

Stora Enso Interim Report

January–March 2017

Q1

THE RENEWABLE MATERIALS COMPANY



Transformation driving sales growth

Q1/2017 (compared with Q1/2016)

- Sales EUR 2 497 (EUR 2 445) million increased 2.1%. Sales excluding the paper business increased 9.7%, primarily due to the ramp-ups at Beihai consumer board and Varkaus kraftliner mills, and overall higher volumes.
- Operational EBIT decreased to EUR 215 million from EUR 248 million. This is mainly due to lower hardwood pulp and paper prices, and transformational costs, such as innovation and investments to growth businesses. The ramp-up of Beihai operations had a EUR 12 million higher negative impact than a year ago, including a provision of EUR 7.5 million due to a turbine damage. The operational EBIT margin was 8.6% (10.1%).
- EPS EUR 0.14 (EUR 0.15). EPS excl. IAC decreased to EUR 0.17 (EUR 0.19).
- Cash flow from operations was EUR 178 (EUR 289) million, cash flow after investing activities EUR 43 (EUR 96) million.
- Balance sheet remained strong; net debt to operational EBITDA decreased further to 2.0 (2.2); liquidity EUR 924 (EUR 604) million.
- Operational ROCE 10.0% (11.3%), operational ROCE excluding the Beihai investment 12.9% (13.7%).
- The EUR 50 million profit improvement programme is proceeding according to plan.

Transformation

- An important milestone was reached in our transformation to a renewable materials growth company: year-on-year sales increased for the first time in five years.
- The ramp-up of Beihai Mill is proceeding ahead of plan, and the first commercial volumes of liquid packaging board and CUK (coated unbleached kraftboard) were delivered to customers. The consumer board machine is expected to reach full production during the first half of 2018, and EBITDA break even in Q1/2018.
- Stora Enso is reconsidering its plans to build a chemical pulp mill in Beihai, China, as announced earlier.
- Varkaus kraftliner mill ramp-up is proceeding. Full production is expected to be reached during the second half of 2017. EBIT break-even is expected in Q2/2017.
- The production line for wooden building components (LVL) at Varkaus Mill is ramping up. Full production is expected in mid-2018.
- In February, Stora Enso started co-determination negotiations with employees at its Kvarnsveden Mill in Sweden regarding a plan to reorganise the mill, including a permanent closure of paper machine (PM) 8 by the end of the second quarter of 2017.

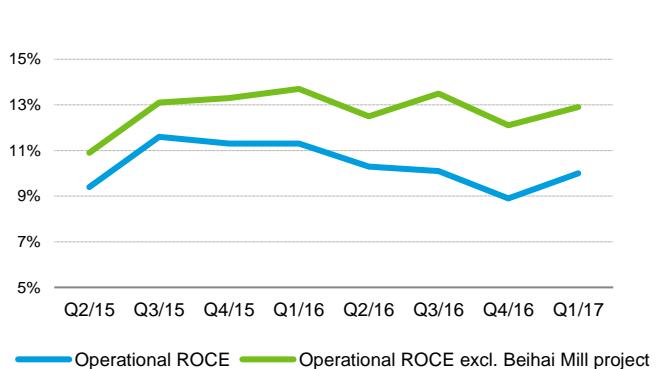
Outlook

Q2/2017 sales are estimated to be similar to or slightly higher than the amount of the EUR 2 497 million, and operational EBIT is expected to be in line with the EUR 215 million recorded in Q1/2017. Q2/2017 operational EBIT estimate includes the negative impact of the ramp-up of Beihai operations of EUR 18 million. The impact of the annual maintenance shutdowns is expected to be approximately EUR 30 million higher than in Q1/2017, and it is included in the above guidance.

Net debt to operational EBITDA



Operational ROCE



Key figures

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	2 497	2 445	2.1%	2 438	2.4%	9 802
Operational EBITDA	352	363	-3.0%	310	13.5%	1 371
Operational EBITDA margin	14.1%	14.8%		12.7%		14.0%
Operational EBIT	215	248	-13.3%	191	12.6%	884
Operational EBIT margin	8.6%	10.1%		7.8%		9.0%
Operating profit (IFRS)	193	194	-0.5%	145	33.1%	783
Profit before tax excl. IAC	191	183	4.4%	110	73.6%	575
Profit before tax	164	155	5.8%	76	115.8%	541
Net profit for the period	107	114	-6.1%	56	91.1%	407
Capital expenditure	108	188	-42.6%	194	-44.3%	729
Capital expenditure excluding investments in biological assets	88	167	-47.3%	170	-48.2%	638
Depreciation and impairment charges excl. IAC	139	124	12.1%	131	6.1%	502
Net interest-bearing liabilities	2 711	3 185	-14.9%	2 726	-0.6%	2 726
Operational ROCE	10.0%	11.3%		8.9%		10.2%
Earnings per share (EPS) excl. IAC, EUR	0.17	0.19		0.17		0.65
EPS (basic), EUR	0.14	0.15		0.12		0.59
Return on equity (ROE)	7.2%	8.2%		3.9%		7.2%
Debt/equity ratio	0.46	0.58		0.47		0.47
Net debt/last 12 months' operational EBITDA ratio	2.0	2.2		2.0		2.0
Fixed costs to sales	24.1%	24.4%		25.8%		25.3%
Equity per share, EUR	7.50	6.97	7.6%	7.36	1.9%	7.36
Average number of employees	25 591	25 521	0.3%	26 135	-2.1%	26 269
TRI rate ¹	9.0	12.0	-25.0%	10.9	-17.4%	11.7
LTA rate ¹	5.9	3.9	51.3%	4.3	37.2%	4.4

Operational key figures: see chapter *Non-IFRS measures* at the beginning of the *Financials* section.

Items affecting comparability (IAC): see chapter *Non-IFRS measures* at the beginning of the *Financials* section.

TRI (Total recordable incidents) rate = number of incidents per one million hours worked.

LTA (Lost-time accident) rate = number of lost-time accidents per one million hours worked.

¹ As of January 2017 Stora Enso applies new Occupational Health and Safety Administration (OHSA) definitions in the reporting of TRI and LTA rates to better align with international standards. Due to this change, Q1 figures are not fully comparable with historical figures.

Deliveries and production

	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Board deliveries, 1 000 tonnes	930	797	16.7%	876	6.2%	3 376
Board production, 1 000 tonnes	1 038	926	12.1%	984	5.5%	3 775
Corrugated packaging deliveries, million m ²	267	259	3.1%	276	-3.3%	1 082
Market pulp deliveries, 1 000 tonnes	536	466	15.0%	570	-6.0%	2 068
Wood product deliveries, 1 000 m ³	1 257	1 124	11.8%	1 228	2.4%	4 814
Paper deliveries, 1 000 tonnes	1 205	1 340	-10.1%	1 207	-0.2%	5 141
Paper production, 1 000 tonnes	1 203	1 395	-13.8%	1 219	-1.3%	5 155

CEO comment

"Year 2017 had a promising start and our transformation into a renewable materials growth company is progressing well. I am pleased that our sales have increased for the first time since 2012. Excluding the paper business, sales increased 9.7%, primarily due to the ramp-ups of Beihai consumer board, Murów and Varkaus (board and LVL) mills.

Operational EBIT decreased by EUR 33 million mainly due to lower hardwood pulp and paper prices, ramp-up of Beihai, Varkaus and Murów mills, and other transformational costs, such as innovation and growth investments. Looking beyond these temporary costs, the underlying business shows good progress and strong promise for the future. Our balance sheet continues to strengthen. Yes, we are on the right track towards our transformation to a renewable materials growth company.

The ramp-up of Beihai Mill is proceeding ahead of plan. An important step for us, the first commercial volumes of liquid packaging board and CUK (coated unbleached kraftboard) were delivered to our customers during the quarter. Additional transformation steps include the ramp-ups of kraftliner and the production line for wooden building components (LVL) at Varkaus Mill.

We continue to invest to meet growing customer demand globally. We are investing EUR 28 million in our Heinola Fluting Mill in Finland. The investment contributes to improved quality and production capacity of our AvantFlute SC by Stora Enso; a Semi-Chemical fluting which endure demanding conditions. The timing of this investment is ideal, as we expect increased demand for high quality fluting products used for food, fruit and vegetable packaging.

We have started co-determination negotiations with our employees at Kvarnsveden Mill in Sweden regarding the plan to reorganise the mill. As we have announced earlier, this includes a permanent closure of paper machine 8 by the end of the second quarter of 2017. The entire plan would result in annual cost savings of EUR 12 million, and contribute to the mill's competitiveness.

During the quarter, we had a very positive experience as the main sponsor of the Centenary Nordic World Ski Championships in Lahti, Finland. It was a great opportunity for us to show, how everything that is made with fossil-based materials today can be made from a tree tomorrow. Renewable wood-based materials are one essential way to help reduce the carbon footprint of any event. We had 8 000 customers, suppliers, investors and employees on site, which contributed to a very memorable event celebrating Finland's 100th anniversary year of independence.

As always, I would like to thank our customers for their business, our employees for their dedication, and our investors for their trust."

Karl-Henrik Sundström, CEO

Operational EBIT margin

8.6%

Operational ROCE

10.0%

(Target >13%)

Net debt to operational EBITDA

2.0

(Target <3.0)

Reconciliation of operational profitability

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Operational EBITDA	352	363	-3.0%	310	13.5%	1 371
Equity accounted investments (EAI), operational ¹	14	16	-12.5%	31	-54.8%	80
Operational decrease in the value of biological assets	-12	-7	-71.4%	-19	36.8%	-65
Depreciation and impairment excl. IAC	-139	-124	-12.1%	-131	-6.1%	-502
Operational EBIT	215	248	-13.3%	191	12.6%	884
Fair valuations and non-operational items ²	5	-26	n/m	-12	n/m	-67
Items affecting comparability (IAC) ³	-27	-28	3.6%	-34	20.6%	-34
Operating profit (IFRS)	193	194	-0.5%	145	33.1%	783

¹ The group's share of operational EBIT of equity accounted investments (EAI).

