

Stora Enso **Interim Report**

January–March 2018

Q1

Accelerated profitable growth continues, promising start of the year

Q1/2018 (compared with Q1/2017)

- On 13 April, Stora Enso pre-announced that its operational EBIT for Q1 was higher than expected.
- Sales increased by 3.3% to EUR 2 579 (2 497) million, primarily due to favourable prices and the ramp-up of strategic investments in Beihai, Varkaus, and Murów sawmill.
- Operational EBIT increased 72% to EUR 369 (215) million as announced on 13 April, mainly due to favourable prices and mix optimisation combined with continued successful ramp-ups of the strategic investments. The operational EBIT margin was 14.3% (8.6%), the highest for any quarter since 2001.
- EPS was EUR 0.35 (0.14). EPS excl. IAC increased to EUR 0.35 (0.17).
- Cash flow from operations increased to EUR 229 (178) million, due to the good result. Cash flow after investing activities was EUR 113 (43) million.
- Balance sheet strengthened further and net debt was reduced by EUR 485 million; the net debt to operational EBITDA ratio improved to 1.3 (1.9).
- Record high operational ROCE at 17.7% (10.0%), the highest since 2000.
- The profit improvement programme is being finalised. The expected savings of EUR 70 million are clearly exceeding the original target of EUR 50 million.

Transformation development in Q1/2018

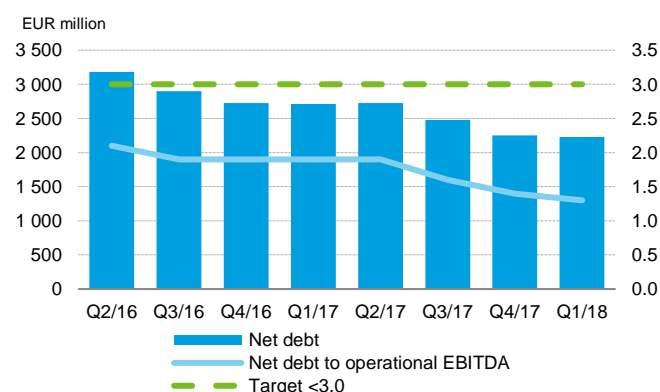
- The ramp up of the production line for wooden building components (LVL) at Varkaus Mill continues and it is expected to be completed in mid-2018.
- The investment to a new cross laminated timber (CLT) unit at the Gruvön sawmill in Sweden is proceeding as planned. The production is scheduled to begin during the first quarter of 2019.
- Production of biocomposite granules started at Hylte Mill in Sweden.

Outlook

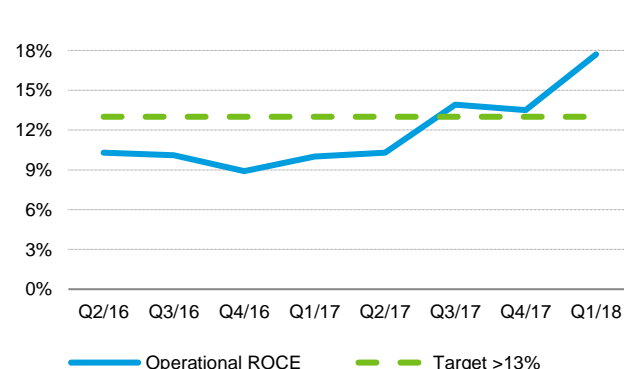
Q2/2018 sales are estimated to be similar to or slightly higher than the amount of EUR 2 579 million recorded in the first quarter of 2018, and operational EBIT is expected to be in line with or somewhat lower than the EUR 369 million recorded in the first quarter of 2018.

The impact of annual maintenance shutdowns is expected to be approximately EUR 40 million higher than in the first quarter of 2018. The Nordic wood supply situation is expected to continue tight, as the inventory levels are relatively low after a mild winter. The impacts are expected to be at same level or lower than in the first quarter, approximately EUR 10 million. These impacts are included in the above outlook.

Net debt to operational EBITDA



Operational return on capital employed (ROCE)



Key figures

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	2 579	2 497	3.3%	2 511	2.7%	10 045
Operational EBITDA ¹	504	369	36.6%	427	18.0%	1 587
Operational EBITDA margin ¹	19.5%	14.8%		17.0%		15.8%
Operational EBIT	369	215	71.6%	280	31.8%	1 004
Operational EBIT margin	14.3%	8.6%		11.2%		10.0%
Operating profit (IFRS)	355	193	83.9%	236	50.4%	904
Profit before tax excl. IAC	333	191	74.3%	238	39.9%	826
Profit before tax	333	164	103.0%	209	59.3%	742
Net profit for the period	273	107	155.1%	173	57.8%	614
Capital expenditure	82	108	-24.1%	267	-69.3%	640
Capital expenditure excluding investments in biological assets	64	88	-27.3%	251	-74.5%	560
Depreciation and impairment charges excl. IAC	121	139	-12.9%	125	-3.2%	507
Net interest-bearing liabilities	2 226	2 711	-17.9%	2 253	-1.2%	2 253
Operational return on capital employed (ROCE)	17.7%	10.0%		13.5%		11.9%
Earnings per share (EPS) excl. IAC, EUR	0.35	0.17		0.26		0.89
EPS (basic), EUR	0.35	0.14		0.22		0.79
Return on equity (ROE)	17.8%	7.2%		11.6%		10.3%
Net debt/equity ratio	0.36	0.46		0.38		0.38
Net debt/last 12 months' operational EBITDA ratio ¹	1.3	1.9		1.4		1.4
Fixed costs to sales, %	22.6%	24.1%		26.9%		25.1%
Equity per share, EUR	7.79	7.50	3.9%	7.62	2.2%	7.62
Average number of employees	25 442	25 591	-0.6%	26 116	-2.6%	26 206
TRI rate ²	6.3	8.3	-24.1%	7.3	-13.7%	7.4

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

¹ Q1/2017 is restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

² For Stora Enso employees. As of January 2018, Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.

Deliveries and production

	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Consumer board deliveries, 1 000 tonnes	723	684	5.7%	712	1.5%	2 816
Consumer board production, 1 000 tonnes	769	710	8.3%	734	4.8%	2 871
Containerboard external deliveries, 1 000 tonnes	257	246	4.5%	274	-6.2%	1 023
Containerboard production, 1 000 tonnes	335	328	2.1%	339	-1.2%	1 333
Corrugated packaging deliveries, million m ²	263	267	-1.5%	279	-5.7%	1 103
Market pulp external deliveries, 1 000 tonnes	497	536	-7.3%	526	-5.5%	2 135
Wood product deliveries, 1 000 m ³	1 236	1 257	-1.7%	1 308	-5.5%	5 097
Paper deliveries, 1 000 tonnes	1 172	1 205	-2.7%	1 146	2.3%	4 713
Paper production, 1 000 tonnes	1 178	1 203	-2.1%	1 159	1.6%	4 672

Operational key figures, items affecting comparability and other non-IFRS measures

The list of Stora Enso's non-IFRS measures and the calculation of the key figures are presented at the end of this report. See also the chapter *Non-IFRS measures* at the beginning of the Financials section.

Change in operational EBITDA definition

In November 2017, Stora Enso introduced a change in its operational EBITDA calculation. For definition, see the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section. The restated historical figures were published in a [press release](#) on 7 November 2017.

CEO comment

“As pre-announced on 13 April, we experience strong profitable growth resulting in a promising start of the year. Our transformation strategy goes from strength to strength.

Sales increased 3.3%, primarily due to favourable prices and the ramp-up of strategic investments in Beihai, Varkaus, and Murów sawmill. I am very pleased that operational EBIT increased 72% to EUR 369 million, mainly due to favourable prices and a better product mix and continued strong operational performance. The operational EBIT margin was 14.3%, which is the highest quarter since 2001. We also report a record high operational ROCE at 17.7% (10.0%), the highest since 2000. All in all, we have experienced record sales, profit, or improved operational efficiency in all five divisions!

The strong financial performance has also given us the opportunity to continue to strengthen the balance sheet. We have decreased our net debt by nearly EUR 500 million compared to year ago and the net debt to EBITDA ratio has improved from 1.9 to 1.3.

We continue to see good progress in our transformation projects. The ramp up of the production line for wooden building components (LVL) at Varkaus Mill continues and it is expected to be completed in mid-2018. We also move forward with the construction of the cross laminated timber (CLT) unit at Gruvön, Sweden. Production is scheduled to begin during the first quarter of 2019. These projects will strengthen our position in the bioeconomy even further. We have also kicked off the production of biocomposite granules at our Swedish Hylte Mill and, early summer, we will have a formal inauguration.

I am proud to say that we have won the Bio-Based Product of the Year for Lineo by Stora Enso. Lineo is made from lignin, one of the main building blocks of a tree, and it is one step towards replacing fossil-based products with renewable solutions. I am also pleased that we have been chosen as the provider of wooden material for a 14-storey wooden building in Joensuu, Finland. Once completed, the building will be Finland's tallest wooden high-rise building. I am happy that Finland goes for new innovative solutions in massive wood – it is a responsible choice, not the least since wooden buildings store carbon during their lifecycle.

