# Stora Enso
# Half year financial report Q2

1 January – 30 June 2016

THE RENEWABLE MATERIALS COMPANY

# Accelerated transformation

## High activity during the quarter

### Q2/2016 (compared with Q2/2015)

- Sales EUR 2 526 (EUR 2 562) million decreased 1.4%. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 3.6%, primarily due to the ramp-up of Varkaus kraftliner mill and additional volumes from Ostrołęka containerboard mill.
- Operational EBIT increased 9.2% to EUR 226 (EUR 207) million, including a bad debt provision of EUR 6 million in the Paper division, lower variable costs, and a positive net currency impact. The EBIT margin was 8.9% (8.1%).
- EPS EUR 0.16 (EUR 0.17)
- Cash flow from operations record high at EUR 493 (EUR 489) million, due to increased operational EBITDA and release of working capital; cash flow after investing activities was EUR 321 (EUR 261) million.
- Continued strengthening of the balance sheet; net debt to operational EBITDA 2.3 (2.7) despite dividend payment; liquidity reduced to EUR 511 (EUR 986) million, as planned.
- Operational ROCE 10.3% (9.4%), operational ROCE excluding the Beihai Mill investment 12.5% (10.9%).

### Q2/2016 (compared with Q1/2016)

- Sales improved 3.3%. Sales excluding the structurally declining paper business increased 5.8%, mainly due to higher consumer board sales.
- Operational EBIT decreased 8.9%, mainly due to the higher maintenance impact of EUR 28 million.

### Q1–Q2/2016 (compared with Q1–Q2/2015)

- Sales at EUR 4 971 million declined 1.6%. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 3.0%.
- Operational EBIT at EUR 474 million increased 11.0%, mainly due to lower variable costs, and net currency impact.

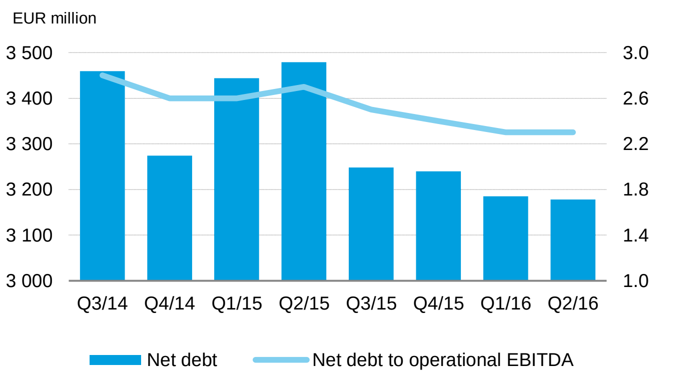
### Transformation

- Beihai consumer board mill in China started up in May and is ramping up ahead of plan. The machine is expected to reach full production within 18–24 months.
- Varkaus kraftliner mill ramp-up is proceeding and customer qualifications have progressed well. Full production is expected during the first half of 2017.
- The new production line for wooden building components at Varkaus Mill (LVL) started up in June 2016. Full production is expected in mid-2018.
- Plans to divest Kabel magazine paper mill in Germany announced in June.
- Divestment of the Suzhou mill site in China announced and paper production ceased in June.
- Stora Enso divested its 33.33% ownership in the Swedish recycled materials company IL Recycling AB in June.

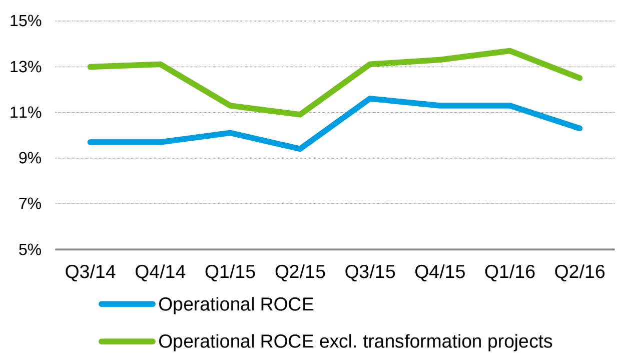
### Outlook for Q3/2016

Q3/2016 sales are estimated to be similar to or slightly lower than the amount of EUR 2 526 million, and operational EBIT is expected to be in line with or somewhat lower than the EUR 226 million recorded in Q2/2016. These estimates include the negative impacts of the scheduled annual maintenance shutdowns and Beihai Mill start-up, which are estimated to be approximately EUR 30 million and EUR 16 million higher than in Q2/2016 respectively.

**NET DEBT TO OPERATIONAL EBITDA**




**OPERATIONAL ROCE**



## KEY FIGURES

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 2 526 | 2 562 | -1.4% | 2 445 | 3.3% | 4 971 | 5 053 | -1.6% | 10 040 |
| Operational EBITDA | 333 | 318 | 4.7% | 356 | -6.5% | 689 | 658 | 4.7% | 1 352 |
| Operational EBITDA margin | 13.2% | 12.4% | | 14.6% | | 13.9% | 13.0% | | 13.5% |
| Operational EBIT | 226 | 207 | 9.2% | 248 | -8.9% | 474 | 427 | 11.0% | 915 |
| Operational EBIT margin | 8.9% | 8.1% | | 10.1% | | 9.5% | 8.5% | | 9.1% |
| Operating profit (IFRS) | 248 | 214 | 15.9% | 194 | 27.8% | 442 | 429 | 3.0% | 1 059 |
| Profit before tax excl. IAC | 112 | 156 | -28.2% | 183 | -38.8% | 295 | 310 | -4.8% | 1 048 |
| Profit before tax | 149 | 148 | 0.7% | 155 | -3.9% | 304 | 310 | -1.9% | 814 |
| Net profit for the period | 118 | 123 | -4.1% | 114 | 3.5% | 232 | 252 | -7.9% | 783 |
| Capital expenditure | 197 | 220 | -10.5% | 188 | 4.8% | 385 | 350 | 10.0% | 989 |
| Capital expenditure excluding investments in biological assets | 174 | 203 | -14.3% | 167 | 4.2% | 341 | 311 | 9.6% | 912 |
| Depreciation and impairment charges excl. IAC | 123 | 135 | -8.9% | 124 | -0.8% | 247 | 268 | -7.8% | 517 |
| Net interest-bearing liabilities | 3 178 | 3 479 | -8.7% | 3 185 | -0.2% | 3 178 | 3 479 | -8.7% | 3 240 |
| Operational ROCE | 10.3% | 9.4% | | 11.3% | | 10.8% | 9.9% | | 10.6% |
| Earnings per share (EPS) excl. IAC, EUR | 0.12 | 0.18 | | 0.19 | | 0.31 | 0.33 | | 1.24 |
| EPS (basic), EUR | 0.16 | 0.17 | | 0.15 | | 0.31 | 0.33 | | 1.02 |
| Return on equity (ROE) | 8.4% | 9.2% | | 8.2% | | 8.4% | 9.7% | | 14.6% |
| Debt/equity ratio | 0.58 | 0.70 | | 0.58 | | 0.58 | 0.70 | | 0.60 |
| Net debt/last twelve months' operational EBITDA ratio | 2.3 | 2.7 | | 2.3 | | 2.3 | 2.7 | | 2.4 |
| Fixed costs to sales | 25.4% | 25.5% | | 24.4% | | 24.9% | 24.7% | | 25.0% |
| Equity per share, EUR | 6.96 | 6.33 | 10.0% | 6.97 | -0.1% | 6.96 | 6.33 | 10.0% | 6.83 |
| Average number of employees | 26 088 | 27 173 | -4.0% | 25 521 | 2.2% | 25 911 | 26 999 | -4.0% | 26 783 |
| TRI rate | 13.3 | 10.4 | 27.9% | 12.0* | 10.8% | 12.7 | 10.3 | 23.3% | 11.0 |
| LTA rate | 5.0 | 4.2 | 19.0% | 3.9* | 28.2% | 4.4 | 4.4 | 0.0% | 4.7 |

**Operational key figures**: see chapter *Non-IFRS measures* at the beginning of the Financials section.
**Items affecting comparability (IAC)**: see chapter *Non-IFRS measures* at the beginning of the Financials section.
**TRI (Total recordable incidents) rate** = number of incidents per one million hours worked.
**LTA (Lost-time accident) rate** = number of lost-time accidents per one million hours worked.
*Recalculated due to additional data after the Q1 interim report.

## DELIVERIES AND PRODUCTION

| | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Board deliveries, 1 000 tonnes | 839 | 778 | 7.8% | 797 | 5.3% | 1 636 | 1 526 | 7.2% | 3 045 |
| Board production, 1 000 tonnes | 912 | 852 | 7.0% | 926 | -1.5% | 1 838 | 1 704 | 7.9% | 3 394 |
| Corrugated packaging deliveries, million $m^2$ | 273 | 287 | -4.9% | 259 | 5.4% | 532 | 561 | -5.2% | 1 112 |
| Market pulp deliveries, 1 000 tonnes | 507 | 470 | 7.9% | 466 | 8.8% | 973 | 927 | 5.0% | 1 873 |
| Wood product deliveries, 1 000 $m^3$ | 1 319 | 1 186 | 11.2% | 1 124 | 17.3% | 2 443 | 2 247 | 8.7% | 4 490 |
| Paper deliveries, 1 000 tonnes | 1 322 | 1 445 | -8.5% | 1 340 | -1.3% | 2 662 | 2 877 | -7.5% | 5 778 |
| Paper production, 1 000 tonnes | 1 298 | 1 444 | -10.1% | 1 395 | -7.0% | 2 693 | 2 916 | -7.6% | 5 794 |

# CEO comment

"In the second quarter of 2016, sales excluding the structurally declining paper business and the divested Consumer Board Barcelona Mill increased 3.6% compared to the same quarter last year. This was primarily due to the ramp-up of Varkaus kraftliner mill and additional volumes from the Ostrołęka containerboard mill. Cash flow year-on-year was record high, due to higher profitability and release of working capital.

This quarter we have stepped up a gear in our transformation to a renewable materials growth company. We have taken a major leap forward and many parts of the puzzle are falling into place. We are now ready for the next chapter in our transformation journey. The consumer board machine at Beihai Mill in China successfully started production, ahead of plan, which is an historical milestone for us. Our aim is to benefit from the growing demand in China and Asia Pacific for high-quality consumer board. One of the key end products from Beihai Mill will be Liquid Packaging Board, of which more than 80 per cent today is imported to China.

In June, production started at our new production line in Varkaus Mill in Finland, which makes wooden building components. The new laminated veneer lumber (LVL) line will meet the growing need for sustainable, high quality engineered wooden elements. We are also assessing the feasibility of building a cross-laminated timber (CLT) production unit in connection to Gruvön Mill in Sweden. This would support our ambition to capture market share from non-renewable materials in the construction sector.

Also in accordance with our transformation into a renewable materials growth company, we will divest our Kabel magazine paper mill in Germany. Furthermore, we have announced closure of our Suzhou paper mill and divestment of the site in China. In Sweden, we have divested our 33.33% ownership in the Swedish recycled materials company IL Recycling, as our need for paper for recycling in Sweden has decreased during the past years.

We continue to invest for growth and strengthened competitiveness. To further enhance our position as a leading global supplier of premium paperboards, we are investing EUR 70 million in Imatra Mills in Finland. This is to increase coating capacity and allow further product development of the new generation bio-barriers. Customer demand for food service board and liquid packaging board is estimated to grow above industry average. Furthermore, to meet the growing demand in the hygiene market, we will invest EUR 26.5 million in Skutskär pulp mill to increase the mill's fluff capacity.

