Stora Enso Full year financial results

January–December 2016

Q4

THE RENEWABLE MATERIALS COMPANY

storaenso

Accelerated ramp-up of Beihai Mill and low hardwood pulp prices impact negatively a solid quarter

Proposal to increase dividend to EUR 0.37 per share

Q4/2016 (compared with Q4/2015)

- Sales EUR 2 438 (EUR 2 487) million decreased 2.0%. Sales excluding the structurally declining paper business increased 4.5%, primarily due to the ramp-ups at Varkaus kraftliner and Beihai consumer board mills.
- Operational EBIT decreased 21.1% to EUR 191 (EUR 242) million, mainly due to historically low hardwood pulp prices in Biomaterials with an impact of EUR 35 million, a negative impact of EUR 25 million from the ramp-up of Beihai operations, slightly more than expected, and a power generator failure at Enocell Mill of EUR -5 million. Operational EBIT margin was 7.8% (9.7%).
- EPS EUR 0.12 (EUR 0.53). EPS excl. IAC decreased to EUR 0.17 (EUR 0.78).
- Strong cash flow from operations continued and was EUR 461 (EUR 412) million, cash flow after investing activities EUR 240 (EUR 75) million.
- Balance sheet continued to strengthen; net debt to operational EBITDA 2.0 (2.3); liquidity EUR 949 (EUR 807) million.
- Operational ROCE 8.9% (11.3%), operational ROCE excluding the Beihai investment 12.1% (13.3%).

Q4/2016 (compared with Q3/2016)

- Sales at EUR 2 438 (EUR 2 393) million, increased 1.9%. Sales excluding the structurally declining paper business increased 4.9%.
- Operational EBIT at EUR 191 (EUR 219) million decreased 12.8%, mainly due to historically low hardwood pulp prices and higher fixed costs.

Full year 2016 (compared with 2015)

- Sales at EUR 9 802 (EUR 10 040) million, declined 2.4%. Sales excluding the structurally declining paper businesses and the divested Barcelona Mill, increased 3.1%, primarily due to the ramp-ups at Varkaus kraftliner and Beihai consumer board mills.
- Operational EBIT at EUR 884 (EUR 915) million, decreased 3.4% largely due to historically low hardwood pulp prices, a negative impact of EUR 74 million from the ramp-up of Beihai operations, and higher fixed costs due to other transformation projects and increased innovation activities in Biomaterials. The Paper division had a positive impact of EUR 134 million on operational EBIT.
- EPS EUR 0.59 (EUR 1.02). EPS excl. IAC decreased to EUR 0.65 (EUR 1.24).
- Strong cash flow from operations was EUR 1 633 (EUR 1 556) million, cash flow after investing activities EUR 834 (EUR 599) million.
- The Board of Directors proposes dividend to increase from EUR 0.33 to EUR 0.37 per share.

Transformation

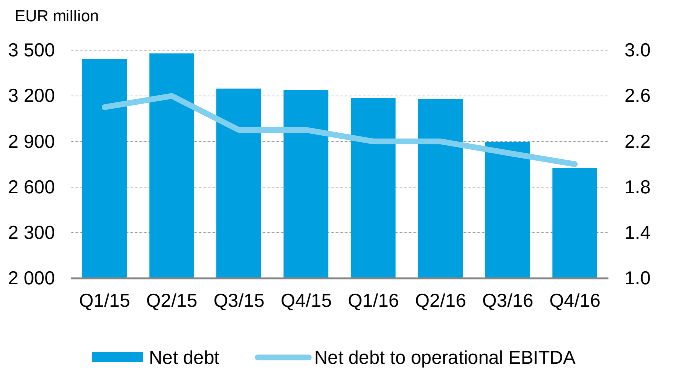
- Beihai Mill ramp-up is proceeding ahead of plan relating to both quality and production volumes. The consumer board machine is expected to reach full production within 18–24 months from the start-up in May 2016. The bleached chemi-thermomechanical pulp (BCTMP) plant started during the fourth quarter. The mill is expected to reach EBITDA break-even in Q1/2018.
- Stora Enso is reconsidering its plans to build a chemical pulp mill in Beihai, China.
- Varkaus kraftliner mill ramp-up is proceeding. Full production is expected 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.

Outlook

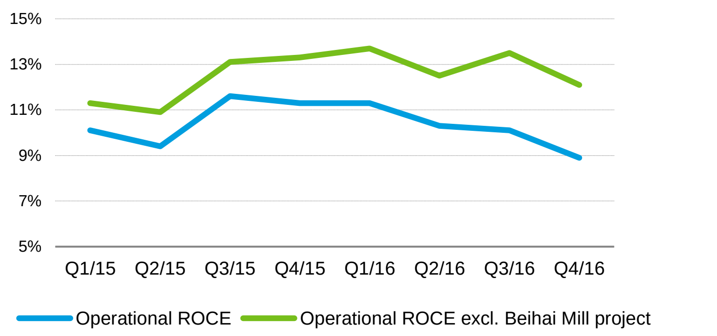
Q1/2017 sales are estimated to be similar to the amount of EUR 2 438 million, and operational EBIT is expected to be in line with the EUR 191 million recorded in Q4/2016. The Q1/2017 operational EBIT estimate includes the negative impacts of the ramp-up of Beihai operations and the power generator failure at Enocell Mill of EUR 34 million and EUR 10 million, respectively. There are no major scheduled annual maintenance shutdowns during Q1/2017.

Stora Enso will start a profit improvement programme targeting to decrease the annual costs by EUR 50 million with full annualised impact in 2018.

NET DEBT TO OPERATIONAL EBITDA



OPERATIONAL ROCE



Key figures

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	2 438	2 487	-2.0%	2 393	1.9%	9 802	10 040	-2.4%
Operational EBITDA[1]	310	351	-11.7%	343	-9.6%	1 371	1 408	-2.6%
Operational EBITDA margin[1]	12.7%	14.1%		14.3%		14.0%	14.0%	
Operational EBIT	191	242	-21.1%	219	-12.8%	884	915	-3.4%
Operational EBIT margin	7.8%	9.7%		9.2%		9.0%	9.1%	
Operating profit (IFRS)	145	393	-63.1%	196	-26.0%	783	1 059	-26.1%
Profit before tax excl. IAC	110	610	-82.0%	170	-35.3%	575	1 048	-45.1%
Profit before tax	76	360	-78.9%	161	-52.8%	541	814	-33.5%
Net profit for the period	56	407	-86.2%	119	-52.9%	407	783	-48.0%
Capital expenditure	194	355	-45.4%	150	29.3%	729	989	-26.3%
Capital expenditure excluding investments in biological assets	170	331	-48.6%	127	33.9%	638	912	-30.0%
Depreciation and impairment charges excl. IAC	131	121	8.3%	124	5.6%	502	517	-2.9%
Net interest-bearing liabilities	2 726	3 240	-15.9%	2 899	-6.0%	2 726	3 240	-15.9%
Operational ROCE	8.9%	11.3%		10.1%		10.2%	10.6%	
Earnings per share (EPS) excl. IAC, EUR	0.17	0.78		0.17		0.65	1.24	
EPS (basic), EUR	0.12	0.53		0.16		0.59	1.02	
Return on equity (ROE)	3.9%	30.7%		8.4%		7.2%	14.6%	
Debt/equity ratio	0.47	0.60		0.52		0.47	0.60	
Net debt/last twelve months' operational EBITDA ratio[1]	2.0	2.3		2.1		2.0	2.3	
Fixed costs to sales	25.8%	25.7%		25.5%		25.3%	25.0%	
Equity per share, EUR	7.36	6.83	7.8%	7.13	3.2%	7.36	6.83	7.8%
Average number of employees	26 135	26 080	0.2%	26 819	-2.6%	26 269	26 783	-1.9%
TRI rate	10.9	12.6	-13.5%	10.5[2]	3.8%	11.7	11.0	6.4%
LTA rate	4.3	5.6	-23.2%	4.4[2]	-2.3%	4.4	4.7	-6.4%

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] The data for the comparative periods have been restated according to the new reporting structure. See chapter *Change in the reporting of costs related to growth of biological assets* at the beginning of the Financials section.

[2] Recalculated due to additional data after the Q3 interim report.

Deliveries and production

	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Board deliveries, 1 000 tonnes	876	741	18.2%	864	1.4%	3 376	3 045	10.9%
Board production, 1 000 tonnes	984	840	17.1%	953	3.3%	3 775	3 394	11.2%
Corrugated packaging deliveries, million m^2	276	274	0.7%	274	0.7%	1 082	1 112	-2.7%
Market pulp deliveries, 1 000 tonnes	570	486	17.3%	525	8.6%	2 068	1 873	10.4%
Wood product deliveries, 1 000 m^3	1 228	1 157	6.1%	1 143	7.4%	4 814	4 490	7.2%
Paper deliveries, 1 000 tonnes	1 207	1 424	-15.2%	1 272	-5.1%	5 141	5 778	-11.0%
Paper production, 1 000 tonnes	1 219	1 435	-15.1%	1 243	-1.9%	5 155	5 794	-11.0%

CEO comment

"Year 2016 was an important milestone in our transformation. We completed a large part of our heavy investment programme, and we continue to maintain a strong focus on customers and innovation. With this, we are well prepared for 2017 and beyond.

In the fourth quarter, our sales excluding the structurally declining paper business increased 4.5%, primarily due to the ramp-ups at Varkaus kraftliner and Beihai consumer board mills. Operational EBIT was EUR 191 million compared to EUR 242 million a year ago. This is mainly due to historically low hardwood pulp prices with an impact of EUR 35 million, a negative impact from the ramp-up of Beihai operations of EUR 25 million, and a power generator failure at Enocell Mill of EUR -5 million. For the second quarter in the row, we had a strong cash flow from operations of EUR 461 million. Balance sheet continued to strengthen as net debt to operational EBITDA was 2.0.

