Stora Enso
Interim Report Q3

1 January – 30 September 2016

THE RENEWABLE MATERIALS COMPANY

Another quarter of solid performance

Q3/2016 (compared with Q3/2015)

- Sales EUR 2 393 (EUR 2 500) million decreased 4.3%. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 1.8%, primarily due to the ramp-ups at Varkaus kraftliner and Beihai consumer board mills.
- Operational EBIT was EUR 219 (EUR 246) million, including a negative impact of EUR 35 million due to the ramp-up of Beihai. The EBIT margin was 9.2% (9.8%).
- EPS EUR 0.16 (EUR 0.16). EPS excl. IAC increased to EUR 0.17 (EUR 0.13).
- Cash flow from operations was EUR 390 (EUR 484) million, cash flow after investing activities EUR 177 (EUR 234) million.
- Continued strengthening of the balance sheet; net debt to operational EBITDA 2.1 (2.5); liquidity EUR 775 (EUR 797) million.
- Operational ROCE 10.1% (11.6%), operational ROCE excluding the Beihai investment 13.5% (13.1%).

Q3/2016 (compared with Q2/2016)

- Sales at EUR 2 393 (EUR 2 526) million decreased 5.3%. Sales excluding the structurally declining paper business declined 5.1%, mainly due to usual seasonality in Wood Products.
- Operational EBIT at EUR 219 (EUR 226) million decreased 3.1%, mainly due to the ramp-up of Beihai.

Q1–Q3/2016 (compared with Q1–Q3/2015)

- Sales at EUR 7 364 (EUR 7 553) million declined 2.5%. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 2.6%.
- Operational EBIT at EUR 693 (EUR 673) million increased 3.0%, mainly due to lower variable costs.

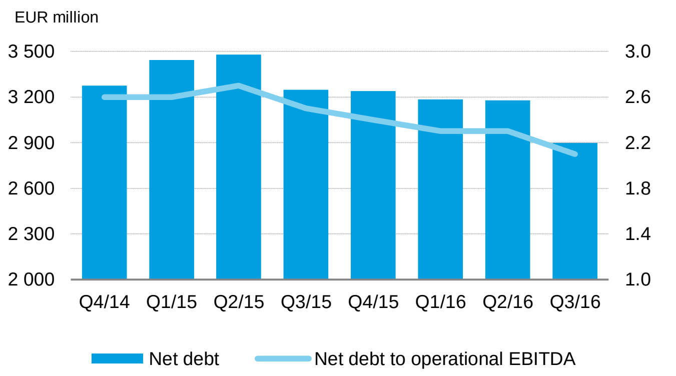
Transformation

- Beihai Mill ramp-up is proceeding ahead of plan. Customer tests of liquid boards are proceeding well and the first CKB board test runs are completed. The consumer board machine is expected to reach full production within 18–24 months from the start-up in May 2016. The bleached chemi-thermomechanical pulp (BCTMP) plant is expected to be operational before the end of Q4.
- Varkaus kraftliner mill reached EBITDA break-even during Q3. Full production is expected during the second half of 2017.
- The new production line for wooden building components (LVL) at Varkaus Mill is ramping up, and product certification is going on. Full production is expected in mid-2018.
- Divestment of the Kabel coated magazine paper mill in Germany was completed in September.
- Advance payments of EUR 118 million received from the divestment of the Suzhou Mill site.

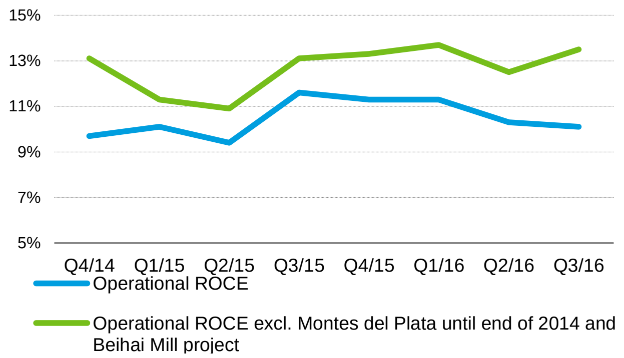
Outlook for Q4/2016

Q4/2016 sales are estimated to be slightly higher or slightly lower than the amount of EUR 2 393 million, and operational EBIT is expected to be in line with or somewhat lower than the EUR 219 million recorded in Q3/2016. The impact of the annual maintenance shutdowns is expected to be approximately EUR 35 million lower than in Q3/2016.

NET DEBT TO OPERATIONAL EBITDA



OPERATIONAL ROCE



KEY FIGURES

EUR million	Q3/16	Q3/15	Change % Q3/16–Q3/15	Q2/16	Change % Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change % Q1-Q3/16–Q1-Q3/15	2015
Sales	2 393	2 500	-4.3%	2 526	-5.3%	7 364	7 553	-2.5%	10 040
Operational EBITDA	326	353	-7.6%	333	-2.1%	1 015	1 011	0.4%	1 352
Operational EBITDA margin	13.6%	14.1%		13.2%		13.8%	13.4%		13.5%
Operational EBIT	219	246	-11.0%	226	-3.1%	693	673	3.0%	915
Operational EBIT margin	9.2%	9.8%		8.9%		9.4%	8.9%		9.1%
Operating profit (IFRS)	196	237	-17.3%	248	-21.0%	638	666	-4.2%	1 059
Profit before tax excl. IAC	170	128	32.8%	112	51.8%	465	438	6.2%	1 048
Profit before tax	161	144	11.8%	149	8.1%	465	454	2.4%	814
Net profit for the period	119	124	-4.0%	118	0.8%	351	376	-6.6%	783
Capital expenditure	150	284	-47.2%	197	-23.9%	535	634	-15.6%	989
Capital expenditure excluding investments in biological assets	127	270	-53.0%	174	-27.0%	468	581	-19.4%	912
Depreciation and impairment charges excl. IAC	124	128	-3.1%	123	0.8%	371	396	-6.3%	517
Net interest-bearing liabilities	2 899	3 248	-10.7%	3 178	-8.8%	2 899	3 248	-10.7%	3 240
Operational ROCE	10.1%	11.6%		10.3%		10.6%	10.6%		10.6%
Earnings per share (EPS) excl. IAC, EUR	0.17	0.13		0.12		0.48	0.46		1.24
EPS (basic), EUR	0.16	0.16		0.16		0.47	0.49		1.02
Return on equity (ROE)	8.4%	9.7%		8.4%		8.3%	9.7%		14.6%
Debt/equity ratio	0.52	0.66		0.58		0.52	0.66		0.60
Net debt/last 12 months' operational EBITDA ratio	2.1	2.5		2.3		2.1	2.5		2.4
Fixed costs to sales	25.5%	25.0%		25.4%		25.1%	24.8%		25.0%
Equity per share, EUR	7.13	6.24	14.3%	6.96	2.4%	7.13	6.24	14.3%	6.83
Average number of employees	26 819	27 232	-1.5%	26 088	2.8%	26 372	27 090	-2.7%	26 783
TRI rate	10.4	10.7	-2.8%	13.5	-23.0%	12.0	10.4	15.4%	11.0
LTA rate	4.5	4.3	4.7%	4.9	-8.2%	4.4	4.3	2.3%	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.

DELIVERIES AND PRODUCTION

	Q3/16	Q3/15	Change% Q3/16–Q3/15	Q2/16	Change% Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change% Q1-Q3/16–Q1-Q3/15	2015
Board deliveries, 1 000 tonnes	864	778	11.1%	839	3.0%	2 500	2 304	8.5%	3 045
Board production, 1 000 tonnes	953	850	12.1%	912	4.5%	2 791	2 554	9.3%	3 394
Corrugated packaging deliveries, million m^2	274	277	-1.1%	273	0.4%	806	838	-3.8%	1 112
Market pulp deliveries, 1 000 tonnes	525	460	14.1%	507	3.6%	1 498	1 387	8.0%	1 873
Wood product deliveries, 1 000 m^3	1 143	1 086	5.2%	1 319	-13.3%	3 586	3 333	7.6%	4 490
Paper deliveries, 1 000 tonnes	1 272	1 477	-13.9%	1 322	-3.8%	3 934	4 354	-9.6%	5 778
Paper production, 1 000 tonnes	1 243	1 443	-13.9%	1 298	-4.2%	3 936	4 359	-9.7%	5 794

CEO comment

"In the third quarter, sales increased 1.8%, excluding the structurally declining paper business and divested Barcelona Mill. This was primarily due to the ramp-ups of Varkaus kraftliner and Beihai consumer board mills. Operational EBIT was EUR 219 million compared to EUR 246 million a year ago, negatively affected with the ramp-up of Beihai by EUR 35 million. Cash flow from operations was EUR 390 million thanks to reduced working capital and proceeds from divestments. The balance sheet continued to strengthen as net debt to operational EBITDA was 2.1.

