

Financial Review

Value Creation

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

Weighted Average Cost of Capital ("WACC")

WACC represents the aggregate cost of debt and equity. The cost of debt for Stora Enso's current loan portfolio approximates 6%. The cost of equity represents a risk-free long-term interest rate of 5% with an added risk premium of 4%, giving an aggregate cost after tax of 9%. Assuming an average tax rate of 35%, the pre-tax cost of equity is approximately 14% and, with a debt/equity ratio of 0.8, the WACC before tax is around 10%, being the figure applicable to the ROCE calculations; for discounted cash flow purposes, the corresponding WACC is about 7%.

Return On Capital Employed ("ROCE")

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

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

Operating Profit and Value Creation by Product Area

EUR million	Operating Profit			Value Creation		
	Year Ended 31 December			Year Ended 31 December		
	1999	2000	2001	1999	2000	2001
Magazine paper	328.4	399.4	346.9	120.5	141.9	4.7
Newsprint	306.4	268.3	508.8	164.9	133.8	386.0
Fine paper	238.7	688.8	394.5	-32.7	350.1	-38.9
Packaging boards	237.9	441.3	346.2	-33.7	154.7	76.0
Timber	43.5	73.3	12.6	8.0	34.0	-27.9
Merchants	4.1	9.9	-7.2	-14.4	-11.2	-28.6
Forest	132.3	115.3	88.1	22.2	6.8	-14.5
Other	-23.1	-35.1	-43.2	-	-	-
Continuing operations total	1 268.2	1 961.2	1 646.7	164.5	739.5	238.8
Goodwill amortisation	-61.9	-88.3	-151.5	-	-	-
Discontinued operations, energy	90.3	52.7	-	-	-	-
Group Total, excl. non-recurring items	1 296.6	1 925.6	1 495.2	197.7	778.5	107.1

Market

Paper and other forest products are produced globally and used throughout the world; the table below shows total consumption of paper and board per main market area. Gross Domestic Product rates have traditionally been a leading indicator for increases in paper and

board consumption, though population growth and urbanisation are key elements affecting future consumption in various locations. The ongoing restructuring in both the supplier chain and customer base also influences the market, triggering a need for cost competitiveness and a higher level of service.

Consumption of Paper and Board

Tonnes, million	Western	North	Latin	Asia (incl.	
	Europe	America	America	Africa	Oceania)
Newsprint	9.6	12.1	1.8	0.5	11.0
Super-calendered paper	3.2	2.5	0.1	0.1	0.3
Coated magazine paper	6.1	5.2	0.4	0.1	2.3
Coated fine paper	6.3	4.7	0.7	0.2	6.8
Uncoated fine paper	7.1*	12.0	2.6	0.9	15.7
Containerboards	20.4	32.2	6.8	1.4	29.0
Cartonboards	6.2	10.8	1.8	0.5	10.6

* Bulk grades only

Source: Stora Enso Business Intelligence

Deliveries

The slowdown in demand that had already started by the fourth quarter of 2000 continued throughout 2001. Deliveries of paper and board decreased by 1%. Lower orders, due to the economic slowdown, were matched by production curtailments to avoid excessive inventories; total curtailments were 1 540 000 tonnes, equal to 10% of total capacity. Timber product deliveries remained at the previous year's level.

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

Deliveries by Product Area

Tonnes, 000's	Year Ended 31 December			Change %	Production Curtailments
	1999	2000	2001		
Magazine paper	2 756	3 269	3 871	+18	560
Newsprint	3 122	3 134	3 031	-3	130
Fine paper	2 912	3 151	3 191	+1	670
Packaging boards	3 196	3 417	2 765	-19	180
Divested paper units	10	-	-	-	-
Total Paper and Board Deliveries	11 996	12 971	12 858	-1	1 540
Timber, 000's cubic metres	4 637	4 880	4 860	-	
Corrugated board, million square metres	355	404	434	+7	

Stora Enso's marketing is global though the home market is Europe, which accounts for 69% (76%) of

sales; the North American market represents 20% (12%) and Asia Pacific 7% (8%).

Sales by Country

EUR million	Year Ended 31 December		
	1999	2000	2001
Germany	1 825.7	1 987.4	1 840.3
U.K.	1 321.7	1 446.4	1 324.8
France	974.0	1 035.4	1 007.0
Sweden	810.5	1 052.3	1 026.6
Finland	730.2	821.8	776.0
Netherlands	538.8	610.1	581.9
Italy	450.7	520.6	403.2
Spain	440.0	495.9	445.5
Belgium	349.4	366.8	345.1
Denmark	286.8	319.8	307.6
Other EU	423.0	495.5	482.2
Total EU	8 150.8	9 152.0	8 540.2
Other Europe	635.3	788.5	813.2
North America	607.4	1 512.7	2 639.1
Asia Pacific	773.6	1 023.9	954.3
Others	468.6	539.9	562.0
Total	10 635.7	13 017.0	13 508.8

Financial Result (Excluding non-recurring items)

Sales for the year rose to EUR 13 508.8 (EUR 13 017.0) million, up EUR 491.8 million or 3.8% on the previous year; the figures for 2000 include EUR 317.2 million from the divested Gruvön Mill whereas the acquisition of Consolidated Papers results in a net increase of EUR 1 375.3 million over 2000. The adjusted overall decrease was mainly attributable to lower volumes in magazine and fine papers.