Our transformation continues to progress and the Beihai Mill ramp-up is ahead of plan. I am happy to see that this regards both quality and production volumes. Furthermore, as announced during the quarter, we are reconsidering our plans to build a chemical pulp mill in Beihai. This decision would not affect our operations at Beihai Mill. It is a viable option for us to source the chemical pulp to Beihai Mill from the market or utilise our current captive global hardwood pulp supply.

The Varkaus kraftliner mill ramp-up is progressing and we are expecting EBIT break-even in the second quarter 2017. Also, the line for wooden building components (LVL) at Varkaus Mill is ramping up and production optimisation is ongoing. Over 70% of the products obtained certificates during the fourth quarter, and the remaining certificates are expected during the first quarter of 2017. The installation of the first residential building of Wood City in Helsinki, started in December. Wood City will be built in massive wood and the multi-storey buildings will be built using LVL from our Varkaus Mill.

We are further investing to accelerate our transformation into a renewable materials company. In January, we announced that we are investing a total of EUR 9.1 million in further commercialisation of micro-fibrillated cellulose (MFC) in paperboard packaging. The investment goes to consumer board mills in Finland and Sweden. MFC is a material we believe in strongly. Due to its high strength properties and 100% renewable raw materials, it can replace fossil-based materials, such as plastics, in different applications. Moreover, we are investing EUR 12 million to build a new production line for biocomposite granules in Sweden. This is yet another example that demonstrates our ability to provide an innovative and more sustainable alternative to plastics.

The Paper division ended the year on a very strong note, despite continued market challenges.

I am pleased that we have received an award for global leadership for our actions and strategies in response to global warming. We have been listed on the Supplier Climate A List by CDP, the international not-for-profit organisation that drives sustainable economies. We have also been awarded for the best sustainability report in Finland for the second consecutive year, by Finland's leading non-profit corporate responsibility network. It is satisfying that the report was also top ranked by the media and by corporate sustainability students.

I am happy to say that even though we are investing in the future of Stora Enso, we are also able to increase the contribution to our shareholders. Our Board of Directors proposes a dividend of 0.37 euros per share for 2016, up 0.04 euros compared with the preceding year.

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

Dividend proposal per share

EUR 0.37

Operational ROCE (2016)

10.2%

(Target >13%)

Net debt to operational EBITDA

2.0

(Target <3.0)

Reconciliation of operational profitability

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Operational EBITDA[1]	**310**	**351**	**-11.7%**	**343**	**-9.6%**	**1 371**	**1 408**	**-2.6%**
Equity accounted investments (EAI), operational[2]	31	22	40.9%	17	82.4%	80	80	0.0%
Operational decrease in the value of biological assets	-19	-10	-90.0%	-17	-11.8%	-65	-56	-16.1%
Depreciation and impairment excl. IAC	-131	-121	-8.3%	-124	-5.6%	-502	-517	2.9%
Operational EBIT	**191**	**242**	**-21.1%**	**219**	**-12.8%**	**884**	**915**	**-3.4%**
Fair valuations and non-operational items[3]	-12	401	-103.0%	-14	14.3%	-67	378	-117.7%
Items affecting comparability (IAC)[4]	-34	-250	86.4%	-9	-277.8%	-34	-234	85.5%
Operating profit (IFRS)	**145**	**393**	**-63.1%**	**196**	**-26.0%**	**783**	**1 059**	**-26.1%**

[1] Restated according to the new reporting structure. See chapter *Change in the reporting of costs related to growth of biological assets* at the beginning of the Financials section.
[2] The group's share of operational EBIT of equity accounted investments (EAI).
[3] Fair valuations and non-operational items include equity incentive schemes and related hedges, CO_2 emission rights, valuations of biological assets, and the group's share of tax and net financial items of EAI.
[4] Items affecting comparability detailed in the Financials section.

Fourth quarter 2016 results (compared with Q4/2015)

Breakdown of change in sales Q4/2015 to Q4/2016

Sales Q4/2015, EUR million	**2 487**
Price and mix	-2%
Currency	0%
Volume	3%
Other sales[1]	0%
Total before structural changes	1%
Structural changes[2]	-3%
Total	-2%
Sales Q4/2016, EUR million	**2 438**

[1] Wood, energy, paper for recycling, by-products etc.
[2] Asset closures, major investments, divestments and acquisitions

Group sales at EUR 2 438 million were EUR 49 million or 2.0% lower compared to a year ago. Sales excluding the structurally declining paper business increased 4.5%, driven by higher volumes, and were only partly offset by lower pulp prices, especially in hardwood. The paper mill divestments in Kabel and Arapoti, the Suzhou Mill site divestment, and the conversion of Varkaus paper mill to kraftliner decreased sales by EUR 131 million.

Operational EBIT was EUR 191 (EUR 242) million, a decrease of EUR 51 million compared to a year ago. The negative impact of the ramp-up of Beihai Mill in China and a power generator failure at Enocell Mill in Finland decreased the fourth quarter operational EBIT by EUR 25 million and EUR 5 million, respectively. The operational EBIT margin was 7.8% (9.7%). Lower sales prices in local currencies, mainly due to historically low hardwood pulp prices in Biomaterials with an impact of EUR 35 million, decreased operational EBIT by EUR 48 million. EUR 29 million higher fixed costs driven by the ramp-up of the transformation projects – Beihai, the LVL line and kraftliner mill in Varkaus, Murów sawmill modernisation, and innovation centres – were partly offset by EUR 14 million higher volumes. Variable costs remained unchanged, as lower wood costs were more than offset by higher logistic costs. Depreciation increased EUR 16 million, despite EUR 3 million lower depreciation in Paper, impacted by fixed asset impairment in Newsprint Europe unit. Positive net foreign exchange impact improved operational EBIT by EUR 20 million, and the result from the equity accounted investments increased by EUR 9 million.

The planned and unplanned production downtime for paper was 6% (7%), for board 7% (6%), and zero (3%) for sawn wood.

The average number of employees in the fourth quarter of 2016 was approximately 26 100, which was 50 higher than in the same quarter a year ago. The average number of employees during the quarter in Europe was approximately 19 400, which was 300 lower than in the same quarter a year ago. In China, the average number of employees was approximately 5 600, which was 600 higher than a year ago.

Fair valuations and non-operational items had a negative EUR 12 (positive EUR 401) million impact on operating profit. Most of the impact comes from the fair valuations of biological assets. The fair value of biological assets in the group's equity accounted investments increased by approximately EUR 52 million in Bergvik Skog AB and by EUR 83 million at Tornator Oyj. The fair value of the biological assets in the Consumer Board division's forest plantations in Guangxi, China decreased by EUR 101 million in the fourth quarter. The fair value of the biological assets in Stora Enso's joint operation Veracel in Brazil decreased by EUR 6 million. The large change compared to the previous year is mainly due to fair valuation of biological assets in Bergvik Skog AB in Q4/2015 that resulted in an increase in the fair value of approximately EUR 430 million net of tax, due to a decrease from 6.25% to 5.2% of the post-tax discount rate used by Bergvik Skog in the discounted cash flow based valuation of the biological assets.

Earnings per share was EUR 0.12 (EUR 0.53) and earnings per share excluding items affecting comparability was EUR 0.17 (EUR 0.78).

The group recorded items affecting comparability (IAC) with a negative net impact of approximately EUR 34 (negative EUR 250) million on its operating profit and a negative impact of approximately EUR 11 million on income tax in the fourth quarter of 2016.

There was a positive IAC of EUR 155 million in the Paper division related to the divestment of the Suzhou Mill site in China. The fixed asset impairment resulted in a negative IAC of EUR 78 million in the Paper division's Newsprint Europe unit, and an impairment of EUR 12 million in the Packaging Solutions division's Corrugated China unit. EUR 11 million of the amount is due to goodwill impairment, and EUR 1 million is fixed asset impairment.

In addition to a fair value decrease in Consumer Board Division's forest operations in Guangxi, China there was a negative IAC of EUR 77 million due to reduction of biological asset value below the cost base value. The reduction is mainly due to reduced inventory as a result of a higher than previously estimated portion of over mature trees. In addition, there was a negative IAC of EUR 22 million due to increases of environmental provisions at several sites in Paper division and the segment Other.

Net financial expenses at EUR 69 million were EUR 36 million higher than a year ago. The net interest expenses increased by EUR 7 million, primarily due to lower capitalised interest and lower interest income from deposits, only partly offset by lower interest expenses. Other net financial expenses were EUR 12 million higher, due mostly to fair valuation of interest rate derivatives. The net foreign exchange impact in the fourth quarter in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a loss of EUR 23 (loss of EUR 6) million, mostly because of the revaluation of foreign currency loans in subsidiaries and joint-operations

Breakdown of change in capital employed 31 December 2015 to 31 December 2016

EUR million	Capital employed
31 December 2015	**8 753**
Capital expenditure less depreciation	90
Impairments and reversal of impairments	-53
Fair valuation of biological assets	-120
Costs related to growth of biological assets	-141
Available-for-sale: operative (mainly PVO)	122
Equity accounted investments	68
Net liabilities in defined benefit plans	-61
Operative working capital and other interest-free items, net	-119
Net tax liabilities	-16
Translation difference	76
Other changes	-5
31 December 2016	**8 594**

The operational return on capital employed (ROCE) in the fourth quarter of 2016 was 8.9% (11.3%). Excluding the investment in Beihai Mill in Consumer Board division, the operational ROCE would have been 12.1% (13.3%).

