

## Stora Enso Interim Review January–June 2014

**Significant operational earnings improvement continues; fixed cost reduction programme target clearly exceeded**

### Q2/2014 (compared with Q2/2013)\*

- Sales EUR 2 579 (EUR 2 726) million, EUR 147 million lower than a year ago, partly due to structural decline in demand for paper.
- Operational EBIT EUR 209 (EUR 124) million, an increase of EUR 85 million due to lower fixed and variable costs. Renewable Packaging and Building and Living continued to perform strongly.
- Non-recurring items EUR -106 million including planned closure of Corbehem Mill and divestment of Uetersen Mill.
- EPS excluding NRI EUR 0.13 (EUR 0.05).
- Cash flow from operations EUR 288 (EUR 317) million, cash flow after investing activities EUR 29 (EUR 117) million.
- Net debt to operational EBITDA 2.8 (3.2), liquidity remained strong at EUR 1.6 (1.9) billion.
- Operational ROCE 9.8 (5.4)%.

### Q1–Q2/2014 (compared with Q1–Q2/2013)\*

- Sales EUR 5 147 (EUR 5 398) million, operational EBIT EUR 391 (EUR 242) million due to lower costs and lower depreciation.

### Transformation

- Montes del Plata Pulp Mill in Uruguay started up in early June, with first shipments to customers in mid-July. In 2014 Stora Enso's share of its production expected to be 300 000–350 000 tonnes, about 50 000 tonnes less than previously anticipated.
- Consumer board machine investment in Guangxi, China proceeding as planned.
- Varkaus Mill fine paper machine in Finland to be converted to produce virgin-fibre-based containerboard.
- Stora Enso acquired 100% of the US-based biotechnology company Viridia for Biomaterials in order to enable a step-change entry into high-value renewable materials technologies.

### Restructuring

- The streamlining and structure simplification programme announced in April 2013 completed and annualised cost savings of EUR 244 million versus 2012 cost base achieved exceeding the original target by EUR 44 million or 22%.
- Non-core asset divestments are proceeding. Divestment of Uetersen Mill in Germany announced, subject to approval from regulatory authorities.
- Social plan for Corbehem Mill in France agreed and mill closure plan announced.

### Global Responsibility

- New quarterly Global Responsibility section on pages 10–12.

### Outlook

Q3/2014 sales are forecast to be roughly similar to the EUR 2 579 million and operational EBIT similar to or slightly lower than the strong EUR 209 million in Q2/2014. All segments are scheduled to have maintenance shutdowns during Q3/2014. The maintenance impact in Q3/2014 is expected to be approximately EUR 30 million higher than in Q2/2014.

\* Data for the comparative periods in 2013 have been restated following adoption of the new IFRS 10 Consolidated Financial Statements,



IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities standards. Data for the comparative periods have been restated in all tables affected. For further details, see Basis of Preparation on page 16.

## Key Figures\*

| EUR million                                     | Q2/14  | Q2/13  | Change %        |        | Change %        |              | Change %     |                       | 2013   |
|-------------------------------------------------|--------|--------|-----------------|--------|-----------------|--------------|--------------|-----------------------|--------|
|                                                 |        |        | Q2/14–<br>Q2/13 | Q1/14  | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–Q2/14–<br>Q1–Q2/13 |        |
| Sales                                           | 2 579  | 2 726  | -5.4            | 2 568  | 0.4             | 5 147        | 5 398        | -4.6                  | 10 563 |
| Operational EBITDA                              | 326    | 257    | 26.8            | 302    | 7.9             | 628          | 511          | 22.9                  | 1 090  |
| Operational EBITDA margin, %                    | 12.6   | 9.4    |                 | 11.8   |                 | 12.2         | 9.5          |                       | 10.3   |
| Operational EBIT                                | 209    | 124    | 68.5            | 182    | 14.8            | 391          | 242          | 61.6                  | 578    |
| Operational EBIT margin, %                      | 8.1    | 4.5    |                 | 7.1    |                 | 7.6          | 4.5          |                       | 5.5    |
| Operating profit (IFRS)                         | 85     | 83     | 2.4             | 195    | -56.4           | 280          | 104          | 169.2                 | 50     |
| Operating margin (IFRS), %                      | 3.3    | 3.0    |                 | 7.6    |                 | 5.4          | 1.9          |                       | 0.5    |
| Profit before tax excl. NRI                     | 145    | 57     | 154.4           | 106    | 36.8            | 251          | 113          | 122.1                 | 350    |
| Profit/loss before tax                          | 39     | 24     | 62.5            | 130    | -70.0           | 169          | -11          | n/m                   | -189   |
| Net profit/loss for the period                  | 1      | 21     | -95.2           | 100    | -99.0           | 101          | 5            | n/m                   | -71    |
| Capital expenditure                             | 173    | 184    | -6.0            | 101    | 71.3            | 274          | 314          | -12.7                 | 760    |
| Depreciation and impairment charges excl. NRI   | 134    | 154    | -13.0           | 139    | -3.6            | 273          | 310          | -11.9                 | 603    |
| Operational ROCE, %                             | 9.8    | 5.4    |                 | 8.6    |                 | 9.2          | 5.3          |                       | 6.5    |
| Earnings per share (EPS) excl. NRI, EUR         | 0.13   | 0.05   |                 | 0.09   |                 | 0.22         | 0.12         |                       | 0.40   |
| EPS (basic), EUR                                | 0.00   | 0.02   |                 | 0.13   |                 | 0.13         | 0.00         |                       | -0.07  |
| Cash earnings per share (CEPS) excl. NRI, EUR   | 0.30   | 0.25   |                 | 0.27   |                 | 0.57         | 0.52         |                       | 1.16   |
| CEPS, EUR                                       | 0.19   | 0.21   |                 | 0.31   |                 | 0.50         | 0.44         |                       | 1.21   |
| Return on equity (ROE), %                       | 0.1    | 1.5    |                 | 7.5    |                 | 3.8          | 0.2          |                       | -1.3   |
| Debt/equity ratio                               | 0.66   | 0.68   |                 | 0.60   |                 | 0.66         | 0.68         |                       | 0.61   |
| Net debt/last twelve months' operational EBITDA | 2.8    | 3.2    |                 | 2.8    |                 | 2.8          | 3.2          |                       | 2.9    |
| Equity per share, EUR                           | 6.46   | 6.67   |                 | 6.70   |                 | 6.46         | 6.67         |                       | 6.61   |
| Equity ratio, %                                 | 40.3   | 38.7   |                 | 39.7   |                 | 40.3         | 38.7         |                       | 39.2   |
| Average number of employees                     | 29 704 | 29 357 | 1.2             | 28 813 | 3.1             | 29 162       | 29 011       | 0.5                   | 28 921 |
| Average number of shares (million)              |        |        |                 |        |                 |              |              |                       |        |
| 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                             | 789.5  | 788.6  |                 | 789.6  |                 | 789.0        | 788.6        |                       | 788.6  |
| TRI rate*                                       | 11.0   | 13.4   | -17.9           | 13.8   | -20.3           | 12.4         | 15.4         | -19.5                 | 14.0   |
| LTA rate*                                       | 4.3    | 5.7    | -24.6           | 5.8    | -25.9           | 5.1          | 6.7          | -23.9                 | 6.0    |

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**Operational EBIT** comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity accounted investments (EAI). Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights and valuations of biological assets and the Group's share of tax and net financial items of EAI.

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

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

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

## Stora Enso Deliveries and Production

|                                                              | Q2/14 | Q2/13 | Change %<br>Q2/14–<br>Q2/13 | Q1/14 | Change %<br>Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Change %<br>Q1–Q2/14–<br>Q1–Q2/13 | 2013  |
|--------------------------------------------------------------|-------|-------|-----------------------------|-------|-----------------------------|--------------|--------------|-----------------------------------|-------|
| Paper and board deliveries<br>(1 000 tonnes)                 | 2 363 | 2 508 | -5.8                        | 2 395 | -1.3                        | 4 758        | 5 004        | -4.9                              | 9 898 |
| Paper and board production<br>(1 000 tonnes)                 | 2 352 | 2 496 | -5.8                        | 2 458 | -4.3                        | 4 810        | 5 015        | -4.1                              | 9 911 |
| Wood products deliveries<br>(1 000 m <sup>3</sup> )          | 1 265 | 1 345 | -5.9                        | 1 159 | 9.1                         | 2 424        | 2 492        | -2.7                              | 4 930 |
| Market pulp deliveries<br>(1 000 tonnes)*                    | 299   | 303   | -1.3                        | 310   | -3.5                        | 609          | 591          | 3.0                               | 1 180 |
| Corrugated packaging<br>deliveries (million m <sup>2</sup> ) | 272   | 271   | 0.4                         | 262   | 3.8                         | 534          | 531          | 0.6                               | 1 086 |

### Reconciliation of Operational Profitability

| EUR million                                            | Q2/14      | Q2/13      | Change %<br>Q2/14–<br>Q2/13 | Q1/14      | Change %<br>Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Change %<br>Q1–Q2/14–<br>Q1–Q2/13 | 2013         |
|--------------------------------------------------------|------------|------------|-----------------------------|------------|-----------------------------|--------------|--------------|-----------------------------------|--------------|
| <b>Operational EBITDA</b>                              | <b>326</b> | <b>257</b> | <b>26.8</b>                 | <b>302</b> | <b>7.9</b>                  | <b>628</b>   | <b>511</b>   | <b>22.9</b>                       | <b>1 090</b> |
| Equity accounted<br>investments (EAI),<br>operational* | 17         | 21         | -19.0                       | 19         | -10.5                       | 36           | 41           | -12.2                             | 91           |
| Depreciation and<br>impairment excl. NRI               | -134       | -154       | 13.0                        | -139       | 3.6                         | -273         | -310         | 11.9                              | -603         |
| <b>Operational EBIT</b>                                | <b>209</b> | <b>124</b> | <b>68.5</b>                 | <b>182</b> | <b>14.8</b>                 | <b>391</b>   | <b>242</b>   | <b>61.6</b>                       | <b>578</b>   |
| Fair valuations and non-<br>operational items**        | -18        | -8         | -125.0                      | -11        | -63.6                       | -29          | -14          | -107.1                            | 11           |
| Non-recurring items                                    | -106       | -33        | -221.2                      | 24         | n/m                         | -82          | -124         | 33.9                              | -539         |
| <b>Operating Profit (IFRS)</b>                         | <b>85</b>  | <b>83</b>  | <b>2.4</b>                  | <b>195</b> | <b>-56.4</b>                | <b>280</b>   | <b>104</b>   | <b>169.2</b>                      | <b>50</b>    |

\* Group's share of operational EBIT of equity accounted investments (EAI).

\*\* Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights and valuations of biological assets and Group's share of tax and net financial items of EAI.

## SECOND QUARTER 2014 RESULTS (compared with second quarter 2013)

### Breakdown of Sales Change Q2/2013 to Q2/2014

|                                    | Sales        |
|------------------------------------|--------------|
| <b>Q2/13, EUR million</b>          | <b>2 726</b> |
| Price and mix, %                   | -            |
| Currency, %                        | -1           |
| Volume, %                          | -1           |
| Other sales*, %                    | -1           |
| Total before structural changes, % | -3           |
| Structural changes**, %            | -2           |
| Total, %                           | -5           |
| <b>Q2/14, EUR million</b>          | <b>2 579</b> |

\* Wood, energy, paper for recycling, by-products etc.

\*\* Asset closures, major investments, divestments and acquisitions

Group sales at EUR 2 579 million were EUR 147 million lower than a year ago partly due to structural changes in Printing and Reading. Operational EBIT at EUR 209 million was EUR 85 million higher than a year ago due to the successful fixed cost reduction programme clearly exceeding the target and lower variable costs. The operational EBIT margin in the quarter was 8.1% (4.5%).

Slightly higher sales prices in local currencies, mainly in Renewable Packaging, increased operational EBIT by EUR 12 million. Lower volumes, mainly due to paper machine closures, decreased operational EBIT by EUR 16 million. Paper and board production was curtailed by 8% (9%) to manage inventories.

Variable costs decreased by EUR 34 million due to good operational efficiency and lower energy prices. Completion of the streamlining and structure simplification programme reduced fixed costs by EUR 37 million. Depreciation was EUR 20 million lower, mainly due to fixed asset impairments recorded in the fourth quarter of

2013.

The average number of employees in the second quarter was 1 750 lower in Europe, excluding the increase of 1 000 people due to the Efora acquisition in 2013, and 1 170 higher in China than a year earlier. The average number of employees in the second quarter of 2014 was 350 higher than a year earlier at 29 700.

The Group recorded non-recurring items (NRI) with a negative net impact of approximately EUR 106 million on operating profit and a positive impact of approximately EUR 1 million on income tax in its second quarter 2014 results. The NRI include a EUR 81 million cost related to planned permanent closure of the loss-making Corbehem Mill in France, based on the French legal requirements. The total operational EBITDA of the unit since Stora Enso began seeking a purchaser for the mill in October 2012, prior to the planned closure, was negative EUR 34 million. The other NRI are a cost due to the ongoing disposal of Uetersen Mill in Germany (EUR 34 million), a cost due to termination of an agreement in logistics operations (EUR 9 million) and an income due to land swap arrangements in the Group's equity accounted investment Bergvik Skog (EUR 18 million).

