Stora Enso
Half year financial report

January–June 2018

Q2

THE RENEWABLE MATERIALS COMPANY

storaenso

Sustainable profitable growth continues despite temporary headwinds

Q2/2018 (compared with Q2/2017)

- Sales increased 5.4% to EUR 2 664 (2 528) million, despite wood shortage, primarily due to favourable prices and active product mix management. Excluding the divested Puumerkki, sales increased 7.0%.
- Operational EBIT increased 49.4% to EUR 327 (219) million, despite temporary headwinds in wood sourcing and Consumer Board production. The increase was due to favourable prices and active product mix management. The operational EBIT margin was 12.3% (8.7%).
- EPS was EUR 0.28 (0.19) and EPS excl. IAC EUR 0.31 (0.19).
- Cash flow from operations was EUR 357 (365) million. Cash flow after investing activities amounted to EUR 231 (237) million.
- Balance sheet strengthened further despite increased dividend payout, and net debt was reduced by 10%. The net debt to operational EBITDA ratio improved to 1.3 (1.9).
- Operational ROCE was 15.5% (10.3%), above the strategic target of 13% for the fourth consecutive quarter.

Q1–Q2/2018 (compared with Q1–Q2/2017)

- Sales of EUR 5 243 million increased by 4.3%. Excluding the divested Puumerkki, sales increased 5.8%
- Operational EBIT of EUR 696 million increased 60.4%, mainly due to favourable prices and active product mix management.

Transformation development in Q2/2018

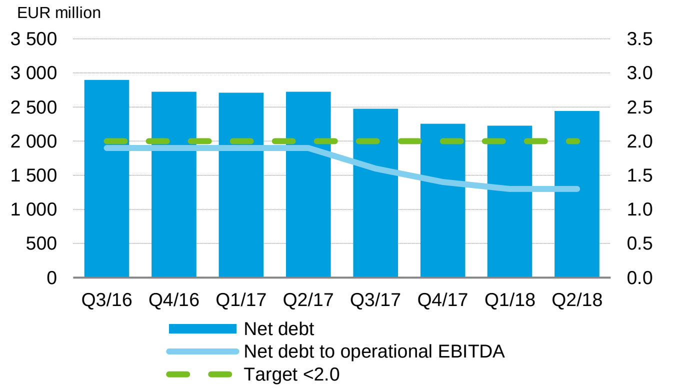
- Stora Enso started a feasibility study and an environmental impact assessment (EIA) evaluating a potential conversion of the Oulu paper mill into packaging board production.
- Stora Enso sets new target levels for Net Debt / Operational EBITDA (<2.0) and Debt/equity Ratio (<0.6).
- The ramp-up of the LVL production at Varkaus Mill was completed during the quarter.
- The investment to a new cross laminated timber (CLT) unit at the Gruvön sawmill is proceeding as planned. The production is scheduled to begin during the first quarter of 2019.
- Stora Enso signed a joint development agreement with the Finnish start-up Sulapac to licence its materials and technology, and to begin the development of fully renewable caps and closures for liquid packages.
- The brand DuraSense™ by Stora Enso was launched for wood-based biocomposites.
- Production started as planned at the new fluff pulp line at Skutskär Mill in Sweden.

Outlook

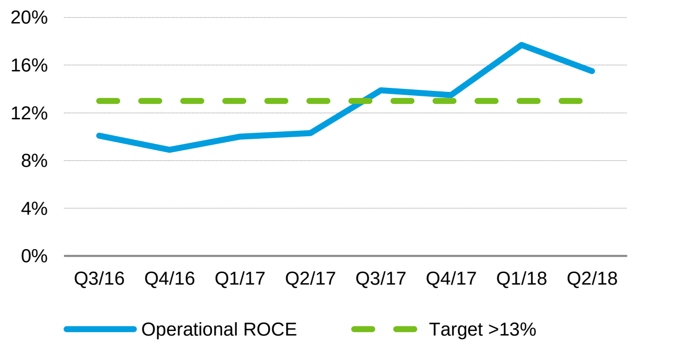
Q3/2018 sales are estimated to be similar to the amount of EUR 2 664 million recorded in the second quarter of 2018, and operational EBIT is expected to be in line with the EUR 327 million recorded in the second quarter of 2018.

The impact of annual maintenance shutdowns is expected to be approximately EUR 5 million lower than in the second quarter of 2018. The second quarter maintenance impact was EUR 15 million higher than initially forecast. The Nordic wood supply situation is expected to continue tight due to the risk of forest fires affecting harvesting conditions. The wood supply impact is expected to be approximately EUR 10 million negative in the third quarter of 2018. These impacts are included in the above outlook.

Net debt to operational EBITDA



Operational return on capital employed (ROCE)



Key figures

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	2 664	2 528	5.4%	2 579	3.3%	5 243	5 025	4.3%	10 045
Operational EBITDA[1]	466	359	29.8%	504	-7.5%	970	728	33.2%	1 587
Operational EBITDA margin[1]	17.5%	14.2%		19.5%		18.5%	14.5%		15.8%
Operational EBIT	327	219	49.4%	369	-11.3%	696	434	60.4%	1 004
Operational EBIT margin	12.3%	8.7%		14.3%		13.3%	8.6%		10.0%
Operating profit (IFRS)	317	205	54.5%	355	-10.8%	672	398	68.8%	904
Profit before tax excl. IAC	285	153	86.2%	333	-14.4%	618	344	79.6%	826
Profit before tax	257	145	77.3%	333	-22.8%	590	309	91.0%	742
Net profit for the period	213	143	49.0%	273	-21.9%	486	250	94.4%	614
Capital expenditure	126	116	8.6%	82	53.6%	208	224	-7.2%	640
Capital expenditure excluding investments in biological assets	103	94	10.0%	64	61.6%	167	182	-8.0%	560
Depreciation and impairment charges excl. IAC	122	119	2.3%	121	0.6%	243	258	-5.9%	507
Net interest-bearing liabilities	2 442	2 724	-10.4%	2 226	9.7%	2 442	2 724	-10.4%	2 253
Operational return on capital employed (ROCE)	15.5%	10.3%		17.7%		16.5%	10.2%		11.9%
Earnings per share (EPS) excl. IAC, EUR	0.31	0.19	64.7%	0.35	-10.6%	0.66	0.36	84.2%	0.89
EPS (basic), EUR	0.28	0.19	46.3%	0.35	-20.6%	0.63	0.33	90.3%	0.79
Return on equity (ROE)	13.9%	9.8%		17.8%		16.0%	8.7%		10.3%
Net debt/equity ratio	0.40	0.49		0.36		0.40	0.49		0.38
Net debt to last 12 months' operational EBITDA ratio[1]	1.3	1.9		1.3		1.3	1.9		1.4
Fixed costs to sales, %	23.5%	25.6%		22.6%		23.1%	24.8%		25.1%
Equity per share, EUR	7.66	7.12	7.6%	7.79	-1.6%	7.66	7.12	7.6%	7.62
Average number of employees	26 155	26 581	-1.6%	25 442	2.8%	25 798	25 999	-0.8%	20 206
TRI rate[2]	4.8	6.7	-28.4%	6.0[3]	-20.0%	5.4	7.5	-28.0%	7.4

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

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

[1] Q1–Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.
[2] For Stora Enso employees. As of January 2018, Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.
[3] Recalculated due to additional data after the Q1/2018 Interim Report.

Deliveries and production

	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Consumer board deliveries, 1 000 tonnes	763	702	8.7%	723	5.5%	1 486	1 386	7.2%	2 816
Consumer board production, 1 000 tonnes	729	697	4.6%	769	-5.2%	1 498	1 407	6.5%	2 871
Containerboard external deliveries, 1 000 tonnes	242	247	-2.0%	257	-5.8%	499	493	1.2%	1 023
Containerboard production, 1 000 tonnes	301	324	-7.1%	335	-10.1%	636	652	-2.5%	1 333
Corrugated packaging deliveries, million m^2	260	275	-5.5%	263	-1.1%	523	542	-3.5%	1 103
Market pulp external deliveries, 1 000 tonnes	511	521	-1.9%	497	2.8%	1 008	1 057	-4.6%	2 135
Wood product deliveries, 1 000 m^3	1 332	1 325	0.5%	1 236	7.8%	2 568	2 582	-0.5%	5 097
Paper deliveries, 1 000 tonnes	1 137	1 185	-4.1%	1 172	-3.0%	2 309	2 390	-3.4%	4 713
Paper production, 1 000 tonnes	1 151	1 158	-0.6%	1 178	-2.3%	2 329	2 361	-1.4%	4 672

CEO comment

Six consecutive quarters of sales growth prove that we have reached a level of sustainable profitable growth. Sales increased by more than 5% during the quarter and if we exclude the divested Puumerkki, the increase was 7%. This is primarily due to favourable prices and our management of the product mix.