Fourth quarter 2016 results (compared with Q3/2016)

Sales were EUR 45 million higher at EUR 2 438 million. Operational EBIT decreased by EUR 28 million to EUR 191 million. Lower sales prices, especially in pulp products, decreased operational EBIT by EUR 14 million. EUR 33 million higher fixed costs, mainly due to the ramp-ups of transformation projects and seasonality, were partly offset by EUR 15 million higher volumes. Variable costs were EUR 10 million higher, mainly due to energy costs. The result from the equity accounted investments improved by EUR 14 million.

Full year 2016 results (compared with full year 2015)

Breakdown of change in sales 2015 to 2016

Sales 2015, EUR million	**10 040**
Price and mix	-2%
Currency	0%
Volume	2%
Other sales[1]	1%
Total before structural changes	1%
Structural changes[2]	-3%
Total	-2%
Sales 2016, EUR million	**9 802**

[1] Wood, energy, paper for recycling, by-products etc.
[2] Asset closures, major investments, divestments and acquisitions

Sales at EUR 9 802 (10 040) million were 2.4% lower than a year earlier, mainly due to structural changes in Paper division and clearly lower hardwood pulp prices in Biomaterials division. Higher volumes in Consumer Board and Packaging Solutions divisions increased sales.

Operational EBIT at EUR 884 (915) million decreased 3.4%, mainly due to significantly lower sales prices in the Biomaterials division of EUR 128 million, of which EUR 87 million was due to historically low hardwood pulp prices. The group's fixed costs were EUR 89 million higher due to the transformation projects and increased innovation activities in the Biomaterials division. Foreign exchange rate movements and lower variable costs had a favourable impact. Operational EBIT in the Paper division was EUR 134 million or 174% higher than a year ago due to lower variable costs and tight fixed costs management.

Net financial expenses at EUR 242 million were EUR 3 million lower than a year ago. The net interest expenses decreased by EUR 26 million, due to lower debt and interest rates. Other net financial expenses were EUR 23 million higher, mainly due to fair valuation of interest rate derivatives and higher expenses with bonds repurchases. The net foreign exchange impact in 2016 in respect of cash, interest-bearing assets and liabilities and related hedges was a loss of EUR 43 (loss EUR 43) million mainly due to the revaluation of foreign currency loans in subsidiaries and joint-operations.

Financing in fourth quarter 2016 (compared with Q3/2016)

Capital structure

EUR million	31 Dec 16	30 Sep 16	30 Jun 16	31 Mar 16	31 Dec 15
Operative fixed assets[1]	6 785	6 941	6 987	6 794	6 822
Equity accounted investments	1 594	1 455	1 474	1 545	1 570
Operative working capital, net	825	801	839	980	884
Non-current interest-free items, net	-554	-494	-458	-464	-476
Operating Capital Total	**8 650**	**8 703**	**8 842**	**8 855**	**8 800**
Net tax liabilities	-56	-85	-66	-58	-47
Capital Employed	**8 594**	**8 618**	**8 776**	**8 797**	**8 753**
Equity attributable to owners of the Parent	5 806	5 624	5 492	5 500	5 388
Non-controlling interests	62	95	106	112	125
Net interest-bearing liabilities	2 726	2 899	3 178	3 185	3 240
Financing Total	**8 594**	**8 618**	**8 776**	**8 797**	**8 753**

[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 increased by EUR 174 million to EUR 949 million largely due to solid cash flow from operations and part of the proceeds from the divestment of the Suzhou mill site. In addition, Stora Enso has access to various long-term sources of funding up to EUR 1 000 (900) million.

The net debt was EUR 2 726 million, a decrease of EUR 173 million from the previous quarter.

The fair value of PVO shares accounted for as available-for-sale investments increased in the quarter by EUR 20 million to EUR 242 million. The change in fair value is mainly caused by the increase 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 twelve months' operational EBITDA was 2.0 (2.1). The debt/equity ratio at 31 December 2016 was 0.47 (0.52).

Cash flow in fourth quarter 2016

Cash flow

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Operational EBITDA	310	351	-11.7%	343	-9.6%	1 371	1 408	-2.6%
IAC on operational EBITDA	-26	-41	36.6%	-3	n/m	-77	-24	-220.8%
Dividends received from equity accounted investments	-	-	-	-	-	58	32	81.3%
Other adjustments	-3	-2	-50.0%	-7	57.1%	-2	-1	-100.0%
Change in working capital	180	104	73.1%	57	215.8%	283	141	100.7%
Cash Flow from Operations (non-IFRS)	**461**	**412**	**11.9%**	**390**	**18.2%**	**1 633**	**1 556**	**4.9%**
Cash spent on fixed and biological assets	-220	-336	34.5%	-213	-3.3%	-798	-956	16.5%
Acquisitions of equity accounted investments	-1	-1	0.0%	0	-100.0%	-1	-1	0.0%
Cash Flow after Investing Activities (non-IFRS)	**240**	**75**	**220.0%**	**177**	**35.6%**	**834**	**599**	**39.2%**

Fourth quarter 2016 cash flow after investing activities was at EUR 240 million. Working capital decreased by EUR 180 million, mainly due to higher trade payables and lower trade receivables. Cash spent on fixed and biological assets was at EUR 220 million. Payments related to the previously announced restructuring and environmental provisions were EUR 12 million.

Capital expenditure

Additions to fixed and biological assets in the fourth quarter 2016 totalled EUR 194 million, of which EUR 170 million were fixed assets and EUR 24 million biological assets. Depreciations in the fourth quarter of 2016 totalled EUR 131 million. Additions in fixed assets and biological assets had a cash outflow impact of EUR 220 million in the fourth quarter.

The main projects ongoing in the fourth quarter of 2016 were a new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills in Finland, and the PE coating investment at Beihai Mill.

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 a EUR 52 million new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills in Finland, EUR 26 million for the PE coating investment at Beihai Mill, EUR 20 million for the fluff pulp investment at Skutskär Mill, and EUR 19 million for the consolidation of manufacturing of corrugated packaging in Finland.

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Segments in fourth quarter 2016 (compared with Q4/2015)

Consumer Board division

Ramping up Beihai Mill, improved underlying performance

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 brand owners globally and are expanding in growth markets such as China and Asia Pacific to meet rising demand.

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	580	560	3.6%	599	-3.2%	2 342	2 340	0.1%
Operational EBITDA[1]	92	94	-2.1%	118	-22.0%	447	466	-4.1%
Operational EBITDA margin[1]	15.9%	16.8%		19.7%		19.1%	19.9%	
Operational EBIT	38	53	-28.3%	67	-43.3%	254	290	-12.4%
Operational EBIT margin	6.6%	9.5%		11.2%		10.8%	12.4%	
Operational ROOC[2]	7.4%	10.6%		12.9%		12.7%	15.5%	
Cash flow from operations (non-IFRS)	114	152	-25.0%	89	28.1%	453	481	-5.8%
Cash flow after investing activities (non-IFRS)	13	-15	186.7%	-30	143.3%	40	21	90.5%
Board deliveries, 1 000 tonnes	639	575	11.1%	650	-1.7%	2 507	2 458	2.0%
Board production, 1 000 tonnes	663	575	15.3%	647	2.5%	2 554	2 490	2.6%

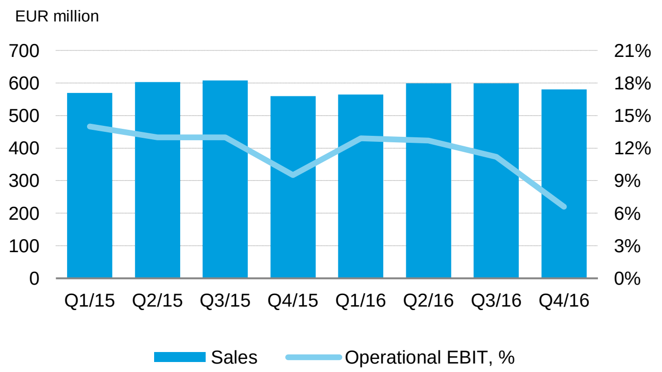
[1] Restated according to the new reporting structure. See chapter *Change in the reporting of costs related to growth of biological assets* at the beginning of the Financials section.
[2] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased EUR 20 million or 4% to EUR 580 million, mainly driven by the ramp-up of operations at Beihai Mill.
- Operational EBIT excluding Beihai operations increased EUR 10 million, mostly due to improved efficiency and lower wood prices. The negative impact of Beihai operations in the fourth quarter was EUR 38 million, which is EUR 25 million higher than a year ago.
- The ramp-up of Beihai Mill is proceeding ahead of plan relating to achieved quality and production volumes. The consumer board machine is expected to reach full production within 18–24 months from the start-up in May 2016. The ramp up of Beihai operations is expected to have a EUR 34 million negative (EUR 21 million a year ago) impact on the first quarter 2017 operating profit, including a quarterly depreciation of EUR 10 million. The production of Beihai Mill in 2016 was 140 000 tonnes of consumer packaging board.
- The bleached chemi-thermomechanical pulp (BCTMP) plant at Beihai Mill started up during the quarter as planned.
- In January 2017, Stora Enso announced that it reconsiders the plans to build a chemical pulp mill in Beihai, China, and has initiated a 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. A Memorandum of Understanding has been signed between Stora Enso and the Government of the Guangxi Province in China.
- In January 2017, Stora Enso announced that it is investing a total of EUR 9.1 million into its consumer board mills in Imatra and Ingerois, Finland, and Fors, Sweden, increase production capacity and to continue the commercialisation of micro-fibrillated cellulose (MFC), and to accelerate product development.

Markets

Product	Market	Demand Q4/16 compared with Q4/15	Demand Q4/16 compared with Q3/16	Price Q4/16 compared with Q4/15	Price Q4/16 compared with Q3/16
Consumer board	Europe	Slightly stronger	Stable	Lower	Stable

Sales and operational EBIT



Operational ROOC (2016)

12.7%

Operational ROOC excl. Beihai (2016)

36.2%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Packaging Solutions division

Ramp up of Varkaus kraftliner mill at final stage

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 retail customers helping to optimise performance, reduce total costs and enhance sales.