Net financial expenses at EUR 46 million were EUR 13 million lower than a year ago. Net interest expenses were EUR 8 million lower due to lower debt levels and higher interest income from deposits in China. The fair valuation of interest rate derivatives had a negative impact of EUR 16 million. The net foreign exchange impact in the second quarter in respect of cash, interest-bearing assets and liabilities and related hedges was a gain of EUR 15 (loss EUR 22) million. A gain of EUR 12 million from the sale of a loan receivable from the equity accounted investments Bergvik Skog and Tornator was recorded in the second quarter of 2013.

#### **Breakdown of Capital Employed Change 30 June 2013 to 30 June 2014**

|                                                              | <b>Capital Employed</b> |
|--------------------------------------------------------------|-------------------------|
| <b>30 Jun 13, EUR million</b>                                | <b>8 906</b>            |
| Capital expenditure less depreciation                        | 142                     |
| Impairments and reversal of impairments                      | -581                    |
| Valuation of biological assets                               | 185                     |
| Available-for-sale: operative (mainly PVO)                   | 97                      |
| Equity accounted investments                                 | 138                     |
| Net liabilities in defined benefit plans                     | 62                      |
| Operative working capital and other interest-free items, net | -226                    |
| Net tax liabilities                                          | 38                      |
| Translation difference                                       | -216                    |
| Other changes                                                | 35                      |
| <b>30 Jun 14, EUR million</b>                                | <b>8 580</b>            |

The operational return on capital employed was 9.8% (5.4%). Excluding the ongoing strategic investments in Biomaterials and Renewable Packaging the operational return on capital employed would have been 12.7% (6.7%).

#### **January–June 2014 Results (compared with January–June 2013)**

Sales at EUR 5 147 million were EUR 251 million lower year-on-year mainly due to structural changes in Printing and Reading. Operational EBIT increased by EUR 149 million to EUR 391 million due to clearly lower variable and fixed costs. Depreciation was EUR 40 million lower due to fixed asset impairments recorded in the fourth quarter of 2013, but this impact was offset by lower paper sales volumes.

## SECOND QUARTER 2014 RESULTS (compared with first quarter 2014)

Sales were EUR 11 million higher at EUR 2 579 million and operational EBIT was EUR 27 million higher at EUR 209 million, as anticipated. Variable costs, especially for energy, decreased seasonally by EUR 18 million due to better operating efficiency and lower prices. Fixed costs were unchanged. Sales prices in local currencies were seasonally higher in wood products, and sales volumes were higher in packaging products but lower in paper products.

### Capital Structure

| EUR million                                 | 30 Jun 14    | 31 Mar 14    | 31 Dec 13    | 30 Jun 13    |
|---------------------------------------------|--------------|--------------|--------------|--------------|
| Operative fixed assets*                     | 6 856        | 6 770        | 6 824        | 7 130        |
| Equity accounted investments                | 1 068        | 980          | 1 013        | 982          |
| Operative working capital, net              | 1 340        | 1 337        | 1 179        | 1 518        |
| Non-current interest-free items, net        | -543         | -467         | -466         | -535         |
| <b>Operating Capital Total</b>              | <b>8 721</b> | <b>8 620</b> | <b>8 550</b> | <b>9 095</b> |
| Net tax liabilities                         | -141         | -101         | -86          | -189         |
| <b>Capital Employed</b>                     | <b>8 580</b> | <b>8 519</b> | <b>8 464</b> | <b>8 906</b> |
| Equity attributable to owners of the Parent | 5 093        | 5 286        | 5 213        | 5 261        |
| Non-controlling interests                   | 151          | 68           | 60           | 88           |
| Net interest-bearing liabilities            | 3 336        | 3 165        | 3 191        | 3 557        |
| <b>Financing Total</b>                      | <b>8 580</b> | <b>8 519</b> | <b>8 464</b> | <b>8 906</b> |

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

### Financing for Second Quarter 2014 (compared with first quarter 2014)

Total unutilised committed credit facilities were unchanged at EUR 700 million, and cash and cash equivalents net of overdrafts remained strong at EUR 1 552 million, which is EUR 464 million less than for the previous quarter. In addition, Stora Enso has access to various long-term sources of funding up to EUR 1 050 (EUR 1 100) million. The decrease in cash and cash equivalents during the quarter is due mainly to repayment of bond notes with a nominal value of EUR 258 million, payment of EUR 237 million of dividend, acquisition of additional shares in the equity accounted investment Bergvik Skog for EUR 97 million, acquisition of the US-based biotechnology company Virdia for EUR 17 million and capital expenditure for the quarter of EUR 162 million, partly offset by cash flow generation from operating activities.

The ratio of net debt to the last twelve months' operational EBITDA was 2.8 (2.8).

The net debt/equity ratio at 30 June 2014 was 0.66 (0.60). The increase is primarily due the EUR 237 million dividend payment made during the second quarter of 2014 and EUR 97 million spent on acquisition of additional Bergvik Skog shares. This transaction underlines Stora Enso's long-term engagement in Bergvik Skog and the importance to Stora Enso of securing stable access to wood raw material near the Swedish mills.

### Cash Flow

| EUR million                                          | Q2/14      | Q2/13      | Change %        |            | Change %        |              | Change %     |                           | 2013         |
|------------------------------------------------------|------------|------------|-----------------|------------|-----------------|--------------|--------------|---------------------------|--------------|
|                                                      |            |            | Q2/14–<br>Q2/13 | Q1/14      | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–<br>Q2/14–<br>Q1–Q2/13 |              |
| Operational EBITDA                                   | 326        | 257        | 26.8            | 302        | 7.9             | 628          | 511          | 22.9                      | 1 090        |
| NRI on operational EBITDA                            | -111       | -43        | -158.1          | -18        | n/m             | -129         | -94          | -37.2                     | 37           |
| Dividends received from equity accounted investments | 17         | 7          | 142.9           | -          | 100.0           | 17           | 18           | -5.6                      | 38           |
| Other adjustments                                    | 10         | 8          | 25.0            | 6          | 66.7            | 16           | -11          | 245.5                     | -178         |
| Change in working capital                            | 46         | 88         | -47.7           | -138       | 133.3           | -92          | 19           | n/m                       | 265          |
| <b>Cash Flow from Operations</b>                     | <b>288</b> | <b>317</b> | <b>-9.1</b>     | <b>152</b> | <b>89.5</b>     | <b>440</b>   | <b>443</b>   | <b>-0.7</b>               | <b>1 252</b> |
| Cash spent on fixed and biological assets            | -162       | -170       | 4.7             | -132       | -22.7           | -294         | -342         | 14.0                      | -740         |
| Acquisitions of equity accounted investments         | -97        | -30        | -223.3          | -          | -100.0          | -97          | -30          | -223.3                    | -31          |
| <b>Cash Flow after Investing Activities</b>          | <b>29</b>  | <b>117</b> | <b>-75.2</b>    | <b>20</b>  | <b>45.0</b>     | <b>49</b>    | <b>71</b>    | <b>-31.0</b>              | <b>481</b>   |

### Cash Flow for Second Quarter 2014

Second quarter 2014 cash flow after investing activities remained positive at EUR 29 million. Inventories decreased by EUR 60 million, receivables decreased by EUR 40 million and payables decreased by EUR 100 million. New restructuring provisions decreased working capital by EUR 70 million. Payments related to the previously announced restructuring provisions were EUR 20 million.

### Capital Expenditure for January–June 2014

Additions to fixed and biological assets in the first half of 2014 totalled EUR 274 million, which is equal to depreciation in the same period. Investments in fixed assets and biological assets had a cash outflow impact of EUR 294 million in the first half of 2014.

The main projects ongoing during the first half of 2014 were Montes del Plata (MdP) Pulp Mill in Uruguay and the board machine project in Guangxi, China. Additional capital expenditure related to MdP of approximately EUR 30 million is expected in addition to the EUR 95 million already spent in the first half of 2014.

### Capital Expenditure, Equity Injections and Depreciation Forecast 2014\*

| EUR million         | Forecast 2014  |
|---------------------|----------------|
| Capital expenditure | 760–840        |
| Equity injections   | 30             |
| <b>Total</b>        | <b>790–870</b> |
| Depreciation        | 550–580        |

\* Capital expenditure includes approximately EUR 300 million for the project in Guangxi, China. These figures do not include the acquisition of Bergvik Skog and Virdia shares.

### Streamlining and Structure Simplification Programme

The streamlining and structure simplification programme announced in April 2013 has been completed. The annualised cost savings of EUR 244 million versus 2012 cost base exceeded the original target by EUR 44 million or 22%. The targeted EUR 200 million savings were already reached during the first quarter of 2014, one quarter earlier than originally planned.

Due to the programme, about 2 270 employees left the Group by the end of the second quarter of 2014.

### Near-term Outlook

In the third quarter of 2014 sales are forecast to be roughly similar to the EUR 2 579 million and operational EBIT similar to or slightly lower than the strong EUR 209 million in the second quarter of 2014. All segments are scheduled to have maintenance shutdowns during the third quarter. The maintenance impact in the third quarter of 2014 is expected to be approximately EUR 30 million higher than in the second quarter.

## SEGMENTS IN SECOND QUARTER 2014 (compared with second quarter 2013)

### Printing and Reading

*Printing and Reading, part of the Printing and Living Division, is a world-class responsible supplier of paper from renewable sources for print media and office use. Its wide offering serves publishers, retailers, printing houses, merchants, converters and office suppliers, among others. Printing and Reading produces newsprint, book paper, SC paper, coated paper and office paper.*

| EUR million                  | Q2/14 | Q2/13 | Change %        |       | Change %        |              | Change %     |                       | 2013  |
|------------------------------|-------|-------|-----------------|-------|-----------------|--------------|--------------|-----------------------|-------|
|                              |       |       | Q2/14–<br>Q2/13 | Q1/14 | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–Q2/14–<br>Q1–Q2/13 |       |
| Sales                        | 970   | 1 101 | -11.9           | 999   | -2.9            | 1 969        | 2 224        | -11.5                 | 4 319 |
| Operational EBITDA           | 83    | 51    | 62.7            | 85    | -2.4            | 168          | 123          | 36.6                  | 290   |
| Operational EBITDA margin, % | 8.6   | 4.6   |                 | 8.5   |                 | 8.5          | 5.5          |                       | 6.7   |
| Operational EBIT             | 36    | -17   | n/m             | 35    | 2.9             | 71           | -15          | n/m                   | 34    |
| % of sales                   | 3.7   | -1.5  |                 | 3.5   |                 | 3.6          | -0.7         |                       | 0.8   |
| Operational ROOC, %*         | 7.1   | -2.4  |                 | 6.8   |                 | 7.1          | -1.1         |                       | 1.4   |
| Paper deliveries, 1 000 t    | 1 483 | 1 652 | -10.2           | 1 523 | -2.6            | 3 006        | 3 336        | -9.9                  | 6 525 |
| Paper production, 1 000 t    | 1 466 | 1 641 | -10.7           | 1 580 | -7.2            | 3 046        | 3 324        | -8.4                  | 6 501 |

\* Operational ROOC = 100% x Operational EBIT/Average operating capital

- Operational EBIT improved by EUR 53 million as clearly lower fixed costs due to the structure simplification programme and lower variable costs due to enhanced operational efficiency partly offset lower paper volumes due to machine closures. Depreciation was EUR 20 million lower due to fixed asset impairments recorded in the fourth quarter of 2013.
- The social plan for Corbehem Mill in France has been accepted and it is planned to close the mill.
- As announced in May, Stora Enso is divesting its Uetersen specialty and coated fine paper mill in Germany to Brigl & Bergmeister, an Austrian specialty paper producer. The transaction will be delayed from the original target of mid-July due the regulatory approval process.
- There will be maintenance stoppages at Oulu and Kvarnsveden mills and an extensive maintenance stoppage at Veitsiluoto Mill in the third quarter.