I am proud of the strong increase in operational EBIT of 50% to EUR 327 million, despite the temporary headwinds that we have had during the quarter. Production related issues, higher maintenance and tight wood supply had negative impacts. If we look specifically at Consumer Board, even with headwinds in production effecting volumes substantially, the division reached all-time high in sales. All in all, we still have untapped potential to grab!

The Packaging Solutions division showed continued strong performance, Biomaterials delivered all-time high sales and profitability, Wood Products return on capital was at record level and the Paper division presented significant profitability improvements. I see great performance across the board.

Furthermore, I am pleased that our operational ROCE, close to 16%, was above our strategic target for the fourth consecutive quarter. Moreover, we continue to strengthen our balance sheet and net debt was reduced by more than 10%. All in all, we have delivered records or solid performance in all our divisions.

Our transformation projects are progressing well. The ramp-up of the LVL production at Varkaus Mill was completed during the quarter and the investment to a new cross laminated timber unit at Gruvön sawmill is proceeding as planned. Moreover, production is now up and running at the new fluff pulp line at Skutskär Mill.

The consumer board and packaging solutions businesses are growing and we have initiated a feasibility study to evaluate a potential conversion of Oulu paper mill into packaging board production. A potential conversion would enable us to take another step in our transformation journey. The other option is to continue the current fine paper production.

I am very pleased with our new, more ambitious, financial targets regarding net debt to EBITDA and debt to equity ratio. These are signalling our aim to reach an *investment grade* credit rating.

Our Accelerator programme is paying off. We have signed a joint development agreement with one of the programme participants, the Finnish start-up Sulapac. Together we contribute to combat the global problem of plastic waste by accelerating the use of fully renewable, recyclable and biodegradable materials in packaging.

In May, we gathered 150 guests to celebrate the launch of our wood fibre-based biocomposite plant. It is Europe's largest and its products will contribute to gradually replace fossil-based materials.

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 (Q2/2018)

12.3%

Operational ROCE (Q2/2018)

15.5%

(Target >13%)

Net debt to operational EBITDA

1.3

(Target <2.0)

Reconciliation of operational profitability

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Operational EBITDA[1]	**466**	**359**	**29.8%**	**504**	**-7.5%**	**970**	**728**	**33.2%**	**1 587**
Depreciation and depletion of equity accounted investments (EAI)	-2	-3	33.3%	-1	-100.0%	-3	-6	50.0%	-10
Operational decrease in the value of biological assets	-15	-18	16.7%	-13	-15.4%	-28	-30	6.7%	-66
Depreciation and impairment excl. IAC	-122	-119	-2.5%	-121	-0.8%	-243	-258	5.8%	-507
Operational EBIT	**327**	**219**	**49.4%**	**369**	**-11.3%**	**696**	**434**	**60.4%**	**1 004**
Fair valuations and non-operational items[2]	17	-6	n/m	-14	221.4%	3	-1	n/m	-16
Items affecting comparability (IAC)	-28	-8	-250.0%	-	-100.0%	-28	-35	20.0%	-84
Operating profit (IFRS)	**317**	**205**	**54.5%**	**355**	**-10.8%**	**672**	**398**	**68.8%**	**904**

[1] Q1–Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

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

Second quarter 2018 results (compared with Q2/2017)

Breakdown of change in sales Q2/2017 to Q2/2018

Sales Q2/2017, EUR million	**2 528**
Price and mix	9%
Currency	-2%
Volume	0%
Other sales[1]	0%
Total before structural changes	7%
Structural changes[2]	-2%
Total	5%
Sales Q2/2018, EUR million	**2 664**

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

Group sales increased 5.4% or EUR 136 million to EUR 2 664 million, compared to the same period a year ago. This was a record high second quarter sales since 2013 and the sixth consecutive quarter of growth. Topline growth was driven by higher sales prices in local currencies, as well as active mix management in all divisions. This was only partly offset by the negative currency impact and the divestment of Puumerkki in the Wood Products division in the fourth quarter of 2017. Sales excluding the Puumerkki divestment grew 7.0%.

Operational EBIT was EUR 327 (219) million, an increase of 49% or EUR 108 million. The operational EBIT margin improved by 3.6%-points to 12.3% (8.7%).

Clearly higher sales prices and better mix in all divisions improved operational EBIT by EUR 214 million. The impact of volumes was only slightly positive, due to the changed maintenance sequence compared to a year ago, an investment shutdown at Heinola Mill, and production challenges in the Consumer Board division.

Variable costs increased by EUR 83 million, mainly due to increased wood, market pulp, logistics, chemical and filler costs. Fixed costs were EUR 12 million higher, due to changed maintenance sequence. The ratio of fixed costs to sales improved from 25.6% to 23.5%, due to higher sales and improved efficiency. Net foreign exchange impact decreased operational EBIT by EUR 12 million.

The planned and unplanned production downtime was 7% (7%) for paper, 8% (7%) for board, and 0% (0%) for wood products.

The average number of employees in the second quarter of 2018 was approximately 26 200 (26 600). The average number of employees in Europe was approximately 20 100, which was similar to the same quarter a year ago. In China, the average number of employees was approximately 5 000 (5 400).

Fair valuations and non-operational items had a positive net impact on operating profit of EUR 17 (negative EUR 6) million. The impact came mainly from a deferred tax liability adjustment related to the corporate income tax rate reduction in Sweden.

Earnings per share increased by 46.3% to EUR 0.28 (EUR 0.19) and earnings per share excluding items affecting comparability (IAC) increased to EUR 0.31 (EUR 0.19), due to improved profitability.

The Group recorded an item affecting comparability (IAC) with a negative impact of approximately EUR 28 (negative EUR 27) million in its operating profit in the second quarter of 2018. The IAC relates to the divestment of the wood supply company in Rio Grande do Sul, Brazil to Copa Florestal III FIP Multiestrategia. The transaction resulted in a loss of EUR 28 million, due to cumulative currency translation adjustment released from equity through profit and loss at closing in the second quarter of 2018.

Net financial expenses at EUR 60 million were unchanged compared to a year ago. The net interest expenses decreased by EUR 6 million**,** mainly due to significantly reduced debt levels. Other net financial expenses were EUR 3 (EUR 30) million. The net foreign exchange impact in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a loss of EUR 26 (gain of EUR 8) million, mainly due to the revaluation of foreign currency loans in subsidiaries.

Breakdown of change in capital employed 30 June 2017 to 30 June 2018

EUR million	Capital employed
30 June 2017	**8 386**
Capital expenditure less depreciation	94
Impairments and reversal of impairments	-10
Fair valuation of biological assets	-7
Costs related to growth of biological assets	-64
Unlisted securities (mainly PVO)	96
Equity accounted investments	63
Net liabilities in defined benefit plans	86
Operative working capital and other interest-free items, net	152
Net tax liabilities	-13
Translation difference	-273
Other changes	14
30 June 2018	**8 523**

The operational return on capital employed (ROCE) in the second quarter of 2018 was 15.5% (10.3%), above the strategic target of 13% for the fourth consecutive quarter.

January–June 2018 results (compared with January–June 2017)

Sales increased 4.3% or EUR 218 million to EUR 5 243 million, compared to the same period a year ago. Excluding the divested Puumerkki, sales increased 5.8%. Operational EBIT increased by EUR 262 million or 60% to EUR 696 million and represents a margin of 13.3% (8.6%). Sales prices and active mix management in all divisions increased operational EBIT by EUR 412 million. Volumes increased operational EBIT by EUR 7 million, especially in Consumer Board. Variable costs were EUR 145 million higher, especially wood costs which were negatively impacted by temporary headwinds in Nordic wood supply, as well as higher chemicals, fillers, pulp and transportation costs. Fixed costs remained stable despite sales growth supported by the profit improvement programme. Net foreign exchange impact decreased operational EBIT by EUR 30 million. The positive impact from depreciation, closed units and operational result from equity accounted investments was EUR 20 million, mainly due to increased profitability from Nordic equity accounted investments.

Second quarter 2018 results (compared with Q1/2018)

Sales increased by EUR 85 million, or 3.3%, to EUR 2 664 million. Operational EBIT decreased by EUR 42 million to EUR 327 million. Improved sales prices and mix in all divisions, increased operational EBIT by EUR 52 million. Volumes had a EUR 15 million negative impact, partly related to higher maintenance activity, Heinola investment shutdown, production challenges in Consumer Board and continued shortage in wood supply. Fixed costs increased EUR 60 million, mainly due to higher maintenance activity and seasonality. Higher variable costs, driven mainly by increased wood costs, had a negative impact of EUR 30 million. Net foreign exchange impact increased result by EUR 8 million and result from equity accounted investments increased operational EBIT by EUR 4 million.