Our transformation into a customer-focused renewable materials company is progressing well. I am pleased that the ramp-up of the Beihai Mill is ahead of plan and we are now conducting customer tests of liquid boards and other grades. We have also completed our first test runs of CKB, our cartonboard which is very competitive in terms of strength, stiffness, purity and runnability. It provides superior food safety which is high on consumers' minds in China. We have launched a new product in our CKB product family during the quarter, CKB Nude by Stora Enso. It is an uncoated carton board designed to meet the consumer preferences for renewable packaging materials with natural look and feel.

The Varkaus kraftliner mill ramp-up is also proceeding and the mill reached EBITDA break-even during the quarter, as planned. We are expecting full production of virgin-fibre-based containerboard during the second half of 2017. In addition, we have finalised the divestment of the Kabel coated magazine paper mill in Germany. We have also received the first pre-payments for the divested Suzhou Mill site in China. This deal was announced in the second quarter of 2016.

We are planning to create a centre of excellence for corrugated packaging in Lahti. The aim is to boost competitiveness by consolidating manufacturing of corrugated packaging in Finland to one location. As part of the possible consolidation, we would invest approximately EUR 19 million in new machinery and supporting infrastructure. The proposed project is expected to be finalised by the end of the first quarter 2018.

Wooden buildings are on the rise. Australia's first wooden office building is being built with our Cross Laminated Timber (CLT) in Sydney. The major structural components of the six storey office are made from more than 2 000 m³ of our CLT. The building is due for completion in 2017, proving that CLT is not only a renewable and sustainable choice, but also contributes to rapid construction time.

Another initiative to meet growing urban construction needs is the modernisation of the sawmill in Murów. As previously announced, the modernisation will increase yearly capacity from 70 000 m³ to 400 000 m³. In September, we inaugurated the modernised sawmill together with 200 customers.

I am happy that our Annual Report was awarded the best in Finland for the second consecutive year in a ranking by ReportWatch. The ranking included 1 600 companies from 65 countries. Also, the international not-for-profit organisation CDP (formerly Carbon Disclosure Project) recognises Stora Enso as a world leader for combating global warming, with a position on its 2016 Climate A List.

When it comes to outlook, sales for the fourth quarter 2016 are estimated to be slightly higher or slightly lower than the amount of EUR 2 393 million, and operational EBIT is expected to be in line with or somewhat lower than the EUR 219 million recorded in the third quarter of 2016. The impact of the annual maintenance shutdowns is expected to be approximately EUR 35 million lower than in the third quarter of 2016.

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 (Q3/2016)

9.2%

Operational ROCE (Q3/2016)

10.1%

(Target >13%)

Net debt to operational EBITDA

2.1

(Target <3.0)

RECONCILIATION OF OPERATIONAL PROFITABILITY

EUR million	Q3/16	Q3/15	Change % Q3/16–Q3/15	Q2/16	Change % Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change % Q1-Q3/16–Q1-Q3/15	2015
Operational EBITDA	**326**	**353**	**-7.6%**	**333**	**-2.1%**	**1 015**	**1 011**	**0.4%**	**1 352**
Equity accounted investments (EAI), operational*	17	21	-19.0%	16	6.3%	49	58	-15.5%	80
Depreciation and impairment excl. IAC	-124	-128	3.1%	-123	-0.8%	-371	-396	6.3%	-517
Operational EBIT	**219**	**246**	**-11.0%**	**226**	**-3.1%**	**693**	**673**	**3.0%**	**915**
Fair valuations and non-operational items**	-14	-25	44.0%	-15	6.7%	-55	-23	-139.1%	378
Items affecting comparability (IAC)***	-9	16	-156.3%	37	-124.3%	0	16	-100.0%	-234
Operating Profit (IFRS)	**196**	**237**	**-17.3%**	**248**	**-21.0%**	**638**	**666**	**-4.2%**	**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

Third quarter 2016 results (compared with Q3/2015)

BREAKDOWN OF CHANGE IN SALES Q3/2015 TO Q3/2016

Sales Q3/2015, EUR million	**2 500**
Price and mix	-2%
Currency	0%
Volume	1%
Other sales*	1%
Total before structural changes	0%
Structural changes**	-4%
Total	-4%
Sales Q3/2016, EUR million	**2 393**

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

Group sales at EUR 2 393 million were EUR 107 million or 4.3% lower than a year ago mainly due to divestments and capacity closures. Sales excluding the structurally declining paper business and divested Barcelona Mill increased 1.8%, primarily due to the ramp-ups at Varkaus kraftliner and Beihai consumer board mills. Paper division sales excluding restructurings remained stable. Biomaterials division was impacted by lower hardwood pulp prices.

Operational EBIT was EUR 219 (EUR 246) million, a decrease of EUR 27 million, including a negative impact of EUR 35 million due to the ramp-up of Beihai. The operational EBIT margin was 9.2% (9.8%). Excluding the Beihai operations, the operational EBIT margin was 11.0% (10.2%). Lower sales prices in local currencies, especially due to significantly lower hardwood prices, decreased operational EBIT by EUR 34 million. Fixed costs were EUR 18 million higher, mainly due to the ramp-ups of Beihai consumer board mill and Varkaus kraftliner mill, increased maintenance costs in Biomaterials division due to timing of annual maintenance shutdowns, and higher production at sawmills. Operational EBIT was negatively impacted by EUR 6 million lower volumes. Variable costs were EUR 33 million lower, mainly due to lower energy and wood costs. Depreciation was EUR 4 million lower. The impact of the closed and divested units decreased operational EBIT by EUR 4 million, lower result from the associated companies by EUR 4 million.

The planned and unplanned production downtime for paper was 10% (7%), for board 6% (7%), and for sawn wood 0% (3%).

The average number of employees in the third quarter of 2016 was approximately 26 800, which was 400 lower than a year earlier. The main reason for the reduction was structural changes. The average number of employees during the quarter in Europe was approximately 20 300, which is 200 lower than in the same quarter a year ago. In China, the average number of employees was approximately 5 400, which is 250 higher than a year ago.

Fair valuations and non-operational items had a negative EUR 14 (negative EUR 25) million impact on operating profit. The impact came mainly from the Nordic forest associates, valuation of emission rights and fair valuations of biological assets.

Earnings per share was EUR 0.16 (EUR 0.16) and earnings per share excluding items affecting comparability was EUR 0.17 (EUR 0.13).

The group recorded items affecting comparability (IAC) with a negative net impact of approximately EUR 9 million in its operating profit, and a positive impact of approximately EUR 1 million on income tax in the third quarter of 2016. The IAC is related to the planned restructuring of corrugated operations in Finland and Sweden.

Net financial expenses at EUR 35 million were EUR 58 million lower than a year ago. Respectively, the net interest expenses at EUR 36 million were EUR 3 million lower than a year ago, mainly due to the further reduced debt level and active debt liability management. The net foreign exchange impact in the third quarter in respect of cash, interest-bearing assets and liabilities and related hedges amounted to a gain of EUR 6 (loss of EUR 43) million, mainly due to the revaluation of foreign currency loans in subsidiaries and joint operations.

BREAKDOWN OF CHANGE IN CAPITAL EMPLOYED 30 SEPTEMBER 2015 TO 30 SEPTEMBER 2016

EUR million	Capital Employed
30 September 2015	**8 345**
Capital expenditure less depreciation	324
Impairments and reversal of impairments	-202
Valuation of biological assets	-24
Available-for-sale: operative (mainly PVO)	46
Equity accounted investments	424
Net liabilities in defined benefit plans	62
Operative working capital and other interest-free items, net	-275
Net tax liabilities	-22
Translation difference	28
Other changes	-88
30 September 2016	**8 618**

The operational return on capital employed in the third quarter of 2016 was 10.1% (11.6%). Excluding the investment in Beihai in Consumer Board division, the operational return on capital employed would have been 13.5% (13.1%).