### Markets

| Product | Market | Demand Q2/14 compared with Q2/13 | Demand Q2/14 compared with Q1/14 | Price Q2/14 compared with Q2/13 | Price Q2/14 compared with Q1/14 |
|---------|--------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| Paper   | Europe | Slightly weaker                  | Slightly weaker                  | Stable                          | Stable                          |

### Biomaterials

*Biomaterials offers a variety of pulp grades to meet the demands of paper, board and tissue producers. Pulp made from renewable resources in a sustainable manner is an excellent raw material with many different end uses. Biomaterials comprises mainly plantations, the Group's joint operations Veracel and Montes del Plata pulp mills, Nordic stand-alone pulp mills, the Pulp Competence Centre and Biorefinery.*

| EUR million**                | Q2/14 | Q2/13 | Change %        |       | Change %        |              | Change %     |                       | 2013  |
|------------------------------|-------|-------|-----------------|-------|-----------------|--------------|--------------|-----------------------|-------|
|                              |       |       | Q2/14–<br>Q2/13 | Q1/14 | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–Q2/14–<br>Q1–Q2/13 |       |
| Sales                        | 243   | 266   | -8.6            | 263   | -7.6            | 506          | 528          | -4.2                  | 1 033 |
| Operational EBITDA           | 28    | 32    | -12.5           | 38    | -26.3           | 66           | 74           | -10.8                 | 153   |
| Operational EBITDA margin, % | 11.5  | 12.0  |                 | 14.4  |                 | 13.0         | 14.0         |                       | 14.8  |
| Operational EBIT             | 10    | 14    | -28.6           | 21    | -52.4           | 31           | 36           | -13.9                 | 77    |
| % of sales                   | 4.1   | 5.3   |                 | 8.0   |                 | 6.1          | 6.8          |                       | 7.5   |
| Operational ROOC, %*         | 1.8   | 2.6   |                 | 4.0   |                 | 2.9          | 3.5          |                       | 3.8   |
| Pulp deliveries, 1 000 t     | 462   | 461   | 0.2             | 503   | -8.2            | 965          | 936          | 3.1                   | 1 864 |

\* Operational ROOC = 100% x Operational EBIT/Average operating capital

\*\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

- Operational EBIT was EUR 4 million lower due to Montes del Plata start-up costs and increased activity in Biorefinery area.
- Montes del Plata Pulp Mill in Uruguay started up in early June, and the first deliveries to customers were shipped in mid-July. In 2014 Stora Enso's share of its production is expected to be 300 000–350 000 tonnes, about 50 000 tonnes less than previously anticipated due to the regulatory approval process.
- In June 2014 Stora Enso acquired 100% of the US-based company Viridia, a leading developer of extraction and separation technologies for conversion of cellulosic biomass into highly refined sugars and lignin.
- Stora Enso has concluded the divestment of its 1 350 hectares of plantations in Thailand. The process of selling these lands started in 2011 and was finalised in June 2014.
- There will be a maintenance stoppage at Skutskär Pulp Mill during the third quarter.

## Markets

| Product       | Market | Demand Q2/14 compared with Q2/13 | Demand Q2/14 compared with Q1/14 | Price Q2/14 compared with Q2/13 | Price Q2/14 compared with Q1/14 |
|---------------|--------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| Softwood pulp | Europe | Stable                           | Stable                           | Higher                          | Stable                          |
| Hardwood pulp | Europe | Slightly stronger                | Slightly stronger                | Lower                           | Slightly lower                  |

## Building and Living

*Building and Living, part of the Printing and Living Division, provides wood-based innovations and solutions for everyday living and housing needs. The product range covers all areas of urban construction, from supporting structures to interior design and environmental construction. Further-processed products include massive wood elements and housing modules, wood components and pellets, in addition to a variety of sawn timber goods.*

| EUR million                      | Q2/14 | Q2/13 | Change % Q2/14–Q2/13 | Q1/14 | Change % Q2/14–Q1/14 | Q1–Q2/14 | Q1–Q2/13 | Change % Q1–Q2/14–Q1–Q2/13 | 2013  |
|----------------------------------|-------|-------|----------------------|-------|----------------------|----------|----------|----------------------------|-------|
| Sales                            | 490   | 500   | -2.0                 | 445   | 10.1                 | 935      | 941      | -0.6                       | 1 867 |
| Operational EBITDA               | 47    | 39    | 20.5                 | 30    | 56.7                 | 77       | 52       | 48.1                       | 115   |
| Operational EBITDA margin, %     | 9.6   | 7.8   |                      | 6.7   |                      | 8.2      | 5.5      |                            | 6.2   |
| Operational EBIT                 | 37    | 28    | 32.1                 | 20    | 85.0                 | 57       | 32       | 78.1                       | 75    |
| % of sales                       | 7.6   | 5.6   |                      | 4.5   |                      | 6.1      | 3.4      |                            | 4.0   |
| Operational ROOC, %*             | 27.1  | 20.0  |                      | 15.3  |                      | 21.1     | 11.5     |                            | 13.9  |
| Deliveries, 1 000 m <sup>3</sup> | 1 221 | 1 303 | -6.3                 | 1 116 | 9.4                  | 2 337    | 2 416    | -3.3                       | 4 776 |

\* Operational ROOC = 100% x Operational EBIT/Average operating capital

- Highest quarterly operational EBIT since second quarter of 2007 driven by clearly lower fixed costs due to the structure simplification programme.
- There will be maintenance stoppages at several sawmills during the third quarter.

## Markets

| Product       | Market | Demand Q2/14 compared with Q2/13 | Demand Q2/14 compared with Q1/14 | Price Q2/14 compared with Q2/13 | Price Q2/14 compared with Q1/14 |
|---------------|--------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| Wood products | Europe | Stable                           | Significantly stronger           | Slightly higher                 | Slightly higher                 |

## Renewable Packaging

*Renewable Packaging offers fibre-based packaging materials and innovative packaging solutions for consumer goods and industrial applications. Renewable Packaging operates throughout the value chain, from pulp production to production of materials and packaging, and recycling. It comprises three business units: Consumer Board, Packaging Solutions and Packaging Asia.*



| EUR million                                             | Q2/14 | Q2/13 | Change %        |       | Change %        |              | Change %     |                       | 2013  |
|---------------------------------------------------------|-------|-------|-----------------|-------|-----------------|--------------|--------------|-----------------------|-------|
|                                                         |       |       | Q2/14–<br>Q2/13 | Q1/14 | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–Q2/14–<br>Q1–Q2/13 |       |
| Sales                                                   | 849   | 835   | 1.7             | 823   | 3.2             | 1 672        | 1 655        | 1.0                   | 3 272 |
| Operational EBITDA                                      | 166   | 129   | 28.7            | 149   | 11.4            | 315          | 248          | 27.0                  | 522   |
| Operational EBITDA margin, %                            | 19.6  | 15.4  |                 | 18.1  |                 | 18.8         | 15.0         |                       | 16.0  |
| Operational EBIT                                        | 114   | 77    | 48.1            | 92    | 23.9            | 206          | 145          | 42.1                  | 318   |
| % of sales                                              | 13.4  | 9.2   |                 | 11.2  |                 | 12.3         | 8.8          |                       | 9.7   |
| Operational ROOC, %*                                    | 18.3  | 12.7  |                 | 15.0  |                 | 16.6         | 12.2         |                       | 13.3  |
| Paper and board deliveries, 1 000 t                     | 880   | 856   | 2.8             | 872   | 0.9             | 1 752        | 1 668        | 5.0                   | 3 373 |
| Paper and board production, 1 000 t                     | 886   | 855   | 3.6             | 878   | 0.9             | 1 764        | 1 691        | 4.3                   | 3 410 |
| Corrugated packaging deliveries, million m <sup>2</sup> | 272   | 271   | 0.4             | 262   | 3.8             | 534          | 531          | 0.6                   | 1 086 |
| Corrugated packaging production, million m <sup>2</sup> | 266   | 267   | -0.4            | 257   | 3.5             | 523          | 525          | -0.4                  | 1 057 |

\* Operational ROOC = 100% x Operational EBIT/Average operating capital

- Improved operational efficiency, especially in Consumer Board, resulted in record production and clearly lower variable costs. Fixed costs were reduced by the structure simplification programme and sales prices in local currencies were slightly higher.
- Stora Enso is investing approximately EUR 110 million in converting the Varkaus Mill fine paper machine in Finland to produce virgin-fibre-based containerboard with start-up scheduled during the fourth quarter of 2015.
- Consumer board machine investment in Guangxi, China proceeding as planned. Over 90% of the levelling work completed. Board machine expected to be operational in early 2016, as previously announced.
- There will be maintenance stoppages at Imatra, Inkeroinen and Heinola mills during the third quarter.

## Markets

| Product              | Market | Demand Q2/14 compared with Q2/13 | Demand Q2/14 compared with Q1/14 | Price Q2/14 compared with Q2/13 | Price Q2/14 compared with Q1/14 |
|----------------------|--------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| Consumer board       | Europe | Stable                           | Stable                           | Stable                          | Stable                          |
| Corrugated packaging | Europe | Stable                           | Stable                           | Slightly lower                  | Stable                          |

## Other

The segment Other includes the Nordic forest equity accounted investments, Stora Enso's shareholding in Pohjolan Voima, operations supplying wood to the Nordic mills and Group shared services and administration.

| EUR million                  | Q2/14 | Q2/13 | Change %        |       | Change %        |              | Change %     |                       | 2013  |
|------------------------------|-------|-------|-----------------|-------|-----------------|--------------|--------------|-----------------------|-------|
|                              |       |       | Q2/14–<br>Q2/13 | Q1/14 | Q2/14–<br>Q1/14 | Q1–<br>Q2/14 | Q1–<br>Q2/13 | Q1–Q2/14–<br>Q1–Q2/13 |       |
| Sales                        | 654   | 685   | -4.5            | 689   | -5.1            | 1 343        | 1 406        | -4.5                  | 2 690 |
| Operational EBITDA           | 2     | 6     | -66.7           | -     | n/m             | 2            | 14           | -85.7                 | 10    |
| Operational EBITDA margin, % | 0.3   | 0.9   |                 | -     |                 | 0.1          | 1.0          |                       | 0.4   |
| Operational EBIT             | 12    | 22    | -45.5           | 14    | -14.3           | 26           | 44           | -40.9                 | 74    |
| % of sales                   | 1.8   | 3.2   |                 | 2.0   |                 | 1.9          | 3.1          |                       | 2.8   |

- Operational EBIT declined due to the divestment of Thiele Kaolin, winding down of the captive insurance company and lower earnings from wood supply due to lower volumes and slightly higher costs.
- In May Stora Enso acquired further shares in Bergvik Skog for EUR 97 million to increase its shareholding in the company to 49%.

## GLOBAL RESPONSIBILITY IN SECOND QUARTER 2014 (compared with second quarter 2013)

Stora Enso introduces quarterly Global Responsibility reporting to increase transparency and to underline the fact that financial and corporate responsibility performance are strongly integrated in Stora Enso's everyday operations. The reporting will be developed over time.

### People and Ethics

#### Health and Safety

|                                       | Q2/14 | Q2/13 | Q1/14 | 2013 |
|---------------------------------------|-------|-------|-------|------|
| Total Recordable Incidents (TRI) rate | 11.0  | 13.4  | 13.8  | 14.0 |
| Lost-Time Accident (LTA) rate         | 4.3   | 5.7   | 5.8   | 6.0  |

**TRI** (Total recordable incident) rate = number of incidents per one million hours worked. **LTA** (Lost-time accident) rate = number of lost-time accidents per one million hours worked. The Group's target is to have TRI rate below 5.0 by the end of 2015.

In Stora Enso's investment project in Guangxi, China, the key focus is on contractors in forestry operations and at the construction site. A total of nine lost-time accidents occurred for contractor employees in the forestry operations during the second quarter of 2014. The levelling works at the board mill construction site have been progressing since the third quarter of 2013 with zero lost-time accidents.

#### Human Rights

Stora Enso commenced a Group-wide Human Rights Assessment with the Danish Institute for Human Rights (DIHR) during the first half of 2014 that covers all production units, wood supply operations, their supply chain management and relations with local communities. The assessments are expected to be ready Group-wide by the end of 2014.

During the second quarter of 2014 more than 80 Stora Enso employees participated in training workshops on Business and Human Rights. Stora Enso's operations in Guangxi, China, also initiated in-depth human rights issues mapping with DIHR.

In early July 2014 Stora Enso signed a collaboration agreement with Save the Children to strengthen the Group's approach to ensure the rights of children and young workers which may be affected by Stora Enso's operations and their supply chains especially in the high risk markets. This agreement is the first agreement of the collaboration between Stora Enso and Save the Children, with the intention of continuing collaboration in the future.

#### Ethics and Compliance

During the second quarter of 2014 Stora Enso received a review from Clifford Chance on the Group's policies and procedures under its business ethical compliance programme. The Group's documented ethical compliance policies and procedures were ranked excellent and no substantive gaps were found.

In March 2014 Stora Enso became a member of the Steering Committee of Business Principles for Countering Bribery, a multi-stakeholder initiative led by Transparency International.

#### Responsible Sourcing

##### Mitigating Child Labour in Pakistan

Bulleh Shah Packaging, Stora Enso's 35% owned equity accounted investment in Pakistan, conducted 123 on-site audits at its suppliers' premises during the first half of 2014. During these audits seven child labour cases and five young worker cases were identified in the direct suppliers' operations of old corrugated containers (OCC), based on the ILO definitions.