To strengthen our bio-based chemicals development, we have signed a joint technology development agreement with specialty chemicals company Rennovia Inc. This is a logical next step for us as we are targeting new markets and developing new products in this area. The commercialisation of lignin from Sunila Mill in Finland is going forward and the first customer agreement has been signed.

During the quarter, we have also successfully completed a Eurobond refinancing.

I am very pleased that we have entered into a strategic partnership with Aalto University, Chalmers University of Technology and the Royal Institute of Technology. This collaboration with leading engineering universities will allow us to further advance our positions in the field of innovation. The priority competence areas for research collaboration are bio-based chemistry, design, digitalisation, material science and process solutions.

When it comes to outlook for the third quarter of 2016, sales are estimated to be similar to or slightly lower than the amount of EUR 2 526 million, and operational EBIT is expected to be in line with or somewhat lower than the EUR 226 million recorded in second quarter of 2016. These estimates include the negative impacts of the scheduled annual maintenance shutdowns and Beihai Mill start-up, which are estimated to be approximately EUR 30 million and EUR 16 million higher than in Q2/2016 respectively.

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

***Karl-Henrik Sundström, CEO***

**Operational EBIT margin (Q2/2016)**

8.9%

**Operational ROCE (Q2/2016)**

10.3%

**(Target >13%)**

**Net debt to operational EBITDA**

2.3

**(Target <3.0)**

**RECONCILIATION OF OPERATIONAL PROFITABILITY**

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Operational EBITDA** | **333** | **318** | **4.7%** | **356** | **-6.5%** | **689** | **658** | **4.7%** | **1 352** |
| Equity accounted investments (EAI), operational* | 16 | 24 | -33.3% | 16 | 0.0% | 32 | 37 | -13.5% | 80 |
| Depreciation and impairment excl. IAC | -123 | -135 | 8.9% | -124 | 0.8% | -247 | -268 | 7.8% | -517 |
| **Operational EBIT** | **226** | **207** | **9.2%** | **248** | **-8.9%** | **474** | **427** | **11.0%** | **915** |
| Fair valuations and non-operational items** | -15 | 15 | -200.0% | -26 | 42.3% | -41 | 2 | n/m | 378 |
| Items affecting comparability (IAC)*** | 37 | -8 | n/m | -28 | 232.1% | 9 | 0 | 100.0% | -234 |
| **Operating Profit (IFRS)** | **248** | **214** | **15.9%** | **194** | **27.8%** | **442** | **429** | **3.0%** | **1 059** |

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

## Second quarter 2016 results (compared with Q2/2015)

**BREAKDOWN OF CHANGE IN SALES Q2/2015 TO Q2/2016**

| **Sales Q2/2015, EUR million** | **2 562** |
|---|---|
| Price and mix | -1% |
| Currency | 1% |
| Volume | 1% |
| Other sales* | 1% |
| Total before structural changes | 2% |
| Structural changes** | -3% |
| Total | -1% |
| **Sales Q2/2016, EUR million** | **2 526** |

* Wood, energy, paper for recycling, by-products etc.
** Asset closures, major investments, divestments and acquisitions

Group sales of EUR 2 526 million were EUR 36 million lower than a year ago. Sales decreased mainly due to structural changes, including the conversion of paper production to kraftliner at Varkaus Mill in Finland, the Arapoti paper mill disposal in Brazil, and the Barcelona board mill divestment in Spain. Lower pulp prices in Biomaterials were offset by higher board volumes in Consumer Board and Packaging Solutions. Operational EBIT was EUR 226 (EUR 207) million, an increase of EUR 19 million. The operational EBIT margin was 8.9% (8.1%).

Variable costs were EUR 28 million lower, mainly due to clearly lower wood costs. Transportation costs were slightly lower, partly due to decreased volumes, impacted by divestments and closures. Net fixed costs were EUR 23 million higher, mainly due to the ramp-up of the Varkaus kraftliner mill and higher production at sawmills. Lower sales prices in local currencies, especially for pulp grades, decreased operational EBIT by EUR 16 million. This was offset by a positive EUR 29 million net foreign exchange impact. Depreciation was EUR 9 million lower, mainly due to the impairment of intangible assets and property, plant and equipment in the fourth quarter of 2015. Results from equity accounted investments decreased EUR 8 million, mainly due to lower results in the Nordic forest associates.

Paper production was curtailed by 12% (9%), board by 5% (5%), and sawn wood by 1% (3%) to reduce working capital.

The average number of employees in the second quarter of 2016 was approximately 26 100, which is 1 100 lower than a year earlier. The main reason for the reduction are the divestments of Arapoti Mill in Brazil, Barcelona Mill in Spain, Komárom plant in Hungary, Hartola Building Solutions unit in Finland, and the closures of Suzhou Mill in China and the Inpac unit in India. The average number of employees during the quarter in Europe was approximately 20 500, which is slightly higher than in the same quarter a year ago. In China, the average number of employees was approximately 4 600, which is 500 lower than a year ago.

Fair valuations and non-operational items had a negative EUR 15 (positive EUR 15) million impact on operating profit. The impact comes mainly from the Nordic forest equity-accounted investments.

Earnings per share was EUR 0.16 (EUR 0.17) and earnings per share excluding items affecting comparability (IAC) was EUR 0.12 (EUR 0.18). The decrease in EPS excluding IAC is mainly due to bond repurchases, revaluation of foreign currency loans and decrease in the result of the associated companies.

The group recorded items affecting comparability (IAC) with a positive net impact of approximately EUR 37 million in its operating profit and a negative impact of approximately EUR 10 million on income tax in the second quarter of 2016. The IAC relate to the divestments of Kabel Mill in Germany (a negative IAC of approximately EUR 5 million), Suzhou Mill site in China (a positive IAC of approximately EUR 26 million), and IL Recycling 33.33 % ownership (a positive IAC of approximately EUR 16 million). The Kabel Mill divestment is estimated to be completed during the third quarter of 2016 and the Suzhou Mill divestment during the fourth quarter of 2016. The IL Recycling divestment was completed during the second quarter. The total gain on disposal of Suzhou Mill site to be reported in operating profit is expected to be approximately EUR 181 million, of which EUR 26 million was recorded as a positive IAC in Stora Enso's second quarter 2016 results, and the remaining EUR 155 million is expected to be recorded as a positive IAC in Stora Enso's fourth quarter 2016 results. The Suzhou Mill site disposal related total net gain including the closure related costs after tax is expected to be approximately EUR 148 million.

Net financial expenses at EUR 99 million were EUR 33 million higher than a year ago. Respectively, the net interest expenses at EUR 34 million were EUR 13 million lower than a year ago, mainly due to reduced debt level and active debt liability management. An expense of EUR 34 million was recorded as other financial expense in the second quarter in connection with the bond repurchases. The net foreign exchange impact in the second quarter in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a loss of EUR 28 (EUR 0) million, mainly due to the revaluation of USD loans in Chinese subsidiaries and EUR loans in Polish subsidiaries.

**BREAKDOWN OF CHANGE IN CAPITAL EMPLOYED 30 JUNE 2015 TO 30 JUNE 2016**

| EUR million | Capital Employed |
|---|---|
| **30 June 2015** | **8 654** |
| Capital expenditure less depreciation | 489 |
| Impairments and reversal of impairments | -201 |
| Valuation of biological assets | -22 |
| Available-for-sale: operative (mainly PVO) | -31 |
| Equity accounted investments | 419 |
| Net liabilities in defined benefit plans | 94 |
| Operative working capital and other interest-free items, net | -372 |
| Net tax liabilities | -10 |
| Translation difference | -158 |
| Other changes | -86 |
| **30 June 2016** | **8 776** |

The operational return on capital employed in the second quarter of 2016 was 10.3% (9.4%). Excluding the ongoing investment in Beihai Mill in Consumer Board division, the operational return on capital employed would have been 12.5% (10.9%).

## January–June 2016 results (compared with January–June 2015)

Sales decreased EUR 82 million or 1.6% to EUR 4 971 million. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 3.0%. Operational EBIT was EUR 47 million higher at EUR 474 million. Variable costs were EUR 36 million lower and net fixed costs EUR 33 million higher. The net foreign exchange impact on operational EBIT was a positive EUR 34 million. Depreciation was EUR 18 million lower, mainly due to divestments and impairment of intangible assets and property, plant and equipment in the fourth quarter of 2015. Transportation costs were EUR 14 million lower and result from equity accounted investments EUR 5 million lower. Lower sales prices in local currencies, mainly in pulp grades, decreased operational EBIT by EUR 17 million.

## Second quarter 2016 results (compared with Q1/2016)

Sales were EUR 81 million or 3.3% higher at EUR 2 526 million. Sales excluding the structurally declining paper business increased 5.8%, mainly due to higher consumer board sales. Operational EBIT was EUR 22 million lower at EUR 226 million. Net fixed costs were seasonally EUR 36 million higher mainly due to increased maintenance activity of EUR 28 million in the second quarter of 2016. Sales prices in local currencies and volumes reduced operational EBIT by EUR 7 million, and EUR 5 million, respectively. Lower variable costs had a positive impact of EUR 26 million.

# Financing in second quarter 2016 (compared with Q1/2016)

**CAPITAL STRUCTURE**

| EUR million | 30 Jun 16 | 31 Mar 16 | 31 Dec 15 | 30 Jun 15 |
|---|---|---|---|---|
| Operative fixed assets* | 6 987 | 6 794 | 6 822 | 6 968 |
| Equity accounted investments | 1 474 | 1 545 | 1 570 | 1 078 |
| Operative working capital, net | 839 | 980 | 884 | 1 253 |
| Non-current interest-free items, net | -458 | -464 | -476 | -586 |
| **Operating Capital Total** | **8 842** | **8 855** | **8 800** | **8 713** |
| Net tax liabilities | -66 | -58 | -47 | -59 |
| **Capital Employed** | **8 776** | **8 797** | **8 753** | **8 654** |
| | | | | |
| Equity attributable to owners of the Parent | 5 492 | 5 500 | 5 388 | 4 994 |
| Non-controlling interests | 106 | 112 | 125 | 181 |
| Net interest-bearing liabilities | 3 178 | 3 185 | 3 240 | 3 479 |
| **Financing Total** | **8 776** | **8 797** | **8 753** | **8 654** |

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

Total unutilised committed credit facilities were unchanged at EUR 700 million, and cash and cash equivalents net of overdrafts were brought down by EUR 93 million to EUR 511 million by reducing gross debt. In addition, Stora Enso has access to various long-term sources of funding up to EUR 850 (850) million.

The net debt was EUR 3 178 million, a decrease of EUR 7 million from the previous quarter.

Stora Enso issued a new EUR 300 million, seven-year Eurobond under its EMTN (Euro Medium Term Note) programme in June. The bond matures in June 2023 and pays a fixed coupon of 2.125%. There are no financial covenants for the bond.

In June, Stora Enso also successfully completed Eurobond tender offers of 2018 and 2019 notes issued in 2012 by repurchasing nominal amount of EUR 285 million from the 2018 bond with a coupon of 5.00%, and EUR 67 million from the 2019 bond with a coupon of 5.50%. In addition, Stora Enso also repurchased entire EUR 50 million nominal amount of its floating-rate Euribor+0.72% bond originally maturing in 2018. The transactions will extend Stora Enso's weighted debt maturity profile and reduce interest costs.

The fair value of PVO shares accounted for as available-for-sale investments increased in the quarter by EUR 65 million to EUR 192 million. The change in fair value is mainly caused by the increase in electricity prices. The changes in fair valuation are included in the Other Comprehensive Income in equity.

