

Stora Enso **Full year** **financial results**

January–December 2017

Q4

Accelerated profitable growth

Dividend proposal EUR 0.41 per share

Q4/2017 (compared with Q4/2016)

- Sales of EUR 2 511 (2 438) million increased 3.0%: the fourth consecutive quarter of sales growth. Sales excluding the paper business increased 6.2%, primarily due to favourable prices and the ramp-up of strategic investments in Beihai, Varkaus, and Murów sawmill.
- Operational EBIT increased 46.6% to EUR 280 (191) million, mainly due to favourable prices and higher volumes combined with successful ramp-up of the strategic investments. The operational EBIT margin was 11.2% (7.8%).
- EPS was EUR 0.22 (0.12). EPS excl. IAC increased to EUR 0.26 (0.17).
- Cash flow from operations increased to EUR 519 (461) million, cash flow after investing activities was EUR 262 (240) million.
- Strong cash generation strengthened the balance sheet further; net debt to operational EBITDA improved to 1.4 (1.9).
- Operational ROCE was 13.5% (8.9%), the second consecutive quarter above the target of 13%, excluding the Beihai operations 15.7% (12.1%).
- The EUR 50 million profit improvement programme is proceeding according to plan. Over 50% of the targeted cost-savings were achieved by the end of the quarter, full effect expected by the end of 2018.

Year 2017 (compared with year 2016)

- Sales at EUR 10 045 (9 802) million increased 2.5%. Sales excluding the paper business increased 8.5%.
- Operational EBIT at EUR 1 004 (884) million increased 13.6%, mainly due to higher volumes, better sales prices and mix as well as successful ramp up of the strategic investments. Operational EBIT margin was 10.0% (9.0%).
- EPS was EUR 0.79 (0.59). EPS excl. IAC increased to EUR 0.89 (0.65).
- Stora Enso Oyj's Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.41

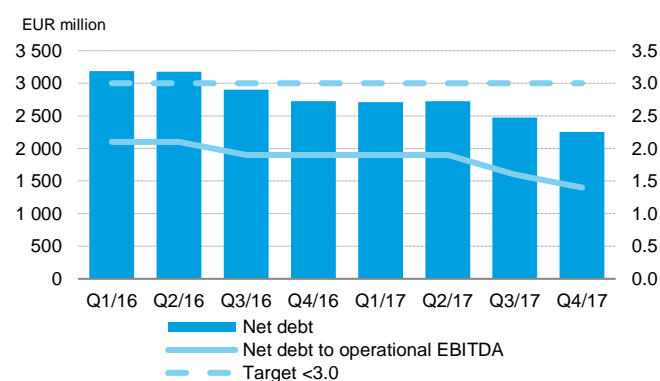
Transformation development in Q4/2017

- The ramp-up of Beihai Mill continues to proceed ahead of plan. The consumer board machine reached its designed capacity level and operational EBITDA break-even as promised in Q4/2017. After reaching operational EBITDA break-even, the Beihai Mill has moved now to a new stage of global optimisation of the product portfolio within the Consumer Board division, and the separate reporting on Beihai will be discontinued.
- Varkaus kraftliner mill reached its designed capacity level during Q4/2017 and exceeded its profitability target.
- Stora Enso is investing EUR 52 million to increase the dissolving pulp capacity at Enocell Mill in Finland.
- Stora Enso is also investing EUR 42 million to enhance the availability of chemi-thermomechanical pulp (CTMP) at Imatra Mills in Finland.
- The group divested Puumerkki, a wholesaler of wooden building materials.
- Stora Enso signed a letter of intent aiming at structural changes in Bergvik Skog Group. The aim is to strengthen Stora Enso's forest land holdings and secure the strategic raw material in the long-term in the growing bioeconomy.

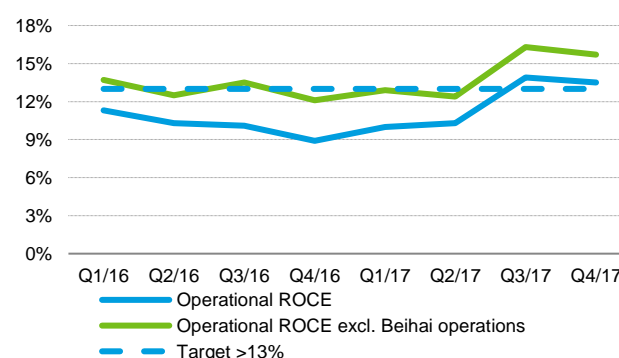
Outlook

Q1/2018 sales are estimated to be similar to or slightly higher than the amount of EUR 2 511 million recorded in the fourth quarter 2017, and operational EBIT is expected to be somewhat higher than the EUR 280 million recorded in Q4/2017. There are no major scheduled annual maintenance shutdowns during Q1/2018.

Net debt to operational EBITDA



Operational return on capital employed (ROCE)



Key figures

EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Sales	2 511	2 438	3.0%	2 509	0.1%	10 045	9 802	2.5%
Operational EBITDA ¹	427	343	24.5%	432	-1.2%	1 587	1 463	8.5%
Operational EBITDA margin ¹	17.0%	14.1%		17.2%		15.8%	14.9%	
Operational EBIT	280	191	46.6%	290	-3.4%	1 004	884	13.6%
Operational EBIT margin	11.2%	7.8%		11.6%		10.0%	9.0%	
Operating profit (IFRS)	236	145	62.8%	270	-12.6%	904	783	15.5%
Profit before tax excl. IAC	238	110	116.4%	244	-2.5%	826	575	43.7%
Profit before tax	209	76	175.0%	224	-6.7%	742	541	37.2%
Net profit for the period	173	56	208.9%	191	-9.4%	614	407	50.9%
Capital expenditure	267	194	37.6%	149	79.2%	640	729	-12.2%
Capital expenditure excluding investments in biological assets	251	170	47.6%	127	97.6%	560	638	-12.2%
Depreciation and impairment charges excl. IAC	125	131	-4.6%	124	0.8%	507	502	1.0%
Net interest-bearing liabilities	2 253	2 726	-17.4%	2 476	-9.0%	2 253	2 726	-17.4%
Operational return on capital employed (ROCE)	13.5%	8.9%		13.9%		11.9%	10.2%	
Earnings per share (EPS) excl. IAC, EUR	0.26	0.17		0.27		0.89	0.65	
EPS (basic), EUR	0.22	0.12		0.24		0.79	0.59	
Return on equity (ROE)	11.6%	3.9%		13.3%		10.3%	7.2%	
Debt/equity ratio	0.38	0.47		0.43		0.38	0.47	
Net debt/last 12 months' operational EBITDA ratio ¹	1.4	1.9		1.6		1.4	1.9	
Fixed costs to sales, %	26.9%	25.8%		23.8%		25.1%	25.3%	
Equity per share, EUR	7.62	7.36	3.5%	7.35	3.7%	7.62	7.36	3.5%
Average number of employees	26 116	26 135	-0.1%	27 001	-3.3%	26 206	26 269	-0.2%
TRI rate ^{2 3}	7.6	10.9	-30.3%	7.6 ⁴	0%	7.7	11.7	-34.2%
LTA rate ^{2 3}	4.6	4.3	7.0%	6.0 ⁴	-23.3%	5.3	4.4	20.5%

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

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

¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

² For Stora Enso employees, excluding joint operations.

³ As of January 2017 Stora Enso applies new Occupational Health and Safety Administration (OHSA) definitions in the reporting of TRI and LTA rates to better align with international standards. Due to this change, Q4 figures are not fully comparable with historical figures.

⁴ Recalculated due to additional data after the Q3/2017 Interim Report.

Deliveries and production

	Q4/17	Q4/16	Change% Q4/17– Q4/16	Q3/17	Change% Q4/17– Q3/17	2017	2016	Change% 2017–2016
Consumer board deliveries, 1 000 tonnes	712	639	11.4%	718	-0.8%	2 816	2 507	12.3%
Consumer board production, 1 000 tonnes	734	663	10.7%	730	0.5%	2 871	2 554	12.4%
Containerboard external deliveries, 1 000 tonnes	274	237	15.6%	256	7.0%	1 023	869	17.7%
Containerboard production, 1 000 tonnes	339	321	5.6%	342	-0.9%	1 333	1 221	9.2%
Corrugated packaging deliveries, million m ²	279	276	1.1%	282	-1.1%	1 103	1 082	1.9%
Market pulp external deliveries, 1 000 tonnes	526	570	-7.7%	552	-4.7%	2 135	2 068	3.2%
Wood product deliveries, 1 000 m ³	1 308	1 228	6.5%	1 207	8.4%	5 097	4 814	5.9%
Paper deliveries, 1 000 tonnes	1 146	1 207	-5.1%	1 177	-2.6%	4 713	5 141	-8.3%
Paper production, 1 000 tonnes	1 159	1 219	-4.9%	1 152	0.6%	4 672	5 155	-9.4%

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 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

We have reached a new level as a renewable materials company. The transformation has proven successful as we exceeded ten billion euros in sales and one billion in operational EBIT for the year. At the same time, we have strengthened our position in the bioeconomy for the future.

