Stora Enso
Interim Report

January–September 2018

Q3

THE RENEWABLE MATERIALS COMPANY

storaenso

Another quarter of profitable growth

Q3/2018 (compared with Q3/2017)

- Sales increased 3.0% to EUR 2 585 (2 509) million, making Q3 the seventh consecutive quarter of sales growth. The growth was primarily due to favourable prices and active product mix management. Excluding the divested Puumerkki, sales increased 4.7%.
- Operational EBIT increased 23.4% to EUR 358 (290) million, due to favourable prices and active product mix management. The operational EBIT margin was 13.8% (11.6%).
- EPS increased by 12.9% to EUR 0.27 (0.24) and EPS excl. IAC was EUR 0.31 (0.27).
- Strong cash flow from operations was EUR 457 (430) million. Cash flow after investing activities amounted to EUR 319 (283) million.
- Balance sheet continued to strengthen, and net debt was reduced by EUR 304 million. The net debt to operational EBITDA ratio improved significantly to 1.1 (1.6).
- Operational ROCE was 16.7% (13.9%), well above the strategic target of 13% for the fifth consecutive quarter.

Q1-Q3/2018 (compared with Q1-Q3/2017)

- Sales of EUR 7 828 (7 534) million increased 3.9%. Excluding the divested Puumerkki, sales increased 5.4%
- Operational EBIT of EUR 1 054 (724) million increased 45.6%, mainly due to favourable prices and active product mix management.

Transformation in Q3/2018

- Stora Enso is conducting a feasibility study and an environmental impact assessment (EIA) in order to evaluate the potential conversion of the Oulu paper mill into packaging board production.
- The investment in a new cross laminated timber (CLT) unit at the Gruvön sawmill is proceeding as planned. The production is scheduled to begin during the first quarter of 2019.
- Stora Enso is building a Competence Centre for biocomposites in Sweden.
- Stora Enso and TRÄ Group signed an agreement to develop innovative digital services for wooden buildings.

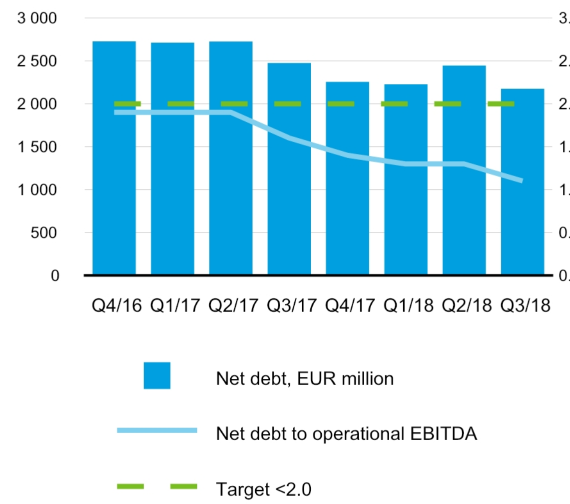
Outlook

Q4/2018 sales are estimated to be slightly higher than the amount of EUR 2 585 million recorded in the third quarter of 2018, and operational EBIT is expected to be in line with or somewhat lower than the EUR 358 million recorded in the third quarter of 2018.

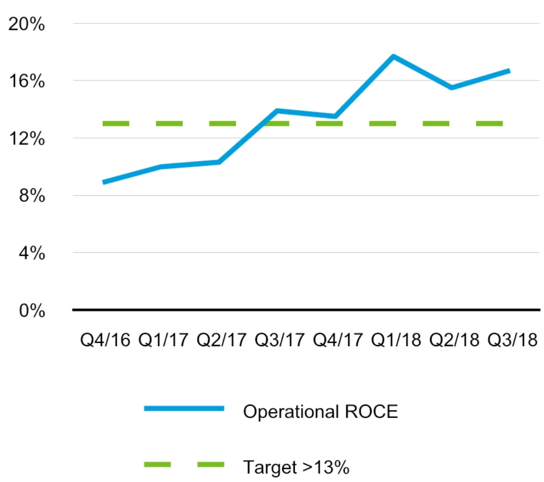
A negative EUR 10 million impact on operational EBIT in Q4 2018 is expected due to production restrictions at uncoated fine paper mill in Nymölla, Sweden. This is because water at a near by lake, which supplies the water for mill operations, is at too low a level. The impact of annual maintenance shutdowns in the fourth quarter is expected to be similar to the third quarter of 2018. These impacts are included in the above outlook.

Net debt to operational EBITDA

EUR million



Operational return on capital employed (ROCE)



Key figures

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	2 585	2 509	3.0%	2 664	-3.0%	7 828	7 534	3.9%	10 045
Operational EBITDA[1]	502	432	16.3%	466	7.8%	1 472	1 160	26.9%	1 587
Operational EBITDA margin[1]	19.4%	17.2%		17.5%		18.8%	15.4%		15.8%
Operational EBIT	358	290	23.4%	327	9.4%	1 054	724	45.6%	1 004
Operational EBIT margin	13.8%	11.6%		12.3%		13.5%	9.6%		10.0%
Operating profit (IFRS)	363	270	34.3%	317	14.3%	1 034	668	54.8%	904
Profit before tax excl. IAC	305	244	25.0%	285	7.0%	923	588	56.9%	826
Profit before tax	305	224	36.1%	257	18.6%	895	533	67.9%	742
Net profit for the period	204	191	6.7%	213	-4.3%	690	441	56.4%	614
Capital expenditure	129	149	-13.6%	126	2.3%	337	373	-9.7%	640
Capital expenditure excluding investments in biological assets	109	127	-14.4%	103	5.3%	276	309	-10.7%	560
Depreciation and impairment charges excl. IAC	122	124	-1.6%	122	0.0%	365	382	-4.5%	507
Net interest-bearing liabilities	2 172	2 476	-12.3%	2 442	-11.1%	2 172	2 476	-12.3%	2 253
Operational return on capital employed (ROCE)	16.7%	13.9%		15.5%		16.6%	11.4%		11.9%
Earnings per share (EPS) excl. IAC, EUR	0.31	0.27	13.3%	0.31	-2.2%	0.97	0.63	53.8%	0.89
EPS (basic), EUR	0.27	0.24	12.9%	0.28	-2.5%	0.90	0.57	57.7%	0.79
Return on equity (ROE)	13.0%	13.3%		13.9%		14.7%	10.0%		10.3%
Net debt/equity ratio	0.34	0.43		0.40		0.34	0.43		0.38
Net debt to last 12 months' operational EBITDA ratio[1]	1.1	1.6		1.3		1.1	1.6		1.4
Fixed costs to sales, %	23.3%	23.8%		23.5%		23.2%	24.5%		25.1%
Equity per share, EUR	8.16	7.35	11.0%	7.66	6.5%	8.16	7.35	11.0%	7.62
Average number of employees	26 545	27 001	-1.7%	26 155	1.5%	26 059	26 371	-1.2%	20 206
TRI rate[2 3]	5.0	7.5	-33.3%	5.0	0.0%	5.3	7.5	-29.3%	7.4

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

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

[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.
[2] As of January 2018 Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.
[3] Q2/18 recalculated due to additional data after the Q2/2018 Interim Report.

Deliveries and production

	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Consumer board deliveries, 1 000 tonnes	727	718	1.2%	763	-4.8%	2 213	2 104	5.2%	2 816
Consumer board production, 1 000 tonnes	730	730	0.1%	729	0.2%	2 228	2 137	4.3%	2 871
Containerboard external deliveries, 1 000 tonnes	272	256	6.1%	242	12.2%	771	749	3.0%	1 023
Containerboard production, 1 000 tonnes	345	342	1.0%	301	14.9%	981	994	-1.3%	1 333
Corrugated packaging deliveries, million m^2	260	282	-7.8%	260	0.1%	783	824	-5.0%	1 103
Market pulp external deliveries, 1 000 tonnes	476	552	-13.7%	511	-6.7%	1 484	1 609	-7.7%	2 135
Wood product deliveries, 1 000 m^3	1 242	1 207	2.9%	1 332	-6.7%	3 810	3 789	0.5%	5 097
Paper deliveries, 1 000 tonnes	1 161	1 177	-1.3%	1 137	2.1%	3 470	3 567	-2.7%	4 713
Paper production, 1 000 tonnes	1 216	1 152	5.5%	1 151	5.6%	3 545	3 513	0.9%	4 672

CEO comment

We have now delivered our seventh consecutive quarter of sales growth. With a sales increase of 3%, or close to 5% excluding the divested Puumerkki, we continue our path of sustainable profitable growth. We see the results of our active work on product mix and pricing. Despite challenges for the Consumer Board division, we are delivering a 23% increase in operational EBIT and an operational EBIT margin of almost 14%. This shows the strength of our portfolio. All things considered, operational EBIT is expected to be clearly higher in 2018 compared to 2017.

