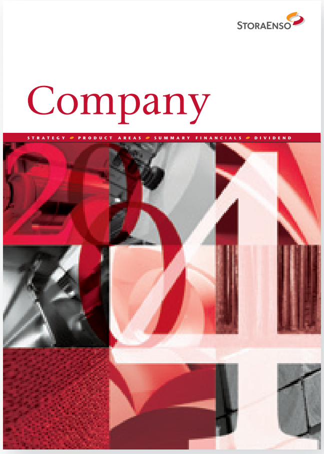
Text stock: Stora Enso Matt 130 g/m², Stora Enso, Grycksbo Mill,
(ISO 14001-certified and EMAS-registered S-000061)

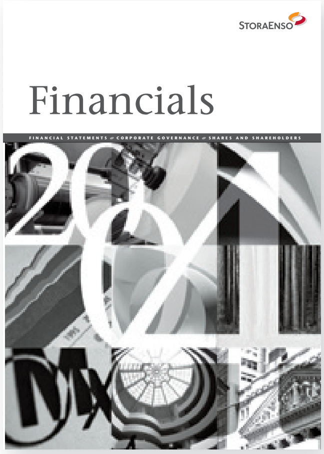
Financials

FINANCIAL STATEMENTS • CORPORATE GOVERNANCE • SHARES AND SHAREHOLDERS

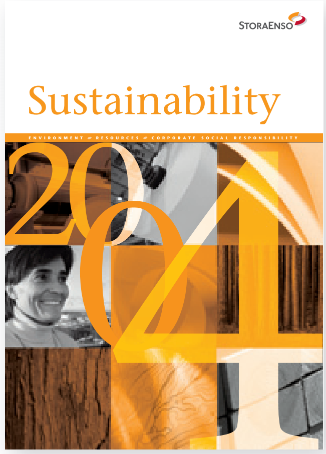
Stora Enso's Annual Report 2004 comprises three separate booklets



- Letter to shareholders
- Strategy and actions in 2004
- Product area presentations
- Board of Directors and management



- Financial statements and notes
- Operating and financial review
- Corporate governance
- Shares and shareholders



- Sustainability governance
- Environment: targets and performance
- Resources: water, energy, fibre sources and other raw materials
- Corporate Social Responsibility: actions in units, employees and business practices

Printed copies of the report may be ordered through our website at www.storaenso.com/order or by contacting any of the corporate offices (see back cover).

PUBLICATION DATES FOR 2005

3 February	Financial results for 2004
8 March	Annual and Sustainability reports
27 April	Interim Review for January – March
May	Annual Report on Form 20-F
27 July	Interim Review for January – June
27 October	Interim Review for January – September

AGM AND DIVIDEND CALENDAR FOR 2005

11 March	Record date for AGM
22 March	Annual General Meeting (AGM)
23 March	Ex-dividend date
29 March	Record date for dividend
8 April	Dividend payment effected

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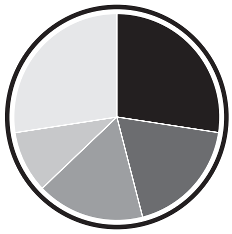
STORAENSO

Stora Enso in Brief

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 12.4 billion in 2004. The Group has some 45 000 employees in more than 40 countries in five continents. Its annual production capacity is 16.4 million tonnes of paper and board and 7.7 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Stora Enso's shares are listed in Helsinki, Stockholm and New York.

Sales by Segment



- Publication Paper.........34%
- Fine Paper...................23%
- Packaging Boards 21%
- Wood Products 12%
- Other..........................10%

Operating Profit by Segment

- Publication Paper.........18%
- Fine Paper...................13%
- Packaging Boards 54%
- Wood Products 7%
- Other............................8%

Product Areas

Stora Enso Paper

Publication Paper

Products

Super-calendered (SC), uncoated machine-finished (MF), machine-finished coated (MFC) and coated (LWC, MWC, HWC) magazine papers, wallpaper, newsprint and newsprint specialities, directory and book papers.

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

Market Position

Magazine Paper
- world's second-largest producer of magazine paper
- market share 17% globally (20% in Europe, 18% in North America, 3% in Asia and 10% in Latin America)
- main markets Europe (56% of sales) and North America (39% of sales)
- annual production capacity 4.6 million tonnes

Newsprint
- world's third-largest producer of newsprint and newsprint specialities
- market share 8% globally (22% in Europe, 1% in North America, 4% in Asia and 1% in Latin America)
- main markets Europe (76% of sales), Asia (8% of sales) and North America (6% of sales)
- annual production capacity 3.5 million tonnes

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, print-on-demand applications, and protecting, transporting, labelling and identifying products.

Market Position

Graphic Papers
- world's second-largest producer of graphic papers
- market share 9% globally (13% in Europe, 14% in North America, 4% in Asia and 16% in Latin America)
- main markets Europe (40% of sales) and North America (35% of sales)

Office Papers
- world's fifth-largest producer of office papers
- market share 4% globally (14% in Europe, 1% in North America, 1% in Asia and 1% in Latin America)
- main markets Europe (82% of sales) and Asia (6% of sales)

Speciality Papers
- world's largest producer of speciality papers
- main markets North America (61% of sales) and Europe (29% of sales)
- annual fine paper production capacity 4.6 million tonnes

Financial Highlights

	2003	2004	Change
Sales, EUR million	12 172	12 396	2%
Operating profit, EUR million	471	706	50%
excluding non-recurring items, EUR million	526	336	-36%
% of sales	4.3	2.7	
Profit before tax and minority interests, EUR million	211	639	
excluding non-recurring items, EUR million	319	269	-16%
Net profit for the period, EUR million	138	740	
Capital expenditure, EUR million	1 248	980	-21%
Interest-bearing net liabilities, EUR million	3 919	3 052	-22%
Capital employed, EUR million	11 613	10 671	-8%
Return on capital employed (ROCE), %	4.0	6.3	
excluding non-recurring items, %	4.5	3.0	
Return on equity (ROE), %	1.7	9.2	
Debt/equity ratio	0.49	0.38	

	2003	2004	Change
Earnings/share, EUR	0.16	0.89	
diluted, EUR	0.16	0.89	
excluding non-recurring items, EUR	0.24	0.25	4%
Cash earnings/share, EUR	1.57	2.01	28%
diluted, EUR	1.57	2.01	28%
excluding non-recurring items, EUR	1.63	1.67	2%
Dividend/share, EUR	0.45	0.45*	
Equity/share, EUR	9.49	9.81	3%
Payout ratio, %	180	180	
Market capitalisation, EUR million, 31 Dec.	9 288	9 486	2%
Deliveries of paper and board, 1 000 tonnes	13 551	14 409	6%
Deliveries of wood products, 1 000 m^3	5 822	6 664	14%
Average number of employees	44 264	43 779	-1%
Average number of shares (thousands) basic	851 128	829 935	-2%
diluted	851 326	830 546	-2%

* Board's dividend proposal

More information on quarterly data and key figures on pages 24–26.

Stora Enso Packaging Boards

Products

Liquid packaging boards, cupstock, cartonboards, containerboards, corrugated packaging, coreboards, cores, laminating papers, paper sacks, sack and kraft papers.

Market Position

- one of the world's leading producers of consumer packaging boards
- main markets Europe (82% of sales), Asia (13% of sales) and North America (2% of sales)
- annual production capacity 3.6 million tonnes of packaging boards and papers, 930 million m^2 of corrugated packaging and 215 000 tonnes of cores

Further Processing

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

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 third-largest producer of sawn softwood
- main markets Europe (58% of sales), Asia (25% of sales), North Africa and Middle East (8% of sales) and North America (9% of sales)
- sawn wood products annual production capacity 7.7 million m^3, of which 3.2 million m^3 is value-added products

Further Processing

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

Read more about product areas on pages 14–29 in the Company 2004 report.

Strategy

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

Stora Enso wants to be the customer's first choice. The Group provides services that support customers' product development and enhance their value creation, while constantly improving its own products and processes, and developing new products.

Stora Enso is committed to sustainability and strives to be recognised for superior performance in this area. The key to achieving this is enhanced competence and know-how supported by commitment to shared values.

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

Key Financial Targets

ROCE

Stora Enso measures its profitability by Return on Capital Employed (ROCE). The target is 13% over the cycle. The pre-tax weighted average cost of capital at the end of 2004 was 8.7%. ROCE is a good basic indicator of the profitability of a capital-intensive company.

The ROCE was 3.0% in 2004. The Group was suffering from low sales prices, higher costs and the impact of the low dollar in 2004. Further, the impact of the North American Profit Enhancement Programme is still not fully reflected in the Group's figures, although the division's results improved significantly during the latter part of the year. The programme is on schedule and it is to be completed mid 2005.

Growth

The Company aims to increase its Earning per Share (EPS) through profitable growth, which can be achieved organically and through mergers and acquisitions.

The recent past has been a difficult time for making acquisitions, because the earnings potential of possible acquisitions is out of line with the cost of acquisitions. One reason for high acquisition prices is that many investors are active in the market and some of these competing buyers have different financial and industrial objectives.

Cash Flow

Cash flow from operations has been given emphasis. Cash flow should exceed average capital expenditure and dividend calculated on a three-year rolling basis. This measurement is a tool to enhance efficiency in working capital management. Stora Enso will adopt the Cash Value Added (CVA®)[1] concept in its investment planning to highlight cash flow.

The cash flow in 2004 was EUR 1 209.3 million, so the target was met on a rolling three-year basis.

Stability of the Company

Financial

Financial risk is in part indicated by the debt-to-equity ratio, the target being at or below 0.8.

This measure is a good indicator of the balance sheet strength and financial flexibility of a company. The target was well achieved, the debt-to-equity ratio being 0.38 in 2004. In the absence of potential acquisition targets, the balance sheet strength is currently being utilised by buying back the Company's own shares.

Volatility

Stora Enso aims to reduce the volatility of its business by making its portfolio less cyclical and by geographically diversifying the business.

The strategic target of the company in risk control is to increase the size of the packaging boards business within the Group's portfolio and to continue to expand its operations in emerging markets. Packaging boards now account for 21% of Group turnover, and Group sales outside Europe and North America for 14% of turnover. For more detailed figures, see the tables on pages 16 and 24.

Reaching Key Financial Targets	Target	2000	2001	2002	2003	2004
ROCE, % *	13	15.4	10.6	7.2	4.5	3.0
Debt/Equity ratio	≤ 0.8	0.63	0.58	**0.37	0.49	0.38
Dividend/share, EUR		0.45	0.45	0.45	0.45	***0.45
Payout ratio, % *	50	34	48	82	180	180

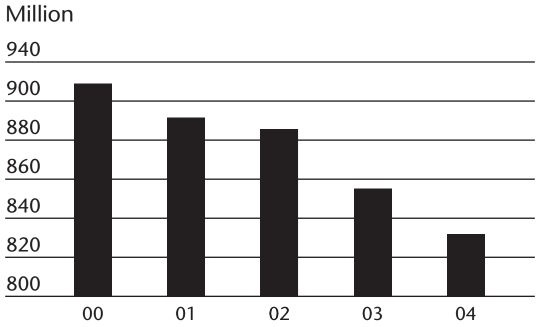
* Excluding non-recurring items ** Adjusted with the initial valuation of IAS 41 Agriculture *** Board of Directors' proposal to the AGM

[1] Trademark registered by Anelda AB

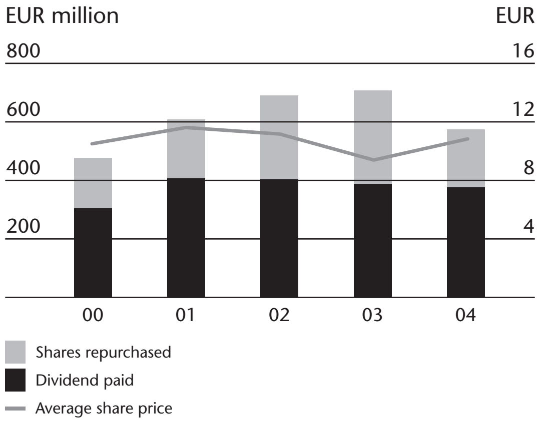
Steady Dividend

Stora Enso aims to keep the dividend unchanged and to continue buying back its own shares. The current policy is to distribute half of the net profit over the cycle to shareholders as dividend. The Annual General Meeting on 18 March 2004 approved the share buy-back programme under Finnish legislation. By the end of 2004 the Company had purchased 45.5% of the authorisation for R shares.

Shares Outstanding



Dividend and Share Repurchases



Combined shareholder value of dividend and share buy-backs

Acquisition Policy to Support Profitable Growth

Stora Enso's acquisition strategy has clear targets. An acquisition must support the Group's core business development and provide customer, production and other synergies.

The acquisition must meet Stora Enso's financial targets. It has to be EPS and Cash Earnings per Share (CEPS) accretive after one year excluding synergies. In the near term returns from the acquisition must exceed the Company's pre-tax weighted average cost of capital of 8.7%, and in the long term the acquisition must support the ROCE target of 13%. Stora Enso is planning to include the Cash Value Added (CVA®)[1)] concept in analysis of acquisition alternatives.

Core Business Drivers and Future Paper Market Trends

The most important driver for Stora Enso's business is advertising spending. Advertising is the main driver for publication and coated fine papers. Demand for uncoated fine paper depends on business activity and demand for packaging boards depends on non-durable goods.

Stora Enso has undertaken a detailed study concerning graphic papers and their end uses. The study improved the Group's understanding of future graphic paper demand and the end uses of graphic paper in different geographical areas.

Major paper demand drivers were identified. They are marketing spend and marketing mix, developments in technology and competing media, and consumer behaviour and demographics. Their effects on the demand for paper used in newspapers, magazines and commercial printing were determined.

The study showed that demand for newsprint will grow slowly and for magazine grades moderately in mature markets. Commercial printing and office uses of paper are the fastest-growing segments in mature markets. In emerging markets, however, all segments are expected to grow strongly.

The key strategic responses to the findings are to shift more production towards low-cost regions; to continue to consolidate, improve productivity and increase the added value of products in mature markets; and to utilise fully the comprehensive sales and marketing network and account management concept.

Focus on South America, China and Russia

Stora Enso is concentrating its emerging markets strategy on three areas: South America with its low fibre costs, China with its fast-growing market and Russia with its extensive fibre resources. The Group wants to increase its business in these areas to diversify the asset portfolio geographically, to benefit from a more cost-competitive operating environment and to gain revenue growth in new markets.

The products in emerging markets can be divided in two categories: key products for local and regional consumption such as fine paper, cores and corrugated boards; secondly, fully integrated products not only for local consumption, but also for world markets, such as newsprint, super-calendered (SC) paper and liquid packaging boards.

Cost-competitiveness will be achieved by utilising low-cost wood fibre from South America and Russia, and low production costs in all of these key areas.

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.

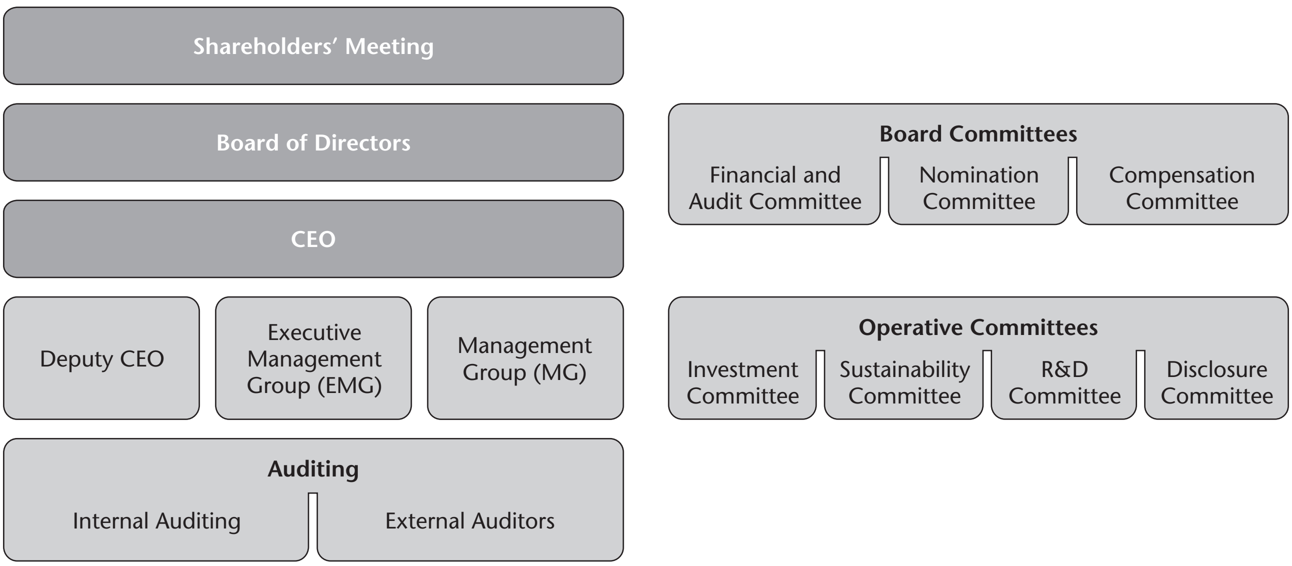
Stora Enso prepares annual and interim financial accounts conforming to International Financial Reporting Standards (IFRS). These reports are published in Finnish, Swedish, English and German. In addition, Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

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 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.

Working Order of the Board of Directors

The working order describes the working practices of the Board of Directors. A summary of key contents is presented below.

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

In 2004
The Board of Directors had eleven members and convened eight times. On average directors attended 98% of the meetings.

Board Remuneration

EUR	Chairman	Vice Chairman	Board Member
2004	135 000	85 000	60 000
2003	135 000	85 000	60 000
2002	135 000	85 000	60 000

Details of Board Remuneration are shown in Note 6 on page 64.

Board Interests as of 31 December 2004

	Series A shares	Series R shares
Claes Dahlbäck, Chairman	2 541	19 529
Krister Ahlström, Vice Chairman	1 500	-
Lee A. Chaden	-	*3 500
Harald Einsmann	-	*4 800
Björn Hägglund, Deputy CEO	7 877	14 618
Jukka Härmälä, CEO	-	6 500
Barbara Kux	-	-
Ilkka Niemi	-	-
Paavo Pitkänen	-	3 800
Jan Sjöqvist	508	1 943
Marcus Wallenberg	2 795	5 367

* ADRs representing R shares

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.

CEO remuneration is shown in Note 6, page 65.

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.

In 2004
The Executive Management Group had 10 members and convened 19 times. Important items on the agenda in 2004 were finalising restructuring of the ownership of forestlands in Sweden and Canada, the divestment of the Finnantara plantation interest in Indonesia and acquisition of 66% ownership of the Polish packaging producer Intercell S.A.

EMG interests as of 31 December 2004 are shown in Note 28, page 99. EMG remuneration is disclosed in Note 6, page 65.

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.

In 2004
The Management Group had 25 members and convened four times.

MG interests as of 31 December 2004 are shown in Note 28, page 99.

Board Committees

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

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.

In 2004

The Financial and Audit Committee comprised five members, Jan Sjöqvist (Chairman), Barbara Kux (from 18 March 2004 onwards), George W. Mead (until 18 March 2004), Ilkka Niemi, Paavo Pitkänen and Marcus Wallenberg, and convened seven times. In April 2004 the Committee appointed Jan Sjöqvist as a Financial Expert in line with the Sarbanes-Oxley Act of 2002. In addition to the regular tasks based on the Committee's charter, during 2004 the Committee performed an evaluation of the Company's key financial targets and reviewed the preparations for the internal control assessment pursuant to Section 404 of the Sarbanes-Oxley Act (see also Disclosure Committee's tasks in 2004).

Remuneration

Chairman EUR 10 000 per annum and member EUR 7 000 per annum.

Summary of Charter

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

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

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.

In 2004

The Nomination Committee comprised four members, Krister Ahlström (Chairman), Claes Dahlbäck, Harald Einsmann and Ilkka Niemi, and convened once. During 2004 the main tasks were to prepare guidance for the Board and Annual General Meeting regarding the election of Board members and their remunerations.

Remuneration

Chairman EUR 5 000 per annum and member EUR 3 000 per annum.

Summary of Charter

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

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

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.

In 2004

The Compensation Committee comprised four members, Claes Dahlbäck (Chairman), Krister Ahlström, Harald Einsmann and Ilkka Niemi, and convened twice. During 2004 the main tasks were to prepare Stora Enso's top management's salary and other benefit matters, the bonus plan of the CEO and the stock option scheme principles for the year 2004.

Remuneration

Chairman EUR 5 000 per annum and member EUR 3 000 per annum.

Summary of Charter

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

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

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 eight times a year and as required.

In 2004
The Investment Committee examined several major investment proposals and made recommendations on the allocation of divisional funds for consideration by the EMG. Important items on the agenda in 2004 were rebuilding Suzhou paper machine 1, Stora Enso Packaging's corrugated business expansions in Russia and the North European Transport Supply System. During the first quarter of 2004 the Committee updated the Guidelines for feasibility of large investments, which were prepared and taken into use. In addition, the Committee audited ten major projects started in 2002 and 2003 to gather experience for future use and to secure technology transfer within the Group. The Investment Committee had six members and convened 14 times in 2004.

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.

In 2004
In April 2004, Stora Enso published its Code of Ethics, which applies to all employees. It is in compliance with the Sarbanes-Oxley Act of 2002. Additional important items on the agenda in 2004 were the Group environmental action plan, Group environmental performance targets, wood traceability, climate change and the Group Sustainability Report 2004. The Sustainability Committee had 13 members and convened twice in 2004.

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.

In 2004
The R&D Committee initiated a review of the ownership and membership policy of external R&D and defined policy objectives and changes. It examined the implementation and success of the new R&D organisation. The R&D Committee had seven members and convened twice in 2004.

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.

In 2004

In 2004 a special programme was initiated to ensure compliance with the Sarbanes Oxley Act Section 404, Management Assessment of Internal Controls, a section that requires companies and their external auditors to evaluate the effectiveness of the Company's internal control over financial reporting and to report on material control weaknesses. As a foreign private issuer, Stora Enso is required to include the management assessment in its 2005 Annual Report (20-F) to SEC. The first phases of the programme were completed according to plan by the end of 2004. The Disclosure Committee had three members and convened five times.

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 Stock Exchange.

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 by the Company when considered appropriate by the General Counsel or his or her Deputy.

During the closed period insiders are not allowed to trade in the Company's securities. The period starts two weeks prior to the date when the results of a reporting period are announced. The dates are published in the financial calendar at www.storaenso.com/investors.

Comparison of Stora Enso's Corporate Governance Policy to NYSE's Corporate Governance Rules

Foreign private issuers listed on the New York Stock Exchange must disclose any significant ways in which their corporate governance practices differ from those followed by US domestic companies under the NYSE listing standards.

As a result of a comparison of Stora Enso's corporate governance practices to those requirements of Section 303A of the NYSE listing standards that are currently applicable to US domestic companies, the following significant differences have been identified:

- Under the Finnish Companies Act, compensation plans based on the market price of the Company's shares do not require shareholder approval prior to their introduction. The actual issuance of shares or delivery of shares repurchased pursuant to a share repurchase program or otherwise by the Company is, however, subject to shareholder approval. This also applies to option plans pursuant to which the Company intends to issue new shares or deliver its own shares. Section 303A.08 of the NYSE listing standards requires that all equity-compensation plans, with limited exemptions, are subject to approval by shareholders of the Company. Synthetic options issued under Stora Enso's synthetic option programmes, which entitle the participants to receive a cash payment based on the price of Stora Enso's Series R shares, do not constitute an equity-compensation plan and are not subject to shareholder approval.

- Under the Finnish Companies Act, a general meeting of shareholders of a Finnish company appoints the independent auditor(s) of the Company. Similarly, only a general meeting of shareholders can remove the independent auditor(s) and appoint their successor. Section 303.06 of the NYSE listing standard requires pursuant to Rule 10A-3 of the US Securities Exchange Act of 1934 that the Audit Committee of the Company must be directly responsible for the appointment and retention of the independent auditor of the Company.

US Capital Markets Rules and Requirements

The Sarbanes-Oxley Act of 2002 was enacted by the US Congress and enforced by SEC to restore trust and confidence in corporate accounting and reporting practices, and further to strengthen investor protection and restore confidence in the US capital markets. The Sarbanes-Oxley Act introduced numerous corporate governance standards for all companies listed in the US. Certain provisions of the Act were effective immediately, while some have been implemented according to SEC's specific implementation guidance.

Stora Enso has earlier conformed the byelaws of the Financial and Audit Committee to the requirements of Sarbanes-Oxley Act, revised its procedures governing its relationship to the Company's independent auditors, established a Disclosure Committee, implemented procedures for handling complaints related to frauds and introduced a Code of Ethics (see page 11).

Already in 2003, Stora Enso introduced procedures that require the respective management of the divisions and subsidiaries to certify the internal controls over financial reporting process, These procedures, and certifications provide a basis on which the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of Stora Enso certify the consolidated financial statements to the SEC, as required by the Sarbanes-Oxley Act Section 302.

Operating and Financial Review

Strategic Return Target and Value

Weighted Average Cost of Capital ("WACC")
WACC represents the aggregate cost of debt and equity. The cost of equity represents a risk-free long-term interest rate of 4.2% with an added equity risk premium of 4%, giving an aggregate cost after tax of 8.2%. The pre-tax cost of equity is approximately 12% and, with a debt/equity ratio of 0.8 and using a spread of 0.8% on the debt, the WACC before tax is around 8.7%, being the figure applicable to the ROCE calculations. The corresponding WACC after tax is 6.1%.

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 with the pre-tax WACC and thus Stora Enso creates value for its shareholders when ROCE exceeds pre-tax WACC.

The value created by segment is shown below, where the pre-tax WACC based on average operating capital is deducted from operating profit, excluding non-recurring items, to give the value created. The same pre-tax 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 pre-tax WACC used in the table below was 9.5% for 2002 and 8.7% for 2003 and 2004. The Group has not been able to deliver a value increase during the last few years due to weak market conditions.

Operating Profit and Value Statement by Segment

	Operating Profit			Value Statement		
	Year Ended 31 December			Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**
Publication Paper	313.6	111.1	91.3	-94.2	-232.8	-261.7
Fine Paper	298.3	153.5	64.3	-73.5	-149.6	-228.1
Merchants	5.4	-6.7	11.2	-11.1	-20.0	-3.1
Packaging Boards	345.3	292.4	277.6	101.5	73.3	50.7
Wood Products	44.5	26.5	34.7	5.7	-19.0	-22.9
Wood Supply Europe	94.6	116.5	32.3	-7.4	-11.7	-9.6
Other	-52.5	-51.5	-84.7	-	-	-
Goodwill amortisation	-148.8	-116.0	-90.3	-	-	-
Group Total, excl. Non-Recurring Items	**900.4**	**525.8**	**336.4**	**-281.2**	**-463.1**	**-632.9**

Market

Global uncertainty in the market for forest industry products continued for the fourth year. Demand has strengthened during the year in advertising-driven paper grades but overcapacity in the supply has kept prices low. The packaging board market has been rated stable regarding both demand and prices. Demand for wood products was strong in whitewood but the redwood market was weaker due to European overcapacity. 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 supplier chain and customer base, and 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 2004

Tonnes, million	Western Europe	North America	Asia (incl. Oceania)
Standard newsprint	9.0	11.0	12.5
Uncoated mechanical paper (SC)	5.9	6.0	2.2
Coated magazine paper (LWC, MWC)	6.9	6.0	2.8
Coated fine paper	8.1	5.4	10.5
Uncoated fine paper	9.6	12.9	20.5
Containerboards	20.8	31.5	40.8
Cartonboards*	6.8	13.4	15.1

* Incl. greyboards

Source: RISI, EMGE

Deliveries

Deliveries of paper and board increased by 6% to 14 410 000 (13 551 000) tonnes and production was 14 520 000 (13 685 000) tonnes, though even this improvement did not prevent production curtailments being made to match orders, thus avoiding build-up of excessive inventories. Curtailments totalled 364 000 (782 000) tonnes, equal to about 2% of total capacity, including 7 000 (79 000) tonnes in North America. Deliveries of wood products increased by about 14% compared with the previous year, mainly due to the first full-year effect from the acquisition of additional capacity in the Baltic States.

Deliveries by Segment

	Year Ended 31 December			Change	Curtailments	
1 000 tonnes	2002	2003	2004	%	2003	2004
Publication Paper	6 807	6 954	7 398	+6	497	240
Fine Paper	3 432	3 591	3 893	+8	176	43
Packaging Boards	2 910	3 006	3 119	+4	109	81
Divested paper units	-	-	-			
Total Paper and Board Deliveries	**13 149**	**13 551**	**14 410**	**+6**	**782**	**364**
Wood Products, 1 000 cubic metres	5 112	5 822	6 664	+14		
Corrugated board, million square metres	546	500	570	+14		

Stora Enso sales are global. Europe accounts for 70% (70%) of turnover, North America 16% (16%) and Asia Pacific 9% (9%). The main markets are displayed in the columns “Sales by Destination” and “Sales by Origin” below.

External Sales by Destination and Origin

	Year Ended 31 December					
	2002	2003	2004	2002	2003	2004
EUR million	Sales by Destination			Sales by Origin		
Austria	195.4	222.0	238.6	266.9	324.8	390.4
Belgium	301.3	267.2	258.4	244.3	182.7	263.4
Baltic States	28.3	89.3	135.5	163.6	280.1	310.7
Czech Republic	121.7	118.9	111.1	129.3	136.5	143.8
Denmark	297.9	276.1	262.2	79.0	68.6	66.8
Finland	780.6	786.9	808.5	4 205.5	4 048.9	4 085.5
France	965.5	862.7	835.2	432.6	378.6	347.1
Germany	1 673.6	1 616.1	1 624.6	1 505.1	1 475.6	1 500.9
Italy	391.5	380.7	369.1	0.1	0.1	0.1
Netherlands	488.4	491.9	508.8	209.2	187.7	211.2
Portugal	60.9	64.9	83.2	128.0	124.9	131.1
Spain	463.4	499.4	488.8	114.4	118.0	114.0
Sweden	1 034.2	994.4	1 040.5	2 870.1	2 814.1	2 820.3
UK	1 053.4	979.3	963.8	59.1	23.4	24.4
Russia	112.8	130.7	151.8	45.3	59.8	118.3
Other Europe	916.0	762.8	777.4	78.7	71.8	66.9
Total Europe	**8 884.9**	**8 543.3**	**8 657.5**	**10 531.2**	**10 295.6**	**10 594.9**
Africa	118.2	146.8	149.9	-	-	-
Australia/New Zealand	115.6	122.9	124.3	39.7	20.2	5.6
Canada	160.0	143.7	127.5	286.4	285.6	275.5
China (incl. Hong Kong)	257.3	267.0	281.4	120.1	107.4	107.8
Japan	340.6	323.2	346.2	1.1	0.5	-
Other Far East & South East Asia	272.6	310.6	382.5	14.2	11.5	12.6
Middle East	176.1	185.5	201.4	0.1	-	0.2
USA	2 267.3	1 918.3	1 904.9	1 789.7	1 451.5	1 398.7
Latin America	128.4	126.0	162.9	0.1	-	-
Others	61.6	85.0	57.3	-	-	0.5
Total	**12 782.6**	**12 172.3**	**12 395.8**	**12 782.6**	**12 172.3**	**12 395.8**

Financial Results (excluding non-recurring items)

Sales increased by EUR 223.5 million to EUR 12 395.8 million, an increase of 1.8%. The negative impact of declining prices, especially during the first half of the year, was partially offset by higher volumes.

Operating profit excluding non-recurring items decreased by EUR 189.4 million to EUR 336.4 million. Profits were lower in all segments except Merchants and Wood Products. The main reasons for the decrease in profits were the decline in prices, partly offset by increased volumes, two major rebuilds in North America, the weak US dollar and the transfer of the Swedish forests to Bergvik Skog AB (EUR 80 million). The operating profit for the year totalled EUR 706.1 (EUR 471.4) million. Released cash flow hedging contracts, especially for the US dollar and British pound, had an impact of EUR 16.4 (EUR 105.1) million on operating profit.

There were four non-recurring items with a total positive effect of EUR 369.7 (EUR -54.4) million on operating profit comprising the gain on restructuring ownership of the Swedish forestlands, the reversal of expenses already taken in respect of various US retiree healthcare programmes, the provision for the future reduction of maintenance personnel in the USA and the income relating to the change in the Finnish disability pension liabilities.

Publication Paper

Operating profit excluding non-recurring items and goodwill amortisation was EUR 91.3 (EUR 111.1) million, a decrease of EUR 19.8 million or 18% compared with 2003. The decrease was mainly due to lower sales prices, however, to some extent compensated by higher sales volumes and somewhat higher energy costs, fixed costs and depreciation. The production curtailments were lower than previous year 240 000 (497 000) tonnes.

Key Figures*	2002	2003	2004
Sales, EUR million	4 715.6	4 295.7	4 343.3
Operating profit, EUR million	313.6	111.1	91.3
% of sales	6.7	2.6	2.1
Operating capital, EUR million	3 927.3	3 979.1	4 135.7
Return on operating capital, %	7.5	2.8	2.3
Capital expenditure, EUR million	482.2	591.6	486.3
Average number of employees	13 241	12 903	12 317
Deliveries, 1 000 t	6 807	6 954	7 398
Production, 1 000 t	6 796	7 011	7 396
Market-related production curtailments, 1 000 t	874	497	240

* excluding goodwill

Fine Paper

Operating profit excluding non-recurring items and goodwill amortisation amounted to EUR 64.3 (EUR 153.5) million, a decrease of EUR 89.0 million or 58% compared with 2003. Lower sales prices were partly offset by higher volumes. Some increased depreciation and other fixed costs were compensated by higher absorption of fixed costs in inventory due to higher production than deliveries. Production curtailments were reduced to 43 000 (176 000) tonnes compared with the previous year.

Key Figures*	2002	2003	2004
Sales, EUR million	3 427.4	3 197.7	3 173.1
Operating profit, EUR million	298.3	153.5	64.3
% of sales	8.7	4.8	2.0
Operating capital, EUR million	3 625.0	3 343.6	3 378.8
Return on operating capital, %	7.7	4.4	1.9
Capital expenditure, EUR million	131.6	219.1	198.6
Average number of employees	9 288	9 521	8 921
Deliveries, 1 000 t	3 432	3 591	3 893
Production, 1 000 t	3 477	3 624	4 033
Market-related production curtailments, 1 000 t	274	176	43

* excluding goodwill

Merchants

The operating profit excluding non-recurring items and goodwill amortisation improved to EUR 11.2 (EUR -6.7) million, from a loss last year. Reduced fixed costs were the main contributor to the improved result as well as some increased volumes.

Packaging Boards

Operating profit excluding non-recurring items and goodwill amortisation decreased to EUR 277.6 (EUR 292.4) million, EUR 14.8 million or 5% down on 2003. Lower sales prices were compensated by increased volumes. Fixed costs were reduced, although lower production than deliveries resulted in lower absorption of fixed costs in inventory. Also somewhat increased depreciation reduced the profit.

Key Figures*	2002	2003	2004
Sales, EUR million	2 720.2	2 761.6	2 771.5
Operating profit, EUR million	345.3	292.4	277.6
% of sales	12.7	10.6	10.0
Operating capital, EUR million	2 543.1	2 494.0	2 722.6
Return on operating capital, %	13.5	11.6	10.6
Capital expenditure, EUR million	143.5	170.9	167.3
Average number of employees	10 533	10 068	10 113
Deliveries, 1 000 t	2 909	3 006	3 119
Production, 1 000 t	2 973	3 050	3 090
Market-related production curtailments, 1 000 t	109	109	81

* excluding goodwill

Wood Products

Operating profit excluding non-recurring items and goodwill amortisation amounted to EUR 34.7 (EUR 26.5) million, an increase of EUR 8.2 million or 31%. The increase was mainly related to increased volumes due to the first full year effect from the Baltic States acquisition. Higher average sales prices also contributing to the operating profit were offset by higher transportation costs and increased fixed costs.

Key Figures*	2002	2003	2004
Sales, EUR million	1 235.2	1 400.0	1 566.8
Operating profit, EUR million	44.5	26.5	34.7
% of sales	3.6	1.9	2.2
Operating capital, EUR million	408.0	638.7	687.5
Return on operating capital, %	10.9	5.1	5.2
Capital expenditure, EUR million	53.3	141.9	68.1
Deliveries, 1 000 cubic meter	5 112	5 822	6 664
Average number of employees	3 745	4 626	4 856

* excluding goodwill

Wood Supply Europe

Operating profit excluding non-recurring items and goodwill amortisation decreased to EUR 32.3 (EUR 116.5) million, EUR 84.2 million or 72% down on 2003. The main change in result was related to structural reason; the Swedish forests were divested in March, which decreased the operating profit by about EUR 80 million during the year. Also somewhat higher personnel costs contributed to the change.

Other

Operating loss excluding non-recurring items and goodwill amortisation amounted to EUR 84.7 (EUR 51.5) million. This includes unallocated corporate overhead costs and the elimination of internal margins on consolidation.