Operating profit was EUR 1 495.2 (EUR 1 925.6) million, representing 11.1% (14.8%) of sales, a decrease of 22.4% on the previous year largely due to lower sales volumes and prices, as well as higher depreciation.

Magazine paper

Operating profit was EUR 346.9 (EUR 399.4) million, a decrease of EUR 52.5 million or 13% on 2000 resulting from lower volumes, mainly in coated papers. Curtailments necessitated by lower order volumes caused lower productivity and higher relative costs.

Newsprint

Operating profit was EUR 508.8 (EUR 268.3) million, an increase of EUR 240.5 million or 90% mainly attributable to higher sales prices and somewhat lower recycled paper prices.

Fine paper

Operating profit was EUR 394.5 (EUR 688.8) million, a decrease of EUR 294.3 million or 43% mainly related to both lower sales prices and market-related curtailments.

Packaging boards

Operating profit was EUR 346.2 (EUR 441.3) million, a decrease of EUR 95.1 million or 22% due to lower sales volumes and higher fixed costs only partially offset by higher sales prices. Curtailments during the year and rebuilds at the end of the year adversely affected the results.

Timber

Operating profit was EUR 12.6 (EUR 73.3) million, a decrease of EUR 60.7 million or 83% primarily due to lower sales prices.

Merchants

The operating result was EUR -7.2 (EUR 9.9) million, a decrease of EUR 17.1 million or 173% as a result of lower volumes and sales prices, combined with a weak performance in the UK.

Forest

Operating profit was EUR 88.1 (EUR 115.3) million, a decrease of EUR 27.2 million or 24% primarily due to lower volumes caused by paper mill curtailments and the effect of the lower Swedish krona.

Other

Operating losses amounted to EUR 43.2 (EUR 35.1) million, a decrease of EUR 8.1 million or 23%.

Based on average rates for the year, a strengthening US dollar was offset by a weaker UK pound and Swedish krona, thus the net effect on sales was negative EUR 15 million. The corresponding estimated cur-

rency effect on operating profit, mainly due to Swedish krona-based costs and depreciation, was a positive EUR 60 million, equal to EUR 0.05 per share.

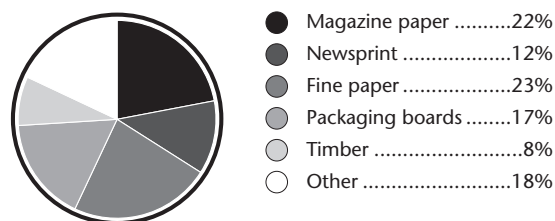
Sales, operating profit (EBIT) and return on operating capital (ROOC) per product area, excluding non-recurring items, are shown in the table below, with a specification by quarter shown on pages 15-16.

Sales and Operating Profit by Product Area

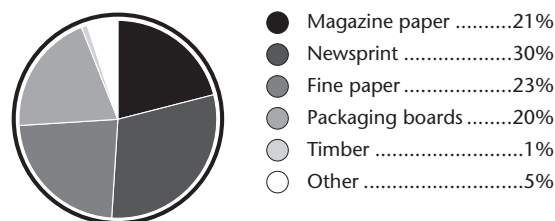
EUR million	Sales			Operating Profit			Return on Operating Capital % *		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
Magazine paper	2 156.5	2 818.8	3 449.0	328.4	399.4	346.9	15.8	15.5	10.1
Newsprint	1 641.8	1 766.7	1 933.9	306.4	268.3	508.8	21.7	19.9	41.4
Fine paper	2 493.8	3 473.2	3 617.5	238.7	688.8	394.5	8.8	20.3	9.1
Packaging boards	2 541.5	2 975.0	2 724.0	237.9	441.3	346.2	8.8	15.4	12.8
Timber	1 140.0	1 242.1	1 180.5	43.5	73.3	12.6	12.2	18.6	3.1
Merchants	787.2	890.6	840.3	4.1	9.9	-7.2	2.2	4.7	-3.4
Forest	1 630.3	1 877.4	1 825.6	132.3	115.3	88.1	9.6	8.5	6.9
Other	-1 880.7	-2 066.5	-2 062.0	-23.1	-35.1	-43.2	-	-	-
Continuing Operations Total	10 510.4	12 977.3	13 508.8	1 268.2	1 961.2	1 646.7	-	-	-
Divested paper units	24.7	-	-	-1.6	-	-	-	-	-
Discontinued, Energy	228.0	70.3	-	91.9	52.7	-	-	-	-
Internal sales, Energy	-127.4	-30.6	-	-	-	-	-	-	-
Goodwill amortisation	-	-	-	-61.9	-88.3	-151.5	-	-	-
Total excl. Non-Recurring Items	10 635.7	13 017.0	13 508.8	1 296.6	1 925.6	1 495.2	12.1	16.8	10.8
Non-recurring items	-	-	-	103.0	445.7	-8.3	-	-	-
Total	10 635.7	13 017.0	13 508.8	1 399.6	2 371.3	1 486.9	13.1	20.7	10.7