Consumer Board, Packaging Solutions, Biomaterials and Paper divisions reported sales growth. Packaging Solutions and Biomaterials divisions delivered all-time high operational EBIT. For Wood Products, it was a record high operational EBIT in a third quarter. In the quarter, Paper stands out with strong sales growth, solid profitability and cash flow.

We continue to strengthen our balance sheet and net debt/ EBITDA was reduced from 1.6 to 1.1. For the fifth consecutive quarter, operational ROCE is well above our strategic target. On the whole, the direction is right.

The pace of our transformation continues to be high. The investment in a new cross laminated timber (CLT) unit at the Gruvön sawmill is proceeding on time. We are also investing in a Biocomposite Competence Center to further accelerate the replacement of fossil-based plastics with renewable materials.

I would like to end by highlighting three things:

We have been awarded as the most startup-friendly company in Finland 2018. An example of our work with startups is a recent agreement with TRÄ Group, who has been part of our Accelerator programme. We have a joint ambition to improve the construction efficiency and increase digitalisation in the building industry. We also continue our collaboration with the start-up company Sulapac with the ambition of replacing non-renewable packaging components with renewable ones for liquid packaging applications. Our target is to launch new products by end of the first quarter of 2019.

From among 3 000 public companies, we have been ranked number 1 in Finland and number 12 globally for gender balance and gender equality. The ranking is made by Equileap, a leading organisation providing data and insights on gender equality in the corporate sector.

Finally, we are providing material to the world's largest engineered timber office building, located in Brisbane, Australia. In total, the building is using over 6 000 cubic metres of Stora Enso CLT and glulam. With this, the amount of carbon that will be stored equals the average annual emissions of more than 1 600 cars. We play an important role in driving a fossil-free future via the bioeconomy.

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 (Q3/2018)

13.8%

Operational ROCE (Q3/2018)

16.7%

(Target >13%)

Net debt to operational EBITDA

1.1

(Target <2.0)

Reconciliation of operational profitability

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Operational EBITDA[1]	**502**	**432**	**16.2%**	**466**	**7.7%**	**1 472**	**1 160**	**26.9%**	**1 587**
Depreciation and depletion of equity accounted investments (EAI)	-4	-2	-66.3%	-2	-137.4%	-7	-8	9.0%	-10
Operational decrease in the value of biological assets	-18	-16	-15.8%	-15	-20.3%	-46	-46	-1.0%	-66
Depreciation and impairment excl. IAC	-122	-124	1.6%	-122	0.0%	-365	-382	4.5%	-507
Operational EBIT	**358**	**290**	**23.3%**	**327**	**9.5%**	**1 054**	**724**	**45.6%**	**1 004**
Fair valuations and non-operational items[2]	5	0	n/m	17	-73.2%	8	-1	n/m	-16
Items affecting comparability (IAC)	0	-20	100.0%	-28	100.0%	-28	-55	49.7%	-84
Operating profit (IFRS)	**363**	**270**	**34.4%**	**317**	**14.3%**	**1 034**	**668**	**54.8%**	**904**

[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

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

Third quarter 2018 results (compared with Q3/2017)

Breakdown of change in sales Q3/2017 to Q3/2018

Sales Q3/2017, EUR million	**2 509**
Price and mix	9%
Currency	-1%
Volume	-3%
Other sales[1]	0%
Total before structural changes	5%
Structural changes[2]	-2%
Total	3%
Sales Q3/2018, EUR million	**2 585**

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

Group sales increased 3.0% or EUR 76 million to EUR 2 585 million. This was a record high for third quarter sales since 2012 and the seventh consecutive quarter of growth. Topline growth was driven by clearly higher sales prices in local currencies, as well as active mix management. This was only partly offset by lower deliveries, negative currency impact and the divestment of Puumerkki in the Wood Products division in the fourth quarter of 2017.

Operational EBIT increased 23% or EUR 68 million to EUR 358 (290) million. The operational EBIT margin improved by 2.2%-points to 13.8% (11.6%).

Clearly higher sales prices and a better mix, especially in Packaging Solutions, Biomaterials, Wood Products and Paper divisions, improved operational EBIT by EUR 210 million. The total volume impact was slightly negative, especially in Biomaterials, where a change in the maintenance sequence at Sunila Pulp Mill decreased volumes .

Variable costs continued to increase and were EUR 115 million higher, mainly due to increased pulp, wood, chemicals and logistic costs. Fixed costs increased by EUR 16 million and were impacted by the change in the maintenance sequence compared to year ago. Net foreign exchange impact decreased operational EBIT by EUR 3 million and operational result from equity accounted investments by EUR 2 million, respectively.

The planned and unplanned production downtime was 4% (7%) for paper, 5% (4%) for board, and 0% (0%) for wood products.

The average number of employees in the third quarter of 2018 was approximately 26 500 (27 000). The average number of employees in Europe was approximately 20 400 (20 200), while in China, the average number of employees was approximately 5 000 (5 700).

Fair valuations and non-operational items had a positive net impact on the operating profit of EUR 5 (nil) million. The impact came mainly from an increase in fair valuation of forests of the Nordic equity accounted investment Tornator.

Earnings per share increased by 12.9% to EUR 0.27 (EUR 0.24) and earnings per share excluding items affecting comparability (IAC) increased to EUR 0.31 (EUR 0.27), due to improved profitability.

There were no items affecting comparability (IAC) impacting operating profit in the third quarter of 2018 (negative EUR 20 million). However, there is a negative EUR 27 million IAC on income taxes. This provision is because of an ongoing dispute in Sweden concerning interest deductions for years 2013–2016.

Net financial expenses at EUR 58 million were EUR 12 million higher. Net interest expenses at EUR 34 million increased by EUR 2 million. Other net financial expenses were EUR 9 (EUR 15) million. The net foreign exchange impact in respect of cash, interest-bearing assets and liabilities and related foreign-currency hedges amounted to a loss of EUR 15 (gain of EUR 1) million, mainly due to revaluation of foreign currency debt in subsidiaries.

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

EUR million	Capital employed
30 Sep 2017	**8 323**
Capital expenditure less depreciation	72
Impairments and reversal of impairments	-6
Fair valuation of biological assets	-4
Costs related to growth of biological assets	-67
Unlisted securities (mainly PVO)	197
Equity accounted investments	92
Net liabilities in defined benefit plans	54
Operative working capital and other interest-free items, net	243
Net tax liabilities	-93
Translation difference	-194
Other changes	14
30 Sep 2018	**8 631**

The operational return on capital employed (ROCE) in the third quarter of 2018 was 16.7% (13.9%), well above the strategic target of 13% for the fifth consecutive quarter.

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

Sales increased 3.9% or EUR 294 million to EUR 7 828 million, compared to the same period a year ago. Operational EBIT increased by EUR 330 million or 46% to EUR 1 054 million and represents a margin of 13.5% (9.6%). Improved sales prices and active mix management in all divisions increased operational EBIT by EUR 621 million. Variable costs were EUR 259 million higher, especially wood costs which were negatively impacted by temporary headwinds in Nordic wood supply, as well as higher pulp, chemicals, and transportation costs. Fixed costs increased EUR 18 million despite the on-going profit improvement programme, mainly due to changed maintenance timing and investment shutdowns. The net foreign exchange impact decreased operational EBIT by EUR 32 million. The positive impact from lower depreciation was EUR 10 million and higher operational result from equity accounted investments was EUR 9 million.

Third quarter 2018 results (compared with Q2/2018)

Sales decreased by EUR 79 million, or 3.0%, to EUR 2 585 million, mainly due to seasonality and a change in the maintenance sequence. Operational EBIT increased by EUR 31 million to EUR 358 million. Improved sales prices and mix, especially in Paper, increased operational EBIT by EUR 37 million. Volumes had a EUR 12 million positive impact, mainly due to increased activity in containerboard and paper mills. Fixed costs decreased EUR 33 million, mainly due to seasonality and the profit improvement programme. Higher variable costs, driven mainly by increased pulp costs, had a negative impact of EUR 37 million. The net foreign exchange impact decreased the result by EUR 10 million and the result from equity accounted investments decreased operational EBIT by EUR 5 million.