In four consecutive quarters, we have achieved growth, reaching a 3.0% increase in sales and 6.2% excluding paper in the fourth quarter. This is primarily due to the ramp-up of strategic investments in Beihai, Varkaus and Murów, and favourable prices. Higher volumes, higher sales prices and a better product mix enabled us to reach operational EBIT margin of 11.2% and ROCE of 13.5%, above our long-term financial targets. Strong cash flow strengthened the balance sheet and net debt to operational EBITDA improved to 1.4. Our innovation strategy is paying off. In 2017, 7% of our products and services were new which is a considerable increase compared to 2016.

After finalising our strategic investments, our balance sheet and cash flow are strengthening. This enables us to reward our shareholders. The Board of Directors proposes to the Annual General Meeting a dividend of 0.41 euros per share which is the third year in a row with an increase.

We continue to deliver on our promises related to the transformation. The ramp-up of Beihai Mill is ahead of schedule and its consumer board machine reached its designed capacity level and operational EBITDA break-even as planned. Also, Varkaus kraftliner mill reached its designed capacity level and exceeded its profitability target.

Securing raw material long term is crucial in the bioeconomy. As a consequence, we have signed a letter of intent aiming at structural changes in Bergvik Skog.

Stora Enso has made two important announcements during the first quarter this year that I'd like to highlight. We have signed a global framework agreement with three global unions to uphold fundamental labour rights. This is in line with our continuous efforts to provide a safe and rewarding workplace for our employees and contractors, and to be an attractive employer.

I am also very proud that we are the first forestry company to commit to a science based target to further reduce our CO₂ and other greenhouse gas emissions. This in line with the 2°C limit set for global warming by the Paris Agreement, and is a natural step for us as the renewable materials company.

As to the outlook, our sales for the first quarter 2018 are estimated to be similar to or slightly higher than the amount of 2 511 million euros recorded in the fourth quarter 2017, and operational EBIT is expected to be somewhat higher than the 280 million euros recorded in the fourth quarter. There are no major scheduled annual maintenance shutdowns during the first quarter.

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

Karl-Henrik Sundström, CEO

Dividend proposal per share

EUR 0.41

Operational ROCE (Q4/2017)

13.5%

(Target >13%)

Net debt to operational EBITDA

1.4

(Target <3.0)

Reconciliation of operational profitability

EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Operational EBITDA¹	427	343	24.5%	432	-1.2%	1 587	1 463	8.5%
Depreciation and depletion of equity accounted investments (EAI)	-2	-2	0.0%	-2	0.0%	-10	-12	16.7%
Operational decrease in the value of biological assets	-20	-19	-5.3%	-16	-25.0%	-66	-65	-1.5%
Depreciation and impairment excl. IAC	-125	-131	4.6%	-124	-0.8%	-507	-502	-1.0%
Operational EBIT	280	191	46.6%	290	-3.4%	1 004	884	13.6%
Fair valuations and non-operational items ²	-15	-12	-25.0%	0	n/m	-16	-67	76.1%
Items affecting comparability (IAC)	-29	-34	14.7%	-20	-45.0%	-84	-34	-147.1%
Operating profit (IFRS)	236	145	62.8%	270	-12.6%	904	783	15.5%

¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See 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.

Fourth quarter 2017 results (compared with Q4/2016)

Breakdown of change in sales Q4/2016 to Q4/2017

Sales Q4/2016, EUR million	2 438
Price and mix	4%
Currency	-1%
Volume	-2%
Other sales ¹	0%
Total before structural changes	1%
Structural changes ²	2%
Total	3%
Sales Q4/2017, EUR million	2 511

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

² Asset closures, major investments, divestments and acquisitions

Group sales at EUR 2 511 million grew EUR 73 million or 3.0% compared to same period a year ago and excluding paper 6.2%. Sales prices in local currencies were higher, especially in Biomaterials and Packaging Solutions divisions. They were only partly offset by lower deliveries, especially in Paper division, due to the incident in the drying section at Veitsiluoto Mill paper machine 2 during Q3 and a negative currency impact. The ramp-up of the Beihai consumer board mill in China, Varkaus laminated veneer lumber (LVL) line in Finland, China Packaging unit, and Murów sawmill in Poland increased sales further.

Operational EBIT at EUR 280 (191) million increased clearly by EUR 89 million or 46.6%. The operational EBIT margin increased over 3%-points to 11.2% (7.8%).

Clearly higher sales prices and better mix, and ramp up of strategic investments improved operational EBIT by EUR 111 million, especially in Biomaterials and Packaging Solutions divisions. Higher volumes increased operational EBIT by EUR 23 million or 12%, despite the incident at Veitsiluoto Mill and related lower volumes in Paper division.

Variable costs increased EUR 30 million, mainly due to increased chemical and filler costs, higher cost for paper for recycling (PFR) in Paper and Packaging Solutions divisions, and higher raw material costs for corrugated packaging. Fixed costs had a EUR 6 million negative impact, clearly higher maintenance costs were partly offset by lower other fixed costs. The increased costs were largely offset by good cost management through the Profit Improvement Programme. The net foreign exchange impact decreased operational EBIT by EUR 23 million. The positive impact from depreciation, closed units and operational result from equity accounted investments was EUR 14 million.

The planned and unplanned production downtime was 9% (6%) for paper, 4% (7%) for board, and 0% (0%) for wood products.

The average number of employees in the fourth quarter of 2017 was approximately 26 100, which was at the same level than in the same quarter a year ago. The average number of employees during the quarter in Europe was approximately 19 500, which was 100 higher than in the same quarter a year ago. In China, the average number of employees was approximately 5 500, which was 100 lower than a year ago.

Fair valuations and non-operational items had a negative EUR 15 (negative EUR 12) million net impact on operating profit. There was a negative impact of EUR 8 million from the decrease in fair valuation of forests and valuation of financial instruments of the Nordic equity accounted investment Tornator, and a negative impact of EUR 6 million from the valuation of emission rights.

Earnings per share were EUR 0.22 (0.12) and earnings per share excluding items affecting comparability (IAC) were EUR 0.26 (0.17).

The group recorded items affecting comparability (IAC) with a negative impact of approximately EUR 29 (negative EUR 34) million on its operating profit and a positive impact of approximately EUR 4 million (negative EUR 11) on income tax in the fourth

quarter of 2017. The IAC relate mainly to the disposal of Puumerkki, a specialised wholesaler of wooden building materials, and environmental provisions in various locations.

Net financial expenses at EUR 27 million were EUR 42 million lower than a year ago. The net interest expenses decreased by EUR 9 million due to significantly reduced debt levels, partly offset by lower capitalised interest and lower interest income from loan receivables. Other net financial expenses in the fourth quarter were EUR 6 (6) million. The net foreign exchange impact in the fourth quarter in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a gain of EUR 10 (loss of EUR 23) million, mainly due to the revaluation of foreign currency loans in subsidiaries and joint-operations.

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

EUR million	Capital employed
31 December 2016	8 594
Capital expenditure less depreciation	126
Impairments and reversal of impairments	-21
Fair valuation of biological assets	-6
Costs related to growth of biological assets	-66
Available-for-sale: operative (mainly PVO)	66
Equity accounted investments	52
Net liabilities in defined benefit plans	56
Operative working capital and other interest-free items, net	-69
Net tax liabilities	-34
Translation difference	-394
Other changes	4
31 December 2017	8 308

The operational return on capital employed (ROCE) in the fourth quarter of 2017 was 13.5% (8.9%). Excluding the Beihai operations in the Consumer Board division, the operational ROCE would have been 15.7% (12.1%).

Fourth quarter 2017 results (compared with Q3/2017)

Sales were slightly, EUR 2 million or 0.1%, higher at EUR 2 511 million. Operational EBIT decreased slightly to EUR 280 million from EUR 290 million. Favourable sales prices, especially in Packaging Solutions, Paper, and Biomaterials divisions, improved operational EBIT by EUR 35 million. Volumes had a EUR 28 million negative impact, mainly related to higher maintenance activity and some production problems in Biomaterials, as well as the incident at Veitsiluoto Mill in Q3. Fixed costs were EUR 33 million higher, mainly due to higher maintenance activity and seasonality. EUR 16 million higher variable costs were partly offset by positive EUR 12 million net foreign exchange impact. Positive impact from depreciation, closed units and equity accounted investments improved the result by EUR 20 million.

Full year 2017 results (compared with full year 2016)

Breakdown of change in sales 2016 to 2017

Sales 2016, EUR million	9 802
Price and mix	2%
Currency	-1%
Volume	2%
Other sales ¹	-1%
Total before structural changes	2%
Structural changes ²	0%
Total	2%
Sales 2017, EUR million	10 045

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

² Asset closures, major investments, divestments and acquisitions

Sales at EUR 10 045 (9 802) million were 2.5% higher than a year earlier, mainly due to higher volumes in all divisions except Paper, favourable pulp prices in all grades and also favourable prices in Packaging Solutions and Wood Products divisions. The impact of the foreign exchange rate movements on sales was EUR 55 million negative. Sales excluding the paper business increased by 8.5%. The higher volumes are primarily driven by the ramp-ups at Beihai consumer board mill, Murów sawmill, Varkaus laminated veneer lumber (LVL) and kraftliner mills, higher pulp production output and operational improvements in China Packaging. In addition, the share of new products and services increased significantly.

Operational EBIT reached a significant milestone at 1 004 EUR (884) million and increased 13.6%, mainly due to higher volumes, higher sales prices and better mix. Net foreign exchange rate movements, higher variable and fixed costs had a negative impact on operational EBIT. The increased costs were largely offset by good cost management through the Profit Improvement Programme. Operational EBIT margin was 10.0% (9.0%).