² Fair valuations and non-operational items include equity incentive schemes and related hedges, CO₂ emission rights, valuations of biological assets, and the group's share of tax and net financial items of EAI.

³ Items affecting comparability detailed in the Financials section.

First quarter 2017 results (compared with Q1/2016)

Breakdown of change in sales Q1/2016 to Q1/2017

Sales Q1/2016, EUR million	2 445
Price and mix	-1%
Currency	1%
Volume	4%
Other sales ¹	0%
Total before structural changes	4%
Structural changes ²	-2%
Total	2%
Sales Q1/2017, EUR million	2 497

¹ Wood, energy, paper for recycling, by-products etc.

² Asset closures, major investments, divestments and acquisitions

Group sales increased EUR 52 million or 2.1% to EUR 2 497 million (EUR 2 445 million) despite decreasing paper demand and divestments of Kabel and Arapoti mills, and the Suzhou Mill site divestment. Sales increased mainly because of the ramp-up of Beihai consumer board mill in China, Varkaus kraftliner mill and LVL (laminated veneer lumber) line in Finland and Murów sawmill in Poland, and also due to overall stronger volumes in all divisions, except Paper.

Operational EBIT was EUR 33 million lower at EUR 215 million (EUR 248 million) compared to a year ago. The negative impact of the ramp-up of Beihai Mill decreased operational EBIT by EUR 12 million, including EUR 7.5 million provision due to a turbine damage. The operational EBIT margin was 8.6% (10.1%).

Lower sales price in local currencies decreased operational EBIT by EUR 21 million, mainly due to lower hardwood pulp and paper prices. Higher volumes in all divisions, excluding divestments, improved operational EBIT by EUR 30 million and lower variable costs by EUR 13 million. Fixed costs were EUR 31 million higher, due mainly to the ramp-ups of transformation projects mentioned above, and the innovation centres in Helsinki and Stockholm. Depreciation and impairment increased EUR 15 million, and the operational result from the equity accounted investments decreased EUR 2 million. The net foreign exchange rates and the closed units had a negative EUR 3 million impact, respectively.

The EUR 50 million profit improvement programme is proceeding according to plan.

The planned and unplanned production downtime was 2% (2%) for board, 0% (1%) for sawn wood and 4% (8%) for paper.

The average number of employees in the first quarter of 2017 was approximately 25 600, similar to a year ago. The average number of employees in Europe was approximately 19 400, which was 200 lower than a year ago. In China, the average number of employees was approximately 5 100, which was 400 higher than a year ago.

Fair valuations and non-operational items had a positive EUR 5 (negative EUR 26) million impact on operating profit.

Earnings per share were EUR 0.14 (EUR 0.15) and earnings per share excluding items affecting comparability were EUR 0.17 (EUR 0.19).

Items affecting comparability (IAC) had a negative net impact of EUR 27 (negative EUR 28) million on operating profit. The IAC consisted of the closure of Kvarnsveden Mill paper machine 8 of EUR 17 million, and the devaluation of Green Certificates of EUR 10 million affecting the Paper, Consumer Board, Packaging Solutions and Biomaterials divisions. These had a positive impact of EUR 6 million on income tax.

Net financial expenses at EUR 29 million were EUR 10 million lower than a year ago. The net interest expenses increased by EUR 7 million. This was primarily due to lower capitalised interest and lower interest income, only partly offset by lower interest expenses. Other net financial expenses were EUR 4 million lower mainly due to fair valuation of interest rate derivatives. The net foreign exchange impact in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a EUR 13 million higher gain than a year ago. This was mainly due to the revaluation of foreign currency loans in subsidiaries and joint-operations.

Breakdown of change in capital employed 31 March 2016 to 31 March 2017

EUR million	Capital employed
31 March 2016	8 797
Capital expenditure less depreciation	-3
Impairments and reversal of impairments	-67
Fair valuation of biological assets	-119
Costs related to growth of biological assets	-147
Available-for-sale: operative (mainly PVO)	101
Equity accounted investments	93
Net liabilities in defined benefit plans	-62
Operative working capital and other interest-free items, net	-76
Net tax liabilities	-17
Translation difference	181
Other changes	-2
31 March 2017	8 679

The operational return on capital employed (ROCE) in the first quarter of 2017 was 10.0% (11.3%). Excluding the investment in Beihai Mill in the Consumer Board division, the operational ROCE would have been 12.9% (13.7%).

First quarter 2017 results (compared with Q4/2016)

Sales were EUR 59 million or 2.4% higher at EUR 2 497 million (EUR 2 438 million). Operational EBIT improved EUR 24 million to EUR 215 million (EUR 191 million) and operational EBIT margin to 8.6% (7.8%). Sales prices in local currencies, in all divisions except Paper, were EUR 17 million higher, and increased volumes improved operational EBIT by EUR 6 million. Fixed costs were EUR 26 million lower, mainly due to lower maintenance activity in the first quarter of 2017. The operational result from the equity accounted investments decreased EUR 17 million and net foreign exchange had a negative impact of EUR 9 million.

Financing in first quarter 2017 (compared with Q4/2016)**Capital structure**

EUR million	31 Mar 17	31 Dec 16	31 Mar 16
Operative fixed assets ¹	6 728	6 785	6 794
Equity accounted investments	1 602	1 594	1 545
Operative working capital, net	955	825	980
Non-current interest-free items, net	-536	-554	-464
Operating Capital Total	8 749	8 650	8 855
Net tax liabilities	-70	-56	-58
Capital Employed	8 679	8 594	8 797
Equity attributable to owners of the Parent	5 914	5 806	5 500
Non-controlling interests	54	62	112
Net interest-bearing liabilities	2 711	2 726	3 185
Financing Total	8 679	8 594	8 797

¹ Operative fixed assets include property, plant and equipment, goodwill, biological assets, emission rights, available-for-sale operative shares and other intangible assets.

Total unutilised committed credit facilities were unchanged at EUR 700 million, and cash and cash equivalents net of overdrafts decreased by EUR 25 million to EUR 924 million. In addition, Stora Enso has access to various long-term sources of funding up to EUR 900 (1 000) million.

The net debt was EUR 2 711 million, a decrease of EUR 15 million from the previous quarter.

The fair value of PVO shares accounted for as available-for-sale investments decreased in the quarter by EUR 14 million to EUR 228 million. The change in fair value is mostly caused by the decrease in electricity prices. The changes in fair valuation are included in the Other Comprehensive Income in equity.

The ratio of net debt to the last 12 months' operational EBITDA remained at 2.0 (2.0). The debt/equity ratio at 31 March 2017 was 0.46 (0.47).

Cash flow in first quarter 2017

Cash flow

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Operational EBITDA	352	363	-3.0%	310	13.5%	1 371
IAC on operational EBITDA	-24	-27	11.1%	-26	7.7%	-77
Dividends received from equity accounted investments	12	-	-	-	-	58
Other adjustments	5	14	-64.3%	-3	266.7%	-2
Change in working capital	-167	-61	-173.8%	180	-192.8%	283
Cash Flow from Operations (non-IFRS)	178	289	-38.4%	461	-61.4%	1 633
Cash spent on fixed and biological assets	-135	-193	30.1%	-220	38.6%	-798
Acquisitions of equity accounted investments	-	-	-	-1	-	-1
Cash Flow after Investing Activities (non-IFRS)	43	96	-55.2%	240	-82.1%	834

First quarter 2017 cash flow after investing activities was at EUR 43 million. Working capital increased by EUR 167 million, mainly due to higher inventories and higher trade receivables. Cash spent on fixed and biological assets was EUR 135 million. Payments related to the previously announced restructuring provisions were EUR 7 million.

Capital expenditure

Additions to fixed and biological assets in the first quarter 2017 totalled EUR 108 million, of which EUR 88 million were fixed assets and EUR 20 million biological assets. Depreciations and impairment in the first quarter totalled EUR 139 million. Additions in fixed and biological assets had a cash outflow impact of EUR 135 million.

The main projects ongoing in the first quarter of 2017 were a new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills in Finland, the PE coating investment at Beihai Mill in China, and the consolidation of manufacturing of corrugated packaging in Finland.

Capital expenditure, equity injections and depreciation forecast 2017

EUR million	Forecast 2017
Capital expenditure	600–650
Depreciation	490–510
Operational decrease in biological asset values	50–70

The capital expenditure forecast includes approximately EUR 100 million for the group's biological assets and approximately EUR 47 million for the new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills. Moreover, it includes EUR 26 million for the PE coating investment at Beihai Mill, EUR 18 million for the fluff pulp investment at Skutskär Mill in Sweden, EUR 19 million for the consolidation of manufacturing of corrugated packaging in Finland, and EUR 10 million for the Heinola Fluting Mill in Finland.

Segments in first quarter 2017 (compared with Q1/2016)

Consumer Board division

First commercial deliveries of liquid packaging board and CUK from Beihai Mill

The Consumer Board division develops and provides consumer packaging boards for printing and packaging applications. A wide board and barrier coating selection is suitable for the design and optimisation of packaging for liquid, food, pharmaceutical and luxury goods. We serve converters and brand owners globally and are expanding in growth markets such as China and Asia Pacific to meet rising demand.