Financing in the second quarter 2018 (compared with Q1/2018)

Capital structure

EUR million	30 Jun 18	31 Mar 18	31 Dec 17	30 Jun 17
Operative fixed assets[1]	6 417	6 417	6 554	6 465
Equity accounted investments	1 543	1 536	1 600	1 590
Operative working capital, net	1 068	984	729	961
Non-current interest-free items, net	-447	-456	-490	-570
Operating Capital Total	**8 581**	**8 481**	**8 393**	**8 446**
Net tax liabilities	-58	-67	-85	-60
Capital Employed	**8 523**	**8 414**	**8 308**	**8 386**
Equity attributable to owners of the Parent	6 043	6 142	6 008	5 612
Non-controlling interests	38	46	47	50
Net interest-bearing liabilities	2 442	2 226	2 253	2 724
Financing Total	**8 523**	**8 414**	**8 308**	**8 386**

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

Cash and cash equivalents net of overdrafts decreased by EUR 62 million to EUR 621 million.

Net debt was EUR 2 442 million, an increase of EUR 216 million from the previous quarter mainly as a result of dividend paid and increased working capital.

The fair value of PVO shares, accounted for as equity investment fair value through other comprehensive income under IFRS 9, increased in the quarter by EUR 16 million to EUR 314 million. The change in fair value is mainly caused by the increase in electricity prices partially offset by negative impact from updated net debt parameters in the valuation.

The ratio of net debt to the last 12 months' operational EBITDA was 1.3, similar to the previous quarter. The net debt/equity ratio on 30 June 2018 was 0.40 (0.36).

Stora Enso has access to various long-term sources of funding up to EUR 900 (950) million.

During the second quarter, Stora Enso launched a Green Bond Framework as part of its Sustainable Finance approach. The ambition is to offer a loan-format to support sustainability-focused fixed income investors and to report the direct environmental impacts of some investments and business activities.

Cash flow in the second quarter 2018 (compared with Q1/2018)

Operative cash flow

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Operational EBITDA[1]	466	359	29.8%	504	-7.5%	970	728	33.2%	1 587
IAC on operational EBITDA	-28	-8	-247.7%	-	-100.0%	-28	-32	13.1%	-76
Other adjustments	15	-13	215.9%	-15	202.3%	0	-13	102.6%	-56
Change in working capital	-97	27	n/m	-260	62.7%	-357	-140	-154.9%	37
Cash Flow from Operations	**357**	**365**	**-2.2%**	**229**	**55.7%**	**586**	**543**	**7.9%**	**1 492**
Cash spent on fixed and biological assets	-125	-128	2.0%	-116	-8.1%	-241	-263	8.2%	-658
Acquisitions of equity accounted investments	-	-	-	-	-	-	-	-	-9
Cash Flow after Investing Activities	**231**	**237**	**-2.4%**	**113**	**104.6%**	**344**	**280**	**22.9%**	**825**

[1] Q1-Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

Second quarter 2018 cash flow after investing activities was EUR 231 million. Working capital increased by EUR 97 million, mainly due to higher trade receivables as a consequence of higher sales. Cash spent on fixed and biological assets was EUR 125 million. Payments related to the previously announced provisions were EUR 6 million.

Capital expenditure

Additions to fixed and biological assets in the second quarter 2018 totalled EUR 126 million, of which EUR 103 million were fixed assets, in line with the normal annual pattern, and EUR 23 million biological assets. Depreciations and impairment charges totalled EUR 122 million. Additions in fixed and biological assets had a cash outflow impact of EUR 125 million.

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

Capital expenditure and depreciation forecast 2018

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

The capital expenditure forecast includes approximately EUR 100 million for the Group's biological assets.

Segments in the second quarter 2018 (compared with Q2/2017)

Consumer Board division

All-time high sales despite headwinds

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

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	691	630	9.7%	646	7.0%	1337	1 241	7.7%	2 516
Operational EBITDA[1]	112	113	-0.8%	136	-17.6%	248	230	7.9%	477
Operational EBITDA margin[1]	16.2%	17.9%		21.1%		18.6%	18.5%		19.0%
Operational EBIT	65	69	-5.1%	91	-28.1%	156	130	20.4%	285
Operational EBIT margin	9.5%	11.0%		14.1%		11.7%	10.5%		11.3%
Operational ROOC	13.1%	13.9%		18.5%		15.9%	13.3%		14.6%
Cash flow from operations	100	140	-28.6%	49	104.1%	149	207	-28.0%	458
Cash flow after investing activities	64	81	-21.0%	10	540.0%	74	83	-10.8%	218
Board deliveries, 1 000 tonnes	763	702	8.7%	723	5.5%	1486	1 386	7.2%	2 816
Board production, 1 000 tonnes	729	697	4.6%	769	-5.2%	1498	1 407	6.5%	2 871

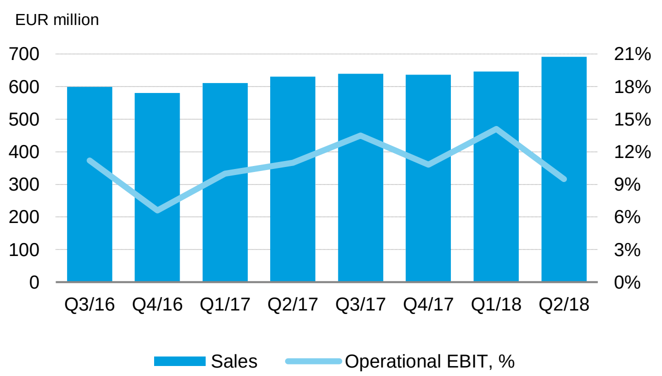
[1] Q1-Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased 10%, or EUR 61 million, to all time high EUR 691 million, despite headwinds, due to clearly higher volumes in the European mills as well as the ramp-up of Beihai Mill operations.
- Operational EBIT decreased EUR 4 million to EUR 65 million. Sales price increases were more than offset by higher variable costs, mainly wood, pulp, chemicals and fillers. Production challenges in the European mills had a negative impact, and the Beihai Mill ramp-up continued as planned.
- Operational ROOC reached 13.1%, slightly less compared to a year ago.
- The micro-fibrillated cellulose (MFC) investment at Ingerois Mill was completed as planned. The MFC investments at Imatra and Fors mills were completed already earlier. Operational optimisation and commercialisation of MFC is proceeding at the mills following the completion of the investments.
- In May, Stora Enso signed a joint development agreement with the Finnish start-up company Sulapac to licence its materials and technology, and to begin the development of fully renewable caps and closures for liquid packages. The cooperation between the companies began in 2017 through Stora Enso's Accelerator programme, which involves partnering with Aalto University and start-ups to ideate and innovate around renewable products.

Markets

Product	Market	Demand Q2/18 compared with Q2/17	Demand Q2/18 compared with Q1/18	Price Q2/18 compared with Q2/17	Price Q2/18 compared with Q1/18
Consumer board	Europe	Slightly stronger	Slightly stronger	Slightly higher	Stable

Sales and operational EBIT-%



Operational ROOC

13.1%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Packaging Solutions division

Continued solid performance despite investment shutdown

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

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	329	313	5.1%	333	-1.2%	662	603	9.8%	1 255
Operational EBITDA[1]	73	56	30.1%	78	-6.6%	151	100	50.9%	240
Operational EBITDA margin[1]	22.2%	17.9%		23.4%		22.8%	16.6%		19.1%
Operational EBIT	57	40	41.6%	61	-7.2%	118	64	83.8%	170
Operational EBIT margin	17.2%	12.8%		18.3%		17.8%	10.6%		13.5%
Operational ROOC	25.6%	18.3%		27.7%		26.8%	14.9%		19.6%
Cash flow from operations	74	53	39.6%	65	13.8%	139	84	65.5%	249
Cash flow after investing activities	43	41	4.9%	46	-6.5%	89	57	56.1%	156
Board deliveries (external), 1 000 tonnes	242	247	-2.0%	257	-5.8%	499	493	1.2%	1 023
Board production, 1 000 tonnes	301	324	-7.1%	335	-10.1%	636	652	-2.5%	1 333
Corrugated packaging deliveries, million m^2	260	275	-5.5%	263	-1.1%	523	542	-3.5%	1 103
Corrugated packaging production, million m^2	264	272	-2.9%	265	-0.4%	529	539	-1.9%	1 102