Financing in the third quarter 2018 (compared with Q2/2018)

Capital structure

EUR million	30 Sep 2018	30 Jun 2018	31 Dec 2017	30 Sep 2017
Operative fixed assets[1]	6 544	6 417	6 554	6 441
Equity accounted investments	1 596	1 543	1 600	1 594
Operative working capital, net	1 112	1 068	729	906
Non-current interest-free items, net	-475	-447	-490	-554
Operating Capital Total	**8 777**	**8 581**	**8 393**	**8 387**
Net tax liabilities	-145	-58	-85	-64
Capital Employed	**8 631**	**8 523**	**8 308**	**8 323**
Equity attributable to owners of the Parent	6 436	6 043	6 008	5 799
Non-controlling interests	23	38	47	48
Net interest-bearing liabilities	2 172	2 442	2 253	2 476
Financing Total	**8 631**	**8 523**	**8 308**	**8 323**

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

Cash and cash equivalents net of overdrafts increased by EUR 362 million to EUR 983 million mainly as a result of solid cash flow from operations. Net debt was EUR 2 172 million, a decrease of EUR 270 million from the previous quarter.

The ratio of net debt to the last 12 months' operational EBITDA was 1.1, compared to the ratio of 1.3 at the end of the previous quarter. The net debt/equity ratio on 30 September 2018 was 0.34 (0.40). During the quarter, Fitch Ratings assigned Stora Enso Oyj an investment grade credit rating of BBB- with stable outlook highlighting Stora Enso's improved cash flow generation and strengthened balance sheet.

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

The fair value of PVO shares, accounted for as equity investment fair valued through other comprehensive income under IFRS 9, increased in the quarter by EUR 152 million to EUR 466 million. The change in the fair value was mainly driven by the increase in electricity forward prices.

Cash flow in the third quarter 2018 (compared with Q2/2018)

Operative cash flow

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Operational EBITDA[1]	502	432	16.3%	466	7.8%	1 472	1 160	26.9%	1 587
IAC on operational EBITDA	0	-20	100.0%	-28	100.0%	-28	-52	46.5%	-76
Other adjustments	-24	-5	n/m	15	-255.3%	-23	-18	-29.8%	-56
Change in working capital	-22	23	-194.6%	-97	77.5%	-379	-117	-223.7%	37
Cash Flow from Operations	**457**	**430**	**6.2%**	**357**	**28.1%**	**1 042**	**973**	**7.1%**	**1 492**
Cash spent on fixed and biological assets	-128	-138	6.9%	-125	-2.4%	-370	-401	7.8%	-658
Acquisitions of equity accounted investments	-10	-9	-7.8%	0	-100.0%	-10	-9	-7.8%	-9
Cash Flow after Investing Activities	**319**	**283**	**12.6%**	**231**	**37.8%**	**663**	**563**	**17.7%**	**825**

[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

Third quarter 2018 cash flow after investing activities was EUR 319 million. Working capital increased by EUR 22 million, mainly due to higher inventories. Cash spent on fixed and biological assets was EUR 128 million. Payments related to the previously announced provisions were EUR 4 million.

Capital expenditure

Additions to fixed and biological assets in the third quarter 2018 totalled EUR 129 million, of which EUR 109 million were fixed assets, in line with the normal annual pattern, and EUR 20 million biological assets. Depreciations and impairment charges totalled EUR 122 million. Additions in fixed and biological assets had a cash outflow impact of EUR 128 million.

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

Capital expenditure and depreciation forecast 2018

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

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

Segments in the third quarter 2018 (compared with Q3/2017)

Consumer Board division

Sales growth continues

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

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	648	639	1.4%	691	-6.3%	1 985	1 880	5.6%	2 516
Operational EBITDA[1]	101	128	-21.2%	112	-9.9%	349	358	-2.5%	477
Operational EBITDA margin[1]	15.6%	20.0%		16.2%		17.6%	19.0%		19.0%
Operational EBIT	50	86	-41.3%	65	-22.3%	207	216	-4.2%	285
Operational EBIT margin	7.8%	13.5%		9.5%		10.4%	11.5%		11.3%
Operational ROOC	10.3%	17.7%		13.1%		14.3%	14.7%		14.6%
Cash flow from operations	125	111	12.3%	100	24.1%	274	318	-13.8%	458
Cash flow after investing activities	91	62	46.1%	64	42.1%	164	145	13.3%	218
Board deliveries, 1 000 tonnes	727	718	1.2%	763	-4.8%	2 213	2 104	5.2%	2 816
Board production, 1 000 tonnes	730	730	0.1%	729	0.2%	2 228	2 137	4.3%	2 871

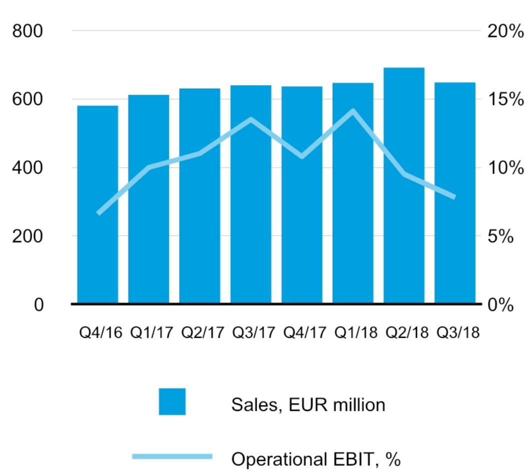
[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased slightly, 1.4% or EUR 9 million, to record high Q3 of EUR 648 million, due to slightly higher prices and volume impact, supported by the ramp-up of Beihai Mill operations.
- Operational EBIT decreased EUR 36 million to EUR 50 million. Significantly higher variable costs, especially for pulp, chemicals and wood, were only partly offset by improved sales prices and fixed costs management.
- Operational ROOC declined to 10.3%, caused by variable cost increases that have not yet been compensated for in sales prices due to multi-year contracts.
- In end of the third quarter, Stora Enso successfully rebuilt one paper machine at Imatra Mills for industrial production of micro-fibrillated cellulose (MFC) for barrier film production. The ramp-up will start during the fourth quarter.

Markets

Product	Market	Demand Q3/18 compared with Q3/17	Demand Q3/18 compared with Q2/18	Price Q3/18 compared with Q3/17	Price Q3/18 compared with Q2/18
Consumer board	Europe	Stronger	Slightly weaker	Slightly higher	Stable

Sales and operational EBIT, %



Operational ROOC

10.3%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Packaging Solutions division

Another all-time high quarter

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

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	330	318	3.8%	329	0.3%	992	921	7.7%	1 255
Operational EBITDA[1]	86	66	29.6%	73	17.2%	236	166	42.4%	240
Operational EBITDA margin[1]	25.9%	20.8%		22.2%		23.8%	18.0%		19.1%
Operational EBIT	68	48	41.6%	57	19.3%	186	112	65.7%	170
Operational EBIT margin	20.6%	15.1%		17.2%		18.7%	12.2%		13.5%
Operational ROOC	30.4%	22.4%		25.6%		27.7%	17.6%		19.6%
Cash flow from operations	67	83	-19.7%	74	-10.0%	206	167	23.2%	249
Cash flow after investing activities	43	60	-29.0%	43	-0.2%	131	117	12.3%	156
Board deliveries (external), 1 000 tonnes	272	256	6.1%	242	12.2%	771	749	3.0%	1 023
Board production, 1 000 tonnes	345	342	1.0%	301	14.9%	981	994	-1.3%	1 333
Corrugated packaging deliveries, million m^2	260	282	-7.8%	260	0.1%	783	824	-5.0%	1 103
Corrugated packaging production, million m^2	245	286	-14.2%	264	-7.2%	775	825	-6.1%	1 102

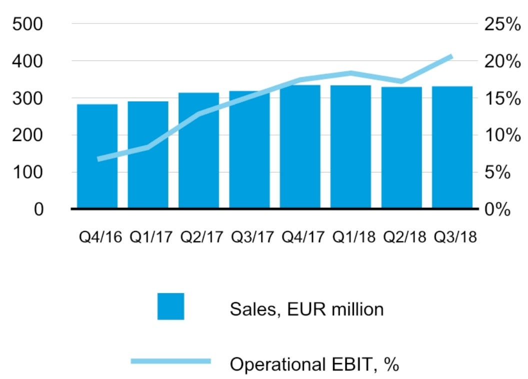
[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased 3.8%, or EUR 12 million, to a record high Q3 of EUR 330 million, driven by continued good price development and active sales mix management in the European-based operations.
- Operational EBIT increased another EUR 20 million to an all-time high of EUR 68 million. However, clearly improved sales prices and mix management in the European-based units was only partly offset by lower deliveries and higher raw material costs for Corrugated units.
- Operational ROOC also hit an all-time high level of 30.4% and significantly above the long-term target of 20%, driven by profitability.
- Stora Enso will invest EUR 9 million to upgrade and expand the corrugated packaging plant in Riga, Latvia. The project is expected to be completed in 2019.