EUR million	Q1/17	Q1/16	Change % Q1/17– Q1/16	Q4/16	Change % Q1/17– Q4/16	2016
Sales	611	564	8.3%	580	5.3%	2 342
Operational EBITDA	119	110	8.2%	92	29.3%	447
Operational EBITDA margin	19.5%	19.5%		15.9%		19.1%
Operational EBIT	61	73	-16.4%	38	60.5%	254
Operational EBIT margin	10.0%	12.9%		6.6%		10.8%
Operational ROOC ¹	12.2%	14.3%		7.4%		12.7%
Cash flow from operations (non-IFRS)	67	82	-18.3%	114	-41.2%	453
Cash flow after investing activities (non-IFRS)	2	-16	112.5%	13	-84.6%	40
Board deliveries, 1 000 tonnes	684	588	16.3%	639	7.0%	2 507
Board production, 1 000 tonnes	710	624	13.8%	663	7.1%	2 554

¹ Operational ROOC = 100% x Operational EBIT/Average operating capital

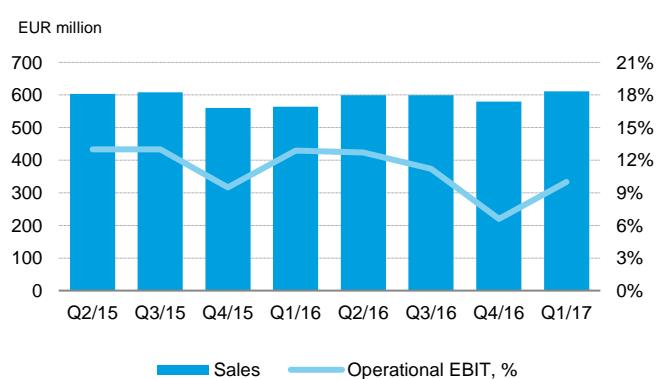
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 8.3% to EUR 611 million (EUR 564 million) driven by Beihai Mill.
- Operational EBIT excluding Beihai operations was stable at EUR 94 million (EUR 94 million), as higher volumes were offset by slightly lower sales prices in local currencies. The operational EBIT includes a EUR 3.5 million asset impairment in the result of Bulleh Shah Packaging equity accounted investment. The ramp-up of Beihai Mill is proceeding ahead of plan, and the first commercial volumes of liquid packaging board and coated unbleached kraftboard (CUK) were delivered to customers. The folding boxboard (FBB) deliveries have continued well with increasing prices and volumes. The consumer board machine is expected to reach full production during the first half of 2018. During the quarter, there was a technical power turbine incident that caused a provision of EUR 7.5 million. The loss of Beihai Mill was, as estimated, EUR 33 million, despite the turbine damage. The turbine damage and repair works needed are still under investigation. The ramp-up of the Beihai operations is expected to have a EUR 18 million negative (EUR 18 million a year ago) impact on the second quarter 2017 operational EBIT, including a quarterly depreciation of EUR 10 million. The production of Beihai Mill in Q1/2017 was 87 000 tonnes of consumer packaging board.
- In January, Stora Enso announced that it reconsiders the plans to build a chemical pulp mill in Beihai, China. The process with the Government of the Guangxi Province in China with the target to remove the authorisation for the hardwood chemical pulp mill from its investment permit is ongoing. A Memorandum of Understanding was signed between Stora Enso and the Government of the Guangxi Province in China.
- In January, Stora Enso announced that it is investing a total of EUR 9.1 million into its consumer board mills at Imatra and Ingierois, Finland, and Fors, Sweden, to increase production capacity and to continue the commercialisation of micro-fibrillated cellulose (MFC), and to accelerate product development.

Markets

Product	Market	Demand Q1/17 compared with Q1/16	Demand Q1/17 compared with Q4/16	Price Q1/17 compared with Q1/16	Price Q1/17 compared with Q4/16
Consumer board	Europe	Slightly stronger	Stable	Slightly lower	Stable

Sales and operational EBIT



Operational ROOC Operational ROOC excl. Beihai

12.2% 38.0%
(Target: >20%)

Scheduled annual maintenance shutdowns

	2017	2016
Q1	–	–
Q2	–	–
Q3	Imatra and Ingierois mills	Imatra and Ingierois mills
Q4	Skoghall and Fors mills	Skoghall and Fors mills

Packaging Solutions division

Varkaus investment paying off

Packaging Solutions division develops fibre-based packaging, and operates at every stage of the value chain from pulp production, material and packaging production to recycling. Our solutions serve leading converters, brand owners and retailer customers helping to optimise performance, reduce total costs and enhance sales.

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	290	245	18.4%	282	2.8%	1 044
Operational EBITDA	43	23	87.0%	36	19.4%	129
Operational EBITDA margin	14.8%	9.4%		12.8%		12.4%
Operational EBIT	24	7	242.9%	19	26.3%	64
Operational EBIT margin	8.3%	2.9%		6.7%		6.1%
Operational ROOC ¹	11.1%	3.2%		8.8%		7.6%
Cash flow from operations (non-IFRS)	31	10	210.0%	44	-29.5%	132
Cash flow after investing activities (non-IFRS)	16	-10	260.0%	23	-30.4%	63
Board deliveries (external), 1 000 tonnes	246	209	17.7%	237	3.8%	869
Board production, 1 000 tonnes	328	302	8.6%	321	2.2%	1 221
Corrugated packaging deliveries, million m ²	267	259	3.1%	276	-3.3%	1 082
Corrugated packaging production, million m ²	267	253	5.5%	274	-2.6%	1 073

¹ Operational ROOC = 100% x Operational EBIT/Average operating capital

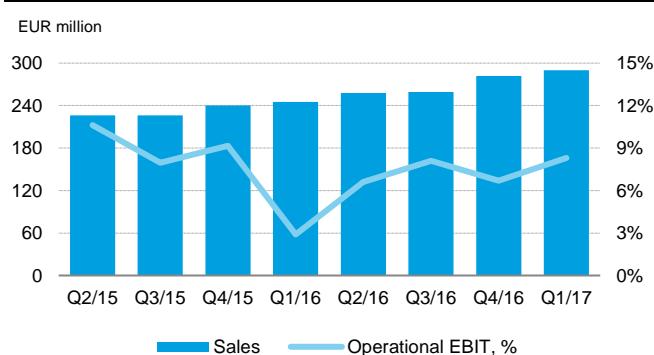
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 18.4% to EUR 290 million (EUR 245 million), due to the ramp-up of Varkaus kraftliner mill, and better volumes in Containerboard and Corrugated business.
- Operational EBIT was EUR 17 million higher at EUR 24 million. Varkaus kraftliner mill ramp-up improved profitability EUR 9 million and China packaging operational EBIT increased EUR 10 million, mainly due to higher sales volumes and negative EUR 7 million inventory write-down in Q1/ 2016.
- Varkaus kraftliner mill ramp-up is proceeding according to plan. The mill is expected to reach full production during the second half of 2017, and EBIT break-even in Q2/2017.
- Stora Enso has decided not to proceed with the plans for the expansion of Ostrołęka RCP containerboard mill due to the prevailing market and global geo-political situation. As a consequence, the cost of feasibility study of EUR 4 million was expensed during Q1 in the division's results.
- In January, Stora Enso divested the packaging machine manufacturing company Formeca Oy in Finland to the Finnish Amitec Oy. Stora Enso became a reseller of Formeca packaging machines. The transaction had no material financial impact.
- In February, Stora Enso announced an investment of EUR 28 million at Heinola Fluting Mill in Finland. The aim is to improve product quality and to increase the capacity in order to extend the customer base in demanding end uses and markets. The investment is expected to be completed in Q2/2018, and it is included in Stora Enso's capital expenditure guidance. The operational return on operating capital (ROOC) for this investment is expected to exceed the division's target of 20%.

Markets

Product	Market	Demand Q1/17 compared with Q1/16	Demand Q1/17 compared with Q4/16	Price Q1/17 compared with Q1/16	Price Q1/17 compared with Q4/16
Virgin fibre-based containerboard	Global	Slightly stronger	Slightly stronger	Stable	Slightly higher
RCP containerboard	Europe	Slightly stronger	Slightly stronger	Lower	Slightly higher
Corrugated packaging	Europe	Slightly stronger	Stronger	Stable	Stable

Sales and operational EBIT



Operational ROOC

11.1%
(Target: >20%)

Scheduled annual maintenance shutdowns

	2017	2016
Q1	–	–
Q2	Ostrołęka Mill	Ostrołęka Mill
Q3	Varkaus Mill	Heinola Mill
Q4	Heinola Mill	Varkaus Mill

Biomaterials division

Gradually improving pulp market

The Biomaterials division offers a variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers. We also develop new ways to maximise the value extractable from wood, as well as other kinds of lignocellulosic biomasses. Sugars and lignin hold potential for use in applications in the specialty chemical, construction, personal care and food industries.

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	369	351	5.1%	349	5.7%	1 376
Operational EBITDA	90	115	-21.7%	75	20.0%	361
Operational EBITDA margin	24.4%	32.8%		21.5%		26.2%
Operational EBIT	53	84	-36.9%	40	32.5%	224
Operational EBIT margin	14.4%	23.9%		11.5%		16.3%
Operational ROOC ¹	7.9%	13.1%		6.1%		8.5%
Cash flow from operations (non-IFRS)	75	115	-34.8%	79	-5.1%	419
Cash flow after investing activities (non-IFRS)	52	81	-35.8%	37	40.5%	278
Pulp deliveries, 1 000 tonnes	662	617	7.3%	651	1.7%	2 508

¹ Operational ROOC = 100% x Operational EBIT/Average operating capital

For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 5.1% to EUR 369 million (EUR 351 million) as higher pulp volumes more than offset lower sales prices, especially in hardwood pulp.
- Operational EBIT decreased EUR 31 million to EUR 53 million, mainly due to lower European hardwood pulp prices, higher variable costs, especially logistics, a credit loss (EUR 4 million) and building up innovation and R&D capabilities.
- The turbine incident in Q4/2016 at Enocell Mill in Finland caused additional costs of EUR 5 million during the quarter.
- The start-up process at the bagasse-to-xylose demonstration plant in Raceland, USA, is proceeding as planned, and the first batches of xylose are expected to be delivered in 2017.
- The first commercial delivery of lignin from Sunila Mill was shipped during the quarter.