Bulleh Shah Packaging has been able to remedy the situation of six of these twelve individuals by enabling them to attend school, maintaining dialogue with them and their guardians, ensuring that their families receive monetary compensation for the loss of their child's earnings, and conducting follow-up procedures with due care. As of the end of the second quarter of 2014 the situation of the rest of the identified children is either still under dialogue with parents or social engagement was not possible as the families had moved for personal reasons.

All the direct suppliers of OCC and wheat straw to Bulleh Shah Packaging have signed a commitment to implement its supplier Code of Conduct, which is in line with Stora Enso's Global Responsibility approach, as a part of the purchasing contracts. The supplier audits were conducted by Bulleh Shah Packaging's internal team of auditors together with external assurance provider SGS.

During the second quarter of 2014 the audit focus moved to the suppliers of wheat straw raw material due to the harvesting season. The audit scope is limited to suppliers and sub-suppliers whose employees collect wheat straw from the fields. No child labour cases were identified during the wheat straw supplier audits within the audit scope. Wheat farming in Pakistan involves children working with their families at farms. Stora Enso recognises its responsibility to communities in these supply chains. Bulleh Shah Packaging's approach to this societal problem is to work together with local government, non-governmental organisations and organisations with similar agricultural supply chains to find long-term mitigation solutions in communities. Stora Enso has agreed with Yunus Center AIT, Thailand, to establish three Mobile Clinics in Bulleh Shah Packaging's operational area in order to support education, social services and well-being of the children affected by the supply chains.

As announced at Stora Enso's Annual General Meeting in April 2014, all supplier relationships in the used cartonboard (UCB) supply chain were terminated in April 2014. Bulleh Shah Packaging has continued to support children and their families who collect waste from dump sites despite terminating supplier relationships. In April 2014 Bulleh Shah Packaging set up a school for children aged 6–14 years. Early during the second quarter 55 children had moved from waste collection work to school. In the beginning of the school term in August next approximately 150 children are expected to start school and the rest of the children are planned to start school by the end of the year. The aim is to involve more families in this educational support in the third and fourth quarters of 2014.

#### *Other Issues*

Stora Enso's updated Supplier Code of Conduct came into effect on 1 July 2014.

During the first half of 2014 Chennai Mill in India commenced an awareness building programme for all the mill's 82 direct suppliers. It includes visits to suppliers' premises with a focus on communicating Stora Enso's sustainability requirements and creating awareness of Stora Enso's updated Supplier Code of Conduct.

## **Forest and Land Use**

### ***Correction of Land Leasing Contracts in Guangxi, China***

Stora Enso's operations in Guangxi advanced in the legal screening of land lease contracts on social lands that are leased from village collectives and households. Stora Enso leases a total of 90 200 hectares of land in various regions of Guangxi of which 36% is social land.

| <b>Social Forestlands Leased by Stora Enso in Guangxi</b>       | <b>30 Jun 14</b> | <b>30 Jun 13</b> | <b>30 Mar 14</b> | <b>31 Dec 13</b> |
|-----------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Social forestland leased, ha                                    | 32 800           | 33 015           | 32 799           | 32 990           |
| Leased area without contractual defects*, ha                    | 15 200           | 12 899           | 14 498           | 14 366           |
| Lease contracts without contractual defects, % of all contracts | 58%              | 50%              | 56%              | 54%              |

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

### ***Creating Shared Value in Guangxi, China***

The implementation of Creating Shared Value initiatives started in co-operation with the international non-profit consulting firm FSG.

- 1) The Contractor Development Project focuses on the capacity building of selected local contractors to help to improve the safety, quality and efficiency of operations.
- 2) A Transportation Development Study focuses on the development of pilot routes with improved safety and logistical solutions.
- 3) The Water Stewardship Project undertaken jointly with Kemira in Guangxi, launched in November 2013, is proceeding as planned aiming at improving the quality and quantity of water used by villagers. By the end of the second quarter of 2014 the fieldwork of the baseline study was completed. Pilot projects will be launched during the third quarter of 2014.

### ***Dialogue with Landless People's Social Movements in Bahia, Brazil***

Stora Enso's joint operation Veracel in Brazil continued to engage in dialogues with the six social landless movements in Bahia. As part of this dialogue the Sustainable Settlement Initiative was launched in 2012, aiming to provide farming land, and technical and educational support to provide income for hundreds of families. This initiative is facilitated by the Government of the State of Bahia, and conducted in co-operation with the social landless movements, the National Institute of Colonisation and Agrarian Reform (INCRA) and Veracel.

During the second quarter of 2014 the Agricultural College of the University of São Paulo (Esalq-USP) completed an assessment of the areas that would form the sustainable settlements. Through this initiative, the social movements have pledged to leave areas occupied since July 2011, while Veracel will not seek to repossess areas occupied before that date.

The initiative involves a total of 16 500 hectares of Veracel's lands for the settlements. INCRA has initiated the inspection of these areas and related land transfers. The land transfers will be compensated to Veracel by INCRA as set out in the Brazilian legislation.

At the end of the second quarter of 2014, an additional 1 873 hectares of Veracel's land were occupied by social landless movements that are not part of the Sustainable Settlement Initiative. Repossession of these areas is being sought through legal processes.

#### ***Developments in Forest Certification***

In May 2014 Stora Enso's equity accounted investment Bergvik Skog's FSC<sup>®1</sup> certification for Siljan District was fully reinstated after Bergvik Skog had conducted corrective and preventive actions requested by the certificate provider.

In Brazil, Stora Enso's joint operation Veracel and its partner farmers are continuing to pioneer the concept of group forest certification. By the end of the second quarter of 2014, FSC and CERFLOR (PEFC) forest certification had been obtained by 81 farmers for a total area of 39 913 hectares.

1) Stora Enso Global Communications' FSC<sup>®</sup> trademark licence number is FSC-N001919.

## Short-term Risks and Uncertainties

The main short-term risks and uncertainties relate to the economic situation in Europe, even though the overall economic situation has stabilised lately, and the persistent imbalance in the European paper market. Potential further EU and US sanctions on Russia and Russian counter actions due to the situation in Ukraine could have a negative impact on Stora Enso's operations in Russia, including wood exports.

Energy sensitivity analysis: the direct effect of a 10% increase in electricity, heat, oil and other fossil fuel market prices would have a negative impact of approximately EUR 13 million on operational EBIT for the next twelve 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 186 million on operational EBIT for the next twelve months.

Chemicals and fillers sensitivity: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 60 million on operational EBIT for the next twelve months.

A decrease of energy, wood 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 95 million, negative EUR 79 million and positive EUR 47 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.

## Second Quarter Events

In June Stora Enso's Pathfinders and Pathbuilders leadership development programme received the 2014 EFMD Excellence in Practice Gold Award in the category of Organisational Development from the European Foundation for Management Development. The award was granted jointly to Stora Enso and IMD Business School in Lausanne, Switzerland, the Group's partner in running the programme.

## Legal Cases

### *Latin American Cases*

#### *Veracel*

Fibria and Stora Enso each own 50% of Veracel, the joint ownership being governed by a shareholder agreement. In May 2014 Fibria initiated arbitration proceedings against Stora Enso claiming that Stora Enso was in breach of certain provisions of the shareholder agreement. Fibria has indicated that the interest of the case is approximately USD 50 million (EUR 35 million). Stora Enso denies any breach of contract and disputes the method of calculating the interest of the case. No provisions have been made in Stora Enso's accounts for this case.

On 11 July 2008 Stora Enso announced that a federal judge in Brazil had issued a decision claiming that the permits issued by the State of Bahia for the operations of Stora Enso's joint-operations company Veracel were not valid. The judge also ordered Veracel to take certain actions, including reforestation with native trees on part of Veracel's plantations and a possible BRL 20 million (EUR 7 million) fine. 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 competent 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.

In previous periods Stora Enso has reported on a dispute with a supplier involved in construction of Veracel Mill relating to certain tax issues. The case was effectively concluded during the second quarter of 2014 following legal and arbitration proceedings as well as a settlement expensed by Veracel. Although formal acceptance by the Brazilian authorities is still pending, the case will not be reported in future Interim Reviews.

#### *Montes del Plata*

During the second quarter of 2014, Celulosa y Energía Punta Pereira S.A. ("CEPP"), a joint-operations company in the Montes del Plata group formed by Stora Enso and Arauco, was notified of arbitration proceedings initiated against it by Andritz Pulp Technologies Punta Pereira S.A., a subsidiary of Andritz AG, claiming EUR 200 million. The arbitration relates to contracts for the delivery, construction, installation, commissioning and completion by Andritz of major components of the Montes del Plata pulp mill project located at Punta Pereira in Uruguay. CEPP disputes the claims brought by Andritz and is also actively pursuing claims of its own amounting to USD 110 million (EUR 80 million) against Andritz for breach by Andritz of its obligations under the contracts. No provisions have been made in Montes del Plata's or Stora Enso's accounts for these

claims.

### **Class Action Lawsuits in USA**

In previous periods Stora Enso has reported on class action lawsuits in the USA relating to alleged antitrust violations. Following legal proceedings, settlements have been reached in all substantive cases and without any admission of guilt by Stora Enso, and the settlement amounts have been paid. For the majority of these cases necessary approvals were also given by the responsible court during the second quarter of 2014. The cases will therefore not be reported in future Interim Reviews.

### **Legal Proceedings in Finland**

In December 2009 the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsä Group claiming compensation for damages allegedly suffered due to the competition law infringements. The total claim against all the defendants amounts to approximately EUR 160 million and the secondary claim against Stora Enso to approximately EUR 85 million. In addition, Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from all the defendants amounts to approximately EUR 35 million and the secondary claims solely against Stora Enso to approximately EUR 10 million. Stora Enso denies that Metsähallitus and other plaintiffs suffered any damages whatsoever and will forcefully defend itself. In March 2014 the Helsinki District Court dismissed 13 private forest owners' claims as time-barred. The decision was appealed by all claimants. No provisions have been made in Stora Enso's accounts for these lawsuits.

Kemijärvi Pulp Mill in Finland was permanently closed down in 2008. Following court proceedings the Supreme Administrative Court in August 2013 gave its decision concerning the water treatment lagoon in the environmental permit related to the closure of Kemijärvi Pulp Mill. The Court ordered Stora Enso to remove the majority of the sludge, and returned the case to the Regional State Administrative Agency with an order to Stora Enso to deliver a new action plan by the end of 2014 for removal of the majority of the sludge from the basin at the Kemijärvi site. The Agency was also ordered to consider and evaluate the costs to Stora Enso against the environmental benefits achievable if the Agency later orders Stora Enso to remove the sludge. No provisions have been made in Stora Enso's accounts for this case.

### **Changes in Organisational Structure and Group Management**

On 30 June 2014 Stora Enso's Board of Directors appointed Karl-Henrik Sundström as the new CEO of the Company as of 1 August 2014. He is currently Executive Vice President and Head of the Stora Enso Printing and Living Division. He replaces Jouko Karvinen, who announced in April 2014 a desire to leave his position.

Stora Enso is postponing the reorganisation of its Renewable Packaging Division that was announced on 21 March 2014 and was originally intended to be implemented as of 1 July 2014 until the CEO transition has been completed.

### **Share Capital**

On 30 June 2014 Stora Enso had 177 071 204 A shares and 611 548 783 R shares in issue of which the Company held no A shares or R shares.

During the second quarter 15 000 A shares were converted into R shares. The conversion was recorded in the Finnish Trade Register on 15 July 2014.

### **Changes in Shareholdings**

In April–June 2014 the number of shares in Stora Enso Oyj held by Norges Bank (The Central Bank of Norway) was once temporarily less than 5% of the paid-up share capital and the number of shares in Stora Enso Oyj due to a share lending transaction.

### **Decisions of Annual General Meeting on 23 April 2014**

The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.30 per share for the year 2013.

The AGM approved a proposal that the current members of the Board of Directors, Gunnar Brock, Anne Brunila, Elisabeth Fleuriot, Hock Goh, Birgitta Kantola, Mikael Mäkinen, Juha Rantanen and Hans Stråberg shall be re-elected members of the Board of Directors until the end of the following AGM and that Richard Nilsson be elected a new member of the Board of Directors for the same term of office.

The AGM approved a proposal by the Nomination Committee to keep the annual remuneration for the Board of Directors unchanged.

The AGM approved a proposal that the current auditor Authorised Public Accountants Deloitte & Touche Oy

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

The AGM approved a proposal to appoint a Nomination Board to prepare proposals concerning (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chairman, Vice Chairman and members of the Board of Directors and (d) the remuneration for the Chairman and members of the committees of the Board of Directors.

### **Decisions by the Board of Directors**

At its meeting held after the AGM, the Stora Enso Board of Directors re-elected from among its members Gunnar Brock as its Chairman and Juha Rantanen as Vice Chairman.

Birgitta Kantola (chairman), Gunnar Brock, Juha Rantanen and Mikael Mäkinen were re-elected as members of the Financial and Audit Committee.

Gunnar Brock (chairman) and Hans Stråberg were re-elected and Juha Rantanen elected as members of the Remuneration Committee.

Anne Brunila (chairman) and Birgitta Kantola were re-elected as members of the Global Responsibility and Ethics Committee.

