Stora Enso
Interim Report

January–March 2020

Q1

THE RENEWABLE MATERIALS COMPANY

storaenso

storaenso

Strengthening our resilience for the headwinds

Dividend proposal EUR 0.15 per share, additional max. EUR 0.35 to be decided later

Q1/2020 (compared with Q1/2019)

- Sales decreased by 16.2% to EUR 2 207 (2 635) million, due to significantly lower prices and volumes. The Finnish union strikes had a negative impact on volumes.
- Operational EBIT decreased to EUR 180 (335) million.
- Strong liquidity at EUR 1.4 billion including cash and revolving credit facility and good access to funding sources.
- Operational EBIT margin was 8.1% (12.7%).
- Operating profit (IFRS) was EUR 262 (313) million. There was a positive impact of EUR 94 (negative 18) million from fair valuations and non-operational items, mainly from increases in forest valuations.
- Items affecting comparability (IAC) amounted to EUR -12 (-4) million.
- EPS was EUR 0.19 (0.29) and EPS excl. IAC and fair valuations was EUR 0.12 (0.32).
- Cash flow from operations amounted to EUR 146 (223) million. Cash flow after investing activities was EUR -32 (94) million.
- The net debt to operational EBITDA ratio at 2.3 (1.6) was above the target level of less than 2.0, due to lower operational EBITDA, and the restructuring of Bergvik Skog (impact 0.6).
- Operational ROCE was 6.8% (14.5%), below the strategic target of over 13%, due to lower operational EBIT and higher capital employed. Operational ROCE excluding Forest division was 7.6%.

Profit protection programme

The programme is proceeding ahead of plan. The profit protection programme target has been increased to EUR 350 million for continuous cost savings by the end of 2021, and an additional EUR 85 million for one-time savings. Approximately EUR 30 million of the continuous cost savings were achieved during Q1/2020. Including the one-time cost savings, the total implemented cost saving amounted to EUR 40 million in Q1/2020. In 2019 we achieved EUR 105 million in continuous savings, and in 2020 we expect to achieve the same level.

Main events

- As of 1 January 2020, Stora Enso merged its containerboard business with the Consumer Board division, creating a new Packaging Materials division. The remaining business in Packaging Solutions, together with Stora Enso's recently created Formed Fiber unit, constitute a more focused Packaging Solutions division. The Group also established a new Forest division.
- The divestment of the Pfarrkirchen sawn construction timber (KVH) mill was finalised.

Annual General Meeting

Stora Enso's Annual General Meeting will take place on 4 June 2020. Stora Enso's Board of Directors (BOD) has decided to change its dividend proposal to the AGM from EUR 0.50 to EUR 0.15 per share. In addition, the BOD proposes to the AGM that the BOD be authorised to decide at its discretion on a dividend payment of a maximum of EUR 0.35 per share to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso's business and liquidity.

Managing uncertainties

The health and safety of Stora Enso's employees is a key priority. A healthy workforce ensures uninterrupted operations and customer deliveries. Stora Enso has secured the health and safety of its workforce by imposing a global travel ban since early February, prohibiting all physical meetings, strongly advising personnel to work remotely whenever feasible, restricting access to mill sites, quarantining the affected workforce, and closely monitoring the Covid-19 situation within Stora Enso. Thanks to Stora Enso's proactive approach so far, there has been minimal impact on the Group's ability to run mills and serve customers.

Stora Enso's liquidity and funding position is strong. At the end of Q1/2020, cash and cash equivalents were at EUR 756 million. Additionally, the Company has a fully undrawn EUR 600 million Revolving Credit Facility and access to EUR 950 million statutory pension premium loans in Finland. Furthermore, during April, Stora Enso signed bilateral loan and credit facility agreements for EUR 400 million to increase liquidity. There are no financial covenants on Stora Enso Oyj's debt.

To address costs and mitigate negative market demand impacts, Stora Enso has started to implement additional cost reduction actions including capital expenditure and recruitment restrictions, as well as co-determination negotiations on possible temporary layoffs currently in all the divisions and Group functions in various countries following local labour laws and regulations.

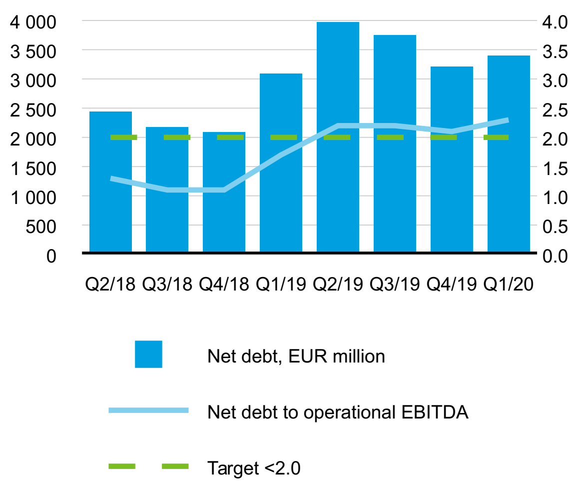
Due to the cross-border travel restrictions and safety concerns associated with Covid-19, most of Stora Enso's annual mill maintenance shutdowns have been postponed to the second half of 2020. Only Heinola Mill annual maintenance shutdown is scheduled for the second quarter of 2020.

Guidance and outlook

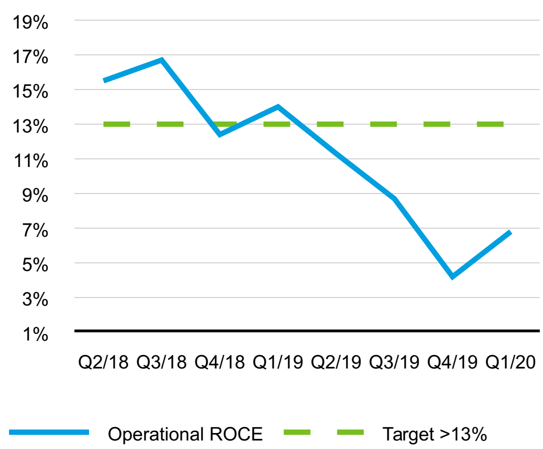
Stora Enso is discontinuing its quarterly guidance and annual outlook until further notice due to the uncertainty in the global economy. The current situation has accelerated the decline in demand for European paper, and the market conditions for the Group's other products continue to be mixed.

The Group continues to put focus on ensuring liquidity and cash flow, cost and working capital management to stay resilient and ensure quick recovery after the pandemic is over.

Net debt to operational EBITDA



Operational return on capital employed (ROCE)



Key figures

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	2 207	2 635	-16.2%	2 411	-8.5%	10 055
Operational EBITDA	335	484	-30.8%	277	20.8%	1 614
Operational EBITDA margin	15.2%	18.4%		11.5%		16.0%
Operational EBIT	180	335	-46.3%	124	45.0%	1 003
Operational EBIT margin	8.1%	12.7%		5.1%		10.0%
Operating profit (IFRS)	262	313	-16.2%	680	-61.5%	1 305
Profit before tax excl. IAC	220	286	-22.8%	678	-67.5%	1 329
Profit before tax (IFRS)	209	282	-26.0%	646	-67.7%	1 137
Net profit for the period (IFRS)	149	226	-33.9%	519	-71.3%	856
Cash flow from operations	146	223	-34.5%	725	-79.9%	1 991
Cash flow after investing activities	-32	94	-133.7%	518	-106.1%	1 386
Capital expenditure	84	78	7.9%	302	-72.0%	656
Capital expenditure excluding investments in biological assets	72	64	11.8%	276	-74.0%	579
Depreciation and impairment charges excl. IAC	138	133	3.6%	136	1.8%	533
Net interest-bearing liabilities	3 399	3 093	9.9%	3 209	5.9%	3 209
Operational return on capital employed (ROCE), %	6.8%	14.5%		4.7%		10.3%
Operational ROCE excl. Forest division	7.6%	16.7%		5.0%		12.8%
Earnings per share (EPS) excl. IAC and FV[3], EUR	0.12	0.32	-62.4%	0.07	63.5%	0.84
EPS (basic), EUR	0.19	0.29	-34.4%	0.66	-70.7%	1.12
Return on equity (ROE)	8.3%	13.6%		29.1%		12.1%
Net debt/equity ratio	0.48	0.47		0.43		0.43
Net debt to last 12 months' operational EBITDA ratio	2.3	1.6		2.0		2.0
Fixed costs to sales, %	24.9%	22.4%		27.5%		24.3%
Equity per share, EUR	8.90	8.27	7.6%	9.42	-5.5%	9.42
Average number of employees (FTE)	25 037	26 036	-3.8%	25 403	-1.4%	26 096
TRI rate[12]	7.0	6.6	6.1%	6.7	4.5%	7.0

Comparative 2019 figures have been restated as described in our release from 19 March 2020.

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.

IAC = Items affecting comparability, **FV** = Fair valuations and non-operational items

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

[1] For own employees, including employees of the joint operations Veracel and Montes del Plata

[2] Historical figures for TRI rate recalculated due to additional data received after the previous Interim Reports.

[3] Earnings per share (EPS) excl. IAC and FV was added to the list of non-IFRS measures replacing the key figure of EPS excl. IAC. Comparatives are recalculated.

Production and external deliveries

	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Consumer board deliveries, 1 000 tonnes	677	688	-1.7%	687	-1.5%	2 811
Consumer board production, 1 000 tonnes	687	691	-0.6%	686	0.1%	2 775
Containerboard deliveries, 1 000 tonnes	234	242	-3.2%	238	-1.6%	943
Containerboard production, 1 000 tonnes	320	324	-1.4%	330	-3.2%	1 303
Corrugated packaging deliveries, million m^2	225	230	-2.1%	240	-6.2%	943
Corrugated packaging production, million m^2	249	257	-3.1%	269	-7.3%	1 055
Market pulp deliveries, 1 000 tonnes	526	541	-2.8%	662	-20.5%	2 362
Wood products deliveries, 1 000 m^3	1 125	1 203	-6.5%	1 194	-5.8%	4 918
Wood deliveries, 1 000 m^3	3 041	3 259	-6.7%	2 919	4.2%	11 717
Paper deliveries, 1 000 tonnes	918	1 079	-15.0%	1 029	-10.8%	4 130
Paper production, 1 000 tonnes	930	1 101	-15.5%	982	-5.3%	4 065

CEO comment

The first quarter of the year has been marked by challenging harvesting conditions, strikes in Finland and the start of the Covid-19 pandemic. Lower prices and volumes during the quarter had a negative impact on sales and operational EBIT, compared to the record levels in the first quarter of last year. Under these conditions, “a new normal” where historical references are no longer valid, I am satisfied with our performance for the quarter. We delivered a result of EUR 180 million, in the upper end of our guidance range. Our continued focus is on building business resilience and putting our efforts in the areas we can impact, that is serving our customers by keeping our operations running and mitigating supply chain challenges, securing liquidity and managing costs, margins and cash flow. Ultimately, we want to ensure our ability for a quick recovery once the tide turns.