Markets

Product	Market	Demand Q1/17 compared with Q1/16	Demand Q1/17 compared with Q4/16	Price Q1/17 compared with Q1/16	Price Q1/17 compared with Q4/16
Softwood pulp	Europe	Stable	Slightly stronger	Slightly higher	Slightly higher
Hardwood pulp	Europe	Stable	Stable	Significantly lower	Slightly higher

Sales and operational EBIT



Operational ROOC

7.9%
(Target: >15%)

Scheduled annual maintenance shutdowns

	2017	2016
Q1	–	–
Q2	Montes del Plata and Sunila mills	Montes del Plata Mill
Q3	–	Veracel and Skutskär mills
Q4	Veracel and Skutskär mills	Enocell Mill

Wood Products division

New products and solutions driving growth and profitability

Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of urban construction including massive wood elements, wood components, and pellets. We also offer a variety of sawn timber goods. Our customers are mainly construction and joinery companies, merchandisers and retailers.

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	416	382	8.9%	395	5.3%	1 595
Operational EBITDA	31	23	34.8%	24	29.2%	118
Operational EBITDA margin	7.5%	6.0%		6.1%		7.4%
Operational EBIT	22	16	37.5%	17	29.4%	88
Operational EBIT margin	5.3%	4.2%		4.3%		5.5%
Operational ROOC ¹	16.4%	12.3%		13.1%		16.8%
Cash flow from operations (non-IFRS)	22	34	-35.3%	-3	n/m	142
Cash flow after investing activities (non-IFRS)	10	10	0.0%	-11	190.9%	75
Wood products deliveries, 1 000 m ³	1 212	1 086	11.6%	1 176	3.1%	4 643

¹ Operational ROOC = 100% x Operational EBIT/Average operating capital

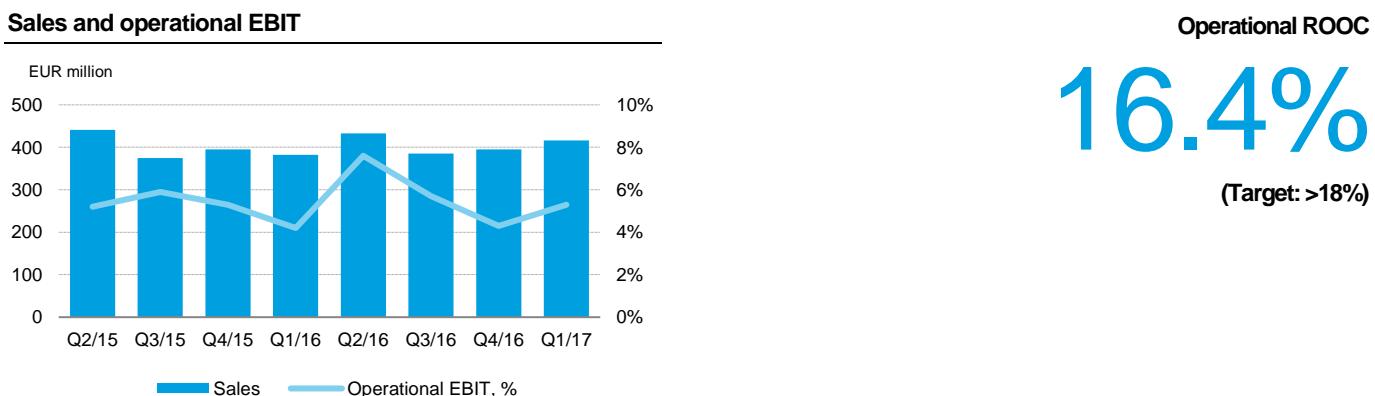
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 8.9% to EUR 416 million (EUR 382 million) due to strategic investments in Varkaus LVL (laminated veneer lumber) line and the modernisation of Murów sawmill, as well as higher CLT (cross-laminated timber) and classic sawn volumes and prices.
- Operational EBIT was EUR 6 million higher at EUR 22 million, due to higher volumes and slightly higher sales prices, especially for spruce classic sawn products.
- The LVL production at Varkaus Mill is ramping up, and all the relevant certificates have been received. Full production is expected in mid-2018.
- The feasibility study for building a CLT production unit at Gruvön Mill in Sweden will be finalised no later than in connection to the group's Q2/2017 report.
- In January, Stora Enso announced that it will invest EUR 12 million to build a new production line manufacturing biocomposite granules with an annual capacity of approximately 15 000 tonnes at Hylte Mill in Sweden. Production is scheduled to begin during the first quarter of 2018. The operational return on operating capital (ROOC) for this investment is expected to exceed the division's target of 18%.
- The "Moholt 50|50" building, built of CLT delivered by Stora Enso, is the largest massive wood project in Norway, and was chosen as the wooden construction of the year 2016 in Norway. Other massive wood projects this year, where Stora Enso has been chosen as supplier, include: WoodCity in Helsinki, Finland, Green Office in Paris, France, Scotland's tallest wooden building Yoker Clyde in Glasgow, the International House in Sydney, Australia, and Trummens Strand in Växjö, Sweden, which will be the biggest massive wooden project in Scandinavia.

Markets

Product	Market	Demand Q1/17 compared with Q1/16	Demand Q1/17 compared with Q4/16	Price Q1/17 compared with Q1/16	Price Q1/17 compared with Q4/16
Wood products	Europe	Stronger	Stronger	Slightly higher	Slightly higher

Sales and operational EBIT



Paper division

Stable sales excluding divestments

Paper division provides best-in-class paper solutions for print media and office use. The wide selection covers papers made from recycled and fresh wood fibre. Our main customer groups include publishers, retailers, printing houses, merchants, converters and office suppliers. Three of the mills produce paper based on 100% recycled fibre.

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	748	854	-12.4%	760	-1.6%	3 245
Operational EBITDA	68	83	-18.1%	90	-24.4%	324
Operational EBITDA margin	9.1%	9.7%		11.8%		10.0%
Operational EBIT	42	51	-17.6%	64	-34.4%	211
Operational EBIT margin	5.6%	6.0%		8.4%		6.5%
Operational ROOC ¹	17.7%	17.1%		25.6%		19.4%
Cash flow from operations (non-IFRS)	42	53	-20.8%	126	-66.7%	351
Cash flow after investing activities (non-IFRS)	32	45	-28.9%	90	-64.4%	277
Cash flow after investing activities to sales (non-IFRS)	4.3%	5.3%		11.8%		8.5%
Paper deliveries, 1 000 tonnes	1 205	1 340	-10.1%	1 207	-0.2%	5 141
Paper production, 1 000 tonnes	1 203	1 395	-13.8%	1 219	-1.3%	5 155

¹ Operational ROOC = 100% x Operational EBIT/Average operating capital

For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

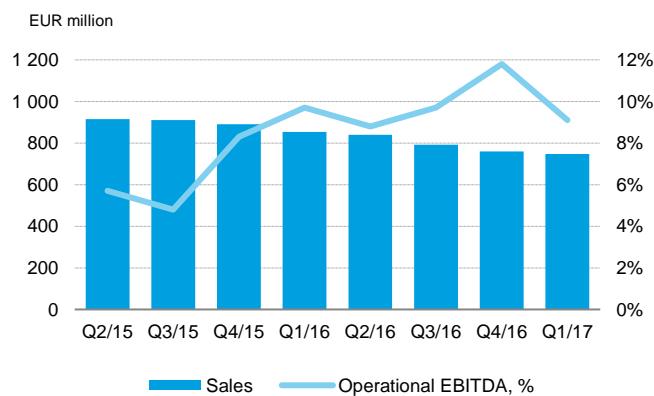
- Sales increased slightly, 0.9% or EUR 8 million, excluding the divestments of Kabel Mill, Arapoti Mill, and the Suzhou Mill site.
- Operational EBIT decreased EUR 9 million to EUR 42 million, as lower sales prices in euro terms were only partly offset by higher volumes and lower fixed costs.
- Cash flow after investing activities to sales ratio decreased to 4.3% (5.3%).
- In February, Stora Enso started co-determination negotiations with employees at its Kvarnsveden Mill in Sweden regarding a plan to reorganise the mill, including a permanent closure of paper machine (PM) 8 by the end of the second quarter of 2017. The planned actions would affect a maximum of 140 employees. The plan would result in annual cost savings of EUR 12 million.
- Stora Enso is reviewing how to create the best conditions for the Paper division to compete under increasing cost pressures and declining market demand. The internal project was initiated during the second quarter of 2016 and is proceeding as planned.

MARKETS

Product	Market	Demand Q1/17 compared with Q1/16	Demand Q1/17 compared with Q4/16	Price Q1/17 compared with Q1/16	Price Q1/17 compared with Q4/16
Paper	Europe	Slightly weaker	Slightly weaker	Slightly lower	Stable

Sales and operational EBITDA

Cash flow after investing activities to sales¹



4.3%

(Target: >7%)

Scheduled annual maintenance shutdowns

	2017	2016
Q1	–	–
Q2	Oulu Mill	Langerbrugge Mill
Q3	Veitsiluoto Mill	Anjala, Maxau, Oulu, and Veitsiluoto mills
Q4	Nymölla Mill	–

¹ The Paper division's financial target is cash flow after investing activities to sales (non-IFRS), because the division's goal is to generate cash flow for the group so that it can transform into a renewable materials growth company.