Net financial expenses at EUR 162 million were EUR 80 million lower than a year ago. The net interest expenses decreased by EUR 2 million, due to significantly reduced debt levels, partly offset by lower capitalised interest and lower interest income from loan receivables. The net foreign exchange impact in 2017 in respect of cash, interest-bearing assets and liabilities and related hedges was a gain of EUR 34 (loss EUR 43) million mainly due to the revaluation of foreign currency loans in subsidiaries and joint-operations. Other net financial expenses were EUR 1 million lower.

Financing in fourth quarter 2017 (compared with Q3/2017)

Capital structure

EUR million	31 Dec 17	30 Sep 17	30 Jun 17	31 Mar 17	31 Dec 16
Operative fixed assets ¹	6 554	6 441	6 465	6 728	6 785
Equity accounted investments	1 600	1 594	1 590	1 602	1 594
Operative working capital, net	729	906	961	955	825
Non-current interest-free items, net	-490	-554	-570	-536	-554
Operating Capital Total	8 393	8 387	8 446	8 749	8 650
Net tax liabilities	-85	-64	-60	-70	-56
Capital Employed	8 308	8 323	8 386	8 679	8 594
Equity attributable to owners of the Parent	6 008	5 799	5 612	5 914	5 806
Non-controlling interests	47	48	50	54	62
Net interest-bearing liabilities	2 253	2 476	2 724	2 711	2 726
Financing Total	8 308	8 323	8 386	8 679	8 594

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

During the fourth quarter, Stora Enso signed a new sustainability linked EUR 600 million revolving credit facility agreement with a syndicate of 13 banks to refinance its existing EUR 700 million facility. Part of the pricing for the facility agreement is based on Stora Enso's Science Based Targets to combat global warming by reducing greenhouse gases, including CO₂. The new facility matures in January 2023 and will be used as a backup for short-term facilities. The facility has no financial covenants.

Cash and cash equivalents net of overdrafts increased by EUR 190 million to EUR 603 million. In addition, Stora Enso has access to various long-term sources of funding up to EUR 950 (900) million.

The fair value of PVO shares accounted for as available-for-sale investments increased in the quarter by EUR 42 million to EUR 308 million. The change in fair value is mainly caused by the increase in electricity prices. The changes in fair valuation are included in the Other Comprehensive Income in equity.

The net debt was EUR 2 253 million, a decrease of EUR 223 million from the previous quarter as a result of strong cash flow from operations in the quarter. Net debt to operational EBITDA was 1.4 compared to 1.6 in the previous quarter. The debt/equity ratio at 31 December 2017 was 0.38 (0.43).

Cash flow in fourth quarter 2017 (compared with Q3/2017)

Operative cash flow

EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Operational EBITDA ¹	427	343	24.5%	432	-1.2%	1 587	1 463	8.5%
IAC on operational EBITDA	-24	-27	11.1%	-20	-20.0%	-76	-61	-24.6%
Other adjustments	-38	-35	-8.6%	-5	n/m	-56	-52	-7.7%
Change in working capital	154	180	-14.4%	23	n/m	37	283	-86.9%
Cash Flow from Operations	519	461	12.6%	430	20.7%	1 492	1 633	-8.6%
Cash spent on fixed and biological assets	-257	-220	-16.8%	-138	-86.2%	-658	-798	17.5%
Acquisitions of equity accounted investments	-	-1	100.0%	-9	100.0%	-9	-1	n/m
Cash Flow after Investing Activities	262	240	9.2%	283	-7.4%	825	834	-1.1%

¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

Fourth quarter 2017 cash flow after investing activities was EUR 262 million. Working capital decreased by EUR 154 million, due to higher trade payables and continuous working capital management. Cash spent on fixed and biological assets was EUR 257 million. Payments related to the previously announced provisions were EUR 15 million.

Capital expenditure

Additions to fixed and biological assets in the fourth quarter of 2017 totalled EUR 267 million, of which EUR 251 million were fixed assets and EUR 16 million biological assets. Depreciations and impairment charges totalled EUR 125 million. Additions in fixed and biological assets had a cash outflow impact of EUR 257 million.

The main projects ongoing in the fourth quarter of 2017 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 upgrading of Heinola Fluting Mill in Finland, the consolidation of manufacturing of corrugated packaging in Finland, the fluff pulp investment at Skutskär Mill in Sweden, and the new production unit for cross laminated timber (CLT) 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 6 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 18 million for the capacity extension and technology upgrade in China Packaging unit
- EUR 16 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 fourth quarter 2017 (compared with Q4/2016)

Consumer Board division

Beihai Mill reached operational EBITDA break-even as promised - moving into the next phase

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	Q4/17	Q4/16	Change % Q4/17–Q4/16	Q3/17	Change % Q4/17–Q3/17	2017	2016	Change % 2017–2016
Sales	636	580	9.7%	639	-0.5%	2 516	2 342	7.4%
Operational EBITDA ¹	119	93	28.0%	128	-7.0%	477	452	5.5%
Operational EBITDA margin ¹	18.7%	16.0%		20.0%		19.0%	19.3%	
Operational EBIT	69	38	81.6%	86	-19.8%	285	254	12.2%
Operational EBIT margin	10.8%	6.6%		13.5%		11.3%	10.8%	
Operational ROOC	14.2%	7.4%		17.7%		14.6%	12.7%	
Cash flow from operations	140	114	22.8%	111	26.1%	458	453	1.1%
Cash flow after investing activities	73	13	n/m	62	17.7%	218	40	n/m
Board deliveries, 1 000 tonnes	712	639	11.4%	718	-0.8%	2 816	2 507	12.3%
Board production, 1 000 tonnes	734	663	10.7%	730	0.5%	2 871	2 554	12.4%

¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

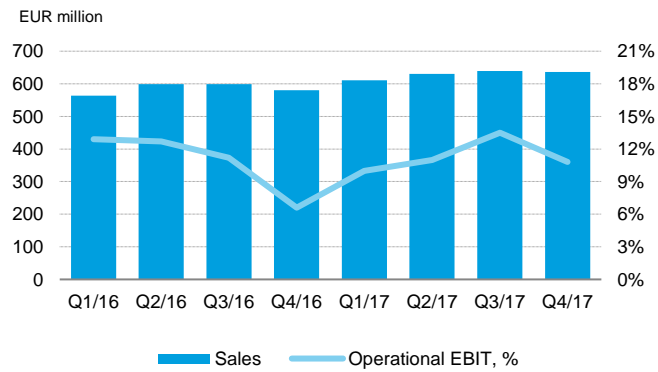
- Sales increased EUR 56 million or 9.7% to EUR 636 million, as the ramp-up of Beihai Mill improved volumes, sales prices and mix.
- Operational EBIT increased EUR 31 million or 81.6% to EUR 69 million. Slightly higher profitability in the European operations was coupled with clear improvement at Beihai Mill as the ramp-up continued.
- Operational ROOC excluding the Beihai operations was 32.1% (30.8%).
- The ramp-up of Beihai Mill continues ahead of plan. An insurance compensation of EUR 3.4 million was booked in Q4/2017 related to higher energy costs caused by the turbine failure in Q1/2017. The consumer board machine reached its designed capacity level and operational EBITDA break-even as promised in Q4/2017. The production volume of Beihai Mill in Q4/2017 was 116 000 (72 000) tonnes of consumer packaging board.
- The ramp-up of Beihai's operations had a negative impact of EUR 9 million (negative EUR 38 million) on the fourth quarter 2017 operational EBIT.
- In October, Stora Enso announced an investment at Imatra Mills in Finland to enhance the availability of chemi-thermomechanical pulp (CTMP). The investment includes a new drying and re-pulping plant for CTMP, and an extension of the pulp warehouse. The project is scheduled to be completed in the first half of 2019. It is expected to exceed the division's operational ROOC target of 20%.
- In November, Stora Enso signed an agreement to divest its sheeting centre business in Baienfurt, Germany to Pyroll, a Finnish converting firm. The divestment was completed in January.
- During the quarter, the following investments were completed:
 - The polyethylene coating plant at Beihai Mill in China
 - The polyethylene coating plant and automated warehouse at Imatra Mills in Finland
 - The chemical plant at Skoghall Mill in Sweden
 - The micro-fibrillated cellulose (MFC) investments at Imatra and Fors mills. The investment at Ingerois Mill is proceeding and will be completed during the spring 2018.