Sales and Operating Profit by Segment

EUR million	Sales 2002	Sales 2003	Sales 2004	Operating Profit 2002	Operating Profit 2003	Operating Profit 2004	Return on Operating Capital % * 2002	Return on Operating Capital % * 2003	Return on Operating Capital % * 2004
Publication Paper	4 715.6	4 295.7	4 343.3	313.6	111.1	91.3	7.4	2.8	2.3
Fine Paper	3 427.4	3 197.7	3 173.1	298.3	153.5	64.3	7.6	4.4	1.9
Merchants	720.6	627.6	637.9	5.4	-6.7	11.2	3.1	-4.4	6.8
Packaging Boards	2 720.2	2 761.6	2 771.5	345.3	292.4	277.6	13.3	11.6	10.6
Wood Products	1 235.2	1 400.0	1 566.8	44.5	26.5	34.7	10.7	5.1	5.2
Wood Supply Europe	1 958.7	2 074.3	2 481.6	94.6	116.5	32.3	6.2	5.3	5.5
Other	-1 995.1	-2 184.6	-2 578.4	-52.5	-51.5	-84.7	-	-	-
Goodwill amortisation	-	-	-	-148.8	-116.0	-90.3	-	-	-
Total excl. Non-Recurring Items	**12 782.6**	**12 172.3**	**12 395.8**	**900.4**	**525.8**	**336.4**	**7.0**	**4.5**	**3.0**
Non-recurring items	-	-	-	-1 078.1	-54.4	369.7	-	-	-
Total	**12 782.6**	**12 172.3**	**12 395.8**	**-177.7**	**471.4**	**706.1**	**-1.4**	**4.0**	**6.3**

* Group figures represent return on capital employed.

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.

There were four non-recurring items with a total positive effect of EUR 369.7 (EUR -54.4) million on operating profit, comprising the gain on restructuring ownership of the Swedish forestlands, the reversal of expenses already taken in respect of various US retiree healthcare programmes, the provision for the future reduction of maintenance personnel in the USA and the income relating to the change in the Finnish disability pension liabilities. The effect per share was EUR 0.64 (-0.04).

Non-Recurring Items by Quarter

EUR million	Q1/04	Q2/04	Q3/04	Q4/04	2004
Operative Items					
Forest restructuring	115.7				115.7
US retiree healthcare programme and restructuring provision			74.1		74.1
Finnish disability pension liabilities				179.9	179.9
Total Non-Recurring Items	**115.7**		**74.1**	**179.9**	**369.7**
Non-recurring tax	240.8				240.8
Tax on above amounts			-29.7	-52.2	-81.9
Total after Tax	**356.5**		**44.4**	**127.7**	**528.6**
EPS Effect	**0.43**		**0.05**	**0.16**	**0.64**

Non-Recurring Items by Segment

EUR million	2002	2003	Q1/04	Q2/04	Q3/04	Q4/04	2004
Publication Paper	-1 028.4	-29.5			30.8	45.6	76.4
Fine Paper	-176.7	-10.3			41.5	37.0	78.5
Merchants	-24.9					0.8	0.8
Packaging Boards						67.0	67.0
Wood Products						16.4	16.4
Wood Supply Europe	25.9		115.7			10.6	126.3
Other	126.0	-14.6			1.8	2.5	4.3
Total Operating Profit	**-1 078.1**	**-54.4**	**115.7**		**74.1**	**179.9**	**369.7**

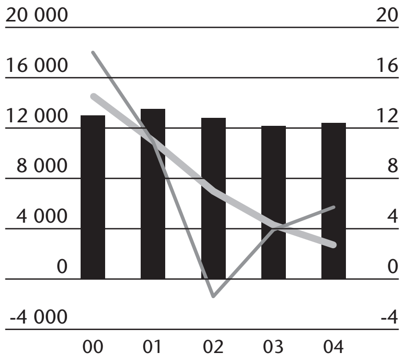
Income Statement in Brief

	Year Ended 31 December			Change	Per Share, EUR		
EUR million	**2002**	**2003**	**2004**	**%**	**2002**	**2003**	**2004**
Sales	**12 782.6**	**12 172.3**	**12 395.8**	**1.8**	**14.37**	**14.30**	**14.94**
EBITDA* excl. non-recurring items	2 145.9	1 710.6	1 508.4	-11.8	2.41	2.01	1.82
Operating profit excl. non-recurring items	900.4	525.8	336.4	-36.0	1.01	0.62	0.41
Non-recurring items	-1 078.1	-54.4	369.7	-	-1.21	-0.06	0.44
Operating Profit	**-177.7**	**471.4**	**706.1**	-	**-0.20**	**0.56**	**0.85**
Share of profits in Associated Companies	14.6	-23.0	38.9	-	0.02	-0.03	0.05
Net financial items	-206.2	-237.7	-106.0	-	-0.24	-0.28	-0.13
Profit before Tax and Minority Interests	**-369.3**	**210.7**	**639.0**	-	**-0.42**	**0.25**	**0.77**
Tax	-169.9	-67.0	-155.7	-	-0.19	-0.08	-0.19
Non-recurring tax item	298.4	-	264.5	-	0.34	-	0.32
Minority items	0.1	-5.8	-8.1	-	-	-0.01	-0.01
Net Profit for the Period	**-240.7**	**137.9**	**739.7**	-	**-0.27**	**0.16**	**0.89**
Net Profit for the Period excl. Non-Recurring Items	**486.4**	**204.2**	**211.1**	-	**0.55**	**0.24**	**0.25**

* Earnings before Interest, Taxes, Depreciation and Amortisation

Sales and Operating Profit

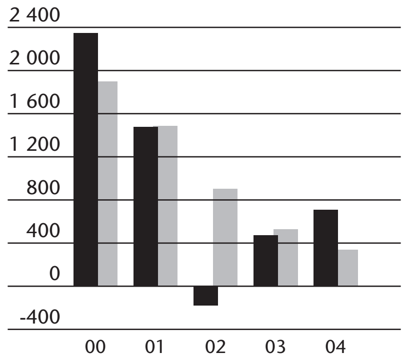
EUR million %



Sales
Operating profit as % of sales
Operating profit excl. non-recurring items, as % of sales

Operating Profit

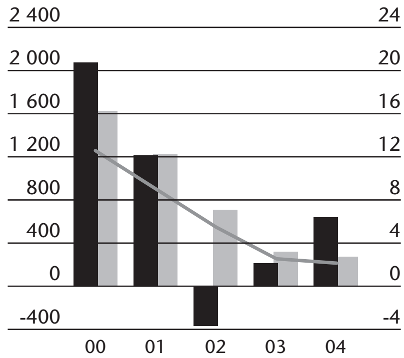
EUR million



Excluding non-recurring items

Profit before Tax and Minority Interests

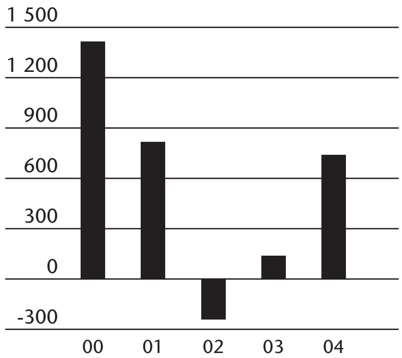
EUR million %



Excluding non-recurring items
Profit before tax and minority interests excl. non-recurring items, as % of sales

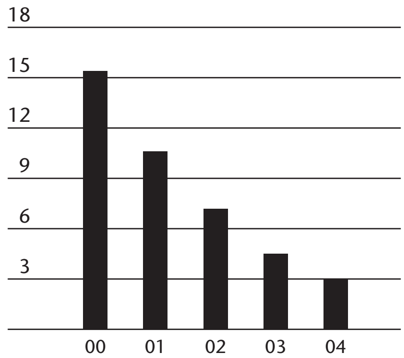
Profit for the Period

EUR million



Return on Capital Employed (ROCE)

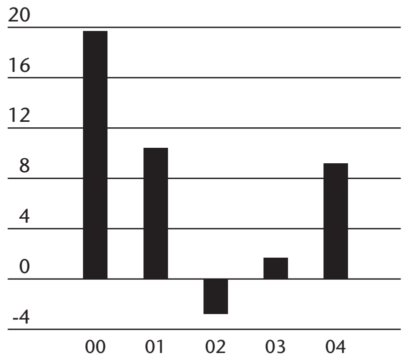
%



Excluding non-recurring items

Return on Equity (ROE)

%



Depreciation, impairment and goodwill amortisation totalled EUR 1 172.0 (EUR 1 200.4) million, a decrease of EUR 28.4 million on the previous year. The reduction is mainly due to the lower US dollar rate. The share of results in associated companies amounted to EUR 38.9 (EUR -23.0) million, of which Veracel accounted for EUR 3.3 million, Bergvik Skog EUR 24.2 million, Tornator EUR -1.7 million and Sunila EUR 5.3 million.

Operating profit for the year totalled EUR 706.1 (EUR 471.4) million, including non-recurring items of EUR 369.7 (EUR -54.4) million.

Net interest costs for the year totalled EUR -141.3 million, which is 3.7% of interest-bearing net liabilities and EUR 44.8 million less than for the previous year, mainly due to lower interest rates and decreased average indebtedness. Foreign exchange losses in financial items were EUR 1.1 (gain of EUR 12.5) million. Other financial items totalled EUR 36.4 (EUR -64.1) million, mostly due to unrealised changes in fair values of financial instruments.

Profit before taxes and minority interests, excluding non-recurring items, amounted to EUR 269.3 (EUR 319.2) million.

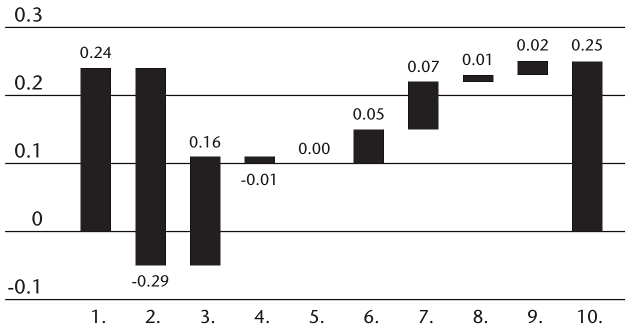
Net taxes totalled a positive EUR 108.8 (EUR -67.0) million, the gain resulting from the release of EUR 240.5 million in deferred tax liabilities on the fair valuation of biological assets relating to the restructuring of forestland ownership in Sweden and a change in deferred taxes of EUR 20.0 million due to changes in Finnish tax laws. The tax charge excluding these two non-recurring items was EUR 151.7 million, a rate of 28.9% (31.7%).

Minority interests were EUR -8.1 (EUR -5.8) million, leaving a net profit for the period of EUR 739.7 (EUR 137.9) million.

The return on capital employed was 3.0% (4.5%) before non-recurring items. Capital employed was EUR 10 670.5 (EUR 11 613.1) million at the end of the period, a net decrease of EUR 942.6 million mainly due to the restructuring of forestland ownership in Sweden. The currency effect decreased the capital employed by EUR 170.3 million.

Change in EPS from 2003 to 2004

EUR

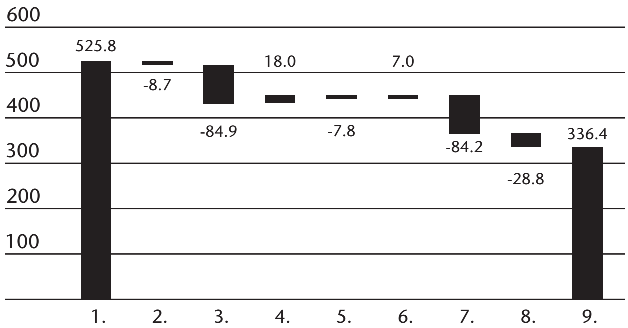


1. Group total 2003 2. Sales prices 3. Sales volume 4. Energy 5. Fixed costs 6. Associated companies 7. Financing costs 8. Other 9. Change in Finnish tax law 10. Group total 2004

Excluding non-recurring items

Change in Operating Profit

EUR million

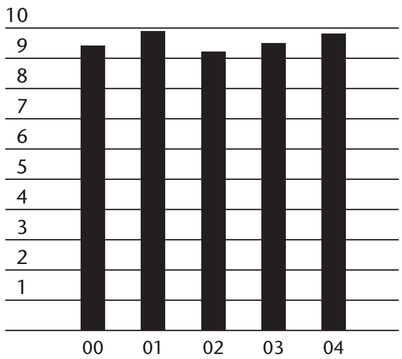


1. Operating Profit 2003 2. Publication Paper 3. Fine Paper 4. Merchants 5. Packaging Boards 6. Wood Products 7. Wood Supply Europe 8. Other 9. Operating Profit 2004

Excluding non-recurring items

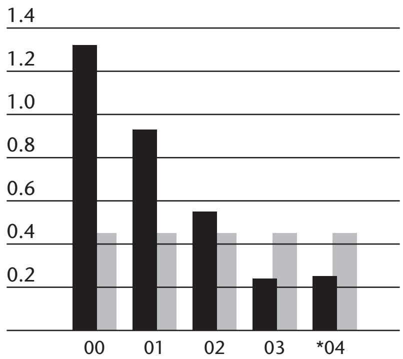
Equity per Share

EUR



Earnings and Dividend per Share

EUR



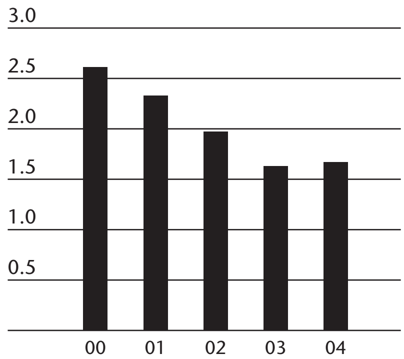
Earnings per share, excl. non-recurring items

Dividend per share

* Board´s dividend proposal

Cash Earnings per Share

EUR



Excluding non-recurring items

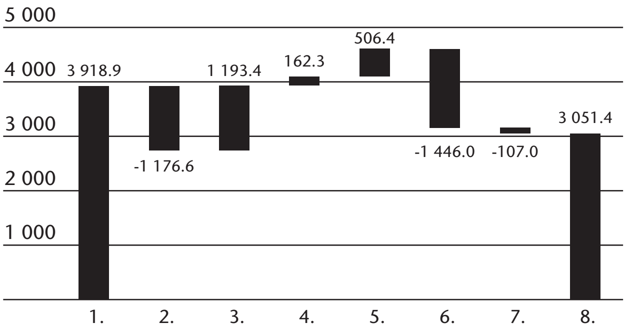
Financing and Change in Interest-bearing Net Liabilities
Cash flow from operations totalled EUR 1 176.6 (EUR 1 808.3) million, with cash flow after investing activities amounting to EUR -16.8 (EUR 615.0) million. Cash earnings per share excluding non-recurring items were EUR 1.67 (EUR 1.64).

At the end of the year, interest-bearing net liabilities were EUR 3 051.4 (EUR 3 918.9) million, down EUR 867.5 million. Currency movements of EUR 158.6 million and somewhat lower capital expenditure than depreciation reduced the liability, which was partly offset buy share buy-backs. Unutilised credit facilities and cash and cash-equivalents reserves totalled EUR 3.0 billion.

Shareholders' equity amounted to EUR 8.1 billion or EUR 9.81 (EUR 9.49) per share, compared with the market capitalisation on the Helsinki Stock Exchange on 31 December 2004 of EUR 9.5 billion.

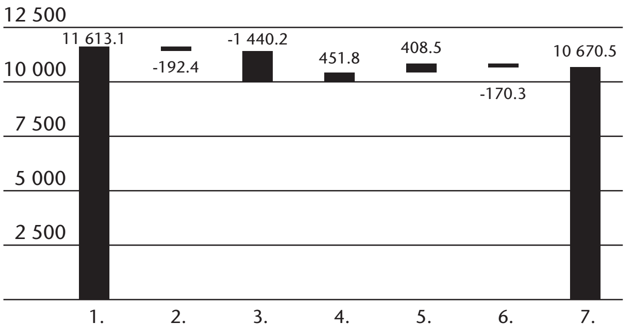
The debt/equity ratio at 31 December 2004 was 0.38 (0.49). The currency effect on equity was EUR -10.1 million net of the hedging of equity translation risks. Share buy-backs during the year decreased equity by EUR 198.6 million.

Change in Interest-bearing Net Liabilities



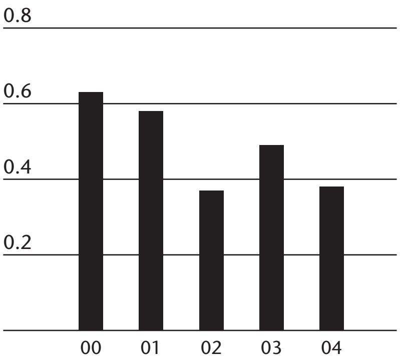
1. Interest-bearing Net Liabilities 1 Jan 2004 2. Cash flow from operations 3. Net cash used in investing activities 4. Net cash used in taxes and financing items 5. Net cash used in equity items 6. Structural changes 7. Other changes and translation differences 8. Interest-bearing Net Liabilities 31 Dec 2004

Change in Capital Employed



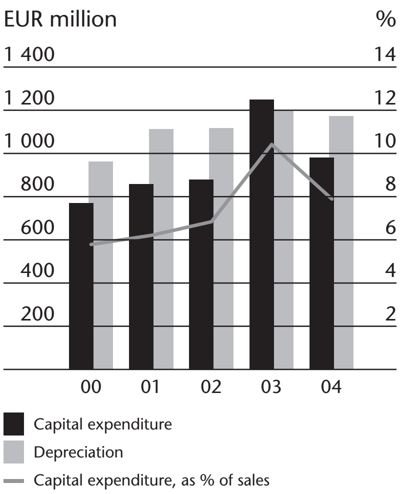
1. Capital Employed 1 Jan 2004 2. Investing activities, net of depreciation 3. Acquisitions and disposals 4. Change in working capital 5. Change in net tax liabilities 6. Translation differences 7. Capital Employed 31 Dec 2004

Debt/Equity Ratio



Target ≤ 0.8

Capital Expenditure and Depreciation



Capital Expenditure

Capital expenditure totalled EUR 979.6 million (EUR 1 248.2), including investment in forest assets of EUR 4.5 million, which is EUR 268.6 million less than previous year and 91% of the depreciation.

The main ongoing projects during the year were rebuilding paper machine 6 at Maxau Mill (EUR 111.4 million), the new paper machine 12 at Kvarnsveden Mill (EUR 86.6 million), the Skoghall Energy 2005 project (EUR 54.7 million), rebuilding paper machine 3 and a new cut-size line at Veitsiluoto Mill (EUR 27.5 million) and folding boxboard asset improvements at Baienfurt Mill (EUR 28.1 million)

Capital Structure

EUR million	2002	2003	2004	Per Share, EUR
Fixed assets	12 089.4	12 676.1	10 848.2	13.22
Working capital	1 010.1	872.1	1 322.1	1.61
Operating capital	**13 099.5**	**13 548.2**	**12 170.3**	**14.83**
Net tax liabilities	-1 979.2	-1 935.1	-1 499.8	-1.82
Capital Employed	**11 120.3**	**11 613.1**	**10 670.5**	**13.01**
Associated companies	211.7	319.0	568.1	0.69
Total	**11 332.0**	**11 932.1**	**11 238.6**	**13.70**
Shareholders' equity	8 034.8	7 952.9	8 051.1	9.81
Minority interests	30.4	60.3	136.1	0.17
Interest-bearing net liabilities	3 266.8	3 918.9	3 051.4	3.72
Financing Total	**11 332.0**	**11 932.1**	**11 238.6**	**13.70**

Capital Employed

EUR million	Operating Capital		Net Tax Liabilities		Capital Employed	
Finland	3 778.2	31.0%	421.3	28.1%	3 356.9	31.5%
USA	2 346.8	19.3%	267.6	17.8%	2 079.2	19.5%
Sweden	2 131.6	17.5%	560.5	37.4%	1 571.1	14.7%
Germany	1 078.2	8.9%	199.9	13.3%	878.2	8.2%
Belgium	574.5	4.7%	4.2	0.3%	570.2	5.3%
Canada	476.2	3.9%	1.1	0.1%	475.1	4.5%
France	270.8	2.2%	-4.9	-0.3%	275.7	2.6%
Portugal	204.3	1.7%	2.3	0.2%	202.0	1.9%
China	147.0	1.2%	0.0	0.0%	147.1	1.4%
Austria	177.8	1.5%	12.8	0.9%	165.1	1.5%
Other	984.3	8.1%	35.0	2.3%	949.9	8.9%
Total	**12 170.3**	**100%**	**1 499.8**	**100%**	**10 670.5**	**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)	91.3	64.3	277.6	34.7	-41.2	426.7
Depreciation, non-recurring items and adjustments	489.3	395.8	302.5	73.4	77.8	1 338.8
Change in working capital	-214.1	-163.7	-130.2	-42.3	-38.6	-588.9
Cash Flow from Operations	**366.5**	**296.4**	**449.9**	**65.8**	**-2.0**	**1 176.6**

Change in Interest-bearing Net Liabilities

EUR million	Ongoing Operations	OCI	Swedish Forest Divestment	Translation Difference	Impact on the BS
Operating profit	593.5		115.7	-3.1	706.1
Depreciation	1 172.0				1 172.0
Change in working capital	-588.9		137.1	2.0	-449.8
Cash Flow from Operations	**1 176.6**		**252.8**	**-1.1**	**1 428.3**
Capital expenditure	-979.6				-979.6
Acquisitions	-190.2				-190.2
Acquisitions associated companies	-81.5		-169.3		-250.8
Disposals	56.9		1 573.5		1 630.4
Other change in fixed assets	1.0			194.4	195.4
Operating Cash Flow	**-16.8**		**1 657.0**	**193.3**	**1 833.5**
Net financing items	-106.0				-106.0
Associated companies	38.9	0.2		1.4	40.5
Taxes paid	-95.2	-4.8	-200.7	-26.1	-326.8
Share issue	4.4				4.4
Dividends	-375.7				-375.7
Share buy–back	-198.6				-198.6
Other change in equity and in minority items	63.5	-47.0	-10.3	-10.0	-3.8
Change in Interest-bearing Net Liabilities	**-685.5**	**-51.6**	**1 446.0**	**158.6**	**867.5**

Changes in Associates

Stora Enso and Korsnäs AB, a Swedish forest industry company controlled by the Kinnevik Group, sold their Swedish forest assets to a new entity named Bergvik Skog AB in which the two partners retained minority shareholdings of 43.3% and 5% respectively. The remaining shares were sold to external investors.

The sales price was 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 also resulted 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 improved the debt to equity ratio by about 0.16. However, operating profit would 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 where the new mill will annually provide Stora Enso with 450 000 tonnes (50% of the 900 000 tonnes capacity) of short-fibre pulp has proceeded according to plan and pulp production is expected to start in mid 2005.

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
Publication Paper	1 774	1 675	1 707	1 746	**6 902**	1 638	1 636	1 703
Fine Paper	925	806	855	862	**3 448**	874	866	859
Packaging Boards	638	695	583	592	**2 509**	711	749	735
Total	**3 337**	**3 176**	**3 145**	**3 200**	**12 858**	**3 223**	**3 251**	**3 297**
Wood Products, 1 000 m^3	1 242	1 276	1 082	1 260	**4 860**	1 203	1 344	1 252
Corrugated board, million m^2	107	107	109	111	**434**	117	126	180

Sales by Segment

EUR million	Q1/01	Q2/01	Q3/01	Q4/01	2001	Q1/02	Q2/02	Q3/02
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
Fine Paper	1 035.9	917.3	850.7	866.5	**3 670.4**	909.2	873.6	832.4
Merchants	231.4	211.5	188.9	208.5	**840.3**	211.7	183.4	155.8
Other	-122.5	-103.9	-95.4	-99.5	**-421.3**	-94.7	-68.7	-62.5
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**
Packaging Boards	**686.2**	**692.1**	**660.8**	**632.0**	**2 671.1**	**681.3**	**696.4**	**675.9**
Wood Products	307.3	311.8	266.2	295.2	**1 180.5**	286.1	320.8	314.1
Wood Supply Europe	511.5	442.3	410.3	461.5	**1 825.6**	497.9	479.2	464.7
Other	-121.3	-114.4	-111.3	-129.0	**-476.0**	-132.6	-124.6	-135.8
Forest Products	**697.5**	**639.7**	**565.2**	**627.7**	**2 530.1**	**651.4**	**675.4**	**643.0**
Other	-309.5	-314.4	-294.3	-278.0	**-1 196.2**	-319.4	-270.5	-295.7
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**

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
Publication Paper	247.0	197.1	211.9	196.8	**852.8**	102.8	61.8	82.5
Fine Paper	163.6	82.2	70.5	77.9	**394.2**	93.8	76.7	74.3
Merchants	0.2	-1.3	-1.6	-4.6	**-7.2**	-1.0	1.8	1.2
Paper	**410.8**	**278.0**	**280.8**	**270.1**	**1 239.7**	**195.6**	**140.3**	**158.0**
Packaging Boards	**117.4**	**88.2**	**96.0**	**38.3**	**339.9**	**96.2**	**63.4**	**108.4**
Wood Products	5.3	7.7	2.2	-3.6	**11.6**	10.6	13.5	9.2
Wood Supply Europe	25.1	26.5	15.7	19.9	**87.2**	23.0	25.3	24.9
Forest Products	**30.4**	**34.2**	**17.9**	**16.3**	**98.8**	**33.6**	**38.8**	**34.1**
Other Areas	-2.0	-17.7	-22.1	-1.9	**-43.7**	-16.8	-17.7	-9.4
Goodwill amortisation	-36.6	-39.3	-36.6	-39.0	**-151.5**	-41.1	-41.2	-42.0
Operating Profit excl. Non-recurring Items	**520.0**	**343.4**	**336.0**	**283.8**	**1 483.2**	**267.5**	**183.6**	**249.1**
Non-recurring items	-	-9.6	18.0	-16.7	**-8.3**	-	51.6	-1 229.5
Operating Profit Total (IAS)	**520.0**	**333.8**	**354.0**	**267.1**	**1 474.9**	**267.5**	**235.2**	**-980.4**
Net financial items	-121.8	-121.4	-67.7	-32.6	**-343.5**	-45.2	-44.0	-56.2
Share of results of associated companies	28.3	23.3	16.3	11.7	**79.6**	11.7	8.4	-2.4
Profit Before Tax and Minority Interests	**426.5**	**235.7**	**302.6**	**246.2**	**1 211.0**	**234.0**	**199.6**	**-1 039.0**
Income tax expense	-145.1	-81.3	-93.0	23.3	**-296.1**	-77.5	-66.4	38.5
Profit after Tax	**281.4**	**154.4**	**209.6**	**269.5**	**914.9**	**156.5**	**133.2**	**-1 000.5**
Minority interests	-0.2	-1.7	2.0	2.8	**2.9**	-0.1	0.1	-2.6
Net Profit for the Period	**281.2**	**152.7**	**211.6**	**272.3**	**917.8**	**156.4**	**133.3**	**-1 003.1**

Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003	Q1/04	Q2/04	Q3/04	Q4/04	2004
1 830	6 807	1 654	1 678	1 763	1 859	6 954	1 732	1 819	1 846	2 001	7 398
833	3 432	885	895	894	917	3 591	959	964	974	995	3 893
715	2 910	756	781	755	714	3 006	776	790	766	787	3 119
3 378	13 149	3 295	3 354	3 412	3 490	13 551	3 467	3 573	3 586	3 783	14 410
1 313	5 112	1 283	1 644	1 337	1 558	5 822	1 597	1 777	1 595	1 695	6 664
123	546	120	128	121	131	500	132	146	144	148	570

Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003	Q1/04	Q2/04	Q3/04	Q4/04	2004
1 223.1	4 715.6	1 058.3	1 042.8	1 086.3	1 108.3	4 295.7	1 019.2	1 069.6	1 090.6	1 163.9	4 343.3
812.2	3 427.4	852.3	793.9	788.5	763.0	3 197.7	788.9	786.3	791.8	806.1	3 173.1
169.7	720.6	176.1	155.4	139.5	156.6	627.6	160.3	148.5	145.7	183.4	637.9
-63.6	-289.5	-72.0	-69.0	-70.4	-69.9	-281.3	-70.4	-68.6	-72.3	-76.5	-287.8
2 141.4	8 574.1	2 014.7	1 923.1	1 943.9	1 958.0	7 839.7	1 898.0	1 935.8	1 955.8	2 076.9	7 866.5
666.6	2 720.2	699.0	711.4	691.1	660.1	2 761.6	692.0	704.4	674.6	700.5	2 771.5
314.2	1 235.2	316.5	385.6	335.5	362.4	1 400.0	373.1	419.2	388.5	386.0	1 566.8
516.9	1 958.7	534.2	526.7	475.0	538.4	2 074.3	634.9	621.4	568.3	657.0	2 481.6
-138.3	-531.3	-143.5	-149.9	-131.7	-165.9	-591.0	-229.8	-225.6	-207.1	-229.0	-891.5
692.8	2 662.6	707.2	762.4	678.8	734.9	2 883.3	778.2	815.0	749.7	814.0	3 156.9
-288.7	-1 174.3	-321.8	-339.9	-326.4	-324.2	-1 312.3	-350.3	-352.3	-347.0	-349.5	-1 399.1
3 212.1	12 782.6	3 099.1	3 057.0	2 987.4	3 028.8	12 172.3	3 017.9	3 102.9	3 033.1	3 241.9	12 395.8

Q4/02	2002	Q1/03	Q2/03	Q3/03	Q4/03	2003	Q1/04	Q2/04	Q3/04	Q4/04	2004
66.5	313.6	35.6	-6.0	39.2	42.3	111.1	8.7	-3.8	48.2	38.2	91.3
53.5	298.3	80.7	40.3	23.1	9.4	153.5	18.1	4.6	27.9	13.7	64.3
3.4	5.4	1.5	-1.2	-1.5	-5.5	-6.7	3.3	2.4	1.6	3.9	11.2
123.4	617.3	117.8	33.1	60.8	46.2	257.9	30.1	3.2	77.7	55.8	166.8
77.3	345.3	89.4	65.5	87.4	50.1	292.4	82.1	67.7	84.8	43.0	277.6
11.2	44.5	7.0	14.9	-4.7	9.3	26.5	11.4	21.3	10.9	-8.9	34.7
21.4	94.6	34.5	33.8	23.0	25.2	116.5	31.3	3.3	3.1	-5.4	32.3
32.6	139.1	41.5	48.7	18.3	34.7	143.0	42.7	24.6	14.0	-14.3	67.0
-8.6	-52.5	-8.6	-15.7	-6.2	-21.0	-51.5	-28.8	-15.1	-23.2	-17.6	-84.7
-24.5	-148.8	-32.1	-28.0	-23.5	-32.4	-116.0	-22.7	-21.9	-21.7	-24.0	-90.3
200.2	900.4	208.0	103.6	136.8	77.4	525.8	103.4	58.5	131.6	42.9	336.4
99.8	-1 078.1	-	-	-39.9	-14.5	-54.4	115.7	-	74.1	179.9	369.7
300.0	-177.7	208.0	103.6	96.9	62.9	471.4	219.1	58.5	205.7	222.8	706.1
-60.8	-206.2	-81.3	-11.3	-23.4	-121.7	-237.7	-20.3	-26.2	-27.0	-32.5	-106.0
-3.1	14.6	-0.5	-8.5	-9.0	-5.0	-23.0	-2.3	16.7	10.2	14.3	38.9
236.1	-369.3	126.2	83.8	64.5	-63.8	210.7	196.5	49.0	188.9	204.6	639.0
233.9	128.5	-39.9	-27.4	-21.1	21.4	-67.0	214.6	5.0	-56.6	-54.2	108.8
470.0	-240.8	86.3	56.4	43.4	-42.4	143.7	411.1	54.0	132.3	150.4	747.8
2.7	0.1	-3.2	-2.3	1.7	-2.0	-5.8	-4.2	-2.1	-1.4	-0.4	-8.1
472.7	-240.7	83.1	54.1	45.1	-44.4	137.9	406.9	51.9	130.9	150.0	739.7

Condensed Balance Sheet

EUR million	As at 31 December 1997	1998	1999	2000	2001	2002	2003	2004
Fixed assets and other long term investments	11 885	11 704	11 905	16 379	16 178	13 245	13 449	12 091
Current assets	3 690	3 718	4 133	4 944	4 380	4 969	4 493	4 321
Assets	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**	**17 942**	**16 412**
Shareholders' equity	5 528	5 185	5 881	8 476	8 885	8 035	7 953	8 051
Minority interests	272	279	202	149	50	30	60	136
Interest-bearing liabilities	6 565	6 558	5 769	6 856	6 409	5 176	5 174	4 028
Operating liabilities	1 691	1 922	2 464	3 062	2 756	2 698	2 625	2 525
Tax liabilities	1 518	1 478	1 722	2 780	2 458	2 275	2 130	1 672
Equity and Liabilities	**15 575**	**15 422**	**16 038**	**21 323**	**20 558**	**18 214**	**17 942**	**16 412**

Key Figures 1997–2004

EUR million	1997	1998	1999	2000	2001	2002	2003	2004
Sales	9 998	10 490	10 636	13 017	13 509	12 783	12 172	12 396
% change on previous year	5.1	4.9	1.4	22.4	3.8	-5.4	-4.8	1.8
Wages and salaries	1 737	1 805	1 738	2 023	2 246	2 308	2 298	*1 937
% of sales	17.4	17.2	16.3	15.4	16.6	18.1	18.9	15.6
EBITDA	1 747	1 877	2 328	3 472	2 743	2 288	1 672	1 878
Depreciation	806	1 111	849	1 041	1 116	1 397	1 084	1 082
Goodwill amortisation and impairments	48	65	62	88	152	1 069	116	90
Operating profit	893	701	1 416	2 344	1 475	-178	471	706
% of sales	8.9	6.7	13.3	18.0	10.9	-1.4	3.9	5.7
Non-recurring items	-52	-471	103	445	-8	-1 078	-54	370
Operating profit excl. non-recurring items	945	1 172	1 314	1 899	1 483	900	526	336
% of sales	9.5	11.2	12.4	14.6	11.0	7.0	4.3	2.7
Share of profits in associated companies	17	10	10	21	80	15	-23	39
Net financial expense	280	380	267	293	344	206	238	106
% of sales	2.8	3.6	2.5	2.3	2.5	1.6	2.0	0.9
Profit after net financial items	630	331	1 160	2 071	1 211	-369	211	639
% of sales	6.3	3.2	10.9	15.9	9.0	-2.9	1.7	5.2
Profit after net financial items excl. non-recurring items	682	802	1 057	1 626	1 219	709	319	269
% of sales	6.8	7.6	9.9	12.5	9.0	5.5	2.6	2.2
Taxes	-204	-146	-397	-642	-296	+129	-67	+109
Profit for the period	405	185	758	1 415	918	-241	138	740
Dividend	254	268	304	407	404	392	388	**376
Capital expenditure	1 134	896	740	769	857	878	1 248	980
% of sales	11.3	8.5	7.0	5.9	6.3	6.9	10.3	7.9
R&D expenditure	79	80	84	95	92	92	89	82
% of sales	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Operating capital	13 078	12 541	12 510	16 423	16 252	13 100	13 548	12 170
Capital employed	11 572	11 038	10 866	13 808	13 963	11 120	11 613	10 671
Interest-bearing net liabilities	6 090	5 783	5 524	5 396	5 127	3 267	3 919	3 051
ROCE, %	8.0	6.2	12.9	19.0	10.6	-1.4	4.0	6.3
ROCE excluding non-recurring items, %	8.5	10.4	12.0	15.4	10.6	7.2	4.5	3.0
Return on equity (ROE), %	7.5	3.3	12.8	19.7	10.4	-2.8	1.7	9.2
Equity ratio, %	37.2	36.0	38.4	40.6	43.8	44.3	44.7	49.9
Debt/Equity ratio	1.05	1.04	0.90	0.63	0.58	***0.37	0.49	0.38
Average number of employees	40 301	40 987	40 226	41 785	44 275	43 853	44 264	43 779

* Including income relating to the change in the Finnish disability pension scheme ** Board's dividend proposal *** Adjusted with the initial valuation of IAS 41, Agriculture

Risks and Risk Management

Stora Enso's enterprise risk management comprises strategy, corporate governance and operational and financial risk management.

Risk Factors
The Group has identified a number of potential risks that could impact future profitability and development. These risks are described below:

- Continued competition in the paper, packaging boards and forest products industries may impact profitability and thus require major capital expenditure.
- Product prices and raw material and energy costs are cyclical, so a period of low product prices or high raw material or energy costs affects profitability.
- Changes in consumer preferences may affect demand for certain products and hence profitability.
- 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.
- Reliance on imported wood may oblige the Group to pay higher prices for key raw materials or change manufacturing operations.
- Exchange rate fluctuations may have a significant impact on financial results.
- Stora Enso may face high compliance and clean-up costs under competition and environmental laws and regulations, which would reduce profit margins and earnings.
- The value of investments in countries outside Western Europe and North America may be affected by political, economic and legal developments in those countries.
- Reliance on outside suppliers for the majority of energy needs leaves the Group susceptible to changes in energy prices and shortage of supply.

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

Sensitivity Analysis
Prices for paper and board products have historically been cyclical, reflecting overall economic conditions and changes in capacity within the industry; along with volatility in raw material prices, mainly for wood, pulp and energy, and exposure to exchange rates, this affects the profitability of the paper, packaging boards and forest products industries.

