Stora Enso
Half year financial report

January–June 2017

Q2

THE RENEWABLE MATERIALS COMPANY

storaenso

Positive contribution from transformation projects accelerates

Q2/2017 (compared with Q2/2016)

- Sales of EUR 2 528 (EUR 2 526) million increased marginally despite the divestment of paper mills. Sales excluding the paper business increased 7.1%, primarily due to ramp-up of strategic investments, and higher prices in Biomaterials and Packaging Solutions.
- Operational EBIT decreased from EUR 226 million to EUR 219 million. This was mainly due to the impact of higher maintenance costs of EUR 15 million compared to a year ago. The operational EBIT margin was 8.7% (8.9%).
- EPS was EUR 0.19 (0.16). EPS excl. IAC increased to EUR 0.19 (0.12).
- Solid cash flow from operations was EUR 365 (EUR 493) million, cash flow after investing activities EUR 237 (EUR 321) million.
- Balance sheet strengthened further; net debt to operational EBITDA was 2.0 (2.2) despite a dividend payment.
- Operational ROCE was 10.3% (10.3%), operational ROCE excluding the Beihai operations 12.4% (12.5%).
- The EUR 50 million profit improvement programme is proceeding according to plan.

Q1–Q2/2017 (compared with Q1–Q2/2016)

- Sales of EUR 5 025 million increased 1.1%. Sales excluding the paper business increased 8.3%.
- Operational EBIT of EUR 434 million decreased 8.4%, mainly due to increased maintenance costs.

Transformation

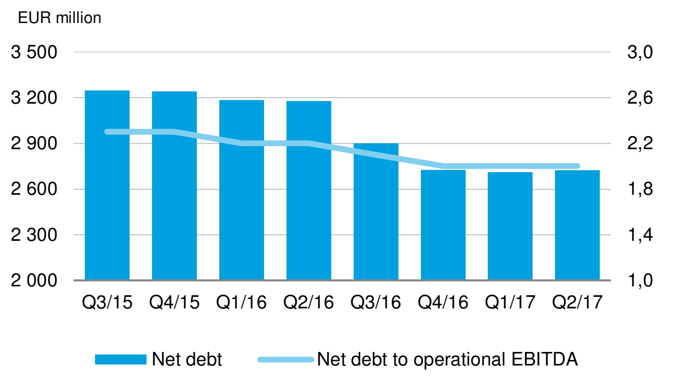
- The ramp-up of Beihai Mill continues to proceed ahead of plan. The consumer board machine is expected to reach full production during the first half of 2018, and operational EBITDA break-even in Q4/2017, which is one quarter earlier than previously forecast.
- Varkaus kraftliner mill ramp-up is proceeding. Full production is expected to be reached during the second half of 2017. A positive quarterly operational EBIT was achieved in Q2/2017.
- Kvarnsveden Mill paper machine 8 in Sweden permanently ceased operations in June.
- Stora Enso will invest EUR 45 million in a new cross-laminated timber (CLT) production unit at Gruvön sawmill in Sweden. Production is scheduled to begin during Q1/2019.
- Stora Enso signed today an agreement to divest its holding in the equity accounted investment Bulleh Shah Packaging Ltd. to the main owner Packages Ltd.

Outlook

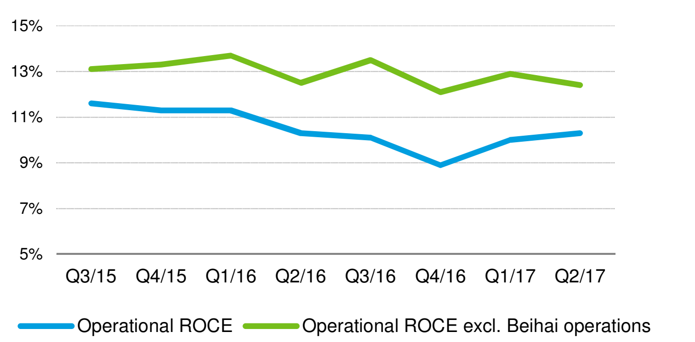
Q3/2017 sales are estimated to be similar to the amount of EUR 2 528 million recorded in the second quarter, and operational EBIT is expected to be somewhat or even clearly higher than the EUR 219 million recorded in Q2/2017. The operational EBIT estimate for Q3/2017 includes the negative EUR 17 million impact of the ramp-up of the Beihai operations. The impact of annual maintenance shutdowns is expected to be approximately EUR 10 million lower than in Q2/2017, and it is included in the above guidance.

The consumer board machine in Beihai is expected to reach operational EBITDA break-even in Q4/2017, one quarter earlier than previously forecast.

Net debt to operational EBITDA



Operational return on capital employed (ROCE)



Key figures

EUR million	Q2/17	Q2/16	Change % Q2/17– Q2/16	Q1/17	Change % Q2/17– Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17– Q1-Q2/16	2016
Sales	2 528	2 526	0.1%	2 497	1.2%	5 025	4 971	1.1%	9 802
Operational EBITDA	341	355	-3.9%	352	-3.1%	693	718	-3.5%	1 371
Operational EBITDA margin	13.5%	14.1%		14.1%		13.8%	14.4%		14.0%
Operational EBIT	219	226	-3.1%	215	1.9%	434	474	-8.4%	884
Operational EBIT margin	8.7%	8.9%		8.6%		8.6%	9.5%		9.0%
Operating profit (IFRS)	205	248	-17.3%	193	6.2%	398	442	-10.0%	783
Profit before tax excl. IAC	153	112	36.6%	191	-19.9%	344	295	16.6%	575
Profit before tax	145	149	-2.7%	164	-11.6%	309	304	1.6%	541
Net profit for the period	143	118	21.2%	107	33.6%	250	232	7.8%	407
Capital expenditure	116	197	-41.1%	108	7.4%	224	385	-41.8%	729
Capital expenditure excluding investments in biological assets	94	174	-45.9%	88	6.8%	182	341	-46.7%	638
Depreciation and impairment charges excl. IAC	119	123	-3.3%	139	-14.4%	258	247	4.5%	502
Net interest-bearing liabilities	2 724	3 178	-14.3%	2 711	0.5%	2 724	3 178	-14.3%	2 726
Operational return on capital employed (ROCE)	10.3%	10.3%		10.0%		10.2%	10.8%		10.2%
Earnings per share (EPS) excl. IAC, EUR	0.19	0.12		0.17		0.36	0.31		0.65
EPS (basic), EUR	0.19	0.16		0.14		0.33	0.31		0.59
Return on equity (ROE)	9.8%	8.4%		7.2%		8.7%	8.4%		7.2%
Debt/equity ratio	0.49	0.58		0.46		0.49	0.58		0.47
Net debt/last 12 months' operational EBITDA ratio	2.0	2.2		2.0		2.0	2.2		2.0
Fixed costs to sales	25.6%	25.4%		24.1%		24.8%	24.9%		25.3%
Equity per share, EUR	7.12	6.96	2.3%	7.50	-5.1%	7.12	6.96	2.3%	7.36
Average number of employees	26 581	26 088	1.9%	25 591	3.9%	25 999	25 911	0.3%	26 269
TRI rate[1 2]	7.2	13.5	-46.7%	8.7[3]	-17.2%	7.9	12.7	-37.8%	11.7
LTA rate[1 2]	4.9	4.9	0.0%	5.7[3]	-14.0%	5.3	4.4	20.5%	4.4

Operational key figures: see chapter *Non-IFRS measures* at the beginning of the Financials section.
Items affecting comparability (IAC): see chapter *Non-IFRS measures* at the beginning of the Financials section.
TRI (Total recordable incidents) rate = number of incidents per one million hours worked.
LTA (Lost-time accident) rate = number of lost-time accidents per one million hours worked.

[1] For Stora Enso employees, excluding joint operations.
[2] As of January 2017 Stora Enso applies new Occupational Health and Safety Administration (OHSA) definitions in the reporting of TRI and LTA rates to better align with international standards. Due to this change, Q2 figures are not fully comparable with historical figures.
[3] Recalculated due to additional data after the Q1/2017 Interim Report.