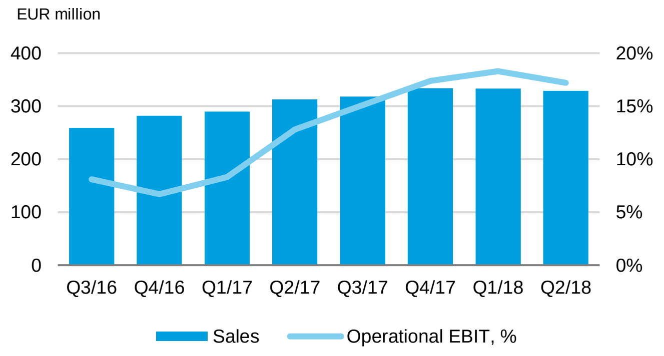
[1] Q1–Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased 5%, or EUR 16 million, to a record high Q2 of EUR 329 million, driven by price increases and active sales mix improvements in the European based operations.
- Operational EBIT increased EUR 17 million to record high Q2 of EUR 57 million, despite increased maintenance and an investment shutdown. Clearly higher sales prices for the European based units and good sales mix management, more than offset higher fixed costs and lower volumes. The volumes were negatively impacted by combined investment and maintenance shutdown in Heinola Fluting Mill.
- Operational ROOC clearly above the strategic target at 25.6% on the back of strong profitability.
- Stora Enso completed successfully the EUR 28 million investment at its Heinola Fluting Mill in Finland improving quality and increasing production capacity of the AvantFlute SC (semi-chemical fluting) products. The related shutdown impacted production and delivery volumes negatively during the quarter.

Markets

Product	Market	Demand Q2/18 compared with Q2/17	Demand Q2/18 compared with Q1/18	Price Q2/18 compared with Q2/17	Price Q2/18 compared with Q1/18
Virgin fibre-based containerboard	Global	Slightly stronger	Stable	Significantly higher	Higher
Recycled fibre based (RCP) containerboard	Europe	Stable	Slightly stronger	Significantly higher	Slightly higher
Corrugated packaging	Europe	Slightly stronger	Stable	Significantly higher	Slightly higher

Sales and operational EBIT-%



Operational ROOC

25.6%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Biomaterials division

All-time high sales and profitability

Biomaterials division offers a wide variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers. We also develop new ways to maximise the value extractable from the wood as well as other kinds of lignocellulosic biomasses. The extracted sugars and lignin hold potential for use in a range of applications.

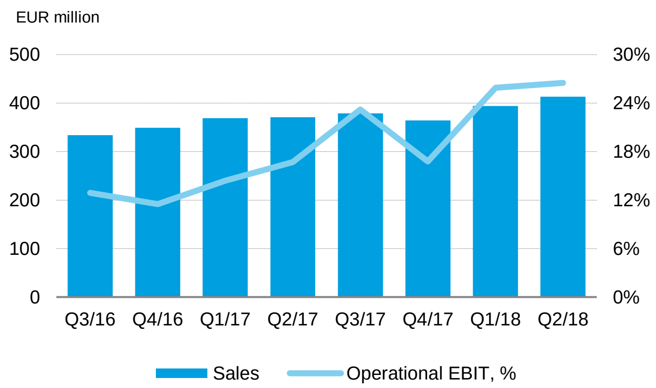
EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	413	371	11.3%	394	4.8%	807	740	9.1%	1 483
Operational EBITDA	141	100	40.8%	136	3.5%	277	190	45.7%	409
Operational EBITDA margin	34.1%	27.0%		34.5%		34.3%	25.7%		27.6%
Operational EBIT	109	62	76.3%	102	7.1%	211	115	83.7%	264
Operational EBIT margin	26.5%	16.7%		25.9%		26.2%	15.5%		17.8%
Operational ROOC	18.6%	9.8%		17.6%		18.0%	9.0%		10.5%
Cash flow from operations	134	131	2.3%	67	100.0%	201	206	-2.4%	404
Cash flow after investing activities	109	99	10.1%	45	142.2%	154	151	2.0%	271
Pulp deliveries, 1 000 tonnes	614	646	-5.0%	611	0.5%	1225	1 308	-6.3%	2 597

- Sales increased 11%, or EUR 42 million, to all time high of EUR 413 million on the back of significantly higher sales prices.
- Operational EBIT at an all-time high level of EUR 109 million, an increase of EUR 47 million despite a maintenance shutdown at Enocell Mill, reducing production volumes. Significantly higher pulp prices were only partly offset by higher variable costs, and the negative net currency effect.
- Operational ROOC improved to new all-time high level of 18.6%, which is clearly above the strategic target.
- Production started as planned at the new fluff pulp line at Skutskär Mill in Sweden following the EUR 26 million investment. The first commercial deliveries have been shipped.

Markets

Product	Market	Demand Q2/18 compared with Q2/17	Demand Q2/18 compared with Q1/18	Price Q2/18 compared with Q2/17	Price Q2/18 compared with Q1/18
Softwood pulp	Europe	Stronger	Slightly stronger	Significantly higher	Higher
Hardwood pulp	Europe	Slightly stronger	Slightly weaker	Significantly higher	Slightly higher
Hardwood pulp	China	Significantly stronger	Stronger	Significantly higher	Slightly higher

Sales and operational EBIT-%



Operational ROOC

18.6%

(Target: >15%)

Scheduled annual maintenance shutdowns

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

Wood Products division

Return on capital at record level

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

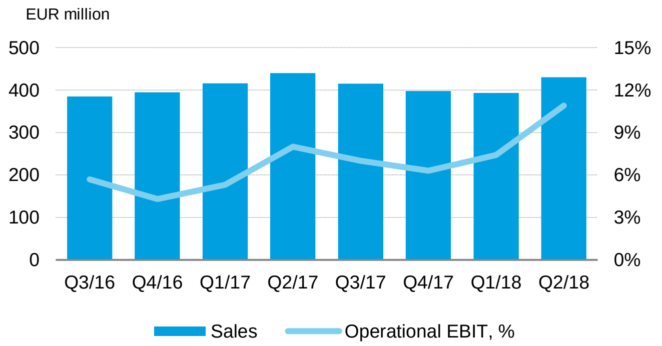
EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	430	440	-2.2%	393	9.5%	823	856	-3.8%	1 669
Operational EBITDA	55	43	27.8%	38	44.6%	93	74	25.6%	147
Operational EBITDA margin	12.8%	9.8%		9.7%		11.3%	8.6%		8.8%
Operational EBIT	47	35	33.4%	29	61.1%	76	57	32.8%	111
Operational EBIT margin	10.9%	8.0%		7.4%		9.2%	6.7%		6.7%
Operational ROOC	31.7%	25.5%		20.4%		26.4%	21.0%		20.5%
Cash flow from operations	41	28	46.4%	11	272.7%	52	50	4.0%	152
Cash flow after investing activities	27	21	28.6%	-7	n/m	20	31	-35.5%	90
Wood products deliveries, 1 000 m^3	1 288	1 288	0.0%	1 190	8.2%	2 478	2 500	-0.9%	4 926

- Sales increased 7.2%, or EUR 29 million to EUR 430 million, excluding the divested Puumerkki. This was mainly due to improved prices and active mix management, driving value creation.
- Operational EBIT increased EUR 12 million, to a record high Q2 level of EUR 47 million, the highest since 2007. This was driven by improved prices and mix, as well as growth from strategic investments, Murów sawmill in Poland and Varkaus laminated veneer lumber (LVL) line in Finland.
- Operational ROOC was clearly above the strategic target at 31.7% also at a record high level.
- The ramp-up of the LVL production at Varkaus Mill was completed during the quarter.
- The investment to a new cross laminated timber (CLT) unit at the Gruvön sawmill in Sweden is proceeding as planned. The production is scheduled to begin during the first quarter of 2019.
- The first commercial deliveries of biocomposite granules were shipped during the quarter, under the newly launched brand DuraSense™ by Stora Enso.
- Stora Enso will invest approximately EUR 13 million to increase the sawmilling and planing capacity at Launkalne sawmill in Latvia. The start-up is expected to take place in phases during Q2–Q3/2019.
- Stora Enso was selected as the provider of wooden material to several new building projects around the world. CLT will be supplied to 25 King Street in Brisbane, Australia, the largest wooden commercial office building in the world. The total floor area is 14 921 square metres covering 10 floors. Other massive wood projects, where Stora Enso is the chosen supplier include:
  - The Arts Centre at Sherborne Girls School, Dorset England, the final project in the school's Growing for the Future development programme driven by multiple needs and aspirations,
  - Grand CARRE-Auchan, Lille France, 5 office buildings linked together including a first-floor carpark,
  - Sternäckerweg, Graz Austria, the second of a three-phase building project each phase including 100 new apartments,
  - Vestsiden Komplex, Kongsberg Norway, including a school, a sport hall and student homes,
  - Lapinmäki kindergarten in Helsinki, Finland.