The ratio of net debt to the last twelve months' operational EBITDA was 2.3 (2.3). The debt/equity ratio at 30 June 2016 was 0.58 (0.58).

# Cash flow in second quarter 2016

**CASH FLOW**

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Operational EBITDA | 333 | 318 | 4.7% | 356 | -6.5% | 689 | 658 | 4.7% | 1 352 |
| IAC on operational EBITDA | -21 | -7 | -200.0% | -27 | 22.2% | -48 | 1 | n/m | -24 |
| Dividends received from equity accounted investments | 58 | 31 | 87.1% | 0 | 100.0% | 58 | 31 | 87.1% | 32 |
| Other adjustments | 16 | 21 | -23.8% | 21 | -23.8% | 37 | 31 | 19.4% | 55 |
| Change in working capital | 107 | 126 | -15.1% | -61 | 275.4% | 46 | -61 | 175.4% | 141 |
| **Cash Flow from Operations (non-IFRS)** | **493** | **489** | **0.8%** | **289** | **70.6%** | **782** | **660** | **18.5%** | **1 556** |
| Cash spent on fixed and biological assets | -172 | -228 | 24.6% | -193 | 10.9% | -365 | -370 | 1.4% | -956 |
| Acquisitions of equity accounted investments | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 0.0% | -1 |
| **Cash Flow after Investing Activities (non-IFRS)** | **321** | **261** | **23.0%** | **96** | **234.4%** | **417** | **290** | **43.8%** | **599** |

Second quarter 2016 cash flow after investing activities was record high at EUR 321 million. Working capital decreased by EUR 107 million, mainly due to an increase of trade payables and reduced inventories. Payments related to the previously announced restructuring provisions were EUR 15 million.

# Capital expenditure

Additions to fixed and biological assets in the second quarter 2016 totalled EUR 197 million, of which EUR 174 million were fixed assets and EUR 23 million biological assets. Depreciations in the second quarter of 2016 totalled EUR 123 million. Additions in fixed assets and biological assets had a cash outflow impact of EUR 172 million in the second quarter.

The main projects ongoing in the second quarter of 2016 were the board machine at Beihai Mill in China, which started up in May, and the new production line for wooden building components (LVL) at Varkaus Mill in Finland, which started up in June.

**CAPITAL EXPENDITURE, EQUITY INJECTIONS AND DEPRECIATION FORECAST 2016**

| EUR million | Forecast 2016 |
|---|---|
| Capital expenditure | 680–720 |
| Depreciation | 510–530 |

The capital expenditure forecast includes approximately EUR 100 million for the group’s biological assets and approximately EUR 180 million for Beihai Mill in China, excluding the PE coating investment announced in March 2016. The total capital expenditure in Beihai Mill will be approximately EUR 800 million, excluding the PE coating investment.

# Segments in second quarter 2016 (compared with Q2/2015)

## Consumer Board division

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

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 599 | 603 | -0.7% | 564 | 6.2% | 1 163 | 1 172 | -0.8% | 2 340 |
| Operational EBITDA | 113 | 114 | -0.9% | 108 | 4.6% | 221 | 229 | -3.5% | 434 |
| Operational EBITDA margin | 18.9% | 18.9% | | 19.1% | | 19.0% | 19.5% | | 18.5% |
| Operational EBIT | 76 | 78 | -2.6% | 73 | 4.1% | 149 | 157 | -5.1% | 290 |
| Operational EBIT margin | 12.7% | 12.9% | | 12.9% | | 12.8% | 13.4% | | 12.4% |
| Operational ROOC* | 14.8% | 16.1% | | 14.3% | | 14.7% | 17.1% | | 15.5% |
| Cash flow from operations (non-IFRS)** | 168 | 124 | 35.5% | 82 | 104.9% | 250 | 163 | 53.4% | 481 |
| Cash flow after investing activities (non-IFRS)** | 73 | 39 | 87.2% | -16 | n/m | 57 | 11 | n/m | 21 |
| Board deliveries, 1 000 tonnes | 630 | 643 | -2.0% | 588 | 7.1% | 1 218 | 1 246 | -2.2% | 2 458 |
| Board production, 1 000 tonnes | 620 | 645 | -3.9% | 624 | -0.6% | 1 244 | 1 283 | -3.0% | 2 490 |

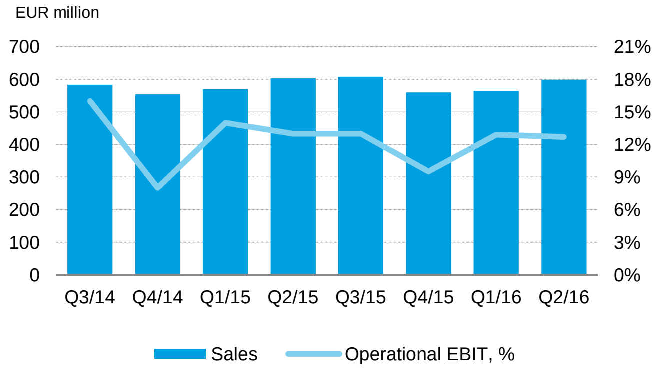
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales excluding the divested Barcelona Mill increased EUR 25 million or 4.4%, mainly due to higher sales volumes and stable prices.
- Operational EBIT was EUR 2 million lower. Start-up costs at Beihai Mill in China and additional maintenance costs in European mills were only partly offset by lower variable costs, especially related to wood. The negative impact of start-up of Beihai Mill and the ongoing plantation operations in Guangxi was EUR 18 million, or EUR 3 million higher than a year ago.
- Beihai Mill started operations in May, and the ramp-up is proceeding ahead of plan. The consumer board machine is expected to reach full production within 18–24 months. The EBIT impact of Beihai operations in the third quarter of 2016 is estimated to be approximately EUR 34 million negative and in the fourth quarter approximately EUR 30 million negative, including a quarterly depreciation of EUR 10 million.
- Operational ROOC without the Beihai Mill investment would have been 35.2% (30.8%).
- In May, Stora Enso announced an investment of EUR 70 million in Imatra Mills, Finland to increase capacity for producing extrusion coated products and warehousing capacity. The investment is expected to be completed during the fourth quarter of 2017.
- The EUR 31 million investment in a new polyethylene (PE) coating line at Beihai Mill is proceeding as planned and is expected to be completed in mid-2017. The investment in a new chemical plant at Skoghall Mill in Sweden is also proceeding according to plan, and is expected to be completed by the end of 2017.

**MARKETS**

| Product | Market | Demand Q2/16 compared with Q2/15 | Demand Q2/16 compared with Q1/16 | Price Q2/16 compared with Q2/15 | Price Q2/16 compared with Q1/16 |
|---|---|---|---|---|---|
| Consumer board | Europe | Stable | Stable | Slightly lower | Stable |

**SALES AND OPERATIONAL EBIT**




**Operational ROOC (Q2/2016)**

**14.8%**

**(Target: >20%)**

**SCHEDULED ANNUAL MAINTENANCE SHUTDOWNS**

| | 2016 | 2015 |
|---|---|---|
| Q1 | – | – |
| Q2 | – | – |
| Q3 | Imatra and Ingerois mills | Imatra and Ingerois mills |
| Q4 | Skoghall and Fors mills | Skoghall and Fors mills |

# Packaging Solutions division

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

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 258 | 226 | 14.2% | 245 | 5.3% | 503 | 447 | 12.5% | 913 |
| Operational EBITDA | 33 | 38 | -13.2% | 23 | 43.5% | 56 | 78 | -28.2% | 147 |
| Operational EBITDA margin | 12.8% | 16.8% | | 9.4% | | 11.1% | 17.4% | | 16.1% |
| Operational EBIT | 17 | 24 | -29.2% | 7 | 142.9% | 24 | 50 | -52.0% | 90 |
| Operational EBIT margin | 6.6% | 10.6% | | 2.9% | | 4.8% | 11.2% | | 9.9% |
| Operational ROOC* | 7.7% | 11.7% | | 3.2% | | 5.6% | 12.6% | | 11.1% |
| Cash flow from operations (non-IFRS)** | 39 | 39 | 0.0% | 10 | 290.0% | 49 | 69 | -29.0% | 138 |
| Cash flow after investing activities (non-IFRS)** | 27 | 20 | 35.0% | -10 | n/m | 17 | 38 | -55.3% | 20 |
| Board deliveries (external), 1 000 tonnes | 209 | 135 | 54.8% | 209 | 0.0% | 418 | 280 | 49.3% | 587 |
| Board production, 1 000 tonnes | 292 | 207 | 41.1% | 302 | -3.3% | 594 | 421 | 41.1% | 904 |
| Corrugated packaging deliveries, million $m^2$ | 273 | 287 | -4.9% | 259 | 5.4% | 532 | 561 | -5.2% | 1 112 |
| Corrugated packaging production, million $m^2$ | 272 | 276 | -1.4% | 253 | 7.5% | 525 | 551 | -4.7% | 1 093 |

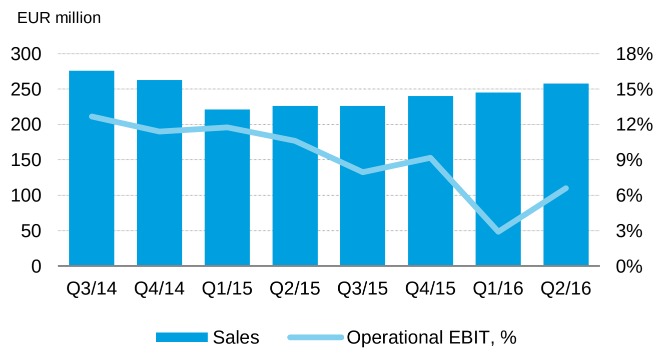
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased over 14%, or EUR 32 million, mainly due to additional board volumes from the Varkaus kraftliner mill in Finland and the Ostrołęka containerboard mill in Poland.
- Operational EBIT excluding Varkaus and Inpac increased EUR 2 million. The ramp-up of Varkaus Mill and improvement actions in Inpac are proceeding but contribution to operational EBIT still remained negative for those units in the second quarter of 2016.
- Varkaus kraftliner mill ramp-up is proceeding and customer qualifications have progressed well. Full production is expected during the first half of 2017.
- In April, Stora Enso announced a feasibility study with the aim of expanding containerboard production at the Ostrołęka Mill in Poland by 500 000 tonnes annually. The study is expected to be completed by the end of 2016.