Deliveries and production

	Q2/17	Q2/16	Change % Q2/17– Q2/16	Q1/17	Change % Q2/17– Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17– Q1-Q2/16	2016
Board deliveries, 1 000 tonnes	949	839	13.1%	930	2.0%	1 879	1 636	14.9%	3 376
Board production, 1 000 tonnes	1 021	912	12.0%	1 038	-1.6%	2 059	1 838	12.0%	3 775
Corrugated packaging deliveries, million m^2	275	273	0.7%	267	3.0%	542	532	1.9%	1 082
Market pulp deliveries, 1 000 tonnes	521	507	2.8%	536	-2.8%	1 057	973	8.6%	2 068
Wood product deliveries, 1 000 m^3	1 325	1 319	0.5%	1 257	5.4%	2 582	2 443	5.7%	4 814
Paper deliveries, 1 000 tonnes	1 185	1 322	-10.4%	1 205	-1.7%	2 390	2 662	-10.2%	5 141
Paper production, 1 000 tonnes	1 158	1 298	-10.8%	1 203	-3.7%	2 361	2 693	-12.3%	5 155

CEO comment

"Our transformation towards a renewable materials growth company accelerates, and I am confident in our progress. Sales increased marginally, and excluding the paper business sales increased 7.1%. This is primarily due to the ramp-up of strategic investments – the Beihai, Murów and Varkaus mills – and higher pulp and containerboard prices.

Operational EBIT decreased from EUR 226 million to EUR 219 million. This is mainly related to extensive maintenance and a change of maintenance calendar compared to last year, amounting to EUR 15 million. The balance sheet continued to strengthen further, net debt to operational EBITDA has gone from 3.2 to 2.0 during the last four years.

The positive contribution from the transformation projects continues. I am very pleased that we continue to be ahead of plan with the ramp-up of Beihai Mill. We expect the consumer board machine to reach operational EBITDA break-even in the fourth quarter 2017, which is one quarter earlier than previously forecast. We have also made good progress in the ramp-up of the Varkaus kraftliner mill. This quarter, we reached a positive operational EBIT.

During the period, Paper Machine 8 at Kvarnsveden Mill in Sweden was permanently shut down. Our restructuring plan for Kvarnsveden Mill is anticipated to result in annual cost savings of EUR 12 million.

In July, we announced exciting news: we will invest EUR 45 million in a new cross-laminated timber production unit at Gruvön sawmill in Sweden. This investment supports our strategy to grow in the construction industry and increase the use of wood as a building material. We are investing to meet growing customer demand globally, and expect this investment to generate annual sales of approximately EUR 50 million when run at full capacity. Over time, this investment will significantly enable the Wood Products division to exceed its profitability target.

Today, we announce that we have signed an agreement to divest our 35% holding in the minority investment Bulleh Shah Packaging Ltd. to the main owner Packages Ltd. Due to the changing business environment in Pakistan, the Bulleh Shah Packaging asset with its product mix and related future outlook is a non-strategic fit in our consumer board roadmap. Our focus is on high quality virgin-fibre products. We are committed to making a responsible divestment and intend to leave a positive contribution to the society.

As to outlook, sales for the third quarter 2017 are estimated to be similar to the amount of EUR 2 528 million recorded in the second quarter, and operational EBIT is expected to be somewhat or even clearly higher than the EUR 219 million recorded in the second quarter of 2017. The operational EBIT estimate for the third quarter of 2017 includes the negative EUR 17 million impact of the ramp-up of Beihai operations. The impact of annual maintenance shutdowns is expected to be approximately EUR 10 million lower than in the second quarter of 2017, and it is included in the above guidance.

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

Karl-Henrik Sundström, CEO

Operational EBIT margin

8.7%

Operational ROCE

10.3%

(Target >13%)

Net debt to operational EBITDA

2.0

(Target <3.0)

Reconciliation of operational profitability

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Operational EBITDA	**341**	**355**	-3.9%	**352**	-3.1%	**693**	**718**	-3.5%	1 371
Equity accounted investments (EAI), operational[1]	15	16	-6.3%	14	7.1%	29	32	-9.4%	80
Operational decrease in the value of biological assets	-18	-22	18.2%	-12	-50.0%	-30	-29	-3.4%	-65
Depreciation and impairment excl. IAC	-119	-123	3.3%	-139	14.4%	-258	-247	-4.5%	-502
Operational EBIT	**219**	**226**	**-3.1%**	**215**	**1.9%**	**434**	**474**	**-8.4%**	**884**
Fair valuations and non-operational items[2]	-6	-15	60.0%	5	-220.0%	-1	-41	97.6%	-67
Items affecting comparability (IAC)[3]	-8	37	-121.6%	-27	70.4%	-35	9	n/m	-34
Operating profit (IFRS)	**205**	**248**	**-17.3%**	**193**	**6.2%**	**398**	**442**	**-10.0%**	**783**

[1] The group's share of operational EBIT of equity accounted investments (EAI).
[2] Fair valuations and non-operational items include equity incentive schemes and related hedges, CO_2 emission rights, valuations of biological assets, and the group's share of tax and net financial items of EAI.
[3] Items affecting comparability detailed in the Financials section.

Second quarter 2017 results (compared with Q2/2016)

Breakdown of change in sales Q2/2016 to Q2/2017

Sales Q2/2016, EUR million	**2 526**
Price and mix	2%
Currency	0%
Volume	0%
Other sales[1]	-2%
Total before structural changes	0%
Structural changes[2]	0%
Total	0%
Sales Q2/2017, EUR million	**2 528**

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

Group sales at EUR 2 528 million were EUR 2 million higher than a year ago. Higher sales prices in local currencies and a better mix, especially in Packaging Solutions and Biomaterials divisions, were offset by lower Other sales, such as wood, energy, and by-products. The negative impact of the divestments of Kabel and Arapoti mills and the Suzhou Mill site divestment was offset by the ramp-up of the Beihai consumer board mill in China, Varkaus kraftliner mill and LVL (laminated veneer lumber) line in Finland and Murów sawmill in Poland.

Operational EBIT amounted to EUR 219 (EUR 226) million, a decrease of EUR 7 million. The operational EBIT margin was 8.7% (8.9%).

Higher sales prices and increased volumes improved operational EBIT by EUR 52 million. The power turbine at the Beihai Mill, damaged during Q1/2017, is expected to be back in operation in the second half of 2017. A reversal of a related provision of EUR 4 million was made in the Q2 operational EBIT based on the latest information on the repair costs.

Variable costs increased EUR 36 million, mainly due to higher costs for paper for recycling (PfR) in Paper and Packaging Solutions divisions, higher costs for chemicals and fillers, as well as higher logistic costs overall. Fixed costs were EUR 23 million higher, mainly due maintenance costs that were partly related to this year's change in the maintenance sequence and to the higher personnel costs related to the ramp-up of the strategic investments. The negative impact from net foreign exchange, closed units and operational result from equity accounted investments was EUR 5 million.

The planned and unplanned production downtime was 7% (12%) for paper, 7% (5%) for board, and 0% (1%) for wood products.

The average number of employees in the second quarter of 2017 was approximately 26 600 (26 100). The average number of employees during the quarter in Europe was approximately 20 100 (20 500). In China, the average number of employees was approximately 5 400 (4 600).

Fair valuations and non-operational items had a negative EUR 6 (negative EUR 15) million impact on operating profit.

Earnings per share were EUR 0.19 (EUR 0.16) and earnings per share excluding items affecting comparability were EUR 0.19 (EUR 0.12).

The group recorded an item affecting comparability (IAC) with a negative impact of approximately EUR 8 (positive EUR 37) million in its operating profit and a positive impact of approximately EUR 1 million (negative EUR 10 million) on income tax in the second quarter of 2017. The IAC relates to an environmental provision in the Consumer Board division's Imatra mill site, Finland.

Net financial expenses at EUR 60 million were EUR 39 million lower than a year ago. Net interest expenses increased by EUR 4 million mainly due to lower capitalised interest and lower interest income from deposits, only partly offset by lower interest expenses. Other net financial expenses in the second quarter were EUR 30 (EUR 37) million and included expenses of EUR 26 (EUR 34) million in connection with bond repurchases. The net foreign exchange impact in the second quarter regarding cash, interest-bearing assets and liabilities and related hedges amounted to a gain of EUR 8 (loss of EUR 28) million, mainly due to the revaluation of foreign currency loans in subsidiaries and joint-operations.

Breakdown of change in capital employed 30 June 2016 to 30 June 2017

EUR million	Capital employed
30 June 2016	**8 776**
Capital expenditure less depreciation	-82
Impairments and reversal of impairments	-104
Fair valuation of biological assets	-113
Costs related to growth of biological assets	-143
Available-for-sale: operative (mainly PVO)	23
Equity accounted investments	148
Net liabilities in defined benefit plans	-89
Operative working capital and other interest-free items, net	101
Net tax liabilities	2
Translation difference	-129
Other changes	-4
30 June 2017	**8 386**

The operational return on capital employed (ROCE) in the second quarter of 2017 was 10.3% (10.3%). Excluding the Beihai operations in the Consumer Board division, the operational ROCE would have been 12.4% (12.5%).