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

Operating Profit: Impact of Changes +/- 10%

EUR million	Price	Volume
Publication Paper	410	160
Fine Paper	320	120
Packaging Boards	260	110
Wood Products	140	30

Changes in exchange rates also have an impact on operating profit. The table below shows the operating profit sensitivity to a +/- 10% change in the value of the euro against the US dollar, Swedish krona and British pound. The dynamic effect, meaning the change in competitiveness between different production areas, that may occur due to the currency fluctuations, is not included in the calculations.

Operating Profit: Currency Effect +/- 10%

EUR million	
US dollar	130
Swedish krona	100
British pound	75

The main cost items for Stora Enso are personnel costs and the sourcing of logs, pulpwood and recycled fibre. For example, a 1% change in personnel costs is EUR 22 million and a 1% change in fibre costs EUR 23 million per year. The most important items relative to total costs and sales are listed in the table below.

Composition of Costs and Sales

Costs	% of Costs	% of Sales
Variable	**65**	**64**
Transport and sales commission	12	11
Logs, pulpwood and recycled fibre	19	19
Chemicals and fillers	11	11
Energy	7	7
Other	16	16
Fixed	**25**	**24**
Personnel	18	17
Other	7	7
Depreciation and amortisation	**10**	**9**
Total costs/sales	**100**	**97**

Operational Risk Management

Governance Risk
As a large international Group with different operational and legal structures, it is important to have clear governance rules. Stora Enso has well-defined Corporate Governance with bodies that have different tasks and responsibilities to secure structured handling of all important issues regarding the development of the Group. For more information about the Corporate Governance rules see pages 6–13.

Business, Sales and Earnings Risk
The risks related to factors such as demand, price, competition, customers, suppliers and raw materials are regularly monitored by each business unit as a routine part of its business. These risks are also monitored and evaluated by the Corporate Strategy, Investments and Business Planning function.

Customer Credit Risk
Outstanding receivables represent a short-term credit risk under which Stora Enso could lose money, so 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 represent 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. As the table "Composition of Costs and Sales" shows, the most important inputs of goods and services are wood, transport, chemicals and energy, as well as machinery and equipment in capital expenditure projects. In some of these inputs, a limited number of suppliers is a risk. The Group uses a wide range of suppliers and monitors them 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, suppliers, their products, transportation methods and other services are regularly evaluated.

Commodity and Energy Price Risk
The Group applies consistent long-term energy risk management. The price and supply risks are mitigated by entering into physical long-term contracts and financial derivatives. The Group hedges price risks in both raw material and end product markets, and supports the development of the financial hedging markets.

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.

Property Risk
Protecting the production assets is a high priority for Stora Enso. This is done by structured methods of identifying, measuring and controlling different types of risk. The primary target is to avoid any unplanned production stoppages. Striking a balance between accepting risks and avoiding, mitigating or transferring risks is also a high priority. Optimising the total cost of risks is facilitated by the use of the Group's own captives.

Financial Risk Management

The objective of financial risk management is to decrease the earnings volatility with the use of financial instruments. The Group has defined objectives and principles for financial risk management in the financial risk policy for Stora Enso. The policy is reviewed and approved regularly by the Financial and Audit Committee of Stora Enso's Board of Directors. Compliance is monitored by Internal Control and Internal Audit.

As a global company, Stora Enso is exposed to different kinds of market risk such as currency risk, funding risk, interest rate risk and financial credit risk. Stora Enso measures financial risk on several levels using the Value-at-Risk (VaR) methodology on a daily basis.

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 decrease 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, SEK and DKK under the IAS 39 hedge accounting rules for net investment in foreign entities. The following table shows the EUR equivalent amount of these hedges.

Translation Risk and Hedges as at 31 December 2004

EUR million	Euro Area	USA	Sweden	Canada	UK	Denmark	China	Other	Total
Capital employed	5 641	2 079	1 571	475	5	45	147	707	10 670
Associated Companies	172	37	168	-	-	-	-	191	568
Net interest-bearing liabilities	-1 951	-1 132	131	-30	34	156	-108	-151	-3 051
Minority interests	-32	-	-5	-	-	-	-	-99	-136
Translation Exposure on Equity	**3 830**	**984**	**1 865**	**445**	**39**	**201**	**39**	**648**	**8 051**
Liability hedges*	1 238	-646	-592						
Other hedges*									
- EUR/CAD	426			-426					
- EUR/GBP	39				-39				
- EUR/USD	257	-257							
- EUR/DKK	100					-100			
Translation Exposure after Hedges	**5 890**	**81**	**1 273**	**19**	**0**	**101**	**39**	**648**	**8 051**

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

Relating to the transaction risk 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, have an impact on 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 2004

EUR million	EUR	USD	GBP	SEK	CAD	Other	Total
Sales during 2004	6 200	3 300	900	1 100	100	800	12 400
Costs during 2004	-6 200	-1 800	-200	-2 000	-200	-500	-10 900
Net Operating Cash Flow	**0**	**1 500**	**700**	**-900**	**-100**	**300**	**1 500**
Transaction Hedges as at 31 Dec		**222**	**136**	**-103**	**-28**		
Hedging Percentage as at 31 Dec, %		**14.8**	**19.4**	**11.4**	**28.0**		
Average Hedging % during 2004		**11.9**	**30.8**	**14.7**	**43.3**		

Funding Risk

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 planned funding needs, the current portion of long-term debt, commercial paper borrowings and other uncommitted short-term loans.

In December 2004 Stora Enso Oyj issued a five-year SEK 4.3 billion bond in order to restructure the Company's debt portfolio and take advantage of favourable market conditions; the bond pays a fixed coupon of 3.875%. In June the Group created a new benchmark bond by offering to exchange its existing EUR 850 million 2007 bond for a new one with a ten-year maturity; EUR 475 million of notes were exchanged, 55.9% of the total, the transaction extending the average maturity of all debt by one year.

In January 2005 Stora Enso Oyj signed a multi-currency revolving credit facility agreement of EUR 1.75 billion, which has a maturity of five years. The new facility replaces a previous EUR 2.5 billion facility that was signed in 2003.

Funding Structure as at 31 December 2004

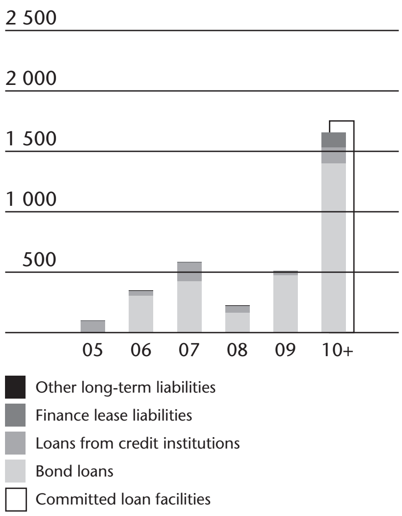
Currency million/Maturity	EUR	USD	SEK
Public issues	Eurobond - EUR 375 / 2007 - EUR 518 / 2014	Global bond - USD 750 / 2011	Medium-Term Note - SEK 4 000 / 2006 - SEK 4 300 / 2009
Private placements	- EUR 167	- USD 517	- SEK 902
Short-term programmes	Euro Commercial Paper Programme - EUR 1 000 Finnish Commercial Paper Programme - EUR 750		Swedish Commercial Paper Programme - SEK 10 000
Committed loan facilities	Syndicated Bank Facility*) EUR 2 500 / 2008 Syndicated Bank Facility**) EUR 1 750 / 2010		

*) Multi-currency facility terminated on 25 January 2005

**) Multi-currency facility signed on 25 January 2005

Debt Repayment Schedule

EUR million



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

Credit Rating as at 31 December 2004

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 interest cost with the earnings. The interest rate duration benchmark is 12 months with a deviation mandate of 3 to 24 months. In order to achieve this benchmark, fixed interest rates are swapped to floating using derivatives. A one percentage point parallel shift upwards in interest rates is equal to a EUR 12 million impact on net interest expenses provided that the duration and the funding structure of the Group stays constant during the year.

Financial Credit Risk

Financial credit risk is the risk Stora Enso faces in dealings with financial counterparts. For financial contracts, risk is minimised by making agreements only with leading financial institutions and industrial companies that have a high credit rating. Funds can be invested in those counterparties whose credit rating is equal to or better than A1/P1 short-term or AA-/aa3 long-term rating. Counterparty risk is closely monitored, with the total exposure calculated on a regular basis. The CFO approves investments into counterparties having a rating below target.

For more information on Risk Management, see Note 2 on page 56.

For more information on Financial Instruments, see Note 24 on pages 90–91.

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 2004 the Company's fully paid-up share capital entered in the Finnish Trade Register was EUR 1 423.3 million. In December 2004, 114 series A shares were converted into series R shares. These shares were registered in the Finnish Trade Register on 17 January 2005.

Changes in Share Capital 1998–2005

	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
Subscription of new R shares, 12 Dec 2003		75 000	75 000		
Conversion of A shares into R shares	-1 011 805	1 011 805			
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		
Subscription of new R shares, 4 Mar 2004		75 000	75 000		
Cancellation of repurchased shares, 5 Apr 2004	-8 100	-27 800 000	-27 808 100		-47.3
Subscription of new R shares, 8 Apr 2004		492 000	492 000		
Conversion of A shares into R shares, Jan-Nov 2004	-2 154 457	2 154 457			
Stora Enso Oyj, 31 Dec 2004	**179 048 523**	**658 194 876**	**837 243 399**		**1 423.3**
Conversion of A shares into R shares, Dec 2004	-114	114			
Stora Enso Oyj, 17 Jan 2005	**179 048 409**	**658 194 990**	**837 243 399**		**1 423.3**

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 2004 the total number of shares was 837 243 399 and the number of votes 244 868 011.

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. On 27 September 2004 the trading systems of the Helsinki and Stockholm stock exchanges were merged. At the request of the Stockholm Stock Exchange, Stora Enso EUR A and Stora Enso EUR R shares were delisted from the Stockholm Stock Exchange. As a result, Stora Enso's shares are quoted in Helsinki in euros (EUR), in Stockholm in Swedish krona (SEK) 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 out 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 2004 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 2004, 166 161 843 of the Company's shares were registered in the Swedish Securities Register Center as VPC-shares and 69 672 387 of the Company's R shares were registered in ADR form in Deutsche Bank Trust Company Americas.

Distribution by Book-Entry System, 31 December 2004

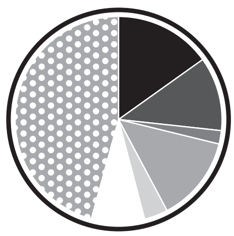
Number of Shares	A shares	R shares	Total
FCSD-registered (Finnish Central Securities Depository)	104 917 527	496 491 642	601 409 169
VPC-registered (Swedish Securities Register Center)*	74 130 996	92 030 847	166 161 843
Deutsche Bank administered ADRs*	-	69 672 387	69 672 387
FCSD waiting list	-	-	-
FCSD joint account	-	-	-
Total	**179 048 523**	**658 194 876**	**837 243 399**

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

Ownership Distribution, 31 December 2004

	% of Shares	% of Votes	% of Shareholders
Finnish institutions	15.1	22.0	2.6
Finnish State	11.6	24.4	0.0
Finnish private shareholders	2.1	1.9	32.8
Swedish institutions	13.4	30.1	2.9
Swedish private shareholders	3.7	2.9	57.1
ADR holders	8.3	2.8	3.6
Under nominee names (non-Finnish/non-Swedish shareholders)	45.8	15.9	1.0

% of shares held



Share Distribution, 31 December 2004

By Size of Holding, A shares	Shareholders	%	Shares	%
1–100	2 309	35.99	127 977	0.07
101–1 000	3 377	52.63	1 321 404	0.74
1 001–10 000	677	10.55	1 725 703	0.96
10 001–100 000	44	0.69	1 018 183	0.57
100 001–1 000 000	2	0.03	914 900	0.51
1 000 001–	7	0.11	173 940 356	97.15
Total	**6 416**	**100.0**	**179 048 523**	**100.0**

By Size of Holding, R shares	Shareholders	%	Shares	%
1–100	5 166	24.18	362 784	0.06
101–1 000	12 356	57.83	5 463 539	0.83
1 001–10 000	3 415	15.98	9 517 187	1.45
10 001–100 000	324	1.52	9 330 899	1.42
100 001–1 000 000	85	0.40	28 913 860	4.39
1 000 001–	19	0.09	604 606 607	91.85
Total	**21 365**	**100.0**	**658 194 876**	**100.0**

According to the Finnish Central Securities Depository

Conversion
During the year a total of 2 154 457 A shares were converted into R shares. The latest conversion was recorded in the Finnish Trade Register on 15 December 2004.

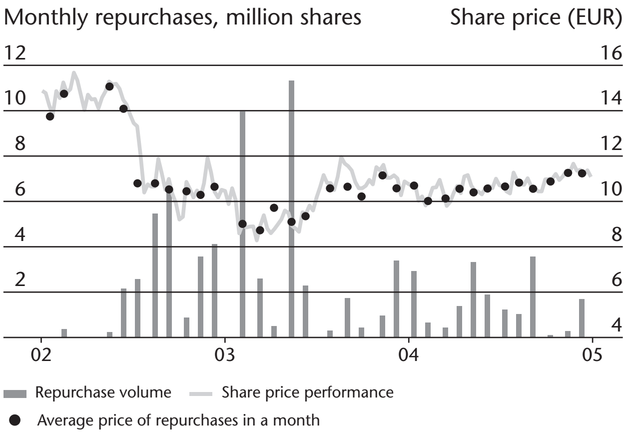
Authorisations for 2004
The AGM on 18 March 2004 authorised the Board of Directors to repurchase and dispose of not more than 9 000 000 A shares and not more than 32 700 000 R shares in the Company. The number of shares repurchased could not exceed 5% of the votes or the share capital. The authorisation is valid up to and including 17 March 2005. The Board of Directors currently has no authorisations to issue shares, convertible bonds or bonds with warrants.

Share Repurchases and Cancellations
The AGM on 18 March 2004 decided to lower the Company's share capital by EUR 47 273 770 through the cancellation of 8 100 A shares and 27 800 000 R shares. The shares had been repurchased under the authorisation of the AGM 2003.

Repurchases under the AGM 2004 authorisation were initiated on 31 March 2004. By 31 December 2004, 12 300 A shares and 14 889 400 R shares had been repurchased, representing 0.1% and 45.5% of the target amounts respectively. The average price paid for the A shares was EUR 10.65 and for the R shares EUR 10.78.

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



Incentive Programmes

Share-Based Option Programmes

In 2004 Stora Enso established two new share-based option programmes for top 200 managers. The purpose of the programmes is to complement and replace 50% of the existing option programmes for these employees. The new programmes are synthetic share awards where designated employees may receive shares already issued (not new shares). The total number of shares that may be awarded under these two programmes is 652 500.

Option/Synthetic Option Programmes

Stora Enso has six option/synthetic option programmes for key personnel. Options/synthetic options were issued in 1999, 2000, 2001, 2002, 2003 and 2004. Depending on local circumstances, holders may receive either cash compensation or an option to purchase shares already issued (not new shares).

Warrants

A maximum of 3 000 000 new Stora Enso Series R shares were subscribed under the terms of the bonds with warrants issued to members of the senior management on 10 April 1997. According to the terms of the option programme, the exercise period was 1 December 1998 to 31 March 2004 and the subscription price FIM 45.57 (about EUR 7.66) each. The programme is fully subscribed and closed.

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 28 on pages 97–99.

Option Programmes

Option Programme	Type	Year of Issue	Number of Staff	Strike Price	Number of Options Issued	Number of Options Outstanding	Exercise Period
2004	Synthetic	2004	1 000	EUR 11.15	4 675 300	4 644 050	1 Mar 2007–28 Feb 2011
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	5 945 400	8 Feb 2006–7 Feb 2010
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	5 702 000	8 Feb 2005–7 Feb 2009
2001	Synthetic	2001	500	EUR 11.70	4 215 000	3 995 000	1 Apr 2004–31 Mar 2008
2000	Synthetic	2000	200	EUR 12.25	2 800 000	2 555 000	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 (closed)	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	0	1 Dec 1998–31 Mar 2004
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	1 166 559	11 Sep 2000–4 Feb 2010

Management Interests at 31 December 2004

At the end of 2004 members of Stora Enso Oyj's Board of Directors, the CEO and the Deputy CEO owned an aggregate total of 75 278 Stora Enso shares, of which 15 221 were A shares. These shares represent 0.01% of the Company's share capital and 0.01% of the voting rights. The CEO holds 607 500 options/synthetic options and the Deputy CEO 498 750.

At the end of 2004 members of the Management Group owned a total of 181 372 shares. These shares represent 0.02% of the share capital and 0.02% of the voting rights. The Management Group holds 4 575 200 options/synthetic options.

Shareholdings of Other Group-related Bodies at 31 December 2004

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.

Further information on Board and Management Group ownerships is given in Notes 18 and 28 on pages 79 and 99, respectively.

Shareholders

When shareholders with holdings of more than 5% of the shares or votes are excluded, the free float of shares is approximately 654 million, corresponding to 78% of the total number of shares issued. The largest single shareholder in the Company is the Finnish State.

At the end of 2004 the Company had approximately 76 000 registered shareholders, of which about 47 000 are Swedish shareholders and about 2 800 ADR holders. Each nominee register is entered in the share register as one shareholder. Approximately 590 million (71%) of the Company's shares were registered in the name of a nominee.

Major Shareholders as of 31 December 2004

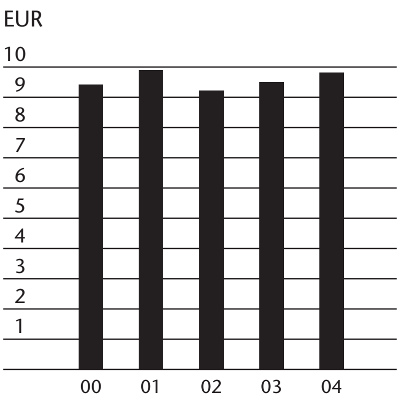
	By Voting Power	Series A	Series R	% of Shares	% of Votes
1	Finnish State	55 595 937	41 483 501	11.6	24.4
2	Knut and Alice Wallenberg Foundation	58 379 194	0	7.0	23.8
3	Social Insurance Institution of Finland	23 825 086	3 738 965	3.3	9.9
4	Varma Mutual Pension Insurance Company	8 922 117	140 874	1.1	3.6
5	Sampo Life Insurance Company Limited	6 493 889	0	0.8	2.7
6	Marianne and Marcus Wallenberg Foundation	4 744 192	0	0.6	1.9
7	Ilmarinen Mutual Pension Insurance Company	3 492 740	3 197 262	0.8	1.6
8	MP-Bolagen i Vetlanda AB Werner von Seydlitz	2 440 200	1 615 000	0.5	1.1
9	Erik Johan Ljungberg's Education Fund	1 880 540	4 831 804	0.8	1.0
10	Suomi Mutual Life Assurance Company	1 026 300	100 000	0.1	0.4
11	Bergslaget's Healthcare Foundation	626 269	1 609 483	0.3	0.3
12	Kaleva Mutual Insurance Company	774 900	0	0.1	0.3
13	The State Pension Fund	0	7 300 000	0.9	0.3
14	Robur Funds	0	5 211 611	0.8	0.2
15	Lamar Mary (ADRs)	0	4 518 998	0.5	0.2
	Total	**168 201 364**	**73 747 498**	**29.1**	**71.7**
	Nominee registered shares	**74 612 647**	**515 796 036**	**70.5**	**51.5**

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 Deutsche Bank Trust Company Americas.

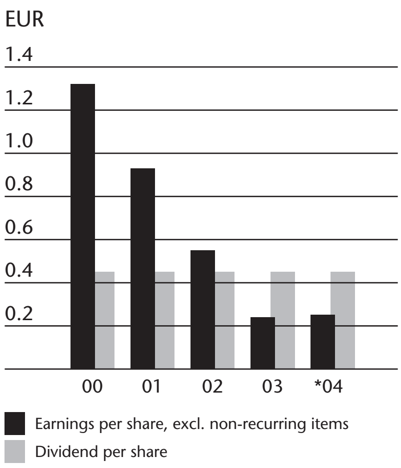
In February 2004 the Company was informed that the holding of the mutual funds managed by Franklin Resources, Inc. had exceeded 5% of the paid-up share capital.

At the year end Stora Enso had 179 048 523 A shares and 658 194 876 R shares in issue, of which the Company held 12 300 A shares and 16 794 931 R shares with a nominal value of EUR 28.6 million. The holding represents 2.0% of the Company's share capital and 0.7% of the voting rights.

Equity per Share

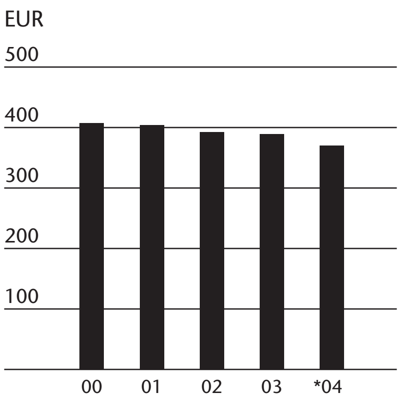


Earnings and Dividend per Share



* Board´s dividend proposal

Distributed Dividend Amount



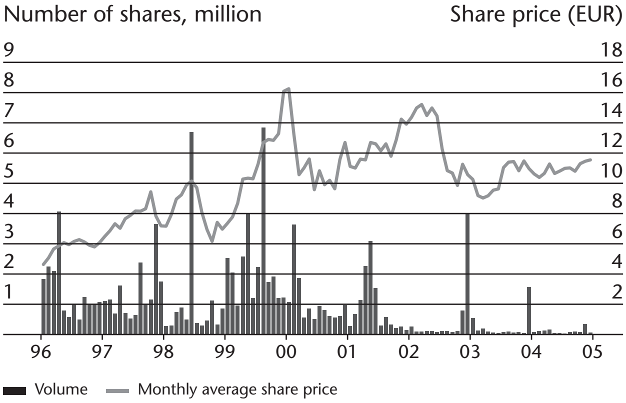
* Board´s dividend proposal

Share Price Performance and Volumes

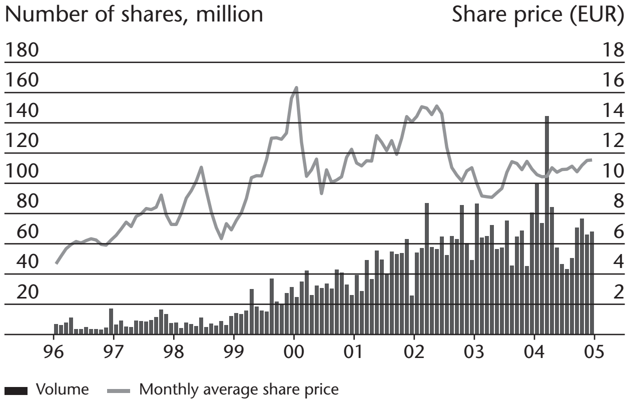
Helsinki

The Stora Enso R (STERV) share price rose during 2004 by 6% (6% increase in 2003). During the same period the HEX All-Share index rose by 2%, the Helsinki Portfolio index rose by 12% and the HEX Forest Industry index rose by 2%.

Stora Enso A



Stora Enso R



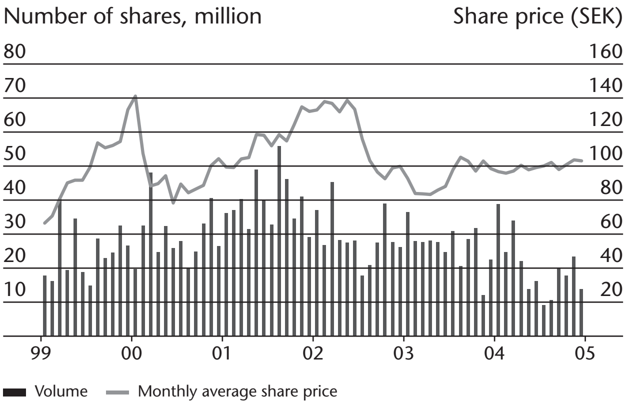
Stockholm

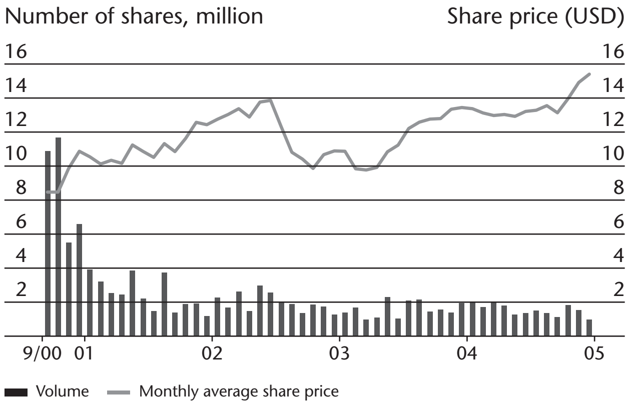
The Stora Enso R (STE R) share price rose during 2004 by 5% (7% increase in 2003). During the same period the Stockholmsbörsen All-Share index rose by 18% and the SX 15 Materials index by 2%.

New York

On the NYSE the Stora Enso ADR (SEO) share price rose during 2004 by 12% (30% increase in 2003). During the same period the Standard & Poor's Paper index rose by 8%.

Stora Enso R





Share Prices and Volumes 2004

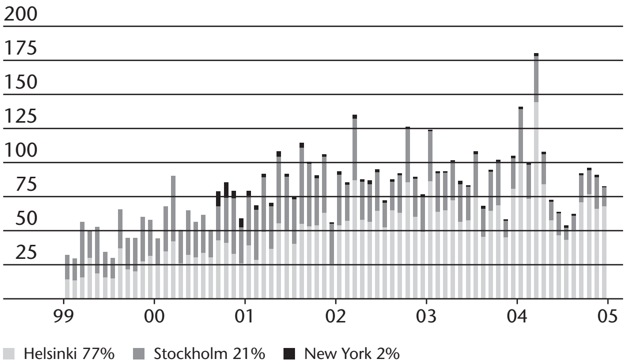
		Helsinki, EUR	Stockholm, SEK	New York, USD
High	Series A	12.15	108.50	-
	Series R	12.11	108.00	16.08
Low	Series A	10.00	91.50	-
	Series R	9.60	90.00	12.10
Closing, 31 Dec 2004	Series A	11.55	103.00	-
	Series R	11.27	96.50	15.21
Change from previous year	Series A	+5%	+6%	-
	Series R	+6%	+5%	+12%
Cumulative trading volume	Series A	1 202 805	1 967 469	-
	Series R	880 001 514	244 369 314	18 433 700

The volume-weighted average price of the R share over the year was EUR 11.50 in Helsinki (EUR 10.23 in 2003), SEK 99.39 in Stockholm (SEK 93.18 in 2003) and USD 13.51 in New York (USD 11.77 in 2003).

The cumulative trading volume of the R share in Helsinki was 880 001 514 shares (77% of total), in Stockholm 244 369 314 shares (21% of total) and in New York 18 433 700 shares (2% of total). Total market capitalisation in Helsinki at the year-end was EUR 9.5 billion.

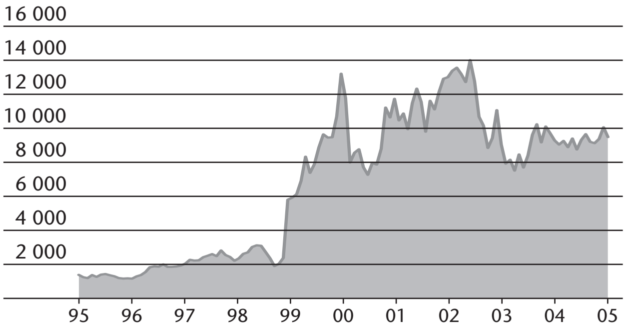
Monthly R Share Trading Volumes 1999–2004

Number of shares, million



Market Capitalisation on the Helsinki Stock Exchange

EUR million



Stora Enso is included in at least the following indices

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

- Stockholmsbörsen All-Share
- OMX Stockholm 30
- SX 15 Materials

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

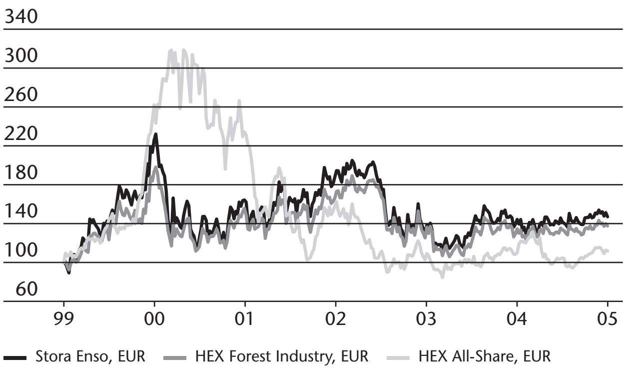
- DJ Sustainability Index World
- DJ Sustainability Index EURO STOXX

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

- MSCI Finland
- MSCI Europe
- MSCI World

Stora Enso R Share versus HEX Indices

1.1.1999 = 100



Key Share Ratios 1997–2004 (for calculations see page 113)

According to Helsinki Stock Exchange	1997	1998	1999	2000	2001	2002	2003	2004
Earnings/share, EUR*	0.53	0.24	0.98	1.77	1.02	-0.27	0.16	0.89
-diluted, EUR*	0.53	0.24	0.98	1.76	1.02	-0.27	0.17	0.89
-excl. non-recurring items, EUR*	0.58	0.59	0.89	1.32	0.93	0.55	0.24	0.25
Cash earnings/share, EUR*	1.63	1.79	2.18	3.16	2.42	2.50	1.57	2.01
-diluted, EUR*	1.63	1.79	2.18	3.13	2.42	2.50	1.57	2.01
-excl. non-recurring items, EUR*	1.65	1.80	2.09	2.61	2.33	1.97	1.63	1.67
Equity/share, EUR*	7.28	6.94	7.84	9.41	9.90	9.22	9.49	9.81
Dividend/share, EUR*	0.33	0.35	0.40	0.45	0.45	0.45	0.45	0.45**
Payout ratio, excl. non-recurring items, %*	57	59	45	34	48	82	180	180
Dividend yield, %*								
A share	4.6	4.6	2.3	3.5	3.2	4.5	4.1	3.9
R share	4.6	4.6	2.3	3.6	3.1	4.5	4.2	4.0
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	46.2
R share	12.2	13.0	19.4	9.5	15.3	17.6	42.7	45.1
Share prices for the period, EUR***								
A share								
-closing price	7.15	7.57	17.60	12.86	14.20	10.10	11.00	11.55
-average price	7.75	9.14	11.21	12.01	12.24	11.24	10.63	11.11
-high	9.86	11.77	17.60	18.70	15.50	16.00	12.48	12.15
-low	6.22	5.40	6.45	8.95	10.10	8.50	8.25	10.00
R share								
-closing price	7.10	7.67	17.31	12.60	14.38	10.05	10.68	11.27
-average price	7.97	8.35	11.84	11.27	12.57	12.86	10.23	10.89
-high	10.01	11.86	17.70	19.00	15.67	16.13	12.42	12.11
-low	6.17	5.30	6.60	8.70	10.12	8.41	8.30	9.60
Market capitalisation at year-end, EUR million***								
A share	834	1 842	3 677	2 501	2 617	1 841	1 993	2 068
R share	1 379	3 959	9 532	9 232	10 389	7 211	7 295	7 418
Total	2 214	5 801	13 209	11 733	13 006	9 052	9 288	9 486
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	179 049
R share	194 362	516 185	550 659	732 727	723 638	717 462	683 051	658 195
Total	311 091	759 580	759 610	927 223	907 912	899 779	864 262	837 244
Trading volume, (thousands)								
A share	16 321	12 749	28 349	12 917	10 737	5 875	2 937	1 203
% of total number of A shares****	9.4	-	12.1	6.7	5.8	3.2	1.6	0.7
R share	109 698	87 113	259 287	396 783	548 547	751 909	780 890	880 002
% of total number of R shares****	80.3	-	49.3	55.4	75.8	104.8	114.3	133.7
Average number of shares (thousands)								
-basic*	759 574	759 574	759 580	812 040	901 506	889 606	851 128	829 935
-diluted*	759 691	759 822	760 628	813 488	902 296	889 956	851 326	830 546

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

Report on Operations by the Board of Directors

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

The global economic recovery improved demand, especially for advertising-driven paper grades and with deliveries increasing for publication and fine paper by 6–8%, though the increase for packaging board was somewhat lower. Demand for wood products was strong in whitewood but, due to European oversupply, no clear improvement existed in the redwood market.

Prices of all paper grades stabilised at their lowest level in this cycle though some increases were announced and also partially implemented; packaging board prices were stable during the year. The declining value of the US dollar negatively impacted margins. In North America demand for magazine and coated fine paper strengthened and price increases were implemented during the second half of the year.

Market related production curtailments totalled 357 000 tonnes in Europe and 7 000 tonnes in North America (in speciality paper). This compares with the previous year's total of 782 000 tonnes, comprising 703 000 tonnes in Europe and 79 000 tonnes in North America.

Paper and board deliveries totalled 14 410 000 tonnes, which is 859 000 tonnes more than the previous year's 13 551 000 tonnes. Production volumes at 14 520 000 tonnes were 835 000 tonnes more than in the previous year. Deliveries of wood products totalled 6 664 000 cubic metres, compared with the previous year's 5 822 000 cubic metres.

Financial Results (compared with the previous year)

Sales increased by EUR 223.5 million to EUR 12 395.8 million, an increase of 1.8%. Higher production volumes were partially offset by the negative impact of declining prices, especially during the first half of the year.

Operating profit, excluding non-recurring items, decreased by EUR 189.4 million to EUR 336.4 million, being lower in all segments except Merchants and Wood Products. The main reasons for the decrease in profits were the decline in prices, partly offset by increased volumes, two major rebuilds in North America and the weak US dollar. In addition, the structural change following the sale of the Swedish forests to Bergvik Skog AB had a negative effect of EUR 80 million for 10 months, whilst released cash flow hedging contracts, especially for the US dollar and British pound, had a positive impact of EUR 16.4 (EUR 105.1) million.

Operating profit for the year totalled EUR 706.1 (EUR 471.4) million after taking into account four non-recurring items with a total positive effect of EUR 369.7 (EUR -54.1) million. These comprised the gain on restructuring ownership of the Swedish forestlands, the reversal of expenses already taken in respect of various US retiree healthcare programmes, the provision for the future reduction of maintenance personnel in the USA and the income relating to the change in the Finnish disability pension scheme.

The share of results in associated companies amounted to EUR 38.9 (EUR -23.0) million, of which Veracel accounted for EUR 3.3 million, Bergvik Skog EUR 24.2 million, Tornator EUR -1.7 million and Sunila EUR 5.3 million. Net interest costs for the year totalled EUR -141.3 million, which was 3.7% of interest-bearing net liabilities and EUR 44.8 million less than for the previous year, mainly due to lower interest rates and decreased average indebtedness. Foreign exchange losses in financial items were EUR 1.1 (gain of EUR 12.5) million. Other financial items totalled EUR 36.4 (EUR -64.1) million, mostly due to unrealised changes in fair values of financial instruments.

Profit before taxes and minority interests, excluding non-recurring items, amounted to EUR 269.3 (EUR 319.2) million. Net taxes totalled a positive EUR 108.8 (EUR -67.0) million, the gain resulting from the release of EUR 240.5 million in deferred tax liabilities on the fair valuation of biological assets relating to the restructuring of forestland ownership in Sweden and a change in deferred taxes of EUR 20.0 million due to changes in Finnish tax laws; the tax charge excluding these two non-recurring items was EUR 151.7 million, being a rate of 28.9% (31.7%). Minority interests were EUR -8.1 (EUR -5.8) million, leaving a net profit for the period of EUR 739.7 (EUR 137.9) million.

The return on capital employed was 3.0% (4.5%) before non-recurring items. Capital employed was EUR 10 670.5 million at the end of the period, a net decrease of EUR 942.6 million mainly due to the restructuring of forestland ownership in Sweden. Currency effects decreased capital employed by EUR 170.3 million.

Financing

Cash flow from operations totalled EUR 1 176.6 (EUR 1 808.3) million, with cash flow after investing activities amounting to EUR -16.8 (EUR 615.0) million. At the year end, interest-bearing net liabilities were EUR 3 051.4 million, down EUR 867.5 million on the year, with a debt/equity ratio of 0.38 (0.49). The currency effect on equity was EUR -10.1 million net of the hedging of equity translation risks and share buy-backs decreased equity by a further EUR 198.6 million.

Shareholders' equity amounted to EUR 8.1 billion or EUR 9.81 (EUR 9.49) per share, compared with the market capitalisation on the Helsinki Stock Exchange on 31 December 2004 of EUR 9.5 billion.

Capital Expenditure and Asset Restructuring

Capital expenditure totalled EUR 975.1 million on fixed assets, which is EUR 273.1 million less than previous year and 83% of the depreciation. A further EUR 4.5 million was spent on biological assets.

The main ongoing projects during the year were rebuilding paper machine 6 at Maxau Mill (EUR 111.4 million), the new paper machine 12 at Kvarnsveden Mill (EUR 86.6 million), the Skoghall Energy 2005 project (EUR 54.7 million), rebuilding paper machine 3 and a new cut-size line at Veitsiluoto Mill (EUR 27.5 million) and folding boxboard asset improvements at Baienfurt Mill (EUR 28.1 million).