Markets

Product	Market	Demand Q2/18 compared with Q2/17	Demand Q2/18 compared with Q1/18	Price Q2/18 compared with Q2/17	Price Q2/18 compared with Q1/18
Wood products	Europe	Stable	Stronger	Higher	Slightly higher

Sales and operational EBIT-%



Operational ROOC

31.7%

(Target: >20%)

Paper division

Significant profitability improvement

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

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	754	719	4.8%	772	-2.4%	1526	1 467	4.0%	2 920
Operational EBITDA[1]	83	37	123.3%	96	-13.9%	179	106	68.5%	239
Operational EBITDA margin[1]	11.0%	5.1%		12.4%		11.7%	7.2%		8.2%
Operational EBIT	54	11	n/m	69	-21.1%	123	53	133.0%	128
Operational EBIT margin	7.2%	1.5%		8.9%		8.1%	3.6%		4.4%
Operational ROOC	28.4%	5.4%		36.7%		32.7%	12.5%		14.8%
Cash flow from operations	54	91	-40.7%	59	-8.5%	113	133	-15.0%	259
Cash flow after investing activities	43	76	-43.4%	48	-10.4%	91	108	-15.7%	160
Cash flow after investing activities to sales, %	5.7%	10.6%		6.2%		6.0%	7.4%		5.5%
Paper deliveries, 1 000 tonnes	1 137	1 185	-4.1%	1 172	-3.0%	2 309	2 390	-3.4%	4 713
Paper production, 1 000 tonnes	1 151	1 158	-0.6%	1 178	-2.3%	2 329	2 361	-1.4%	4 672

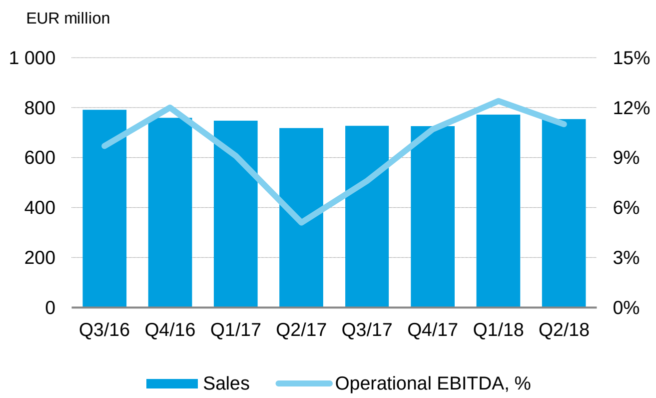
[1] Q1–Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased 5%, or EUR 35 million, to EUR 754 million as significantly higher sales prices and better mix were only partly offset by lower volumes and negative currency impact.
- Operational EBIT increased EUR 43 million to EUR 54 million. Increased sales prices in all grades were only partly offset by higher variable costs, mainly for wood, pulp, and logistics.
- Cash flow after investing activities to sales ratio was 5.7% (10.6%). Clearly higher profitability was more than offset by less favourable operative working capital movement, due to positive one-off impacts in the same quarter a year ago.
- Stora Enso will invest EUR 25 million to boost green energy generation at Maxau Mill. The implementation of the project is scheduled to start during the third quarter of 2018 with completion in 2020.

Markets

Product	Market	Demand Q2/18 compared with Q2/17	Demand Q2/18 compared with Q1/18	Price Q2/18 compared with Q2/17	Price Q2/18 compared with Q1/18
Paper	Europe	Weaker	Slightly weaker	Higher	Slightly higher

Sales and operational EBITDA-%



Cash flow after investing activities to sales[1]

5.7%

(Target: >7%)

Scheduled annual maintenance shutdowns

	2018	2017
Q1	–	–
Q2	Oulu Mill	Oulu Mill
Q3	Veitsiluoto Mill	Veitsiluoto Mill
Q4	–	Nymölla Mill

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

Other

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

EUR million	Q2/18	Q2/17	Change % Q2/18–Q2/17	Q1/18	Change % Q2/18–Q1/18	Q1–Q2/18	Q1–Q2/17	Change % Q1-Q2/18–Q1-Q2/17	2017
Sales	844	628	34%	838	1%	1682	1 279	32%	2 490
Operational EBITDA[1]	3	10	-73%	20	-86%	23	28	-19%	75
Operational EBITDA margin[1]	0.3%	1.6%		2.4%		1.4%	2.2%		3.0%
Operational EBIT	-5	2	n/m	17	-131%	12	15	-22%	46
Operational EBIT margin	-0.6%	0.3%		2.0%		0.7%	1.2%		1.8%
Cash flow from operations	-48	-78	39%	-22	-118%	-70	-137	49%	-30
Cash flow after investing activities	-54	-81	33%	-29	-86%	-83	-150	45%	-70

[1] Q1–Q2/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased as transport and freight sales and silviculture services in Finland previously presented under other operating income were transferred to sales due to an accounting change. These are mainly internal services. The effect on external sales was EUR 18 million in the second quarter.
- Operational EBIT decreased by EUR 7 million to negative EUR 5 million, mainly due to lower wood supply result related to tight wood situation in the Nordic countries.
- The divestment of the wood supply company in Rio Grande do Sul, Brazil to Copa Florestal III FIP Multiestrategia was completed during the second quarter.

Sustainability in the second quarter 2018 (compared with Q2/2017)

Safety performance

TRI rate[1 2]

	Q2/18	Q2/17	Q1/18[3]	Q1–Q2/18	Q1–Q2/17	2017	Milestone	Milestone to be reached by
TRI rate	4.8	6.7	6.0	5.4	7.5	7.4	6.7	end of 2018

TRI (Total recordable incident) rate = number of incidents per one million hours worked.
[1] For own employees.
[2] As of January 2018 Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.
[3] Recalculated due to additional data after the Q1/2018 Interim Report.

During the quarter, safety performance improved and is continuing to move in the right direction.

Suppliers

Implementation of the Supplier Code of Conduct

Supplier Code of Conduct

	30 Jun 18	31 Mar 18	31 Dec 17	30 Jun 17	Target
% of supplier spend covered by the Supplier Code of Conduct[1]	95%	95%	95%	93%	95%

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

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

Human rights

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

Forests, plantations, and land use

Land occupations by the Social Landless Movements in Bahia, Brazil

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

	30 Jun 18	31 Mar 18	31 Dec 17	30 Jun 17
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 048	3 043	3 043	3 566

At the end of the second quarter, 3 048 hectares of productive land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the quarter, this area increased by 5 hectares due to an expansion of existing land occupation. Veracel continued to seek repossessions of occupied areas through legal processes. Veracel has voluntarily reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2017, the total land area owned by Veracel was 213 500 hectares, of which 75 000 hectares are planted with eucalyptus for pulp production.

Carbon dioxide

Science-based target (SBT) performance compared to 2010 base-year level[1]

	Q2/18	Q2/17	Q1/18	Q1–Q2/18	Q1–Q2/17	2017	Target	Target to be reached by
Reduction of fossil CO_2-e emissions per saleable tonne of pulp, paper and board (kg/t)	-27%	-25%	-9%	-18%	-21%	-21%	-31%	end of 2030

[1] Covering direct fossil CO_2-e emissions from production and indirect fossil CO_2-e emissions related to purchased electricity and heat (Scope 1 and 2). Excluding joint operations.

In December 2017, Stora Enso's Science Based Targets to combat global warming were approved by the Science Based Target Initiative. With the new targets, Stora Enso commits to reduce greenhouse gas (GHG) emissions from operations 31% per tonne of pulp, paper and board produced by 2030 from a 2010 base-year.

Other events

In May 2018, Stora Enso was reconfirmed for inclusion in the Euronext Vigeo World, Europe and Eurozone 120 indices as one of the 120 most advanced companies in terms of environmental, social, and governance performance.

Short-term risks and uncertainties

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

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

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

The Nordic wood supply situation is expected to continue tight due to the risk of forest fires effecting harvesting conditions. The wood supply situation is expected to impact the third quarter of 2018 negatively. Nordic wood costs have increased due to tight raw material supply.