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	282	240	17.5%	259	8.9%	1 044	913	14.3%
Operational EBITDA	36	37	-2.7%	37	-2.7%	129	147	-12.2%
Operational EBITDA margin	12.8%	15.4%		14.3%		12.4%	16.1%	
Operational EBIT	19	22	-13.6%	21	-9.5%	64	90	-28.9%
Operational EBIT margin	6.7%	9.2%		8.1%		6.1%	9.9%	
Operational ROOC[1]	8.8%	10.5%		9.6%		7.6%	11.1%	
Cash flow from operations (non-IFRS)	44	23	91.3%	39	12.8%	132	138	-4.3%
Cash flow after investing activities (non-IFRS)	23	-24	195.8%	23	0.0%	63	20	215.0%
Board deliveries (external), 1 000 tonnes	237	166	42.8%	214	10.7%	869	587	48.0%
Board production, 1 000 tonnes	321	265	21.1%	306	4.9%	1 221	904	35.1%
Corrugated packaging deliveries, million m^2	276	274	0.7%	274	0.7%	1 082	1 112	-2.7%
Corrugated packaging production, million m^2	274	270	1.5%	274	0.0%	1 073	1 093	-1.8%

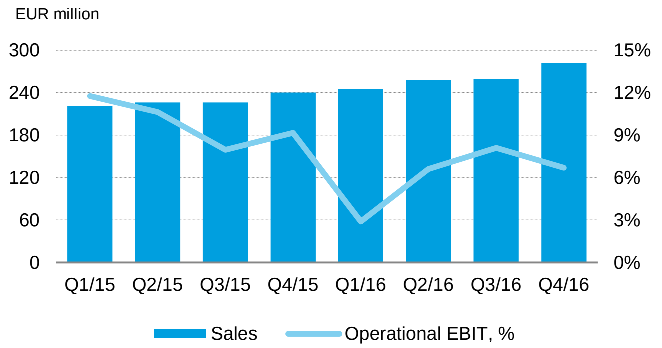
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales were EUR 42 million or 18% higher at EUR 282 million, largely due to the ramp-up of the Varkaus kraftliner mill, growing new businesses in Inpac China and higher output in the containerboard mills and corrugated Russia unit.
- Operational EBIT decreased EUR 3 million to EUR 19 million, mainly due to lower recycled containerboard sales prices in Containerboard Poland unit, revaluation of Green Energy Certificates, and higher recovered paper (RCP) prices.
- Varkaus kraftliner mill ramp-up is proceeding. Full production is expected during the second half of 2017. It is expected to reach EBIT break-even in Q2/2017.
- The feasibility study for an expansion of Ostrołęka Mill is at final stage.
- In November, Stora Enso finalised the co-determination negotiations regarding the consolidation of manufacturing of corrugated packaging in Finland. Stora Enso's corrugated packaging plant in Heinola will be closed permanently and packaging manufacturing transferred to the Lahti plant. As part of the consolidation, Stora Enso is investing approximately EUR 19 million in new machinery and supporting infrastructure in Lahti. The project is expected to be finalised by the end of Q1/2018.
- In January 2017, Stora Enso divested the packaging machine manufacturing company Formeca Oy in Finland to the Finnish Amitec Oy. Stora Enso has become a reseller of Formeca packaging machines. The transaction had no material financial impact.
- In February 2017, Stora Enso announced an investment of EUR 28 million at Heinola Fluting Mill in Finland. The aim is to increase capacity and improve product quality 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 return on operating capital (ROOC) for this investment is expected to be above the division's target of 20%.

Markets

Product	Market	Demand Q4/16 compared with Q4/15	Demand Q4/16 compared with Q3/16	Price Q4/16 compared with Q4/15	Price Q4/16 compared with Q3/16
Virgin fibre-based containerboard	Global	Slightly stronger	Stronger	Slightly lower	Stable
RCP containerboard	Europe	Slightly stronger	Slightly stronger	Significantly lower	Slightly lower
Corrugated packaging	Europe	Slightly stronger	Slightly stronger	Stable	Stable

Sales and operational EBIT



Operational ROOC (2016)

7.6%

(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

Impacted by low hardwood pulp prices

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. We have a global presence with operations in Brazil, Finland, Laos, Sweden, Uruguay, and the USA.

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	349	374	-6.7%	334	4.5%	1 376	1 484	-7.3%
Operational EBITDA[1]	75	113	-33.6%	79	-5.1%	361	444	-18.7%
Operational EBITDA margin[1]	21.5%	30.2%		23.7%		26.2%	29.9%	
Operational EBIT	40	81	-50.6%	43	-7.0%	224	313	-28.4%
Operational EBIT margin	11.5%	21.7%		12.9%		16.3%	21.1%	
Operational ROOC[2]	6.1%	12.7%		6.7%		8.5%	12.4%	
Cash flow from operations (non-IFRS)	79	127	-37.8%	97	-18.6%	419	385	8.8%
Cash flow after investing activities (non-IFRS)	37	91	-59.3%	64	-42.2%	278	187	48.7%
Pulp deliveries, 1 000 tonnes	651	644	1.1%	613	6.2%	2 508	2 499	0.4%

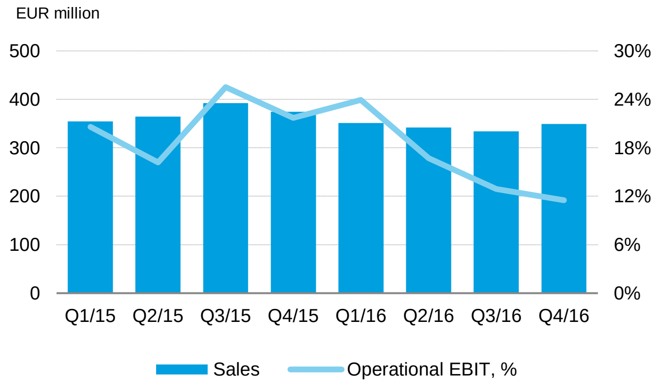
[1] Restated according to the new reporting structure. See chapter *Change in the reporting of costs related to growth of biological assets* at the beginning of the Financials section.
[2] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales decreased by EUR 25 million to EUR 349 million, mainly due to lower sales prices, especially for hardwood pulp with an impact of EUR 35 million.
- Operational EBIT was EUR 41 million lower at EUR 40 million, mainly due to historically low hardwood prices. The Enocell power generator problem had a negative EUR 5 million impact to operational EBIT in the fourth quarter due to lost production and deteriorated energy balance. The repair works have started and are expected to impact Q1/2017 by approximately EUR -10 million, due to long lead times for spare parts and repairs.
- The start-up process at the bagasse-to-xylose demonstration plant in Raceland, USA, was initiated in Q4/2016, and the first batches of xylose are expected to be delivered in 2017. The first commercial contract for xylose deliveries has been signed.

Markets

Product	Market	Demand Q4/16 compared with Q4/15	Demand Q4/16 compared with Q3/16	Price Q4/16 compared with Q4/15	Price Q4/16 compared with Q3/16
Softwood pulp	Europe	Stable	Stable	Stable	Stable
Hardwood pulp	Europe	Slightly weaker	Slightly stronger	Significantly lower	Slightly lower

Sales and operational EBIT



Operational ROOC (2016)

8.5%

(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

Strategic investments ramping up, focusing on value creation

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. Wood Products operates globally and has more than 20 production units in Europe.

EUR million	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	395	395	0.0%	385	2.6%	1 595	1 603	-0.5%
Operational EBITDA	24	26	-7.7%	30	-20.0%	118	111	6.3%
Operational EBITDA margin	6.1%	6.6%		7.8%		7.4%	6.9%	
Operational EBIT	17	21	-19.0%	22	-22.7%	88	81	8.6%
Operational EBIT margin	4.3%	5.3%		5.7%		5.5%	5.1%	
Operational ROOC[1]	13.1%	16.6%		17.5%		16.8%	15.7%	
Cash flow from operations (non-IFRS)	-3	10	-130.0%	44	-106.8%	142	118	20.3%
Cash flow after investing activities (non-IFRS)	-11	-21	47.6%	23	-147.8%	75	59	27.1%
Wood products deliveries, 1 000 m^3	1 176	1 116	5.4%	1 107	6.2%	4 643	4 334	7.1%

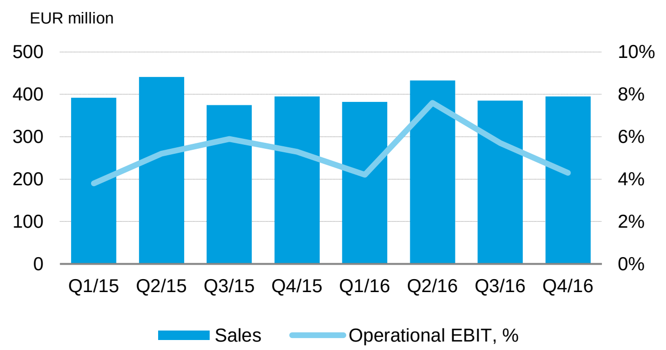
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales were stable at EUR 395 million, as slightly lower prices were offset by increased sales from strategic investments such as the new production line for wooden building components (laminated veneer lumber, LVL) at Varkaus Mill in Finland and Murów sawmill modernisation in Poland.
- Operational EBIT decreased EUR 4 million to EUR 17 million. Increased volumes were more than offset by increased fixed costs and depreciations, mainly due to the strategic investments. Slightly lower sales prices decreased operational EBIT.
- The LVL at Varkaus Mill is ramping up and production optimisation is ongoing. Full production is expected in mid-2018. Over 70% of the products obtained certificates during the fourth quarter, and the remaining certificates are expected during the first quarter of 2017.
- The feasibility study for building a cross-laminated timber (CLT) production unit at Gruvön Mill in Sweden will be finalised during the spring.
- In January 2017, 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.
- In January 2017, Wood Products became an official Regional Partner of the World Green Building Council's Europe Regional Network.

