

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 Principles 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
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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
	<u>1 697.4</u>	<u>48.3</u>
Interest income from long-term investments		
Group companies	18.6	19.6
Other	2.2	-
	<u>20.8</u>	<u>19.6</u>
Other Interest and Financial Income		
Group companies	71.7	45.5
Other	67.7	9.1
	<u>139.4</u>	<u>54.6</u>
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
	<u>-213.0</u>	<u>-191.7</u>
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
	<u>91.9</u>	<u>94.1</u>
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	<u>205.0</u>	<u>35.2</u>	<u>585.6</u>	<u>2 572.2</u>	<u>198.5</u>
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
Total	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						Total
	2005	2006	2007	2008	2009	2010+	
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.