We were out early with actions related to Covid-19, including a global travel ban, social distancing and appointed work streams to keep business momentum. So far, our operations have been running normally on a global level. We have built a strong liquidity position amounting to EUR 1.4 billion, for a potentially longer and deeper recession. We have actions in place to enhance our cash flow going forward by active working capital management and cost savings. Our profit protection programme is delivering ahead of plan and we have increased our savings target to EUR 350 million (earlier EUR 275 million) by the end of 2021. During this first quarter of 2020, we achieved cost savings amounting to EUR 40 million, including one-time cost savings. In regards to managing a potential demand decrease, we have started preparations for potential temporary layoffs or shorter working time if and when needed.

Naturally, it is fair to say that there are currently high macroeconomic uncertainties and low visibility relating to demand development. So far, our Paper and Wood Products divisions have been affected the most, while there is less impact in our packaging divisions. Biomaterials division is affected by the structural decline in paper end uses and high inventories in China, although the end uses within hygiene and tissue have good demand.

In just a short time, the Covid-19 pandemic has forced us to rethink many everyday things we have previously taken for granted. And yet, even in the most difficult of times, basic needs must be met; people need food, medicine and hygiene products. In many countries, packaging, and especially food packaging, is defined as a key or critical industry. The role and purpose of packaging - ensuring hygienic conditions and protecting e.g. food and pharmaceuticals during transportation and on the store shelves - is now as important as ever. This is among the areas where we have a solid offering.

Due the Covid-19 pandemic and its impact on trading conditions, Stora Enso’s Board of Directors (BOD) has decided to change its dividend proposal to EUR 0.15 per share. In addition, the BOD proposes to the AGM that the BOD be authorised to decide at its discretion on a dividend payment of a maximum of EUR 0.35 to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso’s business and liquidity.

Our transformation projects are progressing well. The conversion of Oulu Mill into kraftliner is proceeding according to plan. In our constant endeavors for sustainability, we continue to launch renewable products with our customers. Unilever Finland introduced Ingman ice cream in a newly designed carton made of Performa Cream™ by Stora Enso with a plant-based PE Green™ barrier coating. Moreover, I am pleased that we were selected as the provider of wooden materials for 491 building projects around the world, using 41 000 m^3 cross laminated timber (CLT) and 500 m^3 laminated veneer lumber (LVL). Trees absorb CO_2, and wood stores it and keeps it out of the atmosphere!

Going forward, we will concentrate on what we can impact, stay close to our customers, drive innovation and continue building on our growth strategy to be ready when the market turns. I am proud to work with the committed Stora Enso team in these challenging times, as well as with our dedicated customers and partners globally. Together, we will ensure that we are prepared for a more profitable future when the cycle turns.

The future grows in the forest.

Annica Bresky, President and CEO

Operational EBIT

8.1%

Operational ROCE

6.8%

(Target >13%)

Net debt to operational EBITDA

2.3

(Target <2.0)

Reconciliation of operational profitability

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Operational EBITDA[1]	**335**	**484**	**-30.8%**	**277**	**20.8%**	**1 614**
Depreciation and silviculture costs of EAI	-2	-3	42.2%	-2	24.8%	-16
Silviculture costs[2]	-15	-13	-16.8%	-15	0.5%	-62
Depreciation and impairment excl. IAC	-138	-133	-3.6%	-136	-1.8%	-533
Operational EBIT	**180**	**335**	**-46.3%**	**124**	**45.0%**	**1 003**
Fair valuations and non-operational items[3]	94	-18	n/m	588	-84.0%	494
Items affecting comparability (IAC)	-12	-4	-197.5%	-32	62.1%	-192
Operating profit (IFRS)	**262**	**313**	**-16.2%**	**680**	**-61.5%**	**1 305**

[1] Restated Operational EBITDA includes operational fair value changes of biological assets of EUR 50 million for 2019. In addition, the Nordic forests silviculture costs of EUR 21 million for 2019 have been presented under Operational EBITDA.

[2] Including damage to forests

[3] Fair valuations and non-operational items include CO_2 emission rights, non-operational fair valuation changes of biological assets and the Group's share of income tax and net financial items of EAI. From 1 January 2020 onwards, the changes in the fair valuation of biological assets are categorized in non-operational and operational fair value changes. Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process. Operational fair value changes of biological assets are included in Operational EBITDA and contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan. The previous periods have been restated.

First quarter 2020 results (compared with Q1/2019)

Breakdown of change in sales Q1/2019 to Q1/2020

Sales Q1/2019, EUR million	**2 635**
Price and mix	-10%
Currency	1%
Volume	-5%
Other sales[1]	-2%
Total before structural changes	-15%
Structural changes[2]	-1%
Total	-16%
Sales Q1/2020, EUR million	**2 207**

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

Group sales decreased by 16.2%, or EUR 428 million, from last year's record high Q1 level to EUR 2 207 (2 635) million. Sales prices continued to decline especially in pulp, containerboard, sawn goods and paper. The accelerated structural decline in demand led to clearly lower paper deliveries. Volumes were lower in general, due to the Finnish union strikes. There was a positive impact from currency rates. The divestments and closures at the Dawang paper mill in China, and the Kitee and Pfarrkirchen sawmills in Finland and Germany reduced sales.

Operational EBIT decreased by 46%, or EUR 155 million, from the previous year to EUR 180 (335) million. The operational EBIT margin decreased to 8.1% (12.7%). The negative effect of the Finnish union strikes in January and February was approximately EUR 25 million.

Lower sales prices, especially for pulp, containerboard, sawn goods, and paper decreased operational EBIT by EUR 226 million. Total volume impact decreased operational EBIT by EUR 76 million, mainly due to the accelerated structural decline in demand in Paper, as well as the Finnish union strikes, which negatively impacted volume development overall.

Variable costs decreased by EUR 70 million mainly due to lower wood, paper for recycling and pulp costs. Fixed costs decreased by EUR 48 million, mainly due to actions related to the profit protection programme, mills being shut because of strikes, and postponed mill maintenance work. Net foreign exchange rates had a positive EUR 47 million impact on operational EBIT. The operational result from equity accounted investments decreased by EUR 17 million, driven by the restructuring of Bergvik Skog. Since 1 June 2019, the Group's Swedish forest holdings have been reported as a subsidiary. Depreciation and impact from divested and closed units decreased operational EBIT by EUR 1 million.

The planned and unplanned production downtime increased to 22% (10%) for paper, 11% (9%) for board, and 6% (1%) for wood products, mainly due to Finnish union strikes.

The average number of employees in the first quarter of 2020 was approximately 25 000 (26 000).

Fair valuations and non-operational items had a positive net impact on the operating profit of EUR 94 (negative 7) million. The impact came mainly from the forest fair valuation increase in Stora Enso owned forests in Sweden (EUR 121 million). The forest valuation increase was mainly due to a reduction in the discount rate used in the valuation model.

Earnings per share decreased by 34.4% to EUR 0.19 (0.29), and earnings per share excluding items affecting comparability (IAC) and fair valuations decreased to EUR 0.12 (0.32).

The Group recorded items affecting comparability (IACs) with a negative impact of EUR 12 (negative 4) million on its operating profit. The related tax impact was positive EUR 2 (positive 1) million. The IACs relate mainly to the restructurings under the profit protection programme.

Net financial expenses of EUR 53 million were EUR 22 million higher than a year ago. Net interest expenses of EUR 34 million decreased by EUR 4 million, mainly as a result of lower average interest expense rate on borrowings. Other net financial expenses were nil (EUR 5 million). The net foreign exchange rate impact in respect of cash equivalents, interest-bearing assets and liabilities and related foreign-currency hedges amounted to a loss of EUR 19 (gain of EUR 12) million, mainly due to a revaluation of foreign currency net debt in subsidiaries and joint operations in Brazil, Poland, Russia and China.

Breakdown of change in capital employed 31 March 2019 to 31 March 2020

EUR million	Capital employed
31 March 2019	**9 628**
Capital expenditure excluding investments in biological assets less depreciation	20
Investments in biological assets less depletion of capitalised silviculture costs	27
Impairments and reversal of impairments	-57
Fair valuation of biological assets	625
Unlisted securities (mainly PVO)	-114
Equity accounted investments	-1 233
Net liabilities in defined benefit plans	-31
Operative working capital and other interest-free items, net	-342
Net tax liabilities	-111
Acquisition of subsidiary companies	2 362
Translation difference	-332
Other changes	-37
31 March 2020	**10 406**

The operational return on capital employed (ROCE) in the first quarter of 2020 was 6.8% (14.5%). Operational ROCE excluding Forest division was 7.6%.

First quarter 2020 results (compared with Q4/2019)

Sales decreased by 8.5%, or EUR 204 million, to EUR 2 207 (2 411) million mainly due to the Finnish union strikes. The accelerated structural decline in demand in paper, lower pulp deliveries after the all-time high Q4/2019, and lower sales in Forest division, due to the mild winter's effect on harvesting decreased sales further.

Operational EBIT increased by EUR 56 million to EUR 180 (124) million. Sales prices in local currencies had a negative impact of EUR 26 million, mainly due to lower paper and pulp prices. Volumes had a negative EUR 43 million impact, mainly due to clearly lower pulp, paper, and corrugated volumes. Variable costs were EUR 10 million lower, driven by lower paper for recycling costs. Fixed costs were EUR 101 million lower, mainly due to actions related to the profit protection programme, Finnish union strikes, lower maintenance activity and overall seasonally lower personnel costs. The net foreign exchange impact increased profitability by EUR 15 million. Depreciations were EUR 3 million higher, which was partly offset by the EUR 1 million higher operational result from equity accounted investments.

Segments in the first quarter 2020 (compared with Q1/2019)

As of 1 January 2020, Stora Enso merged its containerboard business with the Consumer Board division, creating a new Packaging Materials division. The remaining business in Packaging Solutions, together with the recently created Formed Fiber unit, constitute a more focused Packaging Solutions division. The Group also established a new Forest division as of 1 January. Certain historical figures have been restated as described in the release from 19 March 2020 for Packaging Materials, Packaging Solutions, Forest, Segment Other and the Group.