Consumer Board division (continued)

Markets

Product	Market	Demand Q4/17 compared with Q4/16	Demand Q4/17 compared with Q3/17	Price Q4/17 compared with Q4/16	Price Q4/17 compared with Q3/17
Consumer board	Europe	Stronger	Stable	Stable	Stable

Sales and operational EBIT



Operational ROOC (Q4/2017)

14.2%

Operational ROOC excl. Beihai (Q4/2017)

32.1%

(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

Record sales and profitability continue

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	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Sales	334	282	18.4%	318	5.0%	1 255	1 044	20.2%
Operational EBITDA ¹	74	36	105.6%	66	12.1%	240	131	83.2%
Operational EBITDA margin ¹	22.2%	12.8%		20.8%		19.1%	12.5%	
Operational EBIT	58	19	205.3%	48	20.8%	170	64	165.6%
Operational EBIT margin	17.4%	6.7%		15.1%		13.5%	6.1%	
Operational ROOC	26.9%	8.8%		22.4%		19.6%	7.6%	
Cash flow from operations	82	44	86.4%	83	-1.2%	249	132	88.6%
Cash flow after investing activities	39	23	69.6%	60	-35.0%	156	63	147.6%
Board deliveries (external), 1 000 tonnes	274	237	15.6%	256	7.0%	1 023	869	17.7%
Board production, 1 000 tonnes	339	321	5.6%	342	-0.9%	1 333	1 221	9.2%
Corrugated packaging deliveries, million m ²	279	276	1.1%	282	-1.1%	1 103	1 082	1.9%
Corrugated packaging production, million m ²	277	274	1.1%	286	-3.1%	1 102	1 073	2.7%

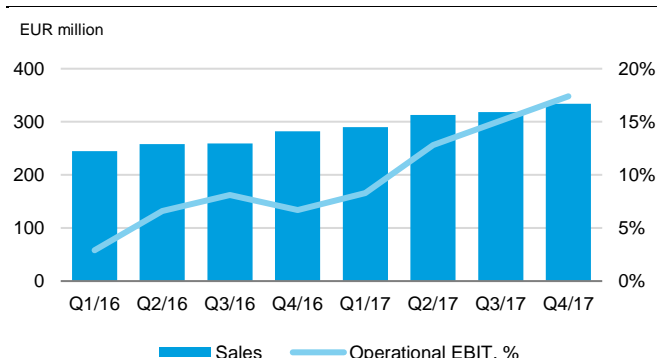
¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased EUR 52 million or 18.4% to another all-time high of EUR 334 million, driven by favourable price development in the European operations and growth in China Packaging units.
- Operational EBIT was also at a record high level of EUR 58 million, an increase of EUR 39 million or 205.3% from a year ago. Clearly higher sales prices especially in containerboard and good sales mix management, coupled with operational improvements in China Packaging more than offset higher raw material costs especially for corrugated packaging.
- The third consecutive quarter with a record in sales and profitability.
- The Varkaus Mill in Finland reached design capacity level during the quarter and exceeded its profitability target set for the investment.

Markets

Product	Market	Demand Q4/17 compared with Q4/16	Demand Q4/17 compared with Q3/17	Price Q4/17 compared with Q4/16	Price Q4/17 compared with Q3/17
Virgin fibre-based containerboard	Global	Slightly stronger	Stable	Significantly higher	Higher
Recycled fibre based (RCP) containerboard	Europe	Stronger	Stable	Significantly higher	Higher
Corrugated packaging	Europe	Stronger	Stable	Higher	Slightly higher

Sales and operational EBIT



Operational ROOC (Q4/2017)

26.9%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Biomaterials division

Capitalising on favourable pulp prices

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.

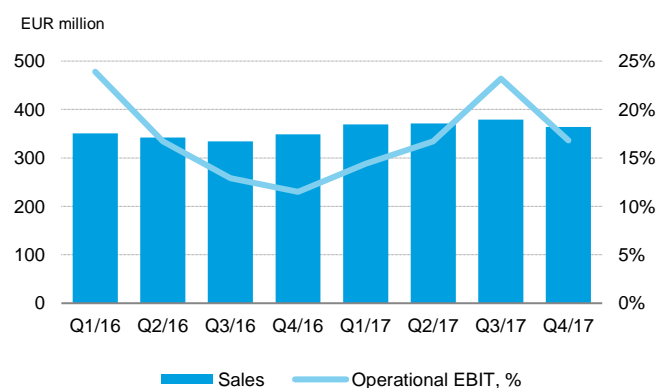
EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Sales	364	349	4.3%	379	-4.0%	1 483	1 376	7.8%
Operational EBITDA	95	75	26.7%	124	-23.4%	409	361	13.3%
Operational EBITDA margin	26.1%	21.5%		32.7%		27.6%	26.2%	
Operational EBIT	61	40	52.5%	88	-30.7%	264	224	17.9%
Operational EBIT margin	16.8%	11.5%		23.2%		17.8%	16.3%	
Operational ROOC	10.4%	6.1%		14.8%		10.5%	8.5%	
Cash flow from operations	106	79	34.2%	92	15.2%	404	419	-3.6%
Cash flow after investing activities	59	37	59.5%	61	-3.3%	271	278	-2.5%
Pulp deliveries, 1 000 tonnes	623	651	-4.3%	666	-6.5%	2 597	2 508	3.5%

- Sales increased EUR 15 million or 4.3% to EUR 364 million, as clearly higher sales prices were only partly offset by negative currency impact and lower deliveries due to altered sequencing of the annual maintenance shutdowns and production problems mainly at Skutskär and Montes del Plata mills.
- Operational EBIT increased EUR 21 million or 52.5% to EUR 61 million, as clearly higher pulp prices were partly offset by higher maintenance costs and lower volumes due to altered sequencing of the annual maintenance shutdowns and production problems mainly at Skutskär and Montes del Plata. Negative net currency effect also decreased profitability.
- Investment in a Xylose Demo Plant in Raceland, Louisiana, USA proceeded to the commissioning phase and the first commercial deliveries are expected during 2018.
- In October, Stora Enso announced a EUR 52 million investment to increase the dissolving pulp capacity at Enocell Mill in Finland. The investment is scheduled to be completed during the second half of 2019. It is expected to exceed the division's operational ROOC target of 15%, and to have a positive impact on sales.

Markets

Product	Market	Demand Q4/17 compared with Q4/16	Demand Q4/17 compared with Q3/17	Price Q4/17 compared with Q4/16	Price Q4/17 compared with Q3/17
Softwood pulp	Europe	Slightly stronger	Stable	Significantly higher	Higher
Hardwood pulp	Europe	Slightly stronger	Stronger	Significantly higher	Higher

Sales and operational EBIT



Operational ROOC (Q4/2017)

10.4%

(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

The highest ever Q4 operational EBIT

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.

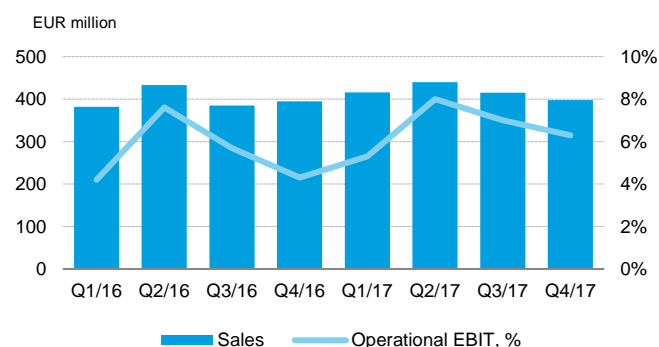
EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17– Q3/17	2017	2016	Change % 2017–2016
Sales	398	395	0.8%	415	-4.1%	1 669	1 595	4.6%
Operational EBITDA	36	24	50.0%	37	-2.7%	147	118	24.6%
Operational EBITDA margin	9.0%	6.1%		8.9%		8.8%	7.4%	
Operational EBIT	25	17	47.1%	29	-13.8%	111	88	26.1%
Operational EBIT margin	6.3%	4.3%		7.0%		6.7%	5.5%	
Operational ROOC	18.5%	13.1%		21.3%		20.5%	16.8%	
Cash flow from operations	40	-3	n/m	62	-35.5%	152	142	7.0%
Cash flow after investing activities	9	-11	181.8%	50	-82.0%	90	75	20.0%
Wood products deliveries, 1 000 m ³	1 257	1 176	6.9%	1 169	7.5%	4 926	4 643	6.1%

- Sales excluding the divested Puumerkki and the Baltic wood supply operations transferred to the segment Other, increased 6% due to growth from strategic investments: Murów sawmill in Poland, laminated veneer lumber (LVL) line in Varkaus, Finland and pellet production at Ala sawmill in Sweden.
- This is the highest ever fourth quarter operational EBIT at EUR 25 million, an increase of EUR 8 million or 47.1%. Improved net mill price and increasing share of value added business more than offset slightly higher raw material and fixed costs.
- The ramp-up of the LVL production at Varkaus Mill continues. Full production is expected 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.
- In November, Stora Enso divested Puumerkki, a wholesaler of wooden building materials in Finland and Estonia.