Markets

Product	Market	Demand Q3/18 compared with Q3/17	Demand Q3/18 compared with Q2/18	Price Q3/18 compared with Q3/17	Price Q3/18 compared with Q2/18
Virgin fibre-based containerboard	Global	Stable	Slightly stronger	Significantly higher	Slightly higher
Recycled fibre based (RCP) containerboard	Europe	Stable	Slightly weaker	Significantly higher	Stable
Corrugated packaging	Europe	Stable	Slightly weaker	Higher	Stable

Sales and operational EBIT, %



Operational ROOC

30.4%

(Target: >20%)

Scheduled annual maintenance shutdowns

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

Biomaterials division

Strong pulp market continues

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

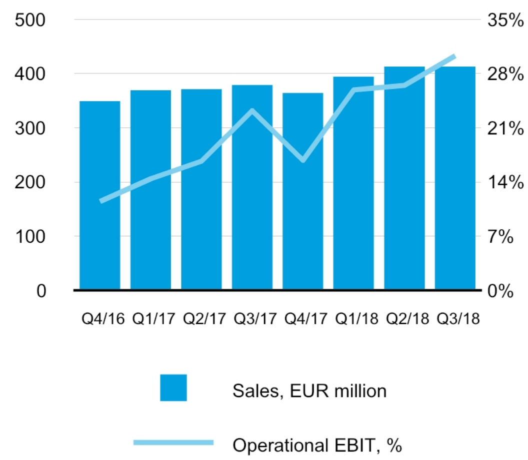
EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	413	379	9.0%	413	0.0%	1 220	1 119	9.0%	1 483
Operational EBITDA	157	124	26.3%	141	10.9%	433	314	38.0%	409
Operational EBITDA margin	37.9%	32.7%		34.1%		35.5%	28.1%		27.6%
Operational EBIT	125	88	42.0%	109	14.6%	336	203	65.6%	264
Operational EBIT margin	30.3%	23.2%		26.5%		27.6%	18.1%		17.8%
Operational ROOC	20.9%	14.8%		18.6%		18.9%	10.7%		10.5%
Cash flow from operations	120	92	29.9%	134	-11.1%	321	298	7.7%	404
Cash flow after investing activities	94	61	53.5%	109	-13.8%	247	212	16.6%	271
Pulp deliveries, 1 000 tonnes	595	666	-10.6%	614	-3.0%	1 821	1 974	-7.8%	2 597

- Sales increased 9.0% or EUR 34 million to another all-time high of EUR 413 million. Higher sales prices were only partly offset by lower sales volumes, negatively impacted mainly by maintenance at Sunila pulp mill in Finland.
- Operational EBIT was also at an all-time high level of EUR 125 million, an increase of EUR 37 million despite a maintenance shutdown at Sunila Mill reducing volumes. Higher pulp prices were only partly offset by higher variable costs.
- Operational ROOC increased to a new all-time high of 20.9%, which is clearly above the strategic target of 15%.
- Lineo™ by Stora Enso won 'Best Product Innovation' at the ICIS Innovation Awards 2018. Launched earlier this year, Lineo is a renewable replacement for oil-based phenolic materials. It is made of lignin, one of the building blocks of trees. ICIS, Independent Chemical Information Service, is the world's largest petrochemical market information provider.

Markets

Product	Market	Demand Q3/18 compared with Q3/17	Demand Q3/18 compared with Q2/18	Price Q3/18 compared with Q3/17	Price Q3/18 compared with Q2/18
Softwood pulp	Europe	Stable	Stable	Significantly higher	Slightly higher
Hardwood pulp	Europe	Stronger	Slightly weaker	Significantly higher	Stable
Hardwood pulp	China	Significantly stronger	Significantly weaker	Significantly higher	Stable

Sales and operational EBIT, %



Operational ROOC

20.9%

(Target: >15%)

Scheduled annual maintenance shutdowns

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

Wood Products division

Wood-based building continues to grow

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

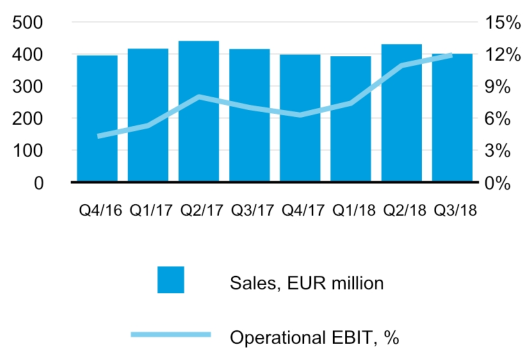
EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	400	415	-3.7%	430	-7.0%	1 223	1 271	-3.8%	1 669
Operational EBITDA	56	37	50.5%	55	1.2%	149	111	33.9%	147
Operational EBITDA margin	13.9%	8.9%		12.8%		12.2%	8.7%		8.8%
Operational EBIT	48	29	64.1%	47	1.3%	123	86	43.4%	111
Operational EBIT margin	11.9%	7.0%		10.9%		10.1%	6.8%		6.7%
Operational ROOC	31.6%	21.3%		31.7%		28.3%	21.6%		20.5%
Cash flow from operations	57	62	-8.0%	41	38.1%	109	112	-2.4%	152
Cash flow after investing activities	37	50	-26.2%	27	38.3%	57	81	-30.1%	90
Wood products deliveries, 1 000 m^3	1 207	1 169	3.2%	1 288	-6.3%	3 684	3 669	0.4%	4 926

- Sales excluding the divested Puumerkki operations increased 6.4%, or EUR 24 million, mainly due to improved sales prices and active mix management in classic sawn.
- Operational EBIT increased EUR 19 million, to a record high Q3 of EUR 48 million. Clearly better prices and mix, as well as volume growth, supported by strategic investments in Murów sawmill in Poland and Varkaus laminated veneer lumber (LVL) line in Finland, were only partly offset by higher fixed costs related to the increase in operations.
- Operational ROOC continued at a record high level of 31.6%, clearly above the strategic target of 20%.
- The investment in a new cross laminated timber (CLT) unit at the Gruvön sawmill in Sweden is proceeding as planned. Test production has started and commercial production is expected during the first quarter of 2019, as previously announced.
- Stora Enso invests EUR 7 million in building a Competence Centre for biocomposites in Sweden. The investment covers also the installation of new machinery for the milling of large fibres for biocomposites. Production is scheduled to start by the end of 2019.
- Stora Enso and the Finnish start-up TRÄ Group joined forces to develop innovative digital services for wooden buildings.
- Stora Enso and Orthex launched a new range of kitchen utensils made from biocomposite. The 98% bio-based material used to replace fossil-based plastic is made from spruce and sugarcane, and it reduces the carbon footprint of the products by up to 80%.
- Stora Enso was selected as the provider of wooden material for several new building projects around the world. In July, Balliol College in the UK started the construction of 223 student accommodation rooms. In Norway, CLT was selected for use in the Ydali Skole project, which will build a school, a daycare centre and a sports hall.
- At the 2018 London Design Festival, CLT by Stora Enso was used to form Steuart Padwick’s landmark sculpture ‘Head Above Water’. It is a 9-metre-high gender, ethnicity and age neutral installation in support of the Time to Change campaign to remove the stigma of mental illness.