Changes in Group Composition

In March Stora Enso finalised the restructuring of forestland ownership in Sweden and the divestment of forestland in Canada. The Group's Swedish forests were transferred to Bergvik Skog AB with the majority of its shares sold to institutional investors, Stora Enso taking a 43.3% stake. Stora Enso also finalised the divestment of its 146 000 hectares of forestland in Ontario, Canada.

In September Stora Enso finalised the acquisition of the Dutch paper merchant Scaldia Papier B.V. from International Paper. The Group acquired Scaldia Papier to strengthen its presence in the rapidly changing European paper merchant market and to achieve synergies with its Papyrus merchant operations.

In October Stora Enso sold its majority shareholding in PT Finnantara Intiga, the owner of the Finnantara plantation in West Kalimantan, Indonesia, to Global Forest Ltd., which is part of the Sinar Mas Group.

In December Stora Enso acquired 66% of the Polish packaging producer Intercell S.A. from private shareholders and the International Finance Corporation.

Research and Development

In 2004 Stora Enso spent EUR 82.2 (EUR 88.8) million on research and development, equivalent to 0.7% of sales.

Inspections by Competition Authorities

In May 2004 Stora Enso was the subject of inspections carried out by the European Commission and the Finnish Competition Authority at locations in Europe and received subpoenas issued by the US Department of Justice as part of preliminary anti-trust investigations into the paper industry in Europe and the USA. The investigations by the authorities in both Europe and the USA are at a fact-finding stage only and no formal allegations have been made against the Group or any of its employees. Coincident with these investigations, Stora Enso has been named in a number of class action lawsuits filed in the USA. No provision has been made.

Personnel

The average number of employees decreased by 485 persons during the year to 43 779, the largest drops being in Finland, the USA and Sweden and the largest increase in Russia. However, on 31 December 2004 there were 45 307 employees, 2 493 more than at the end of 2003, mainly due to the acquisition of Intercell at the end of the year and new forestry companies in Russia.

Changes in the Board of Directors

Lee A. Chaden was elected as a new member of the Board of Directors to replace George W. Mead, who retired.

Environmental Issues

Stora Enso's environmental liabilities at 31 December totalled EUR 45.4 (EUR 47.2) million, mainly due to the removal of mercury and other contaminants from sites in Sweden and Finland. A verified report on environmental matters is published in the separate Sustainability volume of the Annual Report.

Share Capital

During the calendar year 2004 a total of 12 300 A shares and 18 461 600 R shares, with a combined nominal value of EUR 31.4 million, were repurchased by the Company, representing 2.2% of the shares and 0.8% of the voting rights. The average price paid for A shares was EUR 10.66 and for R shares EUR 10.77.

The Annual General Meeting (AGM) on 18 March 2004 decided to lower the Company's share capital by EUR 47.3 million through the cancellation of 8 100 A shares and 27 800 000 R shares; these shares had been repurchased under the authorisation of the AGM in 2003. The AGM on 18 March 2004 further authorised the Board of Directors to repurchase and dispose of not more than 9 000 000 A shares and not more than 32 700 000 R shares in the Company. Repurchases started on 31 March 2004 and by 31 December 2004 the Company had repurchased 12 300 A shares at an average price of EUR 10.65 and 14 889 400 R shares at an average price of EUR 10.78; this represents 0.1% of the current authorisation for A shares and 45.5% for R shares.

By 31 December 2004 the Company had allocated 34 897 of the repurchased R shares under the terms of the Stora Enso North America Option Plan, leaving the Company holding 12 300 A shares and 16 794 931 R shares. During the year a total of 2 154 457 A shares were converted into R shares, the latest conversion being recorded in the Finnish Trade Register on 15 December 2004.

At the year end Stora Enso had 179 048 523 A shares and 658 194 876 R shares in issue. In addition, the Company held 12 300 A shares and 16 794 931 R shares with a nominal value of EUR 28.6 million., this representing 2.0% of the Company's share capital and 0.7% of the voting rights.

Events after the Period

On 18 January Stora Enso announced its plans to acquire a leading French paper merchant, Papeteries de France (PdF), from International Paper. PdF, which has annual net sales of about EUR 160 million from a sales volume of some 160 000 tonnes of paper, would become part of the Stora Enso Merchants division, Papyrus.

On 25 January Stora Enso signed a new five year EUR 1.75 billion syndicated credit facility agreement with a group of 23 banks. The facility is for general corporate purposes and replaces an existing EUR 2.5 billion syndicated facility.

On 3 February Stora Enso announced its plans to rebuild the boiler 2 at Hylte Mill. The project will start immediately and is scheduled to be completed in February 2006 at a cost of EUR 40 million.

Outlook

In Europe demand for advertising-driven paper grades is expected to remain healthy with newsprint and magazine paper prices expected to rise as a result of the ongoing negotiations. Demand for fine paper is expected to be good, with coated fine paper prices stable, but uncoated fine paper prices are under pressure partly due to increased competition and the weak US dollar. Demand for packaging board should remain stable and some price increases are being implemented in consumer boards and coreboards. Demand for construction and joinery wood products is relatively stable globally, but the business suffers from overcapacity and weak currencies in the main export markets.

In North America print advertising expenditure remains robust. However, strong paper demand and improved selling prices are attracting additional imports mainly from Asia, especially in fine paper sheets.
Stora Enso's previously announced autumn price increase for magazine paper grades will be implemented for contract customers in the first quarter of 2005. Market conditions are expected to remain favourable and operating rates high. The Profit Enhancement Programme will continue to improve performance, although the financial results for the first half of 2005 will be affected by downtime due to rebuilding paper machine 26 at Biron Mill, the shutdown taking about three weeks with 10 000 tonnes of production lost.

Asian markets have stabilised and are expected to pick up in February, following the Chinese New Year.

Although the demand outlook is generally positive, Group profits are expected to be depressed in the first quarter of 2005 by the weak US dollar and costs related to rebuilds in the publication paper mills at Langerbrugge (40 000 tonnes of production lost), Summa (15 000 tonnes), Corbehem (31 000 tonnes) and Biron (10 000 tonnes); the shutdowns will take from three to six weeks at each mill. Furthermore, the Group's financial performance will continue to be adversely affected by rising energy and chemical costs.

The economic consequences of the recent storms in Northern Europe cannot yet be accurately estimated. Notwithstanding the near-term challenges to the Group's profitability, it is expected that the financial result for the full year 2005 will exceed that of 2004.

Distribution of Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for the financial year ending 31 December 2004. If the proposal is approved, the dividend payment will be issued on 8 April 2005 to shareholders entered on the dividend record date of 29 March 2005 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 Tuesday 22 March 2005 at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 2 February 2005.

Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	Year Ended 31 December 2002	2003	2004
Sales	3	**12 782.6**	**12 172.3**	**12 395.8**
Other operating income	5	218.6	39.3	146.7
Changes in inventories of finished goods and work in progress		30.3	63.5	39.0
Change in net value of biological assets	12	-	11.6	7.1
Materials and services		-6 415.7	-6 202.5	-6 573.6
Freight and sales commissions		-1 240.9	-1 286.8	-1 367.8
Personnel expenses	6, 20	-2 308.1	-2 297.6	-1 937.3
Other operating expenses	5	-802.6	-828.0	-831.8
Depreciation, amortisation and impairment charges	10	-2 441.9	-1 200.4	-1 172.0
Operating Profit/(Loss)	3	**-177.7**	**471.4**	**706.1**
Share of results in associated companies	13	14.6	-23.0	38.9
Net financial items	7	-206.2	-237.7	-106.0
Profit/(Loss) before Tax and Minority Interests		**-369.3**	**210.7**	**639.0**
Income tax expense	8	128.5	-67.0	108.8
Profit/(Loss) after Tax		**-240.8**	**143.7**	**747.8**
Minority interests	19	0.1	-5.8	-8.1
Net Profit/(Loss) for the Period		**-240.7**	**137.9**	**739.7**
Earnings per Share				
Basic earnings/(loss) per share, EUR	30	-0.27	0.16	0.89
Diluted earnings/(loss) per share, EUR	30	-0.27	0.16	0.89

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

Consolidated Balance Sheet

EUR million		Note	2002	2003	2004
			As at 31 December		
Assets					
Fixed Assets and Other Long-term Investments					
Goodwill	O	11	1 055.5	902.6	787.9
Intangible fixed assets	O	11	73.3	80.4	108.1
Property, plant and equipment	O	11	10 812.1	9 964.5	9 754.8
Biological assets	O	12	-	1 587.8	64.6
Investment in associated companies	A	13	211.7	319.0	568.1
Listed securities	I	14	169.2	227.7	220.1
Unlisted shares	O	14	148.5	140.8	132.8
Non-current loan receivables	I	17	480.6	44.3	233.1
Deferred tax assets	T	8	52.7	12.1	11.4
Other non-current assets	O	15	241.1	170.3	210.5
			13 244.7	**13 449.5**	**12 091.4**
Current Assets					
Inventories	O	16	1 565.0	1 623.5	1 771.3
Tax receivables	T	8	243.1	182.5	160.9
Short-term operative receivables	O	17	1 902.4	1 703.3	1 865.3
Interest-bearing receivables	I	17	1 090.5	781.8	248.7
Cash and cash equivalents	I		168.5	201.5	274.3
			4 969.5	**4 492.6**	**4 320.5**
Total Assets			**18 214.2**	**17 942.1**	**16 411.9**
Shareholders' Equity and Liabilities					
Shareholders' Equity					
Share capital		18	1 529.6	1 469.3	1 423.3
Share premium fund			1 554.0	1 237.4	1 009.2
Treasury shares		18	-314.9	-258.0	-180.8
Other comprehensive income		24	233.4	114.6	67.6
Cumulative translation adjustment		25	-144.4	-197.1	-218.9
Retained earnings			5 417.8	5 448.8	5 211.0
Net profit for the period			-240.7	137.9	739.7
			8 034.8	**7 952.9**	**8 051.1**
Minority Interests		19	**30.4**	**60.3**	**136.1**
Long-term Liabilities					
Pension and post-employment benefit provisions	O	20	919.0	911.9	637.8
Other provisions	O	22	194.5	97.1	60.9
Deferred tax liabilities	T	8	1 737.4	1 777.3	1 320.6
Long-term debt	I	21	4 525.2	3 404.6	3 328.1
Other long-term operative liabilities	O	23	36.9	77.7	153.2
			7 413.0	**6 268.6**	**5 500.6**
Current Liabilities					
Current portion of long-term debt	I	21	306.5	359.5	102.1
Interest-bearing liabilities	I	21	343.9	1 410.1	597.4
Short-term operative liabilities	O	23	1 547.9	1 538.3	1 673.1
Tax liabilities	T	8	537.7	352.4	351.5
			2 736.0	**3 660.3**	**2 724.1**
Total Shareholders' Equity and Liabilities			**18 214.2**	**17 942.1**	**16 411.9**

Items designated ”O” comprise Operative Capital
Items designated ”I” comprise Interest-bearing Net Liabilities
Items designated ”T” comprise Net Tax Liabilities
Items designated ”A” comprise Associate Companies

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

Consolidated Cash Flow Statement

		Year Ended 31 December		
EUR million	**Note**	**2002**	**2003**	**2004**
Cash Flow from Operating Activities				
Net profit/(loss) for the period		-240.7	137.9	739.7
Reversal of non-cash items:				
Minority interests	19	-0.1	5.8	8.1
Taxes		-128.5	67.0	-108.8
Depreciation, amortisation and impairment charges	10	2 441.9	1 200.4	1 172.0
Change in value of biological assets	12	-	-11.6	-7.1
Share of results of associated companies	13	-14.6	23.0	-38.9
Profits and losses on sale of fixed assets and investments	5	-159.1	-10.5	-125.8
Net financial income	7	206.2	237.7	106.0
Interest received		46.5	24.6	15.6
Interest paid, net of amounts capitalised		-321.4	-228.1	-182.3
Dividends received	7, 13	9.2	5.8	24.6
Other financial items, net		170.0	-0.4	17.3
Income taxes paid	8	-169.2	-278.0	-114.2
Change in net working capital, net of businesses acquired or sold		-521.1	471.0	-100.8
Net Cash Provided by Operating Activities		**1 319.1**	**1 644.6**	**1 405.4**
Cash Flow from Investing Activities				
Acquisition of subsidiary shares		-56.3	-125.2	-176.4
Acquisition of shares in associated companies	13	-1.5	-103.5	-250.4
Acquisition of available-for-sale investments	14	-12.8	-12.6	-13.2
Capital expenditure	3, 11	-877.6	-1 226.7	-975.1
Investment in biological assets	12	-	-6.2	-4.5
Proceeds from disposal of subsidiary shares		360.6	-	197.9
Proceeds from disposal of shares in associated companies	13	185.5	0.4	-
Proceeds from disposal of available-for-sale investments	14	16.8	18.5	32.8
Proceeds from sale of fixed assets	11	202.4	47.5	36.4
Proceeds from (payment of) long-term receivables, net		-74.4	336.2	-182.5
Net Cash Used in Investing Activities		**-257.3**	**-1 071.6**	**-1 335.0**
Cash Flow from Financing Activities				
Proceeds from (payment of) long-term liabilities, net		-487.3	-957.4	1 261.2
Proceeds from (payment of) short-term borrowings, net		50.8	1 141.2	-697.4
Dividends paid		-403.6	-387.7	-375.7
Minority dividends	19	-0.3	-1.9	-1.9
Options exercised		-	-0.9	1.6
Repurchase of own shares	18	-286.9	-319.1	-198.6
Net Cash Used in Financing Activities		**-1 127.3**	**-525.8**	**-10.8**
Net Increase (Decrease) in Cash and Cash Equivalents		**-65.5**	**47.2**	**59.6**
Cash and bank in acquired companies		-	3.0	45.9
Cash and bank in divested companies		-	-	-29.5
Translation adjustment		-13.0	-17.2	-3.2
Cash and cash equivalents at the beginning of the year		247.0	168.5	201.5
Cash and Cash Equivalents at Year End		**168.5**	**201.5**	**274.3**

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

Consolidated Cash Flow Statement

Supplemental Cash Flow Information

EUR million	Note	2002	2003	2004
		Year Ended 31 December		
Change in Net Working Capital consists of:				
Change in inventories		-17.0	-63.5	-106.8
Change in interest-free receivables		31.1	214.9	-226.2
Change in interest-free liabilities		-40.1	6.5	-212.1
Proceeds from (payment of) short-term receivables		-495.1	313.1	444.3
		-521.1	**471.0**	**-100.8**
Non-cash Investing and Financing Activities:				
Total capital expenditure	3, 11	877.6	1 248.2	975.1
Amounts paid		877.6	1 226.7	975.1
Finance lease obligations incurred		-	**21.5**	-
Acquisition of Group Companies				
Cash Flow on Acquisitions				
Purchase consideration on acquisitions		56.3	128.2	176.4
Cash and cash equivalents in acquired companies		-	3.0	-45.9
		56.3	125.2	130.5
Non-cash Transaction				
Unlisted/Associate share exchange	14	27.6	-	3.9
Total Purchase Consideration		**83.9**	**125.5**	**134.4**
Acquired Net Assets				
Operating working capital		-8.9	31.2	44.0
Operating fixed assets	11	150.4	206.4	190.2
Interest-bearing assets less cash and cash equivalents		5.6	5.7	0.7
Tax liabilities	8	-0.8	-0.2	-19.2
Interest-bearing liabilities		-79.8	-90.3	-11.4
Minority interests	19	17.4	-27.6	-69.9
		83.9	**125.2**	**134.4**
Disposal of Group Companies				
Cash Flow on Disposals				
Cash flow on disposal		360.6	-	197.9
Cash and cash equivalents in divested companies		-	-	-29.5
		360.6	-	168.4
Non-cash Transaction				
Associate company shares received	13	36.8	-	-
		397.4	-	**168.4**
Net Assets Sold				
Operating working capital		42.3	-	62.2
Operating fixed assets	11	441.0	-	94.1
Biological assets	12	-	-	1 541.2
Interest-bearing assets less cash and cash equivalents		5.3	-	23.1
Tax liabilities	8	-0.2	-	-222.9
Interest-bearing liabilities		-161.1	-	-1 518.8
Gain on sale	11	25.9	-	113.0
		353.2	-	91.9
Provision for unrealised gain	23	44.2	-	76.5
		397.4	-	**168.4**

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 2002	**1 541.5**	**1 639.5**	**-125.5**	**58.6**	**-50.1**	**5 821.4**	**8 885.4**
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	-	-	-	-	-	-240.7	-240.7
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**	**5 177.1**	**8 034.8**
Effect of adopting IAS 41 Agriculture							
Subsidiary companies	-	-	-	-	-	615.4	615.4
Associated companies	-	-	-	-	-	44.0	44.0
Balance at 1 January 2003	**1 529.6**	**1 554.0**	**-314.9**	**233.4**	**-144.4**	**5 836.5**	**8 694.2**
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	-	-	-	-	-	137.9	137.9
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**	**5 586.7**	**7 952.9**
Repurchase of Stora Enso Oyj shares	-	-	-198.6	-	-	-	-198.6
Cancellation of Stora Enso Oyj shares	-47.3	-228.5	275.8	-	-	-	0
Dividends paid (EUR 0.45 per share)	-	-	-	-	-	-375.7	-375.7
Options exercised	1.3	0.3	-	-	-	-	1.6
Net profit for the period	-	-	-	-	-11.7	739.7	728.0
OCI entries	-	-	-	-47.0	-	-	-47.0
Translation adjustment	-	-	-	-	-10.1	-	-10.1
Balance at 31 December 2004	**1 423.3**	**1 009.2**	**-180.8**	**67.6**	**-218.9**	**5 950.7**	**8 051.1**

OCI = Other Comprehensive Income – see Note 24

CTA = Cumulative Translation Adjustment – See Note 25

Distributable Funds

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Retained earnings	5 177.1	5 586.7	5 950.7
Translation adjustment	-144.4	-197.1	-218.9
Treasury shares	-314.9	-258.0	-180.8
Effect of adopting IAS 41	0	-659.4	-
	4 717.8	4 472.2	5 551.0
Untaxed reserves in retained earnings	-1 636.6	-2 053.3	-1 876.4
Distributable Funds	**3 081.2**	**2 418.9**	**3 674.6**

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

Notes to the Consolidated Financial Statements

Restatement of Prior Year Results: Finnish TEL System

Amounts previously reported as net profit and shareholder's equity differ from those amounts shown in these consolidated financial statements following the restatement of the accounting treatment of the Finnish Statutory Employment Pension Scheme ("TEL"). Stora Enso had previously treated the TEL's disability pension component as a defined contribution scheme, however in April 2004 the major accounting firms interpreted this differently as a defined benefit scheme under IFRS. As a result, Stora Enso changed its treatment at that time and restated its previous results.

Restatement of Prior Year Results

EUR million	Year Ended 31 December 2002	2003
Income Statement		
As previously reported	-222.2	146.6
Restated	-240.7	137.9
Amount of restatement	**-18.5**	**-8.7**
Shareholders Equity		
As previously reported	8 156.9	8 083.7
Restated	8 034.8	7 952.9
Amount of restatement	**-122.1**	**-130.8**

EUR	Year Ended 31 December 2002	2003
Earnings per Share (Basic & Diluted)		
As previously reported	-0.25	0.17
Restated	-0.27	0.16
Amount of restatement	**-0.02**	**-0.01**
Equity per Share (Basic & Diluted)		
As previously reported	9.36	9.64
Restated	9.22	9.49
Amount of restatement	**-0.14**	**-0.15**

In late 2004 the Finnish Ministry of Social Affairs and Health approved changes to the TEL scheme for disability pension liabilities, to be effective from 1 January 2006. As a result, TEL disability pensions are to be accounted for as a defined contribution liability in IFRS accounts. This allowed Stora Enso to release all but EUR 4.4 million of the above provision since the restated figures for 2003 and prior years will remain unchanged. The effect on the Income Statement for 2004 shows a net gain of EUR 127.7 million, being an additional operating profit of EUR 179.9 million, as reduced by the deferred tax thereon of EUR 52.2 million. The allocation of the operating gain between segments is shown below.

Segment Impact for the Change in Rules of the Finnish TEL

EUR million	Year Ended 31 December 2004 Cancellation of TEL Provision
Publication Paper	45.6
Fine Paper	37.0
Merchants	0.8
Packaging Boards	67.0
Wood Products	16.4
Wood Supply Europe	10.6
Other	2.5
	179.9

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, incorporating Publication Paper, Fine Paper and Merchants, Packaging Boards and Forest Products, incorporating 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 IFRS 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) in December 1998 and, as a result of the merger, the latter became a subsidiary of Stora Enso Oyj (formerly Enso Oyj). The Stora Enso merger was accounted for as a uniting of interests under IAS. The business of Stora Kopparbergs Bergslags Aktiebolag was subsequently transferred in 2003 to Stora Enso AB and the company was dissolved.

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 27.

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 and all equity accounted investments 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 recorded 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.

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 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 delivery of goods to customers in accordance with agreed terms of sale.

Stora Enso terms of delivery are based on Incoterms 2000, being the official rules for the interpretation of trade terms as issued by the International Chamber of Commerce. The main categories of terms covering Group sales are:

- "D" terms, under which the Group is obliged to deliver the goods to the agreed destination, usually the buyer's premises, in which case the Point of Sale is the moment of delivery to the buyer.
- "C" terms, whereby the Group arranges and pays for the external carriage and certain other costs, though the Group ceases to be responsible for the goods once they have been handed over to the carrier in accordance with the relevant term; the Point of Sale is thus the delivery of the goods to the external carrier contracted by the Group.
- "F" terms, being where the buyer arranges and pays for the carriage, thus the Point of Sale is the handing over of goods to the carrier contracted by the buyer.

Where local rules may result in invoices being raised in advance of the above, the effect is of this revenue advancement is quantified and adjusted for.

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.

Shipping and Handling Costs

Where Stora Enso is responsible for arranging transport for its sales, such costs are not billed separately but are included in revenue in the value of the goods billed to customers; the shipping costs incurred are shown in cost of sales.

Research and Development

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

Advertising Costs

Advertising costs are expensed as incurred.

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. Decommissioning 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 the Companies Act, such items in equity are excluded from distributable funds.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group share of net assets of the acquired subsidiary/associated undertaking at the acquisition date. Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity and translated at the closing rate.

Goodwill is tested periodically for impairment but otherwise has historically been amortised on a straight-line basis over its expected useful life, which varied from 5 to 20 years depending on the nature of the acquisition. New rules however came into effect in 2004 whereby amortisation of goodwill ceased with effect from 1 April for new acquisitions and 31 December for all other existing goodwill. In future, the only value adjustments to the carrying value of goodwill will be as a result of the annual impairment testing.

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 usually vary from 3 to 10 years. Intangible items aquired must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights and their fair value can be measured reliably.

Intangible assets recognised separately from goodwill in acquisitions consist of marketing and customer related or contract and technology based intangible assets. Typical marketing and customer related assets are trademarks, trade names, service marks, collective marks, certification marks, customer lists, order or production backlogs, customer contracts and the related customer relationships. The contract and technology based intangible assets are normally licensing and royalty agreements or patented technology and trade secrets such as confidential formulas, processes or recipes.

Investment Properties

Investment properties are deemed to be those held for long-term rental yields or capital appreciation, 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.

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
Intangible assets	3–10

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.

Government Grants

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying value of the asset, the net cost being capitalised.

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

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.

Loan Receivables
Loan receivables are recorded at cost and are subject to regular and systematic review as to collectibility and available guarantees. If any loan receivable is estimated to be unrecoverable, a provision is made for the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loan receivables is included within net financial items.

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 1999–2004 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.

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.

New Accounting Standards
In 2004 the IASB issued IFRS 3, Business Combinations and revised standards IAS 36, Impairment of Assets and IAS 38, Intangible Assets, the main features being that business combinations must be accounted for using the purchase method. These standards have been applied to acquisitions after 31 March and, for existing goodwill, 31 December; see Goodwill and Intangible Assets on page 53.

Stora Enso is exposed to a number of financial market risks that the Group is responsible for managing under policies approved by the Financial and Audit Committee of the Board of Directors. The overall objective is to have cost-effective funding in Group companies as well as to manage financial risks in order to decrease earnings volatility with the use of financial instruments. 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 planned funding needs, the current portion of long-term debt, commercial paper borrowings and other short-term loans. The average maturity of outstanding loans and committed credit facilities should be at least four years and not more than seven.

Interest Rate Risk

Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the economy, the Group has an interest rate risk policy to synchronise interest costs with earnings over the business cycle by swapping long-term fixed interest rates to short-term floating interest rates. The Groups's duration benchmark is 12 months and the Treasury has a deviation mandate of between 3 and 24 months.

Currency 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 next 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

Group earnings are exposed to commodity price volatility. The Group has implemented a commodity risk management framework in the areas of fibre and energy procurement whereby subsidiaries are responsible for measuring their open commodity price risks and hedging these through the Group Treasury.

Credit Risk

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

Supply Risk

Group manufacturing operations depend on obtaining adequate and timely supplies of raw materials, principally of wood, energy and chemicals. The result of operations could be adversely affected if the Group were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

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

Note 3 Segment Information

The accounting policies of the reportable segments are the same as those set out in Note 1 to the Consolidated Financial Statements. 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.

Stora Enso changed its organisational structure in 2003 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 Boards 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 Paper product area comprises Publication Paper, Fine Paper, and Merchants. The former Newsprint and Magazine Paper divisions were merged to form the Publication Paper segment, whilst Speciality Papers, which was part of Packaging Boards, formed a new business unit within Fine Paper.
- The Packaging Boards product area remained largely unchanged and comprises Consumer Boards, Corrugated Packaging, Industrial Papers and Cores and Coreboards.
- Wood Products (formerly Timber), the Pulp Competence Centre and Wood Supply Europe (formerly 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 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 coated and uncoated fine paper grades for publishers and paper merchants. Coated fine paper is used for advertising material, brochures, high quality books and magazines, whereas 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 wood products 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 manages 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 2002, 2003 and 2004 is shown in the following tables; comparatives have been restated for the above organisational changes and the restatement of prior year results in respect of the Finnish Statutory Pension Scheme.

Sales by Segment

EUR million	2002 External	2002 Internal	2002 Total	2003 External	2003 Internal	2003 Total	2004 External	2004 Internal	2004 Total
Publication Paper	4 599.2	116.4	4 715.6	4 179.3	116.4	4 295.7	4 222.3	121.0	4 343.3
Fine Paper	3 140.0	287.4	3 427.4	2 923.2	274.5	3 197.7	2 906.5	266.6	3 173.1
Merchants	718.8	1.8	720.6	625.8	1.8	627.6	628.3	9.6	637.9
Packaging Boards	2 571.9	148.3	2 720.2	2 562.5	199.1	2 761.6	2 552.5	219.0	2 771.5
Wood Products	1 139.4	95.8	1 235.2	1 294.6	105.4	1 400.0	1 446.8	120.0	1 566.8
Wood Supply Europe	444.0	1 514.7	1 958.7	492.6	1 581.7	2 074.3	549.7	1 931.8	2 481.5
Other	169.3	663.9	833.2	94.3	469.9	564.2	89.7	453.4	543.1
Elimination of internal sales	-	-2 828.3	-2 828.3	-	-2 748.8	-2 748.8	-	-3 121.4	-3 121.4
Group Total	**12 782.6**	**-**	**12 782.6**	**12 172.3**	**-**	**12 172.3**	**12 395.8**	**-**	**12 395.8**

Year Ended 31 December

Segment Share of Operating Profit and Associated Companies

EUR million	Operating Profit 2002	Operating Profit 2003	Operating Profit 2004	Share of Results in Associated Companies 2002	Share of Results in Associated Companies 2003	Share of Results in Associated Companies 2004	Investment in Associated Companies 2002	Investment in Associated Companies 2003	Investment in Associated Companies 2004
Publication Paper	-762.7	47.2	144.5	-	-16.3	5.1	67.5	57.2	61.5
Fine Paper	67.9	100.1	104.0	-1.0	-0.2	0.2	-	3.3	0.2
Merchants	-24.7	-8.9	9.9	-	-	-	-	-	-
Packaging Boards	332.3	280.5	339.7	5.3	-	-0.5	-	4.2	4.3
Wood Products	30.1	6.5	29.8	3.1	-0.9	1.3	13.4	7.6	8.1
Wood Supply Europe	120.5	116.5	158.6	-5.5	13.7	22.5	29.2	83.0	249.6
Other	58.9	-70.5	-80.4	12.7	-19.3	10.3	101.6	163.7	244.4
Group Total	**-177.7**	**471.4**	**706.1**	**14.6**	**-23.0**	**38.9**	**211.7**	**319.0**	**568.1**

Year Ended 31 December

Fixed Assets, Capital Expenditure and Depreciation & Impairment by Segment

EUR million	Fixed Assets 2002	Fixed Assets 2003	Fixed Assets 2004	Capital Expenditure 2002	Capital Expenditure 2003	Capital Expenditure 2004	Depreciation/Impairment 2002	Depreciation/Impairment 2003	Depreciation/Impairment 2004
Publication Paper	3 954.5	3 898.7	3 818.2	482.2	591.6	486.3	1 522.6	447.6	436.1
Fine Paper	4 005.9	3 569.7	3 366.7	134.6	219.1	198.6	532.8	340.5	356.1
Merchants	59.6	66.5	76.3	-	25.6	3.2	11.5	8.1	8.5
Packaging Boards	2 265.8	2 230.8	2 323.9	140.5	170.9	167.3	235.5	239.4	240.4
Wood Products	376.7	685.4	674.8	53.5	141.9	68.1	54.6	74.4	78.2
Wood Supply Europe	796.5	158.5	99.9	24.9	20.2	21.9	39.0	16.2	12.9
Other	481.8	337.9	291.0	41.9	78.9	29.7	45.9	74.2	39.8
Group Total	**11 940.8**	**10 947.5**	**10 650.8**	**877.6**	**1 248.2**	**975.1**	**2 441.9**	**1 200.4**	**1 172.0**

Year Ended 31 December

Goodwill by Segment (included in Fixed Assets above)

EUR million	Goodwill 2002	Goodwill 2003	Goodwill 2004	Acquisitions 2002	Acquisitions 2003	Acquisitions 2004	Amortisation/Impairment 2002	Amortisation/Impairment 2003	Amortisation/Impairment 2004
Publication Paper	176.4	153.0	130.0	-	-	-	851.9	34.4	23.2
Fine Paper	678.9	531.3	458.4	-	-	-	177.7	43.1	38.7
Merchants	16.0	9.1	13.8	-	-	6.8	5.2	2.2	2.2
Packaging Boards	44.3	36.0	30.7	25.1	2.5	0.1	12.9	11.9	4.9
Wood Products	123.7	173.2	155.0	-	71.1	-	14.5	20.0	21.2
Other	16.2	-	-	1.6	0.2	-	5.5	4.5	-
Group Total	**1 055.5**	**902.6**	**787.9**	**26.7**	**73.8**	**6.9**	**1 067.7**	**116.1**	**90.2**

Year Ended 31 December

Assets and Liabilities by Segment

	As at 31 December					
	2002	2003	2004	2002	2003	2004
EUR million	Assets			Liabilities		
Publication Paper	5 059.3	5 018.6	5 082.9	955.6	886.5	817.2
Fine Paper	4 869.9	4 421.9	4 347.2	566.1	547.0	509.9
Merchants	256.0	237.9	279.0	85.4	78.5	86.3
Packaging Boards	3 011.8	2 981.0	3 175.3	424.3	450.9	422.0
Wood Products	721.7	1 018.9	1 038.0	187.9	208.1	195.4
Wood Supply Europe	1 131.4	2 030.4	562.0	225.2	231.7	385.5
Other	3 164.1	2 233.4	1 927.5	7 704.5	7 526.2	5 808.4
Total	**18 214.2**	**17 942.1**	**16 411.9**	**10 149.0**	**9 928.9**	**8 224.7**

Operating Capital by Segment

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Publication Paper	4 103.7	4 132.1	4 265.7
Fine Paper	4 303.8	3 874.9	3 837.2
Merchants	170.6	159.5	192.7
Packaging Boards	2 587.4	2 530.0	2 753.3
Wood Products	533.8	811.9	842.5
Wood Supply Europe	906.2	1 798.8	176.5
Other	494.1	241.2	102.4
Total	**13 099.6**	**13 548.4**	**12 170.3**

Reconciliation to Total Assets

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Operating Capital	13 099.6	13 548.4	12 170.3
Gross-up for operating liabilities	2 698.3	2 624.9	2 525.0
Interest-bearing receivables	1 908.8	1 255.3	976.3
Associated companies	211.7	319.0	568.1
Tax receivables	295.8	194.5	172.2
Total Assets	**18 214.2**	**17 942.1**	**16 411.9**

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

	Year Ended 31 December		
Segment	**2002**	**2003**	**2004**
Publication Paper	13 241	12 903	12 317
Fine Paper	9 872	9 521	8 921
Merchants	1 411	1 254	1 296
Packaging Boards	9 949	10 068	10 113
Wood Products	3 745	4 626	4 856
Wood Supply Europe	2 265	2 599	3 157
Other	3 370	3 293	3 119
Total	**43 853**	**44 264**	**43 779**
Year end personnel	**42 461**	**42 814**	***45 307**

	Year Ended 31 December		
Location	**2002**	**2003**	**2004**
Baltic States	382	1 561	1 630
Finland	14 676	14 479	13 820
Sweden	9 187	9 068	8 848
Germany	4 761	4 785	4 734
France	1 333	1 312	1 260
Russia	581	741	1 710
Other Europe	5 378	5 267	5 349
Europe	**36 298**	**37 213**	**37 351**
Canada	850	849	775
China	816	811	849
USA	5 731	5 182	4 644
Other	158	209	160
Total	**43 853**	**44 264**	**43 779**

* As a result of acquisitions in Poland and Russia in late 2004, which had year end personnel of 1 979 and 2 196 respectively, the number of employees at 31 December 2004 is materially different from the average figure.

External Sales by Destination and Origin

	Year Ended 31 December					
	2002	2003	2004	2002	2003	2004
EUR million	Sales by Destination			Sales by Origin		
Austria	195.4	222.0	238.6	266.9	324.8	390.4
Belgium	301.3	267.2	258.4	244.3	182.7	263.4
Baltic States	28.3	89.3	135.5	163.6	280.1	310.7
Czech Republic	121.7	118.9	111.1	129.3	136.5	143.8
Denmark	297.9	276.1	262.2	79.0	68.6	66.8
Finland	780.6	786.9	808.5	4 205.5	4 048.9	4 085.5
France	965.5	862.7	835.2	432.6	378.6	347.1
Germany	1 673.6	1 616.1	1 624.6	1 505.1	1 475.6	1 500.9
Italy	391.5	380.7	369.1	0.1	0.1	0.1
Netherlands	488.4	491.9	508.8	209.2	187.7	211.2
Portugal	60.9	64.9	83.2	128.0	124.9	131.1
Spain	463.4	499.4	488.8	114.4	118.0	114.0
Sweden	1 034.2	994.4	1 040.5	2 870.1	2 814.1	2 820.3
UK	1 053.4	979.3	963.8	59.1	23.4	24.4
Russia	112.8	130.7	151.8	45.3	59.8	118.3
Other Europe	916.0	762.8	777.4	78.7	71.8	66.9
Total Europe	**8 884.9**	**8 543.3**	**8 657.5**	**10 531.2**	**10 295.6**	**10 594.9**
Africa	118.2	146.8	149.9	-	-	-
Australia/New Zealand	115.6	122.9	124.3	39.7	20.2	5.6
Canada	160.0	143.7	127.5	286.4	285.6	275.5
China (incl. Hong Kong)	257.3	267.0	281.4	120.1	107.4	107.8
Japan	340.6	323.2	346.2	1.1	0.5	-
Other Far East & South East Asia	272.6	310.6	382.5	14.2	11.5	12.6
Middle East	176.1	185.5	201.4	0.1	-	0.2
USA	2 267.3	1 918.3	1 904.9	1 789.7	1 451.5	1 398.7
Latin America	128.4	126.0	162.9	0.1	-	-
Others	61.6	85.0	57.3	-	-	0.5
Total	**12 782.6**	**12 172.3**	**12 395.8**	**12 782.6**	**12 172.3**	**12 395.8**

Total Assets, Capital Employed and Equity by Location

	As at 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Total Assets			Capital Employed			Shareholder's Equity		
Austria	233.7	238.5	235.1	162.3	175.6	165.1	61.7	134.2	141.1
Baltic States	41.3	302.0	296.4	34.0	255.5	275.4	4.6	154.7	150.2
Belgium	525.8	650.0	625.1	325.7	584.6	570.2	235.1	255.0	258.8
Czech Republic	132.4	117.8	121.7	118.1	105.8	110.6	114.8	114.4	128.0
Denmark	40.9	89.5	53.1	28.5	46.8	44.5	125.0	126.7	200.8
Finland	5 625.1	5 219.4	5 056.9	3 682.9	3 384.8	3 356.9	3 418.9	2 931.6	2 106.8
France	367.7	364.5	389.0	235.0	245.6	275.7	230.6	185.3	138.1
Germany	1 754.4	1 750.7	1 778.6	783.8	893.4	878.2	622.8	642.5	648.6
Netherlands	144.0	121.1	181.7	91.0	87.6	130.9	387.4	272.5	195.7
Portugal	242.6	227.5	216.8	225.5	214.8	202.0	307.4	320.7	243.8
Spain	106.9	127.1	121.1	70.9	91.1	84.2	67.7	70.4	73.7
Sweden	3 727.7	4 328.9	3 270.0	1 886.7	2 582.4	1 571.1	813.5	1 396.3	1 865.7
Russia	36.6	96.6	127.8	32.8	82.0	119.3	8.2	25.7	33.5
Other Europe	180.9	83.4	326.1	52.7	42.0	174.4	57.8	61.4	209.0
Total Europe	**13 160.0**	**13 717.0**	**12 799.4**	**7 729.9**	**8 792.0**	**7 958.5**	**6 455.5**	**6 691.4**	**6 393.8**
Canada	561.0	488.1	484.2	491.1	491.7	475.1	559.0	472.2	445.6
China (incl. Hong Kong)	224.8	180.8	174.4	203.7	157.3	147.8	28.0	28.1	39.2
USA	4 166.7	3 385.1	2 725.2	2 654.0	2 143.6	2 079.2	962.6	665.4	984.5
Other	100.7	171.1	228.7	41.7	28.6	9.9	29.7	95.8	188.0
Total	**18 214.2**	**17 942.1**	**16 411.9**	**11 120.3**	**11 613.2**	**10 670.5**	**8 034.8**	**7 952.9**	**8 051.1**

Total capital employed represents operating capital less net tax liabilities.