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

Karl-Henrik Sundström, CEO

Operational EBIT

14.3%

Operational ROCE

17.7%

(Target >13%)

Net debt to operational EBITDA

1.3

(Target <3.0)

Reconciliation of operational profitability

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Operational EBITDA¹	504	369	36.6%	427	18.0%	1 587
Depreciation and depletion of equity accounted investments (EAI)	-1	-3	66.7%	-2	50.0%	-10
Operational decrease in the value of biological assets	-13	-12	-8.3%	-20	35.0%	-66
Depreciation and impairment excl. IAC	-121	-139	12.9%	-125	3.2%	-507
Operational EBIT	369	215	71.6%	280	31.8%	1 004
Fair valuations and non-operational items ²	-14	5	n/m	-15	6.7%	-16
Items affecting comparability (IAC)	-	-27	100.0%	-29	100.0%	-84
Operating profit (IFRS)	355	193	83.9%	236	50.4%	904

¹ Q1/2017 is restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

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

First quarter 2018 results (compared with Q1/2017)

Breakdown of change in sales Q1/2017 to Q1/2018

Sales Q1/2017, EUR million	2 497
Price and mix	8%
Currency	-2%
Volume	0%
Other sales ¹	-1%
Total before structural changes	5%
Structural changes ²	-2%
Total	3%
Sales Q1/2018, EUR million	2 579

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

² Asset closures, major investments, divestments and acquisitions

Group sales were EUR 2 579 million, an increase of EUR 82 million, or 3.3%, compared to the same period a year ago. This was a record high first quarter sales since 2013. Topline growth was driven by both higher sales prices in local currencies, especially in the Biomaterials, Packaging Solutions and Paper divisions, as well as improved mix overall. This was only partly offset by the negative currency impact for all divisions, and lower sales due to the divestment of Puumerkki in the Wood Products division in the fourth quarter of 2017.

Operational EBIT was EUR 369 (215) million, an increase of 71.6% or EUR 154 million. The operational EBIT margin improved by over 5%-points to 14.3% (8.6%).

Clearly higher sales prices and better mix improved operational EBIT by EUR 196 million, especially in the Biomaterials, Packaging Solutions and Paper divisions. Higher volumes increased operational EBIT by EUR 7 million, especially in the Consumer Board and Packaging Solutions divisions.

Variable costs increased by EUR 63 million, mainly due to increased chemical and filler costs, higher wood cost impacted by tight Nordic wood supply situation, increased logistic costs and higher raw material costs for corrugated packaging. This was partly offset by EUR 9 million lower fixed costs, impacted by good cost management through the Profit Improvement Programme. The ratio of fixed costs to sales was reduced to 22.6% from 24.1%, due to higher sales and improved efficiency. Net foreign exchange impact decreased operational EBIT by EUR 14 million. The positive impact from depreciation, closed units and operational result from equity accounted investments was EUR 19 million.

The negative impact of the wood supply situation in the Nordic countries was higher than estimated, but still moderate.

The planned and unplanned production downtime was 3% (4%) for paper, 1% (2%) for board, and 0% (0%) for wood products. Pulp production decreased by approximately 30 000 tonnes due to wood supply shortage in the Nordic countries.

The average number of employees in the first quarter of 2018 was approximately 25 400, which was 100 less than in the same quarter a year ago. The average number of employees during the quarter in Europe was approximately 19 300, which was 100 less than in the same quarter a year ago. In China, the average number of employees was approximately 5 000, which was at the same level than in the same quarter a year ago.

Fair valuations and non-operational items had a negative net impact on operating profit of EUR 14 (positive EUR 5) million. The impact came mainly from the decrease in valuation of financial instruments of the Nordic equity accounted investments Bergvik and Tornator.

Earnings per share increased to EUR 0.35 (EUR 0.14) and earnings per share excluding items affecting comparability (IAC) increased to EUR 0.35 (EUR 0.17), mainly due to improved profitability.

There were no items affecting comparability (IAC) during the first quarter 2018 (negative EUR 27 million).

Net financial expenses at EUR 22 million were EUR 7 million lower than a year ago. The net interest expenses decreased by EUR 9 million mainly due to significantly reduced debt levels. Other net financial expenses in the first quarter were EUR 3 (6)

million. The net foreign exchange impact in the first quarter in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a gain of EUR 10 (gain of EUR 15) million, mainly due to the revaluation of foreign currency loans in subsidiaries.

Breakdown of change in capital employed 31 March 2017 to 31 March 2018

EUR million	Capital employed
31 March 2017	8 679
Capital expenditure less depreciation	107
Impairments and reversal of impairments	-5
Fair valuation of biological assets	-6
Costs related to growth of biological assets	-68
Unlisted securities (mainly PVO)	70
Equity accounted investments	39
Net liabilities in defined benefit plans	58
Operative working capital and other interest-free items, net	75
Net tax liabilities	-12
Translation difference	-528
Other changes	5
31 March 2018	8 414

The operational return on capital employed (ROCE) in the first quarter of 2018 was 17.7% (10.0%).

First quarter 2018 results (compared with Q4/2017)

Sales increased by EUR 68 million, or 2.7%, to EUR 2 579 million. Operational EBIT increased by EUR 89 million, or 31.8%, to EUR 369 million. Improved sales prices and mix, especially in the Packaging Solutions and Paper divisions, improved operational EBIT by EUR 80 million. Volumes had a EUR 20 million positive impact, mainly related to lower maintenance activity, as well as normalised volumes after the incident at Veitsiluoto Mill in Q3/2017 and the following interim technical solution until the end of 2017. Fixed costs were EUR 43 million lower, mainly due to lower maintenance activity. Higher variable costs, driven by increased wood and energy costs, had a negative impact of EUR 32 million, and a seasonally lower result from associated companies decreased operational EBIT by EUR 24 million. Positive impact from depreciation, closed units and net currency rate impact improved the result by EUR 2 million.

Financing in the first quarter 2018 (compared with Q4/2017)

Capital structure

EUR million	31 Mar 18	31 Dec 17	31 Mar 17
Operative fixed assets ¹	6 417	6 554	6 728
Equity accounted investments	1 536	1 600	1 602
Operative working capital, net	984	729	955
Non-current interest-free items, net	-456	-490	-536
Operating Capital Total	8 481	8 393	8 749
Net tax liabilities	-67	-85	-70
Capital Employed	8 414	8 308	8 679
Equity attributable to owners of the Parent	6 142	6 008	5 914
Non-controlling interests	46	47	54
Net interest-bearing liabilities	2 226	2 253	2 711
Financing Total	8 414	8 308	8 679

¹ Operative fixed assets include goodwill, other intangible assets, property, plant and equipment, biological assets, emission rights, and unlisted securities.

During the first quarter Stora Enso successfully issued a new EUR 300 million bond under its EMTN (Euro Medium Term Note) programme. The bond matures in March 2028 and pays a fixed coupon of 2.5%. There are no financial covenants for the bond. Stora Enso also repaid its remaining EUR 112 million fixed-rate and EUR 25 million floating-rate EMTN bond notes, both of which matured during the first quarter.

Cash and cash equivalents net of overdrafts increased by EUR 80 million to EUR 683 million mainly as a result of net proceeds received from the issued bond partially offset by the repaid bonds during the first quarter. Stora Enso also has access to various long-term sources of funding up to EUR 950 (950) million.

The net debt was EUR 2 226 million, a decrease of EUR 27 million from the previous quarter.

The fair value of PVO shares, accounted for as equity investment fair value through other comprehensive income under IFRS 9, decreased in the quarter by EUR 10 million to EUR 298 million. The change in fair value is mainly caused by the decrease in electricity prices partially offset by the positive impact from the settlement agreement signed between TVO and plant supplier concerning Olkiluoto 3 project.

The ratio of net debt to the last 12 months' operational EBITDA was 1.3 compared to 1.4 in the previous quarter. The net debt/equity ratio at 31 March 2018 was 0.36 (0.38).

Cash flow in the first quarter 2018 (compared with Q4/2017)

Operative cash flow

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Operational EBITDA ¹	504	369	36.6 %	427	18.0 %	1 587
IAC on operational EBITDA	-	-24	100.0 %	-24	100.0 %	-76
Other adjustments	-15	-	-100.0 %	-38	60.5 %	-56
Change in working capital	-260	-167	-55.7 %	154	-268.8 %	37
Cash Flow from Operations	229	178	28.7 %	519	-55.9 %	1 492
Cash spent on fixed and biological assets	-116	-135	14.1 %	-257	54.9 %	-658
Acquisitions of equity accounted investments	-	-	-	-	-	-9
Cash Flow after Investing Activities	113	43	162.8 %	262	-56.9 %	825

¹ Q1/2017 is restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

First quarter 2018 cash flow after investing activities was EUR 113 million. Working capital increased by EUR 260 million, mainly due to higher inventories and higher trade receivables, following the normal seasonal pattern. Cash spent on fixed and biological assets was EUR 116 million. Payments related to the previously announced provisions were EUR 7 million.

Capital expenditure

Additions to fixed and biological assets in the first quarter 2018 totalled EUR 82 million, of which EUR 64 million were fixed assets, in line with the normal annual pattern, and EUR 18 million biological assets. Depreciations and impairment charges totalled EUR 121 million. Additions in fixed and biological assets had a cash outflow impact of EUR 116 million.

The main projects ongoing in the first quarter of 2018 were the new polyethylene extrusion (PE) coating plant, an automated roll warehouse, malodorous gas handling and chemi-thermomechanical pulp (CTMP) flash drying at Imatra Mills in Finland, the Heinola Fluting Mill upgrade in Finland, the fluff pulp investment at Skutskär Mill in Sweden and the new cross laminated timber (CLT) production unit at Gruvön sawmill in Sweden.