January–September 2016 results (compared with January–September 2015)

Sales decreased EUR 189 million or 2.5% to EUR 7 364 million, mainly due to the structural changes in Paper division. Operational EBIT was EUR 20 million higher at EUR 693 million. Variable cost had a positive EUR 66 million impact on operational EBIT, driven by clearly lower wood and energy costs. Net foreign exchange rates increased operational EBIT by EUR 60 million. Higher volumes had a positive EUR 13 million and lower transportation costs a EUR 10 million impact. Lower sales prices in local currencies, especially pulp prices, decreased operational EBIT by EUR 68 million. Fixed costs were EUR 63 million higher, mainly due to Varkaus kraftliner mill, and Beihai board mill, higher spend in Biomaterials division innovation field, and higher production at sawmills.

Third quarter 2016 results (compared with Q2/2016)

Sales were EUR 133 million, or 5.3% lower at EUR 2 393 million. Operational EBIT was EUR 7 million lower at EUR 219 million. Lower sales prices in local currencies and volumes decreased operational EBIT by EUR 6 million and EUR 22 million, respectively. This was partly offset by EUR 13 million seasonally lower fixed costs and EUR 9 million lower variable costs, especially for wood and energy.

Financing in third quarter 2016 (compared with Q2/2016)

CAPITAL STRUCTURE

EUR million	30 Sep 16	30 Jun 16	31 Dec 15	30 Sep 15
Operative fixed assets*	6 941	6 987	6 822	6 874
Equity accounted investments	1 455	1 474	1 570	1 057
Operative working capital, net	801	839	884	1 031
Non-current interest-free items, net	-494	-458	-476	-551
Operating Capital Total	**8 703**	**8 842**	**8 800**	**8 411**
Net tax liabilities	-85	-66	-47	-66
Capital Employed	**8 618**	**8 776**	**8 753**	**8 345**
Equity attributable to owners of the Parent	5 624	5 492	5 388	4 923
Non-controlling interests	95	106	125	174
Net interest-bearing liabilities	2 899	3 178	3 240	3 248
Financing Total	**8 618**	**8 776**	**8 753**	**8 345**

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

Cash and cash equivalents net of overdrafts increased EUR 264 million to EUR 775 million, mainly due to solid cash flow from operations and the advance payments of EUR 118 million from the divestment of the Suzhou Mill site. Total unutilised committed credit facilities were unchanged at EUR 700 million. In addition, Stora Enso has access to various long-term sources of funding up to EUR 900 (850) million.

The net debt was EUR 2 899 million, a decrease of EUR 279 million from the previous quarter. The decrease was mainly caused by positive cash flow from reduced working capital and proceeds from divestments.

The fair value of PVO shares accounted for as available-for-sale investments increased in the quarter by EUR 30 million to EUR 222 million. The change in fair value is mainly caused by the increase in electricity prices. The changes in fair valuation are included in Other Comprehensive Income in equity.

The ratio of net debt to the last twelve months' operational EBITDA was 2.1 (2.3). The debt/equity ratio at 30 September 2016 was 0.52 (0.58).

Cash flow in third quarter 2016

CASH FLOW

EUR million	Q3/16	Q3/15	Change % Q3/16–Q3/15	Q2/16	Change % Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change % Q1-Q3/16–Q1-Q3/15	2015
Operational EBITDA	326	353	-7.6%	333	-2.1%	1 015	1 011	0.4%	1 352
IAC on operational EBITDA	-3	16	-118.8%	-21	85.7%	-51	17	n/m	-24
Dividends received from equity accounted investments	0	1	-100.0%	58	-100.0%	58	32	81.3%	32
Other adjustments	10	16	-37.5%	16	-37.5%	47	47	0.0%	55
Change in working capital	57	98	-41.8%	107	-46.7%	103	37	178.4%	141
Cash Flow from Operations (non-IFRS)	**390**	**484**	**-19.4%**	**493**	**-20.9%**	**1 172**	**1 144**	2.4%	**1 556**
Cash spent on fixed and biological assets	-213	-250	14.8%	-172	-23.8%	-578	-620	6.8%	-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)	**177**	**234**	**-24.4%**	**321**	**-44.9%**	**594**	**524**	**13.4%**	**599**

Third quarter 2016 cash flow after investing activities was at EUR 177 million. Working capital decreased by EUR 57 million, mainly due to lower trade receivables and reduced inventories. Cash spent on fixed and biological assets was at EUR 213 million. Payments related to the previously announced restructuring provisions were EUR 12 million.

Capital expenditure

Additions to fixed and biological assets in the third quarter of 2016 totalled EUR 150 million, of which EUR 127 million were fixed assets and EUR 23 million biological assets. Depreciations in the third quarter of 2016 totalled EUR 124 million. Additions in fixed assets and biological assets had a cash outflow impact of EUR 213 million.

The main projects ongoing in the third quarter of 2016 were the bleached chemi-thermomechanical pulp (BCTMP) plant at Beihai Mill, a new polyethylene extrusion (PE) coating plant and an automated roll warehouse at Imatra Mills in Finland, and the PE coating investment at Beihai Mill.

CAPITAL EXPENDITURE, EQUITY INJECTIONS AND DEPRECIATION FORECAST 2016

EUR million	Forecast 2016
Capital expenditure	700–730
Depreciation	500–520

The capital expenditure forecast includes approximately EUR 100 million for the group's biological assets and approximately EUR 180 million for Beihai consumer board mill and BCTMP plant 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.

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Segments in third quarter 2016 (compared with Q3/2015)

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	Q3/16	Q3/15	Change % Q3/16–Q3/15	Q2/16	Change % Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change % Q1-Q3/16–Q1-Q3/15	2015
Sales	599	608	-1.5%	599	0.0%	1 762	1 780	-1.0%	2 340
Operational EBITDA	109	116	-6.0%	113	-3.5%	330	345	-4.3%	434
Operational EBITDA margin	18.2%	19.1%		18.9%		18.7%	19.4%		18.5%
Operational EBIT	67	80	-16.3%	76	-11.8%	216	237	-8.9%	290
Operational EBIT margin	11.2%	13.2%		12.7%		12.3%	13.3%		12.4%
Operational ROOC*	12.9%	16.4%		14.8%		13.9%	17.1%		15.5%
Cash flow from operations (non-IFRS)**	89	166	-46.4%	168	-47.0%	339	329	3.0%	481
Cash flow after investing activities (non-IFRS)**	-30	25	-220.0%	73	-141.1%	27	36	-25.0%	21
Board deliveries, 1 000 tonnes	650	637	2.0%	630	3.2%	1 868	1 883	-0.8%	2 458
Board production, 1 000 tonnes	647	632	2.4%	620	4.4%	1 891	1 915	-1.3%	2 490

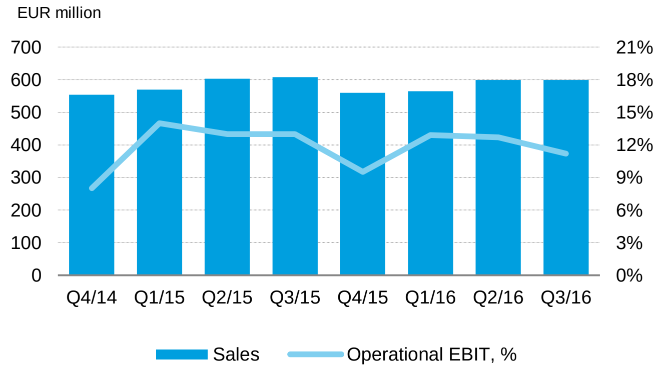
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased EUR 18 million or 3.2% excluding the divested Barcelona Mill in Spain
- Operational EBIT increased EUR 20 million or 23.3% excluding the Beihai operations, due to increased efficiency and improved product mix. The negative impact of the Beihai operations in the third quarter was EUR 35 million higher than a year ago, mainly due to the costs related to the start-up of the consumer board mill and lower harvesting volumes.
- The ramp-up of Beihai Mill is proceeding ahead of plan. The customer tests in liquid packaging boards are proceeding well, and the first CKB board test runs are completed. The consumer board machine is expected to reach full production within 18–24 months from the start-up in May 2016. The ramp up of Beihai operations is expected to have a EUR 33 million negative impact on the fourth quarter 2016 operating profit, including a quarterly depreciation of EUR 10 million.
- Stora Enso is investing EUR 14 million to renew and modernise malodorous gas processing at Imatra Mills in Finland. The investment will increase process stability and improve environmental performance.