January–June 2017 results (compared with January–June 2016)

Sales increased EUR 54 million or 1.1% to EUR 5 025 million. Operational EBIT decreased EUR 40 million to EUR 434 million. Higher sales prices and increased volumes improved operational EBIT by EUR 57 million. Variable costs increased EUR 18 million mainly due to higher logistic costs. Fixed costs increased EUR 58 million, mainly due to higher maintenance costs, partly relating to changes in the maintenance sequence. Depreciations were EUR 11 million higher than a year ago. The net foreign exchange impact decreased operational EBIT by EUR 3 million. The operational result from the equity accounted investments was EUR 3 million lower and the impact of the closed units EUR 5 million negative.

Second quarter 2017 results (compared with Q1/2017)

Sales were EUR 31 million or 1.2% higher at EUR 2 528 million. Operational EBIT was EUR 4 million higher at EUR 219 million. Higher sales prices, especially for Biomaterials and Packaging Solutions divisions, improved operational EBIT by EUR 36 million. The impact of volumes to operational EBIT was EUR 6 million negative, mainly related to higher maintenance activity in Biomaterials and Paper divisions. Lower depreciation and impairment had a positive impact of EUR 21 million. Fixed costs were EUR 34 million higher, mainly due to increased maintenance activity, and seasonal personnel costs in Q2/2017. Variable costs were EUR 13 million higher, mainly due to the higher cost of paper for recycling (PfR) and chemicals. The negative net foreign exchange impact of EUR 2 million was offset by the positive impact of the operational result from the equity accounted investments and from the closed units.

Financing in second quarter 2017 (compared with Q1/2017)

Capital structure

EUR million	30 Jun 17	31 Mar 17	31 Dec 16	30 Jun 16
Operative fixed assets[1]	6 465	6 728	6 785	6 987
Equity accounted investments	1 590	1 602	1 594	1 474
Operative working capital, net	961	955	825	839
Non-current interest-free items, net	-570	-536	-554	-458
Operating Capital Total	**8 446**	**8 749**	**8 650**	**8 842**
Net tax liabilities	-60	-70	-56	-66
Capital Employed	**8 386**	**8 679**	**8 594**	**8 776**
Equity attributable to owners of the Parent	5 612	5 914	5 806	5 492
Non-controlling interests	50	54	62	106
Net interest-bearing liabilities	2 724	2 711	2 726	3 178
Financing Total	**8 386**	**8 679**	**8 594**	**8 776**

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

Total unutilised committed credit facilities were unchanged at EUR 700 million, and cash and cash equivalents net of overdrafts decreased to EUR 495 million, as a result of a significant reduction in gross debt, and a payment of dividend, partly offset by a strong cash flow from operations in the quarter. In addition, Stora Enso has access to various long-term sources of funding up to EUR 900 (900) million.

During the quarter, Stora Enso successfully issued a new 10-year EUR 300 million bond under its EMTN (Euro Medium Term Note) programme. The bond matures in June 2027 and pays a fixed coupon of 2.5%. There are no financial covenants. Alongside with the bond issuance, Stora Enso has successfully repurchased notes with a nominal value of EUR 83 million from the 2018 bond, and of EUR 216 million from the 2019 bond, issued in 2012.

Net debt was EUR 2 724 million, an increase of EUR 13 million from the previous quarter.

The fair value of PVO shares accounted for as available-for-sale investments decreased in the quarter by EUR 13 million to EUR 215 million. The change in fair value is mainly caused by the decrease in electricity prices. The changes in fair valuation are included in the Other Comprehensive Income in equity.

The ratio of net debt to the last twelve months' operational EBITDA was 2.0 (2.0). The debt/equity ratio at 30 June 2017 was 0.49 (0.46).

Cash flow in second quarter 2017 (compared with Q1/2017)

Cash flow

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Operational EBITDA	341	355	-3.9%	352	-3.1%	693	718	-3.5%	1 371
IAC on operational EBITDA	-8	-21	61.9%	-24	66.7%	-32	-48	33.3%	-77
Dividends received from equity accounted investments	8	58	-86.2%	12	-33.3%	20	58	-65.5%	58
Other adjustments	-3	-6	50.0%	5	-160.0%	2	8	-75.0%	-2
Change in working capital	27	107	-74.8%	-167	116.2%	-140	46	n/m	283
Cash Flow from Operations (non-IFRS)	**365**	**493**	**-26.0%**	**178**	**105.1%**	**543**	**782**	**-30.6%**	**1 633**
Cash spent on fixed and biological assets	-128	-172	25.6%	-135	5.2%	-263	-365	27.9%	-798
Acquisitions of equity accounted investments	-	-	-	-	-	-	-	-	-1
Cash Flow after Investing Activities (non-IFRS)	**237**	**321**	**-26.2%**	**43**	**n/m**	**280**	**417**	**-32.9%**	**834**

Second quarter 2017 cash flow after investing activities was EUR 237 million. Working capital decreased by EUR 27 million, mainly due to continuous working capital management. Cash spent on fixed and biological assets was EUR 128 million. Payments related to the previously announced provisions were EUR 6 million.

Capital expenditure

Additions to fixed and biological assets in the second quarter 2017 totalled EUR 116 million, of which EUR 94 million were fixed assets and EUR 22 million biological assets. Depreciations totalled EUR 119 million. Additions in fixed and biological assets had a cash outflow impact of EUR 128 million.

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

Capital expenditure, equity injections and depreciation forecast 2017

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

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

- EUR 49 million for the new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills
- EUR 24 million for the PE coating investment at Beihai Mill
- EUR 18 million for the fluff pulp investment at Skutskär Mill in Sweden
- EUR 19 million for the consolidation of the manufacturing of corrugated packaging in Finland
- EUR 14 million for the Heinola Fluting Mill upgrade
- EUR 10 million for the new cross-laminated timber (CLT) production unit at Gruvön sawmill in Sweden.

Segments in second quarter 2017 (compared with Q2/2016)

Consumer Board division

Sales increased driven by the Beihai Mill ramp-up

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

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	630	599	5.2%	611	3.1%	1 241	1 163	6.7%	2 342
Operational EBITDA	111	127	-12.6%	119	-6.7%	230	237	-3.0%	447
Operational EBITDA margin	17.6%	21.2%		19.5%		18.5%	20.4%		19.1%
Operational EBIT	69	76	-9.2%	61	13.1%	130	149	-12.8%	254
Operational EBIT margin	11.0%	12.7%		10.0%		10.5%	12.8%		10.8%
Operational ROOC[1]	13.9%	14.8%		12.2%		13.3%	14.7%		12.7%
Cash flow from operations (non-IFRS)	140	168	-16.7%	67	109.0%	207	250	-17.2%	453
Cash flow after investing activities (non-IFRS)	81	73	11.0%	2	n/m	83	57	45.6%	40
Board deliveries, 1 000 tonnes	702	630	11.4%	684	2.6%	1 386	1 218	13.8%	2 507
Board production, 1 000 tonnes	697	620	12.4%	710	-1.8%	1 407	1 244	13.1%	2 554

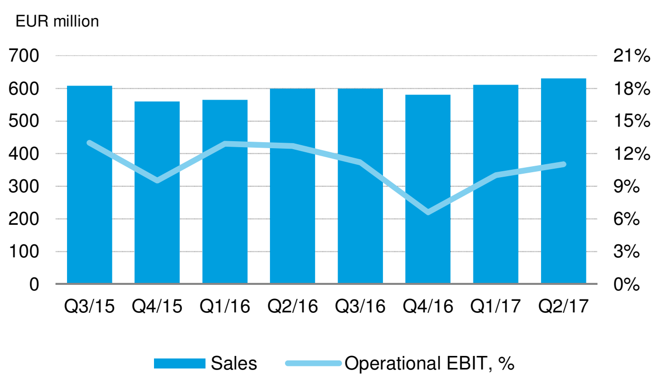
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased EUR 31 million or 5.2% to EUR 630 million, driven by the ramp-up of Beihai operations in China.
- Operational EBIT excluding Beihai operations decreased EUR 8 million. Higher logistic costs, mainly related to a strike at the port in Gothenburg in Sweden, a provision related to the cost improvement programme and green certificate impairment decreased operational EBIT.
- Operational ROOC excluding the Beihai operations was 34.3% (35.2%).
- The ramp-up of Beihai Mill is proceeding ahead of plan. Shipments of commercial liquid packaging board to additional customers begun during the quarter. The power turbine, which was damaged during Q1/2017, is expected to be back in operation in the second half of 2017. A reversal of a related provision of EUR 4 million was made in the Q2 operational EBIT based on the latest information on the repair costs. The consumer board machine is expected to reach full production during the first half of 2018, and operational EBITDA break-even in Q4/2017, one quarter earlier than previously forecast.
- The ramp up of Beihai's operations had a negative impact of EUR 17 million (negative EUR 18 million) on the second quarter 2017 operating profit. For Q3/2017, the impact is estimated to be EUR 17 million negative (negative EUR 42 million) including a quarterly depreciation of EUR 10 million. The production volume of Beihai Mill in Q2/2017 was 81 000 tonnes of consumer packaging board.
- In July, Stora Enso signed an agreement to divest its holding in Bulleh Shah Packaging Ltd. to the main owner Packages Ltd. The transaction is expected to be completed in Q3/2017.