Markets

Product	Market	Demand Q3/18 compared with Q3/17	Demand Q3/18 compared with Q2/18	Price Q3/18 compared with Q3/17	Price Q3/18 compared with Q2/18
Wood products	Europe	Slightly stronger	Stable	Higher	Slightly higher

Sales and operational EBIT, %



Operational ROOC

31.6%

(Target: >20%)

Paper division

Solid profitability and cash flow

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

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	779	727	7.2%	754	3.4%	2 305	2 194	5.1%	2 920
Operational EBITDA[1]	93	55	68.9%	83	12.4%	271	161	68.6%	239
Operational EBITDA margin[1]	11.9%	7.6%		11.0%		11.8%	7.3%		8.2%
Operational EBIT	65	29	125.0%	54	20.8%	189	82	130.1%	128
Operational EBIT margin	8.4%	4.0%		7.2%		8.2%	3.7%		4.4%
Operational ROOC	33.5%	16.0%		28.4%		32.9%	12.7%		14.8%
Cash flow from operations	78	24	224.2%	54	43.2%	191	157	21.7%	259
Cash flow after investing activities	65	6	n/m	43	49.0%	156	114	36.7%	160
Cash flow after investing activities to sales, %	8.3%	0.8%		5.7%		6.8%	5.2%		5.5%
Paper deliveries, 1 000 tonnes	1 161	1 177	-1.3%	1 137	2.1%	3 470	3 567	-2.7%	4 713
Paper production, 1 000 tonnes	1 216	1 152	5.5%	1 151	5.6%	3 545	3 513	0.9%	4 672

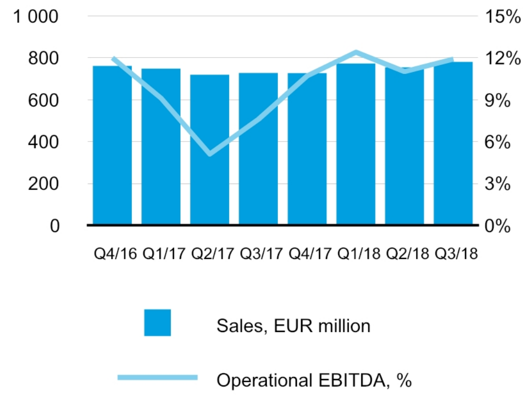
[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased 7.2%, or EUR 52 million, to EUR 779 million as clearly higher sales prices in all grades and a better mix were only partly offset by negative currency impact and slightly lower sales volumes.
- Operational EBIT increased EUR 36 million to EUR 65 million. Increased sales prices in all grades together with seasonal inventory build up were only partly offset by higher variable costs, especially due to higher pulp prices and market pulp usage.
- Cash flow after investing activities to sales ratio was 8.3% (0.8%), achieved on the back of better profitability.
- Stora Enso and the energy company Gasum will build a biogas plant at Stora Enso's Nymölla paper mill in Sweden. The plant, built and operated by Gasum will turn the mill's wastewater effluent into renewable energy. The total investment for Stora Enso is approximately EUR 5 million.

Markets

Product	Market	Demand Q3/18 compared with Q3/17	Demand Q3/18 compared with Q2/18	Price Q3/18 compared with Q3/17	Price Q3/18 compared with Q2/18
Paper	Europe	Weaker	Slightly weaker	Significantly higher	Slightly higher

Sales and operational EBITDA, %



Cash flow after investing activities to sales[1]

8.3%

(Target: >7%)

Scheduled annual maintenance shutdowns

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

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

Other

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

EUR million	Q3/18	Q3/17	Change % Q3/18-Q3/17	Q2/18	Change % Q3/18-Q2/18	Q1-Q3/18	Q1-Q3/17	Change % Q1-Q3/18–Q1-Q3/17	2017
Sales	831	593	40.1%	844	-1.6%	2 513	1 872	34.2%	2 490
Operational EBITDA[1]	11	22	-51.4%	3	256.4%	33	50	-33.2%	75
Operational EBITDA margin[1]	1.3%	3.7%		0.3%		1.3%	2.7%		3.0%
Operational EBIT	2	10	-83.1%	-5	133.9%	13	25	-46.4%	46
Operational EBIT margin	0.2%	1.7%		-0.6%		0.5%	1.3%		1.8%
Cash flow from operations	11	58	-80.6%	-48	123.5%	-59	-79	25.8%	-30
Cash flow after investing activities	-9	44	-121.1%	-54	82.8%	-92	-106	13.0%	-70

[1] Q1–Q3/2017 figures restated due to a change in the Group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI). See the chapter *Change in the operational EBITDA definition* in the beginning of the Financials section.

- Sales increased as transport and freight sales and silviculture services in Finland previously presented under other operating income were transferred to sales due to an accounting change. These are mainly internal services. The effect on external sales was EUR 14 million in the third quarter.
- Operational EBIT decreased by EUR 8 million to EUR 2 million.

Sustainability in the third quarter 2018 (compared with Q3/2017)

Safety performance

TRI rate

	Q3/18	Q3/17	Q2/18	Q1-Q3/18	Q1-Q3/17	2017	Milestone	Milestone to be reached by
TRI rate [1 2 3]	5.0	7.5	5.0	5.3	7.5	7.4	6.7	end of 2018

TRI (Total recordable incident) rate = number of incidents per one million hours worked.
[1] For own employees.
[2] As of January 2018 Stora Enso's joint operations Veracel and Montes del Plata are included in the Group's consolidated safety performance. 2017 figures restated accordingly for comparability.
[3] Q2/18 recalculated due to additional data after the Q2/2018 Interim Report.

The longer-term trend continues to move in the right direction.

Suppliers

Implementation of the Supplier Code of Conduct

	30 Sep 2018	30 Jun 2018	31 Dec 2017	30 Sep 2017	Target
% of supplier spend covered by the Supplier Code of Conduct[1]	95%	95%	95%	94%	95%

[1] Excluding joint operations, intellectual property rights, leasing fees, financial trading, and government fees such as customs, and wood purchases from private individual forest owners.

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

Human rights

During the quarter, the process of agreeing the Group's highest priority human rights was completed, one quarter earlier than planned. The Group's human rights policy was also updated and is available on storaenso.com/sustainability.

The focus is now on finalising a compliance monitoring programme. The ambition is to have this work completed by the end of the first quarter of 2019.

Forests, plantations, and land use

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

	30 Sep 2018	30 Jun 2018	31 Dec 2017	30 Sep 2017
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	3 019	3 048	3 043	3 425

At the end of the third quarter, 3 019 hectares of productive 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 29 hectares. Veracel has voluntarily reserved 16 500 hectares to support the Sustainable Settlement Initiative. At the end of 2017, the total land area owned by Veracel was 213 500 hectares, of which 75 000 hectares are planted with eucalyptus for pulp production.

Carbon dioxide

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

	Q3/18	Q3/17	Q2/18	Q1-Q3/18	Q1-Q3/17	2017	Target	Target to be reached by
Reduction of fossil CO2-e emissions per saleable tonne of pulp, paper and board (kg/t) [1 2]	-24%	-25%	-25%	-19%	-22%	-20%	-31%	end of 2030

[1] Covering direct fossil CO2-e emissions from production and indirect fossil CO2-e emissions related to purchased electricity and heat (Scope 1 and 2). Excluding joint operations.
[2] Q2/18 and year 2017 recalculated due to additional data after the Q2/2018 Interim Report.

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

Other events

In July Stora Enso was reconfirmed as FTSE4Good Index Series constituent.

In September Stora Enso signed the A4S Statement of Support by Accounting for Sustainability for better disclosure of climate risks and opportunities through the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Stora Enso also endorses the Corporate Leaders Group policy statement on net-zero strategies.

In October, Stora Enso's Sustainability Report 2017 was ranked among top ten sustainability reports globally by the World Business Council for Sustainable Development (WBCSD).

Short-term risks and uncertainties

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

With reference to current geopolitical circumstances, there is a notable risk of an escalation in protectionist measures to the extent that global trade could materially shrink. This would have major knock-on effects for inflation, business sentiment, consumer sentiment and ultimately global economic growth.

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

Other risks and uncertainties include, but are not limited to, general industry conditions, such as changes in the cost or availability of raw materials, energy and transportation costs, unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation, material disruption at one of our manufacturing facilities, risks inherent in conducting business through joint ventures, and other factors that can be found in Stora Enso's press releases and disclosures.

The high temperatures and dry weather during the summer lowered water levels in lakes and affected water treatment processes in Sweden. These can lead to increasing risk of production limitations.

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

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

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 196 million on operational EBIT for the next 12 months.

Pulp sensitivity analysis: the direct effect of a 10% increase in pulp market prices would have a positive impact of approximately EUR 135 million on operational EBIT for the next 12 months.

Chemical and filler sensitivity analysis: the direct effect of a 10% increase in chemical and filler prices would have a negative impact of approximately EUR 60 million on operational EBIT for the next 12 months.

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

Foreign exchange rates sensitivity analysis for the next twelve months: the direct effect on operational EBIT of a 10% strengthening in the value of the US dollar, Swedish krona and British pound against the euro would be about positive EUR 170 million, negative EUR 98 million and positive EUR 37 million annual impact, respectively. Weakening of the currencies would have the opposite impact. These numbers are before the effect of hedges and assuming no changes occur other than a single currency exchange rate movement.