*) Group figures represent return on capital employed

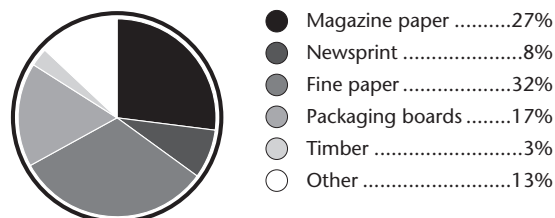
Sales by Product Area



Operating Profit by Product Area



Operating Capital by Product Area

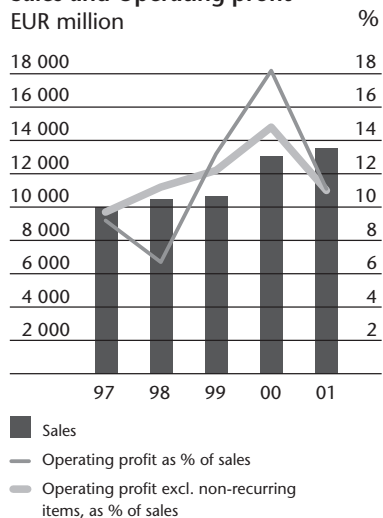


Income Statement in Brief

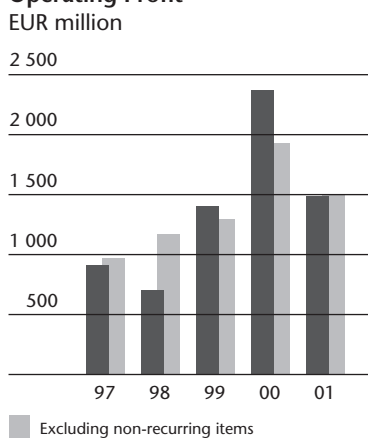
EUR million	Year Ended 31 December			Change	Per Share, EUR
	1999	2000	2001	%	2001
Sales	10 635.7	13 017.0	13 508.8	3.8	14.98
EBITDA* excl. non-recurring items	2 237.7	2 970.2	2 762.8	-7.0	3.06
Operating profit excl. non-recurring items	1 296.6	1 925.6	1 495.2	-22.4	1.66
Non-recurring items	103.0	445.7	-8.3	-	-0.01
Operating Profit	1 399.6	2 371.3	1 486.9	-37.3	1.65
Share of profits in Associated Companies	9.7	20.6	79.6	-	0.09
Financial net	-266.6	-292.9	-343.5	-	-0.38
Profit Before Tax and Minority Interests	1 142.7	2 099.0	1 223.0	-41.7	1.36
Tax	-391.8	-650.3	-386.2	-	-0.43
Non-recurring tax items	-	-	86.6	-	0.10
Minority items	-4.5	-13.7	2.9	-	-
Net Profit for the Period	746.4	1 435.0	926.3	-35.4	1.03

*Earnings Before Interest, Taxes, Depreciation and Amortisation

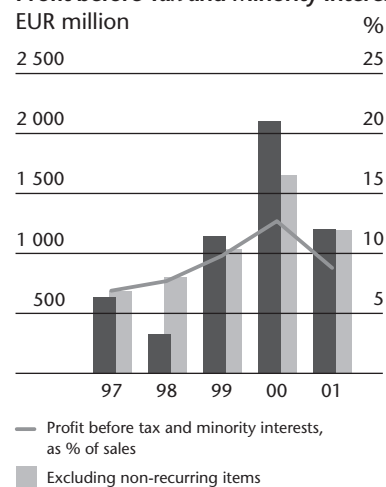
Sales and Operating profit



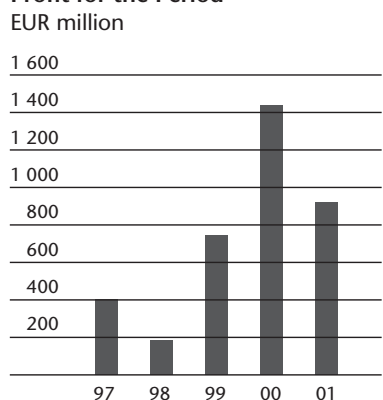
Operating Profit



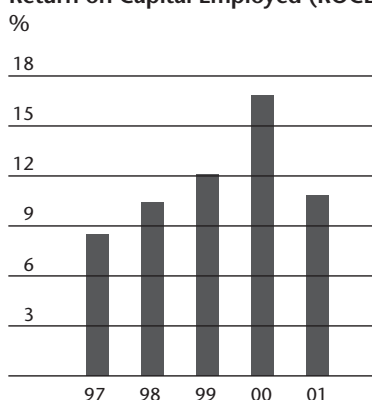
Profit before Tax and Minority Interests



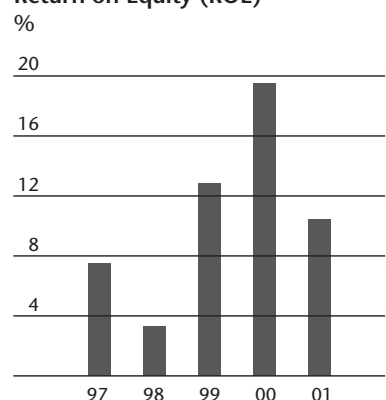
Profit for the Period



Return on Capital Employed (ROCE)



Return on Equity (ROE)



Depreciation and goodwill amortisation totalled EUR 1 267.6 (EUR 1 129.4) million. The Consolidated Papers, Inc. acquisition increased these costs by EUR 416.0 million in a full year, or by EUR 285.0 million over the previous year, of which EUR 95.5 million and EUR 64.7 million respectively related to goodwill amortisation. The increased depreciation was partly offset by the divestment of Gruvön Mill.