### MARKETS

| Product | Market | Demand Q2/16 compared with Q2/15 | Demand Q2/16 compared with Q1/16 | Price Q2/16 compared with Q2/15 | Price Q2/16 compared with Q1/16 |
|---|---|---|---|---|---|
| Virgin fibre-based containerboard | Europe | Slightly weaker | Slightly stronger | Lower | Slightly lower |
| RCP containerboard | Europe | Stronger | Stable | Stable | Slightly lower |
| Corrugated packaging | Europe | Slightly stronger | Slightly stronger | Slightly higher | Stable |

### SALES AND OPERATIONAL EBIT




### Operational ROOC (Q2/2016)

7.7%

(Target: >20%)

### SCHEDULED ANNUAL MAINTENANCE SHUTDOWNS

| | 2016 | 2015 |
|---|---|---|
| Q1 | – | – |
| Q2 | Ostrołęka Mill | Ostrołęka Mill |
| Q3 | Heinola Mill | Varkaus Mill |
| Q4 | Varkaus Mill | Heinola Mill |

# Biomaterials division

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

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 342 | 364 | -6.0% | 351 | -2.6% | 693 | 718 | -3.5% | 1 484 |
| Operational EBITDA | 84 | 87 | -3.4% | 110 | -23.6% | 194 | 187 | 3.7% | 420 |
| Operational EBITDA margin | 24.6% | 23.9% | | 31.3% | | 28.0% | 26.0% | | 28.3% |
| Operational EBIT | 57 | 59 | -3.4% | 84 | -32.1% | 141 | 132 | 6.8% | 313 |
| Operational EBIT margin | 16.7% | 16.2% | | 23.9% | | 20.3% | 18.4% | | 21.1% |
| Operational ROOC* | 8.9% | 8.9% | | 13.1% | | 10.9% | 10.3% | | 12.4% |
| Cash flow from operations (non-IFRS)** | 128 | 133 | -3.8% | 115 | 11.3% | 243 | 151 | 60.9% | 385 |
| Cash flow after investing activities (non-IFRS)** | 96 | 35 | 174.3% | 81 | 18.5% | 177 | 17 | n/m | 187 |
| Pulp deliveries, 1 000 tonnes | 627 | 630 | -0.5% | 617 | 1.6% | 1 244 | 1 223 | 1.7% | 2 499 |

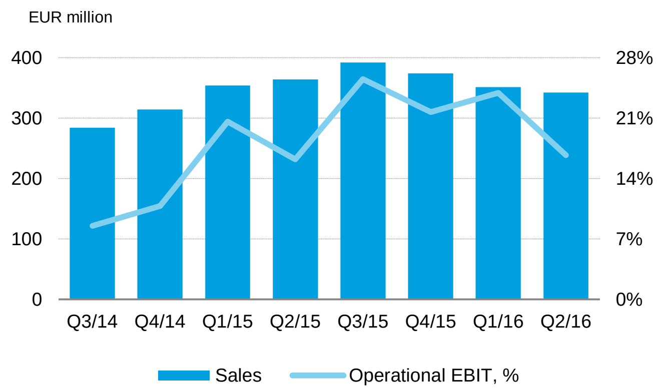
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales decreased EUR 22 million driven by significantly lower hardwood pulp prices, and also lower softwood pulp prices, partly offset by positive currency hedging impact.
- Operational EBIT decreased slightly, mainly due to lower pulp prices in local currencies, especially for hardwood pulp. On the other hand, lower wood costs, especially in the Nordics, and lower maintenance costs related to fewer shutdowns had a positive effect.
- In June, Stora Enso announced an investment at Skutskär Mill in Sweden to increase its fluff pulp capacity. The investment is expected to be completed during the second quarter of 2018.
- Commercialisation of lignin from Sunila Mill in Finland is going forward and the first customer agreement has been signed.

**MARKETS**

| Product | Market | Demand Q2/16 compared with Q2/15 | Demand Q2/16 compared with Q1/16 | Price Q2/16 compared with Q2/15 | Price Q2/16 compared with Q1/16 |
|---|---|---|---|---|---|
| Softwood pulp | Europe | Slightly stronger | Stable | Lower | Slightly higher |
| Hardwood pulp | Europe | Stable | Stable | Significantly lower | Lower |

**SALES AND OPERATIONAL EBIT**




**Operational ROOC (Q2/2016)**

# 8.9%

**(Target: >15%)**

**SCHEDULED ANNUAL MAINTENANCE SHUTDOWNS**

| | 2016 | 2015 |
|---|---|---|
| **Q1** | – | Montes del Plata Mill |
| **Q2** | Montes del Plata Mill | Enocell and Veracel mills |
| **Q3** | Veracel and Skutskär mills | Skutskär Mill |
| **Q4** | Enocell Mill | Sunila Mill |

# Wood Products division

*Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of urban construction including massive wood elements and housing modules, wood components and pellets. We also offer a variety of sawn timber goods. Our customers are mainly construction and joinery companies, merchandisers and retailers. Wood Products operates globally and has more than 20 production units in Europe.*

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 433 | 441 | -1.8% | 382 | 13.4% | 815 | 833 | -2.2% | 1 603 |
| Operational EBITDA | 41 | 32 | 28.1% | 23 | 78.3% | 64 | 55 | 16.4% | 111 |
| Operational EBITDA margin | 9.5% | 7.3% | | 6.0% | | 7.9% | 6.6% | | 6.9% |
| Operational EBIT | 33 | 23 | 43.5% | 16 | 106.3% | 49 | 38 | 28.9% | 81 |
| Operational EBIT margin | 7.6% | 5.2% | | 4.2% | | 6.0% | 4.6% | | 5.1% |
| Operational ROOC* | 25.6% | 17.9% | | 12.3% | | 19.1% | 14.8% | | 15.7% |
| Cash flow from operations (non-IFRS)** | 67 | 50 | 34.0% | 34 | 97.1% | 101 | 64 | 57.8% | 118 |
| Cash flow after investing activities (non-IFRS)** | 53 | 42 | 26.2% | 10 | n/m | 63 | 46 | 37.0% | 59 |
| Wood products deliveries, 1 000 $m^3$ | 1 274 | 1 142 | 11.6% | 1 086 | 17.3% | 2 360 | 2 167 | 8.9% | 4 334 |

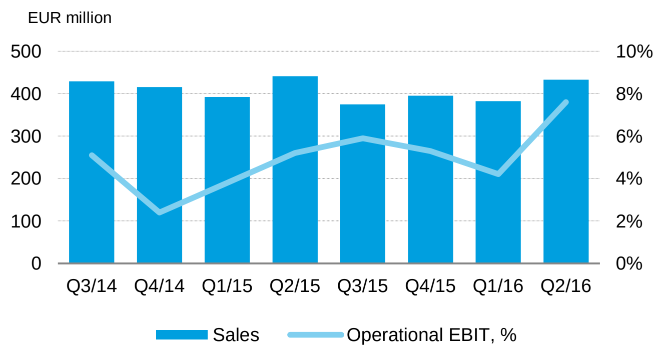
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales were EUR 8 million lower, mainly due to slightly lower prices and a strategic reduction in external sawn goods trading.
- Operational EBIT improved EUR 10 million, mainly due to higher deliveries, improved product mix, and lower log prices.
- Operational ROOC clearly improved to 25.6%, due to improved profitability and efficient working capital management.
- Production started at the new line for wooden building components (LVL) at Varkaus Mill in June as planned. Full production is expected in mid-2018.
- In June, Stora Enso divested its Hartola pre-fabricated wooden housing modules unit in Finland, and entered into a partnership with the buyer.
- Also in June, Stora Enso announced that it is carrying out a feasibility study of building a cross laminated timber (CLT) production unit in connection at Gruvön Mill in Sweden.

**MARKETS**

| Product | Market | Demand Q2/16 compared with Q2/15 | Demand Q2/16 compared with Q1/16 | Price Q2/16 compared with Q2/15 | Price Q2/16 compared with Q1/16 |
|---|---|---|---|---|---|
| Wood products | Europe | Significantly stronger | Significantly stronger | Slightly lower | Slightly higher |

**SALES AND OPERATIONAL EBIT**




**Operational ROOC (Q2/2016)**

25.6%

**(Target: >18%)**

# Paper division

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

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 839 | 915 | -8.3% | 854 | -1.8% | 1 693 | 1 829 | -7.4% | 3 630 |
| Operational EBITDA | 74 | 52 | 42.3% | 83 | -10.8% | 157 | 113 | 38.9% | 231 |
| Operational EBITDA margin | 8.8% | 5.7% | | 9.7% | | 9.3% | 6.2% | | 6.4% |
| Operational EBIT | 43 | 12 | 258.3% | 51 | -15.7% | 94 | 30 | 213.3% | 77 |
| Operational EBIT margin | 5.1% | 1.3% | | 6.0% | | 5.6% | 1.6% | | 2.1% |
| Operational ROOC* | 14.6% | 3.1% | | 17.1% | | 15.9% | 3.8% | | 5.5% |
| Cash flow from operations (non-IFRS)** | 63 | 59 | 6.8% | 53 | 18.9% | 116 | 124 | -6.5% | 286 |
| Cash flow after investing activities (non-IFRS)** | 49 | 47 | 4.3% | 45 | 8.9% | 94 | 101 | -6.9% | 201 |
| Cash flow after investing activities to sales (non-IFRS) | 5.8% | 5.1% | | 5.3% | | 5.6% | 5.5% | | 5.5% |
| Paper deliveries, 1 000 tonnes | 1 322 | 1 445 | -8.5% | 1 340 | -1.3% | 2 662 | 2 877 | -7.5% | 5 778 |
| Paper production, 1 000 tonnes | 1 298 | 1 444 | -10.1% | 1 395 | -7.0% | 2 693 | 2 916 | -7.6% | 5 794 |

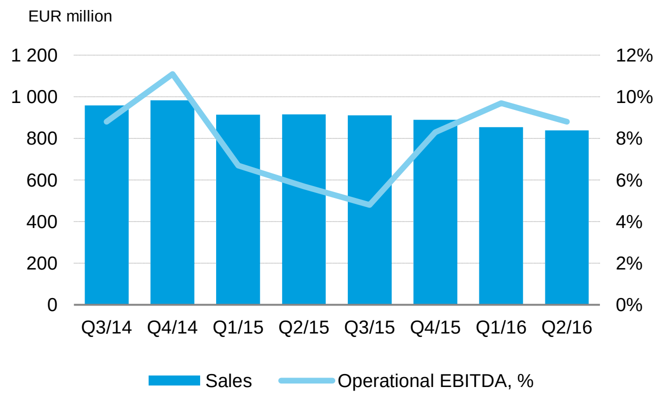
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased EUR 4 million excluding the divestment of Arapoti Mill and the conversion of Varkaus paper mill to kraftliner.
- Operational EBIT was EUR 31 million higher, attributable to somewhat better sales prices, lower variable costs, especially for energy, pulp and chemicals. Operational EBIT was impacted by a EUR 6 million provision for bad debt. The second quarter results included a negative impact of EUR 1 million related to an odour gas incident at the Veitsiluoto pulp mill in Finland.
- Depreciation was EUR 8 million lower, mainly due to fixed asset impairments recorded in the fourth quarter of 2015.
- Cash flow after investing activities to sales increased to 5.8%. Excluding one-time restructuring cash flow impacts of EUR 17 million related to the divestments of Kabel Mill and the Suzhou Mill site, the ratio reached 7.9%.
- In June:
  - Stora Enso signed an agreement to divest the Kabel coated mechanical paper mill in Germany to Hagen-Kabel Pulp & Paper GmbH. The transaction is expected to be completed in the third quarter of 2016.
  - Stora Enso signed an agreement to divest its Suzhou Mill site in China to the local government of Suzhou National New & Hi-tech Industrial Development Area (SND), which plans to convert the mill site from industrial use to non-industrial use. Paper production at the mill was stopped in June.
  - Stora Enso finalised the divestment of its 33.33% ownership in the Swedish recycled materials company IL Recycling AB to Stena Metall AB, a Swedish recycling company.
- Stora Enso is reviewing how to create the best conditions for the Paper division to compete under increasing cost pressures and declining market demand. Therefore, a project has been initiated to plan for the most efficient way to manage the paper business going forward.