MARKETS

Product	Market	Demand Q3/16 compared with Q3/15	Demand Q3/16 compared with Q2/16	Price Q3/16 compared with Q3/15	Price Q3/16 compared with Q2/16
Consumer board	Europe	Slightly stronger	Stable	Slightly lower	Slightly lower

SALES AND OPERATIONAL EBIT



Operational ROOC (Q3/2016)

12.9%

Operational ROOC excl. Beihai

42.3%

(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	Q3/16	Q3/15	Change% Q3/16–Q3/15	Q2/16	Change% Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change% Q1-Q3/16–Q1-Q3/15	2015
Sales	259	226	14.6%	258	0.4%	762	673	13.2%	913
Operational EBITDA	37	32	15.6%	33	12.1%	93	110	-15.5%	147
Operational EBITDA margin	14.3%	14.2%		12.8%		12.2%	16.3%		16.1%
Operational EBIT	21	18	16.7%	17	23.5%	45	68	-33.8%	90
Operational EBIT margin	8.1%	8.0%		6.6%		5.9%	10.1%		9.9%
Operational ROOC*	9.6%	8.7%		7.7%		7.0%	11.2%		11.1%
Cash flow from operations (non-IFRS)**	39	46	-15.2%	39	0.0%	88	115	-23.5%	138
Cash flow after investing activities (non-IFRS)**	23	6	283.3%	27	-14.8%	40	44	-9.1%	20
Board deliveries (external), 1 000 tonnes	214	141	51.8%	209	2.4%	632	421	50.1%	587
Board production, 1 000 tonnes	306	218	40.4%	292	4.8%	900	639	40.8%	904
Corrugated packaging deliveries, million m^2	274	277	-1.1%	273	0.4%	806	838	-3.8%	1 112
Corrugated packaging production, million m^2	274	272	0.7%	272	0.7%	799	823	-2.9%	1 093

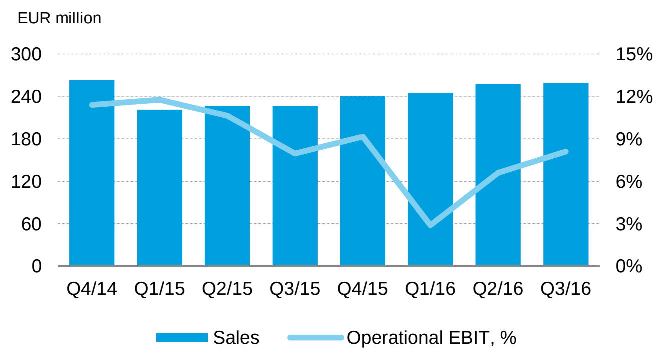
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased 14.6% or EUR 33 million to EUR 259 million, driven by Varkaus kraftliner mill and higher volumes from Ostrołęka containerboard mill.
- Operational EBIT was EUR 3 million higher at EUR 21 million. The improved result of Varkaus Mill was partly offset by continued challenges with Stora Enso Inpac in China during the start-up of a new product manufacturing.
- Varkaus kraftliner mill ramp-up is proceeding and the mill reached EBITDA break-even during the third quarter. Full production is expected during the second half of 2017.
- In September, Stora Enso announced its plans to consolidate the corrugated packaging production in Finland to its Lahti plant. The plans include an investment of approximately EUR 19 million in Lahti, expected to be completed in the first quarter 2018, and a planned permanent closure of the Heinola corrugated plant. Cooperation negotiations with the personnel are going on. Stora Enso is also investing EUR 7 million in Sweden, at Skene and Jönköping plants to strengthen competitiveness and to improve printing quality and service, expected to be completed in the second quarter of 2017. The planned investments would decrease annual costs in total by EUR 7 million, once the projects are fully completed.

MARKETS

Product	Market	Demand Q3/16 compared with Q3/15	Demand Q3/16 compared with Q2/16	Price Q3/16 compared with Q3/15	Price Q3/16 compared with Q2/16
Virgin fibre-based containerboard	Global	Stable	Slightly stronger	Lower	Stable
RCP containerboard	Europe	Slightly stronger	Slightly weaker	Lower	Slightly lower
Corrugated packaging	Europe	Slightly stronger	Slightly weaker	Stable	Stable

SALES AND OPERATIONAL EBIT



Operational ROOC (Q3/2016)

9.6%

(Target: >20%)

SCHEDULED ANNUAL MAINTENANCE SHUTDOWNS

	2016	2015
Q1	–	–
Q2	Ostrołęka Mill	Ostrołęka Mill
Q3	Heinola 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	Q3/16	Q3/15	Change % Q3/16–Q3/15	Q2/16	Change % Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change % Q1-Q3/16–Q1-Q3/15	2015
Sales	334	392	-14.8%	342	-2.3%	1 027	1 110	-7.5%	1 484
Operational EBITDA	71	125	-43.2%	84	-15.5%	265	312	-15.1%	420
Operational EBITDA margin	21.3%	31.9%		24.6%		25.8%	28.1%		28.3%
Operational EBIT	43	100	-57.0%	57	-24.6%	184	232	-20.7%	313
Operational EBIT margin	12.9%	25.5%		16.7%		17.9%	20.9%		21.1%
Operational ROOC*	6.7%	15.5%		8.9%		9.5%	12.4%		12.4%
Cash flow from operations (non-IFRS)**	97	107	-9.3%	128	-24.2%	340	258	31.8%	385
Cash flow after investing activities (non-IFRS)**	64	79	-19.0%	96	-33.3%	241	96	151.0%	187
Pulp deliveries, 1 000 tonnes	613	632	-3.0%	627	-2.2%	1 857	1 855	0.1%	2 499

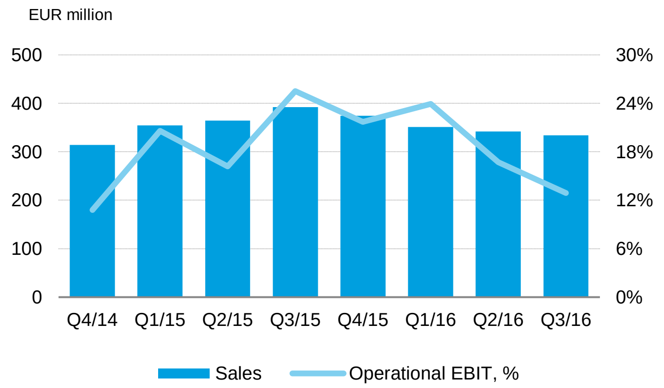
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales decreased due to significantly lower pulp prices, especially in hardwood, and slightly lower deliveries mainly due to the timing of the annual maintenance shutdowns compared to the previous year.
- Operational EBIT was EUR 57 million lower, mainly due to significantly lower hardwood pulp prices and slightly lower sales volumes. In addition, maintenance costs increased due to the timing of annual maintenance shutdowns.
- Customer trials for commercial purposes of lignin are proceeding well.

MARKETS

Product	Market	Demand Q3/16 compared with Q3/15	Demand Q3/16 compared with Q2/16	Price Q3/16 compared with Q3/15	Price Q3/16 compared with Q2/16
Softwood pulp	Europe	Stable	Slightly weaker	Slightly lower	Stable
Hardwood pulp	Europe	Stable	Slightly stronger	Significantly lower	Slightly lower

SALES AND OPERATIONAL EBIT



Operational ROOC (Q3/2016)

6.7%

(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, 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	Q3/16	Q3/15	Change% Q3/16–Q3/15	Q2/16	Change% Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change% Q1-Q3/16–Q1-Q3/15	2015
Sales	385	375	2.7%	433	-11.1%	1 200	1 208	-0.7%	1 603
Operational EBITDA	30	30	0.0%	41	-26.8%	94	85	10.6%	111
Operational EBITDA margin	7.8%	8.0%		9.5%		7.8%	7.0%		6.9%
Operational EBIT	22	22	0.0%	33	-33.3%	71	60	18.3%	81
Operational EBIT margin	5.7%	5.9%		7.6%		5.9%	5.0%		5.1%
Operational ROOC*	17.5%	17.5%		25.6%		18.5%	15.9%		15.7%
Cash flow from operations (non-IFRS)**	44	44	0.0%	67	-34.3%	145	108	34.3%	118
Cash flow after investing activities (non-IFRS)**	23	34	-32.4%	53	-56.6%	86	80	7.5%	59
Wood products deliveries, 1 000 m^3	1 107	1 051	5.3%	1 274	-13.1%	3 467	3 218	7.7%	4 334

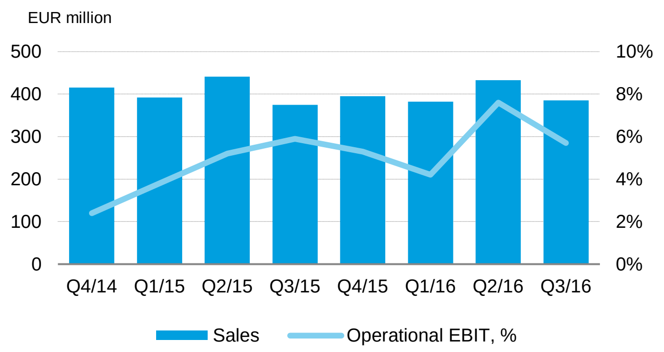
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales increased mainly due to higher volumes, supported by the investment at Murow sawmill in Poland, and the Varkaus LVL plant in Finland.
- Operational EBIT remained stable, as lower log costs and higher sales volumes were offset by higher fixed costs and lower income from sales of saw dust and wood chips.
- The new line for wooden building components (LVL) at Varkaus Mill is ramping up as planned, and product certification is ongoing. Full production is expected in mid-2018.