Packaging Materials division

Strong demand continues in liquid, food and pharma

The ambition of Packaging Materials division is to be a global leader in circular economy with our high-quality renewable packaging materials based on both virgin and recycled fiber. Addressing the needs of today's eco-conscious consumers, we help customers and brand owners to find the best material for their packaging and to replace fossil-based materials with low carbon footprint, renewable and recyclable alternatives.

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	764	832	-8.2%	770	-0.7%	3 254
Sales (Consumer board)	620	634	-2.3%	614	1.0%	2 564
Sales (Containerboard)	145	198	-26.4%	156	-6.6%	690
Operational EBITDA	154	157	-1.7%	115	34.6%	574
Operational EBITDA (Consumer board)	138	101	36.7%	96	44.6%	434
Operational EBITDA (Containerboard)	16	56	-71.3%	19	-15.7%	139
Operational EBITDA margin	20.2%	18.9%		14.9%		17.6%
Operational EBIT	95	98	-2.8%	57	67.7%	339
Operational EBIT margin	12.5%	11.8%		7.4%		10.4%
Operational ROOC	13.4%	14.0%		8.0%		12.4%
Cash flow from operations	118	101	17.6%	175	-32.2%	632
Cash flow after investing activities	24	50	-52.0%	87	-72.5%	401
Deliveries, 1 000 tonnes	994	1 017	-2.2%	1 014	-2.0%	4 111
Deliveries (Consumer board)	677	688	-1.6%	687	-1.5%	2 812
Deliveries (Containerboard)	318	329	-3.5%	327	-2.9%	1 299
Production, 1 000 tonnes	1 006	1 015	-0.9%	1 016	-1.0%	4 078
Production (Consumer board)	687	691	-0.6%	686	0.1%	2 775
Production (Containerboard)	320	324	-1.4%	330	-3.2%	1 303

Comparative 2019 figures have been restated as described in our release from 19 March 2020. Sales and Operational EBITDA and EBIT margin figures for Q1/19, Q4/19 and full year 2019 have been recalculated versus the amounts presented in the earlier release.

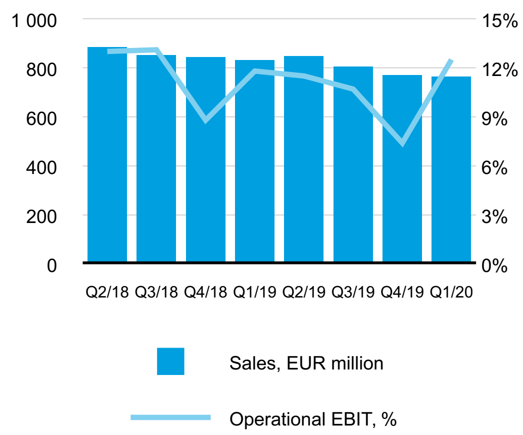
- Sales decreased by 8% or EUR 68 million, to EUR 764 million mainly due to lower recycled containerboard and kraftliner prices as well as lower board deliveries in Europe negatively impacted by the Finnish paper union strike.
- Operational EBIT decreased by EUR 3 million to EUR 95 million. Lower containerboard prices and European board deliveries, negatively impacted by the Finnish union strikes, were partly offset by good operational performance, and lower pulp, paper for recycling and fixed costs.
- Operational ROOC remained stable at 13.4% (14.0%).
- Unilever Finland introduced Ingman ice cream in a newly designed 1 litre carton made of Performa Cream™ by Stora Enso with a plant-based PE Green™ barrier coating.
- The conversion of Oulu Mill to kraftliner production is proceeding as planned.

Markets

Product	Market	Demand Q1/20 compared with Q1/19	Demand Q1/20 compared with Q4/19	Price Q1/20 compared with Q1/19	Price Q1/20 compared with Q4/19
Consumer board (FBB)	Europe	Slightly weaker	Stable	Slightly lower	Slightly lower
Virgin fiber-based containerboard	Global	Stable	Slightly weaker	Significantly lower	Slightly lower
Recycled fiber based (RCP) containerboard	Europe	Stable	Stable	Significantly lower	Slightly lower

Packaging Materials division (continued)

Sales and operational EBIT



Operational ROOC

13.4%

(Target: >20%)

Scheduled annual maintenance shutdowns

	2020 for Packaging Materials	2019 for Packaging Materials
Q1	–	Ostrołęka Mill PM5
Q2	Heinola Mill	–
Q3	Beihai, Imatra, Varkaus and Ostrołęka mills	Beihai, Imatra mills and Heinola and Ostrołęka kraft mills
Q4	Fors, Ingerois and Skoghall mills	Fors, Ingerois, Skoghall and Varkaus mills

Packaging Solutions division

Stable demand for e-commerce and food

Packaging Solutions division develops and sells world class fiber-based packaging products and services. We constantly innovate and find new ways to replace fossil-based packaging with renewable, eco-friendly alternatives. Our high-end packaging solutions are used by leading customers and brands across multiple industries.

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	149	180	-17.4%	170	-12.6%	698
Operational EBITDA	15	14	10.4%	16	-7.2%	71
Operational EBITDA margin	10.3%	7.7%		9.7%		10.2%
Operational EBIT	8	8	11.2%	10	-16.8%	46
Operational EBIT margin	5.6%	4.2%		5.9%		6.6%
Operational ROOC	14.4%	11.8%		16.4%		18.9%
Cash flow from operations	17	14	19.5%	26	-34.5%	93
Cash flow after investing activities	12	10	29.8%	16	-23.6%	58
Corrugated packaging deliveries, million m^2	251	259	-3.2%	267	-6.0%	1 055
Corrugated packaging production, million m^2	249	257	-3.1%	269	-7.3%	1 055

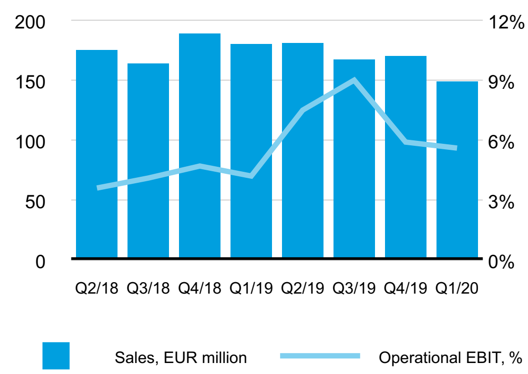
Comparative 2019 figures have been restated as described in our release from 19 March 2020. Sales and Operational EBITDA and EBIT margin figures for Q1/19, Q4/19 and full year 2019 have been recalculated versus the amounts presented in the earlier release.

- Sales decreased by 17%, or EUR 33 million from last year's record high Q1 level to EUR 149 million, mainly due to the Covid-19 impact on China Packaging and lower box prices in Europe due to decreased raw material prices.
- Operational EBIT remained stable at EUR 8 million. The improved Corrugated margin in Europe was offset by lower China Packaging profitability due to Covid-19.
- Operational ROOC increased to 14.4% (11.8%), mainly due to lower operating capital and improved EBIT margins.
- The expansion of the corrugated packaging plant in Riga, Latvia was completed and the ramp-up is proceeding as planned.

Markets

Product	Market	Demand Q1/20 compared with Q1/19	Demand Q1/20 compared with Q4/19	Price Q1/20 compared with Q1/19	Price Q1/20 compared with Q4/19
Corrugated packaging	Global	Weaker	Slightly weaker	Significantly lower	Slightly lower

Sales and operational EBIT



Operational ROOC

14.4%

(Target: >30%)

Biomaterials division

Mixed demand for different pulp end uses

The Biomaterials division offers a wide variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers. We maximise the business potential of the side streams of our processes, such as tall oil and turpentine from biomass. Based on our strong innovation approach, all fractions of biomass, like lignin and sugars, hold substantial potential for use in various applications.

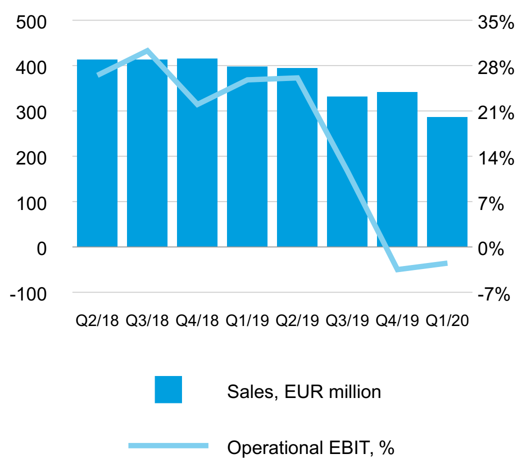
EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	286	398	-28.3%	341	-16.3%	1 464
Operational EBITDA	25	135	-81.4%	21	20.2%	356
Operational EBITDA margin	8.8%	33.9%		6.1%		24.3%
Operational EBIT	-7	103	-106.8%	-12	41.3%	233
Operational EBIT margin	-2.5%	25.8%		-3.5%		15.9%
Operational ROOC	-1.1%	16.2%		-1.9%		9.4%
Cash flow from operations	-25	105	-123.4%	66	-137.4%	423
Cash flow after investing activities	-51	69	-173.8%	11	n/m	266
Pulp deliveries, 1 000 tonnes	572	588	-2.6%	709	-19.2%	2 520

- Sales decreased by 28% or EUR 112 million from last year's record high Q1 level to EUR 286 million driven by significantly lower pulp prices and the Finnish paper union strike.
- Operational EBIT decreased by EUR 110 million to EUR -7 million from last year's record high Q1 level. Significantly lower pulp prices and lower volumes negatively impacted by the Finnish paper union strike were only partly offset by lower fixed costs.
- Operational ROOC decreased to -1.1% (16.2%), in line with clearly lower profitability.

Markets

Product	Market	Demand Q1/20 compared with Q1/19	Demand Q1/20 compared with Q4/19	Price Q1/20 compared with Q1/19	Price Q1/20 compared with Q4/19
Softwood pulp	Europe	Stable	Stable	Significantly lower	Stable
Hardwood pulp	Europe	Stable	Stable	Significantly lower	Stable
Hardwood pulp	China	Stable	Stable	Significantly lower	Slightly higher

Sales and operational EBIT



Operational ROOC

-1.1%

(Target: >15%)

Scheduled annual maintenance shutdowns

	2020	2019
Q1	–	Veracel Mill
Q2	–	–
Q3	Sunila and Veracel mills	Enocell Mill
Q4	Montes del Plata and Skutskär mills	Montes del Plata and Skutskär mills

Wood Products division

Satisfactory performance during a challenging quarter

The Wood Products division is a leading provider of innovative wood-based solutions. The product range covers applications for construction, the window and door industry, as well as for the packaging and decoration industries. Biocomposites offer plastic replacement opportunities in e.g. consumer goods, industrial components, cosmetics and packaging. Pellets provide a sustainable solution for heating. The offering includes service concepts such as Building Solutions and e-business. Our solutions meet strict requirements regarding safety, quality, design and sustainability.