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

Energy sensitivity analysis: the direct effect of a 10% increase in electricity, heat, oil and other fossil fuel market prices would have a negative impact of approximately EUR 15 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 194 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 135 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 55 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish krona and British pound against the euro would be about positive EUR 165 million, negative EUR 98 million and positive EUR 37 million annual impact, respectively. Weakening of the currencies would have the opposite impact. These numbers are before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

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

Legal proceedings

Contingent liabilities

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

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

Legal proceedings in Latin America

Veracel

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

Legal proceedings in Finland

Roundwood claim

In December 2009, the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011, Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to competition infringement. In its judgement rendered in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, UPM and Metsäliitto. Metsähallitus appealed against the District Court's judgment to the Helsinki Court of Appeal, which rendered its judgement in the matter in May 2018. In its judgement, the Court of Appeal dismissed Metsähallitus' appeal and upheld the District Court's judgement. The total amount of Metsähallitus' claims jointly and severally against Stora Enso, UPM and Metsäliitto in the Court of Appeal was approximately EUR 125 million and the secondary claim against Stora Enso was approximately EUR 68 million. The Court of Appeal's judgment is not final yet since Metsähallitus has announced that they will seek permission to appeal to the Supreme Court.

In addition, certain Finnish municipalities and private forest owners initiated similar legal proceedings against Stora Enso, UPM and Metsäliitto. In the autumn of 2017, the Helsinki District Court dismissed the claims of 486 private forest owners and 32 municipalities. The private forest owners did not appeal against the District Court's judgements. The municipalities appealed against the District Court's judgements to the Helsinki Court of Appeal but have withdrawn all their appeals in May-June 2018.

Legal proceedings in Sweden

Insurance Claim

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

Company Fine

In January 2018, a Swedish prosecutor filed a lawsuit against Stora Enso and its supplier, due to the forest fire in Västmanland, Sweden in 2014, claiming a company fine of SEK 5 million each. Both Stora Enso and the supplier have disputed the claim.

Share capital and shareholdings

During the second quarter of 2018, the conversions of 10 968 A shares into R shares were recorded in the Finnish trade register. On 30 June 2018, Stora Enso had 176 340 242 A shares and 612 279 745 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 237 568 216.

Decisions of Annual General Meeting 2018

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

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

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

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

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

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

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

Decisions by the Board of Directors

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

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

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

Events after the period

On 16 July, the conversion of 13 070 A shares into R shares was recorded in the Finnish trade register.

On 20 July, Stora Enso announced that it would set new targets levels for Net Debt / Operational EBITDA (<2.0) and Debt/equity Ratio (<0.6).

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.

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, 20 July 2018
Stora Enso Oyj
Board of Directors

Financials

Basis of Preparation

This unaudited interim financial report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Financial Report for 2017 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2018.

All figures in this Interim Report have been rounded to the nearest million, unless otherwise stated. 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 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 operational EBITDA definition (non-IFRS measure)

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

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

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

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

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

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

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

- The Group has adopted IFRS 9 *Financial Instruments* standard effective from 1 January 2018. The standard replaced IAS 39 *Financial instruments: Recognition and Measurement*. The standard includes revised requirements for recognition and measurement of financial assets and liabilities, impairment and general hedge accounting.

  The new impairment model for financial assets requires recognition of loss allowances based on the expected credit loss model. At the adoption of IFRS 9, the Group has updated its impairment methodology to be in line with IFRS 9. For trade receivables, simplified approach has been implemented and loss allowances are recognised based on expected lifetime credit losses. For receivables measured at amortised cost or fair value through other comprehensive income, general approach has been implemented with the loss allowance being recognised based on 12-month expected credit losses if there has not been a significant increase in credit risk since the initial recognition. As a result of the new impairment methodology, the Group recognised EUR 3 million negative pre-tax transition adjustment to the opening balance of retained earnings for 2018.

  The Group has evaluated its financial assets and liabilities based on the new classification and measurement criteria under IFRS 9. Stora Enso has categorised its financial assets to be measured at amortised cost, at fair value through other comprehensive income and at fair value through Income statement. For financial liabilities, the classification is based on amortised cost and fair value through Income Statement categories. On the date of initial application, 1 January 2018, the financial assets and liabilities of the Group were as follows:

Classification changes of financial instruments

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

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

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

Figures in the comparison periods have not been restated.

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

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

The Group has adopted the modified retrospective application of IFRS 15 from 1 January 2018, without adjusting prior reporting periods. The new guidance is applied only to contracts that are not completed at the adoption date. No adjustment to the opening balance of retained earnings has been made as there are no changes in the timing of the revenue recognition. As from 1 January 2018 non-significant amounts of transport and freight sales and silviculture services previously presented under Other operating income have been reclassified to the Sales line in the Consolidated Income Statement. In Q1-Q2/2018 the amount of these items was EUR 31 million. The previous year's figures have not been restated due to immateriality.

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

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

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

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

Condensed consolidated income statement

EUR million	Q2/18	Q2/17	Q1/18	Q1–Q2/18	Q1–Q2/17	2017
Sales	**2 664**	**2 528**	**2 579**	**5 243**	**5 025**	**10 045**
Other operating income	28	34	18	46	58	147
Change in inventories of finished goods and WIP	-2	-19	71	69	4	28
Materials and services	-1 530	-1 474	-1498	-3 028	-2 972	-5 945
Freight and sales commissions	-235	-245	-233	-468	-490	-968
Personnel expenses	-358	-354	-325	-683	-679	-1 331
Other operating expenses	-153	-140	-125	-277	-285	-551
Share of results of equity accounted investments	42	14	3	45	30	66
Change in net value of biological assets	-17	-20	-14	-31	-32	-72
Depreciation, amortisation and impairment charges	-121	-119	-121	-243	-261	-515
Operating Profit	**317**	**205**	**355**	**672**	**398**	**904**
Net financial items	-60	-60	-22	-82	-89	-162
Profit before Tax	**257**	**145**	**333**	**590**	309	**742**
Income tax	-44	-2	-60	-104	-59	-128
Net Profit for the Period	**213**	**143**	**273**	**486**	**250**	**614**
Attributable to:						
Owners of the Parent	221	146	274	495	260	625
Non-controlling interests	-8	-3	-1	-9	-10	-11
Net Profit for the Period	**213**	**143**	**273**	**486**	**250**	**614**
Earnings per Share						
Basic earnings per share, EUR	0.28	0.19	0.35	0.63	0.33	0.79
Diluted earnings per share, EUR	0.28	0.19	0.35	0.63	0.33	0.79

Consolidated statement of comprehensive income

EUR million	Q2/18	Q2/17	Q1/18	Q1–Q2/18	Q1–Q2/17	2017
Net profit/loss for the period	213	143	273	486	250	614
Other Comprehensive Income (OCI)						
Items that will Not be Reclassified to Profit and Loss						
Equity investments at fair value through other comprehensive income	**12**	**0**	-8	4	**0**	**0**
Actuarial gains and losses on defined benefit plans	0	0	0	0	0	61
Income tax relating to items that will not be reclassified	0	0	-1	-1	0	-10
	12	**0**	**-9**	**3**	0	**51**
Items that may be Reclassified Subsequently to Profit and Loss						
Share of OCI of EAIs that may be reclassified	1	2	1	2	3	5
Currency translation movements on equity net investments (CTA)	24	-176	-110	-86	-169	-288
Currency translation movements on non-controlling interests	0	-2	0	0	-2	-3
Net investment hedges	-16	21	8	-8	25	40
Cash flow hedges	-28	27	-35	-63	24	32
Cost of hedging - time value of options	-2	0	0	-2	0	0
Non-controlling interests' share of cash flow hedges	0	1	0	0	0	0
Available-for-sale investments	0	-22	0	0	-36	39
Income tax relating to items that may be reclassified	10	-8	6	16	-7	-10
	-11	**-157**	**-130**	**-141**	**-162**	**-185**
Total Comprehensive Income	**214**	**-14**	**134**	**348**	**88**	**480**
Attributable to:						
Owners of the Parent	222	-10	135	357	100	494
Non-controlling interests	-8	-4	-1	-9	-12	-14
Total Comprehensive Income	**214**	**-14**	**134**	**348**	**88**	**480**