*This release has been prepared in Finnish, English and Swedish. In case of variations in the content between the versions, the English version shall govern. This report is unaudited.*

Helsinki, 21 July 2014  
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 Annual Report for 2013.

### Effects of Changes to IFRS 11 Joint Arrangements

Stora Enso adopted the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014.

- IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard provides additional guidance on the process of determining possible control of an entity, especially in challenging cases.
- IFRS 11 Joint Arrangements introduces core principles for determining the type of joint arrangement in which the party to the joint arrangement is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Interests in Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities as well as the effects of the interests on the financial position, performance and cash flow of the entity.

The changes affect the accounting treatment of Montes del Plata and Veracel, which are now treated as joint operations and thus Stora Enso's 50% ownership is consolidated with the proportionate line-by-line method. Montes del Plata is controlled jointly with partner Arauco and Veracel is controlled jointly with partner Fibria. Stora Enso's interpretation is that the contractual arrangements in both joint operations provide the partners with the rights to and obligations of the annual output of the relevant activities and substantially all the economic benefits of the joint operations. Previously these two entities were consolidated using the equity method.

The proportionate line-by-line consolidation of Stora Enso's 50% ownership of Montes del Plata and Veracel has no effect on published operational EBIT, net profit, equity or earnings per share. The proportionate line-by-line consolidation affects all the primary statements in the consolidated financial statements. The effects are summarised below:

- Increase in operational EBITDA
- Increase in property, plant and equipment, biological assets and net debt
- Decrease in equity accounted investments
- Increase in capital expenditure and decreases in equity injections to equity accounted investments.

Historical figures have been restated according to the new IFRS 11 standard and presented in the tables. The restated comparatives were presented in full in a press release on 19 March 2014. Additionally, the Group has revised the presentation of the cash flow statement to reflect better the underlying cash movements. The table below summarises the effects of the IFRS 11 restatement.



| EUR million                                     | Restated     |              | Change     |            | As published |              |
|-------------------------------------------------|--------------|--------------|------------|------------|--------------|--------------|
|                                                 | 2013         | 2012         | 2013       | 2012       | 2013         | 2012         |
| Sales                                           | 10 563       | 10 837       | 19         | 22         | 10 544       | 10 815       |
| Operational EBITDA                              | 1 090        | 1 154        | 46         | 60         | 1 044        | 1 094        |
| Operational EBIT                                | 578          | 630          | -          | -          | 578          | 630          |
| Operating profit (IFRS)                         | 50           | 716          | 16         | 15         | 34           | 701          |
| Net profit/loss for the period                  | -71          | 490          | -          | -          | -71          | 490          |
| Capital expenditure                             | 760          | 1 012        | 335        | 456        | 425          | 556          |
| Depreciation and impairment charges excl. NRI   | 603          | 623          | 39         | 40         | 564          | 583          |
| Operational ROCE, %                             | 6.5          | 6.9          | -0.6       | -0.4       | 7.1          | 7.3          |
| Return on equity (ROE), %                       | -1.3         | 8.3          | -          | -          | -1.3         | 8.3          |
| Debt/equity ratio                               | 0.61         | 0.58         | 0.14       | 0.10       | 0.47         | 0.48         |
| Net debt/last twelve months' operational EBITDA | 2.9          | 2.9          | 0.6        | 0.4        | 2.3          | 2.5          |
| Equity ratio, %                                 | 39.2         | 41.0         | -2.1       | -1.8       | 41.3         | 42.8         |
| <b>Capital structure</b>                        |              |              |            |            |              |              |
| Operative fixed assets                          | 6 824        | 7 520        | 1 590      | 1 498      | 5 234        | 6 022        |
| Equity accounted investments                    | 1 013        | 941          | -948       | -1 024     | 1 961        | 1 965        |
| Operative working capital, net                  | 1 179        | 1 526        | 94         | 66         | 1 085        | 1 460        |
| Non-current interest-free items, net            | -466         | -551         | 33         | 60         | -499         | -611         |
| <b>Operating Capital Total</b>                  | <b>8 550</b> | <b>9 436</b> | <b>769</b> | <b>600</b> | <b>7 781</b> | <b>8 836</b> |
| Net tax liabilities                             | -86          | -237         | -12        | -20        | -74          | -217         |
| <b>Capital Employed</b>                         | <b>8 464</b> | <b>9 199</b> | <b>757</b> | <b>580</b> | <b>7 707</b> | <b>8 619</b> |
| Equity attributable to owners of the Parent     | 5 213        | 5 770        | -          | -          | 5 213        | 5 770        |
| Non-controlling interests                       | 60           | 92           | -          | -          | 60           | 92           |
| Net interest-bearing liabilities                | 3 191        | 3 337        | 757        | 580        | 2 434        | 2 757        |
| <b>Financing Total</b>                          | <b>8 464</b> | <b>9 199</b> | <b>757</b> | <b>580</b> | <b>7 707</b> | <b>8 619</b> |

#### Other standard changes effective from 1 January 2014:

- IAS 27 Consolidated and Separate Financial Statements was reissued and consolidation requirements previously stated in IAS 27 Consolidated and Separate Financial Statements have been revised and stated in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures supersedes IAS 28 Investments in Associates and provides consequential amendments to the standard in response to the new standard IFRS 11 Joint Arrangements.
- IAS 36 Impairment of Assets amendment clarifies disclosure requirements related to the recoverable amount of non-financial assets. The clarification might have minor effects on disclosures of Stora Enso.
- IAS 39 Financial Instruments: Recognition and Measurement amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. This amendment is not relevant to the Group.

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

#### Virdia Inc. acquisition

In the second quarter of 2014 Stora Enso acquired 100% of the shares of the US-based company Virdia, a leading developer of extraction and separation technologies for conversion of cellulosic biomass into highly refined sugars and lignin. The acquisition of Virdia supports the vision of Stora Enso's Biomaterials Division in becoming a significant player in biochemicals and biomaterials. The technology enables more efficient extraction of different valuable fractions of the biomass, allowing the possibility to develop and commercialise cost-effective renewable solutions to address well-identified market-driven needs.

The cash consideration was approximately EUR 17 million with additional potential payouts totalling approximately EUR 21 million following completion of specific technical and commercial milestones by 2017. Virdia's impact on Stora Enso's 2014 sales and earnings is expected to be limited.

As the business was acquired near the end of the quarter, the fair values of the acquired assets, liabilities and goodwill as at 30 June 2014 have been determined on a provisional basis pending finalisation of the post-combination review of the fair value of the acquired assets.

| EUR million                |    |
|----------------------------|----|
| Cash consideration         | 17 |
| Contingent consideration   | 21 |
| Total assets acquired      | 3  |
| Total liabilities acquired | 9  |
| Provisional goodwill       | 44 |

### Uetersen Mill Disposal

On 8 May 2014 Stora Enso announced that it had signed an agreement to divest its Uetersen specialty and coated fine paper mill in Germany to Brigl & Bergmeister, an Austrian specialty paper producer. Following the agreement, the Group has recorded a EUR 34 million fixed asset impairment and inventory write-down in its second quarter 2014 accounts. Uetersen Mill is not presented as held for sale in the Group's 30 June 2014 statement of financial position due to immaterial impact on the Group's financial statements.

### Condensed Consolidated Income Statement\*

\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

| EUR million                                      | Q2/14     | Q2/13     | Q1/14      | Q1-Q2/14   | Q1-Q2/13   | 2013        |
|--------------------------------------------------|-----------|-----------|------------|------------|------------|-------------|
| <b>Sales</b>                                     | 2 579     | 2 726     | 2 568      | 5 147      | 5 398      | 10 563      |
| Other operating income                           | 52        | 37        | 33         | 85         | 76         | 140         |
| Materials and services                           | -1 618    | -1 765    | -1 573     | -3 191     | -3 477     | -6 550      |
| Freight and sales commissions                    | -231      | -251      | -237       | -468       | -510       | -982        |
| Personnel expenses                               | -367      | -368      | -361       | -728       | -727       | -1 390      |
| Other operating expenses                         | -203      | -165      | -144       | -347       | -354       | -644        |
| Share of results of equity accounted investments | 20        | 13        | 50         | 70         | 38         | 102         |
| Depreciation and impairment                      | -147      | -144      | -141       | -288       | -340       | -1 189      |
| <b>Operating Profit</b>                          | <b>85</b> | <b>83</b> | <b>195</b> | <b>280</b> | <b>104</b> | <b>50</b>   |
| Net financial items                              | -46       | -59       | -65        | -111       | -115       | -239        |
| <b>Profit/Loss before Tax</b>                    | <b>39</b> | <b>24</b> | <b>130</b> | <b>169</b> | <b>-11</b> | <b>-189</b> |
| Income tax                                       | -38       | -3        | -30        | -68        | 16         | 118         |
| <b>Net Profit/Loss for the Period</b>            | <b>1</b>  | <b>21</b> | <b>100</b> | <b>101</b> | <b>5</b>   | <b>-71</b>  |
| <b>Attributable to:</b>                          |           |           |            |            |            |             |
| Owners of the Parent                             | 1         | 19        | 99         | 100        | 2          | -53         |
| Non-controlling interests                        | -         | 2         | 1          | 1          | 3          | -18         |
|                                                  | <b>1</b>  | <b>21</b> | <b>100</b> | <b>101</b> | <b>5</b>   | <b>-71</b>  |
| <b>Earnings per Share</b>                        |           |           |            |            |            |             |
| Basic earnings per share, EUR                    | 0.00      | 0.02      | 0.13       | 0.13       | 0.00       | -0.07       |
| Diluted earnings per share, EUR                  | 0.00      | 0.02      | 0.13       | 0.13       | 0.00       | -0.07       |

**Consolidated Statement of Comprehensive Income\***

\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

| EUR million                                                           | Q2/14     | Q2/13       | Q1/14      | Q1-Q2/14   | Q1-Q2/13    | 2013        |
|-----------------------------------------------------------------------|-----------|-------------|------------|------------|-------------|-------------|
| Net profit/loss for the period                                        | 1         | 21          | 100        | 101        | 5           | -71         |
| <b>Other Comprehensive Income</b>                                     |           |             |            |            |             |             |
| <b>Items that will Not be Reclassified to Profit and Loss</b>         |           |             |            |            |             |             |
| Actuarial losses and gains on defined benefit plans                   | -1        | -           | -          | -1         | -           | 74          |
| Share of OCI of EAI that will not be reclassified                     | -         | -           | -          | -          | -1          | -1          |
| Income tax relating to items that will not be reclassified            | -         | -           | -          | -          | -           | -27         |
|                                                                       | <b>-1</b> | <b>-</b>    | <b>-</b>   | <b>-1</b>  | <b>-1</b>   | <b>46</b>   |
| <b>Items that may be Reclassified Subsequently to Profit and Loss</b> |           |             |            |            |             |             |
| Share of OCI of EAI that may be reclassified                          | -6        | 8           | -3         | -9         | 11          | 13          |
| Currency translation movements on equity net investments (CTA)        | 15        | -174        | -4         | 11         | -97         | -227        |
| Currency translation movements on non-controlling interests           | 1         | -4          | -          | 1          | -1          | -6          |
| Net investment hedges                                                 | 10        | 27          | 5          | 15         | 14          | 23          |
| Currency and commodity hedges                                         | -5        | -17         | -9         | -14        | -28         | -26         |
| Available-for-sale financial assets                                   | 37        | -135        | -12        | 25         | -176        | -101        |
| Income tax relating to items that may be reclassified                 | -3        | -2          | -          | -3         | 2           | 2           |
|                                                                       | <b>49</b> | <b>-297</b> | <b>-23</b> | <b>26</b>  | <b>-275</b> | <b>-322</b> |
| <b>Total Comprehensive Income</b>                                     | <b>49</b> | <b>-276</b> | <b>77</b>  | <b>126</b> | <b>-271</b> | <b>-347</b> |
| <b>Total Comprehensive Income Attributable to:</b>                    |           |             |            |            |             |             |
| Owners of the Parent                                                  | 48        | -274        | 76         | 124        | -273        | -323        |
| Non-controlling interests                                             | 1         | -2          | 1          | 2          | 2           | -24         |
|                                                                       | <b>49</b> | <b>-276</b> | <b>77</b>  | <b>126</b> | <b>-271</b> | <b>-347</b> |