Markets

Product	Market	Demand Q2/17 compared with Q2/16	Demand Q2/17 compared with Q1/17	Price Q2/17 compared with Q2/16	Price Q2/17 compared with Q1/17
Consumer board	Europe	Stable	Stable	Slightly lower	Stable

Sales and operational EBIT



Operational ROOC

13.9%

Operational ROOC excl. Beihai

34.3%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Packaging Solutions division

China Packaging and Varkaus Mill driving profitable growth

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

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	313	258	21.3%	290	7.9%	603	503	19.9%	1 044
Operational EBITDA	56	33	69.7%	43	30.2%	99	56	76.8%	129
Operational EBITDA margin	17.9%	12.8%		14.8%		16.4%	11.1%		12.4%
Operational EBIT	40	17	135.3%	24	66.7%	64	24	166.7%	64
Operational EBIT margin	12.8%	6.6%		8.3%		10.6%	4.8%		6.1%
Operational ROOC[1]	18.3%	7.7%		11.1%		14.9%	5.6%		7.6%
Cash flow from operations (non-IFRS)	53	39	35.9%	31	71.0%	84	49	71.4%	132
Cash flow after investing activities (non-IFRS)	41	27	51.9%	16	156.3%	57	17	235.3%	63
Board deliveries (external), 1 000 tonnes	247	209	18.2%	246	0.4%	493	418	17.9%	869
Board production, 1 000 tonnes	324	292	11.0%	328	-1.2%	652	594	9.8%	1 221
Corrugated packaging deliveries, million m^2	275	273	0.7%	267	3.0%	542	532	1.9%	1 082
Corrugated packaging production, million m^2	272	272	0.0%	267	1.9%	539	525	2.7%	1 073

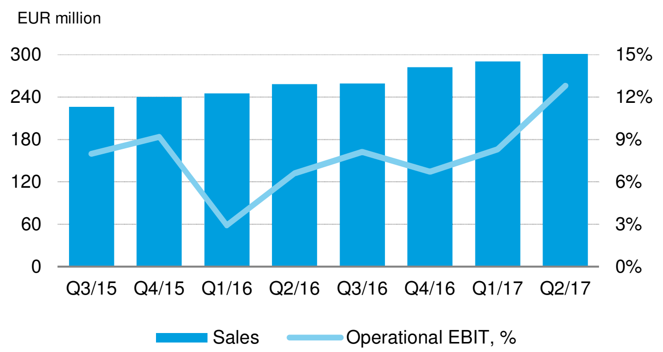
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales continued to grow strongly and rose by 21%, or EUR 55 million, to EUR 313 million due to an increase in volumes for Varkaus kraftliner mill in Finland and China Packaging, as well as the continuing favourable price development in Europe.
- Operational EBIT increased EUR 23 million to an all-time high of EUR 40 million driven by Varkaus Mill and China Packaging. Varkaus kraftliner mill delivered its first positive quarterly operational EBIT, China Packaging improved due to an increase in delivery volumes, while favourable price development in the European units also contributed positively.
- Stora Enso will invest EUR 10 million to expand the Tychy corrugated packaging plant in Poland. Its completion is expected during Q4/2018.
- In July, Stora Enso signed an agreement to divest the business and assets of its Swedish subsidiary Stora Enso Re-board AB, a producer of rigid paperboard for expositions and displays, to Culas AB. The transaction will have no significant impact on Stora Enso’s sales and operational EBIT.

Markets

Product	Market	Demand Q2/17 compared with Q2/16	Demand Q2/17 compared with Q1/17	Price Q2/17 compared with Q2/16	Price Q2/17 compared with Q1/17
Virgin fibre-based containerboard	Global	Slightly stronger	Slightly stronger	Slightly higher	Slightly higher
Recycled fibre based (RCP) containerboard	Europe	Stronger	Slightly stronger	Significantly higher	Significantly higher
Corrugated packaging	Europe	Slightly stronger	Slightly stronger	Slightly higher	Slightly higher

Sales and operational EBIT



Operational ROOC

18.3%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Biomaterials division

Sales increased due to volumes and higher prices

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

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	371	342	8.5%	369	0.5%	740	693	6.8%	1 376
Operational EBITDA	100	92	8.7%	90	11.1%	190	207	-8.2%	361
Operational EBITDA margin	27.0%	26.9%		24.4%		25.7%	29.9%		26.2%
Operational EBIT	62	57	8.8%	53	17.0%	115	141	-18.4%	224
Operational EBIT margin	16.7%	16.7%		14.4%		15.5%	20.3%		16.3%
Operational ROOC[1]	9.8%	8.9%		7.9%		9.0%	10.9%		8.5%
Cash flow from operations (non-IFRS)	131	128	2.3%	75	74.7%	206	243	-15.2%	419
Cash flow after investing activities (non-IFRS)	99	96	3.1%	52	90.4%	151	177	-14.7%	278
Pulp deliveries, 1 000 tonnes	646	627	3.0%	662	-2.4%	1 308	1 244	5.1%	2 508

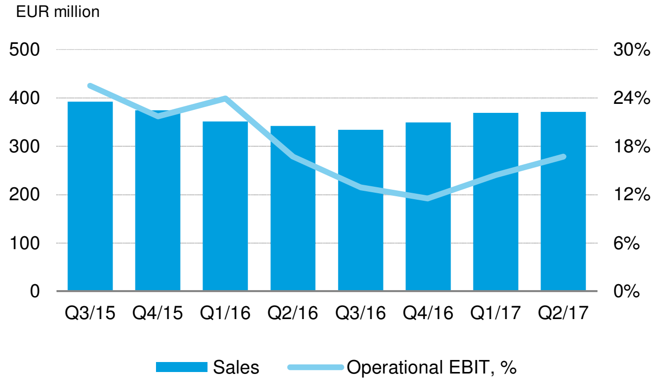
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 8.5% or EUR 29 million to EUR 371 million. That was driven by higher sales prices in all pulp grades, favourable currency impact and higher delivery volumes, especially from the Latin American pulp mills.
- Operational EBIT increased EUR 5 million to EUR 62 million. Positives from sales prices, net currency impact and delivery volumes were partly offset by higher logistic costs, higher maintenance costs due to the altered sequencing of the maintenance shutdowns, and higher spending in R&D and innovation.
- The start-up process at the bagasse-to-xylose demonstration plant in Raceland, USA, is proceeding as planned, and the first batches of xylose are expected to be delivered towards the end 2017.