Capital expenditure and depreciation forecast 2018

EUR million	Forecast 2018
Capital expenditure	550–600
Depreciation	485–505
Operational decrease in biological asset values	50–70

The capital expenditure forecast includes approximately EUR 100 million for the Group's biological assets. It also includes the following ongoing projects:

- EUR 13 million for the new PE coating plant, automated roll warehouse and malodorous gas handling at Imatra Mills
- EUR 25 million for the CTMP flash drying at Imatra Mills
- EUR 8 million for the fluff pulp investment at Skutskär Mill in Sweden
- EUR 20 million for the dissolving pulp investment at Enocell Mill in Finland
- EUR 19 million for the capacity extension and technology upgrade in China Packaging unit
- EUR 18 million for the Heinola Fluting Mill upgrade
- EUR 27 million for the new cross laminated timber (CLT) production unit at Gruvön sawmill in Sweden

Segments in the first quarter 2018 (compared with Q1/2017)

Consumer Board division

Record operational EBIT driven by strong growth and improved operational efficiency

The ambition of the Consumer Board division is to be the global benchmark in high-quality virgin fibre cartonboard and the preferred partner to customers and brand owners in the premium end-use packaging and graphical segments. Our wide board and barrier coating selection is suitable for the design and optimisation of packaging for liquid, food, pharmaceutical and luxury goods.

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	646	611	5.7%	636	1.6%	2 516
Operational EBITDA ¹	136	117	16.2%	119	14.3%	477
Operational EBITDA margin ¹	21.1%	19.1%		18.7%		19.0%
Operational EBIT	91	61	49.2%	69	31.9%	285
Operational EBIT margin	14.1%	10.0%		10.8%		11.3%
Operational ROOC	18.5%	12.2%		14.2%		14.6%
Cash flow from operations	49	67	-26.9%	140	-65.0%	458
Cash flow after investing activities	10	2	n/m	73	-86.3%	218
Board deliveries, 1 000 tonnes	723	684	5.7%	712	1.5%	2 816
Board production, 1 000 tonnes	769	710	8.3%	734	4.8%	2 871

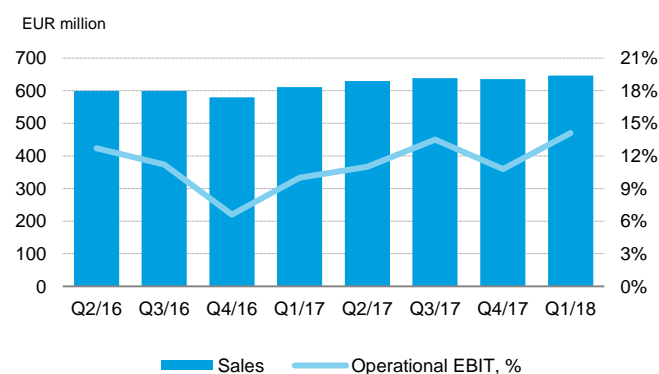
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- Sales increased EUR 35 million or 6% to all time high EUR 646 million, due to better volumes in the European mills and the ramp-up of Beihai Mill impacting volumes, sales prices and mix positively.
- Operational EBIT increased EUR 30 million or 49% to a record high Q1 level of EUR 91 million. Good operational performance in Europe increased volumes and the Beihai Mill ramp-up continued. Variable costs were higher mainly for pulp, wood, chemicals and fillers. In Q1/2017 a EUR 7.5 million provision was booked related to the power turbine incident in Beihai, which affected the comparison positively.
- Operational ROOC improved to 18.5%, slightly below the strategic target.
- Stora Enso divested its sheeting centre business in Baienfurt, Germany to Pyroll, a Finnish converting firm. The divestment was completed in January. The cash consideration for the divestment of the shares was EUR 9 million. The gain on disposal, net of transaction costs, was approximately EUR 3 million.

Markets

Product	Market	Demand Q1/18 compared with Q1/17	Demand Q1/18 compared with Q4/17	Price Q1/18 compared with Q1/17	Price Q1/18 compared with Q4/17
Consumer board	Europe	Slightly stronger	Slightly weaker	Slightly higher	Slightly higher

Sales and operational EBIT %



Operational ROOC

18.5%

(Target: >20%)

Scheduled annual maintenance shutdowns

	2018	2017
Q1	–	–
Q2	Beihai Mill	–
Q3	Imatra and Ingerois mills	Imatra and Ingerois mills
Q4	Skoghall and Fors mills	Skoghall and Fors mills

Packaging Solutions division

Another record quarter

Packaging Solutions division provides fibre-based board materials and corrugated packaging products and services designed for a wide array of applications. Our renewable high-end packaging solutions serve leading converters, brand owners, and retailers across multiple industries looking to optimise performance and drive innovation.

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	333	290	14.8%	334	-0.3%	1 255
Operational EBITDA ¹	78	44	77.3%	74	5.4%	240
Operational EBITDA margin ¹	23.4%	15.2%		22.2%		19.1%
Operational EBIT	61	24	154.2%	58	5.2%	170
Operational EBIT margin	18.3%	8.3%		17.4%		13.5%
Operational ROOC	27.7%	11.1%		26.9%		19.6%
Cash flow from operations	65	31	109.7%	82	-20.7%	249
Cash flow after investing activities	46	16	187.5%	39	17.9%	156
Board deliveries (external), 1 000 tonnes	257	246	4.5%	274	-6.2%	1 023
Board production, 1 000 tonnes	335	328	2.1%	339	-1.2%	1 333
Corrugated packaging deliveries, million m ²	263	267	-1.5%	279	-5.7%	1 103
Corrugated packaging production, million m ²	265	267	-0.7%	277	-4.3%	1 102

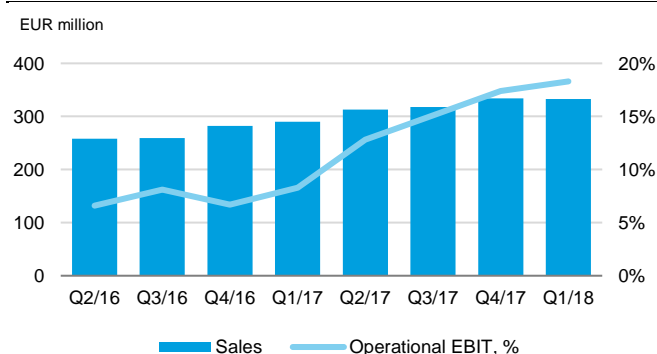
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- The fourth consecutive quarter with record high sales and profitability.
- Sales increased EUR 43 million or 15% to a record high Q1 of EUR 333 million, driven by favourable price development and sales mix improvements in the European operations and growth in the China Packaging unit.
- Operational EBIT at all time high level of EUR 61 million, an increase of EUR 37 million or 154% from a year ago. Clearly higher sales prices in the European units and good sales mix management, coupled with operational improvements in China Packaging, more than offset higher raw material costs especially for corrugated packaging. Fixed costs in the comparison period were affected negatively by EUR 4 million, due to the expensed feasibility study for Ostrołęka Mill a year ago.
- Operational ROOC at a record high level of 27.7%, clearly above the strategic target. This was primarily driven by improved business and improvements in operating working capital.
- The consolidation of corrugated packaging manufacturing in Finland was completed according to the plan, improving profitability and competitiveness by creating a centre of excellence for corrugated packaging in Lahti. The Heinola corrugated plant was closed permanently.

Markets

Product	Market	Demand Q1/18 compared with Q1/17	Demand Q1/18 compared with Q4/17	Price Q1/18 compared with Q1/17	Price Q1/18 compared with Q4/17
Virgin fibre-based containerboard	Global	Slightly stronger	Slightly stronger	Significantly higher	Slightly higher
Recycled fibre based (RCP) containerboard	Europe	Slightly stronger	Slightly stronger	Significantly higher	Slightly higher
Corrugated packaging	Europe	Slightly stronger	Slightly stronger	Higher	Slightly higher

Sales and operational EBIT %



Operational ROOC

27.7%

(Target: >20%)

Scheduled annual maintenance shutdowns

	2018	2017
Q1	–	–
Q2	Heinola and Varkaus mills	Ostrołęka Mill
Q3	Ostrołęka Mill	Varkaus Mill
Q4	–	Heinola Mill

Biomaterials division

All time high despite head winds

Biomaterials division offers a wide 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 the wood as well as other kinds of lignocellulosic biomasses. The extracted sugars and lignin hold potential for use in a range of applications.

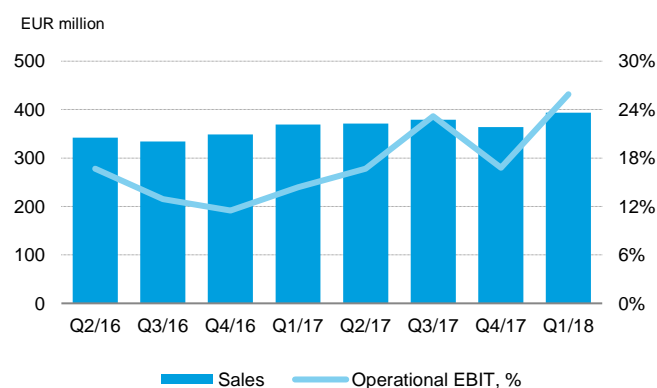
EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	394	369	6.8%	364	8.2%	1 483
Operational EBITDA	136	90	51.1%	95	43.2%	409
Operational EBITDA margin	34.5%	24.4%		26.1%		27.6%
Operational EBIT	102	53	92.5%	61	67.2%	264
Operational EBIT margin	25.9%	14.4%		16.8%		17.8%
Operational ROOC	17.6%	7.9%		10.4%		10.5%
Cash flow from operations	67	75	-10.7%	106	-36.8%	404
Cash flow after investing activities	45	52	-13.5%	59	-23.7%	271
Pulp deliveries, 1 000 tonnes	611	662	-7.7%	623	-1.9%	2 597

- Sales increased EUR 25 million or 7% to all time high EUR 394 million. Significantly higher sales prices were partly offset by negative currency impact due to weaker US dollar and lower deliveries due to challenges related wood supply in the Nordic countries.
- Operational EBIT grew to an all-time high of EUR 102 million, an increase of EUR 49 million, or 93%, from a year ago. Significantly higher pulp prices were partly offset by lower volumes due to the challenges related to wood supply in the Nordic countries. The negative currency effect due to weaker US dollar decreased profitability.
- Operational ROOC improved to 17.6%, which is clearly above the strategic target.
- During the quarter, Stora Enso completed the EUR 16 million investment to improve the environmental performance by reducing the sulphur emissions at Skutskär Mill in Sweden.
- Lineo™ by Stora Enso, a renewable replacement for oil-based phenolic materials, was awarded 'Bio-Based Product of the Year' at the Bio-Based World News Innovation Awards 2018. Made from lignin, Lineo can be used in a range of applications where fossil-based materials are currently used. Examples include adhesives used in plywood, laminated veneer lumber, oriented strand board, and laminates.