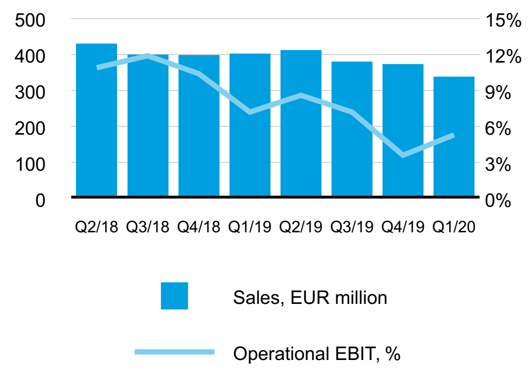
EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	338	403	-16.1%	374	-9.4%	1 569
Operational EBITDA	30	40	-26.1%	26	14.3%	153
Operational EBITDA margin	8.8%	10.0%		7.0%		9.8%
Operational EBIT	18	29	-38.0%	14	33.9%	105
Operational EBIT margin	5.3%	7.2%		3.6%		6.7%
Operational ROOC	11.4%	17.7%		8.2%		16.6%
Cash flow from operations	20	19	7.1%	57	-64.1%	183
Cash flow after investing activities	8	8	4.6%	42	-80.2%	135
Wood products deliveries, 1 000 m^3	1 082	1 168	-7.4%	1 149	-5.8%	4 753

- Sales decreased by 16%, or EUR 65 million to EUR 338 million mainly due to lower classic sawn prices, and lower deliveries negatively impacted by the Finnish union strike as well as shift reductions in Central Europe due to Covid-19. The transfer of Uimaharju sawmill to Biomaterials division reduced sales by EUR 12 million.
- Operational EBIT decreased by EUR 11 million from last year's record high Q1 level to EUR 18 million. Lower classic sawn sales prices and lower volumes were only partly offset by lower wood and fixed costs.
- Operational ROOC decreased to 11.4% (17.7%) mainly due to lower profitability.
- Stora Enso completed the divestment of its Pfarrkirchen sawn construction timber (KVH) mill in Germany.
- Stora Enso was selected as the provider of wooden materials for 491 building projects around the world, using 41 000 m^3 cross laminated timber (CLT) and 500 m^3 laminated veneer lumber (LVL), including:
  - Agronomen Building next to Stockholm, 5 buildings made of CLT + KVH + Glulam for residential flats
  - Watt’s Grove building in London, 79 modules for 6-7 storeys residential apartments (2 blocks of building)
  - Noklevann Skole, school in Norway using CLT and Glulam
  - Theres III Project, 13 units for semi-detached houses using CLT in Austria
  - Klinik-MariaHilf, extension of an hospital in Austria (Klagenfurt) using CLT
  - Russian school of Helsinki (SVK), CLT and LVL used for the main frame

Markets

Product	Market	Demand Q1/20 compared with Q1/19	Demand Q1/20 compared with Q4/19	Price Q1/20 compared with Q1/19	Price Q1/20 compared with Q4/19
Wood products	Europe	Weaker	Slightly stronger	Significantly lower	Slightly lower

Sales and operational EBIT



Operational ROOC

11.4%

(Target: >20%)

Forest division

Managing a challenging business environment

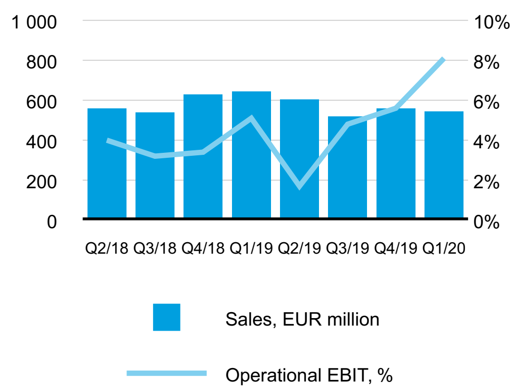
The new Forest division, which started operations in the beginning of 2020, includes Stora Enso's Swedish forest assets and the 41% share of Tornator with the majority of its forest assets located in Finland. The division also includes wood supply operations in Finland, Sweden, Russia and the Baltic countries. The division's key focus areas are sustainable forest management, competitive wood supply to Stora Enso's mills and innovation. As a major player in the bioeconomy, access to wood is critical for Stora Enso. Today, Stora Enso is one of the biggest private forest owners in the world.

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	542	642	-15.5%	558	-2.8%	2 321
Operational EBITDA	55	39	38.9%	43	28.0%	145
Operational EBITDA margin	10.1%	6.1%		7.7%		6.2%
Operational EBIT	44	33	35.6%	31	41.3%	99
Operational EBIT margin	8.1%	5.1%		5.6%		4.3%
Operational ROOC	4.3%	6.6%		3.2%		3.3%
Cash flow from operations	10	-61	116.6%	273	-96.3%	370
Cash flow after investing activities	-1	-66	98.8%	258	-100.3%	333
Wood deliveries, 1 000 m^3	9 506	10 611	-10.4%	9 379	1.4%	38 775
Operational fair value change of biological assets	16	11	45.4%	12	31.1%	50

Comparative 2019 figures have been restated as described in our release from 19 March 2020.

- Sales decreased by 16% or EUR 100 million to EUR 542 million mainly due to the Finnish union strikes, which led to clearly lower deliveries.
- Operational EBIT increased by EUR 11 million to EUR 44 million, despite negative impact of the Finnish union strikes on volumes. Profitability of the Group's own forest holdings improved. This was mainly related to the new set-up after the Bergvik Skog restructuring on 1 June 2019.
- Operational ROOC decreased below the long-term target to 4.3% (6.6%), due to clearly higher operating capital after the Bergvik Skog restructuring.
- The wood supply operations agilely adapted the actions to match the fluctuating operating environment. Reliable and competitive wood deliveries to Stora Enso's mills continued, despite challenging weather conditions, the Finnish union strikes and the Covid-19 pandemic.

Sales and operational EBIT



Operational ROOC

4.3%

(Target: >5%)

Paper division

Accelerating structural decline in demand

Stora Enso is the second largest paper producer in Europe with an established customer base and a wide product portfolio for print and office use. Customers benefit from Stora Enso's broad selection of papers made from recycled and virgin fiber as well as our valuable industry experience, know-how and customer support.

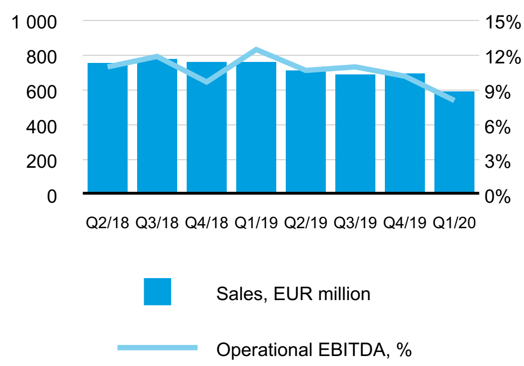
EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	591	760	-22.3%	694	-14.9%	2 856
Operational EBITDA	48	95	-49.9%	71	-32.5%	318
Operational EBITDA margin	8.1 %	12.5%		10.2%		11.1%
Operational EBIT	21	69	-69.1%	44	-51.4%	213
Operational EBIT margin	3.6 %	9.1%		6.3%		7.4%
Operational ROOC	12.7 %	33.7%		24.7%		29.3%
Cash flow from operations	27	59	-54.0%	97	-72.1%	344
Cash flow after investing activities	0	46	-100.6%	72	-100.4%	264
Cash flow after investing activities to sales, %	0.0 %	6.1%		10.3%		9.3%
Paper deliveries, 1 000 tonnes	918	1 079	-15.0%	1 029	-10.8%	4 130
Paper production, 1 000 tonnes	930	1 101	-15.5%	982	-5.3%	4 065

- Sales decreased by 22%, or EUR 169 million, to EUR 591 million, mainly due to lower prices and the Finnish paper union strike. The divestment of the Dawang paper mill in China decreased first quarter sales by EUR 12 million.
- Operational EBIT decreased by EUR 48 million to EUR 21 million. Lower paper prices and volumes were only partly offset by lower fiber costs, especially pulp and paper for recycling, as well as good fixed costs management.
- Cash flow after investing activities to sales ratio decreased to 0.0% (6.1%), driven by lower profitability.
- Stora Enso launched a bulky uncoated magazine paper grade, PrimaPlus, as an alternative to lightweight coated (LWC) papers. It performs well in applications that have traditionally used LWC, such as magazine supplements and weekly magazines with high quality requirements.

Markets

Product	Market	Demand Q1/20 compared with Q1/19	Demand Q1/20 compared with Q4/19	Price Q1/20 compared with Q1/19	Price Q1/20 compared with Q4/19
Paper	Europe	Significantly weaker	Weaker	Lower	Slightly lower

Sales and operational EBITDA



Cash flow after investing activities to sales[1]

0%

(Target: >7%)

Scheduled annual maintenance shutdowns

	2020	2019
Q1	–	–
Q2	–	Nymölla 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.

Segment Other

The segment Other includes Stora Enso's shareholding in the energy company Pohjolan Voima (PVO), and the Group's shared services and administration.

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Sales	246	280	-12.2%	262	-6.1%	1 076
Operational EBITDA	8	3	136.2%	-14	154.2%	-4
Operational EBITDA margin	3.2%	1.2%		-5.5%		-0.3%
Operational EBIT	0	-4	95.0%	-19	98.9%	-32
Operational EBIT margin	-0.1%	-1.5%		-7.4%		-3.0%
Cash flow from operations	-23	-14	-59.1%	32	-169.5%	-55
Cash flow after investing activities	-24	-23	-6.3%	32	-176.2%	-71

- Sales decreased by EUR 34 million to EUR 246 million mainly due to decreased logistic and energy services sales, due to the Finnish union strikes and Covid-19.
- Operational EBIT increased EUR 4 million to a breakeven level due to lower costs overall.

Financing in the first quarter 2020 (compared with Q4/2019)

Capital structure

EUR million	31 Mar 2020	31 Dec 2019	31 Mar 2019
Operative fixed assets[1]	10 337	10 779	7 197
Equity accounted investments	443	483	1 707
Operative working capital, net	914	771	1 330
Non-current interest-free items, net	-496	-571	-482
Operating Capital Total	**11 198**	**11 462**	**9 752**
Net tax liabilities	-792	-830	-124
Capital Employed	**10 406**	**10 632**	**9 628**
Equity attributable to owners of the Parent	7 018	7 429	6 522
Non-controlling interests	-11	-7	13
Net interest-bearing liabilities	3 399	3 209	3 093
Financing Total	**10 406**	**10 632**	**9 628**

[1] Operative fixed assets include goodwill, other intangible assets, property, plant and equipment, right-of-use assets, biological assets, emission rights, and unlisted securities.