The share of results in associated companies amounted to EUR 79.6 (EUR 20.6) million, or EUR 0.09 per share, of which EUR 56.9 million related to Billerud AB and EUR 15.2 million to Sunila Oy.

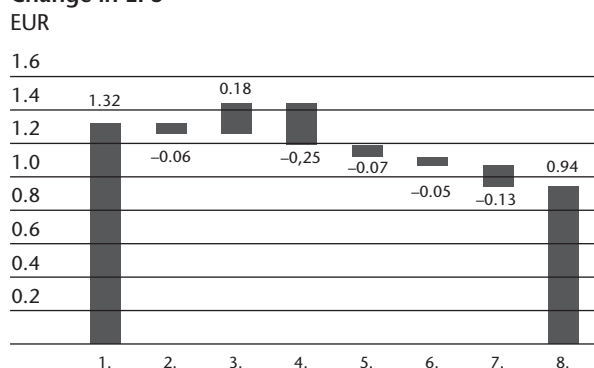
Profit before tax and minority interests was EUR 1 223.0 (EUR 2 099.0) million. Net interest paid for the year was EUR 333.1 million, being 5.9% of

interest-bearing net liabilities and EUR 27.9 million more than for the previous year. Foreign exchange losses of EUR 58.5 million were allocated to the period, dividend income was EUR 17.0 million and other financial net income EUR 31.1 million.

Net profit was EUR 926.3 (EUR 1 435.0) million, EUR 1.03 (EUR 1.77) per share. Taxes amounted to EUR 299.6 (EUR 650.3) million, net of a one-time adjustment of EUR 86.6 million due to the corporate restructuring in Germany, giving a revised tax rate of 31.6% (31.0%).

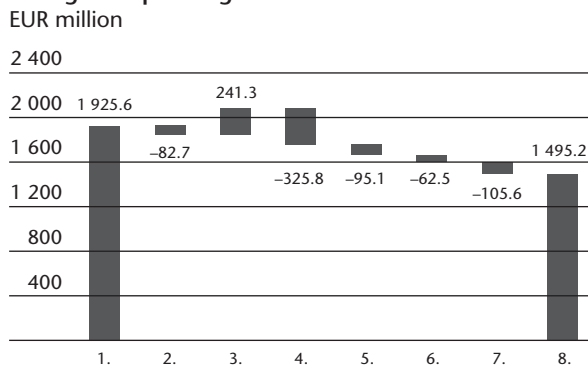
Return on capital employed was 10.8% (16.8%) excluding non-recurring items. Capital employed was EUR 13 859.1 million at 31 December, a net decrease of EUR 43.8 million for the year.

Change in EPS



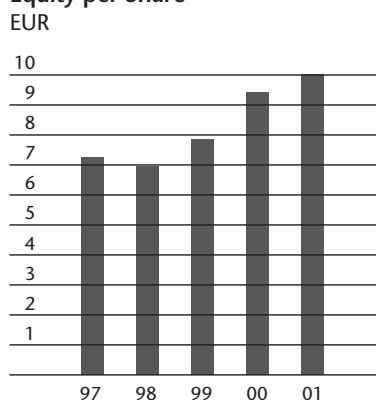
1. EPS 2000 2. Magazine Paper 3. Newsprint 4. Fine Paper 5. Packaging Boards
6. Timber 7. Other 8. EPS 2001

Change in Operating Profit

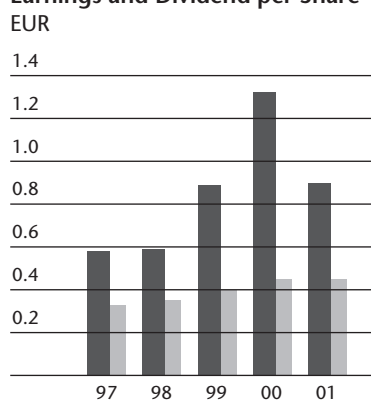


1. Operating Profit 2000 2. Magazine Paper 3. Newsprint 4. Fine Paper
5. Packaging Boards 6. Timber 7. Other 8. Operating Profit 2001

Equity per Share



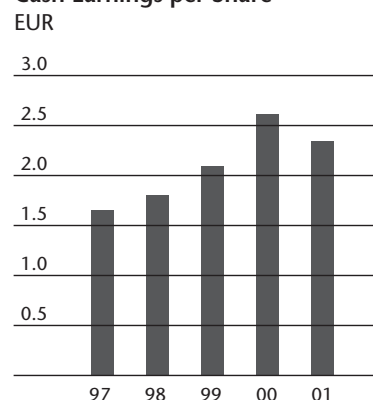
Earnings and Dividend per Share



Target is to pay 1/3 of the net profit over the cycle

■ Earnings per share, excl. non-recurring items
■ Dividend per share

Cash Earnings per Share



Excluding non-recurring items

Financing and Capital Expenditure

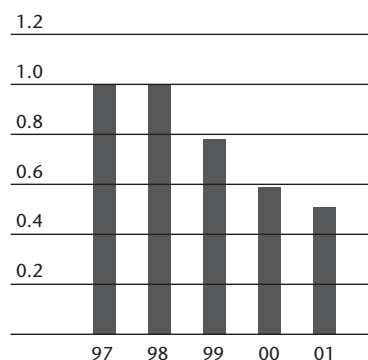
The cash flow from operations was EUR 2 757.5 (EUR 2 818.0) million whereas the operating cash flow, being cash flow from operations less investing activities, amounted to EUR 1 849.9 (EUR -1 800.9) million.