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

Legal proceedings

Contingent liabilities

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

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

Legal proceedings in Latin America

Veracel

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

Legal proceedings in Finland

Roundwood claim

In December 2009, the Finnish Market Court fined Stora Enso for competition law infringements in the market for roundwood in Finland from 1997 to 2004. Stora Enso did not appeal against the ruling. In March 2011, Metsähallitus of Finland initiated legal proceedings against Stora Enso, UPM and Metsäliitto claiming compensation for damage allegedly suffered due to the competition infringement. In its judgement rendered in June 2016, the Helsinki District Court dismissed Metsähallitus' claim for damages against Stora Enso, UPM and Metsäliitto. Metsähallitus appealed against the District Court's judgment to the Helsinki Court of Appeal, which rendered its judgement in the matter in May 2018. In its judgement, the Court of Appeal dismissed Metsähallitus' appeal and upheld the District Court's judgement. The total amount of Metsähallitus' claim jointly and severally against Stora Enso, UPM and Metsäliitto in the Court of Appeal was approximately EUR 125 million and the secondary claim against Stora Enso was approximately EUR 68 million. The Court of Appeal's judgment is not final yet since Metsähallitus has applied for a leave of appeal from the Supreme Court. In the Supreme Court, Metsähallitus has decreased the quantum of its claims, such that the total amount of the claim against all of the defendants is approximately EUR 62 million and the secondary claim against Stora Enso is approximately EUR 37 million.

Legal proceedings in Sweden

Insurance Claim

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

Company Fine

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

Share capital and shareholdings

During the third quarter of 2018, the conversions of 13 195 A shares into R shares were recorded in the Finnish trade register. On 30 September 2018, Stora Enso had 176 327 047 A shares and 612 292 940 R shares in issue. The company did not hold its own shares. The total number of Stora Enso shares in issue was 788 619 987 and the total number votes at least 237 556 341.

Decisions of Annual General Meeting 2018

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

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

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

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

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

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

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

Decisions by the Board of Directors

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

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

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

Events after the period

The conversion of 55 A shares into R share was recorded in the Finnish trade register on 15 October 2018.

All figures in this Interim Report have been rounded to the nearest million, unless otherwise stated. Therefore, percentages and figures in this report may not add up precisely to the totals presented and may vary from previously published financial information.

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

Helsinki, 26 October 2018
Stora Enso Oyj
Board of Directors

Financials

Basis of Preparation

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

All figures in this Interim Report have been rounded to the nearest million, unless otherwise stated. Therefore, percentages and figures in this report may not add up precisely to the totals presented and may vary from previously published financial information.

Non-IFRS measures

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

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

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

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

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

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

Change in operational EBITDA definition (non-IFRS measure)

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

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

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

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

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

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

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

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

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

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

Classification changes of financial instruments

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

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

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

Figures in the comparison periods have not been restated.

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

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

The Group has adopted the modified retrospective application of IFRS 15 from 1 January 2018, without adjusting prior reporting periods. The new guidance is applied only to contracts that are not completed at the adoption date. No adjustment to the opening balance of retained earnings has been made as there are no changes in the timing of the revenue recognition. As from 1 January 2018 non-significant amounts of transport and freight sales and silviculture services previously presented under Other operating income have been reclassified to the Sales line in the Consolidated Income Statement. In Q1-Q3/2018 the amount of these items was EUR 44 million. The previous year's figures have not been restated due to immateriality.

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

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

- IFRS 16 *Leases*. This standard replaces the current guidance in IAS 17 and related interpretations and is a significant change in accounting by lessees in particular. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. In accordance IFRS 16, at inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Stora Enso will adopt IFRS 16 on 1 January 2019, using the modified retrospective approach and therefore the comparative information will not be restated. Effect of initial application of IFRS 16 is recognized in balance sheet at 1 January 2019. At transition, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates. Right-of-use assets are measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group allocates the consideration in the contract to each lease component and will separate non-lease components if these are identifiable.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group has also applied the exemption not to capitalise contracts which are ending in 2019. The Group has defined low value asset exemption to include leases in which the underlying asset is not material to Stora Enso. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term, similarly to payments for service components and certain variable lease payments.

All undiscounted operating lease commitments at the end of Q3 are EUR 628 million. In accordance with a preliminary assessment of the potential impact of implementing IFRS 16 indicates that a lease liability as of 1 January 2019 will be below this amount. It is expected that operating profit (IFRS) / operational EBIT will somewhat increase since the interest component of leasing payments will be presented in financial expenses. It is also assumed that operational EBITDA will increase, since both depreciation and interest component will be presented below EBITDA. Impact on EPS is not expected to be material. Operating cash flow will increase and financing cash flow will decrease since most of the lease payments are shown in financing cash flow, no impact to total cash flow.

Condensed consolidated income statement

EUR million	Q3/18	Q3/17	Q2/18	Q1-Q3/18	Q1-Q3/17	2017
Sales	**2 585**	**2 509**	**2 664**	**7 828**	**7 534**	**10 045**
Other operating income	19	36	28	65	94	147
Change in inventories of finished goods and WIP	58	2	-2	127	6	28
Materials and services	-1 527	-1 466	-1 530	-4 555	-4 438	-5 945
Freight and sales commissions	-232	-239	-235	-700	-729	-968
Personnel expenses	-308	-310	-358	-991	-989	-1 331
Other operating expenses	-115	-123	-153	-393	-408	-551
Share of results of equity accounted investments	25	5	42	70	35	66
Change in net value of biological assets	-20	-20	-17	-51	-52	-72
Depreciation, amortisation and impairment charges	-122	-124	-121	-365	-385	-515
Operating Profit	**363**	**270**	**317**	**1 034**	**668**	**904**
Net financial items	-58	-46	-60	-139	-135	-162
Profit before Tax	**305**	**224**	**257**	**895**	**533**	**742**
Income tax	-101	-33	-44	-205	-92	-128
Net Profit for the Period	**204**	**191**	**213**	**690**	**441**	**614**
Attributable to:						
Owners of the Parent	214	191	221	709	451	625
Non-controlling interests	-10	0	-8	-19	-10	-11
Net Profit for the Period	**204**	**191**	**213**	**690**	**441**	**614**
Earnings per Share						
Basic earnings per share, EUR	0.27	0.24	0.28	0.90	0.57	0.79
Diluted earnings per share, EUR	0.27	0.24	0.28	0.90	0.57	0.79

Consolidated statement of comprehensive income

EUR million	Q3/18	Q3/17	Q2/18	Q1-Q3/18	Q1-Q3/17	2017
Net profit/loss for the period	204	191	213	690	441	614
Other Comprehensive Income (OCI)						
Items that will Not be Reclassified to Profit and Loss						
Equity instruments at fair value through other comprehensive income	151	0	12	155	0	0
Actuarial gains and losses on defined benefit plans	-4	4	0	-4	4	61
Income tax relating to items that will not be reclassified	1	-1	0	0	-1	-10
	148	**3**	**12**	**151**	**3**	**51**
Items that may be Reclassified Subsequently to Profit and Loss						
Share of OCI of EAIs that may be reclassified	1	0	1	3	3	5
Currency translation movements on equity net investments (CTA)	17	-59	24	-69	-228	-288
Currency translation movements on non-controlling interests	-1	-2	0	-1	-4	-3
Net investment hedges	-3	11	-16	-11	36	40
Cash flow hedges	18	3	-28	-45	27	32
Cost of hedging - time value of options	1	0	-2	-1	0	0
Non-controlling interests' share of cash flow hedges	-1	0	0	-1	0	0
Available-for-sale investments	0	37	0	0	1	39
Income tax relating to items that may be reclassified	-5	0	10	11	-7	-10
	27	**-10**	**-11**	**-114**	**-172**	**-185**
Total Comprehensive Income	**379**	**184**	**214**	**727**	**272**	**480**
Attributable to:						
Owners of the Parent	391	186	222	748	286	494
Non-controlling interests	-12	-2	-8	-21	-14	-14
Total Comprehensive Income	**379**	**184**	**214**	**727**	**272**	**480**