MARKETS

Product	Market	Demand Q3/16 compared with Q3/15	Demand Q3/16 compared with Q2/16	Price Q3/16 compared with Q3/15	Price Q3/16 compared with Q2/16
Wood products	Europe	Significantly stronger	Significantly weaker	Slightly lower	Stable

SALES AND OPERATIONAL EBIT



Operational ROOC (Q3/2016)

17.5%

(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 primarily in Europe, with one mill in China. Three of the mills produce paper based on 100%-recycled fibre.

EUR million	Q3/16	Q3/15	Change% Q3/16–Q3/15	Q2/16	Change% Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change% Q1-Q3/16–Q1-Q3/15	2015
Sales	792	911	-13.1%	839	-5.6%	2 485	2 740	-9.3%	3 630
Operational EBITDA	77	44	75.0%	74	4.1%	234	157	49.0%	231
Operational EBITDA margin	9.7%	4.8%		8.8%		9.4%	5.7%		6.4%
Operational EBIT	53	6	n/m	43	23.3%	147	36	n/m	77
Operational EBIT margin	6.7%	0.7%		5.1%		5.9%	1.3%		2.1%
Operational ROOC*	19.4%	1.6%		14.6%		17.6%	3.2%		5.5%
Cash flow from operations (non-IFRS)**	109	108	0.9%	63	73.0%	225	232	-3.0%	286
Cash flow after investing activities (non-IFRS)**	93	84	10.7%	49	89.8%	187	185	1.1%	201
Cash flow after investing activities to sales (non-IFRS)	11.7%	9.2%		5.8%		7.5%	6.8%		5.5%
Paper deliveries, 1 000 tonnes	1 272	1 477	-13.9%	1 322	-3.8%	3 934	4 354	-9.6%	5 778
Paper production, 1 000 tonnes	1 243	1 443	-13.9%	1 298	-4.2%	3 936	4 359	-9.7%	5 794

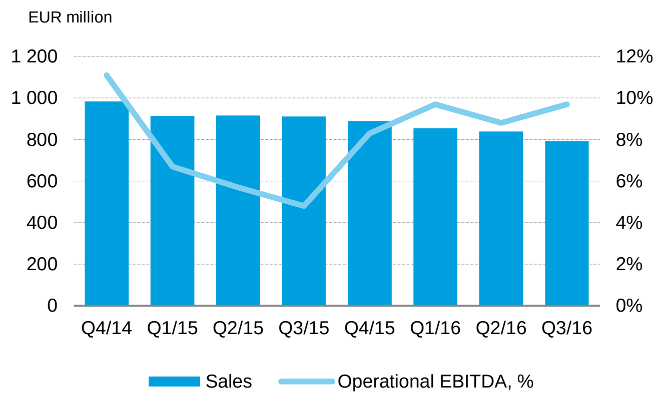
* Operational ROOC = 100% x Operational EBIT/Average operating capital
** Cash flow from operations (non-IFRS) and Cash flow after investing activities (non-IFRS), see chapter *Non-IFRS measures* at the beginning of the Financials section.

- Sales remained flat excluding the structural changes, which were the paper machine conversion to kraftliner at Varkaus, and divestments of Arapoti and Kabel mills, and the Suzhou Mill site.
- Operational EBITDA increased 75% to EUR 77 (EUR 44) million, due to tight cost management and good production efficiency.
- Operational EBIT increased EUR 47 million, mainly due to lower variable costs, especially in energy, wood, chemicals and pulp, and lower fixed costs due to active cost management. The third quarter 2016 operational EBIT included a EUR 7 million asset disposal.
- Cash flow after investing activities to sales was record high at 11.7%, well above the long term target of 7%.
- The divestment of the Kabel coated magazine paper mill in Germany was completed in September.
- The divestment of the Suzhou Mill site in China to the local government of Suzhou National New & Hi-tech Industrial Development Area (SND) is proceeding according to plan and is expected to be finalised by the end of the year.
- Stora Enso is investing EUR 13 million at Veitsiluoto Mill in Finland in decreasing wastewater discharges and increasing efficiency. The investment will be implemented during the autumn of 2017.
- Stora Enso is reviewing how to create the best conditions for the Paper division to compete under increasing cost pressures and declining market demand. The internal project was initiated during the second quarter of 2016 and is proceeding as planned.

MARKETS

Product	Market	Demand Q3/16 compared with Q3/15	Demand Q3/16 compared with Q2/16	Price Q3/16 compared with Q3/15	Price Q3/16 compared with Q2/16
Paper	Europe	Slightly weaker	Stable	Slightly higher	Stable

SALES AND OPERATIONAL EBITDA*



Cash flow after investing activities to sales (Q3/2016)

11.7%

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

Other

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

EUR million	Q3/16	Q3/15	Change% Q3/16–Q3/15	Q2/16	Change% Q3/16–Q2/16	Q1–Q3/16	Q1–Q3/15	Change% Q1-Q3/16–Q1-Q3/15	2015
Sales	559	563	-0.7%	629	-11.1%	1 836	1 839	-0.2%	2 478
Operational EBITDA	2	6	-66.7%	-12	116.7%	-1	2	-150.0%	9
Operational EBITDA margin	0.4%	1.1%		-1.9%		-0.1%	0.1%		0.4%
Operational EBIT	13	20	-35.0%	0	100.0%	30	40	-25.0%	64
Operational EBIT margin	2.3%	3.6%		0.0%		1.6%	2.2%		2.6%
Cash flow from operations (non-IFRS)*	12	13	-7.7%	28	-57.1%	35	102	-65.7%	148
Cash flow after investing activities (non-IFRS)*	4	6	-33.3%	23	-82.6%	13	83	-84.3%	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 in the Nordic forest associates.

Sustainability in third quarter 2016 (compared with Q3/2015)

Safety performance

TRI AND LTA RATES*

	Q3/16	Q3/15	Q2/16**	Q1–Q3/16	Q1–Q3/15	2015	Milestone	Milestone to be reached by
TRI rate	10.4	10.7	13.5	12.0	10.4	11.0		
LTA rate	4.5	4.3	4.9	4.4	4.3	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, excluding joint operations
**Recalculated due to additional data after the Q1 interim report.

Suppliers

Implementation of the Supplier Code of Conduct

SUPPLIER CODE OF CONDUCT

	30 Sep 16	30 Jun 16	31 Dec 15	30 Sep 15	Target	Target to be reached by
% of supplier spend covered by the Supplier Code of Conduct*	92%	92%	90%	87%	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)

The formative ground research was completed during the quarter after the wheat and corn harvesting season in the Punjab province of Pakistan, and ILO is in the process of consolidating the draft report. Stora Enso is expecting to receive the final research report in early 2017.

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	85%	5%	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 85% (82% by the end of second 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. By the end of the year, a small number of actions will remain open due to their complex nature. These will be progressed to an appropriate conclusion during 2017 and the reporting on Human Rights Action Plan progress will be stopped.

Mitigating Child Labour in Pakistan

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

	30 Sep 16	30 Jun 16	31 Dec 15	30 Sep 15	Target	Target to be reached by
Number of direct active suppliers	276	276	335	335		
Audit coverage year-to-date (%)*	12%	10%	45%	44%	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 6 (83) audits of its material and service suppliers during the third quarter, including two follow-up audits on previous corrective action requests. In addition, 5 (10) supplier audits were conducted by an external party.

BSP has currently a sufficient stockpile of biomass and therefore has sourced less biomass in 2016 than 2015, requiring fewer audits. For this reason the audit coverage of the direct suppliers of domestic fibre and agricultural by-products will not reach the 45% target.

