

Notes to the Parent Company Financial Statements

NOTE 1 Accounting Principles

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principles in Finland, "Finnish GAAP"; see Group Consolidated Financial Statements, Note 1.

NOTE 2 Other Operating Income

EUR million	Year Ended 31 December	
	2001	2002
Profit on sale of fixed assets	11.8	104.9
Rent	11.2	13.0
Insurance compensation	0.3	-
Subsidies	2.7	1.8
Other	83.5	120.0
	109.5	239.7

NOTE 3 Materials and Services

EUR million	Year Ended 31 December	
	2001	2002
Materials and supplies		
Purchases during the period	1 356.3	1 553.4
Change in inventories	-25.9	9.5
	1 330.4	1 562.9
External Services	281.4	356.7
	1 611.8	1 919.6

NOTE 4 Personnel Expenses

EUR million	Year Ended 31 December	
	2001	2002
Wages and salaries	195.1	244.7
Pensions	50.8	51.3
Other statutory employer contributions	20.3	23.5
	266.2	319.5

The remuneration of the Board of Directors and the CEO amounted to EUR 1.3 (EUR 1.6) million.

Average Number of Personnel	6 660	6 395
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NOTE 5 Other Operating Expenses

EUR million	Year Ended 31 December	
	2001	2002
Loss on sale of fixed assets / shares Included in other operating expenses	-	42.9

NOTE 6 Net Financial Items

EUR million	Year Ended 31 December	
	2001	2002
Financial Income		
Dividend income		
Group companies	1 845.0	766.4
Associated companies	16.1	9.5
Other companies	23.0	13.4
	1 884.1	789.3
Interest income from long-term investments		
Group companies	119.4	30.3
Other	0.6	0.5
	120.0	30.8
Other Interest and Financial Income		
Group companies	88.8	78.7
Other	1.2	5.8
	90.0	84.5
Total Investment, Interest and Financial Income	2 094.1	904.6
Exchange Rate Difference on Financial Items	34.9	443.9
Value Adjustments on Long-term Financial Investments	-	-1 030.8
Interest and Other Financial Expense		
Group companies	-121.7	-54.8
Other	-230.0	-179.9
	-351.7	-234.7
Net Financial Items	1 777.3	83.0

NOTE 7 Depreciation According to Plan

EUR million	Year Ended 31 December	
	2001	2002
Intangible rights	4.8	7.2
Goodwill	5.5	10.7
Other intangible assets	1.1	0.9
Total for Intangibles	11.4	18.8
Buildings and structures	14.4	20.3
Machinery and equipment	120.3	173.7
Other tangible assets	7.0	9.5
Total Depreciation	153.1	222.3

NOTE 8 Extraordinary Items

EUR million	Year Ended 31 December	
	2001	2002
Income		
Group contributions	454.4	176.5
Merger gains	60.1	-
	514.5	176.5
Expense		
Group contributions	-3.3	-
Merger losses	-1.4	-
	-4.7	-

NOTE 9 Fixed Assets

EUR million	Year Ended 31 December 2002				
	Intangible Assets	Land and Water	Buildings and Structures	Machinery and Equipment	Other Tangible Assets
Acquisition Cost					
At 1 January	160.2	612.5	538.0	2 167.6	188.5
Additions	23.2	1.6	10.9	72.1	22.5
Disposals	-0.8	-590.6	-1.3	-5.8	-11.6
Acquisition Cost at 31 December	182.6	23.5	547.6	2 233.9	199.4
Accumulated Depreciation					
At 31 December	46.0	-	124.8	846.6	58.2
Net Book Value at 31 December 2002	136.6	23.5	422.8	1 387.3	141.2
Net Book Value at 31 December 2001	132.5	612.5	432.3	1 489.1	134.3

The net book value of fixed assets includes EUR Nil (38.8) million in leased assets.

The Company had capitalised interest on the construction of qualifying assets at the year end of EUR 18.0 (EUR 21.1) million; the amount added for the year totalled EUR 1.5 (EUR 19.5) million with a corresponding amortisation charge amounting to EUR 3.3 (EUR 3.5) million.

NOTE 10 Depreciation Reserve

EUR million	Year Ended 31 December 2002				Total
	Intangible Assets	Buildings and Structures	Machinery and Equipment	Other Tangible Assets	
Accumulated difference at 1 January	7.2	151.6	675.8	24.6	859.2
Increase	-0.9	1.8	49.7	6.7	57.3
Decrease	0.2	-0.2	-5.0	0.7	-4.3
Accumulated difference at 31 December 2002	6.5	153.2	720.5	32.0	912.2

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	
	2001	2002
Group Companies		
Shares	9 407.5	9 551.3
Loan receivables	1 399.7	211.5
Total	10 807.2	9 762.8
Associated Companies		
Shares	22.6	54.6
Loan receivables	1.6	0.1
Total	24.2	54.7
Other Companies		
Shares	183.8	152.4
Revaluations	115.0	115.0
	298.8	267.4
Loan receivables	7.5	0.7
Total	306.3	268.1

The Company's holdings in listed companies had a net book value of EUR 75.6 (EUR 74.9) million and a market value of EUR 134.4 (EUR 163.8) million.