Markets

Product	Market	Demand Q2/17 compared with Q2/16	Demand Q2/17 compared with Q1/17	Price Q2/17 compared with Q2/16	Price Q2/17 compared with Q1/17
Softwood pulp	Europe	Slightly weaker	Slightly weaker	Higher	Higher
Hardwood pulp	Europe	Stable	Slightly stronger	Significantly higher	Significantly higher

Sales and operational EBIT



Operational ROOC

9.8%

(Target: >15%)

Scheduled annual maintenance shutdowns

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

Wood Products division

Profitable growth continues

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

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	440	433	1.6%	416	5.8%	856	815	5.0%	1 595
Operational EBITDA	43	41	4.9%	31	38.7%	74	64	15.6%	118
Operational EBITDA margin	9.8%	9.5%		7.5%		8.6%	7.9%		7.4%
Operational EBIT	35	33	6.1%	22	59.1%	57	49	16.3%	88
Operational EBIT margin	8.0%	7.6%		5.3%		6.7%	6.0%		5.5%
Operational ROOC[1]	25.5%	25.6%		16.4%		21.0%	19.1%		16.8%
Cash flow from operations (non-IFRS)	28	67	-58.2%	22	27.3%	50	101	-50.5%	142
Cash flow after investing activities (non-IFRS)	21	53	-60.4%	10	110.0%	31	63	-50.8%	75
Wood products deliveries, 1 000 m^3	1 288	1 274	1.1%	1 212	6.3%	2 500	2 360	5.9%	4 643

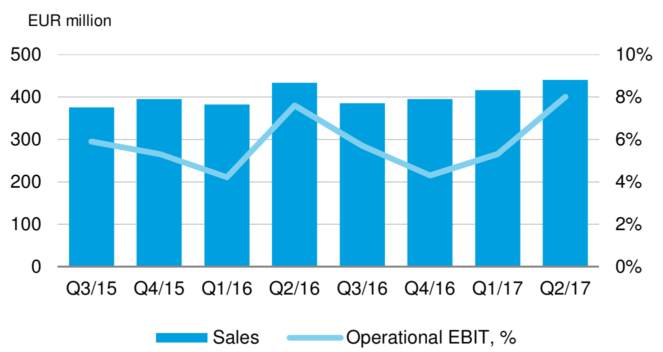
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 1.6% or EUR 7 million to EUR 440 million, due to the strategic investments in Varkaus laminated veneer lumber (LVL) line and the modernisation and expansion of Murów sawmill. The Ramadan period, which was in June this year, affected the second quarter sales negatively compared to the previous year. The Baltic wood sourcing operations were transferred to the segment Other. Without this transfer, sales would have increased 3.5%.
- Operational EBIT improved EUR 2 million and rose to EUR 35 million, due to higher delivery volume and better sales prices in local currencies. Increased wood costs decreased operational EBIT.
- Operational ROOC at 25.5% clearly exceeded the strategic target.
- The ramp-up of the laminated veneer lumber (LVL) production at Varkaus Mill continues. Full production is expected in mid-2018.
- In July, Stora Enso announced that it will invest EUR 45 million in a new cross-laminated timber (CLT) production unit at Gruvön sawmill in Sweden. The production is scheduled to begin during the first quarter of 2019. The investment is expected to generate annual sales of approximately EUR 50 million when run at full capacity and over time significantly exceed the Wood Products division's profitability target of an operational ROOC of 18%.

Markets

Product	Market	Demand Q2/17 compared with Q2/16	Demand Q2/17 compared with Q1/17	Price Q2/17 compared with Q2/16	Price Q2/17 compared with Q1/17
Wood products	Europe	Stable	Stronger	Slightly higher	Slightly higher

Sales and operational EBIT



Operational ROOC

25.5%

(Target: >18%)

Paper division

Cash flow well above targeted level

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

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	719	839	-14.3%	748	-3.9%	1 467	1 693	-13.3%	3 245
Operational EBITDA	37	74	-50.0%	68	-45.6%	105	157	-33.1%	324
Operational EBITDA margin	5.1%	8.8%		9.1%		7.2%	9.3%		10.0%
Operational EBIT	11	43	-74.4%	42	-73.8%	53	94	-43.6%	211
Operational EBIT margin	1.5%	5.1%		5.6%		3.6%	5.6%		6.5%
Operational ROOC[1]	5.4%	14.6%		17.7%		12.5%	15.9%		19.4%
Cash flow from operations (non-IFRS)	91	63	44.4%	42	116.7%	133	116	14.7%	351
Cash flow after investing activities (non-IFRS)	76	49	55.1%	32	137.5%	108	94	14.9%	277
Cash flow after investing activities to sales (non-IFRS)	10.6%	5.8%		4.3%		7.4%	5.6%		8.5%
Paper deliveries, 1 000 tonnes	1 185	1 322	-10.4%	1 205	-1.7%	2 390	2 662	-10.2%	5 141
Paper production, 1 000 tonnes	1 158	1 298	-10.8%	1 203	-3.7%	2 361	2 693	-12.3%	5 155

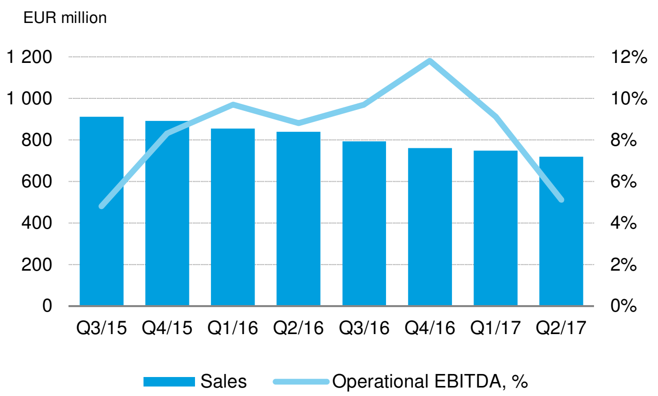
[1] Operational ROOC = 100% x Operational EBIT/Average operating capital
For non-IFRS measures, see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales for ongoing operations decreased 3.6% or EUR 30 million, mainly due to lower sales prices in euro terms and lower pulp sales from Oulu Mill related to a maintenance break. The divestments of Kabel Mill, Arapoti Mill, and the Suzhou Mill site decreased sales by EUR 90 million.
- Operational EBIT was EUR 32 million lower at EUR 11 million. Profitability was negatively affected by an extensive maintenance shutdown at Oulu pulp mill a quarter earlier than the previous year. In addition, lower sales prices in local currencies, negative net currency effect and higher variable costs, especially paper for recycling and chemicals, were only partly offset by lower fixed costs and depreciations.
- Cash flow after investing activities to sales increased to 10.6% (5.8%), due to improved working capital management..
- In June, Stora Enso announced that the SC paper machine 8 (PM8) at Kvarnsveden Mill in Sweden had permanently ceased production. The PM8 had an annual capacity of 100 000 tonnes of super-calendered uncoated magazine paper (SC). The restructuring plan for Kvarnsveden Mill is anticipated to result in annual cost savings of EUR 12 million.
- Stora Enso initiated an internal project in the second quarter of 2016 to review how to create the best conditions for the Paper division to compete under increasing cost pressures and declining market demand. As a result, the Paper division has now a clearer and more efficient legal structure for administrative and operational reasons. Development work in several project streams to improve competitiveness continues as part of normal business.

Markets

Product	Market	Demand Q2/17 compared with Q2/16	Demand Q2/17 compared with Q1/17	Price Q2/17 compared with Q2/16	Price Q2/17 compared with Q1/17
Paper	Europe	Slightly weaker	Slightly weaker	Slightly lower	Stable

Sales and operational EBITDA



Cash flow after investing activities to sales[1]

10.6%

(Target: >7%)

Scheduled annual maintenance shutdowns

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

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

Other

The segment Other includes the Nordic forest equity-accounted investments, Stora Enso's shareholding in the energy company Pohjolan Voima, operations supplying wood to the Nordic and Baltic mills, plantations not connected to any mill site, and group shared services and administration.

EUR million	Q2/17	Q2/16	Change % Q2/17–Q2/16	Q1/17	Change % Q2/17–Q1/17	Q1–Q2/17	Q1–Q2/16	Change % Q1-Q2/17–Q1-Q2/16	2016
Sales	628	629	-0.2%	651	-3.5%	1 279	1 277	0.2%	2 477
Operational EBITDA	-6	-12	50.0%	1	n/m	-5	-3	-66.7%	-8
Operational EBITDA margin	-1.0%	-1.9%		0.2%		-0.4%	-0.2%		-0.3%
Operational EBIT	2	0	n/m	13	-84.6%	15	17	-11.8%	43
Operational EBIT margin	0.3%	0.0%		2.0%		1.2%	1.3%		1.7%
Cash flow from operations (non-IFRS)	-78	28	n/m	-59	-32.2%	-137	23	n/m	136
Cash flow after investing activities (non-IFRS)	-81	23	n/m	-69	-17.4%	-150	9	n/m	101

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

- Sales remained stable, despite the transfer of the Baltic wood sourcing operations from Wood Products to the segment Other.
- Operational EBIT increased slightly to EUR 2 million.

Sustainability in second quarter 2017 (compared with Q2/2016)

Safety performance

TRI and LTA rates[1,2]

	Q2/17	Q2/16	Q1/17[3]	Q1–Q2/17	Q1–Q2/16	2016	Milestone	Milestone to be reached by
TRI rate	7.2	13.5	8.7	7.9	12.7	11.7		
LTA rate	4.9	4.9	5.7	5.3	4.4	4.4	4.0	end of 2017

TRI (Total recordable incident) rate = number of incidents per one million hours worked.
LTA (Lost-time accident) rate = number of lost-time accidents per one million hours worked.
[1] For Stora Enso employees, excluding joint operations
[2] As of January 2017 Stora Enso applies new Occupational Safety and Health Administration (OSHA) definitions in the reporting of TRI and LTA rates to better align with international standards. Due to this change, the 2017 figures are not fully comparable with historical figures.
[3] Recalculated due to additional data after the Q1/2017 Interim Report.