During the quarter, one proven young worker case not in compliance with ILO conventions, and unacceptable for Stora Enso and BSP, was found in the operations of a supplier providing work uniforms for BSP. The young worker was not conducting hazardous work. Cases involving workers between 14-18 years of age are referred to as young workers in accordance with Pakistan-specific implementation of the ILO Minimum Working Age Convention (ILO C138). The hiring of this young worker by a subcontractor violates the suppliers' contractual obligations under BSP's Supplier Sustainability Requirements. Both the supplier and the young worker were willing to comply with BSP's Child Labour Remediation Policy and reduce the young worker's working hours enabling education in accordance with the Child Labour Remediation Policy.

Manufacturing of the medical mobile clinic proceeded as planned during the third quarter. Commissioning of the clinic and training of staff is expected to start in the fourth quarter of 2016.

Forests, plantations and land use

Correction of land leasing contracts in Guangxi, China

SOCIAL FORESTLANDS LEASED BY STORA ENSO IN GUANGXI

	30 Sep 16	30 Jun 16	31 Dec 15	30 Sep 15	Target	Target to be reached by
Social forestland leased, ha	31 127	31 410	32 322	32 507		
Leased area without contractual defects, ha	16 583	16 621	16 471	16 439		
Lease contracts without contractual defects, % of all contracts	65%	65%	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 84 187 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 third quarter, irreconcilable or economically unviable contracts corresponding to 184 hectares were terminated. By the end of the quarter contracts corresponding to 997 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. Stora Enso is in the process of reassessing the contract correction statistical methodology currently being used and will report of the outcome in early 2017.

Land occupations by the Social Landless Movements in Bahia, Brazil

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

	30 Sep 16	30 Jun 16	31 Dec 15	30 Sep 15
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 465	4 239	5 461	5 773

As of the end of the third quarter, 3 465 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 774 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*

	Q3/16**	Q3/15	Q2/16	Q1–Q3/16**	Q1–Q3/15	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)	-43%	-33%	-41%	-37%	-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. Excluding joint operations.
**Q3 performance includes July and August. The Q3 performance will be completed with September performance in the Interim Report for Q4.

The reported CO_2 emissions exclude Beihai Mill which will be included in the fourth quarter and full year report. Beihai Mill commenced operations in May using Chinese coal for its boiler. This will result in a material increase in the group's CO_2 emissions. Actions are underway to identify fossil-free alternatives.

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.

Short-term risks and uncertainties

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

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 172 million on operational EBIT for the next 12 months.

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

Chemical and filler sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 45 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish crown and British pound against the euro would be about positive EUR 108 million, negative EUR 83 million and positive EUR 33 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.

Proceedings 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. Metsähallitus has announced that they will appeal the ruling.

In addition, certain Finnish municipalities and private forest owners initiated similar legal proceedings. The total amount claimed from the defendants amounts to approximately EUR 27 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

In July and August 2016, six Swedish Insurance companies filed lawsuits against Stora Enso. The claimed amount is approximately SEK 297 million (EUR 31 million) attributable to insurance compensation paid to injured parties in connection with the forest fire in Västmanland, Sweden in 2014. Stora Enso denies liability and will respond within the frame of the legal proceedings.

Changes in group management

Malin Bendz, currently SVP Human Resources in Stora Enso's Paper division, will be appointed as EVP Human Resources and member of the Group Leadership Team as of 1 November 2016. Executive Vice President, Human Resources Lars Häggström will leave Stora Enso to take up the position of Executive in Residence at the Swiss-based business school IMD.

Executive Vice President & Head of the Consumer Board division, Jari Latvanen, will leave Stora Enso by the end of October 2016 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 third quarter of 2016, there were no share conversions.

On 30 September 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.

Events after the period

Stora Enso's Shareholders' Nomination Board was appointed in October. The composition is the following:

Gunnar Brock (Chairman of the Board of Directors of Stora Enso)
Jorma Eloranta (Vice Chairman of the Board of Directors of Stora Enso)
Kari Järvinen (Managing Director of Solidium Oy)
Marcus Wallenberg (Chairman of the Board of Directors of FAM AB)

The Chairman of the Shareholders' Nomination Board is Kari Järvinen.

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.

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, 25 October 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

In the second quarter of 2016, Stora Enso changed 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) was 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 Kabel Mill in Germany

On 1 June 2016 Stora Enso signed an agreement to divest its Kabel coated magazine paper mill in Germany, to Hagen-Kabel Pulp & Paper GmbH, owned by a German based investor group.

The transaction is structured as an asset deal and the cash consideration for the sold assets was initially expected to be approximately EUR 23 million, subject to customary closing day adjustments. The loss on disposal was estimated to be EUR 15 million consisting of a EUR 5 million operational and a EUR 10 million tax expense. The negative impact was recognised in the second quarter based on the estimated outcome of the transaction.

The divestment was completed on 1 September 2016. As a result, the final consideration was adjusted to EUR 30 million equaling the book value of the disposed net assets at closing.

The final tax calculation resulted in a tax expense of EUR 4 million, as compared to the EUR 10 million expense recorded in the second quarter 2016. The change in the actual tax costs compared to the original estimate is due to changes in the deal structure. After closing adjustments the loss on disposal amounted to EUR 9 million.

Based on 2015 annual figures, the divestment is expected to reduce Stora Enso's annual sales by approximately EUR 300 million. It will also reduce Stora Enso's annual paper production capacity by around 485 000 tonnes. Kabel Mill employs approximately 540 people, who will be transferred to the new owner with the divestment.

EUR million	1 Sep 2016
Fixed assets and other long-term items	44
Inventories	29
Current receivables	24
Total Assets	**97**
Non-current liabilities	22
Current liabilities	45
Total Liabilities	**67**
Net Assets Disposed of on 1 September 2016	**30**