Markets

Product	Market	Demand Q4/17 compared with Q4/16	Demand Q4/17 compared with Q3/17	Price Q4/17 compared with Q4/16	Price Q4/17 compared with Q3/17
Wood products	Europe	Stronger	Stronger	Slightly higher	Stable

Sales and operational EBIT



Operational ROOC (Q4/2017)

18.5%
(Target: >20%)

Paper division

Back on track

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

EUR million	Q4/17	Q4/16	Change % Q4/17– Q4/16	Q3/17	Change % Q4/17–Q3/17	2017	2016	Change % 2017–2016
Sales	726	760	-4.5%	727	-0.1%	2 920	3 245	-10.0%
Operational EBITDA ¹	78	91	-14.3%	55	41.8%	239	327	-26.9%
Operational EBITDA margin ¹	10.7%	12.0%		7.6%		8.2%	10.1%	
Operational EBIT	46	64	-28.1%	29	58.6%	128	211	-39.3%
Operational EBIT margin	6.3%	8.4%		4.0%		4.4%	6.5%	
Operational ROOC	24.7%	25.6%		16.0%		14.8%	19.4%	
Cash flow from operations	102	126	-19.0%	24	325.0%	259	351	-26.2%
Cash flow after investing activities	46	90	-48.9%	6	n/m	160	277	-42.2%
Cash flow after investing activities to sales, %	6.3%	11.8%		0.8%		5.5%	8.5%	
Paper deliveries, 1 000 tonnes	1 146	1 207	-5.1%	1 177	-2.6%	4 713	5 141	-8.3%
Paper production, 1 000 tonnes	1 159	1 219	-4.9%	1 152	0.6%	4 672	5 155	-9.4%

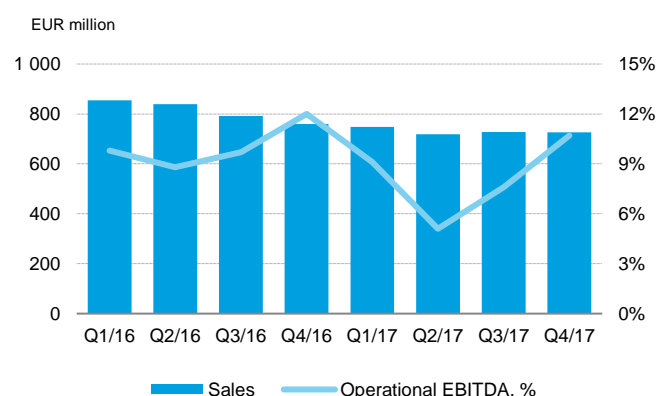
¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales decreased EUR 34 million or 4.5% to EUR 726 million following the incident at the drying section of Veitsiluoto Mill paper machine 2 in Q3. Increased local sales prices in all grades, except for coated mechanical, was partly offset by the negative currency effect.
- Operational EBIT decreased EUR 18 million to EUR 46 million mainly due to lower volumes and additional repair costs related to the incident at Veitsiluoto Mill. Higher variable costs, especially for paper for recycling and chemicals also decreased profitability.
- Cash flow after investing activities to sales ratio was 6.3% for the quarter. This was a result of lower EBITDA and higher capital expenditure, both impacted by the incident at Veitsiluoto Mill.
- Following the incident at the drying section in August, the Veitsiluoto Mill paper machine 2 operated with an interim technical solution until December, when it was repaired completely. The machine reached full production in January.

Markets

Product	Market	Demand Q4/17 compared with Q4/16	Demand Q4/17 compared with Q3/17	Price Q4/17 compared with Q4/16	Price Q4/17 compared with Q3/17
Paper	Europe	Slightly weaker	Stronger	Slightly higher	Slightly higher

Sales and operational EBITDA



Cash flow after investing activities to sales (Q4/2017)¹

6.3%

(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 group shared services and administration.

EUR million	Q4/17	Q4/16	Change % Q4/17–Q4/16	Q3/17	Change % Q4/17–Q3/17	2017	2016	Change % 2017–2016
Sales	618	641	-3.6%	593	4.2%	2 490	2 477	0.5%
Operational EBITDA ¹	25	24	4.2%	22	13.6%	75	74	1.4%
Operational EBITDA margin ¹	4.0%	3.7%		3.7%		3.0%	3.0%	
Operational EBIT	21	13	61.5%	10	110.0%	46	43	7.0%
Operational EBIT margin	3.4%	2.0%		1.7%		1.8%	1.7%	
Cash flow from operations	49	101	-51.5%	58	-15.5%	-30	136	-122.1%
Cash flow after investing activities	36	88	-59.1%	44	-18.2%	-70	101	-169.3%

¹ Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Operational EBIT improved by EUR 8 million driven by better profitability in Bergvik Skog and Tornator. The year-on-year comparison is impacted by one-off items a year ago. Despite challenging harvesting conditions in the Nordics and Russia, wood inventories remained stable, in preparation for the challenging first quarter negatively impacting cash flow.
- In November, Stora Enso announced that shareholders representing 98% of the owners in Bergvik Skog AB have initiated discussions aiming at structural changes in Bergvik Skog Group. As a result of the planned restructuring, Stora Enso would transform its current ownership of 49.3% in Bergvik Skog, to a direct holding of approximately 70% of the value of the forest assets in Bergvik Väst.

Sustainability in fourth quarter 2017 (compared with Q4/2016)

Safety performance

TRI and LTA rates^{1 2}

	Q4/17	Q4/16	Q3/17 ³	2017	2016	Milestone	Milestone to be reached by
TRI rate	7.6	10.9	7.6	7.7	11.7	n/a	
LTA rate	4.6	4.3	6.0	5.3	4.4	4.0	end of 2017

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

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

¹ For Stora Enso employees, excluding joint operations

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

³ Recalculated due to additional data after the Q3/2017 Interim Report.

The year-end milestone for the LTA rate was not reached. As announced earlier Stora Enso has decided to implement a new Safety Roadmap to drive a step-change in performance. The roadmap focuses on improving governance and ways of working, control and compliance with standards, and building on leadership and best practices. In 2018 the TRI rate will be the new Group level safety KPI, which we will start reporting on in the first quarter of 2018.

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	31 Dec 17	30 Sep 17	31 Dec 16	Target	Target to be reached by
% of supplier spend covered by the Supplier Code of Conduct ¹	95%	94%	92%	95%	end of 2017

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

The target for 2017 was reached. The target for 2018 is planned to be communicated in the Q1/2018 Interim Report.

Human rights

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

Progress on the implementation of preventive and remediation actions

	Completed ¹	On track	Not on track	Closed ²	Regular review ³
Implementation progress, % of all the actions	88%	0%	0%	9%	3%

¹ Process for completion is in place for three Group-level actions, but the completion is carried forward into 2018.

² Issues that were identified in the Human Rights assessments but closed following reassessment of their validity in specific local contexts.

³ Longer-term actions without a targeted end-date that require continuous review.

At the end of the year, 88% of the preventive and remediation actions were completed and 100% of the actions were brought to an appropriate conclusion. The actions are based on the UN Guiding Principles on Business and Human Rights and criteria created in collaboration with Danish Institute for Human Rights. As informed earlier, the reporting on Human Rights Action Plan progress will be stopped after this report. 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

Correction of land leasing contracts in Guangxi, China

Social forestlands leased by Stora Enso in Guangxi

	31 Dec 17	30 Sep 17	31 Dec 16
Social forestland leased, ha	29 581	29 701	30 500
Leased area without contractual defects, ha	16 267	16 329	16 480
Lease contracts without contractual defects, % of all contracts	66%	66%	66%

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

Stora Enso leases a total of 82 591 hectares of land in various regions of Guangxi, of which 36% is social land leased from village collectives, individual households, and local forest farms.

As announced earlier Stora Enso is planning to decrease the area of its leased forestland in the Guangxi region. As part of this process, Stora Enso aims to have only land leased that is free of contractual defects. Stora Enso has moved from contract correction to normal contract management and therefore the quarterly reporting on the contract correction progress will stop after this report.

Land occupations by the Social Landless Movements in Bahia, Brazil

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

	31 Dec 17	30 Sep 17	31 Dec 16
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 043	3 425	3 499

At the end of the year, 3 043 hectares of productive land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the fourth quarter, Veracel continued to seek repossession of occupied areas through legal processes, and in total the company resumed forest management on 382 hectares. Veracel has 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.

Carbon dioxide

Performance compared to baseline level¹

	Q4/17	Q4/16	Q3/17	2017	2016	Target	Target to be reached by
Reduction of fossil CO ₂ emissions per saleable tonne of pulp, paper and board (kg/t)	-37%	-40%	-44%	-40%	-40%	-35%	end of 2025

¹ From baseline year 2006. Covering direct fossil CO₂ emissions from production and indirect fossil CO₂ emissions related to purchased electricity and heat (Scope 1 and 2). Historical figures recalculated due to divestments, or data completion. Excluding joint operations.

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

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. To reduce Scope 3 emissions, Stora Enso commits to have 70% of non-fibre suppliers and downstream transportation suppliers in terms of spend set their own GHG reduction targets by 2025, towards the aim that these suppliers adopt science-based GHG reduction targets by 2030. In addition, the company will educate 100% of customer-facing staff on the advantages of setting science-based targets by 2020. Stora Enso plans to report progress on the Science Based Targets in Q1/2018, and at the same time retire the old target listed above.

Other events

In November, Stora Enso received the highest recognition level, Gold, for sustainability management by Ecovadis Supplier Sustainability Ratings. Stora Enso was rated among the top 1% performers of all suppliers assessed in all categories.

Short-term risks and uncertainties

Increasing competition, and supply and demand balances in the paper, pulp, packaging, wood products and roundwood markets may have an impact on the 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 have impacts on Stora Enso's profits, cash flows and financial position.

Continued exceptionally mild winter conditions with more rain, less snow and reduced periods of frozen soils has impacted harvesting and wood transport, and thus affect the stability of raw material supply and increase wood costs to the Nordic mills. The Russian policy of preferring wood deliveries to the domestic forest industry instead of exporting is likely to continue. Possible limitations of birch plywood exports may cause disturbance also to pulpwood exports. 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 182 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 105 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 64 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish crown and British pound against the euro would be about positive EUR 126 million, negative EUR 96 million and positive EUR 36 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 American

Veracel

Fibria and Stora Enso each own 50% of Veracel, and the joint ownership is governed by a shareholder agreement. In May 2014, Fibria initiated arbitration proceedings against Stora Enso claiming that Stora Enso was in breach of certain provisions of the shareholder agreement. Fibria has estimated that the interest to be paid regarding the dispute should be approximately USD 54 (EUR 45) million. Stora Enso denied the claims. In December 2017 the arbitration panel delivered an award in favour of Stora Enso. Hence, Stora Enso does not plan to report further on the case.