The increase in "Other Europe" in 2004 was as a result of the year end acquisition of the Intercell Group in Poland.

Fixed Assets, Capital Expenditure and Depreciation & Impairment by Location

	Year Ended 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Fixed Assets			Capital Expenditure			Depreciation/Impairment		
Austria	144.6	147.7	139.9	22.1	18.7	13.3	17.8	18.2	16.6
Baltic States	14.5	207.2	208.2	0.9	39.7	28.9	2.4	22.0	24.8
Belgium	377.7	557.1	506.0	290.6	209.7	-11.7 (1)	27.1	29.5	39.8
Czech Republic	108.6	97.2	100.2	3.1	2.8	10.5	12.8	-13.0	-13.0
Finland	3 164.7	3 224.9	3 086.3	211.7	371.5	239.3	391.6	367.0	369.2
France	186.6	187.8	199.6	13.9	36.3	37.7	28.8	34.9	24.0
Germany	1 127.0	1 154.6	1 177.9	55.1	126.8	187.0	138.0	155.2	163.1
Netherlands	61.0	55.7	80.6	6.4	4.3	5.2	10.5	9.7	9.9
Portugal	192.9	133.3	127.3	18.5	5.8	4.5	11.7	11.9	9.9
Spain	50.2	73.4	69.0	3.6	2.5	2.4	4.8	5.1	6.7
Sweden	2 660.6	1 965.0	1 959.8	141.0	197.3	283.8	208.8	220.6	207.9
Russia	23.5	63.9	82.2	9.9	45.5	12.3	1.8	3.2	5.4
Other Europe (2)	125.2	56.5	195.7	1.8	28.4	3.0	4.6	35.2	36.3
Total Europe	**8 237.1**	**7 924.3**	**7 932.7**	**778.6**	**1 089.3**	**816.2**	**860.7**	**899.5**	**900.6**
Canada	406.0	422.5	404.4	12.7	45.3	29.4	85.7	45.0	28.9
China (incl. Hong Kong)	179.5	138.1	121.5	4.7	1.3	3.7	14.8	13.1	11.1
USA	3 081.3	2 449.8	2 185.1	74.4	109.0	123.8	1 479.5	240.4	229.9
Other	36.9	12.8	7.1	7.2	3.3	2.0	1.2	2.4	1.5
Total	**11 940.8**	**10 947.5**	**10 650.8**	**877.6**	**1 248.2**	**975.1**	**2 441.9**	**1 200.4**	**1 172.0**

1) An EU subsidy of EUR 23.5 million was received on the Langerbrugge development for the total use of recycled paper.

2) Fixed assets amounting to EUR 147.2 million were acquired in the Intercell Group in Poland at the year end.

Goodwill by Location (included in Fixed Assets above)

	Year Ended 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Goodwill			Acquisitions			Amortisation/Impairment		
Austria	52.4	49.3	43.0	-	-	-	6.3	6.4	6.3
Baltic States	-	65.2	57.8	-	71.1	-	0.6	6.0	7.0
Belgium	18.3	14.0	12.0	-	-	-	4.5	4.2	2.4
Czech Republic	71.3	58.7	54.2	-	-	-	8.1	7.7	7.9
Finland	12.6	5.0	4.0	0.7	-	0.1	8.2	4.5	1.1
Germany	138.1	174.0	146.0	1.6	2.1	-	18.1	21.0	27.6
Sweden	74.8	15.9	13.9	22.6	-	-	10.2	15.1	2.1
Other Europe	24.7	4.1	9.8	1.8	0.6	6.8	13.5	12.9	1.2
Total Europe	**392.2**	**386.2**	**340.7**	**26.7**	**73.8**	**6.9**	**69.5**	**77.8**	**55.6**
China (incl. Hong Kong)	34.4	23.9	17.7	-	-	-	5.4	5.2	4.9
USA	628.9	492.5	429.5	-	-	-	992.8	33.1	29.7
Total	**1 055.5**	**902.6**	**787.9**	**26.7**	**73.8**	**6.9**	**1 067.7**	**116.1**	**90.2**

There have been no major changes to the Group since the substantial acquisition of Consolidated Papers, Inc. in 2000. Since then 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 December 2004 Stora Enso closed its acquisition of 65.5% of the Polish packaging producer Intercell S.A. from private shareholders and the International Finance Corporation, the total acquisition price of EUR 131.8 million including net cash and costs of EUR 37.9 million.The fair value of the net assets acquired amounted to EUR 201.2 million and although there was no goodwill, intangibles amounted to EUR 16.7 million. The acquisition is part of the Group strategy of expanding its packaging board operations and will strengthen its presence in the fast growing Polish market. Intercell is one of Poland's biggest corrugated packaging companies, with integrated operations from waste paper collection to corrugated packaging production, having three corrugated packaging plants in Poland, as well as one sack factory in Poland and one in Serbia. In 2004 its net sales were EUR 147 million and at 31 December 2004 it had about 1 900 employees.

In September 2004 Stora Enso completed its 100% acquisition of the Dutch paper merchant Scaldia Papier BV from International Paper Corp in order to strengthen its presence in the rapidly changing European paper merchant market and to achieve synergies with its existing Dutch merchant operations. Scaldia had net sales in 2004 of EUR 104.0 million and at 31 December employed 152 people. The total purchase price may be subject to small final adjustments, but to date has been EUR 31.1 million, of which goodwill accounted for EUR 6.8 million.

Stora Enso also made various small acquisitions in Russia in 2004 as part of its Wood Supply Europe programme to reduce supply risk by securing sources of fibre; EUR 12.2 million was invested in Russian acquisitions during the year, the fair value of the acquired net assets approximating their cost. As a result of these acquisitions, fibre procurement from Wood Supply Russia increased substantially in 2004, employees increasing from 90 at 31 December 2003 to 1 674 in 2004.

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 and at 31 December 2004 had a workforce of 1 248. The original purchase agreement included an option to buy out the remaining shares for a consideration to be determined by performance targets; this option has been exercised and the purchase is expected to be completed in early 2005 upon which, subject to a small minority of 3.8% in the Imavere operation, Stora Enso Timber's Baltic operations will become 100% owned. The value of the existing Minority at 31 December 2004 amounted to EUR 29.0 (EUR 27.5) million (see Note 19).

Acquisition of Group Companies

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Acquired Net Assets			
Cash and cash equivalents	-	3.0	45.9
Other operating working capital	-8.9	31.2	44.0
Tangible fixed assets	126.8	132.2	160.8
Intangible fixed assets	0.3	0.4	22.5
Interest-bearing assets less cash and cash equivalents	5.6	5.7	0.7
Tax liabilities	-0.8	-0.2	-19.2
Interest-bearing liabilities	-79.8	-94.1	-11.4
Minority interests	17.4	-23.8	-69.9
Fair Value of Net Assets in Acquired Companies	**60.6**	**54.4**	**173.4**
Goodwill	23.3	73.8	6.9
Total Purchase Consideration	**83.9**	**128.2**	**180.3**

Disposals

In October 2004 Stora Enso divested its majority shareholding in PT Finnantara Intiga, its Borneo eucalyptus plantation company. The book value of the plantation at sale was EUR 21.8 million and the disposal resulted in a small overall profit of EUR 2.4 million.

Stora Enso launched its forest restructuring programme in 2002 and this culminated in March 2004 with the divestment of the Group's Swedish forest interests. In December 2003 the Group 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 were transferred to a new entity, Bergvik Skog AB, in which the two partners retained minority shareholdings of 43.3% and 5% respectively; the Group's forest interest at 31 December 2003 had a book value of EUR 1 598.0 million. Although the capital gain on disposal amounted to EUR 113.9 million, the sale also triggered the release of deferred tax provisions of a further EUR 240.5 million that had been provided in the event of an asset sale as opposed to the company divestment that ultimately occurred. Stora Enso's on-going stake in Bergvik Skog AB, amounting to SEK 1 515 (EUR 167.9) million, is now accounted for as an Associate whereby the Group includes in its Balance Sheet its share of Bergvik Skog's net assets (see Note 13). An unrealised gain of EUR 75.6 million, in excess of the reported profit, was generated on this transaction and is shown in Balance Sheet liabilities as an unrealised gain (see Note 23).

There were no disposals in 2003, though steps were being taken to divest most of Stora Enso's Swedish forestry interests. The rest of the Group's forest restructuring programme took place 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 credited to Income; a further capital gain of EUR 44.2 million resulted from this transaction, but this has not been released to Income yet and is shown on the Balance Sheet as an unrealised gain (see Note 23). 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.

Also in 2002, Stora Enso closed 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.

Disposal of Group Companies

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Net Assets Sold			
Cash and cash equivalents	-	-	29.5
Other operating working capital	42.3	-	62.2
Fixed assets	441.0	-	94.1
Biological assets	-	-	1 541.2
Interest-bearing assets less cash and cash equivalents	5.3	-	23.1
Tax liabilities	-0.2	-	-222.9
Interest-bearing liabilities	-161.1	-	-1 518.8
Net Assets in Divested Companies	**327.3**	-	**8.4**
Income Statement capital gain (goodwill realised)	25.9	-	113.0
Provision for unrealised gain	44.2	-	76.5
Total Disposal Consideration	**397.4**	-	**197.9**
Received as to			
Cash	360.6	-	197.9
Associated Company shares	36.8	-	-
Total Disposal Consideration	**397.4**	-	**197.9**

Note 5 Other Operating Income and Expense

In 2004 the Group divested its Swedish forest holdings company, Bergvik Skog AB (see Note 4) and generated a capital gain of SEK 978 (EUR 107.3) million on the fixed assets therein. Cumulative Translation Adjustments (CTA) relating to divested companies amounted to EUR 11.7 million, of which EUR 6.5 million related to Bergvik Skog and EUR 5.2 million to the Group's former Borneo plantation business.

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.

Other Operating Income & Expense

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Capital gain on sale of fixed assets	79.6	12.4	113.0
CTA on disposals, net of hedging	-	-	11.7
Gain on sale of long-term investments	79.5	2.6	1.4
Insurance compensation	42.5	9.7	4.8
Rent	10.0	8.3	8.4
Subsidies	7.0	6.3	7.4
Total	**218.6**	**39.3**	**146.7**
Other Operating Expenses include			
Research and Development	91.6	88.8	82.2
Rents paid	95.7	93.2	93.4
Loss on sale of long-term investments	-	4.5	0.3

Aggregate fees for professional services rendered to the Group by the principal independent auditor, PricewaterhouseCoopers, are shown in the table to the right. 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

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Audit fees	2.1	2.5	2.7
Audit-related fees	0.5	1.0	1.0
Tax fees	0.4	0.5	1.1
Other fees	0.1	0.4	0.1
Total	**3.1**	**4.4**	**4.9**

Note 6 Staff Costs

Personnel Expenses

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Wages and salaries	1 656.3	1 662.3	1 595.5
Pensions	335.1	345.1	52.3
Other statutory employer costs	176.4	272.2	271.9
Other voluntary costs	140.3	18.0	17.6
Total	**2 308.1**	**2 297.6**	**1 937.3**

Pensions

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Defined benefit plans	88.5	104.5	-116.6
Defined contribution plans	211.4	209.2	201.8
Other post-employment benefits	35.2	31.4	-32.9
Total Pension Costs	**335.1**	**345.1**	**52.3**

As a result of the change in rules for calculating disability pension liabilities in Finland, there was a credit to the Income Statement relating to defined benefit plans of EUR 179.9 million; full details of pension costs are shown in Note 20.

Board Remuneration

	Year Ended 31 December		
EUR thousand	**2002**	**2003**	**2004**
Serving Board Members in 2004			
Claes Dahlbäck, Chairman	135.0	135.0	141.0
Krister Ahlström, Vice Chairman	85.0	85.0	91.0
Lee A. Chaden (appointed 18 March 2004)	-	-	45.0
Harald Einsmann	60.0	60.0	64.5
Björn Hägglund, Deputy CEO	-	-	-
Jukka Härmälä, CEO	-	-	-
Barbara Kux	-	45.0	65.3
George W. Mead (resigned 20 March 2004)	60.0	60.0	15.0
Ilkka Niemi	60.0	60.0	69.7
Paavo Pitkänen	60.0	60.0	65.3
Jan Sjöqvist	60.0	60.0	67.5
Marcus Wallenberg	60.0	60.0	65.2
Former Board Members			
Josef Ackermann (resigned 20 March 2003)	60.0	15.0	-
Total Remuneration as Directors	**640.0**	**640.0**	**689.5**

Executive Management Group ("EMG") Remuneration
EMG annual salaries are normally reviewed once a year with new salaries valid from 1 March. Basic annual salaries totalled EUR 4.7 (EUR 4.5) million, of which EUR 1.1 (EUR 1.1) million related to the CEO as detailed below.

Executive Remuneration: CEO

EUR thousand	Year Ended 31 December 2002	2003	2004
Annual salary	1 142.3	1 063.1	1 102.8
Benefits	76.3	114.8	64.1
Bonus (variable salary)	220.2	197.1	253.9
Total Remuneration	**1 438.8**	**1 375.0**	**1 420.8**

Chief Executive Officer: Jukka Härmälä
In addition to his basic salary, the CEO is also entitled to a short-term incentive plan, decided on by the Board each year, giving a maximum 50% of annual fixed salary. The plan for 2004 was 20% related to Stora Enso's Return on Capital Employed ("ROCE"), 20% to the North America Profit Enhancement Plan and 60% to personal key targets.

The retirement age for the CEO has been set at 60 years. The CEO's pension arises from the compulsory Finnish TEL scheme and a Stora Enso voluntary plan amounting to 66% of the average of the last four years Finnish remuneration preceding retirement. Pensionable remuneration in 2004 was EUR 963 634 (EUR 930 350), thus the cost to the Company of the compulsory TEL plan was EUR 161 890 (EUR 174 083). A contribution of EUR 332 935 (NIL) was needed for the Stora Enso voluntary plan, this funding being required following a review of the policy and the accumulated fund; it does not represent any change in the benefits themselves.

Executive Management Group
EMG members, including the deputy CEO have short-term incentive plans up to a maximum 50% of annual fixed salary, with up to 50% tied to the Group's Return on Capital Employed; the payout in 2004, relating to 2003, was EUR 636 582 (EUR 610 020). Benefits amounting to EUR 347 544 (EUR 263 172) were provided, though additional sums relating to the foreign assignments of five members were paid at a cost of EUR 282 791 (EUR 326 233).

EMG members have a retirement age of 60 with pensions consistent with local practices within their respective home countries; pension costs totalled EUR 1 611 431 (EUR 1 367 397).

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 options / synthetic options, full details of which are shown in Note 28.

Note 7 Net Financial Items

EUR million	Year Ended 31 December 2002	2003	2004
Interest expense			
Bank borrowings	-242.5	-188.9	-149.3
Finance leases	-34.3	-30.2	-17.3
Interest capitalised	9.0	5.2	2.5
Interest income	38.3	27.8	22.7
Dividend income	9.2	5.8	17.1
Exchange gains and losses			
Currency derivatives	271.2	236.0	-59.2
Borrowings and deposits	-226.3	-223.5	58.1
Other financial income			
Fair value change of hedge-accounted derivatives	1.8	1.5	13.8
Other fair value changes	26.3	20.8	18.7
Others	20.0	14.4	8.1
Other financial expense			
Fair value change of hedge-accounted derivatives	-	-11.3	-0.2
Other fair value changes	-78.5	-11.2	-0.2
Others	-0.4	-84.1	-20.8
Total	**-206.2**	**-237.7**	**-106.0**

Gains and losses on derivative financial instruments are shown in Note 24.

A provision of EUR 53.9 (USD 61.1) million for additional leasing costs arising from the early termination of finance leases was included in Other Financial Expense in 2003. Stora Enso North America Inc had terminated a portfolio of 1996 UK finance leases which had been due to expire in 2011, but as a consequence of changes in the interpretation of UK leasing tax rules, early termination of the leases became appropriate. The transaction was closed on 2 March 2004 and the remaining provision of USD 3.5 (EUR 2.8) million was credited back to the Income Statement.

Aggregate foreign exchange gains and losses included in the Consolidated Income Statement are:

EUR million	Year Ended 31 December 2002	2003	2004
Sales	-19.0	-47.9	-19.2
Costs and expenses	2.5	5.2	3.2
Net financial items	44.9	12.5	-1.1
Total	**28.4**	**-30.2**	**-17.1**

Note 8 Income Taxes

Profit before Tax and Minority Interests

EUR million	Year Ended 31 December 2002	2003	2004
Finnish companies	327.6	174.6	310.3
Swedish companies	539.4	329.5	337.2
German companies	107.9	25.8	-6.3
Other companies	-1 344.2	-319.2	-2.2
Total	**-369.3**	**210.7**	**639.0**

Income Tax Expense

EUR million	Year Ended 31 December 2002	2003	2004
Current Tax Expense			
Finnish companies	-98.6	5.2	13.4
Swedish companies	106.4	77.5	32.0
German companies	50.0	1.1	13.9
Other companies	58.6	31.4	41.7
Change in Deferred Taxes			
Finnish companies	-110.8	48.6	49.6
Swedish companies	47.7	14.4	-225.7
German companies	-2.1	11.1	-8.8
Other companies	-179.4	-120.6	-33.3
Associated Company Taxes	-0.3	-1.7	8.4
Total	**-128.5**	**67.0**	**-108.8**

Income Tax Reconciliation

EUR million	Year Ended 31 December 2002	2003	2004
Tax at domestic rates applicable to profits in the country concerned	-257.2	22.2	164.8
Non-deductible expenses and tax exempt income	34.5	-6.8	-45.6
Losses where no deferred tax benefit is recognised	33.7	48.9	34.8
Impairment of North American assets	363.2	-	-
Write-down of shares in Stora Enso North America Corp.	-298.4	-	-
Sale of Swedish forests	-	-	-240.5
Change in tax rates and tax laws	-4.3	2.7	-22.3
Income Taxes in the Income Statement	**-128.5**	**67.0**	**-108.8**
Effective Tax Rate	**34.8%**	**31.8%**	**17.0%**
Underlying tax rate on normal operations	**31.4%**	**31.8%**	**28.9%**

Income Tax Reconciliation

	Year Ended 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Current Tax			Deferred Tax			Total Tax		
At 31 December	264.4	294.6	169.9	1 940.6	1 684.7	1 765.2	2 205.0	1 979.3	1 935.1
IAS 41 Agriculture	-	-	-	-	240.4	-	-	240.4	-
At 1 January	264.4	294.6	169.9	1 940.6	1 925.1	1 765.2	2 205.0	2 219.7	1 935.1
Translation difference	1.3	1.1	2.4	-91.7	-71.5	-17.1	-90.4	-70.4	-14.7
Companies acquired	-3.0	-5.4	1.7	2.2	5.2	17.5	-0.8	-0.2	19.2
Companies divested	-4.6	-	8.8	4.4	-	-231.7	-0.2	-	-222.9
OCI	-	-	-	73.8	-47.1	-6.6	73.8	-47.1	-6.6
Equity hedging (Note 25)	89.3	42.4	21.0	-	-	-	89.3	42.4	21.0
Income Statement									
Current year	92.3	138.8	106.8	-240.9	-51.6	18.5	-148.6	87.2	125.3
Prior year adjustments	24.1	-23.6	-5.8	-3.7	5.1	-236.6	20.4	-18.5	-242.4
Tax paid	-169.2	-278.0	-114.2	-	-	-	-169.2	-278.0	-114.2
At 31 December	**294.6**	**169.9**	**190.6**	**1 684.7**	**1 765.2**	**1 309.2**	**1 979.3**	**1 935.1**	**1 499.8**
Liabilities	537.7	352.4	351.5	1 737.4	1 777.3	1 320.6	2 275.1	2 129.7	1 672.1
Assets	-243.1	-182.5	-160.9	-52.7	-12.1	-11.4	-295.8	-194.6	-172.3
Net Tax	**294.6**	**169.9**	**190.6**	**1 684.7**	**1 765.2**	**1 309.2**	**1 979.3**	**1 935.1**	**1 499.8**

When IAS 41 Agriculture came into effect on 1 January 2003, the opening balance in deferred tax for fair value adjustments was restated to take into account deferred tax of EUR 240.4 million relating to the initial valuation surplus of the Group's forest assets; this tax would have been payable had the forest holdings been subject to an asset sale. However, in 2004 the company owning the Swedish assets was divested, thus the tax provision on those assets was not required and SEK 2 195 (EUR 240.5) million was credited to the Income Statement.

Also in 2004, Finland passed new tax legislation providing for a reduction in corporate tax rates and changes in capital gains tax. Whilst the reduction in the tax rate from 29% to 26% had a beneficial effect of EUR 44.3 million as at 31 December 2004 when the Group's Finnish deferred tax balances were restated to the new rate, the other changes resulted in a loss of deferred tax assets in 2004 of EUR 24.1 million. Group tax excluding these effects represented an underlying tax rate of 28.9%.

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 31.5% in 2002.

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 2004 Stora Enso had losses carried forward, mainly attributable to foreign subsidiaries, of EUR 1 227 (EUR 982) million of which some EUR 440 (EUR 509) million had no expiry date, EUR 76 (EUR 52) million expire during the years 2005–2009 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 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 2004

EUR million	As at 1 Jan 2004	Translation Difference	Acquisitions and Disposals	Charge in Income Statement	OCI	As at 31 Dec 2004
Fixed asset depreciation differences	1 377.4	-31.7	1.1	-20.4	-	1 326.4
Untaxed reserves	169.1	1.1	-66.8	13.0	-	116.4
Pension provisions (1)	4.9	-6.0	-0.7	53.0	-	51.2
Other provisions	-3.9	-	-	-4.0	-	-7.9
Fair value gains less losses (2)	416.4	-0.2	-159.8	-241.4	-	15.0
Unrealised internal profits	-23.1	-	-	17.6	-	-5.5
Tax losses carried forward	-339.5	19.0	-0.2	-42.2	-	-362.9
Other	7.0	0.7	12.2	-15.1	-	4.8
Less valuation allowance (Note 9)	107.9	-	-	21.4	-	129.3
	1 716.2	-17.1	-214.2	-218.1	-	1 266.8
Fair value of available-for-sale investments	24.1	-	-	-	4.1	28.2
Fair value of derivative financial instruments	24.9	-	5.3	-	-16.0	14.2
Change in Net Deferred Tax	**1 765.2**	**-17.1**	**-208.9**	**-218.1**	**-11.9**	**1 309.2**
Shown on the Balance Sheet as						
Liabilities	1 777.3	-17.1	-208.9	-218.8	-11.9	1 320.6
Assets	-12.1	-	-	0.7	-	-11.4
	1 765.2	**-17.1**	**-208.9**	**-218.1**	**-11.9**	**1 309.2**

OCI = Other Comprehensive Income Statement – see note 24

1) The opening balance for pension provisions has been restated to take into account deferred tax of EUR 53.5 million relating to the restatement of prior years in respect of the Finnish Statutory Pension Scheme.

2) The Income Statement credit includes EUR 240.5 million relating to the disposal of Swedish forest interests, of which EUR 240.4 million related to the adjustment to the 2003 opening balance for the deferred tax on the fair value surplus on the adoption of IAS 41 Agriculture.

Reconciliation of Deferred Tax Balances in 2003

EUR million	As at 1 Jan 2003	Translation Difference	Acquisitions and Disposals	Charge in Income Statement	OCI	As at 31 Dec 2003
Fixed asset depreciation differences	1 625.3	-104.8	23.8	-166.9	-	1 377.4
Untaxed reserves	156.4	1.2	-	11.5	-	169.1
Pension provisions (1)	-0.3	-11.3	-	16.5	-	4.9
Other provisions	-37.0	-	-	33.1	-	-3.9
Fair value gains less losses	411.3	2.7	-	2.4	-	416.4
Unrealised internal profits	-17.1	-	-	-6.0	-	-23.1
Tax losses carried forward	-351.5	29.5	-2.9	-14.6	-	-339.5
Other	-50.3	11.2	-15.7	61.8	-	7.0
Less valuation allowance (Note 9)	92.2	-	-	15.7	-	107.9
	1 829.0	-71.5	5.2	-46.5	-	1 716.2
Fair value of available-for-sale investments	7.6	-	-	-	16.5	24.1
Fair value of derivative financial instruments	88.5	-	-	-	-63.6	24.9
Change in Net Deferred Tax	**1 925.1**	**-71.5**	**5.2**	**-46.5**	**-47.1**	**1 765.2**
Shown on the Balance Sheet as						
Liabilities	1 977.8	-70.7	5.2	-87.9	-47.1	1 777.3
Assets	-52.7	-0.8	-	41.4	-	-12.1
	1 925.1	**-71.5**	**5.2**	**-46.5**	**-47.1**	**1 765.2**

OCI = Other Comprehensive Income Statement – see Note 24

1) The opening balance for Fair Value Gains Less Losses has been adjusted for the addition of deferred tax of EUR 240.4 million relating to the initial valuation surplus on the adoption of IAS 41 Agriculture; the revised total thus differs from the Balance Sheet by this amount.

Under IFRS, all deferred tax is shown as non-current even though a proportion will be reversed within twelve months; the table below shows the deferred tax considered to be current and non-current.

Deferred Tax Allocated into Current & Non-Current Balances

	As at 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Non-Current			Current			Total Deferred Tax		
Depreciation differences	1 656.5	1 389.7	1 311.4	-31.2	-12.3	15.0	1 625.3	1 377.4	1 326.4
Untaxed reserves	151.5	35.3	116.4	4.9	133.8	-	156.4	169.1	116.4
Pension provisions	13.2	14.3	61.1	-13.5	-9.4	-9.9	-0.3	4.9	51.2
Other provisions	-37.0	-3.9	-5.0	-	-	-2.9	-37.0	-3.9	-7.9
Fair value gains less losses	411.3	15.9	15.0	-	400.5	-	411.3	416.4	15.0
Unrealised internal profits	-7.3	-13.7	-	-9.8	-9.4	-5.5	-17.1	-23.1	-5.5
Tax losses carried forward	-291.9	-334.2	-354.1	-59.6	-5.3	-8.8	-351.5	-339.5	-362.9
Other	-71.0	-33.6	16.0	20.7	40.6	-11.2	92.2	107.9	4.8
Less valuation allowance	92.2	107.9	129.3	-	-	-	-50.3	7.0	129.3
	1 917.5	1 177.7	1 290.1	-88.5	538.5	-23.3	1 829.0	1 716.2	1 266.8
OCI	21.9	33.0	35.4	74.2	16.0	7.0	96.1	49.0	42.4
Total	**1 939.4**	**1 210.7**	**1 325.5**	**-14.3**	**554.5**	**-16.3**	**1 925.1**	**1 765.2**	**1 309.2**

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 2002	**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**
Translation difference	-0.1	-0.2	-0.2	-	-0.5
Charge in Income Statement	10.1	7.6	2.9	21.4	42.0
Reversal in Income Statement	-10.9	-5.8	-1.8	-	-18.5
Carrying Value at 31 December 2004	**39.7**	**30.2**	**7.2**	**129.3**	**206.4**

Note 10 Depreciation, Amortisation and Fixed Asset Impairment Charges

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Depreciation and Amortisation			
Intangible fixed assets	16.4	17.0	20.2
Buildings and structures	98.0	109.3	112.9
Plant and equipment	932.5	904.9	910.8
Other tangible fixed assets	42.6	25.1	23.9
Goodwill	148.8	116.1	90.2
Total	**1 238.3**	**1 172.4**	**1 158.0**
Impairment and disposal losses			
Plant and equipment	267.3	12.1	14.0
Other fixed assets	17.4	15.9	-
Goodwill	918.9	-	-
Total	**1 203.6**	**28.0**	**14.0**
Depreciation, Amortisation and Impairment Charges	**2 441.9**	**1 200.4**	**1 172.0**

Total depreciation, amortisation and impairment charges in the Income Statement amounted EUR 1 172.0 (EUR 1 200.4) million against which there are capital gains on the disposal of fixed assets, shown in Other Operating Income, amounting to EUR 113.0 (EUR 12.3) million, principally relating to land and a few buildings. The main part of the capital gain in 2004 related to the Group's divestment of its Swedish forest holdings company, Bergvik Skog AB (see Note 4), which generated a capital gain of SEK 978 (EUR 107.3) million on the fixed assets therein.

In December 2003 the Group contracted to sell its forestlands in Ontario, Canada, simultaneously writing down the asset by EUR 17.6 million. 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 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 Programme, 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	Property Plant & Equipment	Intangible Fixed Assets	Goodwill	Total Fixed Assets
	Year Ended 31 December 2004			
Acquisition Cost				
At 1 January	19 971.3	208.5	2 559.0	22 738.8
Translation difference	-188.4	-0.5	-97.0	-285.9
Reclassifications	-32.9	32.9	-	-
Companies acquired	290.0	22.8	6.9	319.7
Additions	956.0	19.1	-	975.1
Disposals	-288.2	-0.9	-2.9	-292.0
At 31 December	**20 707.8**	**281.9**	**2 466.0**	**23 455.7**
Accumulated Depreciation and Amortisation				
At 1 January	10 006.8	128.1	1 656.4	11 791.3
Translation difference	-60.6	-0.2	-65.6	-126.4
Reclassifications	-24.0	24.0	-	-
Companies acquired	127.1	2.4	-	129.5
Disposals	-157.9	-0.7	-2.9	-161.5
Charge for the year	1 047.6	20.2	90.2	1 158.0
Impairment charges	14.0	-	-	14.0
At 31 December	**10 953.0**	**173.8**	**1 678.1**	**12 804.9**
Net Book Value at 31 December 2004	**9 754.8**	**108.1**	**787.9**	**10 650.8**
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**

Property, Plant & Equipment

EUR million	Land and Water	Buildings and Structures	Plant and Equipment	Other Tangible Assets	Assets in Progress	Total
	Year Ended 31 December 2004					
Acquisition Cost						
At 1 January	351.2	2 901.5	15 680.7	569.1	468.8	19 971.3
Translation difference	-1.1	-12.5	-170.9	-0.2	-3.7	-188.4
Reclassifications	3.0	116.8	354.3	-0.7	-506.3	-32.9
Companies acquired	15.5	54.3	205.0	9.8	5.4	290.0
Additions	3.6	45.4	472.7	9.8	424.5	956.0
Disposals	-82.9	-17.2	-149.3	-37.8	-1.0	-288.2
At 31 December	**289.3**	**3 088.3**	**16 392.5**	**550.0**	**387.7**	**20 707.8**
Accumulated Depreciation and Amortisation						
At 1 January	-	1 230.1	8 453.7	323.0	-	10 006.8
Translation difference	-	-1.0	-59.6	-	-	-60.6
Reclassifications	-	22.2	-41.9	-4.3	-	-24.0
Companies acquired	-	13.8	113.3	-	-	127.1
Disposals	-	-7.4	-132.1	-18.4	-	-157.9
Charge for the year	-	112.9	910.8	23.9	-	1 047.6
Impairment charges	-	-	14.0	-	-	14.0
At 31 December	**-**	**1 370.6**	**9 258.2**	**324.2**	**-**	**10 953.0**
Net Book Value at 31 December 2004	**289.3**	**1 717.7**	**7 134.3**	**225.8**	**387.7**	**9 754.8**
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**

The new rules contained in IFRS 3 came into effect in 2004 whereby amortisation of goodwill ceased with effect from 1 April for new acquisitions and 31 December for all other existing goodwill. In future, the only value adjustments to the carrying value of goodwill will be as a result of the annual impairment testing. Based on the current carrying value of goodwill, this change is expected to have a beneficial effect of some EUR 90 million over each of the next five years, subject only to any impairments that may be found appropriate.

Stora Enso performs annual impairment tests for all fixed assets, including goodwill, though in the years 2003 and 2004 it was determined that no impairment existed in asset carrying values. In 2002, however, as disclosed in Note 10, weakened market conditions in North America resulted in the Group's North American assets being subject to impairment in the sum of USD 1 081.0 (EUR 1 143.3) million. Over the past three years, the same external valuer has been used to prepare the projections in the cash generating units holding most of the Group goodwill.

Impairment tests are carried out on each separate cash generating unit and are based on the discounted cash flow valuation method; this incorporates future projections of cash flows and, among other estimates, projections of future product pricing, production levels, product costs, market supply and demand, projected maintenance, capital expenditures and an assumption of a pre-tax weighted average cost of capital.

In 2003 reclassifications of fixed assets amounted to EUR 698.3 million, mainly relating to biological assets, in the form of free standing trees which were reclassified, principally from land, to Biological Assets (see Note 12).

The Group's Fixed Assets at 31 December 2004 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								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
EUR million	Computer Software			Capitalised Interest			Finance Leases		
At 1 January	18.4	36.3	46.7	81.4	79.4	77.1	818.7	614.4	142.3
Translation difference	-	-0.2	-0.6	-1.3	-1.3	-0.3	-125.5	-88.5	-5.1
Acquisitions and disposals	-	-	4.0	-1.2	-	-4.8	-24.9	-369.4	-
Capitalised in the year	23.0	18.5	32.8	9.0	5.2	2.5	-	21.5	-
Depreciation	-5.1	-7.9	-15.3	-8.5	-6.2	-7.4	-53.9	-35.7	-10.7
At 31 December	**36.3**	**46.7**	**67.6**	**79.4**	**77.1**	**67.1**	**614.4**	**142.3**	**126.5**

Computer software includes capitalised own software at the year end of EUR 16.4 (EUR 18.5) million; additions during the year were EUR 2.1 (EUR 2.9) million and depreciation was EUR 4.2 (EUR 2.3) million.

Fixed Asset Additions

There was one material acquisition in 2004, along with several smaller ones, total acquisitions of Group companies amounting to EUR 250.5 (EUR 241.3) million; the acquisition value of the operating fixed assets therein came to EUR 190.2 (EUR 206.4) million, of which EUR 6.9 (EUR 73.8) million related to Goodwill. Total acquisitions of Group companies in 2002 amounted to EUR 56.3 million, the acquisition value of the operating fixed assets therein being EUR 150.4 million of which EUR 26.7 million related to Goodwill.

Capital expenditure for the year in Stora Enso Oyj and its subsidiaries amounted to EUR 975.1 (EUR 1 248.2) 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 648 (EUR 230) 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. No major new projects were commenced or announced in 2004, capital expenditure for 2004 largely relating to projects from 2003 and earlier.

Principal Capital Expenditure Projects in 2004

EUR million	Country	Project	Pre-2004 Costs	2004 Costs
Publication Paper				
Biron	USA	Rebuild PM26	19.2	23.3
Corbehem	France	Upgrade PM5	6.0	25.7
Corbehem	France	New Energy plant	16.7	6.8
Hylte	Sweden	De-inking plant	1.2	14.3
Kvarnsveden	Sweden	PM12 construction	4.3	86.6
Kvarnsveden	Sweden	New boiler	28.0	20.0
Langerbrugge	Belgium	PM4 construction	474.9	-12.4
Maxau	Germany	Rebuild PM6	52.9	111.4
Port Hawkesbury	Canada	Thermo-mechanical pulp line	28.7	20.7
Summa	Finland	Upgrade PM 2	-	24.0
Varkaus	Finland	Thermo-mechanical pulp line	9.6	22.8
Veitsiluoto	Finland	Mechanical pulp bleaching	4.4	14.4
Fine Paper				
Kimberly	USA	Upgrade PM97	4.6	12.8
Nymölla	Sweden	Upgrade PM1	10.7	12.1
Nymölla	Sweden	Office paper enhancements	37.4	13.9
Oulu	Finland	Graphic paper enhancements	8.0	11.3
Suzhou	China	Rebuild PM1	-	2.0
Veitsiluoto	Finland	Rebuild PM3	90.9	27.5
Veitsiluoto	Finland	Office paper enhancements	12.0	10.5
Wisconsin Rapids	USA	Rebuild PM16	10.5	23.6
Packaging Boards				
Arzamas	Russia	Corrugated board mill construction	26.5	5.0
Baienfurt	Germany	Folding boxboard improvements	40.0	28.1
Skoghall	Sweden	Energy 2005 Project	21.4	54.7
Wood Products				
Stora Enso Timber AS	Baltic States	Sawmill investments	38.7	13.1

- The main item of expenditure in the Group's Asset Restructuring Programme in 2004 was an investment in the rebuild of the uncoated magazine paper machine ("PM") 6 at Maxau Mill in Germany. In addition, in an effort to enhance the nearby Wolfsheck Mill, the Group entered into an agreement with the Norwegian Cham Paper Group for the transfer of know-how for wallpaper-based products.
- Publication Paper has also restructured its newsprint production in Langerbrugge, Belgium following the May 2003 inauguration of its new PM4. The gross cost of this machine was expected to be some EUR 490 million with an annual production capacity of 400 000 tonnes, however in 2004 an EU subsidy of EUR 23.5 million was received on account of its use of recycled fibre. A de-inking plant and a 75 MW bio-fuel power plant have also been built on site and the modernisation of Langerbrugge's PM3, with an annual capacity of 165 000 tonnes, was completed in 2004.