**MARKETS**

| Product | Market | Demand Q2/16 compared with Q2/15 | Demand Q2/16 compared with Q1/16 | Price Q2/16 compared with Q2/15 | Price Q2/16 compared with Q1/16 |
|---|---|---|---|---|---|
| Paper | Europe | Slightly weaker | Slightly weaker | Slightly higher | Stable |

**SALES AND OPERATIONAL EBITDA***




**Cash flow after investing activities to sales (Q2/2016)**

5.8%

**(Target: >7%)**

**SCHEDULED ANNUAL MAINTENANCE SHUTDOWNS**

| | 2016 | 2015 |
|---|---|---|
| Q1 | – | – |
| Q2 | Langerbrugge Mill | Langerbrugge Mill |
| Q3 | Anjala, Maxau, Oulu, and Veitsiluoto mills | Anjala, Maxau, Oulu, and Veitsiluoto mills |
| Q4 | – | Nymölla Mill |

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

# Other

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

| EUR million | Q2/16 | Q2/15 | Change % Q2/16–Q2/15 | Q1/16 | Change % Q2/16–Q1/16 | Q1–Q2/16 | Q1–Q2/15 | Change % Q1-Q2/16–Q1-Q2/15 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 629 | 629 | 0.0% | 648 | -2.9% | 1 277 | 1 276 | 0.1% | 2 478 |
| Operational EBITDA | -12 | -5 | -140.0% | 9 | -233.3% | -3 | -4 | 25.0% | 9 |
| Operational EBITDA margin | -1.9% | -0.8% | | 1.4% | | -0.2% | -0.3% | | 0.4% |
| Operational EBIT | 0 | 11 | -100.0% | 17 | -100.0% | 17 | 20 | -15.0% | 64 |
| Operational EBIT margin | 0.0% | 1.7% | | 2.6% | | 1.3% | 1.6% | | 2.6% |
| Cash flow from operations (non-IFRS)* | 28 | 84 | -66.7% | -5 | n/m | 23 | 89 | -74.2% | 148 |
| Cash flow after investing activities (non-IFRS)* | 23 | 78 | -70.5% | -14 | 264.3% | 9 | 77 | -88.3% | 111 |

* Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Operational EBIT decreased mainly due to lower capital gains from land sales in Bergvik Skog and Tornator, and lower wood selling volumes and prices, as well as lower energy prices.

# Sustainability in second quarter 2016 (compared with Q2/2015)

## Safety performance

TRI AND LTA RATES*

| | Q2/16 | Q2/15 | Q1/16** | Q1–Q2/16 | Q1–Q2/15 | 2015 | Milestone | Milestone to be reached by |
|---|---|---|---|---|---|---|---|---|
| TRI rate | 13.3 | 10.4 | 12.0 | 12.7 | 10.3 | 11.0 | | |
| LTA rate | 5.0 | 4.2 | 3.9 | 4.4 | 4.4 | 4.7 | 3.8 | end of 2016 |

**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.
*For Stora Enso employees
**Recalculated due to additional data after the Q1 interim report.

## Suppliers

### Implementation of the Supplier Code of Conduct

SUPPLIER CODE OF CONDUCT

| | 30 Jun 16 | 31 Mar 16 | 31 Dec 15 | 30 Jun 15 | Target | Target to be reached by |
|---|---|---|---|---|---|---|
| % of supplier spend covered by the Supplier Code of Conduct* | 92% | 91% | 90% | 82% | 90% | end of 2016 |

*Excluding joint operations. Performance in 2015 excludes Wood Supply units.

## Human rights

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

A mapping of Bulleh Shah Packaging's (BSP) waste paper and agricultural by-product supply chains, as the first phase of formative ground research, was completed by the ILO in April. The purpose of the mapping was to get an overview of BSP value chain. Furthermore, it aims at developing a concrete base for formative ground research on labour practices in local supply chains within communities where BSP sources goods and services. The second phase of the formative ground research has commenced. As reported earlier, it is expected to be completed by the end of the agricultural harvesting season in order to design and implement mitigation interventions.

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

PROGRESS ON THE IMPLEMENTATION OF PREVENTIVE AND REMEDIATION ACTIONS

| | Completed | On track | Not on track | Closed* | Regular review** |
|---|---|---|---|---|---|
| Implementation progress, % of all the actions | 82% | 8% | 1% | 6% | 3% |

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

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

At the end of the quarter 82% (79% by the end of first quarter) of the preventive and remediation actions were completed. The actions are based on the UN Guiding Principles on Business and Human Rights and criteria created in collaboration with DIHR.

### Mitigating Child Labour in Pakistan

BULLEH SHAH PACKAGING'S DIRECT SUPPLIERS OF DOMESTIC FIBRE AND AGRICULTURAL BY-PRODUCTS

| | 30 Jun 16 | 31 Mar 16 | 31 Dec 15 | 30 Jun 15 | Target | Target to be reached by |
|---|---|---|---|---|---|---|
| Number of direct active suppliers | 276 | 276 | 335 | 286 | | |
| Audit coverage year-to-date (%)* | 10% | 6% | 45% | 32% | 45% | end of 2016 |

*The share of direct suppliers of OCC and agricultural by-products that are audited during the calendar year. Excluding institutional OCC suppliers identified as low risk.

Bulleh Shah Packaging (BSP) conducted 37 (209) internal audits of its material and service suppliers during the second quarter, including two follow-up audits on previous corrective action requests. No child labour or young worker cases were found during these audits. No external audits were conducted.

Manufacturing of the medical mobile clinic started during the second quarter with the aim to become operational during the fourth quarter.

# Forests, plantations and land use

### Correction of land leasing contracts in Guangxi, China

**SOCIAL FORESTLANDS LEASED BY STORA ENSO IN GUANGXI**

| | 30 Jun 16 | 31 Mar 16 | 31 Dec 15 | 30 Jun 15 | Target | Target to be reached by |
|---|---|---|---|---|---|---|
| Social forestland leased, ha | 31 410 | 32 125 | 32 322 | 32 483 | | |
| Leased area without contractual defects, ha | 16 621 | 16 642 | 16 471 | 16 394 | | |
| Lease contracts without contractual defects, % of all contracts | 65% | 64% | 63% | 62% | 100% | start-up of the planned chemical pulp mill* |

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

*The decision on the investment in the chemical pulp mill has not been made.

Stora Enso leases a total of 84 442 hectares of land in various regions of Guangxi, of which 37% (38%) is social land leased from village collectives, individual households and local forest farms.

In cases of conflict that the contract correction procedures cannot resolve, Stora Enso will terminate the contracts in a responsible way. During the second quarter, irreconcilable or economically unviable contracts corresponding to 789 hectares were terminated. By the end of the quarter contracts corresponding to 1 077 hectares of social forestland were identified in the process as irreconcilable or economically unviable. The target is to terminate all these irreconcilable or economically unviable contracts by the end of 2016.

### Land occupations by the Social Landless Movements in Bahia, Brazil

**LAND OCCUPIED BY SOCIAL LANDLESS MOVEMENTS NOT INVOLVED IN THE SUSTAINABLE SETTLEMENT INITIATIVE**

| | 30 Jun 16 | 31 Mar 16 | 31 Dec 15 | 30 Jun 15 |
|---|---|---|---|---|
| Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha | 4 239 | 4 592 | 5 461 | 5 496 |

As of the end of the second quarter, 4 239 hectares of land owned by Veracel were occupied by social landless movements not involved in the Sustainable Settlement Initiative. During the quarter, Veracel continued to seek repossessions of occupied areas through legal processes, and the company resumed forest management on 353 hectares. Veracel has reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2015 the total land area owned by Veracel was 216 000 hectares, of which 85 000 hectares are planted with eucalyptus for pulp production.

# Carbon dioxide

**PERFORMANCE COMPARED TO BASELINE LEVEL***

| | Q2/16** | Q2/15 | Q1/16 | Q1–Q2/16** | Q1–Q2/15 | 2015 | Target | Target to be reached by |
|---|---|---|---|---|---|---|---|---|
| **Climate and energy** | | | | | | | | |
| Reduction of fossil $CO_2$ emissions per saleable tonne of pulp, paper and board (kg/t) | -39% | -37% | -27% | -33% | -32% | -32% | -35% | end of 2025 |

*From baseline year 2006. Covering direct fossil $CO_2$ emissions from production and indirect fossil $CO_2$ emissions related to purchased electricity and heat (Scope 1 and 2). Historical figures recalculated due to divestments, or data completion.
**Q2 performance includes April and May. The Q2 performance will be completed with June performance in the Interim Report for Q3.

For over a decade, Stora Enso has actively reduced the energy intensity of its operations and in many places, also its dependency on fossil fuels. Today, over 75% of the energy the Group generates and uses comes from Carbon Neutral sources inside and outside the company. It is Stora Enso's firm intention to drive down fossil fuel use even more over the next ten years to get as close to zero as possible using technically and commercially feasible means. Beihai Mill commenced operation in May using Chinese coal for its boiler. This will result in a material increase in the group's $CO_2$ emissions. Actions are already underway to identify fossil-free alternatives.

# Short-term risks and uncertainties

The main short-term risks and uncertainties are related to the increasing imbalance in the European paper market and the possible implications to economy from the UK referendum vote.

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 9 million on operational EBIT for the next 12 months, after the effect of hedges.

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 168 million on operational EBIT for the next 12 months.

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

Chemical and filler sensitivity analysis the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 42 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, the Swedish crown and the British pound against the euro would be about positive EUR 114 million, negative EUR 97 million and positive EUR 35 million annual impact, respectively. Weakening of the currencies would have the opposite impact. These numbers are before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

The group incurs annual unhedged net costs worth approximately EUR 130 million in Brazilian real (BRL) in its operations in Brazil. For these flows, a 10% strengthening in the value of BRL would have a EUR 13 million negative impact on operational EBIT.

# Legal proceedings

## Proceedings in Latin America

**Veracel**

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

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

## Proceeding in Finland

**Finnish wood claim**

In December 2009, the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011 Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damages allegedly suffered due to competition law infringements. The total claim against the defendants amounted to approximately EUR 160 million and the secondary claim against Stora Enso to approximately EUR 87 million. In its ruling issued in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, Metsäliitto and UPM.

In addition, certain Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from the defendants amounts to approximately EUR 29 million, the secondary claims solely against Stora Enso amount to approximately EUR 6 million. Stora Enso denies that the plaintiffs suffered any damages whatsoever and will forcefully defend itself. No provisions have been made in Stora Enso's accounts for these lawsuits.

## Proceedings in Sweden

Stora Enso was informed in mid-July that two Swedish Insurance companies are filing lawsuits against Stora Enso. The claimed amount is approximately SEK 277 million (EUR 29 million) attributable to insurance compensation paid to injured parties in connection with the forest fire in Västmanland, Sweden in 2014. Stora Enso denies liability and will respond within the frame of the legal proceedings.

# Changes in group management

Executive Vice President & Head of the Consumer Board division, Jari Latvanen, is to leave Stora Enso by November 2016 at the latest to take up the position of President and CEO at HKScan Corporation, headquartered in Finland. The recruitment process for his successor is under way.

# Share capital and shareholdings

During the second quarter of 2016, there were no share conversions.

On 30 June 2016, Stora Enso had 176 507 090 A shares and 612 112 897 R shares in issue. The total number of shares was 788 619 987 and the votes amounted to 237 718 379. The company did not hold its own shares.

On 13 April 2016, Norges Bank's holding in Stora Enso shares fell below the threshold of 5%.

On 25 April 2016, Norges Bank's indirect holding including holding through financial instruments in Stora Enso fell below the threshold of 5%.

On 27 June 2016, the holdings of BlackRock Inc. in Stora Enso's shares including holding through financial instruments fell below the threshold of 5%.

# Decisions of Annual General Meeting on 28 April 2016

The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.33 per share for the year 2015.