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

Condensed consolidated statement of financial position

EUR million		30 Jun 18	31 Dec 17	30 Jun 17
Assets				
Goodwill	O	237	237	237
Other intangible assets	O	248	229	185
Property, plant and equipment	O	5 131	5 310	5 337
		5 616	**5 776**	**5 759**
Biological assets	O	449	448	465
Emission rights	O	30	12	15
Equity accounted investments	O	1 543	1 600	1 590
Listed securities	I	19	21	31
Unlisted securities	O	321	318	226
Non-current loan receivables	I	55	55	4
Deferred tax assets	T	110	154	191
Other non-current assets	O	50	50	50
Non-current Assets		**8 193**	**8 434**	**8 331**
Inventories	O	1 420	1 321	1 351
Tax receivables	T	14	9	11
Operative receivables	O	1 451	1 319	1 335
Interest-bearing receivables	I	66	80	63
Cash and cash equivalents	I	629	607	499
Current Assets		**3 580**	**3 336**	**3 259**
Total Assets		**11 773**	**11 770**	**11 590**
Equity and Liabilities				
Owners of the Parent		6 043	6 008	5 612
Non-controlling Interests		38	47	50
Total Equity		**6 081**	**6 055**	**5 662**
Post-employment benefit provisions	O	361	377	452
Other provisions	O	102	111	119
Deferred tax liabilities	T	140	166	197
Non-current debt	I	2 163	2 046	2 315
Other non-current operative liabilities	O	34	52	49
Non-current Liabilities		**2 800**	**2 752**	**3 132**
Current portion of non-current debt	I	382	370	395
Interest-bearing liabilities	I	657	596	607
Bank overdrafts	I	8	4	4
Other provisions	O	17	23	24
Other operative liabilities	O	1 786	1 888	1 701
Tax liabilities	T	42	82	65
Current Liabilities		**2 892**	**2 963**	**2 796**
Total Liabilities		**5 693**	**5 715**	**5 928**
Total Equity and Liabilities		**11 773**	**11 770**	**11 590**

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–Q2/18	Q1–Q2/17
Cash Flow from Operating Activities		
Operating profit	672	398
Hedging result from OCI	-	-4
Adjustments for non-cash items	271	285
Change in net working capital	-357	-140
Cash Flow Generated by Operations	**586**	**539**
Net financial items paid	-69	-127
Income taxes paid, net	-105	-46
Net Cash Provided by Operating Activities	**411**	**366**
Cash Flow from Investing Activities		
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	40	4
Proceeds from disposal of unlisted securities	1	-
Proceeds and advances from disposal of intangible assets and property, plant and equipment	4	39
Income taxes paid on disposal of property	-	-15
Capital expenditure	-241	-263
Proceeds from non-current receivables, net	4	5
Net Cash Used in Investing Activities	**-192**	**-230**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	371	359
Repayment of long-term debt	-243	-752
Change in short-term borrowings	-11	112
Dividends paid	-323	-292
Purchase of own shares[1]	-5	-3
Net Cash Provided by Financing Activities	**-212**	**-576**
Net Change in Cash and Cash Equivalents	**8**	**-440**
Translation adjustment	10	-14
Net cash and cash equivalents at the beginning of period	603	949
Net Cash and Cash Equivalents at Period End	**621**	**495**
Cash and Cash Equivalents at Period End	**629**	**499**
Bank Overdrafts at Period End	**-8**	**-4**
Net Cash and Cash Equivalents at Period End	**621**	**495**
Disposals		
Other intangible assets, property, plant and equipment and biological assets	36	
Net Assets in Divested Companies	**36**	**-**
Gain on sale, excluding CTA release and transaction costs	4	
Total Disposal Consideration	**40**	**-**
Cash part of consideration	40	
Non-cash/ not received part of consideration	-	-
Total Disposal Consideration	**40**	
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 2018.

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	Equity invest-ments through OCI	Available -for-Sale Invest-ments	Cash Flow Hedges	OCI of Equity Accounted Invest-ments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 31 December 2016	**1 342**	**77**	**633**	**-**	**4**	**-**	**162**	**-11**	**-19**	**-32**	**3 650**	**5 806**	**62**	**5 868**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	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 June 2017	**1 342**	**77**	**633**	**-**	**4**	**-**	**128**	**9**	**-16**	**-181**	**3 616**	**5 612**	**50**	**5 662**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	365	365	-1	364
OCI before tax	-	-	-	-	-	-	75	8	2	-104	61	42	-1	41
Income tax relating to components of OCI	-	-	-	-	-	-	2	-2	-	-3	-10	-13	-	-13
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**77**	**6**	**2**	**-107**	**416**	**394**	**-2**	**392**
Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-1	-1
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	2	2	-	2
Balance at 31 December 2017	**1 342**	**77**	**633**	**-**	**4**	**-**	**205**	**15**	**-14**	**-288**	**4 034**	**6 008**	**47**	**6 055**
Adoption of IFRS 2 and IFRS 9[1]	-	-	-	-	-	205	-205				8	8		8
Balance at 1 January 2018	**1 342**	**77**	**633**	**-**	**4**	**205**	**-**	**15**	**-14**	**-288**	**4 042**	**6 016**	**47**	**6 063**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	495	495	-9	486
OCI before tax	-	-	-	-	-	4	-	-65	2	-94	-	-153	-	-153
Income tax relating to components of OCI	-	-	-	-	-	-	-	14	-	2	-1	15	-	15
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**-50**	**2**	**-93**	**494**	**357**	**-9**	**348**
Dividend	-	-	-	-	-	-	-	-	-	-	-323	-323	-	-323
Purchase of treasury shares	-	-	-	-5	-	-	-	-	-	-	-	-5	-	-5
Share-based payments	-	-	-	5	-	-	-	-	-	-	-7	-2	-	-2
Balance at 30 June 2018	**1 342**	**77**	**633**	**-**	**4**	**209**	**-**	**-35**	**-12**	**-381**	**4 206**	**6 043**	**38**	**6 081**

[1] See Basis of Preparation relating to new and amended standards applied to annual periods beginning in January 2018.
CTA = Cumulative Translation Adjustment
OCI = Other Comprehensive Income
NCI = Non-controlling Interests

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

EUR million	Q1–Q2/18	Q1–Q2/17	2017
Carrying value at 1 January	6 224	6 518	6 518
Additions in tangible and intangible assets	167	182	560
Additions in biological assets	41	42	80
Costs related to growth of biological assets	-28	-30	-66
Disposals	-9	-9	-12
Disposals of subsidiary companies	-30	0	-3
Depreciation and impairment	-243	-261	-515
Fair valuation of biological assets	-3	-2	-6
Translation difference and other	-53	-216	-332
Statement of Financial Position Total	**6 065**	**6 224**	**6 224**

Borrowings

EUR million	30 Jun 18	30 Jun 17	31 Dec 17
Bond loans	1 519	1 389	1 352
Loans from credit institutions	1 019	1 258	1 029
Finance lease liabilities	1	53	29
Other non-current liabilities	6	10	6
Non-current Debt including Current Portion	**2 545**	**2 710**	**2 416**
Short-term borrowings	520	547	525
Interest payable	28	32	35
Derivative financial liabilities	109	28	36
Bank overdrafts	8	4	4
Total Interest-bearing Liabilities	**3 210**	**3 321**	**3 016**

EUR million	Q1–Q2/18	Q1–Q2/17	2017
Carrying value at 1 January	3 016	3 774	3 774
Proceeds of new long-term debt	371	359	425
Repayment of long-term debt	-243	-752	-1 034
Change in short-term borrowings and interest payable	-12	73	54
Change in derivative financial liabilities	73	-29	-21
Translation differences and other	5	-104	-182
Total Interest-bearing Liabilities	**3 210**	**3 321**	**3 016**

Commitments and contingencies

EUR million	30 Jun 18	31 Dec 17	30 Jun 17
On Own Behalf			
Mortgages	2	2	6
On Behalf of Equity Accounted Investments			
Guarantees	4	4	4
On Behalf of Others			
Guarantees	24	26	32
Other commitments	14	-	-
Other Commitments, Own			
Operating leases, in next 12 months	87	81	81
Operating leases, after next 12 months	654	644	675
Pension liabilities	-	-	1
Other commitments	6	6	6
Total	**791**	**763**	**805**
Mortgages	2	2	6
Guarantees	28	30	36
Operating leases	741	725	756
Pension liabilities	-	-	1
Other commitments	20	6	6
Total	**791**	**763**	**805**

Capital Commitments

The Group's direct capital expenditure contracts amounted to EUR 128 million (compared with EUR 158 million on 30 June 2017 and EUR 152 million on 31 December 2017). These amounts include the Group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	691	646	2 516	636	639	630	611
Packaging Solutions	329	333	1 255	334	318	313	290
Biomaterials	413	394	1 483	364	379	371	369
Wood Products	430	393	1 669	398	415	440	416
Paper	754	772	2 920	726	727	719	748
Other	844	838	2 490	618	593	628	651
Inter-segment sales	-797	-797	-2 288	-565	-562	-573	-588
Total	**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

Disaggregation of revenue

EUR million	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Product sales	2 626	2 547	9 957	2 489	2 486	2 507	2 475
Service sales[1]	38	32	88	22	23	21	22
Total	**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

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

[1] As from 1 January 2018, transport and freight sales and silviculture services in Finland previously presented under other operating income are presented in sales. In Q1–Q2/2018, the amount of the external sales items was EUR 31 million at Group level, in addition to the internal service sales eliminations. The previous periods have not been restated due to immateriality.