At the year-end interest-bearing net liabilities were EUR 4 819.9 million, down EUR 362.8 million compared with 2000; unutilised credit facilities totalled EUR 2.8 billion.

The debt/equity ratio at 31 December was 0.53, compared with 0.59 for 2000, and equity per share was EUR 10.0, compared with EUR 9.4.

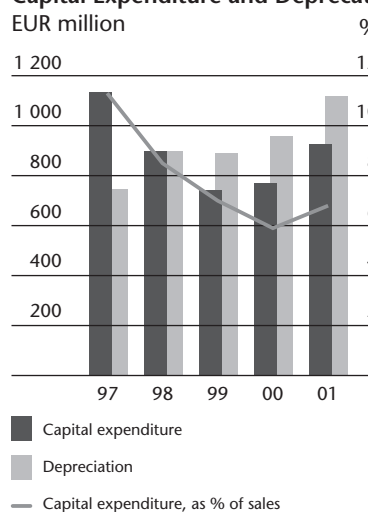
Capital expenditure totalled EUR 857.1 (EUR 769.3) million, well in line with the Group policy of not exceeding the annual level of depreciation. The main investments were the new pulping line no. 3 (EUR 134.5 million) and the rebuilding of board machine no. 5 (EUR 11.2 million) in Imatra, Finland, the rebuilding of fine paper machine no. 6 (EUR 56.7 million) in Oulu, Finland, fine paper machine no. 2 (EUR 22.1 million) in Uetersen, Germany, and newsprint paper machine no. 3 (EUR 14.5 million) in Summa, Finland. An asset restructuring programme to increase competitiveness in the newsprint and magazine paper businesses was also initiated. The programme includes a newsprint production line expected to go on stream in June 2003, a biofuel power plant and the rebuilding of paper machine no. 3 in Langerbrugge, Belgium, as well as the shutting-down of paper machine no. 2 at Langerbrugge and no. 1 at Summa.

Debt/equity Ratio



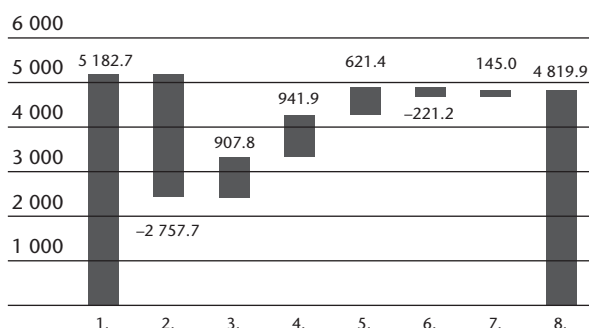
Target ≤ 0.8

Capital Expenditure and Depreciation



Change in Interest-bearing Net Liabilities

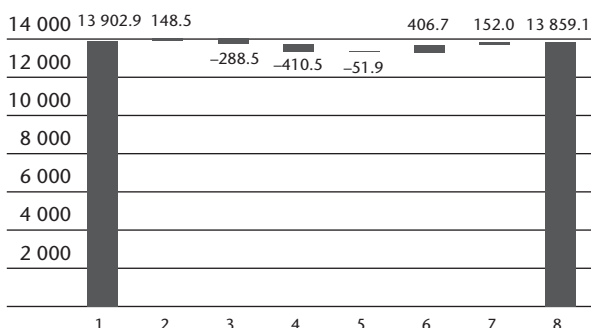
EUR million



1. Interest-bearing Net Liabilities 1 Jan 2001 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 2001

Change in Capital Employed

EUR million



1. Capital Employed 2000 2. Acquisitions 3. Disposals 4. Capex, net of depreciation
5. Change in working capital 6. Change in tax liabilities 7. Translation difference and other
8. Capital Employed 2001

Capital Structure

EUR million	1999	2000	2001	Per Share, EUR
Fixed assets	11 528.9	15 280.7	14 882.2	16.61
Working capital	1 087.9	1 276.2	1 224.2	1.37
Operating capital	12 616.8	16 556.9	16 106.4	17.98
Net tax liabilities	-1 675.5	-2 654.0	-2 247.3	-2.51
Capital Employed	10 941.3	13 902.9	13 859.1	15.47
Shareholders' equity	5 956.5	8 570.8	8 989.0	10.03
Minority interests	202.0	149.4	50.2	0.06
Interest-bearing net liabilities	4 782.8	5 182.7	4 819.9	5.38
	10 941.3	13 902.9	13 859.1	15.47

Capital Employed

EUR million	Operating Capital		Net Tax Liabilities		Capital Employed	
USA	5 503.9	34.2%	762.6	33.9%	4 741.3	34.2%
Finland	4 522.1	28.0%	474.4	21.1%	4 047.7	29.2%
Sweden	2 799.0	17.4%	818.8	36.4%	1 980.2	14.3%
Germany	1 098.1	6.8%	208.6	9.3%	889.5	6.4%
Canada	613.1	3.8%	-18.6	-0.8%	631.7	4.6%
France	276.0	1.7%	27.8	1.2%	248.2	1.8%
China	252.7	1.6%	-	0.0%	252.7	1.8%
Portugal	229.0	1.4%	-5.0	-0.2%	234.0	1.7%
Austria	170.8	1.1%	9.0	0.4%	161.8	1.2%
Other	641.7	4.0%	-30.3	-1.3%	672.0	4.8%
Total	16 106.4	100%	2 247.3	100%	13 859.1	100%