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

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

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

The AGM approved a proposal that the current auditor Audit Firm 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 Shareholders' Nomination Board to exist until otherwise decided and to annually prepare proposals for the shareholders' meeting regarding the number and election of the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board of Directors as well as the remuneration of the Chairmen and members of the Board committees.

# Decisions by the Board of Directors

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

Richard Nilsson (chairman), Gunnar Brock and Mikael Mäkinen were elected as members of the Financial and Audit Committee.

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

Anne Brunila (chairman), Elisabeth Fleuriot and Richard Nilsson were elected as members of the Sustainability and Ethics Committee.

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

Helsinki, 21 July 2016
Stora Enso Oyj
Board of Directors

# Financials

## Basis of Preparation

This unaudited interim financial report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Financial Report for 2015.

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

## Non-IFRS measures

Stora Enso will change the terminology in its reporting in accordance with the new guidelines from the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. The term "Non-recurring items" (NRI) will be changed to "Items affecting comparability" (IAC), but the definition remains the same. There are no changes in definitions and calculations of key figures.

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

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

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

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

Cash flow after investing activities (non-IFRS) is calculated Cash flow from Operations (non-IFRS) excluding Cash spent on Intangible assets, Property, Plant and Equipment and biological assets and acquisitions of EAIs.

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

## The following amendments to the standards are applied to the annual periods beginning on 1 January 2016

- IAS 19 *Defined Benefit Plans Employee Contributions* (amendment) effective for annual periods beginning on or after 1 July 2014. The amendment was not endorsed by the EU until January 2015, i.e. the effective date is transferred to 2016. The amendment clarifies the accounting for contributions made by employees or third parties to defined benefit plans. The amendment does not have a significant effect on the group financial statement.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment. These amendments have no effect on the group financial statements.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*. The amendments prohibit using a revenue-based depreciation method for items of property, plant and equipment and introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. These amendments have no effect on the group financial statements.
- IFRS 11 *Accounting for Acquisition of Interests in Joint Operations* (amendment) provides guidance on how to account for the acquisition of a joint operation that constitutes a business. The amendment has no effect on the group financial statements.
- IAS 27 *Equity Method in Separate Financial Statements* (amendment) reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This change is not relevant to the group.
- Amendments to IAS 1: *Disclosure* Initiative clarifies the presentation principles. The amendments do not have material effect on the group financial statement.

## Disposal of Arapoti Mill in Brazil

On 31 December 2015 Stora Enso signed an agreement to divest its entire 80% shareholding in the Arapoti magazine paper mill in Paraná, Brazil, to Papeles Bio Bio, a Chilean paper producer. The initial consideration for the divestment of the shares was approximately EUR 19 million, subject to customary closing day adjustments. Following the agreement, the group recognised a EUR 34 million expense consisting of fixed asset impairments, deferred tax asset write-down, and transaction costs in its fourth quarter 2015 accounts. EUR 6 million of the total impact was allocated to the non-controlling interest holders. The closing took place on 31 March and Stora Enso booked a loss of approximately EUR 28 million in the first quarter 2016 accounts, mainly due to cumulative translation adjustments. The updated consideration was EUR 16 million at the end of June 2016, subject to customary post-closing adjustments. Based on 2015 annual figures, the transaction decreases Stora Enso's sales by approximately EUR 100 million. Arapoti Mill has an annual production capacity of 185 000 tonnes of coated magazine paper (LWC), and it employs 320 people.

| EUR million | 31 Mar 2016 |
|---|---|
| Inventories | 10 |
| Receivables | 31 |
| Cash and cash equivalents | 1 |
| **Total assets** | **42** |
| | |
| Non-current liabilities | 8 |
| Current liabilities | 14 |
| **Total liabilities** | **22** |
| | |
| **Net assets** | **20** |
| Non-controlling interests | 4 |
| **Net assets disposed of on 31 March 2016** | **16** |

## CONDENSED CONSOLIDATED INCOME STATEMENT

| EUR million | Q2/16 | Q2/15 | Q1/16 | Q1–Q2/16 | Q1–Q2/15 | 2015 |
|---|---|---|---|---|---|---|
| **Sales** | **2 526** | **2 562** | **2 445** | **4 971** | **5 053** | **10 040** |
| Other operating income | 34 | 32 | 30 | 64 | 60 | 128 |
| Change in inventories of finished goods and WIP | -41 | -24 | 36 | -5 | 31 | 18 |
| Change in net value of biological assets | -30 | -20 | -7 | -37 | -29 | -89 |
| Materials and services | -1 441 | -1 511 | -1 463 | -2 904 | -3 019 | -6 008 |
| Freight and sales commissions | -237 | -250 | -231 | -468 | -491 | -970 |
| Personnel expenses | -365 | -352 | -342 | -707 | -675 | -1 313 |
| Other operating expenses | -141 | -128 | -146 | -287 | -266 | -503 |
| Share of results of equity accounted investments | 25 | 41 | -3 | 22 | 34 | 519 |
| Depreciation, amortisation and impairment charges | -82 | -136 | -125 | -207 | -269 | -763 |
| **Operating Profit** | **248** | **214** | **194** | **442** | **429** | **1 059** |
| Net financial items | -99 | -66 | -39 | -138 | -119 | -245 |
| **Profit before Tax** | **149** | **148** | **155** | **304** | **310** | **814** |
| Income tax | -31 | -25 | -41 | -72 | -58 | -31 |
| **Net Profit for the Period** | **118** | **123** | **114** | **232** | **252** | **783** |
| | | | | | | |
| **Attributable to:** | | | | | | |
| Owners of the Parent | 125 | 130 | 118 | 243 | 259 | 807 |
| Non-controlling interests | -7 | -7 | -4 | -11 | -7 | -24 |
| **Net Profit for the Period** | **118** | **123** | **114** | **232** | **252** | **783** |
| | | | | | | |
| **Earnings per Share** | | | | | | |
| Basic earnings per share, EUR | 0.16 | 0.17 | 0.15 | 0.31 | 0.33 | 1.02 |
| Diluted earnings per share, EUR | 0.16 | 0.17 | 0.15 | 0.31 | 0.33 | 1.02 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | Q2/16 | Q2/15 | Q1/16 | Q1–Q2/16 | Q1–Q2/15 | 2015 |
|---|---|---|---|---|---|---|
| Net profit for the period | 118 | 123 | 114 | 232 | 252 | 783 |
| **Other Comprehensive Income (OCI)** | | | | | | |
| **Items that will Not be Reclassified to Profit and Loss** | | | | | | |
| Actuarial gains and losses on defined benefit plans | 0 | 0 | 0 | 0 | 0 | 77 |
| Income tax relating to items that will not be reclassified | 0 | 0 | 0 | 0 | 0 | -36 |
| | **0** | **0** | **0** | **0** | **0** | **41** |
| **Items that may be Reclassified Subsequently to Profit and Loss** | | | | | | |
| Share of OCI of EAIs that may be reclassified | -2 | 5 | -3 | -5 | 4 | 5 |
| Currency translation movements on equity net investments (CTA) | 57 | -68 | -32 | 25 | 123 | 28 |
| Currency translation movements on non-controlling interests | 1 | -7 | -5 | -4 | 11 | 6 |
| Net investment hedges | -8 | 12 | 14 | 6 | -25 | -33 |
| Cash flow hedges | 1 | 63 | 23 | 24 | 12 | 60 |
| Non-controlling interests' share of cash flow hedges | 0 | 1 | 0 | 0 | 0 | 1 |
| Available-for-sale investments | 77 | -234 | 0 | 77 | -211 | -327 |
| Income tax relating to items that may be reclassified | 2 | -14 | -8 | -6 | 3 | -8 |
| | **128** | **-242** | **-11** | **117** | **-83** | **-268** |
| **Total Comprehensive Income** | **246** | **-119** | **103** | **349** | **169** | **556** |
| **Attributable to:** | | | | | | |
| Owners of the Parent | 252 | -106 | 112 | 364 | 165 | 573 |
| Non-controlling interests | -6 | -13 | -9 | -15 | 4 | -17 |
| **Total Comprehensive Income** | **246** | **-119** | **103** | **349** | **169** | **556** |

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR million | | 30 Jun 16 | 31 Dec 15 | 30 Jun 15 |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | O | 247 | 248 | 247 |
| Other intangible assets | O | 147 | 156 | 162 |
| Property, plant and equipment | O | 5 722 | 5 627 | 5 607 |
| | | **6 116** | **6 031** | **6 016** |
| Biological assets | O | 648 | 640 | 687 |
| Emission rights | O | 20 | 20 | 31 |
| Equity accounted investments | O | 1 474 | 1 570 | 1 078 |
| Available-for-sale: Listed securities | I | 30 | 28 | 28 |
| Available-for-sale: Operative | O | 203 | 131 | 234 |
| Non-current loan receivables | I | 11 | 68 | 61 |
| Deferred tax assets | T | 220 | 246 | 238 |
| Other non-current assets | O | 58 | 63 | 78 |
| **Non-current Assets** | | **8 780** | **8 797** | **8 451** |
| Inventories | O | 1 336 | 1 373 | 1 421 |
| Tax receivables | T | 9 | 6 | 9 |
| Operative receivables | O | 1 289 | 1 324 | 1 531 |
| Interest-bearing receivables | I | 138 | 53 | 60 |
| Cash and cash equivalents | I | 519 | 808 | 987 |
| **Current Assets** | | **3 291** | **3 564** | **4 008** |
| **Total Assets** | | **12 071** | **12 361** | **12 459** |
| **Equity and Liabilities** | | | | |
| Owners of the Parent | | 5 492 | 5 388 | 4 994 |
| Non-controlling Interests | | 106 | 125 | 181 |
| **Total Equity** | | **5 598** | **5 513** | **5 175** |
| Post-employment benefit provisions | O | 365 | 378 | 462 |
| Other provisions | O | 105 | 112 | 151 |
| Deferred tax liabilities | T | 263 | 252 | 264 |
| Non-current debt | I | 2 688 | 3 342 | 3 337 |
| Other non-current operative liabilities | O | 46 | 49 | 51 |
| **Non-current Liabilities** | | **3 467** | **4 133** | **4 265** |
| Current portion of non-current debt | I | 646 | 228 | 557 |
| Interest-bearing liabilities | I | 534 | 626 | 720 |
| Bank overdrafts | I | 8 | 1 | 1 |
| Other provisions | O | 32 | 48 | 61 |
| Other operative liabilities | O | 1 754 | 1 765 | 1 638 |
| Tax liabilities | T | 32 | 47 | 42 |
| **Current Liabilities** | | **3 006** | **2 715** | **3 019** |
| **Total Liabilities** | | **6 473** | **6 848** | **7 284** |
| **Total Equity and Liabilities** | | **12 071** | **12 361** | **12 459** |