On 11 July 2008, Stora Enso announced that a federal judge in Brazil had issued a decision claiming that the permits issued by the State of Bahia for the operations of Stora Enso's joint operations company Veracel were not valid. The judge also ordered Veracel to take certain actions, including reforestation with native trees on part of Veracel's plantations and a possible fine of BRL 20 (EUR 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. 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 has been reversed by the Court of Appeal but Stora Enso has appealed to the Supreme Court seeking final dismissal.

Major events during 2017

Decisions of Annual General Meeting on 27 April 2017

The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.37 per share for the year 2016.

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

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

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

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

The AGM approved the proposal to amend the Company's Articles of Association so that the shareholders' meeting shall decide on the election of Chairman and Vice Chairman of the Board of Directors, with the exception of a vacancy during the term of office, in which case the Board of Directors shall have the right to elect a new Chairman or Vice Chairman from among its members for the remaining term of office. It was also approved to allow for the notice to the shareholders' meetings to be published on the Company's website in addition to which details on the date and location of the meeting, together with the address of the Company's website be published in at least two Finnish and two Swedish newspapers, and to amend the terminology so that the reference to "Authorised Public Accountants approved by the Finnish Central Chamber of Commerce" be changed to "Authorised Public Accountants".

The AGM approved the proposal to amend the Charter of the Shareholders' Nomination Board so that the Shareholders' Nomination Board shall prepare and present to the shareholders' meeting a proposal regarding the Chairman and Vice Chairman of the Board of Directors in connection with its proposal regarding the members of the Board of Directors.

Decisions by the Board of Directors

At its meeting held after the AGM, the Stora Enso Board of Directors elected from among its members Jorma Eloranta as its Chairman and Hans Stråberg as Vice Chairman. Richard Nilsson (chairman), Jorma Eloranta, Mikael Mäkinen and Christiane Kuehne were elected as members of the Financial and Audit Committee. Jorma Eloranta (chairman), Elisabeth Fleuriot and Hans Stråberg were elected as members of the Remuneration Committee. Anne Brunila (chairman), Hock Goh and Göran Sandberg were elected as members of the Sustainability and Ethics Committee.

Shareholders' Nomination Board

Stora Enso's Shareholders' Nomination Board was established in August.

The Shareholders' Nomination Board is composed of the following members: Jorma Eloranta (Chairman of the Board of Directors), Hans Stråberg (Vice Chairman of the Board of Directors), Harri Sailas (Chairman of the Board of Directors of Solidium Oy), and Marcus Wallenberg (Chairman of the Board of Directors of FAM AB).

The Shareholders' Nomination Board elected Marcus Wallenberg as its Chairman.

Changes in group management

On 1 May 2017, Annica Bresky became Executive Vice President, Consumer Board division and a member of the Group Leadership Team. She was previously the President and CEO of Iggesund Paperboard AB, part of the Swedish Holmen Group.

On 1 June 2017, Markus Mannström became Executive Vice President, Biomaterials division. Previously, he was the group's Chief Technology Officer (CTO) and has been a member of the Group Leadership Team since 2015.

Juan Carlos Bueno, Executive Vice President, Biomaterials division, was a member of the Group Leadership Team until 31 May 2017.

Personnel

On 31 December 2017, there were 25 700 (25 400) employees in the group. The average number of employees in 2017 was 26 200, which was 70 lower than the average number in 2016.

Share capital and shareholdings

During the fourth quarter of 2017, the conversions of 54 000 A shares into R shares were recorded in the Finnish trade register. During 2017, a total of 114 770 A-shares converted into R-shares were recorded in the Finnish Trade Register.

On 31 December 2017, Stora Enso had 176 392 320 A shares and 612 227 667 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 237 615 086.

On 20 June 2017, the holdings of Varma Mutual Pension Insurance Company in Stora Enso's shares fell below the threshold of 5%.

Annual General Meeting 2018

Stora Enso Oyj's Annual General Meeting (AGM) will be held at 16.00 (Finnish time) on Wednesday 28 March 2018 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

The proposals for decisions relating to the agenda of the AGM, as well as the AGM notice, will be available on Stora Enso Oyj's website at storaenso.com/agm. Stora Enso Oyj's annual accounts, the report of the Board of Directors and the auditor's report for 2017 will be published on Stora Enso Oyj's website storaenso.com/annualreport during the week commencing on Monday 26 February 2018. The proposals for decisions and the other above-mentioned documents will also be available at the AGM. Copies of these documents and of the AGM notice will be sent to shareholders upon request. The minutes of the AGM will be available on Stora Enso Oyj's website storaenso.com/agm on Wednesday 11 April 2018 at the latest.

The Board of Directors' proposal for the payment of dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.41 per share be distributed for the year 2017.

The dividend would be paid to shareholders who on the record date of the dividend payment, 3 April 2018, are recorded in the shareholders' register maintained by Euroclear Finland Ltd. or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden registered shares. Dividends payable for Euroclear Sweden registered shares will be forwarded by Euroclear Sweden AB and paid in Swedish crown. Dividends payable to ADR holders will be forwarded by Citibank N.A. and paid in US dollars.

The Board of Directors proposes to the AGM that the dividend be paid on or about 10 April 2018.

Events after the period

In January, the paper manufacturer Feldmuehle Uetersen GmbH filed for insolvency. The Uetersen mill was owned by Stora Enso until 2015. At year-end 2017, Stora Enso had open receivables from Feldmuehle Uetersen amounting to EUR 9

million. In case the Uetersen mill will be discontinued, Stora Enso has a contractual obligation to cover the costs of possible environmental remediation.

The divestment of the Consumer Board sheeting centre business in Baienfurt, Germany to Pyroll, a Finnish converting firm was completed in January. The transaction had no significant impact on the group.

The conversion of 40 710 A shares into R shares was recorded in the Finnish trade register on 16 January 2018.

On 26 January 2018, a Swedish prosecutor initiated proceedings in a District court claiming that Stora Enso and a contractor due to negligence had caused the forest fire in Västmanland in 2014. Further, the prosecutor request that Stora Enso and the contractor pay SEK 5 (EUR 0.5) million each in corporate fines. Stora Enso denies liability and disputes the claim.

The publication date for Stora Enso Oyj's Half-year report for January–June 2018 has been changed to Friday 20 July 2018.

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, 9 February 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 2016.

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

Non-IFRS measures

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

Items affecting comparability are exceptional transactions that are not related to recurring business operations. The most common IAC are capital gains and losses relating to disposal of fixed assets, impairments or impairment reversals, disposal gains and losses relating to group companies, environmental provisions, provisions for planned restructurings, other provisions 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 EAIs.

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 will include the operational EBITDA of its equity accounted investments (EAI) in the group's operational EBITDA. Previously Stora Enso has included the operational EBIT of EAIs in the group's operational EBIT only.

The new 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 will affect the following key figures: operational EBITDA, operational EBITDA margin, and net debt to last 12 months' operational EBITDA ratio.

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

There will be no impact on operational EBIT, the subtotals of the consolidated income statement or the group's IFRS figures.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities – Applying the consolidation Exception*. The amendments provide an exemption from consolidation of subsidiaries for entities that meet the definition of investment entity. This change is not relevant to the group.
- Amendments to IAS 7: *Disclosure Initiative*. These amendments are intended to clarify IAS 7 'Statement of Cash Flows' to improve information provided to users of financial statements about an entity's financing activities and to enable users to evaluate changes in liabilities arising from financing activities. The effective date for these amendments is 1 January 2017. The amendment does not have a significant effect on the consolidated financial statements of the group as most of the new information requirements are already covered in Note 26 *Debt* of Consolidated Financial Statements 2016.
- Amendments to IAS 12: *Income taxes on the recognition of deferred tax assets for unrealised losses*. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The effective date for these amendments is 1 January 2017. The amendment does not have any impact on the group.

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

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

- IFRS 15: *Revenue from Contracts with Customers*

- IFRS 9: *Financial Instruments*
- IFRS 16: *Leases*

The group evaluated the impact of IFRS 15 based on the amount and timing of revenue recognition as part of a project during 2015, 2016 and 2017. The main customer contracts for each division have been reviewed based on a standardised questionnaire that followed the five-step model for revenue recognition. In conclusion, the adoption will have no significant impact on the principles applied by the group to the amount and timing of revenue recognition. The group intends to adopt the modified retrospective application of IFRS 15 from 1 January 2018, without adjusting prior reporting periods.

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The group intends to apply it prospectively from 1 January 2018, without presenting restated comparatives in line with IFRS 1, paragraph E1 and E2. An exception to this is that in respect of the time value of currency options under hedge accounting, Stora Enso will apply the IFRS 9 treatment retrospectively for those options that were in the group's books at 1 January 2018.

The group intends to classify its equity investments in Pohjolan Voima shares, currently classified as available-for-sale investments (AFS) under IAS 39, at fair value under other comprehensive income (FVTOCI) under IFRS 9. The main difference between AFS and FVTOCI is that gains and losses resulting from changes in the fair value of equity investments accounted for under FVTOCI are not recycled to the Income Statement upon impairment or disposal, with only the dividend income recognized 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. This will reduce Income Statement volatility compared to IAS 39.