- In Finland, a new thermo-mechanical pulp ("TMP") line is being constructed at Varkaus Mill and PM2 at Summa Mill, making magazine paper and improved newsprint, is being upgraded. In 2004 two projects at Veitsiluoto Mill were completed, a peroxide bleaching plant to enhance the quality of magazine paper and the enlargement of the biological effluent treatment plant.

- In Sweden, Kvarnsveden Mill has a new boiler under construction, with an expected start-up in mid-2005, and a new EUR 467 million paper machine is being built. The annual production capacity of the machine will be some 420 000 tonnes of super-calendered (SC) paper, commissioning expected in late 2005. Kvarnsveden 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 PM3 will change from making mainly high-quality SC to exclusively SC-B paper and PM5 at Wolfsheck Mill in Germany will cease its production of SC paper. A new de-inking plant is also under construction at Hylte Mill.
- In France, Corbehem Mill's new energy plant was completed in 2004 and magazine PM5 is being rebuilt.
- In Canada, the Group finished installing a TMP line at Port Hawkesbury in a project designed to provide TMP for its PM1.
- In the USA, Stora Enso is rebuilding Biron Mill's PM26 in a targeted investment expected to be completed early in 2005. A further investment that commenced in 2003 and finished during the year was the rebuild of Wisconsin Rapids PM16 designed to significantly increase production by enabling the transfer to higher basis weight products. Kimberly Mill's PM97 was rebuild in early 2004, the investment being designed to increase operating speed resulting in additional production capacity. The Group has also finished a pulp conversion project at the mills of Wisconsin Rapids, Biron and Kimberly, which aims at converting Wisconsin Rapids pulp mill to all-hardwood pulp production and integrating the output to Wisconsin Rapids and Kimberly paper mills.
- Fine Paper completed the EUR 121 million upgrade of its PM3 at Veitsiluoto Mill in 2004. Other upgrade and modernisation investments were also undertaken at Veitsiluoto and Oulu mills in Finland and at Nymölla in Sweden. A EUR 39 million upgrade at Suzhou Mill in China also got under way in 2004, PM1 being rebuilt there and the sheeting plant being renovated.
- Packaging Boards completed an investment at Baienfurt Mill in Germany, intended to enhance folding boxboard production and in Russia, the new Arzamas corrugated board mill project was completed. 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. 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 project will reduce the mill's oil consumption by some 60 000 cubic metres annually and increase electricity self-sufficiency from 15% to about 40%.
- In the Baltic States, a major investment programme is under way as part of Wood Products's EUR 107 million expansion following its 2003 acquisition of the former AS Sylvester Group, now Stora Enso Timber AS. In Russia, following the completion in 2003 of the new Impilahti sawmill at Pitkäranta in Carelia, a second mill at Nebolchi in the Novgorod region commenced production in 2004; the two sawmills provide a total capacity of 200 000 cubic metres.

Capital expenditure in 2002 totalled EUR 877.6 million. The main investments were the new Langerbrugge PM4 in Belgium (EUR 254.1 million), the rebuild of Langerbrugge's PM3 (EUR 28.6 million), the completion of PM6 in Oulu, Finland (EUR 16.5 million) and the new Balabanovo Packaging Board mill in Russia (EUR 11.4 million).

Fixed Asset Disposals

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Acquisition cost	1 071.2	341.7	292.0
Accumulated depreciation	508.6	306.6	161.5
Net book value of disposals	562.6	35.1	130.5
Net gains on disposals	37.2	12.4	113.0
Disposals Proceeds	**599.8**	**47.5**	**243.5**
Represented by			
Cash sales proceeds	202.4	47.5	36.4
Non-cash sales proceeds	36.8	-	-
Group company disposals	360.6	-	207.1
Total Fixed Asset Disposals	**599.8**	**47.5**	**243.5**

The principal disposal in 2004 related to the divestment of the Swedish forests, the fixed asset element therein, exclusive of the forests themselves, being EUR 89.9 million along with a capital gain of EUR 107.3 million representing the goodwill realised. There were no fixed asset disposals in 2003 other than minor sales in the normal course of operations. In 2002, the principal fixed asset disposal consisted of the divestment of forest assets in Finland, EUR 360.6 million, and in the US, EUR 149.1; the Finnish transaction was partly in exchange for 41% of the shares in a new associate company, Tornator Timberland Oy.

At 1 January 2004, 95% of the Group's biological assets were in Sweden, however these were divested in March when the Group's recently created forest holding company, Bergvik Skog AB, was divested to institutional investors. Stora Enso retained a minority shareholding of 43.3% and has signed longterm supply agreements with its new Associate at market rates. The divestment value of Bergvik Skog's free standing trees was EUR 1 524.6 (SEK 13 753) million, other disposed fixed assets of EUR 89.9 (SEK 811) million representing the land under the trees, the roads thereon and sundry forestry equipment. Prior to the divestment in March, the change in the value of the Swedish biological assets had generated income of EUR 6.2 million, however after March, the Group's 43.3% share of this income is aggregated with the normal trading result of Bergvik Skog and reported as an Associated Company result (see Note 13).

In October 2004 Stora Enso divested its majority shareholding in PT Finnantara Intiga, its Borneo eucalyptus plantation company. The book value of the plantation at sale was EUR 21.8 million.

The 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 thus increased from a previous 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 615.4 million after the deduction of deferred tax; in accordance with IAS 8, this was credited directly to Retained Earnings as non-distributable equity, but has now been realised on the sale of the Swedish forests. The initial IAS 41 fair value adjustment on account of the Group's forest associates added a further EUR 44.0 million to equity net of deferred tax.

Following the divestment of the Swedish forests in 2004, future biological income will not be material. Nevertheless, 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 2004 includes EUR 37.5 (EUR 116.2) million in respect of the change in fair value, being the growth and price effect, less EUR 30.4 (EUR 104.6) million for harvesting, resulting in the net gain of EUR 7.1 (EUR 11.6 million) shown in the Income Statement; all but EUR 0.9 million came from Bergvik Skog prior to its divestment.

At 31 December 2004 Stora Enso's remaining biological assets had a fair value of EUR 64.6 (EUR 1 587.8) million and were located by value in Portugal (83%), Canada (3%) and China (14%). In addition, the Group now has three Associated Companies where IAS 41 is taken into account in computing their results:

- Bergvik Skog AB, the new 43.3% owned Swedish associate, had biological assets at a fair value of EUR 2 622.6 (SEK 23 657) million.
- 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 614.9 (EUR 628.9) million.
- Veracel, a 50% owned associate in Brazil, also has substantial forest plantations fair valued at EUR 70.0 (EUR 67.4) million, though with a growing cycle of only seven years.

Biological Assets

	As at 31 December	
EUR million	2003	2004
Assets reclassified from Fixed Assets (see Note 11)	705.9	
Fair valuation surplus	855.8	
Initial IAS 41 Valuation at 1 January 2003	**1 561.7**	
Carrying value at 1 January	1 561.7	1 587.8
Translation difference	8.3	6.4
Additions	7.2	4.5
Disposals	-1.0	-1 541.2
Change in fair value	116.2	37.5
Decrease due to harvest	-104.6	-30.4
Carrying value at 31 December	**1 587.8**	**64.6**

Note 13 Associated Companies

Carrying Values

EUR million	Year Ended 31 December 2002	2003	2004
Historical Cost			
At 1 January	251.3	225.3	319.7
Translation difference	-6.9	-7.0	-1.4
Additions	1.5	103.5	250.4
Disposal proceeds	-185.5	-0.4	-0.1
Equity adjustment disposal	60.8	-	-
Income Statement – Profit on disposal	76.7	0.3	-
Subsidiary transfers	29.2	-2.4	-1.9
Transfer to available-for-sale investments	-1.8	0.4	-
Historical cost at 31 December	**225.3**	**319.7**	**566.7**
Equity Adjustment to Investments in Associated Companies			
At 1 January	55.4	-13.6	-0.7
Translation difference	-13.6	-1.9	0.1
Disposals	-60.8	-	-
Effect of adopting IAS 41 Agriculture	-	44.0	-
Share of results before tax	14.6	-23.0	38.9
Dividends received	-9.5	-3.2	-7.5
Income taxes	0.3	1.7	-8.4
OCI on Bergvik Skog AB (Note 24)	-	-	-19.0
Subsidiary transfers	-	-4.7	-2.0
Equity Adjustment at 31 December	**-13.6**	**-0.7**	**1.4**
Carrying Value of Associated Companies at 31 December	**211.7**	**319.0**	**568.1**

The principal addition in both 2004 and 2003 related to the Group's Brazilian interests. Stora Enso and its Brazilian partner, Aracruz Celulose S.A., are constructing 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 860 (EUR 631) million with a further USD 80 (EUR 59) million for infrastructure, EUR 400 million and EUR 28 million having been spent to date respectively. An additional USD 300 (EUR 220) million has also been spent on 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 total investment is estimated at EUR 917 (USD 1 250) million, to be financed by 45% equity and 55% loans provided by a number of development banks, currently split equally between US dollars and local currency. Equity injections to date amount to EUR 273.0 (EUR 192.6) million and after the deduction of start-up costs of EUR 22.5 (EUR 24.8) million and currency fluctuations of EUR 60.7 (EUR 63.1) million, gives a carrying value to the Group of EUR 189.8 (EUR 104.7) million.

In March 2004, 56.74% of Stora Enso's Swedish forest holding company, Bergvik Skog AB, was divested to institutional investors, leaving the Group with a minority shareholding of 43.26% valued at cost of EUR 169.3 (SEK 1 527) million. During the year, the carrying value has been increased for the Group's post-divestment share of the result for the year of EUR 24.2 million, less tax of EUR 6.8 million, and reduced by EUR 19.0 million on account of the net after-tax fair value loss on its cashflow hedge accounted interest rate swap.

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 sale of 29.5% of Billerud AB's share capital for 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 since 2004 has comprised 300 000 shares, valued at EUR 2.9 (EUR 2.9) million and representing 0.5% of the share capital and votes; this is shown as a Listed Security under Available-for-Sale Investments.

Principal Associated Companies

			As at 31 December		
		2004	2002	2003	2004
Company	Domicile	%	EUR million		
Bergvik Skog AB	Sweden	43.3	-	-	167.9
Veracel Celulose S.A.: pulp mill & plantation	Brazil	50.0	27.3	104.7	189.8
Tornator Timberland Oy: forest	Finland	41.0	29.2	83.0	81.7
Sunila Oy: pulp mill	Finland	50.0	45.3	44.4	48.8
Thiele Kaolin Company Inc: China clay	USA	34.9	34.1	37.1	36.6
Steveco Oy: stevedores	Finland	34.3	14.9	12.5	9.3
Mitsubishi HiTec Paper Group (Bielefeld & Flensburg): office papers	Germany	24.0	22.2	7.3	7.2
Holzwerke Wimmer GmbH: timber processing (1)	Germany	49.0	6.8	5.6	7.6
AS Imavere Saeveski: sawmill (33.3% to subsidiaries in 2003)	Estonia	N/A	6.6	-	-
			186.4	294.6	548.9
Others			25.3	24.4	19.2
Carrying Value of Associated Companies at 31 December			**211.7**	**319.0**	**568.1**

1) To become a subsidiary in early 2005

Associated Company Balances

	As at 31 December		
EUR million	2002	2003	2004
Receivables from Associated Companies			
Long-term loan receivables	2.8	34.8	229.6
Trade receivables	16.0	21.6	28.9
Short-term loan receivables	6.2	14.4	9.5
Prepaid expenses and accrued income	0.6	0.8	0.9
Liabilities due to Associated Companies			
Trade payables	11.0	13.6	16.2
Accrued liabilities and deferred income	0.3	0.1	6.4

Associated Company Transactions

	Year Ended 31 December		
EUR million	2002	2003	2004
Sales to associated companies	119.0	139.6	166.4
Interest on associated company loan receivables	0.4	3.1	15.1
Purchases from associated companies	79.8	54.2	150.0

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.

Total loans to Associates came to EUR 239.1 (EUR 49.2) million of which EUR 178.8 million was due from Bergvik Skog and a further EUR 38.3 (EUR 34.8) million from Tornator. Interest income on associate loans totalled EUR 15.1 million, of which EUR 11.4 million came from Bergvik Skog and EUR 3.1 (EUR 2.9) million from Tornator.

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	**2002**	**2003**	**2004**
Acquisition cost at 1 January			
Listed – Listed securities	138.9	145.2	147.2
Unlisted – Shares in other companies	181.0	148.5	140.8
Investments reclassified as available-for-sale	319.9	293.7	288.0
Effect of IAS 39: OCI	58.5	24.0	80.5
Available-for-Sale investments at 1 January	378.4	317.7	368.5
Translation difference	0.8	0.1	0.1
Additions	12.8	28.4	13.2
Change in fair values (OCI)	-34.5	56.5	2.5
Disposal proceeds	-44.4	-33.3	-32.8
Income Statement – Profit/loss on disposal	2.8	-0.9	1.4
Transfer from Associated Companies	1.8	-	-
Carrying Amount at 31 December	**317.7**	**368.5**	**352.9**

Unrealised Gains and Losses in Marketable Equity Securities

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Unrealised holding gains	68.4	92.9	111.2
Unrealised holding losses	-44.4	-12.4	-28.2
Net unrealised holding gains (OCI)	**24.0**	**80.5**	**83.0**
Cost	293.7	288.0	269.9
Market value	**317.7**	**368.5**	**352.9**
Net unrealised holding gains (OCI)	24.0	80.5	83.0
Deferred tax	-7.6	-24.1	-28.2
Unrealised holding gains shown in equity as OCI	**16.4**	**56.4**	**54.8**
Change for the year in unrealised holding gains shown in equity as OCI	**-24.3**	**40.0**	**-1.6**

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 2004			
Listed Securites				
Advance Agro PCL, Thailand	18.9	100 536 328	69.1	46.5
Alfred Berg Global B (growth), Finland	9.91	5 414 836	4.5	3.1
Alfred Berg Euro Obligaatio Pro B (growth), Finland	1.7	503 917	1.3	1.5
Alfred Berg Europe (growth), Finland	7.4	6 357 793	4.0	4.3
Billerud AB, Sweden	0.5	300 000	1.8	2.9
CA-AM Dynarbitrage VaR4, France	0.1	390 000	2.0	2.1
CPI Group Ltd, Australia (11.5% of voting rights)	8.5	4 784 142	5.0	2.2
Finnlines Oyj, Finland	5.5	2 209 340	1.9	28.3
FIM Russia (growth), Finland	1.3	61 637	2.0	2.4
Nordea AB, Sweden	0.1	3 091 213	7.3	23.0
Nordea Foresta (growth), Finland	4.3	5 000 000	0.8	1.8
Nordea Europa Plus (growth), Finland	10.5	2 991	2.0	2.2
Nordea Pro Euro Korko, Finland	0.2	329 000	2.9	3.0
Sampo Plc, A series, Finland,	1.6	8 911 140	25.7	90.5
Sea Containers Ltd, Bermuda	1.1	195 904	3.2	2.8
Others	-	N/A	3.6	3.5
Total Listed Securities			**137.1**	**220.1**
Unlisted Shares			**132.8**	**132.8**
Total Available-for-Sale Investments at 31 December 2004			**269.9**	**352.9**
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**

The difference of EUR 83.0 (EUR 80.5) million between the acquisition cost and market value of the available-for-sale investments represents the OCI Reserve as shown in Note 24.

Note 15 Other Non-Current Assets

EUR million	2002	2003	2004
	As at 31 December		
Stora Enso North America Corp.:			
Overfunded pension plan (Note 20)	163.4	124.4	170.3
Others	77.7	45.9	40.2
Total	**241.1**	**170.3**	**210.5**

Note 16 Inventories

EUR million	2002	2003	2004
	As at 31 December		
Cutting rights	28.1	14.9	35.3
Materials and supplies	411.2	393.5	407.9
Work in progress	91.5	76.2	74.2
Finished goods	783.5	813.3	872.2
Spare Parts and consumables	256.1	299.2	316.5
Other inventories	23.9	31.9	29.9
Advance payments	14.0	29.4	72.7
Obsolescence provision	-43.3	-28.6	-30.2
Market value provision	-	-6.3	-7.2
Total	**1 565.0**	**1 623.5**	**1 771.3**

Note 17 Receivables

Short-term Operative Receivables

EUR million	As at 31 December 2002	2003	2004
Trade receivables	1 526.6	1 461.2	1 565.2
Provision for doubtful debts	-36.5	-40.6	-39.8
Prepaid expenses and accrued income	234.6	109.8	96.6
Other receivables	177.7	172.9	243.3
Total	**1 902.4**	**1 703.3**	**1 865.3**

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

Interest-bearing Receivables

EUR million	As at 31 December 2002	2003	2004
Restricted US cash balance for cross-border leasing	460.9	443.6	-
Derivative financial instruments (Note 24)	643.0	277.0	193.9
Associate company loans	6.0	46.1	239.1
Other loan receivables	461.2	59.4	48.8
	1 571.1	**826.1**	**481.8**
Current Assets:			
Receivable within 12 months	1 090.5	781.8	248.7
Non-current Assets:			
Receivable after 12 months	480.6	44.3	233.1
Total	**1 571.1**	**826.1**	**481.8**

Annual interest rates for loan receivables at 31 December 2004 ranged from 2.0% (1.77%) to 9.0% (7.1%).
Due to the nature of the Group financial assets, their carrying value is considered to approximate their fair value.

Note 18 Shareholders' Equity

Under the Articles of Association, the minimum issued share capital of the Company is EUR 850 million and the maximum EUR 3 400 million, within the limits of which it may be increased or reduced without amendment to the Articles; the minimum number of shares that may be issued is 500 million and the maximum number 2 000 million. Series A shares entitle the holder to one vote per share whereas Series R shares entitle the holder to one vote per ten shares with a minimum of one vote, though the nominal value of both shares is the same. The maximum number of Series A shares is 500 million and Series R shares, 1 600 million, the aggregate not exceeding 2 000 million. Series A shares may be converted into Series R shares at any time at the request of a shareholder. At 31 December 2004 the Company's fully paid-up share capital as entered in the Finnish Trade Register was EUR 1 423.3 (EUR 1 469.3) 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.

At 31 December 2004 Stora Enso Oyj held shares with an acquisition cost of EUR 180.8 (EUR 258.0) million, comprising 12 300 Series A shares along with 16 795 984 Series R shares, and representing 2.2% of the share capital and 0.9% of voting rights.

At the end of 2004 Directors and Management Group members owned 35 121 (34 175) Series A shares and 192 534 (2 862 910) Series R shares, representing less than 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 28; at 31 December 2004 none of these Programmes impacted on the issued share capital.

At 31 December 2004 shareholder equity amounted to EUR 8 051.1 (7 952.9) million against a market capitalisation on the Helsinki Stock Exchang of EUR 9.5 (EUR 9.3) billion; the market values of the shares were EUR 11.55 (EUR 11.00) for A shares and EUR 11.27 (EUR 10.68) for the R shares.

Change in Share Capital

	Series A	Series R	Total
At 1 January 2002	**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	-
Conversion of Series A shares to Series R shares 16 Feb	-10 341	10 341	-
Warrants exercised and registered 4 Mar	-	75 000	75 000
Cancellation of repurchased shares 5 Apr	-8 100	-27 800 000	-27 808 100
Warrants exercised and registered 8 Apr	-	492 000	492 000
Conversion of Series A shares to Series R shares 15 Apr	-1 036 667	1 036 667	-
Conversion of Series A shares to Series R shares 14 May	-32 437	32 437	-
Conversion of Series A shares to Series R shares 15 June	-25 053	25 053	-
Conversion of Series A shares to Series R shares 15 July	-9 805	9 805	-
Conversion of Series A shares to Series R shares 16 Aug	-477	477	-
Conversion of Series A shares to Series R shares 15 Sept	-1 000 100	1 000 100	-
Conversion of Series A shares to Series R shares 15 Oct	-2 517	2 517	-
Conversion of Series A shares to Series R shares 15 Nov	-500	500	-
Conversion of Series A shares to Series R shares 15 Dec	-8 654	8 654	-
At 31 December 2004	**179 048 523**	**658 194 876**	**837 243 399**
Conversion of Series A shares to Series R shares 17 Jan	-114	114	-
Shares in Issue at 17 January 2005	**179 048 409**	**658 194 990**	**837 243 399**
Number of votes as at 31 December 2004	**179 048 523**	**65 819 488**	**244 868 011**
Share Capital at 31 December 2004, EUR million	**304.4**	**1 118.9**	**1 423.3**
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**

Nominal value for all shares is EUR 1.70.

The shares in issue at 17 January 2005 represent the total shares eligible to vote at the forthcoming Annual General Meeting.

Treasury Shares

	Number of Shares in 2004			Cost in EUR million		
	Series A	Series R	Total	2002	2003	2004
Shares held at 1 January	8 100	26 181 379	26 189 479	125.5	314.9	258.0
Total shares repurchased in the year	12 300	18 461 600	18 473 900	287.3	319.6	199.0
Shares cancelled	-8 100	-27 800 000	-27 808 100	-97.4	-376.0	-275.8
Shares allocated to Option Programmes	-	-48 048	-48 048	-0.5	-0.5	-0.4
Total Shares held at 31 December	**12 300**	**16 794 931**	**16 807 231**	**314.9**	**258.0**	**180.8**

The Annual General Meeting on 18 March 2004 decided to reduce the Company's share capital by EUR 47.3 million by cancelling 8 100 A shares and 27 800 000 R shares; these shares were repurchased between March 2003 and February 2004 under authorisation granted by the previous Annual General Meeting.

Quarterly Share Repurchases

	Number of Shares			Cost in EUR million		
	Series A	Series R	Total	Series A	Series R	Total
January – March	-	4 011 200	4 011 200	-	42.7	42.7
April – June	9 700	6 567 600	6 577 300	0.1	69.9	70.0
July – September	2 600	5 820 000	5 822 600	-	62.8	62.8
October – December	-	2 062 800	2 062 800	-	23.5	23.5
Total Shares Repurchased	**12 300**	**18 461 600**	**18 473 900**	**0.1**	**198.9**	**199.0**
Shares allocated to Option Programmes	-	-48 048	-48 048	-	-0.4	-0.4
Net Share Repurchases in 2004	**12 300**	**18 413 552**	**18 425 852**	**0.1**	**198.5**	**198.6**
Net Share Repurchases in 2003	**16 500**	**33 423 848**	**33 440 348**	**0.2**	**318.9**	**319.1**
Net Share Repurchases in 2002	**99 200**	**25 623 660**	**25 722 860**	**1.2**	**285.6**	**286.8**

Quarterly Values per Share

	Series A			Series R		
EUR	Lowest	Average	Highest	Lowest	Average	Highest
January – March	-	-	-	10.09	10.68	11.05
April – June	10.37	10.62	10.88	10.33	10.64	10.90
July – September	10.79	10.84	11.01	10.51	10.78	11.20
October – December	-	-	-	11.03	11.38	11.50
Summary for 2004	**10.37**	**10.66**	**11.01**	**10.09**	**10.77**	**11.50**
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**

At 31 December 2004 the Group's distributable equity amounted to EUR 3 674.6 (EUR 2 418.9) million, being Retained Earnings of EUR 5 950.7 (EUR 5 586.7) less EUR 2 276.1 (EUR 3 167.8) million for non-distributable translation differences, treasury shares and untaxed reserves.

Note 19 Minority Interests

In December 2004 Stora Enso closed its acquisition of 65.5% of the Polish packaging producer Intercell S.A. The fair value of the net assets acquired, including net cash and deferred tax liabilities, amounted to EUR 201.2 million, of which the accounting value of the minority interest acquired was EUR 69.4 million, with another EUR 0.5 million minority within the Intercell group.

In February 2003 Stora Enso Timber acquired a 66% ownership of AS Sylvester's sawmilling operations in the Baltic States, the 34% direct minority amounting to EUR 26.2 million with a further 3.8% indirect minority within Imavere Sawmill valued at EUR 1.4 million. The original purchase agreement provided for the buy-out of the remaining AS Sylvester minority in 2005 for a consideration to be determined by performance targets; this is expected to be completed in the first quarter of 2005 upon which, subject to the small minority in the Imavere operation, Stora Enso Timber's Baltic operations will become 100% owned.

In December 2002 the Group completed the disposal of the greater part of its Finnish forest holdings to a new company, Tornator Timberland Oy, thereby disposing of a minority of EUR 17.6 million.

Minority Interests

	Year ended 31 December		
EUR million	**2002**	**2003**	**2004**
At 1 January	50.2	30.4	60.3
Translation difference	-2.0	-1.6	-0.3
Acquisitions	-	27.6	69.9
Disposals	-17.4	-	-
Income Statement	-0.1	5.8	8.1
Dividends	-0.3	-1.9	-1.9
At 31 December	**30.4**	**60.3**	**136.1**

Principal Minority Interests

		As at 31 December		
EUR million		**2002**	**2003**	**2004**
Intercell S. A. Group	Poland	-	-	69.9
Stora Enso Timber AS Group	Estonia	-	27.5	29.0
Corenso United Oy Group	Finland	17.3	16.9	18.3
Enocell Oy	Finland	4.3	4.2	4.2
FPB Holding GmbH & Co. KG (the former Feldmühle Group)	Germany	2.0	2.0	2.0
Fortek Oy	Finland	2.9	3.9	3.5
Others	-	3.9	5.8	9.2
		30.4	**60.3**	**136.1**

Note 20 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 with 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 201.8 (EUR 209.2) 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 63.3 (EUR 104.5) million before the below adjustment relating to the Finnish Statutory Employment Pension Scheme.

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 a gain of EUR 32.9 million as compared with an expense in 2003 of EUR 31.4 million; the gain was as a result of the changes in US healthcare plans detailed below which had a positive effect of EUR 76.8 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.

Amounts previously reported as defined benefit pension liabilities for Finland differ from those amounts shown below following the restatement of the accounting treatment of the Finnish Statutory Employment Pension Scheme ("TEL"). Stora Enso had previously treated the TEL's disability pension component as a defined contribution scheme, however in April 2004 the major accounting firms interpreted this differently as a defined benefit scheme under IFRS. As a result, Stora Enso changed its treatment at that time and restated its previous results; the Group's pension provisions were restated from EUR 727.6 million to EUR 911.9 in 2003 and from EUR 747.0 million to EUR 919.0 million in 2002, the difference being EUR 184.3 million and 172.0 million respectively.

In late 2004 the Finnish Ministry of Social Affairs and Health approved changes to the TEL principles for calculating disability pension liabilities under which these are to be accounted for as a defined contribution liability in IFRS accounts. This allowed Stora Enso to release all but EUR 4.4 million of the provision since the above restated figures for 2003 and prior years will remain unchanged. The effect on the Income Statement for 2004 is to reduce defined benefit pension costs by EUR 179.9 million to show a net income of EUR 116.6 million.

Also in 2004, changes in US healthcare plans had a one-time positive non-cash effect of USD 96.4 (EUR 78.6) million; this arose as a reversal of expenses already taken in respect of various US retiree healthcare programs provided to both current and future retirees that are now being modified. These measures were taken as part of the fixed cost reduction programmes in Stora Enso North America.

Pension and Post-Employment Benefit Provisions

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Defined benefit plans	523.9	583.3	343.6
Other post-employment benefits	231.7	204.2	123.9
Stora Enso North America:			
Overfunded pension plan			
shown in assets (Note 15)	163.4	124.4	170.3
Total	**919.0**	**911.9**	**637.8**

Balance Sheet Reconciliation

	Year Ended at 31 December		
EUR million	**2002**	**2003**	**2004**
At 1 January	919.9	919.0	911.9
Translation difference	-37.5	-37.7	-14.3
Acquisition	-	1.3	0.6
Increase	118.0	121.7	82.5
Decrease	-81.4	-92.4	-342.9
At 31 December	**919.0**	**911.9**	**637.8**

Amounts Recognised in the Balance Sheet

	As at 31 December					
	2002	**2003**	**2004**	**2002**	**2003**	**2004**
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Present value of funded obligations	912.5	923.2	1 018.6	12.9	7.7	35.8
Present value of unfunded obligations	732.8	625.6	573.3	361.2	396.8	298.9
Fair value of plan assets	-727.8	-693.4	-818.4	-18.6	-7.3	-35.3
Unrecognised actuarial gains and losses	-384.8	-263.7	-418.2	-137.9	-201.4	-188.3
Unrecognised prior service cost	-8.8	-8.4	-11.7	14.1	8.4	12.8
Net Liability in the Balance Sheet	**523.9**	**583.3**	**343.6**	**231.7**	**204.2**	**123.9**

Amounts Recognised in the Income Statement

	Year Ended 31 December					
	2002	**2003**	**2004**	**2002**	**2003**	**2004**
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Current service cost	39.1	35.0	38.1	7.1	7.5	8.5
Interest cost	88.9	78.9	73.5	24.6	20.6	22.1
Expected return on plan assets	-55.8	-36.9	-67.5	-2.1	-0.9	-1.8
Net actuarial losses recognised in year	16.3	27.3	20.1	5.6	5.6	-61.7
Settlements/TEL adjustment	-	-	-180.8	-	-	-
Loss curtailment	-	0.2	-	-	-1.4	-
Total Included in Personnel Expenses	**88.5**	**104.5**	**-116.6**	**35.2**	**31.4**	**-32.9**

Defined Benefit Plans: Country Assumptions Used in Calculating Benefit Obligations

	Year Ended 31 December									
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
	Canada		Finland		Germany		Sweden		USA	
Discount rate %	7.0	6.3	5.3	5.0	5.5	5.2	5.5	5.5	6.0	5.8
Expected return on plan assets %	7.5	7.5	5.3	5.0	4.5	4.5	N/A	N/A	8.5	8.0
Future salary increase %	2.0	2.0	4.5	5.0	2.5	2.5	3.0	3.0	5.0	5.0
Future pension increases %	1.5	2.0	2.3	2.3	1.5	1.5	2.0	2.0	-	-
Expected average remaining working years of staff	14.7	14.7	13.0	13.0	13.1	12.5	14.0	13.0	15.5	12.0

Benefit Plan Reconciliation

	Year Ended 31 December					
	2002	2003	2004	2002	2003	2004
EUR million	Defined Benefit Pension Plans			Other Post-Employment Benefits		
Net liability at 1 January	469.2	523.9	583.3	245.0	231.7	204.2
Translation difference	34.1	27.3	14.3	-38.8	-	-14.9
Acquisition	-	1.3	-	-	-	0.3
Net expense recognised in Income Statement	88.5	104.5	-116.6	35.2	31.4	-32.9
Contributions paid	-61.4	-82.1	-128.0	-9.7	-58.9	-32.8
Settlements	-6.5	8.4	-9.4	-	-	-
Net Liability in the Balance Sheet	**523.9**	**583.3**	**343.6**	**231.7**	**204.2**	**123.9**

Benefit Plan Summary by Country

	As at 31 December 2004						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	158.5	257.8	5.7	-	571.9	60.5	1 054.4
Present value of unfunded obligations	18.5	-	256.0	247.2	313.7	36.8	872.2
Fair value of plan assets	-153.7	-68.9	-2.9	-	-571.9	-56.3	-853.7
Unrecognised actuarial gains and losses	-36.8	-167.4	-1.7	-25.8	-367.9	-5.8	-605.4
Net Liability in the Balance Sheet	**-13.5**	**21.5**	**257.1**	**221.4**	**-54.2**	**35.2**	**467.5**
Represented by							
Defined Benefit Pension Plans	-23.0	21.5	257.1	221.4	-161.8	28.4	343.6
Other Post-Employment Benefits	9.5	-	-	-	107.6	6.8	123.9
Net Liability in the Balance Sheet	**-13.5**	**21.5**	**257.1**	**221.4**	**-54.2**	**35.2**	**467.5**

Benefit Plan Summary by Country

	As at 31 December 2003						
EUR million	Canada	Finland	Germany	Sweden	USA	Other	Total
Present value of funded obligations	149.8	289.1	5.2	-	441.0	45.8	930.9
Present value of unfunded obligations	16.7	-	254.4	237.1	495.6	18.6	1 022.4
Fair value of plan assets	-138.2	-77.2	-2.8	-	-441.0	-41.5	-700.7
Unrecognised actuarial gains and losses	-33.9	-11.0	3.6	-12.7	-409.5	-1.8	-465.1
Net Liability in the Balance Sheet	**-5.6**	**200.9**	**260.4**	**224.4**	**86.1**	**21.3**	**787.5**
Represented by							
Defined Benefit Pension Plans	-15.0	200.9	260.4	224.4	-102.8	15.4	583.3
Other Post-Employment Benefits	9.4	-	-	-	188.9	5.9	204.2
Net Liability in the Balance Sheet	**-5.6**	**200.9**	**260.4**	**224.4**	**86.1**	**21.3**	**787.5**

Note 21 Borrowings

In December Stora Enso Oyj issued a five year SEK 4.3 billion bond in order to restructure the Company's debt portfolio and take advantage of favourable market conditions; the bond pays a fixed coupon of 3.875%. In June the Group created a new ten year bond by offering to exchange its existing EUR 850 million 2007 bond; EUR 475 million of notes were exchanged, 55.9% of the total, the transaction extending the average maturity of all debt by one year.

In January 2005 Stora Enso Oyj signed a five year EUR 1.75 billion multi-currency revolving credit facility agreement which replaced a previous EUR 2.5 billion facility signed in 2003.

Borrowings have various maturities, the latest being in 2023, and have 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 2004 the Group's unused committed credit facilities totalled EUR 2 712.7 (EUR 2 500.0) million, of which EUR 0.0 (EUR 0.0) million was classified as short-term.

In 2004 Stora Enso bought back bonds with a nominal value of SEK 469 (EUR 52.6) million, resulting in a loss in financial items of SEK 1 (EUR 0.1) million.

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 -5 (EUR –0.5) million, USD 35.0 (EUR 37.0) million at par and EUR 88.0 million resulting in a loss of EUR 2.2 million.

Net interest-bearing liabilities are designated as such on the Balance Sheet and amounted to EUR 3 051.4 (EUR 3 919.0) million at 31 December 2004; 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					
	2002	2003	2004	2002	2003	2004
EUR million	Net interest-bearing Liabilities			Operating Capital		
Euro area	337.7	975.1	1 950.7	6 243.3	6 236.7	6 299.7
Sweden	1 018.2	1 183.7	-131.4	2 773.8	3 630.4	2 131.6
USA	1 693.8	1 515.7	1 131.7	3 157.1	2 457.1	2 346.8
Canada	-35.4	19.4	29.5	447.9	492.5	476.2
China	176.0	129.2	107.8	203.6	157.2	147.0
UK	-25.4	-22.5	-34.3	24.9	18.9	2.8
Other	101.9	118.4	-2.6	249.0	555.6	766.2
Total	**3 266.8**	**3 919.0**	**3 051.4**	**13 099.6**	**13 548.4**	**12 170.3**

Long-term Debt

	As at 31 December					
	2002	2003	2004	2002	2003	2004
EUR million	Repayable within 12 Months			Repayable after 12 Months		
Bond loans	219.3	232.9	3.9	3 204.9	2 689.6	2 762.4
Loans from credit institutions	61.6	113.3	89.7	653.0	540.1	403.5
Financial lease liabilities	16.3	8.0	8.0	655.9	167.0	155.5
Other long-term liabilities	9.3	5.3	0.5	11.4	7.9	6.7
Total Long-term Debt	**306.5**	**359.5**	**102.1**	**4 525.2**	**3 404.6**	**3 328.1**

Repayment Schedule of Long-term Debt

EUR million	2005	2006	2007	2008	2009	2010+	Total
	As at 31 December						
Bond loans	3.9	305.4	423.3	165.1	471.5	1 397.1	2 766.3
Loans from credit institutions	89.7	34.6	154.5	49.9	31.5	133.0	493.2
Financial lease liabilities	8.0	8.0	7.8	7.5	7.5	124.7	163.5
Other long-term liabilities	0.5	3.2	0.3	0.2	0.1	2.9	7.2
Total Long-term Debt	**102.1**	**351.2**	**585.9**	**222.7**	**510.6**	**1 657.7**	**3 430.2**
Current Liabilities: Repayable within the next 12 months							**102.1**
Long-term Liabilities: Repayable after 12 months							**3 328.1**

Carrying value of the Group short-term financial liabilities is considered to approximate their fair value. However, the fair value of long-term term debt, exclusive of the current part, has a value of EUR 3 600.9 (EUR 3 626.1) million as against a carrying value of EUR 3 328.1 (EUR 3 404.6) million.