During the quarter, safety performance improved slightly, but the LTA milestone remains a challenge. Stora Enso will continue to implement its Safety Leadership training programme and the updated Safety Toolbox, a collection of tools proven to make mills and units safer.

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	30 Jun 17	31 Mar 17	31 Dec 16	30 Jun 16	Target	Target to be reached by
% of supplier spend covered by the Supplier Code of Conduct[1]	93%	93%	92%	92%	95%	end of 2017

[1] Excluding joint operations.

Human rights

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

As announced today, Stora Enso will divest its holding in Bulleh Shah Packaging (BSP). The group will carry on with the Public Private Partnership with ILO to promote decent work and to combat child labour in the Punjab Province until the end of 2018.

The final report by ILO on the formative ground research on child labour and decent work deficits in Punjab Province of Pakistan was not received in the second quarter. A draft report by ILO was submitted to Stora Enso and is currently under review by Stora Enso and BSP.

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

Progress on the implementation of preventive and remediation actions

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

[1] Issues that were identified in the Human Rights assessments but closed following reassessment of their validity in specific local contexts.
[2] Longer-term actions without a targeted end-date that require continuous review.

At the end of the second quarter, 87% (Q1 87%) of the preventive and remediation actions were completed and 98% of the actions were resolved. The actions are based on the UN Guiding Principles on Business and Human Rights and criteria created in collaboration with Danish Institute for Human Rights. As reported earlier, the remaining actions will be progressed to an appropriate conclusion during 2017 and the reporting on Human Rights Action Plan progress will then be stopped.

Mitigating Child Labour in Pakistan

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

	30 Jun 17	31 Mar 17	31 Dec 16	30 Jun 16
Number of direct active suppliers	123	117	276	276
Audit coverage year-to-date (%)[1]	30%	11%	15%	10%

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

Bulleh Shah Packaging (BSP) conducted 28 (37) audits of its material and service suppliers during the second quarter. In addition, 5 (0) supplier audits were conducted by an external party. During the quarter, three proven young worker cases, unacceptable for Stora Enso and BSP, were found in the operations of suppliers providing BSP with biomass transportation services and Paper for Recycling from non-institutional sources. The young workers were not conducting hazardous work. Two young workers have left the job. For the other a remediation action plan is under development.

The operational activities of the mobile medical clinic were piloted in the field in early July. The clinic concept was created together with the Yunus Center of the Asian Institute of Technology and will be operated by a medical facility in Lahore to provide basic health care services to local communities linked to the supply chains.

Forests, plantations, and land use

Correction of land leasing contracts in Guangxi, China

Social forestlands leased by Stora Enso in Guangxi

	30 Jun 17	31 Mar 17	31 Dec 16	30 Jun 16
Social forestland leased, ha	29 831	29 856	30 500	31 410
Leased area without contractual defects, ha	16 341	16 333	16 480	16 621
Lease contracts without contractual defects, % of all contracts	66%	66%	66%	65%

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

Stora Enso leases a total of 82 891 hectares of land in various regions of Guangxi, of which 36% is social land leased from village collectives, individual households, and local forest farms.

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

Land occupations by the Social Landless Movements in Bahia, Brazil

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

	30 Jun 17	31 Mar 17	31 Dec 16	30 Jun 16
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 566	3 616	3 499	4 239

At the end of the second quarter, 3 566 hectares of land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the quarter, Veracel continued to seek repossessions of occupied areas through legal processes, and the company resumed forest management on 50 hectares. Veracel has reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2016, the total land area owned by Veracel was 215 000 hectares, of which 73 000 hectares are planted with eucalyptus for pulp production.

Carbon dioxide

Performance compared to baseline level[1]

	Q2/17	Q2/16	Q1/17	Q1–Q2/17	Q1–Q2/16	2016	Target	Target to be reached by
Reduction of fossil CO_2 emissions per saleable tonne of pulp, paper and board (kg/t)	-42%	-47%	-38%	-40%	-40%	-41%	-35%	end of 2025

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

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

Despite being ahead of the 2025 target at present, the full adverse impact on the group's fossil CO_2 emissions from coal use for energy production at Beihai Mill is yet to be seen in the data. This will become clear as the year progresses. Work has already begun to define a long-term strategy to migrate away from coal at Beihai.

Short-term risks and uncertainties

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

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

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 175 million on operational EBIT for the next 12 months.

Pulp sensitivity analysis: the direct effect of a 10% increase in pulp market prices would have a positive impact of approximately EUR 115 million on operational EBIT for the next 12 months.

Chemical and filler sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 49 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, the Swedish crown and the British pound against the euro would be about positive EUR 121 million, negative EUR 88 million and positive EUR 32 million annual impact, respectively. Weakening of the currencies would have the opposite impact. These numbers are before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

The group incurs annual unhedged net costs worth approximately EUR 120 million in Brazilian real (BRL) in its operations in Brazil. For these flows, a 10% strengthening in the value of BRL would have a EUR 12 million negative impact on operational EBIT.

Legal proceedings

Proceedings in Latin America

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

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

Proceedings in Finland

In December 2009, the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to competition law infringements. In its ruling issued in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, Metsäliitto and UPM. Metsähallitus has appealed this ruling. Following reductions by Metsähallitus, the total claim against the defendants now amounts to approximately EUR 126 million and the secondary claim against Stora Enso to approximately EUR 69 million.

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

Proceedings in Sweden

In July and August 2016, six Swedish Insurance companies filed lawsuits against Stora Enso. The claimed amount is approximately SEK 300 million (EUR 31 million) attributable to insurance compensation paid to injured parties in connection with the forest fire in Västmanland, Sweden in 2014. Stora Enso denies liability and will respond within the frame of the legal proceedings.

Changes in group management

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

Markus Mannström became Executive Vice President for the Biomaterials division on 1 June 2017. Previously, he was the group's Chief Technology Officer (CTO) and has been a member of the Group Leadership Team since 2015. Mannström succeeds Juan Carlos Bueno, who had led the Biomaterials division since its creation in 2012.

Share capital and shareholdings

During the second quarter of 2017, the conversion of 750 A shares into R shares was recorded in the Finnish trade register.

On 30 June 2017, Stora Enso had 176 506 320 A shares and 612 113 667 R shares in issue. The company did not hold its own shares. The total number of Stora Enso shares in issue was 788 619 987 and the total number votes was at least 237 717 686.

The holdings of Varma Mutual Pension Insurance Company in Stora Enso's votes fell below the threshold of 5% on 20 June 2017.

Decisions of Annual General Meeting on 27 April 2017

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

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

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

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

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

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

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

Decisions by the Board of Directors

At its meeting held after the AGM, the Stora Enso Board of Directors elected from among its members Jorma Eloranta as its Chairman and Hans Stråberg as Vice Chairman.

Richard Nilsson (chairman), Jorma Eloranta, Mikael Mäkinen and Christiane Kuehne were elected as members of the Financial and Audit Committee.

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

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

Events after the period

On 4 July, Stora Enso announced that it is investing in a new production unit for cross-laminated timber (CLT) at its Gruvön sawmill in Sweden.

On 5 July, Stora Enso signed an agreement to divest its Swedish subsidiary Stora Enso Re-board AB.

On 26 July, Stora Enso signed an agreement to divest its holdings in Bulleh Shah Packaging Ltd. (BSP) to the main owner Packages Ltd.

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

Helsinki, 26 July 2017
Stora Enso Oyj
Board of Directors

Financials

Basis of Preparation

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

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

Non-IFRS measures

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

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

Fair valuations and non-operational items include equity incentive schemes and related hedges, CO_2 emission rights, valuations of biological assets and the group's share of income tax and net financial items of EAI.