Other

The segment Other includes the Nordic forest equity-accounted investments, Stora Enso's shareholding in the energy company Pohjolan Voima, operations supplying wood to the Nordic mills and group shared services and administration.

EUR million	Q1/17	Q1/16	Change % Q1/17–Q1/16	Q4/16	Change % Q1/17–Q4/16	2016
Sales	651	648	0.5%	641	1.6%	2 477
Operational EBITDA	1	9	-88.9%	-7	114.3%	-8
Operational EBITDA margin	0.2%	1.4%		-1.1%		-0.3%
Operational EBIT	13	17	-23.5%	13	0.0%	43
Operational EBIT margin	2.0%	2.6%		2.0%		1.7%
Cash flow from operations (non-IFRS)	-59	-5	n/m	101	-158.4%	136
Cash flow after investing activities (non-IFRS)	-69	-14	n/m	88	-178.4%	101

For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Operational EBIT was EUR 4 million lower due to slightly higher costs mainly for clean-up of historic environmental liabilities of previously closed sites.

Sustainability in first quarter 2017 (compared with Q1/2016)

Safety performance

TRI and LTA rates¹

	Q1/17 ²	Q1/16	Q4/16	2016	Milestone	Milestone to be reached by
TRI rate	9.0	12.0	10.9	11.7		
LTA rate	5.9	3.9	4.3	4.4	4.0	end of 2017

TRI (Total recordable incident) rate = number of incidents per one million hours worked.

LTA (Lost-time accident) rate = number of lost-time accidents per one million hours worked.

¹ For Stora Enso employees, excluding joint operations

² As of January 2017 Stora Enso applies new Occupational Health and Safety Administration (OHSA) definitions in the reporting of TRI and LTA rates to better align with international standards. Due to this change Q1 figures are not fully comparable with historical figures.

The LTA rate milestone has been set to 4.0 (3.8) based on past performance.

In March, tragically an employee working at the Wood Products unit in Murów, Poland, lost his life in an industrial accident. A Root Cause Analysis has been conducted and Corrective Actions will be implemented. Similar risks elsewhere in the group will be assessed and appropriate remedies undertaken.

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	31 March 17	31 Dec 16	31 March 16	Target	Target to be reached by
% of supplier spend covered by the Supplier Code of Conduct ¹	93%	92%	91%	95%	end of 2017

¹ Excluding joint operations.

A new target level has been set at 95% (90%).

Human rights

Stora Enso's partnership with the International Labour Organization (ILO)

The final report by ILO on the formative ground research on child labour and decent work deficits in Punjab Province, Pakistan is expected during Q2/2017.

To improve the quality of the research further, ILO commissioned local engagement involving more than 170 stakeholders to advance decent work in Punjab Province.

Action plans to address the Danish Institute for Human Rights (DIHR) assessment findings

Progress on the implementation of preventive and remediation actions

	Completed	On track	Not on track	Closed ¹	Regular review ²
Implementation progress, % of all the actions	87%	1%	1%	7%	4%

¹ Issues that were identified in the Human Rights assessments but closed following reassessment of their validity in specific local contexts.

² Longer-term actions without a targeted end-date that require continuous review.

At the end of the Q1 87% (86% by the end of 2016) of the preventive and remediation actions were completed. The actions are based on the UN Guiding Principles on Business and Human Rights and criteria created in collaboration with DIHR. As reported earlier, the remaining actions will be progressed to an appropriate conclusion during 2017 and the reporting on Human Rights Action Plan progress will be stopped.

Mitigating Child Labour in Pakistan

Bulleh Shah Packaging's direct suppliers of domestic fibre and agricultural by-products

	31 March 17	31 Dec 16	31 March 16
Number of direct active suppliers	117	276	276
Audit coverage year-to-date (%) ¹	11%	15%	6%

¹ The share of direct suppliers of Old Corrugated Containers (OCC) and agricultural by-products that are audited during the calendar year. Excluding institutional OCC suppliers identified as low risk.

Bulleh Shah Packaging (BSP) conducted 19 (55) audits of its material and service suppliers during the first quarter. In addition, 7 (0) supplier audits were conducted by an external party. During the quarter, two proven young worker cases, unacceptable for Stora Enso and BSP, were found in the operations of suppliers providing Paper for Recycling for BSP from non-institutional sources. Cases involving workers between 14–18 years of age are referred to as young workers in accordance with Pakistan-specific implementation of the ILO Minimum Working Age Convention (ILO C138). The hiring of these young workers by subcontractors violates the suppliers' contractual obligations under BSP's Supplier Sustainability Requirements. The young workers were employed in temporary part-time jobs and not conducting hazardous work. One has already left the job. The other one is still working for the supplier, and the plan for the remediation under the Child Labour Remediation Policy is under development. The suppliers will be re-audited with an unannounced audit within two months.

In October 2016, the Government of Punjab passed revised legislation regarding the employment of children and adolescents, clarifying the conditions under which adolescents may work. In line with this legislation, BSP is reviewing and revising its current Supplier Sustainability Requirements, which prohibit suppliers from employing anyone less than 18 years of age. The ILO is supporting BSP in the revision of its internal policies and procedures. This is in order to ensure that any employment by BSP suppliers of adolescent workers complies with applicable labor rights, and that they are only engaged in non-hazardous work. Once these changes come into effect, only those cases of adolescent workers where there is a breach of the law will be reported. Cases of child labor will be reported as previously.

Due to a sufficient stockpile and consequently less sourcing of biomass during 2016, the number of direct active suppliers has decreased. Biomass sourcing and the amount of suppliers are expected to increase later during the year. Due to the uncertainty related to the amount of suppliers during the year, BSP has not placed a fixed target on the annual audit coverage of the suppliers.

The vehicle installations for the mobile medical clinic by the Yunus Center at the Asian Institute of Technology have been completed, and the medical staff has been trained by the Salamar Hospital in Lahore. Operational activities in the communities are expected to start during the second quarter, and after this the reporting on the medical mobile clinic will be stopped.

Forests, plantations, and land use

Correction of land leasing contracts in Guangxi, China

Social forestlands leased by Stora Enso in Guangxi

	31 March 17	31 Dec 16	31 March 16
Social forestland leased, ha	29 856	30 500	32 125
Leased area without contractual defects, ha	16 333	16 480	16 642
Lease contracts without contractual defects, % of all contracts	66%	66%	64%

In contracts without defects the ownership of land is clear or solved, and the contracting procedure is proven to be legal, authentic and valid. The contract correction process includes a desktop documentation review, field investigations, legal and operational risk analysis, stakeholder consultations, the collection of missing documentation and the signing of new agreements or amendments directly with the villages or households concerned, or in some cases contract termination.

Stora Enso leases a total of 82 916 hectares of land in various regions of Guangxi, of which 36% (38%) is social land leased from village collectives, individual households, and local forest farms.

In cases of conflict that the contract correction procedures cannot resolve, Stora Enso will terminate the contracts in a responsible way. During the first quarter, all remaining irreconcilable or economically unviable contracts were terminated, corresponding to 631 hectares.

As announced on 19 January, Stora Enso is reconsidering its plans to build a chemical pulp mill in Beihai, and decrease the area of its leased forestland in the Guangxi region. As part of this process, all contracts will be evaluated and Stora Enso aims to have only land leased that is free of contractual defects.

Land occupations by the Social Landless Movements in Bahia, Brazil

Land occupied by social landless movements not involved in the Sustainable Settlement Initiative

	31 March 17	31 Dec 16	31 March 16
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 616	3 499	4 592

As of the end of the first quarter, 3 616 hectares of land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the quarter, the occupied area increased by 117 hectares due to a land occupation by a group which has not declared to be part of the already known social movements in the region. Veracel has reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2016 the total land area owned by Veracel was 215 000 hectares, of which 73 000 hectares are planted with eucalyptus for pulp production.

Carbon dioxide

Performance compared to baseline level¹

	Q1/17	Q1/16	Q4/16	2016	Target	Target to be reached by
Reduction of fossil CO ₂ emissions per saleable tonne of pulp, paper and board (kg/t)	-37%	-33%	-41%	-41%	-35%	end of 2025

¹ From baseline year 2006. Covering direct fossil CO₂ emissions from production and indirect fossil CO₂ emissions related to purchased electricity and heat (Scope 1 and 2). Historical figures for Q4 2016 and full year 2016 restated (-2%). Excluding joint operations.

For over a decade, Stora Enso has actively reduced the energy intensity of its operations, and in many places also its dependency on fossil fuels. Today, over 75% of the energy the group generates and uses comes from Carbon Neutral sources inside and outside the company. It is Stora Enso's firm intention to drive down fossil fuel use even more over the next ten years to get as close to zero as possible using technically and commercially feasible means.

Despite being ahead of the 2025 target at present, the full adverse impact on the group's fossil CO₂ emissions from coal use for energy production at Beihai Mill is yet to be seen in the data. This will become clear as the year progresses. Work has already begun to define a long-term strategy to migrate away from coal at Beihai.

Short-term risks and uncertainties

Increasing competition and supply and demand balances in the paper, pulp, packaging, wood products and roundwood markets may have an impact on our market share and profitability. Changes in the global economic and political environment, sharp market corrections, increasing volatility in foreign exchange rates and deteriorating economic conditions in our main markets could all have impacts on Stora Enso's profits, cash flows and financial position. A more detailed description of risks is available in Stora Enso's Annual Report at storaenso.com/annualreport.

Energy sensitivity analysis: the direct effect of a 10% increase in electricity, heat, oil and other fossil fuel market prices would have a negative impact of approximately EUR 14 million on operational EBIT for the next 12 months, after the effect of hedges.

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 180 million on operational EBIT for the next 12 months.

Pulp sensitivity analysis: the direct effect of a 10% increase in pulp market prices would have a positive impact of approximately EUR 120 million on operational EBIT for the next 12 months.