Cash and cash equivalents net of overdrafts decreased by EUR 107 million to EUR 756 million. Net debt increased by EUR 190 million to EUR 3 399 (EUR 3 209) million mainly as a result of lower cash flow from operations and capital expenditure. The ratio of net debt to the last 12 months' operational EBITDA was 2.3, compared to the ratio of 2.0 in the previous quarter. The net debt/equity ratio on 31 March 2020 was 0.48 (0.43). The average interest rate on borrowings remained stable at 3.5% (3.5%).

Stora Enso has a EUR 600 million committed revolving credit facility that was fully undrawn at the end of the quarter. Additionally, Stora Enso has access to statutory pension premium loans in Finland up to EUR 950 (950) million. During April Stora Enso signed additional bilateral loan and credit facility arrangements with commercial banks for EUR 400 million.

The fair value of Pohjolan Voima Oy (PVO) shares, accounted for as an equity investment fair valued through other comprehensive income under IFRS 9, decreased in the quarter by EUR 242 million to EUR 280 million. The change in fair valuation was mainly driven by a significant decrease in electricity forward market prices during the quarter mainly as a result of the mild winter in the Nordics and Covid-19. As Teollisuuden Voima Oyj (TVO) announced in December 2019, regular electricity production at the Olkiluoto 3 (OL3) nuclear power plant is expected to commence in March 2021. In April 2020, TVO further announced that there were uncertainties regarding the current schedule due to the impact of Covid-19, and that the Areva-Siemens Consortium will update the schedule for OL3 once the effects of the Covid-19 pandemic are known.

The Cumulative translation adjustment (net of hedges and taxes) decreased the equity by EUR 258 million in Q1 2020 due to the currency movements.

Cash flow in the first quarter 2020 (compared with Q4/2019)

Operative cash flow

EUR million	Q1/20	Q1/19	Change % Q1/20-Q1/19	Q4/19	Change % Q1/20-Q4/19	2019
Operational EBITDA	335	484	-30.8%	277	20.8%	1 614
IAC on operational EBITDA	-7	-1	n/m	22	-133.4%	-128
Other adjustments	-28	-24	-13.3%	153	-118.1%	265
Change in working capital	-154	-236	34.7%	274	-156.2%	240
Cash flow from operations	**146**	**223**	**-34.5%**	**725**	**-79.9%**	**1 991**
Cash spent on fixed and biological assets	-177	-123	-44.6%	-207	14.4%	-598
Acquisitions of equity accounted investments	0	-6	100.0%	0	100.0%	-7
Cash flow after investing activities	**-32**	**94**	**-133.7%**	**518**	**-106.1%**	**1 386**

The first quarter 2020 cash flow after investing activities was negative at EUR -32 million. Working capital increased seasonally by EUR 154 million. Cash spent on fixed and biological assets was EUR 177 million. Payments related to the previously announced provisions amounted to EUR 7 million.

Capital expenditure

Additions to fixed and biological assets in the first quarter 2020 totalled EUR 84 (78) million, of which EUR 72 million were fixed assets including EUR 8 million of leases capex, and EUR 12 million of biological assets. Depreciations and impairment charges totalled EUR 138 (133) million. Additions in fixed and biological assets had a cash outflow impact of EUR 177 (123) million.

The main projects ongoing in the first quarter of 2020 were the Oulu Mill conversion into kraftliner production in Finland, the Launkalne wood products investment in Latvia, the expansion of the existing water treatment plant at Skoghall Mill in Sweden, the investments to boost green energy generation at Maxau Mill in Germany and the pilot facility at Sunila Mill in Finland for producing bio-based carbon materials based on lignin.

Capital expenditure and depreciation forecast 2020

EUR million	Forecast 2020
Capital expenditure	675–725
Depreciation and depletion of capitalised silviculture costs	590–620

Stora Enso’s capital expenditure forecast for 2020 was reduced by EUR 25 million from the earlier estimated range of EUR 700–750 million to improve 2020 cash flow. The estimate includes approximately EUR 80 million for the Group's biological assets and the capitalised leasing contracts according to IFRS 16 Leases of approximately EUR 40 million. The depreciation and depletion of capitalised silviculture costs forecast includes also the impact of IFRS 16. The depletion of capitalised silviculture costs is forecast to be EUR 50–70 million.

Sustainability in the first quarter 2020

Safety performance

TRI rate

	Q1/20	Q1/19	Q4/19	2019	Milestone	Milestone to be reached by
TRI rate [1 2]	7.0	6.6	6.7	7.0	4.7	end of 2020

TRI (Total recordable incident) rate = number of incidents per one million hours worked
[1] For own employees, including employees of the joint operations Veracel and Montes del Plata
[2] Historical figures for TRI rate recalculated due to additional data received after the previous Interim Reports.

The new milestone for 2020 is 4.7.

Suppliers

Implementation of the Supplier Code of Conduct

	31 Mar 2020	31 Dec 2019	31 Mar 2019	Target
% of supplier spend covered by the Supplier Code of Conduct[1]	96%	96%	95%	95%

[1] Excluding joint operations, intellectual property rights, leasing fees, financial trading, government fees such as customs, and wood purchases from private individual forest owners.

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

Forests, plantations, and land use

Agreements with social landless movements and land occupations in Bahia, Brazil

	31 Mar 2020	31 Dec 2019	31 Mar 2019
Productive area occupied by social movements not involved in the agreements, ha	200	470	470

At the end of the first quarter, 200 hectares of productive land owned by Veracel were occupied by social landless movements not involved in the agreements. Veracel continues to recover occupied areas through legal processes, and during the quarter the company resumed forest management on 120 hectares. In addition, approximately 150 hectares were transferred as a donation to complement the earlier agreements with social movements.

Since 2012, Veracel has voluntarily approved the transfer of approximately 20 000 hectares of land to benefit landless people. At the end of 2019, the total land area owned by Veracel was 213 000 hectares, of which 79 000 hectares are planted with eucalyptus for pulp production.

Carbon dioxide

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

	31 Mar 2020	31 Dec 2019	31 Mar 2019	Target	Target to be reached by
Reduction of fossil CO_2e emissions per saleable tonne of board, pulp, and paper (kg/t) [1]	-24%	-25%	-21%	-31%	end of 2030

The reporting format on SBT performance is changed from quarterly to rolling four quarters data.

[1] Direct fossil CO_2e emissions from production and indirect fossil CO_2e emissions related to purchased electricity and heat (Scope 1 and 2). Excluding joint operations.

In 2017, the Science Based Target initiative approved our 2030 target to reduce our greenhouse gas (GHG) emissions by 31% from operations per tonne of board, pulp, and paper produced compared to a 2010 base-year.

During the quarter the SBT performance declined slightly due to lower production.

Recognition

For the third time running, Stora Enso has been top-ranked in both management quality and carbon performance in the Transition Pathway Initiative (TPI) assessment.

Stora Enso received Ecovadis' highest recognition level, Platinum, for its sustainability performance as a supplier.

Stora Enso top-ranked in the FINDIX report, a diversity comparison in Finland.

Short-term risks and uncertainties

In Europe and the US, the increasingly strict containment measures to combat Covid-19 are heavily depressing the levels of consumer and business spending as well as disturbing supply chains globally. Also Stora Enso is facing unprecedented uncertainty in the short and longer term, with the impact on the forest industry and the economy at large remaining unclear. However, compared to earlier recessions, both the industry in general and Stora Enso in particular with its diversified business portfolio, are considered more resilient to economic shock and deteriorating business conditions.

At the beginning of March, Stora Enso initiated a dynamic Covid-19 risk and business impact assessment process to determine the potential near- and medium-term implications of the direct impacts on Stora Enso’s operations and supply chains. Stora Enso also assessed the direct and indirect impacts of the dislocations in general global economic conditions. The process also involves the identification and planning of business contingency and cash preservation measures to limit the potential impacts across Stora Enso’s business divisions and ensure sufficient liquidity in all conditions.

The risk assessment, contingency and liquidity planning build on specific future scenarios, assuming different levels of Covid-19 contagion and employee absenteeism in Stora Enso's operations and supply chains. In addition, the assessment considers impacts from governmental efforts to contain the pandemic and macroeconomic and market impacts at key indicator level. The current contemplated worst case scenario, which assumes prolonged global economic contraction and extreme absenteeism levels, would not, in Stora Enso's view, lead to circumstances that would compromise Stora Enso’s ability to continue as a going concern.

Scenarios, business impact evaluations and contingency plans are updated monthly to reflect the current projections of key assumptions.

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

Stora Enso has been granted various investment subsidies and has given certain investment commitments in different countries e.g. Finland, China and Sweden. If committed planning conditions are not met, the local officials may pursue administrative measures to reclaim some of formerly granted investment subsidies or to impose penalties on Stora Enso, and the outcome of such process could result in negative financial impact on Stora Enso.

Other risks and uncertainties include, but are not limited to: general industry conditions, such as changes in the cost or availability of raw materials, energy and transportation costs; unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; material disruption at one of our manufacturing facilities; risks inherent in conducting business through joint ventures, and other factors that can be found in Stora Enso’s press releases and disclosures.

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 and fossil fuel market prices would have a negative impact of approximately EUR 6 million on operational EBIT for the next 12 months.

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 170 million on operational EBIT for the next 12 months.

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

Chemical and filler sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 41 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish krona and British pound against the euro would be approximately positive EUR 137 million, negative EUR 17 million and positive EUR 29 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 158 million in Brazilian real (BRL) in its operations in Brazil and approximately EUR 42 million in Chinese Renminbi (CNY) in its operations in China. For these flows, a 10% strengthening in the value of a foreign currency would have a EUR 16 million and EUR 4 million negative impact on operational EBIT, respectively.

Legal proceedings

Contingent liabilities

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

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

Legal proceedings in Latin America

Veracel

On 11 July 2008, Stora Enso announced that a federal judge in Brazil had issued a decision claiming that the permits issued by the State of Bahia for the operations of Stora Enso's joint operations company Veracel were not valid. The judge also ordered Veracel to take certain actions, including reforestation with native trees on part of Veracel's plantations and a possible fine of BRL 20 (EUR 5) million. Veracel disputes the decision and has filed an appeal against it. Veracel operates in full compliance with all Brazilian laws and has obtained all the necessary environmental and operating licences for its industrial and forestry activities from the relevant authorities. In November 2008, a Federal Court suspended the effects of the decision. No provisions have been recorded in Veracel's or Stora Enso's accounts for the reforestation or the possible fine.