Markets

Product	Market	Demand Q1/18 compared with Q1/17	Demand Q1/18 compared with Q4/17	Price Q1/18 compared with Q1/17	Price Q1/18 compared with Q4/17
Softwood pulp	Europe	Slightly stronger	Stable	Significantly higher	Higher
Hardwood pulp	Europe	Slightly stronger	Stable	Significantly higher	Higher
Hardwood pulp	China	Stronger	Stable	Significantly higher	Slightly higher

Sales and operational EBIT %



Operational ROOC

17.6%

(Target: >15%)

Scheduled annual maintenance shutdowns

	2018	2017
Q1	–	–
Q2	Enocell Mill	Montes del Plata and Sunila mills
Q3	Sunila Mill	–
Q4	Montes del Plata and Skutskär mills	Veracel and Skutskär mills

Wood Products division

Record high first quarter

Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of construction, including massive wood elements, wood components and sawn goods. We also offer pellets for sustainable heating. Our customers are mainly merchants and retailers, industrial integrators and construction companies.

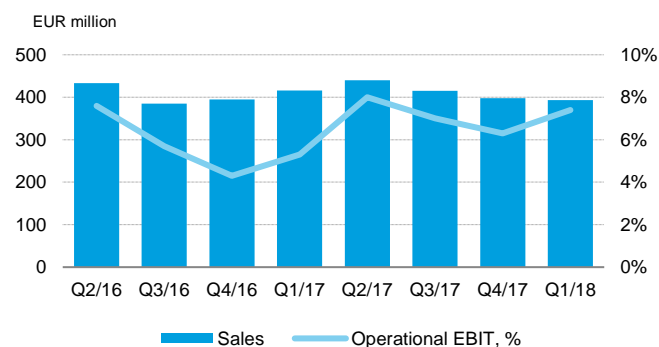
EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	393	416	-5.5%	398	-1.3%	1 669
Operational EBITDA	38	31	22.6%	36	5.6%	147
Operational EBITDA margin	9.7%	7.5%		9.0%		8.8%
Operational EBIT	29	22	31.8%	25	16.0%	111
Operational EBIT margin	7.4%	5.3%		6.3%		6.7%
Operational ROOC	20.4%	16.4%		18.5%		20.5%
Cash flow from operations	11	22	-50.0%	40	-72.5%	152
Cash flow after investing activities	-7	10	-170.0%	9	-177.8%	90
Wood products deliveries, 1 000 m ³	1 190	1 212	-1.8%	1 257	-5.3%	4 926

- Sales excluding the divested Puumerkki and the Baltic wood supply operations transferred to segment Other, increased EUR 15 million or 4%, mainly due to improved prices and optimised mix as well as growth from strategic investments: Murów sawmill in Poland and laminated veneer lumber (LVL) line in Varkaus, Finland.
- Operational EBIT increased EUR 7 million, or 32%, to a record high Q1 level of EUR 29 million, the highest since 2007. This was driven by improved prices and mix, as well as growth from strategic investments.
- Operational ROOC was above the strategic target at 20.4%.
- The ramp-up of the LVL production at Varkaus Mill continues as planned, and it reached EBITDA break-even during the quarter. The ramp-up is expected to be completed in mid-2018.
- The investment to a new cross laminated timber (CLT) unit at the Gruvön sawmill in Sweden is proceeding as planned. The production is scheduled to begin during the first quarter of 2019.
- Production of biocomposite granules started at Hylte Mill in Sweden, following the EUR 12 million investment. Biocomposite granules enable the use of renewable wood to substitute a large portion of the fossil-based materials in products typically produced in plastics. Commercialisation is in process with several customers.
- Stora Enso will supply wood material for a 14-storey wooden building in Joensuu, Finland. Once completed, the building, *Light House Joensuu*, will be the country's tallest wooden high-rise building, providing some 120 student apartments. Other massive wood projects this year, where Stora Enso has been chosen as supplier, include: The Perspective project in Bordeaux, one of the biggest office project in France where Stora Enso's LVL was used as floor component, Uhlotsveien in Oslo, recently awarded the wooden building of the year in Norway, as well as Üstra apartment buildings in Hannover. Üstra apartments is a project of 9 houses, 139 flats, built as rental homes for employees of Üstra - a big transport company. 5 700 tonnes of CO₂ will be stored in the wooden houses, equivalent to approximately 40 million kilometres for this transport company.

Markets

Product	Market	Demand Q1/18 compared with Q1/17	Demand Q1/18 compared with Q4/17	Price Q1/18 compared with Q1/17	Price Q1/18 compared with Q4/17
Wood products	Europe	Slightly stronger	Stronger	Slightly higher	Slightly higher

Sales and operational EBIT %



Operational ROOC

20.4%
(Target: >20%)

Paper division

Profitable transformation; highest first quarter operational EBIT margin in 10 years

Paper division provides best-in-class paper solutions for print media and office use. The wide selection covers papers made from virgin wood and recycled fibres. Our main customer groups include publishers, retailers, printing houses, merchants, converters, and office suppliers. We create value for our customers by providing competitive products and services that meet their quality and sustainability requirements.

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	772	748	3.2%	726	6.3%	2 920
Operational EBITDA ¹	96	69	39.1%	78	23.1%	239
Operational EBITDA margin ¹	12.4%	9.2%		10.7%		8.2%
Operational EBIT	69	42	64.3%	46	50.0%	128
Operational EBIT margin	8.9%	5.6%		6.3%		4.4%
Operational ROOC	36.7%	17.7%		24.7%		14.8%
Cash flow from operations	59	42	40.5%	102	-42.2%	259
Cash flow after investing activities	48	32	50.0%	46	4.3%	160
Cash flow after investing activities to sales, %	6.2%	4.3%		6.3%		5.5%
Paper deliveries, 1 000 tonnes	1 172	1 205	-2.7%	1 146	2.3%	4 713
Paper production, 1 000 tonnes	1 178	1 203	-2.1%	1 159	1.6%	4 672

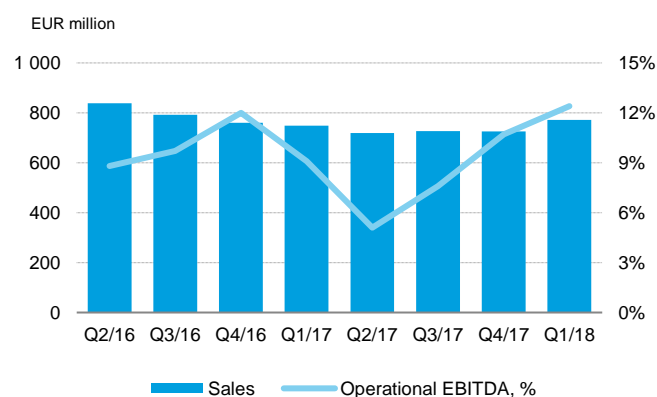
¹ Q1/2017 is restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased EUR 24 million or 3% to EUR 772 million as higher sales prices were only partly offset by lower volumes and the negative currency impact.
- Operational EBIT increased EUR 27 million or 64% to EUR 69 million. The operational EBIT margin of 8.9% was the best in a first quarter for ten years. Increased sales prices in all grades were only partly offset by higher variable costs, mainly for pulp, logistic and chemicals and fillers.
- The cash flow after investing activities to sales ratio was 6.2% (4.3%), increasing in line with higher profitability, despite the negative impact of higher trade receivables due to increased sales prices.

Markets

Product	Market	Demand Q1/18 compared with Q1/17	Demand Q1/18 compared with Q4/17	Price Q1/18 compared with Q1/17	Price Q1/18 compared with Q4/17
Paper	Europe	Weaker	Weaker	Higher	Slightly higher

Sales and operational EBITDA %



Cash flow after investing activities to sales¹

6.2%
(Target: >7%)

Scheduled annual maintenance shutdowns

	2018	2017
Q1	–	–
Q2	Oulu Mill	Oulu Mill
Q3	Veitsiluoto Mill	Veitsiluoto Mill
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 and Baltic mills, plantations not connected to any mill site, and the Group's shared services and administration.

EUR million	Q1/18	Q1/17	Change % Q1/18–Q1/17	Q4/17	Change % Q1/18–Q4/17	2017
Sales	838	651	28.7%	618	35.6%	2 490
Operational EBITDA ¹	20	18	11.1%	25	-20.0%	75
Operational EBITDA margin ¹	2.4%	2.8%		4.0%		3.0%
Operational EBIT	17	13	30.8%	21	-19.0%	46
Operational EBIT margin	2.0%	2.0%		3.4%		1.8%
Cash flow from operations	-22	-59	62.7%	49	-144.9%	-30
Cash flow after investing activities	-29	-69	58.0%	36	-180.6%	-70

¹ Q1/2017 is restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased as transport and freight sales and silviculture services in Finland previously presented under other operating income were transferred to sales. In Q1/2018, the amount of the external sales items was EUR 13 million at Group level in addition to the internal service sales eliminations. The previous periods have not been restated due to immateriality.
- Operational EBIT improved by EUR 4 million to EUR 17 million as lower costs more than offset challenges of the tight wood situation in the Nordic countries.
- Stora Enso signed an agreement to divest its forest lands in Rio Grande do Sul, southern Brazil to the Brazilian investment fund Copa Florestal III FIP Multistrategia. Previously, Stora Enso owned a total of 45 000 hectares of land of which 20 700 hectares were planted with eucalyptus. Stora Enso no longer has use for these plantations, since the Group is not planning any industrial development in the vicinity of the plantation. The cash consideration was EUR 33 million subject to customary closing day adjustments. The transaction is expected to result in a loss of approximately EUR 25 million due to cumulative translation adjustments (CTA) currently recorded in equity. CTA will be reclassified to profit and loss at closing, which is expected to take place in Q2. No profit and loss impact from the disposal has been recognised in Q1. The impact will be recorded as an item affecting comparability (IAC) in Q2/2018.