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

EAI = Equity Accounted Investments

**Condensed Consolidated Statement of Cash Flows\***

| EUR million                                                          | Q1–Q2/14     | Q1–Q2/13     |
|----------------------------------------------------------------------|--------------|--------------|
| <b>Cash Flow from Operating Activities</b>                           |              |              |
| Operating profit                                                     | 280          | 104          |
| Hedging result from OCI                                              | 7            | 10           |
| Adjustments for non-cash items                                       | 252          | 320          |
| Change in net working capital                                        | -92          | 19           |
| <b>Cash Flow Generated by Operations</b>                             | <b>447</b>   | <b>453</b>   |
| Net financial items paid                                             | -99          | -86          |
| Income taxes paid, net                                               | -10          | -20          |
| <b>Net Cash Provided by Operating Activities</b>                     | <b>338</b>   | <b>347</b>   |
| <b>Cash Flow from Investing Activities</b>                           |              |              |
| Acquisitions of subsidiaries and business operations                 | -16          | -            |
| Acquisitions of equity accounted investments                         | -97          | -30          |
| Acquisitions of available-for-sale investments                       | -            | -9           |
| Proceeds from disposals of shares in equity accounted investments    | 61           | -            |
| Proceeds from sale of fixed assets                                   | 10           | 81           |
| Capital expenditure                                                  | -294         | -342         |
| Proceeds from non-current receivables, net                           | 28           | 98           |
| <b>Net Cash Used in Investing Activities</b>                         | <b>-308</b>  | <b>-202</b>  |
| <b>Cash Flow from Financing Activities</b>                           |              |              |
| Proceeds from issue of new long-term debt                            | 136          | 66           |
| Long-term debt, payments                                             | -457         | -44          |
| Change in short-term borrowings                                      | -77          | 47           |
| Dividends paid                                                       | -237         | -237         |
| Sale of interest in subsidiaries to non-controlling interests        | 28           | -            |
| Equity injections from, less dividends to, non-controlling interests | 53           | -6           |
| Purchase of own shares**                                             | -4           | -            |
| <b>Net Cash Used in Financing Activities</b>                         | <b>-558</b>  | <b>-174</b>  |
| <b>Net Decrease in Cash and Cash Equivalents</b>                     | <b>-528</b>  | <b>-29</b>   |
| Translation adjustment                                               | 19           | -20          |
| Net cash and cash equivalents at the beginning of period             | 2 061        | 1 917        |
| <b>Net Cash and Cash Equivalents at Period End</b>                   | <b>1 552</b> | <b>1 868</b> |
| <b>Cash and Cash Equivalents at Period End</b>                       | <b>1 553</b> | <b>1 869</b> |
| <b>Bank Overdrafts at Period End</b>                                 | <b>-1</b>    | <b>-1</b>    |
| <b>Net Cash and Cash Equivalents at Period End</b>                   | <b>1 552</b> | <b>1 868</b> |
| <b>Acquisitions</b>                                                  |              |              |
| Cash and cash equivalents, net of bank overdrafts                    | 1            | -            |
| Intangible assets and property, plant and equipment                  | 2            | -            |
| Working capital                                                      | -2           | -            |
| Interest-bearing liabilities and receivables                         | -7           | -            |
| <b>Fair Value of Net Assets Acquired</b>                             | <b>-6</b>    | <b>-</b>     |
| Goodwill (provisional for 2014)                                      | 44           | -            |
| <b>Total Purchase Consideration</b>                                  | <b>38</b>    | <b>-</b>     |
| Less cash and cash equivalents in acquired companies                 | -1           | -            |
| <b>Net Purchase Consideration</b>                                    | <b>37</b>    | <b>-</b>     |
| Cash part of consideration, net of acquired cash                     | 16           | -            |
| Non-cash part of consideration                                       | 21           | -            |
| <b>Net Purchase Consideration</b>                                    | <b>37</b>    | <b>-</b>     |
| <b>Disposal</b>                                                      |              |              |
| Cash and cash equivalents                                            | 1            | -            |
| <b>Net Assets in Divested Companies</b>                              | <b>1</b>     | <b>-</b>     |
| <b>Total Disposal Consideration</b>                                  | <b>1</b>     | <b>-</b>     |

|                                     |          |          |
|-------------------------------------|----------|----------|
| Cash part of consideration          | 1        | -        |
| <b>Total Disposal Consideration</b> | <b>1</b> | <b>-</b> |

\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

\*\* Own shares purchased for the Group's share award programme. The Group did not hold any own shares at the end of June 2014.

## Property, Plant and Equipment, Goodwill, Biological Assets and Other Intangible Assets

| EUR million                                  | Q1–Q2/14     | Q1–Q2/13     | 2013         |
|----------------------------------------------|--------------|--------------|--------------|
| Carrying value at 1 January                  | 6 442        | 7 039        | 7 039        |
| Acquisition of subsidiary companies          | 46           | -            | 1            |
| Additions in tangible and intangible assets  | 245          | 292          | 710          |
| Additions in biological assets               | 29           | 22           | 50           |
| Harvesting in biological assets              | -16          | -7           | -20          |
| Disposals                                    | -6           | -68          | -80          |
| Disposals of subsidiary companies            | -            | -            | -2           |
| Depreciation and impairment                  | -288         | -340         | -1 189       |
| Valuation of biological assets               | -4           | -4           | 185          |
| Translation difference and other             | 3            | -98          | -252         |
| <b>Statement of Financial Position Total</b> | <b>6 451</b> | <b>6 836</b> | <b>6 442</b> |

## Borrowings

| EUR million                                       | 30 Jun 14    | 31 Dec 13    | 30 Jun 13    |
|---------------------------------------------------|--------------|--------------|--------------|
| Bond loans                                        | 2 865        | 3 177        | 3 351        |
| Loans from credit institutions                    | 1 394        | 1 398        | 1 308        |
| Finance lease liabilities                         | 73           | 77           | 96           |
| Other non-current liabilities                     | 82           | 93           | 237          |
| <b>Non-current Debt including Current Portion</b> | <b>4 414</b> | <b>4 745</b> | <b>4 992</b> |
| Short-term borrowings                             | 434          | 510          | 499          |
| Interest payable                                  | 69           | 93           | 73           |
| Derivative financial liabilities                  | 131          | 141          | 154          |
| Bank overdrafts                                   | 1            | 12           | 1            |
| <b>Total Interest-bearing Liabilities</b>         | <b>5 049</b> | <b>5 501</b> | <b>5 719</b> |

| EUR million                                          | Q1–Q2/14     | 2013         | Q1–Q2/13     |
|------------------------------------------------------|--------------|--------------|--------------|
| Carrying value at 1 January                          | 5 501        | 5 699        | 5 699        |
| Proceeds of new long-term debt                       | 136          | 239          | 66           |
| Repayment of long-term debt                          | -457         | -377         | -44          |
| Change in short-term borrowings and interest payable | -100         | 101          | 70           |
| Change in derivative financial liabilities           | -10          | -51          | -38          |
| Translation differences and other                    | -21          | -110         | -34          |
| <b>Total Interest-bearing Liabilities</b>            | <b>5 049</b> | <b>5 501</b> | <b>5 719</b> |

**Condensed Consolidated Statement of Financial Position\***

\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

| EUR million                                |   | 30 Jun 14     | 31 Dec 13     | 30 Jun 13     | 1 Jan 13      |
|--------------------------------------------|---|---------------|---------------|---------------|---------------|
| <b>Assets</b>                              |   |               |               |               |               |
| <b>Non-current Assets</b>                  |   |               |               |               |               |
| PPE*, goodwill and other intangible assets | O | 5 799         | 5 808         | 6 370         | 6 565         |
| Biological assets                          | O | 652           | 634           | 466           | 474           |
| Emission rights                            | O | 30            | 21            | 15            | 30            |
| Equity accounted investments               | O | 1 068         | 1 013         | 982           | 941           |
| Available-for-sale: Interest-bearing       | I | 20            | 10            | 105           | 96            |
| Available-for-sale: Operative              | O | 375           | 361           | 279           | 451           |
| Non-current loan receivables               | I | 63            | 80            | 37            | 134           |
| Deferred tax assets                        | T | 190           | 229           | 162           | 143           |
| Other non-current assets                   | O | 87            | 63            | 69            | 85            |
|                                            |   | <b>8 284</b>  | <b>8 219</b>  | <b>8 485</b>  | <b>8 919</b>  |
| <b>Current Assets</b>                      |   |               |               |               |               |
| Inventories                                | O | 1 446         | 1 445         | 1 510         | 1 510         |
| Tax receivables                            | T | 13            | 13            | 15            | 18            |
| Operative receivables                      | O | 1 637         | 1 555         | 1 787         | 1 714         |
| Interest-bearing receivables               | I | 77            | 147           | 151           | 211           |
| Cash and cash equivalents                  | I | 1 553         | 2 073         | 1 869         | 1 921         |
|                                            |   | <b>4 726</b>  | <b>5 233</b>  | <b>5 332</b>  | <b>5 374</b>  |
| <b>Total Assets</b>                        |   | <b>13 010</b> | <b>13 452</b> | <b>13 817</b> | <b>14 293</b> |
| <b>Equity and Liabilities</b>              |   |               |               |               |               |
| Owners of the Parent                       |   | 5 093         | 5 213         | 5 261         | 5 770         |
| Non-controlling Interests                  |   | 151           | 60            | 88            | 92            |
| <b>Total Equity</b>                        |   | <b>5 244</b>  | <b>5 273</b>  | <b>5 349</b>  | <b>5 862</b>  |
| <b>Non-current Liabilities</b>             |   |               |               |               |               |
| Post-employment benefit provisions         | O | 398           | 378           | 461           | 480           |
| Other provisions                           | O | 188           | 127           | 133           | 145           |
| Deferred tax liabilities                   | T | 294           | 312           | 337           | 358           |
| Non-current debt                           | I | 4 254         | 4 201         | 4 276         | 4 799         |
| Other non-current operative liabilities    | O | 44            | 24            | 10            | 11            |
|                                            |   | <b>5 178</b>  | <b>5 042</b>  | <b>5 217</b>  | <b>5 793</b>  |
| <b>Current Liabilities</b>                 |   |               |               |               |               |
| Current portion of non-current debt        | I | 160           | 544           | 716           | 202           |
| Interest-bearing liabilities               | I | 635           | 756           | 727           | 698           |
| Operative liabilities                      | O | 1 743         | 1 821         | 1 779         | 1 698         |
| Tax liabilities                            | T | 50            | 16            | 29            | 40            |
|                                            |   | <b>2 588</b>  | <b>3 137</b>  | <b>3 251</b>  | <b>2 638</b>  |
| <b>Total Liabilities</b>                   |   | <b>7 766</b>  | <b>8 179</b>  | <b>8 468</b>  | <b>8 431</b>  |
| <b>Total Equity and Liabilities</b>        |   | <b>13 010</b> | <b>13 452</b> | <b>13 817</b> | <b>14 293</b> |