Chemical and filler sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 35 million on operational EBIT for the next 12 months.

A decrease of energy, wood, pulp or chemical and filler prices would have the opposite impact.

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, the Swedish crown and the British pound against the euro would be about positive EUR 125 million, negative EUR 86 million and positive EUR 31 million annual impact, respectively. Weakening of the currencies would have the opposite impact. These numbers are before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

The Group incurs annual unhedged net costs worth approximately EUR 150 million in Brazilian real (BRL) in its operations in Brazil. For these flows, a 10% strengthening in the value of BRL would have a EUR 15 million negative impact on operational EBIT.

Legal proceedings

Proceedings in Latin America

Fibria and Stora Enso each own 50% of Veracel, and the joint ownership is governed by a shareholder agreement. In May 2014, Fibria initiated arbitration proceedings against Stora Enso claiming that Stora Enso was in breach of certain provisions of the shareholder agreement. Fibria has estimated that the interest to be paid regarding the dispute should be approximately USD 54 (EUR 51) million. Stora Enso denies any breach of contract and disputes the method for calculating the interest to be paid. No provisions have been made in Stora Enso's accounts for this case.

On 11 July 2008, Stora Enso announced that a federal judge in Brazil had issued a decision claiming that the permits issued by the State of Bahia for the operations of Stora Enso's joint operations company Veracel were not valid. The judge also ordered Veracel to take certain actions, including reforestation with native trees on part of Veracel's plantations and a possible fine of BRL 20 (EUR 6) million. Veracel disputes the decision and has filed an appeal against it. Veracel operates in full compliance with all Brazilian laws and has obtained all the necessary environmental and operating licences for its industrial and forestry activities from the relevant authorities. In November 2008, a Federal Court suspended the effects of the decision. No provisions have been recorded in Veracel's or Stora Enso's accounts for the reforestation or the possible fine.

Proceedings in Finland

In December 2009, the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to competition law infringements. The total claim against the defendants amounted to approximately EUR 160 million and the secondary claim against Stora Enso to approximately EUR 87 million. In its ruling issued in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, Metsäliitto and UPM. Metsähallitus has appealed this ruling.

In addition, certain Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from the defendants amounts to approximately EUR 24 million, the secondary claims solely against Stora Enso amount to approximately EUR 5 million. Stora Enso denies that the plaintiffs suffered any damages whatsoever and will forcefully defend itself. No provisions have been made in Stora Enso's accounts for these lawsuits.

Proceedings in Sweden

In July and August 2016, six Swedish Insurance companies filed lawsuits against Stora Enso. The claimed amount is approximately SEK 300 million (EUR 31 million) attributable to insurance compensation paid to injured parties in connection

with the forest fire in Västmanland, Sweden in 2014. Stora Enso denies liability and will respond within the frame of the legal proceedings.

Share capital and shareholdings

During the first quarter of 2017, the conversion of 20 A shares into R shares was recorded in the Finnish trade register.

On 31 March 2017, Stora Enso had 176 507 070 A shares and 612 112 917 R shares in issue. The company did not hold its own shares. The total number of Stora Enso shares in issue was 788 619 987 and the total number votes was at least 237 718 362.

Annual General Meeting

Stora Enso Oyj's Annual General Meeting (AGM) will be held today, Thursday 27 April 2017, at 16.00 (Finnish time) at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

The Board of Directors' proposal for the payment of dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.37 per share be distributed for the year 2016.

The dividend would be paid to shareholders who on the record date of the dividend payment, 2 May 2017, are recorded in the shareholders' register maintained by Euroclear Finland Oy or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden registered shares. Dividends payable to Euroclear Sweden registered shares will be forwarded by Euroclear Sweden AB and paid in Swedish crowns. Dividends payable to ADR holders will be forwarded by Citibank N.A. and paid in US dollars.

The Board of Directors proposes to the AGM that the dividend be paid on or about 9 May 2017.

This release has been prepared in Finnish, English and Swedish. If there are any variations in the content between the versions, the English version shall govern. This report is unaudited.

Helsinki, 27 April 2017
Stora Enso Oyj
Board of Directors

Financials

Basis of Preparation

This unaudited interim financial report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the group's Financial Report for 2016.

All figures in this Interim Report have been rounded to the nearest million, unless otherwise stated.

Non-IFRS measures

The group's key non-IFRS performance metric is operational EBIT, which is used to evaluate the performance of its operating segments and to steer allocation of resources to them. Operational EBIT comprises the operating profit excluding items affecting comparability (IAC) and fair valuations from the segments and Stora Enso's share of the operating profit of equity accounted investments (EAI), also excluding items affecting comparability and fair valuations.

Items affecting comparability are exceptional transactions that are not related to recurring business operations. The most common items affecting comparability are capital gains, additional write-downs or reversals of write-downs, provisions for planned restructuring and penalties. Items affecting comparability are normally disclosed individually if they exceed one cent per share.

Fair valuations and non-operational items include equity incentive schemes and related hedges, CO₂ emission rights, valuations of biological assets and the group's share of income tax and net financial items of EAI.

Cash flow from operations (non-IFRS) is a group specific way to present operative cash flow without hedging result from OCI and starting from operational EBITDA instead of operating profit.

Cash flow after investing activities (non-IFRS) is calculated as follows: cash flow from operations (non-IFRS) excluding cash spent on intangible assets, property, plant and equipment, and biological assets and acquisitions of EAI.

The full list of the non-IFRS measures is presented at the end of this report.

Change in the reporting of costs related to growth of biological assets

Stora Enso changed its reporting regarding the costs related to the growth of biological assets (i.e. growing trees) starting from the fourth quarter of 2016.

Costs related to the development of biological assets are capitalised on the balance sheet during the growth cycle (i.e. until the time of harvesting). At harvesting, the capitalised costs are transferred from *biological assets* to *inventory*. Prior to the change, Stora Enso has included the costs related to the growth of biological assets in its operational EBITDA.

From the fourth quarter of 2016 onwards, these growth costs are excluded from operational EBITDA and presented as *Operational decrease in the value of biological assets*. This change affects the following non-IFRS key figures: operational EBITDA, operational EBITDA margin, and net debt to last 12 months' operational EBITDA ratio. The historical figures are restated according to the new reporting structure. Restated figures are presented in Stora Enso Oyj stock exchange release, published on 8 December 2016.

There is no impact on operational EBIT, the subtotals of the official Condensed Consolidated Income Statement or the group's other IFRS figures.

The following amendments to the standards are applied to the annual periods beginning on 1 January 2017

Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities – Applying the consolidation Exception*. The amendments provide an exemption from consolidation of subsidiaries for entities that meet the definition of investment entity. This change is not relevant to the group.

Future standard changes endorsed by the EU but not yet effective in 2017

As disclosed in Stora Enso's Financial Report 2016, we do not expect that the following standards would have any significant impact on the group:

- IFRS 15: *Revenue from contracts with Customers*
- IFRS 9: *Financial Instruments*

Condensed consolidated income statement

EUR million	Q1/17	Q1/16	Q4/16	2016
Sales	2 497	2 445	2 438	9 802
Other operating income	24	30	29	123
Change in inventories of finished goods and WIP	23	36	24	9
Materials and services	-1 498	-1 463	-1 515	-5 833
Freight and sales commissions	-245	-231	-218	-920
Personnel expenses	-325	-342	-319	-1 334
Other operating expenses	-145	-146	-155	-561
Share of results of equity accounted investments	16	-3	124	156
Change in net value of biological assets	-12	-7	-202	-261
Depreciation, amortisation and impairment charges	-142	-125	-61	-398
Operating Profit	193	194	145	783
Net financial items	-29	-39	-69	-242
Profit before Tax	164	155	76	541
Income tax	-57	-41	-20	-134
Net Profit for the Period	107	114	56	407
Attributable to:				
Owners of the Parent	114	118	91	463
Non-controlling interests	-7	-4	-35	-56
Net Profit for the Period	107	114	56	407
Earnings per Share				
Basic earnings per share, EUR	0.14	0.15	0.12	0.59
Diluted earnings per share, EUR	0.14	0.15	0.12	0.59

Consolidated statement of comprehensive income

EUR million	Q1/17	Q1/16	Q4/16	2016
Net profit for the period	107	114	56	407
Other Comprehensive Income (OCI)				
Items that will Not be Reclassified to Profit and Loss				
Actuarial gains and losses on defined benefit plans	0	0	-52	-62
Income tax relating to items that will not be reclassified	0	0	15	15
	0	0	-37	-47
Items that may be Reclassified Subsequently to Profit and Loss				
Share of OCI of EAIs that may be reclassified	1	-3	4	0
Currency translation movements on equity net investments (CTA)	7	-32	123	124
Currency translation movements on non-controlling interests	0	-5	2	-3
Net investment hedges	4	14	-19	-11
Cash flow hedges	-3	23	-13	13
Non-controlling interests' share of items that may be reclassified	-1	0	0	0
Available-for-sale investments	-14	0	30	138
Income tax relating to items that may be reclassified	1	-8	5	-1
	-5	-11	132	260
Total Comprehensive Income	102	103	151	620
Attributable to:				
Owners of the Parent	110	112	184	679
Non-controlling interests	-8	-9	-33	-59
Total Comprehensive Income	102	103	151	620

CTA = Cumulative Translation Adjustment
 OCI = Other Comprehensive Income
 EAI = Equity Accounted Investments