Cash Flow by Product Area

EUR million	Magazine		Fine Packaging		Ongoing		
	paper	Newsprint	paper	boards	Timber	Other Operations	
Operating profit (excluding goodwill and non-recurring items)	346.9	508.8	394.5	346.2	12.6	37.7	1 646.7
Depreciation, non-recurring items and adjustments	325.3	127.2	351.8	218.6	35.7	0.8	1 059.4
Change in working capital	44.8	-53.6	80.4	37.5	0.9	-58.6	51.4
Cash Flow from Operations	717.0	582.4	826.7	602.3	49.2	-20.1	2 757.5

Change in Interest-bearing Net Liabilities

EUR million	Ongoing Operations	Structural Changes	Group Cash Flow	Translation Difference	Impact on the BS
Operating profit	1 486.9	-	1 486.9	-	1 486.9
Depreciation, amortisation and adjustments	1 219.2	-	1 219.2	-	1 219.2
Change in working capital	51.4	7.9	59.3	-7.4	51.9
Cash Flow from Operations	2 757.5	7.9	2 765.4	-7.4	2 758.0
Capital expenditure	-857.1	-	-857.1	-	-857.1
Acquisitions	-148.5	-	-148.5	-	-148.5
Disposals	92.6	-	92.6	-	92.6
Other change in fixed assets	5.4	244.3	249.7	-157.4	92.3
Operating Cash Flow	1 849.9	252.2	2 102.1	-164.8	1 937.3
Net financing items (incl. Associated companies)	-263.9	-	-263.9	-	-263.9
Taxes paid	-678.0	-31.0	709.0	2.7	-706.3
Share issue	29.5	-	29.5	-	29.5
Dividends	-407.4	-	-407.4	-	-407.4
Share repurchases	-199.8	-	-199.8	-	-199.8
Other change in equity and minority items	-43.7	-	-43.7	17.1	-26.6
Change in Interest-bearing Net Liabilities	286.6	221.2	507.8	-145.0	362.8

Risk Analysis

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

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

Supply and Demand Risk

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

Investment Risk

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

External Structural and Legal Risk

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

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

Risk Management

Business and Commodity Risk

Group profit is affected by changes in price and volume, though the effect on operating profit depends on the product group in question. The table beside shows the sensitivity of operating profit to a $\pm 10\%$ change in either price or volume for different product areas.

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

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

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

Stora Enso had a positive balance in its pulp trading, the total production of 4.64 million tonnes resulting in net external sales of 52 000 tonnes, after curtailments to match reduced paper mill demand. Taking into account the additional Imatra pulp capacity, which came on stream in April 2001, future pulp balances will show somewhat higher net external sales. More information about resources and supplies is available in the Environment and Resources 2001 report.

Operating Profit: Impact of Changes +/- 10%

EUR million	Price	Volume
Magazine paper	350	160
Newsprint	190	100
Fine paper	360	170
Packaging boards	270	130
Timber	120	20

Make-up of Costs and Sales

Cost Items	% of Costs	% of Sales
Variable		
Transport and sales commission	10	9
Logs, pulpwood and recycled fibre	19	16
Chemicals and fillers	12	11
Energy	7	7
Other	13	12
	61	55
Fixed		
Personnel	19	17
Other	9	8
	28	25
Depreciation and amortisation	11	9
Total costs	100	89

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 risk

that the earnings could be affected as a result of foreign exchange rate movements. Translation risk is the exposure to the balance sheet of fluctuations in foreign exchange rates.

Translation Risk and Hedges as at 31 December 2001

EUR million	Euro Area	USA	Sweden	Canada	UK	China	Other	Total
Capital employed	5 960	4 741	1 980	632	92	253	203	13 859
Interest-bearing liabilities	212	-3 388	-1 522	30	-13	-229	-585	-5 495
Minority interests	-50	-	-	-	-	-	-	-50
Shares in other companies	381	37	112	-	-	-	145	675
Translation Exposure on Equity	6 503	1 390	570	662	79	24	-239	8 989
Liabilities hedges*	1 144	-1 144	-	-	-	-	-	-
Other hedges*								
- EUR/USD	374	-374	-	-	-	-	-	-
- EUR/CAD	605	-	-	-605	-	-	-	-
- EUR/GBP	82	-	-	-	-82	-	-	-
Translation Exposure After Hedges	8 708	-128	570	57	-3	24	-239	8 989

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

In respect of exposure to exchange rate fluctuations on the value of the net assets comprising shareholders' equity, Group policy is to minimise this risk by funding investments in the same currency as the net assets whenever this is possible and economically viable.

The Group has therefore hedged exposures in USD, CAD and GBP under the IAS 39 hedge accounting rules for net investment in foreign entity; the table above shows the EUR equivalent amount of these hedges.