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

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

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

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

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

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

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

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

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

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

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

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

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

Condensed consolidated income statement

EUR million	Q2/17	Q2/16	Q1/17	Q1–Q2/17	Q1–Q2/16	2016
Sales	**2 528**	**2 526**	**2 497**	**5 025**	**4 971**	**9 802**
Other operating income	34	34	24	58	64	123
Change in inventories of finished goods and WIP	-19	-41	23	4	-5	9
Materials and services	-1 474	-1 441	-1 498	-2 972	-2 904	-5 833
Freight and sales commissions	-245	-237	-245	-490	-468	-920
Personnel expenses	-354	-365	-325	-679	-707	-1 334
Other operating expenses	-140	-141	-145	-285	-287	-561
Share of results of equity accounted investments	14	25	16	30	22	156
Change in net value of biological assets	-20	-30	-12	-32	-37	-261
Depreciation, amortisation and impairment charges	-119	-82	-142	-261	-207	-398
Operating Profit	**205**	**248**	**193**	**398**	**442**	**783**
Net financial items	-60	-99	-29	-89	-138	-242
Profit before Tax	**145**	**149**	**164**	**309**	**304**	**541**
Income tax	-2	-31	-57	-59	-72	-134
Net Profit for the Period	**143**	**118**	**107**	**250**	**232**	**407**
Attributable to:						
Owners of the Parent	146	125	114	260	243	463
Non-controlling interests	-3	-7	-7	-10	-11	-56
Net Profit for the Period	**143**	**118**	**107**	**250**	**232**	**407**
Earnings per Share						
Basic earnings per share, EUR	0.19	0.16	0.14	0.33	0.31	0.59
Diluted earnings per share, EUR	0.19	0.16	0.14	0.33	0.31	0.59

Consolidated statement of comprehensive income

EUR million	Q2/17	Q2/16	Q1/17	Q1–Q2/17	Q1–Q2/16	2016
Net profit for the period	143	118	107	250	232	407
Other Comprehensive Income (OCI)						
Items that will Not be Reclassified to Profit and Loss						
Actuarial gains and losses on defined benefit plans	0	0	0	0	0	-62
Income tax relating to items that will not be reclassified	0	0	0	0	0	15
	0	**0**	**0**	**0**	**0**	**-47**
Items that may be Reclassified Subsequently to Profit and Loss						
Share of OCI of EAIs that may be reclassified	2	-2	1	3	-5	0
Currency translation movements on equity net investments (CTA)	-176	57	7	-169	25	124
Currency translation movements on non-controlling interests	-2	1	0	-2	-4	-3
Net investment hedges	21	-8	4	25	6	-11
Cash flow hedges	27	1	-3	24	24	13
Non-controlling interests' share of items that may be reclassified	1	0	-1	0	0	0
Available-for-sale investments	-22	77	-14	-36	77	138
Income tax relating to items that may be reclassified	-8	2	1	-7	-6	-1
	-157	**128**	**-5**	**-162**	**117**	**260**
Total Comprehensive Income	**-14**	**246**	**102**	**88**	**349**	**620**
Attributable to:						
Owners of the Parent	-10	252	110	100	364	679
Non-controlling interests	-4	-6	-8	-12	-15	-59
Total Comprehensive Income	**-14**	**246**	**102**	**88**	**349**	**620**

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

Condensed consolidated statement of financial position

EUR million		30 Jun 17	31 Dec 16	30 Jun 16
Assets				
Goodwill	O	237	238	247
Other intangible assets	O	185	180	147
Property, plant and equipment	O	5 337	5 611	5 722
		5 759	**6 029**	**6 116**
Biological assets	O	465	489	648
Emission rights	O	15	14	20
Equity accounted investments	O	1 590	1 594	1 474
Available-for-sale: Listed securities	I	31	42	30
Available-for-sale: Operative	O	226	253	203
Non-current loan receivables	I	4	7	11
Deferred tax assets	T	191	214	220
Other non-current assets	O	50	57	58
Non-current Assets		**8 331**	**8 699**	**8 780**
Inventories	O	1 351	1 346	1 336
Tax receivables	T	11	9	9
Operative receivables	O	1 335	1 273	1 289
Interest-bearing receivables	I	63	46	138
Cash and cash equivalents	I	499	953	519
Current Assets		**3 259**	**3 627**	**3 291**
Total Assets		**11 590**	**12 326**	**12 071**
Equity and Liabilities				
Owners of the Parent		5 612	5 806	5 492
Non-controlling Interests		50	62	106
Total Equity		**5 662**	**5 868**	**5 598**
Post-employment benefit provisions	O	452	436	365
Other provisions	O	119	114	105
Deferred tax liabilities	T	197	203	263
Non-current debt	I	2 315	2 655	2 688
Other non-current operative liabilities	O	49	61	46
Non-current Liabilities		**3 132**	**3 469**	**3 467**
Current portion of non-current debt	I	395	552	646
Interest-bearing liabilities	I	607	563	534
Bank overdrafts	I	4	4	8
Other provisions	O	24	20	32
Other operative liabilities	O	1 701	1 774	1 754
Tax liabilities	T	65	76	32
Current Liabilities		**2 796**	**2 989**	**3 006**
Total Liabilities		**5 928**	**6 458**	**6 473**
Total Equity and Liabilities		**11 590**	**12 326**	**12 071**

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–Q2/17	Q1–Q2/16
Cash Flow from Operating Activities		
Operating profit	398	442
Hedging result from OCI	-4	10
Adjustments for non-cash items	285	294
Change in net working capital	-140	46
Cash Flow Generated by Operations	**539**	**792**
Net financial items paid	-127	-127
Income taxes paid, net	-46	-54
Net Cash Provided by Operating Activities	**366**	**611**
Cash Flow from Investing Activities		
Acquisitions of available-for-sale investments	-	-2
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	4	14
Proceeds from disposal of shares in equity accounted investments	-	26
Proceeds from disposal of available-for-sale investments	-	10
Proceeds and advances from disposal of intangible assets and property, plant and equipment	39	2
Income taxes paid on disposal of property	-15	-
Capital expenditure	-263	-365
Proceeds from non-current receivables, net	5	-
Net Cash Used in Investing Activities	**-230**	**-315**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	359	329
Repayment of long-term debt	-752	-545
Change in short-term borrowings	112	-59
Dividends paid	-292	-260
Buy-out of interest in subsidiaries from non-controlling interests	-	-46
Equity injections from, less dividends to, non-controlling interests	-	-2
Purchase of own shares[1]	-3	-2
Net Cash Used in Financing Activities	**-576**	**-585**
Net Change in Cash and Cash Equivalents	-440	-289
Translation adjustment	-14	-7
Net cash and cash equivalents at the beginning of period	949	807
Net Cash and Cash Equivalents at Period End	**495**	**511**
Cash and Cash Equivalents at Period End	499	519
Bank Overdrafts at Period End	-4	-8
Net Cash and Cash Equivalents at Period End	**495**	**511**
Disposals		
Cash and cash equivalents	-	1
Working capital	-	19
Non-controlling interests	-	-4
Net Assets in Divested Companies	**-**	**16**
Gain on sale	-	-
Total Disposal Consideration	**-**	**16**
Cash part of consideration	-	15
Non-cash / not received part of consideration	-	1
Total Disposal Consideration	**-**	**16**
Cash Received Regarding Previous Year Disposals	**4**	**-**

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

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

EUR million	Q1–Q2/17	Q1–Q2/16	2016
Carrying value at 1 January	6 518	6 671	6 671
Additions in tangible and intangible assets	182	341	638
Additions in biological assets	42	44	91
Costs related to growth of biological assets	-30	-29	-141
Disposals	-9	-1	-253
Disposals of subsidiary companies	0	0	-39
Depreciation and impairment	-261	-207	-398
Fair valuation of biological assets	-2	-8	-120
Translation difference and other	-216	-47	69
Statement of Financial Position Total	**6 224**	**6 764**	**6 518**

Borrowings

EUR million	30 Jun 17	31 Dec 16	30 Jun 16
Bond loans	1 389	1 705	1 718
Loans from credit institutions	1 258	1 434	1 536
Finance lease liabilities	53	56	59
Other non-current liabilities	10	12	21
Non-current Debt including Current Portion	**2 710**	**3 207**	**3 334**
Short-term borrowings	547	452	452
Interest payable	32	54	35
Derivative financial liabilities	28	57	47
Bank overdrafts	4	4	8
Total Interest-bearing Liabilities	**3 321**	**3 774**	**3 876**

EUR million	Q1–Q2/17	2016	Q1–Q2/16
Carrying value at 1 January	3 774	4 197	4 197
Proceeds of new long-term debt	359	368	329
Repayment of long-term debt	-752	-781	-545
Change in short-term borrowings and interest payable	73	-50	-69
Change in derivative financial liabilities	-29	-13	-23
Translation differences and other	-104	53	-13
Total Interest-bearing Liabilities	**3 321**	**3 774**	**3 876**