\* PPE = Property, Plant and Equipment

Items designated with "O" comprise Operating Capital

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

Items designated with "T" comprise Net Tax Liabilities

## Statement of Changes in Equity\*

CTA = Cumulative Translation Adjustment

OCI = Other Comprehensive Income

NCI = Non-controlling Interests

EAI = Equity Accounted Investments

| EUR million                              | Share Capital | Share Premium and Reserve Fund | Invested Non-Restricted Equity Fund | Treasury Shares | Fair Valuation Reserve               |                                     |                               |                                     | CTA and Net Investment Hedges | Retained Earnings | Attributable to Owners of the Parent | Non-controlling Interests | Total        |
|------------------------------------------|---------------|--------------------------------|-------------------------------------|-----------------|--------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------|--------------------------------------|---------------------------|--------------|
|                                          |               |                                |                                     |                 | Step Acquisition Revaluation Surplus | Available-for-Sale Financial Assets | Currency and Commodity Hedges | OCI of Equity Accounted Investments |                               |                   |                                      |                           |              |
| <b>Balance at 31 Dec 2012</b>            | <b>1 342</b>  | <b>77</b>                      | <b>633</b>                          | <b>-10</b>      | <b>4</b>                             | <b>362</b>                          | <b>12</b>                     | <b>-34</b>                          | <b>-10</b>                    | <b>3 394</b>      | <b>5 770</b>                         | <b>92</b>                 | <b>5 862</b> |
| Profit for the period                    | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | 2                 | 2                                    | 3                         | 5            |
| OCI before tax                           | -             | -                              | -                                   | -               | -                                    | -176                                | -28                           | 10                                  | -83                           | -                 | -277                                 | -1                        | -278         |
| Income tax relating to components of OCI | -             | -                              | -                                   | -               | -                                    | -1                                  | 6                             | -                                   | -3                            | -                 | 2                                    | -                         | 2            |
| <b>Total Comprehensive Income</b>        | <b>-</b>      | <b>-</b>                       | <b>-</b>                            | <b>-</b>        | <b>-</b>                             | <b>-177</b>                         | <b>-22</b>                    | <b>10</b>                           | <b>-86</b>                    | <b>2</b>          | <b>-273</b>                          | <b>2</b>                  | <b>-271</b>  |
| Dividend                                 | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -237              | -237                                 | -6                        | -243         |
| Share-based payments                     | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | 1                 | 1                                    | -                         | 1            |
| Cancellation of treasury shares          | -             | -                              | -                                   | 10              | -                                    | -                                   | -                             | -                                   | -                             | -10               | -                                    | -                         | -            |
| <b>Balance at 30 Jun 2013</b>            | <b>1 342</b>  | <b>77</b>                      | <b>633</b>                          | <b>-</b>        | <b>4</b>                             | <b>185</b>                          | <b>-10</b>                    | <b>-24</b>                          | <b>-96</b>                    | <b>3 150</b>      | <b>5 261</b>                         | <b>88</b>                 | <b>5 349</b> |
| Loss for the period                      | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -55               | -55                                  | -21                       | -76          |
| OCI before tax                           | -             | -                              | -                                   | -               | -                                    | 75                                  | 2                             | 2                                   | -121                          | 74                | 32                                   | -5                        | 27           |
| Income tax relating to components of OCI | -             | -                              | -                                   | -               | -                                    | 2                                   | -1                            | -                                   | -1                            | -27               | -27                                  | -                         | -27          |
| <b>Total Comprehensive Income</b>        | <b>-</b>      | <b>-</b>                       | <b>-</b>                            | <b>-</b>        | <b>-</b>                             | <b>77</b>                           | <b>1</b>                      | <b>2</b>                            | <b>-122</b>                   | <b>-8</b>         | <b>-50</b>                           | <b>-26</b>                | <b>-76</b>   |
| Dividend                                 | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -                 | -                                    | -1                        | -1           |
| Disposals                                | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -                 | -                                    | -1                        | -1           |
| Share-based payments                     | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | 1                 | 1                                    | -                         | 1            |
| NCI transaction in EAI                   | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | 1                 | 1                                    | -                         | 1            |
| <b>Balance at 31 Dec 2013</b>            | <b>1 342</b>  | <b>77</b>                      | <b>633</b>                          | <b>-</b>        | <b>4</b>                             | <b>262</b>                          | <b>-9</b>                     | <b>-22</b>                          | <b>-218</b>                   | <b>3 144</b>      | <b>5 213</b>                         | <b>60</b>                 | <b>5 273</b> |
| Profit for the period                    | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | 100               | 100                                  | 1                         | 101          |
| OCI before tax                           | -             | -                              | -                                   | -               | -                                    | 25                                  | -14                           | -9                                  | 26                            | -1                | 27                                   | 1                         | 28           |
| Income tax relating to components of OCI | -             | -                              | -                                   | -               | -                                    | -2                                  | 2                             | -                                   | -3                            | -                 | -3                                   | -                         | -3           |
| <b>Total Comprehensive Income</b>        | <b>-</b>      | <b>-</b>                       | <b>-</b>                            | <b>-</b>        | <b>-</b>                             | <b>23</b>                           | <b>-12</b>                    | <b>-9</b>                           | <b>23</b>                     | <b>99</b>         | <b>124</b>                           | <b>2</b>                  | <b>126</b>   |
| Dividend                                 | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -237              | -237                                 | -2                        | -239         |
| Acquisitions and disposals               | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | 15                                  | -                             | -15               | -                                    | 86                        | 86           |
| Loss on NCI buy-in                       | -             | -                              | -                                   | -               | -                                    | -                                   | -                             | -                                   | -                             | -5                | -5                                   | 5                         | -            |
| Purchase of treasury shares              | -             | -                              | -                                   | -4              | -                                    | -                                   | -                             | -                                   | -                             | -                 | -4                                   | -                         | -4           |
| Share-based payments                     | -             | -                              | -                                   | 4               | -                                    | -                                   | -                             | -                                   | -                             | -2                | 2                                    | -                         | 2            |
| <b>Balance at 30 Jun 2014</b>            | <b>1 342</b>  | <b>77</b>                      | <b>633</b>                          | <b>-</b>        | <b>4</b>                             | <b>285</b>                          | <b>-21</b>                    | <b>-16</b>                          | <b>-195</b>                   | <b>2 984</b>      | <b>5 093</b>                         | <b>151</b>                | <b>5 244</b> |

\* Data for the comparative periods have been restated. For further details, see Basis of Preparation on page 16.

**Commitments and Contingencies**

| EUR million                                      | 30 Jun 14  | 31 Dec 13  | 30 Jun 13  |
|--------------------------------------------------|------------|------------|------------|
| <b>On Own Behalf</b>                             |            |            |            |
| Mortgages                                        | 4          | 18         | 6          |
| <b>On Behalf of Equity Accounted Investments</b> |            |            |            |
| Guarantees                                       | 18         | 18         | 18         |
| <b>On Behalf of Others</b>                       |            |            |            |
| Guarantees                                       | 5          | 5          | 5          |
| <b>Other Commitments, Own</b>                    |            |            |            |
| Operating leases, in next 12 months              | 75         | 71         | 97         |
| Operating leases, after next 12 months           | 851        | 510        | 549        |
| Other commitments                                | 45         | 5          | 5          |
| <b>Total</b>                                     | <b>998</b> | <b>627</b> | <b>680</b> |
| Mortgages                                        | 4          | 18         | 6          |
| Guarantees                                       | 23         | 23         | 23         |
| Operating leases                                 | 926        | 581        | 646        |
| Other commitments                                | 45         | 5          | 5          |
| <b>Total</b>                                     | <b>998</b> | <b>627</b> | <b>680</b> |

**Capital Commitments**

The Group's direct capital expenditure contracts, excluding acquisitions, amounted to EUR 278 million (compared with EUR 197 million at 30 June 2013 and EUR 142 million at 31 December 2013). These include the Group's share of direct capital expenditure contracts in joint operations.

**Sales by Segment**

| EUR million          | Q2/14        | Q1/14        | 2013          | Q4/13        | Q3/13        | Q2/13        | Q1/13        |
|----------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Printing and Reading | 970          | 999          | 4 319         | 1 054        | 1 041        | 1 101        | 1 123        |
| Biomaterials         | 243          | 263          | 1 033         | 266          | 239          | 266          | 262          |
| Building and Living  | 490          | 445          | 1 867         | 466          | 460          | 500          | 441          |
| Renewable Packaging  | 849          | 823          | 3 272         | 788          | 829          | 835          | 820          |
| Other                | 654          | 689          | 2 690         | 672          | 612          | 685          | 721          |
| Inter-segment sales  | -627         | -651         | -2 618        | -634         | -628         | -661         | -695         |
| <b>Total</b>         | <b>2 579</b> | <b>2 568</b> | <b>10 563</b> | <b>2 612</b> | <b>2 553</b> | <b>2 726</b> | <b>2 672</b> |

**Operational EBIT by Segment**

| EUR million                                | Q2/14      | Q1/14      | 2013        | Q4/13       | Q3/13      | Q2/13      | Q1/13      |
|--------------------------------------------|------------|------------|-------------|-------------|------------|------------|------------|
| Printing and Reading                       | 36         | 35         | 34          | 36          | 13         | -17        | 2          |
| Biomaterials                               | 10         | 21         | 77          | 24          | 17         | 14         | 22         |
| Building and Living                        | 37         | 20         | 75          | 19          | 24         | 28         | 4          |
| Renewable Packaging                        | 114        | 92         | 318         | 73          | 100        | 77         | 68         |
| Other                                      | 12         | 14         | 74          | -           | 30         | 22         | 22         |
| <b>Operational EBIT</b>                    | <b>209</b> | <b>182</b> | <b>578</b>  | <b>152</b>  | <b>184</b> | <b>124</b> | <b>118</b> |
| Fair valuations and non-operational items* | -18        | -11        | 11          | 30          | -5         | -8         | -6         |
| Non-recurring Items                        | -106       | 24         | -539        | -392        | -23        | -33        | -91        |
| <b>Operating Profit/Loss (IFRS)</b>        | <b>85</b>  | <b>195</b> | <b>50</b>   | <b>-210</b> | <b>156</b> | <b>83</b>  | <b>21</b>  |
| Net financial items                        | -46        | -65        | -239        | -71         | -53        | -59        | -56        |
| <b>Profit/Loss before Tax</b>              | <b>39</b>  | <b>130</b> | <b>-189</b> | <b>-281</b> | <b>103</b> | <b>24</b>  | <b>-35</b> |
| Income tax expense                         | -38        | -30        | 118         | 121         | -19        | -3         | 19         |
| <b>Net Profit/Loss</b>                     | <b>1</b>   | <b>100</b> | <b>-71</b>  | <b>-160</b> | <b>84</b>  | <b>21</b>  | <b>-16</b> |

\* Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights, valuations of biological assets and Group's share of tax and net financial items of EAI.



**NRI by Segment**

| EUR million                              | Q2/14       | Q1/14     | 2013        | Q4/13       | Q3/13      | Q2/13      | Q1/13      |
|------------------------------------------|-------------|-----------|-------------|-------------|------------|------------|------------|
| Printing and Reading                     | -115        | -7        | -644        | -538        | 8          | -30        | -84        |
| Biomaterials                             | -           | -         | 2           | -8          | -1         | 11         | -          |
| Building and Living                      | -           | -13       | -7          | -           | -          | -          | -7         |
| Renewable Packaging                      | -           | -         | 120         | 144         | -28        | 4          | -          |
| Other                                    | 9           | 44        | -10         | 10          | -2         | -18        | -          |
| <b>NRI on Operating Profit</b>           | <b>-106</b> | <b>24</b> | <b>-539</b> | <b>-392</b> | <b>-23</b> | <b>-33</b> | <b>-91</b> |
| NRI on tax                               | 1           | 6         | 145         | 114         | 3          | 9          | 19         |
| <b>NRI on Net Profit</b>                 | <b>-105</b> | <b>30</b> | <b>-394</b> | <b>-278</b> | <b>-20</b> | <b>-24</b> | <b>-72</b> |
| <b>NRI on Net Profit attributable to</b> |             |           |             |             |            |            |            |
| Owners of the Parent                     | -105        | 30        | -369        | -253        | -20        | -24        | -72        |
| Non-controlling interests                | -           | -         | -25         | -25         | -          | -          | -          |
|                                          | <b>-105</b> | <b>30</b> | <b>-394</b> | <b>-278</b> | <b>-20</b> | <b>-24</b> | <b>-72</b> |

**Fair Valuations and Non-operational Items\* by Segment**

| EUR million                                             | Q2/14      | Q1/14      | 2013      | Q4/13     | Q3/13     | Q2/13     | Q1/13     |
|---------------------------------------------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| Printing and Reading                                    | 1          | -2         | 2         | 3         | -1        | -         | -         |
| Biomaterials                                            | -2         | -3         | 5         | 13        | -4        | -2        | -2        |
| Building and Living                                     | -          | -1         | -         | -         | -         | -         | -         |
| Renewable Packaging                                     | -          | 1          | -1        | -         | -1        | -         | -         |
| Other                                                   | -17        | -6         | 5         | 14        | 1         | -6        | -4        |
| <b>FV and Non-operational Items on Operating Profit</b> | <b>-18</b> | <b>-11</b> | <b>11</b> | <b>30</b> | <b>-5</b> | <b>-8</b> | <b>-6</b> |

\* Fair valuations (FV) and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO<sub>2</sub> emission rights, valuations of biological assets and Group's share of tax and net financial items of EAI.

**Operating Profit/Loss by Segment**

| EUR million                         | Q2/14     | Q1/14      | 2013        | Q4/13       | Q3/13      | Q2/13     | Q1/13      |
|-------------------------------------|-----------|------------|-------------|-------------|------------|-----------|------------|
| Printing and Reading                | -78       | 26         | -608        | -499        | 20         | -47       | -82        |
| Biomaterials                        | 8         | 18         | 84          | 29          | 12         | 23        | 20         |
| Building and Living                 | 37        | 6          | 68          | 19          | 24         | 28        | -3         |
| Renewable Packaging                 | 114       | 93         | 437         | 217         | 71         | 81        | 68         |
| Other                               | 4         | 52         | 69          | 24          | 29         | -2        | 18         |
| <b>Operating Profit/Loss (IFRS)</b> | <b>85</b> | <b>195</b> | <b>50</b>   | <b>-210</b> | <b>156</b> | <b>83</b> | <b>21</b>  |
| Net financial items                 | -46       | -65        | -239        | -71         | -53        | -59       | -56        |
| <b>Profit/Loss before Tax</b>       | <b>39</b> | <b>130</b> | <b>-189</b> | <b>-281</b> | <b>103</b> | <b>24</b> | <b>-35</b> |
| Income tax                          | -38       | -30        | 118         | 121         | -19        | -3        | 19         |
| <b>Net Profit/Loss</b>              | <b>1</b>  | <b>100</b> | <b>-71</b>  | <b>-160</b> | <b>84</b>  | <b>21</b> | <b>-16</b> |

**Key Exchange Rates for the Euro**

| One Euro is | Closing Rate |           | Average Rate |           |
|-------------|--------------|-----------|--------------|-----------|
|             | 30 Jun 14    | 31 Dec 13 | 30 Jun 14    | 31 Dec 13 |
| SEK         | 9.1762       | 8.8591    | 8.9545       | 8.6505    |
| USD         | 1.3658       | 1.3791    | 1.3705       | 1.3281    |
| GBP         | 0.8015       | 0.8337    | 0.8214       | 0.8493    |

**Transaction Risk and Hedges in Main Currencies as at 30 June 2014**

| EUR million                                                         | USD        | SEK        | GBP        |
|---------------------------------------------------------------------|------------|------------|------------|
| Estimated annual net operating cash flow exposure                   | 950        | -790       | 470        |
| Transaction hedges as at 30 June 2014                               | -440       | 410        | -250       |
| <b>Hedging percentage as at 30 June 2014 for the next 12 months</b> | <b>46%</b> | <b>52%</b> | <b>53%</b> |

*Additional USD hedge for 13–18 months increases the hedging percentage by 7%.*

**Changes in Exchange Rates on Operational EBIT**

| Operational EBIT: Currency Strengthening of + 10% | EUR million |
|---------------------------------------------------|-------------|
| USD                                               | 95          |
| SEK                                               | -79         |
| GBP                                               | 47          |

*The sensitivity is based on estimated next 12 months net operating cash flow. The calculation does not take into account currency hedges, and assumes no changes occur other than a single currency exchange rate movement. 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 which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which 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 Financial Statements.