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. 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 an additional loss of approximately EUR 28 million in the first quarter 2016 accounts, mainly due to cumulative translation adjustments. At the end of September 2016, the final consideration was agreed to be EUR 15 million resulting in a negative post-closing adjustment of EUR 1 million. 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	Q3/16	Q3/15	Q2/16	Q1–Q3/16	Q1–Q3/15	2015
Sales	**2 393**	**2 500**	**2 526**	**7 364**	**7 553**	**10 040**
Other operating income	30	30	34	94	90	128
Change in inventories of finished goods and WIP	-10	-20	-41	-15	11	18
Change in net value of biological assets	-22	-19	-30	-59	-48	-89
Materials and services	-1 414	-1 457	-1 441	-4 318	-4 476	-6 008
Freight and sales commissions	-234	-247	-237	-702	-738	-970
Personnel expenses	-308	-317	-365	-1 015	-992	-1 313
Other operating expenses	-119	-110	-141	-406	-376	-503
Share of results of equity accounted investments	10	5	25	32	39	519
Depreciation, amortisation and impairment charges	-130	-128	-82	-337	-397	-763
Operating Profit	**196**	**237**	**248**	**638**	**666**	**1 059**
Net financial items	-35	-93	-99	-173	-212	-245
Profit before Tax	**161**	**144**	**149**	**465**	**454**	**814**
Income tax	-42	-20	-31	-114	-78	-31
Net Profit for the Period	**119**	**124**	**118**	**351**	**376**	**783**
Attributable to:						
Owners of the Parent	129	124	125	372	383	807
Non-controlling interests	-10	0	-7	-21	-7	-24
Net Profit for the Period	**119**	**124**	**118**	**351**	**376**	**783**
Earnings per Share						
Basic earnings per share, EUR	0.16	0.16	0.16	0.47	0.49	1.02
Diluted earnings per share, EUR	0.16	0.15	0.16	0.47	0.48	1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q3/16	Q3/15	Q2/16	Q1–Q3/16	Q1–Q3/15	2015
Net profit for the period	119	124	118	351	376	783
Other Comprehensive Income (OCI)						
Items that will Not be Reclassified to Profit and Loss						
Actuarial gains and losses on defined benefit plans	-10	2	0	-10	2	77
Income tax relating to items that will not be reclassified	0	0	0	0	0	-36
	-10	**2**	**0**	**-10**	**2**	**41**
Items that may be Reclassified Subsequently to Profit and Loss						
Share of OCI of EAIs that may be reclassified	1	-1	-2	-4	3	5
Currency translation movements on equity net investments (CTA)	-24	-171	57	1	-48	28
Currency translation movements on non-controlling interests	-1	-8	1	-5	3	6
Net investment hedges	2	1	-8	8	-24	-33
Cash flow hedges	2	30	1	26	42	60
Non-controlling interests' share of cash flow hedges	0	1	0	0	1	1
Available-for-sale investments	31	-50	77	108	-261	-327
Income tax relating to items that may be reclassified	0	-7	2	-6	-4	-8
	11	**-205**	**128**	**128**	**-288**	**-268**
Total Comprehensive Income	**120**	**-79**	**246**	**469**	**90**	**556**
Attributable to:						
Owners of the Parent	131	-72	252	495	93	573
Non-controlling interests	-11	-7	-6	-26	-3	-17
Total Comprehensive Income	**120**	**-79**	**246**	**469**	**90**	**556**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million		30 Sep 16	31 Dec 15	30 Sep 15
Assets				
Goodwill	O	247	248	247
Other intangible assets	O	176	156	156
Property, plant and equipment	O	5 624	5 627	5 610
		6 047	**6 031**	**6 013**
Biological assets	O	645	640	644
Emission rights	O	17	20	30
Equity accounted investments	O	1 455	1 570	1 057
Available-for-sale: Listed securities	I	31	28	25
Available-for-sale: Operative	O	232	131	187
Non-current loan receivables	I	9	68	62
Deferred tax assets	T	192	246	244
Other non-current assets	O	58	63	67
Non-current Assets		**8 686**	**8 797**	**8 329**
Inventories	O	1 290	1 373	1 389
Tax receivables	T	6	6	8
Operative receivables	O	1 280	1 324	1 418
Interest-bearing receivables	I	128	53	58
Cash and cash equivalents	I	781	808	798
Current Assets		**3 485**	**3 564**	**3 671**
Total Assets		**12 171**	**12 361**	**12 000**
Equity and Liabilities				
Owners of the Parent		5 624	5 388	4 923
Non-controlling Interests		95	125	174
Total Equity		**5 719**	**5 513**	**5 097**
Post-employment benefit provisions	O	390	378	454
Other provisions	O	97	112	116
Deferred tax liabilities	T	235	252	272
Non-current debt	I	2 604	3 342	3 334
Other non-current operative liabilities	O	65	49	48
Non-current Liabilities		**3 391**	**4 133**	**4 224**
Current portion of non-current debt	I	650	228	206
Interest-bearing liabilities	I	588	626	650
Bank overdrafts	I	6	1	1
Other provisions	O	23	48	59
Other operative liabilities	O	1 746	1 765	1 717
Tax liabilities	T	48	47	46
Current Liabilities		**3 061**	**2 715**	**2 679**
Total Liabilities		**6 452**	**6 848**	**6 903**
Total Equity and Liabilities		**12 171**	**12 361**	**12 000**

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–Q3/16	Q1–Q3/15
Cash Flow from Operating Activities		
Operating profit	638	666
Hedging result from OCI	-1	-7
Adjustments for non-cash items	431	441
Change in net working capital	103	37
Cash Flow Generated by Operations	**1 171**	**1 137**
Net financial items paid	-156	-213
Income taxes paid, net	-72	-60
Net Cash Provided by Operating Activities	**943**	**864**
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	38	-10
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	123	6
Capital expenditure	-578	-620
Proceeds from non-current receivables, net	-5	9
Net Cash Used in Investing Activities	**-388**	**-615**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	329	341
Repayment of long-term debt	-606	-1 070
Change in short-term borrowings	5	44
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	**-582**	**-918**
Net Decrease in Cash and Cash Equivalents	**-27**	**-669**
Translation adjustment	-5	22
Net cash and cash equivalents at the beginning of period	807	1 444
Net Cash and Cash Equivalents at Period End	**775**	**797**
Cash and Cash Equivalents at Period End	**781**	**798**
Bank Overdrafts at Period End	**-6**	**-1**
Net Cash and Cash Equivalents at Period End	**775**	**797**
Disposals		
Cash and cash equivalents	1	22
Other intangible assets and property, plant and equipment	39	8
Working capital	6	-19
Interest-bearing assets and liabilities	3	1
Non-controlling interests	-4	0
Net Assets in Divested Companies	**45**	**12**
Gain on sale	0	0
Total Disposal Consideration	**45**	**12**
Cash part of consideration	39	12
Non-cash part of consideration	6	0
Total Disposal Consideration	**45**	**12**

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

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

EUR million	Q1–Q3/16	Q1–Q3/15	2015
Carrying value at 1 January	6 671	6 461	6 461
Additions in tangible and intangible assets	468	581	912
Additions in biological assets	67	53	77
Harvesting in biological assets	-46	-46	-76
Disposals	-3	-4	-23
Disposals of subsidiary companies	-39	-8	-12
Depreciation and impairment	-337	-397	-763
Valuation of biological assets	-13	-2	-13
Translation difference and other	-76	19	108
Statement of Financial Position Total	**6 692**	**6 657**	**6 671**

BORROWINGS

EUR million	30 Sep 16	31 Dec 15	30 Sep 15
Bond loans	1 704	1 834	1 873
Loans from credit institutions	1 475	1 637	1 542
Finance lease liabilities	60	61	65
Other non-current liabilities	15	38	60
Non-current Debt including Current Portion	**3 254**	**3 570**	**3 540**
Short-term borrowings	499	492	477
Interest payable	44	64	66
Derivative financial liabilities	45	70	107
Bank overdrafts	6	1	1
Total Interest-bearing Liabilities	**3 848**	**4 197**	**4 191**

EUR million	Q1–Q3/16	2015	Q1–Q3/15
Carrying value at 1 January	4 197	4 894	4 894
Proceeds of new long-term debt	329	435	341
Repayment of long-term debt	-606	-1 181	-1 070
Change in short-term borrowings and interest payable	-13	-15	-28
Change in derivative financial liabilities	-25	-110	-73
Translation differences and other	-34	174	127
Total Interest-bearing Liabilities	**3 848**	**4 197**	**4 191**

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	-	-	-	-	-	-	-	-	-	383	383	-7	376
OCI before tax	-	-	-	-	-	-261	42	3	-72	2	-286	4	-282
Income tax relating to components of OCI	-	-	-	-	-	-	-9	-	5	-	-4	-	-4
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-261**	**33**	**3**	**-67**	**385**	**93**	**-3**	**90**
Dividend	-	-	-	-	-	-	-	-	-	-237	-237	-1	-238
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	11	11
Purchase of treasury shares	-	-	-	-6	-	-	-	-	-	-	-6	-	-6
Share-based payments	-	-	-	6	-	-	-	-	-	-3	3	-	3
Balance at 30 Sep 2015	**1 342**	**77**	**633**	**-**	**4**	**93**	**-36**	**-21**	**-216**	**3 047**	**4 923**	**174**	**5 097**
Profit for the period	-	-	-	-	-	-	-	-	-	424	424	-17	407
OCI before tax	-	-	-	-	-	-66	18	2	67	75	96	3	99
Income tax relating to components of OCI	-	-	-	-	-	-	-6	-	2	-36	-40	-	-40
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-66**	**12**	**2**	**69**	**463**	**480**	**-14**	**466**
Dividend	-	-	-	-	-	-	-	-	-	-	-	-1	-1
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-50	-50
Loss on NCI buy-out	-	-	-	-	-	-	-	-	-	-16	-16	16	-
Share-based payments	-	-	-	-	-	-	-	-	-	1	1	-	1
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	-	-	-	-	-	-	-	-	-	372	372	-21	351
OCI before tax	-	-	-	-	-	108	26	-4	9	-10	129	-5	124
Income tax relating to components of OCI	-	-	-	-	-	-1	-4	-	-1	-	-6	-	-6
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**107**	**22**	**-4**	**8**	**362**	**495**	**-26**	**469**
Dividend	-	-	-	-	-	-	-	-	-	-260	-260	-	-260
Acquisitions and disposals	-	-	-	-	-	-	-	-	-	-	-	-4	-4
Purchase of treasury shares	-	-	-	-2	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	2	-	-	-	-	-	1	3	-	3
Balance at 30 Sep 2016	**1 342**	**77**	**633**	**-**	**4**	**134**	**-2**	**-23**	**-139**	**3 598**	**5 624**	**95**	**5 719**