Statement of changes in equity

					Fair Valuation Reserve								
EUR million	Share Capital	Share Premium and Reserve Fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Available-for-Sale Investments	Cash Flow Hedges	OCI of Equity Accounted Investments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 31 Dec 2015	**1 342**	**77**	**633**	**-**	**4**	**27**	**-24**	**-19**	**-147**	**3 495**	**5 388**	**125**	**5 513**
Profit for the period	-	-	-	-	-	-	-	-	-	243	243	-11	232
OCI before tax	-	-	-	-	-	77	24	-5	31	-	127	-4	123
Income tax relating to components of OCI	-	-	-	-	-	-1	-4	-	-1	-	-6	-	-6
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**76**	**20**	**-5**	**30**	**243**	**364**	**-15**	**349**
Dividend	-	-	-	-	-	-	-	-	-	-260	-260	-	-260
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-4	-4
Purchase of treasury shares	-	-	-	-2	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	2	-	-	-	-	-	-	2	-	2
Balance at 30 Jun 2016	**1 342**	**77**	**633**	**-**	**4**	**103**	**-4**	**-24**	**-117**	**3 478**	**5 492**	**106**	**5 598**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	220	220	-45	175
OCI before tax	-	-	-	-	-	61	-11	5	82	-62	75	1	76
Income tax relating to components of OCI	-	-	-	-	-	-2	4	-	3	15	20	-	20
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**59**	**-7**	**5**	**85**	**173**	**315**	**-44**	**271**
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-1	-1	-	-1
Balance at 31 Dec 2016	**1 342**	**77**	**633**	**-**	**4**	**162**	**-11**	**-19**	**-32**	**3 650**	**5 806**	**62**	**5 868**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	260	260	-10	250
OCI before tax	-	-	-	-	-	-36	24	3	-144	-	-153	-2	-155
Income tax relating to components of OCI	-	-	-	-	-	2	-4	-	-5	-	-7	-	-7
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-34**	**20**	**3**	**-149**	**260**	**100**	**-12**	**88**
Dividend	-	-	-	-	-	-	-	-	-	-292	-292	-	-292
Purchase of treasury shares	-	-	-	-3	-	-	-	-	-	-	-3	-	-3
Share-based payments	-	-	-	3	-	-	-	-	-	-2	1	-	1
Balance at 30 Jun 2017	**1 342**	**77**	**633**	**-**	**4**	**128**	**9**	**-16**	**-181**	**3 616**	**5 612**	**50**	**5 662**

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

Commitments and contingencies

EUR million	30 Jun 17	31 Dec 16	30 Jun 16
On Own Behalf			
Mortgages	6	9	9
On Behalf of Equity Accounted Investments			
Guarantees	4	4	10
On Behalf of Others			
Guarantees	32	34	30
Other Commitments, Own			
Operating leases, in next 12 months	81	86	83
Operating leases, after next 12 months	675	747	777
Pension liabilities	1	1	1
Other commitments	6	9	10
Total	**805**	**890**	**920**
Mortgages	6	9	9
Guarantees	36	38	40
Operating leases	756	833	860
Pension liabilities	1	1	1
Other commitments	6	9	10
Total	**805**	**890**	**920**

Capital Commitments

The group's direct capital expenditure contracts amounted to EUR 158 million (compared with EUR 139 million on 30 June 2016 and EUR 171 million on 31 December 2016). These amounts include the group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	630	611	2 342	580	599	599	564
Packaging Solutions	313	290	1 044	282	259	258	245
Biomaterials	371	369	1 376	349	334	342	351
Wood Products	440	416	1 595	395	385	433	382
Paper	719	748	3 245	760	792	839	854
Other	628	651	2 477	641	559	629	648
Inter-segment sales	-573	-588	-2 277	-569	-535	-574	-599
Total	**2 528**	**2 497**	**9 802**	**2 438**	**2 393**	**2 526**	**2 445**

Operational EBIT by segment

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

[1] Fair valuations and non-operational items include equity incentive schemes and related hedges, CO_2 emission rights, valuations of biological assets, and the group's share of income tax and net financial items of EAI.

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

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

Items affecting comparability (IAC) by segment

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

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

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

[1] Fair valuations (FV) and non-operational items include equity incentive schemes and related hedges, CO_2 emission rights, valuations of biological assets, and the group's share of income tax and net financial items of EAI.

Operating profit/loss by segment

EUR million	Q2/17	Q1/17	2016	Q4/16	Q3/16	Q2/16	Q1/16
Consumer Board	60	57	67	-141	65	72	71
Packaging Solutions	40	20	42	7	12	17	6
Biomaterials	60	49	211	35	40	55	81
Wood Products	35	21	88	17	22	33	16
Paper	11	24	289	133	53	80	23
Other	-1	22	86	94	4	-9	-3
Operating Profit (IFRS)	**205**	**193**	**783**	**145**	**196**	**248**	**194**
Net financial items	-60	-29	-242	-69	-35	-99	-39
Profit before Tax	**145**	**164**	**541**	**76**	**161**	**149**	**155**
Income tax expense	-2	-57	-134	-20	-42	-31	-41
Net Profit	**143**	**107**	**407**	**56**	**119**	**118**	**114**

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	30 Jun 17	31 Dec 16	30 Jun 17	31 Dec 16
SEK	9.6398	9.5525	9.5954	9.4673
USD	1.1412	1.0541	1.0825	1.1066
GBP	0.8793	0.8562	0.8601	0.8189

Transaction risk and hedges in main currencies as at 30 June 2017

EUR million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 210	-880	320
Transaction hedges as at 30 June 2017	-600	450	-170
Hedging percentage as at 30 June 2017 for the next 12 months	**50%**	**51%**	**53%**

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	121
SEK	-88
GBP	32

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

Fair Values of Financial Instruments

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

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

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

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 30 June 2017

EUR million	Loans and Receivables	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Available-for-Sale Investments	Carrying Amounts	Fair Value
Financial Assets						
Available-for-sale	-	-	-	257	257	257
Non-current loan receivables	4	-	-	-	4	4
Trade and other operative receivables	939	-	-	-	939	939
Interest-bearing receivables	10	15	38	-	63	63
Cash and cash equivalents	499	-	-	-	499	499
Carrying Amount by Category	**1 452**	**15**	**38**	**257**	**1 762**	**1 762**

EUR million	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value
Financial Liabilities					
Non-current debt	-	-	2 315	2 315	2 614
Current portion of non-current debt	-	-	395	395	395
Interest-bearing liabilities	4	24	579	607	607
Trade and other operative payables	21	-	1 384	1 405	1 405
Bank overdrafts	-	-	4	4	4
Carrying Amount by Category	**25**	**24**	**4 677**	**4 726**	**5 025**

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	53	-	53
Trade and other operative receivables	-	-	-	-
Available-for-sale investments	31	-	226	257
Derivative financial liabilities	-	28	-	28
Trade and other operative liabilities	-	-	21	21

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

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

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

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

Reconciliation of level 3 fair value measurement of financial assets: 30 June 2017

EUR million	Q1–Q2/17	2016	Q1–Q2/16
Opening balance at 1 January	253	131	131
Gains/losses recognised in income statement	-1	5	5
Gains/losses recognised in Available-for-sale investments reserve	-26	125	75
Additions	-	2	3
Disposals	-	-10	-11
Closing Balance	**226**	**253**	**203**

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 3.08% used in the valuation model is determined using the weighted average cost of capital method. A +/- 5% change in the electricity price used in the DCF would change the valuation by EUR +35 million and -35 million, respectively. A +/- 1% change in the discount rate would change the valuation by EUR -26 million and +35 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
April	88 906	48 993 101	184 060	12 814 777
May	65 460	47 756 253	182 534	12 748 880
June	5 732 138	49 594 898	152 128	12 031 918
Total	**5 886 504**	**146 344 252**	**518 722**	**37 595 575**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
April	11.65	10.92	112.10	105.80
May	11.70	11.26	113.40	110.20
June	11.50	11.31	111.00	108.80

Average number of shares

Million	Q2/17	Q2/16	Q1/17	Q1–Q2/17	Q1–Q2/16	2016
Periodic	788.6	788.6	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6	788.6	788.6
Cumulative, diluted	789.8	790.1	789.9	789.9	789.9	789.9

Calculation of key figures

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

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

List of non-IFRS measures

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

Contact information

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

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

storaenso.com
storaenso.com/investors

For further information, please contact:
Seppo Parvi, CFO, tel. +358 2046 21205
Ulla Paajanen-Sainio, SVP, Investor Relations, tel. +358 40 763 8767
Ulrika Lilja, EVP, Communications, tel. +46 72 221 9228

Stora Enso's January–September 2017 results will be published on

25 October 2017

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