The new impairment model for financial assets requires the recognition of doubtful receivables allowances based on expected credit losses, rather than only incurred credit losses as under current IAS 39. The new IFRS 9 impairment model will result in a non-significant increase in doubtful receivables allowances.

The adoption of IFRS 9 will not have a significant impact on group figures.

IFRS 16 replaces the current guidance in IAS 17 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. The effects of this standard on the group financial statements are under investigation. It is expected that Operating profit will somewhat increase since the interest on the lease liability will be reclassified to Financial expenses. Previously all rental payments relating to operating leases have been included in Other operating expenses. In addition, Operating assets and Financial liabilities will increase due to the adoption of IFRS 16.

Condensed consolidated income statement

EUR million	Q4/17	Q4/16	Q3/17	2017	2016
Sales	2 511	2 438	2 509	10 045	9 802
Other operating income	53	29	36	147	123
Change in inventories of finished goods and WIP	22	24	2	28	9
Materials and services	-1 507	-1 515	-1 466	-5 945	-5 833
Freight and sales commissions	-239	-218	-239	-968	-920
Personnel expenses	-342	-319	-310	-1 331	-1 334
Other operating expenses	-143	-155	-123	-551	-561
Share of results of equity accounted investments	31	124	5	66	156
Change in net value of biological assets	-20	-202	-20	-72	-261
Depreciation, amortisation and impairment charges	-130	-61	-124	-515	-398
Operating Profit	236	145	270	904	783
Net financial items	-27	-69	-46	-162	-242
Profit before Tax	209	76	224	742	541
Income tax	-36	-20	-33	-128	-134
Net Profit for the Period	173	56	191	614	407
Attributable to:					
Owners of the Parent	174	91	191	625	463
Non-controlling interests	-1	-35	0	-11	-56
Net Profit for the Period	173	56	191	614	407
Earnings per Share					
Basic earnings per share, EUR	0.22	0.12	0.24	0.79	0.59
Diluted earnings per share, EUR	0.22	0.12	0.24	0.79	0.59

Consolidated statement of comprehensive income

EUR million	Q4/17	Q4/16	Q3/17	2017	2016
Net profit for the period	173	56	191	614	407
Other Comprehensive Income (OCI)					
Items that will Not be Reclassified to Profit and Loss					
Actuarial gains and losses on defined benefit plans	57	-52	4	61	-62
Income tax relating to items that will not be reclassified	-9	15	-1	-10	15
	48	-37	3	51	-47
Items that may be Reclassified Subsequently to Profit and Loss					
Share of OCI of EAls that may be reclassified	2	4	0	5	0
Currency translation movements on equity net investments (CTA)	-60	123	-59	-288	124
Currency translation movements on non-controlling interests	1	2	-2	-3	-3
Net investment hedges	4	-19	11	40	-11
Cash flow hedges	5	-13	3	32	13
Available-for-sale investments	38	30	37	39	138
Income tax relating to items that may be reclassified	-3	5	0	-10	-1
	-13	132	-10	-185	260
Total Comprehensive Income	208	151	184	480	620
Attributable to:					
Owners of the Parent	208	184	186	494	679
Non-controlling interests	0	-33	-2	-14	-59
Total Comprehensive Income	208	151	184	480	620

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

EAI = Equity Accounted Investments

Condensed consolidated statement of financial position

EUR million		31 Dec 17	31 Dec 16
Assets			
Goodwill	O	237	238
Other intangible assets	O	229	180
Property, plant and equipment	O	5 310	5 611
		5 776	6 029
Biological assets	O	448	489
Emission rights	O	12	14
Equity accounted investments	O	1 600	1 594
Available-for-sale: Listed securities	I	21	42
Available-for-sale: Operative	O	318	253
Non-current loan receivables	I	55	7
Deferred tax assets	T	154	214
Other non-current assets	O	50	57
Non-current Assets		8 434	8 699
Inventories	O	1 321	1 346
Tax receivables	T	9	9
Operative receivables	O	1 319	1 273
Interest-bearing receivables	I	80	46
Cash and cash equivalents	I	607	953
Current Assets		3 336	3 627
Total Assets		11 770	12 326
Equity and Liabilities			
Owners of the Parent		6 008	5 806
Non-controlling Interests		47	62
Total Equity		6 055	5 868
Post-employment benefit provisions	O	377	436
Other provisions	O	111	114
Deferred tax liabilities	T	166	203
Non-current debt	I	2 046	2 655
Other non-current operative liabilities	O	52	61
Non-current Liabilities		2 752	3 469
Current portion of non-current debt	I	370	552
Interest-bearing liabilities	I	596	563
Bank overdrafts	I	4	4
Other provisions	O	23	20
Other operative liabilities	O	1 888	1 774
Tax liabilities	T	82	76
Current Liabilities		2 963	2 989
Total Liabilities		5 715	6 458
Total Equity and Liabilities		11 770	12 326

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	2017	2016
Cash Flow from Operating Activities		
Operating profit	904	783
Hedging result from OCI	-	-1
Adjustments for non-cash items	551	567
Change in net working capital	37	283
Cash Flow Generated by Operations	1 492	1 632
Net financial items paid	-193	-180
Income taxes paid, net	-97	-92
Net Cash Provided by Operating Activities	1 202	1 360
Cash Flow from Investing Activities		
Acquisitions of shares in equity accounted investments	-9	-1
Acquisitions of available-for-sale investments	-8	-2
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	-4	40
Proceeds from disposal of shares in equity accounted investments	5	26
Proceeds from disposal of available-for-sale investments	-	10
Proceeds and advances from disposal of intangible assets and property, plant and equipment	45	220
Income taxes paid on disposal of property	-15	-13
Capital expenditure	-658	-798
Proceeds from/payment of non-current receivables, net	-52	64
Net Cash Used in Investing Activities	-696	-454
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	425	368
Repayment of long-term debt	-1 034	-781
Change in short-term borrowings	76	-46
Dividends paid	-292	-260
Buy-out of interest in subsidiaries from non-controlling interests	-	-46
Equity injections from, less dividends to, non-controlling interests	-1	-2
Purchase of own shares ¹	-3	-2
Net Cash Used in Financing Activities	-829	-769
Net Change in Cash and Cash Equivalents	-323	137
Translation adjustment	-23	5
Net cash and cash equivalents at the beginning of period	949	807
Net Cash and Cash Equivalents at Period End	603	949
Cash and Cash Equivalents at Period End	607	953
Bank Overdrafts at Period End	-4	-4
Net Cash and Cash Equivalents at Period End	603	949
Disposals		
Cash and cash equivalents	7	1
Other intangible assets and property, plant and equipment	3	39
Working capital	1	6
Interest-bearing assets and liabilities	-1	3
Non-controlling interests	-	-4
Net Assets in Divested Companies	10	45
Gain on sale	-9	-
Total Disposal Consideration	1	45
Cash part of consideration	-	41
Non-cash part of consideration	1	4
Total Disposal Consideration	1	45
Cash Received Regarding Previous Year Disposals	3	-

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

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

EUR million	2017	2016
Carrying value at 1 January	6 518	6 671
Additions in tangible and intangible assets	560	638
Additions in biological assets	80	91
Costs related to growth of biological assets	-66	-141
Disposals	-12	-253
Disposals of subsidiary companies	-3	-39
Depreciation and impairment	-515	-398
Fair valuation of biological assets	-6	-120
Translation difference and other	-332	69
Statement of Financial Position Total	6 224	6 518

Borrowings

EUR million	31 Dec 17	31 Dec 16
Bond loans	1 352	1 705
Loans from credit institutions	1 029	1 434
Finance lease liabilities	29	56
Other non-current liabilities	6	12
Non-current Debt including Current Portion	2 416	3 207
Short-term borrowings	525	452
Interest payable	35	54
Derivative financial liabilities	36	57
Bank overdrafts	4	4
Total Interest-bearing Liabilities	3 016	3 774

EUR million	2017	2016
Carrying value at 1 January	3 774	4 197
Proceeds of new long-term debt	425	368
Repayment of long-term debt	-1 034	-781
Change in short-term borrowings and interest payable	54	-50
Change in derivative financial liabilities	-21	-13
Translation differences and other	-182	53
Total Interest-bearing Liabilities	3 016	3 774

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	Available-for-Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments					
Balance at 31 December 2015	1 342	77	633	-	4	27	-24	-19	-147	3 495	5 388	125	5 513
Profit/loss for the period	-	-	-	-	-	-	-	-	-	463	463	-56	407
OCI before tax	-	-	-	-	-	138	13	-	113	-62	202	-3	199
Income tax relating to components of OCI	-	-	-	-	-	-3	-	-	2	15	14	-	14
Total Comprehensive Income						135	13	-	115	416	679	-59	620
Dividend	-	-	-	-	-	-	-	-	-	-260	-260	-	-260
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-1	-1	-4	-5
Purchase of treasury shares	-	-	-	-2	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	2	-	-	-	-	-	-	2	-	2
Balance at 31 December 2016	1 342	77	633	-	4	162	-11	-19	-32	3 650	5 806	62	5 868
Profit/loss for the period	-	-	-	-	-	-	-	-	-	625	625	-11	614
OCI before tax	-	-	-	-	-	39	32	5	-248	61	-111	-3	-114
Income tax relating to components of OCI	-	-	-	-	-	4	-6	-	-8	-10	-20	-	-20
Total Comprehensive Income	-	-	-	-	-	43	26	5	-256	676	494	-14	480
Dividend	-	-	-	-	-	-	-	-	-	-292	-292	-1	-293
Purchase of treasury shares	-	-	-	-3	-	-	-	-	-	-	-3	-	-3
Share-based payments	-	-	-	3	-	-	-	-	-	-	3	-	3
Balance at 31 December 2017	1 342	77	633	-	4	205	15	-14	-288	4 034	6 008	47	6 055