Markets

Product	Market	Demand Q4/16 compared with Q4/15	Demand Q4/16 compared with Q3/16	Price Q4/16 compared with Q4/15	Price Q4/16 compared with Q3/16
Wood products	Europe	Stronger	Stable	Stable	Stable

Sales and operational EBIT



Operational ROOC (2016)

16.8%

(Target: >18%)

Paper division

Strong performance in declining market, cash generation at record level

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. Our mills are located primarily in Europe, with one mill in China. Three of the mills produce paper based on 100% recycled fibre.

EUR million	Q4/16	Q4/15	Change% Q4/16–Q4/15	Q3/16	Change% Q4/16–Q3/16	2016	2015	Change% 2016–2015
Sales	760	890	-14.6%	792	-4.0%	3 245	3 630	-10.6%
Operational EBITDA	90	74	21.6%	77	16.9%	324	231	40.3%
Operational EBITDA margin	11.8%	8.3%		9.7%		10.0%	6.4%	
Operational EBIT	64	41	56.1%	53	20.8%	211	77	174.0%
Operational EBIT margin	8.4%	4.6%		6.7%		6.5%	2.1%	
Operational ROOC[1]	25.6%	12.5%		19.4%		19.4%	5.5%	
Cash flow from operations (non-IFRS)	126	54	133.3%	109	15.6%	351	286	22.7%
Cash flow after investing activities (non-IFRS)	90	16	n/m	93	-3.2%	277	201	37.8%
Cash flow after investing activities to sales (non-IFRS)	11.8%	1.8%		11.7%		8.5%	5.5%	
Paper deliveries, 1 000 tonnes	1 207	1 424	-15.2%	1 272	-5.1%	5 141	5 778	-11.0%
Paper production, 1 000 tonnes	1 219	1 435	-15.1%	1 243	-1.9%	5 155	5 794	-11.0%

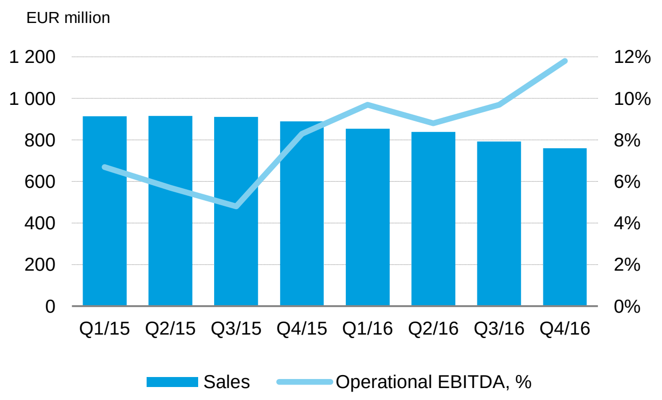
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales remained flat, excluding the divestments of Kabel Mill, Arapoti Mill, and the Suzhou Mill site.
- Operational EBIT increased EUR 23 million to EUR 64 million, mainly due to active cost management and EUR 3 million lower depreciation, resulting from the impairment of property, plant and equipment in the fourth quarter of 2016.
- Strong cash flow after investing activities to sales ratio was clearly above target level at 11.8%.
- The divestment of Suzhou Mill site in China was finalised during the quarter, and a positive IAC of EUR 155 million was booked.
- 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 Q4/16 compared with Q4/15	Demand Q4/16 compared with Q3/16	Price Q4/16 compared with Q4/15	Price Q4/16 compared with Q3/16
Paper	Europe	Weaker	Slightly stronger	Stable	Stable

Sales and operational EBITDA[1]



Cash flow after investing activities to sales (2016)

8.5%

(Target: >7%)

Scheduled annual maintenance shutdowns

	2017	2016
Q1	–	–
Q2	–	Langerbrugge Mill
Q3	Veitsiluoto and Oulu mills	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	Q4/16	Q4/15	Change % Q4/16–Q4/15	Q3/16	Change % Q4/16–Q3/16	2016	2015	Change % 2016–2015
Sales	641	639	0.3%	559	14.7%	2 477	2 478	0.0%
Operational EBITDA	-7	7	-200.0%	2	n/m	-8	9	-188.9%
Operational EBITDA margin	-1.1%	1.1%		0.4%		-0.3%	0.4%	
Operational EBIT	13	24	-45.8%	13	0.0%	43	64	-32.8%
Operational EBIT margin	2.0%	3.8%		2.3%		1.7%	2.6%	
Cash flow from operations (non-IFRS)	101	46	119.6%	12	n/m	136	148	-8.1%
Cash flow after investing activities (non-IFRS)	88	28	214.3%	4	n/m	101	111	-9.0%

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

- Operational EBIT reduced by EUR 11 million, mainly due to lower market prices for energy and wood, partly offset by higher contribution from the forest associates.

Sustainability in fourth quarter 2016 (compared with Q4/2015)

Safety performance

TRI and LTA rates[1]

	Q4/16	Q4/15	Q3/16[2]	2016	2015	Milestone	Milestone to be reached by
TRI rate	10.9	12.6	10.5	11.7	11.0		
LTA rate	4.3	5.6	4.4	4.4	4.7	3.8	end of 2016

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] Recalculated due to additional data after the Q3 interim report.

Our LTA rate decreased by 6.4% compared to the previous year. The milestone for 2017 will be communicated in the Q1 Interim Report

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	31 Dec 16	30 Sep 16	31 Dec 15	Target	Target to be reached by
% of supplier spend covered by the Supplier Code of Conduct[1]	92%	92%	90%	90%	end of 2016

[1] Excluding joint operations. Performance in 2015 excludes Wood Supply units.

The target for 2016 was achieved. The target for 2017 will be communicated in the Q1 Interim Report.

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 in early Q2/2017.

Due to the time required for the field research work, the parties have agreed to extend the partnership until the end of 2017.

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	86%	3%	1%	7%	3%

[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 year 86% (85% by the end of third quarter) 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, at the end of the year a small number of actions remained open. These 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 Dec 16	30 Sep 16	31 Dec 15	Target	Target to be reached by
Number of direct active suppliers	276	276	335		
Audit coverage year-to-date (%)[1]	15%	12%	45%	45%	end of 2016

[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.

As reported earlier Bulleh Shah Packaging (BSP) has currently a sufficient stockpile of biomass and therefore has sourced less biomass in 2016 than 2015. Suppliers of agricultural by-products were not audited during 2016. Mainly for this reason, the audit coverage of the direct suppliers of domestic fibre and agricultural by-products did not reach the 45% target.

BSP conducted 16 (50) audits of its material and service suppliers during the fourth quarter, including three follow-up audits on previous corrective action requests. In addition, 4 (2) supplier audits were conducted by an external party. In total, BSP conducted 108 audits in 2016 (395 in 2015), and the total number of external audits was 9 (30).

During the quarter, three proven young worker cases not in compliance with ILO conventions, and 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 not conducting hazardous work. Both the supplier and the young workers were willing to comply with BSP's Child Labour Remediation Policy and reduce the young workers' working hours enabling education in accordance with the Child Labour Remediation Policy.

In total, five young workers employed in contravention of ILO conventions were confirmed in the operations of BSP's direct suppliers during 2016 (14 young workers and 3 underage workers below 14 years during 2015).

Commissioning of the medical mobile clinic started during the fourth quarter. The pilot phase of the medical mobile clinic in BSP's operational area is expected to start during the first quarter and continue until end of 2017.

Forests, plantations and land use

Correction of land leasing contracts in Guangxi, China

Social forestlands leased by Stora Enso In Guangxi

	31 Dec 16	30 Sep 16	31 Dec 15
Social forestland leased, ha	30 500	31 127	32 322
Leased area without contractual defects, ha	16 480	16 583	16 471
Lease contracts without contractual defects, % of all contracts	66%	65%	63%

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 83 560 hectares of land in various regions of Guangxi, of which 37% (37%) 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 fourth quarter, irreconcilable or economically unviable contracts corresponding to 546 hectares were terminated. In total irreconcilable or economically unviable contracts corresponding to 1 719 hectares were terminated during the year. The target for the end of 2016 was to terminate all remaining irreconcilable or economically unviable contracts. At the end of the year irreconcilable or economically unviable contracts corresponding to 382 hectares remained in effect. These remaining contracts will be terminated by mid-2017.

As announced on 19 January, Stora Enso is reconsidering its plans to build a chemical pulp mill in Beihai. As a consequence of the change in scope, Stora Enso would decrease the area of its leased forest lands in the Guangxi region. The scope and schedule for the reduction of fibre base will be decided later. As a 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 Dec 16	30 Sep 16	31 Dec 15
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 499	3 465	5 461

As of the end of the year, 3 499 hectares of land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the fourth quarter occupied area increased by 34 hectares due to an expansion of a previous land occupation by the Federation of Agricultural Workers (Fetag). 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 level[1]

	Q4/16	Q4/15	Q3/16	2016	2015	Target	Target to be reached by
Climate and energy							
Reduction of fossil CO_2 emissions per saleable tonne of pulp, paper and board (kg/t)	-39%	-38%	-42%	-39%	-38%	-35%	end of 2025

[1] From baseline year 2006. Covering direct fossil CO_2 emissions from production and indirect fossil CO_2 emissions related to purchased electricity and heat (Scope 1 and 2). Historical figures recalculated due to divestments, or data completion. Excluding joint operations.