Transaction Risk and Hedges as at 31 December 2001

EUR million	EUR	USD	GBP	SEK	CAD	Other	Total
Sales during 2001	6 600	3 500	1 200	1 200	200	800	13 500
Costs during 2001	-5 400	-2 600	-120	-2 200	-300	-100	-10 800
Net Cash Flow	1 200	900	1 000	-1 000	-100	700	2 700
Hedges as at 31 December 2001							
- EUR/USD	384	-384	-	-	-	-	-
- EUR/GBP	364	-	-364	-	-	-	-
- EUR/SEK	-385	-	-	385	-	-	-
- EUR/other	83	-	-	-	-	-83	-
- USD/SEK	-	-355	-	355	-	-	-
- GBP/SEK	-	-	-367	367	-	-	-
- SEK/other	-	-	-	57	-	-57	-
- USD/CAD	-	-119	-	-	119	-	-
Net Cash Flow After Hedges	1 646	42	269	164	19	560	2 700

The hedging policy of Stora Enso is to hedge a minimum 25% and maximum 75% of the upcoming 12 months net exposure in a specific currency, with a benchmark of 50%, though entities reporting in SEK can deviate from this. From July 2001, the Group has applied hedge accounting under IAS 39 for cash flow

related to external sales, however, the remaining hedges that do not fulfil the criteria for hedge accounting have been fair valued with the result entered in financial items at the Balance Sheet date. The table above shows the outstanding derivatives for net cash flow-hedges at the year-end.

Funding and Financing Costs

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

In accordance with the funding strategy, the Group is diversifying sources of finance by increasing debt

capital market issues, thus allowing the Group to take advantage of the longer maturities available in the corporate bond markets. Under the Swedish Medium - Term Note Programme, the 2003 and 2006 Notes were increased in March 2001 by SEK 500 (EUR 53.8) million and SEK 2 000 (EUR 215.0) million respectively. A debut issue on the US market was made in May 2001 when a Global Bond of USD 750 (EUR 851.0) million, maturity in May 2011, was placed with institutional investors.

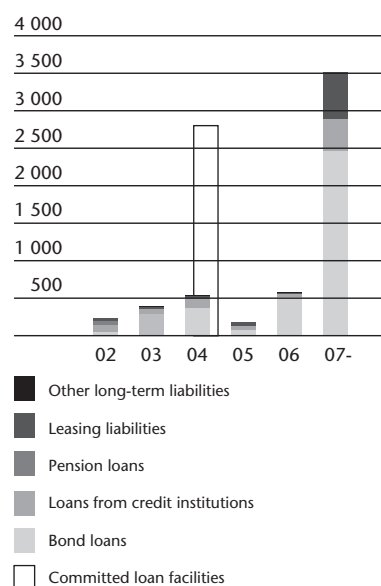
Funding Structure as at 31 December 2001

Currency million/Maturity	EUR	USD	SEK
Public issues	Eurobond - EUR 850/2007 Finnish Serial bond - EUR 247/2004	Global bond - USD 750/2011	Medium-Term Note - SEK 1 500/2003 - SEK 4 000/2006
Private placements	EUR 250	USD 750	SEK 2 500
Short-term programmes	Euro Commercial Paper Programme EUR 1 000 Finnish Commercial Paper Programme EUR 750	US Commercial Paper Programme USD 300	Swedish Commercial Paper Programme SEK 10 000
Committed loan facilities	Syndicated Bank Facility* DEM 1 500 (EUR 766)/2004	Syndicated Bank Facility* USD 1 500/2004 USD 300, 364 Days Facility	

* Multi-currency facility

Debt Repayment Schedule as at 31 December 2001

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 by the table below.

Credit Rating as at 31 December 2001

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

Interest Rate Risk

Fluctuations in interest rates affect the interest expense of the Group. As a result of the cyclical nature of the industry, the Group has an interest rate risk policy to synchronise the cost of capital with the return on capital, which is formulated by the Group benchmark of 12 months duration with a deviation mandate of +/- 6 months. In order to achieve this benchmark the Group is converting fixed interest rates to floating interest rates using financial derivatives.

Credit Risk

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

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

Unrealised Values

Stora Enso owns certain assets that are carried at a value lower than their fair market value, thus representing an unrealised gain of EUR 1 104.4 million. Whereas the forest value is based on a discounted cash earnings calculation covering some 2.1 million hectares of productive forestland in the Nordic countries, other assets are valued to market.

From 2003 onwards forest assets have to be shown at market value according to IAS 41 (Agriculture), with the unrealised profit on this revaluation being accounted for as other comprehensive income in equity.

Other Risk

The ability of suppliers to fulfil quality stipulations, environmental compatibility and delivery time commitments is of major importance to the efficiency of Group production and investment. To ensure compliance with these requirements, evaluations of suppliers, their products, transportation methods and other services are conducted on a regular basis.

Customer credit risk is the possibility that Stora Enso loses money on customers. In order to minimise this risk, the Group applies strict credit control by setting internal credit ratings and lines for most of the customers based on their financial position.