Changes in organisational structure and Group management

Stora Enso merged its containerboard business with the Consumer Board division, creating a new Packaging Materials division. The remaining business in Packaging Solutions, together with Stora Enso's recently created formed fiber unit, constitutes a more focused Packaging Solutions division. The Group also established a new Forest division. The changes are effective as of 1 January 2020.

Hannu Kasurinen was appointed EVP, Head of Consumer Board and member of the Group Leadership Team on 4 December 2019 and as of 1 January 2020, EVP, Head of Packaging Materials.

Jari Suominen was appointed EVP, Head of Forest division as of 1 January 2020. He continues as a member of the Group Leadership Team. Previously, he led the Wood Products division. Seppo Toikka, Head of Strategy and Business Controlling in Wood Products, took on the role as acting Head of the division as of 1 January 2020.

Malin Bendz, EVP, Human Resources and member of the Group Leadership Team, left her position at Stora Enso as of 15 January 2020. The search for a successor initiated immediately. Per Lyrvall, EVP, Legal, took on the role as acting Head of HR during the interim period.

David Ekberg was appointed EVP, Head of Packaging Solutions division and member of the Group Leadership Team as of 1 April 2020. He held the role of acting Head of the division since 6 December 2019. Previously he was SVP, Head of Business Unit Corrugated Nordics in the division.

Annual General Meeting 2020

Stora Enso's Annual General Meeting will take place on 4 June 2020. Stora Enso's Board of Directors has decided to change its dividend proposal to the AGM from EUR 0.50 to EUR 0.15 per share. In addition, the Board of Directors has proposed that the AGM would authorise them to decide at their discretion on the payment of dividend up to a maximum of EUR 0.35 per share to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso's business and liquidity.

Stora Enso aims at conducting the meeting in accordance with a proposal for a temporary legislation given by the Finnish Government, which would enable to hold the meeting by remote participation during the Covid-19 pandemic. The Notice to convene the Annual General Meeting will be published as soon as practically possible.

Major events

Shareholders' Nomination Board

The Shareholders' Nomination Board was appointed in September and it consists of the same members as for the previous period: **Jorma Eloranta** (Chair of Stora Enso's Board of Directors), **Hans Stråberg** (Vice Chair of Stora Enso's Board of Directors), **Harri Sailas** (Chair of the Board of Directors of Solidium Oy), and **Marcus Wallenberg** (Chair of the Board of Directors of FAM AB). The Shareholders' Nomination Board elected Marcus Wallenberg as its Chair.

The Shareholders' Nomination Board proposes to the AGM that the Company's Board of Directors shall have nine (9) members.

The Shareholders' Nomination Board proposes that of the current members of the Board of Directors - Jorma Eloranta, **Elisabeth Fleuriot**, **Hock Goh**, **Mikko Helander**, **Christiane Kuehne**, **Antti Mäkinen**, **Richard Nilsson** and Hans Stråberg be re-elected members of the Board of Directors until the end of the following AGM and that **Håkan Buskhe** be elected new member of the Board of Directors for the same term of office.

The Shareholders' Nomination Board proposes that Jorma Eloranta be elected Chair and Hans Stråberg be elected Vice Chair of the Board of Directors. **Göran Sandberg** has announced that he is not available for re-election to the Board of Directors.

Share capital and shareholdings

During the first quarter of 2020, the conversions of 850 A shares into R shares were recorded in the Finnish trade register.

On 31 March 2020, Stora Enso had 176 255 984 A shares and 612 364 003 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 237 492 384.

Events after the period

On 14 April, the conversion of 400 A shares into R shares was recorded in the Finnish trade register.

During April, Stora Enso signed bilateral loan and credit facility agreements for EUR 400 million to increase liquidity.

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, 21 April 2020

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 2019 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2020.

All figures in this Interim Report have been rounded to the nearest million, unless otherwise stated. Therefore, percentages and figures in this report may not add up precisely to the totals presented and may vary from previously published financial information.

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, impairments or impairment reversals, disposal gains and losses relating to Group companies, provisions for planned restructurings, environmental provisions, changes in depreciation due to restructuring and penalties. Items affecting comparability are normally disclosed individually if they exceed one cent per share.

Fair valuations and non-operational items include CO_2 emission rights, non-operational fair valuation changes of biological assets and the Group's share of income tax and net financial items of EAI. From 1 January 2020 onwards, the changes in the fair valuation of biological assets are categorized in non-operational and operational fair value changes. Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process. Operational fair value changes of biological assets are included in Operational EBITDA and contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan. The previous periods have been restated.

Cash flow from operations (non-IFRS) is a Group specific way to present operative cash flow 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.

The following new and amended standards are applied to the annual periods beginning on 1 January 2020

- Amended standards and interpretations do not have material effect on the Group.

Future standard changes endorsed by the EU but not yet effective in 2020

- No future standard changes endorsed by the EU.

Condensed consolidated income statement

EUR million	Q1/20	Q1/19	Q4/19	2019
Sales	**2 207**	**2 635**	**2 411**	**10 055**
Other operating income	56	36	55	165
Change in inventories of finished goods and WIP	1	41	-88	-102
Materials and services	-1 300	-1 577	-1 435	-5 964
Freight and sales commissions	-213	-230	-225	-904
Personnel expenses	-317	-334	-347	-1 331
Other operating expenses	-130	-114	-149	-686
Share of results of equity accounted investments	-21	5	166	229
Change in net value of biological assets	122	-13	482	442
Depreciation, amortisation and impairment charges	-143	-136	-189	-597
Operating Profit	**262**	**313**	**680**	**1 305**
Net financial items	-53	-31	-34	-168
Profit before Tax	**209**	**282**	**646**	**1 137**
Income tax	-59	-56	-127	-281
Net Profit for the Period	**149**	**226**	**519**	**856**
Attributable to:				
Owners of the Parent	152	232	520	880
Non-controlling interests	-3	-6	0	-24
Net Profit for the Period	**149**	**226**	**519**	**856**
Earnings per Share				
Basic earnings per share, EUR	0.19	0.29	0.66	1.12
Diluted earnings per share, EUR	0.19	0.29	0.66	1.12

Consolidated statement of comprehensive income

EUR million	Q1/20	Q1/19	Q4/19	2019
Net profit for the period	**149**	**226**	**519**	**856**
Other Comprehensive Income (OCI)				
Items that will Not be Reclassified to Profit and Loss				
Equity instruments at fair value through OCI	-248	-19	32	109
Actuarial gains and losses on defined benefit plans	29	0	-73	-78
Income tax relating to items that will not be reclassified	-6	0	4	6
	-225	**-19**	**-37**	**37**
Items that may be Reclassified Subsequently to Profit and Loss				
Cumulative translation adjustment (CTA)	-253	27	26	206
Net investment hedges and loans	-6	-6	7	-9
Cash flow hedges and cost of hedging	-81	-34	46	-14
Share of OCI of Non-controlling Interests (NCI)	-2	1	1	0
Share of OCI of Equity accounted investments (EAI)	0	0	0	11
Income tax relating to items that may be reclassified	15	9	-10	2
	-327	**-4**	**70**	**196**
Total Comprehensive Income	**-403**	**203**	**553**	**1 089**
Attributable to				
Owners of the Parent	-398	208	553	1 113
Non-controlling interests	-5	-5	0	-24
Total Comprehensive Income	**-403**	**203**	**553**	**1 089**

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

Condensed consolidated statement of financial position

EUR million		31 Mar 2020	31 Dec 2019	31 Mar 2019
Assets				
Goodwill	O	295	302	244
Other intangible assets	O	163	169	179
Property, plant and equipment	O	5 447	5 610	5 225
Right-of-use assets	O	492	508	606
		6 397	**6 590**	**6 254**
Biological assets	O	3 577	3 627	474
Emission rights	O	78	37	71
Equity accounted investments	O	443	483	1 707
Listed securities	I	7	12	13
Unlisted securities	O	284	526	398
Non-current interest-bearing receivables	I	91	72	55
Deferred tax assets	T	104	81	96
Other non-current assets	O	34	37	45
Non-current Assets		**11 015**	**11 463**	**9 112**
Inventories	O	1 397	1 391	1 666
Tax receivables	T	16	11	11
Operative receivables	O	1 260	1 289	1 569
Interest-bearing receivables	I	15	23	28
Cash and cash equivalents	I	756	876	1 223
Current Assets		**3 444**	**3 590**	**4 496**
Total Assets		**14 459**	**15 053**	**13 608**
Equity and Liabilities				
Owners of the Parent		7 018	7 429	6 522
Non-controlling Interests		-11	-7	13
Total Equity		**7 006**	**7 423**	**6 535**
Post-employment benefit obligations	O	415	458	393
Provisions	O	103	110	100
Deferred tax liabilities	T	841	875	157
Non-current interest-bearing liabilities	I	3 144	3 232	3 296
Other non-current operative liabilities	O	12	40	34
Non-current Liabilities		**4 515**	**4 713**	**3 980**
Current portion of non-current debt	I	352	376	320
Interest-bearing liabilities	I	773	572	793
Bank overdrafts	I	0	13	2
Provisions	O	61	55	13
Other operative liabilities	O	1 681	1 854	1 892
Tax liabilities	T	71	48	73
Current Liabilities		**2 938**	**2 917**	**3 093**
Total Liabilities		**7 453**	**7 630**	**7 073**
Total Equity and Liabilities		**14 459**	**15 053**	**13 608**

Items designated with “O” comprise Operating Capital
Items designated with “I” comprise Net Interest-bearing Liabilities
Items designated with “T” comprise Net Tax Liabilities

Condensed consolidated statement of cash flows

EUR million	Q1/20	Q1/19
Cash Flow from Operating Activities		
Operating profit	262	313
Adjustments for non-cash items	38	146
Change in net working capital	-154	-236
Cash Flow Generated by Operations	**146**	**223**
Net financial items paid	-33	-46
Income taxes paid, net	-41	-53
Net Cash Provided by Operating Activities	**71**	**124**
Cash Flow from Investing Activities		
Acquisitions of equity accounted investments	0	-6
Acquisitions of unlisted securities	-1	0
Cash flow on disposal of subsidiary shares and business operations, net of disposed cash	-2	0
Cash flow on disposal of unlisted securities	0	4
Cash flow on disposal of intangible assets and property, plant and equipment	1	3
Capital expenditure	-177	-123
Proceeds from non-current receivables, net	-20	-2
Net Cash Used in Investing Activities	**-199**	**-125**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	17	627
Repayment of long-term debt and lease liabilities	-128	-278
Change in short-term borrowings	137	128
Dividends paid	0	-394
Purchase of own shares[1]	-6	-3
Net Cash Provided by Financing Activities	**21**	**80**
Net Change in Cash and Cash Equivalents	**-106**	**78**
Translation adjustment	-1	15
Net cash and cash equivalents at the beginning of period	863	1 128
Net Cash and Cash Equivalents at Period End	**756**	**1 221**
Cash and Cash Equivalents at Period End	**756**	**1 223**
Bank Overdrafts at Period End	**0**	**-2**
Net Cash and Cash Equivalents at Period End	**756**	**1 221**

Disposal of Group companies and business operations		
Cash and cash equivalents	2	0
Other intangible assets, property, plant and equipment and biological assets	1	0
Working capital	1	0
Interest-bearing assets and liabilities	-4	0
Total Disposal Consideration	**-1**	**0**
Cash part of consideration	0	0
Total Disposal Consideration	**-1**	**0**

[1] Own shares purchased for the Group's share award programme. The Group did not hold any of its own shares at 31 March 2020.