Bonds Loans in Long-term Debt

Issue / Maturity Dates	Description of Bond	Interest Rate %	Currency of Bond	Nominal Value Issued 2004	Outstanding As at 31 December 2003	Outstanding As at 31 December 2004	Carrying Value As at 31 December 2003	Carrying Value As at 31 December 2004
				Currency million			EUR million	
Fixed Rate								
1991–2006	Series C Senior Notes 2006 *	9.99	USD	50.4	37.3	30.1	29.6	22.1
1993–2019	Series C Senior Notes 2019 *	8.60	USD	50.0	50.0	50.0	39.6	36.7
1996–2006	Swedish Medium Term Note *	7.90	SEK	470.0	470.0	309.0	61.3	34.4
1997–2007	Senior Notes Series B 2007	6.82	USD	102.0	102.0	102.0	86.3	75.2
1997–2009	Senior Notes Series C 2009	6.90	USD	48.5	48.5	48.5	41.3	35.0
1997–2012	Senior Notes Series D 2012	7.00	USD	22.5	22.5	22.5	19.2	16.3
1997–2017	Senior Notes Series E 2017	7.14	USD	23.0	23.0	23.0	17.3	16.1
1997–2017	Euro Medium Term Note *	4.105	JPY	10 000	10 000	10 000	74.0	71.6
1998–2008	Swedish Medium Term Note *	4.00	SEK	264.4	250.0	250.0	28.8	27.3
1998–2009	Senior Notes Series F 2009	6.93	USD	30.0	30.0	30.0	25.4	21.6
1998–2018	Senior Notes Series G 2018	7.24	USD	65.0	65.0	65.0	47.9	44.6
1998–2023	Senior Notes Series H 2023	7.30	USD	65.0	65.0	65.0	47.1	43.8
1999–2006	Swedish Medium Term Note *	5.90	SEK	500.0	43.0	43.0	4.7	4.8
1999–2008	Swedish Fixed Real Rate *	4.00	SEK	105.3	100.0	100.0	9.7	11.5
2000–2006	Euro Medium Term Note * (1)	6.25	SEK	2 000.0	2 000.0	2 000.0	231.1	31.9
2000–2007	Euro Bond 6.375% Notes 2007 *	6.375	EUR	850.0	850.0	374.6	846.0	372.6
2000–2007	Euro Medium Term Note *	6.90	SEK	200.0	200.0	200.0	22.0	22.2
2001–2006	Euro Medium Term Note *	6.25	SEK	2 000.0	2 000.0	2 000.0	230.8	218.9
2001–2011	Global 7.375% Notes 2011 *	7.375	USD	750.0	750.0	750.0	690.0	588.0
2004–2014	Euro Medium Term Note *	5.125	EUR	517.6	-	517.6	-	492.7
2004–2009	Swedish Medium Term Note *	3.875	SEK	4 300.0	-	4 300.0	-	474.1
Loans matured and extinguished in 2004							228.4	-
Total Fixed Rate Bond Loans							**2 780.5**	**2 661.4**
Floating Rate								
1997–2007	Euro Medium Term Note *	Libor+0.35	FIM	110.0	110.0	110.0	18.5	18.5
1998–2008	Euro Medium Term Note *	Libor+0.35	USD	30.0	30.0	30.0	23.8	22.0
1998–2008	Euro Medium Term Note *	Libor+0.33	USD	40.0	40.0	40.0	31.7	29.4
2000–2007	Swedish Medium Term Note *	Euribor+0.75	EUR	10.0	10.0	10.0	10.0	10.0
2000–2010	Euro Medium Term Note *	Euribor+0.8	EUR	25.0	25.0	25.0	25.0	25.0
Loans matured and extinguished in 2004							33.0	-
Total Floating Rate Bond Loans							**142.0**	**104.9**
Total Bond Loans							**2 922.5**	**2 766.3**

* Parent company liabilities

(1) SEK 2 000 million is legally outstanding, but the Company holds Notes to the value of SEK 1 722 million leaving SEK 278 million held externally.

Interest-bearing Liabilities

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Short-term loans	272.5	929.1	543.3
Derivative financial instruments (Note 24)	71.4	-19.1	54.1
US finance lease terminal liability (see below and Note 7)	-	500.1	-
	343.9	**1 410.1**	**597.4**

The US finance lease liability in 2003 consisted of EUR 446.2 million of principal and a provision of EUR 53.9 million for termination costs.

Group short-term loans are principally denominated in euros (50.9%), SEK (34.4%) and Chinese renminbi (12.8%), with maturities of between 3 days and 11 months. Short-term loans also include commercial paper with applicable weighted average interest rates of 2.2% (2.2%).

Finance Lease Liabilities

At 31 December 2004 Stora Enso had a small number of finance leasing agreements for machinery and equipment for which capital costs of EUR 126.5 (EUR 142.3) million were included in machinery and equipment; the depreciation thereon was EUR 10.7 (EUR 35.7) million. The aggregate leasing payments for the year amounted to EUR 17.4 (EUR 35.1) million, the interest element being EUR 17.3 (EUR 30.2) million. No new leasing commitments were entered into in 2004.

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 detailed below.

At 31 December 2002 the Group's finance lease liabilities amounted to EUR 672.2 against a capitalised Fixed Asset value of EUR 614.4 million. The principal lease liability consisted of a portfolio of 1996 UK finance leases to finance PM16 at Wisconsin Rapids and PM26 at Biron, but by 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 were no longer shown under Finance Lease Liabilities, but were instead shown on the Balance Sheet under current Interest-bearing Liabilities; see above. The transaction was closed on 2 March 2004 when USD 650.5 (EUR 522.9) million was passed over in full and final settlement.

Finance Lease Liabilities

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Minimum lease payments			
Less than 1 year	78.1	19.3	17.4
1–2 years	78.9	21.7	17.4
2–3 years	75.7	17.8	17.4
3–4 years	48.4	17.8	17.4
4–5 years	49.9	17.8	17.4
Over 5 years	841.2	222.6	176.0
	1 172.2	317.0	263.0
Future finance charges (see below)	-500.0	-142.0	-99.5
Present Value of Finance Lease Liabilities	**672.2**	**175.0**	**163.5**
Present Value of Finance Lease Liabilities			
Less than 1 year	74.9	18.5	15.5
1–2 years	67.1	20.2	14.7
2–3 years	59.4	14.9	13.8
3–4 years	35.0	13.7	13.0
4–5 years	33.5	12.6	12.3
Over 5 years	402.3	95.1	94.2
	672.1	**175.0**	**163.5**

Annual repayments of principal are shown above in the Repayment Schedule of Long-term Debt.

Other Provisions

EUR million	Environmental	Reorganisation	Other Obligatory	Total Provisions
Carrying value at 1 January 2003	**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**
Translation difference	0.1	-1.5	0.1	-1.3
Reclassification	-	4.6	-4.6	-
Disposals	-	-	-14.7	-14.7
Charge in Income Statement				
New provisions	2.7	6.2	-	8.9
Increase in existing provisions	1.3	3.1	3.8	8.2
Reversal of existing provisions	-	-1.1	-0.2	-1.3
Payments	-5.9	-28.9	-11.0	-45.8
Carrying Value at 31 December 2004	**45.4**	**31.0**	**5.2**	**81.6**
Allocation between Current and Non-current Liabilities				
Current Liabilities: Payable within 12 months	3.0	15.3	2.4	20.7
Non-current Liabilities: Payable after 12 months	42.4	15.7	2.8	60.9
Total at 31 December 2004	**45.4**	**31.0**	**5.2**	**81.6**
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
Total at 31 December 2003	**47.2**	**48.6**	**31.8**	**127.6**

Reorganisation Provisions

- **Stora Enso North America Fixed-Cost Reduction Programme**
  In 2004 Stora Enso North America announced a further extension of its Profit Enhancement Programme of August 2002 whereby maintenance personnel would be reduced by a target of nearly 200 at a cost of EUR 4.4 (USD 5.5) million. The 2003 extension of the programme had also included 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 5 266 (5 669) people in North America, against a target of 5 000 and 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 2004 the remaining provision amounted to EUR 6.6 (EUR 15.1) 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**
  In 2003 Stora Enso launched a restructuring programme at Corbehem Mill in France to secure the site's long-term competitiveness. The programme involved a major reorganisation of the whole mill, including a variable-cost reduction plan, investments in PM5 and a decrease of 169 permanent positions by 2006, of which 110 had gone by the end of 2004. A provision of EUR 15.3 million was made in 2003, of which EUR 14.2 million related to redundancy payments and EUR 1.1 million to other costs; EUR 5.6 (EUR 6.9) million was outstanding at 31 December 2004.
- **Nymölla Mill, Sweden**
  A 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 was subsequently supplemented in 2003 by a further reorganisation whereby costs were set aside to cover the redundancy of some 90 staff, the final 33 of whom left the company in 2004. By 31 December 2004, the provision had been discharged.
- **Port Hawkesbury Mill, Nova Scotia, Canada**
  A provision of EUR 4.9 million was made in late 2003 for severance and related benefits related to workforce downsizing of 135 staff, all but 32 having been

announced by the end of 2004 and 56 leaving in the year; at 31 December 2004 the provision amounted to EUR 4.2 (EUR 4.9) million

- **Papyrus GB Ltd**
  In May 2002 Stora Enso closed down Papyrus GB Ltd, its merchant arm in the UK and a restructuring charge of EUR 25.1 million was recorded 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. The provision was slightly increased in 2004 and at the year end amounted to EUR 5.5 (EUR 4.8) 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 2004 the remaining provision amounted to EUR 0.6 (EUR 2.8) million.

Environmental Remediation

Provision for environmental remediation amounted to EUR 45.4 (EUR 47.2) million at 31 December 2004 and largely related to the removal of mercury and other contaminants from sites in Sweden and Finland; details of the principal provisions are:

- 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 Kopparberg mine; the provision amounted to EUR 9.9 (EUR 12.9) million.
- A provision of EUR 7.8 (EUR 10.4) 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 9.0 (EUR 10.9) million.
- There are a further five cases in Finland where the total provision amounts to EUR 8.1 (EUR 9.1) million; the largest relates to pollution in the vicinity of Pateniemi sawmill, being EUR 5.0 (EUR 5.1) million.

Other Obligatory Provisions

A provision in Sweden of EUR 14.7 million relating to statutory forest replanting was disposed of with the divestment of Bergvik Skog AB. Certain other provisions amounting to EUR 4.6 million were also reclassified, leaving a year end liability for Other Obligatory Provisions of EUR 5.2 million

Note 23 Operative Liabilities

Long-term Operative Liabilities

EUR million	As at 31 December 2002	2003	2004
Provision for unrealised profit	-	44.2	120.7
Accruals	5.8	20.8	20.4
Other payables	31.1	12.7	12.1
Total	**36.9**	**77.7**	**153.2**

The provision for unrealised profit relates to that part of the gains on sale of Tornator Timberlands Oy in 2002 and Bergvik Skog AB in 2004 that were deemed to relate to the proportion of shares retained in these new Associates, being EUR 44.2 and EUR 76.5 (SEK 690) million respectively.

Short-term Operative Liabilities

EUR million	As at 31 December 2002	2003	2004
Advances received	5.2	21.0	5.5
Trade payables	824.1	770.6	849.1
Other payables	234.1	196.6	191.7
Accrued liabilities and deferred income	484.5	519.6	606.1
Current portion of provisions	-	30.5	20.7
Total	**1 547.9**	**1 538.3**	**1 673.1**

Accrued liabilities and deferred income consist mainly of personnel costs, customer discounts, and other accruals.

Shareholders' Equity - Other Comprehensive Income ("OCI")

Certain derivatives are 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

	Hedging Reserve					
EUR million	Forward & Swap Contracts	Commodity Hedges	Associate Hedge	Total	Available-for-Sale Reserve	Total OCI Reserves
OCI at 1 January 2003	36.7	180.3	-	217.0	16.4	233.4
Net change in OCI in the year	-28.9	-129.9	-	-158.8	40.0	-118.8
OCI at 31 December 2003	**7.8**	**50.4**	**-**	**58.2**	**56.4**	**114.6**
OCI at 1 January 2004						
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
	7.8	**50.4**	**-**	**58.2**	**56.4**	**114.6**
Net change in OCI in 2004						
Gains and losses from changes in fair value	-8.5	-47.6	-	-56.1	2.5	-53.6
Reclassification of losses	19.0	-	-19.0	-	-	-
Deferred taxes	2.7	13.3	-	16.0	-4.1	11.9
Reclassification of deferred taxes	-5.3	-	-	-5.3	-	-5.3
	7.9	**-34.3**	**-19.0**	**-45.4**	**-1.6**	**-47.0**
OCI at 31 December 2004						
Gains and losses from changes in fair value	22.1	23.9	-19.0	27.0	83.0	110.0
Deferred taxes	-6.4	-7.8	-	-14.2	-28.2	-42.4
Total	**15.7**	**16.1**	**-19.0**	**12.8**	**54.8**	**67.6**

The gain on derivative financial instruments designated as cash flow hedges that was realised from OCI through the Income Statement amounted to EUR 67.4 (EUR 225.4) million.

The hedging reserve includes the Group's 43.3% (100%) share in an interest rate swap showing a deferred loss of EUR 19.0 (EUR 19.0) million in respect of Stora Enso's now Associate, but formerly wholly owned subsidiary, Bergvik Skog AB. This amount relates to a fair value loss on Bergvik Skog AB's cashflow hedge accounted interest rate swap and, in 2004, has been deducted from the equity accounted value of the Group interest in its Associate. In 2003 the gross loss was EUR 19.0 million, against which deferred tax of EUR 5.3 million was provided, however in 2004 the loss EUR 26.4 million is accounted for after tax as the deferred tax belongs to Bergvik Skog AB and not Stora Enso, the interest in the Associate being equity accounted.

The estimated net amount of unrealised gains and losses expected to be reclassified as earnings within the next twelve months amounted to EUR 23.0 (EUR 72.0) million, of which EUR 22.1 (EUR 30.6) million related to currencies and EUR 0.9 (EUR 41.4) million to commodities.

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 2003 or 2004.

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.

Nominal Values of Derivative Financial Instruments

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Interest Rate Derivatives			
Interest rate swaps			
Maturity under 1 year	109.3	113.7	66.5
Maturity 2–5 years	922.8	1 080.4	953.4
Maturity 6–10 years	1 088.1	1 439.2	1 469.9
	2 120.2	2 633.3	2 489.8
Interest rate options	-	23.8	198.4
Total	**2 120.2**	**2 657.1**	**2 688.2**
Foreign Exchange Derivatives			
Cross-currency swap agreements	216.5	129.5	102.7
Forward contracts	3 902.4	3 112.5	2 479.8
Currency options	-	208.1	588.3
Total	**4 118.9**	**3 450.1**	**3 170.8**
Commodity Derivatives	**538.6**	**477.0**	**442.7**
Equity Swaps	**216.5**	**308.4**	**359.5**

Fair Value Hedge Gains and Losses

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
Net gains on qualifying hedges	64.2	-24.3	-10.2
Fair value changes in hedged items	-62.4	14.5	23.8
Net gains/losses	1.8	-9.8	13.6
Net losses/gains on non-qualifying hedges	26.3	-11.2	-6.4
Net gains/losses on Total Return (Equity) Swaps	-78.5	20.8	24.9
Net Fair Value Gains in Net Financial Items	**-50.4**	**-0.2**	**32.1**

Cash Flow Hedges Not Qualifying for Hedge Accounting

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
FX forward contacts	41.8	13.7	-0.5
Commodity contracts	-1.1	2.6	-0.9
Total hedging ineffectiveness	**40.7**	**16.3**	**-1.4**

Fair Values of Derivative Financial Instruments

	As at 31 December				
	2002	**2003**	**2004**		
EUR million	**Net Fair Values**	**Net Fair Values**	**Positive Fair Values**	**Negative Fair Values**	**Net Fair Values**
Interest rate swaps	202.8	106.8	157.1	-5.8	151.3
Interest rate options	-	0.5	1.4	-0.4	1.0
Cross currency swaps	-21.6	-11.0	3.3	-14.9	-11.6
Forward contracts	180.3	172.8	94.7	-5.2	89.5
Currency options	-	0.7	3.2	-1.4	1.8
Commodity contracts	252.4	71.5	28.8	-5.2	23.6
Equity swaps	-55.5	-36.0	21.8	-33.2	-11.4
Total	**558.4**	**305.3**	**310.3**	**-66.1**	**244.2**

Positive and negative fair values of financial instruments are shown under Interest-bearing Receivables and Liabilities and Long-term Debt.

Note 25 Cumulative Translation Adjustment ("CTA") and Equity Hedging

The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations on the value of its net investment in non-Euro Area foreign subsidiaries and associates. Exchange differences, arising from the translation of equity, results and dividends for foreign subsidiary and associate undertakings, are aggregated with the financial instruments hedging these investments and the net is recorded directly in shareholders' equity as CTA; this is expensed though the Income Statement on the divestment of a foreign entity.

Cumulative Translation Adjustment

	Year Ended 31 December		
EUR million	**2002**	**2003**	**2004**
At 1 January			
CTA on net investment in non-Euro foreign entities	-83.7	-484.1	-629.1
Hedging	33.6	339.7	432.0
	-50.1	**-144.4**	**-197.1**
CTA Movement for the Year			
Restatement of opening non-euro denominated equity	-321.6	-156.7	-37.8
Difference in Income Statement translation	128.2	21.2	14.7
Internal equity injections less dividends	-223.9	-17.6	-44.6
Other	16.8	-3.4	0.3
	-400.5	-156.5	-67.4
Hedging of Net Investment for the Year			
Hedging result	395.4	146.2	78.3
Taxes	-89.3	-42.4	-21.0
	306.1	103.8	57.3
Income Statement			
CTA on divested non-Euro foreign entities	-	11.5	-11.7
Hedging result allocated to divested entities	-	-11.5	-
(Gain) in Income Statement for the year	-	-	-11.7
At 31 December			
CTA on net investment in non-Euro foreign entities	-484.1	-629.1	-708.2
Hedging (see below)	339.7	432.0	489.3
	-144.4	**-197.1**	**-218.9**

Hedging of Net Investment in Foreign Entities			
Realised gains	180.4	159.7	209.5
Unrealised gains (see next page)	159.3	272.3	279.8
Total	**339.7**	**432.0**	**489.3**

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 CTA 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 and losses included in CTA during the period as shown above came to EUR 57.3 (EUR 103.8) million. Details of the hedging and the unrealised hedging gains are shown below, details of the net investment in foreign subsidiaries being shown in the Segment Note 3.

Hedging Instruments & Unrealised Hedge Gains

	As at 31 December								
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Million	Nominal Amount (currency)			Nominal Amount (EUR)			Unrealised Gain/Loss (EUR)		
Forward Exchange Contracts									
Canada	852.0	750.0	700.0	514.8	462.0	426.4	29.4	27.9	16.0
Denmark	-	-	745.0	-	-	100.2	-	-	0.1
Sweden	3 005.0	4 345.0	-	328.3	478.5	-	1.2	4.1	-
UK	28.0	28.0	27.8	43.0	39.7	39.4	0.3	0.3	0.3
USA	-	-	350.0	-	-	257.0	-	-	17.5
				886.1	980.2	823.0	30.9	32.3	33.9
Borrowings									
Sweden	-	-	5 343.0	-	-	592.3	-	-	-6.5
USA	1 023.0	830.0	880.0	975.5	657.2	646.1	128.4	240.0	252.4
Total Hedging				**1 861.6**	**1 637.4**	**2 061.4**	**159.3**	**272.3**	**279.8**

Note 26 Commitments and Contingencies

Commitments

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
On Own Behalf			
Pledges given (1)	0.8	3.8	0.8
Mortgages	111.4	103.5	118.8
On Behalf of Associated Companies			
Mortgages	1.0	0.8	0.8
Guarantees	59.3	48.4	209.3
On Behalf of Others			
Pledges given	0.3	2.2	-
Mortgages	-	10.9	-
Guarantees	16.8	13.1	6.8
Other Commitments, own			
Operating leases, in next 12 months	41.5	34.3	32.6
Operating leases, after next 12 months	237.2	171.2	159.2
Pension liabilities	2.7	3.0	2.2
Other contingencies	71.5	95.9	92.5
Total	**542.5**	**487.1**	**623.0**
Pledges given	1.1	6.0	0.8
Mortgages	112.4	115.2	119.6
Guarantees	76.1	61.5	216.1
Operating leases	278.7	205.5	191.8
Pension liabilities	2.7	3.0	2.2
Other contingencies	71.5	95.9	92.5
Total	**542.5**	**487.1**	**623.0**

(1) Pledged assets consist of marketable securities, inventories and fixed assets.

Other Contingencies include a contingent liability, relating to exposure to hazardous substances and environmental matters, pursuant to certain indemnification provisions granted in connection with the 1994 divestment of the Tarkett Group, the flooring business of the former Stora Kopparberg Bergslags AB. The Group's maximum aggregate liability under the hazardous substance indemnification is limited to USD 62.5 (EUR 45.9) million, under the on-site environmental indemnification, SEK 328 (EUR 36.4) million, and under the off-site environmental indemnification, without limit. One off-site indemnification matter is pending, but is expected to be closed shortly, and a further three on-site matters are outstanding. Stora Enso does not expect any further claims and estimates that the aggregate liability for the environmental liabilities will not exceed EUR 1.0 million; however, the limitations period for claims to occur does not expire until 2024.

Outstanding balances under binding Purchase Agreements amount to EUR 4 362 (EUR 1 990) million, of which contracts for materials and services amount to EUR 3 868 (EUR 1 610) million and for capital expenditure commitments, EUR 494 (EUR 379) million. The principal commitment for materials relates to wood supplied from the Group's Swedish forest Associate, Bergvik Skog AB, and Group risk management of power supplies by entering into long-term fixed price contracts; the principal service commitments relate to shipping and terminal facilities. The Kabel Mill take or pay power supply contract also provides for a penalty clause of EUR 40 million for early termination; it was also the largest contract in 2003, then valued at EUR 288 million. Stora Enso Oyj has also signed a 15 year take or pay contract with Nordsjöfrakt AB for the operation of ships between Finland and Sweden, thus the Group's commitment of EUR 217 million is also its contingent liability in the event of early termination.

The largest contract for capital expenditure in 2004 amounted to EUR 233 million for the new paper machine to be supplied to Kvarnsveden Mill in Sweden; the two largest contracts in 2003 were 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.

Purchase Agreement Commitments as at 31 December 2004

EUR million	Type of Supply	Country	Years Left	Contract Total	Scheduled Contract Payments 2005	2006–7	2008–9	2010 +
Materials & Supplies								
Stora Enso Skog AB	Wood	Sweden	14	1 738	138	257	251	1 092
Stora Enso Oyj	Gas	Finland	1	60	60	0	0	0
Stora Enso North America Corp	Electricity	USA	14	118	14	29	32	43
Stora Enso Kabel GmbH & Co KG	Electricity	Germany	7	224	32	64	64	64
Stora Enso Langerbrugge NV	Electricity	Belgium	2	43	22	21	0	0
Stora Enso Reisholz GmbH & Co KG	Electricity	Germany	7	104	16	32	32	24
Stora Enso Kvarnsveden AB	Electricity	Sweden	9	153	17	34	34	68
Stora Enso Baienfurt GmbH & Co KG	Electricity	Germany	6	111	19	37	37	18
Stora Enso Transport & Distribution AB	Shipping	Sweden	10	80	8	16	16	40
Stora Enso Transport & Distribution AB	Shipping	Denmark	10	135	13	27	27	68
Stora Enso Oyj	Shipping	Sweden	15	217	13	26	26	152
Stora Enso Transport & Distribution Ltd	Terminal	UK	15	218	15	29	29	145
Others	-	-	-	667	205	230	68	164
				3 868	**572**	**802**	**616**	**1 878**
Capital Expenditure								
Stora Enso Kvarnsveden AB	Machinery	Sweden	-	233	220	13	-	-
Stora Enso Skoghall AB	Machinery	Sweden	-	44	44	-	-	-
Others	-	-	-	217	185	32	-	-
				494	**449**	**45**	**-**	**-**
Total Contractual Commitments				**4 362**	**1 021**	**847**	**616**	**1 878**

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 748.5 (EUR 966.3) million as of 31 December 2004.

Stora Enso Oyj guaranteed the pension liabilities of its Swedish subsidiaries at the time of the 1998 merger; as of 31 December 2004, this guarantee amounted to EUR 258.4 (EUR 252.8) million, but maturity dates cannot be determined with any certainly.

Stora Enso Reisholz GmbH & Co. KG in Germany has given a guarantee to an energy supplier such that should it close its mill, it will pay compensation of EUR 1 million per annum until 2011.

Stora Enso Transport and Distribution AB, Sweden, has a time charter party with Wagenborg Scheepvaart B.V. of the Netherlands ("WSBV") concerning three vessels; WSBV has, in turn, chartered the three vessels from owners in Denmark. At the expiry of the three charter parties in 2015, Stora Enso Oyj has guaranteed to pay the owners an amount equal to the difference between the stipulated loss value and the net sale price obtained by the owners, however, always limited to 6/21 of the original facility amount. The maximum Group exposure under this guarantee amounted to EUR 32.8 (EUR 32.8) million at the year end.

The Group leases office and warehouse space under various non-cancellable operating leases, some of which contain renewal options. The future cost for contracts exceeding one year and for non-cancellable operating leasing contracts are:

Repayment Schedule of Operating Lease Commitments

	As at 31 December		
EUR million	**2002**	**2003**	**2004**
Less than 1 year	41.5	34.3	32.6
1–2 years	42.4	26.0	27.1
2–3 years	25.7	21.2	22.8
3–4 years	19.3	17.8	18.9
4–5 years	18.5	16.9	17.1
Over 5 years	131.3	89.3	73.3
	278.7	**205.5**	**191.8**

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.

In May 2004 Stora Enso was the subject of inspections carried out by the European Commission and the Finnish Competition Authority at locations in Europe and received subpoenas issued by the US Department of Justice as part of preliminary anti-trust investigations into the paper industry in Europe and the US. The investigations by the authorities in both jurisdictions are at a fact-finding stage only and no formal allegations have been made against the Group or any of its employees. Coincident with these investigations, Stora Enso was named in a number of class action lawsuits filed in the US. No provisions have been made.

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.

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 98% (95%) 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**	**17.73**	X	X		X		X	X
Stora Enso North America Corp +*	USA	13.28	X	X		X			X
Stora Enso Publication Papers Oy Ltd +	Finland	5.36	X						
Stora Enso Skoghall AB *	Sweden	3.80				X			
Stora Enso Maxau GmbH & Co KG	Germany	3.12	X						
Stora Enso Kabel GmbH & Co KG	Germany	3.07	X						
Stora Enso Hylte AB *	Sweden	2.78	X						
Stora Enso Kvarnsveden AB *	Sweden	2.74	X						
Stora Enso Fors AB *	Sweden	2.45				X			
Stora Enso Corbehem SA	France	2.25	X						
Stora Enso Port Hawkesbury Ltd *	Canada	2.22	X						
Stora Enso Timber Oy Ltd +	Finland	2.12					X		
Stora Enso Timber AG	Austria	2.11					X		
Stora Enso Nymölla AB *	Sweden	1.93		X					
Stora Enso Skog AB *	Sweden	1.91						X	
Stora Enso Langerbrugge NV +	Belgium	1.69	X						
Puumerkki Oy	Finland	1.67					X		
Stora Enso Pulp AB *	Sweden	1.57	X	X					
Stora Enso Uetersen GmbH & Co KG	Germany	1.42		X					
Papyrus Sweden AB *	Sweden	1.38			X				
Berghuizer Papierfabriek NV +	Netherlands	1.32		X					
Stora Enso Sachsen GmbH	Germany	1.30	X						
Stora Enso Baienfurt GmbH & Co KG	Germany	1.21				X			
Stora Enso Grycksbo AB *	Sweden	1.11		X					
Stora Enso Timber AB *	Sweden	1.08					X		
Stora Enso Ingerois Oy +	Finland	1.06				X			
Sydved AB (66.7%) *	Sweden	1.05						X	
Stora Enso Barcelona S.A.	Spain	1.04				X			
Stora Enso Reisholz GmbH & Co KG	Germany	1.01	X						
Stora Enso Timber AS (66.0%) *	Estonia	1.00					X		
Laminating Papers Oy +	Finland	0.91				X			
Stora Enso Timber US Corp. *	USA	0.88					X		
Stora Enso Suzhou Paper Co Ltd (80.9%) *	China	0.83		X					
Enocell Oy (98.4%) +	Finland	0.82				X			
Papyrus France SA	France	0.80			X				
Stora Enso Packaging Oy +	Finland	0.77				X			
Papyrus A/S *	Denmark	0.74			X				
Stora Enso Packaging AB *	Sweden	0.71				X			
Papyrus SA	Belgium	0.57			X				
Stora Enso Timber Zdirec sro *	Czech	0.49					X		
Celulose Beira Industrial SA	Portugal	0.48		X					
Stora Enso Timber Bad St Leonard GmbH	Austria	0.47					X		
Corenso United Oy Ltd (71.0%) +	Finland	0.42				X			
ZAO Stora Enso Packaging (93.5%) *	Russia	0.37				X			
Stora Enso Pankakoski Oy Ltd	Finland	0.36				X			
Stora Enso Bois SA	France	0.33					X		
Sydved Energileveranser AB (66.7%) *	Sweden	0.32						X	
Stora Enso Lumber Trading GmbH	Austria	0.31					X		
Papyrus Norge A/S *	Norway	0.30			X				
Papyrus Finland Oy +	Finland	0.29			X				X
Scaldia Papier BV	Netherlands	0.28			X				

The majority of production employees are members of labour unions with which either the Group or the forest industry customarily negotiate collective bargaining agreements in Europe. Salaries for senior management are negotiated individually. Stora Enso has incentive plans that take into account the performance, development and results of both business units and individual employees. This performance-based bonus system is based on profitability as well as on attaining key business targets.

Bonus Programmes

Division and Business Unit management have annual bonus programmes based on the corporate target return on capital employed 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, for the majority of employees, at least 50% of the bonuses are dependent on financial targets, 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.

Share Based Programmes for Management

In 2004 the Board approved the implementation of two new share based programmes to complement and partially replace the existing option programme. The changes were made in response to the competitive market trend away from option programmes towards share base award schemes, stimulated by the change in international accounting standards. The new programmes are synthetic share awards where designated employees will receive existing Stora Enso R shares, not new shares. The new programmes are targeted at 200 key managers and staff in the Group and replace 50% of the existing option programme for these employees; consequently the number of options issued under the 2004 share option programme has been reduced. The total number of shares that may be awarded under these two new share programmes is 652 500.

The Performance Share Plan will deliver awards to managers and key employees in each March over a three year period, starting in 2005, based on the Group performance during each of the preceding financial years. The performance target is for the corporate return on capital employed to equal the weighted average cost of capital before any shares are awarded. The intended range of awards over the three year period is from 850 to 10 000 shares with a maximum of one and one half times the award when the corporate return on capital employed exceeds the weighted average cost of capital by 4 percentage points. The Restricted Share Plan will similarly deliver shares to managers and key employees over the same three year period subject to the employee remaining in employment of Stora Enso on the intended award date.

The Board also approved awarding shares under the restricted plan to a maximum of 50 key top young talents with a condition that they remain in employment for at least 5 years. The level for these award was set at 2 500 to 5 000 shares and the maximum number of shares that may be issued is 187 500.

The new share plans do not confer any beneficial interest at grant and the holder has no rights to receive shares until the future award dates materialise.

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
2004	Synthetic	2004	1 000	EUR 11.15	4 675 300	4 644 050	1 Mar 2007–28 Feb 2011
2003	Synthetic	2003	1 000	EUR 10.00	6 064 150	5 945 400	8 Feb 2006–7 Feb 2010
2002	Synthetic	2002	1 000	EUR 16.50	5 902 000	5 702 000	8 Feb 2005–7 Feb 2009
2001	Synthetic	2001	500	EUR 11.70	4 215 000	3 995 000	1 Apr 2004–31 Mar 2008
2000	Synthetic	2000	200	EUR 12.25	2 800 000	2 555 000	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 (closed)	Warrants	1997	15	FIM 45.57 (EUR 7.66)	3 000 000	0	1 Dec 1998–31 Mar 2004
North America	Stock options	2000	839	USD 6.9687 (EUR 5.51)	5 680 000	1 166 559	11 Sep 2000–4 Feb 2010

Option Programmes for Management (1999 to 2004)
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 seven-year programmes consist of financially hedged options and synthetic options, which avoid diluting the number of shares in issue, with strike prices set at levels representing then-current market prices plus 10% premiums. Depending on local circumstances, option holders will receive either a payment in cash, representing the difference between the strike price and the share price at the time of exercise, or an option to purchase existing R shares, though not new shares. Options are not transferable and expire if the employee leaves the Group.

The strike price for the 2004 Programme has been set at EUR 11.15 based on the average price for R shares from 5 February to 12 February 2004, plus a 10% premium. 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 earliest exercise date was 1 April 2004. 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 2004, no options from the 1999 to 2004 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, 733 133 (570 292) options were exercised, of which 685 085 (522 540) resulted in cash compensation and 48 048 (47 752) in the allocation of repurchased R shares. At 31 December 2004, 1 166 559 (1 899 692) options were still outstanding.

Option Programme for Management (1997): Fully Subscribed and Closed
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 accrued annual interest of 4.0%, had a maturity of five years and carried 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 ran from 1 December 1998 to 31 March 2004 and the bond entitled the holder to receive a dividend for the year in which the warrants were exercised. In 2004, a final 789 000 shares were issued, thus by 8 April 2004 the Programme had been fully subscribed and a total of 3 000 000 new R shares had been issued against the warrants, representing 0.3% of the share capital and 0.1% of the voting rights.

Director and Management Group Interests as at 31 December 2004

Board of Directors	Series A Shares Held	Series R Shares Held	Options	Committee Memberships (1) Chairman
Claes Dahlbäck, Chairman	2 541	19 529	-	Compensation (1), Nomination
Krister Ahlström, Vice Chairman	1 500	-	-	Compensation, Nomination (1)
Lee A. Chaden (ADRs)	-	3 500	-	-
Harald Einsmann (ADRs)	-	4 800	-	Compensation, Nomination
Björn Hägglund, Deputy CEO	-	-	-	-
Jukka Härmälä, CEO	-	-	-	-
Barbara Kux	-	-	-	Financial & Audit
Ilkka Niemi	-	-	-	Compensation, Nomination, Financial & Audit
Paavo Pitkänen	-	3 800	-	Financial & Audit
Jan Sjöqvist	508	1 943	-	Financial & Audit (1)
Marcus Wallenberg	2 795	5 367	-	Financial & Audit
Total	**7 344**	**38 939**	-	

Executive Management Group (EMG)	Series A Shares Held	Series R Shares Held	Synthetic Options 1999–2003	Synthetic Options 2004	Committee Memberships (1) Chairman
Jukka Härmälä, CEO	-	6 500	552 500	60 000	-
Björn Hägglund, Deputy CEO	7 877	14 618	453 750	45 000	Sustainability (1) R&D (1)
Lars Bengtsson	-	-	211 900	22 500	-
Jussi Huttunen	-	-	136 800	22 500	Sustainability
Kai Korhonen	-	-	226 900	22 500	Sustainability, R&D
Pekka Laaksonen	15 000	-	226 900	22 500	Sustainability
Esko Mäkeläinen	1 900	4 669	226 900	22 500	-
Arno Pelkonen	-	-	196 900	22 500	Sustainability, R&D
Bernd Rettig	-	-	226 900	22 500	R&D
Yngve Stade	-	725	226 900	22 500	Sustainability, R&D, Investments
Total	**24 777**	**26 512**	**2 686 350**	**285 000**	

Management Group consisting of the EMG and:	Series A Shares Held	Series R Shares Held	Synthetic Options 1999–2003	Synthetic Options 2004	Committee Memberships (1) Chairman
Christer Ågren	-	3 000	152 900	15 000	Sustainability
John F Bergin (ADRs)	-	80 715	50 000	11 250	-
Magnus Diesen	1 000	-	137 900	15 000	Investment (1)
Nils Grafström	2 000	-	75 000	22 500	-
Walter Haberland	-	-	82 900	11 250	-
Peter Kickinger	-	-	69 100	15 000	Investment
Jyrki Kurkinen	-	32 568	122 900	11 250	Disclosure
Mats Nordlander	-	-	60 900	15 000	-
Markku Pentikäinen	-	-	70 300	15 000	-
Eberhard Potempa	-	-	96 000	11 250	-
Niilo Pöyhönen	-	-	80 900	11 250	R&D
Keith B Russell	-	7 000	90 000	22 500	-
Elisabet Salander Björklund	-	-	57 300	15 000	Sustainability
Kari Vainio	-	3 800	152 900	15 000	Sustainability
Petri Wager	-	-	88 600	15 000	Sustainability
Total	**3 000**	**127 083**	**1 387 600**	**221 250**	
Grand Total	**35 121**	**192 534**	**4 073 950**	**506 250**	

Details of officers who retired during the year are not given.

During the last three years, Stora Enso has not been involved in any material transactions with any Group directors or executive officers, any of the 10% shareholders, or any relative or spouse of any of these persons. With certain limitations, the Finnish Companies Act permits members of the Board of Directors to borrow money from the Group so long as such loans are secured and within the limits of distributable equity. However, no directors or executive officers and none of the 10% shareholders owe any significant amounts to the Group. The Group has not, directly or indirectly, extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any of directors or executive officers in violation of the US Exchange Act.