During 2016, the group's fossil CO_2 emissions per saleable tonne were reduced by the more accurate CO_2 factors for energy suppliers, the closure of the Suzhou paper mill in China and the divestment of Kabel paper mill in Germany. The more accurate updated supplier CO_2 factor and grid energy-mix information from authorities for electricity purchased in Finland improved the emissions figure also for 2015. On the other hand, the group's fossil CO_2 emissions are adversely affected by the use of coal for energy production at our Beihai Mill in China where operations commenced in May.

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.

In January, Stora Enso was acknowledged as a global leader for its actions and strategies in response to global warming. The group was awarded a position on the Supplier Climate A List by CDP, the international not-for-profit organisation that drives sustainable economies. Stora Enso is also the only Nordic company to be included in CDP's Supplier Engagement Leaderboard. Only 1% of companies analysed by CDP are supplier engagement leaders driving change in their supply chains.

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 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.

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 8 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 183 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 110 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 46 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, Swedish crown and British pound against the euro would be approximately positive EUR 129 million, negative EUR 87 million and positive EUR 32 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 25 million, the secondary claims solely against Stora Enso amount to approximately EUR 6 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.

Major events in 2016

Decisions of Annual General Meeting on 28 April 2016

The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.33 per share for the year 2015.

The AGM approved a proposal that of the current members of the Board of Directors – Gunnar Brock, Anne Brunila, Elisabeth Fleuriot, Hock Goh, Mikael Mäkinen, Richard Nilsson, and Hans Stråberg – be re-elected members of the Board of Directors until the end of the following AGM and that Jorma Eloranta be elected new member of the Board of Directors for the same term of office.

The AGM approved the proposed annual remuneration for the Board of Directors as follows:

Chairman	EUR 170 000
Vice Chairman	EUR 100 000
Members	EUR 70 000

The AGM approved a proposal that the current auditor Audit Firm Deloitte & Touche Oy shall be re-elected auditor of the Company until the end of the following AGM. The AGM approved a proposal that remuneration for the auditor shall be paid according to invoice approved by Financial and Audit Committee.

The AGM approved a proposal to appoint a Shareholders' Nomination Board to exist until otherwise decided and to annually prepare proposals for the shareholders' meeting regarding the number and election of the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board of Directors as well as the remuneration of the Chairmen and members of the Board committees.

Nomination Board

Stora Enso's Shareholders' Nomination Board was appointed in October. The composition is the following:
Gunnar Brock (Chairman of the Board of Directors of Stora Enso)
Jorma Eloranta (Vice Chairman of the Board of Directors of Stora Enso)
Kari Järvinen (Managing Director of Solidium Oy)
Marcus Wallenberg (Chairman of the Board of Directors of FAM AB)

The Chairman of the Shareholders' Nomination Board is Kari Järvinen.

Changes in group management

Executive Vice President & Head of the Consumer Board division, Jari Latvanen, left Stora Enso in the end of October to take up the position of President and CEO at HKScan Corporation.

In November, Executive Vice President, Human Resources Lars Häggström left Stora Enso to take up the position of Executive in Residence at the Swiss-based business school IMD.

Malin Bendz, previously SVP Human Resources in Stora Enso's Paper division, was appointed as EVP Human Resources and member of the Group Leadership Team as of 1 November 2016.

In October, Stora Enso appointed Annica Bresky as Executive Vice President, Consumer Board division and member of the Group Leadership Team. Most recently, Annica Bresky has been working as the President and CEO of Iggesund Paperboard AB, part of the Swedish Holmen Group. She will join Stora Enso at the latest by 1 May 2017.

Personnel

On 31 December 2016, there were 25 447 (25 680) employees in the group. The average number of employees in 2016 was 26 269, which was 514 lower than the average number in 2015.

Share capital and shareholdings

During the fourth quarter of 2016, there were no share conversions from A shares into R shares. During 2016, a total of 25 000 converted shares were recorded in the Finnish Trade Register.

On 31 December 2016, Stora Enso had 176 507 090 A shares and 612 112 897 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 237 718 380.

On 4 January 2016, BlackRock Inc.'s indirect holding in Stora Enso shares increased over the threshold of 5%.

On 17 February 2016, BlackRock Inc.'s indirect holding in Stora Enso shares fell below the threshold of 5%.

On 17 March 2016, BlackRock Inc.'s indirect holding in Stora Enso shares increased over the threshold of 5%.

On 13 April 2016, Norges Bank's holding in Stora Enso shares fell below the threshold of 5%.

On 25 April 2016, Norges Bank's indirect holding including holding through financial instruments in Stora Enso fell below the threshold of 5%.

On 27 June 2016, the holdings of BlackRock Inc. in Stora Enso's shares including holding through financial instruments fell below the threshold of 5%.

Annual General Meeting

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

The agenda of the AGM and proposals on the agenda of the AGM, as well as the AGM notice, will be available on Stora Enso Oyj's website. Stora Enso's annual accounts, the Report of the Board of Directors and the auditor's report for 2016 will be published on Stora Enso Oyj's website during the week commencing on Monday 20 February 2017. The proposals for decisions and the other above-mentioned documents will also be available at the AGM. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the AGM will be available on Stora Enso Oyj's website from 11 May 2017.

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, 3 February 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 2015.

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

Non-IFRS measures

In the second quarter of 2016, Stora Enso changed the terminology in its reporting in accordance with the new guidelines from the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. The term "Non-recurring items" (NRI) was changed to "Items affecting comparability" (IAC), but the definition remains the same. There are no changes in definitions and calculations of key figures.

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, CO_2 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 Cash flow from Operations (non-IFRS) excluding Cash spent on Intangible assets, Property, Plant and Equipment and biological assets and acquisitions of EAIs.

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 2016

- IAS 19 *Defined Benefit Plans Employee Contributions* (amendment) effective for annual periods beginning on or after 1 July 2014. The amendment was not endorsed by the EU until January 2015, i.e. the effective date is transferred to 2016. The amendment clarifies the accounting for contributions made by employees or third parties to defined benefit plans. The amendment does not have a significant effect on the group financial statement.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment. These amendments have no effect on the group financial statements.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*. The amendments prohibit using a revenue-based depreciation method for items of property, plant and equipment and introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. These amendments have no effect on the group financial statements.
- IFRS 11 *Accounting for Acquisition of Interests in Joint Operations* (amendment) provides guidance on how to account for the acquisition of a joint operation that constitutes a business. The amendment has no effect on the group financial statements.

- IAS 27 *Equity Method in Separate Financial Statements* (amendment) reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This change is not relevant to the group.
- Amendments to IAS 1: *Disclosure* Initiative clarifies the presentation principles. The amendments do not have material effect on the group financial statement.

Disposal of Kabel Mill in Germany

On 1 June 2016 Stora Enso signed an agreement to divest its Kabel coated magazine paper mill in Germany, to Kabel Premium Pulp & Paper GmbH, owned by a German based investor group.

The transaction was structured as an asset deal and the cash consideration for the disposed assets was EUR 30 million. The divestment was completed on 1 September 2016. The loss on disposal amounted to EUR 9 million consisting of a EUR 5 million operational and a EUR 4 million tax expense. The original estimated loss in the second quarter was EUR 15 million which was partly offset by a positive EUR 6 million tax impact in the third quarter as a result of changes in the deal structure.

Based on 2015 annual figures, the divestment is expected to reduce Stora Enso's annual sales by approximately EUR 300 million. It will also reduce Stora Enso's annual paper production capacity by around 485 000 tonnes. Kabel Mill employs approximately 540 people, who were be transferred to the new owner with the divestment.

EUR million	1 Sep 2016
Fixed assets and other long-term items	44
Inventories	29
Current receivables	24
Total Assets	**97**
Non-current liabilities	22
Current liabilities	45
Total Liabilities	**67**
Net Assets Disposed of on 1 September 2016	**30**

Disposal of Arapoti Mill in Brazil

On 31 December 2015 Stora Enso signed an agreement to divest its entire 80% shareholding in the Arapoti magazine paper mill in Paraná, Brazil, to Papeles Bio Bio, a Chilean paper producer. Following the agreement, the group recognised a EUR 34 million expense consisting of fixed asset impairments, deferred tax asset write-down, and transaction costs in its fourth quarter 2015 accounts. EUR 6 million of the total impact was allocated to the non-controlling interest holders. The closing took place on 31 March 2016. After closing adjustments the loss recognised in 2016 amounted to approximately EUR 28 million including cumulative translation adjustments. EUR 1 million of the total loss recognised in 2016 was allocated to the non-controlling interest holders. The transaction decreased Stora Enso's sales in 2016 by approximately EUR 100 million. Arapoti Mill has an annual production capacity of 185 000 tonnes of coated magazine paper (LWC), and it employs 320 people.