Statement of changes in equity

					Fair Value Reserve								
EUR million	**Share Capital**	**Share Premium and Reserve fund**	**Invested Non-Restricted Equity Fund**	**Treasury Shares**	**Step Acquisition Revaluation Surplus**	**Equity instruments through OCI**	**Cash Flow Hedges**	**OCI of Equity Accounted Investments**	**CTA and Net Investment Hedges and loans**	**Retained Earnings**	**Attributable to Owners of the Parent**	**Non-controlling Interests**	**Total**
Balance at 1 January 2019	**1 342**	**77**	**633**	**—**	**4**	**304**	**-7**	**-11**	**-335**	**4 706**	**6 714**	**18**	**6 732**
Net profit for the period	—	—	—	—	—	—	—	—	—	232	232	-6	226
OCI before tax	—	—	—	—	—	-19	-34	—	21	—	-32	1	-31
Income tax relating to OCI	—	—	—	—	—	—	7	—	1	—	8	—	8
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**-19**	**-27**	**—**	**22**	**232**	**208**	**-5**	**203**
Dividend	—	—	—	—	—	—	—	—	—	-394	-394	—	-394
Acquisitions and disposals	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	-3	—	—	—	—	—	—	-3	—	-3
Share-based payments	—	—	—	3	—	—	—	—	—	-6	-2	—	-2
Balance at 31 March 2019	**1 342**	**77**	**633**	**—**	**4**	**286**	**-34**	**-11**	**-313**	**4 538**	**6 522**	**13**	**6 535**
Net profit for the period	—	—	—	—	—	—	—	—	—	648	648	-18	630
OCI before tax	—	—	—	—	—	127	20	11	176	-78	257	-1	255
Income tax relating to OCI	—	—	—	—	—	—	-6	—	—	6	—	—	—
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**127**	**14**	**11**	**176**	**576**	**905**	**-20**	**885**
Dividend	—	—	—	—	—	—	—	—	—	**—**	**—**	-1	-1
Acquisitions and disposals	—	—	—	—	—	—	—	—	—	—	—	1	1
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	—	2	3	—	3
Balance at 31 December 2019	**1 342**	**77**	**633**	**—**	**4**	**413**	**-20**	**—**	**-136**	**5 116**	**7 429**	**-7**	**7 423**
Net profit for the period	—	—	—	—	—	—	—	—	—	152	152	-3	149
OCI before tax	—	—	—	—	—	-248	-81	—	-259	29	-559	-2	-561
Income tax relating to OCI	—	—	—	—	—	1	14	—	1	-7	9	—	9
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**-247**	**-68**	**—**	**-258**	**173**	**-398**	-5	**-403**
Dividend	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and disposals	—	—	—	—	-4	—	—	—	—	4	—	—	—
Purchase of treasury shares	—	—	—	-6	—	—	—	—	—	—	-6	—	-6
Share-based payments	—	—	—	6	—	—	—	—	—	-13	-8	—	-8
Balance at 31 March 2020	**1 342**	**77**	**633**	**—**	**—**	**166**	**-88**	**—**	**-394**	**5 281**	**7 018**	**-11**	**7 006**

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

Goodwill, other intangible assets, property, plant and equipment, right-of-use assets and biological assets

EUR million	Q1/20	Q1/19	2019
Carrying value at 1 January	10 216	6 187	6 187
Additions in right-of-use assets due to adoption of IFRS 16	0	530	530
Additions in tangible and intangible assets	67	60	550
Additions in right-of-use assets	5	4	29
Additions in biological assets	13	14	77
Depletion of capitalised silviculture costs	-11	-13	-51
Acquisition of subsidiary companies	0	0	2 988
Disposals	0	-2	-11
Disposals of subsidiary companies	-3	0	-8
Depreciation and impairment	-143	-136	-597
Fair valuation of biological assets	133	0	493
Translation difference and other	-303	83	29
Statement of Financial Position Total	**9 974**	**6 728**	**10 216**

Borrowings

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Bond loans	1 947	1 929	1 978
Loans from credit institutions	1 071	1 129	1 162
Lease liabilities	429	526	440
Derivative financial liabilities	44	28	24
Other non-current liabilities	4	5	5
Non-current interest bearing liabilities including current portion	**3 496**	**3 617**	**3 608**
Short-term borrowings	661	708	516
Interest payable	30	31	33
Derivative financial liabilities	81	54	23
Bank overdrafts	0	2	13
Total Interest-bearing Liabilities	**4 268**	**4 412**	**4 192**

EUR million	Q1/20	Q1/19	2019
Carrying value at 1 January	4 192	3 344	3 344
Additions in lease liabilities due to adoption of IFRS 16	0	525	525
Acquisition of subsidiary companies	0	0	793
Proceeds of new long-term debt	17	627	870
Additions in lease liabilities	5	4	29
Repayment of long-term debt	-115	-256	-1 216
Repayment of lease liabilities and interest	-17	-22	-88
Change in short-term borrowings and interest payable	143	134	-58
Change in derivative financial liabilities	78	13	-21
Translation differences and other	-35	43	13
Total Interest-bearing Liabilities	**4 268**	**4 412**	**4 192**

Commitments and contingencies

EUR million	31 Mar 2020	31 Dec 2019	31 Mar 2019
On Own Behalf			
Mortgages	2	2	2
Other commitments	3	3	6
On Behalf of Equity Accounted Investments			
Guarantees	3	4	4
On Behalf of Others			
Guarantees	5	6	22
Other commitments	13	13	13
Total	**27**	**28**	**47**
Mortgages	2	2	2
Guarantees	8	10	26
Other commitments	17	17	19
Total	**27**	**28**	**47**

Capital commitments

EUR million	31 Mar 2020	31 Dec 2019	31 Mar 2019
Total	**223**	**223**	**105**

The Group's direct capital expenditure contracts include the Group's share of direct capital expenditure contracts in joint operations.

Sales by segment – total

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	764	3 254	770	805	848	832
Packaging Solutions	149	698	170	167	181	180
Biomaterials	286	1 464	341	331	394	398
Wood Products	338	1 569	374	380	412	403
Forest	542	2 321	558	518	603	642
Paper	591	2 856	694	690	712	760
Other	246	1 076	262	268	265	280
Inter-segment sales	-709	-3 184	-757	-759	-807	-861
Total	**2 207**	**10 055**	**2 411**	**2 402**	**2 608**	**2 635**

Comparative 2019 figures have been restated as described in our release from 19 March 2020. 2019 Sales for Packaging Materials, Packaging Solutions and Inter-Segment sales have been recalculated versus the amounts presented in the release.

Sales by segment – external

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	735	3 088	731	766	804	786
Packaging Solutions	145	683	166	163	177	177
Biomaterials	233	1 193	284	268	323	318
Wood Products	316	1 457	349	356	382	370
Forest	194	790	193	164	210	224
Paper	578	2 800	681	675	699	745
Other	7	45	7	10	13	15
Total	**2 207**	**10 055**	**2 411**	**2 402**	**2 608**	**2 635**

Disaggregation of revenue

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Product sales	2 187	9 935	2 389	2 372	2 567	2 608
Service sales	20	120	22	31	40	27
Total	**2 207**	**10 055**	**2 411**	**2 402**	**2 608**	**2 635**

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

Product and service sales by segment

EUR million		Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	Product sales	761	3 240	767	801	844	828
	Service sales	3	15	3	4	4	4
Packaging Solutions	Product sales	148	696	169	166	181	180
	Service sales	0	2	1	0	0	0
Biomaterials	Product sales	277	1 436	336	324	386	391
	Service sales	8	27	5	8	8	7
Wood Products	Product sales	334	1 550	368	375	406	400
	Service sales	5	19	6	5	6	3
Forest	Product sales	539	2 276	551	503	586	636
	Service sales	3	45	7	15	17	6
Paper	Product sales	588	2 842	690	687	708	757
	Service sales	2	14	4	3	4	3
Other	Product sales	44	183	42	46	41	54
	Service sales	202	892	220	222	224	226
Inter-segment sales	Product sales	-504	-2 288	-533	-531	-585	-638
	Service sales	-204	-895	-224	-227	-222	-223
Total		**2 207**	**10 055**	**2 411**	**2 402**	**2 608**	**2 635**

Comparative 2019 figures have been restated as described in our release from 19 March 2020. 2019 Sales for Packaging Materials, Packaging Solutions and Inter-Segment sales have been recalculated versus the amounts presented in the release.

Operational EBIT by segment

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	95	339	57	86	98	98
Packaging Solutions	8	46	10	15	14	8
Biomaterials	-7	233	-12	39	103	103
Wood Products	18	105	14	27	35	29
Forest	44	99	31	25	11	33
Paper	21	213	44	50	50	69
Other	0	-32	-19	2	-11	-4
Operational EBIT	**180**	**1 003**	**124**	**245**	**299**	**335**
Fair valuations and non-operational items[1]	94	494	588	-39	-37	-18
Items affecting comparability	-12	-192	-32	-36	-120	-4
Operating Profit (IFRS)	**262**	**1 305**	**680**	**170**	**142**	**313**
Net financial items	-53	-168	-34	-55	-48	-31
Profit before Tax	**209**	**1 137**	**646**	**115**	**93**	**282**
Income tax expense	-59	-281	-127	-57	-41	-56
Net Profit	**149**	**856**	**519**	**59**	**52**	**226**

[1] Fair valuations and non-operational items include CO_2 emission rights, non-operational fair valuation changes of biological assets and the Group's share of income tax and net financial items of EAI. From 1 January 2020 onwards, the changes in the fair valuation of biological assets are categorized in non-operational and operational fair value changes. Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process. Operational fair value changes of biological assets are included in Operational EBITDA and contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan. The previous periods have been restated.