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

Condensed consolidated statement of financial position

EUR million		30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets				
Goodwill	O	238	237	237
Other intangible assets	O	246	229	173
Property, plant and equipment	O	5 113	5 310	5 282
		5 596	**5 776**	**5 692**
Biological assets	O	444	448	458
Emission rights	O	30	12	15
Equity accounted investments	O	1 596	1 600	1 594
Listed securities	I	17	21	25
Unlisted securities	O	474	318	276
Non-current loan receivables	I	55	55	54
Deferred tax assets	T	81	154	154
Other non-current assets	O	46	50	48
Non-current Assets		**8 339**	**8 434**	**8 316**
Inventories	O	1 503	1 321	1 331
Tax receivables	T	10	9	10
Operative receivables	O	1 453	1 319	1 325
Interest-bearing receivables	I	54	80	70
Cash and cash equivalents	I	1 005	607	418
Current Assets		**4 025**	**3 336**	**3 154**
Total Assets		**12 364**	**11 770**	**11 470**
Equity and Liabilities				
Owners of the Parent		6 436	6 008	5 799
Non-controlling Interests		23	47	48
Total Equity		**6 459**	**6 055**	**5 847**
Post-employment benefit provisions	O	386	377	444
Other provisions	O	102	111	110
Deferred tax liabilities	T	143	166	175
Non-current debt	I	2 243	2 046	2 092
Other non-current operative liabilities	O	34	52	48
Non-current Liabilities		**2 907**	**2 752**	**2 869**
Current portion of non-current debt	I	425	370	389
Interest-bearing liabilities	I	613	596	557
Bank overdrafts	I	21	4	5
Other provisions	O	16	23	28
Other operative liabilities	O	1 828	1 888	1 722
Tax liabilities	T	93	82	53
Current Liabilities		**2 997**	**2 963**	**2 754**
Total Liabilities		**5 904**	**5 715**	**5 623**
Total Equity and Liabilities		**12 364**	**11 770**	**11 470**

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-Q3/18	Q1-Q3/17
Cash Flow from Operating Activities		
Operating profit	1 034	668
Hedging result from OCI	0	-3
Adjustments for non-cash items	387	422
Change in net working capital	-379	-117
Cash Flow Generated by Operations	**1 042**	**970**
Net financial items paid	-99	-166
Income taxes paid, net	-124	-74
Net Cash Provided by Operating Activities	**819**	**730**
Cash Flow from Investing Activities		
Acquisitions of equity accounted investments	-10	-9
Acquisitions of unlisted securities	0	-8
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	40	4
Proceeds from disposal of shares in equity accounted investments	0	6
Proceeds from disposal of unlisted securities	1	0
Proceeds and advances from disposal of intangible assets and property, plant and equipment	7	43
Income taxes paid on disposal of property	0	-15
Capital expenditure	-370	-401
Proceeds from non-current receivables, net	3	-45
Net Cash Used in Investing Activities	**-330**	**-425**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	568	424
Repayment of long-term debt	-331	-1 007
Change in short-term borrowings	-17	54
Dividends paid	-323	-292
Equity injections from, less dividends to, non-controlling interests	-2	0
Purchase of own shares[1]	-5	-3
Net Cash Provided by Financing Activities	**-111**	**-824**
Net Change in Cash and Cash Equivalents	**378**	**-519**
Translation adjustment	2	-17
Net cash and cash equivalents at the beginning of period	603	949
Net Cash and Cash Equivalents at Period End	**983**	**413**
Cash and Cash Equivalents at Period End	**1 005**	**418**
Bank Overdrafts at Period End	**-21**	**-5**
Net Cash and Cash Equivalents at Period End	**983**	**413**
Disposals		
Cash and cash equivalents	1	0
Other intangible assets, property, plant and equipment and biological assets	37	0
Working capital	-1	0
Non-controlling interests	-1	0
Net Assets in Divested Companies	**37**	**0**
Gain on sale, excluding CTA release and transaction costs	4	0
Total Disposal Consideration	**41**	**0**
Cash part of consideration	41	0
Total Disposal Consideration	**41**	**0**
Cash Received Regarding Previous Year Disposals	**0**	**4**

[1] Own shares purchased for the Group's share award programme. The Group did not hold any of its own shares at 30 September 2018.

Statement of changes in equity

					Fair Valuation Reserve									
EUR million	Share Capital	Share Premium and Reserve fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Equity invest-ments through OCI	Available-for-Sale Invest-ments	Cash Flow Hedges	OCI of Equity Accounted Invest-ments	CTA and Net Investment Hedges	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 31 December 2016	**1 342**	**77**	**633**	**-**	**4**	**-**	**162**	**-11**	**-19**	**-32**	**3 650**	**5 806**	**62**	**5 868**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	451	451	-10	441
OCI before tax	-	-	-	-	-	-	1	27	3	-192	4	-157	-4	-161
Income tax relating to components of OCI	-	-	-	-	-	-	4	-4	-	-7	-1	-8	-	-8
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**23**	**3**	**-199**	**454**	**286**	**-14**	**272**
Dividend	-	-	-	-	-	-	-	-	-	-	-292	-292	-	-292
Purchase of treasury shares	-	-	-	-3	-	-	-	-	-	-	-	-3	-	-3
Share-based payments	-	-	-	3	-	-	-	-	-	-	-1	2	-	2
Balance at 30 September 2017	**1 342**	**77**	**633**	**-**	**4**	**-**	**167**	**12**	**-16**	**-231**	**3 811**	**5 799**	**48**	**5 847**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	174	174	-1	173
OCI before tax	-	-	-	-	-	-	38	5	2	-56	57	46	1	47
Income tax relating to components of OCI	-	-	-	-	-	-	-	-2	-	-1	-9	-12	-	-12
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**3**	**2**	**-57**	**222**	**208**	**0**	**208**
Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-1	-1
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	1	1	-	1
Balance at 31 December 2017	**1 342**	**77**	**633**	**-**	**4**	**-**	**205**	**15**	**-14**	**-288**	**4 034**	**6 008**	**47**	**6 055**
Adoption of IFRS 2 and IFRS 9[1]						205	-205				8	8		8
Balance at 1 January 2018	**1 342**	**77**	**633**	**-**	**4**	**205**	**-**	**15**	**-14**	**-288**	**4 042**	**6 016**	**47**	**6 063**
Profit/loss for the period	-	-	-	-	-	-	-	-	-	-	709	709	-19	690
OCI before tax	-	-	-	-	-	155	-	-47	3	-80	-4	28	-2	26
Income tax relating to components of OCI	-	-	-	-	-	1	-	9	-	2	-1	11	-	11
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**156**	**-**	**-37**	**3**	**-78**	**704**	**748**	**-21**	**727**
Dividend	-	-	-	-	-	-	-	-	-	-	-323	-323	-3	-326
Purchase of treasury shares	-	-	-	-5	-	-	-	-	-	-	-	-5	-	-5
Share-based payments	-	-	-	5	-	-	-	-	-	-	-5	0	-	0
Balance at 30 September 2018	**1 342**	**77**	**633**	**-**	**4**	**361**	**-**	**-22**	**-11**	**-366**	**4 418**	**6 436**	**23**	**6 459**

[1] See Basis of Preparation relating to new and amended standards applied to annual periods beginning in January 2018.

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

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

EUR million	Q1-Q3/18	Q1-Q3/17	2017
Carrying value at 1 January	6 224	6 518	6 518
Additions in tangible and intangible assets	276	309	560
Additions in biological assets	61	64	80
Costs related to growth of biological assets	-46	-46	-66
Disposals	-10	-11	-12
Disposals of subsidiary companies	-30	0	-3
Depreciation and impairment	-365	-385	-515
Fair valuation of biological assets	-5	-6	-6
Translation difference and other	-65	-293	-332
Statement of Financial Position Total	**6 040**	**6 150**	**6 224**

Borrowings

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Bond loans	1 499	1 364	1 352
Loans from credit institutions	1 162	1 054	1 029
Finance lease liabilities	1	53	29
Other non-current liabilities	6	10	6
Non-current Debt including Current Portion	**2 668**	**2 481**	**2 416**
Short-term borrowings	498	479	525
Interest payable	38	36	35
Derivative financial liabilities	77	42	36
Bank overdrafts	21	5	4
Total Interest-bearing Liabilities	**3 302**	**3 043**	**3 016**

EUR million	Q1-Q3/18	Q1-Q3/17	2017
Carrying value at 1 January	3 016	3 774	3 774
Proceeds of new long-term debt	568	424	425
Repayment of long-term debt	-331	-1 007	-1 034
Change in short-term borrowings and interest payable	-24	9	54
Change in derivative financial liabilities	41	-15	-21
Translation differences and other	32	-142	-182
Total Interest-bearing Liabilities	**3 302**	**3 043**	**3 016**

Commitments and contingencies

EUR million	30 Sep 2018	31 Dec 2017	30 Sep 2017
On Own Behalf			
Mortgages	2	2	6
Operating leases, in next 12 months	91	81	81
Operating leases, after next 12 months	537	644	654
Pension liabilities	0	0	1
Other commitments	7	6	6
On Behalf of Equity Accounted Investments			
Guarantees	4	4	4
On Behalf of Others			
Guarantees	24	26	31
Other commitments	14	0	0
Total	**679**	**763**	**783**
Mortgages	2	2	6
Guarantees	28	30	35
Operating leases	628	725	735
Pension liabilities	0	0	1
Other commitments	21	6	6
Total	**679**	**763**	**783**

Capital Commitments

EUR million	30 Sep 2018	31 Dec 2017	30 Sep 2017
Total	**118**	**152**	**128**

The Group's direct capital expenditure contracts include the Group's share of direct capital expenditure contracts in joint operations.