Sustainability in the first quarter 2018 (compared with Q1/2017)

Safety performance

TRI rate^{1 2}

	Q1/18	Q1/17	Q4/17	2017	Milestone	Milestone to be reached by
TRI rate	6.3	8.3	7.3	7.4	6.7	end of 2018

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

¹ For own employees.

² As of January 2018 Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.

As announced earlier the TRI rate is the new Group level safety KPI. Safety performance is now moving in the right direction.

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	31 Mar 18	31 Dec 17	31 Mar 17	Target
% of supplier spend covered by the Supplier Code of Conduct ¹	95%	95%	93%	95%

¹ Excluding joint operations and invoicing by customs, bank fees, intellectual property rights, and leasing fees and financial trading.

The target for 2018 is to maintain the high coverage level of 95%.

Human rights

In 2018, the focus will be on completing the identification of Stora Enso's highest priority human rights. Once completed, a due diligence and compliance monitoring programme will be defined and implemented. The ambition is to have this work completed by the end of 2018.

Forests, plantations, and land use

Land occupations by the Social Landless Movements in Bahia, Brazil

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

	31 Mar 18	31 Dec 17	31 Mar 17
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 043	3 043	3 616

At the end of the first quarter, 3 043 hectares of productive land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. Veracel continued to seek repossessions of occupied areas through legal processes. No repossessions were carried into effect during the quarter and the occupied area remained unchanged. Veracel has voluntarily reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2017, the total land area owned by Veracel was 213 500 hectares, of which 75 000 hectares are planted with eucalyptus for pulp production.

During the quarter an allegation was made about irregularities in the land repossession process at Veracel. Stora Enso has investigated the matter together with Veracel and found no evidence of such action.

Carbon dioxide

Science-based target (SBT) performance compared to 2010 base-year level¹

	Q1/18	Q1/17	Q4/17	2017	Target	Target to be reached by
Reduction of fossil CO ₂ -e emissions per saleable tonne of pulp, paper and board (kg/t)	-9%	-17%	-16%	-21%	-31%	end of 2030

¹ Covering direct fossil CO₂-e emissions from production and indirect fossil CO₂-e emissions related to purchased electricity and heat (Scope 1 and 2). Excluding joint operations.

In December, Stora Enso's Science Based Targets to combat global warming were approved by the Science Based Target Initiative. With the new targets, Stora Enso commits to reduce greenhouse gas (GHG) emissions from operations 31% per tonne of pulp, paper and board produced by 2030 from a 2010 base-year.

During the quarter, the Group's GHG emissions were at a higher level compared to Q1/2017, mainly due to increased fossil fuel consumption at several Finnish mills. This is explained partly by colder weather year-on-year.

Other events

In February, Stora Enso was top-ranked in greenhouse gas management. The Transition Pathway Initiative (TPI) is an asset owner-led initiative. It evaluates and tracks the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. It also evaluates how companies' future carbon performance would compare to the international targets and national pledges made as part of the Paris Agreement. TPI assessed how 19 of the largest paper producers globally are preparing for the transition to a low-carbon economy. Stora Enso was top-ranked in both management quality and carbon performance.

In February, Stora Enso was reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register and selected for inclusion in the Ethibel PIONEER register. These registers contain companies that are industry leaders in terms of sustainability.

Short-term risks and uncertainties

Increasing competition, and supply and demand imbalances in the paper, pulp, packaging, wood products and roundwood markets may affect Stora Enso's market share and profitability. Changes in the global economic and political environment, sharp market corrections, increasing volatility in foreign exchange rates and deteriorating economic conditions in the main markets could all affect Stora Enso's profits, cash flows and financial position.

In respect of current geopolitical circumstances, there is a notable risk of an escalation in protectionist measures to the extent that global trade could materially shrink. This would have major knock-on effects for inflation, business sentiment, consumer sentiment and ultimately global economic growth. We also believe there is more than a remote likelihood that proxy conflicts in the Middle East could develop further and cripple global energy markets. In addition, serious disruption to supply from the Gulf region could quickly translate into a surge in oil prices and would consequently hit global economic growth prospects severely.

Furthermore, as the global economy is moving into a new phase where main central banks will begin to reduce or reverse their lenient monetary policy positions in response to vigorous growth rates, such developments may give rise to significant uncertainty and negatively affect also Stora Enso's business conditions.

Low roundwood inventory levels along with potentially challenging harvesting and wood transport conditions during the spring, may affect the stability of raw material supply to the Nordic mills during the second quarter. The impacts are expected to be at same level or less than during the first quarter. Nordic wood costs have increased due to tight raw material supply.

A more detailed description of risks is available in Stora Enso's Financial Report at storaenso.com/annualreport.

Energy sensitivity analysis: the direct effect of a 10% increase in electricity, heat, oil and other fossil fuel market prices would have a negative impact of approximately EUR 13 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 185 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 115 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 50 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 krona and British pound against the euro would be about positive EUR 140 million, negative EUR 98 million and positive EUR 37 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 120 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 12 million negative impact on operational EBIT.

Legal proceedings

Contingent liabilities

Stora Enso has undertaken significant restructuring actions in recent years which have included the divestment of companies, sale of assets and mill closures. These transactions include a risk of possible environmental or other obligations the existence of which would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Stora Enso is party to legal proceedings that arise in the ordinary course of business and which primarily involve claims arising out of commercial law. The management does not consider that liabilities related to such proceedings before insurance recoveries, if any, are likely to be material to the Group's financial condition or results of operations.

Legal proceedings in Latin America

Veracel

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 5) 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.

Legal proceedings in Finland

Roundwood claim

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 infringement. In its judgement rendered in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, UPM and Metsäliitto. Metsähallitus has appealed the judgement and the case is pending in the Court of Appeal. Following reductions by Metsähallitus, the total amount of claims jointly and severally against Stora Enso, UPM and Metsäliitto is now approximately EUR 125 million and the secondary claim against Stora Enso is approximately EUR 68 million.

In addition, certain Finnish municipalities and private forest owners initiated similar legal proceedings against Stora Enso, UPM and Metsäliitto. In the autumn of 2017, the Helsinki District Court dismissed the claims of 486 private forest owners and 32 municipalities. In February 2018, the municipalities appealed the District Court's judgment to the Helsinki Court of Appeal, where the municipalities' cases are currently pending. The total amount of pending claims jointly and severally against Stora Enso, UPM and Metsäliitto is approximately EUR 7 million and claims solely against Stora Enso is approximately EUR 3 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.

Legal proceedings in Sweden

Insurance Claim

In July and August 2016, six Swedish insurance companies filed lawsuits in the Environmental Court and the District Court of Falun against Stora Enso, due to damage caused by the forest fire in Västmanland, Sweden, in 2014. The claimed amount is approximately SEK 300 (EUR 30) million. Stora Enso denies liability.

In a verdict in October 2017, the Environmental Court ruled in favour of Stora Enso. The Insurance companies have appealed against the verdict. Concerning the case, in the District Court of Falun, a procedural dismissal in the first instance was reversed by the Court of Appeal, but Stora Enso appealed to the Supreme Court seeking final dismissal.

In January 2018, a Swedish prosecutor filed a lawsuit against Stora Enso and its supplier claiming a company fine of SEK 5 million each. Both Stora Enso and the supplier have disputed the claim.

Share capital and shareholdings

During the first quarter of 2018, the conversions of 41 110 A shares into R shares were recorded in the Finnish trade register.

On 31 March 2018, Stora Enso had 176 351 210 A shares and 612 268 777 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 at least 237 578 087.

Decisions of Annual General Meeting 2018

Stora Enso Oyj's Annual General Meeting (AGM) was held on 28 March 2018 in Helsinki. The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.41 per share for the year 2017.

The AGM approved the proposal that of the current members of the Board of Directors – **Anne Brunila, Jorma Eloranta, Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Richard Nilsson, Göran Sandberg**, and **Hans Stråberg** – be re-elected members of the Board of Directors until the end of the following AGM and that **Antti Mäkinen** be elected new member of the Board of Directors for the same term of office. The AGM elected Jorma Eloranta as Chairman of the Board of Directors and Hans Stråberg as Vice Chairman.

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

Chairman	EUR 175 000 (2017: EUR 170 000)
Vice Chairman	EUR 103 000 (2017: EUR 100 000)
Members	EUR 72 000 (2017: EUR 70 000)

The AGM also approved the proposal that the annual remuneration for the members of the Board of Directors, be paid in Company shares and cash so that 40% will be paid in Stora Enso R shares to be purchased on the Board members' behalf from the market at a price determined in public trading, and the rest in cash.

The AGM also approved the proposed annual remuneration for the Board committees.

The AGM approved the proposal that PricewaterhouseCoopers Oy be elected as auditor until the end of the following AGM. PricewaterhouseCoopers Oy has notified the company that Samuli Perälä, APA, will act as the responsible auditor. It was resolved that the remuneration for the auditor shall be paid according to invoice approved by the Financial and Audit Committee.