Unrealised Values as at 31 December 2001

EUR million	Carrying Value	Fair/Market Value	Unrealised Gain
Nordic forest	1 158.1	2 204.0	1 045.9
Marketable shares	138.9	197.4	58.5
Total	1 297.0	2 401.1	1 104.4

Quarterly Data and Key Figures

Deliveries by Product Area										
1 000 tonnes	I/00	II/00	III/00	IV/00	2000	I/01	II/01	III/01	IV/01	2001
Magazine paper	676	707	838	1 048	3 269	994	920	967	990	3 871
Newsprint	759	747	789	840	3 134	780	755	740	756	3 031
Fine paper	771	720	793	867	3 151	857	773	760	801	3 191
Packaging boards	876	855	848	838	3 417	706	728	678	653	2 765
Total	3 082	3 029	3 268	3 593	12 972	3 337	3 176	3 145	3 200	12 858
Timber, 1 000 m ³	1 159	1 290	1 120	1 312	4 880	1 242	1 276	1 082	1 260	4 860
Corrugated board, million m ²	91	104	102	107	404	107	107	109	111	434

Sales by Product Area										
EUR million	I/00	II/00	III/00	IV/00	2000	I/01	II/01	III/01	IV/01	2001
Magazine paper	562.5	590.0	729.1	937.2	2 818.8	910.2	847.6	831.7	859.5	3 449.0
Newsprint	416.0	417.0	449.6	484.1	1 766.7	501.7	490.7	471.9	469.6	1 933.9
Fine paper	758.5	768.1	883.5	1 063.1	3 473.2	1 021.3	904.1	838.6	853.5	3 617.5
Packaging boards	719.2	746.9	753.0	755.9	2 975.0	701.9	704.2	672.8	645.1	2 724.0
Timber	298.1	334.8	293.7	315.5	1 242.1	307.3	311.8	266.2	295.2	1 180.5
Merchants	225.4	221.4	212.9	230.9	890.6	231.4	211.5	188.9	208.5	840.3
Forest	508.1	452.2	426.4	490.7	1 877.4	511.5	442.3	410.3	461.5	1 825.6
Other	-522.8	-449.5	-494.8	-599.4	-2 066.5	-548.3	-523.8	-479.9	-510.0	-2 062.0
Continuing Operations Total	2 965.0	3 080.9	3 253.4	3 678.0	12 977.3	3 637.0	3 388.4	3 200.5	3 282.9	13 508.8
Discontinued operations, Energy	46.4	23.9	-	-	70.3	-	-	-	-	-
Internal sales, Energy	-19.7	-10.9	-	-	-30.6	-	-	-	-	-
Total	2 991.7	3 093.9	3 253.4	3 678.0	13 017.0	3 637.0	3 388.4	3 200.5	3 282.9	13 508.8

Adjusted Operating Profit by Product Area

EUR million	I/00	II/00	III/00	IV/00	2000	I/01	II/01	III/01	IV/01	2001
Magazine paper	91.6	91.4	138.6	77.8	399.4	113.6	72.3	83.9	77.1	346.9
Newsprint	62.6	43.2	80.8	81.7	268.3	134.1	125.6	128.7	120.4	508.8
Fine paper	150.5	146.5	194.1	197.7	688.8	167.6	81.9	70.6	74.4	394.5
Packaging boards	115.7	91.2	130.5	103.9	441.3	115.1	90.2	97.5	43.4	346.2
Timber	23.8	21.7	16.5	11.3	73.3	5.6	7.9	2.5	-3.4	12.6
Merchants	5.0	2.4	0.5	2.0	9.9	0.2	-1.3	-1.6	-4.5	-7.2
Forest	28.2	34.5	23.6	29.0	115.3	25.3	26.8	15.9	20.1	88.1
Other	-4.6	-2.9	-1.7	-25.9	-35.1	-1.9	-17.7	-21.9	-1.7	-43.2
Continuing Operations Total	472.8	428.0	582.9	477.5	1 961.2	559.6	385.7	375.6	325.8	1 646.7
Discontinued operations, Energy	26.9	25.8	-	-	52.7	-	-	-	-	-
Amortisation on consolidation goodwill	-14.1	-14.8	-22.6	-36.8	-88.3	-36.6	-39.3	-36.6	-39.0	-151.5
Operating Profit excl. Non-recurring Items	485.6	439.0	560.3	440.7	1 925.6	523.0	346.4	339.0	286.8	1 495.2
Non-recurring items	24.0	554.9	-23.1	-110.1	445.7	-	-9.6	18.0	-16.7	-8.3
Operating Profit Total	509.6	993.9	537.2	330.6	2 371.3	523.0	336.8	357.0	270.1	1 486.9
Net financial items	-68.8	-96.5	-39.4	-88.2	-292.9	-121.8	-121.4	-67.7	-32.6	-343.5
Share of results in associated companies	5.8	4.4	2.7	7.7	20.6	28.3	23.3	16.3	11.7	79.6
Profit Before Tax and Minority Interests	446.6	901.8	500.5	250.1	2 099.0	429.5	238.7	305.6	249.2	1 223.0
Income tax expense	-148.5	-266.9	-161.9	-73.1	-650.3	-146.0	-82.2	-93.9	22.5	-299.6
Profit after Tax	298.1	634.9	338.6	177.0	1 448.7	283.5	156.5	211.7	271.7	923.4
Minority interests	-7.4	-1.0	-4.1	-1.2	-13.7	-0.2	-1.7	2.0	2.8	2.9
Net Profit for the Period	290.7	633.9	334.5	175.9	1 435.0	283.3	154.8	213.7	274.5	926.3

Condensed Balance Sheet

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

Key Figures 1997 – 2001

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