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| EUR million | Q1–Q2/16 | Q1–Q2/15 |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| Operating profit | 442 | 429 |
| Hedging result from OCI | 10 | -8 |
| Adjustments for non-cash items | 294 | 292 |
| Change in net working capital | 46 | -61 |
| **Cash Flow Generated by Operations** | **792** | **652** |
| Net financial items paid | -127 | -136 |
| Income taxes paid, net | -54 | -45 |
| **Net Cash Provided by Operating Activities** | **611** | **471** |
| | | |
| **Cash Flow from Investing Activities** | | |
| Acquisitions of available-for-sale investments | -2 | 0 |
| Proceeds from disposal of subsidiary shares and business operations, net of disposed cash | 14 | -20 |
| Proceeds from disposal of shares in equity accounted investments | 26 | 0 |
| Proceeds from disposal of available-for-sale investments | 10 | 0 |
| Proceeds from disposal of intangible assets and property, plant and equipment | 2 | 3 |
| Capital expenditure | -365 | -370 |
| Proceeds from non-current receivables, net | 0 | 5 |
| **Net Cash Used in Investing Activities** | **-315** | **-382** |
| | | |
| **Cash Flow from Financing Activities** | | |
| Proceeds from issue of new long-term debt | 329 | 100 |
| Repayment of long-term debt | -545 | -496 |
| Change in short-term borrowings | -59 | 45 |
| Dividends paid | -260 | -237 |
| Buy-out of interest in subsidiaries from non-controlling interests | -46 | 0 |
| Equity injections from, less dividends to, non-controlling interests | -2 | 10 |
| Purchase of own shares* | -2 | -6 |
| **Net Cash Used in Financing Activities** | **-585** | **-584** |
| | | |
| **Net Decrease in Cash and Cash Equivalents** | **-289** | **-495** |
| Translation adjustment | -7 | 37 |
| Net cash and cash equivalents at the beginning of period | 807 | 1 444 |
| **Net Cash and Cash Equivalents at Period End** | **511** | **986** |
| | | |
| **Cash and Cash Equivalents at Period End** | **519** | **987** |
| **Bank Overdrafts at Period End** | **-8** | **-1** |
| **Net Cash and Cash Equivalents at Period End** | **511** | **986** |
| | | |
| **Disposals** | | |
| Cash and cash equivalents | 1 | 20 |
| Working capital | 19 | -21 |
| Interest-bearing assets and liabilities | 0 | 1 |
| Non-controlling interests | -4 | 0 |
| **Net Assets in Divested Companies** | **16** | **0** |
| Gain on sale | 0 | 0 |
| **Total Disposal Consideration** | **16** | **0** |
| | | |
| Cash part of consideration | 15 | 0 |
| Non-cash part of consideration | 1 | 0 |
| **Total Disposal Consideration** | **16** | **0** |

* Own shares purchased for the group's share award programme. The group did not hold any of its own shares at the end of June 2016.

## PROPERTY, PLANT AND EQUIPMENT, GOODWILL, BIOLOGICAL ASSETS AND OTHER INTANGIBLE ASSETS

| EUR million | Q1–Q2/16 | Q1–Q2/15 | 2015 |
|---|---|---|---|
| Carrying value at 1 January | 6 671 | 6 461 | 6 461 |
| Additions in tangible and intangible assets | 341 | 311 | 912 |
| Additions in biological assets | 44 | 39 | 77 |
| Harvesting in biological assets | -29 | -30 | -76 |
| Disposals | -1 | -2 | -23 |
| Disposals of subsidiary companies | 0 | 0 | -12 |
| Depreciation and impairment | -207 | -269 | -763 |
| Valuation of biological assets | -8 | 1 | -13 |
| Translation difference and other | -47 | 192 | 108 |
| **Statement of Financial Position Total** | **6 764** | **6 703** | **6 671** |

## BORROWINGS

| EUR million | 30 Jun 16 | 31 Dec 15 | 30 Jun 15 |
|---|---|---|---|
| Bond loans | 1 718 | 1 834 | 2 275 |
| Loans from credit institutions | 1 536 | 1 637 | 1 487 |
| Finance lease liabilities | 59 | 61 | 65 |
| Other non-current liabilities | 21 | 38 | 67 |
| **Non-current Debt including Current Portion** | **3 334** | **3 570** | **3 894** |
| Short-term borrowings | 452 | 492 | 489 |
| Interest payable | 35 | 64 | 63 |
| Derivative financial liabilities | 47 | 70 | 168 |
| Bank overdrafts | 8 | 1 | 1 |
| **Total Interest-bearing Liabilities** | **3 876** | **4 197** | **4 615** |

| EUR million | Q1–Q2/16 | 2015 | Q1–Q2/15 |
|---|---|---|---|
| Carrying value at 1 January | 4 197 | 4 894 | 4 894 |
| Proceeds of new long-term debt | 329 | 435 | 100 |
| Repayment of long-term debt | -545 | -1 181 | -496 |
| Change in short-term borrowings and interest payable | -69 | -15 | -19 |
| Change in derivative financial liabilities | -23 | -110 | -12 |
| Translation differences and other | -13 | 174 | 148 |
| **Total Interest-bearing Liabilities** | **3 876** | **4 197** | **4 615** |

## STATEMENT OF CHANGES IN EQUITY

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

| | | | | | Fair Valuation Reserve | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EUR million | Share Capital | Share Premium and Reserve Fund | Invested Non-Restricted Equity Fund | Treasury Shares | Step Acquisition Revaluation Surplus | Available-for-Sale Investments | Cash Flow Hedges | OCI of Equity Accounted Investments | CTA and Net Investment Hedges | Retained Earnings | Attributable to Owners of the Parent | Non-controlling Interests | Total |
| **Balance at 31 Dec 2014** | **1 342** | **77** | **633** | **-** | **4** | **354** | **-69** | **-24** | **-149** | **2 902** | **5 070** | **167** | **5 237** |
| Profit for the period | - | - | - | - | - | - | - | - | - | 259 | 259 | -7 | 252 |
| OCI before tax | - | - | - | - | - | -211 | 12 | 4 | 98 | - | -97 | 11 | -86 |
| Income tax relating to components of OCI | - | - | - | - | - | - | -2 | - | 5 | - | 3 | - | 3 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-211** | **10** | **4** | **103** | **259** | **165** | **4** | **169** |
| Dividend | - | - | - | - | - | - | - | - | - | -237 | -237 | -1 | -238 |
| Acquisitions and disposals | - | - | - | - | - | - | - | - | - | - | - | 11 | 11 |
| Purchase of treasury shares | - | - | - | -6 | - | - | - | - | - | - | -6 | - | -6 |
| Share-based payments | - | - | - | 6 | - | - | - | - | - | -4 | 2 | - | 2 |
| **Balance at 30 Jun 2015** | **1 342** | **77** | **633** | **-** | **4** | **143** | **-59** | **-20** | **-46** | **2 920** | **4 994** | **181** | **5 175** |
| Profit for the period | - | - | - | - | - | - | - | - | - | 548 | 548 | -17 | 531 |
| OCI before tax | - | - | - | - | - | -116 | 48 | 1 | -103 | 77 | -93 | -4 | -97 |
| Income tax relating to components of OCI | - | - | - | - | - | - | -13 | - | 2 | -36 | -47 | - | -47 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-116** | **35** | **1** | **-101** | **589** | **408** | **-21** | **387** |
| Dividend | - | - | - | - | - | - | - | - | - | - | - | -1 | -1 |
| Acquisitions and disposals | - | - | - | - | - | - | - | - | - | - | - | -50 | -50 |
| Loss on NCI buy-out | - | - | - | - | - | - | - | - | - | -16 | -16 | 16 | - |
| Share-based payments | - | - | - | - | - | - | - | - | - | 2 | 2 | - | 2 |
| **Balance at 31 Dec 2015** | **1 342** | **77** | **633** | **-** | **4** | **27** | **-24** | **-19** | **-147** | **3 495** | **5 388** | **125** | **5 513** |
| Profit for the period | - | - | - | - | - | - | - | - | - | 243 | 243 | -11 | 232 |
| OCI before tax | - | - | - | - | - | 77 | 24 | -5 | 31 | - | 127 | -4 | 123 |
| Income tax relating to components of OCI | - | - | - | - | - | -1 | -4 | - | -1 | - | -6 | - | -6 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **76** | **20** | **-5** | **30** | **243** | **364** | **-15** | **349** |
| Dividend | - | - | - | - | - | - | - | - | - | -260 | -260 | - | -260 |
| Acquisitions and disposals | - | - | - | - | - | - | - | - | - | - | - | -4 | -4 |
| Purchase of treasury shares | - | - | - | -2 | - | - | - | - | - | - | -2 | - | -2 |
| Share-based payments | - | - | - | 2 | - | - | - | - | - | - | 2 | - | 2 |
| **Balance at 30 Jun 2016** | **1 342** | **77** | **633** | **-** | **4** | **103** | **-4** | **-24** | **-117** | **3 478** | **5 492** | **106** | **5 598** |

### COMMITMENTS AND CONTINGENCIES

| EUR million | 30 Jun 16 | 31 Dec 15 | 30 Jun 15 |
|---|---|---|---|
| **On Own Behalf** | | | |
| Mortgages | 9 | 4 | 4 |
| **On Behalf of Equity Accounted Investments** | | | |
| Guarantees | 10 | 17 | 17 |
| **On Behalf of Others** | | | |
| Guarantees | 30 | 30 | 6 |
| **Other Commitments, Own** | | | |
| Operating leases, in next 12 months | 83 | 83 | 86 |
| Operating leases, after next 12 months | 777 | 804 | 851 |
| Other commitments | 11 | 11 | 5 |
| **Total** | **920** | **949** | **969** |
| | | | |
| Mortgages | 9 | 4 | 4 |
| Guarantees | 40 | 47 | 23 |
| Operating leases | 860 | 887 | 937 |
| Other commitments | 11 | 11 | 5 |
| **Total** | **920** | **949** | **969** |

### Capital Commitments

The group's direct capital expenditure contracts, excluding acquisitions, amounted to EUR 139 million (compared with EUR 300 million at 30 June 2015 and EUR 196 million at 31 December 2015). These amounts include the group's share of direct capital expenditure contracts in joint operations.

### SALES BY SEGMENT

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Consumer Board | 599 | 564 | 2 340 | 560 | 608 | 603 | 569 |
| Packaging Solutions | 258 | 245 | 913 | 240 | 226 | 226 | 221 |
| Biomaterials | 342 | 351 | 1 484 | 374 | 392 | 364 | 354 |
| Wood Products | 433 | 382 | 1 603 | 395 | 375 | 441 | 392 |
| Paper | 839 | 854 | 3 630 | 890 | 911 | 915 | 914 |
| Other | 629 | 648 | 2 478 | 639 | 563 | 629 | 647 |
| Inter-segment sales | -574 | -599 | -2 408 | -611 | -575 | -616 | -606 |
| **Total** | **2 526** | **2 445** | **10 040** | **2 487** | **2 500** | **2 562** | **2 491** |

### OPERATIONAL EBIT BY SEGMENT

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Consumer Board | 76 | 73 | 290 | 53 | 80 | 78 | 79 |
| Packaging Solutions | 17 | 7 | 90 | 22 | 18 | 24 | 26 |
| Biomaterials | 57 | 84 | 313 | 81 | 100 | 59 | 73 |
| Wood Products | 33 | 16 | 81 | 21 | 22 | 23 | 15 |
| Paper | 43 | 51 | 77 | 41 | 6 | 12 | 18 |
| Other | 0 | 17 | 64 | 24 | 20 | 11 | 9 |
| **Operational EBIT** | **226** | **248** | **915** | **242** | **246** | **207** | **220** |
| Fair valuations and non-operational items* | -15 | -26 | 378 | 401 | -25 | 15 | -13 |
| Items affecting comparability | 37 | -28 | -234 | -250 | 16 | -8 | 8 |
| **Operating Profit (IFRS)** | **248** | **194** | **1 059** | **393** | **237** | **214** | **215** |
| Net financial items | -99 | -39 | -245 | -33 | -93 | -66 | -53 |
| **Profit before Tax** | **149** | **155** | **814** | **360** | **144** | **148** | **162** |
| Income tax expense | -31 | -41 | -31 | 47 | -20 | -25 | -33 |
| **Net Profit** | **118** | **114** | **783** | **407** | **124** | **123** | **129** |