EUR million	31 Mar 2016
Inventories	10
Receivables	31
Cash and cash equivalents	1
Total Assets	**42**
Non-current liabilities	8
Current liabilities	14
Total Liabilities	**22**
Net Assets	**20**
Non-controlling interests	4
Net Assets Disposed of on 31 March 2016	**16**

Condensed consolidated income statement

EUR million	Q4/16	Q4/15	Q3/16	2016	2015
Sales	**2 438**	**2 487**	**2 393**	**9 802**	**10 040**
Other operating income	29	38	30	123	128
Change in inventories of finished goods and WIP	24	7	-10	9	18
Materials and services	-1 515	-1 532	-1 414	-5 833	-6 008
Freight and sales commissions	-218	-232	-234	-920	-970
Personnel expenses	-319	-321	-308	-1 334	-1 313
Other operating expenses	-155	-127	-119	-561	-503
Share of results of equity accounted investments	124	480	10	156	519
Change in net value of biological assets	-202	-41	-22	-261	-89
Depreciation, amortisation and impairment charges	-61	-366	-130	-398	-763
Operating Profit	**145**	**393**	**196**	**783**	**1 059**
Net financial items	-69	-33	-35	-242	-245
Profit before Tax	**76**	**360**	**161**	**541**	**814**
Income tax	-20	47	-42	-134	-31
Net Profit for the Period	**56**	**407**	**119**	**407**	**783**
Attributable to:					
Owners of the Parent	91	424	129	463	807
Non-controlling interests	-35	-17	-10	-56	-24
Net Profit for the Period	**56**	**407**	**119**	**407**	**783**
Earnings per Share					
Basic earnings per share, EUR	0.12	0.53	0.16	0.59	1.02
Diluted earnings per share, EUR	0.12	0.54	0.16	0.59	1.02

Consolidated statement of comprehensive income

EUR million	Q4/16	Q4/15	Q3/16	2016	2015
Net profit for the period	56	407	119	407	783
Other Comprehensive Income (OCI)					
Items that will Not be Reclassified to Profit and Loss					
Actuarial gains and losses on defined benefit plans	-52	75	-10	-62	77
Income tax relating to items that will not be reclassified	15	-36	0	15	-36
	-37	**39**	**-10**	**-47**	**41**
Items that may be Reclassified Subsequently to Profit and Loss					
Share of OCI of EAIs that may be reclassified	4	2	1	0	5
Currency translation movements on equity net investments (CTA)	123	76	-24	124	28
Currency translation movements on non-controlling interests	2	3	-1	-3	6
Net investment hedges	-19	-9	2	-11	-33
Cash flow hedges	-13	18	2	13	60
Non-controlling interests' share of cash flow hedges	0	0	0	0	1
Available-for-sale investments	30	-66	31	138	-327
Income tax relating to items that may be reclassified	5	-4	0	-1	-8
	132	**20**	**11**	**260**	**-268**
Total Comprehensive Income	**151**	**466**	**120**	**620**	**556**
Attributable to:					
Owners of the Parent	184	480	131	679	573
Non-controlling interests	-33	-14	-11	-59	-17
Total Comprehensive Income	**151**	**466**	**120**	**620**	**556**

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

Condensed consolidated statement of financial position

EUR million		31 Dec 16	31 Dec 15
Assets			
Goodwill	O	238	248
Other intangible assets	O	180	156
Property, plant and equipment	O	5 611	5 627
		6 029	**6 031**
Biological assets	O	489	640
Emission rights	O	14	20
Equity accounted investments	O	1 594	1 570
Available-for-sale: Listed securities	I	42	28
Available-for-sale: Operative	O	253	131
Non-current loan receivables	I	7	68
Deferred tax assets	T	214	246
Other non-current assets	O	57	63
Non-current Assets		**8 699**	**8 797**
Inventories	O	1 346	1 373
Tax receivables	T	9	6
Operative receivables	O	1 273	1 324
Interest-bearing receivables	I	46	53
Cash and cash equivalents	I	953	808
Current Assets		**3 627**	**3 564**
Total Assets		**12 326**	**12 361**
Equity and Liabilities			
Owners of the Parent		5 806	5 388
Non-controlling Interests		62	125
Total Equity		**5 868**	**5 513**
Post-employment benefit provisions	O	436	378
Other provisions	O	114	112
Deferred tax liabilities	T	203	252
Non-current debt	I	2 655	3 342
Other non-current operative liabilities	O	61	49
Non-current Liabilities		**3 469**	**4 133**
Current portion of non-current debt	I	552	228
Interest-bearing liabilities	I	563	626
Bank overdrafts	I	4	1
Other provisions	O	20	48
Other operative liabilities	O	1 774	1 765
Tax liabilities	T	76	47
Current Liabilities		**2 989**	**2 715**
Total Liabilities		**6 458**	**6 848**
Total Equity and Liabilities		**12 326**	**12 361**

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	2016	2015
Cash Flow from Operating Activities		
Operating profit	783	1 059
Hedging result from OCI	-1	-11
Adjustments for non-cash items	567	356
Change in net working capital	283	141
Cash Flow Generated by Operations	**1 632**	**1 545**
Net financial items paid	-180	-251
Income taxes paid, net	-92	-78
Net Cash Provided by Operating Activities	**1 360**	**1 216**
Cash Flow from Investing Activities		
Acquisition of shares in equity accounted investments	-1	-1
Acquisitions of available-for-sale investments	-2	-14
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	40	-10
Proceeds from disposal of shares in equity accounted investments	26	0
Proceeds from disposal of available-for-sale investments	10	0
Proceeds from disposal of intangible assets and property, plant and equipment	220	27
Income taxes paid on disposal of property	-13	0
Capital expenditure	-798	-956
Proceeds from non-current receivables, net	64	5
Net Cash Used in Investing Activities	**-454**	**-949**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	368	435
Repayment of long-term debt	-781	-1 181
Change in short-term borrowings	-46	46
Dividends paid	-260	-237
Buy-out of interest in subsidiaries from non-controlling interests	-46	0
Equity injections from, less dividends to, non-controlling interests	-2	10
Purchase of own shares[1]	-2	-6
Net Cash Used in Financing Activities	**-769**	**-933**
Net Change in Cash and Cash Equivalents	**137**	**-666**
Translation adjustment	5	29
Net cash and cash equivalents at the beginning of period	807	1 444
Net Cash and Cash Equivalents at Period End	**949**	**807**
Cash and Cash Equivalents at Period End	**953**	**808**
Bank Overdrafts at Period End	**-4**	**-1**
Net Cash and Cash Equivalents at Period End	**949**	**807**

Disposals		
Cash and cash equivalents	1	25
Other intangible assets and property, plant and equipment	39	12
Working capital	6	-14
Interest-bearing assets and liabilities	3	-1
Non-controlling interests	-4	0
Net Assets in Divested Companies	**45**	**22**
Gain on sale	0	0
Total Disposal Consideration	**45**	**22**
Cash part of consideration	41	15
Non-cash part of consideration	4	7
Total Disposal Consideration	**45**	**22**

[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 December 2016.

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

EUR million	2016	2015
Carrying value at 1 January	6 671	6 461
Additions in tangible and intangible assets	638	912
Additions in biological assets	91	77
Costs related to growth of biological assets	-141	-76
Disposals	-253	-23
Disposals of subsidiary companies	-39	-12
Depreciation and impairment	-398	-763
Fair valuation of biological assets	-120	-13
Translation difference and other	69	108
Statement of Financial Position Total	**6 518**	**6 671**

Borrowings

EUR million	31 Dec 16	31 Dec 15
Bond loans	1 705	1 834
Loans from credit institutions	1 434	1 637
Finance lease liabilities	56	61
Other non-current liabilities	12	38
Non-current Debt including Current Portion	**3 207**	**3 570**
Short-term borrowings	452	492
Interest payable	54	64
Derivative financial liabilities	57	70
Bank overdrafts	4	1
Total Interest-bearing Liabilities	**3 774**	**4 197**

EUR million	2016	2015
Carrying value at 1 January	4 197	4 894
Proceeds of new long-term debt	368	435
Repayment of long-term debt	-781	-1 181
Change in short-term borrowings and interest payable	-50	-15
Change in derivative financial liabilities	-13	-110
Translation differences and other	53	174
Total Interest-bearing Liabilities	**3 774**	**4 197**

Statement of changes in equity

CTA = Cumulative Translation Adjustment   OCI = Other Comprehensive Income   NCI = Non-controlling Interests

					Fair Valuation Reserve								
EUR million	Share Capital	Share Premium and Reserve Fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available-for-Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 31 December 2014	**1 342**	**77**	**633**	**-**	**4**	**354**	**-69**	**-24**	**-149**	**2 902**	**5 070**	**167**	**5 237**
Profit/loss for the year	-	-	-	-	-	-	-	-	-	807	807	-24	783
OCI before tax	-	-	-	-	-	-327	60	5	-5	77	-190	7	-183
Income tax relating to components of OCI	-	-	-	-	-	-	-15	-	7	-36	-44	-	-44
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-327**	**45**	**5**	**2**	**848**	**573**	**-17**	**556**
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-2	-239
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-39	-39
Loss on NCI buy-out	-	-	-	-	-	-	-	-	-	-16	-16	16	-
Purchase of treasury shares	-	-	-	-6	-	-	-	-	-	-	-6	-	-6
Share-based payments	-	-	-	6	-	-	-	-	-	-2	4	-	4
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 year	-	-	-	-	-	-	-	-	-	463	463	-56	407
OCI before tax	-	-	-	-	-	138	13	-	113	-62	202	-3	199
Income tax relating to components of OCI	-	-	-	-	-	-3	-	-	2	15	14	-	14
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**135**	**13**	**-**	**115**	**416**	**679**	**-59**	**620**
Dividend	-	-	-	-	-	-	-	-	-	-260	-260	-	-260
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-1	-1	-4	-5
Purchase of treasury shares	-	-	-	-2	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	2	-	-	-	-	-	-	2	-	2
Balance at 31 Dec 2016	**1 342**	**77**	**633**	**-**	**4**	**162**	**-11**	**-19**	**-32**	**3 650**	**5 806**	**62**	**5 868**

Commitments and contingencies

EUR million	31 Dec 16	31 Dec 15
On Own Behalf		
Mortgages	9	4
On Behalf of Equity Accounted Investments		
Guarantees	4	17
On Behalf of Others		
Guarantees	34	30
Other Commitments, Own		
Operating leases, in next 12 months	86	83
Operating leases, after next 12 months	747	804
Pension liabilities	1	0
Other commitments	9	11
Total	**890**	**949**
Mortgages	9	4
Guarantees	38	47
Operating leases	833	887
Pension liabilities	1	0
Other commitments	9	11
Total	**890**	**949**