In the ordinary course of business, the Group engages in transactions on commercial terms with associated companies and other related parties that are no less favourable than would be available to other third parties. Stora Enso intends to continue with transactions on a similar basis with its Associates, further details of which are shown in Note 13.

Chemical Pulp

Although most chemical pulp requirements are produced internally, some is purchased from the pulp mill of Sunila Oy, a 50% associated company owned jointly with Myllykoski Oy. Stora Enso supplies fibre to Sunila, selling them EUR 36.6 (EUR 33.4) million of wood during the year, and in return, Sunila sells the resulting pulp back to the Group, all at market prices; in 2004 the Group purchased 156 696 (123 921) metric tons from Sunila for a total price of EUR 66.5 (EUR 49.1) million.

Energy

Stora Enso holds a 15.7% interest in Pohjolan Voima Oy, a power producer that is a majority shareholder in Teollisuuden Voima Oy, one of Finland's two nuclear power companies. Prices paid to Pohjolan Voima for electricity are based on production costs, which are generally lower than market prices, and the Group has the right to appoint a Board Director.

Financial Arrangements

The Group borrows from, or has financial arrangements with, several financial institutions where certain members of the Stora Enso Board of Directors or Executive Management Group also act as members of the Board of Directors, Supervisory Board or Executive Management Group of one or more of those bodies. These include Skandinaviska Enskilda Banken AB in the case of Marcus Wallenberg, Varma Mutual Pension Insurance Company in the case of Jukka Härmälä and Paavo Pitkänen, and Mutual Pension Insurance Company Ilmarinen in the case of Esko Mäkeläinen. All Group borrowings and financial arrangements have been negotiated on arms-length terms and several have existed for a number of years and prior to the current board membership.

Research and Development

Stora Enso conducts research and development activities through Oy Keskuslaboratorio ("KCL") in which a 30% interest is held. Part of the Group's basic research requirements is sourced from KCL, which also performs research on a contract basis at cost; in 2004 total payments to KCL amounted to EUR 5.0 (EUR 5.7) million. Discoveries made in the process of its research activities are the property of KCL, which makes a decision whether to apply for a patent for each discovery on a case-by-case basis. If a patent is granted, the four corporate owners of KCL, one being Stora Enso, have a right to use the patent. If, however, KCL decides not to apply for a patent, the discovery is auctioned to its corporate owners or, if they are not interested, to unrelated third parties.

Recycled Paper

The Group owns minority interests in several paper recyclers from whom recycled paper is purchased at market prices, this amounting to EUR 36.9 (EUR 20.2) million for the year.

Restructured Forest Assets and Wood Procurement

In July 2002 the Group transferred some 600 000 hectares (approximately 1.5 million acres) of forest land and related operations in Finland to a newly-formed subsidiary Tornator Oy. In December 2002 Tornator Oy was sold to Tornator Timberland Oy, in which the Group holding is 41% with the remaining 59% being held by Finnish institutional investors. One such investor with a 13.3% holding is Varma Mutual Pension Insurance Company, where Jukka Härmälä, Stora Enso's CEO, is the vice chairman of the Supervisory Board and another board member, Paavo Pitkänen, was till recently the president, CEO, and a member of the Board. Stora Enso has longterm supply contracts with the Tornator Group for approximately 1.5 million cubic meters of wood annually at market prices and in 2004 purchases came to EUR 46.7 (EUR 44.9) million.

In March 2004 Stora Enso transferred some 1.5 million hectares (approximately 3.7 million acres) of forest land and related operations in Sweden to a newly-formed company Bergvik Skog AB, of which 43.3% was owned by the group and 5.0% by Korsnäs AB, a Swedish forest industry company controlled by the Kinnevik Group. The remaining 51.7% was sold to institutional investors as a result of which a gain of EUR 113.9 million was recorded. These investors include the Knut and Alice Wallenberg Foundation with a holding of 7.0%; however they also control 23.8 percent of the voting rights in Stora Enso. The Group has longterm supply contracts with Bergvik Skog AB under which it sells some 4.5 million cubic meters of wood annually at market prices; in 2004 purchases of 3.98 million cubic meters came to EUR 97.3 million with Group sales to Bergvik being EUR 25.4 million.

Stevedoring

The Group currently owns 34.3% of the shares of Steveco Oy, a Finnish company engaged in loading and unloading vessels, the other shareholders being UPM-Kymmene, Finnlines, Ahlström and Myllykoski Paper. Stevedoring services provided by Steveco are at market prices and, in 2004, amounted to EUR 21.9 (EUR 20.8) million.

Note 30 Earnings per Share and Equity per Share

Earnings per Share

	Year Ended 31 December		
	2002	2003	2004
Net (loss)/profit for the period EUR million	**-240.7**	**137.9**	**739.7**
Weighted average number of Series A and R shares	**889 606 185**	**851 127 954**	**829 396 446**
Effect of warrants	349 362	194 214	610 540
Diluted number of shares	**889 955 547**	**851 326 168**	**830 006 986**
Basic (Loss)/Earnings per Share, EUR	**-0.27**	**0.16**	**0.89**

There was no difference between Basic Earnings per Shares and Diluted Earnings due to the immaterial effect of the warrants.

Equity per Share

	As at 31 December		
	2002	2003	2004
Shareholders' Equity, EUR million	**8 034.8**	**7 952.9**	**8 051.1**
Market value, EUR million	**9 051.9**	**9 288.3**	**9 485.9**
Number of series A and R shares	**871 438 368**	**838 073 020**	**820 436 168**
Basic Shareholders' Equity per share, EUR	**9.22**	**9.49**	**9.81**
Dividend per share paid/declared, EUR	**0.45**	**0.45**	**0.45**
Market value per share, EUR			
A shares	10.10	11.00	11.55
R shares	10.05	10.68	11.27
Average	**10.06**	**10.75**	**11.33**

Note 31 Post-Balance Sheet Events

On 25 January 2005 Stora Enso signed a new EUR 1.75 billion syndicated credit facility agreement with a group of 23 banks. The five year facility is for general corporate purposes, including the refinancing of an existing EUR 2.5 billion syndicated facility, and has a margin of 0.275% p.a. over Euribor.

In February 2003 Stora Enso Timber acquired a 66% interest in the sawmilling operations AS Sylvester, Estonia largest such company with extensive interest in the Baltic States. The original purchase agreement included an option to buy out the remaining AS Sylvester minority for a consideration to be determined by performance targets; this option has now been exercised and the purchase is expected to be completed in the first quarter of 2005 upon which, subject to 3.82% minority in the Imavere sawmill operation, Stora Enso Timber's Baltic operations will become 100% owned.

Stora Enso is in negotiations to acquire a leading French paper merchant, Papeteries de France, from International Paper. The company has net sales of about EUR 160 million, employing some 220 staff in France, and would become part of the Stora Enso Merchant division. The acquisition is expected to be closed late in the first quarter of 2005, subject to formal processes and approval by regulatory authorities. This acquisition is a further step in strengthening the Stora Enso Merchant presence in France and Western Europe following the decision to develop this segment as a core business area.

Parent Company Financial Statements and Notes

Parent Company Income Statement

EUR million	Note	Year Ended 31 December 2003	2004
Sales		**3 021.8**	**3 151.1**
Finished and semi-finished goods, increase		-6.9	17.1
Production for own use		2.7	2.3
Other operating income	2	128.8	134.4
Materials and services	3	-1 932.7	-2 060.6
Personnel expenses	4	-319.4	-326.3
Depreciation and value adjustments	7	-227.0	-247.3
Other operating expenses	5	-531.4	-543.5
Operating Profit		**135.9**	**127.2**
Net financial items	6	1 838.7	-0.6
Profit before Extraordinary Items		**1 974.6**	**126.6**
Extraordinary income	8	91.9	94.1
Extraordinary expense	8	-0.6	-41.1
Profit before Appropriations and Taxes		**2 065.9**	**179.6**
Appropriations	10	-33.5	-14.4
Income tax expense		-50.7	-44.1
Net Profit for the Period		**1 981.7**	**121.1**

The operations of the subsidiary companies Oy Holy Ab, Stora Enso Forest Consulting Oy Ltd, Stora Enso Teollisuustontit Oy and Pakkaus-Piste Oy were merged into the Parent Company on 1 December 2004 and the above figures include their results from that date.

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 2003	2004
Cash Provided by Operating Activities		
Net profit for the period	1 981.7	121.1
Reversal of non-cash items:		
Taxes	50.7	44.1
Appropriations	33.5	14.4
Extraordinary items	-91.3	-53.0
Depreciation, amortisation and impairment	227.0	247.4
Profit/losses on sale of fixed assets	1.6	-3.2
Net financial income	-1 838.7	0.6
Interest received	102.0	61.3
Interest paid, net of amounts capitalised	-198.5	-194.2
Dividends received	232.3	48.3
Other financial items, net	193.0	186.4
Income taxes paid	92.3	-29.1
Change in net working capital	250.3	106.9
Net Cash Provided by Operating Activities	**1 035.9**	**551.0**
Cash Flow from Investing Activities		
Acquisition of subsidiary shares, net of cash	-610.0	-462.5
Investment in shares in other companies	-	-9.3
Capital expenditure	-207.3	-128.8
Proceeds from disposal of subsidiary shares, net of cash	0.9	3.5
Proceeds from disposal of shares in associated companies	0.3	0.5
Proceeds from disposal of shares in other companies	17.3	15.4
Proceeds from sale of fixed assets	0.8	3.5
Proceeds from (payment of) long-term receivables, net	-286.5	-23.1
Net Cash Used in Investing Activities	**-1 084.5**	**-600.8**
Cash Flow from Financing Activities		
Proceeds from (payment of) long-term liabilities, net	-299.7	-744.3
Proceeds from (payment of) short-term borrowings, net	1 532.7	-436.2
Dividends paid	-387.7	-375.7
Share repurchases	-319.1	-198.6
Proceeds from issue of share capital	2.3	4.4
Net Cash Used in Financing Activities	**528.5**	**-1 750.4**
Net Increase (Decrease) in Cash and Cash Equivalents	**479.9**	**-1 800.2**
Translation adjustment	-13.9	23.6
Cash and cash equivalents from merged companies	-	2.5
Cash and cash equivalents at beginning of year	2 141.1	2 607.1
Cash and Cash Equivalents at Year End	**2 607.1**	**832.9**

Parent Company Balance Sheet

Assets

EUR million	Note	As at 31 December 2003	2004
Fixed Assets and Other Long-term Investments			
Intangible assets	9	128.8	118.4
Tangible assets	9	2 058.8	1 959.7
Shares in Group companies	12	11 600.4	12 500.9
Shares in associated companies	12	53.9	52.8
Shares in other companies	12	292.2	287.4
Long-term loan receivables	12	528.2	578.9
		14 662.3	**15 498.1**
Current Assets			
Inventories	13	318.6	316.8
Short-term receivables	14	523.6	539.3
Interest-bearing receivables	15	2 957.8	1 111.0
Treasury shares	16	258.0	180.8
Cash and cash equivalents		66.1	108.3
		4 124.1	**2 256.2**
Total Assets		**18 786.4**	**17 754.3**

Shareholders' Equity and Liabilities

EUR million	Note	As at 31 December 2003	2004
Shareholders' Equity			
Share capital		1 469.3	1 423.3
Share issue		1.7	-
Share premium fund		4 630.2	4 406.5
Treasury shares		258.0	180.8
Reserve fund		353.9	353.9
Retained earnings		2 756.2	4 439.1
Net profit for the period		1 981.7	121.1
	16	**11 451.0**	**10 924.7**
Appropriations			
Depreciation reserve	10	**946.3**	**960.7**
Provisions			
Other provisions		**9.2**	**8.1**
Long-term Liabilities	17	**2 869.4**	**2 928.9**
Current Liabilities			
Current portion of long-term debt	17	265.2	60.5
Short-term borrowings	18	2 921.5	2 453.9
Other current liabilities	19	323.8	417.5
		3 510.5	**2 931.9**
Total Shareholders' Equity and Liabilities		**18 786.4**	**17 754.3**

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 2003	2004
Profit on sale of fixed assets	1.4	3.5
Rent	15.3	15.6
Insurance compensation	1.2	1.1
Subsidies	2.4	2.6
Other	108.5	111.5
	128.8	**134.4**

Note 3 Materials and Services

EUR million	Year Ended 31 December 2003	2004
Materials and supplies		
Purchases during the period	1 561.6	1 637.0
Change in inventories	-3.5	23.9
	1 558.1	1 660.9
External Services	374.6	399.7
	1 932.7	**2 060.6**

Note 4 Personnel Expenses

EUR million	Year Ended 31 December 2003	2004
Wages and salaries	247.4	248.6
Pensions	47.6	52.5
Other statutory employer contributions	24.4	25.2
	319.4	**326.3**

The remuneration of the Board of Directors and the CEO amounted to EUR 0.9 (EUR 0.9) million.

Average Number of Personnel	**6 352**	**6 319**

Note 5 Other Operating Expenses

EUR million	Year Ended 31 December 2003	2004
Loss on sale of fixed assets / shares	**3.0**	**0.3**

Included in other operating expenses

Note 6 Net Financial Items

EUR million	Year Ended 31 December 2003	2004
Financial Income		
Dividend income		
Group companies	1 686.0	15.4
Associated companies	2.4	7.9
Other companies	9.0	25.0
	1 697.4	48.3
Interest income from long-term investments		
Group companies	18.6	19.6
Other	2.2	-
	20.8	19.6
Other Interest and Financial Income		
Group companies	71.7	45.5
Other	67.7	9.1
	139.4	54.6
Total Investment, Interest and Financial Income	**1 857.6**	**122.5**
Exchange Rate Difference on Financial Items	**164.4**	**80.9**
Value Adjustments on Long-term Financial Investments	**29.7**	**-12.3**
Interest and Other Financial Expense		
Group companies	-57.9	-53.7
Other	-155.1	-138.0
	-213.0	**-191.7**
Net Financial Items	**1 838.7**	**-0.6**

Note 7 Depreciation According to Plan

EUR million	Year Ended 31 December 2003	2004
Intangible rights	9.0	10.3
Goodwill	10.7	10.7
Other intangible assets	0.2	0.1
Total for Intangibles	19.9	21.1
Buildings and structures	20.4	22.1
Machinery and equipment	177.3	194.7
Other tangible assets	9.4	9.4
Total Depreciation	**227.0**	**247.3**

Note 8 Extraordinary Items

EUR million	Year Ended 31 December 2003	2004
Income		
Group contributions	91.5	93.0
Merger gains	0.4	1.1
	91.9	**94.1**
Expense		
Group contributions	**0.6**	**41.1**

Note 9 Fixed Assets

EUR million	Year Ended 31 December 2004 Intangible Assets	Land and Water	Buildings and Structures	Machinery and Equipment	Other Tangible Assets
Acquisition Cost					
At 1 January	194.4	24.0	571.1	2 397.4	278.8
Additions	10.7	11.3	16.7	181.8	27.6
Disposals	-0.1	-0.1	-2.2	-7.0	-107.9
Acquisition Cost at 31 December	205.0	35.2	585.6	2 572.2	198.5
Accumulated Depreciation					
At 31 December	86.6	-	166.0	1 188.8	77.0
Net Book Value at 31 December 2004	**118.4**	**35.2**	**419.6**	**1 383.4**	**121.5**
Net Book Value at 31 December 2003	**128.8**	**24.0**	**426.1**	**1 397.5**	**211.2**

The Company had capitalised interest on the construction of qualifying assets at the year end of EUR 12.2 (EUR 16.0) million; the amount added for the year totalled EUR 0.0 (EUR 0.0) million against an amortisation charge amounting to EUR 3.8 (EUR 2.0) million.

Note 10 Depreciation Reserve

EUR million	Year Ended 31 December 2004 Intangible Assets	Buildings and Structures	Machinery and Equipment	Other Tangible Assets	Total
Accumulated difference at 1 January	5.9	153.1	750.6	36.7	946.3
Increase	-	-1.1	13.3	3.3	15.5
Decrease	-0.2	0.3	-1.2	-	-1.1
Accumulated difference at 31 December 2004	**5.7**	**152.3**	**762.7**	**40.0**	**960.7**

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 2003	2004
Group Companies		
Shares	11 600.4	12 500.9
Loan receivables	527.7	578.7
Total	**12 128.1**	**13 079.6**
Associated Companies		
Shares	53.9	52.8
Loan receivables	-	-
Total	**53.9**	**52.8**
Other Companies		
Shares	177.2	172.4
Revaluations	115.0	115.0
	292.2	287.4
Loan receivables	0.5	0.2
Total	**292.7**	**287.6**

Holdings in listed companies had a net book value of EUR 107.8 (EUR 107.8) million and a market value of EUR 191.9 (EUR 190.5) million.

Note 13 Inventories

EUR million	As at 31 December 2003	2004
Materials and supplies	149.5	125.6
Work in progress	7.2	10.1
Finished goods	157.5	171.7
Other inventories	4.4	9.3
	318.6	**316.7**

Note 14 Short-term Receivables

EUR million	As at 31 December 2003	2004
Accounts Receivable		
Group companies	92.4	111.2
Associated companies	5.4	3.3
Others	265.5	275.2
	363.3	**389.7**
Prepaid Expenses and Accrued Income		
Group companies	2.5	3.5
Associated companies	-	0.2
Others	37.4	20.3
	39.9	**24.0**
Other Receivables		
Group companies	92.4	96.0
Associated companies	-	0.8
Others	28.0	28.8
	120.4	**125.6**
Total Short-term Receivables	**523.6**	**539.3**

Note 15 Interest-bearing Receivables

EUR million	As at 31 December 2003	2004
Group		
Loan receivables	85.6	95.8
Interest receivable	20.0	27.4
Other securities	2 639.9	845.9
	2 745.5	**969.1**
Others		
Loan receivables	0.1	0.1
Interest receivable	212.2	137.5
Other securities	-	4.3
Total	**2 957.8**	**1 111.0**

Note 16 Shareholders' Equity

EUR million	Year Ended 31 December 2003	2004
Share capital at 1 January	1 529.6	1 469.3
Cancellation of treasury shares (nominal value)	-60.5	-47.3
Warrants exercised	0.2	1.3
Share Capital at 31 December	**1 469.3**	**1 423.3**

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	4 945.2	4 630.2
Increase / (-decrease)	-315.0	-223.7
Share Premium Fund at 31 December	**4 630.2**	**4 406.5**
Treasury shares at 1 January	314.9	258.0
Repurchase of own shares	319.1	198.6
Cancellation of shares	-376.0	-275.8
Treasury Shares at 31 December	**258.0**	**180.8**
Reserve Fund	**353.9**	**353.9**
Retained earnings at 1 January	3 087.1	4 737.9
Dividends paid	-387.7	-375.7
Acquisition of treasury shares	-319.2	-198.6
Cancellation of treasury shares	376.0	275.8
Transfer	-	-0.3
	2 756.2	**4 439.1**
Profit for the period	1 981.7	121.1
Retained Earnings at 31 December	**4 737.9**	**4 560.2**
Total Shareholders' Equity	**11 451.0**	**10 924.7**
Distributable Funds		
Non-restricted equity	4 995.9	4 741.0
Treasury shares	-258.0	-180.8
	4 737.9	**4 560.2**

Note 17 Long-term Liabilities

EUR million	Repayment Schedule of Long-term Debt as at 31 December						
	2005	2006	2007	2008	2009	2010+	Total
Bond loans	5.3	311.2	423.9	91.6	474.8	1 163.4	2 470.2
Loans from credit institutions	55.1	23.7	145.7	23.7	22.7	118.2	389.1
Other long-term liabilities	0.1	0.1	0.1	0.1	0.1	4.4	4.9
Other long-term liabilities: Group companies	-	-	125.2	-	-	-	125.2
	60.5	**335.0**	**694.9**	**115.4**	**497.6**	**1 286.0**	**2 989.4**
Current Liabilities: Repayable within 12 months							**60.5**
Long-term Liabilities: Repayable after 12 months							**2 928.9**

Note 18 Short-term Borrowings

EUR million	As at 31 December	
	2003	2004
Group companies	2 133.9	2 021.4
Others	787.6	432.5
Total	**2 921.5**	**2 453.9**

Note 19 Other Current Liabilities

EUR million	As at 31 December	
	2003	2004
Advances Received		
Others	**16.5**	**2.8**
Trade Payables		
Group companies	41.6	40.0
Associated companies	0.8	1.1
Others	106.3	131.8
	148.7	**172.9**
Other Current Liabilities		
Group companies	0.7	41.2
Others	32.3	54.2
	33.0	**95.4**
Accrued Liabilities and Deferred Income		
Group companies	13.5	11.9
Others	112.1	134.5
	125.6	**146.4**
Total	**323.8**	**417.5**

Note 20 Commitments and Contingent Liabilities

EUR million	As at 31 December	
	2003	2004
On own behalf		
Pledges given	0.8	0.8
Mortgages	21.4	46.4
On behalf of Group companies		
Guarantees	966.3	748.5
On behalf of associated companies		
Guarantees	23.7	200.2
On behalf of others		
Guarantees	0.7	0.6
Other commitments, own		
Leasing commitments, next 12 months	1.3	1.5
Leasing commitments, after next 12 months	0.4	0.4
Other commitments	0.7	0.7
Total	**1 015.3**	**999.1**
Pledges given	0.8	0.8
Mortgages	21.4	46.4
Guarantees	990.7	949.3
Leasing commitments	1.7	1.9
Other commitments	0.7	0.7
Total	**1 015.3**	**999.1**

Note 21 Fair Value of Open Financial Instruments

EUR million	As at 31 December			
	Nominal Value		Fair Value	
	2003	2004	2003	2004
Interest Rate Derivatives				
Interest rate swap agreements	1 945.8	2 763.7	108.7	140.9
Interest rate options	23.8	198.4	0.5	1.1
	1 969.6	2 962.1	109.2	142.0
Foreign Exchange Derivatives				
Forward agreements	4 491.3	3 677.9	61.3	-96.0
Cross currency swap agreements	129.4	102.7	-11.0	-11.6
Currency options	208.1	668.5	0.7	1.4
	4 828.8	4 449.1	51.0	-106.2
Commodity Derivatives	879.1	814.1	18.5	3.5
Equity Swaps	308.4	359.5	-36.0	-11.4

The fair value of a derivative represents the result to date, being the movement away from the par nominal value.

Proposal for the Distribution of Dividend

The Consolidated Balance Sheet at 31 December 2004 shows retained earnings of EUR 5 950.7 million, of which EUR 3 674.6 million is distributable.

The Parent Company distributable shareholders' equity at 31 December 2004 amounted to EUR 4 560 109 963.20 and therefore the Board of Directors proposes to the Annual General Meeting of the Company that the profit for the financial period of EUR 121 047 682.03 be transferred to retained earnings and that the dividend be distributed as follows:

Profits from previous periods	4 439 062 281.17
Profit for the financial period	121 047 682.03
Dividend of EUR 0.45 per share to be distributed on 837 243 399 shares	-376 759 529.55
Retained earnings after the distribution of dividend	4 183 350 433.65

Helsinki, 2 February 2005

Claes Dahlbäck
Chairman

Krister Ahlström
Vice Chairman

Lee A. Chaden

Harald Einsmann

Barbara Kux

Ilkka Niemi

Paavo Pitkänen

Jan Sjöqvist

Marcus Wallenberg

Jukka Härmälä
CEO

Björn Hägglund
Deputy CEO

Auditors' Report

To the Shareholders of Stora Enso Oyj

We have audited the accounting records, the financial statements and the administration of Stora Enso Oyj for the year ended December 31, 2004. 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, and parent company financial statements prepared in accordance with prevailing rules and regulations in Finland. 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 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, 28 February, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Board of Directors

Claes Dahlbäck
M.Sc. (Econ.), Ph.D.h.c
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 member of 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 Nomination Committee since 14 August 2003, and Chairman since 18 March 2004. Member of Compensation Committee since 23 December 1998. Has 1 500 A shares in Stora Enso.

Lee A. Chaden
MBA, B.Sc. (Ind. Eng.)
Independent member of Stora Enso Board of Directors since March 2004
Born 1942. Executive Vice President of Sara Lee Corporation and CEO of Sara Lee Branded Apparel. Previously Executive Vice President of Global Marketing and Sales for Sara Lee Corporation. Member of the Board of several civic and non-profit organisations. Has ADRs representing 3 500 R shares in Stora Enso.

Harald Einsmann
Ph.D. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1934. Member of the Board of Tesco Ltd, Checkpoint Systems USA, Carlson Companies USA 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 453 750 year 1999–2003 and 45 000 year 2004 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, Chairman of the Board of TT Foundation, member of the Board of Finnish Forest Industries Federation, The Research Institute of the Finnish Economy ETLA, Finnish Business and Policy Forum EVA, 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, and 552 500 year 1999–2003 and 60 000 year 2004 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. Member of Stora Enso Financial and Audit Committee since 18 March 2004. Has no 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 since 2001 and member of the Board of Aker Finnyards Inc. since 2003. 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, and member of Nomination Committee and Compensation Committee since 18 March 2004. Has no shares in Stora Enso.

Paavo Pitkänen
M.Sc. (Math.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1942. Former President and CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wärtsilä Corporation. 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 R shares in Stora Enso.

Jan Sjöqvist
M.Sc. (Econ.)
Independent member of Stora Enso Board of Directors since December 1998
Born 1948. Chairman of the Board of ODEN Anläggningsentreprenad AB and member of the Board of 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, and Financial and Audit Committee Financial Expert since 21 April 2004. 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 2 795 A and 5 367 R shares in Stora Enso.

George W. Mead, a member of the Stora Enso Board of Directors since August 2000, resigned from office on 18 March 2004. He was a member of Stora Enso Financial and Audit Committee from 20 March 2003 until 18 March 2004.

Year of issue of options/synthetic options: 1999, 2000, 2001, 2002, 2003 and 2004.

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.

Capacities by Mill in 2005

Publication Paper

Mill	Location	Grade	Capacity 1 000 t
Anjala	FIN	MFC, impr. news, book	515
Biron	USA	LWC	345
Corbehem	FRA	LWC	555
Duluth	USA	SC	235
Hylte	SWE	News	830
Kabel	DEU	LWC, MWC, HWC	615
Kimberly	USA	LWC	75
Kotka	FIN	MFC	170
Kvarnsveden	SWE	SC, news, impr. news	730
Langerbrugge	BEL	SC, news	560
Maxau	DEU	SC, news	685
Niagara	USA	LWC	220
Port Hawkesbury	CAN	SC, news	570
Reisholz	DEU	SC	215
Sachsen	DEU	News, directory	340
Summa	FIN	MF, news, impr. news	405
Varkaus	FIN	Directory, impr. news, news	285
Veitsiluoto	FIN	LWC, MWC	440
Whiting	USA	LWC	210
Wolfsheck	DEU	SC, wallpaper base	155
Total			**8 155**

Fine Paper

Mill	Location	Grade	Capacity 1 000 t
Berghuizer	NLD	WFU	235
Grycksbo	SWE	WFC	280
Imatra	FIN	WFU, coated specialities	300
Kimberly	USA	WFC, coated specialities	485
Nymölla	SWE	WFU	470
Oulu	FIN	WFC	970
Stevens Point	USA	Coated specialities	155
Suzhou	CHN	WFC	170
Uetersen	DEU	WFC, coated specialities	270
Wisconsin Rapids	USA	WFC, coated specialities	365
Varkaus	FIN	WFC, WFU	325
Veitsiluoto	FIN	WFU	550
Total			**4 575**

Packaging Boards

Mill	Location	Grade	Capacity 1 000 t
Consumer Boards			
Baienfurt	DEU	FBB	205
Barcelona	ESP	WLC	170
Fors	SWE	FBB	360
Imatra	FIN	SBS, FBB, LPB	895
Ingerois	FIN	FBB	200
Pankakoski	FIN	FBB, WPB, SBS	95
Skoghall	SWE	LPB, FBB, WTL, CKB	675
Total			**2 600**
Industrial Papers			
Heinola	FIN	SC fluting	280
Imatra	FIN	Laminating papers	25
Kotka	FIN	Laminating papers	160
Ostroleka	POL	Testliner, RCP fluting, sack and wrapping paper	250
Total			**715**
Coreboard			
Pori	FIN	Coreboard	120
Soustre	FRA	Coreboard	85
Varkaus	FIN	Coreboard	90
Wisconsin Rapids	USA	Coreboard	35
Total			**330**
TOTAL PACKAGING PAPER & BOARD			**3 645**
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	20
Corenso Edam	NLD	Cores	10
Corenso Elfes	DEU	Cores	35
Corenso Svenska	SWE	Cores	30
Corenso Tolosana	ESP	Cores	15
Corenso UK	GBR	Cores	40
Imatra	FIN	Cores	5
Loviisa	FIN	Cores	20
Pori	FIN	Cores	15
Wisconsin Rapids	USA	Cores	25
Total			**215**

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
CKB coated kraft back
RCP recovered paper
DIP deinked pulp
CTMP chemi-thermo-mechanical pulp

Packaging Boards

Mill	Location	Grade	Capacity Million m²
Corrugated Packaging			
Arzamas	RUS	Corrugated packaging	
Balabanovo	RUS	Corrugated packaging	
Heinola	FIN	Corrugated packaging	
Intercell	POL	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	LAT	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			**930**

Chemical Pulp

Mill	Location	Grade	Capacity 1 000 t
Celbi	PRT	Short-fibre pulp (eucalyptus)	305
Enocell	FIN	Short and long-fibre pulp	635
Kemijärvi	FIN	Long-fibre pulp	245
Norrsundet	SWE	Long-fibre pulp	295
Skutskär	SWE	Short-fibre long-fibre and fluff pulp	550
Kaukopää	FIN	Short and long-fibre pulp	860
Tainionkoski	FIN	Short and long-fibre pulp	175
Kotka	FIN	Long-fibre pulp	170
Nymölla	SWE	Short and long-fibre pulp	325
Oulu	FIN	Short and long-fibre pulp	375
Skoghall	SWE	Long-fibre pulp	285
Varkaus	FIN	Short and long-fibre pulp	215
Veitsiluoto	FIN	Short and long-fibre pulp	360
Wisconsin Rapids	USA	Short and long-fibre pulp	415
			5 210

Associated Companies

Mill	Location	Grade	Capacity 1 000 t
Sunila (50%)	FIN	Long-fibre pulp	185
**Veracel (50%)	BRA	Short-fibre pulp (eucalyptus)	*165
			350
Total Chemical Pulp			**5 560**
of which ***market pulp			800

* Due to start-up year ** The annual capacity of the mill will be 900 000 tonnes Stora Enso's share being 450 000 tonnes. *** Market pulp defined as dried pulp shipped out from the mill to external customers.

Deinked Pulp (DIP)

Mill	Location	Grade	Capacity 1 000 t
Duluth	USA	DIP	100
Keräyskuitu	FIN	DIP	70
Sachsen	DEU	DIP	420
Hylte	SWE	DIP	360
Langerbrugge	BEL	DIP	650
Maxau	DEU	DIP	280
Total			**1 880**

CTMP

Mill	Location	Grade	Capacity 1 000 t
Fors	SWE	CTMP	160
Kaukopää	FIN	CTMP	110
Skoghall	SWE	CTMP	215
Total			**485**

Wood Products

Mill	Location	Sawing Capacity 1 000 m³	Further Processing Capacity 1 000 m³
Bad St. Leonhard	AUT	360	240
Brand	AUT	420	250
Plana	CZE	350	255
Sollenau	AUT	410	310
Ybbs	AUT	700	400
Zdirec	CZE	590	60
Ala	SWE	360	25
Gruvön	SWE	360	150
Honkalahti	FIN	420	120
Impilahti	RUS	100	-
Kitee	FIN	390	120
Kopparfors	SWE	270	150
Kotka	FIN	320	60
Linghed	SWE	40	-
Tolkkinen	FIN	270	-
Uimaharju	FIN	300	-
Varkaus	FIN	345	100
Veitsiluoto	FIN	300	-
Alytus**	LIT	180	90
Imavere**	EST	400	120
Paikuse**	EST	220	80
Näpi**	EST	150	80
Launkalne**	LAT	215	-
Sauga**	EST	130	90
Nebolchi	RUS	120	-
Viljandi**	EST	-	12
Amsterdam	NLD	-	110
Lamco, Sollenau*	AUT	-	85
Wimmer, Pfarrkirchen***	DEU	-	170
Wimmer, Zdirec***	CZE	-	130
Total		**7 720**	**3 207**

* 51% owned by Stora Enso ** 66% owned by Stora Enso
*** 49% owned by Stora Enso

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 (%)	$100 \times \frac{\text{Operating profit}}{\text{Capital employed}^{1)\,2)}}$
Return on operating capital, ROOC (%)	$100 \times \frac{\text{Operating profit}}{\text{Operating capital}^{1)\,2)}}$
Return on equity, ROE (%)	$100 \times \frac{\text{Profit before tax and minority items – taxes}}{\text{Equity + minority interests}^{2)}}$
Equity ratio (%)	$100 \times \frac{\text{Equity + minority interests}}{\text{Total assets}}$
Interest-bearing net liabilities	Interest-bearing liabilities – interest-bearing assets
Debt/Equity ratio	$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}}$
Earnings per share	$\frac{\text{Profit for the period}}{\text{Average number of shares}}$
Cash earnings per share	$\frac{\text{Profit for the period + depreciation}}{\text{Average number of shares}}$
Equity per share	$\frac{\text{Equity}}{\text{Number of shares at the close of the period}}$
Dividend per share	$\frac{\text{Dividend for the period}}{\text{Number of shares}}$
Dividend yield	$100 \times \frac{\text{Dividend per share}}{\text{Share price at the close of the period}}$
Payout ratio (%)	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$

1) Capital employed = Operating capital – Net tax liabilities

2) Average for the financial period

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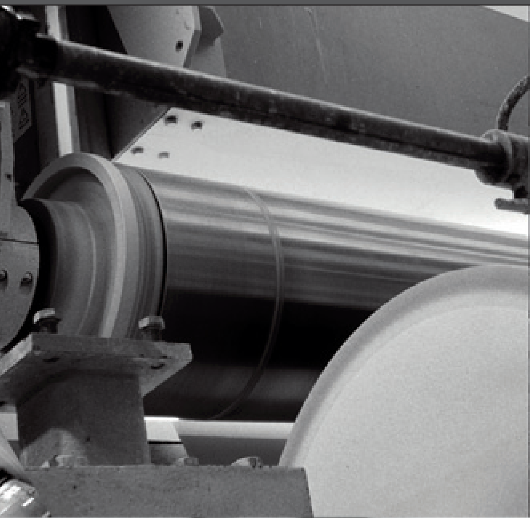
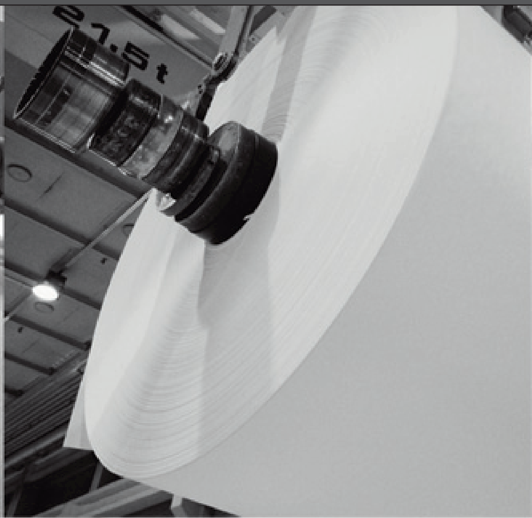
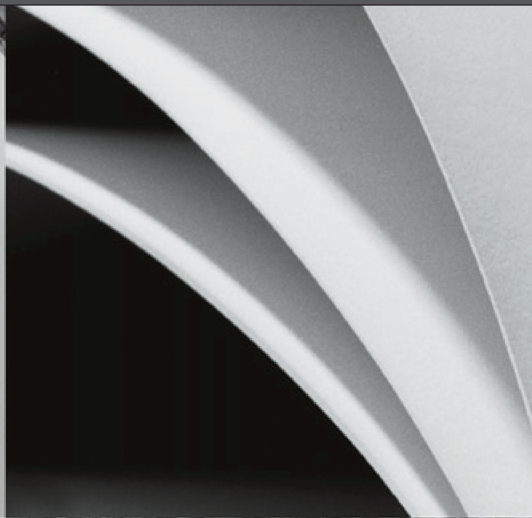
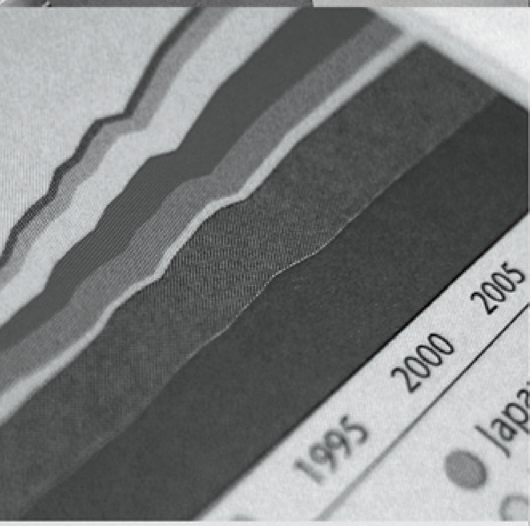




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