## Carrying Amounts of Financial Assets and Liabilities by Measurement and Fair Value Categories: 30 June 2014

| EUR million                           | Loans and Receivables | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Available-for-Sale Financial Assets | Carrying Amounts | Fair Value   |
|---------------------------------------|-----------------------|--------------------------------------------------------|---------------------|-------------------------------------|------------------|--------------|
| <b>Financial Assets</b>               |                       |                                                        |                     |                                     |                  |              |
| Available-for-sale                    | -                     | -                                                      | -                   | 395                                 | 395              | 395          |
| Non-current loan receivables          | 63                    | -                                                      | -                   | -                                   | 63               | 66           |
| Trade and other operative receivables | 1 337                 | -                                                      | -                   | -                                   | 1 337            | 1 337        |
| Interest-bearing receivables          | 13                    | 44                                                     | 20                  | -                                   | 77               | 77           |
| Current investments and cash          | 1 553                 | -                                                      | -                   | -                                   | 1 553            | 1 553        |
| <b>Carrying Amount by Category</b>    | <b>2 966</b>          | <b>44</b>                                              | <b>20</b>           | <b>395</b>                          | <b>3 425</b>     | <b>3 428</b> |

| EUR million                         | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Measured at Amortised Cost | Carrying Amounts | Fair Value   |
|-------------------------------------|--------------------------------------------------------|---------------------|----------------------------|------------------|--------------|
| <b>Financial Liabilities</b>        |                                                        |                     |                            |                  |              |
| Non-current debt                    | -                                                      | 5                   | 4 249                      | 4 254            | 4 480        |
| Current portion of non-current debt | -                                                      | -                   | 160                        | 160              | 160          |
| Interest-bearing liabilities        | 84                                                     | 47                  | 503                        | 634              | 634          |
| Trade and other operative payables  | 2                                                      | -                   | 1 319                      | 1 321            | 1 321        |
| Bank overdrafts                     | -                                                      | -                   | 1                          | 1                | 1            |
| <b>Carrying Amount by Category</b>  | <b>86</b>                                              | <b>52</b>           | <b>6 232</b>               | <b>6 370</b>     | <b>6 596</b> |

| EUR million                         | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|-------|
| Derivative Financial Assets         | -       | 64      | -       | 64    |
| Available-for-sale Financial Assets | 20      | -       | 375     | 395   |
| Derivative Financial Liabilities    | -       | 138     | -       | 138   |

**Carrying Amounts of Financial Assets and Liabilities by Measurement and Fair Value Categories: 31 December 2013**

| EUR million                           | Loans and Receivables | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Available-for-Sale Financial Assets | Carrying Amounts | Fair Value   |
|---------------------------------------|-----------------------|--------------------------------------------------------|---------------------|-------------------------------------|------------------|--------------|
| <b>Financial Assets</b>               |                       |                                                        |                     |                                     |                  |              |
| Available-for-sale                    | -                     | -                                                      | -                   | 371                                 | 371              | 371          |
| Non-current loan receivables          | 80                    | -                                                      | -                   | -                                   | 80               | 82           |
| Trade and other operative receivables | 1 260                 | 2                                                      | -                   | -                                   | 1 262            | 1 262        |
| Interest-bearing receivables          | 31                    | 83                                                     | 33                  | -                                   | 147              | 147          |
| Current investments and cash          | 2 073                 | -                                                      | -                   | -                                   | 2 073            | 2 073        |
| <b>Carrying Amount by Category</b>    | <b>3 444</b>          | <b>85</b>                                              | <b>33</b>           | <b>371</b>                          | <b>3 933</b>     | <b>3 935</b> |

| EUR million                         | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Measured at Amortised Cost | Carrying Amounts | Fair Value   |
|-------------------------------------|--------------------------------------------------------|---------------------|----------------------------|------------------|--------------|
| <b>Financial Liabilities</b>        |                                                        |                     |                            |                  |              |
| Non-current debt                    | -                                                      | 4                   | 4 197                      | 4 201            | 4 400        |
| Current portion of non-current debt | -                                                      | -                   | 544                        | 544              | 544          |
| Interest-bearing liabilities        | 101                                                    | 39                  | 604                        | 744              | 744          |
| Trade and other operative payables  | -                                                      | -                   | 1 371                      | 1 371            | 1 371        |
| Bank overdrafts                     | -                                                      | -                   | 12                         | 12               | 12           |
| <b>Carrying Amount by Category</b>  | <b>101</b>                                             | <b>43</b>           | <b>6 728</b>               | <b>6 872</b>     | <b>7 071</b> |

| EUR million                         | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|-------|
| Derivative Financial Assets         | -       | 118     | -       | 118   |
| Available-for-sale Financial Assets | 10      | -       | 361     | 371   |
| Derivative Financial Liabilities    | -       | 144     | -       | 144   |

**Reconciliation of Level 3 Fair Value Measurement of Financial Assets: 30 June 2014**

| EUR million                                    | Unlisted Shares | Unlisted Interest-bearing Securities | Total      |
|------------------------------------------------|-----------------|--------------------------------------|------------|
| Opening balance at 1 January 2014              | 361             | -                                    | 361        |
| Interest capitalised                           | -               | -                                    | -          |
| Gains/losses recognised in income statement    | -               | -                                    | -          |
| Gains in OCI transferred to income statement   | -               | -                                    | -          |
| Gains recognised in other comprehensive income | 14              | -                                    | 14         |
| Additions                                      | -               | -                                    | -          |
| Disposals                                      | -               | -                                    | -          |
| <b>Closing Balance at 30 June 2014</b>         | <b>375</b>      | <b>-</b>                             | <b>375</b> |

**Reconciliation of Level 3 Fair Value Measurement of Financial Assets: 31 December 2013**

| EUR million                                     | Unlisted Shares | Unlisted Interest-bearing Securities | Total      |
|-------------------------------------------------|-----------------|--------------------------------------|------------|
| Opening balance at 1 January 2013               | 451             | 90                                   | 541        |
| Interest capitalised                            | -               | 9                                    | 9          |
| Gains/losses recognised in income statement     | 1               | 2                                    | 3          |
| Gains in OCI transferred to income statement    | -               | -7                                   | -7         |
| Losses recognised in other comprehensive income | -97             | -                                    | -97        |
| Additions                                       | 9               | -                                    | 9          |
| Disposals                                       | -3              | -94                                  | -97        |
| <b>Closing Balance at 31 December 2013</b>      | <b>361</b>      | <b>-</b>                             | <b>361</b> |

**Unlisted Shares**

The unlisted shares 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 4.29% 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 +83 million and EUR -67 million respectively. A +/- 1% change in the discount rate would change the valuation by EUR -49 million and EUR +144 million respectively.

**Stora Enso Shares**

| Trading volume | Helsinki       |                    | Stockholm      |                   |
|----------------|----------------|--------------------|----------------|-------------------|
|                | A share        | R share            | A share        | R share           |
| April          | 183 530        | 63 980 917         | 279 526        | 18 414 452        |
| May            | 112 364        | 43 712 723         | 179 283        | 11 390 964        |
| June           | 81 523         | 43 116 686         | 241 511        | 11 693 475        |
| <b>Total</b>   | <b>377 417</b> | <b>150 810 326</b> | <b>700 320</b> | <b>41 498 891</b> |

  

| Closing Price | Helsinki, EUR |         | Stockholm, SEK |         |
|---------------|---------------|---------|----------------|---------|
|               | A share       | R share | A share        | R share |
| April         | 7.58          | 7.35    | 67.45          | 66.50   |
| May           | 7.59          | 7.52    | 69.40          | 67.70   |
| June          | 7.24          | 7.11    | 66.85          | 65.10   |

**Calculation of Key Figures**

|                                                               |                                                                                                                                                                                                     |                          |                                     |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| Operational return on capital employed, operational ROCE (%)  | 100 x $\frac{\text{Operational EBIT}}{\text{Capital employed}^{1) 2)}$                                                                                                                              |                          |                                     |
| Operational return on operating capital, operational ROOC (%) | 100 x $\frac{\text{Operational EBIT}}{\text{Operating capital}^{1) 2)}$                                                                                                                             |                          |                                     |
| Return on equity, ROE (%)                                     | 100 x $\frac{\text{Profit before tax and non-controlling items} - \text{taxes}}{\text{Total equity}^{2)}$                                                                                           |                          |                                     |
| Equity ratio (%)                                              | 100 x $\frac{\text{Total equity}}{\text{Total assets}}$                                                                                                                                             |                          |                                     |
| Interest-bearing net liabilities                              | Interest-bearing liabilities – interest-bearing assets                                                                                                                                              |                          |                                     |
| Debt/equity ratio                                             | $\frac{\text{Interest-bearing net liabilities}}{\text{Equity}^{3)}$                                                                                                                                 |                          |                                     |
| CEPS                                                          |                                                                                                                                                                                                     | Fixed asset depreciation | Fair valuation of biological assets |
|                                                               | $\frac{\text{Net profit/loss for the period}^{3)} - \text{and impairment} - \text{assets}}{\text{Average number of shares}}$                                                                        |                          |                                     |
| EPS                                                           | $\frac{\text{Net profit/loss for the period}^{3)}}{\text{Average number of shares}}$                                                                                                                |                          |                                     |
| Operational EBIT                                              | Operating profit/loss excluding NRI and fair valuations of the segments and Stora Enso's share of operating profit/loss excluding NRI and fair valuations of its equity accounted investments (EAI) |                          |                                     |
| Operational EBITDA                                            | Operating profit/loss excluding fixed asset depreciation and impairment, share of results of equity accounted investments, NRI and fair valuations                                                  |                          |                                     |
| Net debt to operational EBITDA ratio                          | $\frac{\text{Interest-bearing net liabilities}}{\text{Operational EBITDA}}$                                                                                                                         |                          |                                     |
| Last twelve months (LTM)                                      | Twelve months preceding the reporting date                                                                                                                                                          |                          |                                     |
| TRI                                                           | Total recordable incident rate = number of incidents per one million hours worked                                                                                                                   |                          |                                     |
| LTA                                                           | Lost-time accident rate = number of lost-time accidents per one million hours worked                                                                                                                |                          |                                     |

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<sup>1)</sup> Capital employed = Operating capital – Net tax liabilities

<sup>2)</sup> Average for the financial period

<sup>3)</sup> Attributable to owners of the Parent

**For further information, please contact:**

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**Stora Enso's third quarter 2014 results will be published on 22 October 2014.**

**WEBCAST AND CONFERENCE CALL FOR ANALYSTS AND INVESTORS**

CEO Jouko Karvinen, EVP, Stora Enso Printing and Living and CEO as of 1 August 2014 Karl-Henrik Sundström, CFO Seppo Parvi and SVP Investor Relations Ulla Paajanen-Sainio will be hosting a combined conference call and webcast today at 16.00 Finnish time (15.00 CET, 14.00 UK time, 09.00 EDT).

To participate, please dial:

|                    |                     |
|--------------------|---------------------|
| UK                 | +44(0)20 3427 1905  |
| Finland            | +358 (0)9 6937 9590 |
| Sweden             | +46 (0)8 5065 3938  |
| US                 | +1 646 254 3366     |
| Confirmation Code: | <b>2223621</b>      |

The live webcast may be accessed at [www.media-server.com/m/p/2qncsnu](http://www.media-server.com/m/p/2qncsnu)

*Stora Enso is the global rethinker of the paper, biomaterials, wood products and packaging industry. We always rethink the old and expand to the new to offer our customers innovative solutions based on renewable materials. Stora Enso employs some 29 000 people worldwide, and our sales in 2013 amounted to EUR 10.6 billion. Stora Enso shares are listed on NASDAQ OMX Helsinki (STEAV, STERV) and Stockholm (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY) in the International OTCQX over-the-counter market.*

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by “believes”, “expects”, “anticipates”, “foresees”, or similar expressions, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties, which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group’s targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group’s patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group’s products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group’s principal geographic markets or fluctuations in exchange and interest rates.

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