Decisions by the Board of Directors

At its meeting held after the AGM, Stora Enso's Board of Directors elected Richard Nilsson (chairman), Jorma Eloranta, Antti Mäkinen and Christiane Kuehne as members of the Financial and Audit Committee.

Jorma Eloranta (chairman), Elisabeth Fleuriot and Hans Stråberg were elected members of the Remuneration Committee.

Anne Brunila (chairman), Hock Goh and Göran Sandberg were elected members of the Sustainability and Ethics Committee.

Events after the period

On 16 April, the conversion of 10 418 A shares into R shares was recorded in the Finnish trade register.

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

Helsinki, 27 April 2018
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 2017 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2018.

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

Non-IFRS measures

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

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

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

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

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

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

Change in operational EBITDA definition (non-IFRS measure)

Starting from the fourth quarter of 2017, Stora Enso includes the operational EBITDA of its equity accounted investments (EAI) in the Group's operational EBITDA. Previously Stora Enso included the operational EBIT of EAls in the Group's operational EBIT only.

The definition of the non-IFRS measure of operational EBITDA is operating profit/loss excluding operational decrease in the value of biological assets, fixed asset depreciation and impairment, IACs and fair valuations. The definition includes the respective items of subsidiaries, joint arrangements and equity accounted investments.

This change affected the following key figures: operational EBITDA, operational EBITDA margin, and net debt to last 12 months' operational EBITDA ratio.

The historical figures were restated according to the new reporting structure and presented in Stora Enso Oyj stock exchange release, published on 7 November 2017.

There was no impact on operational EBIT, the subtotals of the consolidated income statement or the Group's other IFRS figures.

The following new and amended standards are applied to the annual periods beginning on 1 January 2018

Stora Enso has applied the following new and amended standards from 1 January 2018:

- The Group has adopted IFRS 9 *Financial Instruments* standard effective from 1 January 2018. The standard replaced IAS 39 *Financial instruments: Recognition and Measurement*. The standard includes revised requirements for recognition and measurement of financial assets and liabilities, impairment and general hedge accounting.
The new impairment model for financial assets requires recognition of loss allowances based on the expected credit loss model. At the adoption of IFRS 9, the Group has updated its impairment methodology to be in line with IFRS 9. For trade receivables, simplified approach has been implemented and loss allowances are recognised based on expected lifetime credit losses. For receivables measured at amortised cost or fair value through other comprehensive income, general approach has been implemented with the loss allowance being recognised based on 12-month expected credit losses if there has not been a significant increase in credit risk since the initial recognition. As a result of the new impairment methodology, the Group recognised EUR 3 million negative pre-tax transition adjustment to the opening balance of retained earnings for 2018.
The Group has evaluated its financial assets and liabilities based on the new classification and measurement criteria under IFRS 9. Stora Enso has categorised its financial assets to be measured at amortised cost, at fair value through other comprehensive income and at fair value through Income statement. For financial liabilities, the classification is based on amortised cost and fair value through Income Statement categories. On the date of initial application, 1 January 2018, the financial assets and liabilities of the Group were as follows:

Classification changes of financial instruments

	Measurement category		Carrying amount		
	Classification under IAS 39	Classification under IFRS 9	Original	New	Difference
Non-current financial assets					
Listed securities	Available-for-sale financial assets	Fair value through Other comprehensive income (FVTOCI)	21	21	0
Unlisted securities	Available-for-sale financial assets	Fair value through Other comprehensive income (FVTOCI) and Fair value through Income Statement (FVTPL)	318	318	0
Non-current loan receivables	Loans and receivables (amortised cost)	Amortised cost	55	55	0
Current financial assets					
Trade and other operative receivables	Loans and receivables (amortised cost)	Amortised cost and Fair value through Other comprehensive income (FVTOCI)	965	962	-3
Interest-bearing receivables	Loans and receivables (amortised cost)	Amortised cost	15	15	0
Derivatives (under hedge accounting)	Fair value through other comprehensive income (FVTOCI)	Fair value through Other comprehensive income (FVTOCI)	49	49	0
Derivatives (not under hedge accounting)	Fair value through Income Statement (FVTPL)	Fair value through Income Statement (FVTPL)	16	16	0
Cash and cash equivalents	Loans and receivables (amortised cost)	Amortised cost	607	607	0
Total financial assets			2 046	2 043	-3
Non-current financial liabilities					
Non-current debt	Amortised cost	Amortised cost	2 046	2 046	0
Current financial liabilities					
Current portion of non-current debt	Amortised cost	Amortised cost	370	370	0
Interest-bearing liabilities	Amortised cost	Amortised cost	560	560	0
Derivatives (under hedge accounting)	Fair value through other comprehensive income (FVTOCI)	Fair value through Other comprehensive income (FVTOCI)	32	32	0
Derivatives (not under hedge accounting)	Fair value through Income Statement (FVTPL)	Fair value through Income Statement (FVTPL)	4	4	0
Bank overdrafts	Amortised cost	Amortised cost	4	4	0
Contingent consideration	Fair value through Income Statement (FVTPL)	Fair value through Income Statement (FVTPL)	20	20	0
Trade and other operative payables	Amortised cost	Amortised cost	1 576	1 576	0
Total financial liabilities			4 612	4 612	0

The Group has elected to classify its equity investments in Pohjolan Voima shares and certain listed shares held by the Group, earlier classified as available-for-sale investments (AFS) under IAS 39, at fair value through other comprehensive income (FVTOCI) under IFRS 9. The gains and losses resulting from changes in the fair value of equity investments under FVTOCI are not recycled to the Income Statement upon impairment or disposal, with only dividend income being recognised in the Income Statement.

Under IFRS 9 the changes in the time value of currency options used as hedges of foreign currency sales will be recognised in Other Comprehensive income to the extent that they relate to the hedged items, and will be reclassified from equity to profit or loss in the same period or periods during which the expected future cash flows will affect the profit or loss. The change will reduce Income Statement volatility compared to IAS 39. The outstanding option time value as at the date of adoption amounted to EUR 1 million negative and was recognised as a transition adjustment to the opening balance of retained earnings for 2018.

Figures in the comparison periods have not been restated.

- The Group has adopted IFRS 15 *Revenue from Contracts with Customers* standard and related clarifications effective from 1 January 2018. The standard replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts standards and related interpretations*. The new standard specifies how and when revenue is recognised. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has reviewed its performance obligations, main customer contracts for each division and evaluated the impact of IFRS 15 based on the amount and timing of revenue recognition.

In conclusion, the adoption of IFRS 15 has no significant impact on the substance of the principles applied by the Group to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remain generally unaltered and are presented in Stora Enso's Financial Report 2017.

The Group has adopted the modified retrospective application of IFRS 15 from 1 January 2018, without adjusting prior reporting periods. The new guidance is applied only to contracts that are not completed at the adoption date. No

adjustment to the opening balance of retained earnings has been made as there are no changes in the timing of the revenue recognition. As from 1 January 2018 non-significant amounts of transport and freight sales and silviculture services previously presented under Other operating income have been reclassified to the Sales line in the Consolidated Income Statement. In Q1/2018 the amount of these items was EUR 13 million. The previous periods have not been restated due to immateriality.

- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* effective from 1 January 2018 were adopted prospectively without restatement of comparative periods. Tax laws or regulations may require the Group to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. To fulfil this obligation, the Group withholds the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon vesting of the share-based payment. According to the IFRS 2 amendments, such transactions are to be classified in their entirety as equity-settled share-based payment transactions, even though the tax obligation is paid in cash on behalf of the employee. Resulting from the application of the amendments, the Group recognised EUR 9 million positive transition adjustment to the opening balance of retained earnings for 2018.
- Other amended IFRS standards and interpretations are not relevant to the Group.

Future standard changes endorsed by the EU but not yet effective in 2018

- IFRS 16 *Leases*. This standard replaces the current guidance in IAS 17 and related interpretations and is a significant change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on the balance sheet) and an operating lease (off the balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Service components of lease contracts are not required to be reported on the balance sheet. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The effective date for this standard is 1 January 2019.

As disclosed in Stora Enso's Financial Report 2017, the effects of this standard on the Group financial statements are under investigation. The Group is also currently considering the transition method and exemptions to be applied. It is expected that operating profit will somewhat increase since the interest component of operating leases rental payments will be reclassified from Other operating expenses to Financial expenses. At the same time, right-of-use assets and financial liabilities will increase due to the adoption of new accounting rules.

