

# Key strategy unchanged, emphasis on profitable growth

**Dear Shareholder,**

The year just ended was certainly very demanding for the forest products industry and for Stora Enso. Our forecast for 2002 issued a year ago was not optimistic. However, the market situation in 2002 proved more difficult than could have been foreseen then. Our production increased towards the year end, but profits were down on 2001 mainly due to price erosion.

In North America the business environment was especially demanding. Weakness in advertising had a strong impact on Stora Enso's business, prompting an extensive two-year Profit Enhancement Plan. The plan includes machine modernisations and upgrades as well as permanent asset closures. Even before that we had initiated a cost-cutting programme which included personnel reductions in North America.

Our emphasis on profitable growth remains unchanged. We will grow through mergers and acquisitions when good opportunities arise that meet our financial targets.

In 2002 we concentrated on improving asset quality and profitability. Already two years ago we had begun such a programme, mainly in Newsprint: some older machines have been upgraded and modernised and

the least efficient closed down, and some new machines built. The programme will be completed when the new paper machine at Langerbrugge in Belgium comes on stream in mid 2003.

A similar Asset Restructuring Programme was launched in Magazine Paper last year. The main decision was to go forward with a plan to build a new SC paper machine at Kvarnsveden in Sweden.

*Our emphasis on profitable growth remains unchanged. We will grow through mergers and acquisitions when good opportunities arise that meet our financial targets.*

Environmental and social responsibilities have been important to us for a number of years. In today's world these issues are opportunities for companies that want to be successful.

Our key resource for success is personnel. One related issue that we are currently addressing is benefiting

fully from the diversity of our workforce. We have a firm foundation in Finland and Sweden, but today Stora Enso is an international Group that is becoming increasingly global, and one of our hidden assets is our multicultural personnel.

During the past year we have placed even more emphasis on being our customers' first choice and serving them better. In addition to asset restructuring, we have introduced a two-year project to improve customer service that will make our broad and comprehensive product range more easily available to customers.

To serve the financial community better, we made changes in 2002 in the way we provide investor services, which we are sure will be seen as enhancements. Our web site, financial communications, annual report and interim reports are recognised as market leaders, and our intention is to maintain this position.

Stora Enso's business is heavily dependent on the strength of the economies of its main markets. In North America there are some signs of recovery in advertising-related paper grades, but the coming quarters will show whether the upturn in paper demand will prove seasonal or longer lasting. The initial indications are



Stora Enso's Chairman Claes Dahlbäck and CEO Jukka Härmälä

more promising than for the past two years. However, in Europe the demand for paper products is stable at low levels.

As regards products, prospects differ between early-cycle and late-cycle products. In early-cycles such as packaging boards, timber and office papers, there has been some improvement, but no European upturn in demand is yet apparent in late-cycle products such as advertising-driven paper grades.

For our stakeholders our strengths in challenging markets are our strong balance sheet and cash flow, interna-

tional organisation and broad product range.

Though the past year was rather demanding, we retain our strategic target of distributing one-third of net profit as dividend over the business cycle. Stora Enso Oyj's Board of Directors proposes a dividend of EUR 0.45 for the year 2002.

We want to thank our personnel for a job well done in 2002. Stora Enso will continue to be developed as a sustainable forest products industry leader that creates value for its shareholders, customers and employees.

Helsinki, 30 January 2003

Claes Dahlbäck  
Chairman

Jukka Härmälä  
CEO