Condensed consolidated statement of financial position

EUR million		31 Mar 17	31 Dec 16	31 Mar 16
Assets				
Goodwill	O	237	238	246
Other intangible assets	O	180	180	148
Property, plant and equipment	O	5 550	5 611	5 591
		5 967	6 029	5 985
Biological assets	O	495	489	636
Emission rights	O	27	14	35
Equity accounted investments	O	1 602	1 594	1 545
Available-for-sale: Listed securities	I	42	42	24
Available-for-sale: Operative	O	239	253	138
Non-current loan receivables	I	6	7	68
Deferred tax assets	T	197	214	245
Other non-current assets	O	60	57	61
Non-current Assets		8 635	8 699	8 737
Inventories	O	1 438	1 346	1 403
Tax receivables	T	11	9	8
Operative receivables	O	1 337	1 273	1 334
Interest-bearing receivables	I	31	46	74
Cash and cash equivalents	I	932	953	605
Current Assets		3 749	3 627	3 424
Total Assets		12 384	12 326	12 161
Equity and Liabilities				
Owners of the Parent		5 914	5 806	5 500
Non-controlling Interests		54	62	112
Total Equity		5 968	5 868	5 612
Post-employment benefit provisions	O	431	436	371
Other provisions	O	112	114	108
Deferred tax liabilities	T	202	203	267
Non-current debt	I	2 334	2 655	3 173
Other non-current operative liabilities	O	53	61	46
Non-current Liabilities		3 132	3 469	3 965
Current portion of non-current debt	I	821	552	237
Interest-bearing liabilities	I	559	563	545
Bank overdrafts	I	8	4	1
Other provisions	O	29	20	42
Other operative liabilities	O	1 791	1 774	1 715
Tax liabilities	T	76	76	44
Current Liabilities		3 284	2 989	2 584
Total Liabilities		6 416	6 458	6 549
Total Equity and Liabilities		12 384	12 326	12 161

Items designated with "O" comprise Operating Capital

Items designated with "I" comprise Net Interest-bearing Liabilities

Items designated with "T" comprise Net Tax Liabilities

Condensed consolidated statement of cash flows

EUR million	Q1/17	Q1/16
Cash Flow from Operating Activities		
Operating profit	193	194
Hedging result from OCI	-2	-4
Adjustments for non-cash items	152	156
Change in net working capital	-167	-61
Cash Flow Generated by Operations	176	285
Net financial items paid	-63	-78
Income taxes paid, net	-30	-36
Net Cash Provided by Operating Activities	83	171
Cash Flow from Investing Activities		
Acquisitions of available-for-sale investments	-	-2
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	4	13
Proceeds and advances from disposal of intangible assets and property, plant and equipment	38	-
Income taxes paid on disposal of property	-15	-
Capital expenditure	-135	-193
Proceeds from non-current receivables, net	3	-5
Net Cash Used in Investing Activities	-105	-187
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	29	1
Repayment of long-term debt	-68	-108
Change in short-term borrowings	37	-18
Buy-out of interest in subsidiaries from non-controlling interests	-	-46
Equity injections from, less dividends to, non-controlling interests	-	-2
Purchase of own shares ¹	-3	-2
Net Cash Used in Financing Activities	-5	-175
Net Change in Cash and Cash Equivalents	-27	-191
Translation adjustment	2	-13
Net cash and cash equivalents at the beginning of period	949	808
Net Cash and Cash Equivalents at Period End	924	604
Cash and Cash Equivalents at Period End	932	605
Bank Overdrafts at Period End	-8	-1
Net Cash and Cash Equivalents at Period End	924	604
Disposals		
Cash and cash equivalents	-	1
Working capital	-	20
Non-controlling interests	-	-4
Net Assets in Divested Companies	-	17
Gain on sale	-	-
Total Disposal Consideration	-	17
Cash part of consideration	-	14
Non-cash/not received part of consideration	-	3
Total Disposal Consideration	-	17
Cash Received Regarding Previous Year Disposals	4	-

¹ Own shares purchased for the group's share award programme. The group did not hold any of its own shares at the end of March 2017.

Property, plant and equipment, goodwill, biological assets and other intangible assets

EUR million	Q1/17	Q1/16	2016
Carrying value at 1 January	6 518	6 671	6 671
Additions in tangible and intangible assets	88	167	638
Additions in biological assets	20	21	91
Costs related to growth of biological assets	-12	-7	-141
Disposals	-8	-	-253
Disposals of subsidiary companies	-	-	-39
Depreciation and impairment	-142	-125	-398
Fair valuation of biological assets	-	-	-120
Translation difference and other	-2	-106	69
Statement of Financial Position Total	6 462	6 621	6 518

Borrowings

EUR million	31 Mar 17	31 Dec 16	31 Mar 2016
Bond loans	1 684	1 705	1 819
Loans from credit institutions	1 404	1 434	1 502
Finance lease liabilities	56	56	61
Other non-current liabilities	11	12	28
Non-current Debt including Current Portion	3 155	3 207	3 410
Short-term borrowings	481	452	471
Interest payable	32	54	23
Derivative financial liabilities	46	57	51
Bank overdrafts	8	4	1
Total Interest-bearing Liabilities	3 722	3 774	3 956
EUR million	Q1/17	2016	Q1/16
Carrying value at 1 January	3 774	4 197	4 197
Proceeds of new long-term debt	29	368	1
Repayment of long-term debt	-68	-781	-108
Change in short-term borrowings and interest payable	7	-50	-62
Change in derivative financial liabilities	-11	-13	-19
Translation differences and other	-9	53	-53
Total Interest-bearing Liabilities	3 722	3 774	3 956

Statement of changes in equity

EUR million	Share Capital	Share Premium and Reserve Fund	Invested Non-Restricted Equity Fund	Treasury Shares	Fair Valuation Reserve							Attributable to Owners of the Parent	Non-controlling Interests	Total
					Step Acquisition Revaluation Surplus	Available-for-Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings				
					4	27	-24	-19	-147	3 495	5 388	125	5 513	
Balance at 31 December 2015	1 342	77	633	-	4	27	-24	-19	-147	3 495	5 388	125	5 513	
Profit/loss for the period	-	-	-	-	-	-	-	-	-	118	118	-4	114	
OCI before tax	-	-	-	-	-	-	23	-3	-18	-	2	-5	-3	
Income tax relating to components of OCI	-	-	-	-	-	-	-5	-	-3	-	-8	-	-8	
Total Comprehensive Income	-	-	-	-	-	-	18	-3	-21	118	112	-9	103	
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-4	-4	
Purchase of treasury shares	-	-	-	-2	-	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	2	-	-	-	-	-	-	2	-	-	2
Balance at 31 March 2016	1 342	77	633	-	4	27	-6	-22	-168	3 613	5 500	112	5 612	
Profit/loss for the period	-	-	-	-	-	-	-	-	-	345	345	-52	293	
OCI before tax	-	-	-	-	-	138	-10	3	131	-62	200	2	202	
Income tax relating to components of OCI	-	-	-	-	-	-3	5	-	5	15	22	-	22	
Total Comprehensive Income	-	-	-	-	-	135	-5	3	136	298	567	-50	517	
Dividend	-	-	-	-	-	-	-	-	-	-260	-260	-	-260	
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-1	-1	-	-1	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at 31 December 2016	1 342	77	633	-	4	162	-11	-19	-32	3 650	5 806	62	5 868	
Profit/loss for the period	-	-	-	-	-	-	-	-	-	114	114	-7	107	
OCI before tax	-	-	-	-	-	-14	-3	1	11	-	-5	-1	-6	
Income tax relating to components of OCI	-	-	-	-	-	-	1	-	-	-	1	-	1	
Total Comprehensive Income	-	-	-	-	-	-14	-2	1	11	114	110	-8	102	
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase of treasury shares	-	-	-	-3	-	-	-	-	-	-	-3	-	-3	
Share-based payments	-	-	-	3	-	-	-	-	-	-2	1	-	1	
Balance at 31 March 2017	1 342	77	633	-	4	148	-13	-18	-21	3 762	5 914	54	5 968	

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

NCI = Non-controlling Interests

Commitments and contingencies

EUR million	31 Mar 17	31 Dec 16	31 Mar 16
On Own Behalf			
Mortgages	9	9	4
On Behalf of Equity Accounted Investments			
Guarantees	4	4	10
On Behalf of Others			
Guarantees	33	34	29
Other Commitments, Own			
Operating leases, in next 12 months	85	86	82
Operating leases, after next 12 months	722	747	782
Pension liabilities	1	1	1
Other commitments	10	9	10
Total	864	890	918
Mortgages	9	9	4
Guarantees	37	38	39
Operating leases	807	833	864
Pension liabilities	1	1	1
Other commitments	10	9	10
Total	864	890	918

Capital Commitments

The group's direct capital expenditure contracts amounted to EUR 173 million (compared with EUR 147 million on 31 March 2016 and EUR 171 million on 31 December 2016). These amounts include the group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	611	2 342	580	599	599	564
Packaging Solutions	290	1 044	282	259	258	245
Biomaterials	369	1 376	349	334	342	351
Wood Products	416	1 595	395	385	433	382
Paper	748	3 245	760	792	839	854
Other	651	2 477	641	559	629	648
Inter-segment sales	-588	-2 277	-569	-535	-574	-599
Total	2 497	9 802	2 438	2 393	2 526	2 445

Operational EBIT by segment

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	61	254	38	67	76	73
Packaging Solutions	24	64	19	21	17	7
Biomaterials	53	224	40	43	57	84
Wood Products	22	88	17	22	33	16
Paper	42	211	64	53	43	51
Other	13	43	13	13	0	17
Operational EBIT	215	884	191	219	226	248
Fair valuations and non-operational items ¹	5	-67	-12	-14	-15	-26
Items affecting comparability	-27	-34	-34	-9	37	-28
Operating Profit (IFRS)	193	783	145	196	248	194
Net financial items	-29	-242	-69	-35	-99	-39
Profit before Tax	164	541	76	161	149	155
Income tax expense	-57	-134	-20	-42	-31	-41
Net Profit	107	407	56	119	118	114

¹ Fair valuations and non-operational items include equity incentive schemes and related hedges, CO₂ emission rights, valuations of biological assets, and the group's share of income tax and net financial items of EAI.