Condensed consolidated income statement

EUR million	Q1/18	Q1/17	Q4/17	2017
Sales	2 579	2 497	2 511	10 045
Other operating income	18	24	53	147
Change in inventories of finished goods and WIP	71	23	22	28
Materials and services	-1 498	-1 498	-1 507	-5 945
Freight and sales commissions	-233	-245	-239	-968
Personnel expenses	-325	-325	-342	-1 331
Other operating expenses	-125	-145	-143	-551
Share of results of equity accounted investments	3	16	31	66
Change in net value of biological assets	-14	-12	-20	-72
Depreciation, amortisation and impairment charges	-121	-142	-130	-515
Operating Profit	355	193	236	904
Net financial items	-22	-29	-27	-162
Profit before Tax	333	164	209	742
Income tax	-60	-57	-36	-128
Net Profit for the Period	273	107	173	614
Attributable to:				
Owners of the Parent	274	114	174	625
Non-controlling interests	-1	-7	-1	-11
Net Profit for the Period	273	107	173	614
Earnings per Share				
Basic earnings per share, EUR	0.35	0.14	0.22	0.79
Diluted earnings per share, EUR	0.35	0.14	0.22	0.79

Consolidated statement of comprehensive income

EUR million	Q1/18	Q1/17	Q4/17	2017
Net profit/loss for the period	273	107	173	614
Other Comprehensive Income (OCI)				
Items that will Not be Reclassified to Profit and Loss				
Equity investments at fair value through other comprehensive income	-8	-	-	-
Actuarial gains and losses on defined benefit plans	-	-	57	61
Income tax relating to items that will not be reclassified	-1	-	-9	-10
	-9	-	48	51
Items that may be Reclassified Subsequently to Profit and Loss				
Share of OCI of EAls that may be reclassified	1	1	2	5
Currency translation movements on equity net investments (CTA)	-110	7	-60	-288
Currency translation movements on non-controlling interests	-	-	1	-3
Net investment hedges	8	4	4	40
Cash flow hedges	-35	-3	5	32
Cost of hedging - time value of options	-	-	-	-
Non-controlling interests' share of cash flow hedges	-	-1	-	-
Available-for-sale investments	-	-14	38	39
Income tax relating to items that may be reclassified	6	1	-3	-10
	-130	-5	-13	-185
Total Comprehensive Income	134	102	208	480
Attributable to:				
Owners of the Parent	135	110	208	494
Non-controlling interests	-1	-8	-	-14
Total Comprehensive Income	134	102	208	480

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

Condensed consolidated statement of financial position

EUR million		31 Mar 18	31 Dec 17	31 Mar 17
Assets				
Goodwill	O	237	237	237
Other intangible assets	O	243	229	180
Property, plant and equipment	O	5 155	5 310	5 550
		5 635	5 776	5 967
Biological assets	O	446	448	495
Emission rights	O	28	12	27
Equity accounted investments	O	1 536	1 600	1 602
Listed securities	I	22	21	42
Unlisted securities	O	308	318	239
Non-current loan receivables	I	55	55	6
Deferred tax assets	T	120	154	197
Other non-current assets	O	50	50	60
Non-current Assets		8 200	8 434	8 635
Inventories	O	1 450	1 321	1 438
Tax receivables	T	12	9	11
Operative receivables	O	1 396	1 319	1 337
Interest-bearing receivables	I	78	80	31
Cash and cash equivalents	I	687	607	932
Current Assets		3 623	3 336	3 749
Total Assets		11 823	11 770	12 384
Equity and Liabilities				
Owners of the Parent		6 142	6 008	5 914
Non-controlling Interests		46	47	54
Total Equity		6 188	6 055	5 968
Post-employment benefit provisions	O	367	377	431
Other provisions	O	105	111	112
Deferred tax liabilities	T	147	166	202
Non-current debt	I	2 067	2 046	2 334
Other non-current operative liabilities	O	34	52	53
Non-current Liabilities		2 720	2 752	3 132
Current portion of non-current debt	I	413	370	821
Interest-bearing liabilities	I	584	596	559
Bank overdrafts	I	4	4	8
Other provisions	O	20	23	29
Other operative liabilities	O	1 842	1 888	1 791
Tax liabilities	T	52	82	76
Current Liabilities		2 915	2 963	3 284
Total Liabilities		5 635	5 715	6 416
Total Equity and Liabilities		11 823	11 770	12 384

Items designated with "O" comprise Operating Capital

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

Items designated with "T" comprise Net Tax Liabilities

Condensed consolidated statement of cash flows

EUR million	Q1/18	Q1/17
Cash Flow from Operating Activities		
Operating profit	355	193
Hedging result from OCI	-	-2
Adjustments for non-cash items	134	152
Change in net working capital	-260	-167
Cash Flow Generated by Operations	229	176
Net financial items paid	-39	-63
Income taxes paid, net	-64	-30
Net Cash Provided by Operating Activities	126	83
Cash Flow from Investing Activities		
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	9	4
Proceeds and advances from disposal of intangible assets and property, plant and equipment	2	38
Income taxes paid on disposal of property	-	-15
Capital expenditure	-116	-135
Proceeds from / payment of non-current receivables, net	-1	3
Net Cash Used in Investing Activities	-106	-105
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	302	29
Repayment of long-term debt	-212	-68
Change in short-term borrowings	-29	37
Purchase of own shares ¹	-5	-3
Net Cash provided by Financing Activities	56	-5
Net Change in Cash and Cash Equivalents	76	-27
Translation adjustment	4	2
Net cash and cash equivalents at the beginning of period	603	949
Net Cash and Cash Equivalents at Period End	683	924
Cash and Cash Equivalents at Period End	687	932
Bank Overdrafts at Period End	-4	-8
Net Cash and Cash Equivalents at Period End	683	924
Disposals		
Other intangible assets and property, plant and equipment	6	-
Net Assets in Divested Companies	6	-
Gain on sale	3	-
Total Disposal Consideration	9	-
Cash part of consideration	9	-
Total Disposal Consideration	9	-
Cash Received Regarding Previous Year Disposals	-	4

¹ Own shares purchased for the Group's share award programme. The Group did not hold any of its own shares at the end of March 2018.

Statement of changes in equity

EUR million	Share Capital	Share Premium and Reserve fund	Invested Non-Restricted Equity Fund	Treasury Shares	Fair Valuation Reserve					CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
					Step Acquisition Revaluation Surplus	Equity investments through OCI	Available-for-Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments					
Balance at 31 December 2016	1 342	77	633	-	4	0	162	-11	-19	-32	3 650	5 806	62	5 868
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	114	114	-7	107
OCI before tax	-	-	-	-	-	-	-14	-3	1	11	-	-5	-1	-6
Income tax relating to components of OCI	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Total Comprehensive Income	-	-	-	-	-	-	-14	-2	1	11	114	110	-8	102
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-3	-	-	-	-	-	-	-	-3	-	-3
Share-based payments	-	-	-	3	-	-	-	-	-	-	-2	1	-	1
Balance at 31 March 2017	1 342	77	633	-	4	0	148	-13	-18	-21	3 762	5 914	54	5 968
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	511	511	-4	507
OCI before tax	-	-	-	-	-	-	53	35	4	-259	61	-106	-2	-108
Income tax relating to components of OCI	-	-	-	-	-	-	4	-7	-	-8	-10	-21	-	-21
Total Comprehensive Income	-	-	-	-	-	-	57	28	4	-267	562	384	-6	378
Dividend	-	-	-	-	-	-	-	-	-	-	-292	-292	-1	-293
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	2	2	-	2
Balance at 31 December 2017	1 342	77	633	-	4	0	205	15	-14	-288	4 034	6 008	47	6 055
Adoption of IFRS 2 and IFRS 9 ¹							205	-205			8	8		8
Balance at 1 January 2018	1 342	77	633	-	4	205	-	15	-14	-288	4 042	6 016	47	6 063
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	274	274	-1	273
OCI before tax	-	-	-	-	-	-8	-	-35	1	-102	-	-144	-	-144
Income tax relating to components of OCI	-	-	-	-	-	-1	-	8	-	-2	-	5	-	5
Total Comprehensive Income	-	-	-	-	-	-9	-	-27	1	-104	274	135	-1	134
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-5	-	-	-	-	-	-	-	-5	-	-5
Share-based payments	-	-	-	5	-	-	-	-	-	-	-9	-4	-	-4
Balance at 31 March 2018	1 342	77	633	-	4	196	-	-12	-13	-392	4 307	6 142	46	6 188

¹ See Basis of Preparation relating to new and amended standards applied to annual periods beginning in January 2018.

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

NCI = Non-controlling Interests

Goodwill, other intangible assets, property, plant and equipment, and biological assets

EUR million	Q1/18	Q1/17	2017
Carrying value at 1 January	6 224	6 518	6 518
Additions in tangible and intangible assets	64	88	560
Additions in biological assets	18	20	80
Costs related to growth of biological assets	-13	-12	-66
Disposals	-8	-8	-12
Disposals of subsidiary companies	-	-	-3
Depreciation and impairment	-121	-142	-515
Fair valuation of biological assets	-1	0	-6
Translation difference and other	-82	-2	-332
Statement of Financial Position Total	6 081	6 462	6 224

Borrowings

EUR million	31 Mar 18	31 Mar 17	31 Dec 17
Bond loans	1 502	1 684	1 352
Loans from credit institutions	943	1 404	1 029
Finance lease liabilities	29	56	29
Other non-current liabilities	6	11	6
Non-current Debt including Current Portion	2 480	3 155	2 416
Short-term borrowings	488	481	525
Interest payable	27	32	35
Derivative financial liabilities	69	46	36
Bank overdrafts	4	8	4
Total Interest-bearing Liabilities	3 068	3 722	3 016

EUR million	Q1/18	Q1/17	2017
Carrying value at 1 January	3 016	3 774	3 774
Proceeds of new long-term debt	302	29	425
Repayment of long-term debt	-212	-68	-1 034
Change in short-term borrowings and interest payable	-45	7	54
Change in derivative financial liabilities	33	-11	-21
Translation differences and other	-26	-9	-182
Total Interest-bearing Liabilities	3 068	3 722	3 016

Commitments and contingencies

EUR million	31 Mar 18	31 Dec 17	31 Mar 17
On Own Behalf			
Mortgages	2	2	9
On Behalf of Equity Accounted Investments			
Guarantees	4	4	4
On Behalf of Others			
Guarantees	25	26	33
Other commitments	14	-	-
Other Commitments, Own			
Operating leases, in next 12 months	77	81	85
Operating leases, after next 12 months	645	644	722
Pension liabilities	-	-	1
Other commitments	6	6	10
Total	773	763	864
Mortgages	2	2	9
Guarantees	29	30	37
Operating leases	722	725	807
Pension liabilities	-	-	1
Other commitments	20	6	10
Total	773	763	864

Capital Commitments

The Group's direct capital expenditure contracts amounted to EUR 142 million (compared with EUR 173 million on 31 March 2017 and EUR 152 million on 31 December 2017). These amounts include the Group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	646	2 516	636	639	630	611
Packaging Solutions	333	1 255	334	318	313	290
Biomaterials	394	1 483	364	379	371	369
Wood Products	393	1 669	398	415	440	416
Paper	772	2 920	726	727	719	748
Other	838	2 490	618	593	628	651
Inter-segment sales	-797	-2 288	-565	-562	-573	-588
Total	2 579	10 045	2 511	2 509	2 528	2 497

Disaggregation of revenue

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Product sales	2 547	9 957	2 489	2 486	2 507	2 475
Service sales ¹	32	88	22	23	21	22
Total	2 579	10 045	2 511	2 509	2 528	2 497

Sales comprise mainly sales of products and are typically recognised at a point in time when Stora Enso transfers control of products to a customer.