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

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Impairments and impairment reversals	-5	-62	-51	-14	6	-3
Restructuring costs excluding impairments	-5	-52	-15	-5	-31	-1
Acquisitions and disposals	-2	-59	44	-15	-88	0
Other	0	-19	-9	-2	-8	0
Total IAC on Operating Profit	**-12**	**-192**	**-32**	**-36**	**-120**	**-4**
Fair valuations and non-operational items	94	494	588	-39	-37	-18
Total	**82**	**302**	**556**	**-75**	**-157**	**-22**

Fair valuations and non-operational items had a positive net impact on the operating profit of EUR 94 (negative EUR 18) million. The impact came mainly from the forest fair valuation increase in Stora Enso owned forests in Sweden (EUR 121 million). The forest valuation increase was mainly due to lower discount rates used in the valuation models.

Items affecting comparability (IAC) by segment

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	-5	6	-3	0	13	-4
Packaging Solutions	0	-10	-4	-6	0	0
Biomaterials	0	-51	-51	0	0	0
Wood Products	-2	-13	-2	0	-10	0
Forest	0	-41	54	-4	-91	0
Paper	-5	-58	-11	-21	-27	0
Other	0	-25	-14	-5	-5	0
IAC on Operating Profit	**-12**	**-192**	**-32**	**-36**	**-120**	**-4**
IAC on tax	2	13	5	2	6	1
IAC on Net Profit	**-10**	**-180**	**-27**	**-35**	**-115**	**-3**
Attributable to:						
Owners of the Parent	-10	-180	-27	-35	-115	-3
Non-controlling interests	0	0	0	0	0	0
IAC on Net Profit	**-10**	**-180**	**-27**	**-35**	**-115**	**-3**

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

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	-1	7	7	0	0	0
Packaging Solutions	0	0	0	0	0	0
Biomaterials	1	-2	-1	-2	1	0
Wood Products	0	0	0	0	0	0
Forest	89	489	582	-35	-34	-24
Paper	5	-1	1	-3	-3	5
Other	0	1	0	1	-1	0
FV and Non-operational Items on Operating Profit	**94**	**494**	**588**	**-39**	**-37**	**-18**

[1] Fair valuations and non-operational items include CO_2 emission rights, non-operational fair valuation changes of biological assets and the Group's share of income tax and net financial items of EAI. From 1 January 2020 onwards, the changes in the fair valuation of biological assets are categorized in non-operational and operational fair value changes. Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process. Operational fair value changes of biological assets are included in Operational EBITDA and contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan. The previous periods have been restated.

Operating profit/loss by segment

EUR million	Q1/20	2019	Q4/19	Q3/19	Q2/19	Q1/19
Packaging Materials	89	352	61	86	110	94
Packaging Solutions	8	36	6	9	14	8
Biomaterials	-6	180	-65	37	104	103
Wood Products	16	92	11	27	25	29
Forest	133	547	667	-14	-115	9
Paper	21	154	33	26	20	74
Other	0	-56	-34	-2	-17	-4
Operating Profit (IFRS)	**262**	**1 305**	**680**	**170**	**142**	**313**
Net financial items	-53	-168	-34	-55	-48	-31
Profit before Tax	**209**	**1 137**	**646**	**115**	**93**	**282**
Income tax expense	-59	-281	-127	-57	-41	-56
Net Profit	**149**	**856**	**519**	**59**	**52**	**226**

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
SEK	11.0613	10.4468	10.6658	10.5868
USD	1.0956	1.1234	1.1023	1.1195
GBP	0.8864	0.8508	0.8616	0.8773

Transaction risk and hedges in main currencies as at 31 March 2020

EUR million	USD	SEK	GBP
Estimated annual operative transaction risk exposure from cash flows for the next 12 months[1]	1 371	-169	293
Cash flow hedges for the next 12 months as at 31 March 2020	-619	91	-123
Hedge ratio as at 31 March 2020 for the next 12 months	**45%**	**54%**	**42%**
Effect of 10% currency strengthening against EUR on Operational EBIT[2]	137	-17	29

[1] Cash flows are forecasted highly probable foreign exchange net operating cash flows. The Group has also operative transaction risk exposure from EUR cash flows in Group companies located in Sweden, Czech Republic and Poland with functional currency other than EUR. This additional annual operating cash flow exposure amounted to EUR 861 million and there are outstanding cash flow hedges corresponding to EUR -504 million to hedge that specific risk as at 31 March 2020.

[2] 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 assumes no other changes occur than exchange rate movement in a currency. A currency weakening would have the opposite impact.

Fair Values of Financial Instruments

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

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

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

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 March 2020

EUR million	Amortised cost	Fair value through OCI	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial assets						
Listed securities	—	7	—	—	7	7
Unlisted securities	—	280	4	—	284	284
Non-current interest-bearing receivables	90	—	—	—	91	91
Trade and other operative receivables	929	29	—	—	958	958
Short-term interest-bearing receivables	3	—	2	10	15	15
Cash and cash equivalents	756	—	—	—	756	756
Total	**1 778**	**316**	**6**	**10**	**2 111**	**2 111**

EUR million	Amortised cost	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial liabilities					
Non-current interest-bearing liabilities	3 099	1	43	3 144	3 518
Current portion of non-current debt	352	—	—	352	352
Short-term interest-bearing liabilities	689	7	77	773	773
Trade and other operative payables	1 360	—	—	1 360	1 360
Bank overdrafts	—	—	—	—	—
Total	**5 500**	**8**	**121**	**5 628**	**6 002**

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

EUR million	Level 1	Level 2	Level 3	Total
Listed securities	7	—	—	7
Unlisted securities	—	—	284	284
Trade and other operative receivables	—	29	—	29
Derivative financial assets	—	13	—	13
Total financial assets	**7**	**41**	**284**	**332**
Trade and other operative liabilities	—	—	—	—
Derivative financial liabilities	—	128	—	128
Total financial liabilities	**—**	**128**	**—**	**128**

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 December 2019

EUR million	Amortised cost	Fair value through OCI	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial assets						
Listed securities	—	12	—	—	12	12
Unlisted securities	—	522	3	—	526	526
Non-current interest-bearing receivables	71	—	—	1	72	72
Trade and other operative receivables	930	38	—	—	968	968
Short-term interest-bearing receivables	3	—	3	17	23	23
Cash and cash equivalents	876	—	—	—	876	876
Total	**1 879**	**573**	**7**	**18**	**2 477**	**2 477**

EUR million	Amortised cost	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial liabilities					
Non-current interest-bearing liabilities	3 207	4	21	3 232	3 549
Current portion of non-current debt	376	—	—	376	376
Short-term interest-bearing liabilities	546	1	24	572	572
Trade and other operative payables	1 574	25	—	1 598	1 598
Bank overdrafts	13	—	—	13	13
Total	**5 716**	**30**	**45**	**5 790**	**6 107**

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

EUR million	Level 1	Level 2	Level 3	Total
Listed securities	12	—	—	12
Unlisted securities	—	—	526	526
Trade and other operative receivables	—	38	—	38
Derivative financial assets	—	21	—	21
Total financial assets	**12**	**59**	**526**	**597**
Trade and other operative liabilities	—	—	25	25
Derivative financial liabilities	—	50	—	50
Total financial liabilities	**—**	**50**	**25**	**75**

Reconciliation of level 3 fair value measurement of financial assets and liabilities: 31 March 2020

EUR million	Q1/20	2019	Q1/19
Financial assets			
Opening balance at 1 January	526	422	422
Gains/losses recognised in income statement	0	0	-1
Gains/losses recognised in other comprehensive income	-242	109	-19
Additions	1	0	0
Disposals	0	-5	-5
Closing balance	**284**	**526**	**398**

EUR million	Q1/20	2019	Q1/19
Financial liabilities			
Opening balance at 1 January	-25	-21	-21
Gains/losses recognised in income statement	0	-4	0
Deductions	25	0	0
Translation difference	0	0	0
Closing balance	**0**	**-25**	**-21**

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 3.72% 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 +33 million and -33 million, respectively. A +/- 1%-point change in the discount rate would change the valuation by EUR -36 million and +64 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
January	166 747	62 077 188	267 129	23 216 980
February	135 281	55 922 313	258 761	18 213 451
March	184 634	96 041 603	340 385	32 974 411
Total	**486 662**	**214 041 104**	**866 275**	**74 404 842**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
January	13.00	11.76	139.00	125.50
February	11.25	10.71	119.50	113.80
March	10.90	9.25	122.00	101.20

Average number of shares

Million	Q1/20	Q1/19	Q4/19	2019
Periodic	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6
Cumulative, diluted	789.2	789.7	789.4	789.5

Calculation of key figures

Operational return on capital employed, operational ROCE (%)	100 x	Annualised operational EBIT / Capital employed[1 2]
Operational return on operating capital, operational ROOC (%)	100 x	Annualised operational EBIT / Operating capital[2]
Return on equity, ROE (%)	100 x	Net profit/loss for the period / Total equity[2]
Net interest-bearing liabilities		Interest-bearing liabilities – interest-bearing assets
Net debt/equity ratio		Net interest-bearing liabilities / Equity[3]
Earnings per share (EPS)		Net profit/loss for the period[3] / Average number of shares
Operational EBIT		Operating profit/loss excluding items affecting comparability (IAC) and fair valuations of the segments and Stora Enso's share of operating profit/loss excluding IAC and fair valuations of its equity accounted investments (EAI)
Operational EBITDA		Operating profit/loss excluding silviculture costs and damage to forests, 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		Net interest-bearing liabilities / LTM operational EBITDA
Fixed costs		Maintenance, personnel and other administration type of costs, excluding IAC and fair valuations
Last 12 months (LTM)		12 months prior to the end of reporting period
TRI		Total recordable incident rate = number of incidents per one million hours worked

[1] Capital employed = Operating capital – Net tax liabilities
[2] Average for the financial period
[3] Attributable to the owners of the Parent

List of non-IFRS measures

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

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Stora Enso's Q2/2020 results will be published on

21 July 2020

Part of the bioeconomy, Stora Enso is a leading global provider of renewable solutions in packaging, biomaterials, wooden constructions and paper. We believe that everything that is made from fossil-based materials today can be made from a tree tomorrow. Stora Enso has some 25 000 employees in over 30 countries. Our sales in 2019 were EUR 10.1 billion. Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). **storaenso.com/investors**

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