Sales by segment

EUR million	Q3/18	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	648	691	646	2 516	636	639	630	611
Packaging Solutions	330	329	333	1 255	334	318	313	290
Biomaterials	413	413	394	1 483	364	379	371	369
Wood Products	400	430	393	1 669	398	415	440	416
Paper	779	754	772	2 920	726	727	719	748
Other	831	844	838	2 490	618	593	628	651
Inter-segment sales	-815	-797	-797	-2 288	-565	-562	-573	-588
Total	**2 585**	**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

Disaggregation of revenue

EUR million	Q3/18	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Product sales	2 550	2 626	2 547	9 957	2 489	2 486	2 507	2 475
Service sales[1]	35	38	32	88	22	23	21	22
Total	**2 585**	**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

Sales comprise mainly sales of products and are typically recognised at a point in time when Stora Enso transfers control of products to a customer.
[1] As from 1 January 2018, transport and freight sales and silviculture services in Finland previously presented under other operating income are presented in sales. In Q1-Q3/18, the amount of the external sales items was EUR 44 million at Group level, in addition to the internal service sales eliminations. The previous periods have not been restated due to immateriality.

Product and Service sales by segment

EUR million		Q3/18	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	Product sales	645	688	643	2 505	633	636	628	608
	Service sales	3	3	3	11	3	3	2	3
Packaging Solutions	Product sales	329	328	332	1 251	333	317	312	289
	Service sales	1	1	1	4	1	1	1	1
Biomaterials	Product sales	407	407	387	1 453	357	371	364	361
	Service sales	6	6	7	30	7	8	7	8
Wood Products	Product sales	399	429	392	1 667	398	415	439	415
	Service sales	0	1	1	2	0	0	1	1
Paper	Product sales	773	748	767	2 910	724	726	716	744
	Service sales	5	7	5	10	2	1	3	4
Other	Product sales	579	587	599	2 240	551	528	566	595
	Service sales	252	257	239	250	67	65	62	56
Inter-segment sales	Product sales	-582	-562	-573	-2 069	-507	-507	-518	-537
	Service sales	-232	-236	-224	-219	-58	-55	-55	-51
Total		**2 585**	**2 664**	**2 579**	**10 045**	**2 511**	**2 509**	**2 528**	**2 497**

Operational EBIT by segment

EUR million	Q3/18	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	50	65	91	285	69	86	69	61
Packaging Solutions	68	57	61	170	58	48	40	24
Biomaterials	125	109	102	264	61	88	62	53
Wood Products	48	47	29	111	25	29	35	22
Paper	65	54	69	128	46	29	11	42
Other	2	-5	17	46	21	10	2	13
Operational EBIT	**358**	**327**	**369**	**1 004**	**280**	**290**	**219**	**215**
Fair valuations and non-operational items[1]	5	17	-14	-16	-15	0	-6	5
Items affecting comparability	0	-28	0	-84	-29	-20	-8	-27
Operating Profit (IFRS)	**363**	**317**	**355**	**904**	**236**	**270**	**205**	**193**
Net financial items	-58	-60	-22	-162	-27	-46	-60	-29
Profit before Tax	**305**	**257**	**333**	**742**	**209**	**224**	**145**	**164**
Income tax expense	-101	-44	-60	-128	-36	-33	-2	-57
Net Profit	**204**	**213**	**273**	**614**	**173**	**191**	**143**	**107**

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

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

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

Items affecting comparability (IAC) by segment

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

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

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

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

Operating profit/loss by segment

EUR million	Q3/18	Q2/18	Q1/18	2017	Q4/17	Q3/17	Q2/17	Q1/17
Consumer Board	50	65	90	253	70	66	60	57
Packaging Solutions	68	56	60	166	58	48	40	20
Biomaterials	123	106	101	254	61	84	60	49
Wood Products	48	47	28	102	17	29	35	21
Paper	65	58	70	106	42	29	11	24
Other	9	-16	6	23	-12	14	-1	22
Operating Profit (IFRS)	**363**	**317**	**355**	**904**	**236**	**270**	**205**	**193**
Net financial items	-58	-60	-22	-162	-27	-46	-60	-29
Profit before Tax	**305**	**257**	**333**	**742**	**209**	**224**	**145**	**164**
Income tax expense	-101	-44	-60	-128	-36	-33	-2	-57
Net Profit	**204**	**213**	**273**	**614**	**173**	**191**	**143**	**107**

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
SEK	10.3090	9.8438	10.2365	9.6369
USD	1.1576	1.1993	1.1949	1.1293
GBP	0.8873	0.8872	0.8839	0.8761

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

EUR million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 700	-980	370
Transaction hedges as at 30 September 2018	-840	620	-180
Hedging percentage as at 30 September 2018 for the next 12 months	**49%**	**63%**	**49%**

For the next 13–21 months, 19% of the estimated exposure in SEK is hedged.

Changes in exchange rates on Operational EBIT

Operational EBIT: Currency Strengthening of + 10%	EUR million
USD	170
SEK	-98
GBP	37

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

Fair Values of Financial Instruments

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

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

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

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

EUR million	Amortised cost	Fair value through OCI	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Assets						
Listed securities	-	17	-	-	17	17
Unlisted securities	-	466	8	-	474	474
Non-current loan receivables	55	-	-	-	55	55
Trade and other operative receivables	1 075	40	-	-	1 115	1 115
Interest-bearing receivables	6	-	5	43	54	54
Cash and cash equivalents	1 005	-	-	-	1 005	1 005
Total	**2 141**	**524**	**13**	**43**	**2 720**	**2 720**

EUR million	Amortised cost	Fair value through Income Statement	Hedge accounted derivatives	Total carrying amount	Fair value
Financial Liabilities					
Non-current debt	2 243	-	-	2 243	2 518
Current portion of non-current debt	425	-	-	425	425
Interest-bearing liabilities	534	5	73	613	613
Trade and other operative payables	1 506	21	-	1 527	1 527
Bank overdrafts	21	-	-	21	21
Total	**4 730**	**26**	**73**	**4 830**	**5 105**

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

EUR million	Level 1	Level 2	Level 3	Total
Listed securities	17	-	-	17
Unlisted securities	-	-	474	474
Trade and other operative receivables	-	40	-	40
Derivative financial assets	-	48	-	48
Total financial assets	**17**	**88**	**474**	**579**
Trade and other operative liabilities	-	-	21	21
Derivative financial liabilities	-	78	-	78
Total financial liabilities	**-**	**78**	**21**	**99**

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

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

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

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

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

EUR million	Q1-Q3/18	2017	Q1-Q3/17
Financial assets			
Opening balance at 1 January	318	253	253
Gains/losses recognised in income statement	-2	-2	-2
Gains/losses recognised in other comprehensive income	158	60	18
Additions	0	7	7
Disposals	-1	0	0
Closing Balance	**474**	**318**	**276**

EUR million	Q1-Q3/18	2017	Q1-Q3/17
Financial liabilities			
Opening balance at 1 January	20	23	23
Gains/losses recognised in income statement	1	-3	-3
Closing Balance	**21**	**20**	**20**

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 3.84% 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 +69 million and -69 million, respectively. A +/- 1%-point change in the discount rate would change the valuation by EUR -80 million and +143 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
July	333 710	53 575 041	290 856	10 452 651
August	150 987	44 571 232	191 768	7 457 174
September	85 995	39 416 207	131 236	5 350 238
Total	**570 692**	**137 562 480**	**613 860**	**23 260 063**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
July	15.30	14.14	155.50	145.70
August	16.55	16.04	175.50	170.50
September	16.75	16.48	173.00	170.00

Average number of shares

Million	Q3/18	Q3/17	Q2/18	Q1-Q3/18	Q1-Q3/17	2017
Periodic	788.6	788.6	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6	788.6	788.6
Cumulative, diluted	789.7	789.9	789.8	789.9	789.9	790.0

Calculation of key figures

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

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

List of non-IFRS measures

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

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Stora Enso's Q4 and full year results 2018 will be published on

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