Capital Commitments

The group's direct capital expenditure contracts, excluding acquisitions, amounted to EUR 171 million (compared with EUR 196 million on 31 December 2015). These amounts include the group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	2 342	580	599	599	564	2 340	560	608	603	569
Packaging Solutions	1 044	282	259	258	245	913	240	226	226	221
Biomaterials	1 376	349	334	342	351	1 484	374	392	364	354
Wood Products	1 595	395	385	433	382	1 603	395	375	441	392
Paper	3 245	760	792	839	854	3 630	890	911	915	914
Other	2 477	641	559	629	648	2 478	639	563	629	647
Inter-segment sales	-2 277	-569	-535	-574	-599	-2 408	-611	-575	-616	-606
Total	**9 802**	**2 438**	**2 393**	**2 526**	**2 445**	**10 040**	**2 487**	**2 500**	**2 562**	**2 491**

Operational EBIT by segment

EUR million	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	254	38	67	76	73	290	53	80	78	79
Packaging Solutions	64	19	21	17	7	90	22	18	24	26
Biomaterials	224	40	43	57	84	313	81	100	59	73
Wood Products	88	17	22	33	16	81	21	22	23	15
Paper	211	64	53	43	51	77	41	6	12	18
Other	43	13	13	0	17	64	24	20	11	9
Operational EBIT	**884**	**191**	**219**	**226**	**248**	**915**	**242**	**246**	**207**	**220**
Fair valuations and non-operational items[1]	-67	-12	-14	-15	-26	378	401	-25	15	-13
Items affecting comparability	-34	-34	-9	37	-28	-234	-250	16	-8	8
Operating Profit (IFRS)	**783**	**145**	**196**	**248**	**194**	**1 059**	**393**	**237**	**214**	**215**
Net financial items	-242	-69	-35	-99	-39	-245	-33	-93	-66	-53
Profit before Tax	**541**	**76**	**161**	**149**	**155**	**814**	**360**	**144**	**148**	**162**
Income tax expense	-134	-20	-42	-31	-41	-31	47	-20	-25	-33
Net Profit	**407**	**56**	**119**	**118**	**114**	**783**	**407**	**124**	**123**	**129**

[1] Fair valuations and non-operational items include equity incentive schemes and related hedges, CO_2 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	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Impairments and reversals of intangible assets, PPE and biological assets	-133	-167	-6	41	-1	-266	-265	0	-1	0
Restructuring costs excluding fixed asset impairments	-19	0	-3	-16	0	7	-2	16	-7	0
Disposals	144	155	0	16	-27	0	0	0	0	0
Other	-26	-22	0	-4	0	25	17	0	0	8
Total IAC	**-34**	**-34**	**-9**	**37**	**-28**	**-234**	**-250**	**16**	**-8**	**8**
Fair valuations and non-operational items	-67	-12	-14	-15	-26	378	401	-25	15	-13
Total	**-101**	**-46**	**-23**	**22**	**-54**	**144**	**151**	**-9**	**7**	**-5**

Items affecting comparability (IAC) by segment

EUR million	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	-77	-77	0	0	0	-2	-4	0	0	2
Packaging Solutions	-21	-12	-9	0	0	-8	0	0	-8	0
Biomaterials	0	0	0	0	0	-17	-20	0	0	3
Wood Products	0	0	0	0	0	0	0	0	0	0
Paper	78	69	0	37	-28	-254	-262	6	0	2
Other	-14	-14	0	0	0	47	36	10	0	1
IAC on Operating Profit	**-34**	**-34**	**-9**	**37**	**-28**	**-234**	**-250**	**16**	**-8**	**8**
IAC on tax	-22	-11	1	-10	-2	57	59	0	-2	0
IAC on Net Profit	**-56**	**-45**	**-8**	**27**	**-30**	**-177**	**-191**	**16**	**-10**	**8**
Attributable to:										
Owners of the Parent	-47	-37	-8	27	-29	-167	-185	16	-6	8
Non-controlling interests	-9	-8	0	0	-1	-10	-6	0	-4	0
IAC on Net Profit	**-56**	**-45**	**-8**	**27**	**-30**	**-177**	**-191**	**16**	**-10**	**8**

Fair valuations and non-operational items[1] by segment

EUR million	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	-110	-102	-2	-4	-2	-30	-36	2	2	2
Packaging Solutions	-1	0	0	0	-1	-2	0	0	-1	-1
Biomaterials	-13	-5	-3	-2	-3	12	22	-2	-3	-5
Wood Products	0	0	0	0	0	-1	0	0	0	-1
Paper	0	0	0	0	0	-2	1	-1	0	-2
Other	57	95	-9	-9	-20	401	414	-24	17	-6
FV and Non-operational Items on Operating Profit	**-67**	**-12**	**-14**	**-15**	**-26**	**378**	**401**	**-25**	**15**	**-13**

[1] Fair valuations (FV) and non-operational items include equity incentive schemes and related hedges, CO_2 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	2016	Q4/16	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	67	-141	65	72	71	258	13	82	80	83
Packaging Solutions	42	7	12	17	6	80	22	18	15	25
Biomaterials	211	35	40	55	81	308	83	98	56	71
Wood Products	88	17	22	33	16	80	21	22	23	14
Paper	289	133	53	80	23	-179	-220	11	12	18
Other	86	94	4	-9	-3	512	474	6	28	4
Operating Profit (IFRS)	**783**	**145**	**196**	**248**	**194**	**1 059**	**393**	**237**	**214**	**215**
Net financial items	-242	-69	-35	-99	-39	-245	-33	-93	-66	-53
Profit before Tax	**541**	**76**	**161**	**149**	**155**	**814**	**360**	**144**	**148**	**162**
Income tax expense	-134	-20	-42	-31	-41	-31	47	-20	-25	-33
Net Profit	**407**	**56**	**119**	**118**	**114**	**783**	**407**	**124**	**123**	**129**

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
SEK	9.5525	9.1895	9.4673	9.3545
USD	1.0541	1.0887	1.1066	1.1096
GBP	0.8562	0.7340	0.8189	0.7260

Transaction risk and hedges in main currencies as at 31 December 2016

EUR million	EUR	USD	SEK	GBP	Other	Total
Sales during 2016	5 714	1 719	1 074	417	878	9 802
Costs during 2016	-4 621	-454	-2 119	-59	-1 263	-8 516
Net amount	**1 093**	**1 265**	**-1 045**	**358**	**-385**	**1 286**
Estimated annual operating cash flow exposure		1 290	-870	320		
Transaction hedges as at 31 Dec 2016		-660	450	-170		
Hedging percentage as at 31 Dec 2016 for the next 12 months		**51%**	**52%**	**53%**		

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	129
SEK	-87
GBP	32

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 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	2 684
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**	**5 294**

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

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 December 2015

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	-	-	-	159	159	159
Non-current loan receivables	68	-	-	-	68	70
Trade and other operative receivables	987	-	-	-	987	987
Interest-bearing receivables	12	12	29	-	53	53
Cash and cash equivalents	808	-	-	-	808	808
Carrying Amount by Category	**1 875**	**12**	**29**	**159**	**2 075**	**2 077**

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	-	-	3 342	3 342	3 445
Current portion of non-current debt	-	-	228	228	228
Interest-bearing liabilities	22	48	556	626	626
Trade and other operative payables	24	-	1 421	1 445	1 445
Bank overdrafts	-	-	1	1	1
Carrying Amount by Category	**46**	**48**	**5 548**	**5 642**	**5 745**

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	41	-	41
Available-for-sale investments	28	-	131	159
Derivative financial liabilities	-	70	-	70
Trade and other operative liabilities	-	3	21	24

Reconciliation of level 3 fair value measurement of financial assets: 31 December 2016

EUR million	2016	2015
Opening balance at 1 January	131	444
Gains/losses recognised in income statement	5	-2
Gains/losses recognised in Available-for-sale investments reserve	125	-325
Additions	2	14
Disposals	-10	0
Closing Balance	**253**	**131**

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 3.29% 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 +42 million and -42 million, respectively. A +/- 1% change in the discount rate would change the valuation by EUR -28 million and +37 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
October	97 302	65 851 311	199 558	19 945 756
November	108 667	61 960 487	149 494	15 972 826
December	130 509	44 024 994	139 375	12 672 241
Total	**336 478**	**171 836 792**	**488 427**	**48 590 823**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
October	9.20	8.62	93.95	85.20
November	9.70	9.11	96.50	89.15
December	10.40	10.21	101.20	97.95

Average number of shares

Million	Q4/16	Q4/15	Q3/16	2016	2015
Periodic	788.6	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6	788.6
Cumulative, diluted	790.0	789.8	790.0	789.9	789.8

Calculation of key figures

Operational return on capital employed, operational ROCE (%)	100 x	Operational EBIT / Capital employed[1 2]
Operational return on operating capital, operational ROOC (%)	100 x	Operational EBIT / Operating capital[2]
Return on equity, ROE (%)	100 x	Net profit/loss for the period / Total equity[2]
Net interest-bearing liabilities		Interest-bearing liabilities – interest-bearing assets
Debt/equity ratio		Net interest-bearing liabilities / Equity[3]
EPS		Net profit/loss for the period[3] / 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		Net interest-bearing liabilities / 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
Operational EBITDA margin
Operational EBIT
Operational EBIT margin
Profit before tax excl. IAC
Capital expenditure
Capital expenditure excl. investments in biological assets
Capital employed
Depreciation and impairment charges excl. IAC
Operational ROCE
Earnings per share (EPS), excl. IAC
Net debt/last 12 months' operational EBITDA ratio
Fixed costs to sales
Operational ROOC
Cash flow from operations
Cash flow after investing activities

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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**