¹ As from 1 January 2018, transport and freight sales and silviculture services in Finland previously presented under other operating income are presented in sales. In Q1/2018, the amount of the external sales items was EUR 13 million at Group level, in addition to the internal service sales eliminations. The previous periods have not been restated due to immateriality.

Product and Service sales by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board						
Product sales	643	2 505	633	636	628	608
Service sales	3	11	3	3	2	3
Packaging Solutions						
Product sales	332	1 251	333	317	312	289
Service sales	1	4	1	1	1	1
Biomaterials						
Product sales	387	1 453	357	371	364	361
Service sales	7	30	7	8	7	8
Wood Products						
Product sales	392	1 667	398	415	439	415
Service sales	1	2	-	-	1	1
Paper						
Product sales	767	2 910	724	726	716	744
Service sales	5	10	2	1	3	4
Other						
Product sales	599	2 240	551	528	566	595
Service sales	239	250	67	65	62	56
Inter-segment sales						
Product sales	-573	-2 069	-507	-507	-518	-537
Service sales	-224	-219	-58	-55	-55	-51
Total	2 579	10 045	2 511	2 509	2 528	2 497

Operational EBIT by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	91	285	69	86	69	61
Packaging Solutions	61	170	58	48	40	24
Biomaterials	102	264	61	88	62	53
Wood Products	29	111	25	29	35	22
Paper	69	128	46	29	11	42
Other	17	46	21	10	2	13
Operational EBIT	369	1 004	280	290	219	215
Fair valuations and non-operational items ¹	-14	-16	-15	0	-6	5
Items affecting comparability	0	-84	-29	-20	-8	-27
Operating Profit (IFRS)	355	904	236	270	205	193
Net financial items	-22	-162	-27	-46	-60	-29
Profit before Tax	333	742	209	224	145	164
Income tax expense	-60	-128	-36	-33	-2	-57
Net Profit	273	614	173	191	143	107

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

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

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Impairments and reversals of intangible assets, PPE and biological assets	0	-8	-5	0	0	-3
Restructuring costs excluding fixed asset impairments	0	-14	0	0	0	-14
Disposals	0	-28	-8	-20	0	0
Other	0	-34	-16	0	-8	-10
Total IAC	0	-84	-29	-20	-8	-27
Fair valuations and non-operational items	-14	-16	-15	0	-6	5
Total	-14	-100	-44	-20	-14	-22

Items affecting comparability (IAC) by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	0	-30	1	-20	-8	-3
Packaging Solutions	0	-3	0	0	0	-3
Biomaterials	0	-3	0	0	0	-3
Wood Products	0	-9	-9	0	0	0
Paper	0	-22	-4	0	0	-18
Other	0	-17	-17	0	0	0
IAC on Operating Profit	0	-84	-29	-20	-8	-27
IAC on tax	0	11	4	0	1	6
IAC on Net Profit	0	-73	-25	-20	-7	-21
Attributable to:						
Owners of the Parent	0	-73	-25	-20	-7	-21
Non-controlling interests	0	0	0	0	0	0
IAC on Net Profit	0	-73	-25	-20	-7	-21

Fair valuations and non-operational items¹ by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	-1	-2	0	0	-1	-1
Packaging Solutions	-1	-1	0	0	0	-1
Biomaterials	-1	-7	0	-4	-2	-1
Wood Products	-1	0	1	0	0	-1
Paper	1	0	0	0	0	0
Other	-11	-6	-16	4	-3	9
FV and Non-operational Items on Operating Profit	-14	-16	-15	0	-6	5

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

Operating profit/loss by segment

EUR million	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	90	253	70	66	60	57
Packaging Solutions	60	166	58	48	40	20
Biomaterials	101	254	61	84	60	49
Wood Products	28	102	17	29	35	21
Paper	70	106	42	29	11	24
Other	6	23	-12	14	-1	22
Operating Profit (IFRS)	355	904	236	270	205	193
Net financial items	-22	-162	-27	-46	-60	-29
Profit before Tax	333	742	209	224	145	164
Income tax expense	-60	-128	-36	-33	-2	-57
Net Profit	273	614	173	191	143	107

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	31 Mar 18	31 Dec 17	31 Mar 18	31 Dec 17
SEK	10.2843	9.8438	9.9731	9.6369
USD	1.2321	1.1993	1.2295	1.1293
GBP	0.8749	0.8872	0.8834	0.8761

Transaction risk and hedges in main currencies as at 31 March 2018

EUR million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 400	-980	370
Transaction hedges as at 31 March 2018	-710	610	-190
Hedging percentage as at 31 March 2018 for the next 12 months	51%	62%	51%

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	140
SEK	-98
GBP	37

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

Fair Values of Financial Instruments

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

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

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

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 March 2018

EUR million	Amortised cost	Fair value through OCI	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Assets						
Listed securities	-	22	-	-	22	22
Unlisted securities	-	298	10	-	308	308
Non-current loan receivables	55	-	-	-	55	55
Trade and other operative receivables	1 029	18	-	-	1 047	1 047
Interest-bearing receivables	11	-	20	47	78	78
Cash and cash equivalents	687	-	-	-	687	687
Total	1 782	338	30	47	2 197	2 197

EUR million	Amortised cost	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Liabilities					
Non-current debt	2 067	-	-	2 067	2 396
Current portion of non-current debt	413	-	-	413	413
Interest-bearing liabilities	515	5	64	584	584
Trade and other operative payables	1 512	19	-	1 531	1 531
Bank overdrafts	4	-	-	4	4
Total	4 511	24	64	4 599	4 928

The following items are measured at fair value on a recurring basis.

EUR million	Level 1	Level 2	Level 3	Total
Listed securities	22	-	-	22
Unlisted securities	-	-	308	308
Trade and other operative receivables	-	18	-	18
Derivative financial assets	-	67	-	67
Total financial assets	22	85	308	415
Trade and other operative liabilities	-	-	19	19
Derivative financial liabilities	-	69	-	69
Total financial liabilities	-	69	19	88

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

EUR million	Loans and Receivables	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Available-for-Sale Investments	Carrying Amounts	Fair Value
Financial Assets						
Available-for-sale	-	-	-	339	339	339
Non-current loan receivables	55	-	-	-	55	55
Trade and other operative receivables	965	-	-	-	965	965
Interest-bearing receivables	15	16	49	-	80	80
Cash and cash equivalents	607	-	-	-	607	607
Carrying Amount by Category	1 642	16	49	339	2 046	2 046

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	-	-	2 046	2 046	2 357
Current portion of non-current debt	-	-	370	370	370
Interest-bearing liabilities	4	32	560	596	596
Trade and other operative payables	20	-	1 576	1 596	1 596
Bank overdrafts	-	-	4	4	4
Carrying Amount by Category	24	32	4 556	4 612	4 923

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	65	-	65
Trade and other operative receivables	-	-	-	-
Available-for-sale investments	21	-	318	339
Derivative financial liabilities	-	36	-	36
Trade and other operative liabilities	-	-	20	20

Reconciliation of level 3 fair value measurement of financial assets and liabilities: 31 March 2018

EUR million	Q1/18	2017	Q1/17
Financial assets			
Opening balance at 1 January	318	253	253
Gains/losses recognised in income statement	-	-2	-
Gains/losses recognised in other comprehensive income	-10	60	-14
Additions	-	7	-
Closing Balance	308	318	239

EUR million	Q1/18	2017	Q1/17
Financial liabilities			
Opening balance at 1 January	20	23	23
Gains/losses recognised in income statement	-1	-3	-1
Closing Balance	19	20	22

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 3.52% 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 +30 million and -30 million, respectively. A +/- 1%-point change in the discount rate would change the valuation by EUR -25 million and +63 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
January	141 728	55 861 140	169 118	10 791 494
February	125 205	52 793 589	123 281	10 033 596
March	99 858	59 371 124	223 636	10 791 485
Total	366 791	168 025 853	516 035	31 616 575

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
January	13.90	13.82	136.00	135.10
February	14.60	14.58	147.00	147.00
March	15.10	14.93	153.50	152.40

Average number of shares

Million	Q1/18	Q1/17	Q4/17	2017
Periodic	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6
Cumulative, diluted	789.9	789.9	790.0	790.0

Calculation of key figures

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

¹ Capital employed = Operating capital – Net tax liabilities

² Average for the financial period

³ Attributable to the owners of the Parent

List of non-IFRS measures

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

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Stora Enso's Q2/2018 results will be published on

20 July 2018

Part of the bioeconomy, Stora Enso is a leading global provider of renewable solutions in packaging, biomaterials, wooden constructions and paper. We believe that everything that is made from fossil-based materials today can be made from a tree tomorrow. Stora Enso has some 26 000 employees in over 30 countries. Our sales in 2017 were EUR 10 billion. Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). storaenso.com/investors

It should be noted that Stora Enso and its business are exposed to various risks and uncertainties and certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties, which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates. All statements are based on management's best assumptions and beliefs in light of the information currently available to it and Stora Enso assumes no obligation to publicly update or revise any forward-looking statement except to the extent legally required.