Items affecting comparability (IAC), fair valuations and non-operational items

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Impairments and reversals of intangible assets, PPE and biological assets	-3	-133	-167	-6	41	-1
Restructuring costs excluding fixed asset impairments	-14	-19	0	-3	-16	0
Disposals	0	144	155	0	16	-27
Other	-10	-26	-22	0	-4	0
Total IAC	-27	-34	-34	-9	37	-28
Fair valuations and non-operational items	5	-67	-12	-14	-15	-26
Total	-22	-101	-46	-23	22	-54

Items affecting comparability (IAC) by segment

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	-3	-77	-77	0	0	0
Packaging Solutions	-3	-21	-12	-9	0	0
Biomaterials	-3	0	0	0	0	0
Wood Products	0	0	0	0	0	0
Paper	-18	78	69	0	37	-28
Other	0	-14	-14	0	0	0
IAC on Operating Profit	-27	-34	-34	-9	37	-28
IAC on tax	6	-22	-11	1	-10	-2
IAC on Net Profit	-21	-56	-45	-8	27	-30
Attributable to:						
Owners of the Parent	-21	-47	-37	-8	27	-29
Non-controlling interests	0	-9	-8	0	0	-1
IAC on Net Profit	-21	-56	-45	-8	27	-30

Fair valuations and non-operational items¹ by segment

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	-1	-110	-102	-2	-4	-2
Packaging Solutions	-1	-1	0	0	0	-1
Biomaterials	-1	-13	-5	-3	-2	-3
Wood Products	-1	0	0	0	0	0
Paper	0	0	0	0	0	0
Other	9	57	95	-9	-9	-20
FV and Non-operational Items on Operating Profit	5	-67	-12	-14	-15	-26

¹ Fair valuations (FV) and non-operational items include equity incentive schemes and related hedges, CO₂ emission rights, valuations of biological assets, and the group's share of income tax and net financial items of EAI.

Operating profit/loss by segment

EUR million	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	57	67	-141	65	72	71
Packaging Solutions	20	42	7	12	17	6
Biomaterials	49	211	35	40	55	81
Wood Products	21	88	17	22	33	16
Paper	24	289	133	53	80	23
Other	22	86	94	4	-9	-3
Operating Profit (IFRS)	193	783	145	196	248	194
Net financial items	-29	-242	-69	-35	-99	-39
Profit before Tax	164	541	76	161	149	155
Income tax expense	-57	-134	-20	-42	-31	-41
Net Profit	107	407	56	119	118	114

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	31 Mar 17	31 Dec 16	31 Mar 17	31 Dec 16
SEK	9.5322	9.5525	9.5050	9.4673
USD	1.0691	1.0541	1.0647	1.1066
GBP	0.8555	0.8562	0.8598	0.8189

Transaction risk and hedges in main currencies as at 31 March 2017

EUR million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 250	-860	310
Transaction hedges as at 31 March 2017	-640	420	-160
Hedging percentage as at 31 March 2017 for the next 12 months	51%	49%	52%

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	125
SEK	-86
GBP	31

The sensitivity is based on the estimated net operating cash flow for the next 12 months. The calculation does not take into account currency hedges, and it assumes that no changes occur other than exchange rate movement in a currency. A currency weakening would have the opposite impact.

Fair Values of Financial Instruments

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

The valuation techniques are described in more detail in the group's Financial Report.

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 March 2017

EUR million	Loans and Receivables	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Available-for-Sale Investments	Carrying Amounts	Fair Value
Financial Assets						
Available-for-sale	-	-	-	281	281	281
Non-current loan receivables	6	-	-	-	6	6
Trade and other operative receivables	962	1	-	-	963	963
Interest-bearing receivables	8	6	17	-	31	31
Cash and cash equivalents	932	-	-	-	932	932
Carrying Amount by Category	1 908	7	17	281	2 213	2 213

EUR million	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value
Financial Liabilities					
Non-current debt	-	-	2 334	2 334	2 635
Current portion of non-current debt	-	-	821	821	821
Interest-bearing liabilities	7	39	513	559	559
Trade and other operative payables	22	-	1 470	1 492	1 492
Bank overdrafts	-	-	8	8	8
Carrying Amount by Category	29	39	5 146	5 214	5 515

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	23	-	23
Trade and other operative receivables	-	1	-	1
Available-for-sale investments	42	-	239	281
Derivative financial liabilities	-	46	-	46
Trade and other operative liabilities	-	-	22	22

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 December 2016

EUR million	Loans and Receivables	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Available-for-Sale Investments	Carrying Amounts	Fair Value
Financial Assets						
Available-for-sale	-	-	-	295	295	295
Non-current loan receivables	7	-	-	-	7	7
Trade and other operative receivables	870	3	-	-	873	873
Interest-bearing receivables	5	12	29	-	46	46
Cash and cash equivalents	953	-	-	-	953	953
Carrying Amount by Category	1 835	15	29	295	2 174	2 174

EUR million	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value
Financial Liabilities					
Non-current debt	-	-	2 655	2 655	2 974
Current portion of non-current debt	-	-	552	552	552
Interest-bearing liabilities	7	50	506	563	563
Trade and other operative payables	23	-	1 468	1 491	1 491
Bank overdrafts	-	-	4	4	4
Carrying Amount by Category	30	50	5 185	5 265	5 584

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	41	-	41
Trade and other operative receivables	-	3	-	3
Available-for-sale investments	42	-	253	295
Derivative financial liabilities	-	57	-	57
Trade and other operative liabilities	-	-	23	23

Reconciliation of level 3 fair value measurement of financial assets: 31 March 2017

EUR million	Q1/17	2016	Q1/16
Opening balance at 1 January	253	131	131
Gains/losses recognised in income statement	-	5	-
Gains/losses recognised in Available-for-sale investments reserve	-14	125	4
Additions	-	2	3
Disposals	-	-10	-
Closing Balance	239	253	138

Level 3 Financial Assets

The level 3 financial assets consist mainly of PVO shares for which the valuation method is described in more detail in the Annual Report. The valuation is most sensitive to changes in electricity prices and discount rates. The discount rate of 3.36% used in the valuation model is determined using the weighted average cost of capital method. A +/- 5% change in the electricity price used in the DCF would change the valuation by EUR +35 million and -35 million, respectively. A +/- 1% change in the discount rate would change the valuation by EUR -25 million and +33 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
January	128 390	48 700 741	212 048	12 959 489
February	100 646	53 226 549	303 272	16 213 205
March	104 732	49 285 459	205 358	13 035 785
Total	333 768	151 212 749	720 678	42 208 479

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
January	11.04	10.52	104.90	99.50
February	10.84	10.14	103.20	97.20
March	11.83	11.08	112.80	106.10

Average number of shares

Million	Q1/17	Q1/16	Q4/16	2016
Periodic	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6
Cumulative, diluted	789.9	790.0	790.0	789.9

Calculation of key figures

Operational return on capital employed, operational ROCE (%)	100 x $\frac{\text{Operational EBIT}}{\text{Capital employed}^{1,2}}$
Operational return on operating capital, operational ROOC (%)	100 x $\frac{\text{Operational EBIT}}{\text{Operating capital}^2}$
Return on equity, ROE (%)	100 x $\frac{\text{Net profit/loss for the period}}{\text{Total equity}^2}$
Net interest-bearing liabilities	Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio	$\frac{\text{Net interest-bearing liabilities}}{\text{Equity}^3}$
EPS	$\frac{\text{Net profit/loss for the period}^3}{\text{Average number of shares}}$
Operational EBIT	Operating profit/loss excluding items affecting comparability (IAC) and fair valuations of the segments and Stora Enso's share of operating profit/loss excluding IAC and fair valuations of its equity accounted investments (EAI)
Operational EBITDA	Operating profit/loss excluding operational decrease in the value of biological assets, fixed asset depreciation and impairment, share of results of equity accounted investments, IAC and fair valuations.
Net debt to operational EBITDA ratio	$\frac{\text{Net interest-bearing liabilities}}{\text{LTM operational EBITDA}}$
Fixed costs	Maintenance, personnel and other administration type of costs, excluding IAC and fair valuations
Last 12 months (LTM)	12 months prior to the reporting date
TRI	Total recordable incident rate = number of incidents per one million hours worked
LTA	Lost-time accident rate = number of lost-time accidents per one million hours worked

¹ Capital employed = Operating capital – Net tax liabilities

² Average for the financial period

³ Attributable to the owners of the Parent

List of non-IFRS measures

Operational EBITDA	Depreciation and impairment charges excl. IAC
Operational EBITDA margin	Operational ROCE
Operational EBIT	Earnings per share (EPS), excl. IAC
Operational EBIT margin	Net debt/last 12 months' operational EBITDA ratio
Profit before tax excl. IAC	Fixed costs to sales
Capital expenditure	Operational ROOC
Capital expenditure excl. investments in biological assets	Cash flow from operations
Capital employed	Cash flow after investing activities

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Stora Enso's Q2/2017 results will be published on

26 July 2017

Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wood and paper on global markets. Our aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. We employ some 25 000 people in more than 35 countries, and our sales in 2016 were EUR 9.8 billion. Stora Enso shares are listed on Nasdaq Helsinki (STEAV, STERV) and Nasdaq Stockholm (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY). storaenso.com

It should be noted that Stora Enso and its business are exposed to various risks and uncertainties and 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. 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. All statements are based on management's best assumptions and beliefs in light of the information currently available to it and Stora Enso assumes no obligation to publicly update or revise any forward-looking statement except to the extent legally required.