COMMITMENTS AND CONTINGENCIES

EUR million	30 Sep 16	31 Dec 15	30 Sep 15
On Own Behalf			
Mortgages	9	4	4
On Behalf of Equity Accounted Investments			
Guarantees	4	17	17
On Behalf of Others			
Guarantees	37	30	31
Other Commitments, Own			
Operating leases, in next 12 months	84	83	83
Operating leases, after next 12 months	753	804	831
Other commitments	11	11	12
Total	**898**	**949**	**978**
Mortgages	9	4	4
Guarantees	41	47	48
Operating leases	837	887	914
Other commitments	11	11	12
Total	**898**	**949**	**978**

Capital Commitments

The group’s direct capital expenditure contracts, excluding acquisitions, amounted to EUR 148 million (compared with EUR 239 million at 30 September 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	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	599	599	564	2 340	560	608	603	569
Packaging Solutions	259	258	245	913	240	226	226	221
Biomaterials	334	342	351	1 484	374	392	364	354
Wood Products	385	433	382	1 603	395	375	441	392
Paper	792	839	854	3 630	890	911	915	914
Other	559	629	648	2 478	639	563	629	647
Inter-segment sales	-535	-574	-599	-2 408	-611	-575	-616	-606
Total	**2 393**	**2 526**	**2 445**	**10 040**	**2 487**	**2 500**	**2 562**	**2 491**

OPERATIONAL EBIT BY SEGMENT

EUR million	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	67	76	73	290	53	80	78	79
Packaging Solutions	21	17	7	90	22	18	24	26
Biomaterials	43	57	84	313	81	100	59	73
Wood Products	22	33	16	81	21	22	23	15
Paper	53	43	51	77	41	6	12	18
Other	13	0	17	64	24	20	11	9
Operational EBIT	**219**	**226**	**248**	**915**	**242**	**246**	**207**	**220**
Fair valuations and non-operational items*	-14	-15	-26	378	401	-25	15	-13
Items affecting comparability	-9	37	-28	-234	-250	16	-8	8
Operating Profit (IFRS)	**196**	**248**	**194**	**1 059**	**393**	**237**	**214**	**215**
Net financial items	-35	-99	-39	-245	-33	-93	-66	-53
Profit before Tax	**161**	**149**	**155**	**814**	**360**	**144**	**148**	**162**
Income tax expense	-42	-31	-41	-31	47	-20	-25	-33
Net Profit	**119**	**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 (IAC), FAIR VALUATIONS AND NON-OPERATIONAL ITEMS

EUR million	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Impairments and reversals of intangible assets, PPE and biological assets	-6	41	-1	-266	-265	0	-1	0
Restructuring costs excluding fixed asset impairments	-3	-16	0	7	-2	16	-7	0
Disposals	0	16	-27	0	0	0	0	0
Other	0	-4	0	25	17	0	0	8
Total IAC	**-9**	**37**	**-28**	**-234**	**-250**	**16**	**-8**	**8**
Fair valuations and non-operational items	-14	-15	-26	378	401	-25	15	-13
Total	**-23**	**22**	**-54**	**144**	**151**	**-9**	**7**	**-5**

ITEMS AFFECTING COMPARABILITY (IAC) BY SEGMENT

EUR million	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	0	0	0	-2	-4	0	0	2
Packaging Solutions	-9	0	0	-8	0	0	-8	0
Biomaterials	0	0	0	-17	-20	0	0	3
Wood Products	0	0	0	0	0	0	0	0
Paper	0	37	-28	-254	-262	6	0	2
Other	0	0	0	47	36	10	0	1
IAC on Operating Profit	**-9**	**37**	**-28**	**-234**	**-250**	**16**	**-8**	**8**
IAC on tax	1	-10	-2	57	59	0	-2	0
IAC on Net Profit	**-8**	**27**	**-30**	**-177**	**-191**	**16**	**-10**	**8**
Attributable to:								
Owners of the Parent	-8	27	-29	-167	-185	16	-6	8
Non-controlling interests	0	0	-1	-10	-6	0	-4	0
IAC on Net Profit	**-8**	**27**	**-30**	**-177**	**-191**	**16**	**-10**	**8**

FAIR VALUATIONS AND NON-OPERATIONAL ITEMS* BY SEGMENT

EUR million	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	-2	-4	-2	-30	-36	2	2	2
Packaging Solutions	0	0	-1	-2	0	0	-1	-1
Biomaterials	-3	-2	-3	12	22	-2	-3	-5
Wood Products	0	0	0	-1	0	0	0	-1
Paper	0	0	0	-2	1	-1	0	-2
Other	-9	-9	-20	401	414	-24	17	-6
FV and Non-operational Items on Operating Profit	**-14**	**-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/LOSS BY SEGMENT

EUR million	Q3/16	Q2/16	Q1/16	2015	Q4/15	Q3/15	Q2/15	Q1/15
Consumer Board	65	72	71	258	13	82	80	83
Packaging Solutions	12	17	6	80	22	18	15	25
Biomaterials	40	55	81	308	83	98	56	71
Wood Products	22	33	16	80	21	22	23	14
Paper	53	80	23	-179	-220	11	12	18
Other	4	-9	-3	512	474	6	28	4
Operating Profit (IFRS)	**196**	**248**	**194**	**1 059**	**393**	**237**	**214**	**215**
Net financial items	-35	-99	-39	-245	-33	-93	-66	-53
Profit before Tax	**161**	**149**	**155**	**814**	**360**	**144**	**148**	**162**
Income tax expense	-42	-31	-41	-31	47	-20	-25	-33
Net Profit	**119**	**118**	**114**	**783**	**407**	**124**	**123**	**129**

KEY EXCHANGE RATES FOR THE EURO

One Euro is	Closing Rate		Average Rate	
	30 Sep 16	31 Dec 15	30 Sep 16	31 Dec 15
SEK	9.6210	9.1895	9.3711	9.3545
USD	1.1161	1.0887	1.1158	1.1096
GBP	0.8610	0.7340	0.8022	0.7260

TRANSACTION RISK AND HEDGES IN MAIN CURRENCIES AS AT 30 SEPTEMBER 2016

EUR million	USD	SEK	GBP
Estimated annual net operating cash flow exposure	1 080	-830	330
Transaction hedges as at 30 September 2016	-590	510	-150
Hedging percentage as at 30 September 2016 for the next 12 months	**55%**	**61%**	**45%**

Additionally there are USD hedges for 13–15 months with the nominal value of EUR 26 million.

CHANGES IN EXCHANGE RATES ON OPERATIONAL EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	108
SEK	-83
GBP	33

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 SEPTEMBER 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	-	-	-	263	263	263
Non-current loan receivables	9	-	-	-	9	9
Trade and other operative receivables	925	1	-	-	926	926
Interest-bearing receivables	70	24	34	-	128	128
Current investments and cash	781	-	-	-	781	781
Carrying Amount by Category	**1 785**	**25**	**34**	**263**	**2 107**	**2 107**

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	-	-	2 604	2 604	2 692
Current portion of non-current debt	-	-	650	650	650
Interest-bearing liabilities	3	42	543	588	588
Trade and other operative payables	21	-	1 329	1 350	1 350
Bank overdrafts	-	-	6	6	6
Carrying Amount by Category	**24**	**42**	**5 132**	**5 198**	**5 286**

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	58	-	58
Trade and other operative receivables	-	1	-	1
Available-for-sale investments	31	-	232	263
Derivative financial liabilities	-	45	-	45
Trade and other operative liabilities	-	-	21	21

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 SEPTEMBER 2016

EUR million	Q1–Q3/16	2015	Q1–Q3/15
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	104	-325	-255
Additions	3	14	0
Disposals	-11	0	0
Closing Balance	**232**	**131**	**187**

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 3.01% 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 +42 million and -42 million, respectively. A +/- 1% change in the discount rate would change the valuation by EUR -28 million and +38 million, respectively.

Stora Enso shares

TRADING VOLUME

	Helsinki		Stockholm	
	A share	R share	A share	R share
July	84 188	55 600 986	68 741	6 750 807
August	52 189	47 903 679	69 213	6 391 890
September	62 758	54 649 697	135 927	13 447 415
Total	**199 135**	**158 154 362**	**273 881**	**26 590 112**

CLOSING PRICE

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
July	8.60	8.12	82.40	77.55
August	8.60	7.92	81.00	75.90
September	8.69	7.91	83.50	76.00

AVERAGE NUMBER OF SHARES

Million	Q3/16	Q3/15	Q2/16	Q1–Q3/16	Q1–Q3/15	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	790.0	789.8	790.1	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 Q4 and full year 2016 results will be published on

3 February 2017

Stora Enso's Capital Markets Day will take place in London on 17 November 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**

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