Product and Service sales by segment

EUR million		Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	Product sales	688	643	2 505	633	636	628	608
	Service sales	3	3	11	3	3	2	3
Packaging Solutions	Product sales	328	332	1 251	333	317	312	289
	Service sales	1	1	4	1	1	1	1
Biomaterials	Product sales	407	387	1 453	357	371	364	361
	Service sales	6	7	30	7	8	7	8
Wood Products	Product sales	429	392	1 667	398	415	439	415
	Service sales	1	1	2	-	-	1	1
Paper	Product sales	748	767	2 910	724	726	716	744
	Service sales	7	5	10	2	1	3	4
Other	Product sales	587	599	2 240	551	528	566	595
	Service sales	257	239	250	67	65	62	56
Inter-segment sales	Product sales	-562	-573	-2 069	-507	-507	-518	-537
	Service sales	-236	-224	-219	-58	-55	-55	-51
Total		**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

Operational EBIT by segment

EUR million	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	65	91	285	69	86	69	61
Packaging Solutions	57	61	170	58	48	40	24
Biomaterials	109	102	264	61	88	62	53
Wood Products	47	29	111	25	29	35	22
Paper	54	69	128	46	29	11	42
Other	-5	17	46	21	10	2	13
Operational EBIT	**327**	**369**	**1 004**	**280**	**290**	**219**	**215**
Fair valuations and non-operational items[1]	17	-14	-16	-15	0	-6	5
Items affecting comparability	-28	0	-84	-29	-20	-8	-27
Operating Profit (IFRS)	**317**	**355**	**904**	**236**	**270**	**205**	**193**
Net financial items	-60	-22	-162	-27	-46	-60	-29
Profit before Tax	**257**	**333**	**742**	**209**	**224**	**145**	**164**
Income tax expense	-44	-60	-128	-36	-33	-2	-57
Net Profit	**213**	**273**	**614**	**173**	**191**	**143**	**107**

[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	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Impairments and reversals of intangible assets, PPE and biological assets	0	0	-8	-5	0	0	-3
Restructuring costs excluding fixed asset impairments	0	0	-14	0	0	0	-14
Disposals	-28	0	-28	-8	-20	0	0
Other	0	0	-34	-16	0	-8	-10
Total IAC	**-28**	**0**	**-84**	**-29**	**-20**	**-8**	**-27**
Fair valuations and non-operational items	17	-14	-16	-15	0	-6	5
Total	**-11**	**-14**	**-100**	**-44**	**-20**	**-14**	**-22**

Items affecting comparability (IAC) by segment

EUR million	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	0	0	-30	1	-20	-8	-3
Packaging Solutions	0	0	-3	0	0	0	-3
Biomaterials	0	0	-3	0	0	0	-3
Wood Products	0	0	-9	-9	0	0	0
Paper	0	0	-22	-4	0	0	-18
Other	-28	0	-17	-17	0	0	0
IAC on Operating Profit	**-28**	**0**	**-84**	**-29**	**-20**	**-8**	**-27**
IAC on tax	0	0	11	4	0	1	6
IAC on Net Profit	**-28**	**0**	**-73**	**-25**	**-20**	**-7**	**-21**
Attributable to:							
Owners of the Parent	-28	0	-73	-25	-20	-7	-21
Non-controlling interests	0	0	0	0	0	0	0
IAC on Net Profit	**-28**	**0**	**-73**	**-25**	**-20**	**-7**	**-21**

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

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

[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	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	65	90	253	70	66	60	57
Packaging Solutions	56	60	166	58	48	40	20
Biomaterials	106	101	254	61	84	60	49
Wood Products	47	28	102	17	29	35	21
Paper	58	70	106	42	29	11	24
Other	-16	6	23	-12	14	-1	22
Operating Profit (IFRS)	**317**	**355**	**904**	**236**	**270**	**205**	**193**
Net financial items	-60	-22	-162	-27	-46	-60	-29
Profit before Tax	**257**	**333**	**742**	**209**	**224**	**145**	**164**
Income tax expense	-44	-60	-128	-36	-33	-2	-57
Net Profit	**213**	**273**	**614**	**173**	**191**	**143**	**107**

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	30 Jun 18	31 Dec 17	30 Jun 18	31 Dec 17
SEK	10.4530	9.8438	10.1519	9.6369
USD	1.1658	1.1993	1.2108	1.1293
GBP	0.8861	0.8872	0.8797	0.8761

Transaction risk and hedges in main currencies as at 30 June 2018

EUR million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 650	-980	370
Transaction hedges as at 30 June 2018	-850	610	-180
Hedging percentage as at 30 June 2018 for the next 12 months	**52%**	**62%**	**49%**

For the next 13–24 months, 19% of the estimated exposure in SEK is hedged.

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	165
SEK	-98
GBP	37

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

Fair Values of Financial Instruments

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

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

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

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 30 June 2018

EUR million	Amortised cost	Fair value through OCI	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Assets						
Listed securities	-	19	-	-	19	19
Unlisted securities	-	314	8	-	321	321
Non-current loan receivables	55	-	-	-	55	55
Trade and other operative receivables	1 037	54	-	-	1 091	1 091
Interest-bearing receivables	4	-	13	50	66	66
Cash and cash equivalents	629	-	-	-	629	629
Total	**1 724**	**387**	**20**	**50**	**2 181**	**2 181**

EUR million	Amortised cost	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Liabilities					
Non-current debt	2 163	-	-	2 163	2 450
Current portion of non-current debt	382	-	-	382	382
Interest-bearing liabilities	548	12	97	657	657
Trade and other operative payables	1 460	20	-	1 481	1 481
Bank overdrafts	8	-	-	8	8
Total	**4 562**	**32**	**97**	**4 691**	**4 978**

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

EUR million	Level 1	Level 2	Level 3	Total
Listed securities	19	-	-	19
Unlisted securities	-	-	321	321
Trade and other operative receivables	-	54	-	54
Derivative financial assets	-	63	-	63
Total financial assets	**19**	**117**	**321**	**457**
Trade and other operative liabilities	-	-	20	20
Derivative financial liabilities	-	109	-	109
Total financial liabilities	**-**	**109**	**20**	**129**

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

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

EUR million	Financial Items at Fair Value through Income Statement	Hedging Derivatives	Measured at Amortised Cost	Carrying Amounts	Fair Value
Financial Liabilities					
Non-current debt	-	-	2 046	2 046	2 357
Current portion of non-current debt	-	-	370	370	370
Interest-bearing liabilities	4	32	560	596	596
Trade and other operative payables	20	-	1 576	1 596	1 596
Bank overdrafts	-	-	4	4	4
Carrying Amount by Category	**24**	**32**	**4 556**	**4 612**	**4 923**

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

Reconciliation of level 3 fair value measurement of financial assets and liabilities: 30 June 2018

EUR million	Q1–Q2/18	2017	Q1–Q2/17
Financial assets			
Opening balance at 1 January	318	253	253
Gains/losses recognised in income statement	-2	-2	-1
Gains/losses recognised in other comprehensive income	6	60	-26
Additions	-	7	-
Disposals	-1	-	-
Closing Balance	**321**	**318**	**226**

EUR million	Q1–Q2/18	2017	Q1–Q2/17
Financial liabilities			
Opening balance at 1 January	20	23	23
Gains/losses recognised in income statement	-	-3	-2
Closing Balance	**20**	**20**	**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 3.99% 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 +40 million and -40 million, respectively. A +/- 1%-point change in the discount rate would change the valuation by EUR -46 million and +77 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	**R share**	**A share**	**R share**
April	141 158	48 262 861	219 154	7 328 912
May	80 031	38 198 290	136 149	7 623 810
June	1 485 092	56 329 515	150 548	5 672 398
Total	**1 706 281**	**142 790 666**	**505 851**	**20 625 120**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	**R share**	**A share**	**R share**
April	16.75	16.44	175.00	172.40
May	17.60	17.51	185.00	179.60
June	16.95	16.76	175.50	174.80

Average number of shares

Million	Q2/18	Q2/17	Q1/18	Q1–Q2/18	Q1–Q2/17	2017
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	789.8	789.9	789.9	789.9	790.0

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 operational decrease in the value of biological assets, fixed asset depreciation and impairment, IACs and fair valuations. The definition includes the respective items of subsidiaries, joint arrangements and equity accounted investments.
Net debt/last 12 months' operational EBITDA ratio		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

[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 Q3/2018 results will be published on

26 October 2018

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