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

NCI = Non-controlling Interests

Commitments and contingencies

EUR million	31 Dec 17	31 Dec 16
On Own Behalf		
Mortgages	2	9
On Behalf of Equity Accounted Investments		
Guarantees	4	4
On Behalf of Others		
Guarantees	26	34
Other Commitments, Own		
Operating leases, in next 12 months	81	86
Operating leases, after next 12 months	644	747
Pension liabilities	-	1
Other commitments	6	9
Total	763	890
Mortgages	2	9
Guarantees	30	38
Operating leases	725	833
Pension liabilities	-	1
Other commitments	6	9
Total	763	890

Capital Commitments

The group's direct capital expenditure contracts amounted to EUR 152 million (compared with EUR 171 million on 31 December 2016). These amounts include the group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	2 516	636	639	630	611	2 342	580	599	599	564
Packaging Solutions	1 255	334	318	313	290	1 044	282	259	258	245
Biomaterials	1 483	364	379	371	369	1 376	349	334	342	351
Wood Products	1 669	398	415	440	416	1 595	395	385	433	382
Paper	2 920	726	727	719	748	3 245	760	792	839	854
Other	2 490	618	593	628	651	2 477	641	559	629	648
Inter-segment sales	-2 288	-565	-562	-573	-588	-2 277	-569	-535	-574	-599
Total	10 045	2 511	2 509	2 528	2 497	9 802	2 438	2 393	2 526	2 445

Operational EBIT by segment

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	285	69	86	69	61	254	38	67	76	73
Packaging Solutions	170	58	48	40	24	64	19	21	17	7
Biomaterials	264	61	88	62	53	224	40	43	57	84
Wood Products	111	25	29	35	22	88	17	22	33	16
Paper	128	46	29	11	42	211	64	53	43	51
Other	46	21	10	2	13	43	13	13	0	17
Operational EBIT	1 004	280	290	219	215	884	191	219	226	248
Fair valuations and non-operational items ¹	-16	-15	0	-6	5	-67	-12	-14	-15	-26
Items affecting comparability	-84	-29	-20	-8	-27	-34	-34	-9	37	-28
Operating Profit (IFRS)	904	236	270	205	193	783	145	196	248	194
Net financial items	-162	-27	-46	-60	-29	-242	-69	-35	-99	-39
Profit before Tax	742	209	224	145	164	541	76	161	149	155
Income tax expense	-128	-36	-33	-2	-57	-134	-20	-42	-31	-41
Net Profit	614	173	191	143	107	407	56	119	118	114

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

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

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Impairments and reversals of intangible assets, PPE and biological assets	-8	-5	0	0	-3	-133	-167	-6	41	-1
Restructuring costs excluding fixed asset impairments	-14	0	0	0	-14	-19	0	-3	-16	0
Disposals	-28	-8	-20	0	0	144	155	0	16	-27
Other	-34	-16	0	-8	-10	-26	-22	0	-4	0
Total IAC	-84	-29	-20	-8	-27	-34	-34	-9	37	-28
Fair valuations and non-operational items	-16	-15	0	-6	5	-67	-12	-14	-15	-26
Total	-100	-44	-20	-14	-22	-101	-46	-23	22	-54

Items affecting comparability (IAC) by segment

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	-30	1	-20	-8	-3	-77	-77	0	0	0
Packaging Solutions	-3	0	0	0	-3	-21	-12	-9	0	0
Biomaterials	-3	0	0	0	-3	0	0	0	0	0
Wood Products	-9	-9	0	0	0	0	0	0	0	0
Paper	-22	-4	0	0	-18	78	69	0	37	-28
Other	-17	-17	0	0	0	-14	-14	0	0	0
IAC on Operating Profit	-84	-29	-20	-8	-27	-34	-34	-9	37	-28
IAC on tax	11	4	0	1	6	-22	-11	1	-10	-2
IAC on Net Profit	-73	-25	-20	-7	-21	-56	-45	-8	27	-30
Attributable to:										
Owners of the Parent	-73	-25	-20	-7	-21	-47	-37	-8	27	-29
Non-controlling interests	0	0	0	0	0	-9	-8	0	0	-1
IAC on Net Profit	-73	-25	-20	-7	-21	-56	-45	-8	27	-30

Fair valuations and non-operational items¹ by segment

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	-2	0	0	-1	-1	-110	-102	-2	-4	-2
Packaging Solutions	-1	0	0	0	-1	-1	0	0	0	-1
Biomaterials	-7	0	-4	-2	-1	-13	-5	-3	-2	-3
Wood Products	0	1	0	0	-1	0	0	0	0	0
Paper	0	0	0	0	0	0	0	0	0	0
Other	-6	-16	4	-3	9	57	95	-9	-9	-20
FV and Non-operational Items on Operating Profit	-16	-15	0	-6	5	-67	-12	-14	-15	-26

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

Operating profit/loss by segment

EUR million	2017	Q4/17	Q3/17	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	253	70	66	60	57	67	-141	65	72	71
Packaging Solutions	166	58	48	40	20	42	7	12	17	6
Biomaterials	254	61	84	60	49	211	35	40	55	81
Wood Products	102	17	29	35	21	88	17	22	33	16
Paper	106	42	29	11	24	289	133	53	80	23
Other	23	-12	14	-1	22	86	94	4	-9	-3
Operating Profit (IFRS)	904	236	270	205	193	783	145	196	248	194
Net financial items	-162	-27	-46	-60	-29	-242	-69	-35	-99	-39
Profit before Tax	742	209	224	145	164	541	76	161	149	155
Income tax expense	-128	-36	-33	-2	-57	-134	-20	-42	-31	-41
Net Profit	614	173	191	143	107	407	56	119	118	114

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 16
SEK	9.8438	9.5525	9.6369	9.4673
USD	1.1993	1.0541	1.1293	1.1066
GBP	0.8872	0.8562	0.8761	0.8189

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

EUR million	EUR	USD	SEK	GBP	Other	Total
Sales during 2017	5 773	1 737	1 100	400	1 035	10 045
Costs during 2017	-4 689	-416	-2 080	-53	-1 382	-8 620
Net amount	1 084	1 321	-980	347	-347	1 425
Estimated annual operating cash flow exposure		1 260	-960	360		
Transaction hedges as at 31 December 2017		-630	510	-180		
Hedging percentage as at 31 December 2017 for the next 12 months		50%	53%	50%		

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	126
SEK	-96
GBP	36

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

Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

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

EUR million	2017	2016
Opening balance at 1 January	253	131
Gains/losses recognised in income statement	-2	5
Gains/losses recognised in Available-for-sale investments reserve	60	125
Additions	7	2
Disposals	-	-10
Closing Balance	318	253

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 3.43% 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 +38 million and -38 million, respectively. A +/- 1% point change in the discount rate would change the valuation by EUR -32 million and +42 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
October	140 439	48 052 585	231 890	11 947 956
November	92 414	43 417 899	134 838	9 734 873
December	99 786	37 592 012	110 379	5 477 897
Total	332 639	129 062 496	477 107	27 160 726

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
October	13.48	13.43	132.00	131.30
November	12.98	12.86	128.40	128.10
December	13.20	13.22	130.00	129.50

Average number of shares

Million	Q4/17	Q4/16	Q3/17	2017	2016
Periodic	788.6	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6	788.6
Cumulative, diluted	790.0	790.0	789.9	790.0	789.9

Calculation of key figures

Operational return on capital employed, operational ROCE (%)	100 x	$\frac{\text{Operational EBIT}}{\text{Capital employed}^1}$ ²
Operational return on operating capital, operational ROOC (%)	100 x	$\frac{\text{Operational EBIT}}{\text{Operating capital}^2}$
Return on equity, ROE (%)	100 x	$\frac{\text{Net profit/loss for the period}}{\text{Total equity}^2}$
Net interest-bearing liabilities	Interest-bearing liabilities – interest-bearing assets	
Debt/equity ratio	$\frac{\text{Net interest-bearing liabilities}}{\text{Equity}^3}$	
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	
LTA	Lost-time accident rate = number of lost-time accidents per one million hours worked	

¹ Capital employed = Operating capital – Net tax liabilities

² Average for the financial period

³ Attributable to the owners of the Parent

List of non-IFRS measures

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

Contact information

Stora Enso Oyj
P.O.Box 309
FI-00101 Helsinki, Finland
Visiting address: Kanavaranta 1
Tel. +358 2046 131

Stora Enso AB
P.O.Box 70395
SE-107 24 Stockholm, Sweden
Visiting address: World Trade Center
Klarabergsviadukten 70
Tel. +46 1046 46 000

storaenso.com
storaenso.com/investors

For further information, please contact:

Seppo Parvi, CFO, tel. +358 2046 21205

Ulla Paajanen-Sainio, SVP, Investor Relations, tel. +358 40 763 8767

Ulrika Lilja, EVP, Communications, tel. +46 72 221 9228

Stora Enso's Q1/2018 results will be published on

27 April 2018

Part of the bioeconomy, Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions and paper globally. 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

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.