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

## ITEMS AFFECTING COMPARABILITY, FAIR VALUATIONS AND NON-OPERATIONAL ITEMS

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Impairments and reversals of intangible assets, PPE and biological assets | 41 | -1 | -266 | -265 | 0 | -1 | 0 |
| Restructuring costs excluding fixed asset impairments | -16 | 0 | 7 | -2 | 16 | -7 | 0 |
| Disposals | 16 | -27 | 0 | 0 | 0 | 0 | 0 |
| Other | -4 | 0 | 25 | 17 | 0 | 0 | 8 |
| **Total Items affecting comparability** | **37** | **-28** | **-234** | **-250** | **16** | **-8** | **8** |
| Fair valuations and non-operational items | -15 | -26 | 378 | 401 | -25 | 15 | -13 |
| **Total** | **22** | **-54** | **144** | **151** | **-9** | **7** | **-5** |

## ITEMS AFFECTING COMPARABILITY (IAC) BY SEGMENT

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Consumer Board | 0 | 0 | -2 | -4 | 0 | 0 | 2 |
| Packaging Solutions | 0 | 0 | -8 | 0 | 0 | -8 | 0 |
| Biomaterials | 0 | 0 | -17 | -20 | 0 | 0 | 3 |
| Wood Products | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Paper | 37 | -28 | -254 | -262 | 6 | 0 | 2 |
| Other | 0 | 0 | 47 | 36 | 10 | 0 | 1 |
| **IAC on Operating Profit** | **37** | **-28** | **-234** | **-250** | **16** | **-8** | **8** |
| IAC on tax | -10 | -2 | 57 | 59 | 0 | -2 | 0 |
| **IAC on Net Profit** | **27** | **-30** | **-177** | **-191** | **16** | **-10** | **8** |
| | | | | | | | |
| **Attributable to:** | | | | | | | |
| Owners of the Parent | 27 | -29 | -167 | -185 | 16 | -6 | 8 |
| Non-controlling interests | 0 | -1 | -10 | -6 | 0 | -4 | 0 |
| **IAC on Net Profit** | **27** | **-30** | **-177** | **-191** | **16** | **-10** | **8** |

## FAIR VALUATIONS AND NON-OPERATIONAL ITEMS* BY SEGMENT

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Consumer Board | -4 | -2 | -30 | -36 | 2 | 2 | 2 |
| Packaging Solutions | 0 | -1 | -2 | 0 | 0 | -1 | -1 |
| Biomaterials | -2 | -3 | 12 | 22 | -2 | -3 | -5 |
| Wood Products | 0 | 0 | -1 | 0 | 0 | 0 | -1 |
| Paper | 0 | 0 | -2 | 1 | -1 | - | -2 |
| Other | -9 | -20 | 401 | 414 | -24 | 17 | -6 |
| **FV and Non-operational Items on Operating Profit** | **-15** | **-26** | **378** | **401** | **-25** | **15** | **-13** |

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

## OPERATING PROFIT BY SEGMENT

| EUR million | Q2/16 | Q1/16 | 2015 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|---|---|---|---|---|---|---|---|
| Consumer Board | 72 | 71 | 258 | 13 | 82 | 80 | 83 |
| Packaging Solutions | 17 | 6 | 80 | 22 | 18 | 15 | 25 |
| Biomaterials | 55 | 81 | 308 | 83 | 98 | 56 | 71 |
| Wood Products | 33 | 16 | 80 | 21 | 22 | 23 | 14 |
| Paper | 80 | 23 | -179 | -220 | 11 | 12 | 18 |
| Other | -9 | -3 | 512 | 474 | 6 | 28 | 4 |
| **Operating Profit (IFRS)** | **248** | **194** | **1 059** | **393** | **237** | **214** | **215** |
| Net financial items | -99 | -39 | -245 | -33 | -93 | -66 | -53 |
| **Profit before Tax** | **149** | **155** | **814** | **360** | **144** | **148** | **162** |
| Income tax expense | -31 | -41 | -31 | 47 | -20 | -25 | -33 |
| **Net Profit** | **118** | **114** | **783** | **407** | **124** | **123** | **129** |

## KEY EXCHANGE RATES FOR THE EURO

| One Euro is | Closing Rate | | Average Rate | |
|---|---|---|---|---|
| | 30 Jun 16 | 31 Dec 15 | 30 Jun 16 | 31 Dec 15 |
| SEK | 9.4242 | 9.1895 | 9.3015 | 9.3545 |
| USD | 1.1102 | 1.0887 | 1.1155 | 1.1096 |
| GBP | 0.8265 | 0.7340 | 0.7785 | 0.7260 |

#### TRANSACTION RISK AND HEDGES IN MAIN CURRENCIES AS AT 30 JUNE 2016

| EUR million | USD | SEK | GBP |
|---|---|---|---|
| Estimated annual net operating cash flow exposure | 1 140 | -970 | 350 |
| Transaction hedges as at 30 June 2016 | -570 | 480 | -170 |
| **Hedging percentage as at 30 June 2016 for the next 12 months** | **50%** | **50%** | **49%** |

#### CHANGES IN EXCHANGE RATES ON OPERATIONAL EBIT

| Operational EBIT: Currency Strengthening of + 10% | EUR million |
|---|---|
| USD | 114 |
| SEK | -97 |
| GBP | 35 |

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

## Fair Values of Financial Instruments

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

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

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

#### CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT AND FAIR VALUE CATEGORIES: 30 JUNE 2016

| EUR million | Loans and Receivables | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Available-for-Sale Investments | Carrying Amounts | Fair Value |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Available-for-sale | - | - | - | 233 | 233 | 233 |
| Non-current loan receivables | 11 | - | - | - | 11 | 12 |
| Trade and other operative receivables | 964 | - | - | - | 964 | 964 |
| Interest-bearing receivables | 86 | 16 | 36 | - | 138 | 138 |
| Cash and cash equivalents | 519 | - | - | - | 519 | 519 |
| **Carrying Amount by Category** | **1 580** | **16** | **36** | **233** | **1 865** | **1 866** |

| EUR million | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Measured at Amortised Cost | Carrying Amounts | Fair Value |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Non-current debt | - | - | 2 688 | 2 688 | 2 794 |
| Current portion of non-current debt | - | - | 646 | 646 | 646 |
| Interest-bearing liabilities | 6 | 41 | 487 | 534 | 534 |
| Trade and other operative payables | 23 | - | 1 458 | 1 481 | 1 481 |
| Bank overdrafts | - | - | 8 | 8 | 8 |
| **Carrying Amount by Category** | **29** | **41** | **5 287** | **5 357** | **5 463** |

| EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivative financial assets | - | 52 | - | 52 |
| Available-for-sale investments | 30 | - | 203 | 233 |
| Derivative financial liabilities | - | 47 | - | 47 |
| Trade and other operative liabilities | - | 1 | 22 | 23 |

### CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT AND FAIR VALUE CATEGORIES: 31 DECEMBER 2015

| EUR million | Loans and Receivables | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Available- for-Sale Investments | Carrying Amounts | Fair Value |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Available-for-sale | - | - | - | 159 | 159 | 159 |
| Non-current loan receivables | 68 | - | - | - | 68 | 70 |
| Trade and other operative receivables | 987 | - | - | - | 987 | 987 |
| Interest-bearing receivables | 12 | 12 | 29 | - | 53 | 53 |
| Cash and cash equivalents | 808 | - | - | - | 808 | 808 |
| **Carrying Amount by Category** | **1 875** | **12** | **29** | **159** | **2 075** | **2 077** |

| EUR million | Financial Items at Fair Value through Income Statement | Hedging Derivatives | Measured at Amortised Cost | Carrying Amounts | Fair Value |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Non-current debt | - | - | 3 342 | 3 342 | 3 445 |
| Current portion of non-current debt | - | - | 228 | 228 | 228 |
| Interest-bearing liabilities | 22 | 48 | 556 | 626 | 626 |
| Trade and other operative payables | 24 | - | 1 421 | 1 445 | 1 445 |
| Bank overdrafts | - | - | 1 | 1 | 1 |
| **Carrying Amount by Category** | **46** | **48** | **5 548** | **5 642** | **5 745** |

| EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivative financial assets | - | 41 | - | 41 |
| Available-for-sale investments | 28 | - | 131 | 159 |
| Derivative financial liabilities | - | 70 | - | 70 |
| Trade and other operative liabilities | - | 3 | 21 | 24 |

### RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS: 30 JUNE 2016

| EUR million | Q1–Q2/16 | 2015 | Q1–Q2/15 |
|---|---|---|---|
| Opening balance at 1 January | 131 | 444 | 444 |
| Gains/losses recognised in income statement | 5 | -2 | -2 |
| Gains/losses recognised in Available-for-sale investments reserve | 75 | -325 | -208 |
| Additions | 3 | 14 | 0 |
| Disposals | -11 | 0 | 0 |
| **Closing Balance** | **203** | **131** | **234** |

## Level 3 Financial Assets

The level 3 financial assets consist mainly of PVO shares for which the valuation method is described in more detail in the Annual Report. The valuation is most sensitive to changes in electricity prices and discount rates. The discount rate of 3.08% used in the valuation model is determined using the weighted average cost of capital method. A +/- 5% change in the electricity price used in the DCF would change the valuation by EUR +40 million and -40 million, respectively. A +/- 1% change in the discount rate would change the valuation by EUR -25 million and +34 million, respectively.

# Stora Enso shares

## TRADING VOLUME

| | Helsinki | | Stockholm | |
|---|---|---|---|---|
| | A share | R share | A share | R share |
| April | 116 794 | 79 118 075 | 121 075 | 14 623 778 |
| May | 73 982 | 76 870 819 | 73 882 | 13 519 451 |
| June | 83 140 | 64 125 876 | 50 438 | 6 204 531 |
| **Total** | **273 916** | **220 114 770** | **245 395** | **34 347 760** |

## CLOSING PRICE

| | Helsinki, EUR | | Stockholm, SEK | |
|---|---|---|---|---|
| | A share | R share | A share | R share |
| April | 8.58 | 7.62 | 78.05 | 70.10 |
| May | 8.48 | 7.71 | 77.50 | 71.80 |
| June | 8.00 | 7.18 | 74.70 | 67.45 |

## AVERAGE NUMBER OF SHARES

| Million | Q2/16 | Q2/15 | Q1/16 | Q1–Q2/16 | Q1–Q2/15 | 2015 |
|---|---|---|---|---|---|---|
| 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 | 790.1 | 789.8 | 790.0 | 789.9 | 789.8 | 789.8 |

## CALCULATION OF KEY FIGURES

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

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

## LIST OF NON-IFRS MEASURES

Operational EBITDA
Operational EBITDA margin
Operational EBIT
Operational EBIT margin
Profit before tax excl. IAC
Capital expenditure
Capital expenditure excl. investments in biological assets
Capital employed

Depreciation and impairment charges excl. IAC
Operational ROCE
Earnings per share (EPS), excl. IAC
Net debt/last 12 months' operational EBITDA ratio
Fixed costs to sales
Operational ROOC
Cash flow from operations
Cash flow after investing activities

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**Stora Enso's Q3/2016 results will be published on**

# 25 October 2016

*Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wood and paper on global markets. Our aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. We employ some 26 000 people in more than 35 countries, and our sales in 2015 were EUR 10.0 billion. Stora Enso shares are listed on Nasdaq Helsinki (STEAV, STERV) and Nasdaq Stockholm (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY) on the International OTCQX over-the-counter market.* **storaenso.com**