NOTE 13 Inventories

EUR million	As at 31 December	
	2001	2002
Materials and supplies	154.0	144.5
Work in progress	30.9	35.5
Finished goods	121.9	136.0
Other inventories	2.3	6.0
Total	309.1	322.0

NOTE 14 Short-term Receivables

EUR million	As at 31 December	
	2001	2002
Accounts Receivable		
Group companies	82.2	76.0
Associated companies	2.7	2.4
Others	316.6	312.0
	401.5	390.4
Prepaid Expenses and Accrued Income		
Group companies	2.6	0.6
Others	12.9	174.0
	15.5	174.6
Other Receivables		
Group companies	454.5	185.2
Others	33.4	29.2
	487.9	214.4
Total Short-term Receivables	904.9	779.4

NOTE 15 Interest-Bearing Receivables

EUR million	As at 31 December	
	2001	2002
Group		
Loan receivables	65.0	118.0
Interest receivable	86.7	34.9
Other securities	2 670.0	2 138.5
	2 821.7	2 291.4
Others		
Loan receivables	1.3	0.1
Interest receivable	16.4	21.7
Other securities	0.1	-
Total	2 839.4	2 313.2

NOTE 16 Shareholders' Equity

EUR million	As at 31 December	
	2001	2002
Share capital at 1 January	1 576.3	1 541.5
Cancellation of treasury shares (nominal value)	-39.4	-13.8
Warrants exercised	4.6	1.9
Share Capital at 31 December	1 541.5	1 529.6

Full details of shares in issue are shown in Note 17 for the Group.

Share Issue (option rights)	8.9	-
Share premium fund at 1 January	5 205.8	5 021.9
Increase / (-decrease)	-183.9	-76.7
Share Premium Fund at 31 December	5 021.9	4 945.2
Revaluation reserve at 1 January	184.0	183.6
Transfer from retained earnings	-	29.9
Decrease related to sale of fixed assets	-0.4	-213.5
Revaluation Reserve at 31 December	183.6	-
Treasury shares at 1 January	173.7	125.5
Repurchase of own shares	199.8	286.8
Cancellation of shares	-248.0	-97.4
Treasury Shares at 31 December	125.5	314.9
Reserve Fund	353.9	353.9
Retained earnings at 1 January	1 306.7	3 155.7
Dividends paid	-407.4	-403.6
Acquisition of treasury shares	-199.8	-286.9
Cancellation of treasury shares	248.0	97.4
Transfer to revaluation reserve	-	-29.9
	947.4	2 532.7
Profit for the period	2 208.3	554.4
Retained Earnings at 31 December	3 155.7	3 087.1
Total Shareholders' Equity	10 391.0	10 230.7
Distributable Funds		
Non-restricted equity	3 281.2	3 402.0
Treasury shares	-125.5	-314.9
	3 155.7	3 087.1

NOTE 17 Long-term Liabilities

	Repayment Schedule of Long-term Debt as at 31 December						
	2003	2004	2005	2006	2007	2008–	Total
Bond loans	219.3	225.3	39.7	515.2	890.4	982.9	2 872.8
Loans from credit institutions	26.4	113.1	44.8	23.7	155.5	165.7	529.2
Pension loans	6.7	-	-	-	-	-	6.7
Other long-term liabilities	0.2	0.2	0.1	0.1	0.1	11.1	11.8
Other long-term liabilities: Group companies	23.0	-	-	-	-	-	23.0
	275.6	338.6	84.6	539.0	1 046.0	1 159.7	3 443.5
Current Liabilities: Repayable within 12 months							275.6
Long-term Liabilities: Repayable after 12 months							3 167.9

NOTE 18 Short-term Borrowings

EUR million	As at 31 December	
	2001	2002
Group companies	2 548.7	949.5
Others	100.3	94.0
Total	2 649.0	1 043.5

NOTE 19 Other Current Liabilities

EUR million	As at 31 December	
	2001	2002
Advances Received		
Others	1.7	1.2
Trade Payables		
Group companies	51.9	36.2
Associated companies	0.9	1.0
Others	150.2	123.7
	203.0	160.9
Other Current Liabilities		
Group companies	4.4	2.5
Others	20.2	16.3
	24.6	18.8
Accrued Liabilities and Deferred Income		
Group companies	5.3	5.5
Others	112.1	102.4
	117.4	107.9
Total	346.7	288.8

NOTE 20 Commitments and Contingent Liabilities

EUR million	As at 31 December	
	2001	2002
On own behalf		
Pledges given	9.2	0.8
Mortgages	312.6	29.5
On behalf of Group companies		
Guarantees	1 810.1	1 259.2
On behalf of associated companies		
Guarantees	56.4	46.9
On behalf of others		
Guarantees	79.0	0.8
Other commitments, own		
Leasing commitments, next 12 months	3.2	3.2
Leasing commitments, after next 12 months	15.6	13.3
Other commitments	2.3	1.1
Total	2 288.4	1 354.8
Pledges given	9.2	0.8
Mortgages	312.6	29.5
Guarantees	1 945.5	1 306.8
Leasing commitments	18.8	16.6
Other commitments	2.3	1.1
Total	2 288.4	1 354.8

Stora Enso Oyj has guaranteed leasing agreements relating to Stora Enso Barcelona SA. to a maximum EUR 28.5 million at 31 December 2002; the commitment lasts to 23 December 2003.

NOTE 21 Fair Value of Open Financial Instruments

EUR million	As at 31 December			
	Nominal Value		Fair Value	
	2001	2002	2001	2002
Interest-Rate Derivatives				
Interest-rate swap agreements	1 518.2	2 419.6	29.7	172.8
Foreign Exchange Derivatives				
Forward agreements	3 678.4	1 206.4	88.0	63.3
Cross-currency swap agreements	159.5	216.5	-24.0	-21.6
Foreign Exchange Derivatives	3 837.9	1 422.9	64.0	41.8
Commodity Derivatives: Energy	88.7	61.3	18.8	72.7
Equity Swaps	131.0	216.5	23.0	-55.5

The fair value of a derivative represents the result to date, being the movement away from the par nominal value